



City of Madison

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

Thursday, August 29, 2013

5:30 PM

215 Martin Luther King, Jr. Blvd.
Room 260
Madison Municipal Building

1. CALL TO ORDER / ROLL CALL

Present – Clear, Ellingson, Schmidt, Verveer, Bidar-Sielaff,

Absent –

Staff – Gromacki, Rolfs, Zellhoefer, Olver, Cover,

Meeting called to order at 5:41 PM

Present: 5 -

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

2. APPROVAL OF MINUTES

Motion by Clear, second Verveer, by to approve the minutes. Motion carried

3. PUBLIC COMMENT

In support –

Brian Mitchell (National Association of Minority Contractors – WI Chapter) – He spoke in support for placing MBE / SBE goals in the TIF process and policy. He said as a contractor they created family supporting jobs that provide career ladders. He said the best way to encourage minority participation in the trades is to have people of similar backgrounds to them in the trades. He encouraged the Committee to set goals for MBE / SBE goals for projects that received TIF assistance. Verveer asked how the City's existing Best Value ordinance was serving this particular goal. Mitchell said that he spoke in favor of Best Value contracting, but noted that his members had not received any work on projects that had received City TIF funding.

Opposing –

Susan Pastor (Madison, WI) – Pastor spoke in opposition to the proposed TIF Policy. She said if the proposed policy was carried to its full extent, it would transfer public dollars to private hands, while limiting public access to dollars generated by new development. She said the Joint Review Board was supposed to have authority to review TIF deals. She referenced a report by Matthew Maryl from the Center on Wisconsin Strategies. She spoke in

opposition to using TIF for “greenfield” development. She encouraged the City to include MMSD at the table on this topic. Schmidt asked her how the City policy would take away power from the Joint Review Board. She said the proposed EDC policy set a different set of standards than the City had used in the past. She said the proposed policy set aside the existing standards for the “but for” test.

TJ Mertz (Madison, WI) – Mertz reiterated his call to enter into dialogue with MMSD on the proposed changes to the TIF Policy. He said that his constituents, as a school board member, had similar, but not entirely the same, goals. He said he asked the MMSD Business Manager to prepare a “TIF in / TIF out” report for MMSD. He stated that the State of WI cut MMSD aid by 15% and that the City TIDs had no impact. He said if the proposed changes are passed as they currently stand, he said MMSD and the City would probably have conflicts. He urged the Committee to enter into dialogue with the City on this policy. Bidar-Sielaff asked him how the goals of the constituents of MMSD and the City differed. Mertz said that the City was charged with infrastructure, among other things, but that MMSD was charged with education within the MMSD District. Ellingson asked Mertz how a dialogue would take place. Mertz asked the Committee to invite Mike Barry, MMSD Business Manager, to present to the Committee on the impacts of TIF on MMSD finances.

Dave Carig (Madison, WI) – He referenced a report entitled “Creation vs Capture: Evaluating the True Costs of Tax Increment Financing” by Farris and Horbas. He noted that because TIF keeps value out of the tax base, it artificially inflates tax rates on the rest of the tax payers. Caris quoted several times from the report. Caris recommended several other reports referenced in the initial report.

Ed Kuharski (Madison, WI) – He asked for additional time to speak on the matter at hand. He also asked the Council to change the ordinance that governed speaking time limits. He said TIF was created to fund problem solving projects that would not otherwise be economically feasible. He asked the Committee to ensure that any changes that were made would benefit the local schools. He asked that future projects be required to provide things that address immediate needs within the City of Madison such as affordable housing. He said the Committee should be focused on addressing issues that immediately affect the Community, specifically homelessness.

In Opposition – Not Wishing to Speak

Matt Koslowski (Progressive Dane)

4. DISCLOSURES AND RECUSALS

None.

5. OLD BUSINESS

- a. [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 by Ellingson, second by Verveer.

Verveer asked for a recap of the Joint Review Board (TIF Review Board) meeting on Monday to discuss the proposed TIF Policy. Bidar-Sielaff asked for MMSD to be included in future discussions on the policy, once a draft of the policy was created.

Discussion took place on the existing matrix. Consensus was to leave Section 4.1(1-5) as they were presented in both policy drafts.

Olver said the overall architecture of the EDC proposal divided projects into three categories; real estate projects (excluding affordable housing), affordable housing, and employer oriented projects. He said that for real estate projects the City would continue to apply existing “but-for” standards, and modified standards for the affordable housing and employer projects. He said the “competitive factors” analysis would only be applied for employer oriented projects. Olver also pointed out the issues with affordable housing tax credit projects, relative to the “but-for” test and WHEDA applications. Verveer asked Gromacki for his opinion, who said that the EDC proposal is very nebulous as to what a developer is eligible for, relative to TIF assistance. Gromacki noted that the Policy was originally adopted because developers and Council members wanted consistency and predictability among projects. He said that the EDC proposal's measures were murky and noted that the EDC proposal made gap analysis optional by inserting the word "or" before the subjective measures such as "competitive factor". If adopted, this language would make consistency and predictability difficult and developers would spend most of their efforts to make a political case against gap analysis. He said that the “but-for” standard in the EDC proposal for affordable housing projects would be difficult to justify, as most WHEDA projects had sufficient funding between equity, bank debt and WHEDA credits. Olver noted that the WHEDA application gave a varying degree of points to applications. Gromacki noted that the State had changed this rule over time as to how points were awarded for WHEDA applications.

Ellingson asked how these projects generally created incremental value, based upon their artificially low value from providing affordable housing. Olver noted that the EDC laid out criteria for these different types of projects. Ellingson said she felt that the Policy should have a separate policy on how to address affordable housing projects. Gromacki was asked to draft some sample standards for dealing with a “WHEDA gap”. Gromacki noted that these standards would have to consider the gap, the health of the specific TID, and other factors to be considered.

Gromacki noted that the employment oriented projects category were very hard to quantify. He said if a company threatened to leave for another community, staff had no way to verify this statement. He also had no way to prove what is the right number concerning TIF assistance as the process turns into a bidding war.

Olver said there were several ways to look at a project, one was looking at the

how much the project could afford to receive, another was looking at what kinds of jobs were being created. Gromacki noted that the EDC proposal allowed employment projects to completely skip the “but-for” analysis. Verveer asked Zellhoefer about her take on the proposed “but-for” standard used in the EDC proposal. Zellhoefer said she has always felt comfortable with gap analysis as it is numbers driven and is something that can be verified through experience. Schmidt said the core issue is whether or not the City wants to use TIF as a tool in competitive processes. Ellingson said that the Council currently makes a decision on these kinds of issues. Bidar-Sielaff said that if there is not tangible, impartial data to support these kinds of decisions, it would be difficult for staff to analyze and make a recommendation on these issue. Clear compared this to the Monona Terrace booking fund in that the City would be “buying business”, otherwise the City would ignore the real world where companies make decisions on where to locate.

Ellingson asked if there were other tools that could be used in this game. Olver said the State had other tools to assist in these kinds of decision making processes. Bidar-Sielaff said that previous decisions from bidding wars such as EPIC and Spectrum Brands were based upon other factors than just TIF assistance. Schmidt asked what standards the State used when distributing incentives. Olver said many decisions were made based upon jobs created, amount of training required for the jobs, amount of capital investment for the project, the riskiness of the project, and other factors. He noted that the vast majority of benefits were tax credits, so they were after the fact types of awards. Schmidt asked if the standards were solid. Olver said the standards are inherently murky and had an element of art to them. Ellingson noted that the City does not generally do “art”. Zellhoefer noted that it was easier to discuss gap analysis versus “competitive factors” when looking at statutory review. Ellingson asked for a clearer picture of how big an impact considering “competitive factors” would have on the City. The Committee asked Gromacki to attempt to develop a TIF program for employers after reviewing the issues expressed in the EDC proposal and reconcile it with the gap analysis method in the current policy. Gromacki proposed the concept of making these kinds of loans as an end loan, tied to jobs created or retained, with specific dollars spent per job created or retained. Bidar-Sielaff asked what other tools were available to the City as a part of business retention / attraction program.

Gromacki was asked for his opinion on the use of the 50% rule. He said it provided funding to other projects such as infrastructure, while also providing the City with a solid starting point for negotiating with developers. Olver said that he felt that the City’s starting point was already there, and that was gap, regardless of what the actual percentage was.

Consensus was for the Committee to review the concepts presented by Olver for how to address the 50% rule and discuss at the next meeting.

Motion for referral carried.

REPORTS

- b. [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](#)

6. FUTURE MEETING DATE(S) DISCUSSION

The next meeting was set for Sept 19, 2013 at 5:30 PM. Staff was asked to begin polling for additional meeting dates. Oct 3, 2013 at 5:00 PM was set as an additional meeting date.

7. ADJOURNMENT

Motion to adjourn by Clear, second by Ellingson. Motion carried at 8:20 PM.