



CITY OF MERRILL
COMMON COUNCIL
AGENDA • TUESDAY, MAY 12, 2026

Orientation

City Hall Council Chambers

5:30 PM

To attend remotely call 573-605-0123 PIN 291 358 275 #

- I. Call to Order**
- II. Pledge of Allegiance**
- III. Presentation from Outside Counsel**
- IV. Additional Information for Reference**
 1. Basics of Tax Incremental Financing
 2. Organizational Chart
 3. Library Director - Ollhoff
- V. Adjournment**

The Merrill City Hall is accessible to the physically disadvantaged. If special accommodations are needed, please contact the Merrill City Hall at (715) 536-5594.



Basics of Tax Increment Financing

What is Tax Increment Financing?

- Key acronyms:
 - ✓ TIF = Tax Increment Financing (*the tool*)
 - ✓ TID = Tax Increment District (*where the tool is used - boundary*)
- Powerful economic development tool
- Allows municipalities to capture incremental **property tax revenue** from **growth** in defined area & use it to **benefit** that area

TID/TIF BASICS

- Creation of TID to assist in development or redevelopment.
- WHY?
 - Communities seek to encourage responsible, quality economic development and eliminate blight.
 - Developers need to cover costs and earn a reasonable profit for incurring risk.
 - TIF is the most powerful economic development tool in Wisconsin



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PRE-TID CREATION

- Agricultural Land
- 40 Acres
- Assessed at \$500,000
- Annual Tax Revenue*: \$5,000
 - Municipality 37%: \$1,850
 - School Dist. 40%: \$2,000
 - County 19%: \$950
 - Tech College 4%: \$200



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DURING LIFE OF TID

- Land is developed
- Assessed at \$10,000,000
- \$9,500,000.00 of INCREMENT
- Annual Tax Revenue: \$5,000.00
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- Annual tax revenue from Increment that TID Keeps: \$95,000.00



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AFTER TID CLOSES

- Assessed at \$10,000,000
- Annual Tax Revenue: \$100,000.00
 - Municipality: \$37,000
 - School Dist.: \$40,000
 - County: \$19,000



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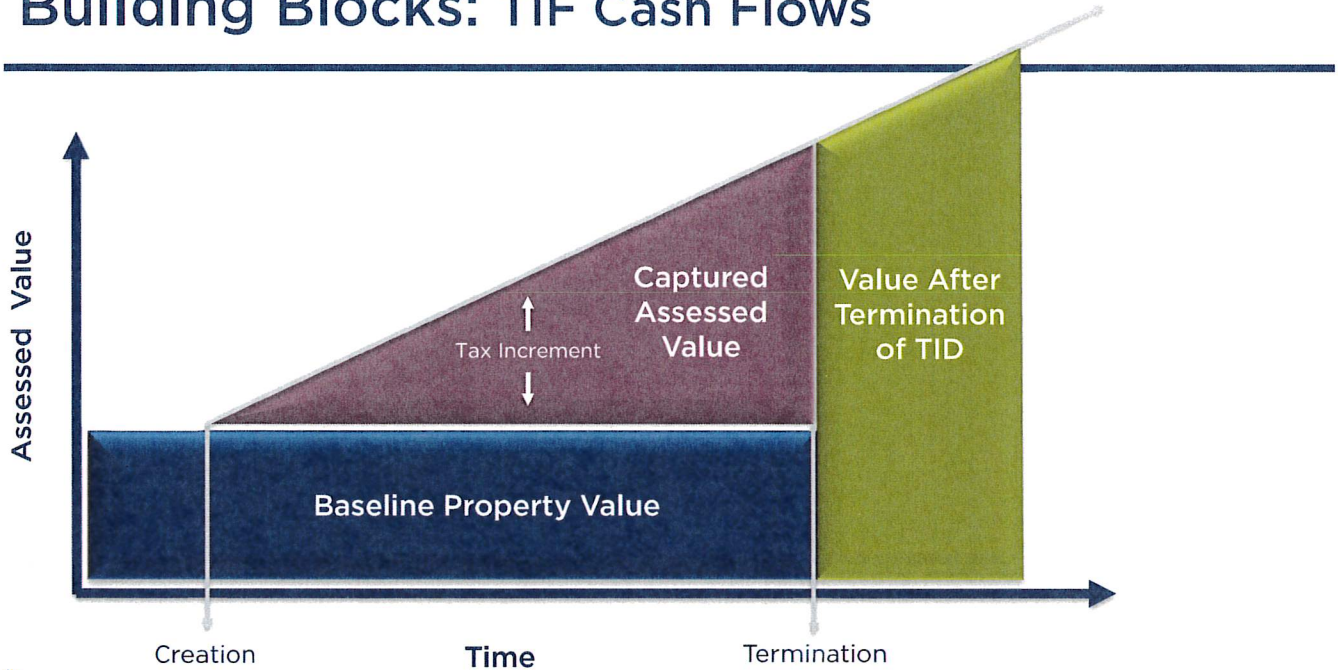


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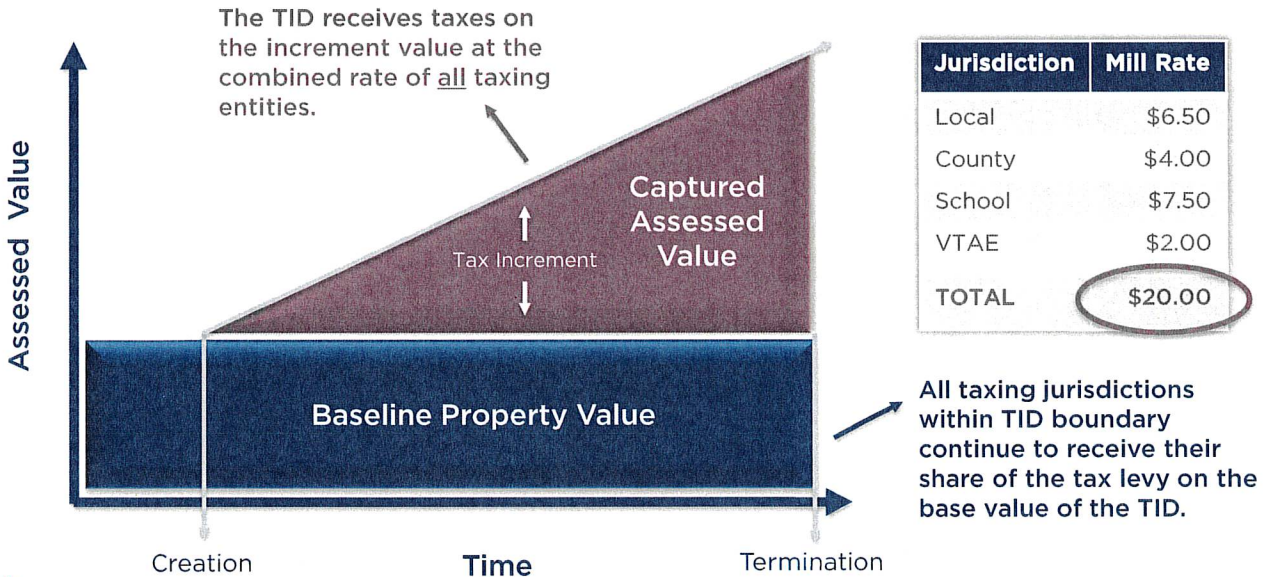
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Building Blocks: TIF Cash Flows



Building Blocks: TID Tax Levies



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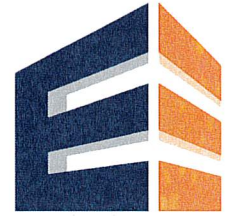
Why use TIF?

THE INTENT

- ✓ Require cost participation amongst all taxing jurisdictions that ultimately benefit from increased property values
- ✓ Address lack of other incentives and financial resources
- ✓ Promote economic development and redevelopment
- ✓ Promote cooperation between public and private sectors



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Tax Increment Financing Basics

IMPLEMENTATION & RULES

2/10/2024

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TID Creation Requirements

Increment value of existing TID(s)
+ proposed base value of new district(s)
Must be < 12% of total Equalized Value

- Contiguous area & cannot extend beyond corporate limits
- Other requirements & maximum life limits apply per TID type

District Types

Type	Max Life	At Least 50% of Proposed District Area Must Be:	Newly Platted Residential
Mixed Use	20 Years	Suitable for combination of industrial, commercial & residential uses	Max 35% (plus density requirement)
Industrial		Zoned & suitable for industrial development	Not Allowed
Blighted Area	27 Years	Blighted	Not Allowed
Conservation or Rehabilitation		In need of conservation or rehabilitation	Not Allowed
Environmental Remediation		Containing significant environmental pollution	Not Allowed



Project Plan Requirements



Project Costs

- Can be phased & laid out to plan for adequate revenue stream
- Costs description
- Development, Redevelopment description



Financing Plan

- Cash flow forecast
- Financing tools
- Estimated life of proposed district



The “But For” Test

- Standard applied by Joint Review Board
 - ✓ key underpinning of TIF program
- “But for” the use of TIF assistance, the proposed development could not occur:
 - ✓ as proposed
 - ✓ within same time frame
 - ✓ with same level of value



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The “But For” Test...cont.

How do you prove it?

- Independent third-party review of developer’s sources, uses & cashflows (with/without TIF assistance)
- Challenged site
- Extensive public infrastructure costs
- Lack of economic development in community



Ultimately the Joint Review Boards’ judgment call



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TID Creation Procedure

- Feasibility study (Project Plan)
- Initial Joint Review Board (JRB) meeting
- Public hearing of Plan Commission
- Governing body approval (official “Creation Date”)
- Final JRB approval
- State approval (procedural & legal review)



Eligible Project Costs

Public works & improvements	Financing	Real property assembly (land write-down)	Professional services
Administrative & organizational	Contributions to Community Dev. or Redev. Authority	Relocation	Pro-rated share of utility infrastructure (municipality-wide)
Cash grants (requires developer agreement)	Environmental remediation	Projects within 1/2 mile of district	...All costs must directly relate to purpose of TID, including 1/2 mile.



Prohibited Project Costs

- Constructing or expanding municipal buildings
- Facilities financed with utility user fees
- General gov't exp. unrelated to TID
- Costs associated with newly platted residential development
 - ✓ except in mixed-use districts with "qualifying" residential, no more than 35% of district by acreage)



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Amendments

Boundary

- May add, subtract property
- Must remain contiguous, can encircle non-district parcel
- Must follow 12% test to add property
- 4 amendment maximum during life of district

Plan

- Used to amend list of proposed projects
- Revenue sharing
- No limit to number allowed (except maximum expenditure period)

...same procedure as TID Creation



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Expenditure Period

- Maximum time period TID can incur expenses or obligate revenues related to project plan
- Ends 5 years prior to end of maximum life for all district types (extensions do not change expenditure period)
- After expenditure period ends, TID may continue to pay:
 - ✓ Debt service on existing obligations
 - ✓ Contractually-obligated expenses
 - ✓ Ongoing administrative expenses
 - ✓ If designated donor TID, district may continue to donate increment



Maximum Life

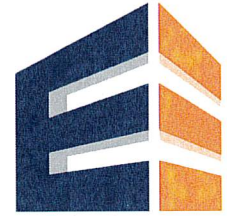
A TID may remain open until the earliest of the following:

- Maximum life is reached
- Tax increments (revenues) collected sufficient to pay project obligations (expenses)
- The municipality passes a resolution to close the district

At closure:

- Remaining funds (surplus) distributed proportionately to taxing jurisdictions (shared benefit) - OR -
- Unreimbursed project costs become general liability of the municipality (risk not shared)





Tax Increment Financing Basics

FINANCING

2/10/2024

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Funding Eligible Projects: Options

Community “Fronts” Costs

- Issue general obligation or revenue debt
- Advances from other funds

Pay-As-You-Go

- Use TIF revenue stream and accumulated balances to pay expenses
- Developer agrees to up-front costs, repaid from TIF revenues

Municipality Funded

- Municipality issues debt or advances funding from other funds to finance development incentives or pay for other tax increment eligible costs (infrastructure, land acquisition, etc.)
- Municipality uses revenue generated by development in tax increment district to repay debt/advance
- Municipality bears entire risk of insufficient revenues
- Development Agreement provisions can be used to mitigate risk



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Pay-As-You-Go

- Developer funds project costs up front
- Municipality agrees to return tax increment revenue paid from new development
 - ✓ Subject to annual appropriation
 - ✓ Payment dependent on revenue being available, no revenue – no payment
- Shifts risks of insufficient revenue to repay debt from Municipality to Developer while allowing use of TIF to incentivize project
- Developer may choose to monetize TIF, request private financing secured by PAYGO agreement



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Pay-As-You-Go Model



Developer Agreements



DEBUNKING TIF MYTHS

Steve Sorenson

Chris Smith

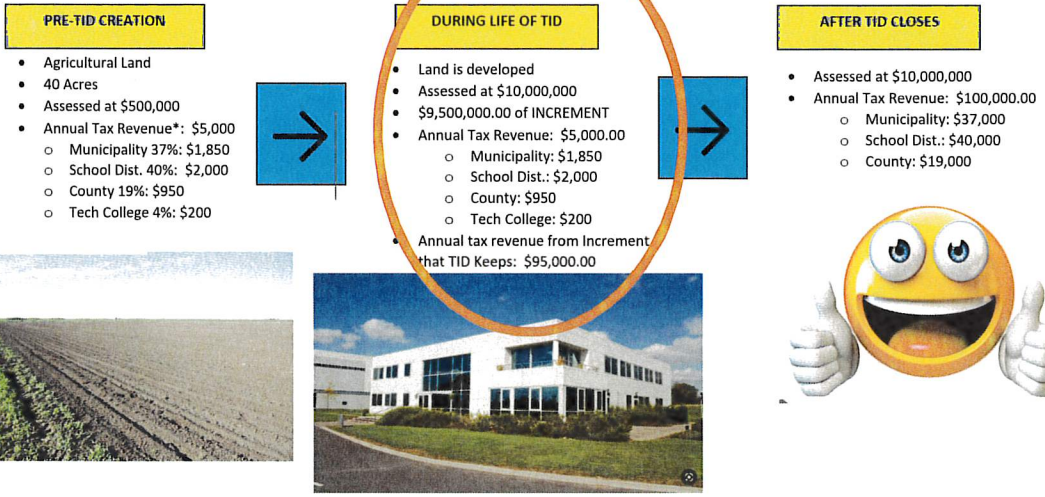


MYTH: TIF Is Enriching Wealthy Developers Using Taxpayer Money

- **SHORT ANSWER:** TIF is incentivizing developer **WITH THEIR OWN MONEY.**
- **Facts:**
 - Pay-go method ensures that the only financial assistance paid to developer is coming from the taxes they are paying.
 - Developer gets a rebate from their own taxes.
 - In our example, the new development is creating \$9.5M in new value which equates to \$95K in new tax revenue.
 - Financial assistance should be paid from that \$95K. No other “Taxpayer Money” is used.



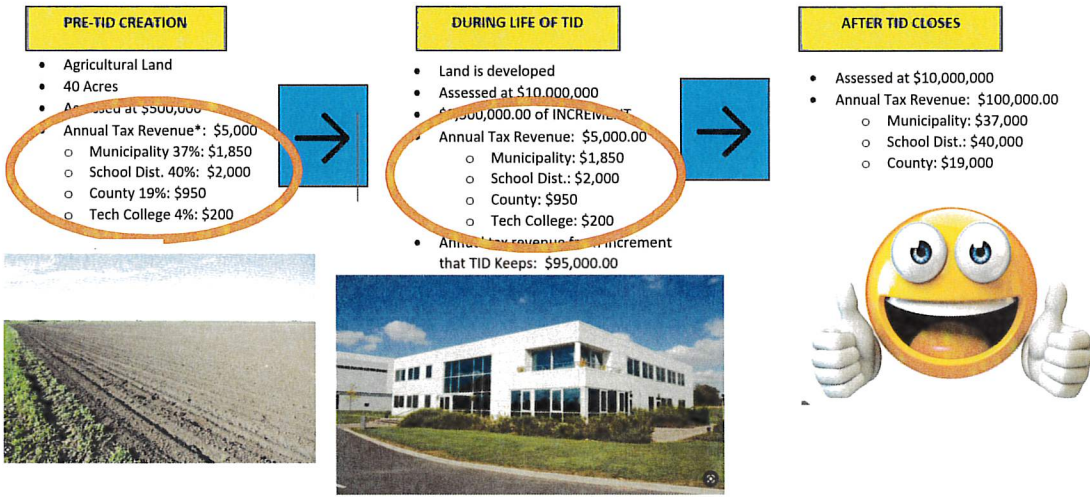
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MYTH: TIF Is Stealing Funds From the Rest of the Municipality

- **SHORT ANSWER:** Municipality continues to collect the same revenue from the TID as it always has.
- **Facts:**
 - Base value is the amount of assessed value prior to the TID creation.
 - Base value tax revenue continues through the life of the TID.





MYTH: The Developer Does not Need TIF Assistance to Complete the Project

- **SHORT ANSWER:** The “BUT FOR” test obligates the municipality to ensure that but for the TIF assistance, the development would not occur.
- **Facts:**
 - Required per Wis. Stat. 66.1105.
 - Best practice: engage a financial expert to review developer’s financials and render an opinion as to whether “but for” test is satisfied.

MYTH: A TID is a Bad Deal for Other Taxing Jurisdictions

- **SHORT ANSWER:** Each taxing jurisdiction appoints a representative to vote on whether a TID should be created.
- **Also:**
 - Other taxing jurisdictions continue to capture base value revenue.
 - Development → More Residents → Higher Enrollment



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MYTH: A TID Uses Municipal Services Without Paying for Them

- **SHORT ANSWER:** New developments in a TID pay for the impact on those services through impact fees.
- **Facts:**
 - New developments within a TID can be charged impact fees to offset the cost.
 - Base value still collected.



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MYTH: Setting up and Administering a TID is Cost Prohibitive

- **SHORT ANSWER:** Most costs of this nature are paid for by the developer.
- **Facts:**
 - Staff, legal and consultant time should be billed to the developer per your development agreement.
 - General TID administration costs and staff time should be reimbursed by increment.



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Messaging: How to Explain Your Project

- The municipality and other taxing jurisdictions are NOT losing any tax revenue that it had before the project.
- The only assistance the developer is getting is being paid for with their own money; and/or
- Any costs the municipality is incurring will be paid back from developer.
- The project will return increased tax revenue to all taxing jurisdictions once the program is completed.



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