

Important Tax Incremental Financing (TIF) Legislation Signed into Law in Wisconsin: Additional Tools Available for Towns to Finance Development

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Wisconsin's commercial real estate industry understands that **Tax Incremental Financing (TIF)** remains the most valuable tool a local municipality has to encourage new development. Municipalities are faced with substantial costs in order to accommodate new development, including: extension and improvement of roads, extension of water and sewer lines, and expansion of wells and sewage treatment systems. Previously, the expansion of municipal services was paid for by the municipality, sometimes with the assistance of federal development dollars. Those federal dollars have long since disappeared, requiring these costs to be paid for out of the new development's future tax revenue, once built.

Cities and villages use the TIF system as their primary workhorse to accomplish this development, causing real estate developers to depend on and often compete for this money. Towns, however, haven't had the opportunity to use this tool in the same capacity as cities and villages, putting them at a distinct disadvantage. Due to a recent rise in development in towns, pressure has increased to provide them with equivalent tools.

The ability to create TIFs was extended to towns, but only in stages, for limited reasons, and for shorter time periods. Sometimes the shorter time period makes it mathematically impossible to recover the initial investment cost from the new tax increment. A commercial development in the Town of Brookfield, WI involving a proposed VonMaur Department Store has reportedly been delayed for this specific reason.

At the end of October, two new TIF laws were created in Wisconsin, specifically affecting the Town of Somers in Kenosha County, and the Town of Brookfield in Waukesha County. The laws give these towns some TIF powers equivalent to those held by cities and villages. The laws also created a new section of the TIF law, establishing a procedure to be followed if land in a town TIF is later annexed into a city or village.

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