



CITY OF WASHINGTON, ILLINOIS

Committee of the Whole Agenda Communication

Meeting Date: December 13, 2021

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Agenda Item: Draft TIF Program Scoring Model and Revised Guidelines Discussion

Explanation: The City's TIF program guidelines were adopted in 2003. It establishes the objectives, financial assistance, eligible expenses, and procedure for the eventual approval of a private redevelopment agreement. While much of the framework remains in effect, there have been exceptions with some agreements. The City Council approved an agreement with CivicServ in September to create a scoring model to use in coordination with amended program guidelines.

A draft Excel scoring model is attached. This figures to change based on feedback from the Council and as we experience its usage with actual projects but the overall goal is to establish a quantifiable formula based on the types of desired projects and investments to be made on the Square. This would eliminate as much subjectivity in the project selection process as possible while also allowing any business and property owners to better understand the level of TIF assistance while they are planning for a project. The completion of the questions in the model are split between City staff and the applicants to help establish how any prospective project would meet the City's TIF desired project criteria. Weights are assigned to each question based on the responses with a total maximum score of 100%. A variety of items can be considered to be placed in the scoring model with the ultimate goal of continuing to ensure that the Square is an inviting place to dine, shop, and work. These can include, but are not necessarily limited to, the following:

- Establish a maximum percentage and/or dollar amount that TIF will contribute towards most private redevelopment projects. This can differ depending on whether there are exterior or interior improvements and the model can be structured to put more emphasis on certain building modifications compared to others. Staff would recommend allocating more TIF resources towards exterior improvements but to not entirely exclude interior improvements from assistance. Such a split could allow for a maximum of 40% for exterior and 20% for interior renovations with a maximum TIF contribution of \$50,000 depending on how well the project scores within the model.
- Consider a separate category that is exclusive to those larger, catalytic redevelopment projects that may have a greater impact on the Square and could warrant a more substantial TIF project contribution. Staff would recommend a minimum private investment of \$500,000 in order to qualify within that category.
- Place more weight within the scoring model for retail instead of office/service uses. Staff would recommend that all uses be eligible, as a goal should continue to be to have all storefronts occupied, but the City also benefits from the sales tax derived from retail businesses. Language would likely need to be included in redevelopment agreements to specify the length of time that the retailer would need to be established and possible reductions in TIF payment should there be a violation of that clause.
- In addition to placing more weight on retail projects and their projected sales tax generation, consideration can also be given to increased property tax increment, as this helps bring in additional revenue to the TIF Fund. The model can place sliding scale weights based on projected redevelopments and consultation with the Township Assessor can determine an approximate new assessed value that would take effect upon the completion of the project.
- Consider agreements having a minimum of two payments based on the building's occupancy. If consideration was given to this, payments should be front-loaded with perhaps as much as 75% paid within 60 days of the project completion to provide some immediate financial reimbursement but to offer some protection to the TIF Fund should the building be vacant within a year of the finish of the redevelopment and/or its occupancy.
- Consider not requiring prevailing wage. This can add around 30% to the cost and negate any TIF assistance. Further legal analysis is needed to determine whether prevailing wage still is required for

TIF funds. Davis & Campbell will conduct this analysis if Council is interested in not requiring prevailing wage.

- Consider placing a maximum TIF contribution over a period of time in order to allow for the funds to be spread on a more equitable basis and to not have multiple conflicting projects. Should this be considered, staff would recommend \$50,000 be a cap for a single building over a five-year period for those that would not be within the “catalytic” category but also reserve the right to allocate less than that should there not be sufficient funds.
- Consider a means to streamline the approval timeline. Currently, an applicant obtains the estimates and submits them prior to the next Finance & Personnel Committee meeting. A redevelopment agreement is drafted with two ordinance readings. The current process usually takes a minimum of 45 days from initial submittal, not including the time to obtain multiple quotes. The construction typically cannot start until after approval of the agreement unless granted permission by the Council. An alternative could be to allow for construction to commence following a recommendation from the Committee and the issuance of a building permit.

Eligible improvements could consist of the following:

- Structural and ADA improvements;
- Major HVAC, plumbing, and electrical improvements;
- Façade restoration;
- Exterior painting if part of other exterior improvements;
- Door and window replacements;
- Awning replacements;
- Major flooring improvements; and
- Interior painting if part of new drywall or brick installation.

Staff would prefer to have a revised TIF application that only includes the eligible improvements. The applicant would then indicate which of those would be included as part of a proposed project as well as providing a summary of each specific improvement. The goal would be to determine the true scope of the project and whether each item would be classified as a building improvement or if it would be categorized as limited remodeling/maintenance. As is the case currently, staff would recommend that two quotes be submitted for each eligible expense.

Fiscal Impact: The goal of both the scoring model and any revision to the TIF guidelines is to strategically allocate TIF resources to those prioritized projects while also making the process as explainable to all parties as possible. This would ideally make for a smooth process in utilizing any funds over the next 12 years of the Square TIF district.

Depending on feedback on the various criteria and eligible project components, staff would recommend a scale for TIF assistance as follows:

- 70-100 points: 40% exterior, 20% interior (with a TIF-subsidy cap of \$50,000 for any non-Major Catalyst project)
- 50-69 points: 30% exterior, 15% interior
- 35-49 points: 20% exterior, 10% interior
- Less than 35 points: Not eligible for TIF assistance

Action Requested: Staff requests feedback on the draft scoring model and its accompanying weighted criteria at the December 13 Committee of the Whole meeting. The weights for each question and within each category would then determine how each project would be scored and determine its level of financial assistance. City and CivicServ staff will make revisions to it with the goal of having a live model to utilize by early 2022. The Finance and Personnel Committee discussed this at its meeting on November 15. While there was support offered for the draft model and guidelines, the direction was to receive additional feedback from the Committee of the Whole. One item of note that was mentioned was to include a question that asks whether the applicant pays property tax. As a result, that has been inserted into the draft matrix and another question that asked whether the project is critical for the business or city was removed, as there is considerable subjectivity with that response.



Tax Increment Financing Proposed Project Scoring Matrix Workbook

Instructions

TIFIQ's proposed project scoring matrix is a purpose-built utility to assist cities with removing some or all of the subjectivity involved with approving projects and helping to determine the deal structure.

This scoring matrix helps cities score proposed projects in major areas of focus and public benefit measurement by focusing on two major areas:

- 1) The City's overall Redevelopment Goals the district(s). e.g. prioritizing retail over office space, addition of affordable housing, etc.
- 2) Defining a set of measurement criteria and structured answer approaches that can routinely determine positive impacts across social, fiscal, and economic scoring tiers.

The idea here is to creatively craft questions whose answers from staff and applicants measures how aligned this project is with the City's overall goals.

Please note that this scoring matrix can change over time. Some cities have expressed interest in revisiting this scoring model once every couple of years to ensure that projects are measured against to most recent goals and desirable outcomes the City is aiming for.

Scoring Tier	Applicable Project Type	Priority	Question	Who Answers This Question?	Question Answer Structure	Answer Option	Answer Favorability Weight %	Weighted % of Each Question	Comments / Feedback
Project Determination	Project Type	Priority	Please select the total investment by the developer	Applicant	Select One Choice	\$500k+ <\$500k	Major Catalyst Standard	If selected, consideration is given as a Major Catalyst Project	
Eligibility Screening	All Projects	2	Will this project stop without TIF assistance?	Staff	Yes or No	Yes No	100 0	100% 0% 30%	
	All Projects	3	Is the applicant in good standing with the City/State/IRS?	Applicant	Yes or No	Yes No	100 0	100% 0% 20%	
	All Projects	1	Is the developer covering at least 60% of the total project investment cost on their own account?	Staff	Yes or No	Yes No	100 0	100% 0% 40%	
	All Projects	4	Is there a commitment to occupy the structure for at least 2 years?	Staff	Yes or No	Yes No	100 0	100% 0% 20%	
Social Impact	All Projects	2	Is this business locally owned or operated?	Staff	Yes or No	Yes No	100 0	100% 0% 33.33%	
	All Projects	1	Will this proposed project offer more retail or restaurant opportunities on nights and weekends?	Applicant	Yes or No	Yes No	100 0	100% 0% 66.67%	Social Impact is 20% of overall score

Economic Impact	All Projects	5	Will this business directly service or sell goods to other businesses in the City?	Staff	Yes or No	Yes No	100 0	100% 0% 5%	Shows slight favorability for projects whom will serve other businesses in the community
	All Projects	3	Does the applicant pay property tax?	Staff	Yes or No	Yes No	100 0	100% 0% 10%	
	All Projects	1	Please select all targeted EXTERIOR improvements that apply to this proposal	Staff	Select All That Apply	New/Restored Façade or structural improvements ADA Accessibility Awnings or Signage Windows/doors Painting	100 50 20 20 10	100% 50% 20% 20% 10% 50%	Shows high preference for exterior improvements
	All Projects	2	Please select all targeted INTERIOR improvements that apply to this proposal	Staff	Select All That Apply	Plumbing/Electrical/HVAC Floor plan restoration & buildout Flooring	100 100 10	100% 100% 10% 25%	
	All Projects	3	How many existing competitors are there to this business within the city limits?	Applicant	Select One Choice	No Competitors 1-3 Competitors 5+ Competitors	100 40 0	100.00% 40% 0% 10%	Economic Impact is 35% of overall score

Fiscal Impact	All Projects	1	How much new or additional annual sales tax revenue could be collected as a result of this project?	Applicant	Select One Choice	\$50k+ Annually	100	100.00%	Shows high preference for retail establishments
						\$21k - \$50k Annually	40	40%	
						\$5k-\$20k Annually	20	20%	
						< \$5k	0	0%	
							66.67%		
	All Projects	2	Please select the total investment % pledged from the developer's private funding sources	Applicant	Select One Choice	65k+	100	100%	
						51%-65%	50	50%	
						0-50%	0	0%	
								33.33%	
	Standard Project	3	Please select the total investment dollars invested by the developer	Applicant	Select One Choice	\$100k+	100	100%	Fiscal Impact is 35% of overall score
					\$25k-\$99k	60	60%		
					<\$25k	10	10%		
							100%		
Major Catalyst Project	4	Please select the total investment dollars invested by the developer	Applicant	Select One Choice	\$1M+	100	100%		
					\$751k-\$999k	60	60%		
					\$500k-\$750k	10	10%		
							100%		

[illegible]