



City of Madison

City of Madison
Madison, WI 53703
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Meeting Minutes TIF POLICY REVIEW AD HOC COMMITTEE

Monday, November 25, 2013

2:00 PM

215 Martin Luther King, Jr. Blvd.
Room LL-110 (Madison Municipal Building)

1. CALL TO ORDER / ROLL CALL

Present –Ellingson, Schmidt, Bidar-Sielaff, Clear,
Absent – Verveer
Staff – Gromacki, Rolfs, Zellhoefer, Cover, Olver
Meeting called to order at 2:02 PM

Present: 4 -
Mark Clear; Sue Ellingson; Chris Schmidt and Shiva Bidar-Sielaff
Absent: 1 -
Michael E. Verveer

2. APPROVAL OF MINUTES

None.

3. PUBLIC COMMENT

In support, Wishing to Speak

Gary Peterson (Madison, WI) – Peterson spoke in favor of opening TIF Policy to the most possible projects so that exceptions are no longer necessary. Peterson spoke about TIDs that were used in other communities that did not use gap analysis for their “but for” analysis. He spoke against the requirement that “living wage” jobs be required for TIF assistance.

Carole Schaffer (Smart Growth Greater Madison) – Spoke in favor of reviewing the underwriting standards on an annual basis as a part of the annual review of TIF Policy. She asked for an analysis of numbers that were used in previous projects and how they stacked up to what actually happened.

4. DISCLOSURES AND RECUSALS

None.

5. OLD BUSINESS

Present: 5 -

Michael E. Verveer; Mark Clear; Sue Ellingson; Chris Schmidt and Shiva Bidar-Sielaff

- a) **CONTINUE DISCUSSION OF 50% RULE**
- b) **CITY ATTORNEY DISCUSSION ON PILOT PAYMENTS**
- c) **CITY ATTORNEY ADVICE ON PROJECT AND INCREMENT GUARANTY**

- d) **29485** Accepting the revised TIF Policy approved by the Economic Development Committee on February 20, 2013 for Common Council consideration and adoption.

Attachments: [TIF Policy by EDC Feb 20 2013.pdf](#)
[Comparison Matrix of Existing TIF Policy to EDC Proposal](#)

Motion to refer to the next meeting by Ellingson, second by Clear.

Atty Zellhoefer addressed AB 522. She noted that the bill, as proposed, codifies what the City is already doing in its existing practices relative to PILOT payments.

Verveer arrived at 2:11 PM.

Zellhoefer deferred to Dave Schmediecke whether or not PILOT payments would count against the City's overall levy. The Committee asked to have Schmediecke to come to the next meeting to discuss the City's receipt of PILOT payments and the impact on the statutory limits.

Zellhoefer indicated that a personal guaranty was backed by a physical person who would reimburse the City for any expenses or gap that appeared in the project. Bidar-Sielaff said that their discussion took place as to how to protect the City. Zellhoefer noted that the City has always had a second mortgage on the property to ensure that the City's loan would be repaid if there was a default or bankruptcy. She noted that in recent projects, the City had been getting personal guarantys from developers, even when the dollar amounts were vastly different. Verveer asked if the upcoming Union Corners deal had a guaranty. Zellhoefer said it was a non-recourse loan with no personal guaranty for the project. She noted that the Council ultimately retained all discretion on these issues. Zellhoefer was asked to further research if new PILOT payments would affect the City's levy. It was noted that there were several projects in recent history where personal guarantys, increment guarantys and project guarantys that had come into play when projects either fell short of their guaranteed increment or did not conform to the approved plans and specifications.

Consensus was to retain the existing language in the draft policy regarding PILOT payments.

Discussion took place around what to do regarding increment guarantys.

Consensus was to use the EDC language regarding increment guarantys.

Clear suggested language to be included in the EDCs proposed language regarding both project and increment guarantys. Consensus was to go with this modified EDC language.

Consensus was that a personal guaranty should be the status quo. Rolfs suggested additional language that further laid out the personal and corporate guaranty preferences, and the Committee agreed by consensus.

Ellingson said she would like to see bands of investment, without a particular number. Each band would describe the key risks that are part of the project, that describe what the City would expect and what process the City would use. Verveer said he agreed with the principle of what Ellingson suggested, but he asked if Staff thought it was workable. Gromacki said that some of this language left a lot open to interpretation, as opposed to objective standards. Olver said that when communities used the band systems or point systems, policy makers were using them to send a signal to the development community on what they were looking for in a project. Bidar-Sielaff said that a way to address this may be to eliminate the percentage entirely, but to keep the criteria that policy makers were looking for in a project. She said this would allow staff to do gap analysis and then forward a project to policy makers to make a final decision. Gromacki commented on how projects currently work their way through the system for TIF assistance.

Clear suggested language to deal with this issue. The language he suggested was:

"3.1 (6) 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:

How the project meets the city's and district's TIF goals (describe scoring system here)

Whether the loan amount is appropriate and in the public interest.

The financial risk to the city, including such factors as

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

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.

The catalytic effect of the project within the district and the surrounding area

Other tangible and intangible value created by the project, such as job creation and blight abatement

3.5(f) Loan to Value Percentage: the percentage of the proposed loan amount to the estimated NPV of the increment generated by the project."

Schmidt asked if Staff had an idea about what needs for increment were identified in the TID when an application for assistance came in. Gromacki and Olver spoke about the places that would identify costs for a TID, such as the

Project Plan and the CIP. Gromacki noted that Project Costs in TIDs frequently shifted around during the implementation phase.

Verveer said he liked the language Clear proposed, but would like to see increased predictability, while also attaching numbers to this language. Discussion took place around how to construct bands that would be practicable for Staff to refer to during implementation. Olver suggested a scoring system based upon the goals that had already been agreed upon by the Committee. He also suggested de-coupling the increment percentage from a final "scoring system" that would address the goals and objectives identified in TIF Policy. Discussion took place around how to set up and structure a scoring system. The Committee discussed whether to use other types of objective criteria, such as debt coverage ratio, equity leverage ratios, or tying TIF to debt service. Consensus was to ask Staff to identify additional fiscal items that could be included in the TIF report.

Consensus was to ask Staff to draft a scoring system.

Motion for referral carried.

6. REPORTS

- a) [30913](#) Communications and Reports of the 2013 TIF Policy Review Ad Hoc Committee

Attachments: [2013 TIF Ad Hoc Com presentation - 07-09.pdf](#)
[Legistar File #29153 - EDC Recommended Policy](#)
[Legistar File #30799 - Comparison Matrix of Existing TIF Policy to EDC Prop](#)
[Mertz ltr - 2013 07-10.pdf](#)
[Mertz ltr - 2013 07-31 Members of the TIF Revision Committee.pdf](#)
[Pastor e-mail ltr 2013 08-01.pdf](#)
[Olver TIF Ad Hoc Com presentation - 2013 08-01.pdf](#)
[JRB TIF Presentation - OLVER 2013 08-26.pdf](#)
[Pastor e-mail comments 2013 08-29.pdf](#)
[Pastor e-mail\(2\) 2013 08-29.pdf](#)
[Kozlovsky email 2013 08-29.pdf](#)
[Mertz email - 2013 08-29.pdf](#)
[Creation vs Capture Exvaluating the True Costs of TIF - Carig Handout 2013](#)
[2013 08-29 TIF Policy Review Ad Hoc Com - Registrations .pdf](#)
[TIF Policy IV But for Rewrite - 9-12-13.pdf](#)
[Alternatives to 50 Percent Rule Slide.pdf](#)
[Memo on Business Incentive Programs.pdf](#)
[2013 09-19 TIF Policy Review Ad Hoc Com - Registrations.pdf](#)
[TIF Policy IV But for Rewrite - matrix.pdf](#)
[Pastor e-mail 2013 10-03.pdf](#)
[2013 10-03 TIF Policy Review Ad Ho Com - Registrations.pdf](#)
[Sample TIF Report - Facility Gateway 4-24-13.pdf](#)
[Sample TIF Report - 309 W Johnson 5-29-13.pdf](#)
[Sample TIF Report - Gebhardt 3-6-12.pdf](#)
[Sample TIF Report - University Crossing Phase II 6-21-12.pdf](#)
[Sample TIF Report - Wingra Clinic 12-13-11.pdf](#)
[DRAFT TIF Goals and Objectives - 2013 10-28.pdf](#)
[DRAFT TIF Underwriting Policy - 2013 10-28.pdf](#)
[Pastor e-mail 2013 11-04.pdf](#)
[2013 11-25 TIF Policy Review Ad Hoc Com - Registrations.pdf](#)
[TIF Goals, Objectives and Process - 2013 12-06.pdf](#)
[TIF Underwriting Policy - 2013 12-06.pdf](#)
[TIF_scoring_concept - 12-06.pdf](#)
[2013 12-09 TIF Policy Review Ad Hoc Com - Registrations.pdf](#)
[2013 12-09 Schmiedicke PILOT handout - TIF Policy Review Ad Hoc Com.pc](#)

7. ADJOURNMENT

This was Adjourn.

Motion to adjourn by Clear, second by Verveer. Motion carried at 4:11 PM