



Department of Planning & Community & Economic Development

## Office of the Director

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Date: January 28, 2015

To: Mayor Paul Soglin

From: Economic Development and Planning Staff

Re: TIF Support for Entertainment Venues – Criteria for Consideration

DPCED Staff have been asked to recommend supplementary criteria policy-makers might utilize when considering requests for TIF assistance for development projects that include an entertainment venue. Beyond criteria in the City of Madison TIF Policy, the level of scrutiny for the use of TIF would be raised when determining whether the impacts of a proposed entertainment venue on infrastructure, public safety, and adjacent land uses merits the use of TIF assistance. For the purpose of this memorandum, an “entertainment venue” is defined as an establishment requiring an “Entertainment License” with a capacity exceeding 250 (or 500?) people and that is acoustically engineered, meeting applicable fire and building codes.

This memo separates the review of a proposal into two sections - financing review and planning review - as the review of projects requesting TIF assistance is coordinated between Economic Development and Planning Staff. With the issues raised in this memorandum, staff maintains focus on fiscal responsibility and implementation of goals and recommendations in adopted plans.

### **Financing Review**

TIF Assistance – Projects seeking TIF assistance that include an entertainment venue must meet the following requirements:

- Be located within a healthy TID that is generating positive tax increment, or;
- \*Be located within a new TID that is accompanied by a separate generator of tax increments. This separate generator of tax increments will create sufficient incremental revenue to recover the cost of any TIF loan to the venue, and;
- Include the entertainment venue as a component of a larger mixed-use project that can remain solvent if the venue were to fail or underperform economically. Stand alone entertainment venues shall not be considered for TIF assistance, and;
- Demonstrate that the venue will not lead to market saturation for similar establishments in the City, and;
- Comply with all applicable portions of the City’s adopted TIF Policy and TIF Law.

The adopted City of Madison TIF Goals, Objectives and Process and TIF Loan Underwriting Policy (collectively, "TIF Policy") contain several sections that are particularly relevant. They are:

TIF Goals, Objectives and Process Document:

*Section 3.4(D) – Encouraging urban infill 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.*

TIF Loan Underwriting Policy Document:

*Section 1(6) – “But For” Standard – Each project must demonstrate sufficient need for the City’s financial assistance, so that without that assistance, the proposed project could not occur. Every other financial alternative is to be exhausted prior to the use of TIF, including equity investment, other federal and state funds, bonds, tax credits, loans, etc. TIF assistance shall be utilized as gap financing as determined through gap analysis, except as described in Section 1.7 below. Each project must demonstrate a probability of success.*

*Section 1(11) – No Rent or Sales Price Write-Down. TIF assistance will be limited to the amount necessary to make a project competitive with other similar projects in the Madison metropolitan market area. TIF Assistance is not to provide below-market sales prices or rent subsidies to assisted projects, except as applied to assist affordable housing.*

*Section 1(12) – Self Supporting Projects.*

*Each for-profit project demonstrating a need for TIF assistance must generate sufficient tax increment to cover or repay both the TIF contribution to the project and a portion of the planned public infrastructure costs within the tax incremental district.*

*No increment from other private development projects within a tax increment district may be used to supplement another project’s inability to generate sufficient tax increment.\**

\*NOTE: This would require an exception to Policy as noted in bullet point #2 that additional increment was required from the TID.

TIF Policy should be reviewed in its entirety by prospective applicants for TIF assistance. These documents can be found at the web link below:

<http://www.cityofmadison.com/dpced/economicdevelopment/tax-incremental-financing/415/>

## **Planning Review**

Consistency with Adopted Plans – Proposals including an entertainment venue that seek TIF assistance should be consistent with goals, objectives, and recommendations in the Comprehensive Plan and any relevant adopted Neighborhood, Corridor, or Special Area Plans. Staff support will be strengthened when proposals include components that further goals and recommendations in the “[Cultural Plan](#),” and “[Performing Arts Study](#),” which noted that while there is some demand for new performance space, the greatest need is for rehearsal, production, meeting, administrative and storage space. Specifically identified needs that could be relevant to a new entertainment venue include but are not limited to the following:

- Space for the creation and presentation of local talent (i.e. rehearsal and studio spaces)
- Venues for 400 seats and smaller
- Shared services such as accounting, marketing, ticketing or other
- Space for storage of equipment
- Space that accommodates multiple uses

Location –Projects including entertainment venues will generally receive staff support when the venue is located in or near Downtown (bounded by Park Street on the west and Blair Street on the east), or in an area identified for transit-oriented development and easily accessed from the Central City. While not required, the most likely land use categories for areas appropriate for entertainment venues are “Downtown Core Mixed-Use”, “Community Mixed-Use”, or “Employment”. In many cases, entertainment venues in these areas can provide a foundation for activating an area in the evenings, supporting or attracting restaurants and other uses that may not otherwise have a strong evening presence. Also, entertainment venues can complement nearby daytime uses, such as offices or retail establishments, especially through opportunities for shared parking.

On the other hand, not all locations in and near Downtown are ideal. On and near the Isthmus, the location of a large entertainment venue can be sensitive from block to block, due to potential impacts on established surrounding uses. For instance, if located near low- or medium-density residential areas relying on street parking for residents and visitors, parking pressures and related late-night post-event noise can negatively impact surrounding properties. Prior to committing Planning Staff support, careful consideration will be given by staff to the relationships between any proposed entertainment venue and the established land uses within a two to three block area.

Parking and Alternative Modes of Transportation – Heavily impacted by location, the adequacy of parking and support for alternatives to the automobile are critical considerations for entertainment venues. Similar to office uses, most people coming to an entertainment venue will arrive and leave at the same time. Unlike offices, however, these venues cannot rely as heavily on transit due to evening shows that finish when most transit routes have only skeletal, if any service. Further, the timing of the wave of people leaving from a show has different impacts than a wave of employees leaving an office for the day. Parking location, policies, and pricing should work together to minimize impacts on residential streets. In an ideal situation, sufficient parking for an entertainment venue would be handled either on-site, within nearby public parking facilities, or on nearby non-residential streets.

For facilities outside of the Downtown with a capacity of over 500 persons, necessary parking ratios identified by City Traffic Engineering staff should be met either on-site, through formal shared parking agreements off-site within a 5-minute walk of the main entrance, or with public parking facilities within

a five-minute walk of the main entrance. For facilities in the Downtown, these parking provisions are not critical to meet, since customers will likely walk further along active Downtown streets from public parking facilities to an entertainment venue. Ideally, on-street and off-street parking options will be distributed in different locations within a few blocks of a Downtown facility.

Any site should be well-served by transit, albeit within the limitations in late-night service mentioned earlier. If not Downtown, an ideal site would be on a transit corridor with at least a few late-night trip possibilities running to and away from Downtown. Finally, the site should be located on or very close to major bicycle routes and should the proposal should demonstrate that adequate bicycle parking can be provided for capacity events. As supplements to other required submittals, the following items shall be completed by the developer for staff consideration of a request for TIF assistance for a proposal including an entertainment venue:

- For any entertainment venue in the Downtown, a parking study identifying sufficient off-street and on-street parking options, to be reviewed and supported by Planning and Traffic Engineering staff.
- For any entertainment venue outside of the Downtown, a parking study and parking management plan demonstrating little or no impact on predominantly residential neighborhoods, to be reviewed and supported by Planning and Traffic Engineering staff.
- For entertainment venues regardless of location, alternative transportation options such as transit routes, bicycle infrastructure, shuttles, and any space provided for taxi pick-up and drop-off, for review by Planning and Traffic Engineering staff.