

To: Plan Commission
From: Ald. Brenda K. Konkel
RE: Plan Commission TIF Report
Date: September 18, 2005

I thought I would try to write out some of my thoughts and recommendations on the report provided to us by the staff in the packet we received on Friday. I actually went back and watched the hour and a half of the meeting where we discussed TIF and my notes, my recollection and the review of the meeting tells me that we had consensus on the following four items:

1. TIF Policy #8 should be amended to include the roles of the Plan Commission, Board of Estimates and the Common Council in the creation of TIDs. These amendments should include the statutory requirements.
2. We need to amend #4 in the BOE subcommittee report to include more plan commission and public involvement earlier when a TID is created. Also more public input at #2 in the BOE subcommittee report.
3. We support the annual deadline for creating TIDs, understanding that the Council can make an exception to respond to needs that arise unexpectedly.
4. We believe that TIF and land use approvals made simultaneously.

I have outlined my preliminary recommendations so they would be in writing for the plan commission meeting, which will probably be modified as I talk with staff and others throughout the day. I have also attached some specific TIF Policy changes that we can recommend.

PAGE 1

Primary Purpose for the Establishment of TIF Districts

Since we never discussed our proposed TIF objectives, this first section of the report is totally up for discussion. I have included several of my recommendations below and in the attached policy.

FIRST CHANGE:

Change the Title as follows:

Primary Purpose for the Establishment of TIF Districts and suggestions for changes to current TIF Objectives and Policies.

SECOND CHANGE:

The Plan Commission agrees with the primary TIF objectives as outlined in the Draft Policy dated September 27, 2004. The Plan Commission believes that it is time for the City of Madison to review its current guidelines for creating TIF Districts and set annual goals and set 5 year plans for the goals for TIF. The Plan Commission believes current TIF Districts will provide the necessary tools to take substantial steps towards current goals to revitalize the downtown and it is time to focus the creation of new TIF Districts on supporting neighborhood revitalization and economic development. We suggest re-writing the General Guidelines for Creating TIF Districts as attached. (See Changes to Guidelines for creating TIFS.)

THIRD CHANGE:

The Plan Commission supports the continued use of current TIF Districts to support revitalization of the downtown, the revitalization of selected neighborhoods within the City that portions of which are characterized by a significant amount of deteriorating and blighted properties, and as an economic development and job creation tool. The Plan Commission remains concerned that "economic development" has become a buzz word that does not have a common definition. We urge the City to create an Economic Development Plan to address the City's economic development goals. Changes should be made to the current TIF Objectives as attached. (See changes to TIF objectives.)

FOURTH CHANGE:

The plan commission also recommends changes to the Eligible uses of TIF and TIF Policies on Housing:

FIFTH CHANGE:

The Plan Commission believes that additional emphasis should be placed throughout the City on economic development, including job retention and creation through the establishment of Tax Incremental Districts within blighted areas, as well as Tax Incremental District for industrial development on the City's periphery. The City has successfully used TIF for the Southeast Industrial Park but has more recently

decided to not use TIF for new industrial parks. At the same time, 18 business parks have been developed and are owned by neighboring communities [sic], most using TIF. The use of TIF Districts throughout the City should be balanced and should work to accomplish all three multiple objectives as outlined in the suggested amended objectives and policies.

NOTE: The reason I suggest deleting the above language is that it really doesn't seem like it is within in the purview of the Plan Commission to make this recommendation as it is not essentially related to development goals.

PAGE 1

TIF Policies – Small Cap TIF

While I completely disagree with using TIF for small capital residential uses because of potential unintended consequence of destroying the single-family home character of neighborhoods it is attempting to preserve, I would like to see TIF used for capital for small locally-owned businesses. My fear is that when we are drawing the TID boundaries and we include many single-family homes with the hopes that they will be renovated, but instead, developers will acquire multiple adjacent properties for demolition for larger projects. Currently, we have very few tools in place, short of a historic district, that would prevent this from happening. I would like to see us actually pass a conservation district ordinance and the necessary conservation districts prior to including these properties in any such TID or creating any such policy that would encourage putting single-family residences at risk. If the commission moves forward with this concept, clearly the language that was provided in the September 27, 2004 draft is inadequate and needs to be revised to reflect the intent of recent discussions about including Commercial Small Capital TIF projects. The language in the report is not sufficient without providing more guidelines for how a small capital TIF would be used. Our brief discussion raised several issues that are not yet resolved. If the policies and procedures are being developed, perhaps we should give some indication of what we will support now, so staff has guidance while crafting this policies and procedures. Finally, at the last meeting where we discussed this, the Director of Planning and Development suggested that we should simply say no to projects that acquire multiple single-family homes for demolition. I think it would be more fair to the development community and easier to enforce if we simply created such a policy.

Page 1

TIF Policies – Guidelines for Creating TIF Districts

We need to be more specific, the Board of Estimates will not know what we mean if all we say is "The TIF policy document should include a rewrite of the general guidelines for creating TIF districts *as described by the TIF Coordinator* to clearly spell out the role of the Plan Commission, Board of Estimates and Common Council . . . " I think we need to make specific recommendations here to be clear.

Page 2

TIF Policies – Exceptions to the Policy

Again, we need to be more specific about which policies we think can have exceptions and which ones cannot. I also think that we should add language to the effect of:

TIF applications should specifically state the public purpose for which the project should be supported by TIF. If a project needs an exception any of the TIF policies

- a. the applicant shall submit written reasons for why the Plan Commission, Board of Estimates and the Common Council should make an exception and specifically state the additional public purpose that should be supported in making the exception.
- b. in the event that the staff recommends such an exception, the report shall include the policy for which and exception is being requested and the public purpose or justification for making the exception. The public purpose should be a direct result of meeting the goals outlined in the TIF policy or TID project plan, neighborhood plans or other related City plans.

Page 2

TIF Policies – Time Period for Expenditures

I think the Plan Commission should remain silent on this issue. I'm not sure that we fully understand all the ramifications of the longer expenditure period and we should leave this to the Board of Estimates to determine.

Page 2

Process Issues – Introductory paragraph

This paragraph essentially says nothing. It reiterated what the subcommittee report says, however, it does not indicate our support or rejection of the subcommittee recommendation. It was my understanding of the meeting that this was one of the areas which the plan commission found agreement. The paragraph should be re-written.

Page 2

Process Issues – Informal Pre-application Process

The intent was to formalize this process, in fact, for it to not be informal. We should strongly support BOE's recommendation that there be a pre-application form developed and that it is the beginning of the formal steps to have the project vetted. Once the project has been vetted and the Board of Estimates determines the project should move forward, a full application may be submitted. Part of this pre-application process should be formal notice to the alder and the neighborhood association along with an interested parties register. This should be added to the Developers Handbook.

Page 2

Process Issues – Process to Create New Districts

This was partially covered under TIF Policy section on guidelines for creating TIF district. This paragraph reflects some staff opinions on how this process should work, however, I believe that the plan commission talked about a formal process, not an informal process. The plan commission seemed to have a strong desire to have a hearing and gather public input prior to the staff putting in the time to do the work that gets us to the public hearing required by statute, the point at which it appears to be a "done deal". Public should have input into the potential district boundaries/study area for the blight study, the budget that is developed and potential items to be included in the project plan. I'd recommend that staff cannot start a TID without a resolution being recommended to the Council by the Plan Commission and Board of Estimates. This paragraph deals with the property owners, but as we know, there are many other stakeholders who have an interest in the creation of a TID and we should provide opportunities for input for them as well, this is where we could create the interested parties registry.

Additional discussion Items

Various plan commission members made various suggestions about additional issues that should be talked about by the Plan Commission. To the best of my ability, here is the list of items yet to be discussed by the Plan Commission that should be included in the report as well after we have had the opportunity to discuss them.

1. The role of the plan commission and the board of estimates in the IZ waiver process. Is there room a joint role?
2. Affordable housing set-aside process
3. Public Oversight
4. Blight

My additional items I'd like to see the Plan Commission address are:

1. Should we create a menu of items that would serve as the "community benefits" that the developer has to be contributing to in order to get TIF.
2. Should we have impact statements?
3. What would vetting criteria look like?
4. Adding more information to TIF reports about how the project fits with the project plans.

CHANGES TO GUIDELINES FOR CREATING TIFS

8. General Guidelines for Creating TIF Districts

(a) Add language to provide the process to create a TID including the roles of the Plan Commission, Board of Estimates and Common Council in the creation of TIDs. Add language indicating the role the public will play in the creation of a TID and opportunities for input.

(a) (b) The City will conform to the requirements established in the State Statutes governing the elimination of blight and creation and use of TIF districts (Wis. Stats. 66.1105) as follows:

- 1) The proposed TIF district assists blight elimination, creation of mixed use TIDs, environmental remediation, development of industrial parks.
- 2) Projects developed within the proposed TIF district would counteract or eliminate blight or neighborhood conditions that demonstrate a negative effect upon the public health, safety, morals or welfare.
- 3) The City will evaluate a proposed TIF district to ensure that it does not compromise the City's ability to create future, high-priority TIF districts. This evaluation will be based upon the proposed TIF district's impact upon equalized value limits established in the TIF Law (Wis. Stats. 66.46(4) 66.1105 as follows:

~~"Either the equalized value of taxable property of the district plus all existing districts does not exceed 7.12% of the total equalized value of taxable property within the city, or the equalized value of taxable property within the district plus the value increment of all existing districts within the city does not exceed 5% of the total equalized value of taxable property within the city."~~

(b) (c) The City will consider creation of a TIF district according to the following guidelines:

- 1) 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 a value at completion of at least \$3 million (in Year 2000 dollars) to cover the typical costs of establishing a TIF district.
- 2) The City may create a TIF district around an economic generator for the sole purpose of financing public infrastructure costs or financing long-term affordable housing serving income-certified households at or below 80% of the Dane County median income, adjusted for family size.
- 3) The proposed TIF district assists ~~in-fill development or adaptive reuse or revitalization of older commercial corridors or underutilized or otherwise blighted parcels of land in older neighborhoods in the City.~~ in any of the following:
 - a) Supporting the recommendations of adopted neighborhood plans in blighted neighborhoods.
 - b) Supporting economic development.
 - c) Creating affordable rental housing that is below 50% AMI or affordable owner-occupied housing that is below 70% AMI, or assists in creating additional units beyond what is required in the Inclusionary Zoning Ordinance.
- 4) The proposed TIF district is consistent with adopted City plans.

CHANGES TO TIF OBJECTIVES

TIF OBJECTIVES:

Support the Downtown **(For projects in TIF Districts created prior to September 2005)**

The proposed development should support continued revitalization of the downtown and implement adopted policies and reports by one or more of the following:

(a) Improving the public infrastructure.

(b) Providing a variety of housing choices, through renovation and rehabilitation of existing buildings and higher-density new construction in selected areas to increase the number and socioeconomic diversity of downtown residents.

(c) Attracting, retaining or expanding businesses with priority given to businesses that are locally-owned, provide quality jobs, promote environmental preservation or otherwise enhance the City's economic vitality and quality of life.

(d) Encouraging the development of higher concentrations and mixes of commercial, retail, business and professional office uses, with parking and Transportation Demand Management (TDM), within mixed-use projects.

(e) Encouraging development projects that enhance the streetscape and pedestrian experience and improve the vitality of commercial districts by adding interest and activity on the first floor of mixed-use buildings and parking facilities.

(f) Encourage the preservation of historic buildings.

Support Neighborhood Revitalization

The proposed development should support the recommendations of adopted neighborhood plans and other revitalization efforts in neighborhoods with high percentages of blighted properties by:

(a) Improving the public infrastructure.

(b) Stimulating the rehabilitation or removal of deteriorated or dilapidated buildings and the creation of mixed-use in-fill redevelopment.

(c) Providing the full range of basic neighborhood goods and services and employment opportunities:

(d) Providing transportation linkages and other urban amenities.

(e) Increasing the supply and variety of high-quality, home ownership opportunities.

(f) Increasing (or decreasing, when appropriate), residential densities at selected locations as identified in the adopted neighborhood plans or the downtown master plan.

(g) Encourage the preservation of historic buildings.

Support Economic Development

Support economic development activities intended to stabilize, ~~and~~ diversify and strengthen the City's economic base by:

(a) Improving the public infrastructure.

(b) Supporting development of industrial sites to attract new industries and provide suitable locations for expansion and relocation of existing industries with priority given to projects that are locally-owned, provide quality jobs, promote environmental preservation or otherwise enhance the City's economic vitality and quality of life.

(c) Providing financial assistance to new and existing businesses for job creation activities, with priority given to projects that are locally-owned, provide quality jobs, promote environmental preservation or otherwise enhance the City's economic vitality and quality of life.

CHANGES TO ELIGIBLE USES OF TIF

1. Eligible uses of TIF (not in priority order):

- (a) Owner-occupied housing development in ~~the downtown or~~ neighborhoods with a high concentration of rental housing.
- (b) Affordable housing – rental or owner-occupied.
- (c) Assisting revitalization of historic or architecturally significant or deteriorated buildings.
- (d) Supporting projects that are consistent with adopted neighborhood plans.
- (e) Public infrastructure project costs.
- (f) Attracting, retaining or expanding businesses.
- (g) The City may consider TIF assistance for private development project costs that demonstrate gap, including, but not limited to, the following examples of typical project costs that may attribute to gap:
 - 1) Parking Construction Costs – where the cost exceeds the sales or rental income value of parking stalls.
 - 2) Land Costs – write-downs from the value of current land use to the market value of the proposed use.
 - 3) Higher-Quality Design and Building Materials – where the cost of higher-quality design and building materials exceeds the reasonable cost of typical design and building materials used in new developments on the City’s edge.
 - 4) Environmental Remediation – where the cost to remediate environmentally contaminated property exceeds the reasonable cost experienced on typical redevelopment projects.
 - 5) Affordable Housing (should this be here instead of b) above)
 - 6) Historic Preservation (should this be here instead of c) above)

CHANGES TO POLICIES ON HOUSING

3. TIF Policies on Housing

(a) The City wishes to encourage the creation of high-quality, owner-occupied housing in neighborhoods with high concentrations of rental housing.

~~(b) For large scale projects of 5 acres or more which are predominantly owner-occupied, the City will consider providing TIF funds for rental housing that preserves historic structures, rehabilitates existing housing or meets other City goals and objectives. Twenty percent of these rental units must be affordable to income-certified households at or below 80% of the Dane County median income, adjusted by family size. The affordable rental units shall remain affordable until the TIF debt is repaid or 20 years, whichever is longer. The term “affordable” is generally defined to mean a rent that does not exceed 30% of monthly gross income.~~

(c) Increasing Affordable Housing Capacity. It is a goal of the City of Madison to increase the amount of affordable housing throughout the City. Accordingly, in each TIF district involving residential use created after October 1, 1999, at least 10% of the anticipated district-wide increment shall be reserved to assist in the development of affordable housing within the TIF District under program parameters and guidelines adopted by the Common Council. **The district shall be re-evaluated every 5 years to determine if the original 10% calculation is under-projected and the money available within the district shall be increased accordingly.** Projects funded with this affordable housing set-aside must be budgeted on a TIF district basis in the City’s Capital Budget and may be borrowed or otherwise financed. The expenditure of the monies must be in accordance with the uses and timeline prescribed by TIF law. For purposes of expenditure from the set-aside, the term “affordable housing” shall be established for each district, **but in no case shall “affordable housing” be defined as more than - The affordable housing units shall be made available to income-certified households at or below 80% of the Dane County median income, adjusted for family size for owner-occupied housing or at or below 60% of the Dane County median income, adjusted for family size for rental housing.** By adopting this income standard, it is the intent of the Common Council to encourage the development of mixed-income

affordable housing, which should include housing units at ~~low and very low income levels~~, or below 70% of the Dane County median income, adjusted for family size for owner occupied housing and at or below 40% of the Dane County median income, adjusted for family size for rental housing. Affordable housing shall remain affordable until the debt is repaid or for 50 years, whichever is longer.

(d) The City encourages projects that include additional housing performance standards that incorporate materials, fixtures, designs and appliances which provide health-related benefits and energy conservation and enhance quality of life including accessibility; such standards may include: energy conservation equipment and appliances, designs and fixtures that provide for fully accessible dwelling units, and equipment that provides a high level of air quality.

(e) If the development has qualified for a waiver from inclusionary zoning, no TIF monies shall be used to pay for the waiver and the cost of the waiver shall not be an eligible cost to determine the amount of TIF provided.

Report of BOE Sub-committee on Tax Incremental Financing
Comments
Downtown Madison, Inc. (DMI)
August, 2005

DMI appreciates the work of the Board of Estimates (BOE) sub-committee on Madison's Tax Incremental Financing (TIF) policy. DMI supports the recommendations of the sub-committee and would like to be involved with the discussion concerning the "equity kicker" for rental projects and how that will be implemented. TIF is probably the most powerful economic development tool available to the City of Madison and, especially as the City is becoming increasingly landlocked, essential to encourage economic development in the City in the face of substantially lower land prices on the fringes of the urban area. This concern is even more significant with regard to downtown development, given the limited supply and high price of land downtown. As this process moves forward, DMI believes that the following principles should govern consideration of specific changes to the application review and funding process.

- A. **Flexibility:** the TIF policy needs to be flexible and available to be used in many circumstances. The City should not, in a policy statement, limit or hamstring the creativity of developers, city planners or other interested persons.

- B. **Priorities:** Job creation should be a key priority for TIF but it is not the only priority. For instance, especially in downtown, housing can be a catalyst for economic and neighborhood development or redevelopment that will, in turn, encourage development or expansion of downtown employment centers. A good example of this would be workforce housing.

- C. **Planning:** TIF priorities should be driven by, and set in the context of a long range economic plan.

- D. **Expand Capacity:** Use "pay as you go" and other techniques to expand the ability of the City to use the TIF tool. These tools should be encouraged, rather than limited.

- E. **Process Improvement:** Clarity and efficiency are desired. Developers have choices as to where to locate projects and imposing additional cost, delays, complexity or uncertainty on the TIF process limits the City's ability to effectively compete for worthwhile projects.