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To: Common Council and CDA
From: John Weidl, City Manager
Date: February 11, 2025
Subject: Analysis of Mukwonago's TIF-Funded Development Agreement for 915 Main (Pointe Apartments)

Executive Summary

The Mukwonago development agreement for 915 Main (Pointe Apartments, LLC) provides another key regional comparison for Whitewater's use of Tax Increment Financing (TIF) in multifamily housing development. This agreement further confirms that TIF is a necessary tool for enabling large-scale residential projects, particularly when the upfront infrastructure or development costs would otherwise make them infeasible.

However, Mukwonago's TIF funding model differs significantly from Whitewater's approach. In this case, Mukwonago borrowed funds to make milestone-based payouts to the developer upfront, using future tax increment revenue to repay itself over time. This is a more aggressive TIF financing strategy than what Whitewater employs, as it carries greater municipal financial exposure until the development produces sufficient tax revenue.

By contrast, Whitewater's TIF structure is more conservative, as it ties payments directly to the actual generation of tax increment rather than relying on municipal borrowing to fund developer incentives upfront. This ensures Whitewater never pays out more than what is collected in TIF revenue, reducing financial risk while still maintaining a competitive incentive structure.

Key Takeaways from the Mukwonago Development Agreement

1. TIF Was Necessary to Make the Project Viable

The agreement makes clear that the project would not have proceeded without TIF assistance, as the financial feasibility and environmental remediation depended on municipal support.

The development includes multifamily housing and public infrastructure improvements, reinforcing the principle that TIF is commonly used for residential projects in Wisconsin.

2. Mukwonago Borrowed Funds to Pay the Developer Before Tax Increment Was Generated

Instead of waiting for tax increment to accumulate, Mukwonago issued debt to fund milestone-based payouts to the developer.

The municipality will recoup these costs over time through future TIF revenues, but in the interim, the city carries financial exposure.

If the development fails to generate expected revenue, Mukwonago could face a budget shortfall unless additional protections are in place.

3. Infrastructure and Public Improvements Were Still Developer-Funded

The developer was responsible for installing and funding public improvements, including:

Stormwater management systems

A multi-use public trail

Erosion control and environmental mitigation measures

Once completed, these improvements were dedicated to the municipality, ensuring long-term public benefit without direct city funding.

4. Whitewater's TIF Structure is More Financially Conservative

Unlike Mukwonago, Whitewater does not borrow upfront to pay developers—instead, TIF funds are disbursed only as they are generated.

Whitewater's tiered reimbursement structure (85% for 10 years, then 60%) ensures that:

The city never overcommits funds it does not yet have.

Developers remain incentivized to complete their projects successfully.

Whitewater maintains financial stability while still supporting growth.

This minimizes financial risk, ensuring the city is never left covering incentive payouts from its general budget.

Implications for Whitewater's TIF Strategy

1. Whitewater's TIF Model is More Fiscally Prudent

While Mukwonago front-loaded its TIF incentives using borrowed funds, Whitewater only pays out from actual TIF revenue collected.

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This means Whitewater assumes no financial liability if a development underperforms—a significant safeguard Mukwonago does not have.

2. TIF is a Standard and Necessary Tool for Multifamily Housing

Mukwonago's agreement reinforces the fact that multifamily housing often requires TIF to be financially feasible.

Claims that TIF is not commonly used for residential projects are directly contradicted by this agreement.

3. Infrastructure Cost Offsets Are Expected in Development Agreements

Like Whitewater, Mukwonago required the developer to fund and install public improvements before city dedication.

This aligns with how Whitewater structures its own TIF-supported agreements, ensuring that public infrastructure is built without direct municipal expenditures.

4. Whitewater's Approach Reduces Long-Term Financial Risk

Mukwonago's borrowing approach carries risk—if the tax increment underperforms, the city may have to adjust its repayment timeline.

Whitewater's pay-as-you-go model ensures that no city funds are committed beyond actual revenue generated.

This approach maintains long-term fiscal stability while still attracting development.

Conclusion: Whitewater's TIF Approach is Responsible and Sustainable

The Mukwonago development agreement for 915 Main (Pointe Apartments) once again confirms that TIF is a necessary and standard tool for residential development. However, the way Mukwonago structured its financing—borrowing upfront to fund developer payouts—carries greater financial exposure than Whitewater's approach.

By maintaining a pay-as-you-go model, linking incentives directly to tax increment, and ensuring infrastructure cost-sharing, Whitewater is using a more fiscally conservative and sustainable strategy. This further supports the position that Whitewater's TIF policies are not only justified but among the most financially responsible in the region.

Rejecting TIF for housing would place Whitewater at a competitive disadvantage against municipalities like Mukwonago, Elkhorn, and Waterford, all of which are actively leveraging it for multifamily development.

Best,

John S. Weidl, City Manager