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To <douglas.nelson@micorp.com>
cc
bcc
Subject TIF Policy

Doug –

I understand that you are the Chair for a TIF subcommittee within the City's Economic Development Commission.

We have been following the recommendations to the TIF Objectives and Policies. We are concerned that it's heading even further in the wrong direction. The proposed Objectives and Policies (if enabled) will further reduce the flexibility of this essential economic development tool. The proposed additional underwriting constraints restrict the City's future ability to promptly deploy resources to get desirable projects done, implement public infrastructure improvements, and support the costs affiliated with high quality design and construction. And the City is limiting its competitive toolkit vis-à-vis neighboring communities who do not pursue policies that limit their ability to invest for their municipality's long term tax base.

Taken individually, each element of the proposed Objectives and Policies is noble and well intentioned. But if future TIF funding for desirable initiatives is stymied by inflexible objectives, then Madison will miss opportunities and/or see the quality level of funded projects decline. Keeping policies flexible does not mean that TIF can not be used for specific public goals (say) affordable housing. It merely means that, for example, the 10% set aside requirement is an unnecessary constraint on the flexibility of the program overall. There are many such examples of "too many ornaments on the tree".

There are already ample challenges to securing a timely TIF commitment at the front end of an initiative: Madison's TIF underwriting caps funds at only 50% of projected increment; Madison's TIF requires 100% "kickers" or lump repayments in addition to guarantees of tax increments; Madison's TIF requires separate approval by phase; Madison's TIF requires prevailing wages; etc. Indeed, TIF in Madison is decreasingly about promoting tax base and improving infrastructure. The proposed Objectives and Policies further advance ongoing tests and guarantees (job creation, salary levels, opportunities for job advancement, etc.) that may be politically popular and appear to provide underwriting assurance for staff, but could not possibly be guaranteed potential recipients. If candidate projects cannot carry the weight of the requirements, the risk is that worthy initiatives that could increase the size of the tax base and contribute to the quality of life in Madison will not happen at all.

Thank you for your involvement on this issue. While we would have hoped that these TIF policies would be discussed AFTER the City hires its Economic Development Director, it does not appear to be the sequence that the City is pursuing. If you would like to discuss TIF further, Brad Binkowski, Tom Neujahr or I would be delighted to visit with you about the benefits and challenges of this important tool.

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