

Bond Case Briefs

Municipal Finance Law Since 1971

Tax Increment Financing Pays Off for Racine.

RACINE — State law gives municipalities the tool of tax increment financing to develop or redevelop defined areas, and since 1980 the City of Racine has used it to boost its tax base by a net \$181-plus million and counting.

Tax incremental financing allows a municipality to pay for improvements in a defined area, or tax increment district, with the future taxes generated as development occurs there.

With the city in the process of forming its 20th TIF district — for the Regency Mall area — The Journal Times assessed information from the Wisconsin Department of Revenue and City of Racine to see how previous TIF districts have performed.

In general, Racine's TIF districts have been a proven way to manifest new development and thereby build the city's tax base in particular areas.

"I would say on the whole, they have done well," said City Finance Director David Brown, who was not with the city when it established its first TIF district to upgrade the infrastructure for a portion of Downtown. "They have done what the city had hoped for."

As examples, the city laid the groundwork for Young Industrial Park, off Mount Pleasant Street on the north side, and Olsen Industrial Park, on the far south side, with TIDs created in 1983 and 1985, respectively. Together, those two areas contribute more than \$23 million in city tax base and have likely employed thousands of people over the years.

Successful TIF districts

One of Racine's most successful active TIF districts is No. 9, the Johnson Building at 555 Main St., which was formed in 2000. From its base value of \$877,600, its assessed value has mushroomed to well over \$29 million.

Like any TID, the additional property tax revenue collected on the tax base increase, or "increment," from the Johnson Building TIF district is used only to repay the city for its investment in creating it, until the TID's termination.

A TIF district is terminated either by reaching the end of its preset life or by paying off the municipality's initial investment earlier. Then all other taxing jurisdictions can begin sharing in the additional property taxes flowing from the greater tax base that was created.

(Brown said Racine's TID No. 2 remains active at 34 years old by special legislation passed for that purpose.)

Racine's most successful TIF district ever, which closed in 2013, was Gaslight Pointe, a project done by Wispark, the development arm of Wisconsin Energy Corp. Gaslight put about \$41.5 million worth of property on the tax rolls to benefit the city, county, Racine Unified School District, Gateway Technical College and State of Wisconsin.

Assessing negative numbers

Brown pointed out that some of the city's active TIF districts don't have large amounts of tax base increment, and a few are negative. But he said in general, the city doesn't have much of an investment in them.

An example is No. 14, the former Walker Manufacturing and Pugh Marina, now called Harborside District. That area at one time was to have become an enormous project by developer Scott Fergus, called Pointe Blue. The TIF district was set up for that purpose, "But the city doesn't really have any investment there," Brown said.

"Should a developer come in and want to do a development there," he said, "the TIF is in place to take care of that."

TIF district No. 15, the former Homeward Bound block on the near north side, is a similar example, Brown said. "We haven't put any money into the infrastructure."

No. 17, the former Porters of Racine site, was formed to support a planned redevelopment of the furniture store into retail and apartments, by property owner Micah Waters. But he eventually abandoned the project and had the sprawling Porters building removed.

"When the TIF was created, those buildings were there, and now they're gone," Brown said. "So the assessment has decreased. But the city hasn't spent money on it. The city's expenses, for all practical purposes, are nothing."

Help for mall's owners

Hull Property Group, recent buyers of Regency Mall, appreciate that the city is forming a TIF district to help them try to reverse the fortunes of that troubled property.

"Hull Property Group views the TID as an inducement to invest heavily into Regency Mall," said Hull Vice President of Government Relations John Mulherin. "The TID creates a financial framework which provides some clarity as to what future operating costs may be, which in turn, provides some comfort in making a significant investment to the property."

"Stabilizing the Regency Mall property will eventually attract additional retail and restaurants to the area," Mulherin said. "The TID is critically important to help 'jump-start' this process. We commend the community leadership who had the vision to begin the work to help revitalize this critically important retail node."

THE JOURNAL TIMES

MICHAEL BURKE mburke@journaltimes.com Apr 2, 2017