то:	TIF Policy Review Ad Hoc Committee Chair, Alder Chris Schmidt
CC:	Mayor Paul R. Soglin, Common Council members
FROM:	EDD
SUBJECT:	Comparison of Adopted City TIF Policy, EDC Proposal and TIF Policy Review Ad Hoc Committee TIF Policy
DATE:	January 31, 2014

At your request, Committee Staff has generated the matrix below that compares the TIF policy proposed by the TIF Policy Review Ad Hoc Committee (the "Ad Hoc Committee") to both the EDC's proposed TIF Policy and the City's currently adopted TIF Policy. The outline below follows the proposal generated by the Ad Hoc Committee. There are multiple blanks in this document due to the different policies either not overlapping or excluding various elements that are in other documents.

In this document, the Existing Adopted TIF Policy (the "Adopted Policy") and the EDC Proposal are compared to the Ad Hoc Committee's proposal. Where these two policies differ from the Ad Hoc

Committee's TIF Policy, Staff has added notes or watermarks to describe the differences. If a section was deleted or edited from the Ad Hoc Committee's proposal, Staff has noted this in the matrix. In addition, Staff has noted where sections from the Adopted Policy and the EDC Proposal were moved, relative to the Ad Hoc Committee's proposal.

NOTE: This matrix does not include any of the recommended changes from existing City Committee referrals of the TIF Policy Review Ad Hoc Committee's proposed policy documents.

SECTION 1: TIF GOALS, OBJECTIVES AND STRATEGIES Goal 1: Support Economic Development	INTRODUCTION AND TIF GOALS Tax Increment Financing (TIF) is a governmental finance tool that the City of Madison uses to provide funds to construct public infrastructure, promote development opportunities and expand the future tax base. The City of Madison seeks to use TIF to enhance the built environment in concert with adopted plans and to strengthen the City's economic foundation in an	SECTION 1: TIF G Madison's goals for the A. Growing B. Fostering
 TIF Objectives: (1) Job Creation in High-Need Areas. Job creation in "high need" areas located within blighted area TIDs that demonstrate a significant and substantial combination of the following economic factors: Deteriorating or obsolete building stock Stagnation or decline in property values Commercial and/or industrial vacancy Concentration of unemployment within an existing or proposed TID boundary that exceeds the national average unemployment rate (2) Job Creation Through New Business Development. New business development in high-need areas or industrial TIDs to create living wage jobs. (3) Job Creation Through Attraction, Retention, Expansion of Existing Business. Attraction, retention or expansion of existing business in high-need areas or industrial TIDs that create and retain jobs with a preference for businesses that are located near existing housing or planned housing developments. (4) Mixed/Use or Industrial Projects Linked to Workforce Housing — Whenever feasible, consider projects within mixed-use TIDs that combine the creation of living wage jobs with the provision of workforce housing. In order to be considered, a developer must demonstrate a direct connection between the jobs created and the housing being developed. 	 inclusive manner. The City seeks a policy that is both competitive and flexible. The September 19, 2012 Department of Planning & Community & Economic Development (DPCED) PowerPoint report highlights the impact of the City of Madison's past TIF policies. See Exhibit A. Madison's goals for the use of TIF include: Growing the property tax base Fostering the creation and retention of family-supporting jobs and jobs that offer career ladders toward family-supporting jobs Encouraging adaptive re-use of obsolete or deteriorating property Encouraging urban in-fill projects that increase (or decrease where appropriate) density consistent with the City comprehensive plan Assisting in the revitalization of historic or architecturally significant or deteriorated buildings Creating a range of housing options and specifically encouraging the development of workforce and affordable housing Enhancing transportation options by making it easier to walk, bike, use mass-transit, or employ other shared transit options Promoting superior design, building materials, and sustainability features in the built environment 	C. Encourage D. Encourage where Compref E. Assisting significar F. Creating the deve G. Funding potential options, a H. Promotin features I. Reservin project p Drafter's Note: TIF Poli Proposal, but include ed Hoc Committee Goal I.
Strategies to Support Economic Development: (1) Improve the public infrastructure.		
(2) Support development of industrial sites and business parks to attract new industries and provide suitable locations for expansion and relocation of existing industries.		
(3) Upon demonstrating that "but for" TIF a project could not otherwise be built, provide financial assistance to new and existing businesses whose projects create living wage jobs		
(4) Focus such financial assistance to businesses that create such jobs in the following categories or clusters:		
(a) Manufacturing		

TIF Policy Review Ad Hoc Committee (Goals, Objectives and Process)

GOALS

he use of TIF include:

ig the property tax base

ng the creation and retention of family-supporting jobs

aging adaptive re-use of obsolete or deteriorating property aging urban in-fill projects that increase (or decrease appropriate) density consistent with the City's ehensive Plan

ng in the revitalization of historic or architecturally ant or deteriorated buildings

ng a range of housing options and specifically encouraging elopment of workforce and affordable housing

public improvements that enhance development al, improve the City's infrastructure, enhance transportation , and improve the quality and livability of neighborhoods.

ing superior design, building materials, and sustainability in the built environment

ng sufficient increment for public infrastructure in both TIF plans and TIF underwriting.

licy Review Ad Hoc Committee Goals based off of EDC dits to EDC Goal #2, edits to EDC Goal #7, and addition of Ad

 (b) Medical/Biotechnological (c) Agricultural/Biotechnological (d) Information Systems. Software Technology. Communications (e) Financial and Insurance (f) Those business or industry categories that are consistent with the Economic Development Plan. (g) Job Creation Guaranty for Industrial TID Projects. While not required, the City will gove pionty to project that provide a pb creating state field in the City of Madison, resulting in pib creation as identified in Ceal 1. Strategor (3) and (4). Seeth financial assistance shall be in the form of an interest-bearing toan ("Login") provided to the Borrower confingent upon the following be greatened to the Software configent upon the following be greatened by performing and interest-bearing toan ("Login") provided to the Borrower to the City of Madison, resulting in pib creation as identified in Ceal 1. Strategor (3) and go freation guaranty requirements: (a) Lean stable be applied by Borrower to the City of Madison at the City's borrower shall be parable by Borrower to the City of Madison at the City's borrower is that the form of an interest-bearing toan ("Login") provided to the Borrower to the City of Madison at the City's borrower shall be parable by Borrower to the City of Madison at the City's borrower is that the durate the unstate and edubursed. If the monor is the transformation that be there of said tops are in shall not exceed the (0) years). Borrower is that flow projected jobs in the fact hunds are discussed. The conventional and memory is the flow and the one of the analysis of the projected jobs in the fact hunds are as the state form. (e) Borrowers that demonstrate between 50% and 80% of he projected jobs in the fact hunds are as the fact hunds are as the projected in the fact hunds are as the fact hunds a			
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(b) Stagnation or decline in property values	 (5) Job Creation Guaranty for Industrial TID Projects. While not required, the City will give priority to projects that provide a job creation guaranty. Financial assistance initially may be provided to employers that seek TIF financial assistance in as identified in Goal 1, Strategy (3) and (4). Such financial assistance shall be in the form of an interest-bearing loan ("Loan") provided to the Borrower contingent upon the following job creation guaranty requirements: (a) Loan shall be payable by Borrower to the City of Madison at the City's borrowing rate, interest only, for a period not to exceed three years from the date funds are disbursed. The term of said loan shall not exceed to (10 years). Borrower shall guaranty that tax increment shall be sufficient to repay the Loan. (b) Borrower shall demonstrate that at least 80% of the projected jobs in the Borrower's TIF Application are created within three years of the date the funds are disbursed at which time 100% of the principal amount of the Loan shall then convert to a 0% loan (i.e., a "conventional TIF loan"), repaid with tax increments. (c) Borrowers that demonstrate between 50% and 80% of the projected jobs within the three-year period shall convert a corresponding percentage of the loan to a 0% TIF loan repaid with tax increments and shall pay principal and interest, out-of-pocket (i.e. without tax increment) on the balance. (d) Borrowers that do not demonstrate at least 50% of projected jobs created within the three-year period shall continue to pay principal and interest, out-of-pocket (i.e. without tax increment) on the balance. (d) Borrowers that do not demonstrate at least 50% of projected jobs created within the three-year period shall continue to pay principal and interest, out-of-pocket, for the life of the loan. Goal 2: Support Neighborhood Revitalization, Including Downtown TIF Objectives: (1) <u>High-Need TIDs</u>. Improved conditions in blighted area TIDs in "high n	(Goals listed on Page 2)	

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(Goals listed on Page 2)

Page 4

causes (e) Any combination of factors that are conducive to ill health transmission of disease, infant mortality, juvenile delinquency, or crime, and is detrimental to the public health, safety or welfare. Land upon which buildings or structures have been demolished and which because of obsetete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise substantially impairs or arrests the sound growth of the community. (Goals listed on Page 2) Process) documents in re-worded forms. (a) TIF Assistance for Affordable or Workforce Housing. Affordable or workforce housing projects may apply for conventional TIF assistance provided they demonstrate "but for" to the City's satisfaction. (b) 10% TIF Set-Aside. In each TIF district involving residential use created after October 1, 1999, at least 10% of the anticipated districtwide increment shall be reserved to assist in the development of affordable or workforce housing within the TIF District under program parameters and guidelines adopted by the Common Council. In cases where the gap is greater than 50% of the present value of tax increments generated by the project ("i.e. the 50% Rule"), the City may provide funds from the set-aside to fund the gap. Dane County Median Income. The affordable housing units shall be made available to income certified households at or below 80% of the Dane County median income, adjusted for family size for rental housing

(c) High density or overcrowding

- (2) Historic Revitalization. Assisting revitalization of historic or architecturally significant or deteriorated buildings.
- (3) Adaptive Re-use. Adaptive re-use of obsolete or deteriorating property into other appropriate uses.
- (4) Higher Standards of Building Design, Materials. The City encourages projects that include additional housing, commercial or industrial performance standards that incorporate materials, fixtures, designs and appliances which provide health-related benefits and energy conservation and enhance quality of life including accessibility; such standards may include: energy conservation equipment and appliances, designs and fixtures that provide for fully accessible dwelling units, and equipment that provides a high level of air quality.
- (5) **Urban In-fill.** Urban in-fill projects that either increase or decrease density consistent with the City comprehensive plan.
- (6) Affordable or Workforce Housing (rental or owner-occupied)

 - (c) and 100% of Dane County median income for owner-occupied housing. By adopting this income standard, it is the intent of the Common_

TIF Policy Comparison Matrix

Existing Adopted TIF Policy

Included in both EDC Proposal and TIF Policy Review Ad Hoc Committee (Goals, Objectives and

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(Goals listed on Page 2)

 Council to encourage the development of mixed-income affordable housing, which should include housing units at low and very low-income levels. Strategies to Support Neighborhood Revitalization: Improve the public infrastructure. Upon demonstrating the "but for", provide TIF assistance to private development projects that: Provide a variety of housing choices, through renovation and rehabilitation of existing buildings and higher-density new construction in selected areas to increase the number and diversity of downtown residents. Stimulate the rehabilitation or removal of deteriorated or dilapidated buildings and the creation of mixed-use in-fill redevelopment. Provide the full range of basic neighborhood goods and services When feasible, provide assistance to businesses that create a significant pumber of living wage jobs. TIF Loan policies in Section 4, paragraphs (1) through (8), (10) through (13) and (16) and the job creation guaranty in Goal 2: (3) (4) and (5) shall apply. Provide transportation linkages and other urban amenities. Increase the supply and variety of high-quality, home ownership apportunities. Increase (or decrease, when appropriate), residential densities at selected locations as identified in the adopted City of Madison comprehensive plan. 	(Goals listed on Page 2)	
comprehensive/plan.		

31 January 2014 TIF Policy Review Ad Hoc Committee (Goals, Objectives and Process)

(Goals listed on Page 2)

TIE Policy Comparison Matrix		
TIF Policy Comparison Matrix Existing Adopted TIF Policy	EDC Proposal	TIF Policy
SECTION 2: INELIGIBLE DEVELOPMENT 2.1 Luxury Housing or 100% Market Rate Housing, unless it complies with Section 1, Goal 2 (6) "Affordable or Workforce Housing".	INELIGIBLE DEVELOPMENT Luxury Housing Luxury housing is ineligible for TIF assistance. Market rate housing projects will be evaluated on a case-by-case basis and may be considered for assistance to the degree they demonstrate a financial gap and promote the City's TIF goals articulated above.	SECTION 2.1 Luxu Luxury hous housing with TIF funding case-by-cas demonstrate
2.4 Student Housing —Student housing, defined as multi-unit residential structures, whether publicly or privately owned, that are leased whole or in part to students attending post-secondary educational institutions, shall not be funded with TIF.	Student Housing Student housing, defined as multi-unit residential structures, whether publicly or privately owned, that are leased whole or in part to students attending post-secondary educational institutions, shall not be funded with TIF except if it has a significant affordable component.	2.2 Stude Student hou privately ow secondary e a significant
2.2 Speculative Office Development —Defined as projects that have not secured anchor tenants.	Speculative Office Development Commercial projects will be expected to secure one or more anchor tenants consistent with commercial lending standards.	2.3 Specu Commercial consistent w
2.3 Tenant-Shifting Office Development —Office development that consists solely of moving a downtown office or business to another downtown location for purposes other than to retain or substantially expand the business.	Tenant-Shifting Office Development The City may consider providing TIF to retain an employer within the City or to accommodate an employer's expansion. The City will seek to avoid providing TIF to relocate an employer within the City.	2.4 Tenar The City ma accommoda TIF to reloca
 SECTION 3: TIF PROCESS 3.1 TIF Application Process (See Figure 2a) (2) <u>Capital Budget TIF Application Deadline.</u> Businesses or developers seeking TIF assistance to be funded in the current or next year's capital budget should first consult with the TIF Coordinator to determine if funds are available in the current year and then submit a TIF Application form 	TIF PROCESS The City recognizes that some high-quality, desirable development projects cannot proceed without a public-private partnership that may involve TIF. The City actively invites developers to approach the City with these projects. (See Figure 1 in EDC Proposal)	SECTION 3.1 TIF App 1) <u>Ca</u>
prior to April 15 with a TIF Application fee of ½ of one percent of the amount of TIF requested. Inclusion for consideration in the capital budget cannot be guaranteed. The later that TIF approval occurs in the capital budget process (concluding in approximately October) the less likely that the project may be included in the capital budget. The City is not obligated to make a TIF assistance recommendation or conclude negotiations in the event that information has not been presented to its satisfaction or the proposed project lacks feasibility.	TIF and the Capital Budget To the extent that Economic Development Division staff is able to anticipate projects expected in the upcoming calendar year that require city funds, staff will request Capital Budget allocations for pipeline projects. Developers are encouraged to make staff aware of upcoming projects prior to key Capital Budget deadlines. Typically these deadlines are:	(a)
	Agency Requests mid-June Executive Budget early September The Mayor and Common Council may include an additional pool of TIF funding unallocated to specific Tax Increment Districts (TIDs). This pool may be allocated to specific TIDs on a majority vote based on a first-come, first served basis	(b)

first-served basis.

cy Review Ad Hoc Committee (Goals, Objectives and Process)

N 2: INELIGIBLE DEVELOPMENT

ury Housing

busing is ineligible for TIF assistance. "Luxury housing" is defined as vith rents above the current market rent at the time an application for ng is submitted. Market rate housing projects will be evaluated on a case basis and may be considered for assistance to the degree they ate a financial gap and promote the City's TIF goals articulated above.

dent Housing

ousing, defined as multi-unit residential structures, whether publicly or owned, that are leased whole or in part to students attending posteducational institutions, shall not be funded with TIF except if it has ant affordable component.

culative Office Development

ial projects will be expected to secure one or more anchor tenants with commercial lending standards.

ant-Shifting Office Development

may consider providing TIF to retain an employer within the City or to odate an employer's expansion. The City will seek to avoid providing ocate an employer within the City.

DN 3: TIF PROCESS

pplication Process

Capital Budget TIF Application Deadline.

a) To the extent that Economic Development Division staff is able to anticipate projects expected in the upcoming calendar year that require city funds, staff will request Capital Budget allocations for pipeline projects. Developers are encouraged to make staff aware of upcoming projects prior to key Capital Budget deadlines. Typically these deadlines are:

> City Staff Capital Budget Requests - mid-June Executive Budget – Released in early September Budget Adoption – early November

b) Developers should be aware that other City TIF funding not included in the Capital Budget will require an extra-majority vote to adopt a budget amendment.

TIF Policy Com	parison Matrix
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	Developers should be aware that other City TIF funding not included in the Capital Budget will require an extra-majority vote to adopt a budget	
	amendment.	
 (1) <u>Simultaneous Land Use, TIF Application.</u> (a) Prior to or simultaneous with the initiation of the land use approval process, developers that seek TIF assistance must meet with Economic Development Division staff and other city staff as appropriate. (b) All development projects seeking TIF assistance must receive project land use approvals simultaneous to the review for TIF assistance. In the case where land use process is completed before the TIF process, the land use resolution will be referred by the Plan Commission until the TIF Application process is completed and the Board of Estimates recommends approval of a TIF resolution to the Common Council. Land use approval does not constitute or otherwise influence TIF approval. (c) Developers shall identify on the land use application that they are seeking TIF assistance. 	TIF Application Within an Existing TID As noted in Figure 1, application for TIF for a project within an existing TID only requires approval by the City's Common Council, with referral through the Board of Estimates. Recognizing the need for a potential Capital Budget amendment as noted below, an application for TIF within an existing TID may be accepted and processed at any time. An application timeline for TIF within an existing TID varies on the complexity of the project. From the time of application, through staff underwriting, approval by the Common Council, and negotiation/execution of a TIF agreement, an applicant could expect a two (2) to three (3) month process. In certain situations, a project located within an existing TID may require an amendment to the TID project plan. In these cases, additional time may be required to secure necessary approvals from the Joint Review Board.	(This secti Objectives and
(3) <u>TIF Application Without A TID (Figure 2b).</u> The City of Madison requires approximately five (5) months to create or amend a TID. TIF Law requires that all districts be either created or amended by September 30 of each year in order to be certified for that year. Developers seeking TIF assistance for development on a parcel or parcels that is not located in a TID boundary, and requires either the amendment or the creation of a TID as part of their request for TIF assistance shall apply for and receive <u>TIF and land use approvals by the Common Council no later than April 15</u> .	TIF Application Without an Existing TID Projects located outside of an existing TID could receive TIF support through the creation of a new TID, or by amending the boundary of a nearby TID to bring the project into that TID. The City of Madison requires approximately five (5) months to create or amend a TID. TIF law requires that all districts be either created or amended by September 30 of each year in order to be certified for that year. Developers seeking TIF assistance for development on a parcel or parcels that is not located in a TID boundary, and requires either amendment or creation of a TID as part of their request for TIF assistance should ideally apply for TIF and land use approvals by April 15. Applications for TIF after April 15 will be considered, but may bear additional risk for the developer.	2) <u>TIF Application</u> of an existing T new TID, or by project into that (5) months to cl be either create to be certified development o boundary, and of their request land use appro- be considered, a TID may not b
(See Existing Adopted TIF Policy Section 3.1(1) above (Simultaneous Land Use, TIF Application), Section 3.2(2) above (Capital Budget TIF Application Deadline) and Figure 2a for Existing TIF Policy TIF application process)	(See EDC Proposal page #5, Figure #1, for EDC Proposal TIF application process)	3) <u>Application Pr</u> received, Staff providing the in shall be submi consultation wit the TIF applica Policy and the a
(Not in Existing Adopted TIF Policy)	(Not in EDC Proposal)	 Application De all necessary of application. As a written descri Goals A – H ide as applicable to two (2) typewrit guidance on inte

TIF Policy Review Ad Hoc Committee (Goals, Objectives and Process)

tion was moved to "TIF Goals, nd Process" Section 3.1(1) and (3)).

ion Without an Existing TID. Projects located outside TID could receive TIF support through the creation of a by amending the boundary of a nearby TID to bring the nat TID. The City of Madison requires approximately five create or amend a TID. TIF law requires that all districts ated or amended by September 30 of each year in order d for that year. Developers seeking TIF assistance for on a parcel or parcels that is not located in a TID d requires either amendment or creation of a TID as part est for TIF assistance should ideally apply for TIF and rovals by April 15. Applications for TIF after April 15 will d, but may bear additional risk for the developer because be created in time.

Process. When an application for TIF assistance is ff shall notify the Alder where the project is located by initial TIF application to that Alder. The TIF application nitted to the TIF Coordinator. The TIF Coordinator, in with appropriate City Staff, shall make an initial review of cation based upon the City's adopted TIF Underwriting adopted TIF Goals, Objectives, and Process.

Documents. TIF Applicants shall provide the City with documents to complete a thorough review of the TIF As a part of this information, TIF Applicants shall provide scription of how their proposal meets or exceeds TIF identified at the beginning of this document in Section 1, to their project. This written document shall not exceed ritten pages in 10 point font. Section 3.4 provides policy nterpreting the TIF Goals.

(Not in Existing Adopted TIF Policy)	TIF Team The Director of the Department of Planning and Community and Economic Development (or the Director of Economic Development as the Department Director's designee) shall convene a staff TIF Team as necessary. The staff TIF Team shall be comprised of representatives from the Department of Planning and Community and Economic Development (including the TIF Coordinator), the Finance Department, the City Attorney's Office, and other staff as appropriate. For each project, the team shall collaborate to develop a TIF recommendation to the Mayor and the Common Council.	5) <u>TIF_Team.</u> Community an Development a staff TIF Tea representatives Economic Dev Department, th For each proje recommendatio unable to com the Board of additional guid disagreement.
(4) <u>Application Fee.</u> Developers shall pay a TIF Application Fee in the amount of 1/2 of one percent of the amount requested, non-refundable, upon submission of the initial TIF Application or initial spreadsheet(s) representing a request for TIF assistance.	TIF Origination Fee Developers shall pay a TIF origination fee in the amount of one half of one percent of the amount of Tax Incremental Financing approved by the Common Council. Fee shall be paid in full prior to fund disbursement.	6) <u>Application F</u> OrdinanceX
(5) Term Sheet. Prior to closed session consideration by the Board of Estimates, staff shall provide developer and the district alder with a term sheet indicating the loan terms, conditions and applicable ordinances required by the City of Madison for providing TIF assistance. Staff shall draft a funding resolution upon Board of Estimates closed session approval and receipt of a term sheet that incorporates the terms and conditions found therein.		7) <u>Term Sheet</u> . a term sheet ordinances re assistance. Sta referral to the conditions four more than 55% by that project to the complet are less than increment gen prior to Staff of with all of the of Underwriting P
2. Optional Vetting Process. In the event that the total requested funding for all qualified TIF Applications as of June 15 exceeds available City funding, or such applications concern projects that do not meet annual TIF goals or objectives, the Mayor at his/her discretion may authorize a "vetting" process before the Board of Estimates that shall evaluate and prioritize TIF requests according to established TIF objectives and criteria.	(Not in EDC Proposal)	(See Secti
(6) Board of Estimates Presentations: Staff & Developer. The staff finding is presented to the Board of Estimates in closed session. Prior to the closed session meeting, the TIF Team shall provide the developer and district alder with a written report of its recommendation including. 1) the amount of the TIF request 2) the amount of TIF (if any) recommended and 3) a general statement of comments or issues concerning the project and its conformance to TIF Objectives and Policy. Said report shall be made available to the public, attached to the Board of Estimates agenda, as an electronic document. The Developer may comment on the staff analysis and recommendation at the open session of the meeting.	(Not in EDC Proposal)	 8) Board of Estinits recommending include the foll (a) The amound (b) The type of Project (c) Whether of analysis (if requested) (d) The effect (if applica project's set)

TIF Policy Review Ad Hoc Committee (Goals, Objectives and Process)

The Director of the Department of Planning and nd Economic Development (or the Director of Economic as the Department Director's designee) shall convene a eam. The staff TIF Team shall be comprised of es from the Department of Planning and Community and evelopment (including the TIF Coordinator), the Finance the City Attorney's Office, and other staff as appropriate. ject, the staff team shall collaborate to develop a TIF ion to the Mayor and the Common Council. If Staff is ne to agreement with developer, Staff may request that Estimates convene into closed session to provide idance on how to proceed relative to the areas of

Fee. The Application Fee is set per Madison General XX__.

Staff shall provide developer and the district Alder with indicating the loan terms, conditions and applicable equired by the City of Madison for providing TIF Staff shall draft a funding resolution for introduction and he Board of Estimates that incorporates the terms and und therein. Requests for TIF assistance that request 5% of the Net Present Value of the increment generated ct will require approval from the Board of Estimates prior etion of a term sheet. Requests for TIF assistance that n or equal to 55% of the Net Present Value of the nerated by that project do not need approval from BOE completing the term sheet, provided that they comply other policies, goals, and objectives identified in the TIF Policy and the TIF Goals, Objectives and Process.

tion 3.1(7) above (Term Sheet))

imates Staff Report. Staff shall draft a written report of ndation to the Board of Estimates. This report shall llowing:

unt of TIF requested

of project: Redevelopment, Affordable Housing or Jobs

or not a gap has been identified by TIF staff through gap (if not, indicate that Jobs Project gap analysis waiver is 4)

t of an anticipated tax credit application upon the project able), and the effect of proposed TIF Loan on the score for tax credits given known previous successful

TIF Policy Comparison Matrix Existing Adopted TIF Policy	EDC Proposal	TIF Policy Review Ad H
		scores (e) The estimate project (f) The financial (g) Compliance v (h) If applicable: i. Quantity o ii. Quantity o (i) The amount o (j) A general s project, inclue given the poli 3.1(9). (k) Identify any re
(Not in Existing Adopted TIF Policy)	(Not in EDC Proposal)	 9) Common Council, advised on approval of a council shall cons (a) How the proji (b) Whether the (c) The financial i. The health lifetime, ar plan, Capit ii. The loan a speaking, reduce th improveme iii. The cataly surroundin iv. Other tang as job creat Staff shall provide update Alder(s) of the district(s) conthe process outlined in this to the public and attached document.

Ad Hoc Committee (Goals, Objectives and Process)

nated value and projected increment created by the

- cial health and age of the TID
- ce with TIF Underwriting Policy
- ity of living-wage jobs created and/or retained
- ity of affordable housing units and level of affordability
- unt of TIF (if any) recommended
- al statement of comments or issues concerning the ncluding recommendations on the Council's evaluation, policy guidance in Section 3.4 and the criteria in Section
- ny requested exceptions to TIF policy.
- **Duncil Consideration of TIF Loans.** The Common sed by the Board of Estimates, makes the final decision of a TIF loan. In evaluating a TIF proposal, the BOE and consider the following factors:
- project meets the city's and district's TIF goals
- the loan amount is appropriate and in the public interest. ncial risk to the city, including such factors as
- ealth of the district, including existing debts, remaining e, and future public improvements required by the district Capital Improvement Plan or by the project itself
- an amount percentage of NPV of increment. Generally ng, higher percentages increase the risk to the city and the amount of increment available for public rements, future loans, and cash out at district closure.
- atalytic effect of the project within the district and the nding area
- tangible and intangible value created by the project, such creation and blight abatement
- dates to and seek feedback from the Mayor and the s) containing the project and the overlying TID throughout a this section. The Staff Report shall be made available ached to the Authorizing Resolution as an electronic

Page 10

the City.

3.2	Creation or Amendment of TIDs (Figure 2c)	TID Creation
	e City will consider creation or amendment of a TIF district according to the owing guidelines:	The City will generally consid a. The proposed TID has econo development project that gener
1)	<u>TIF Generators.</u> The proposed TIF district has economic "generators", i.e., at least one private development project that generates increment to finance TIF district costs, including a sufficient amount of public infrastructure improvements. The economic generators project must have an incremental value at completion of at least \$3 million to cover the typical costs of establishing a TIF district.	Economic generators typically completion of at least \$3 millio TID, or – b. The proposed TID is in a TI Community and Economic De is likely, or – c. The City owns/land in the pr or develop the land Note: The previous language is creating small TIDs that may be be strategically important to cr
3. 5	Standards for TID Creation	
(1)	Infrastructure TIDs. The City may create a TIF district around an economic generator for the sole purpose of financing public infrastructure costs or financing long-term affordable housing serving income-certified households at or below 80% of the Dane County median income, adjusted for family size.	
(2)	In-fill Development. The proposed TIF district assists in-fill development or adaptive reuse or revitalization of older commercial corridors or underutilized or otherwise blighted parcels of land in older neighborhoods in	

- (3) Consistency with Plans. The proposed TIF district is consistent with adopted City plans.
- (4) Conformance to TIF Law. The City will conform to the requirements established in the State Statutes governing the elimination of blight and creation and use of TIF districts (Wis. Stats. 66.1105) as follows:
 - (a) Blighted Area, Environmental or Industrial TID. The proposed TIF district assists blight elimination, environmental remediation, development of industrial parks.
 - (b) Blight Elimination. Projects developed within the proposed TIF district would counteract or eliminate blight or neighborhood conditions that demonstrate a negative effect upon the public health, safety, morals or welfare.
 - (c) <u>TID Value Cap.</u> The City will evaluate a proposed TIF district to ensure that it does not compromise the City's ability to create future, highpriority TIF districts. This evaluation will be based upon the proposed TIF district's impact upon equalized value limits established in the TIF Law (Wis. Stats. 66.1105 (4)) as follows:

TIF Policy Comparison Matrix

Existing Adopted TIF Policy

(See TID)

	3.2 Creation or Amendmen
y consider creating or amending a TID when: has economic "generators," i.e., at least one private hat generates increment to finance TID costs. typically should have an incremental value at \$3 million to cover the typical costs of establishing a is in a TDA and the Department of Planning and omic Development finds that near term development in the proposed TID and is actively attempting to sell	 The City will consider creating uidelines outlined herein neighborhood associations, appropriate are invited to paramendment of TIDs. 1) <u>TIF Generators.</u> "generators", i.e., generates increment amount of public generators project least \$3 million to compare the second second
	(Drafter's note: Same as E
nguage is not intended to prevent the City from hat may be less costly to establish nor TIDs that may tant to create in advance of an expected generator(s).	(
TID Creation section above)	(See Section 3.2 Section 3.2(2

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TIF Policy Review Ad Hoc Committee (Goals, Objectives and Process)

nt of TIDs

ion or amendment of a TIF district according to the Alders are responsible for ensuring that business associations, and other stakeholders as articipate in public discussions on the creation and

The proposed TIF district has economic at least one private development project that ent to finance TIF district costs, including a sufficient ic infrastructure improvements. The economic must have an incremental value at completion of at cover the typical costs of establishing a TIF district.

Existing Adopted TIF Policy)

2(1) above (TIF Generators) and 2) below (Speculative TIDs))

Existing Adopted TIF Policy	EDC Proposal	TIF Policy Review Ad
 "The equalized value of taxable property of the district plus all existing districts does not exceed 12% of the total equalized value of taxable property within the city." (5) TID Presentation to Board of Estimates. Staff shall submit a general plan concept sometime during the first quarter of the calendar year, when contemplating the development of a TID project plan. This would apply for TIDs that provided assistance to private development as well as TIDs created solely for infrastructure. 2) <u>Twelve-Year Expenditure Period.</u> Although TIF Law allows blighted area and industrial TIDs to make expenditures for up to 22 and 15 years respectively, the City of Madison shall make TIF-etigible expenditures within newly-created TIDs for a period net to exceed twelve (12) years, except when staff recommendations based upon the fiscal performance of the TID indicating a need to extend the expenditure period within the parameters of TIF Law. 	(Not in EDC Proposal)	(Not in TIF Po
(Not in Existing Adopted TIF Policy)	(Not in EDC Proposal)	 2) Speculative TI an identifiable to be competition to be competition of the commercial and discretion, created industries (a) A spection purpos retention industries (b) A TIF (b) A TIF (b) however estimated potential value p) (c) The Cirre TIDs to be determined and the competition of the c

d Hoc Committee (Goals, Objectives and Process)

Policy Review Ad Hoc Committee)

<u>TIDs.</u> The definition of a speculative TID is a TID without a TIF generator, located in areas in the City requiring TIF titive for economic development projects, focusing on and industrial development. The City may, in its reate a speculative TID according to the following

eculative TID may be created for the stated public bees of creating value growth and job creation or tion in areas that are suitable and zoned as either trial or mixed-use as defined by TIF Law.

generator shall not be required for a speculative TID, ver, the City shall provide reasonable, conservative ates to overlying tax jurisdictions that forecast growth tial and TID expenditure based upon the cost, rent and potential of the area within such TID.

City shall construct a phased project plan for speculative that anticipates public investments and development that may be made both early in the life of the TID and time as development occurs and/or increment is rated.

assessable infrastructure expenditures shall be deferred such TID is generating positive tax increment sufficient, result of new development activity, to recover the nditure in the TID's remaining life. The TIF team may mend an exception if infrastructure investment is likely required to attract a generator or if investment is nted for other reasons.

ore than two speculative TIDs shall be open at any given Once a speculative TID obtains a generator, a new lative TID may be considered.

Half Mile Rule boundary amendments, enabling TID inditures to exceed a TID boundary, shall be adopted for eculative TID unless the TID demonstrates a reasonable cial capability to recover the expenditures within its ining life.

		(g) If no v occurs the TID to reco conside Counci taxable growth
(Not in Existing Adopted TIF Policy)	Targeted Development Areas The City recognizes the need to be proactive about strategically encouraging development in some areas. In particular, competing for desirable employers that are seeking new space requires nimbleness and responsiveness. To make Madison competitive, the Department of Planning and Community and Economic Development shall propose a map, for adoption by the Common Council, of these Targeted Development Areas (TDAs) appropriate for commercial or industrial development. The Common Council and Joint Review Board can create a new TID regardless of whether or not the geographic area is covered by a TDA: however, projects located within an adopted TDA shall receive additional consideration for TID creation. The purpose of these TDAs is not to choose winners and losers, but help Madison projects be competitive with surrounding communities. The Department shall propose updates to the map as necessary.	(Not in TIF P
(Not in Existing Adopted TIF Policy)	Underwriting Review In addition, the TIF Team shall periodically review the assumptions and methodology used in its analysis and make updates as needed. This review will assess the use of cash flow versus static modeling, the discount rate assumption relative to historic City borrowing costs, property value appreciation, rates of levy growth, and other variables.	 3.3 TIF Policy Review a 1) <u>Annual Review</u> shall be review Committee, Co of Estimates.

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TIF Policy Review Ad Hoc Committee (Goals, Objectives and Process)

value growth as a result of new development activity rs at the ten (10)-year anniversary of the TID's creation, TD shall be dissolved upon receipt of sufficient increment ecover project costs. Use of a donor TIDs may be dered for this purpose if approved by the Common cil and Joint Review Board. The general appreciation of le property within such a TID shall not constitute value th as a result of new development activity.

Policy Review Ad Hoc Committee)

and Update

ew (Underwriting Policy). The TIF Underwriting Policy ewed on an annual basis by the Economic Development Common Council Organizing Committee, and the Board

TIF Policy Comparison Matrix		
Existing Adopted TIF Policy	EDC Proposal	TIF Po
 Appendix A – Standard Operating Procedures Annual TIF Strategy Review (1) The DPECD Director, Economic Development Director and TIF Coordinator shall be responsible for coordinating an annual TIF strategy review during the first quarter of each calendar year, prior to drafting the Economic Development Division And Engineering capital budgets. (2) Format of the Review. The strategy review shall follow the following format: Facilitate internal meeting of a staff team to generate report for discussion. Introduce resolution with report, referred to the Board of Estimates (lead), Economic Development Commission and Housing Committee, Board of Public Works of findings, trends and strategies to be implemented for the following budget year. (c) Staff shall make a presentation of the Council's adopted strategy to the TIF Joint Review Board. This presentation may accompany or include information of anticipated new TIDs to be created per TIF Policy 4.3 (6) or the Annual TIF Report, if available at that time. 	Annual TIF Policy Review The Department of Planning & Economic & Community Development shall update the data of the September 19, 2012 PowerPoint presentation on an annual basis to facilitate a policy evaluation. The Economic Development Committee shall hold a public hearing every February to solicit feedback on the City's TIF Policy. Among the criteria for this review shall be relative use of TIF, comparison to regional communities, and developer feedback. In addition, the TIF Team shall annually review the adopted TIF Policy and propose modifications to reflect changes in market conditions, new experience, and new development trends. Based on the annual hearing and team review, the TIF Team in conjunction with the Economic Development Committee shall prepare a resolution for Common Council consideration that incorporates suggested changes.	2)
(8) Annual TIF Report. The Comptroller shall oversee and submit an annual report to Council assisted by information provided by Engineering and Planning & Development concerning each active TID: 1) the financial position of each TID; 2) progress of implementation of infrastructure improvements and 3) TIF assistance to private development.	(Not in EDC Proposal)	3)
		3.4 TIF This se This gu resoluti 1) 2)
(Not in Existing Adopted TIF Policy)	(Not in EDC Proposal)	3)

Policy Review Ad Hoc Committee (Goals, Objectives and Process)

Annual Review (Goals, Objectives, and Process). The TIF Goals, Objectives, and Process shall be reviewed on an annual basis by the Economic Development Committee, Common Council Organizing Committee and the Board of Estimates.

Quarterly Report. TIF Staff will provide the Board of Estimates with a quarterly update on current and pending TIF projects during closed session, or more often on an as needed basis.

F Goals Policy Guidance

ection provides additional guidance in interpreting the Goals in Section 1. guidance reflects policy goals adopted by the City through various plans, itions, and ordinances

<u>Growing the property tax base.</u> Estimate the property tax growth as a result of your project.

Fostering the creation and retention of family-supporting jobs. The City of Madison has a Living Wage Ordinance and has stated through numerous resolutions its support for the right of workers to collectively bargain.

Encouraging adaptive re-use of obsolete or deteriorating property. The most sustainable building practice is often to reuse existing structures in whole or in part. The City of Madison has an adopted Sustainability Plan.

4) Encouraging urban in-fill projects that increase (or decrease where appropriate) density consistent with the City's <u>Comprehensive Plan.</u> The City has adopted plans and policies to encourage growth and density in certain locations through its Comprehensive Plan, Neighborhood Plans, and other applicable land use and transportation plans

5) <u>Assisting in the revitalization of historic or architecturally</u> <u>significant or deteriorated buildings.</u> The goal of the Madison Landmarks Ordinance is to preserve, protect, enhance and perpetuate

TIF Policy Comparison Matrix Existing Adopted TIF Policy	EDC Proposal	TIF Policy Review Ad Hoo
		 and improve historia neighborhoods. 6) Creating a range of the development or land use plans and Committee contain rarange of housing cho 7) Funding public potential, improve transportation option neighborhoods. The and adopted land infrastructure goals at and infrastructure goals at and adopted land infrastructure goals at the goals at the besign Districts that of Madison Zoning transportation plans regarding environment and its great concern to the Design Districts that of specific projects. and the Capital Improvement to of specific projects.

Ad Hoc Committee (Goals, Objectives and Process)

nistorically and architecturally significant buildings and

nge of housing options and specifically encouraging ent of workforce and affordable housing. Adopted as and the report of the Housing Diversity Ad Hoc intain recommendations to further the availability of a full ing choices.

blic improvements that enhance development mprove the City's infrastructure, enhance options, and improve the quality and livability of ls. The City of Madison's Capital Improvements Plan land use and transportation plans enumerate the goals and needs of the City.

perior design, building materials, and sustainability the built environment. The quality of the built nd its impact on the natural environment are areas of to the City of Madison. The City contains several Urban s that provide area specific design guidelines. The City coning Code, Sustainability Plan and land use and plans contain guidelines and recommendations ronmental sustainability and conservation.

ficient increment for public infrastructure in both TIF and TIF underwriting. The City has made extensive ent to address infrastructure needs that exist regardless ects. Those needs are outlined in the TID Project Plan I Improvements Plan. Existing Adopted TIF Policy EDC Proposal

(19) <u>Changes or Exceptions to TIF Policy.</u> Any language in these Objectives and Policies pertaining to TIF Law is subject to change as TIF Law may be changed from time to time by the Wisconsin State Legislature. TIF Policy exceptions shall only be made in rare instances upon approval of the Common Council. In those cases, the resolution authorizing TIF funding should state a detailed, specific and significant public purpose explanation for making the exception.	(Not in EDC Proposal)	<u>The City of Madi</u> to make exception
(See Section 4 below)	TIF LOAN UNDERWRITING It is the policy of the City to support high quality development consistent with adopted plans while acting as a careful steward of public resources. While providing prudent TIF awards, the City will partner with TIF applicants where appropriate to promote the eight goals outlined earlier in this document. Definitions The follow definitions are used in this section; Beal Estate Project: The construction, rehabilitation, or expansion of a structure that creates property tax increment or Payments in Lieu of Taxes. ("PILOT") Affordable Housing Project: A residential real) estate project offering below market rents based on income for an extended period of time Employment Oriented Project: A commercial or mixed-use Real Estate Project led by or archored by a non-retail employer that meets the Workforce Development Standards described below Workforce Development Standards The City of Madison is focused on fostering the creation and retention of family supporting jobs and/or jobs that offer career ladders toward family supporting jobs and/or jobs that offer career ladders toward family supporting jobs and/or jobs that offer career ladders toward family supporting jobs within the following primary industry sectors: Manufacturing Medical/Biotechnology Digital Technology Digital Technology Digital Technology Other sectors consistent with the Economic Development Plan	(See Section

lison Common Council reserves the right ions to the TIF Loan Underwriting Policy.

n 1 (TIF Loan Underwriting & Jobs Project) below)

SE	CTION 4: TIF LOAN UNDERWRITING	Cost Considerations	SE	ECTION 1: TIF LOAN
4. 1	1 TIF Loan Policies – All Development Land Cost Due Diligence, Excessive Land Costs—The City may consider write-downs from the value of the current land use to the market value of the proposed use provided that Developers shall demonstrate proper due diligence in the purchase of land, including but not limited to studies of soil conditions, comparable land prices, environmental issues. Prior to purchase, developers seeking TIF shall provide the City with documented market evidence that the purchase price negotiated is within an acceptable range of values for the property's current land use and condition. Developers shall conduct initial meetings with the district alder and planning staff concerning building height, land use and other issues and shall provide such findings to the City. Developers are encouraged to option land while such studies are performed. The City of Madison is not obligated to provide TIF assistance for land costs, whether purchased or optioned. Developer shall provide all such studies or reports to the City at the time of application.	TIF assistance can generally support capital costs, financing costs, real property assembly costs, and professional service costs as outlined in Wis. Stats 66.1105 (2) (f) subject to the following qualifications: Land Cost Due Diligence, Excessive Land Costs—The City may consider write-downs from the value of the current land use to the market value of the proposed use provided that Developers shall demonstrate proper due diligence in the purchase of land, including but not limited to studies of soil conditions, comparable land prices, environmental issues. Prior to purchase, developers seeking TIF shall provide the City with documented market evidence that the purchase price negotiated is within an acceptable range of values for the property's current land use and condition. Developers shall conduct initial meetings with the district alder and planning staff concerning zoning, land use and other regulatory issues and shall provide such findings to the City. The City shall not assist write-downs for land purchases that greatly exceed the assessed value of the current land use(s), as determined by the City. The City of Madison is not obligated to provide TIF assistance for land costs, whether purchased or optioned. Developer shall provide all such studies or reports to the City at the time of application.	ті	F Loan Policies – A Land Cost Due I consider write-down value of the propose proper due diligence studies of soil cond Prior to purchase, documented market an acceptable rang condition. Develope and planning staff of and shall provide su option land while s write-downs for land the current land use not obligated to pro or optioned. Develo at the time of applica
2)	Environmental Remediation —The City may consider the cost to remediate environmentally contaminated property when it exceeds the reasonable cost experienced on typical redevelopment projects. However, the City shall not provide TIF write-downs that eliminate a responsible party's obligation to remediate contaminated property.	Environmental Remediation The City may consider the cost to remediate environmentally contaminated property when it exceeds the reasonable cost experienced on typical redevelopment projects. However, the City shall not provide TIF write- downs that eliminate a responsible party's obligation to remediate contaminated property.	3)	Environmental Re remediate environm reasonable cost exp the City shall not p party's obligation to
3)	Assessable Infrastructure Costs. TIF may not be used to pay for public infrastructure expenditures that are paid for by special assessments or other City charges. Non-assessable public infrastructure expenditures may be funded with TIF.	Assessable Infrastructure Costs Currently in the City of Madison, TIF may not be used to pay for public infrastructure expenditures that are paid for by special assessments or other City charges. Non-assessable public infrastructure expenditures may be funded with TIF.	4)	Assessable Infrast infrastructure expen other City charges. I be funded with TIF.
4)	Operating Costs, including, but not limited to, lease-up reserves, working capital are not eligible TIF expenses.	Operating Costs Operating costs including, but not limited to, lease-up reserves, working capital are not eligible TIF expenses.	5)	Operating Costs. reserves and working
5)	<u>City Fees.</u> Parks dedication, sewer, water assessments, etc. are not TIF-eligible.	City Fees Parks dedication, sewer, water assessments, etc. are not TIF-eligible.	6)	City Fees. Parks d eligible.

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N UNDERWRITING

All Development

Diligence, Excessive Land Costs. The City may vns from the value of the current land use to the market osed use provided that Developers shall demonstrate ice in the purchase of land, including but not limited to nditions, comparable land prices, environmental issues. developers seeking TIF shall provide the City with et evidence that the purchase price negotiated is within nge of values for the property's current land use and pers shall conduct initial meetings with the district alder concerning building height, land use and other issues such findings to the City. Developers are encouraged to such studies are performed. The City shall not assist nd purchases that greatly exceed the assessed value of se(s), as determined by the City. The City of Madison is rovide TIF assistance for land costs, whether purchased loper shall provide all such studies or reports to the City cation

Remediation. The City may consider the cost to mentally contaminated property when it exceeds the xperienced on typical redevelopment projects. However, provide TIF write-downs that eliminate a responsible o remediate contaminated property.

structure Costs. TIF may not be used to pay for public enditures that are paid for by special assessments or . Non-assessable public infrastructure expenditures may

Operating Costs including, but not limited to, lease-up ing capital are not eligible TIF expenses.

dedication, sewer, water assessments, etc. are not TIF-

6) "But for" Standard. Each project must demonstrate sufficient need for the City's financial assistance, so that without that assistance, the proposed project would not occur. Every other financial alternative is to be exhausted prior to the use of TIF, including equity participation, other federal and state funds, bonds, tax credits, loans, etc. TIF assistance will be utilized as gap financing. Each project must demonstrate probability of economic success.	 "But For" Standard Each project must demonstrate sufficient need for the City's financial assistance, such that without that assistance, the proposed project would not be expected to occur in the City of Madison. The economics of the project itself will be evaluated and the balance sheet or wealth of an applicant shall not be grounds for rejecting an application. Each project must demonstrate probability of economic success. The following guidelines will be used for evaluating the "but for" standard: For Real Estate Projects: Projects will be deemed to meet the "but for" standard when a gap between sources and uses of capital exists. For Affordable Housing Projects: Projects will be deemed to meet the "but for" standard when a gap between sources and uses of capital exists or when TIF assistance is fikely to affect a project's ability to attract capital to Madison from another public or nonprofit source. For Employment-Oriented Projects: Projects will be deemed to meet the "but for" standard when a gap between sources and uses of capital exists or when "competitive factors" exist that reasonably lead to the conclusion that but for the provision of TIF assistance, a project is not-likely to occur within the City of Madison. Competitive factors include situations where one or more of the following occur: The employer is conducting a site search for a new facility or expansion that includes sites outside of the City of Madison The employer has received or is soliciting an incentive offer(s) from other governments or economic development entities A Madison-based employer is competing for capital investment within their parent organization or investor group or The employer is evaluating a capital investment (sunk capital) that is likely to assure the retention of that employer for many years 	7)	"But For" Standar the City's financial a project could not oc prior to the use of 1 funds, bonds, tax cr financing as detern Section 1.7 below. B
(See Section 4.1(6) above("But for" Standard))	APPENDIX A – TIF UNDERWRITING This appendix contains additional detail on how these TIF underwriting factors are intended to be interpreted: The type of the project The financial gap exhibited in the TIF application The projected increment created by the project The financial health and the age of the TID An evaluation of relevant competitive factors Location within a Targeted Development Area		(See Section and 1(9) b

31 January 2014 TIF Policy Review Ad Hoc Committee (TIF Underwriting Policy)

ard. Each project must demonstrate sufficient need for assistance, so that without that assistance, the proposed occur. Every other financial alternative is to be exhausted TIF, including equity investment, other federal and state credits, loans, etc. TIF assistance shall be utilized as gap ermined through gap analysis, except as described in Each project must demonstrate a probability of success.

ns 1(7) above ("But For" Standard) below (Gap Analysis Method))

Likelihood of **catalyzing additional development** within the TID Extraordinary strategic or civic purposes met through the project The current economic conditions of the job and local real estate market

Type of Project

TIF loans to affordable housing projects will tend to be calibrated to attract affordable housing resources and reflect the financial health of the TID. TIF loans to employment-oriented projects will tend to be based on the assessment of competitive factors, the projected/increment the project generates, and the financial health of the TID.

Financial Gap

In general, TIF assistance should be provided as gap financing to make projects feasible. In the case of affordable housing projects, employmentoriented projects, and extraordinary circumstances, other standards may be utilized.

Projected Increment

In general, projects should generate enough projected increment to support their own TIF loan and contribute to infrastructure and other public project plan costs. Projects using 100% or more of their projected increment will only be approved in extraordinary cases.

Financial Health and Age

Staff will employ additional caution in making recommendations in TIDs that are distressed or at risk for becoming distressed. At the same time, TIF loans in older TIDs may use a higher share of increment than a comparable project in new or younger TIDs.

Competitive Factors

Madison will use TIF prudently to promote workforce development and to attract, and retain employers. In addition to evaluating the competitive factors present, staff will pay careful attention to the projected increment, financial health, and age of the TID.

Targeted Development Areas

Staff will be proactive about creating TIDs in TDAs when project pipelines, business intelligence, and economic conditions warrant this step.

Other Increment Demands

The City recognizes that some TIDs will focus on infrastructure, some on development, and some on a combination of the two. TIF recommendations for development projects should reflect the project plan, reserving increment according to need rather than an arbitrary standard.

31 January 2014 TIF Policy Review Ad Hoc Committee (TIF Underwriting Policy)

TIF Policy Comparison Matrix

Existing Adopted TIF Policy

	 Catalyzing Additional Development The City recognizes that pioneering projects in blighted areas and areas surrounded by infill redevelopment candidate sites are riskier than other projects and may warrant more aggressive TIF assistance. Strategic or Civic Purpose Projects that serve a strategic need or an important civic purpose may warrant more aggressive TIF assistance. Examples of important strategic or 		
	civic purposes might include: Capturing or retaining a critical major employer Creating a highly visible project conveying a distinct brand advantage to Madison Public-private partnership incorporating or complementing a significant public facility		
	Current Economic Conditions The City's TIF Team recommendations should be somewhat counter- cyclical, competing more aggressively for projects when the job market or		
 8) <u>50% Rule.</u> No more than 50% of the net present value of the tax increment generated by a private development project shall be made available to that project as gap financing. The City may make exceptions to TIF Policy. 	the corresponding segment of the real estate market is depressed. (Not in EDC Proposal)	8)	55% Gateway. Pro
(See Section 4.1(6) above("But for" Standard) and Section 4.1(8) (50% Rule) above)	(See "Appendix A – TIF Underwriting" above)	9)	Gap Analysis Metl Madison may consid a. <u>(Re)Develo</u> expansion blighted an analysis co Developer.
(See Section 4.1(6) above("But for" Standard) and Section 4.1(8) (50% Rule) above)	(See "Appendix A – TIF Underwriting" above)		b. <u>Affordable</u> residential r are affordal Area Media of not less gap analys Developer Housing an Income Hou Developer estimate, b formula.

ojects shall comply with the 55% Gateway, as outlined in *ectives and Process* document, Section 3.1.7.

hods. There are three types of projects that the City of ider for TIF Assistance:

opment Project. The construction, rehabilitation or of a structure that creates property tax increment in a rea TID. TIF assistance shall be determined by gap onducted through a formal TIF Application submitted by

Housing Project, TIF assistance may be provided to a real estate project in which no less than 40% of the units able to households making less than or equal to 40% of an Income (AMI), said units made affordable for a period is than 30 years. TIF assistance shall be determined by rsis of a formal TIF Application submitted by the based the developer's identified need in a Wisconsin and Economic Development Authority (WHEDA) Low busing Tax Credits (LIHTC) application scoring estimate. shall provide City Staff with their own WHEDA scoring based upon the current WHEDA LIHTC scoring sheet /

(See Section 1(5) above (Job Creation Guaranty for Industrial TID Projects), Section 4.1(6) above ("But for" Standard) and Section 4.1(8) (50% Rule) above)	(See "Appendix A – TIF Underwriting" above)	 c. Jobs Project provided to purpose goal be determined instances a providing Entit 1) Eligible industry eligible findustry eligible findu
("But for" Standard) and Section 4.1(8) (50%		t t 3) <i>Jobs Pr</i> determin Gap Ana accordin

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<u>ect - "Pay for Performance".</u> TIF assistance may be o an eligible Employer to accomplish the City's public oal of job creation and/or retention. TIF assistance shall ined by gap analysis of a formal TIF Application. In some a waiver of gap analysis may be granted to the Employer Employer complies with Subparagraph 1.8(c).4) below.

e *Employers*. Employers from the following primary ry sectors as defined by their respective NAICS code, are a for Jobs Project TIF assistance:

Manufacturing

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- Medical/Biotechnology
- Agriculture/Biotechnology
- Digital Technology
- Finance and Insurance
- Alternative Energy, Water and Sustainability
- Other Sectors Consistent with the Economic Development Plan

yer Requirements. Employers eligible for Jobs Project sistance shall:

- Construct and occupy (or lease and occupy) a newlyconstructed or redeveloped facility for not less than the projected life of the Jobs Project TIF loan; and
- Create and/or retain living-wage jobs as defined by Madison General Ordinance (MGO) 4.20, over the projected life of the Jobs Project TIF loan; and
- Generate and guaranty tax increment (unless Employer is leasing under 1.8.c.3)c) below) sufficient to recover the Jobs Project TIF loan within the remaining statutory life of the TID.

Project Analysis Method. TIF assistance shall be nined by gap analysis (unless the City grants Employer a nalysis Waiver in Subparagraph 4. below) and measured ling to the following standards:

- Similar to the U.S. Small Business Administration 504 job creation standard, TIF assistance to a Jobs Project shall not exceed the standard established by the Small Business Administration for investment per job in TIF assistance and shall not exceed 60% of the net present value of tax increments generated by the Employer's project.
- City Staff shall make a recommendation to the Common Council regarding the method and timing for the disbursement of TIF assistance to an Employer. This may include assistance being disbursed as a conventional loan, as an end loan ("Pay for Performance"), or as a hybrid of the two.
- Anchor Tenant Leases, Sales or Transfers. In the event that Employer is leasing a significant amount (more than 30% of the net leasable area) of newlyconstructed or redeveloped space from a Developer, or

TIF Policy Comparison Matrix Existing Adopted TIF Policy	EDC Proposal	TIF Policy Review Ad
		Deve initia Emp Deve suffic date guar peric incre Emp Emp
(Not in Existing Adopted TIF Policy)	(Not in EDC Proposal)	 4) Jobs Project waived only create at lea more of the f Jobs Project guaranty to that living wa and/or retain waiver may conditions: a) The corp inde prov b) The incel required consistion c) Simi crea waivien excel Busi loan assistion pressistion d) Staff metting e) Anch ever (moricinitian Emp Deven sufficion

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Developer constructs a "build to suit" structure that is initially leased and then sold or transferred to Employer, or some other method of property transfer, Developer shall guaranty that tax increments are sufficient to recover the Jobs Project TIF Loan from the date of loan disbursal to Employer. Employer shall guaranty that jobs are created and/or retained within a period not to exceed five (5) years. Developer's increment guaranty obligations shall transfer to Employer upon the sale or transfer of the property to Employer.

Project – Gap Analysis Waiver. Gap analysis may be a only if an eligible Employer proposes to retain and/or at least 100 full-time, living-wage jobs, and meets one or of the following criteria and upon acceptance of the City's project TIF Loan offer, provides a sufficient tax increment ty to repay the Jobs Project TIF Loan and a guaranty ing wage jobs, as defined by MGO 4.20, shall be created retained over a period not to exceed five (5) years. A may be granted under one or more of the following

The Employer is a subsidiary of a large parent corporation, does not measure financial performance independently of the parent and is therefore unable to provide financial statements to facilitate gap analysis.

The Employer is soliciting or has received financial incentive bids from other communities that do not require gap analysis. The City will give greater consideration to applicants that provide documented proof of such bids.

Similar to the U.S. Small Business Administration job creation standard, Employers receiving a gap analysis waiver may receive a Jobs Project TIF loan not exceeding the standard established by the Small Business Administration for investment per job of TIF loan per job created or retained and total TIF assistance and shall not exceed 40% of the net present value of tax increments generated by the Employer's project.

Staff shall determine the appropriate disbursement method for TIF assistance.

Anchor Tenant Leases, Sales or Transfers--In the event that Employer is leasing a significant amount (more than 30% of the net leasable area) of newlyconstructed or redeveloped space from a Developer, or Developer constructs a "build to suit" structure that is initially leased and then sold or transferred to Employer, or some other method of property transfer, Developer shall guaranty that tax increments are sufficient to recover the Jobs Project TIF Loan from the

	(See Section 4.1(6) above("But for" Standard) and Section 4.1(8) (50% Rule) above)	 Amount of TIF Assistance After underwriting each project, staff will make a recommendation on the amount of TIF assistance to be provided based on the following factors (see Appendix A for additional detail): The type of the project The financial gap exhibited in the TIF application The projected increment created by the project The financial health and the age of the TID An evaluation of relevant competitive factors Location with a Targeted Development Area Other increment demands for public infrastructure and other projected project plan costs Likelihood of catalyzing additional development within the TID Extraordinary strategic or civic purposes met through the project The current condition of the economy and local real estate market For Affordable Housing Projects: TIF assistance may be based on matching requirements of other affordable housing programs provided the TID's health or project's value can support such an award. For Employment-Oriented Projects: TIF assistance may be based on the value created by the project, the age and financial health of the TID, and the best available information about the project's economics and competitive factors: 	a. b. c. d. e. f. g. h. i. j. k.	1)Quantity 2)Quantity The amount of T A general states including recom policy guidance <i>TIF Goals, Objec</i> Identify any requ
7)	Equity Greater, Equal to TIF. TIF assistance shall not exceed the amount of equity provided by the Developer. Equity is defined as cash or unleveraged value in land or prepaid costs attributable to the project. Donated Developer or Construction Management fees shall not be constituted as equity investment (See 3.2 Non-profit developers).	(Not in EDC Proposal)	10) <u>Ec</u>	quity Greater, Equ of equity provide leveraged value Donated Develo constituted as ec profit developers.
9)	No Rent or Sales Price Write-Downs. TIF assistance will be limited to the amount necessary to make a project competitive with other similar projects in the Madison metropolitan market area. The intent is not to provide below-market sales prices or rent subsidies to assisted projects, except as applied to assist affordable housing.	(Not in EDC Proposal)	11) <u>No</u>	o Rent or Sales P amount necessa projects in the M provide below-n projects, except a

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- date of loan disbursal to Employer. Employer shall guaranty that jobs are created and/or retained for a period not to exceed five (5) years. Developer's increment guaranty obligations shall transfer to Employer upon the sale or transfer of the property to Employer.
- Criteria. Staff conducts a gap analysis of each project over is granted a waiver under Section 1.8. A Staff on for TIF assistance to the project is submitted to the ncil based upon the following factors enumerated in of the TIF Goals, Objectives, and Process document: TIF requested
- project: Redevelopment, Affordable Housing or Jobs
- ot a gap has been identified by TIF staff through gap ot, indicate that Jobs Project gap analysis waiver is
- an anticipated tax credit application upon the project (if d the effect of proposed TIF Loan on the project's score given known previous successful scores
- value and projected increment created by the project ealth and age of the TID
- th TIF Underwriting Policy
- ty of living-wage jobs created and/or retained
- ty of affordable housing units and level of affordability TIF (if any) recommended
- tement of comments or issues concerning the project, mmendations on the Council's evaluation, given the e in Section 3.4 and the criteria in Section 3.1(9) of the ectives, and Process document.
- guested exceptions to TIF policy

qual to TIF. TIF assistance shall not exceed the amount ded by the Developer. Equity is defined as cash or unie in land or prepaid costs attributable to the project. eloper or Construction Management fees shall not be equity investment. This section may not apply to nonrs. See Section 1.18.

Price Write-Down. TIF assistance will be limited to the sary to make a project competitive with other similar Madison metropolitan market area. TIF Assistance not to r-market sales prices or rent subsidies to assisted ot as applied to assist affordable housing.

TIF	Policy	Com	parison	Matrix
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TIF Policy Comparison Matrix Existing Adopted TIF Policy	EDC Proposal	TIF Policy Review
 10) <u>Self-Supporting Projects.</u> (a) Each for-profit project demonstrating a need for TIF assistance must generate sufficient tax increment to cover or repay both the TIF contribution to the project and a portion of the planned public infrastructure costs within the tax incremental district. (b) No increment from other private development projects within a tax increment district may be used to supplement another project's inability to generate sufficient tax increment. 	(Not in EDC Proposal)	 12) <u>Self-Supporting Pro</u> a. Each for-profit progenerate sufficient contribution to transfrastructure cost b. No increment district to generate sufficient
 Mo Mortgage Guarantees. The City will not provide mortgage guarantees. 	No Mortgage Guarantees The City will not provide mortgage guarantees.	13) <u>No Mortgage Guara</u>
 12) <u>Personal Guaranty.</u> The City will require a personal guaranty for TIF assistance or in the case of a non-profit developer other forms of guaranty may be substituted. (See Appendix B – 1. Non-Profit Developers) 	Guaranty The City will require a guaranty of increment, which may be a personal guaranty, sufficient to recover the City's debt service on City-financed TIF loans.	 14) <u>Guaranty.</u> a. Increment Guara increment, sufficient TIF loans. b. Loan Agreement guaranty to provide and conditions of acceptable if it pression.
13) Real Estate Taxes. All projects assisted with TIF shall pay real estate	Real Estate Taxes All projects assisted with TIF shall pay real estate taxes or negotiate a PILOT acceptable to the City.	(Not in TIF Po
 Private Development Projects Used by Government Units. The City may provide TIF assistance to a private development project wherein a unit of County, State or U.S. Government leases space when the project addresses all of the following situations: Satisfies all other underwriting policies for TIF assistance to private development projects. Maintains or expands existing employment or reuses a blighted or vacant property. Provides an anchor for an overall development plan that will include other commercial, office, housing or mixed uses. Advances a development plan in an already established tax incremental district. Private development projects assisted under this policy will be required to provide a full reimbursement of the City's financial assistance and expenses for the project in the event the project is removed from the tax roll. Projects will be funded under this policy with sources other than general obligation debt to the maximum possible extent, in accordance with the general policy of the City's use of TIF. 	(Not in EDC Proposal)	 15) Private Development may provide TIF a unit of County, project addresses a. Satisfies all othe development proj b. Maintains or exp vacant property. c. Provides an ancl other commercial d. Advances a de incremental districe e. Private developm to provide a full expenses for the tax roll. f. Projects will be general obligation with the general p

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rojects.

project demonstrating a need for TIF assistance must cient tax increment to cover or repay both the TIF the project and a portion of the planned public costs within the tax incremental district.

from other private development projects within a tax rict may be used to supplement another project's inability fficient tax increment.

rantees. The City will not provide mortgage guarantees.

aranty - The City will require a personal guaranty of ficient to recover the City's debt service on City-financed

ent Guaranty - The City shall also require a personal ovide the highest level of security to the City, of the terms of the loan agreement. A corporate guaranty may be provides the City with adequate security.

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nent Projects Used by Government Units. The City IF assistance to a private development project wherein a y, State or U.S. Government leases space when the ses all of the following situations:

ther underwriting policies for TIF assistance to private rojects.

expands existing employment or reuses a blighted or y.

nchor for an overall development plan that will include sial, office, housing or mixed uses.

development plan in an already established tax strict.

pment projects assisted under this policy will be required ull reimbursement of the City's financial assistance and he project in the event the project is removed from the

be funded under this policy with sources other than tion debt to the maximum possible extent, in accordance al policy of the City's use of TIF.

(18) <u>Land Use or Contract Violations.</u> Agreements for TIF assistance shall provide for remedies in the event the applicant violates the land use approvals or other contractual arrangements.	Land Use or Contract Violations Agreements for TIF assistance shall provide for remedies in the event the	16) <u>Land Use or Contra</u> provide for remea approvals or othe
	applicant violates the land use approvals or other contractual arrangements.	
 Accepted Methods of TIF Funding Accrued Tax Increment In certain cases, a TID may have accrued excess increment over a course of time that may be sufficient to cover a TIF request. In this case, although no borrowing is required, the expenditure requires Council authorization. General Obligation Borrowing In many cases, the City must include funds to be loaned to a development project in its annual general obligation borrowing. Such borrowing may be tax-exempt or taxable, according to laws governing municipal borrowing. Internal Borrowing In a few cases, the City has been able to borrow funds from internal sources such as utility reserves, etc. to be repaid with interest by tax increments generated by the project. The Common Council must approve such borrowing for this purpose. "Pay-As-You-Go" Financing Method. Se-called "Pay As You Go" or "developer-financed" TIF is a variant of traditional methods to finance TIF assistance wherein the municipal borrowing. The municipality must budget the amount of debt service owed to the bank each year as part of its annual capital budget process and has the option, with penalties, to forego repayment in any year. Such borrowing may be considered on a case-by-case in comparison to the other methods indicated above. The City of Madison reserves the right to choose the option that is in the best interests of the taxpayer. In all cases, a project using the Pay As You Go method must comply with all other aspects of TIF Law and TIF Policy, including but not limited to the "but for" standard and the 50% rule. 	 Method of TIF Funding The City reserves the right to determine the method of financing TIF loans that is in the best interests of the taxpayer. The City will consider using accrued tax increment, general obligation borrowing, internal borrowing, and developer-financed or pay-as-you-go financing. When utilizing pay-as-you-go financing, the City reserves the right to negotiate terms such as interest costs, time frames, maximum award amounts, disbursement schedules, and the percentage of increment available to developers. For projects using a substantial portion of increment or projects with multiple components or phases, the City may require pay-as-you-go financing at its discretion. Regardless of the financing method, all TIF expenditures will require Common Council approval. 	17) <u>Method of TIF Func</u> method of financ taxpayer. The Cit obligation borrow pay-as-you-go fin City reserves the frames, maximum percentage of inc substantial portior phases, the City n Regardless of the Common Council
Appendix B –Other TIF Policy		18) <u>Non-Profit Applican</u> analyzed on a cas
 1. Non-Profit Developers (1) Equity Requirements. In lieu of developer(s) providing a minimum of 10% of the total estimated project cost as equity, the strength of the proposal may be judged by substitute criteria in cases where all of the following apply: (a) A nonprofit developer is the recipient of the TIF assistance. (b) The TIF assistance is for the development of long-term affordable housing. (c) The recipient of the TIF assistance has provided additional security in a form satisfactory to the City. 	(Not in EDC Proposal)	

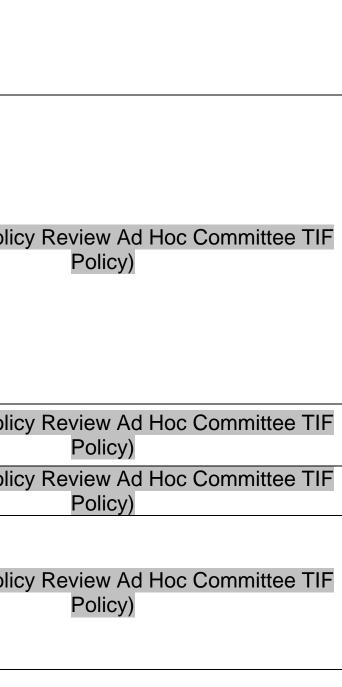
tract Violations. Agreements for TIF assistance shall medies in the event the applicant violates the land use ther contractual arrangements.

unding. The City reserves the right to determine the ancing TIF loans that is in the best interests of the City will consider using accrued tax increment, general rowing, internal borrowing, and developer-financed or financing. When utilizing pay-as-you-go financing, the the right to negotiate terms such as interest costs, time num award amounts, disbursement schedules, and the increment available to developers. For projects using a tion of increment or projects with multiple components or ty may require pay-as-you-go financing at its discretion. the financing method, all TIF expenditures will require ncil approval.

ants. Non-Profit Applicants for TIF assistance will be case-by-case basis.

 (2) <u>Guaranty.</u> In lieu of the City requiring a personal guarantee for TIF assistance, other forms of guaranty may be substituted in cases where all of the following apply: (a) A nonprofit developer is the recipient of the TIF assistance. (b) The TIF assistance is for the development of long-term affordable housing. (c) The recipient of the TIF assistance has provided additional security in a form satisfactory to the City. (3) <u>Repayment Through Increment.</u> Non-profit affordable housing projects must generate sufficient tax increment to cover or repay only the TIF contribution that is not provided by the Affordable Housing Set-Aside Fund. 15) <u>Equity Participation Payment.</u> An equity participation payment shall be required for both commercial and/or residential rental and/or owner-occupied projects. 1) The rental equity participation formula, whether commercial or residential, shall be the percentage of TIF in the total project financing multiplied by the gross sale proceeds or the assessed value of the project. 2) The owner-occupied formula, whether commercial or residential, shall be the percent and the total amount of TIF invested in the project. 2) The owner-occupied formula, whether commercial or residential, shall be payable by Developer from any excess sales proceeds, defined as the net sales proceed less actual TIF-eligible costs, less City fees identified in 5.4(4) and less a 12% return on investment (ROI) over a period not to exceed two (2) years from the date a construction permit is issued. Fifty percent (50%) of said excess sales proceeds shall be payad to the City, and fifty percent (50%) retained by the Developer. Actual TIF-eligible costs, City fees and ROI are subject to verification by an independent financial audit conducted by the City of Madison. 	Equity Participation TIF assistance shall not exceed the amount of equity provided by the Developer. Equity is defined as cash or un-leveraged value in land or prepaid costs attributable to the project. Donated Developer or Construction Management fees shall not be constituted as equity investment.	(Not in TIF Polic
(16) Living, Prevailing Wage, Affirmative Action, Best Value Contracting. The Developer shall abide by City ordinances regarding living wage, prevailing wage and affirmative action and best value contracting on the TIF assisted project.	(Not in EDC Proposal)	(Not in TIF Polic
(17) ADA Compliance. All projects shall be in compliance with all applicable ADA requirements.	(Not in EDC Proposal)	(Not in TIF Polic
(6) Interested Party Registry. The City of Madison shall create and maintain a TIF Interested Party Registry for each current and proposed TID, administered by the City Clerk, of interested parties that subscribe to the registry for that current or proposed TID. Said interested parties shall either reside, operate a business, or own property in the City of Madison but are not required to reside, operate a business or own property within the proposed district or its proposed amended boundary. Notification of registry members shall occur as follows:	(Not in EDC Proposal)	(Not in TIF Polic

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 The Clerk shall deliver via electronic or regular mail one of the following: (a) A notice of public hearing regarding the creation or amendment of a particular TID boundary or project plan. The notice shall be distributed on or about the day of the first publication of the Class 2 notice. The TIF Coordinator shall notify the Clerk in advance. (b) A notice of scheduled neighborhood meetings regarding specific implementation of a TID project plan objectives. Appropriate DPD staff shall notify the Clerk in advance. (c) A notice of public hearing concerning the Mayor's Executive Budget. The Mayor's Office shall notify the Clerk in advance. 		
(7) Developer Mailings for Single-Purpose TID Creation or Amendment. Upon demonstrating a "but for" condition satisfactory to the TIF Team, Board of Estimates and Common Council, developers requesting either the creation or amendment of a TID for the purpose of providing their proposed project with TIF assistance shall be required to pay for the cost of mailing the blight notification letters and other mailings to property owners within the TID that are deemed necessary and appropriate by the district alder or alders for the purpose of fully informing the public of the amendment or creation of a TID.	(Not in EDC Proposal)	(Not in TIF Poli

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