CITY OF WAUWATOSA

COMMITTEE OF THE WHOLE

MINUTES • JUNE 18, 2013

Regular Meeting	Common Council Chambers	6:30 PM

7725 West North Avenue, Wauwatosa, WI 53213

PRESENT:	Alds. Tilleson (6:33 p.m.), Walz-Chojnacki, Berdan, Donegan, Dubinski, Ewerdt (7:08 p.m.), Hanson (6:50 p.m.), McBride, Moldenhauer, Pantuso, Roznowski -11
EXCUSED:	Alds. Birschel, Causier, Organ, Wilson
ABSENT:	Ald. Wilke
ALSO PRESENT:	Mr. Archambo, City Administrator; Tony Schertler, Senior Vice-President of Springsted, Inc.
	Ald. McBride in the Chair

COMMITTEE OF THE WHOLE ITEMS

1. Economic development update, "TIF 201"

Mr. Archambo began the presentation by stating there are several potential development projects in the pipeline that won't occur without the city's assistance. The market has changed dramatically since 2008, and the purpose of this session is to demonstrate what it looks like today.

Wauwatosa is among the ten fastest growing communities in Wisconsin, with a 1.3% estimated population increase (609 persons) in the period 2010-12. This information is helpful in measuring how well the city is doing in terms of a mix of elements that is drawing people to the area.

Information from building permits can indicate whether a good mix of residents are investing in their homes. Does the city offer adequate jobs and retail opportunities to attract and hold people? The current estimated value of all development seems to be approaching the level not seen except in 2002 and 2007. About one-third of the development occurring this year is on tax-exempt property. These projects create jobs, however, in the city. The Building Division is hopeful that revenue will exceed all years since 1999.

The annual budget gap for the general fund is being projected out several years and is based upon an assumption of one-half of one percent of new development based on $50 million net new construction, expenditure reductions, and revenue enhancements.

Staff also did the same calculations based upon $150 million of net new construction; under this assumption the entire budgetary gap in 2016 would be absorbed by new construction, thereby reducing the pressure on revenue enhancements and expenditure reductions.

Referring to a Power Point chart, Mr. Archambo indicated taxable development that is both outside of, and inside of, TIF districts. In the past, staff believed that new levy limits for purposes of calculating net new construction were established based only upon new construction that is outside of TIF districts. However, with the Assessor's most recent data submission to the state, it became evident that there is no differentiation between the two. When the state determined the city's approximate equalized value in spring, the Department of Revenue (DOR) used the figures submitted by the Assessor, with no change.

This means the net new construction value within TIF districts will be included in calculations which determine levy limits. During the period 2000-2010, 47% of average annual growth was due to TIF investment, and 40% of median annual growth was due to TIF investment. Taxable property outside of TIF districts was responsible for 0.86% growth of equalized value, with a median of 0.53%. If the TIF districts are included, the total growth as a percent of equalized value goes up to 1.21% on average and 1.05% on median.

Ald. Donegan observed that if the TIF districts are included in net new construction, the city would have the ability to raise taxes more, but this would not contribute directly to the property tax bill.

Mr. Archambo concurred to the extent that the inclusion of the TIF developments gives the city more latitude; instead of one-half of 1% capacity, the levy could be raised a full 1%. There are ancillary benefits to TIF investment in terms of public improvements not being funded through general taxation, water improvements increase the Utility's payments in lieu of taxes, water sales aid the Utility's rates, administrative costs are reimbursed and necessary license and permit fees are paid to the city.

In summarizing his presentation, Mr. Archambo displayed a chart illustrating comparable communities' use of TID's.

Tony Schertler, Springsted, Inc., 380 Jackson Street, St. Paul, MN, stated that his firm provides economic development tools to municipalities in many states and help negotiate the public/private relationships. Communities need to consider policy issues and professional analyses issues when dealing with economic development; sometimes these issues overlap. Both Standard & Poor's and Moody's value a community's sound economic development polices and practices.

When crafting these economic development policies, a municipality must consider how much of a 'vision' (project) will be implemented by the public and how much will be assumed by the private sector. What is the return on investment (ROI)? Allocating public resources for private use can result in a public-private benefit. In considering such partnerships, a municipality needs to perform a "but/for" analysis of a proposal, needs to take advantage of previous experience gleaned from past projects, and needs to consider the existing market. Communities need to establish some criteria in orer to evaluate development opportunities.

Public purpose benefits (part of policy issues) of a project may include increased employment, more housing units, an attraction for visitors, elimination of blight and other negative influences, and added infrastructure. Determining a method of measuring the distribution of these benefits to various stakeholders will aid in the negotiation and allocation of costs.

Strength of opportunity is a part of the professional analysis that must be done when considering a public-private partnership. What is the market demand for the proposed use? Is the developer motivated and qualified? Has a suitable site been secured? To what extent will the expected positive consequences of a project outweigh negative consequences? What is the probability that a project will leverage additional private investment adjacent to the subject development?

Mr. Schertler defined the financial gap of a project as the difference between the total development cost and the private/market investment value. When considering methods of bridging a financial gap, consideration ought to be given to whether philanthropic resources are available. Are public resources available? What amount of subsidy is required for a given project in contrast to amounts provided for similar projects in the past, or current alternative projects?

What drives a financial gap and the need for public assistance? A variety of answers exist - land prices may be too high, there may be a hold-out property owner, development needs are more than the developer can pay for, the developer may want less risk and more return than typical market conditions dictate, there may be a desire to oversize utilities and other infrastructure needs to support future growth.

How can the gap be reduced? A municipality needs to understand that 'cost is cost.' There is a limited ability to reduce costs. There may be limited competition by other developers. Ensuring a developer's profit is a reasonable expectation, though that reason alone is not a public purpose. Developers don't have a lot of time to 'make a development happen'.

In layman's terms, a municipality must answer the following questions: 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 want? What does the developer need? How much is a community willing to pay to support desired values? The more risk it assumes, the more due diligence that must occur.

Mr. Archambo added that Wauwatosa is in a competition with other communities. He reiterated that there are $100-150 million dollars worth of projects in the queue; some will take public investment for them to occur.

In response to a query whether public contributions amount to corporate welfare, Mr. Schertler reiterated that the city must consider what is driving a financial gap and what role it wishes to play in encouraging development. Is the city removing barriers to development by doing so? If the city wishes to assume more risk, it needs to require that complete development plans be presented and that the best information available is submitted and considered before committing resources.

The meeting adjourned at 7:28 p.m.

Carla A. Ledesma, CMC, City Clerk