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Community Development Department

312 W. Whitewater St.
Whitewater, WI 53190

Community Development Authority

Meeting Date: February 19, 2026

Agenda Item: Response to Public Questions Regarding Use of Tax Increment Financing (TIF)

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BACKGROUND

At the Community Development Authority (CDA) meeting held January 15, 2026, members of the public raised several questions regarding the City of Whitewater's use of Tax Increment Financing (TIF) as an economic development and redevelopment tool. The questions focused on the typical level of TIF assistance provided, who initiates requests for TIF support, whether TIF obligations can be paid off early to reduce interest costs, and how the use of TIF benefits taxpayers.

This memorandum is intended to provide factual background, policy context, and plain-language explanations to assist the CDA and the public in understanding how TIF is used in Wisconsin generally and in Whitewater specifically. TIF has existed in Wisconsin for 50 years and remains one of the primary tools for local communities authorized under state law to remediate blight, support infrastructure, and enable development that would not otherwise occur "but for" the use of tax incremental financing.

HISTORIC CONTEXT: TIF IN WISCONSIN

Wisconsin adopted Tax Increment Financing in 1975 as a redevelopment tool to help communities address blighted areas, obsolete industrial sites, and underutilized properties. The TIF statute has been amended over time to expand eligible uses, establish maximum district lifespans, and strengthen financial accountability requirements.

Key elements of Wisconsin's TIF framework include:

- A statutory requirement that development would not occur "but for" the use of TIF
- Defined maximum lifespans for districts, generally 20 to 27 years depending on district type
- Annual reporting to the Wisconsin Department of Revenue
- Annual review by a Joint Review Board consisting of representatives from all the associated taxing jurisdictions as well as one citizen-member
- Closure of districts once project costs are paid
- Some TIF reforms are currently being considered by the state legislature, including potential creation of a new type of TIF specifically for developer financed housing

TIF has since become a widely used economic development tool across Wisconsin, supporting downtown redevelopment, industrial parks, housing development, and infrastructure investments while maintaining transparency and taxpayer protections.

QUESTIONS AND RESPONSES

1. What is the average level of assistance for TIF projects?

There is no single statewide database that tracks average TIF assistance levels across all municipalities or projects in Wisconsin. Each TIF district and each development agreement is unique, reflecting site conditions, market feasibility, infrastructure needs, and the projected tax increment generated by the project.

However, the City's municipal financial advisor, Ehlers, has provided the following professional perspective based on their experience advising communities across Wisconsin:

"We don't have a way to aggregate the data on Ehlers-involved TIF assistance or number of requests. We're also not aware that the State has any of that data. What we can offer is that the average assistance is 5-15 years of TIF at 60-90% of the increment generated annually. But, we'd stress that each project is different and that is why we 'do the math'. Some need more or less than those averages."

— Schane Rudlang, Ehlers

I can add that in my professional experience, I have previously reached out to the Wisconsin Economic Development Association (WEDA), and they also expressed they do not have statewide data on statewide levels of assistance. A general rule of thumb for TIF assistance is that it should cover no more than 10-15% of project costs, or up to 20% for extraordinary or high-priority projects.

In practice, this means that TIF assistance is typically calibrated to the *minimum amount necessary* to make a project financially feasible, consistent with the statutory "but-for" test required under Wisconsin law (Wis. Stat. § 66.1105). Whitewater follows this same principle by reviewing project pro formas, development costs, and projected increment to ensure assistance is proportionate and justified.

2. Who typically makes the request for TIF assistance?

Requests for TIF assistance are typically initiated by the developer or property owner proposing a project within a Tax Increment District (or before creation of a new TID). In most cases, this occurs after the developer has evaluated the site and identified a financial gap caused by extraordinary costs such as:

- Environmental remediation or demolition
- Extension or upsizing of public infrastructure
- Site engineering constraints
- Market conditions that limit achievable rents or sale prices, which may include projected rental or sale prices, construction costs, interest rates, etc

City staff do not proactively offer TIF as an entitlement. Instead, staff evaluate requests when they are brought forward, applying statutory requirements, City policy direction, and financial analysis. Staff work with Ehlers to review these requests. Any TIF assistance agreement ultimately requires review and approval by the CDA and the Common Council at public meetings.

3. Can the City pay off a TIF agreement early to save on interest?

Yes. Wisconsin law allows municipalities to retire TIF project costs and close Tax Incremental Districts early when sufficient increment has been generated to pay eligible costs. If debt has been issued to fund public improvements or development incentives, the City may have the option—subject to the specific bond or note terms—to refinance or prepay that debt to reduce interest expense.

In Whitewater, the City has historically emphasized conservative TIF management, including:

- Monitoring increment performance annually, which is also reviewed in an annual Joint Review Board meeting, as required by state statute
- Using “pay-as-you-go” development agreements when feasible, which avoid issuing debt and associated interest costs
- Consideration of closing TIDs as soon as project costs are paid, returning the full tax base to overlapping taxing jurisdictions

Early payoff and closure can reduce long-term interest costs and accelerate the return of value to the tax rolls.

4. How does the use of TIF benefit taxpayers?

When used appropriately, TIF benefits taxpayers in several important ways:

- **No increase in tax rates:** TIF does not raise property tax rates. It reallocates the *growth* in property tax value within a district to pay for eligible improvements or development costs.
- **Enables development that would not otherwise occur:** By addressing financial gaps, TIF helps catalyze projects that expand the tax base beyond its pre-development value.
- **Long-term tax base growth:** Once a TID is closed, the full increased value is shared by all taxing jurisdictions, including the City, School District, County, and Technical College.
- **Reduces pressure on general revenues:** Infrastructure and redevelopment costs funded through TIF do not rely on the City’s general fund or existing taxpayers.

In effect, TIF allows future value created by a project to pay for the public costs needed to make that project possible, aligning costs with benefits over time.



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In conclusion, TIF remains a valuable tool for communities like Whitewater, and allows development to happen that would not otherwise occur in this city. The CDA and City should continue working with Ehlers in reviewing each TIF request on an as-needed basis, based on the individual merits of each project, to ensure responsible use of this economic and community development resource.

This memo is provided only for informational purposes. No action is required by the CDA board.