

TIF POLICY COMPARISON MATRIX

Overview

This document compares the final EDC draft TIF policy to the Ad Hoc TIF Policy Committee draft. It doesn't cover every item in either draft, but rather summarizes the major issues so the reader can compare analogous language for similarities and differences.

Category	EDC Proposal	Ad Hoc Committee
50% Rule	(No particular limit)	Term Sheet. Staff shall provide developer and the district Alder with a term sheet indicating the loan terms, conditions and applicable ordinances required by the City of Madison for providing TIF assistance. Staff shall draft a funding resolution for introduction and referral to the Board of Estimates that incorporates the terms and conditions found therein. Requests for TIF assistance that request more than 55% of the Net Present Value of the increment generated by that project will require approval from the Board of Estimates prior to the completion of a term sheet. Requests for TIF assistance that are less than or equal to 55% of the Net Present Value of the increment generated by that project do not need approval from BOE prior to Staff completing the term sheet, provided that they comply with all of the other policies, goals, and objectives identified in the TIF Underwriting Policy and the TIF Goals, Objectives and Process.
Equity Participation Payment/Kicker	(No equity participation payment required)	(No equity participation payment required)
Guaranty	The City will require a guaranty of increment, which may be a personal guaranty, sufficient to recover the City's debt service on City-financed TIF loans.	Guaranty. a) Increment Guaranty - The City will require a personal guaranty of increment, sufficient to recover the City's debt service on City-financed TIF loans. b) Loan Agreement Guaranty - The City shall also require a personal guaranty to provide the highest level of security to the City, of the terms and conditions of the loan agreement. A corporate guaranty may be

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		acceptable if it provides the City with adequate security.
TIF Goals	<p>Madison’s goals for the use of TIF include:</p> <ol style="list-style-type: none"> 1. Growing the property tax base 2. Fostering the creation and retention of family-supporting jobs and jobs that offer career ladders toward family-supporting jobs 3. Encouraging adaptive re-use of obsolete or deteriorating property 4. Encouraging urban in-fill projects that increase (or decrease where appropriate) density consistent with the City comprehensive plan 5. Assisting in the revitalization of historic or architecturally significant or deteriorated buildings 6. Creating a range of housing options and specifically encouraging the development of workforce and affordable housing 7. Enhancing transportation options by making it easier to walk, bike, use mass-transit, or employ other shared transit options 8. Promoting superior design, building materials, and sustainability features in the built environment 	<p>Madison’s goals for the use of TIF include:</p> <ol style="list-style-type: none"> A. Growing the property tax base B. Fostering the creation and retention of family-supporting jobs C. Encouraging adaptive re-use of obsolete or deteriorating property D. Encouraging urban in-fill projects that increase (or decrease where appropriate) density consistent with the City’s Comprehensive Plan E. Assisting in the revitalization of historic or architecturally significant or deteriorated buildings F. Creating a range of housing options and specifically encouraging the development of workforce and affordable housing G. Funding public improvements that enhance development potential, improve the City’s infrastructure, enhance transportation options, and improve the quality and livability of neighborhoods. H. Promoting superior design, building materials, and sustainability features in the built environment I. Reserving sufficient increment for public infrastructure in both TIF project plans and TIF underwriting.
	<p>TIF Team The Director of the Department of Planning and Community and Economic Development (or the Director of Economic Development as the Department Director’s</p>	<p>TIF Team. The Director of the Department of Planning and Community and Economic Development (or the Director of Economic Development as the Department Director’s designee) shall convene a staff TIF Team. The staff TIF Team shall be comprised of representatives from the</p>

	<p>designee) shall convene a staff TIF Team as necessary. The staff TIF Team shall be comprised of representatives from the Department of Planning and Community and Economic Development (including the TIF Coordinator), the Finance Department, the City Attorney’s Office, and other staff as appropriate. For each project, the team shall collaborate to develop a TIF recommendation to the Mayor and the Common Council.</p>	<p>Department of Planning and Community and Economic Development (including the TIF Coordinator), the Finance Department, the City Attorney’s Office, and other staff as appropriate. For each project, the staff team shall collaborate to develop a TIF recommendation to the Mayor and the Common Council. If Staff is unable to come to agreement with developer, Staff may request that the Board of Estimates convene into closed session to provide additional guidance on how to proceed relative to the areas of disagreement.</p>
	<p>TIF Application Within an Existing TID As noted in Figure 1, application for TIF for a project within an existing TID only requires approval by the City’s Common Council, with referral through the Board of Estimates. Recognizing the need for a potential Capital Budget amendment as noted below, an application for TIF within an existing TID may be accepted and processed at any time. An application timeline for TIF within an existing TID varies on the complexity of the project. From the time of application, through staff underwriting, approval by the Common Council, and negotiation/execution of a TIF agreement, an applicant could expect a two (2) to three (3) month process. In certain situations, a project located within an existing TID may require an amendment to the TID project plan. In these cases, additional time may be required to secure necessary approvals from the Joint Review Board.</p> <p>TIF Application Without an Existing TID Projects located outside of an existing TID could receive TIF support through the creation of a new TID, or by amending the boundary of a nearby TID to bring the</p>	<p>TIF Application Without an Existing TID. Projects located outside of an existing TID could receive TIF support through the creation of a new TID, or by amending the boundary of a nearby TID to bring the project into that TID. The City of Madison requires approximately five (5) months to create or amend a TID. TIF law requires that all districts be either created or amended by September 30 of each year in order to be certified for that year. Developers seeking TIF assistance for development on a parcel or parcels that is not located in a TID boundary, and requires either amendment or creation of a TID as part of their request for TIF assistance should ideally apply for TIF and land use approvals by April 15. Applications for TIF after April 15 will be considered, but may bear additional risk for the developer because a TID may not be created in time.</p> <p>The City will consider creation or amendment of a TIF district according to the guidelines outlined herein. Alders are responsible for ensuring that neighborhood associations, business associations, and other stakeholders as appropriate are invited to participate in public discussions on the creation and amendment of TIDs.</p>

<p>project into that TID. The City of Madison requires approximately five (5) months to create or amend a TID. TIF law requires that all districts be either created or amended by September 30 of each year in order to be certified for that year. Developers seeking TIF assistance for development on a parcel or parcels that is not located in a TID boundary, and requires either amendment or creation of a TID as part of their request for TIF assistance should ideally apply for TIF and land use approvals by April 15. Applications for TIF after April 15 will be considered, but may bear additional risk for the developer.</p> <p>TID Creation The City will generally consider creating or amending a TID when:</p> <ul style="list-style-type: none"> a) The proposed TID has economic “generators,” i.e., at least one private development project that generates increment to finance TID costs. Economic generators typically should have an incremental value at completion of at least \$3 million to cover the typical costs of establishing a TID, or – b) The proposed TID is in a TDA and the Department of Planning and Community and Economic Development finds that near term development is likely, or – c) The City owns land in the proposed TID and is actively attempting to sell or develop the land <p>Note: The previous language is not intended to prevent the City from creating small TIDs that may be less costly to</p>	<ul style="list-style-type: none"> 1) TIF Generators. The proposed TIF district has economic “generators”, i.e., at least one private development project that generates increment to finance TIF district costs, including a sufficient amount of public infrastructure improvements. The economic generators project must have an incremental value at completion of at least \$3 million to cover the typical costs of establishing a TIF district. 2) Speculative TIDs. The definition of a speculative TID is a TID without an identifiable TIF generator, located in areas in the City requiring TIF to be competitive for economic development projects, focusing on commercial and industrial development. The City may, in its discretion, create a speculative TID according to the following requirements: <ul style="list-style-type: none"> (a) A speculative TID may be created for the stated public purposes of creating value growth and job creation or retention in areas that are suitable and zoned as either industrial or mixed-use as defined by TIF Law. (b) A TIF generator shall not be required for a speculative TID, however, the City shall provide reasonable, conservative estimates to overlying tax jurisdictions that forecast growth potential and TID expenditure based upon the cost, rent and value potential of the area within such TID. (c) The City shall construct a phased project plan for speculative TIDs that anticipates public investments and development loans that may be made both early in the life of the TID and over time as development occurs and/or increment is generated. (d) Non-assessable infrastructure expenditures shall be deferred until such TID is
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	<p>establish nor TIDs that may be strategically important to create in advance of an expected generator(s).</p>	<p>generating positive tax increment sufficient, as a result of new development activity, to recover the expenditure in the TID's remaining life. The TIF team may recommend an exception if infrastructure investment is likely to be required to attract a generator or if investment is warranted for other reasons.</p> <ul style="list-style-type: none"> (e) No more than two speculative TIDs shall be open at any given time. Once a speculative TID obtains a generator, a new speculative TID may be considered. (f) No Half Mile Rule boundary amendments, enabling TID expenditures to exceed a TID boundary, shall be adopted for a speculative TID unless the TID demonstrates a reasonable financial capability to recover the expenditures within its remaining life. (g) If no value growth as a result of new development activity occurs at the ten (10)-year anniversary of the TID's creation, the TID shall be dissolved upon receipt of sufficient increment to recover project costs. Use of a donor TIDs may be considered for this purpose if approved by the Common Council and Joint Review Board. The general appreciation of taxable property within such a TID shall not constitute value growth as a result of new development activity.
	<p>Targeted Development Areas The City recognizes the need to be proactive about strategically encouraging development in some areas. In</p>	<p>(No Targeted Development Area Language – see Speculative TID language above)</p>

	<p>particular, competing for desirable employers that are seeking new space requires nimbleness and responsiveness. To make Madison competitive, the Department of Planning and Community and Economic Development shall propose a map, for adoption by the Common Council, of these Targeted Development Areas (TDAs) appropriate for commercial or industrial development. The Common Council and Joint Review Board can create a new TID regardless of whether or not the geographic area is covered by a TDA: however, projects located within an adopted TDA shall receive additional consideration for TID creation. The purpose of these TDAs is not to choose winners and losers, but help Madison projects be competitive with surrounding communities. The Department shall propose updates to the map as necessary.</p>	
<p>“But For” – general</p>	<p>See below</p>	<p>“But For” Standard. Each project must demonstrate sufficient need for the City’s financial assistance, so that without that assistance, the proposed project could not occur. Every other financial alternative is to be exhausted prior to the use of TIF, including equity investment, other federal and state funds, bonds, tax credits, loans, etc. TIF assistance shall be utilized as gap financing as determined through gap analysis, except as described in Section 1.7 below. Each project must demonstrate a probability of success.</p>
<p>“But For” - Real Estate Projects</p>	<p>Real Estate Project: The construction, rehabilitation, or expansion of a structure that creates property tax increment or Payments in Lieu of Taxes- (“PILOT”)</p> <p>For Real Estate Projects: Projects will be deemed to meet the “but for” standard when a gap between sources and</p>	<p><u>(Re)Development Project.</u> The construction, rehabilitation or expansion of a structure that creates property tax increment in a blighted area TID. TIF assistance shall be determined by gap analysis conducted through a formal TIF Application submitted by Developer.</p>

	<p>uses of capital exists.</p>	
<p>“But For” - Affordable Housing Projects</p>	<p>Affordable Housing Project: A residential real estate project offering below market rents based on income for an extended period of time.</p> <p>For Affordable Housing Projects: Projects will be deemed to meet the “but for” standard when a gap between sources and uses of capital exists or when TIF assistance is likely to affect a project’s ability to attract capital to Madison from another public or nonprofit source.</p> <p>For Affordable Housing Projects: TIF assistance may be based on matching requirements of other affordable housing programs provided the TID’s health or project’s value can support such an award.</p>	<p><u>Affordable Housing Project</u>. TIF assistance may be provided to a residential real estate project in which no less than 40% of the units are affordable to households making less than or equal to 40% of Area Median Income (AMI), said units made affordable for a period of not less than 30 years. TIF assistance shall be determined by gap analysis of a formal TIF Application submitted by the Developer based the developer’s identified need in a Wisconsin Housing and Economic Development Authority (WHEDA) Low Income Housing Tax Credits (LIHTC) application scoring estimate. Developer shall provide City Staff with their own WHEDA scoring estimate, based upon the current WHEDA LIHTC scoring sheet / formula.</p>
<p>“But For” - Employment Oriented Projects</p>	<p>Employment-Oriented Project: A commercial or mixed-use Real Estate Project led by or anchored by a non-retail employer that meets the Workforce Development Standards described below.</p> <p>For Employment-Oriented Projects: Projects will be deemed to meet the “but for” standard when a gap between sources and uses of capital exists or when “competitive factors” exist that reasonably lead to the conclusion that but for the provision of TIF assistance, a project is not likely to occur within the City of Madison. Competitive factors include situations where one or more of the following occur:</p> <ul style="list-style-type: none"> • The employer is conducting a site search for a new 	<p><i>Jobs Project Analysis Method</i>. TIF assistance shall be determined by gap analysis (unless the City grants Employer a Gap Analysis Waiver in Subparagraph 4. below) and measured according to the following standards:</p> <ol style="list-style-type: none"> a) Similar to the U.S. Small Business Administration 504 job creation standard, TIF assistance to a Jobs Project shall not exceed the standard established by the Small Business Administration for investment per job in TIF assistance and shall not exceed 60% of the net present value of tax increments generated by the Employer’s project. b) City Staff shall make a recommendation to the Common Council regarding the method and timing for the disbursement of TIF assistance to an Employer. This may include assistance being disbursed as a conventional loan, as an end loan (“Pay for Performance”), or as a hybrid of the two.

	<p>facility or expansion that includes sites outside of the City of Madison</p> <ul style="list-style-type: none"> • The employer has received or is soliciting an incentive offer(s) from other governments or economic development entities • A Madison-based employer is competing for capital investment within their parent organization or investor group • The employer is evaluating a capital investment (sunk capital) that is likely to assure the retention of that employer for many years <p>For Employment-Oriented Projects: TIF assistance may be based on the value created by the project, the age and financial health of the TID, and the best available information about the project’s economics and competitive factors.</p>	<p>c) <i>Anchor Tenant Leases, Sales or Transfers.</i> In the event that Employer is leasing a significant amount (more than 30% of the net leasable area) of newly-constructed or redeveloped space from a Developer, or Developer constructs a “build to suit” structure that is initially leased and then sold or transferred to Employer, or some other method of property transfer, Developer shall guaranty that tax increments are sufficient to recover the Jobs Project TIF Loan from the date of loan disbursement to Employer. Employer shall guaranty that jobs are created and/or retained within a period not to exceed five (5) years. Developer’s increment guaranty obligations shall transfer to Employer upon the sale or transfer of the property to Employer.</p> <p><i>Jobs Project – Gap Analysis Waiver.</i> Gap analysis may be waived only if an eligible Employer proposes to retain and/or create at least 100 full-time, living-wage jobs, and meets one or more of the following criteria and upon acceptance of the City’s Jobs Project TIF Loan offer, provides a sufficient tax increment guaranty to repay the Jobs Project TIF Loan and a guaranty that living wage jobs, as defined by MGO 4.20, shall be created and/or retained over a period not to exceed five (5) years. A waiver may be granted under one or more of the following conditions:</p> <ul style="list-style-type: none"> a) The Employer is a subsidiary of a large parent corporation, does not measure financial performance independently of the parent and is therefore unable to provide financial statements to facilitate gap analysis. b) The Employer is soliciting or has received financial incentive bids from other communities that do not require gap analysis. The City will give greater consideration to applicants that provide documented proof of such bids. c) Similar to the U.S. Small Business Administration job
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		<p>creation standard, Employers receiving a gap analysis waiver may receive a Jobs Project TIF loan not exceeding the standard established by the Small Business Administration for investment per job of TIF loan per job created or retained and total TIF assistance and shall not exceed 40% of the net present value of tax increments generated by the Employer's project.</p> <p>d) Staff shall determine the appropriate disbursement method for TIF assistance.</p> <p>e) <i>Anchor Tenant Leases, Sales or Transfers</i>--In the event that Employer is leasing a significant amount (more than 30% of the net leasable area) of newly-constructed or redeveloped space from a Developer, or Developer constructs a "build to suit" structure that is initially leased and then sold or transferred to Employer, or some other method of property transfer, Developer shall guaranty that tax increments are sufficient to recover the Jobs Project TIF Loan from the date of loan disbursal to Employer. Employer shall guaranty that jobs are created and/or retained for a period not to exceed five (5) years. Developer's increment guaranty obligations shall transfer to Employer upon the sale or transfer of the property to Employer.</p>
	<p>After underwriting each project, staff will make a recommendation on the amount of TIF assistance to be provided based on the following factors (see Appendix A for additional detail):</p> <ul style="list-style-type: none"> • The type of the project • The financial gap exhibited in the TIF application • The projected increment created by the project • The financial health and the age of the TID 	<p>Board of Estimates Staff Report. Staff shall draft a written report of its recommendation to the Board of Estimates. This report shall include the following:</p> <ul style="list-style-type: none"> a) The amount of TIF requested b) The type of project: Redevelopment, Affordable Housing or Jobs Project c) Whether or not a gap has been identified by TIF staff through gap analysis (if not, indicate that Jobs Project gap analysis waiver is requested) d) The effect of an anticipated tax credit application

	<ul style="list-style-type: none"> • An evaluation of relevant competitive factors • Location with a Targeted Development Area • Other increment demands for public infrastructure and other projected project plan costs • Likelihood of catalyzing additional development within the TID • Extraordinary strategic or civic purposes met through the project • The current condition of the economy and local real estate market <p>Note: While the City anticipates generally making TIF awards which reserve sufficient increment for public purposes such as infrastructure, higher amounts may be considered on a case-by-case basis.</p>	<p>upon the project (if applicable), and the effect of proposed TIF Loan on the project's score for tax credits given known previous successful scores</p> <ul style="list-style-type: none"> e) The estimated value and projected increment created by the project f) The financial health and age of the TID g) Compliance with TIF Underwriting Policy h) If applicable: <ul style="list-style-type: none"> a. Quantity of living-wage jobs created and/or retained b. Quantity of affordable housing units and level of affordability i) The amount of TIF (if any) recommended j) A general statement of comments or issues concerning the project, including recommendations on the Council's evaluation, given the policy guidance in Section 3.4 and the criteria in Section 3.1(9). k) Identify any requested exceptions to TIF policy.
<p>Method of TIF Funding</p>	<p>The City reserves the right to determine the method of financing TIF loans that is in the best interests of the taxpayer. The City will consider using accrued tax increment, general obligation borrowing, internal borrowing, and developer-financed or pay-as-you-go financing. When utilizing pay-as-you-go financing, the City reserves the right to negotiate terms such as interest costs, time frames, maximum award amounts, disbursement schedules, and the percentage of increment available to developers. For projects using a substantial portion of increment or projects with multiple components or phases, the City may require pay-as-you-go financing at its discretion.</p>	<p>Method of TIF Funding. The City reserves the right to determine the method of financing TIF loans that is in the best interests of the taxpayer. The City will consider using accrued tax increment, general obligation borrowing, internal borrowing, and developer-financed or pay-as-you-go financing. When utilizing pay-as-you-go financing, the City reserves the right to negotiate terms such as interest costs, time frames, maximum award amounts, disbursement schedules, and the percentage of increment available to developers. For projects using a substantial portion of increment or projects with multiple components or phases, the City may require pay-as-you-go financing at its discretion. Regardless of the financing method, all TIF expenditures will require Common Council approval.</p>

	<p>Regardless of the financing method, all TIF expenditures will require Common Council approval.</p>	
	<p>APPENDIX A – TIF UNDERWRITING This appendix contains additional detail on how these TIF underwriting factors are intended to be interpreted:</p> <ul style="list-style-type: none"> • The type of the project • The financial gap exhibited in the TIF application • The projected increment created by the project • The financial health and the age of the TID • An evaluation of relevant competitive factors • Location within a Targeted Development Area • Other increment demands for public infrastructure and other projected project plan costs • Likelihood of catalyzing additional development within the TID • Extraordinary strategic or civic purposes met through the project • The current economic conditions of the job and local real estate market <p>Type of Project TIF loans to affordable housing projects will tend to be calibrated to attract affordable housing resources and reflect the financial health of the TID. TIF loans to employment-oriented projects will tend to be based on the assessment of competitive factors, the projected increment the project generates, and the financial health of the TID.</p> <p>Financial Gap In general, TIF assistance should be provided as gap financing to make projects feasible. In the case of</p>	<p>3.4 TIF Goals Policy Guidance</p> <p>This section provides additional guidance in interpreting the Goals in Section 1. This guidance reflects policy goals adopted by the City through various plans, resolutions, and ordinances</p> <ol style="list-style-type: none"> 1) <u>Growing the property tax base.</u> Estimate the property tax growth as a result of your project. 2) <u>Fostering the creation and retention of family-supporting jobs.</u> The City of Madison has a Living Wage Ordinance and has stated through numerous resolutions its support for the right of workers to collectively bargain. 3) <u>Encouraging adaptive re-use of obsolete or deteriorating property.</u> The most sustainable building practice is often to reuse existing structures in whole or in part. The City of Madison has an adopted Sustainability Plan. 4) <u>Encouraging urban in-fill projects that increase (or decrease where appropriate) density consistent with the City’s Comprehensive Plan.</u> The City has adopted plans and policies to encourage growth and density in certain locations through its Comprehensive Plan, Neighborhood Plans, and other applicable land use and transportation plans 5) <u>Assisting in the revitalization of historic or architecturally significant or deteriorated buildings.</u> The goal of the Madison Landmarks Ordinance is to preserve, protect, enhance and perpetuate and improve historically and architecturally significant buildings and neighborhoods. 6) <u>Creating a range of housing options and</u>

<p>affordable housing projects, employment-oriented projects, and extraordinary circumstances, other standards may be utilized.</p> <p>Projected Increment In general, projects should generate enough projected increment to support their own TIF loan and contribute to infrastructure and other public project plan costs. Projects using 100% or more of their projected increment will only be approved in extraordinary cases.</p> <p>Financial Health and Age Staff will employ additional caution in making recommendations in TIDs that are distressed or at risk for becoming distressed. At the same time, TIF loans in older TIDs may use a higher share of increment than a comparable project in new or younger TIDs.</p> <p>Competitive Factors Madison will use TIF prudently to promote workforce development and to attract, and retain employers. In addition to evaluating the competitive factors present, staff will pay careful attention to the projected increment, financial health, and age of the TID.</p> <p>Targeted Development Areas Staff will be proactive about creating TIDs in TDAs when project pipelines, business intelligence, and economic conditions warrant this step. 14</p> <p>Other Increment Demands The City recognizes that some TIDs will focus on infrastructure, some on development, and some on a combination of the two. TIF recommendations for development projects should reflect the project plan, reserving increment according to need rather than an</p>	<p><u>specifically encouraging the development of workforce and affordable housing.</u> Adopted land use plans and the report of the Housing Diversity Ad Hoc Committee contain recommendations to further the availability of a full range of housing choices.</p> <p>7) <u>Funding public improvements that enhance development potential, improve the City's infrastructure, enhance transportation options, and improve the quality and livability of neighborhoods.</u> The City of Madison's Capital Improvements Plan and adopted land use and transportation plans enumerate the infrastructure goals and needs of the City.</p> <p>8) <u>Promoting superior design, building materials, and sustainability features in the built environment.</u> The quality of the built environment and its impact on the natural environment are areas of great concern to the City of Madison. The City contains several Urban Design Districts that provide area specific design guidelines. The City of Madison Zoning Code, Sustainability Plan and land use and transportation plans contain guidelines and recommendations regarding environmental sustainability and conservation.</p> <p>9) <u>Reserving sufficient increment for public infrastructure in both TIF project plans and TIF underwriting.</u> The City has made extensive use of increment to address infrastructure needs that exist regardless of specific projects. Those needs are outlined in the TID Project Plan and the Capital Improvements Plan.</p>
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	<p>arbitrary standard.</p> <p>Catalyzing Additional Development The City recognizes that pioneering projects in blighted areas and areas surrounded by infill redevelopment candidate sites are riskier than other projects and may warrant more aggressive TIF assistance.</p> <p>Strategic or Civic Purpose Projects that serve a strategic need or an important civic purpose may warrant more aggressive TIF assistance. Examples of important strategic or civic purposes might include:</p> <ul style="list-style-type: none"> • Capturing or retaining a critical major employer • Creating a highly visible project conveying a distinct brand advantage to Madison • Public-private partnership incorporating or complementing a significant public facility <p>Current Economic Conditions The City’s TIF Team recommendations should be somewhat counter-cyclical, competing more aggressively for projects when the job market or the corresponding segment of the real estate market is depressed.</p>	
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