



City of Madison TIF Goals, Objectives, and Process

TIF Policy Committee:

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INTRODUCTION

Tax Increment Financing (TIF) is a governmental finance tool that the City of Madison uses to provide funds to construct public infrastructure, promote development opportunities and expand the future tax base. The City of Madison seeks to use TIF to enhance the built environment in concert with adopted plans and to strengthen the City's economic foundation in an equitable manner. The City seeks a policy that is both competitive and flexible.

The Purpose and intent of this document is to enumerate the Goals, Objectives, and Process in the City of Madison for the creation, amendment and implementation of TIF District and for the overall use of TIF funds.

SECTION 1: TIF GOALS

Madison's goals for the use of TIF include (not in priority order):

- 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, architecturally significant, or deteriorated buildings, or enhancement of historic districts, especially landmarked and contributing buildings.
- F. Creating a range of housing types and specifically encouraging the development of workforce and affordable housing, especially housing that is for those earning much less than the area median income.
- 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.

SECTION 2: INELIGIBLE DEVELOPMENT

2.1 Luxury Housing

Luxury housing is ineligible for TIF assistance. "Luxury housing" is defined as housing with rents or purchase price above the current market at the time an application for TIF funding is submitted. Market rate housing projects will be evaluated on a case-by-case basis and may be considered for assistance to the degree they demonstrate a financial gap and promote the City's TIF goals articulated above.

2.2 Student Housing

Student housing, defined as multi-unit residential structures, whether publicly or privately owned, that are leased whole or in part to students attending post-secondary educational institutions, shall not be funded with TIF except if it has a significant affordable component.

2.3 Speculative Office Development

Commercial projects will be expected to secure one or more anchor tenants consistent with commercial lending standards.

2.4 Tenant-Shifting Office Development

The City may consider providing TIF to retain an employer within the City or to accommodate an employer's expansion. The City will seek to avoid providing TIF to relocate an employer within the City.

SECTION 3: TIF PROCESS

3.1 TIF Application Process

1) Capital Budget TIF Application Deadline.

- (a) To the extent that Economic Development Division staff is able to anticipate projects expected in the upcoming calendar year that require city funds, staff will request Capital Budget allocations for pipeline projects. Developers are encouraged to make staff aware of upcoming projects prior to key Capital Budget deadlines. Typically these deadlines are:

City Staff Capital Budget Requests - mid-June
Executive Budget – Released in early September
Budget Adoption – early November

- (b) Developers should be aware that other City TIF funding not included in the Capital Budget will require an extra-majority vote to adopt a budget amendment.

- 2) 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.

- 3) Application Process. When an application for TIF assistance is received, Staff shall notify the Alder where the project is located by providing the initial TIF application to that Alder. The TIF application shall be submitted to the TIF Coordinator. The TIF Coordinator, in consultation with appropriate City Staff, shall make an initial review of the TIF application based upon the City's adopted TIF Underwriting Policy and the adopted TIF Goals, Objectives, and Process.

- 4) Application Documents. TIF Applicants shall provide the City with all necessary documents to complete a thorough review of the TIF application. As a part of this information, TIF Applicants shall provide a written description of how their proposal meets or exceeds TIF Goals A – H identified at the beginning of this document in Section 1, as applicable to their project. This written document shall not exceed two (2) typewritten pages in 10 point font. Section 3.4 provides policy guidance on interpreting the TIF Goals.

- 5) 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 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.

- 6) **Application Fee.** The Application Fee is set per Madison General Ordinance 4.28.
- 7) **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.
- 8) **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:
 - (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 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
 - (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:
 - i. Quantity of living-wage jobs created and/or retained
 - ii. Quantity of affordable housing units and level of affordability
 - iii. Number of rehabbed contributing buildings in a historic district
 - (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.
 - (l) Any violation of labor agreements, laws, rules or regulations within the last five (5) years by Developers, Contractors and / or Tenants.
- 9) **Common Council Consideration of TIF Loans.** The Common Council, advised by the Board of Estimates, makes the final decision on approval of a TIF loan. In evaluating a TIF proposal, the BOE and council shall consider the following factors:
 - (a) How the project meets the city's and district's TIF goals
 - (b) Whether the loan amount is appropriate and in the public interest.
 - (c) The financial risk to the city, including such factors as
 - i. The health of the district, including existing debts, remaining lifetime, and future public improvements required by the district plan, Capital Improvement Plan or by the project itself
 - ii. The loan amount percentage of NPV of increment. Generally speaking, higher percentages increase the risk to the city and reduce the amount of increment available for public improvements, future loans, and cash out at district closure.
 - iii. The catalytic effect of the project within the district and the surrounding area
 - iv. Other tangible and intangible value created by the project, such as job creation and blight abatement

Staff shall provide updates to and seek feedback from the Mayor and the Alder(s) of the district(s) containing the project and the overlying TID throughout the process outlined in this section. The Staff Report shall be made available to the public and attached to the Authorizing Resolution as an electronic document.

3.2 Creation or Amendment of TIDs

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.

- 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:
 - (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 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.
 - (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.

3.3 TIF Policy Review and Update

- 1) **Quarterly Report.** TIF Staff will provide the Board of Estimates with a quarterly update on current and pending TIF projects during closed session, or more often on an as needed basis.
- 2) **Annual Summary.** The Council shall be provided with a summary of the City’s TIDs and TIF loans, and financial statements on an annual basis.

3.4 TIF Goals Policy Guidance

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

- A. **Growing the property tax base.** Estimate the property tax growth as a result of your project.
- B. **Fostering the creation and retention of family-supporting jobs.** 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.
- C. **Encouraging adaptive re-use of obsolete or deteriorating property.** 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.
- D. **Encouraging urban in-fill projects that increase (or decrease where appropriate) density consistent with the City’s Comprehensive Plan.** 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
- E. **Assisting in the revitalization of historic or architecturally significant or deteriorated buildings.** The goal of the Madison Landmarks Ordinance is to preserve, protect, enhance and perpetuate and improve historically and architecturally significant buildings, neighborhoods, and historic districts.
- F. **Creating a range of housing options and specifically encouraging the development of workforce and affordable housing.** 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.
- G. **Funding public improvements that enhance development potential, improve the City’s infrastructure, enhance transportation options, and improve the quality and livability of neighborhoods.** The City of Madison’s Capital Improvements Plan and adopted land use and transportation plans enumerate the infrastructure goals and needs of the City.
- H. **Promoting superior design, building materials, and sustainability features in the built environment.** 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. “Sustainable design” means construction and planning that reduce storm water outflow and increase infiltration, enhance forms of alternative transportation; maximize energy conservation or renewable energy production; minimize water use; enhance the quality of and access to local natural features. Third party certification such as “Green Built”, “Energy Star” and LEED may be utilized to demonstrate how proposed construction designs incorporate green building features to achieve demonstrable energy efficiency outcomes.
- I. **Reserving sufficient increment for public infrastructure in both TIF project plans and TIF underwriting.** 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.