



POLICIES AND GUIDELINES FOR THE USE OF TAX INCREMENT FINANCING IN SOUTH MILWAUKEE

Background

During the year 2000, the City of South Milwaukee embarked on a comprehensive planning process, created its first two Tax Increment Financing (TIF) districts – known as a Tax Incremental District (TID). TID #1 and TID #2 are blight elimination TIDs in different commercial areas of the city. Also in 2000, the City organized a Community Development Authority (CDA) and established a Redevelopment District. These efforts came from a strong desire to map out the community's future and put the tools in place to make change. In 2001, the CDA adopted a policy and guidelines for the use of TIF. In 2004 and 2006, the CDA took steps to create TID #3 and TID #4, respectively. TID #3 is a mixed-use TID along the state highway, while TID #4 was an industrial TID along the city's main thoroughfare to the interstate.

The Community Development Authority took the lead in the city on redevelopment and TIF implementation until 2016, when the Common Council disbanded the CDA and transferred its TID oversight duties and responsibilities to the Plan Commission. In 2018, the Plan Commission took steps to create TID #5, covering much of the community's downtown core. In 2019 and 2022, the Plan Commission and Common Council identified a need to adopt new Policies and Guidelines for the Use of TIF in South Milwaukee.

The policies that follow are intended to provide guidance to the Common Council, Plan Commission, developers, and the community regarding the types of projects the City would like to consider, the potential amount of assistance that can be expected for eligible projects and the performance expectations for projects which receive TIF funds.

Important Notice and Disclaimer

The attached policies and guidelines have been prepared by the City of South Milwaukee to guide Plan Commission recommendations regarding Tax Increment Financing (TIF) for projects within a TID. The authority to make decisions regarding the use of TIF funds is vested solely in the Common Council of the City of South Milwaukee. Projects requesting TIF funds are cautioned that the attached information has been prepared primarily for internal use by City staff and the Plan Commission and to inform applicants of the types of projects the Plan Commission would consider recommending for TIF funds. The Plan Commission reserves the right to reject any and all projects, even those which satisfy all of the attached criteria for the use of TIF, for any reason whatsoever, without regard for the viability of the project. Furthermore, the Plan Commission reserves the right to waive any non-conformance to these policies and recommend any project the Plan Commission deems to be in the best interest of the City of South Milwaukee.



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A. General Policy

It is the policy of the Plan Commission and Common Council to consider the judicious use of TIF for those projects which demonstrate a substantial and significant public benefit by constructing public improvements or offering other financial assistance in support of developments that will:

- **address blight, renovate existing building stock, or improve physical conditions**
- **strengthen the employment and economic base of the city**
- **increase property values and tax revenues**
- **create economic, environmental, and equitable stability**
- **instill community self-sufficiency or resilience**
- **implement plans and development strategies adopted by the City**

Care will be exercised in the use of TIF. The Plan Commission and Common Council will thoroughly evaluate each project to ensure that the benefits which are projected to accrue from the project align with above-listed goals and are appropriate for the costs which will result.

B. Policy Guidelines

The following criteria are to be used by the Plan Commission and Common Council to evaluate requests for TIF:

1. All requests for TIF must clearly comply with the requirements of State Statutes, the policies and guidelines contained within this document, and the City's adopted Project Plan for the TID in question.
 - a. Wisconsin Department of Revenue TID information: www.revenue.wi.gov/Pages/SLF/tif.aspx
 - b. City of South Milwaukee TID Project Plans:
<https://wi-southmilwaukee.civicplus.com/167/Economic-Development>
2. Each request for TIF must demonstrate that "but for" the use of TIF, the project is not feasible on the proposed site and that the public benefits described in Section A would not be achieved. The City may require an applicant to hire, on behalf of the City, an independent consultant to verify an applicant's pro forma to ensure compliance with the "but for" test.
3. All requests for TIF will be required to demonstrate that the property tax payments expected to be generated by the project will be sufficient to service any tax increment debt incurred in support of the project. The Plan Commission may waive this requirement for projects which, in the Plan Commission's determination, provide extraordinary public benefit.
4. The actual amount of TIF funds provided to a project will be determined at the discretion of the Common Council on the basis of need, risk, project characteristics, developer qualifications, and the degree to which the project meets the public objectives described in Section A. The Common



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Council is not obligated to provide TIF funds to any project and may reject requests for TIF for any reason, even if the project meets all criteria described herein.

5. The capital stack must illustrate a reasonable financial commitment on the part of the applicant, and indicate the applicant's demonstrated ability to invest in, manage, complete, and operate a project of the proposed value and scale. Requests for TIF must include evidence that the applicant:
 - a. Will be liable for, or contribute equity of at least fifteen percent (15%) of, the total cost of the project. Projects with equity contributions from the developer in excess of 15% may be viewed more favorably.
 - b. May provide a performance bond for the completion of the project.
 - c. Has thoroughly explored alternative financing methods.
6. The Common Council will enter into a development agreement with the applicant for each project which has been approved for TIF. The development agreement will describe the obligations of both the City and the developer, and the terms and conditions associated with TIF funds. Development agreements may require additional security in the form of a letter of credit and/or a personal guarantee by all principals, partners, and others as deemed appropriate by the Common Council. The applicant will be responsible for attorney fees generated as a result of drafting the development agreement.
7. The City may maintain a retainage account, and may require a performance bond or other forms of security until each project is completed and applicant has satisfied all conditions and performance standards described in the development agreement.
8. Requests for TIF for retail and service/commercial projects are encouraged to a) promote the upgrading, expansion or retention of existing retail, service or commercial businesses and/or b) draw customers from outside the city.
9. Requests for TIF which include a) the establishment of a multi-tenant retail, commercial or service center, or b) the redevelopment of existing centers, should include information as to the business type of the major tenants of the project and provide a thorough market analysis.
10. If businesses are to be relocated from other areas of the city into a TID, sufficient justification will be included to indicate why this relocation should be considered. Such justification shall include an analysis of the impact the relocation will have upon two locations: 1) the neighborhood in which the business is currently located, and b) the neighborhood in which the business is proposing to locate.
11. The City may use TIF revenue from a project for public improvements anywhere outlined by State Statutes.
12. Requests for TIF shall propose site designs, interior / exterior building designs, and material usage of a quality consistent with those referenced in the Commercial Façade Design Guidelines regardless of the TID in which the project is proposed.