



CITY OF WAUWATOSA

COMMITTEE OF THE WHOLE

AGENDA • JUNE 18, 2013

Regular Meeting

Common Council Chambers

6:30 PM

7725 West North Avenue, Wauwatosa, WI 53213

PLEASE NOTE: The items on this agenda may be revised before the time of the Common Council meeting, some items may be removed and others added prior to the completion of the final Common Council agenda. The final agenda will be available in the City Clerk's office and on the city website at www.wauwatosa.net. It is anticipated that each item listed on the agenda may be discussed, referred or acted upon unless it is noted in the specific agenda item that no action is contemplated.

COMMITTEE OF THE WHOLE ITEMS

1. Economic development update, TIF '201'

Any person who has a qualifying disability as defined by the Americans with Disabilities Act who requires the meeting or materials at the meeting to be in an accessible location or format, must contact the City Clerk at voice telephone 479-8917 or TTY 471-8484 (City Hall, 7725 W. North Avenue, Wauwatosa, Wisconsin 53213) for accommodations. Requests for accommodations for meetings should be made at least three (3) business days prior to the meeting. Every effort will be made to arrange accommodations for all meetings; so please give the City Clerk as much advance notice as possible.

Development Presentation/ TIF 201

June 18, 2013

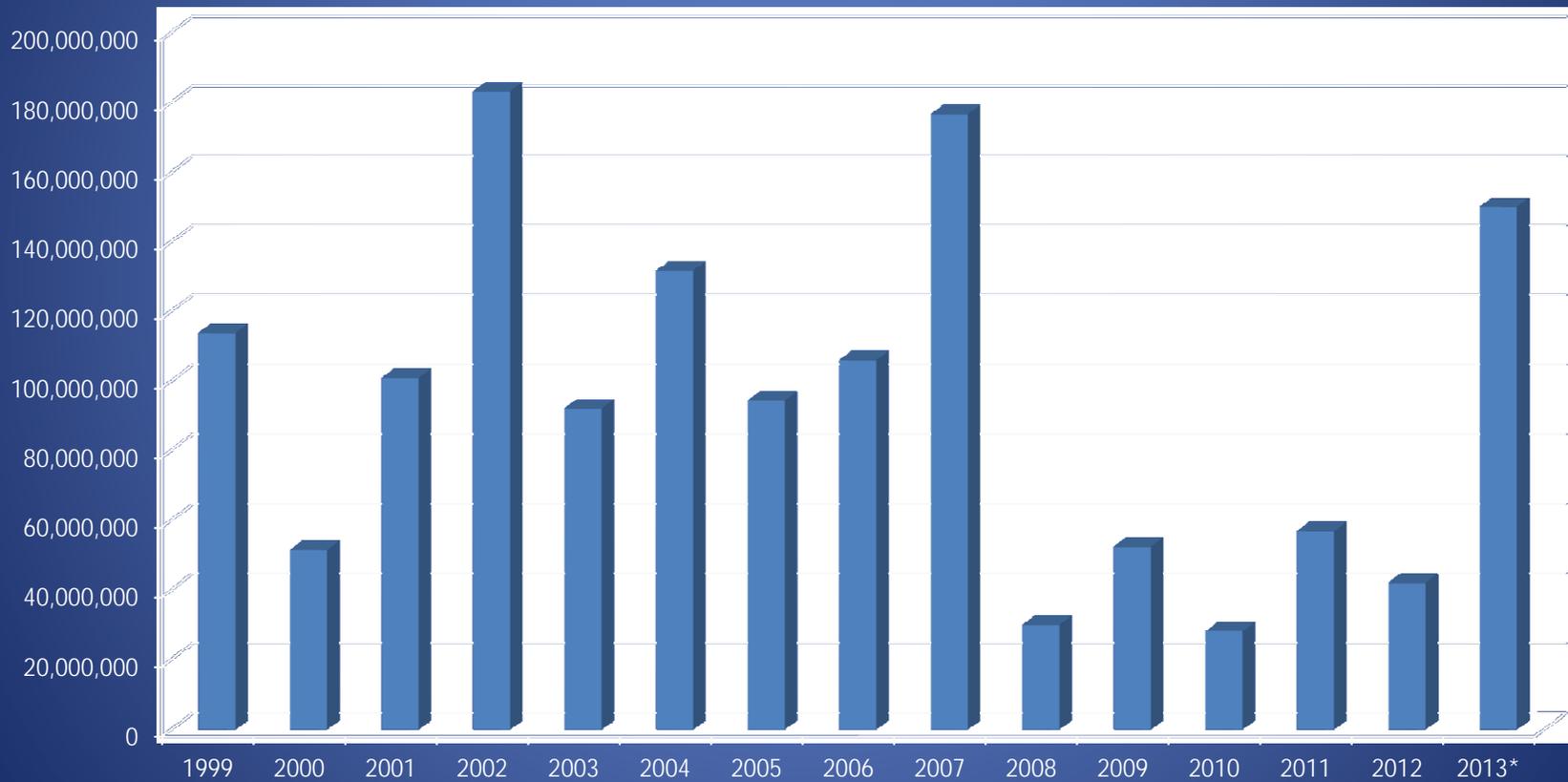
Tosa among 10 fastest-growing cities in Wisconsin

By [Tom Daykin](#) of the Journal Sentinel

- Wauwatosa's population has been steadily declining for decades, the result of the trend toward smaller families combined with an older community that has developed most of its available parcels.
- So it was a surprise when the U.S. Census Bureau released figures ranking Wauwatosa among the 10 fastest-growing cities in Wisconsin with populations over 25,000.
- The addition of 609 residents from 2010 to 2012 amounts to a 1.31% increase. That ranks Wauwatosa as having the sixth-largest percentage increase among Wisconsin cities with at least 25,000 residents, according to the Census Bureau. The top three cities were all in fast-growing Dane County: Sun Prairie, Madison and Fitchburg. Wauwatosa's population peaked at 58,676 in the 1970 census, but dropped to 51,310 in 1980, with additional declines in 1990, 2000 and 2010. Ehley and other city officials hope the new uptick is a sign of continued future growth.
- "We've got exciting things coming," Ehley said.

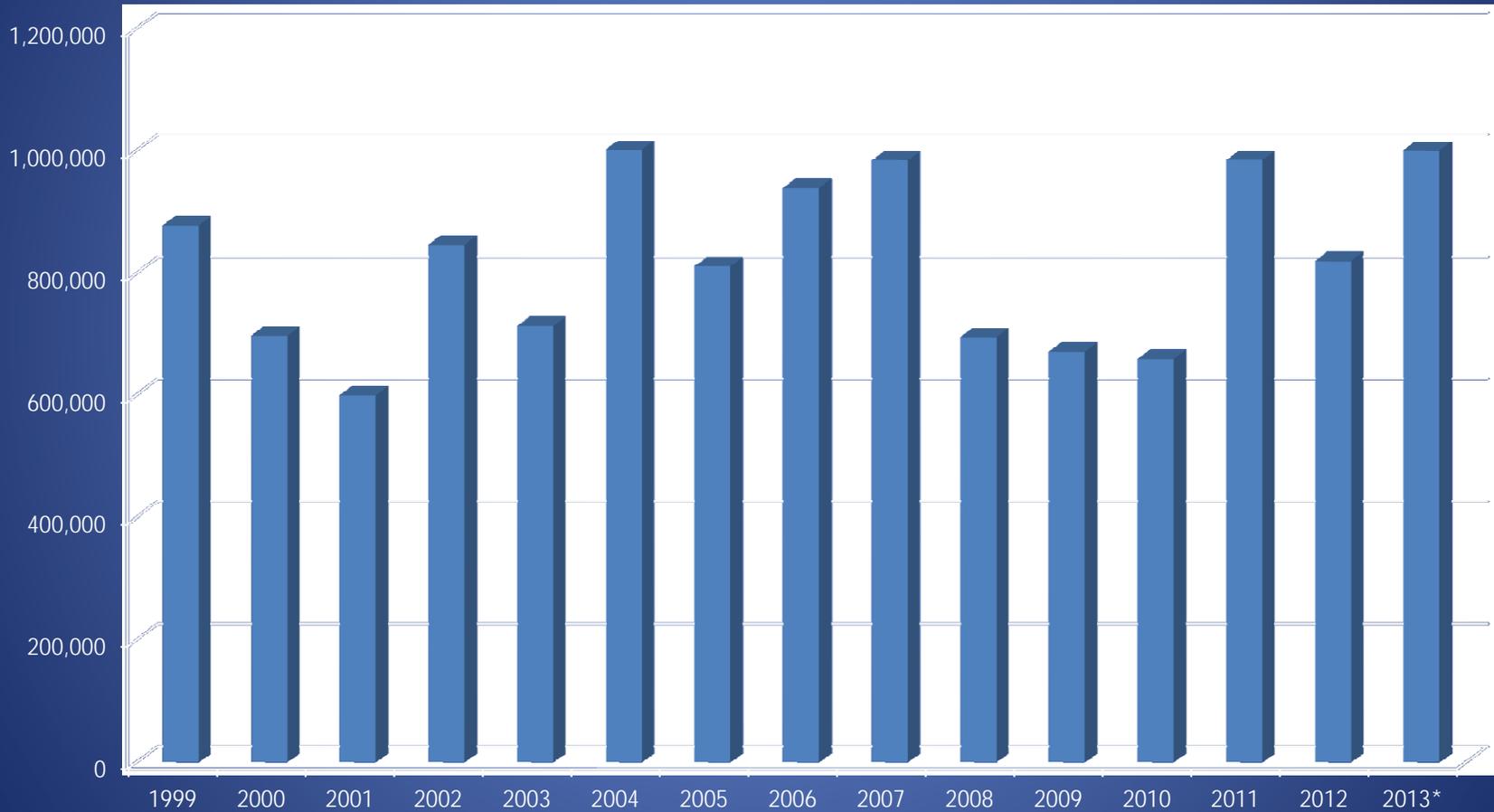
Permit Based Estimate of Total Value

Cost of Construction



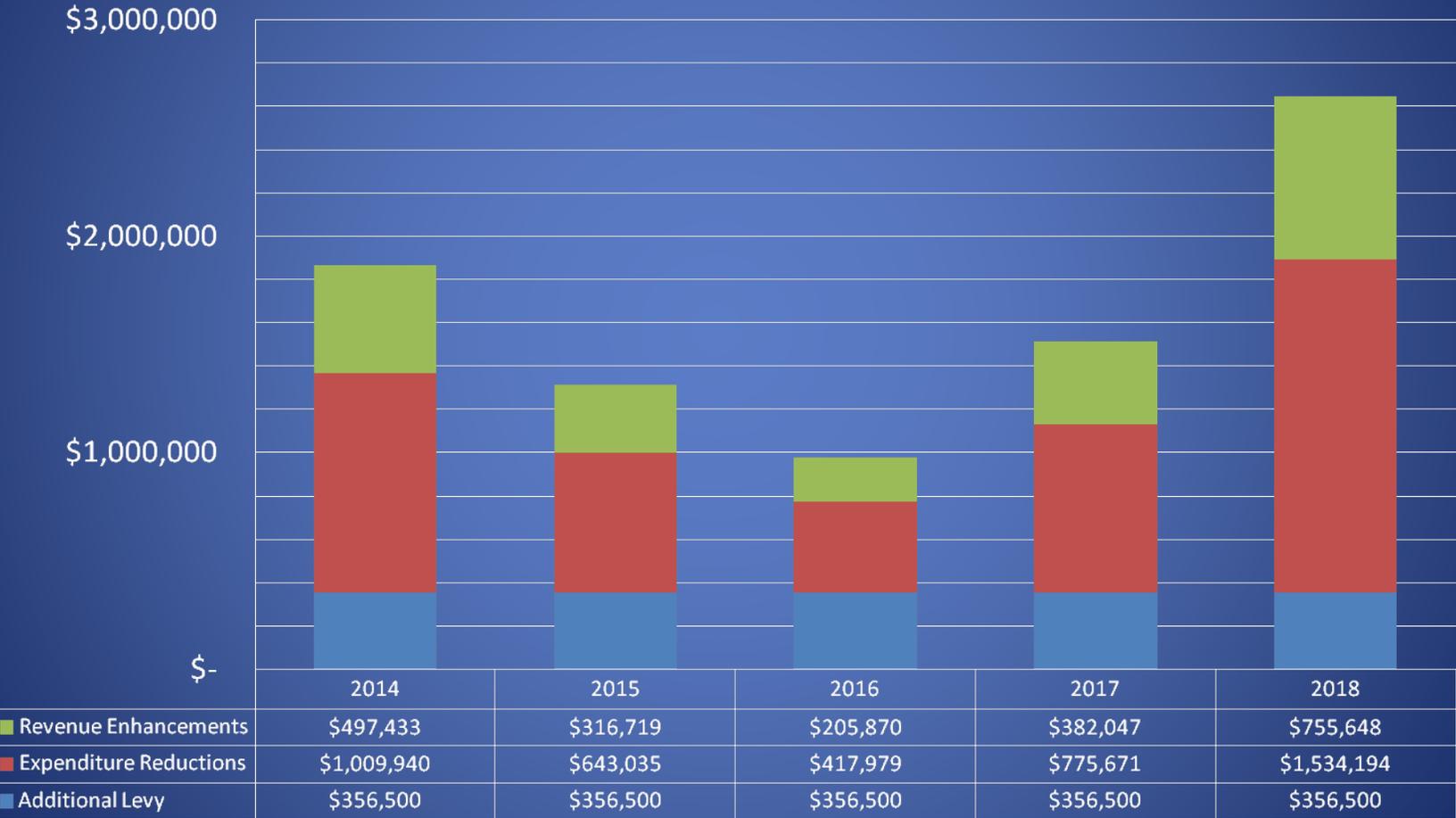
Attachment: TIF 201 2013-6-18 (1514 : TIF '201')

Building Division Revenue



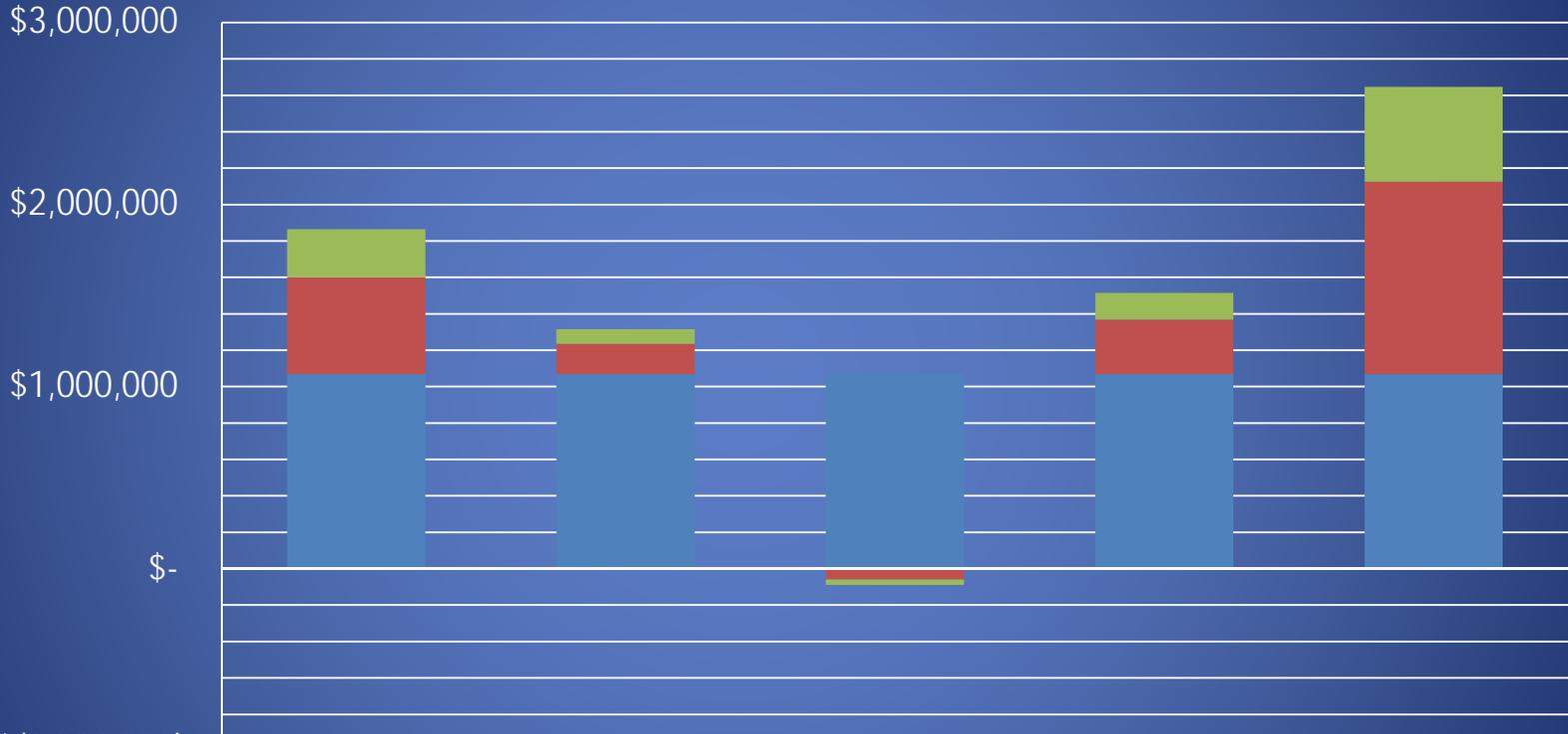
Attachment: TIF 201 2013-6-18 (1514 : TIF '201')

Economic Development Scenario Alternatives Based on \$50M Net New Construction



Attachment: TIF 201 2013-6-18 (1514 : TIF '201')

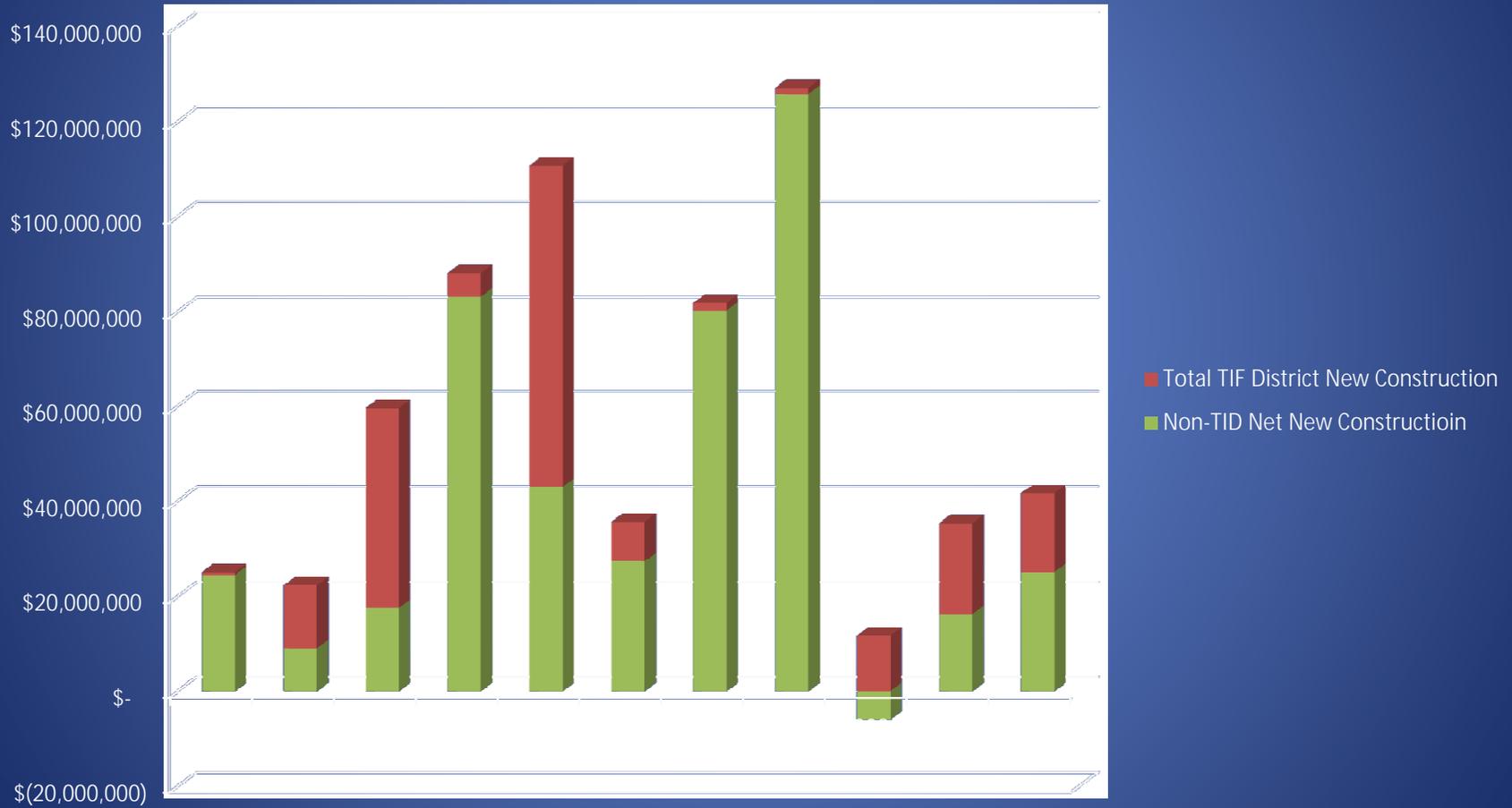
Economic Development Scenario Alternatives Based on \$150M Net New Construction



	2014	2015	2016	2017	2018
Revenue Enhancements	\$262,143	\$81,429	\$(29,420)	\$146,757	\$520,358
Expenditure Reductions	\$532,230	\$165,325	\$(59,731)	\$297,961	\$1,056,484
Additional Levy	\$1,069,500	\$1,069,500	\$1,069,500	\$1,069,500	\$1,069,500

Attachment: TIF 201 2013-6-18 (1514 : TIF '201')

New Construction



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Development Growth as Percent of Equalized Value

- 2000 – 2010 Development
 - 47% of Average Annual Growth due to TIF Investment
 - 40% of Median Annual Growth due to TIF Investment

	TIF Invested Growth as Percent of Total Growth	Total Growth as a Percent of Equalized Value	Non TIF Invested Growth as a Percent of Equalized Value
Average	47.35%	1.21%	0.86%
Median	39.65%	1.05%	0.53%

Attachment: TIF 201 2013-6-18 (1514 : TIF '201')

Ancillary Benefits of TIF Investment

- Public Improvements Not Funded through General Taxation
- Water Improvements Increase Utility PILOT
- Water Sales aid Utility Rates
- Appropriate Administrative Costs Reimbursed
- Permit, License, Hotel/Motel and other Fees paid directly to the City

Comparable Communities Use of TID

	<u>Wauwatosa</u>	<u>Brookfield</u>	<u>Franklin</u>	<u>Greenfield</u>	<u>Menomonee Falls</u>	<u>Milwaukee</u>	<u>Waukesha</u>	<u>West Allis</u>
2012 TID Value	\$ 291,068,300	\$ 200,206,900	\$ 235,197,400	\$ 98,856,400	\$ 454,230,000	\$ 1,574,117,800	\$ 412,288,900	\$ 147,085,600
2012 TID Increment	\$ 254,193,700	\$ 69,096,800	\$ 97,611,300	\$ 8,343,300	\$ 200,711,900	\$ 935,479,500	\$ 214,574,700	\$ 99,968,600
Increment Return from Base (Active TIDs Only)	689%	53%	71%	9%	79%	146%	109%	212%
2012 Equalized Value	\$ 4,963,918,700	\$ 5,975,204,600	\$ 3,524,105,900	\$ 2,753,622,700	\$ 4,315,491,900	\$ 26,421,932,000	\$ 5,426,429,500	\$ 3,738,930,800
# of Active TIDs	5	1	2	2	9	42	11	10
# of Total TIDs	6	3	4	3	11	76	20	13
TIDs as % of Equalized Value	5.86%	3.35%	6.67%	3.59%	10.53%	5.96%	7.60%	3.93%

Source - 2012 DOR TIF Valuation Report

Attachment: TIF 201 2013-6-18 (1514 : TIF '201')

Public Sector Advisors



Attachment: Springsted PP 061813 COW (1514 : TIF '201')



Roles and Responsibilities in Economic Development Managing Risk and Resource Allocation

Wauwatosa, WI

June 18, 2013

Tony Schertler, Springsted

Your development efforts affect your financial reputation

- Moody's Key Credit Factors
 - Legal Structure
 - Economy
 - Finances
 - Debt
 - Management
 - Economic Development Strategies

Your development efforts affect your financial reputation

- Standard and Poor's
"Top 10 ways to Improve or Maintain a Municipal Credit Rating"

Number **10** – "Have a well-defined and coordinated economic development strategy."

"The question is not whether there should be a formal program, but rather how significant a **resource commitment** should be dedicated to running these programs and offering incentives."

Public Resources for Private Use Results in Public-Private Benefit

- Housing and Economic Development efforts can be summed up as **direct** efforts undertaken by a local government to encourage private investment.
- Three flavors
 - Community Development (capacity building)
 - Housing Development (needs based vs. demands)
 - Economic Development (increase market value i.e. leverage)

Measuring Rewards or Benefits

- Determine a method of measuring the distribution of benefits to the various stakeholders in order to negotiate and equitably allocation of the costs
 - Fiscal Impacts
 - Direct
 - Indirect
 - Induced
 - Wisconsin cities like tax base

Framing the Issue

- How much of the vision is going to be implemented by the public and how much by the private
 - Important because the return on investment for public is typically different than the return on investment for private
- Prioritize public benefit outcomes then start to apply a cost to them
- Start looking for the fiscal values generated with the vision area

Mission

- “Encourage private investment / enhance quality of life”
- A local government that relies on property taxes might choose an increase in the market value of real estate as the primary measure in evaluating the mission is being successfully accomplished. This would be appropriate because increased market value is a direct reflection of ultimate customer behavior producing tangible public benefits. (i.e. tax base for parks, schools, streets etc.)

A Good Economic Development Strategy

- Requires conducting a three part evaluation for every project
 - Public purpose benefits (Policy)
 - Strength of opportunity (Professional)
 - Public costs (Policy & Professional)

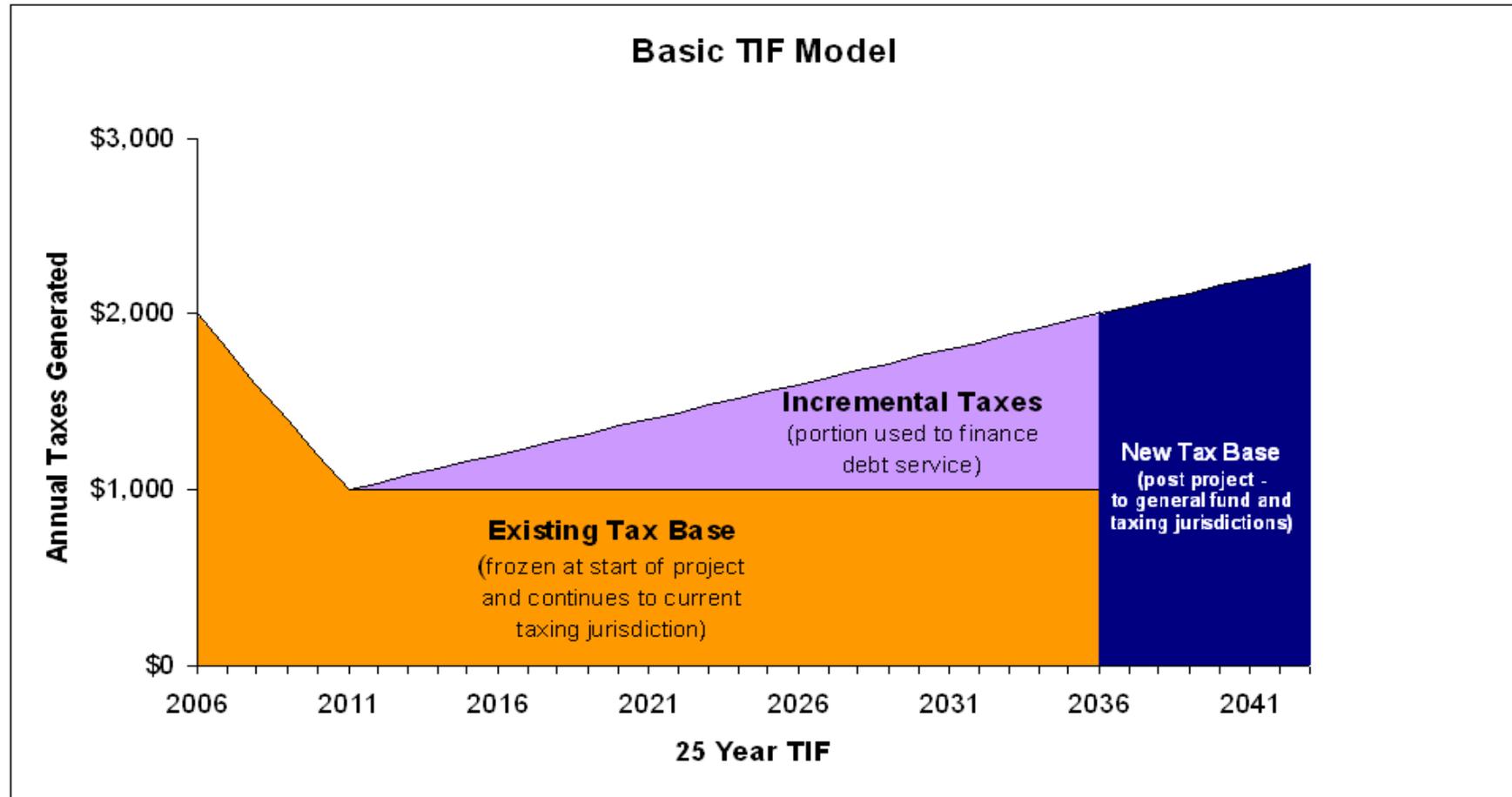
A Good Economic Development Strategy

- Regardless of what type of community you are, what type of revenues you receive, or what type of tools you control, communities must establish some criteria in order to evaluate development opportunities.
- This involves developing policies informed by professional experience and judgment.
- And keep in mind that it is all **subject to market**.

Public Purpose Benefits (Policy)

- Increased private investment (consequently market value) through:
 - Increased employment (Type of Jobs)
 - Added housing units (Affordable or Market Rate)
 - Attraction of visitors who contribute to the local economy
 - Increased sales volume
 - Elimination of negative or blighting influences effecting surrounding property (Blight Curve)
 - Addition of infrastructure such as parking or public improvements which results in increasing market value through the above

Benefits include mitigating blight



Attachment: Springsted PP 061813 COW (1514 : TIF '201')



Strength of Opportunity (Professional)

- Market demand for the use developed (Market Study)
- Control or prospects for control of a suitable site (Legal & Engineering)
- Motivated and qualified developer (Developer Review)

Strength of Opportunity (Professional) *cont.*

- Healthy growing employer (Industry Evaluation)
- Extent to which the expected positive consequences of a project outweigh the negative consequences of doing it (e.g. increased public liability)
- Probability that the project will leverage additional private investment or spin-off investment adjacent to the development (domino effect)

Public Cost (Professional & Policy)

- Existence of a financial gap (the amount of the difference between total development cost and private market/investment value)
- In absolute terms, the availability of public or philanthropic resources to fill the gap for a specific project (This is a good time to connect with your finance director)
- In relative terms, the amount of subsidy required for a given project in contrast to amounts provided for similar projects in the past or current alternative projects (If everything is a “catalyst” what is catalyzed?)

What drives the “Gap” or need for public financing assistance?

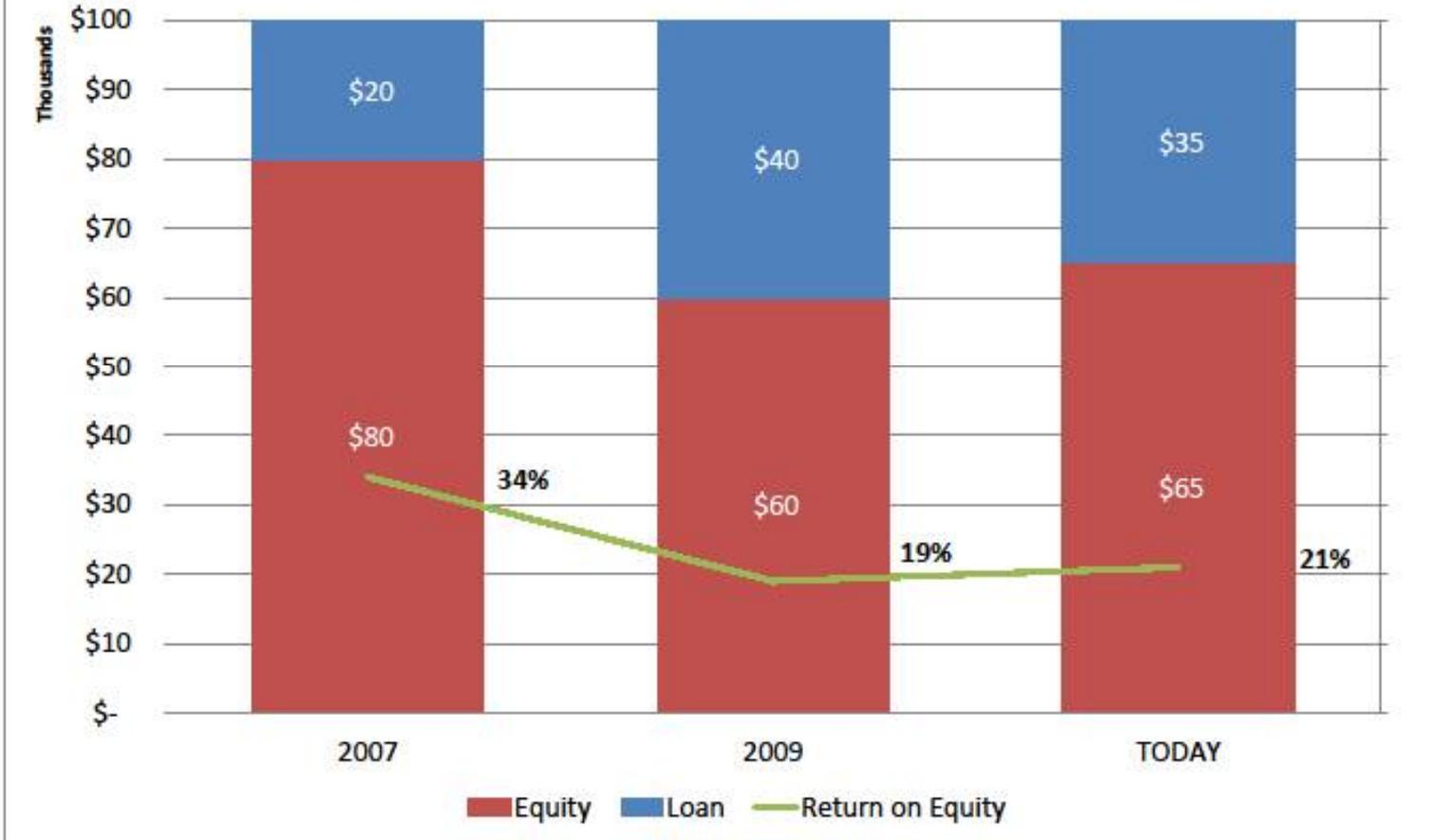
- Hold out property owner, land price too high?
- Development needs more than it can pay for? (Is this a regulatory issue?)
- Or public would like to “oversize” utility and infrastructure needs for future growth?
- Extraordinary redevelopment costs
- Developer wants less risk and more return than typical market conditions dictate? (But-For)
- Subsidizing market?

How can we reduce the “Gap”?

- Generally speaking, cost is cost. If there is a need for utilities or addressing extraordinary redevelopment costs, your ability to reduce it is limited.
- However, competition is an effective way to address hold out costs. To the extent that your community has more than one site opportunity that works for your prospective employer, hold out leverage is reduced.
- **Ensuring** developer profit alone is not a public purpose, but it must be economically reasonable

The Problem: Capital Market

Typical Commercial Loan Breakout \$100,000 project



Attachment: Springsted PP 061813 COW (1514 : TIF '201')



Layman's terms:

- What are we buying?
- What does it cost?
- What is it worth?
- What can we afford to pay?
- What are we willing to pay?
- What does the developer (seller) want?
- What does the developer (seller) need?

What role does your community want to play to encourage development?

- Simply grant the permit and zoning allowance
 - Lowest risk
- Conduit issuer of tax exempt financing
 - Low risk (reputation)
- Reimburse the prospect as benefits are completed
 - Low risk
- Be the lender
 - Medium risk
- Be the borrower or guarantor
 - Higher risk
- Be the developer
 - Highest risk

What about other returns for accepting more risk?

- There are no published benchmarks for what an appropriate financial return should be for projects that blend public purpose outcomes and financial risk with private investment opportunities
- This challenges local governments to articulate how much they will “pay” for their desired community “values”

If your community chooses to accept more risk then:

- Determine up front that a complete development plan with detailed sources and uses is necessary. Every piece of information needs a responsible party providing it and those that are estimates should be noted.
- Before making a resource commitment, the best available information should be provided in a manner that is consistent and comparable.
- The level of detail required will be a function of the level of risk that you are willing to undertake.

Questions

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