

# Tax Incremental Financing Fact Sheet

## Northwestern Mutual North Office Building Modernization Project

### An overview of Tax Incremental Financing for Northwestern Mutual's North Office Building Modernization Project

The City of Milwaukee has approved use of Tax Incremental Financing (TIF) to support Northwestern Mutual's anticipated \$500 million investment in downtown Milwaukee. This mechanism enables Northwestern Mutual to partner with the City to redevelop its current downtown site and means **thousands of jobs and additional tax base, at no cost to local taxpayers.**

#### How a TIF Works

**The TIF mechanism allows cities to capture increased tax revenues generated by economic development projects and use this money to pay back City funds** (or in this case, to repay a portion of the construction costs paid for up front by Northwestern Mutual) invested at the front end of the development. As the City and/or the developer make improvements in the district, property values (and the accompanying taxes) increase. The taxes on all property value growth over and above the original value are used to pay off the City's upfront investments in the district – with interest. Once all the project costs are repaid, the TIF district is terminated and all the taxing jurisdictions receive tax revenue from the full value of the district (both the base value and the increment). State statute allows 27 years to pay off all TIF costs, Northwestern Mutual's term is up to 23 years. **The result is greater development for the City, increased tax base and, when the TIF is paid off, enhanced tax revenue for the general fund.**

#### Developer-Funded TIF

The Milwaukee Department of City Development and the City approved a \$30 million tax increment financing (TIF) plan. Rather than have the City borrow money to assist Northwestern Mutual, which is most common in TIF plans, **Northwestern Mutual will finance all costs of the project.**

Under this method, Northwestern Mutual finances all of the costs of the project up front. During the life of the TID, the City will repay the funds to Northwestern Mutual by sharing 75 percent of the increased property tax revenue generated by the new project. The remaining 25 percent will be allocated by the City to fund City infrastructure projects.

If for some reason the development produces less incremental tax revenue than projected, Northwestern Mutual may not receive full repayment of the funds it has advanced. **The company bears all of the risk if the TID fails to perform as anticipated.**

#### Northwestern Mutual's Commitment

Northwestern Mutual is committed to honoring the terms set forward in the agreement and training and investing in Milwaukee's current and future workforce:

- Northwestern Mutual will utilize SBEs for at least 25 percent of construction and supply costs and at least 18 percent of professional services costs on the construction of the project;
- Northwestern Mutual will utilize unemployed and underemployed residents, pursuant to the City's Residents Preference Program (RPP), for no less than 40 percent of total onsite construction "worker hours" expended on construction of the project;
- Northwestern Mutual will adhere to the requirements contemplated by the City's Community-Oriented, Responsible and Equitable (CORE) Development Zone Resolution, which applies to certain service workers and requires a starting \$15 per hour minimum wage with built-in escalators;
- Northwestern Mutual will have no less than 5,375 employees assigned to its downtown campus upon completion of the project and no less than 5,750 employees assigned to its downtown campus by January 1, 2030 and for the duration of the term of the TID; and
- Northwestern Mutual will continue and enhance investment in Milwaukee communities through the Northwestern Mutual Foundation.