

CITY OF БЕЛОIT TAX INCREMENT FINANCING GUIDELINES

The City of Beloit has adopted a Strategic Plan which includes, among others, Goal #2 which reads: “Continue competitive and sustainable economic development focused on retention and recruitment to fully serve the business and entrepreneurial community resulting in private investment and job creation.” If this goal is obtained, both residents and the City benefit. For residents, that results from available jobs and rising incomes. For the City, development produces rising property values and new taxable development. The City Council has also identified the need to create, implement, manage and evaluate Tax Increment Finance Districts and a key object as part of the Strategic Plan.

The following Tax Increment Financing Policy should be used to provide the general framework for planning and reviewing either new or amended Tax Increment Districts or specific development proposals in Tax Increment Districts, recognizing that all projects have unique elements.

Decisions regarding the use of TIF, and the application of the program to specific projects, should be the result of deliberative consideration of all factors involved including but not limited to:

- a) the potential impact on the City’s credit ratings;
- b) impact on debt capacity and 5 year financial management plan;
- c) the nature and type of project proposed and the consistency with the objectives of the economic development plan;
- d) the level of increment and extent of guarantee being provided by the developer relative to any incentive being considered;
- e) the consistency with applicable provisions of Wis Stats. 66.1105;
- f) the ability of the project to create increment sufficient to cover any debt payment associated with private or public improvements.

The criteria set forth herein for incentives are meant to serve as a guide. Each development will be evaluated separately on its own merits. A company or business making a request should not assume that it qualifies for TIF development incentives related thereto because they meet any or all of the criteria listed. **Conversely, the City Council may decide that a particular proposal merits an incentive that exceeds these guidelines.**

GENERAL POLICIES:

1. Tax Increment Financing should be used primarily for industrial, manufacturing, warehousing and high technology development as well as offices related thereto. In Mixed-use Districts, financing can also be used for housing developments as allowed by state statutes.
2. However, the City will consider offering incentives to large retail uses if they are in excess of 100,000 square feet, would anchor a larger retail development and/or contribute

to the diversification of Beloit's retail market. Furthermore, the City would only provide a TID financed incentive for a retail project if the developer incurred extraordinary acquisition and/or redevelopment expenses.

3. Secondly, TIF may be used to encourage commercial, non-industrial, and housing primarily in, but not limited to, redevelopment areas or environmental brownfields having uses or providing services deemed to be needed by the City.
4. Only taxable property should be encouraged to develop within tax increment districts, unless a revenue stream that substantially replaces property taxes is secured.
5. Generally, for individual Economic Development projects located in industrial tax increment districts, the City should seek approximately \$250,000/acre increment valuation of improved land.
6. Generally, for individual Economic Development projects located in industrial tax increment districts, a range of 7,000 – 10,000 square feet of building should be constructed per acre.
7. The City should restrict its purchase of land for TID development to those cases where private purchase and carrying costs of land would make development unfeasible based upon the City's evaluation of such economic conditions. The City will consider purchase of land as a TID cost only where a developer makes a commitment for guaranteed repurchase of a significant portion of said lands from the City for development within a defined time frame.
8. Tax Increment Project plans and financing plans related thereto should consider phasing of general development costs as a means of limiting risk to the City. The Plan should designate each phase to be implemented only if economic conditions warrant it.
9. Tax Increment Districts must be dissolved not later than 20 years for Industrial and Mixed-Use Districts and 27 years for Redevelopment Districts, or as otherwise prescribed by state statute. The City encourages dissolution of the TIF when the district cash flow enables the district to pay all outstanding debt prior to the maximum time allowed by state statute.
10. The major activities of the Tax Increment Project plan should be costs related to the provision of public improvements and infrastructure.
11. Preserving existing industries, industrial jobs and tax base are important to the City. Use of TIF for public improvements and/or possible private financial incentives that support the existing industries will receive strong consideration, provided that adequate new tax base is guaranteed.
12. Job creation is an important consideration for the City. Projects generating significant numbers of new jobs, relatively high wages, and new tax base value will be considered

for public improvements and/or possible financial incentives, where allowable under the project plan. Total incentive assistance will be considered in proportion to the relative number of jobs, compensation per employee of the jobs created and the tax base addition.

FINANCIAL INCENTIVES

13. Private developer incentives should only be provided in cases where, on the basis of a review of the developer's pro-forma or other supporting documentation, the project would not succeed without the incentive.
14. Private developer incentives can only be provided in cases where the City Council has made a determination that a public purpose will be served, as defined in the TID project plan, by Wis. Stats. 66.52 for industrial development.
15. Initial inquiries to discuss a preliminary proposal are welcome. Formal written requests are encouraged. Confidentiality of inquiries will be respected and complied with but only to the extent allowed by law.
16. Executed development agreements are required prior to the City committing to any significant expense related to the provision of public infrastructure contingent upon development or any form of private developer incentive. The development agreement must provide a guarantee, to the extent possible, that future payments from increment and other sources will recover the cost of the City's incentive, including interest.
17. If there is any question regarding the impact of incentives offered on any current or future bond issue, then the development agreement will be submitted to Bond Council for review and comment.
18. Guarantees may take the form of land repurchase options for the City in lieu of performance, special assessments, guaranteed payments, letters of credit, mortgages, and personal guarantees. The form and nature of guarantee should be tailored to the project considering level of risk to the City, effect on taxability of debt required to be issued, the nature of the incentive, etc.
19. The total cost of any incentive offered, including interest, should generally be recovered from the tax increment generated by the project within the first ten years following development.
20. Developers may be offered incentives larger than what could be recovered in 10 years if the project offers substantial benefits to the city consistent with the economic development plan. Those benefits may include a large number of new jobs, jobs with living wage, a signature presence, etc.
21. In no case, shall the full cost of the incentive exceed the amount of the increment value projected over 20 years or the remaining life of the TID, whichever is less.

22. When City controls land, a condition of the land sale is a commitment from the buyer to have a building under construction within 1 year of sale of said land.
23. City will consider an incentive to write down the land resale price in special cases. In providing write down of land as an eligible TID project cost, the City will consider the project plan, the amount and extent of such write down given the magnitude of value per acre of increment being provided, total number of acres proposed for development, number of jobs, value of compensation per job and the speed with which the development is projected to be completed. The City will also consider the effect on market values of such land sale write downs in making case by case decisions and the impact of revenue loss on the financial viability of the TID.
24. The City's financial advisors and/or staff independently of any developer proposal shall prepare, or review, cash flow pro-formas.
25. If and when TID funds are used to finance relocation costs, those costs will generally be reimbursed after the actual move and at the amount of the actual costs that are incurred and documented by the developer.
26. If and when TID funds are used to provide direct financing for developer incentives, said funds will be directly tied to job creation and or retention performance. Direct financing of loans will be provided at low interest or forgiven, only when the developer agrees via a development agreement to create or retain a certain number of jobs over the life of the incentive payback period. As a general rule, the City will provide Direct Developer Incentives as a percentage of new incremental property taxes paid for a new development projects for up to 10 years.
27. The City of Beloit reserves the right to reduce or discount the overall incentives offered to a developer if the jobs being retained or created by that development do not meet an average living wage level. Living wage levels are established by the Self-sufficiency Standard for Wisconsin and Beloit. Development projects that offer wage rates below the average living wage rate but provide "family friendly benefits" such as healthcare, job training/education, daycare, etc. may be considered more favorably.

DEBT

28. Debt issued for TID project costs will reflect the actual cost of property acquisition infrastructure needs after a development agreement is executed providing for development performance standards by developers or end users.
29. Debt issued for TID projects shall be structured so as to take advantage of the cash flow of the district and thereby minimize any contribution from the general revenue sources. Any advances from general sources will be repaid by the TIF District when cash flow permits reimbursement. Interest should be capitalized to cover the cash flow lag created by the period between construction and taxation.

30. Any debt issued for Tax Increment Purposes should be evaluated by the City's financial advisor in terms of its impact on the City's credit ratings with Moodys or Standard & Poors. It is the desire of the City to upgrade its ratings. Debt should be undertaken after a full evaluation of any impact said debt would have on the criteria set forth in the City's 5 year Financial Management Plan.
31. If using debt for the provisions of public or developer incentives would have any negative effect on the ability of the City to undertake non-TID ongoing capital financing or on the financial viability of the TID, alternate forms of financing should be sought for the public improvements or project costs.

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