

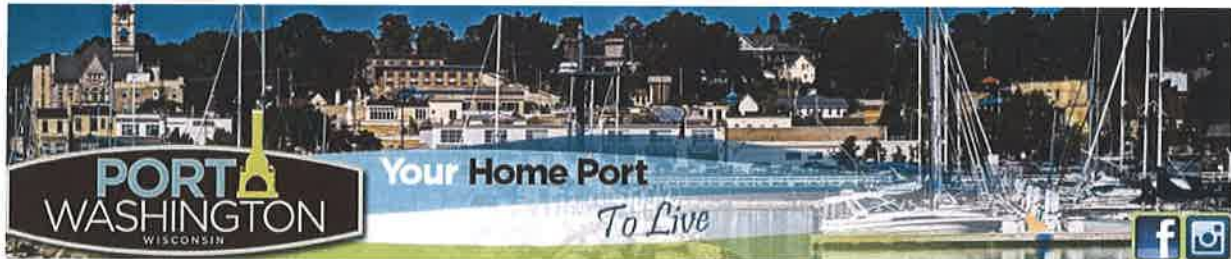
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# **Tax Incremental District No. 4**

## **Project Plan**

**City of Port Washington, Ozaukee  
County, Wisconsin**

**September 2019**



**TRILOGY**  
CONSULTING, LLC  
MUNICIPAL & UTILITY ADVISORS

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## **INTRODUCTION**

It is the intent of the City of Port Washington to promote redevelopment within the City by creating a new tax incremental finance district (TID). This district will be the fourth TID created by the City. TID No. 1 was created in 1991 and retired in 2007, TID No. 2 was created in 2010, and TID No. 3 was created in 2015. The proposed Tax Increment District No. 4 will consist of a property currently owned by the City of Port Washington Community Development Authority and will support the redevelopment of this property into 40 apartment units for seniors by securing gap financing for the project. This project plan for Tax Incremental District No. 4 describes the proposed development of the district, anticipated project costs and methods of financing, and the economic feasibility study.

### *What is Tax Incremental Financing?*

Tax incremental financing (TIF) is a financing tool that municipalities can use to invest in infrastructure improvements and other project costs that increase the property value in a defined area or district. A certain area is defined as the tax incremental district (TID) and projects are identified to support new development or redevelopment within the district. As new development or redevelopment occurs, the tax incremental district collects all of the property taxes on the increases in property value (tax increments) that would normally be collected by the city, county, school district, and vocational college district (overlying taxing jurisdictions). These tax incremental revenues are used to repay debt incurred to finance project costs or to cash finance project costs on a 'pay-as-you-go' basis. After all project costs are paid off, the district is closed and all of the taxing jurisdictions share in the benefit of increased tax revenues from the new development in the district.

When a TIF district is created, the base value is determined. The base value is the value of all real and personal property in the district as of the date the district is created. Taxes collected on the base value of the district continue to go to each of the taxing jurisdictions as normal. Each year, the increase in property value over the base value (incremental value) is determined. All of the taxes collected on this incremental value are turned over to the district to be used for projects to support development within the district. Property in a TIF district pays the same tax rates as other property within the same taxing jurisdictions.

TIF districts may be used to eliminate blight, or support redevelopment or rehabilitation work, industrial development or mixed use development. Mixed use development is development that includes a mix of industrial, commercial and residential development, as long as newly platted residential development does not include more than 35 percent of the area within the district. A wide variety of costs may be paid for by a TIF district, including:

- Capital costs for the construction of public works or improvements
- Demolition costs
- Removal or containment of environmental pollution
- Financing costs, including interest payments and debt issuance or premium costs
- Property assembly costs
- Architectural, planning, engineering and legal expenses
- Expenses related to the relocation of existing homes or businesses
- Planning and organizational costs for creating the district
- Costs for the containment or removal of lead contamination costs

- Costs for the construction or alteration of wastewater treatment plants or water treatment plants
- Costs for sanitary sewer lines, water mains, or road improvements outside of a tax incremental district if the improvements are needed to support development in the district
- Payments which are found to be necessary and convenient to the creation of a tax incremental district or the implementation of a project plan

This District is proposed as a “blighted” district under Wisconsin Statutes §66.1105(2)(ae). As a blighted District, the District must meet the following requirements:

1. The equalized value of taxable property of the district plus the value increment of all existing districts does not exceed 12 percent of the total equalized value of taxable property within the city.
2. At least 50% of the area of the District must be considered blighted.
3. The improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district.

#### *How is a TIF District Created?*

There are several steps required in the creation of a TIF district. First, a project plan must be written. The project plan must contain the following:

- A statement listing the kind, number and location of all proposed public works or improvements within the district or, to the extent provided by statute, outside the district
- An economic feasibility study
- A detailed list of estimated project costs
- A description of the methods of financing all estimated project costs and the time when the related costs or monetary obligations are to be incurred
- A map showing existing uses and conditions of real property in the district
- A map showing proposed improvements and uses in the district
- A list of proposed changes of zoning ordinances, master plan, if any, map, building codes and city ordinances
- A list of estimated nonproject costs
- A statement of the proposed method for the relocation of any persons to be displaced
- A statement indicating how creation of the tax incremental district promotes the orderly development of the city
- An opinion of the city attorney or of an attorney retained by the city advising whether the plan is complete and complies with Wisconsin Statutes

The city plan commission must hold a public hearing on the project plan and proposed boundaries of the district. Before holding the public hearing, the city must provide notice of the hearing and convene a meeting of the Joint Review Board. The Joint Review Board consists of a representative of each of the overlying taxing jurisdictions. After conducting the public hearing the Plan Commission may adopt the project plan.

Following adoption of the project plan, the proposed district must be approved by the governing body of the city. Creation of the district requires approval of a resolution which:

- Describe the boundaries of the district

- Determines the date the district is created (If a district is created between January 2 and September 30, the creation date is January 1 of the current year. If a district is created between October 1 and December 31, the creation date is January 1 of the following year.)
- Assigns a name to the district (i.e. Tax Incremental District No. 4)
- Contains findings that:
  - Not less than 50%, by area, of the real property within the district is at least one of the following: a blighted area; in need of rehabilitation or conservation work; suitable for industrial sites and has been zoned for industrial use; or suitable for mixed-use development;
  - The improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district. It is not necessary to identify the specific parcels meeting the criteria;
  - The project costs relate directly to eliminating blight or to rehabilitate or conserve the area, consistent with the purpose for which the tax incremental district is created; and
  - The equalized value of taxable property of the district plus the value increment of all existing districts does not exceed 12 percent of the total equalized value of taxable property within the city.
- Declares that the district is a blighted area district, rehabilitation or conservation district, an industrial district, or a mixed-use district. If the district is not exclusively blighted, rehabilitation or conservation, industrial, or mixed use, the declaration under this subdivision shall be based on which classification is predominant.

Finally, In order for the district to be created, the resolution adopted by the governing body must be approved by the Joint Review Board within 30 days after adoption by the governing body.

This project plan includes all the elements required by statute and demonstrates that the proposed TID No. 4 meets the requirements described above.

### **DESCRIPTION OF THE DISTRICT**

#### *Existing Uses and Conditions*

The District includes one parcel, located at 900-910 State Road 32. Table 1 summarizes the current conditions of the property, such as existing use, zoning, and property value. Map 1 depicts the boundaries of the District and the existing use and conditions of the property. This property previously contained a mobile home park, which was demolished between 2007 and 2015. The CDA purchased the property in 2007 for redevelopment. Since the property is currently owned by the CDA, it is tax exempt.

**Table 1 - Existing Uses and Real Estate Values**

Parcel ID	Address	Owner	Existing Use	Existing Zoning	Parce Size (Acres)	Wetlands (Acres)	Net Acres	Land - Equalized Value	Improvements - Equalized Value	Total Equalized Value
16-032-03-008.00	900-910 State Rd 32	CDA - City of Port Washington	Open - Structures demolished	RM-4	2.26	0.00	2.26	\$0	\$0	\$0
Total					2.26	0.00	2.26	\$0	\$0	\$0

*Proposed Improvements and Uses*

This Tax Incremental Finance District is proposed as a “blighted” district under Wisconsin Statutes §66.1105(2)(ae). The plan for the District includes development of a 40-unit multi-family senior housing development. The project is expected to be funded through the Internal Revenue Code Section 42 low income housing tax credit program. Based on the project’s expected revenues and expenses, the post-development property value is projected to be approximately \$1.95 million.

**Table 2 - Proposed Development**

Proposed Land Use	Acreage	Description of Proposed Development	Projected Value After Development	Existing Value	Value Increment
Spring Harbor Residential	2.26	40-Unit Multi-Family	\$1,953,600	\$0	\$1,953,600
Total	2.26		\$1,953,600	\$0	\$1,953,600

The proposed tax incremental finance district to redevelop this property for use as affordable senior housing meets the following requirements for a ‘blighted’ TID under Wisconsin Statutes:

- **Not less than 50%, by area, of the real property within the district is at least one of the following: a blighted area; in need of rehabilitation or conservation work; suitable for industrial sites and has been zoned for industrial use; or suitable for mixed-use development** – Under Wisconsin Statutes §66.1105(2)(ae)1.b., this property qualifies as ‘an area which is predominantly open and which consists primarily of land upon which buildings or structures have been demolished and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of the community.’
- **The improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district. It is not necessary to identify the specific parcels meeting the criteria** – The proposed district encompasses a single property, which will be developed in its entirety, therefore the proposed project will substantially improve the value of all the property in the District.
- **The project costs relate directly to eliminating blight or to rehabilitate or conserve the area, consistent with the purpose for which the tax incremental district is created** – the project costs will directly support the redevelopment of the property in the District by securing gap financing for the housing development.
- **The equalized value of taxable property of the district plus the value increment of all existing districts does not exceed 12 percent of the total equalized value of taxable property within the city** – The value increment of all other districts in the City was 1.53 percent of the City’s total equalized value for 2019. This proposed district has no equalized value for tax purposes, so this requirement is met.

*Proposed changes of zoning ordinance, master plan, map, building codes and city ordinances*

The property proposed to be included in the District was part of the “City Growth Area” under the 2004 Boundary Agreement between the City and Town of Port Washington. The City’s Planned Land Use Map: 2035 shows this property as a redevelopment site. The property was annexed to the City and rezoned to RM-4 in 2018 to support its development as senior housing. No additional changes to the City’s zoning ordinance, master plan, map, building codes or ordinances are needed for this project.

*Proposed method of relocation*

All structures on the site were previously demolished or removed, so this project will not result in the relocation of any homes or businesses.

*Promotion of orderly development of the City*

The development of senior housing in the proposed Tax Incremental District No. 4 are consistent with the goals and objectives of the City’s Comprehensive Plan and promote the orderly development of the community.

The development of the District meets the following goals of the City of Port Washington Comprehensive Plan: 2035:

- Promote the development of housing for residents of the City of Port Washington and provide a range of housing choices that meet the needs of persons of all income levels and age groups and persons with special needs.
- Promote the availability of land for the development or redevelopment of affordable housing.
- Promotion of the redevelopment of lands with existing infrastructure and public services and the maintenance and rehabilitation of existing residential, commercial, and industrial structures.
- Encouragement of land uses, densities and regulations that promote efficient development patterns and relatively low municipal, state government, and utility costs.
- Providing an adequate supply of affordable housing for individuals of all income levels throughout the community.

The proposed development will redevelop a site with existing infrastructure and public services and will provide affordable housing for seniors. The housing will be relatively high density, making efficient use of the available land and keeping municipal, state government, and utility costs low.

**ESTIMATED PROJECT AND NONPROJECT COSTS**

The estimated project costs are shown in Table 3. Most of the project costs are development incentives to secure gap financing for the development. The remaining costs are for administrative expenses incurred by the City. The District is proposed as a ‘pay-as-you-go’ district, wherein the developer will obtain a loan that will be secured by revenues from the TIF district. As the District generates tax incremental revenues, a percentage of those revenues will be paid to the developer as installments of the development incentive, which will allow the developer to pay off part of the project financing obtained by the developer for this project. Project costs are anticipated to be committed to the project in 2020, when construction begins, with installments of the development incentive being paid from 2022, the first year the District is expected to generate positive tax increments, through 2046, which would be the 27<sup>th</sup> year of the District.

**Table 3 - Project Costs**

	Costs	Years Incurred
Spring Harbor Development Incentive	\$754,348	2022 - 2046
Administrative Costs	\$39,703	2022 - 2046
Total	\$794,051	2022 - 2046

#### **METHODS AND TIMING OF FINANCING**

As noted above, the District is planned as a 'pay-as-you-go' district. The financing will be obtained by the developer, secured by the installment payments of the development incentive. Installment payments of the development incentive will be made starting in 2020 at a level equal to 95 percent of the tax incremental revenues for a period of 25 years. If construction begins in 2020, the first tax incremental revenues are expected to be collected by the District and the first installment paid to the developer in 2022.

#### **ECONOMIC FEASIBILITY STUDY**

For the proposed district to be economically feasible, district revenues must be enough to cover district expenses within the 27 years that Wisconsin Statutes allow for a blighted district. District expenses will consist of administrative expenses and installment payments of the development incentive to the developer to allow developer to secure initial project financing.

District revenues are expected to consist of taxes levied by the City, county, school district and vocational school district on the increase in property value over the base value of the district. The amount of revenues generated over the life of the district will depend on both the value and timing of the increases in property value within the district, as well as the tax rates of each of the overlying taxing entities.

Table 4 shows the estimated base value and forecast tax incremental revenues for the proposed district. The base value of the district is zero because it is owned by the Community Development Authority of the City of Port Washington and is therefore tax exempt. The property has been owned by the CDA since 2007. The table shows the base value, the beginning of year value, the projected value of new improvements, and the end of year value for each year. The beginning of year incremental value is the beginning of year value within the district minus the base value. This amount is the projected amount of incremental value that will generate tax incremental revenues for the district during the next calendar year. The projected tax rate for the district is based on the equalized tax rates for taxes assessed in 2018 and collected in 2019. Current year tax increment is the projected collection of tax incremental revenues per year.

**Table 4 - Tax Increment Schedule Based Upon Planned Development Costs**

Year	Base Value	Beginning of Year Equalized Value	Improvements	Inflation	Year End Value	Beginning of Year Value Increment	Tax Rate Per 1,000 EV <sup>(1)</sup>	Current Year Tax Increment <sup>(2)</sup>	Cumulative Increment
2020	\$0	\$0	\$976,800	\$0	\$976,800	\$0	\$16.59	\$0	\$0
2021	\$0	\$976,800	\$976,800	\$0	\$1,953,600	\$976,800	\$16.59	\$0	\$0
2022	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$16,205	\$16,205
2023	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$48,615
2024	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$81,026
2025	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$113,436
2026	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$145,846
2027	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$178,256
2028	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$210,666
2029	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$243,077
2030	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$275,487
2031	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$307,897
2032	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$340,307
2033	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$372,718
2034	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$405,128
2035	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$437,538
2036	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$469,948
2037	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$502,358
2038	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$534,769
2039	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$567,179
2040	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$599,589
2041	\$0	\$1,953,600	\$0	\$0	\$1,953,600	\$1,953,600	\$16.59	\$32,410	\$631,999
2042	\$0	\$1,953,600	\$1	\$0	\$1,953,601	\$1,953,600	\$16.59	\$32,410	\$664,410
2043	\$0	\$1,953,601	\$2	\$0	\$1,953,603	\$1,953,601	\$16.59	\$32,410	\$696,820
2044	\$0	\$1,953,603	\$3	\$0	\$1,953,606	\$1,953,603	\$16.59	\$32,410	\$729,230
2045	\$0	\$1,953,606	\$4	\$0	\$1,953,610	\$1,953,606	\$16.59	\$32,410	\$761,640
2046	\$0	\$1,953,610	\$5	\$0	\$1,953,615	\$1,953,610	\$16.59	\$32,410	\$794,051

Notes:

(1) Projected equalized tax rate is based on the total tax rate for taxes levied in 2018, collected in 2019.

(2) Shown for the year in which the tax increment revenues will be collected.

As shown, it is expected that the property will be developed in 2020 and 2021. It is assumed that these improvements will be partially assessed as of January 1, 2021 and fully assessed as of January 1, 2022. Taxes on the improvements constructed in 2020 will be assessed in 2021 and collected in 2022. Therefore, it is expected that the district will not have any tax incremental revenues until 2022. Over the next twenty-five years, the increase in real property value in the district is projected to generate over \$794,000 in property taxes. Tax incremental revenues will also be collected on any increases in personal property value in the district; however, these revenues are expected to be minimal and were not estimated for purposes of this economic feasibility analysis.

A cash flow analysis was prepared to compare the district revenues with expenses over the life of the district, as shown in Table 5. Cash inflows for the district are expected to include proceeds from tax increment revenues. Cash outflows are expected to include installments of the development incentive to the developer, and administrative costs incurred by the City. As noted above, installment payments to the Developer will be limited to 95 percent of the tax incremental revenues. City administrative expenses will be based on actual expenses and may be less than the remaining 5 percent of District revenues. After the district is terminated, any remaining cash balance in the district fund will be distributed to the overlying



taxing jurisdictions and the taxing jurisdictions can collect taxes on the increased property value in the district.

Since payments to the developer will be limited to 95 percent of District revenues, the District will be able to make all payments and terminate before the statutory time limit. The proposed district is therefore economically feasible.

**Table 5 - Cash Flow Analysis**

Year	Revenue	Total Cash In	Developer Incentives	Administrative Expenses	Cash Out	Net Cash Flow	Cash Balance
2020	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$16,205	\$16,205	\$15,395	\$810	\$16,205	\$0	\$0
2023	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2024	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2025	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2026	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2027	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2028	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2029	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2030	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2031	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2032	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2033	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2034	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2035	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2036	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2037	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2038	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2039	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2040	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2041	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2042	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2043	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2044	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2045	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
2046	\$32,410	\$32,410	\$30,790	\$1,621	\$32,410	\$0	\$0
Total	\$794,051	\$794,051	\$754,348	\$39,703	\$794,051	\$0	\$0

**APPENDIX 1: OPINION OF THE CITY ATTORNEY**



**CITY OF PORT WASHINGTON | OFFICE OF CITY ATTORNEY**  
Eric E. Eberhardt, City Attorney

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November 5, 2019

Mayor Martin T. Becker  
City of Port Washington  
100 W. Grand Avenue  
Port Washington, WI 53074

Re: Tax Incremental District No. 4 - City of Port Washington, Ozaukee County, Wisconsin

Dear Mayor Becker:

Per Wis. Stat. §66.1105(4), the City of Port Washington must include in the Tax Incremental District No. 4 project plan an opinion of the city attorney advising whether the plan is complete and complies with §66.1105. Specifically, pursuant to §66.1105(4)(f), the City Plan Commission must adopt a project plan for Tax Incremental District No. 4 and submit the plan to the Common Council. The project plan must include:

- A. A statement listing the kind, number and location of all proposed public works or improvements within the district or, to the extent provided in §§ 66.1105(2)(f)1.k. and 1.n., outside the district.
- B. An economic feasibility study.
- C. A detailed list of the estimated project costs.
- D. A description of the methods of financing all estimated project costs.
- E. The time when the related costs or monetary obligations are to be incurred.
- F. A map showing existing uses and conditions of real property in the district.
- G. A map showing proposed improvements and uses in the district.
- H. Proposed changes of zoning ordinances, master plan, if any, map, building codes and City ordinances.
- I. A list of estimated nonproject costs.
- J. A statement of the proposed method for the relocation of any persons to be displaced, if any.
- K. A statement of how creation of the district promotes the orderly development of the City.
- L. An opinion of the city attorney advising whether the plan is complete and complies with §66.1105.  
(This opinion letter complies with this requirement.)

The Project Plan dated September 2019 prepared by Trilogy Consulting, LLC includes all of the above-described elements. Therefore, I am of the opinion that as of the date hereof said Project Plan for Tax Incremental District No. 4 is complete and complies with Wis. Stat. §66.1105(4).

Very truly yours,

Eric E. Eberhardt  
City Attorney

EEE:dms

cc Mark Grams, City Administrator  
Robert Harris, City Planner

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[illegible]



Map 1A: 900-910 S SPRING STREET - PROPOSED TID 4 BOUNDARY AND PROPOSED CONDITIONS

