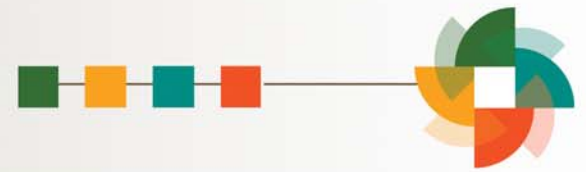




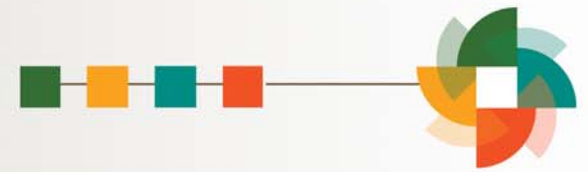
Distressed Tax Increment Districts



§ For some TIF Districts, previously sufficient cash flows are now insufficient to meet existing debt obligations as a result of loss in value of built out projects:

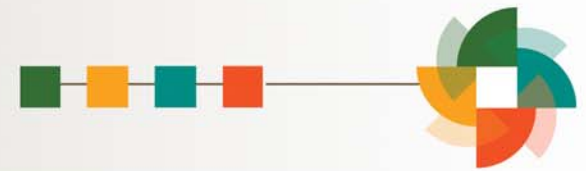
- Developer/owner bankruptcy
- Bank foreclosure
- Successful valuation appeals
- Inability to collect on developer guarantees
- Declining equalized tax rates compound the problem





- § Limited number of “distressed” TIDs at the present time (known situations)
- § Potential for more cases in short-term
 - Anticipated decreases in January 1, 2009 valuations
 - Likelihood of additional valuation appeals
 - Probability of additional project failures
 - Slow-down or abandonment of in-progress projects

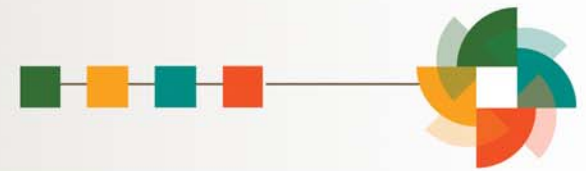




§ Absent legislative remedy:

- Annual appropriations to cover debt service shortfalls – potentially significant reductions to essential local government services
- Worst case – default on bonds/possible bankruptcy
 - No precedent in Wisconsin
 - Costly litigation
 - Would impact access to and cost of credit for all Wisconsin local governments
- Stifling effect on local government interest in economic development with any element of local risk

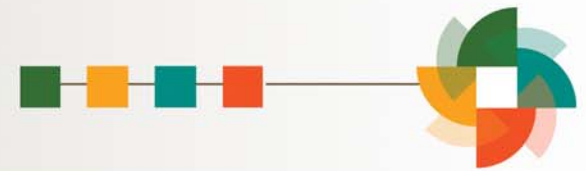




§ Key Provisions

- Would extend the maximum life of TIDs designated as “distressed” to 40 years (from current 20, 23 or 27 year life)
- **Intent is to allow for restructuring of TID obligations over a longer time period to better match diminished cash flows**
- Would also allow a “donor” TID to remain open for a concurrent period of time (but not to exceed 40 years) and to share increment for the entire period

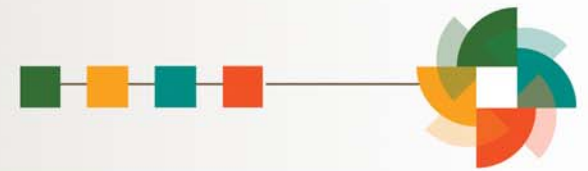




§ Key Provisions

- Determination of “distress” made locally – would need to demonstrate to the Joint Review Board that cash flows are insufficient to meet obligations
- If determination supported with an independent report (i.e. prepared by financial advisor), must be approved by the Joint Review Board
- Once designated as distressed, TID precluded from amending Project Plan to incur any additional project costs not set forth in the plan documents to date

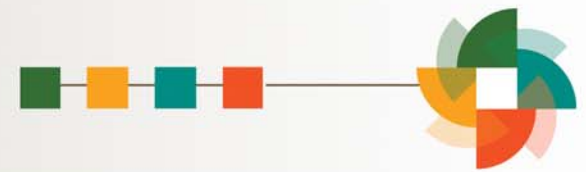




§ Current status of Bill (as of June 8)

- Final draft reviewed and approved by working group last week
- Expected to be circulated for co-sponsorship this week
 - Expected sponsors – Senator Jim Sullivan (D-Wauwatosa) and Rep. Louis Molepske (D-Stevens Point)
- State budget matters taking precedence
- Ideally, will be take up shortly after budget adoption





§ Legislation Working Group/Supporters

- Ehlers & Associates
- R.W. Baird & Company
- League of Wisconsin Municipalities
- Wisconsin Alliance of Cities
- Wisconsin Bankers' Association
- Wisconsin Economic Development Association
- Wisconsin Realtors' Association





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