



MEMORANDUM

TO: Mayor and Members of the Common Council and Members of the Community Development Authority of the City of West Allis

From: Patrick Schloss, Economic Development Executive Director
Jason Kaczmarek, Finance Director

DATE: January 19, 2023

SUBJECT: Options for TID Number Five - Six Point Farmers Market and TID Number Seven - Summit Place

The City of West Allis has a unique opportunity to dissolve two open Tax Increment Districts (TID). They are Tax Increment District Number Five – Six Points Farmers Market Redevelopment Area and Tax Increment District Number Seven – Summit Place – Redevelopment of the Former Allis Chalmers Mfg. Complex. The City must notify the Wisconsin Department of Revenue by April 15, 2023 of plans to dissolve the districts. Outlined below is a summary of the status of the districts, options for consideration, and staff recommendations.

A. Tax Increment District Number Five

The Six Points Farmers Market TID was created in 2001 as part of a large 44-acre redevelopment area centered on blighted industrial uses, outdated and in disrepair commercial buildings. The idea was to assemble key underutilized properties at the convergence of National and Greenfield Avenue, around the historic West Allis Farmers Market and eliminate the blight and alter the land use pattern in the area.

Today, the district has about \$45.9 million of incremental value that generates about \$980,000 of incremental taxes. The current debt balance of the TID is approximately \$6.4 million. After one additional donation from TID Seven in 2023, TID Five would have enough cash flow to cover all remaining debt payments. The two options to consider:

1. *TIF remains open.* The current flow of increment will continue to pay debt service. The TIF would mature at the statutory limit of 27 years (2028). The negative aspect of this option is the City would not gain the opportunity to utilize the value growth for the 2024 municipal budget.

3. Affordable Housing. Under Wisconsin State Statutes 66.1105(6)(g), the life of TIF can be extended for one additional year to benefit affordable housing and improve the housing annually. The TIF would be closing 8 years early.
2. Dissolve the TIF. The dissolution of the TIF would provide property tax relief to the additional budget capacity while providing average taxpayer savings of about \$24 in taxing jurisdictions. The increase to the levy limit would generate about \$350,000 in lease terminations and shadow occupancies that have effectively increased the overall address potential economic challenges within the development or surrounding area.
1. Do not close the TIF, with the influx in the office market, Summit Place is faced with

As mentioned earlier, the City must notify the DOR by April 15, 2023, of plans to dissolve the TIF. There are a few options to consider relative to the dissolution.

TID Number Seven performed well for the City with over \$91.8 million of incremental value. The TIF district generates about \$2 million of incremental taxes and the district has demonstrated the ability to pay all liabilities allowing for the closure of the district as well as the ability to donate sufficient increment to assist in the closure of TID Number Five.

TID Number Seven, an 18.5 acre redevelopment area of former Allis Chalmers Mfg. Complex, was created in 2004 to spur conversion of vacant and underutilized buildings into contemporary office. Funds were instrumental for the conversion of industrial space being used as cold storage into modern office space. The TID helped with maximizing the land use by assisting development, the construction of parking structure, stormwater controls, and attracting quality tenants.

B. Tax Increment District Number Seven

Recommendation for TID Number Five: Staff recommends dissolution of TID Number Five following the donation from TID Number Seven. Staff does not recommend the Affordable Housing Option under this TIF because of the district's need for an increment donation in order to resolve debt.

2. Dissolve TIF. Based on Resolution Number R-2016-0194, the Common Council amended the Cooperation Agreement between the City of West Allis and Community Development Authority with the notion that excess increment beyond TID Number Seven expenses, can be donated to TID Number Five to support debt service payments. Currently, TID Number Seven does not have any outstanding obligations and has a positive increment fund balance of more than \$6 million. The option to consider is utilizing the increment from TID Number Seven to resolve the debt balance of TID Number Five and proceed to dissolve TID Number Five. The dissolution of the TID would provide property tax relief to the taxing jurisdictions. The increase to the levy limit would generate about \$175,000 in additional budget capacity while providing average taxpayer savings of about \$12 annually.

stock anywhere within the community provided the City adopts a resolution extending the life of the district for one year explaining how the city intends to improve its housing stock as required by statute. The resolution is then forwarded to the Wisconsin Department of Revenue. Through this extension of funds, the City must use at least 75% of those tax increments to benefit affordable housing anywhere within the City. Affordable housing is defined as housing costing no more than 30% of the household's gross monthly income. The 25% balance of funds can be used to improve the housing stock within the City.

As a reference to the extension concept as a tool for housing purposes is an article from The Municipality magazine that highlights several diverse communities utilizing the affordable housing in the TIF law.

<https://www.lwm-info.org/DocumentCenter/View/1926/Using-TIF-to-Benefit-Affordable-Housing>

[Shorewood to invest millions into affordable housing after TIF extends \(jsonline.com\)](#)

[TID creates \\$1.6 million for affordable housing | News | veronapress.com](#)

Note, funds can be used throughout the community and the law does not require a timeline to utilize the funds. With both a City Strategic goal to facilitate development through effective use of TIF and strategic goal to address an aging housing stock and assist those in distressed populations, the termination of TIF #7 poses a unique opportunity to consider the value of the affordable and housing stock tool.

Common Council has the following options to review, that offer a variety of advantages. Again, the current amount of increment from all taxing jurisdictions going to the district is approximately \$2 million. The one-year extension would require a Common Council vote to keep the TIF open. Decision must be made no later than April 15, 2023 (or next year if the TIF is not dissolved per the recommendation below). The City retains the entire increment for one year for the housing initiative totaling about \$2 million. The funds would be allocated as follows: 75% or \$1.5 million will be used for affordable housing. 25% of the amount or \$0.5 million can be used for housing stock without economic restriction. For housing initiatives under this Option, program could include a painting grant program, curb appeal program, major renovation multifamily housing, homebuyer program, etc. The increment funds reserved for affordable housing would be important to address goals of the City and would not require the federal provisions that are part of existing programs funded with HOME or Community Development Block Grant funds. Further, additional funds for affordable housing are often a public need because of the general cost to construct new affordable housing units or to maintain quality older housing.

Recommendation for TID Number Seven: Staff recommends not dissolving Tax Increment District Number Seven but keep the TIF open as an economic development

tool to address the influx within the office market, repositioning of Summit Place, district planning, etc. Option 3 could be considered in the future prior to termination of the TID.