



# City of Madison

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

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Monday, December 9, 2013

1:00 PM

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

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### 1. CALL TO ORDER / ROLL CALL

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

Absent – Verveer

Others – Weir, Rummel

Staff – Gromacki, Marx, Rolfs, Zellhoefer, Olver, Schmiedicke, Monks

Meeting called to order at 1:06 PM

Present: 4 -

Mark Clear; Sue Ellingson; Chris Schmidt and Shiva Bidar-Sielaff

Absent: 1 -

Michael E. Verveer

### 2. APPROVAL OF MINUTES

This was Approve the Minutes

Motion by Clear, second by Bidar-Sielaff to approve the minutes of the Nov 15, 2013 and Nov 25, 2013 meetings. Motion carried.

### 3. PUBLIC COMMENT

In support, Wishing to Speak:

Richard Heinemann (Madison Sustainability Committee, Madison, WI) – He said that the Sustainability Committee had just set up a subcommittee of their committee about how to incorporate green priorities into TIF Policy and to make recommendations. He said that the Mayor had asked them to look into this to make recommendations to the Ad Hoc Committee regarding their input. He said that the subcommittee was specifically formed to look into green priorities that could be incorporated into a TIF Policy. Schmidt noted that the Ad Hoc Committee was wrapping up its work on this matter. Heinemann said that this was a relatively new initiative for the Sustainability Committee. Discussion took place around a process for the Sustainability Subcommittee to make recommendations on the policy to the Ad Hoc Committee. Bidar-Sielaff noted that the Ad Hoc Committee had incorporated encouraging sustainability features in their goals and objectives document.

4. **DISCLOSURES AND RECUSALS**

5. NEW BUSINESS

- a) [32405](#) Reminder that all members of City of Madison committees, commissions, or boards must file a Statement of Interests form with the City Clerk's Office by January 7, 2014.

Committee members were reminded to file their Statement of Interest Forms by the deadline of Jan 7, 2014.

6. **OLD BUSINESS**

a) **DISCUSSION OF PILOT PAYMENT'S IMPACT UPON LEVY LIMITS**

Schmiedicke handed out a fact sheet on levy limits. He noted that if a PILOT payment is enacted or if an existing fee or PILOT payment is increased and designated to fund a "covered service" previously funded from the property tax levy, the levy limit must be reduced by an amount equal to the new / increased revenue.

Rummel arrived at 1:19 PM.

Bidar-Sielaff asked if someone is already paying a PILOT, would it impact the levy limit in the future. Schmiedicke said this would not. She asked if a new PILOT was enacted, would this impact the levy limit?

Verveer arrived at 1:21 PM.

Schmiedicke said that their current view was that if it was not specifically designated for a designated activity, that this would not be impacted by PILOT fees paid through a TIF agreement. He noted that it was an open question as to whether or not a PILOT payment from TIF would impact the levy limit. He said that the City could ask the WI DOR for an interpretation on the rule if this became an issue.

Present: 5 -

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

b) **REVIEW OF DRAFT TIF SCORING MECHANISM, DRAFT TIF GOALS OBJECTIVES AND PROCESS, AND DRAFT TIF UNDERWRITING POLICY**

- c) [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 Clear, second by Bidar-Sielaff.

Consensus was to add a statement regarding the "Purpose of the Document" to the introductory language.

Discussion took place on the TIF Goals, Objectives, and Process document. Discussion took place around removing the language referencing "career ladder" jobs from the Goals section. Weir asked if the term "family supporting" could be defined by the City's "living wage" ordinance. Rummel suggested using the "housing wage" to define the term "family supporting job".

Consensus was to remove the language regarding "career ladder jobs" in Section 1.

Discussion took place around a definition for "market rate housing". The language was amended to add "at the time of application" at the end of Section 2.1, in reference to when the actual market rate rents would be determined.

Discussion took place around who should be charged with an annual review of the TIF Policy. Clear suggested having the EDC review the TIF Policy on an annual basis.

Consensus was to have the EDC review the TIF Policy on an annual basis.

Discussion took place around how to identify and set up a speculative TID. Gromacki noted that it might work better to address these issues on a case-by-case basis, as these TIDs would be different in every location. Olver said that the generator requirements for the creation of a TID could be a barrier to the creation of a speculative TID. He said that the creation of speculative TIDs could allow the City to react faster to commercial or industrial opportunities, but that if the funding wasn't managed carefully, the TID could be overspent quickly and wind up underwater. Rummel said that her district had some de-facto speculative TIDs, such as TID #37, and that they were underperforming. Schmidt suggested language to be added for Section 3.2 on how to address the creation of speculative TIDs. This language was, "The Common Council may consider a TID without a generator on a case-by-case basis with due consideration to risks and costs and compliance with adopted plans and policies."

Consensus was to add the language suggested by Schmidt to address the creation of speculative TIDs.

Weir noted that she would like to avoid the issue that happened with TID #40, which has spent in excess of \$520,000 all while property values went down. The Committee asked Olver to create language to address the creation of speculative TIDs. Bidar-Sielaff asked to have staff identify which areas would potentially be included in these speculative TIDs. It was noted that this information was provided to the Committee at a previous meeting in a Power Point presentation. Weir said she was concerned that the City was building up areas that were already doing well, and she had concern regarding areas that were not doing as well.

Schmidt stepped out and Alder Clear took over as chair.

The Committee discussed the draft TIF Loan Underwriting Policy.

Schmidt returned.

Other than typographical corrections, discussion took place around how to craft language to address the WHEDA gap analysis. No changes were made to the existing language concerning affordable housing.

Gromacki reviewed the Jobs Projects analysis as outlined in the draft TIF Underwriting Standards. Weir asked what would happen if only a fraction of the jobs were created in a "Jobs Project". Gromacki noted that the funds for that portion of the funds would not be disbursed. Schmidt suggested if the 50% rule was eliminated and a jobs prospect asked for a gap analysis waiver, the funding per job could be cut to 2/3 of the SBA amount. Rummel asked if something could be done to ensure that construction jobs were held to a higher standard such as union labor, project labor agreements, and other community benefits.

Consensus was to leave the language regarding the jobs projects funding percentages as they were drafted.

Staff was asked to re-number the TIF Underwriting criteria.

Consensus was to add the language suggested by Clear at the Nov 25, 2013 meeting regarding language to be included in the TIF Policy. This language 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."

The Committee discussed the draft scoring format. Schmidt asked the Committee if it wanted to set a threshold for each of the Objective and Subjective scores. Weir said that she said that the term "Subjective" made her uncomfortable when looking at the different scoring sections. Ellingson asked

to see some sample scoring sets, based upon past projects. Clear said that this may change the nature of applications, based upon what the City asks for in the scoring metric. Discussion took place around whether or not mixing the Objective and Subjective scoring systems would lead to projects trying to game the system, and whether or not to mix them for a final score. Gromacki noted that by adding a score sheet, this would add time to the TIF application process. Bidar-Sielaff discussed the process that could take place using this type of scoring process.

Consensus was to remove the "Objective" and "Subjective" labels.

Clear suggested that staff provide the last 10 TIF Loans to the Committee so each Committee member could also score the previous 10 TIF Loans as a field test. Staff was asked to score the previous 10 TIF Loans and to provide the financial data that would help complete these draft scores. Bidar-Sielaff said she liked a simpler kind of scoring method that was easier to review for policy makers. She also suggested adding a "not applicable" response that would be added to address projects that did not cover a specific category. Rummel noted that there may be some subjective bias in the Committee's scoring efforts, given the fact of hindsight. Extended discussion and disagreement took place around scoring previous projects as a field test. Gromacki suggested that the Committee members score each of the applications in the section previously labeled "Subjective" so members could see first-hand whether the process would meet their objectives. Olver proposed that the 8 Goals be completed and submitted by the TIF Applicant, to be reviewed by Council. The Committee opted to discard the "Score Sheet" approach and attach the 8 Goals to the TIF Application to be filled out by the TIF Applicant.

Consensus was to include the 8 Goals identified in the TIF Goals, Objectives, and Process in the TIF Application. The Committee asked to see a copy of the current TIF Application.

Consensus was to allow a maximum of two (2) pages for a developer's response to the eight (8) questions / Goals identified in the Goals, Objectives, and Process document. Gromacki asked if Staff received an application with more than 2 pages, should it be rejected. Consensus was that the 2 page maximum must be adhered to for an application to be acceptable.

Schmidt noted that there were two additional items that needed discussion; community benefits and sustainability. He asked if there is a desire to set a minimum expectation / standard for these items.

Consensus was to ask future TIF applicants how the TIF goals would apply, asking staff to respond to this in the TIF report, and to ask how the project conformed to the City's Sustainability Plan.

Ellingson left at 3:43 PM.

Verveer asked if the Committee had discussed setting a goal of using the 50% Rule. He noted that some of the increment is generally used for public works projects, as this was important in his view. Gromacki reviewed the development of TIF plans and how the increment generated and spent was estimated.

Bidar-Sielaff left at 3:52 PM.

Discussion took place around how to manage a TID to ensure that there was sufficient incremental revenue to complete capital projects for the City's benefit. Clear suggested adding an additional item that asked for Staff to make an assessment of the request relative to the request for assistance's impact upon the City's ability to spend on other projects. He also asked if the Project Plan could be used to set aside a TIF amount for infrastructure, with the rest set aside for TIF Loans. Gromacki said TIF Project Plans were estimates and that costs shifted over time. He noted it would be problematic to set aside increment with any accuracy. He said increment was the critical factor in paying for infrastructure; if projects did not occur or too much increment was used for TIF Loans, nothing would be left for infrastructure. Verveer asked, wasn't infrastructure why the original 50% Rule was created? Gromacki said, yes, this was why it was originally created.

Consensus was to direct Staff to craft language to be added to the "Goals" section of the Goals, Objectives, and Process document that would set a maximum percentage of increment directed towards a project at 50%.

Motion for referral carried.

**Present:** 3 -  
Michael E. Verveer; Mark Clear and Chris Schmidt

**Absent:** 2 -  
Sue Ellingson and Shiva Bidar-Sielaff

## 7. 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](#)

## 8. ADJOURNMENT

**This was Adjourn**

**Motion to adjourn by Clear, second by Verveer. Motion carried at 4:03 PM**