

**CITY OF WAUPACA
JOINT REVIEW BOARD**

**ANNUAL MEETING
CITY HALL COUNCIL CHAMBERS**

**TUESDAY JUNE 30, 2020
1:33 P.M.**

CITY OF WAUPACA MISSION STATEMENT: “The city of Waupaca’s mission is to lead creatively, plan wisely and spend prudently to provide the services that ensure a safe and vibrant community.”

1. CALL TO ORDER

Present: Mayor Brian Smith, Chairperson, Kathy Kasza, Finance Director/Treasurer, Alderperson Steve Hackett, Joyce Boyer, Waupaca County and Paul Shrode, Fox Valley Technical College

Absent: Carl Hayek, Waupaca School District and Keith Snyder, Citizen Member (both unexcused)

Also Present: Sandy Stiebs, City Clerk

2. APPOINTMENT OF AT-LARGE MEMBER

Even though he was absent, Keith Snyder was appointed the At-Large Member.

3. REVIEW PROPOSED ALLOCATION AND PROJECT PLAN AMENDMENT FOR TID NO. 4. THE PURPOSE OF THE AMENDMENT IS TO INCORPORATE PROJECT COSTS WITHIN A ½ MILE RADIUS OF THE DISTRICT BOUNDARY, ESTABLISH A BUSINESS REVOLVING LOAN FUND FOR ECONOMIC STIMULUS GRANTS, AND TO ALLOW SURPLUS POSITIVE TAX INCREMENT GENERATED BY DISTRICT 4 TO PAY SOME OF THE ELIGIBLE COSTS OF DISTRICT 10, BOTH DISTRICTS HAVE THE SAME OVERLYING TAXING JURISDICTIONS AND REVIEW PROPOSED PROJECT PLAN AMENDMENT FOR TID NO. 10. THE PURPOSE OF THE AMENDMENT IS TO INCORPORATE PROJECT COSTS WITHIN A ½ MILE RADIUS OF THE DISTRICT BOUNDARY AND TO ESTABLISH A BUSINESS REVOLVING LOAN FUND FOR ECONOMIC STIMULUS GRANTS

Finance Director/Treasurer Kathy Kasza said that staff has been reviewing the TID project plans and looking at possible uses of the remaining expenditure period and have discovered per the

Department of Revenue (DOR) that the city is able to amend TID #4 Western Avenue and TID #10 Badger Street project plans to bring them up to date with current TID Statutes. These project plans were created by city staff in 2001 and were not reviewed by legal counsel so they are missing some elements that will require amendments to make them an effective economic development tool for the City. Both TID #4 and TID #10 have expenditure periods ending in 2022 and 2023 respectively and are not distressed, so they are the only districts that may be amended according to DOR. The intent of the review would be to make sure that the amendments would not delay the City's current plan to close these TID's earlier than the allowed closing date, but to make them more usable in terms of economic development. Ms. Kasza added that the City engaged RW Baird to assist in the process to amend the project plans with a review of the plans, required notices and do the project plan amendments, and to make sure the project plans are professionally reviewed for compliance to current TID law. The review found that both TID project plans were lacking the ability to use increment funds within a 1/2 half mile radius of the TID boundaries. The reason for looking at this was due to the current economic position of the downtown area. The COVID-19 pandemic has financially impacted our businesses on Main Street and the rehabilitation project scheduled to start next year (2021) would put more fiscal stress on these businesses. As other communities use TID funds to provide economic loans and grants to businesses, the City only has the ability if the TID project plans are amended to include a radial area around them because the downtown area is not in any TID. The amendment of the TID plans to also provide for transfers from TID #4 – Western Avenue to TID #10 – Badger Street was determined to be able to provide the funding necessary should the City decide on providing an economic stimulus program for the downtown businesses. The project plans and financing projections are provided to the Board for a first review and no action will be taken at this time. The Board will meet again on July 28, 2020 to adopt the resolutions to amend the project plans, as well as a public hearing at the Plan Commission meeting on July 13, 2020 and the Council meeting on July 21, 2020.

4. REVIEW 2019 TID ANNUAL REPORT FOR EACH WAUPACA TID DISTRICT

Kathy Kasza, Finance Director/Treasurer said that the annual review of the Tax Incremental Financing Districts allows the City to present a status update for each of the districts.

Tax Incremental Districts (“TIDs”) are one of the most powerful economic development tools available to municipalities. Waupaca has a long history of actively using this tool to foster not only tax base growth but also blight elimination, orderly development of newly created commercial and industrial parcels and expanded employment opportunities. Of Waupaca's six active TIDs in existence as of June 2019, three are blight (TID #4, TID #6 and TID #10) and three are industrial (TID #3, TID #8 and TID #9). Different types of TIDs offer varying challenges. TIDs created to rehabilitate parcels regularly incur significant costs to demolish

Special Joint Review Board Meeting
June 30, 2020

existing facilities, remediate environmental contamination and, in general, prepare the parcel for new development. For these reasons, the “cost to revenue” ratio for TIDs with a focus on rehabilitation is significantly greater than TIDs created to foster new residential or commercial development. This is the challenge faced by TID #3, TID #8 and TID #10. However, it is important to recognize that a significant benefit accrued to Waupaca (and all overlapping taxing entities of the three TIDs) for the redevelopment in TID #3, TID #8 and TID #10 include an expanded employment base with jobs offering decent compensation. Without the use of TIDs, it is highly unlikely that this revitalization would have occurred. Existing TIDs • TID #3: Business Park • TID #4: Western Avenue • TID #6: West Fulton Street • TID #8: East Gateway • TID #9: Royalton Street • TID #10: Badger Street Note: TID # 5 (Airport) closed in early 2019 & TID #7 (Ware Street) closed in 2018 Of these six existing TIDs, three were created in 2000 and three in 2001. Incremental value growth, that is, the increase in equalized property values, within the existing TIDs is over \$70.5 million. This figure excludes TID #5 incremental value (closed in early 2019) and treats TID #9 negative increment as zero increment. This incremental value computes to over 16% of City’s equalized value which City of Waupaca Tax Incremental District Analyses and Report June 4, 2019 3 exceeds the 12% value limit. As a result, the City cannot create a new TID or amend boundaries of any existing TIDs until the capacity is under the 12% limit. The City will need to terminate additional TIDs in order to free up capacity. TID #3 was designated as distressed in 2010 and currently TID #6 donates to TID #3 to cover annual expenditures. It is expected that TID #3 will close in 2023 but the City would like to payoff expenditures early, with the assistance of TID #6, so both TID #3 and #6 close as early as late 2021. With the closure of TID #3 and #6, the incremental value would be reduced to less than 12% allowing the City to create a new TID or amend boundaries in any existing TID. TID #4 is self-supporting and is a donor to TID #8. TID #8 is not self-supporting and its significant cumulative balance (shown on proforma herein) is due to utility advances which in large part will need to be repaid prior to closing. TID #9 is a single parcel TID with negative incremental value and no outstanding expenditures. TID #10 does not generate enough annual revenues to cover debt service but has fund balance and transfer from TID #9 to make up the difference. Challenges TID project plans are required to include an economic feasibility analysis. A component of the analysis projects annual TID revenues compared to annual TID expenditures. A challenge facing all TIDs is the “fixed” nature of the expenditures versus the “variable” nature of the revenues. For example, TID expenditures are often funded by the issuance of debt. That debt typically has fixed payments over a long-term period (up to 20 years for General Obligation debt). The revenue stream, comprised predominantly of tax revenue, varies annually based on changes to property value in the TID and the combined equalized tax rate. As with any projection, the further into the future the projection spans, the confidence placed on subsequent years’ projections is reduced. Additional challenges that can have had a significant impact on TID revenues include the following: – State legislative changes City of Waupaca Tax Incremental District Analyses and Report June 4, 2019 4 – Department of Revenue assessment practice changes – Economic downturn that began in late 2007 TID project plans drafted years

Special Joint Review Board Meeting
June 30, 2020

prior to the changes listed above have forced Waupaca to adapt to the challenge of TID revenues falling short of projections developed under an entirely different set of fiscal circumstances.

5. SET NEXT MEETING DATE OF JULY 28, 2020 AT 1:30 P.M. FOR APPROVAL OF THE TID NO. 4 AND TID NO. 10 AMENDMENTS

The next meeting date is set for the above mentioned date and time.

6. ADJOURNMENT

MOVED by Ald. Hackett, **SECONDED** by Mr. Shrode to Adjourn the Special June 30, 2020 Annual Joint Review Board Meeting. 5 ayes, 0 nays, 2 absent. **MOTION CARRIED** on a voice vote.

Meeting adjourned at 2:02 p.m.

Mayor Brian Smith, Chairperson
Joint Review Board

ss