



**City of Madison**  
**Minutes - Approved**  
**Economic Development Commission**  
**TIF Policy Subcommittee**

City of Madison  
Madison, WI 53703  
www.cityofmadison.com

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October 29, 2008

8:00 a.m.

**Room 300 MMB**  
215 Martin Luther King Jr. Blvd.

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**1. CALL TO ORDER / ROLL CALL**

The meeting was called to order at 8:05 a.m. by Chairperson Nelson.

Present: Douglas Nelson (Chairperson); Ed Clarke, Peng Her

Also present: Sandy Torkildson, EDC member; Susan Schmitz, Downtown Madison Inc.; Delora Newton, Greater Madison Chamber of Commerce; Carole Schaeffer, Smart Growth Greater Madison; Matthew Mikolajewski, Manager OBR; Peggy Yessa, OBR; Dan Rolfs, ED Division; Joe Gromacki, TIF Coordinator.

**2. #11531: CITY OF MADISON TIF OBJECTIVES AND POLICIES REPORT**

Mr. Clarke hoped to provide practical recommendations on the TIF policy report as seen through an economic development lens. He explained at the last EDC meeting that the TIF policy was considered important in the 3-5 Year Strategic Economic Development Implementation Plan and there are technical issues that warranted the creation of this subcommittee.

Chairperson Nelson has heard concerns about the TIF policy requirements of job creation and the lack of a “pay-as-you-go” payment plan.

Ms. Schaeffer noted that she received specific recommendations from Smart Growth Greater Madison members.

Mr. Clarke stated two items he would like the TIF Policy to reflect:

1. A general policy as flexible and simple as possible
2. More ways to use TIF, a more robust policy. He noted the TIF Policy Committee did not have this as their charge.

Ms. Torkildson said the TIF policy is aimed at economic conditions today and we need to look at conditions ten years or longer in the future because the policy will likely not be changed for many years.

Mr. Nelson noted the importance of tying the TIF policy to the Economic Development plan.

Ms. Schaeffer said her group’s members asked not to take market rate housing out of the policy.

Mr. Clarke asked staff if there is a distinction between the project generator and the ways funds are spent?

Mr. Gromacki explained a “but-for” analysis is done on all applications.

Mr. Clarke asked for the difference in TIF goals and TIF strategies as found in the policy?

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Mr. Gromacki explained the goals are broad based as to what the City wants to get out of a TIF district. Initial goals in earlier TIF policies were support economic development, neighborhoods and the Downtown. What was missing was how to reach these goals. The current TIF policy states how to achieve the goals by job creation, new business development and linking housing and jobs. Originally TIF was used solely to support infrastructure development.

Mr. Clarke asked if the criteria to grant money to a project are the same as to spend it on infrastructure?

Mr. Gromacki gave the example of the TIF funding of redevelopment of Block 89 as a funding mechanism for the necessary infrastructure for Monona Terrace. While Block 89 took all of the increment from that TIF district it jump-started the redevelopment of the Downtown.

Ms. Schaeffer explained that her research indicated \$18 in value growth for every \$1 spent through TIF. She noted TIF # 24 has a good track record of job creation and the new policy is being punitive for no reason.

Ms. Torkildson noted the job creation requirement looks like an "add-on".

Mr. Gromacki explained that on rare occasions two TIF projects are submitted simultaneously and that the job creation requirement would be the determining factor in receiving TIF funding. If the applicant does create the jobs then their loan would get a lower interest rate, keeping in mind that the initial interest rate the applicant received is a great deal even without the lower interest rate as jobs are created.

Mr. Gromacki explained the "claw-back" clause does not work for the City because the City is in second or third position on the mortgage and unless the City buys out the first position mortgage holders, the City cannot recover its money.

Mr. Her asked how a developer applies for TIF?

Mr. Gromacki explained the process in this TIF policy is no different than before: a "but for" analysis will still be completed by city staff. He looks at how much TIF assistance is available, the details of the project and the developer's gap. He looks at the credit worthiness, the gap and writes up a report to the Board of Estimates. The Council asked, through this policy, to see if there is new job creation or new business start-up.

Ms. Newton asked if the required job creation is by the developer or the business the developer is working with? Who is held responsible for job creation?

Mr. Gromacki explained that Ms. Newton is referring to a "build-to-suit" arrangement in which the developer will construct a specific building for a business, which will initially lease it and then buy the building. Mr. Gromacki said the TIF guarantee is transferred to the building tenant.

Ms. Schaeffer noted that businesses are taking on additional job creation demands when this happens.

Mr. Gromacki noted the policy makers wanted this in the policy. Ms. Schaeffer noted this was an item of much discussion at the TIF policy committee and she recalls that the Council will not give any money unless jobs are created.

Mr. Clarke would like to recommend to the EDC that the TIF policy eliminate the job creation requirement. He would like the policy to:

1. Be more flexible
2. Be simple
3. Be robust
4. Be competitive

He wants the policy to be practical. Of course we want job creation but it is not needed in the policy. It should be proactive not regulatory. The economy needs Madison to compete for projects and the policy does not need to be a barrier.

Ms. Torkildson noted it is hard to track the number of jobs created, are the jobs new or just transferred from elsewhere? It is unfair for the policy to give an advantage for proposed job creation and makes this policy disingenuous.

Mr. Clarke likes the "perfect world" TIF policy report by staff. He asked about the "pay-as-you-go" financing aspect?

Mr. Gromacki responded that the "pay-as-you-go" option is one of four options, the City of Madison reserves the right to review all options and the "pay-as-you-go" option is often the most expensive.

Mr. Clarke asked if the "pay-as-you-go" option has always been available?

Mr. Gromacki said it has; however, many applicants do not want to go through the review process for it. He said many people argue that it is not debt, however, it is a debt and its payment must be included in budgets. The City owes the public due diligence in review of applications.

Chairperson Nelson asked if the "pay-as-you-go" option has made the City pass on any project?

Mr. Gromacki said the City has not passed up a project because of this. He said often applicants want to protect themselves and want financing to guarantee their profit. This is not "gap" and the City will look at "reasonable" profit in the marketplace.

Ms. Schaeffer noted if the developer makes a profit, two thirds of it gets taken away, however if the project fails then the developer is solely responsible.

Mr. Clarke said he would like to see tough negotiations by the City and a clear analysis of the deal. He said the point of TIF is to encourage development not recoup costs.

Mr. Nelson noted it is impossible to be entirely accurate regarding profit even for banks. Lenders negotiate non-standard payment clauses into deals. He agreed the intent is to make development happen.

Mr. Gromacki stated policy makers do not want to take risk but want to partake of the profits. He again said the City is in second or third position on loans and the "but for" analysis is important for public participation.

Mr. Clarke stated the bottom line for banks is profit and loss and the bottom line for cities is what did the project do for the city. He asked why one should care about the profit if the City's investment is safeguarded?

Ms. Schaeffer noted that if TIF-financed condos are valued higher then they pay higher taxes and the City benefits. She said the policy legislates for every circumstance and is cumbersome.

Mr. Gromacki mentioned the City always has had the non-refundable fee. He asked why Madison should lower its standards to compete with others? He noted TIF was originally created for infrastructure development financing and using TIF as loans is a newer use of TIF.

Mr. Clarke asked why "optional vetting" was not in the policy? Is this a flexibility option that we lost?

Mr. Gromacki said vetting of projects occurs from time to time when multiple project applications are received at the same time. He said the City does not lose flexibility because this happens anyway.

Ms. Newton had these three points:

1. She questioned the wisdom of locating industries near existing housing and gave the example of the problems near Madison Kipp.
2. She does not like to have terms such as, "significant and substantial" if there is no definition of what is meant.
3. She stated asking for a career ladder in addition to a living wage is excessive.

Mr. Mikolajewski asked if the EDC could help by providing a definition of career ladder. Mr. Clarke stated it does not belong in the TIF policy.

Ms. Newton noted that the Inclusionary Zoning requirement is sunsetting in November and should be omitted from the Policy.

Mr. Clarke asked to continue discussing the TIF Policy on Nov. 3 at 8:00 am. He asked why historic revitalization was in the policy.

Mr. Gromacki said there is duplication with existing ordinances in the policy.

Mr. Clarke asked about the hierarchy of documents such as the Comprehensive plan, the Zoning code, the BUILD plan and neighborhood plans?

Ms. Schaeffer described the Zoning Code as the base and the Comprehensive plan as the roof or bigger picture document.

Chairperson Nelson would like to eliminate the equity kicker and job creation requirements for the Policy.

### **3. ADJOURNMENT**

The meeting adjourned at 10:00 am.