



WATERLOO

**TIF
ANALYSIS**

March 2016

TID SUMMARY

This report summarizes the financial expenditures and projections for Tax Increment Districts (TID) Numbers 1, 2, 3, and 4 in the City of Waterloo. The report also makes recommendations to the City that it consider several project plan amendments for both of its TIDs.

TID No. 1 is an industrial TID, created in 2005. The 2005 TID base value for TID No. 1 was \$5,961,500. The 2015 TID value is \$14,001,600, which is an increase of \$876,200 over the 2014 TID value. The total TID increment is now \$8,040,100 which generates approximately \$182,000 in revenue every year. This TID currently has a positive fund balance.

TID No. 2 is a rehabilitation and conservation TID, created in 2011. The 2011 TID base value for TID No. 2 was \$7,158,000. The 2015 TID value is \$6,987,200, which is an increase of \$2,053,300 over the 2014 TID value. TID No. 2 generates no increment and has a negative fund balance and outstanding long-term debt.

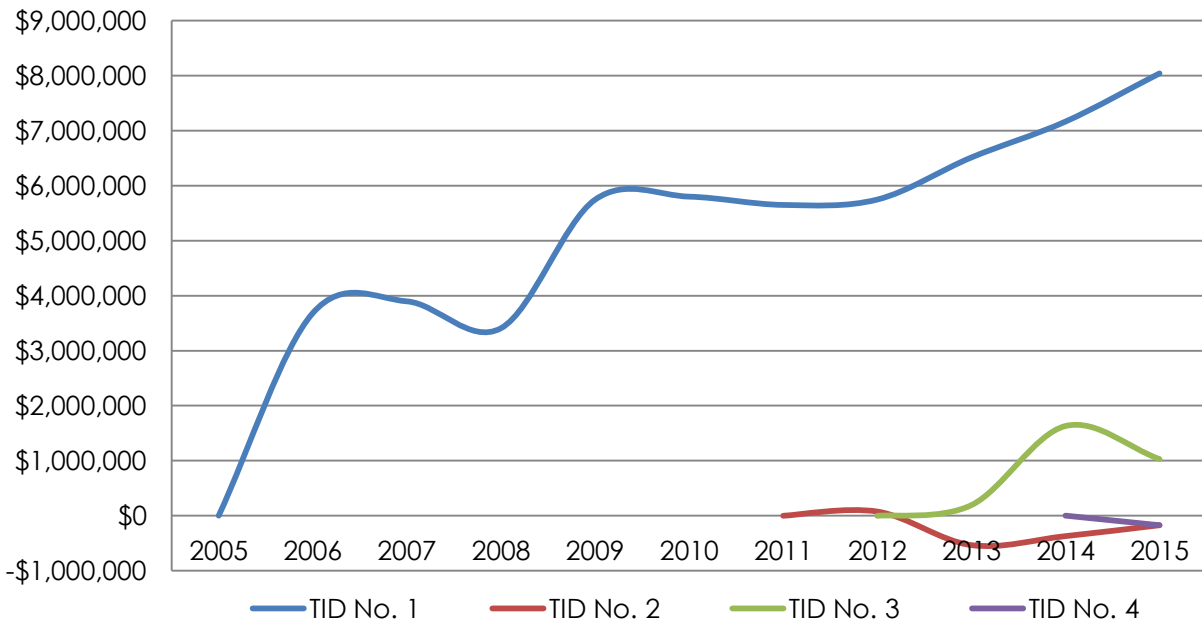
TID No. 3 is an industrial TID, created in 2012. The 2012 TID base value for TID No. 3 was \$1,583,100. The 2015 TID value is \$2,613,800, which is a decrease of \$599,900 from the 2014 TID value. The total TID increment is now \$1,030,700. This TID has just begun recapturing tax increment. While it has a negative fund balance of nearly \$200,000, it has no outstanding long-term debt.

TID No. 4 is a mixed-use TID, created in 2014. The 2014 TID base value for TID No. 4 was \$2,320,100. The 2015 TID value is \$2,146,500, which is a decrease of \$173,600 from the 2014 TID value. TID No. 5 generates no increment and has a negative fund balance, but no outstanding long-term debt.

The total value increment of both active TIDs in Waterloo is \$9,070,800. Waterloo's 2015 municipal equalized value is \$200,393,000, meaning 4.53% of the equalized value of the City exists as increment within the TIDs. Currently, because only 12% of the total equalized value of cities and villages may be increment in existing TIDs or new TID value, Waterloo needs to proceed cautiously when considering establishing additional TIF districts. However, legislation is currently being considered to raise this limit to 15% of a municipality's equalized value, which would be a cap of \$ 30,058,950 in Waterloo's case.

TID No.	TID No. 1	TID No. 2	TID No. 3	TID No. 4
TID Type	Industrial	Rehab./Conserv.	Industrial	Mixed-Use
Base Year	2005	2011	2012	2014
2015 Full Value	\$14,001,600	\$6,987,200	\$2,613,800	\$2,146,500
Base Value	\$5,961,500	\$7,158,000	\$1,583,100	\$2,320,100
Increment	\$8,040,100	\$(170,800)	\$1,030,700	\$(173,600)
2014 Full Value	\$13,125,400	\$4,933,900	\$3,213,700	\$2,320,100
Change	\$876,200	\$2,053,300	\$(599,900)	\$(173,600)

Waterloo TID Increment



TID NO. 1

TID Overview

Waterloo TID No. 1 was created in 2005 as an industrial TID to finance development on the City's east side, an area including Briess Industries and the Trek Bicycle Corporation. The base value for TID No. 1 is \$5,961,500, its full value as determined by the Wisconsin Department of Revenue (DOR) as of January 1, 2005, including all territory amendments. The non-manufacturing real estate and personal property in TID No. 1 was assessed at \$146,000 and given an equalized value of \$147,600 by the DOR. There is an additional \$7,597,400 of manufacturing real estate and \$6,256,600 of manufacturing personal property in the TID. The 2015 TID No. 1 full value is \$14,001,600, which is an increase of \$876,200 (approximately 7%) over the 2014 TID value. The current increment (the difference between the current full TID value and its base value) for TID No. 1 is now \$8,040,100. The increment from TID No. 1 now generates approximately \$181,500 in revenue per year. The TID No. 1 project plan was amended in 2007 and 2011 to further encourage industrial development.

TID Details

TID No. 1 is a post-2004 industrial district created September 15, 2005, with a 2005 base year. Industrial TIDs are created to promote industrial development within a district in which at least 50% of the area is zoned industrial. Industrial TIDs created after 2004 have a 15-year expenditure period, with a 20-year maximum life in which project expenditures can be paid for with tax increment. All project expenditures must be made by September 15, 2020, and the TID must close by September 15, 2025. Industrial TIDs are eligible for a 3-year extension if needed to pay for expenditures in the project plan. TID No. 1 has been amended as a donor district to allocate surplus increments to TID No. 2 to finance expenditures in the TID No. 2 project plan and to undertake projects within territory located within one-half mile of the district boundary.

Potential Changes

The City of Waterloo should consider an allocation amendment to allow TID No. 1 to share surplus revenues with TID No. 3 and TID No. 4 to finance expenditures in the TID No. 3 and 4 project plans.

TID NO. 2

TID Overview

Waterloo TID No. 2 was created in 2011 as a rehabilitation and conservation TID in the City's downtown. The base value for TID No. 2 is \$7,158,000, its full value as determined by the Wisconsin Department of Revenue (DOR) as of January 1, 2011, including all territory amendments. The non-manufacturing real estate and personal property in TID No. 2 was assessed at \$6,771,900 and given an equalized value of \$6,849,800 by the DOR. There is an additional \$137,400 of manufacturing real estate in the TID. The 2015 TID No. 2 full value is \$6,987,200, which is a decrease of \$2,053,300 (approximately 42%) from the 2014 TID value. The current increment (the difference between the current full TID value and its base value) for TID No. 2 is now \$(170,800). As such, the increment from TID No. 2 currently generates no revenue.

TID Details

Rehabilitation/Conservation TIDs are created to rehabilitate or conserve properties within a district in which at least 50% of the area has been declared in need of rehabilitation or conservation. These TIDs are allowed a 22-year expenditure period, with a 27-year maximum life in which project expenditures can be paid for with tax increment. TID No. 2, created July 21, 2011, with a 2011 base year, and must be terminated by July 21, 2038. The 22-year expenditure period ends July 21, 2023. Rehabilitation/ Conservation TIDs are eligible for a 3-year extension if needed to pay for expenditures in the project plan. The TID No. 2 project plan was amended in 2013 to enlarge the district territory and allow the district to finance projects within territory located within one-half mile of the district boundary.

Potential Changes

The City should amend the project plan to enable the City to request a base value redetermination in the case that TID No. 2 is in a decrement situation.

TID NO. 3

TID Overview

Waterloo TID No. 3 was created in 2012 as an industrial TID to finance development in the City's industrial park. The base value for TID No. 3 is \$1,583,100, its full value as determined by the Wisconsin Department of Revenue (DOR) as of January 1, 2012. The non-manufacturing real estate and personal property in TID No. 3 was assessed at \$410,000 and given an equalized value of \$414,600 by the DOR. There is an additional \$1,915,000 of manufacturing real estate and \$284,200 of manufacturing personal property in the TID. The 2015 TID No. 3 full value is \$2,613,800, which is a decrease of \$599,900 (approximately 19%) from the 2014 TID value. The current increment (the difference between the current full TID value and its base value) for TID No. 3 is now \$1,030,700. This TID has just begun recapturing tax increment (approximately \$5400 in 2014). While it has a negative fund balance of nearly \$200,000, it has no outstanding long-term debt.

TID Details

TID No. 1 is a post-2004 industrial district created April 24, 2012, with a 2012 base year. Industrial TIDs are created to promote industrial development within a district in which at least 50% of the area is zoned industrial. Industrial TIDs created after 2004 have a 15-year expenditure period, with a 20-year maximum life in which project expenditures can be paid for with tax increment. All project expenditures must be made by April 24, 2027, and the TID must close by April 24, 2032. Industrial TIDs are eligible for a 3-year extension if needed to pay for expenditures in the project plan.

Potential Changes

The City of Waterloo should consider amending TID No. 3 to allocate surplus increment to TID No. 2 and TID No. 4. It may also consider amending the project plan to enable the City to request a base value redetermination in the case that TID No. 3 is in a decrement situation.

TID NO. 4

TID Overview

Waterloo TID No. 4 was created in 2014 as a mixed-use TID on the north end of Waterloo near the Waterloo High School campus. The base value for TID No. 2 is \$2,320,100, its full value as determined by the Wisconsin Department of Revenue (DOR) as of January 1, 2014. The non-manufacturing real estate and personal property in TID No. 4 was assessed at \$2,118,000 and given an equalized value of \$2,146,500 by the DOR, which is the 2015 TID No. 4 full value, a decrease of \$173,600 (approximately 7%) from the 2014 TID value. The current increment (the difference between the current full TID value and its base value) for TID No. 5 is now \$(173,600). As such, the increment from TID No. 4 generates no revenue and has a negative fund balance, but no outstanding long-term debt.

TID Details

TID No. 4 is a post-2004 mixed-use district created December 5, 2013, with a 2014 base year. Mixed-use TIDs are created to promote development with a mix of residential, commercial and industrial uses. Mixed-use TIDs created after 2004 have a 15-year expenditure period, with a 20-year maximum life in which project expenditures can be paid for with tax increment. All project expenditures must be made by December 5, 2028, and the TID must close by December 5, 2033. Industrial TIDs are eligible for a 3-year extension if needed to pay for expenditures in the project plan.

Potential Changes

There are a few specific amendments to TID No. 4 the City of Waterloo should consider. The City should amend the project plan to enable the City to request a base value redetermination in the case that TID No. 4 is in a decrement situation. The City may also consider amending the project plan to allow expenditures for projects within a half mile radius of the TID boundary.

Next Steps

Vierbicher recommends amending all TID project plans as described above. All amendments may occur simultaneously. The amendment process would take 3-4 months and could be started at any time. Depending on the number of amendments to be made, the cost would be between \$10,000 and \$20,000.

Proposed Legislative Changes

Joint Review Boards and Tax Incremental District Annual Reports

The change in law not only enforces annual reporting to overlying taxing jurisdictions and DOR with a penalty, but also requires on-going annual meetings of the JRB just to review the annual report. TID administration budgets should be adjusted to account for this increased cost over the life of each TID.

Greater Flexibility to Adapt to State-Imposed Negative Impacts

Provides greater flexibility to a municipality to react to certain state-imposed changes that have a negative impact on a TID.

Vacant Land Restriction Eliminated and City Owned Property Excluded From Base Value

This will bring greater rationality to the process of selecting appropriate boundaries, particularly for blight elimination and rehabilitation TIDs.

12% Limit Increased to 15%

This will provide increased flexibility in the use of TIF, allowing municipalities to make even greater use of TIF.

Five Year Extension to Declare a TID Distressed

With property values in many municipalities still not rebounding to pre-recession levels, this change gives municipalities more time to declare a TID distressed.

Base Value Redetermination – Alternate Process

Every project plan should now have a provision that allows the municipality to request a redetermination of the base value of a TID in the event it is ever in a decrement situation.

Sharing Revenue Between TIDs Regardless of Type

Now any two TIDs may share revenue as long as the major taxing jurisdictions are in alignment.

Disclaimer

Vierbicher is not a registered municipal financial advisor with the Securities and Exchange Commission. The information presented here is intended to inform the reader on conditions that affect the implementation of community projects and not advise on the financing of those projects. Vierbicher does not perform municipal advisory services as covered under the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010, as it relates to financial products and services.