

To: Common Council and CDA

From: John Weidl, City Manager

Date: February 11, 2025

Subject: Analysis of the Elkhorn Development Agreement and Use of TIF for the Teronomy Project

Executive Summary

The City of Elkhorn's development agreement with Creekside Community Development, LLC for the Teronomy Builders Project provides a valuable regional comparison for Whitewater's use of Tax Increment Financing (TIF) to support multifamily and mixed-use development. The agreement confirms that TIF is an essential tool for making large-scale housing projects financially feasible, directly countering claims that multifamily development does not require TIF assistance.

This agreement also demonstrates that Elkhorn, like Whitewater, is structuring its incentives to ensure financial responsibility while encouraging necessary growth. The \$12.5 million Taxable Tax Increment Revenue Bond provided by Elkhorn follows a "pay-go" model, meaning developers receive reimbursement only if the development generates sufficient tax increment—a structure similar to Whitewater's approach.

The Elkhorn agreement reinforces that using TIF for multifamily development is a common and necessary practice in Wisconsin, aligning with Whitewater's own housing studies and past development agreements.

Key Takeaways from the Elkhorn Development Agreement

1. TIF Was Essential for Development to Proceed

The agreement explicitly states that the developer would not undertake the project without TIF assistance, confirming that multifamily housing often requires financial support to be viable.

The project consists of 847 residential units and commercial buildings, spread over three development phases, with TIF ensuring infrastructure costs do not make the project infeasible.

2. TIF Structure: Performance-Based and Responsible

Elkhorn is issuing a \$12.5 million Taxable Tax Increment Revenue Bond to the developer.

Payments are tied directly to 55% of the annual gross tax increment generated by the project—if revenue does not materialize, the city is not liable for additional payments.

The bond expires in 2038, ensuring long-term financial safeguards.

3. Infrastructure Cost-Sharing is a Standard Practice

The developer is responsible for constructing key public improvements, including:

Road extensions (Deere Road)

Sanitary sewer and water mains

Stormwater management systems

Upon completion, these improvements will be dedicated to the city, aligning with best practices seen in other regional development agreements.

4. Phased Development with Flexible Timelines

The project will be developed in three phases from 2024 to 2032, ensuring that housing supply expands over time while aligning with market demand.

The developer is not penalized for delayed phase commencement, but must complete each phase once started.

This flexibility ensures that Elkhorn does not carry financial risk if the market slows down, mirroring Whitewater's structured TIF approach.

5. City Protections and Risk Management

The TIF bond is strictly tied to available tax increment, meaning Elkhorn is not responsible for payments if the development underperforms.

If the TIF district is terminated early or fails to generate enough revenue, the remaining bond balance is forgiven.

The city's financial liability is capped, ensuring that Elkhorn does not take on unnecessary risk.

Implications for Whitewater's TIF Strategy

1. TIF for Multifamily Development is a Regional Norm

Elkhorn, like Waterford and Whitewater, recognizes that TIF is a necessary tool to enable large-scale housing development.

The claim that TIF should not be used for housing is directly contradicted by this agreement, which explicitly states that the project would not proceed without it.

2. Whitewater's TIF Approach is Structurally Conservative

Whitewater uses a tiered incentive model (85% for 10 years, then 60%) to ensure long-term fiscal sustainability.

Elkhorn, by contrast, committed \$12.5 million in direct TIF-backed bond financing, which carries more financial exposure than Whitewater's performance-based reimbursement structure.

3. Infrastructure Cost Offsets are Standard, Not an Exception

Elkhorn requires the developer to fund and construct public infrastructure, which is later dedicated to the city.

Whitewater follows the same principle, using TIF to reimburse public infrastructure costs rather than granting developers direct subsidies.

4. TIF-Funded Housing Strengthens Economic Growth

Large-scale housing projects expand the tax base, attract new residents, and support local businesses.

The Whitewater housing studies confirm that additional rental housing is needed to meet demand and stabilize affordability.

Without TIF, cities like Elkhorn and Waterford would struggle to attract large, high-quality developments—the same challenge Whitewater faces.



www.whitewater-wi.gov
Telephone: 262-473-0104

Office of the City Manager
312 W. Whitewater St.
Whitewater, WI 53190

Conclusion: Whitewater is Following Proven Best Practices

Elkhorn's use of TIF for the Teronomy Project confirms that Whitewater's approach is not only justified but essential. The agreement directly counters any argument that TIF should not be used for multifamily housing, demonstrating that Elkhorn, like Whitewater, recognizes TIF as a critical tool for housing expansion.

By maintaining a performance-based TIF model, ensuring infrastructure cost-sharing, and strategically structuring incentives, Whitewater is aligned with best practices across Wisconsin. Rejecting TIF for housing would place Whitewater at a competitive disadvantage compared to cities like Elkhorn and Waterford, which are actively using it to fuel growth.

TIF-supported housing development is not an experimental approach—it is the standard in successful Wisconsin municipalities.

Best, - JSW

A handwritten signature in black ink that reads "John S. Weidl". The signature is written in a cursive, flowing style.

John S. Weidl
City Manager, City of Whitewater