

CITY OF WAUSAU

TAX INCREMENT DISTRICT STATUS REPORT



WAUSAU FINANCE

December 31, 2014

Finance Director Maryanne Groat, CPA

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This report was created to provide a reader with some basic introductory information about tax increment district financing, along with performance highlights of the City of Wausau's districts. Additional information can be obtained on the State of Wisconsin Department of Revenue Web Site and from the State of Wisconsin State Statutes 66.1105 and 66.1106. The City encourages interested parties to contact the Finance Director with questions at mgroat@ci.wausau.wi.us or by telephone at 715-261-6645.

TID 101

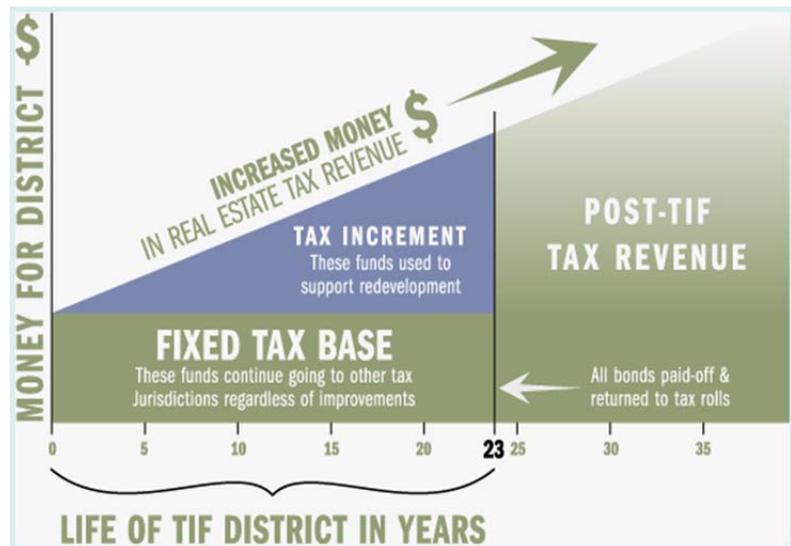
The Tax Increment Finance Law (known interchangeably as TID and TIF) was approved by the Wisconsin Legislature as a financial tool municipalities could use to promote tax base expansion. Tax Increment Financing is not exclusive to Wisconsin and is used within the majority of states in the USA. This financing tool allows cities to create special districts and make public improvements within the district that will generate private-sector development. During the development period, the tax base enjoyed by the tax entities is frozen at the pre-development level. Property taxes continue to be paid, but the taxes derived from increases in the values of the new development (the tax increment) go into a special fund at the City to pay for the costs incurred within the district. This funding mechanism spreads the costs of economic development to all taxing jurisdictions that benefit from the development. Generally, the City borrows funds to pay for the improvements and then retires the debt with the future tax increment.

The State of Wisconsin maintains four classifications of Tax Increment Districts for city use including: Rehabilitation/Blight, Industrial, Mixed-use and Environmental Remediation Districts. Tax Increment Districts are created through extensive and very specific legal formalities which are dictated by the State. These procedures are designed to ensure that property owners, constituents and other taxing entities have input in the process.

The tax increment district terminates when all costs are paid through increment or at the mandated termination date. Upon termination the School District, County and Technical College share in the "Post-Tif Tax Revenue" as shown in the chart to the right.

To create a TID the City creates a Project Plan. This plan details the improvements and associated costs and financing sources. The plan establishes district

boundaries which must contain whole parcels and be contiguous. The plan is presented and approved by the City of Wausau Common Council and the Joint Review Board. The Joint Review Board is comprised of a representative from each participating taxing jurisdiction and a citizen member.



The Joint Review Board’s approval is based upon statutory criteria:

- The development would not occur without the use of tax increment financing
- The economic benefits are sufficient to compensate for the cost of the improvements and
- The benefits justify the anticipated tax increments.

EQUALIZED VALUE TEST				
TID DISTRICT	BASE YEAR	2014 DISTRICT EQUALIZED VALUE	2014 DISTRICT INCREMENT VALUE	CHANGE FROM PRIOR YEAR
3	1994	113,066,800	70,248,100	7,027,900
5	1997	44,942,200	44,568,100	25,700
6	2005	136,362,600	56,653,100	14,212,900
7	2006	49,545,600	20,019,700	4,983,500
8	2012	40,684,200	5,275,300	5,526,700
9	2012	1,688,400	456,000	633,100
10	2012	47,065,400	556,200	556,200
		<u>\$ 433,355,200</u>	<u>\$ 197,776,500</u>	
TOTAL CITY EQUALIZED VALUE			<u>\$ 2,655,928,800</u>	
12% TEST			7.45%	

The first criterion is commonly referred to as the, “But For Test” which is applied to consider: would the proposed development occur as proposed, within the same time frame, within the same location or with the same level of value without public participation?

The City’s Plan Commission conducts a public hearing on the plan. The State of Wisconsin Department of Revenue determines the base value and certifies the district. Annually the City of Wausau complies with

financial reporting and auditing requirements as dictated by the state. Boundaries and the project plan may be amended by the Common Council and Joint Review Board in accordance with state laws found in statutes 66.1105. The City can only create a new Tax Increment District so long as the amount of value within its existing and proposed district does not exceed 12% of its total value. Additional information regarding the tax increment districts limitations have been organized in the, “Tax Incremental District Criteria Matrix” developed by the Wisconsin Department of Revenue. This matrix has been attached at the end of this report.

ELIGIBLE PROJECT COSTS

Wisconsin statutes outline the eligible project costs including: public works and infrastructure improvements; utility services; real property assembly costs; the clearing and grading of land; construction, repair, remodeling, reconstruction or demolition of buildings and structures; professional services; administrative and organizational costs; relocation costs; cash grants covered by a developer agreement; loans or contribution of funds in furtherance of urban redevelopment; environmental remediation; financing costs and other payments made in the discretion of the local legislative body.



RECENT TID LAW CHANGES

Effective April 2014 changes to the TID law include:

- Municipalities can request the Wisconsin Department of Revenue redetermine a TID base value that is in a decrement situation. The law allows for one such adjustment and requires that the value must be at least 10% below the current base value for two consecutive years.
- Expanded the authority for certain towns to create TIDs if their equalized valuation is at least \$500,000,000 and population of \$3,500 and that the town currently provides sewer services.
- Allows for the allocation of increment between regular and environmental remediation TID districts.
- Allows a city or village to create a TID in an area recently annexed from a Town.

WAUSAU TIDS

At December 31, 2014 the City of Wausau had seven Tax Incremental Financing Districts. Tax Increment Districts 5 and 10 are industrial districts located within the City of Wausau's Business Park. Districts 3 and 8 are redevelopment districts located within the central business district. District 6 is an industrial district located along the Interstate I-39 corridor and straddles 17th and 20th Avenues. Tax Increment District 7 is a mixed use district located north of State Highway 29 and straddles Stewart Avenue. Tax Increment District 9, is a redevelopment district and geographically the smallest district – located on the city's eastside on Thomas Street.

WAUSAU TID OBJECTIVES

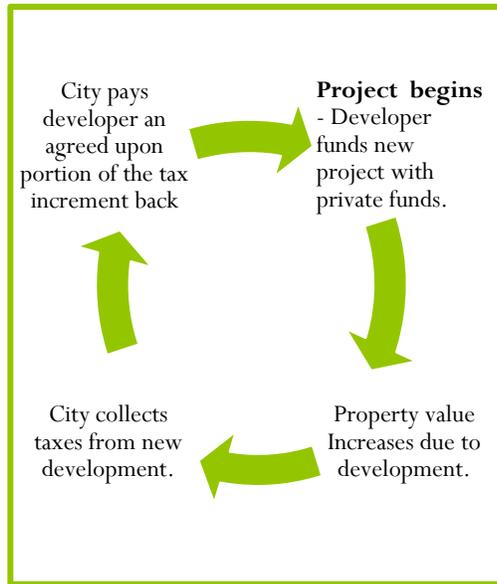
The City uses tax increment financing to accomplish these major objectives:

- Expand the economy to create more living-wage jobs.
- Attract and expand new and existing services, developments and employers.
- Increase the City's property tax base and maintain diversity.
- Conduct environmental remediation and provide clean land and sites for uses that achieve the City's redevelopment objectives.
- Eliminate blight influences.
- Support neighborhoods, retail services, commercial corridors and employment hubs.
- Support redevelopment efforts that enhance and preserve urban features and amenities including: the downtown, riverfront and historical structures.
- Maintain and improve the City's public infrastructure.

WAUSAU TID FINANCING ALTERNATIVES

The City evaluates each district and project carefully and independently taking into account the obstacles, risks and benefits. Revenues sources such as funds on hand, pay as you go, internal advances and grant income are given first consideration. When necessary, the City will finance these projects with the issuance of debt. To date the city has restricted borrowing to general obligation debt. The city strives to minimize interest and debt issuance costs while considering the timing of the future tax increment stream. Developer assistance is carefully evaluated. The City has provided assistance in a number of ways including land acquisition and site preparation, utility installation, soil remediation, supporting infrastructure such as streets, street lighting, parking, sidewalks and cash grants or loans. In addition, the City has entered into "developer funded" agreements whereby the developer pays all of the associated development costs but is then reimbursed by the city when increment is collected.

WAUSAU “DEVELOPER FUNDED” AGREEMENTS



Current “developer funded agreements” of active districts include:

TID #7-2800 Stewart Avenue, LLC \$1,035,942 is outstanding.

TID #6-Financial Way \$250,000 paid in full.

TID #6-Union Station II LLC and 411 Westwood Drive, LLC - Rasmussen College development costs of \$455,550. \$135,342 is outstanding.

TID #6-Kocourek Automotive Group \$100,000 is outstanding.

TID #6-Kocourek Automotive Group \$150,000 is outstanding.

TID #5-Polywood Fabrication \$152,887 is outstanding.

TID #5-Packaging Tape \$62,000 is outstanding.

WAUSAU CASH GRANTS OR LOANS

Significant cash grant or loan agreements of active districts include:

TID #3 – Pick N Save \$750,000 grant.

TID #3 – Wausau Benefits \$2,050,000 grant.

TID #3 – Wausau Gateway Hotel \$3,285,000 grant.

TID #3 – Wausau School District \$500,000 grant and \$200,000 of demolition resources.

TID #3 – Trolley Quarter Flats Limited Partnership \$424,000 loan and \$26,000 grant.

TID #3 – Eye Clinic of Wisconsin environmental remediation reimbursement not to exceed \$300,000.

TID #3 – Metro Plains Partners, LLC conversion of the Federal Building to loft style apartments with gallery space, \$75,000 30 year interest free loan.

TID #3 – Dudley Investments LLC environmental remediation and utility reimbursement of \$345,723.

TID #3 Collaborative Consulting \$200,000 developer grant and 10 - \$1,000 employee housing grants. Nine of the housing grants are outstanding.

TID #5 – Scannell Properties/Wausau Window and Walls \$2,956,877 grant.

TID #5 – Wausau Business Incubator, Inc. \$3,336,533 grant.

TID #5 – Southern Stretch Inc. New Manufacturer in the Business Campus \$160,000 grant.

TID #5 – CAG Industrial Inc. \$650,000 grant to convert a warehousing facility for manufacturing purposes to facilitate a location for start up company Ordered Motions, Inc.

TID #5 – Apogee Wausau Group - \$500,000 to relocate a segment of the operation from Colorado and increase employment.

TID #5 – Composite Envision - \$100,000 forgivable loan for equipment purchases. A new facility will be constructed on land donated by the City.

TID #6 – Wausau Stewart LLC \$175,835 grant to offset development costs of the 17th Avenue Walgreens. This grant funded right of way and easement acquisition and utility relocation costs.

TID #6 – Union Station II, LLC and 411 Westwood Drive, LLC – 10 year interest free loan for the development of a private access road for the Rasmussen College development in the amount of \$298,698.

TID #6 – Wausau Window and Wall grant of \$259,670 to offset the demolition costs of their facility on 17th Avenue.

TID #6 – Ghidorzi Companies grant of \$169,535 was paid in 2013 to offset demolition, utility relocation and site preparation costs associated with 1700 and 1708 Stewart Avenue for the construction of Panera Bread Company retail site.

TID #6 – Briq’s Soft Serve LLC developer grant of \$55,000 and a ten year project loan of \$55,000 with interest equal to the City of Wausau borrowing rate. The developer incentives provide for the relocation and construction of a new retail ice cream shop on Merrill Avenue.

TID #6 – Thunder Lube, Inc. \$25,000 developer grant of \$25,000 and a \$75,000 loan at a variable interest rate due over 15 years. The developer incentives provide for the relocation and construction of the auto repair facility from Thomas Street to Sheridan Road.

TID #6 - Kocourek Automotive Group the City agreed to provide a \$50,000 loan. The term of the loan was 10 years with an interest rate equal to the City of Wausau’s borrowing rate. This loan has not been executed.

TID #6 -1703 Arlington Lane, LLC. The City entered into a development agreement to prepare 4 parcels of land located along Interstate I39. The properties require leveling and retaining wall work. One of the properties is owned by the City and the balance by 1703 Arlington Lane, LLC. The City agreed to contribute an amount not to exceed \$399,175 to these improvements. The City has paid \$390,810 to date.

TID #7– Stewart Avenue LLC \$443,770 for site preparation expenses related to 2800 Stewart Avenue. This grant is outstanding.

TID #9– Bull Falls Brewery \$200,000 grant and \$400,000 loan for facility expansion. In addition the city vacated a street, and provided utility relocation.

WAUSAU TID FINANCIAL HIGHLIGHTS

Statistics regarding the individual districts are highlighted below.

District Description	Expenditure Period Ends	Fund Balance (Deficit) 12/31/14	Future Debt Obligations	Net Costs Recoverable 12/31/2014	Year of Debt Retirement	2014 Increment Collected	2015 Increment To Collect	Mandated Termination Date
District 3 Downtown**	2021	(\$3,248,091)	\$13,218,689	\$25,349,957	2029	\$1,752,528	\$1,868,669	2031
District 5 Industrial Park	2015	(\$198,888)	\$815,000	\$1,013,888	2017	\$1,234,760	\$1,185,556	2020
District 6 I-39 Corridor	2020	(\$630,845)	\$3,654,667	\$4,285,512	2023	\$1,176,485	\$1,507,029	2025
District 7 Hwy29 Corridor	2021	(\$1,776,943)	\$2,458,995	\$4,235,938	2023	\$416,819	\$532,544	2026
District 8 Near Westside	2034	\$105,706	\$190,000	\$84,294	2019	\$0	\$140,328	2039
District 9 Bull Falls Brewery	2034	(\$90,985)	\$565,000	\$655,985	2023	\$0	\$12,130	2039
District 10 West Side Business Campus	2028	\$69,627	\$310,000	\$240,373	2029	\$0	\$14,795	2033

MARATHON COUNTY – MUNICIPAL TID DISTRICTS

The City of Wausau is just one of many communities in the County using Tax Increment District Financing as a tool to support economic development. Below is a summary of the communities with active TID districts per the Wisconsin Department of Revenue website.

	Distressed Districts	Active Districts
Abbotsford		1
Athens	1	2
Brokaw	1	1
Colby		1
Edgar	1	2
Hatley		1
Kronenwetter	2	4
Marathon		1
Mosinee		2
Rothschild		1
Schofield		2
Spencer		2
Stratford		2
Wausau		7
Weston		2
Unity		1

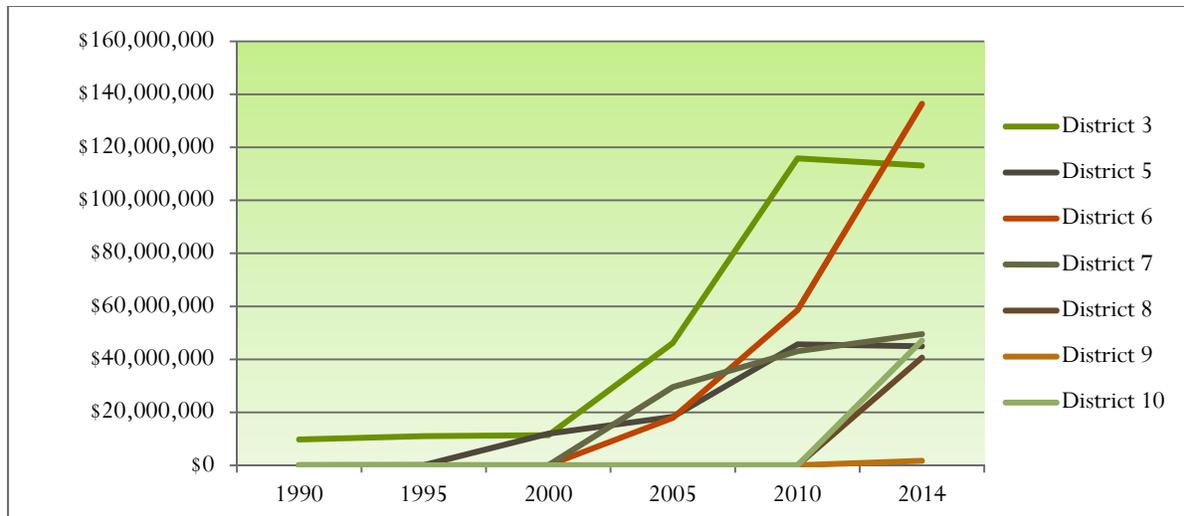
WAUSAU TID FUND BALANCE (DEFICITS)

The City manages Tax Increment District risk by managing the timing of projects and related private sector investment. District's often encounter deficit fund balance since infrastructure or other city investments or improvements are made prior to private sector investment. A historical review of fund balance or deficit of the individual districts is presented below.

TID District	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1	\$ (4,376,326)	\$ (2,946,650)	\$ (1,436,738)								
2											
3	427,038	2,218,834	828,970	185,901	997,587	1,354,737	1,312,643	(2,828,726)	(1,132,734)	(2,105,440)	(3,248,091)
4	(908,150)	(1,053,408)	(1,183,028)	(1,285,232)	(1,379,178)	(1,411,852)	(1,447,489)	(1,037,208)	(481,234)		
5	2,276,102	2,331,619	(29,970)	(503,005)	468,621	347,088	311,963	640,475	(841,371)	(309,353)	(198,888)
6		109,027	(415,019)	(164,770)	(208,374)	(191,086)	552,698	1,870,897	(1,222,334)	(309,591)	(630,845)
7			(2,651)	(263,905)	74,268	(368,421)	(736,276)	(999,205)	(7,801)	(1,524,184)	(1,776,943)
8									(139,167)	(25,872)	105,706
9										(9,872)	(90,985)
10										-1000	69,627
	\$ (2,581,336)	\$ 659,422	\$ (2,238,436)	\$ (2,031,011)	\$ (47,076)	\$ (269,534)	\$ (6,461)	\$ (2,353,767)	\$ (3,824,641)	\$ (4,285,312)	\$ (5,770,419)

WAUSAU TID PROPERTY VALUE GROWTH

The property growth of the districts is evident in the chart below.



WAUSAU TID PROJECT PLANS

- No new project plans or plan amendments were considered or approved in 2014.
- TID #2 was closed in 2014.

TAX INCREMENTAL DISTRICT (TID) CRITERIA MATRIX

	Wis. Stats. 66.1105 and 59.57					Wis. Stats. Sec. 60.85	Wis. Stats. 66.1106
	1. Existing TID's	2. Blighted area 3. In need of Rehabilitation or Conservation work		4. Suitable for Industrial sites 5. Mixed-Use TIDs created after 10/1/04		6. Town - Tourism, Agriculture, & Forestry (TAF)	7. Environmental Remediation
Creation Resolution date	Before 10/1/95	After 9/30/95 but before 10/1/04	After 10/1/04	After 9/30/95 but before 10/1/04	after 10/1/04	After 10/1/04	After 10/1/97
Expenditure Period (5 yrs. prior to termination)	22 years (8)(am) 1.			18 years (8)(am) 1.	15 years (8)(am) 1.	5 years (8)(b) 1.	15 years (2)(b)
Maximum Life before extensions	27 years	27 years	27 years	23 years	20 years	16 years	23 years
Extensions Allowed	No	+ 4 yrs (7)(am)1.	+ 3 yrs (7 (am) 3.	No	+ 3 yrs (7)(am) 2.	No	No
Maximum Life if extension granted	27 years	31 years	30 years	23 years	23 years.	11 yrs after expenditure or 16 yrs maximum (8)(a) 2.	23 years
\$1,000 Fee required	Redeterminations for Amendments	Certification or redeterminations for Amendments	Yes	Certification or redeterminations for Amendments	Yes	Yes	Yes
Tax Incremental allocations (8)(e)1 a-d; 2, 3 New(8)(f)	Existing allocation criteria or new allocation criteria	New allocation criteria: Recipient districts are limited to project costs for low-cost housing; remediate environmental contamination; or TID's declared to be blight or rehab districts.				No	No
Written notice of termination sent to DOR	Within 60 days of termination resolution (8)(a). DOR Form PE-223 (Final Accounting for TID Agreement), along with a copy of the termination resolution.					Within 10 days of termination resolution (10) (a)	Within 10 days of termination resolution (10) (b)
Final accounting to DOR after termination	DOR form PE-110 (TID Final Accounting Report) and Excel file by agreed date (8)(c). Must include: 1. Total municipal expenditures; 2. Total project costs; 3. Total revenue; 4. Total amount of outstanding original project plan costs.					Annual accounting due before May 15th plus Feb 15th of year after termination (10)(c)	Not later than 180 days after TID has terminated (10)(d)
Annexation restrictions (4)(gm)1.	Just prior to creation or amendment	Just prior to creation or amendment	Yes (4)(gm) 1. - 3 yrs. lapsed; pay town 5 yrs. taxes, or boundary agreement	Just prior to creation or amendment	Yes (4) (gm) 1. - 3 yrs. lapsed; pay town 5 yrs. taxes, or boundary agreement	Yes (17)	Yes (13)
Limitation restrictions (4)(gm)4.c	12% - denial (4)(gm) 4.c.					5% & 7% - denial (3)(h) 5.d	None
Number of territory amendments (4)(h)2.	Up to 4 times by subtracting or adding territory (or both) that does not change the contiguity of the district - 12% limitation requirement must be met when adding territory. (4)(h) 2.					1 during 1 st 5 yrs. - no more than 2 yrs. expenditure (3)(j)2.	None
Municipal owned Real Property included in base unless Municipal Used (5)(bm)(c) & (d)	No	Yes (5)(bm), (c)&(d)	Yes (5)(bm), (c)&(d)	Yes (5)(bm), (c)&(d)	Yes (5)(bm), (c)&(d)	Yes (3)(L)	No

TID Criteria Matrix (R. 12-08)

Wisconsin Department of Revenue

