

Let me explain how Tax Increment Financing (TIF) works regarding the proposed Walmart project. The property is in a TID which froze the assessed value of the entire district at the time of its creation, 2000. This frozen value is called the Base Value. Tax revenues from the base value continue into the general fund of the city and taxing entities no matter what. BUT any improvements or raises in value generate tax revenue over and above the Base Value. That revenue is called the increment and is kept in a separate fund for the purpose of assisting with projects that raise the tax value that wouldn't otherwise happen. When those projects do happen, they raise the value which then generates additional increment, which is then used to pay back any debt or reimburse any project costs that were approved as part of the assistance. The owner/developer isn't given a "tax break" but pays the new and improved full assessed value. The benefit to tax payers is that they wouldn't have the increase in value at all without the assistance and when the assistance is paid back and the TID closes, the added value then goes to the general fund. So it's a return on investment of dollars that the tax payers never would have had BUT FOR the project.

TIF assistance isn't a "gift" to the developer. They have to do a deal that isn't in the red and infill projects with contaminated land are cost prohibitive. It is a mechanism to make the land suitable and feasible for redevelopment in spite of those increased costs that other clean land isn't burdened with. It's used commonly in Wisconsin and all over the country successfully.

So with all that as a background, there are several factors that influence when the city decides to close a TID. The main one is the state mandated life of a TID which for TID 2 would be 2027. Cities may decide to close earlier if all projects are complete and debt paid or they may wish to keep it open and donate the increment to help other TIDs that may be distressed. We have talked about the likely earliest date that TID 2 could be closed and that will depend on things like the interest rate of the note, value of the rest of the TID and the actual date of the property transfer/construction. Based on our projections of those variables we will be able to pay off the debt incurred for this project between 2016-2018. As we move forward we will know more of those variables and can narrow the time even further.

Our guarantee is that the assessed value cannot be less than \$12 million a year for the project until after 2027. So Walmart will pay on a \$12 million value which will be split into revenues going into the base (general fund) and increment funds until the CDA and Council decide it's best for the city to close the TID or 2027. Should something happen and Walmart goes away after 2027 they still own the property and are required to pay whatever the assessed value is just like any other property owner. That value is higher with a building on the property. Plus if they should leave the building vacant, it will be a more attractive for reuse since it will have had the contamination from the tanneries and the petroleum cleaned or contained with DNR closure.