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City of Racine, Wisconsin
COMMON COUNCIL

AGENDA BRIEFING MEMORADUM (ABM)

COMMITTEE: Finance and Personnel **LEGISLATION ITEM #:** 792-17

AGENDA DATE: August 21, 2017

DEPARTMENT:

Prepared By: Amy Connolly, Director of City Development

Reviewed By: James Palenick, City Administrator

SUBJECT:

Communication from the Director of City Development requesting adoption of a Tax Incremental Finance (TIF) Assistance Policy and a TIF Assistance application process.

EXECUTIVE SUMMARY:

City staff propose that the Finance and Personnel Committee and the Common Council review and approve a proposed Tax Incremental Finance (TIF) Assistance Policy and application process. The TIF Assistance Policy provides a set of guidelines for the review and recommendation of requests to use tax increment in private development. The policy addresses the following topics:

- Eligible Requests
- Maximum amount of the requests (30% of total project costs)
- Minimum developer equity required (15%)
- Maximum amount of increment sharing (90% and 75% depending on type)
- Maximum payback period (10 years)
- Self-supporting project requirement
- Maximum internal rate of return (20%)
- “But For” and demonstrated need requirement
- Good faith negotiations (must be up to date on taxes and not have any pending lawsuits against the City).

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33 **BACKGROUND & ANALYSIS:**

34 The City has not adopted an official Tax Incremental Financing Policy and has conducted TIF negotiations
35 with developers requesting to share tax increment on a case-by-case basis. While the state statutes do
36 not require that a City adopt their own policy, a City is allowed to adopt their own policies, which may
37 be more stringent (but not contradictory) than the State Tax Incremental District laws.

38 Based upon staff's experiences in other states and information provided to us by our financial advisors,
39 Ehler's, we have found that economic development incentive policies are an effective method of
40 explaining community standards to the development community. Developers prefer consistency and
41 rules that are applied fairly and developers also prefer processes that are clear and concise. This allows
42 developers to plan their projects in advance and gives staff standards for working with developers.

43 We have worked to develop a policy that is easy to understand, developer-friendly, and will provide an
44 appropriate level of incentive to projects within TIDs. Additionally, in the attached TIF Policy and
45 Application, we spell out exactly how the request will be reviewed and the type of due diligence that will
46 be required for each type of TIF assistance request.

47 City staff developed this proposed policy in a collaboration between the City Development Department,
48 Finance Department, City Attorney's office, City Administrator, and Mayor. We reviewed the TIF Policy
49 of several communities and used our combined knowledge of tax incremental assistance to put together
50 an easy to understand policy and an application that will guide the development community through an
51 application process necessary to properly evaluate their proposals.

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53 **BUDGETARY IMPACT:**

54 We propose a fee of 1% of total TIF Assistance Request for a maximum of \$25,000 for "pay-as-you-go"
55 requests and a fee of 1.5% of total TIF Assistance Requests for a maximum of \$30,000 for projects that
56 use loans or bonds. The increased fee for loans and bonds takes into account the extra work required by
57 bond counsel and financial analysts.

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59 **OPTIONS/ALTERNATIVES:**

60 The Finance Committee and Common Council has the following options to consider:

- 61 1. Adopt the policy and application and direct staff to implement the new policy effective on
62 September 6, 2017.
- 63 2. Amend the proposed policy and application
- 64 3. Reject the proposed policy and application

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70 **RECOMMENDED ACTION:**

71 Adopt the proposed policy and application and direct staff to implement the new policy effective on
72 September 6, 2017.

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74 **ATTACHMENT(S):**

- 75 1. Tax Increment Financing Policy (draft)
76 2. Tax Increment Financing Application (draft)