

The Epic Value of Tax Incremental Financing

By Jim Villa, CEO of NAIOP Wisconsin | February 2017

One of the few tools Wisconsin communities have to invest in their economic development is tax incremental financing (“TIF”). In many cases, communities will use TIF to fund the infrastructure necessary to grow their tax base and create jobs by fostering a partnership with a new business, or attracting an existing business to their borders.

Tax increment financing was first enacted in the state in 1975. The goal was to provide local municipalities with a flexible tool to fund infrastructure for economic development. Communities use the tool differently, but in most cases it is to advance a common goal for development. The “but/for” test was established to protect taxpayers, requiring that to open a Tax Incremental District (TID), the municipality had to demonstrate that but for the TIF financing, the development would not happen.

In 2002, the City of Verona in Dane County used TIF to attract Epic Systems, which was seeking to build a corporate campus. Since that time, 17 buildings have been erected and the campus hosts more than 9,000 employees.

In Verona, the city invested \$31.4 million into infrastructure and incentives for the development of the corporate campus. In 2002, the value of the property in the TIF district in 2002 was approximately \$320,400. Epic continued to pay property taxes on this amount to the City of Verona, and other taxing jurisdictions, and the additional property taxes resulting from the increased assessed value in the property was used to pay off the original investment by the city.

In May of 2016 the City of Verona Common Council voted to close the TIF district, approximately 9 years ahead of schedule. The value of the property returned to the tax rolls increased to over \$390 million.

In addition to this meteoric rise in property value, the city’s original investment was repaid, with interest, and the TIF closed with a surplus resulting in an additional \$21 million being returned to the city, school district, and other public bodies in the taxing area.

The City of Verona invested in itself, to the tune of \$31.4 million. That investment was not only repaid by the increase in taxes on the property, but from 2016 forward the majority of the property in the TIF district will now be on the property tax rolls....at more than \$390 million in equalized value.

Epic Systems, which began as a start-up at the UW Madison Research Park, has seen tremendous growth and expansion. The City of Verona bet on this growth and invested in the infrastructure to make their city affordable and attractive to the company. The investment paid off for the taxpayers, the community, the region, and Epic.

NAIOP Wisconsin along with the Commercial Association of REALTORS® Wisconsin (CARW), League of Wisconsin Municipalities, Wisconsin Economic Development Association,

and the Wisconsin REALTORS® Association represent a broad perspective of professional experiences and expertise, and collectively advocate for responsible development and flexibility in TIF policy. Learn more at <http://naiop-wi.org/ga/tif/>.

TIF is one of the most important, and in many cases the only tool local municipalities have to directly engage in economic development. Some will argue that there are not enough protections for taxpayers or that TIF has been used beyond the original intent. We appreciate this concern and welcome a serious, fact-driven dialogue about how to ensure taxpayers realize the best return for their investment.

We cannot ignore, however that we are seeing significant investment and development in Wisconsin. The precarious nature of the financial markets and the competition by communities, states, and nations demands that we work with caution so as not to jeopardize investment in Wisconsin. Instead, we should demonstrate Wisconsin's commitment to being open for business, open to investment, and open to public/private partnerships.

The City of Verona TIF was a success of epic proportions. This is a great example of what is possible when communities work with developers, private investors, and/or businesses to invest in their future.