

Responses from Greg Johnson with Ehlers, Public Financial Advisors

What happens if all TIDs exceed 12%? Can you amend the boundaries or are you locked in until you close the TID?

- If the incremental value of all TID's exceeds 12% of the City's total equalized value no new TID's can be created or territory added to an existing district unless territory is subtracted from an existing district, or an existing district is closed to get under the 12% limit. Subtraction of territory could negatively impact the financial performance of an existing district and if a district has a negative fund balance at the time of TID closure the City needs to absorb that deficit. Subtractions and TID closures need to be evaluated carefully.

What are other communities doing for developer's incentives? East Troy is doing 50% and Elkhorn is doing 55%. What is the average? 90% is too high.

- Evaluating the percentage of increment offered as an incentive is only one component of evaluating a TIF assistance package. The first and most important step is to determine if the TIF assistance is the appropriate amount. Ehlers begins by working with the developer to obtain their financial information for the project. We also send the proforma and plans to the Assessor to get a value estimate, which is used to estimate TIF and property taxes. We enter the developer's financial information into Ehlers' proprietary proforma model. The model allows us to benchmark the investment returns for the project. Typical investment metrics are: Internal Rate of Return, Yield on Cost, Cash on Cash, and Equity Multiple. Different investors and banks sometimes focus on one or the other, or all of these, when looking to invest or finance a project.

If requested we negotiate with the developer, with the coordination and consent of the municipality, to provide the development the minimum amount of TIF or public support needed to finance the project. An assistance 'lookback' is often incorporated into the terms which allows the municipality to right-size the assistance after the project is occupied/stabilized and all revenue, expenses, interest rates, and costs are known. The delta between the developer's request for public assistance and the amount ultimately provided can result in a substantial savings to the municipality. After terms are agreed upon, Ehlers works collaboratively with the municipality and their attorney to draft a development/TIF agreement. Developers need to make money on projects. We work to make sure projects are financeable and developers have a fair market return and an upside, but developers often request more than what is needed to get a project

done. Reasonable developer financial returns are often a range, and an exact number for assistance is not always the answer. Ehlers works on each project to determine the community goals the project will fill, and if the need is greater, the municipality may go further in the range of assistance determined. Each project has these considerations.

The percentage of increment offered can depend on the overall goals of a TID. If a TID is smaller and a specific development encompasses most of the district, and there are no other significant costs in the district expected besides the development incentive, paying a higher percentage of the increment could allow the district to close earlier. If a district is anticipated to pay an incentive and has debt service outstanding a smaller percentage payable to the developer may be needed to help support additional costs. Percentage of increment paid often varies for each TID and different developments due to many factors. Determining the amount of the assistance and how it is paid is just as important.

The paper says the goal for completion of the project is 5 years and we can expect to add another 682 students to the district. I understand they get funding on a per pupil basis but if they needed to build another school that funding would come from the community, right?

- If a new school is constructed all taxpayers contribute to the cost of school construction. The tax rate paid by properties in a TID is the same as properties outside of a TID.