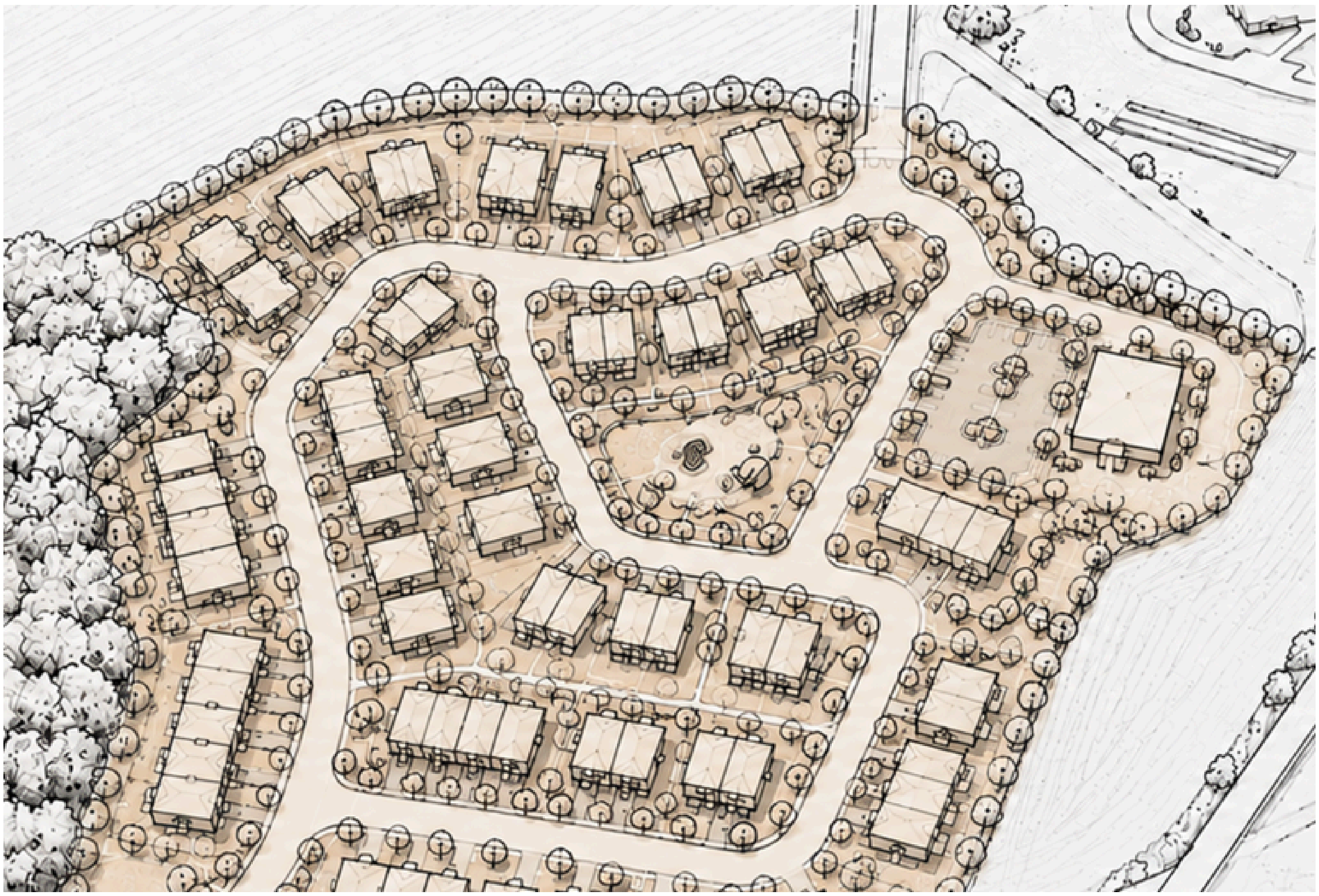
Residential TID development approach

How WI Act 235 lets a small community build a neighborhood for Workforce Housing



Sample plat – residential TID concept *[image by Silva Architecture]*

ABSTRACT

Act 235 created an entirely new kind of tax incremental district — one built for houses instead of factories. It takes effect October 1, 2026. This guide explains the rules in plain language, shows what a complying neighborhood actually looks like, and walks through the numbers so a village board can decide whether the tool fits.

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This guide summarizes law; it is not legal or financial advice. Confirm your plan with your municipal attorney, financial advisor and the Wisconsin Department of Revenue before acting.

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SUMMARY

For forty years Wisconsin's tax increment law treated housing as something a TID paid for by accident. Districts were justified by blight, industrial sites or mixed use, and “newly platted residential development” was largely off limits — permitted only inside a mixed-use district, and then only on 35 percent or less of the district's area.

2025 Wisconsin Act 235 changes that. It creates Wis. Stat. § 66.1105(21), a stand-alone Residential Tax Incremental District whose entire purpose is to pay for the streets, sewer and water that make a new subdivision possible. The trade is explicit: the state opened the door to residential TIF, and in exchange it wrote the housing product into the statute. Small lots. Modest houses. Owner-occupied. No municipal borrowing.

For a village of 900 people that has not platted a new subdivision since 2006, that trade is a good one. The homes Act 235 describes — a 1,150-square-foot cottage on a 60-foot lot — are close to the only new homes such a village could absorb anyway. Twenty-four homes over five years is a realistic first project, and this guide is built around one.

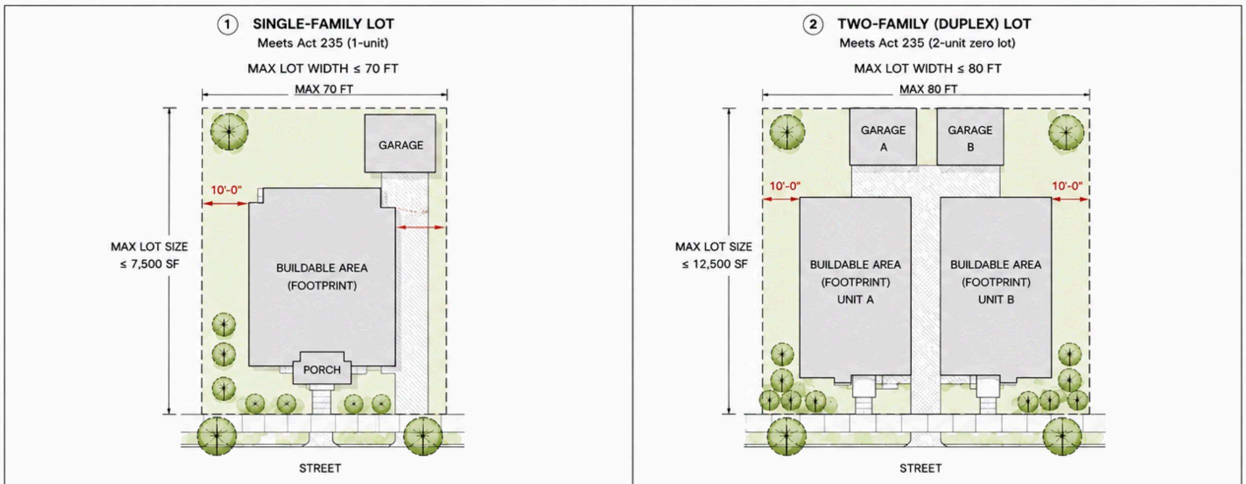
Act 235 at a glance

Provision	What the statute requires
Who may create one	Cities and villages. Also towns that operate a sewerage system or contain a sanitary district, under new § 60.23(32)(g).
What may be built	Single-family and two-family residences only, all owner-occupied.
Lot size	Single-family: less than 7,500 sq ft. Two-family: 12,500 sq ft or less.
Lot width	Single-family: 70 ft or less. Two-family: 80 ft or less.
Side setback	10 feet or less.
House size	One story: no larger than 1,500 sq ft. Two stories: no larger than 2,000 sq ft.
Eligible costs	Infrastructure necessary for the residential development, plus financing, professional service, imputed administrative and organizational costs. District-wide stormwater only.
How it is paid	Pay-as-you-go only. Costs are paid directly from increment or financed by the developer. **No municipal borrowing.**
Valuation test	Exempt from the 12% rule; subject instead to a separate 3% test.
Life of the district	20 years, extendable by 3 years with joint review board approval.
Donor / recipient	A residential TID may neither donate increment to, nor receive it from, another district.
Local homework	The municipality must set, by resolution or ordinance, the maximum development-related fees it will charge and the architectural and construction requirements that will apply.
Effective date	October 1, 2026.

Source: WWHNews.com analysis of 2025 Wisconsin Act 235 and Wis. Stat. § 66.1105(21).

RULE ONE: the statute designs the neighborhood

Most TIF rules govern money. Act 235's most consequential rules govern dimensions. Before a City or Village drafts a single line of a project plan, the plat has to work inside a fixed envelope, because the eligibility of the whole district depends on it. Under § 66.1105(21)(b), every public improvement and project cost in the plan must relate to residential development that satisfies all of the following at once.



REQUIREMENT	SINGLE-FAMILY LOT (1-UNIT)	TWO-FAMILY (DUPLEX) LOT (2-UNIT ZERO LOT)
MAX LOT SIZE	≤ 7,500 SF	≤ 12,500 SF
MAX LOT WIDTH	≤ 70 FT	≤ 80 FT
SIDE SETBACK (MAX ALLOWED)	10 FT	10 FT
MAX FOOTPRINT, SINGLE-STORY	1,500 SF	1,500 SF PER UNIT
MAX FOOTPRINT, TWO-STORY	2,000 SF	2,000 SF PER UNIT

NOTES:
- SITE PLANS ARE CONCEPTUAL AND ILLUSTRATE COMPLIANCE WITH WI ACT 235 MINIMUMS.
- ACTUAL DESIGN SUBJECT TO LOCAL ZONING, SETBACKS, AND APPLICABLE CODES.
- LANDSCAPING AND HARDSCAPE ARE CONCEPTUAL.

NORTH

Figure 1. The statutory envelope. Source: WWHNews.com analysis of 2025 Wisconsin Act 235.

Reading the numbers carefully

Two details in the statutory text are easy to look past:

- The single-family lot standard is written as *less than* 7,500 square feet — not 7,500 or less. A lot plated at exactly 7,500 square feet appears to fail. Plat to 6,600 to 7,200 square feet and stop worrying about it.
- The two-family standard is written the other way: 12,500 square feet or less. The drafting is not parallel, and there is no obvious reason for it, so follow the text rather than the pattern.

A third question has no clean answer yet. The size caps are written per "residence" — no one-story residence larger than 1,500 square feet, no two-story residence larger than 2,000. Applied to a duplex, does "residence" mean each dwelling unit or the whole building? A two-unit building with 1,000 square feet per side is 2,000 square feet under one roof. WWHNews reads the term as referring to each residence — each dwelling — but until the Department of Revenue or a court says so, the conservative course is to design two-family buildings so that the building itself also fits within the cap, and to get your attorney's written view before the plat is recorded.

NOTE: **WHAT THE NUMBERS ADD UP TO**

A 60-by-110-foot lot is 6,600 square feet — about one-seventh of an acre, and roughly half the lot most Wisconsin villages have required since the 1970s. At 10-foot side setbacks the houses sit 20 feet apart.

This is not a loophole to be engineered around. Smaller lots mean less street, less pipe and less pavement per house, which is exactly why the infrastructure can be repaid out of the increment the houses generate.

RULE TWO: a short list of eligible costs

A conventional TID can pay for land, demolition, environmental work, parking structures, cash incentives and more. Section 66.1105(21)(c) throws almost all of that out. A residential TID may pay only for costs related to the construction or improvement of infrastructure necessary for residential developments within the district, together with professional service costs, imputed administrative costs, organizational costs, and the financing costs on those items.

Stormwater as a separate line item: it is eligible only to the extent the improvements serve the entire district, not individual lots. A collector basin at a lower corner of a plat qualifies. The pipe from one house to the street does not.

WHAT A RESIDENTIAL TID CAN AND CANNOT PAY FOR

Wis. Stat. § 66.1105(21)(c) narrows project costs far below what a conventional TID allows

ELIGIBLE PROJECT COSTS *infrastructure necessary for the development*	NOT ELIGIBLE *the developer or buyer must fund these*
✓ Streets, curb and gutter	✗ Land acquisition
✓ Sanitary sewer mains and lifts	✗ Site grading and lot preparation
✓ Water mains, hydrants and looping	✗ Vertical construction of the homes
✓ Storm sewer for the whole district	✗ Down-payment assistance
✓ Sidewalks, street lighting, signage	✗ Stormwater serving single lots
✓ Engineering, legal and planning fees	✗ Parks and playground equipment*
✓ Imputed administrative costs	✗ Incentives beyond eligible costs
✓ Organizational costs	✗ Commercial or industrial uses
✓ Financing costs on the above	✗ Rental housing of any kind

** Parks and gardens are shown in this guide as neighborhood design, not as TID-funded items. Fund them from park dedication, impact fees, the developer or grants.*

Source: WWHNews.com analysis of 2025 Wisconsin Act 235. Confirm eligibility with municipal counsel.

Figure 2. Source: WWHNews.com analysis of 2025 Wisconsin Act 235.

RULE THREE: pay-as-you-go

Under § 66.1105(21)(d), all project costs must be paid directly from the increment the district generates, or financed by a developer. There is no bond. There is no note. There is no borrowing against the district.

In practice that means the developer installs the public infrastructure with the developer's own money and is repaid, without recourse, from the increment the finished houses throw off over the following fifteen or twenty years. If no developer is willing to carry that, there is no district — which is why finding the developer comes before drafting the project plan, not after.

The upside is the mirror image of the risk. The municipality's balance sheet is untouched, its debt capacity is preserved, its levy limits are unaffected, and if the homes never sell, the developer — not the taxpayer — absorbs the loss. For a village board that has spent twenty years refusing to bond for a subdivision, this is the sentence in Act 235 worth reading twice.

RULE FOUR: the 3 percent test

Ordinary TIDs are limited by the familiar 12 percent rule. Residential TIDs are carved out of it and given a tighter one. Under § 66.1105(21)(a)2.d., before creating a district the local legislative body must find that the equalized value of the new residential TID, plus the value increment of all existing residential TIDs, does not exceed 3 percent of the municipality's total equalized value.

On the day the first greenfield district is created this is almost never a problem — eighteen acres of corn is worth very little. The constraint shows up later, and it is the most important planning point in this guide for small communities.

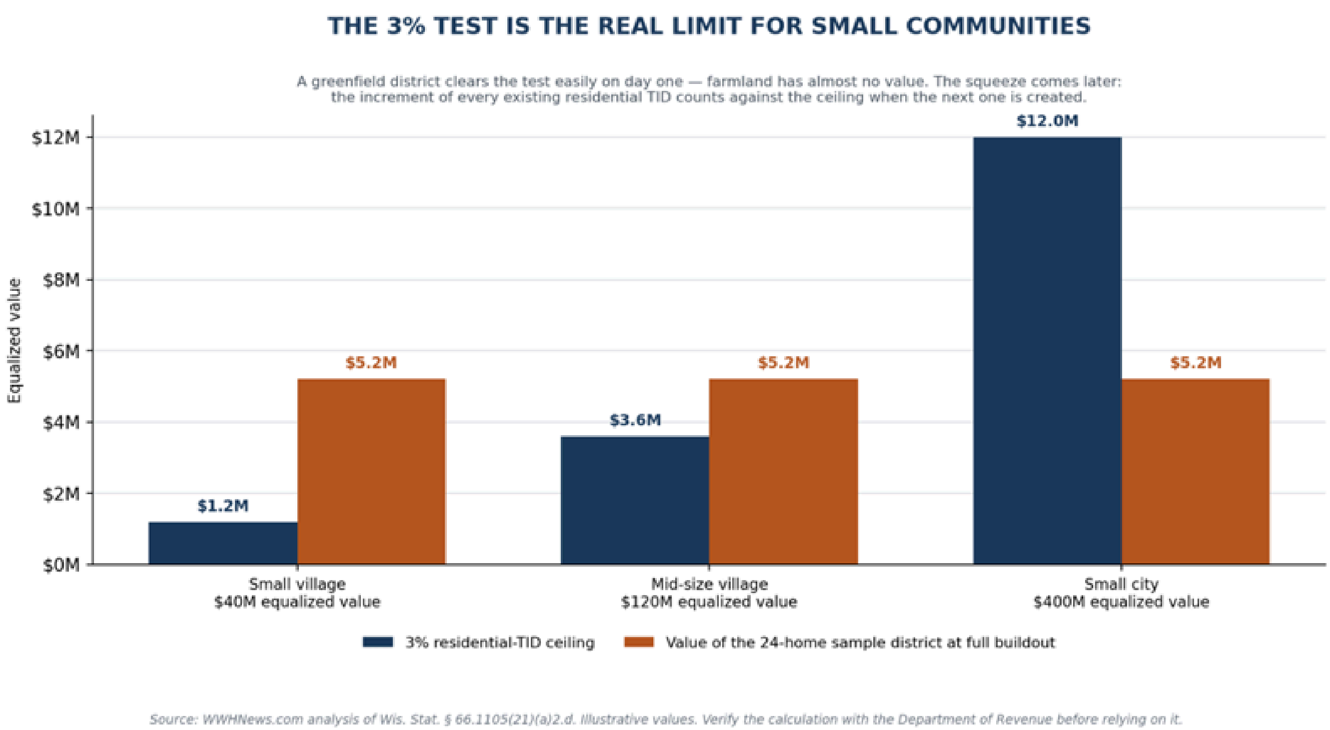


Figure 3. Source: WWHNews.com analysis of Wis. Stat. § 66.1105(21)(a)2.d. Illustrative values.

Because the increment of existing residential TIDs counts against the ceiling, a successful first district consumes the capacity for a second. A village with a $40 million tax base has a $1.2 million ceiling; even the modest 24-home district modeled here grows to roughly $5.2 million of increment. Per our interpretation of the statute, that village gets one residential TID at a time. Draw the boundary generously, phase the construction inside it, and confirm the arithmetic with the Department of Revenue before you commit.

The remaining guardrails

- Twenty years, plus three. A residential TID may collect increment for 20 years; the joint review board may extend that by three more.
- One free year for good timing. A project plan adopted after September 30 and before May 15 picks up an additional year of collection under § 66.1105(6)(a)7.
- No donor, no recipient. A residential TID may not send increment to another district or receive it from one.
- Amendments get harder at the end. Project costs may not be increased within 10 years of the district's unextended termination date unless the joint review board votes unanimously.
- Fees and standards must be fixed up front. The creating resolution or an ordinance must set the maximum development-related fees and the architectural and construction requirements. A developer advancing a million dollars is entitled to know the rules will not move.

CREATING A TID DISTRICT

Act 235 does not replace the ordinary TID creation machinery in § 66.1105 — the project plan, the plan commission hearing, the joint review board, the Department of Revenue filing. It adds requirements on top. A community that has created a TID before will recognize most of the sequence; the new work is in steps 2, 4 and 6.

Our Ten Step Process (details in Appendix A)

Step 1· Commission a Feasibility Study and Draft a Project Plan

Step 2 · Secure a Developer and Execute a Pre-TID Agreement

Step 3 · Set Boundaries and Correct the Zoning

Step 4 · Adopt Development Fee Limits and Architectural Standards

Step 5 · Hold the Plan Commission Public Hearing

Step 6 · Plan Commission Designates Boundaries and Recommends Creation

Step 7 · Prepare and Adopt the Project Plan

Step 8 · Governing Body Adopts the Creation Resolution

Step 9 · Obtain Joint Review Board Approval

Step 10 · File with the Department of Revenue

Figure 4. Source: WWHNews.com analysis, 2026.

Overcoming common pitfalls

Sticking point	What to do about it
No developer	Pay-as-you go means no developer, no district. Start with the builders already working within 40 miles, the local bank, and any employer large enough to care. A Habitat affiliate or a housing nonprofit can play the developer role on a phase.
No staff capacity	A regional planning commission, your engineering firm or a municipal advisor can carry out the project plan and the joint review board process. Budget for it — those costs are eligible.
Fear of the school district	The joint review board includes the school district and the county for a reason. Bring them the absorption schedule and the year-one levy effect before the hearing, not at it.
Land not under control	Land acquisition is not an eligible cost. Options, purchase agreements or a landowner who becomes a partner all have to be resolved before the boundary is drawn.
Zoning does not permit it	Village zoning that requires 10,000-square-foot lots makes an Act 235 district impossible. Amend the ordinance or create the zoning district first — this is often the longest item on the schedule.

Source: WWHNews.com analysis, 2026.

CASE STUDY: envisioning a complying neighborhood

The plat below is a WWHNews.com concept for an 8.9-acre greenfield parcel at the edge of a village — the kind of parcel that sits behind the school in a hundred Wisconsin communities. It carries 12 single-family lots and 6 two-family lots: 24 homes at 2.7 homes per acre, arranged around a two-acre commons.

[Image by Silva Architecture]

Figure 5. Source: WWHNews.com concept plan, 2026. Illustrative only — not an engineered plat

Why it is drawn this way

- Homes face in, cars come from behind. The eighteen lots form a ring around the commons. Front doors and porches address the green; garages sit at the rear lot line and open onto the lane.
- Lanes, not streets. The perimeter is 24 feet of pavement in a 40-foot right-of-way, not a 32-foot street in a 60-foot right-of-way. That single choice is what makes this layout more affordable.
- Single-family north and south, two-family east and west. The six two-family lots are deeper — 140 feet — to hold two garages.
- The corners do the work nobody wants to look at. Stormwater basins, guest parking, the mail kiosk and snow storage sit in the four corner out lots, and a quarter-mile crushed-stone loop rings the commons.

NOTE: THE HONEST TRADE-OFF IN THIS LAYOUT

A ring of lots around a central green is single-loaded: the lane serves houses on one side only. Two things keep it feasible: build the perimeter as a narrow lane rather than a full street and keep the site close to square.

A long, thin ring is the expensive version of this idea. Above $50,000 per lot, move the amenities to a corner and run conventional streets.

Houses that fit inside the caps

The size limits are the provision boards ask about most, usually in the form of “nobody will buy a house that small.” It is worth being precise about what the caps actually permit. Fifteen hundred square feet on one floor is a three-bedroom, two-bath house with a two-car garage. Two thousand square feet on two floors is a four-bedroom. Both are larger than the median Wisconsin home built before 1990, and both are considerably larger than what a household earning 80 to 100 percent of county median income can finance at today's rates. Every plan below carries a full two-car garage, reached from the lane.

Figure 6. Source: Silva Architecture concept designs, 2026. Schematic only — not construction documents.

Design notes for a rural market

- Repeat the plan. Three plans across 24 homes, with varied elevations, materials and porch details, is how the per-unit cost comes down. Variety belongs in the facade and the siting, not the framing.
- Put the garage on the lane, and detach it. Beyond the streetscape argument there is a statutory one: the size caps apply to a residence, and a detached garage is not a residence — so its floor area stays out of any argument about the 1,500- and 2,000-square-foot limits. An attached garage invites the question.
- Design the two-story plan for a smaller footprint. Home 2 in Figure 6 puts 1,920 square feet on a 960-square-foot footprint. Less foundation, less roof, less lot — and it fits a family that the cottage plan does not.
- Keep the duplex tenure clean. Both units must be owner-occupied. Side-by-side condominium units, each individually financed and owned, is the structure that most cleanly satisfies the statute; a single owner renting the other side does not.
- Consider manufactured and CrossMod product. Factory-built homes meeting HUD or Wisconsin UDC standards, placed on permanent foundations, are already delivering exactly this size and price point in Vernon County and elsewhere, and they are compatible with an Act 235 plat.

The part the statute will not pay for

A subdivision is lots. A neighborhood is lots plus the places between them. That difference decides whether a young family chooses your village over the one twelve miles down the highway. Putting the commons at the center rather than in a leftover corner is the cheapest design decision in this guide and the one residents notice every day.

It is also the part Act 235 will not pay for. Project costs are limited to infrastructure necessary for the residential development, and playground equipment, garden beds, a picnic shelter and a basketball pad are difficult to fit inside that phrase. Do not force the question: design the amenities into the plat, then fund them from somewhere else.

Figure 7. Source: WWHNews concept plan, 2026. *[image by Silva Architecture]*

Where the money for amenities comes from

Source	How it works
Lot Sale Proceeds	If the community owns the land, they can transfer it to the developer and establish a designated value for the lots that can be included in the home sale price. A development agreement can then outline how these proceeds can be invested in the project amenities that cannot be reimbursed by the TID.
Park dedication	Most subdivision ordinances already require land dedication or a fee in lieu at plat approval. Take the land inside the plat rather than the fee — two acres at the center is the whole idea.
Impact fees	A park impact fee under § 66.0617 can fund the facilities, provided the fee is within the maximum the municipality set in its Act 235 resolution or ordinance.
The developer	Amenities sell lots. A developer who cannot recover the playground through the TID may still build it because it moves the absorption schedule.
Knowles-Nelson	The DNR stewardship program funds local park acquisition and development on a reimbursement basis.
Local philanthropy	Community foundations, service clubs, the local hospital and employers routinely fund playgrounds and trails outright. UW-Madison Extension, a food pantry or the school district will often run the garden if the village supplies ground and water.

Source: WWHNews.com analysis, 2026. Confirm impact fee and dedication authority with municipal counsel.

Does the math work?

The model below runs the 24-home plat through a twenty-year pay-go district: $265,000 single-family and $340,000 two-family values, a $19.50 combined rate, five selling seasons, a one-year assessment lag, 5.5 percent carry. At full buildout it generates roughly $5.2 million of increment and about $102,000 a year.

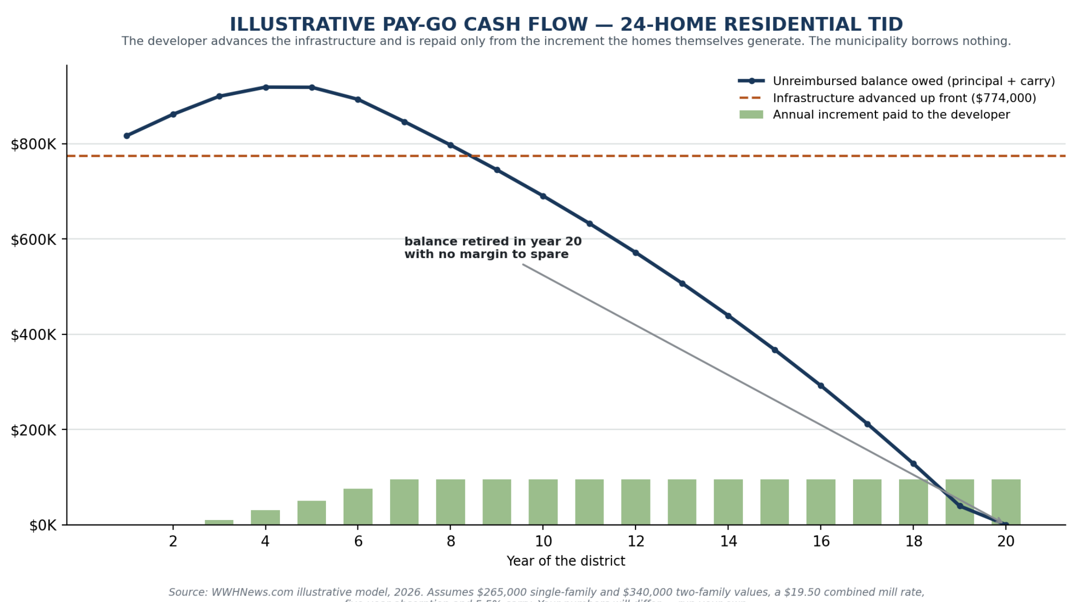


Figure 8. Source: WWHNews.com illustrative model, 2026. Your numbers will differ — run your own.

Everything turns on the cost of public infrastructure per lot.

Public infrastructure per lot	Total advanced	Result over 20 years
$35,000	$630,000	Repaid in year 16. Four years of margin against slow absorption.
$43,000	$774,000	Repaid in year 20 — the base case above. It works, with nothing to spare.
$55,000	$990,000	Never repaid. Roughly $576,000 still owed to the developer at termination.

Source: WWHNews.com illustrative model, 2026, holding all other assumptions constant.

That is the honest headline for rural Wisconsin: the tool is real but not elastic, and 24 homes leave less room for error than 49 would. A project needing a lift station or a half mile of off-site main will not pencil on pay-go alone; pair it with a WHEDA Infrastructure Access loan or a CDBG award.

What to do in the next ninety days

1. Consider working with a planning organization to develop a master plan for the district.
2. Ask your assessor for total equalized value and calculate 3 percent of it. That is your TID ceiling.
3. Identify the parcel: 1 to 12 acres for a first project of this size, adjacent to sewer and water, with a willing owner.
4. Check your zoning — minimum lot size, and whether rear lanes and detached garages are allowed at all — and get a per-lot infrastructure estimate from your engineer to test against the table above. You may require a variance or zoning change to accommodate the smaller lot sizes.
5. Find the developer and put a term sheet in front of them. Set your maximum fees and architectural standards, and adopt the project plan between October 1 and May 14 to capture the extra year.
6. As the project begins the landowner or developer will need to work with the community to engineer and contract for the installation of roads, electric, sewer, water, and other infrastructure.

Note: SCHEDULE YOUR CONVERSATION TODAY

Leo and Ken will brief city and village councils, plan commissions and other interested parties on Act 235 and the rest of the 2025-26 housing package, anywhere in Wisconsin.

Note: DEVELOPMENT AGREEMENT

WWHNews.com strongly suggests a development agreement between the developer and your community.

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Appendix A - Project Planning and Compliance The Ten Steps

Step 1 · Commission a Feasibility Study and Draft Project Plan

Engage the regional planning commission or a private planning firm at the outset. This step determines whether the remaining nine are worth taking, and it is the step small communities most often skip.

A regional planning commission is usually the least expensive route and carries a practical advantage: it already holds the population projections, household income distributions, commuting patterns, and equalized value figures for the county, and it works across neighboring municipalities that may be competing for the same pool of buyers. A private firm may be the better choice where the community wants engineering, surveying, and platting delivered under a single contract.

Whichever route the community takes, the contract should be written to produce the following deliverables.

Scope of work: what the study should deliver

- **Housing market analysis.** Household growth projections, income distribution across bands, current for-sale inventory and days on market, and the gap between what local wage earners can finance and what the existing stock costs. The output the community needs from this section is a defensible absorption estimate — how many lots the market will realistically take per year.
- **Site evaluation.** Soils, wetlands, floodplain, slope, sewer and water capacity, and distance to existing mains. Infrastructure cost per lot is the single largest variable determining whether a district works financially.
- **Test plat and yield study.** A conceptual layout demonstrating that the site can produce the necessary lot count while staying within the statutory limits on lot area, lot width, and setbacks. This drawing does double duty later as an exhibit to the adopted project plan.
- **Preliminary increment projection.** Estimated assessed value per completed home, phased against the absorption estimate, projected across the twenty-year district life, and set against estimated project costs plus the developer’s carrying cost.
- **Zoning audit.** A written finding on whether current district regulations permit what the statute requires, together with the specific amendments needed to close any gap.
- **Draft project plan.** A working version of the document the plan commission will eventually adopt, covering cost estimates, financing method, boundary map, and the economic feasibility narrative.

> **NOTE: Write the study for the joint review board**
>
> The county, school district, and technical college representatives will vote on this district in Step 9. A feasibility study drafted with that audience in mind — showing the increment math, the absorption assumptions, and the consequences if absorption falls short — is worth considerably more than one written only to persuade the council.

- Continued -

Step 2 · Secure a Developer and Execute a Pre-TID Agreement

Act 235 is built on pay-as-you-go financing. The developer advances the cost of infrastructure and is repaid out of increment as homes are completed and assessed. The municipality does not issue debt. That structure means the developer is not a party the community locates after creating the district; the district is not viable without one identified and committed in advance.

Negotiate a development agreement before the creation process begins. It should address:

- The reimbursement formula, its priority, and any cap on total reimbursement
- Construction standards and the process for municipal acceptance of public improvements
- A build-out schedule, with remedies if the developer falls behind
- Deed restrictions or covenants enforcing the owner-occupancy requirement over time
- Disposition of unsold lots if absorption falls materially short of projection

Step 3 · Set Boundaries and Correct the Zoning

Draw the district to the platted area and the infrastructure that directly serves it. Adopt whatever zoning amendments the feasibility study identified in its audit. Many small-community ordinances still require minimum lot sizes and side yards that conflict outright with the statutory maximums, and that conflict has to be resolved before the project plan is adopted rather than discovered afterward.

Step 4 · Adopt Development Fee Limits and Architectural Standards

The statute conditions use of this tool on the municipality establishing limits on development fees and adopting architectural standards applicable to qualifying development. Handle both by ordinance, either in advance of the project plan or concurrently with it.

Step 5 · Hold the Plan Commission Public Hearing

Publish a class 2 notice and deliver written notice to the chief executive of every overlying taxing jurisdiction — county, school district, and technical college district — at least fifteen days before the hearing.

Step 6 · Plan Commission Designates Boundaries and Recommends Creation

The commission acts by resolution and forwards its recommendation to the governing body.

- Continued -

Step 7 · Prepare and Adopt the Project Plan

The plan commission adopts the project plan and forwards it for approval by the governing body. Required contents include the economic feasibility showing, an itemized estimate of project costs, the proposed financing method and timing, and a boundary map.

Eligible costs are narrower here than under a conventional district. They cover public infrastructure, utility extension, stormwater facilities serving the district as a whole, financing costs, and administrative and professional services. Improvements benefiting an individual lot are excluded, and the broad redevelopment activities available to blight and rehabilitation districts are not available to a residential TID.

Step 8 · Governing Body Adopts the Creation Resolution

The resolution must carry the statutory findings, among them the determination that the development would not occur without creation of the district.

Step 9 · Obtain Joint Review Board Approval

The board seats one representative each from the county, the school district, the technical college district, and the municipality, plus a public member, and must act within forty-five days.

Bring the school district into the conversation well before this meeting convenes. Residential increment is diverted from the school levy, and unaddressed school district opposition is the most common reason a small-community district fails at this stage.

Step 10 · File with the Department of Revenue

Submit the creation application with the required fee. On timing, a creation resolution adopted between January 1 and September 30 carries a creation date of January 1 of that same year, while a resolution adopted between October 1 and December 31 carries a creation date of January 1 of the following year.

Confirm current filing deadlines and form requirements with the Department of Revenue's Office of Technical and Assessment Services, which has not yet issued guidance specific to residential districts.

Appendix B - RESOURCES:

Wisconsin Legislative Council ACT MEMO (Act 235)

https://docs.legis.wisconsin.gov/2025/related/lcactmemo/act235

Residential tax incremental districts.

https://docs.legis.wisconsin.gov/statutes/statutes/66/xi/1105/21