Possible Reforms to the 50% Rule

Option 1:
Analyze Margin for Error

Description

Instead of reporting the % of increment, staff would report the “margin for error” using 10-15 year rolling averages (of mill rates, appreciation, and borrowing rate)

Rationale

Policymakers would have a tool to assess likely risk rather than an arbitrary “rule of thumb”

Option 2:
Use Years of Payback (Middleton approach)

Description

Instead of reporting the %, staff would report the number of years until a project pays for itself. Could establish guidelines for various project types

Rationale

Policymakers would have a tool to assess risk and to compare projects independent of the life of the TID

Option 3:
Maintain % analysis with criteria for deviations

Description

Continue reporting the % of projected increment but establish guidelines that account for (location, strategic importance, lifespan of TID, extraordinary design/public benefits, etc.)

Rationale

A more nuanced version to articulate guidelines where deviations from the 50% rule are acceptable

Option 4:
Cashflow analysis for all/major projects

Description

Model TID cashflows based on projected increment and estimated interest rates (in lieu of discount rates)

Rationale

Allows more accurate estimates of when TIDs would actually cover debt and be able to close

NOTE: Careful scrutiny should be given to awards that exceed 100% and do not meet the self-supporting policy