



City of Madison

City of Madison
Madison, WI 53703
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Meeting Minutes - Approved ECONOMIC DEVELOPMENT COMMISSION

Wednesday, November 5, 2008

5:00 PM

215 Martin Luther King, Jr. Blvd
Room LL110 (Madison Municipal Building)

CALL TO ORDER / ROLL CALL

The meeting was called to order at 5:02 pm.

Present: 8 -

Mark Clear; Joseph W. Boucher; Douglas S. Nelson; Peng Her; Victoria S. Selkove; Susan M. Gleason; Richard A. Slone and Sandra J. Torkildson

Excused: 2 -

Edward G. Clarke and Ralph Kauten

Also Present: Mark Olinger, Director DPCED; Joeseeph Gromacki, TIF Coordinator; Peggy Yessa, Office of Business Resources; Alder Marsha Rummel, Alder Brenda Konkell, Mario Mendoza, Mayor's Office;

APPROVAL OF MINUTES

Ms. Yessa noted the following errors on the draft of the October 15 minutes:

- Page 2-on last line "He said TIF . . ." should be "He said the job creation guarantee . . ."
- Page 3-first line change "TIF #38" to "TIF # 39"
- Page 3-eighth paragraph change "Mr. Gromacki said it was not a purview of the committee . . ." to "Mr. Gromacki said it was not the purview of the TIF Policy committee"

A motion was made by Slone, seconded by Her, to Approve the Minutes with the changes noted by Ms. Yessa. The motion passed by voice vote.

PUBLIC COMMENT

Vice-Chairperson Nelson asked to hold public comments until the appropriate item was discussed. All public speakers and their comments are included with the appropriate item.

REPORTS and DISCUSSION ITEMS

1 [12303](#) Transit and Occupancy Tax (TOT) Study Committee Update

Attachments: [TOT Study Committee Cover Memo.pdf](#)
[TOT Recommendations Final Report.pdf](#)

Vice-Chairperson Nelson introduced Deb Archer, President/CEO of the Greater Madison Convention and Visitors Bureau and member of the Room Tax Oversight Committee. She explained that in 2006 the EDC heard from the Innkeepers Association about their room tax study and a policy was not completed at that time. The current Room Tax Oversight committee was formed to create policies and priorities for the use of the Room Tax revenues.

Ms. Archer said the current balance of the fund is now \$9 million and Monona Terrace relies on it to pay back its bonds. She said this study parallels the City's economic development plan. The economic development plan calls convention and visitors a growth sector and room tax is in the economic development toolbox. A policy is needed for how to invest the room tax revenues to grow the economy.

Ms. Archer noted a key priority, on page seven, calls for investment in entities that grow the fund. She said keeping a minimum fund balance as called for on page eight is important if there is a catastrophe that causes a loss of room tax revenue, such as a 9/11 type of disaster. She also mentioned the use of room tax revenues as important for event booking. She said to think of this as seed money to lure events to Madison.

Ms. Archer said in 2014 the Monona Terrace bonds will be paid off and the room tax revenue policy will need to be revised to recommend how the fund should be used. This policy recommends the formation of a TOT committee on 2010 or 2012 to address these types of changes to the use of the fund.

Vice-Chairperson Nelson asked for comments from the EDC and the public.

Ms. Torkildson asked what other cities the size of Madison use their room tax revenues for?

Ms. Archer responded the 2006 study show they use their funds to develop their product, such as improving signage and marketing.

Ms. Selkove said the report calls for 14.3% of the TOT revenue goes to the general fund and other uses. What would happen if this policy is in effect and the actual dollar amount collected goes down and the percentages stay the same?

Vice-Chairperson Nelson asked how long it would take for the GMCVB funding to get to 35%?

Ms. Archer said it would be phased in over a 3 to 5 year period.

Ms. Gleason asked if Madison is still low compared to comparable cities?

Ms. Archer responded Madison is in the bottom third of its peers and 35% would put Madison in the middle.

Ms. Gleason asked if there was any analysis of potential gains if more money was given to the GMCVB?

Ms. Archer said we have a return on investment for right now but would have to factor in variables and condition changes for the future. She added Madison has a high production rate with its current resources.

Mr. Slone asked if a new downtown hotel is built the TOT revenues would increase, so how will this affect the revenue?

Ms. Archer said any new hotels coming online are dependant on the downtown.

Alder Clear asked how this policy fits in the 2009 budget?

Ms. Archer explained the 2009 budget give the CVB a one-year boost in its share of the revenues.

Alder Clear explained the Mayor's budget uses \$1 million for the general fund. This is 25% of the fund for general purposes. No one has proposed changing this at this point in time.

Ms. Archer said outsiders pay the TOT to Madison, not residents and the CVB challenge is to keep growing this.

Ms. Selkove asked for clarification if this report has gone to the BOE yet?

Mr. Mendoza said the 2008 language that created this committee only called for the report to be given to the BOE and the EDC.

Alder Clear asked if the Mayor would introduce it to the BOE?

Mr. Mendoza said more consideration is needed before a resolution is made.

Vice-Chairperson Nelson said at the next meeting the EDC could talk more about this and maybe adoption of the report would be the next step.

Ms. Torkildson stated she is a member of the CVB and asked if this a conflict of interest for her?

Alder Clear asked if she benefited from this?

Ms. Torkildson said indirectly she might.

Ms. Yessa will ask the City Attorney, Michael May, for his opinion.

Alder Clear asked if EDC members had a preference; if the report should go to the Common Council and the to BOE and the EDC?

Ms. Gleason asked if the Mayor identified a dollar amount for CVB or a percentage of the TOT revenues for the CVB?

Alder Clear said no formula was used just a dollar amount and the dollar amount to the Bureau is not fixed like the Monona Terrance bond repayment.

Mr. Slone asked how the CVB would protect itself if future TOT revenues decrease?

Ms. Archer explained there is a fund balance that is used as a buffer, for example it could be used to replace cancelled business if there was a fire at Monona terrace.

Mr. Slone asked if Ms. Archer is comfortable with using the fund balance?

Ms. Archer said she is if the balance is accessible for these purposes. The current use of the fund is arbitrary.

Ms. Selkove asked Mr. Mendoza what is the Mayor's position on this report?

Mr. Mendoza replied most of the recommendations to use the TOT revenues are standard from year to year such as funding Monona Terrace. His role on the TOT committee was to manage the process and he did not vote. He said the increase of the percentage and rate schedule is not completely agreed with by the Mayor, however at least for 2009 the CVB is getting a shot in the arm.

Mr. Slone asked if the fund balance, item # 3) is around \$850,000?

Ms. Archer said the current balance is larger.

Vice-Chairperson Nelson thanked Ms. Archer for discussing this report with the EDC.

2 [11531](#)

City of Madison TIF Objective & Policies Report.

Attachments: [memo to tif committee from sde 11-08.pdf](#)
[DRAFTTIF Memo to EDC 11-5-08.pdf](#)
[11531-DMI_TIFComments11-05-08.pdf](#)
[11531-Smart Growth TIF policy rec 11-3-08.pdf](#)
[11531-EDC Memo on Shortened TIF Policy 10-22-08.pdf](#)
[11531-DMI_TIFComments10-31-08.pdf](#)
[11531-PMuenchTIFComments10-31-08.pdf](#)
[TIF POLICY With Strikethroughs - FINAL_2008](#)
[TIF POLICY With Strikethroughs - 8-18-08.pdf](#)
[TIF POLICY - Final Report of the TIF Policy Comte 8-19-08.pdf](#)
[2008 TIF Policy Summary.pdf](#)
[EDC TIF Memo to TIF Policy Committee 12-8-08.pdf](#)
[TIF Policy Comte Memo on Perfect World TIF Policy 12-09-08....pdf](#)
[Chamber of Commerce TIFcomments.pdf](#)
[Perfect World TIF Policy with OBR Edits 12-15-08.pdf](#)
[EDC-TIFSubcomMinutes10-29-08.pdf](#)
[EDC-TIFSubcomMinutes11-3-08.pdf](#)
[Smart Growth TIF comments 12-23-08.pdf](#)
[Erik Paulson TIF feedback Jan 09.pdf](#)
[Smart Growth Madison TIF comments 12-23-2008.pdf](#)
[TIF Policy with Appendices 1-22-09.pdf](#)
[TIF Policy Cover Memo 1-22-09.pdf](#)

Vice-Chairperson Nelson explained the EDC TIF Policy Subcommittee met twice since the last EDC meeting. He said the subcommittee liked the streamlined policy and a job creation guarantee might make Madison less competitive. He directed the EDC to the memo by Mr. Mikolajewski that contains the recommendation from the Subcommittee. He suggested changing the last bullet item from "make other recommended edits" to "Carefully consider recommendations."

Mr. Her said the subcommittee made this recommendation to use TIF as an economic development generator and to not set the bar so high that it is not used. He said it is hard to track jobs. These recommendations are proactive and to make TIF not hard to use.

Ms. Carole Schaeffer, representing Smart Growth Greater Madison, encouraged the EDC to support the subcommittee's recommendations. She would like to add sustainability and energy efficiency as eligible TIF costs and had not included these in the comments she previously submitted.

Ms. Selkove said the TIF Policy Committee has worked a long time on their report and they have not even seen the staff version of the policy.

Ms. Torkildson said the job creation and equity kicker is in the TIF Policy and she considers the staff version easier to read.

Mr. Gromacki said the changes the EDC TIF Subcommittee is recommending are in the staff version. The staff version is sorted by pure policy and eliminates the housekeeping stuff staff has to do such as, report to Council on TIF creation. This was set apart to make the TIF policy a more concise document. He also mentioned that

State TIF law trumps local policy, for example the "but for" analysis is state law and not in the local policy to make a more succinct document. The staff document is basic and a blueprint.

Vice-Chairperson Nelson said the staff version captures the essence of the policy.

Ms. Selkove asked for the rationale behind removing the career ladder requirement?

Vice-Chairperson Nelson said Mr. Clarke felt a career ladder is difficult to measure and not necessarily in place when a company opens.

Ms. Torkildson said there is no way to measure a career ladder if jobs are created. What happens when a city goes after jobs and the economy changes? Applicants should be evaluated on what it adds to the economic development base, not jobs that it transfers.

Alder Clear asked, hypothetically, isn't it a straightforward process to ask an employer the number of jobs before and after their project is built?

Mr. Slone asked how to enforce a job guarantee? Would the City be forcing a company out of business if it did not create jobs and had to repay a TIF loan?

Vice-Chairperson Nelson said this is exactly what was talked about at the EDC TIF Subcommittee. They looked at this as a policy for economic development with staff as a gatekeeper and not to penalize a company at a later date.

Alder Clear said a differentiation between hard economic times and a poor business plan is needed.

Vice-Chairperson Nelson said this is a valid point, however, the reality is this makes Madison uncompetitive.

Mr. Gromacki said that the first job creation model that the TIF Policy attempted to implement would make end loans wherein funds were disbursed when job creation was met. However, developers wanted the money upfront to create jobs. The current model provides a low-interest loan and lowers the interest when job creation thresholds are met. Historically, the City has used claw backs in commercial projects, for example in the Monroe Street TIF project a clause in the contract calls for a grocery store to be in operation for ten years. In the University Square project, a pre-lease agreement was called for.

He further explained much of the TIF policy reflects what has been learned over the years, such as the City no longer does mortgage guarantees. Mr. Gromacki stated that if the first two models were undesirable, the third model would be to require job creation as part of a contractual obligation. The problem with this model would be that the City must sue the loan recipient in order to remedy a loan default caused by lack of job creation.

Mr. Slone asked if TIF loans are ever forgiven?

Mr. Gromacki said no they are paid off at agreed upon times.

Ms. Gleason moved, seconded by Mr. Boucher, to accept the subcommittee's recommendations. (Note: no vote was taken on this motion.)

Ms. Selkove asked if the subcommittee really wanted to remove all of section 3.1(5)? She noted the EDC talked about using TIF strategically for jobs and this gets to accountability.

Vice-Chairperson Nelson said this could be captured in the TIF contract agreement. There are uncontrollable in job creation and this is punitive for Madison. He asked if we wanted to add another layer to Madison's policy?

Mr. Slone says job creation is important and questioned if the subcommittee thought this was uncompetitive?

Vice-Chairperson Nelson said other communities do not have this and it creates extra risk for the developer.

Mr. Her explained removing it does not mean jobs will not be created this just removes a layer therefore it is easier to apply for and the City can negotiate an agreement that goes to the Common Council.

Mr. Gromacki said this is a double-edged sword and might create uncertainty. If job creation is option then it is the Council's prerogative to choose if there are two competing applications.

Ms. Gleason said she is comfortable with the job creating language and no claw-back. She noted the document is hard to read. She noted the Department of Commerce has a claw-back policy and has a difficult time deciding how to use it and it is difficult to administer.

Alder Rummel asked how a City can use TIF to grow the economic pie? What happens if the goals for the Downtown are not realized? It is ironic that the EDC does not want job creation. She wants TIF easy to use and the difference between basic sector jobs and distribution jobs is not straightforward.

Ms. Torkildson said job creation is important economic development tool. It is difficult to make sure requirements are met. How can it be implemented and defined, for example job migration is not job creation.

Mr. Gromacki said the TIF Policy Committee did talk about job retention definitions and they tried not to be too proscriptive and be open-ended. For instance Rayovac was given \$3 million for 1500 jobs.

Vice-Chairperson Nelson said all things being equal, a business would go elsewhere if they had to have a job creation guarantee.

Mr. Slone said a way is needed to make job creation an incentive rather than to club them for not creating jobs.

Mr. Gromacki said the language that is recommended to be taken out is the closest thing to what is Mr. Slone said.

Alder Clear said if language is added that has a measurement to show jobs are created, this is an audit not a claw back.

Mr. Gromacki said the term sheet could have this. He said a recent study said

financial incentives are last in the factors of where a company decides to grow.

Vice-Chairperson Nelson said the TIF subcommittee could reconvene. He thought the policy is less conducive and has more layers and risks for business and the City could police these things.

Alder Clear asks if reconvening throws off the timeline?

Mr. Gromacki said no, the TIF Policy Committee will meet sometime in December.

Ms. Selkove would like the subcommittee to reconvene and job creation is important.

Alder Clear moved, seconded by Ms. Selkove, to reconvene the TIF Policy Subcommittee. The motion passed unanimously.

Ms. Selkove left the meeting at 6:37 pm.

Present: 7 -

Mark Clear; Joseph W. Boucher; Douglas S. Nelson; Peng Her; Susan M. Gleason; Richard A. Slone and Sandra J. Torkildson

Excused: 3 -

Victoria S. Selkove; Edward G. Clarke and Ralph Kauten

3 [12178](#)

Accepting the report entitled "Madison Public Market: Project Report: Key Highlights and Findings."

Attachments: [Report to City Council on Madison Public Market - Final.pdf](#)
[Z203D-Brayton Plan-G2.pdf](#)
[Z203D-Brayton Plan-H2.pdf](#)

Mr. Olinger, Director of the DPCED, said a public market would promote local food production, be a tourist destination, and provide access to food. The City had hired Common Wealth and Blue Planet to find a place for the market.

Jim Bower, Blue Planet Partners, explained that they are a 501(C)(3) corporation. He stated a public market is for public purposes and does not work as a private business. A Madison Public Market would create 300 jobs and 50 new rural jobs. They researched 20 sites and narrowed it down to 6 sites and ultimately the Brayton Lot site is the strongest candidate for a public market. The market would have an approximate footprint of 67,000 square feet and 44,000 square feet of leaseable space. He explained one third of the businesses would be start-ups, one-third beginning businesses and one-third experienced businesses.

Marianne Morton, Executive Director of Common Wealth Development Corporation, said they had spent over one year researching public markets. She views this as a catalytic economic development effort. This is not a grocery store, rather a community experience.

Vice-Chairperson Nelson asked what the next steps and timeline are?

Ms. Morton asks that the report be accepted by the Common Council. She noted additional work on securing the Brayton lot site control is key to fund raising.

Mr. Olinger noted the consultant's selection of the Brayton lot as the top site. He said the North Public Market in Columbus, Ohio, attracts \$1 million per year. The Brayton lot would attract the daytime crowd and the going home from work crowd.

Mr. Boucher asked if it would compete with the Saturday Farmer's Market and if it would be physically attractive?

Mr. Bower said the Dane County Farmer's Market would create a synergy for the Public Market. The Brayton lot is a bookend for redeveloping the entire East Washington Capitol Gateway Corridor. The public Market would be a regional destination.

Mr. Boucher noted the Portland Market is under railroad tracks and is a pit.

Ms. Morton said added attractiveness and programming is important to create energy at the Public Market.

Mr. Olinger said the next iteration is to research if a parking ramp and the public market could coexist on the same site and to get a concept plan to show people.

Mr. Boucher asked if parking is necessary?

Mr. Olinger said yes, a new parking ramp would be adjacent to the market.

Mr. Slone explained he was the former director for the public market.

Mr. Olinger asked if he benefits from the public market? Mr. Slone said he does not.

Mr. Slone asked if the site purchase is in negotiation and what the CDBG budget allocations for the Public Market are in 2009?

Mr. Olinger responded the Mayor wants to acquire the entire site. He explained \$2 million was in the DPCED budget and \$300,000 is in block grants for 2010. The Mayor took this out of the 2009 budget and next week a budget amendment for 2011 and 2012 for the market and \$60,000 for 2009 to fund a study of a few additional sites will be introduced.

Ms. Morton added that two or three alternative sites should be studied.

Mr. Boucher asked if the EDC is being asked to call for a public market?

Mr. Her asked how much it will cost to buy the Brayton lot from the State, and has the impact of a Public Market on local restaurants been looked at?

Mark Olinger said the site appraisal is not out of range. The Parking Utility could buy the entire site and hold it until a market is built.

Mr. Slone asked if there is still the potential for a land swap?

Mr. Her asked if the price is a couple of million dollars for the site?

Mr. Bower responded there are just enough restaurants in the Market to anchor activity there, they are restaurant concepts unique to this area and would not compete with local restaurants.

Mr. Olinger said existing restaurants could shop at the public market for their supplies.

Mr. Bower said the Public Market would have retailers and wholesalers.

Ms. Gleason asked about the business model for running the Market?

Mr. Olinger said the City would own the land and the lease the building to a non-profit to run the market.

Ms. Morton added that a 501(C)(3) corporation needs to run it.

Mr. Bower noted limited debt is necessary going in to building the Market.

Ms. Morton said federal, state and local money is needed to support the Market and have little debt for the Market.

Mr. Slone asked if there is anything more than accepting the report on the agenda?

Mr. Bower would ultimately like feedback if this is a worthwhile project to do.

Ms. Morton said first the report needs to be accepted to move forward then get feedback.

Mr. Slone asked what else the City could do to complete a public market and if the City can handle all these projects?

Mr. Olinger explained the Mayor likes to see what rises to the top. The downtown library and Overture Center are being looked at so the Public Market was moved to 2011-2012. He said two or three years are needed to raise the money for a public market and one and one half years to build it.

Alder Rummel said the Mayor took it out of the budget, but the Mayor will support additional money to refine site selection. The EDC input is appreciated and she hopes the EDC will support it.

Mr. Slone said the Public Market is a huge economic benefit for the City and the region.

Ms. Gleason said the reality is that the majority of jobs created are low wage jobs. Most public markets she has been to are struggling and have high priced products. She would like the additional component of entrepreneurial help like a business coach or an incubator. She asked for multi-purpose space like a community kitchen. She said Madison is a small to medium city as compared to other cities that have markets.

Ms. Morton agreed entrepreneurship opportunities are important to mentor minority and start-up businesses.

Mr. Slone said entrepreneurship should be added to Mr. Bower's presentation.

Mr. Bower said the Public Market would draw development around it.

Ms. Morton said co-locating a community kitchen or processing plant was looked at and there is no value in co-locating the two.

Ms. Torkildson noted that the markets in Mr. Bower's presentation are in big cities and wondered if this is too large a risk factor for public money.

Mr. Slone noted the consultant did vet the size, programming and business types in a public market.

Vice-Chairperson Nelson asked the next key steps in refining the plan?

Ms. Morton said narrowing down the sites is critical for determine the feasibility of the public market.

A motion was made by Slone, seconded by Boucher, to Return to Lead with the Recommendation for Approval to the BOARD OF ESTIMATES. The motion passed by voice vote/other.

There was no action on items #4 - 8.

- 4 [11522](#) Prioritization and discussion of the implementation of the City of Madison 3-5 Year Strategic Economic Development Implementation Plan recommendations, including adoption of a 2009 Economic Development Work Plan

Attachments: [ED Work Plan 10-11-08.pdf](#)
[ED Plan 9-16-08.pdf](#)
[Current & Potential OBR Activities memo090308.pdf](#)
[Alderspersons E D Plan Recommendations090308.pdf](#)
[recommendationscolorchart.pdf](#)
[Other Potential Priorities for Economic Development.pdf](#)
[Konkelresolution080508.pdf](#)
[EDrecommendationsdateorder.pdf](#)

- 5 [12256](#) Update on Economic Development Division Director

- 6 [11525](#) Discussion of Workforce Development Subcommittee

- 7 [12257](#) 2009 EDC Meeting Schedule

Attachments: [EDC2009meetingsmemo.pdf](#)

- 8 [12255](#) Update on 2009 Executive and Capital Budgets

ADJOURNMENT

Mr. Slone moved, seconded by Mr. Her, to Adjourn the Meeting. The motion passed by voice vote and the meeting was Adjourned at 7:40 pm.