



## Transportation | Historic Tax Credit | Dark Store | TIF Updates

The State of Wisconsin 2017-19 Budget discussions are ongoing and your WRA lobby team continues to push forward on matters that are important to the commercial real estate industry. Items that reduce regulation, lower property taxes and spur economic development. These efforts are ongoing and spike during this time of year.

From our discussions leading up to and during our 2017 Government Day, we established a number of issues that our members felt most strongly about.

### **Transportation Infrastructure Funding:**

Key to our members, infrastructure connects workers to jobs, connects goods to customers, and connects inputs to manufacturers and businesses. As such, we continue to engage in advocacy efforts related to the establishment of a sustainable funding solution for Wisconsin infrastructure needs. Those efforts have included participation in the DRIVE coalition through TDA (Transportation Development Association), leadership in the conversation around the I-94 enumeration, and dialogue with legislators and other decision-makers. As a result, CARW members have been able to articulate the importance of infrastructure funding to the long-term viability of Wisconsin's growth and the economy. As you may have heard, transportation funding originally proposed in the budget was pulled out and will be discussed and decided on separately from the budget, and on a different timeline. We will continue to engage and communicate with members on the progress but believe that a funding solution will be proposed soon. [Click HERE for more information and a link to CARW's op-ed on transportation funding.](#)

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**Historic Tax Credit:**

Another important issue for our members is that of the Historic Tax Credit. We have had many opportunities to talk to and with legislators and have new talking points that members should work with when they have the opportunity. A recent analysis by Baker Tilly of the impact of those projects has highlighted a number of key conclusions. From 2014 to 2016, 118 historic projects received approval for state historic tax credits, totaling \$171,095,000.

Economic output totaled \$683 million dollars in direct economic output during the construction period alone illustrating how public investment successfully leverages private investment. The historic tax credit is also low and risk–high return and may not be claimed until the project is complete. If the project fails, the state does not pay out its credit. No project, no credit. The credit is used as collateral for bridge financing that pays for construction, so the credit is invested in bricks and mortar and does not go to the owner as profit.

In terms of tax revenues, the State has developed \$92.4 million dollars in additional state taxes in the same period, including the ripple effect caused by the investment throughout the local economy. Owners pay sales tax on materials, income tax, payroll tax and others that immediately begin to pay back the state investment. On a local level, there was a 637% increase in cumulative property tax. Projects and buildings are generally underutilized and contribute little property tax after their rehabilitation work. From a job creation perspective, 10,950 new jobs were created in the three year period of the report, including 9,882 construction jobs.

Smaller communities benefit with 69% of projects in 2016 in communities of less than 100,000 in population and attracting \$167,400,629 dollars of total investment to those communities.

Blight elimination and urban renewal has been a result of the HTC. 60% of all projects in 2014 had been vacant for more than 20 years. These projects would not occur without the historic tax credits and the buildings would continue to negatively impact their communities.

Repayment is immediate and quick unlike some other tax credit programs. The credit is fully repaid by increased state taxes at the end of the 5th year after completion, and over a ten year period the state gets an \$8 to \$1 return on investment. Because the tax credit is fully repaid in 5 years, it generates new state tax revenue that makes other economic development programs possible.

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**Dark Store:**

The 'Dark Store' tax assessment issue is one that CARW has been monitoring since early 2016. At that time, bills had not been introduced, but now, we have seen several bill drafts that will likely be introduced in the very near future. A small group has assembled to develop a strategy ensuring the legislation's outcome is favorable for our industry. We have had productive meetings with legislators in Madison and in Milwaukee. There are a number of groups also

looking at this issue including the Wisconsin REALTORS® Association, the Metropolitan Milwaukee Area Chamber of Commerce, and the Wisconsin Manufacturers and Commerce. CARW members attended a program sponsored by the MMAC with attorney Don Millis speaking on the issue. [Click HERE for the presentation](#). Stay tuned for more information and let us know if you are interested in being part of our small group communications on the issue.

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#### **Tax Increment Financing:**

Many real estate and economic development groups have been working tirelessly to advocate for the improvement and expansion of TIF. In doing so, the coalition has collected a number of important facts and figures to continue making the economic development case to stakeholders and legislators as our advocacy efforts continue. [These groups have developed a useful brochure which you may download or forward when discussing TIF](#).

Tax incremental financing (TIF) is a method of financing that generates tax revenue to be used toward funding infrastructure and development. TIF is the most effective tool Wisconsin cities and villages have to spur economic development and job creation. Municipalities have been using TIF successfully since 1975.

The TIF process allows a municipality to pay for public improvements and other eligible costs within a designated area, called a tax incremental district (TID), using the future taxes collected on the TID's increased property value to repay the cost of the improvements. The rationale behind TIF is that public investment will promote private development, jobs and tax-base growth that would not otherwise occur absent the TID. [Click HERE for more information about TIF and the coalition brochure](#).

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#### **Waukesha Water:**

CARW was an [early supporter](#) of the proposal by Waukesha, to divert water from Lake Michigan to serve the community. Given the economic development implications and opportunities and safety and supply concerns of the status quo, the organization leadership helped communicate with leaders from surrounding States about the importance of advancing the request. In June, 2016, the request was accepted, but opponents continued to challenge the request. At this time, despite many obstacles, the proposal appears to be advancing towards a favorable outcome for Waukesha. [See latest coverage HERE](#).

Stay tuned in the coming weeks as we continue to monitor these and other issues.

Additionally, the CARW team is working with WRA and NAR on the Mid-Year legislative visits in Washington DC in mid-May. If you have thoughts, comments or questions, please contact our

legislative affairs chair, Adam Williquette at [awilliquette@andersoncommercialgroup.com](mailto:awilliquette@andersoncommercialgroup.com) or Tracy Johnson at [tracy@carw.com](mailto:tracy@carw.com) or Tom Larson at [tlarson@wra.org](mailto:tlarson@wra.org)