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Testimony on 2021 Senate Bill 518

Senator Robert Cowles
Senate Committee on Natural Resources and Energy
September 29th, 2021

Thank you, Committee Members, for allowing me to testify on 2021 Senate Bill 518. This bill modifies the definition of 'Environmental Pollution' under state Tax Increment Financing (TIF) law to include structurally-held contaminants as an eligible project cost in an Environmental Remediation Tax Incremental District (ERTID).

We have all driven passed buildings in our respective districts wondering 'Why doesn't someone do something with that building?' or 'It's a shame that building is still vacant.'. Often, it's due to the fact that those buildings hold harmful contaminants which require costly remediation requirements that constantly prevent redevelopment opportunities from coming to fruition.

Under current law, a special TIF option exists for environmental remediation projects to help revitalize contaminated areas in their respective communities. Today in Wisconsin, there are 16 Environmental Remediation Tax Incremental Districts (ERTIDs) in existence. While these ERTIDs have been designated under the more narrow current criteria, this does not reflect the needs of many communities to address environmental pollution within individual structures as these are not currently eligible project costs.

Contaminants like asbestos, man-made mineral fibers (MMFs), heavy metals such as lead, radon, polychlorinated biphenyls (PCBs), wood preservatives such as pentachlorophenol/Lindane (PCP), polycyclic aromatic hydrocarbons (PAHs), and other volatile contaminants such as formaldehyde are often found in a wide variety of the building materials of yesteryear, particularly in former industrial-use buildings. Contaminants such as these are barriers to redevelopment of older properties due to increased costs of remediation, containment, disposal, frequent delays in workflow, and other unanticipated challenges.

The national average cost of asbestos removal is \$475 per hour, but can vary widely and sometimes reach costs in excess of \$3,000 per hour based on several factors. Depending on the size of a redevelopment and the types of contaminants, costs associated with structural remediation can range in the millions of dollars and turn what seems like a simple redevelopment into a challenging environmental remediation project with frequent delays and unanticipated costs.

While many these buildings are left decaying for decades, Wisconsin is struggling with an ongoing housing shortage. In my area of Northeast Wisconsin, according to a recent housing market study commissioned by the Green Bay Redevelopment Authority, the Green Bay Metro Area will need to build hundreds of rental housing units and owner-occupied units per year to meet the projected housing demand by 2040. Furthermore, we have seen the median home price drastically increase in the last year in all regions of the state, Central Wisconsin seeing the highest cost increase of 18.6% and Northeast and Northern Wisconsin seeing increases of 15.8% and 14.4% respectively. Wisconsin has also seen a 21.4% decrease in the available

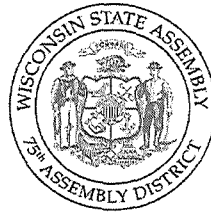
housing inventory compared to 12 months prior, and the average time a given home was on the market decreased by 28% with no signs of this trend stopping. To recap, sales are down, listings are down, inventory is down, market time is down, and prices are up. We have a clear housing problem.

Meanwhile, job opportunities are available, 'We're Hiring' signs are up, and businesses are hiring as fast as they can. However, worker relocation has become a challenging impediment to getting quality candidates to accept job offers due to the low housing stock and increased home prices throughout the state. While SB 518 doesn't unilaterally solve Wisconsin's housing shortage, it could serve as a critical tool to entice redevelopment of blighted properties that contain harmful contaminants and create new housing opportunities in downtown desirable areas throughout the state.

When many of these older buildings were built the term "mixed-use development" didn't exist. While I feel that housing is still the primary driver, mixed-use developments also offer unique opportunities for downtown redevelopments. By mixing retail, business, and residential spaces you can spur community revitalization by encouraging high quality design or retaining original façades all while also providing greater flexibility of space use, offering greater affordability through diversified revenue streams, and preserving traditional community centers with improved vitality.

Utilizing TIF in this new and innovative way can will help to spur new growth in downtown areas around the state which have been losing inhabitants to suburbs and urban sprawl, effecting small businesses, landlords and neighboring property owners. By altering the definition of environmental pollution to allow the financing of remediation of structural contaminants through increment, Senate Bill 518 can help to solve multiple problems at once in removing blight and contamination while also building needed housing stock and reducing urban sprawl.

I believe this legislation is a common sense step that we as the Legislature can take to truly help spur local economies and create new quality housing options all while eliminating harmful materials and contamination from our cityscapes.



DAVE ARMSTRONG

STATE REPRESENTATIVE • 75TH ASSEMBLY DISTRICT

Testimony on Senate Bill 518 September 29, 2021

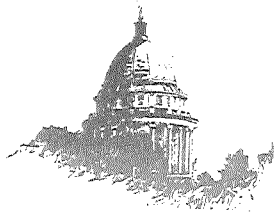
Thank you for the opportunity today to speak on behalf of Senate Bill 518.

Under Wisconsin law, municipalities may create environmental rehabilitation tax incremental districts, which are TIDs in which a majority of the territory contains areas of “significant environmental pollution”. For the purposes of environmental TIDS, “environmental pollution” is currently defined as “the contaminating or rendering unclean or impure the air, land or waters of the state, or making the same injurious to public health, harmful for commercial or recreational use, or deleterious to fish, bird, animal or plant life.”

This definition essentially requires that the environmental pollution already exist “in the wild” – in the air, land, or water – in order for a developer to include the remediation of this pollution in its project costs. However, the current definition does not account for situations where the act of redevelopment itself could cause the release of contaminants. For example, many older buildings contain asbestos, lead, and other hazardous substances, but because these substances are currently enclosed, the costs of remediation may not qualify as “project costs” covered by the tax increment. This makes such redevelopment projects less attractive to potential developers, as they would be on the hook for the ineligible remediation costs, with the result that blighted, polluted areas remain so, and communities are denied the benefits of redeveloped, cleaned up properties put to their best use.

Senate Bill 518 solves this problem by expanding the definition of “environmental pollution” to include “Substances that if released into the air, land, or waters of the state due to the redevelopment of an existing structure would be harmful to public health or harmful for commercial or recreational use.” Under SB 518, the costs of remediation under these circumstances would be project costs for TID purposes, removing an important obstacle to the economically and socially beneficial redevelopment of many properties.

Thank you for your consideration.



PAUL TITTL

STATE REPRESENTATIVE • 25TH ASSEMBLY DISTRICT

Senate Committee on Natural Resources and Energy

Senate Bill 518

September 29, 2021

Chairman Cowles and committee members, thank you for allowing me to testify before you today concerning Senate Bill 518, relating to environmental pollution in an environmental remediation tax incremental district.

Because prior testimony has focused on the details of this proposed change, I will not repeat those points. Rather, I would like to mention a particular situation in which this legislative change would have been useful.

The Village of Hilbert in my district has a cheese factory that has been vacant for 27 years. A critical issue with this property is the presence of an asbestos coating on the walls and roof. There are no other contaminants.

The current tax incremental financing (TIF) law does not provide help to revitalize contaminated properties in which that contamination has not been released (such as asbestos found within a building). Therefore, under the current definition of contamination, the village could not create an environmental TIF.

As a result, the village has not been able to eliminate the contamination, because there is no environmental remediation funding to help refurbish the structure. That situation is significantly impacting the redevelopment of the project due to the cost of removing the material prior to demolition.

The bill before you today would help communities in similar situations to address these contamination problems so properties can be revitalized and communities can benefit from increased economic development. In addition, these changes will also contribute to the overall beauty and wellbeing of the communities.

Thanks for your consideration for this bill. If you have any questions for me, I would be happy to address them.

Capitol Office: Post Office Box 8953 • Madison, WI 53708-8953

(608) 266-0315 • Toll-Free: (888) 529-0025 • Fax: (608) 282-3625 • **Email:** Rep.Tittl@legis.wi.gov



Testimony on *Senate Bill 518* before the
SENATE COMMITTEE ON NATURAL RESOURCES AND ENERGY
September 29, 2021

Wisconsin Economic Development Association

Good morning, Chairman Cowles and members of the committee. My name is Michael Welsh, and I am the Legislative Affairs Director for the Wisconsin Economic Development Association (WEDA). Thank you for the opportunity to testify today in favor of Senate Bill 518. This legislation will allow communities to utilize Environmental Remediation Tax Incremental Districts (ERTIDs) more effectively to revitalize contaminated properties and spur exciting redevelopment projects.

By way of background, WEDA is a statewide association representing over 425 public and private sector economic development professionals. We are dedicated to advancing economic prosperity in Wisconsin and providing our members with the necessary tools to encourage business expansion, promote private investment, and attract much-needed talent to the state. Senate Bill 518 will help expand the local economic development toolbox in Wisconsin, and I would like to thank Chairman Cowles for authoring this important legislation.

Under current law, Wisconsin communities can create an environmental remediation tax increment district (ERTID) to fund environmental remediation projects to clean-up contaminated sites and pave the way for new development. ERTIDs can cover capital costs, as well as financing and professional services costs associated with the investigation and removal of pollution from the soil, air, and water in the TID. Statewide, there are currently 16 ERTIDs in existence. Unfortunately, current law does not reflect the needs of many communities to address environmental pollution within existing structures, as these are not currently eligible ERTID project costs.

More specifically, ERTIDs cannot be used to raze or redevelop an existing structure that is contaminated with hazardous materials, such as asbestos, lead, and other heavy metals. These contaminants often create an insurmountable barrier to the redevelopment of older properties due to the increased challenges and costs of environmental remediation. As a result, these sites can remain vacant for decades, contributing to blight and diminished property values in communities across the state.



Senate Bill 518 would address this issue by making a slight modification to current TIF law that would modify the definition of “environmental pollution” to include harmful substances found inside of existing structures, which would qualify the redevelopment of these buildings as an eligible ERTID project cost. While the change to current law is small, SB 518 would have a significant economic development impact, providing communities with a narrow, yet effective tool to encourage the redevelopment of blighted sites and spur new development.

While the bill modifies TIF law, it is not necessarily a TIF bill. Rather, it is environmental remediation and redevelopment bill that will help municipalities drive much-needed economic growth. It also important to point out that the legislation, if passed into law, could help advance the development of much-needed workforce housing across the state. A growing trend in Wisconsin and across the country is the conversion of aging, vacant schools, churches, and even medical clinics into affordable workforce housing, giving these buildings a second shot at serving their communities.

Unfortunately, due to their age, these structures are often contaminated with asbestos and other hazardous materials, making it very difficult to secure financing for their redevelopment. Without financial incentives, such as the use of ERTIDs, these types of buildings will remain unused, hamstringing local governments and their ability to encourage growth. Senate Bill 518 would address this issue by making ERTIDs an option for communities to redevelop these contaminated buildings and offer additional housing options.

In closing, I would ask you to support SB 518 to provide local communities with an enhanced tool to remediate contaminated sites, revitalize main streets and key commercial corridors, and drive economic prosperity.

Thank you for your consideration.



Please SUPPORT AB 517 / SB 518: *Environmental Remediation and Redevelopment Bill*

Priority Statement:

The Wisconsin Economic Development Association (WEDA) **SUPPORTS** Assembly Bill 517 / Senate Bill 518, legislation that will allow communities to utilize Environmental Remediation Tax Incremental Districts (ERTIDs) more effectively to revitalize contaminated properties and spur exciting redevelopment projects.

Background:

Wisconsin communities can currently use an ERTID to fund environmental remediation projects to clean-up contaminated sites and pave the way for new development. ERTIDs can cover capital costs, as well as financing and professional services costs associated with the investigation and removal of pollution from the soil, air, and water in the TID. Unfortunately, current law does not reflect the needs of many communities to address environmental pollution within existing structures, as these are not currently eligible ERTID project costs.

More specifically, ERTIDs cannot be used to raze or redevelop an existing structure that is contaminated with hazardous materials, such as asbestos, lead, and other heavy metals. These contaminants often create an insurmountable barrier to the redevelopment of older properties due to the increased challenges and costs of environmental remediation. As a result, these sites can remain vacant for decades, contributing to blight and diminished property values in communities across the state.

Bill Summary:

AB 517 / SB 518 modifies the definition of “environmental pollution” under state TIF law to include harmful substances found inside of existing structures, which qualifies the redevelopment of these buildings as an eligible ERTID project cost. This important legislation will provide communities with a narrow, yet effective tool to encourage the redevelopment of blighted sites and spur new development.

Action Requested:

Please support AB 517 / SB 518, legislation that will allow local communities to utilize ERTIDs to finance the redevelopment of existing buildings that contain environmental pollution. The bill will expand Wisconsin’s currently limited economic development toolbox and help municipalities drive much-needed economic growth.

QUICK POINTS:

- ERTIDs were created to help communities across Wisconsin to revitalize contaminated sites.
- Statewide, there are currently 16 ERTIDs in existence.
- Unfortunately, current ERTID law does not reflect the needs of many communities to address environmental pollution within existing buildings.
- Asbestos and other building contaminants serve as a barrier to the redevelopment of blighted structures due to the high costs of such projects.
- Without ERTID financing, unused buildings can remain vacant for decades, contributing to blight and diminished property values.

