



Department of Planning & Community & Economic Development

Economic Development Division

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TO: Tax Incremental Financing Policy Ad Hoc Committee

FROM: Economic Development Commission (EDC)

Drafted by: Matthew B. Mikolajewski, Office of Business Resources Manager

SUBJECT: EDC TIF Policy Recommendations

DATE: December 8, 2008

The following memo outlines the recommendation of the EDC to the Tax Incremental Financing Policy Ad Hoc Committee regarding the amendment of the TIF Policy (Legistar # 11531).

- 1. In lieu of adopting the August 19, 2008 version forwarded to the EDC, the Sub-Committee recommends adopting the more streamlined "Perfect World" version (dated July 8, 2008) prepared by Mr. Joe Gromacki, TIF Coordinator, with the additional edits as follows in this memo.**

Rationale:

- A. The EDC focused its discussion on insuring a TIF policy that is simple, flexible, robust, and competitive.
- B. The EDC therefore supports Mr. Gromacki's efforts to streamline the policy.

- 2. Remove the job creation guaranty language as outlined in Section 3.1 (5).**

Rationale:

- A. Creating and retaining jobs should be an important goal of all city economic development policies. It should not be considered unique to the TIF Policy.
- B. Removing this requirement does not negate the City's ability to select and fund TIF projects that create jobs.
- C. The distinction between new jobs and jobs that are transferred from other locations in Madison or other communities can be somewhat arbitrary.
- D. TIF should be seen as an investment in a business or development that will deliver direct and indirect community benefits, which may include jobs. While the city can insist on guarantees on certain aspects of the TIF project (number of square feet to be built, location, etc.) other elements (jobs creation, pace of leasing, etc.) are subject to the realities of the market and economy. The TIF loan agreements, tailored to each project, already protect taxpayers by providing appropriate project guarantees.
- E. TIF should be seen as an inducement for a business or development to locate in Madison rather than somewhere else. This is important given the added complexity of urban in-fill development compared with development in neighboring suburban and rural areas.
- F. This requirement would add another layer of risk for businesses and developers. Other communities, local and Statewide, do not require this.

- G. This language has the effect of making Madison less competitive due to the “guarantee” nature of the requirement.
- H. All projects must be underwritten on the merit and need of the project at the time of application. If the project does not appear to warrant a City investment of TIF funds, the City is not compelled to make an investment.

3. Remove the equity participation payment language as outlined in Section 5.1 (9).

Rationale:

- A. TIF is an economic development tool to encourage business and development that would not have occurred “if but for” the TIF investment.
- B. Although an opportunity may exist for a developer to make additional profit, so does the reality that the developer may ultimately lose money on the project. If the city does not share in the loss, it should not try to share in the extra profit.
- C. TIF is an investment not a contract. City staff make their best judgment as to the nature of the investment. The market conditions that affect the investment over time can’t be perfectly predicted.

4. Remove all references to a requirement for jobs with an identifiable “career ladder,” such as is found in Goal 1.1 (2).

Rationale:

- A. Career ladders are a workforce development concept that is being promoted nationally and regionally.
- B. They are not universally accepted as yet and should not be mandated or seen as a barrier to what would otherwise be a desirable development for the community.
- C. There is no generally accepted way to define or measure a career ladder.
- D. Career ladders are not necessarily in place when a company first opens.

5. Replace references of “Neighborhood Plans” with the City’s “Comprehensive Plan.”

Rationale:

- A. The Comprehensive Plan is the controlling plan for the City of Madison and includes adopted Neighborhood Plans.

6. Consider recommendations submitted by individuals and organizations such as Downtown Madison Inc.

Rationale:

- A. The EDC received a variety of comments and suggestions during its deliberations. The EDC found them generally well thought out and useful. Some were textual errors and editing issues in the “Perfect World” version of the policy. Some were more substantial. As these are valuable ideas worth the Committee’s consideration, the EDC has posted them on Legistar # 11531.