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Words Matter!

Development Agreement Terminology

Overview & Objectives

1. Discuss process for determining incremental value and how tax increment is calculated.

2. What are common hang ups experienced when calculating TIF incentive payments?

3. What are recommendations for describing incentive calculations in developer agreements?

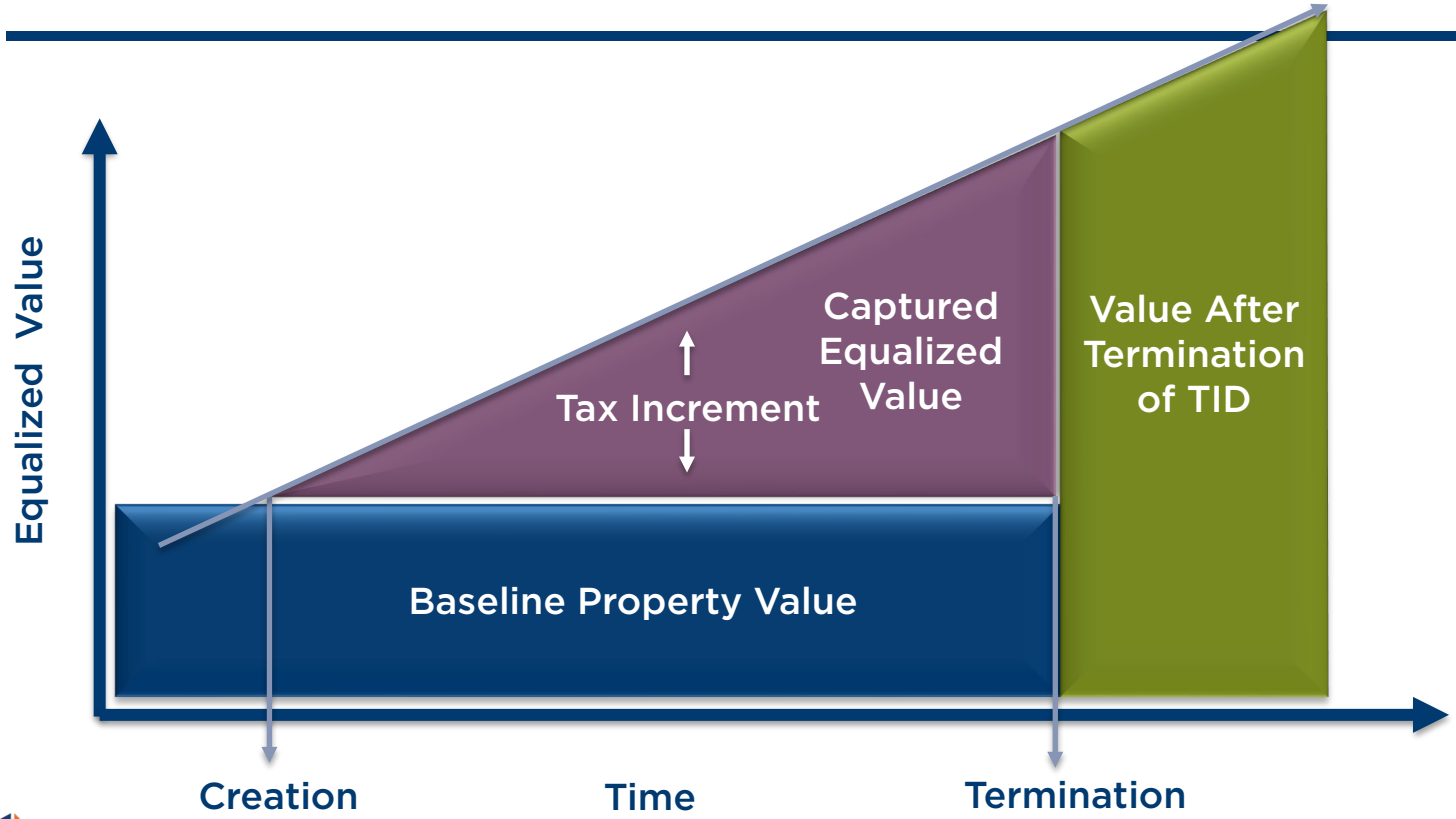
Before We Get Started: Some Basic Terms

1. TIF: Tax Incremental Financing (the tool as described in statutes)
2. TID: Tax Increment District (where tool is implemented)
3. Equalized value: Determined by Department of Revenue (“DOR”), often referred to as “market value”. Calculated by dividing the property's total assessed value by the assessment ratio
4. Assessed value: Value placed on a parcel of property by the Assessor. It is computed by analyzing individual sale transactions, inspections, and other data

Before We Get Started: Some Basic Terms

5. Base value: Value of property at time TID is created. DOR determines base value on an equalized basis.
6. Incremental value: Increase in value in a TID above the base as determined by DOR. Always on an equalized basis.

Building Blocks: TIF Cash Flows



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How is Property Assessed?

- Developer cost of a project is generally a poor predictor of value. Consult with the local assessor to establish a realistic valuation estimate
- Manufacturing assessed by DOR starts with full/market value and then is equated to assessed

Process for Determining Incremental Value

June	Municipal assessor submits Municipal Assessor Report (MAR) to DOR Preliminary assessment values for all parcels of a 1/1 of that year
June-August	DOR completes equalization process to convert assessed values to equalized or market values based on preliminary assessment ratio
August 1	DOR releases preliminary incremental value and total equalized values.
August 15	Incremental and total equalized value certified by DOR

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Where is This Information Located?

Statement of Changes:
https://www.revenue.wi.gov/Pages/EQU/tidchanges.aspx

- Identifies total assessed value, & preliminary assessment ratio. Converts assessed value to equalized full value
- Includes any corrections or adjustments from prior year
- Arrives at "Current Year TID Value" (base value plus incremental value)
- TID increment value = Current Year TID Value less Base Value
- TID incremental value determines amount of tax increment collected

Statement of Changes: Reminders

- Statement of changes is for the entire TID. Need to look at tax bills for specific property calculations
- Open book/Board of Review held after MAR is submitted can result in corrections and adjustments in subsequent valuation cycle
- TID statement of changes year identifies incremental value as of January 1. Determines increment collected following year
  - ✓ 2024 statement of changes represents incremental value as of 1/1/2024 and is used to calculate increment received in 2025

TID302WI

2024 Statement of Changes in TID Value

Wisconsin Department of Revenue
Equalization Bureau

County	13	Dane
Village	117	Deerfield
TID #	007	TID Type - Mixed-Use
School District	1309	Sch D of Deerfield Community

Special District - 1	None
Special District - 2	None
Special District - 3	None
Union High	None

Current Year Value

	Assessed Value *	Ratio	DOR Full Value	Amended Full Value **	Final Full Value
Non-Manufacturing Real Estate	$4,720,500	70.60%	$6,686,300		$6,686,300
Manufacturing Real Estate			$0		$0
Prior Year Corrections:					
Non-Manufacturing Real Estate			$135,800		$135,800
Manufacturing Real Estate			$0		$0
Frozen Overlap Value					$0
Current Year TID Value					$6,822,100
2021 TID Base Value					$2,271,900
TID Increment Value					$4,550,200

* Municipal Assessor's estimated values filed on 04/30/2024

** Amended Full Value based on information from Municipal Assessor

Changes in TID Equalized Values

2023 TID Value	2024 TID Value	Dollar Change	% Change
$4,930,300	$6,822,100	$1,891,800	38

How is the TID Tax Rate Determined?

- All TID increment is based on an **equalized tax rate**
- School tax credit **does not** apply to tax increment collected
- TID tax rate comes from the PC-202 form also called the Tax Incremental Calculation Worksheet https://www.revenue.wi.gov/Pages/Report/tax-increment-worksheet.aspx
- Year on worksheet represents year the tax bill is sent out
  - ✓ 2024 worksheet applies to 2024 tax bill for revenue collected for 2025 budget

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Form PC-202	2024 Tax Increment Worksheet	WI Dept of Revenue

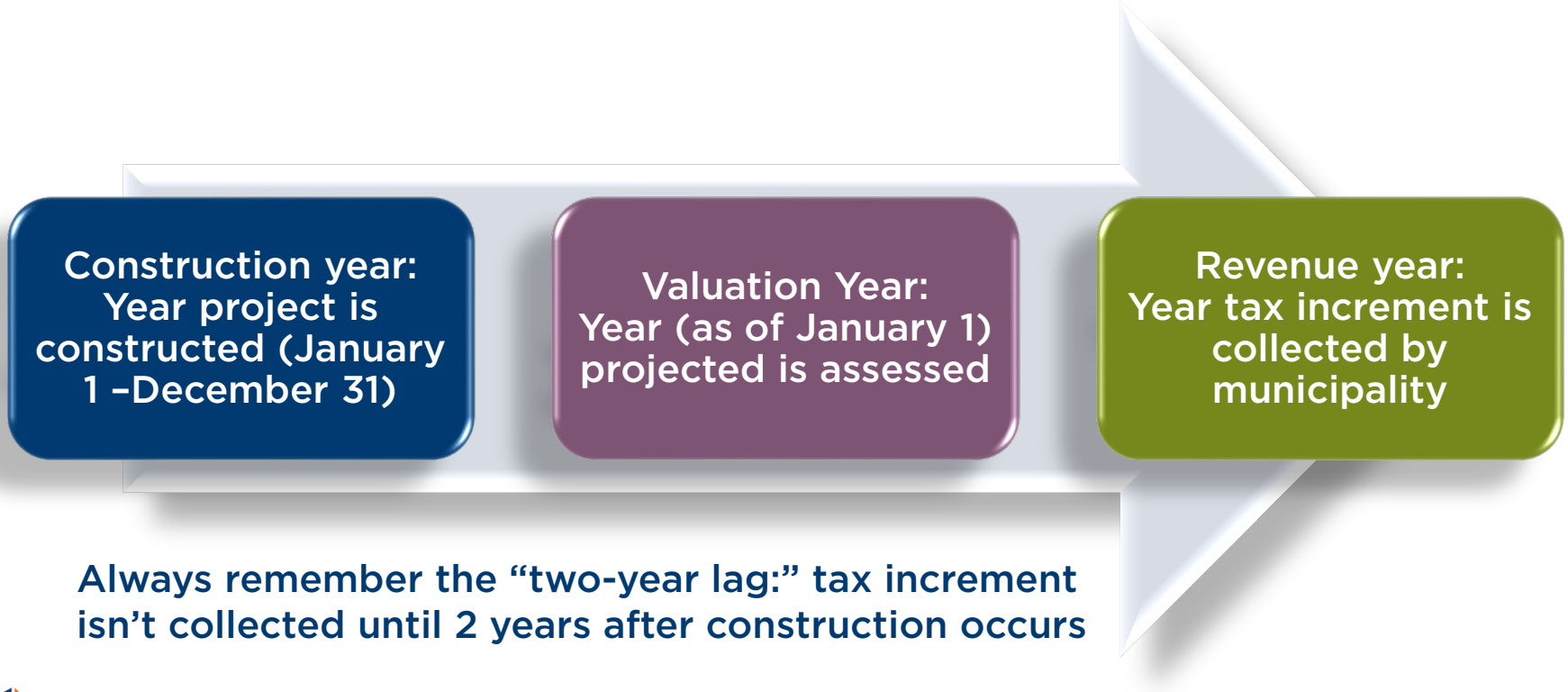
Report Type	Co-muni Code	County	Account No.	Total Equalized TID Value Increment	
ORIGINAL	13117	DANE Muni Type VILLAGE Municipality DEERFIELD	0378	54,005,400	This worksheet is for all TIDs in this municipality

Taxing Jurisdiction	Col. A Apportioned Levy		Col. B Equalized Value (less TID Value Increment)		Col. C Interim Rate		Col. D Equalized Value (with TID Value Increment)		Col. E Total Levy Amount *(use on Mill Rate Worksheet)*	Col. F Col. E - A = Tax Increment
1. County										
DANE	$806,454.70	/	310,337,600.00	=	0.002598637	X	364,343,000.00	=	$946,795.20	$140,340.50
2. Special Districts (metro, sanitary, lake)										
3. Tax District (town, village, city)										
DEERFIELD	$1,267,652.00	/	310,337,600.00	=	0.004084752	X	364,343,000.00	=	$1,488,250.80	$220,598.80
4. School Districts										
SCH D OF DEERFIELD COMMUNITY	$2,714,772.88	/	310,337,600.00	=	0.008747805	X	364,343,000.00	=	$3,187,201.52	$472,428.64
5. Technical College Districts										
MADISON AREA TECHNICAL COLLEGE MADN	$196,715.85	/	310,337,600.00	=	0.000633877	X	364,343,000.00	=	$230,948.65	$34,232.80
6. Tax Increment Total										
	$4,985,595.43								$5,853,196.17	$867,600.74

$867,600.74/$54,005,400 X 1,000 = $16.065074

Tax Increment/Incremental Value X 1,000 = Interim TID Tax Rate

Timing of Tax Increment



Always remember the “two-year lag:” tax increment isn’t collected until 2 years after construction occurs

Village of Deerfield, Wisconsin

Tax Increment District #7

Tax Increment Projection Worksheet

Type of District	Mixed Use		Base Value	2,271,900
District Creation Date	May 1, 2021		Appreciation Factor	
Valuation Date	Jan 1,	2021	Base Tax Rate	
Max Life (Years)	20		Rate Adjustment Factor	-1.00%
Expenditure Period/Termination	15	5/1/2036		
Revenue Periods/Final Year	20	2042		
Extension Eligibility/Years	Yes	3	Tax Exempt Discount Rate	N/A
Eligible Recipient District	No		Taxable Discount Rate	N/A

	Construction Year	Value Added	Valuation Year	Inflation Increment	Total Increment	Revenue Year	Tax Rate	Tax Increment
1	**2021**	**479,900**	**2022**		**479,900**	**2023**	**$17.44**	**8,360**
2	**2022**	**2,131,900**	**2023**		**2,611,800**	**2024**	**$17.12**	**44,726**
3	**2023**	**1,938,400**	**2024**		**4,550,200**	**2025**	**$16.07**	**73,099**
4	2024	0	2025	0	4,550,200	2026	$15.90	**72,368**
5	2025	0	2026	0	4,550,200	2027	$15.75	**71,645**
6	2026	0	2027	0	4,550,200	2028	$15.59	**70,928**
7	2027	0	2028	0	4,550,200	2029	$15.43	**70,219**
8	2028	0	2029	0	4,550,200	2030	$15.28	**69,517**
9	2029	0	2030	0	4,550,200	2031	$15.12	**68,822**
10	2030	0	2031	0	4,550,200	2032	$14.97	**68,133**
11	2031	0	2032	0	4,550,200	2033	$14.82	**67,452**
12	2032	0	2033	0	4,550,200	2034	$14.68	**66,777**
13	2033	0	2034	0	4,550,200	2035	$14.53	**66,110**
14	2034	0	2035	0	4,550,200	2036	$14.38	**65,449**
15	2035	0	2036	0	4,550,200	2037	$14.24	**64,794**
16	2036	0	2037	0	4,550,200	2038	$14.10	**64,146**
17	2037	0	2038	0	4,550,200	2039	$13.96	**63,505**
18	2038	0	2039	0	4,550,200	2040	$13.82	**62,870**
19	2039	0	2040	0	4,550,200	2041	$13.68	**62,241**
20	2040	0	2041	0	4,550,200	2042	$13.54	**61,619**
	Totals	**4,550,200**		**0**			**Future Value of Increment**	**1,262,779**

Tax Increment Incentives

Based on language in developer agreement

Need consistent terms to avoid confusion and "mixing methodologies"

Is calculation based on assessed value or equalized value?

Is value guarantee based on total value or incremental value?

Prioritization of increment: What gets paid first?

Dates referenced need to tie out to any exhibits. Example or Exhibit?

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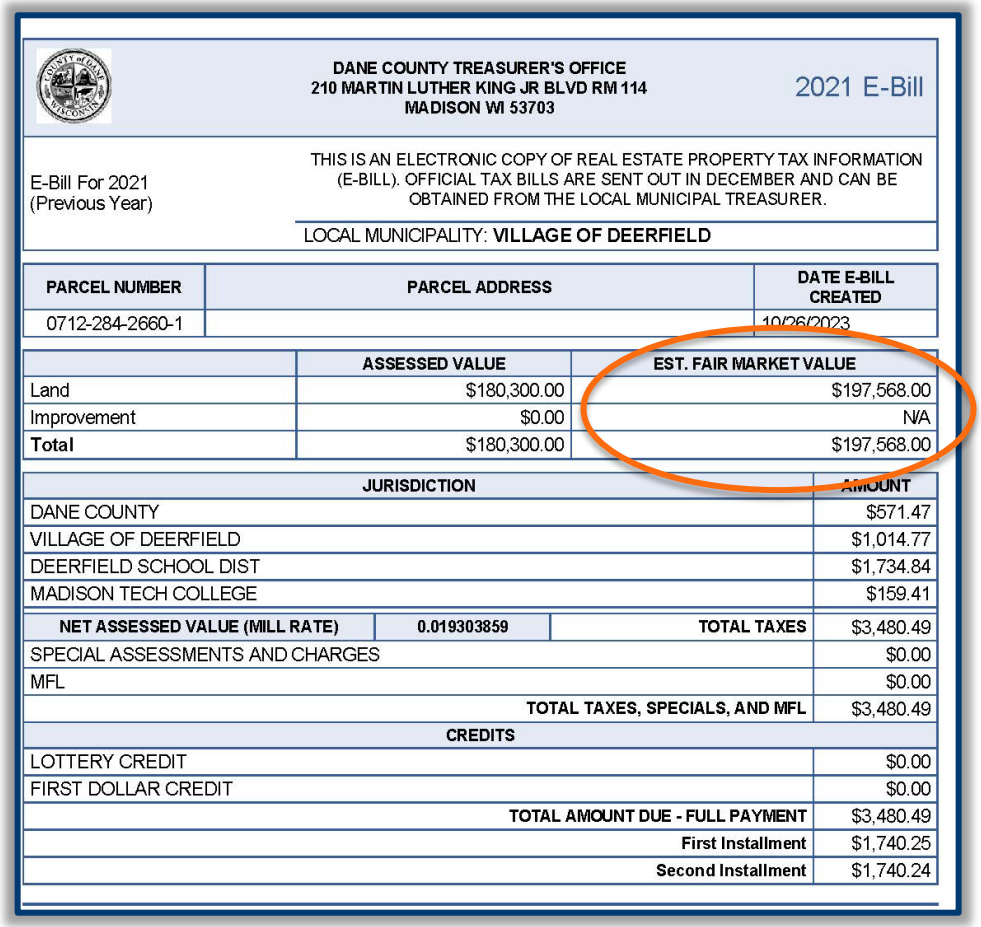
TID Example

Deerfield, WI TID #7 Multi-Family Development

- ✓ TID created with a base value of 1/1/2021.
- ✓ Pay-as-you-go incentive for Phase 1 totals $379,894.
- ✓ Pay-as-you-go incentive for Phase 2 totals $569,675.
- ✓ Incentive paid from excess tax increment.

The Excess Tax Increment in a given year is calculated by (i) subtracting from the Project Tax Increment all actual annual District 7 expenses, including but not limited to administrative fees, legal fees, accounting fees, filing fees, including those accrued but not paid in prior years, and including any unreimbursed District 7 creation costs; and (ii) multiplying the resulting value by 80%.



DANE COUNTY TREASURER'S OFFICE
210 MARTIN LUTHER KING JR BLVD RM 114
MADISON WI 53703

2021 E-Bill

E-Bill For 2021
(Previous Year)

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LOCAL MUNICIPALITY: **VILLAGE OF DEERFIELD**

PARCEL NUMBER	PARCEL ADDRESS	DATE E-BILL CREATED
0712-284-2660-1		10/26/2023

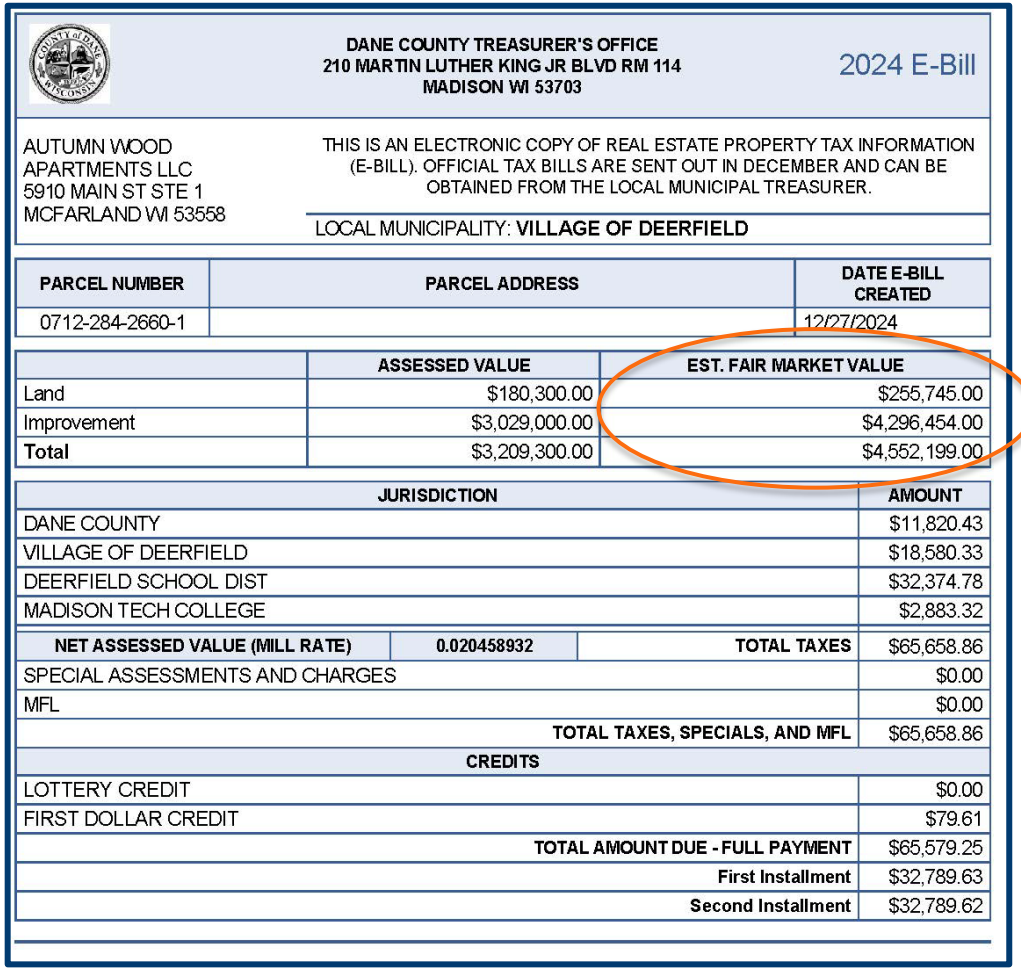
	ASSESSED VALUE	EST. FAIR MARKET VALUE
Land	$180,300.00	$197,568.00
Improvement	$0.00	N/A
Total	$180,300.00	$197,568.00

JURISDICTION			AMOUNT
DANE COUNTY			$571.47
VILLAGE OF DEERFIELD			$1,014.77
DEERFIELD SCHOOL DIST			$1,734.84
MADISON TECH COLLEGE			$159.41
NET ASSESSED VALUE (MILL RATE)	**0.019303859**	**TOTAL TAXES**	$3,480.49
SPECIAL ASSESSMENTS AND CHARGES			$0.00
MFL			$0.00
		TOTAL TAXES, SPECIALS, AND MFL	$3,480.49
CREDITS			
LOTTERY CREDIT			$0.00
FIRST DOLLAR CREDIT			$0.00
		TOTAL AMOUNT DUE - FULL PAYMENT	$3,480.49
		First Installment	$1,740.25
		Second Installment	$1,740.24

Is base value assessed or equalized/market value?

Be explicit in agreement

In this example, market/equalized value of $197,568



DANE COUNTY TREASURER'S OFFICE
210 MARTIN LUTHER KING JR BLVD RM 114
MADISON WI 53703

2024 E-Bill

AUTUMN WOOD
APARTMENTS LLC
5910 MAIN ST STE 1
MCFARLAND WI 53558

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LOCAL MUNICIPALITY: **VILLAGE OF DEERFIELD**

PARCEL NUMBER	PARCEL ADDRESS	DATE E-BILL CREATED
0712-284-2660-1		12/27/2024

	ASSESSED VALUE	EST. FAIR MARKET VALUE
Land	$180,300.00	$255,745.00
Improvement	$3,029,000.00	$4,296,454.00
Total	$3,209,300.00	$4,552,199.00

JURISDICTION			AMOUNT
DANE COUNTY			$11,820.43
VILLAGE OF DEERFIELD			$18,580.33
DEERFIELD SCHOOL DIST			$32,374.78
MADISON TECH COLLEGE			$2,883.32
NET ASSESSED VALUE (MILL RATE)	0.020458932	**TOTAL TAXES**	$65,658.86
SPECIAL ASSESSMENTS AND CHARGES			$0.00
MFL			$0.00
		TOTAL TAXES, SPECIALS, AND MFL	$65,658.86
CREDITS			
LOTTERY CREDIT			$0.00
FIRST DOLLAR CREDIT			$79.61
		TOTAL AMOUNT DUE - FULL PAYMENT	$65,579.25
		First Installment	$32,789.63
		Second Installment	$32,789.62

Base Value (2021 value) was $197,578

Market/Equalized Value as of 1/1/2024 is $4,552,199

Difference is $4,354,631 which is the incremental value

Village of Deerfield, Wisconsin

Tax Increment District #7

Tax Increment Projection Worksheet - Autumn Woods Only

Type of District	Mixed Use		Base Value	197,568
District Creation Date	May 1, 2021		Appreciation Factor	
Valuation Date	Jan 1,	2021	Base Tax Rate	
Max Life (Years)	20		Rate Adjustment Factor	-1.00%
Expenditure Period/Termination	15	5/1/2036		
Revenue Periods/Final Year	20	2042		
Extension Eligibility/Years	Yes	3	Tax Exempt Discount Rate	N/A
Eligible Recipient District	No		Taxable Discount Rate	N/A

	Construction Year	Value Added	Valuation Year	Inflation Increment	Total Increment	Revenue Year	Tax Rate	Gross Tax Increment	TID Costs	Excess tax Increment	80% of Excess Increment
1	**2021**	**603,267**	**2022**		**603,267**	**2023**	**$17.44**	**10,519**	5,000	5,519	4,415
2	**2022**	**2,262,455**	**2023**		**2,865,722**	**2024**	**$17.12**	**49,074**	5,000	44,074	35,260
3	**2023**	**1,488,909**	**2024**	**0**	**4,354,631**	**2025**	**$16.07**	**69,957**	5,000	64,957	51,966
4	2024	0	2025	0	4,354,631	2026	$15.90	**69,258**	5,000	64,258	51,406
5	2025	0	2026	0	4,354,631	2027	$15.75	**68,565**	5,000	63,565	50,852
6	2026	0	2027	0	4,354,631	2028	$15.59	**67,880**	5,000	62,880	50,304
7	2027	0	2028	0	4,354,631	2029	$15.43	**67,201**	5,000	62,201	49,761
8	2028	0	2029	0	4,354,631	2030	$15.28	**66,529**	5,000	61,529	49,223
9	2029	0	2030	0	4,354,631	2031	$15.12	**65,864**	5,000	60,864	48,691
10	2030	0	2031	0	4,354,631	2032	$14.97	**65,205**	5,000	60,205	48,164
11	2031	0	2032	0	4,354,631	2033	$14.82	**64,553**	5,000	59,553	47,642
12	2032	0	2033	0	4,354,631	2034	$14.68	**63,907**	5,000	58,907	47,126
13	2033	0	2034	0	4,354,631	2035	$14.53	**63,268**	5,000	58,268	46,615
14	2034	0	2035	0	4,354,631	2036	$14.38	**62,636**	5,000	57,636	46,108
15	2035	0	2036	0	4,354,631	2037	$14.24	**62,009**	5,000	57,009	45,607
16	2036	0	2037	0	4,354,631	2038	$14.10	**61,389**	5,000	56,389	45,111
17	2037	0	2038	0	4,354,631	2039	$13.96	**60,775**	5,000	55,775	44,620
18	2038	0	2039	0	4,354,631	2040	$13.82	**60,167**	5,000	55,167	44,134
19	2039	0	2040	0	4,354,631	2041	$13.68	**59,566**	5,000	54,566	43,653
20	2040	0	2041	0	4,354,631	2042	$13.54	**58,970**	5,000	53,970	43,176
	Totals	**4,354,631**		**0**			**Future Value of Increment**	**1,217,293**			893,835

Notes:

Phase 1 cap	379,894
Phase 2 cap	569,675
	949,569

The Excess Tax Increment in a given year is calculated by (i) subtracting from the Project Tax Increment all actual annual District 7 expenses, including but not limited to administrative fees, legal fees, accounting fees, filing fees, including those accrued but not paid in prior years, and including any unreimbursed District 7 creation costs; and (ii) multiplying the resulting value by 80%.

Developer Agreement Best Practices

1. Specify how are payments calculated

   - ✓ Assessed value vs equalized value? Must be clear (tax increment will exceed taxes paid by TID properties due to school tax credit)
   - ✓ “Tax Increment” is frequently defined by reference to Wis. Stat. § 66.1105(2)(i). If so, calculations will be done on equalized value basis, so if intent is assessed value, this does not work

Assessed vs. Equalized Increment Calculation

Equalized/Market Base Value	-	
1/1/2023 Equalized Value	1,802,456	
Equalized TID Tax Rate	22.21468	
Equalized Tax Increment	40,040.97	
Assessed Base Value	-	
1/1/2023 Assessed Value	1,247,300	*
Net Assessed Tax Rate	29.765	
Assessed Tax increment	37,125.88	
DIFFERENCE	**2,915.09**	
School Tax Credit	**2,912.91**	

Notes:

* Assessment ratio Statement of Changes for TID was 69.59% (based on assessor report filed 6/7/2023).

Final assessment ratio was 69.20%

City of Oshkosh

CABRINI SCHOOL LOFTS LLC
230 OHIO ST STE 200
OSHKOSH, WI 54902-5894

CABRINI SCHOOL LOFTSLLC

Parcel Number: 0404350200
Bill Number: 2301627

619 MERRITT AVE

ASSESSED VALUE LAND	ASSESSED VALUE IMPROVEMENTS	TOTAL ASSESSED VALUE	AVERAGE ASSMT RATIO	NET ASSESSED VALUE RATE
137,100	1,110,200	1,247,300	0.6920	29.765

ESTIMATED FAIR MARKET LAND VALUE	ESTIMATED VALUE MARKET VALUE IMPROVEMENTS	TOTAL ESTIMATED FAIR MARKET VALUE	☐ A star in this box means unpaid prior year taxes.	SCHOOL TAXES REDUCED BY SCHOOL LEVY TAX CREDIT
198,121	1,604,335	1,802,456		2,912.91

TAXING JURISDICTION	2022 EST. STATE AIDS ALLOCATED TAX DIST.	2023 EST. STATE AIDS ALLOCATED TAX DIST.	2022 NET TAX	2023 NET TAX	% TAX CHANGE
CITY OF OSHKOSH	13,778,033	15,734,492	9,438.70	15,686.57	66.2%
FOX VALLEY TECH COLLEGE	4,484,456	4,357,865	835.17	1,330.50	59.3%
OSHKOSH AREA SCHOOL DISTRICT	61,594,387	65,960,233	8,415.47	13,441.98	59.7%
STATE OF WISCONSIN					0.0%
WINNEBAGO COUNTY	1,496,082	1,973,553	4,231.40	6,667.25	57.6%
					0.0%
					0.0%
					0.0%
TOTAL			22,920.74	37,126.30	62.0%
FIRST DOLLAR CREDIT			79.89	81.67	2.2%
LOTTERY AND GAMING CREDIT			0.00	0.00	0.0%
NET PROPERTY TAX			22,840.85	37,044.63	62.2%

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Developer Agreement Best Practices

2. Form of PAYGO

- ✓ Can be a simple contractual obligation or may be issued as separate Municipal Revenue Obligation instrument, allows for collateralization and assignment
- ✓ Lender may use to increase project loan or may be separate loan
- ✓ Lender will discount projected cash flows, MRO principal will not generally equal loan proceeds available to developer

Developer Agreement Best Practices

3. Simplicity is key
   - ✓ Five years from now: will it still make sense?
   - ✓ Avoid variable interest rates, consider building any interest into a fixed sum so the amount to be paid out does not change (some municipalities may prefer to keep track of the interest if they think earlier payoff is a potential).
4. Address the potential insufficiency of tax increment to make PAYGO payments, even if developer has performed (situation can arise if there is loss of value on other property in a TID).

Developer Agreement Best Practices

- Valuation guarantee vs. tax increment guarantee
  - ✓ Value guarantee should be based on incremental value not total value
  - ✓ If tax rate drops value guarantee may not be sufficient, consider tax increment guarantee
- Exhibits can be helpful to illustrate mechanics, BUT
  - ✓ Make sure they accurately reflect the final deal terms
  - ✓ They are usually projections, not a guarantee of payment which may cause confusion later
  - ✓ Consider using example within text of the agreement in lieu of exhibit

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Download the Presentation

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Senior Municipal Advisor
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