

MEMORANDUM

TO: Board of Estimates
FR: Joe Gromacki, TIF Coordinator
DATE: September 8, 2008
SUBJECT: TIF Policy Summary – Final Report of the TIF Policy Committee

The TIF Policy Committee has recommended numerous changes to the existing TIF Objectives and Policies document. These changes fall into the following general categories:

Organization of Document - Housekeeping

The existing TIF Policy document contains four sections. The proposed document contains six. In some cases, TIF policies were re-grouped in other sections, some of them newly created, to improve user-friendliness. Other housekeeping additions and deletions of text were implemented to improve continuity, context or understanding of the policies. Some of the graphs in the existing TIF Policy were eliminated to reduce visual clutter.

Goals – Section 1

Downtown and neighborhood revitalization were combined as one goal. Economic development was moved to the top of the list although, the document stresses neither goal is in priority order.

- 1) Economic Development (E.D.)
- 2) Neighborhood and Downtown Revitalization (N.D.R.)

Objectives – Section 1

The document establishes new objectives to support the goals established in Section 1. They are:

- 1) Job Creation is the priority objective of ED. Jobs must be living wage or in excess of living wage (new)
- 2) Focus TIF on high need (i.e. blighted) areas with both ED and NDR (new)
- 3) Continue to Assist/Encourage Affordable/Workforce Housing (existing)

Eligible Development – Section 2 .1

Requires that developers receiving assistance from the 10% TIF Set Aside for affordable housing provide housing to households at a lower percentage of the Dane County median income (DCMI) than the existing TIF Policy. The new provision would require developers to provide units to households at 60% of DCMI (reduced from 80%) for rental and 70% (also reduced from 80%) for owner occupied households. (new)

Adds projects that create living wage jobs or jobs in excess of living wage in either industrial or high need TIDs. (new)

Ineligible Development – Section 2.1

Adds Luxury or 100% Market Rate Housing as an ineligible type of development for TIF assistance. (new)

Strategies – Section 3.2 (new)

Existing and new policy language was re-grouped as operational strategies that the Committee believed may achieve the proposed E.D. and N.D.R. TIF goals, as follows:

E.D. Strategies (new)

- 1) Develop/improve infrastructure (existing)
- 2) Provide TIF assistance loans to business, priority on job creation (new)

- 3) Focus TIF assistance on industry clusters of manufacturing, med/biotech, ag/biotech, IT/software tech/communications, financial/insurance or others that are in ED plan or City goals (new)
- 4) Those certifying job creation and receiving TIF loans must guaranty jobs (new)
- 5) Provides TIF loan mechanism to motivate applicants to create jobs as promised (new)

N.D.R. Strategies (new)

- 1) Develop/improve infrastructure (existing)
- 2) Provide housing choices (existing)
- 3) Encourage rehab of existing structures (existing)
- 4) Provide TIF loans to eligible redevelopment projects (existing)
- 5) Provide TIF loans to business that create living wage jobs or jobs in excess of living wage (new)

Annual Strategy Review – Section 3 (new)

This is a new section that sets forth an annual process to examine the progress of TIF strategies and recommend whether strategies should continue or be changed.

Annual review of TIF Goals, Objectives, Strategies each 1st quarter (new)
Staff committee meets, submits findings to BOE and Council (new)

Creation or Amendment of TIDs – Section 4

Recommends a uniform twelve-year expenditure period for all City TIDs. TIF Law allows that TIDs may make expenditures for either 22 or 15 years depending upon the type of TID created. This measure enables the City to concentrate TID expenditures and developers to implement private development projects in earlier years, and allows more time to collect increment to repay TID costs than the current TIF Law allows. (new)

TIF Loan Policies – Section 5.1

Amended the equity participation section for owner-occupied commercial or residential projects that allows excess sales proceeds (if any), defined as net sales proceeds less actual TIF-eligible costs:

- 1) To pay for City fees
- 2) To provide a 12% annual return (if any) on investment for a period not to exceed 2 years
- 3) To distribute 1/3 of excess sales (if any) paid to TID, 1/3 to Affordable Housing Trust Fund and 1/3 retained by developer
- 4) To verify actual TIF-eligible costs, City fees and ROI by independent audit conducted by the City of Madison