

### Fiscal Estimate - 2017 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>17-1668/2</b>	<b>Introduction Number</b> <b>AB-0179</b>	
<b>Description</b> remediation of contaminated land; air pollution control requirements for certain manufacturing facilities constructed on formerly contaminated land; reassigning tax deeds on tax delinquent brownfield properties; creating a new method for the creation of environmental remediation tax incremental financing districts; loans and repayment assistance by a political subdivision for certain brownfield revitalization projects and collection of the debt by special charge; state trust fund loans for brownfield projects; conversion of business improvement districts; and annexations to business improvement districts and neighborhood improvement districts		
<b>Fiscal Effect</b>  <b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue      5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
<b>Agency/Prepared By</b> DOR/ Craig Steinfeldt (608) 266-5705	<b>Authorized Signature</b> Robert Schmidt (608) 266-5773	<b>Date</b> 4/4/2017

## Fiscal Estimate Narratives

DOR 4/4/2017

LRB Number	17-1668/2	Introduction Number	AB-0179	Estimate Type	Original
<b>Description</b> remediation of contaminated land; air pollution control requirements for certain manufacturing facilities constructed on formerly contaminated land; reassigning tax deeds on tax delinquent brownfield properties; creating a new method for the creation of environmental remediation tax incremental financing districts; loans and repayment assistance by a political subdivision for certain brownfield revitalization projects and collection of the debt by special charge; state trust fund loans for brownfield projects; conversion of business improvement districts; and annexations to business improvement districts and neighborhood improvement districts					

### Assumptions Used in Arriving at Fiscal Estimate

The bill makes a number of changes to current law relating to the redevelopment of brownfield sites. The Department of Revenue fiscal estimate will address changes to tax incremental districts (TIDs).

Current law (ss. 66.1105 and 66.1339, Wis. Stats.) allows a political subdivision, defined as a city, village, or a town defined under s. 60.23(32), to create a regular TID. Town TIDs are generally administered under s. 60.85, which the bill does not affect. Regular TIDs allow a political subdivision to invest in infrastructure and other improvements that would not happen but for the use of tax incremental financing. To create a regular TID, a political subdivision planning commission holds public hearings and adopts a project plan for the proposed TID. After the planning commission, the local legislative body must approve the project plan and a resolution on the proposed TID.

Current law generally subjects regular TIDs to the 12 percent rule: the equalized value of taxable property in a proposed TID plus the value increment of all existing TIDs cannot exceed 12 percent of the total equalized value within the political subdivision. The expenditure period for TIDs can be up to 22 years for blighted or rehabilitation TIDs. A regular TID generally terminates when all projects costs are paid, or after 23 or 27 years depending on the type of TID.

Under s. 66.1106, the governing board of a political subdivision, defined as a city, village, town, or county, may create an environmental remediation TID (ERTID) by adopting a resolution that describes the boundaries to identify the territory included and a written proposal to remediate the environmental pollution. The political subdivision must include a remedial action plan approved by the Department of Natural Resources for certification. Eligible costs generally include costs associated with the removal of containments, and the costs shall be reduced by any amounts received from persons responsible for the pollution. Current law requires ERTIDs to provide documentation showing an attempt to recover costs from the persons causing the pollution.

ERTIDs are not subject to the 12 percent rule. No expenditure for eligible costs may be made by a political subdivision 15 years after the Department of Revenue certifies the ERTID base. ERTIDs are generally limited to 23 years.

Under the bill, ERTIDs would be created through the regular TID process under s. 66.1105. The bill sunsets the existing ERTID law (s. 66.1106) on or after the bill's effective date. Before a political subdivision may adopt a resolution approving the ERTID, the local legislative body shall obtain a certified site investigation report from the Wisconsin Department of Natural Resources. To obtain the certified investigation report, a city shall send the Department of Natural Resources a detailed description of environmental pollution and a proposed remedial action plan, including anticipated project costs, design schedule, and required construction. Under the bill, the 12 percent rule does not apply to ERTIDs, and the tax incremental base value shall be set at \$1 when the district is created.

### Fiscal Effect

Currently, there are 15 ERTIDs, which have an average base value of \$526,200 compared with 1,213 regular TIDs which have an average base value of \$10,227,000. ERTIDs have an average increment value of \$1,641,100, while regular TIDs have an average value increment of \$14,068,800. Under the bill, an

ERTID will have a base value of \$1. By setting the ERTID base value at \$1, any existing property value shifts to the value increment.

The actual fiscal effect is indeterminate as it depends on the parcels forming the ERTID under the bill. If the property is owned by a political subdivision, such as the old engine plant in Kenosha, then the fiscal effect is minimal because the property has a base value of \$0 under current law. Other environmental remediation sites may resemble a former plating operation in New Holstein, Wisconsin where a base value of \$158,000 exists, but due to a tax delinquency, the taxes being assessed remain uncollected, with the county generally responsible for collecting all the taxes assessed by overlying jurisdictions. Some environmental remediation sites are eventually given to a political subdivision, where the base value would become \$0.

Many environmental remediation sites are shuttered manufacturing facilities, and these sites can lose significant value once operations end. For example, the former engine plant in Kenosha had an estimated value of approximately \$20.9 million in 2007 but in 2013, after its closure, it had an estimated value of approximately \$5.3 million.

The bill does not impact the tax increments of existing TIDs.

The minimal administrative costs can be absorbed with existing budget authority.

### **Long-Range Fiscal Implications**