

TAX INCREMENT FINANCING DEVELOPMENT INCENTIVES POLICY MANUAL



1. PURPOSE

The attached policies, and associated application, have been adopted by the Village of McFarland for the purpose of guiding decisions related to requests for development incentives within Village tax increment financing (TIF) districts.

2. DISCLAIMER

The authority to make decisions regarding the use of TIF funds is vested solely in the Village Board of the Village of McFarland. This policy manual and associated application have been prepared by the Village to provide both Village Officials and applicants a consistent process and set of criteria for reviewing requests for TIF assistance. The actual amount of TIF assistance provided to a project will be determined at the discretion of the Village Board on the basis of need, risk, project characteristics, applicant qualifications and the degree to which the project meets the public objectives of the Village described in Section 3 General Objectives and Section 6 Evaluation Criteria. The Village Board reserves the right to amend or adjust these policies, and recommend any project the Village Board deems to be in the best interests of the Village of McFarland.

The Village Board also reserves the right to reject any and all applications, even those which satisfy all of the attached criteria for the use of TIF for any reason whatsoever, without regard for the viability of the project. The Village will provide the applicant with reasons for rejecting the application. Examples why a project may be rejected include but are not limited to: the Village's own capacity to fund the project, the scale of the project is too small, the project results in minimal public benefits, failure to meet one or more evaluation criteria, other existing Village, County or State funding programs are available for the proposed project, the project results in a tax exempt property, etc.

3. GENERAL OBJECTIVES FOR THE USE OF TAX INCREMENT FINANCING – DEVELOPMENT INCENTIVES

The overall objective of the program is to stimulate redevelopment of commercial, industrial, multi-family (4+ units) residential, and mixed-use properties within the boundaries of Village TIF districts. While TIF is an important and useful economic development tool, it is essential that it be used appropriately to accomplish the Village's economic development goals and objectives. A fundamental principle of tax increment financing is that it is designed to encourage development that would not otherwise occur, or would only occur to a lesser extent, "but for" the assistance provided through tax increment financing. It is the policy of the Village Board to consider the judicious use of TIF incentives for those projects that demonstrate a substantial and significant public benefit by:

- ✓ Eliminating blight, unhealthy, or unsafe conditions
- ✓ Strengthening the employment and economic base of the Village
- ✓ Increasing property values and tax revenues
- ✓ Fostering rehabilitation and conservation activities
- ✓ Installing, constructing, or reconstructing community amenities or utilities
- ✓ Implementing plans and development strategies adopted by the Village
- ✓ Implementing high-quality site and building designs and materials

4. ELIGIBLE COSTS

Allowable uses of TIF development incentives include, but are not limited to:

- ✓ Land acquisition and surveying
- ✓ Construction costs of new building and utility improvements (interior or exterior)
- ✓ Environmental audits or remediation
- ✓ Demolition of buildings and site grading to bring sites to shovel ready status
- ✓ Rehabilitation of existing structures and utilities (interior or exterior)
- ✓ Site improvements (parking, landscaping, lighting, stormwater, signage, etc.)
- ✓ Planning, legal, engineering, architectural, financing, permit costs and reasonable developer fees

5. METHODS OF FINANCING & PROJECT COMPLETION ASSURANCES

Applications for TIF assistance require the applicant to indicate the type of financing method they are requesting from the Village from the list of options below. The list is ordered sequentially based on the Village's preferred methods of providing TIF assistance. Applicants seeking more advantageous financing terms (e.g. Tax Increment Loan at Project Start) should be aware that the Village reserves the right to both specify which form of financing the Village will offer based on the merits of the project AND to lower the amount of TIF assistance (i.e. as the Village incurs more risk the Village reserves the right to reduce the amount of assistance below the amount requested). The Village may also consider the use of a combination of financing methods.

- Pay-As-You-Go (Developer Financed Loan): Under a pay-as-you-go incentive the applicant finances the upfront costs related to the construction project and the Village agrees to make an annual payment back to the applicant starting with the first year the Village receives taxes from the improved property (i.e. two years after project completion). The terms of the annual payment are subject to the development agreement negotiated and signed by both parties. The terms are typically represented as a percentage of the annual tax increment collected over a set period of years (e.g. 90% of the actual tax increment collect over 10 years or until the total requested financing amount has been reached).
- Traditional Loan. The Village may provide financing in the form of a loan at project start (e.g. after completion of the development agreement and within 60 days of receiving all necessary building permits). The terms of the loan (i.e. interest rate, amortization schedule, collateral) will be negotiated as part of the development agreement. The Village may also consider the use of no-interest loans or loans with forgivable payments (e.g. waiving a final payment) to provide an additional incentive to the applicant based on the merits of the proposed project. The use of future tax increments generated from the project to pay back the loan from the Village is not applicable. Examples of this type of financing are usually part of a community façade improvement revolving loan program.
- Tax Increment Loan at Occupancy. The Village may provide financing in the form of a loan at occupancy. Under this form of financing the Village provides a cash payment at the time (e.g. within 60 days) the proposed applicant completes the project (i.e. receives a building occupancy permit from the Village). The Village reserves the right to withhold a percentage of the TIF assistance until all landscaping has been installed on the property in accordance with approved site plans. The loan is paid back through future tax increments generated from the project.
- Tax Increment Loan at Project Start. The Village may provide financing in the form of a loan at the start of a project. Under this form of financing the Village provides a cash payment at the time the project starts (e.g. after completion of the development agreement and within 60 days of receiving all necessary building permits). The Village reserves the right to stagger payments to the applicant from the time of obtaining building permits to the time of receiving a building occupancy permit based on meeting predetermined construction milestones. The Village reserves the right to withhold a percentage of the TIF assistance until all landscaping has been installed on the property in accordance with approved site plans. The loan is paid back through future tax increments generated from the project.

Applicants are advised that the Village will require certain financial and project completion guarantees. These may include, but are not limited to, assessment guarantees, letters of credit, personal or corporate guarantees, minimum payment agreements, lien waivers for contractors, consent of mortgagee or other loan security instruments. In addition, the Village reserves the right to require an applicant to provide copies of paid invoices demonstrating actual costs incurred and to adjust accordingly any assistance provided by the Village in proportion to the ratio of estimated to actual project costs. **All terms and obligations of the Village and the applicant shall be finalized through the execution of a development agreement.**

6. EVALUATION CRITERIA – DEVELOPMENT INCENTIVE QUALIFICATIONS

The following criteria and qualifications will be used by the Village to evaluate requests for development incentives. All terms and obligations of the Village and the applicant shall be finalized through the execution of a development agreement.

- Location Criteria: The proposed project must be within the boundaries of a Village TIF district at the time of approval of a development agreement.
- Ownership Criteria: The applicant must be the owner of the property or have a written agreed option to purchase the property from the current owner at the time of approval of a development agreement. Proof of property ownership will be required prior to receiving financial assistance from the Village.
- “But For” Criteria: The applicant must demonstrate to the Village’s satisfaction that “but for” the TIF assistance, the project is not feasible on the proposed site, or would occur to a lesser extent, and that the public benefits described in Section 3 General Objectives would not be achieved.
- Financial Capability Criteria: Each TIF application must include evidence that the applicant possesses the financial ability to complete and operate the project and will be liable for, or contribute equity of at least 15% of the total cost of the project. Proof of equity and private commercial lending commitment will be required prior to receiving financial assistance from the Village.
- Maximum Assistance Criteria¹: The total amount of TIF assistance in support of a project is based on the form of incentives requested as described below and the overall value of the project to the community. For applicants requesting a combination of financing (e.g. pay-go and tax increment loan at occupancy) the maximum amount of assistance shall not exceed 30% of the estimated total project costs, with the final percentage within each form of financing determined by the Village Board. The Village at its discretion may include in the total percentage of project costs other costs incurred by the Village in support of bringing the subject property to shovel ready status (e.g. prior land acquisition costs, environmental remediation costs, public works costs, etc.).
 - For Pay-As-You-Go (Developer Financed) Agreements the maximum amount of assistance is capped at 30% of the estimated total project costs.
 - For Traditional Loan Agreements the maximum amount of assistance is capped at 20% of the estimated total project costs.
 - For Tax Increment Loan at Occupancy Agreements the maximum amount of assistance is capped at 20% of the estimated total project costs.
 - For Tax Increment Loan at Project Start Agreements the maximum amount of assistance is capped at 10% of the estimated total project costs.
- Payback Period Criteria¹: All requests for TIF assistance will be required to demonstrate that the tax increment estimated to be generated by the project will be sufficient to payback any TIF assistance provided by the Village (including applicable interest expenses) in support of the project according to the following terms:
 - For Pay-As-You-Go (Developer Financed) Agreements. Payments to the Developer shall commence with the first year in which the Village receives tax increment from the completed project and continue no longer than the year in which the applicable TID terminates, or until the maximum amount of assistance is reached, whichever comes first. In addition, the annual amount of tax increment applied toward retirement of the developer loan shall not exceed 90% of the actual annual amount of tax increment collected from the project, unless a higher percentage is granted by the Village Board.

¹ At the Village’s discretion, the maximum amount of assistance and/or the payback period criteria may be modified for projects that demonstrate substantial merit (e.g. completion of LEED Certified Buildings, projects which lead to at least 50% of all jobs created with annual salaries (not including benefits) at or exceeding the median household income for the Village as reported by the U.S. Census, etc.).

- For Traditional Loan Agreements. Within 12 years starting with the year the loan is obtained and no longer then the year in which the applicable TID terminates. Interest shall be charged based on current general obligation loan interest rates from the Wisconsin Board of Commissioners of Public Lands, for the applicable loan term, at the time of Village disbursement of funds, plus 0.15%.
- For Tax Increment Loan at Occupancy Agreements. Within 12 years starting with the year the loan is obtained and no longer then the year in which the applicable TID terminates.
- For Tax Increment Loan at Project Start Agreements. Within 7 years starting with the year the loan is obtained and no longer then the year in which the applicable TID Expenditure Period ends.

- Financial/Project Assurances Criteria: The applicant must agree to provide financial and project completion guarantees to the Village. These may include, but are not limited to, assessment guarantees, letters of credit, personal or corporate guarantees, minimum payment agreements, lien waivers for contractors, consent of mortgagee or other loan security instrument.

- Technical & Operational Capability Criteria: The applicant must provide evidence satisfactory to the Village that the applicant possesses the technical ability to complete the project or has obtained construction cost estimates from professional businesses capable of performing the work. Applicants must demonstrate that they have the ability to operate the proposed use. The Village may require applicants to submit copies of contracts with design professionals and construction contractor prior to receiving financial assistance from the Village.

- Insurance Criteria: Applicants shall furnish to the Village certificates of insurance for all insurance policies required under the development agreement prior to receiving financial assistance from the Village.

- Adherence to Local Land Use Plans Criteria: The project is consistent with the Village of McFarland Comprehensive Land Use Plan, Village Building or Zoning Ordinances, or any other applicable plans and ordinances adopted by the Village which includes the subject property.

- Adherence to TIF Project Plan Criteria: All requests for TIF assistance must clearly comply with the requirements of the Wisconsin TIF Statutes and the Village’s adopted TID Project Plan applicable to the subject property.

- Creation of Tax Increment Criteria: The project will not result in a tax exempt property, aside from any remnant portions of a parcel which are specifically dedicated to the Village for public use. Applicants will be required to return any TIF assistance provided to the Village if during the terms of the development agreement the property becomes exempt from property taxes.

- Applicant in Good Standing Criteria: The applicant does not have a history of delinquent property tax payments or own any property within the Village with known zoning or building code violations.

- Absence of Conflict of Interest Criteria: The applicant is not a member of the Village Board or a Village Committee, or any other official, employee, or agent of the Village who is authorized to exercise policy decision-making functions or responsibilities in connection with the application.

- Application Criteria: A completed application, fee, and escrow have been filed with the Village Community Development Director.

7. APPLICATION PROCEDURE

Applications submitted for TIF assistance shall be reviewed through the following process:

- Initial Consultation. Applicants are encouraged to meet with the Village Administrator and Community Development Director to discuss proposed TIF assistance requests and conceptual development plans prior to submitting an application.
- Plan Commission Referral. Applicants may be referred to the Village’s Plan Commission to discuss the proposed project in order to gain better insight on how to design the project to meet the Village’s planning objectives and applicable zoning requirements. *Note, it is not the intent of the Plan Commission to make recommendations regarding the financing requested, only design aspects of projects.*
- Application. Application materials, including the required fee and escrow shall be submitted to the Village Community Development Director who will notify the appropriate Village Staff, Village Attorney or any other professional who provides services to the Village whom are directed by the Village Community Development Director to review the application.
- Fees and Escrow Deposit. A processing fee in the amount of \$250 per application must be submitted with the application. In addition, the applicant will be required to submit an initial escrow deposit in the amount of \$2,500 per application, with addition \$2,500 increment payments as needed, to reimburse fees for professional services incurred by the Village related to the review of the application or development agreement.
- Preliminary Determination of Completeness. The Village Community Development Director, and other designated staff, will review the application for completeness and applicability. If the application is incomplete or if additional information is needed the applicant will be notified that the application is not complete, and the reasons will be stated referring to the specific additional information required. The applicant may then resubmit the application with additional information/modifications or may withdraw the application.
- Project Management Team Review. The Village’s Project Management Team (PMT) will review the application for eligibility and complete a pro forma analysis of the project. In order to better understand the needs of the project, the applicant or staff may request a meeting(s). Review time will be approximately 30 days from the date the completed application is submitted to the Village; however, more or less time may be required for particular applications. Upon completion of staff review, the application and a supplemental staff report will be submitted to the Village’s Community Development Authority.
- Community Development Authority Recommendation. Within 30 days of receiving the staff report the TIF application shall be reviewed by the Village Community Development Authority (CDA), unless a delay is requested by the applicant. The applicant will be notified of the date of the meeting(s)² in which the application is reviewed. Applicants will be required to be present at the CDA meeting to answer questions regarding the proposed project. The CDA will make a recommendation to the Village Board to approve, approve with conditions, deny the application, or table the application pending further discussion or information by the applicant.
- Village Board Preliminary Approval. The application will be reviewed by the Village Board at its next scheduled meeting following action by the CDA. The applicant will be notified of the date of Village Board meeting(s)² in which the application is reviewed. Applicants will be required to be present at the Village Board meeting to answer questions regarding the proposed project. The Village Board at their discretion may refer the matter to another Village committee for recommendation or may hold a public hearing. The Village Board may approve, approve with conditions, deny the application, or table the application pending further discussion or information by the applicant. *Note, at this stage in the process the Village Board may make a determination as to whether*

² The CDA and/or Village Board may meet in closed session, pursuant to Wisconsin statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session, specifically to discuss the TIF application or Development Agreement.

to provide TIF assistance, a maximum amount of assistance, the form of incentives, and required assurances. These decision points will provide parameters for Village Staff and the applicant to negotiate a draft Development Agreement for future consideration by the Village Board.

- Draft Development Agreement. Upon preliminary approval of the TIF Application by the Village Board, Village Staff shall create a draft Development Agreement based on the direction provided by Village Board. The draft Development Agreement will be reviewed with the applicant. The Development Agreement will describe the obligations of both the Village and the applicant, and the terms and conditions of TIF assistance.

- Village Board Final Approval. The Development Agreement will be reviewed by the Village Board. The applicant will be notified of the date of Village Board meeting(s)² in which the Development Agreement is reviewed. Applicants will be required to be present at the Village Board meeting to answer questions regarding the proposed Development Agreement. The Village Board may approve, approve with conditions, deny the Development Agreement, or table action pending further discussion or information by the applicant. *Note, the applicant shall also be responsible for submitting other documentation in order to gain required zoning or building permit approvals.*

- Expiration. Approved TIF applications shall become void if after six months (6) from the date of approval the applicant and Village have not executed the Development Agreement, unless both parties agree to an extension.

**TAX INCREMENT FINANCING
DEVELOPMENT INCENTIVES
APPLICATION**



Application ID: _____ (Year) - _____ (#) to be completed by Village Community Development Director upon submittal

Please complete and submit the following information to the Village Community Development Director for a more detailed review of the feasibility of your request for Tax Incremental Financing (TIF) Development Incentives. The application is comprised of five sections: (A) Applicant Information, (B) Property Information, (C) Project/Business Information, (D) TIF Request, (E) Budget/Financing Strategy, and (F) Applicant Certification and Acknowledgement. Where there is not enough room for responses provided, please use an attachment. Where questions do not apply, mark NA (not applicable). Applicants are encouraged and may be required to submit additional information such as site plans, environmental studies, market studies, business plans, business or personal financial statements, or financial commitment letters to be included for review and consideration.

A. APPLICANT INFORMATION

Project Name: _____

Applicant: _____

Mailing Address: _____

Primary Contact: _____ Telephone: _____

Email: _____ Fax: _____

Legal Entity: Individual(s) Joint Tenants Tenants in Common
 Corporation LLC Partnership Other: _____

If not a Wisconsin corporation/partnership/LLC, state where organized: _____

Will new entity be created for ownership? No Yes

Is any owner, member, stockholder, partner, officer or director of any previously identified entities, or any member of the immediate family of any such person, an employee or elected official of the Village of McFarland?

No Yes, If yes, give the name and relationship of the employee: _____

Provide the names of consultants (e.g. attorneys, engineers, planners, architects, contractors, etc.) authorized to act on behalf of the applicant.

Name	Title/Company	Email	Phone #
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B. PROPERTY INFORMATION

Parcel(s) Address: _____

Parcel(s) Tax Number: _____

As the Applicant, are you the current owner of this parcel(s)? No Yes

If no, current owner is: _____

If no, do you have an agreed upon option to purchase the property? No Yes (provide documentation and note the expiration date here: _____)

Total Lot Size: _____ square feet

Parcel Contains Existing Buildings? No Yes

If yes, indicate Total Building Size _____ sq.ft.

Most recent property assessment (PA):

\$ _____ Land \$ _____ Improvements \$ _____ Total

Existing Uses: _____

Existing Zoning: _____

Existing Uses, Adjacent Parcels: _____ N _____ S _____ E _____ W

Existing Zoning, Adjacent Parcels: _____ N _____ S _____ E _____ W

Will a zoning change be requested? No Yes

If yes, indicate new zoning _____

Identify other approvals, permits, or licenses your project may need (e.g. County, State or Federal permits).

Existing Mortgage Holder: _____

Contact Person & Phone Number: _____

Does the property have any existing tax delinquencies, zoning or building violations? No Yes

If yes, explain: _____

C. PROJECT/BUSINESS INFORMATION

The proposed project is: An Improvement to Existing Business A New Business(s)
 Business Relocation Residential Development Other

Project Description. Include any plans or illustrations prepared for the project, if available. At a minimum, a concept plan shall be submitted with the application.

Will the project incorporate any “sustainability” or “green design” concepts? Describe.

Current annual revenue: \$ _____ Estimated annual revenue: \$ _____

Current annual expenses: \$ _____ Estimated annual expenses: \$ _____

Business Plan and/or Marketing Plan attached? No Yes

Balance Sheets and Profit and Loss Statements for the past two years attached? No Yes

Describe the project schedule.

Final Plan/Specification Preparation Date: _____

Preliminary Construction Start Date: _____

Preliminary Construction Completion Date: _____

Date Occupied or Opened: _____

Current and Created Jobs by Annual Wage Range (Full Time ≥ 30 hrs/week).

\$0-\$19,000

_____ Full Time (current) _____ Part Time (current) _____ FT (created) _____ PT (created)

\$20,000-\$39,000

_____ Full Time (current) _____ Part Time (current) _____ FT (created) _____ PT (created)

\$40,000-\$59,000

_____ Full Time (current) _____ Part Time (current) _____ FT (created) _____ PT (created)

\$60,000+

_____ Full Time (current) _____ Part Time (current) _____ FT (created) _____ PT (created)

Average per hour wage rate of all employees (not including benefits) \$_____

Approximately what percentage of employees do you expect will be hired from the McFarland area (i.e. 53558 zip code)_____.

Will the proposed business offer its employees a benefit package including health care and retirement benefits?

No Yes

Discuss neighborhood impact/support for the project. Has the applicant discussed the project with neighboring property owners? No Yes

Discuss any history of community involvement by the applicant or business within the Village.

Has any portion of the project already been started or completed? No Yes

If yes, describe the portions of the project completed, the work remaining, and why public financing is necessary to complete the project.

E. PROJECT BUDGET AND FINANCIAL STRATEGY

Project Costs	Amount (\$)	Source(s) of Financing
Property Acquisition		
Environmental testing/remediation		
Demolition		
Construction of new building(s)		
Site Improvements		
Renovation of existing structures		
Cost of installation of machinery/equipment		
Architectural/Engineering fees		
Legal & other professional fees		
Permit fees		
Financing fees		
Developer fees		
Other (please specify)		
Total Project Costs		

Budget source: Developer Arch/Eng Contractor Other _____

Sources of Financing	Amount (\$)	Percent of Total Costs
TIF		%
Equity		%
Loans		%
Grants		%
Other (please specify)		%
Total Project Costs		100.0 %

Lender for Project if in addition to the Village: _____

Officer _____ Phone _____ Email _____

Preapproved: No Yes, attach a Letter of Commitment from the Lender indicating that the applicant has sufficient financial resources to obtain the private financing for the project.

Grant Sources: _____ Grant Amount: _____

Grant Officer: _____ Phone _____ Email _____

Application Status: _____

Date of Grant Announcement: _____

F. APPLICANT CERTIFICATION AND ACKNOWLEDGEMENT

I acknowledge being informed that the Village of McFarland (Village) will, upon request by a member of the public or in the course of reporting its activities to the public, disclose the names of individuals requesting Tax Incremental Financing (TIF), the amount of TIF requested, state/federal programs used, if any, and the development impact of the TIF requested (e.g. jobs created, tax base impact and total project investment). I have been assured by the Village, and I understand, that other financial information provided by me in connection with this application or with assistance from the Village, if any is given (including, but not necessarily limited to business and personal financial statements, business operating statements, data on historical and projected future sales or other aspects of business performance, and business plans) will, to the extent permissible by law, and except for use in collection proceedings, if any, be treated as confidential. This will confirm that I have relied upon such assurance by the Village in providing financial information to the Village, and that, but for such assurances, such information would not be provided.

I certify that the information contained in this application is, to the best of my knowledge, true and correct. I agree to notify the Village, in writing, of any changes that materially affect the accuracy of this statement. I authorize the Village or its agents to verify the information provided in this application and to obtain additional information concerning the applicant(s) financial condition.

I certify through signing the TIF application that the final form and amount of financing the Village offers may differ from that requested. The form and amount of financing shall be finalized through the execution of a development agreement.

I certify that financial, insurance, and project assurances will be required as part of the final development agreement to be negotiated with the Village upon preliminary approval of this application. These may include, but are not limited to, assessment guarantees, letters of credit, personal or corporate guarantees, minimum payment agreements, lien waivers for contractors, consent of mortgagee or other loan security instrument. All terms and obligations of the Village and the applicant shall be finalized through the execution of a development agreement.

I certify, by signing and submitting this application, that additional costs, above the amount of the application fee, incurred by the Village for outside professional review or expertise of this application, and any development agreement resulting from this application, will be the responsibility of the applicant. I further certify, that denial of the application or failure to reach agreement with the Village on a development agreement shall not entitle the applicant to a refund of the application fee or any amounts of the escrow used in the review of the application.

Applicant _____ Title _____

Signature _____ Date _____

Return To:

Village of McFarland
Attn: Village Community Development Director
5915 Milwaukee Street
McFarland, WI 53558
P: 608-838-3153