

To: Economic Development Commission Members

From: Erik Paulson, Madison Resident (616 E Dayton St #7. 2nd aldermanic district)

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My TIF feedback is based on the "Perfect World" version of the TIF policy, dated 12/15/08 with notation indicating that it contains OBR edits, along with changes proposed by the 12/08/08. The document is Legistar Attachment "Perfect World TIF Policy with OBR Edits 12-15-08.pdf". My feedback also references a memo prepared by Matt Mikolajewski and dated 12/08/08. The Legistar attachment name is "EDC TIF Memo to TIF Policy Committee 12-8-08.pdf"

My first comment concerns some terminology that Mr. Mikolajewski notes several times that TIF "is an investment, not a contract". While this does feel a bit like ruminating on what the meaning of the word "is" is, Mr. Mikolajewski uses it in several instances to (wrongly) support his conclusions, to which we'll return later. To state upfront, I view a "contract" as an set of obligations that must be met in full, no more or no less, and "investment" as providing resources for some sort of enterprise and to share in the success or failure of that enterprise. I view TIF as a contract.

With that in mind, I support the elimination of the "Equity Kicker". As Mr. Mikolajewski rightly notes, the city is guaranteed to receive the money it provides through TIF and does not share in any risk. I do not believe the city should seek to share in any profits that the developer is able to receive after the obligations to the city are met.

On principle, I believe the job creation guaranty language should stay in the TIF policy. If a project moves forward with TIF funding, and it is designed to create jobs, the city rightly should demand that the jobs promised are in fact created. However, under the strict contract definition of TIF, I am forced to support removing the job creation guaranty language. TIF projects, and the resources they create, are "if but for" projects. If the project does not move forward, the city has not lost resources that it could have invested elsewhere. However, if TIF is in fact an investment, then the opportunity cost must be factored into the city's calculations. The job creation guarantees are a hedge against the possibility of other projects (that were turned down in favor of this TIF project) would have created more jobs. In the end, as TIF should be used to help create jobs, I hope some sort of encumbrance is routinely placed on TIF projects to show that the city is serious in its expectations to see the promised jobs become reality. It is true that the city can write this into specific TIF agreements as it so desires, but let's

give the development community some transparency and let them know that this requirement will always be there.

The draft TIF policy also identifies some types of projects that should never be funded by TIF, such as luxury housing or speculative office space. I agree that in the normal case, these projects should no longer be funded through TIF. There may be some circumstances under which we may want the flexibility to use TIF funding, and the right project for the area may be one of the prohibited uses. (An example scenario may be luxury housing on some sort of brownfield site. The east and north sides of Madison have a number of surprises waiting for future generations). It would be prudent to include a lines in the TIF policy now, either specifically mentioning when normally-prohibited projects could be considered, or some general "out" clause that makes it easier to depart from the normal TIF policy and consider these projects. Future policy makers will thank you for that flexibility.

There is another minor terminology problem: the word "in-fill development" is used, seemingly interchangeably, with "redevelopment". As city staff certainly knows, they are not the same thing. The final policy should decide where it means one or the other, or when it means to consider both.

Finally, the TIF policy, in an effort to streamline the process, has eliminated a substantial part of the earlier drafts and policies. I am reminded of the quote, "Make everything as simple as possible, but not simpler". I believe the committee has gone too far in removing some vitally important language. Please consider restoring:

- Historic Renovation as a permitted TIF use. Preserving our heritage is an obviously worthwhile goal of the city. The benefits are not immediately apparent to the marketplace, and are a good example of an "if but for" project. The value of these projects is measured in decades, long after the original financial arrangements have concluded.

- Environmental remediation and high quality building materials as an acceptable reason for TIF financing. Previous generations have left it to us to repair their mistakes, and we should be aggressive in using our resources today to do so. We should not pass that burden on to future generations.

- The TIF annual report. Policy makers must have accurate information to properly serve the public. While I do not believe that all of our policy makers make use of that information, the alternative of making it impossible for any of the policy makers to have the information is not acceptable.

- The public input process for TIF, be it the TIF priority review process or the interested persons registry. Madison needs to change the narrative that the city is a "tough place to do business". We should unabashedly proclaim that the Madison process leads to higher quality projects. Developers should know that if they choose to build in Madison, they can rest assured that their neighbors and competitors will be held to the same high standards that they were, and the value that they create will be protected. Madison should be known as the city where only excellence is allowed. It is the sort of city I want to live in, and it is the sort of city that I would want to do business in.