



## CITY OF WASHINGTON, ILLINOIS

### Committee of the Whole Agenda Communication

**Meeting Date:** January 10, 2022

**Prepared By:** Jon Oliphant, AICP, Planning & Development Director

**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. The purpose of TIF is to establish a public funding mechanism to assist with small business redevelopment projects and public infrastructure upgrades, which help the city as a whole. 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. While this includes some minor adjustments, two primary changes have been incorporated since the December Committee of the Whole meeting:

- In the Economic Impact category, a question has been inserted that asks for the number of new FTE jobs that would be created as a result of the project. This replaced a question that pertained to whether the business directly services or sells goods to other businesses in the city that could be difficult to accurately determine; and
- In the Risk Assessment category, revised the first question to reflect the return on investment (ROI) as a ratio of the proposed TIF subsidy compared to the projected annual property tax increment and sales tax generation. A project with an ROI of 0-3 years would garner the maximum points with lower point totals for a longer ROI. The other question in this category that asked whether an upfront payment has been sought as part of the proposal has been removed. The consensus from prior City Council discussions appears to be that there is not interest in having a payment for non-Major Catalyst projects prior to completion of any of the job components.

Weights are assigned to each question based on the responses with a total maximum score of 100%. The draft scoring model places more emphasis on providing financial assistance to retail businesses with sales tax generation and exterior building renovations that can increase the property tax increment, each of which contribute to a fiscally-sound city. Four categories are weighted as follows:

- Economic Impact: 35%
- Fiscal Impact: 35%
- Risk Assessment: 20%
- Social Impact: 10%

As previously discussed, staff would recommend the following general guidelines:

- Establish a maximum TIF contribution of \$50,000 for non-Major Catalyst projects depending on how well the project scores within the model. Projects that score in the top category would be eligible to receive a 40% subsidy for eligible exterior costs and a 20% subsidy for eligible interior costs.
- Create 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. A minimum private investment of \$500,000 must be made in order to qualify within the Major Catalyst category.
- 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.

- Place 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. Staff recommends \$50,000 be a cap for a single building over a five-year period for those that would not be within the Major Catalyst 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 would 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.

CivicServ will create a revised digital TIF application as part of its scope of services 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, two quotes would be required to be submitted for each eligible expense.

**Fiscal Impact:** The goal of both the scoring model and a 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. Staff recommends 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:** Following feedback received at the December Committee of the Whole meeting, some recently approved TIF redevelopment projects were tested using the model to determine if any other changes may be warranted before this tool is used for future projects. A spreadsheet showing their scores within each category is attached with this memo. Some assumptions were made for the economic impact of the past/current projects and future projects would be vetted during the application process. If no changes were made to the model, each of the projects with the exception of the Country Financial and WHS renovations would accumulate 50-69 points, which would allow for 30% of the eligible exterior costs and 15% of the eligible interior costs to qualify for reimbursement. Also attached is the full scoring of the Brunk's Sports Center project to see as an example report. It is important to note as well that given the relative lack of TIF funds that will be available in the near future following the approval of the brewpub/restaurant redevelopment agreement on the southeast side of the Square, this scoring model does not have to solely be limited to the use of TIF funds and can be deployed should general funds be considered for financial assistance.



## 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
<b>Project Determination</b>	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	
<b>Eligibility Screening</b>	All Projects	2	Would this project continue without TIF assistance?	Staff	Yes or No	No Yes	100 0	100% 0% <b>30%</b>	
	All Projects	3	Is the applicant in good standing with the City/State/IRS? Applicant must submit a Certificate of Good Standing from the IL Secretary of State.	Applicant	Yes or No	Yes No	100 0	100% 0% <b>20%</b>	
	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% <b>40%</b>	
	All Projects	4	Is there a commitment to occupy the structure for at least 2 years? Please provide proof to attest to that commitment.	Staff	Yes or No	Yes No	100 0	100% 0% <b>20%</b>	
<b>Social Impact</b>	All Projects	2	Is this business locally owned or operated by someone within the 61571 zip code?	Staff	Yes or No	Yes No	100 0	100% 0% <b>33.33%</b>	<b>Social Impact is 10% of overall score</b>
	All Projects	1	Will this proposed project offer more retail or restaurant opportunities on nights and weekends? In order to qualify, the business must be open until at least 7:00 two nights per week and at least one weekend day per week.	Applicant	Yes or No	Yes No	100 0	100% 0% <b>66.67%</b>	
	All Projects	2	How many new jobs will be created as a result of this project?	Staff	Select One Choice	6 or more FTE jobs 4-5 FTE jobs	100 50	100% 50%	

Economic Impact	All Projects	5	Is the applicant subject to the payment of property tax?	Staff	Yes or No	2-3 FTE jobs	25	25%	Shows high preference for exterior improvements
						0-1 FTE jobs	0	0%	
								<b>20%</b>	
	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	100	100%	
						ADA Accessibility	50	50%	
						Awnings or Signage	20	20%	
						Windows/doors	20	20%	
						Painting	10	10%	
								<b>50%</b>	
	All Projects	3	Please select all targeted INTERIOR improvements that apply to this proposal	Staff	Select All That Apply	Plumbing/Electrical/HVAC	100	100%	
						Floor plan restoration & buildout	100	100%	
						Flooring	10	10%	
								<b>15%</b>	
	All Projects	4	How many existing competitors are there to this business within the city limits?	Applicant	Select One Choice	No Competitors	100	100.00%	Economic Impact is 35% of overall score
						1-3 Competitors	50	50%	
						4+ Competitors	0	0%	
								<b>10%</b>	


Fiscal Impact	All Projects	1	How much new or additional annual sales tax revenue could be collected as a result of this project? The applicant must submit a business plan showing its projected revenue and/or reports from other owned or operated establishments.	Applicant	Select One Choice	\$50k+ Annually	100	100.00%	Shows high preference for retail establishments
						\$21k - \$50k Annually	50	50%	
						\$5k-\$20k Annually	25	25%	
						< \$5k	0	0%	
								<b>60%</b>	
	All Projects	2	Please select the total investment % pledged from the developer's private funding sources	Applicant	Select One Choice	65%+	100	100%	Fiscal Impact is 35% of overall score
						51%-65%	50	50%	
						0-50%	0	0%	
								<b>20%</b>	
	Standard Project	2	Please select the total investment dollars invested by the developer	Applicant	Select One Choice	\$100k+	100	100%	
						\$50k+-\$99k	70	70%	
						\$25k-\$50k	40	40%	
						<\$25k	10	10%	
								<b>20%</b>	
	Major Catalyst Project	2	Please select the total investment dollars invested by the developer	Applicant	Select One Choice	\$1M+	100	100%	
						\$751k-\$999k	60	60%	
						\$500k-\$750k	20	20%	
								<b>20%</b>	

Risk Assessment	All Projects	1	What is the anticipated return on investment of the proposed TIF subsidy amount compared to the projected annual property tax increment and sales tax generation? Formula example (Subsidy Amt: \$50,000 /Annual Increased Increment and Sales Tax: \$10,000) = 5-year ROI	Staff	Select One Choice	0-3 years	100	100%	Risk Assessment is 20% of overall score
						4-5 years	50	50%	
						6-7 years	35	35%	
						8-9 years	20	20%	
						10+ years	0	0%	
								<b>100%</b>	


<u>Project Name</u>	<u>Address</u>	<u>Description</u>	<u>Eligibility</u>	<u>Overall Score</u>	<u>Economic Score</u>	<u>Fiscal Score</u>	<u>Social Score</u>	<u>Surety Score</u>
Corpo Bello Salon	104 N. High	Interior and exterior	TRUE	58.65	64	75	0	50
Washington Historical Society	128 Washington Sq.	Interior and exterior	TRUE	43.73	44	67	50	0
Brunk's Sports Center	122 N. Main	Interior and exterior	TRUE	54.32	64	48	50	50
Goldenfinch Boutique	120 N. Main	Interior and exterior	TRUE	55.25	60	55	50	50
Faire Coffee	101-103 Washington Sq.	Interior	TRUE	55.25	50	65	50	50
Sentimental Journey	123 Washington Sq.	Interior and exterior	TRUE	50.82	54	48	50	50
Country Financial	105 Washington Sq.	Interior and exterior	TRUE	44.90	44	50	50	35

# TIF Impact Score Report - Brunk's Sports Center

Scored on 1/7/2022 1:17:24 PM




Eligibility Determination  
Eligible




Overall Alignment Score  
54.32%

Higher is better




Economic Impact Score  
64%

Higher is better - 35% of Score




Fiscal Impact Score  
48.33%

Higher is better - 35% of Score



Social Impact Score  
50%

Higher is better - 10% of Score



Risk Safety Scoring Score  
50%

Higher is better - 20% of Score

Proposed Project Details
<div><div>Name</div><div>Brunk's Sports Center</div></div>
<div><div>Address</div><div></div></div>
<div><div>Description</div><div></div></div>

Alignment Scoring Results
<div><div>Economic Impact</div><div></div></div>

**Please select all targeted EXTERIOR improvements that apply to this proposal**

**Earned 23.33** out of 33.33

**Answer Type:** CheckBoxList

Answer Option (New/Restored Façade or Structural Improvements) - Scoring Weight: 100%

✓ Answer Option (ADA Accessibility) - Scoring Weight: 50%

Answer Option (Awnings or Signage) - Scoring Weight: 20%

✓ Answer Option (Windows/Doors) - Scoring Weight: 20%

Answer Option (Painting) - Scoring Weight: 10%

Staff Answered

**How many new jobs will be created as a result of the investment?**

**Earned 0** out of 26.67

**Answer Type:** DropDown

✓ Answer Option (0 - 1 FTE) - Scoring Weight: 0%

Answer Option (2 - 3 FTE) - Scoring Weight: 25%

Answer Option (4 - 5 FTE) - Scoring Weight: 50%

Answer Option (6+ FTE) - Scoring Weight: 100%

Staff Answered

**Please Select all targeted INTERIOR improvements that apply to this proposal**

**Earned 20** out of 20

**Answer Type:** CheckBoxList

✓ Answer Option (Plumbing/Electrical/HVAC) - Scoring Weight: 100%

✓ Answer Option (Floor Plan Restoration & Buildout ) - Scoring Weight: 100%

✓ Answer Option (Flooring) - Scoring Weight: 10%

Staff Answered

How many existing competitors are there to this business within the city limits?

Earned 6.67 out of 13.33

Answer Type: DropDown

Answer Option (No Competitors) - Scoring Weight: 100%

✓ Answer Option (1-3 Competitors) - Scoring Weight: 50%

Answer Option (4+ Competitors) - Scoring Weight: 0%

Staff Answered

Is the applicant subject to the payment of property tax

Earned 6.67 out of 6.67

Answer Type: DropDown

✓ Answer Option (Yes) - Scoring Weight: 100%

Answer Option (No) - Scoring Weight: 0%

Staff Answered

#### Eligibility Screening

Is the developer contributing at least 60% of the required capital to complete the project?

Earned 40 out of 40

Answer Type: YesNo

✓ Answer Option (Yes) - Scoring Weight: 100%

Answer Weight (No) - Scoring Weight: 0%

Staff Answered

Would this project continue without TIF assistance?

Earned 30 out of 30

Answer Type: YesNo

Answer Option (Yes) - Scoring Weight: 0%

✓ Answer Weight (No) - Scoring Weight: 100%

Staff Answered



Is the applicant in good standing with the City/State/IRS? Must submit Certificate of Good Standing from IL Sec of State

Earned 20 out of 20

Answer Type: YesNo

✓ Answer Option (Yes) - Scoring Weight: 100%

Answer Weight (No) - Scoring Weight: 0%

Applicant Answered

Is there a commitment to occupy for at least 2 years? Provide lease or proof

Earned 10 out of 10

Answer Type: YesNo

✓ Answer Option (Yes) - Scoring Weight: 100%

Answer Weight (No) - Scoring Weight: 0%

Staff Answered

Fiscal Impact

How much new or additional annual sales tax revenue could be collected as a result of this project? Please Submit business plan showing projected revenue and/or reports from other owned or operated establishments

Earned 12.5 out of 50

Answer Type: DropDown

Answer Option (<\$5k) - Scoring Weight: 0%

✓ Answer Option (\$5k - \$20k) - Scoring Weight: 25%

Answer Option (\$21k - \$50k) - Scoring Weight: 50%

Answer Option (\$50k+) - Scoring Weight: 100%

Applicant Answered

## Total investment % pledged from the developer's private funding sources

Earned 16.67 out of 33.33

Answer Type: DropDown

- ✓ Answer Option (65%) - Scoring Weight: 100%
- ✓ Answer Option (51% - 65%) - Scoring Weight: 50%
- Answer Option (<50%) - Scoring Weight: 0%

Applicant Answered

## Please select the total investment dollars invested by the developer

Earned 11.67 out of 16.67

Answer Type: DropDown

- Answer Option (\$100k +) - Scoring Weight: 100%
- ✓ Answer Option (\$50k - \$99k) - Scoring Weight: 70%
- Answer Option (\$25k - \$50k) - Scoring Weight: 40%
- Answer Option (<\$25k) - Scoring Weight: 10%

Applicant Answered

### Risk Safety Scoring

## What is the anticipated return on investment of the proposed TIF subsidy amount compared to the projected annual property tax increment and sales tax generation?

Earned 50 out of 100

Answer Type: DropDown

- Answer Option (0 - 3 years) - Scoring Weight: 100%
- ✓ Answer Option (4 - 5 years) - Scoring Weight: 50%
- Answer Option (6 - 7 years) - Scoring Weight: 35%
- Answer Option (8 - 9 years) - Scoring Weight: 20%
- Answer Option (10+ years) - Scoring Weight: 0%

Staff Answered

Social Impact

Will this proposed project offer more retail or restaurant opportunities on night and weekends?

Earned 0 out of 66.67

Answer Type: DropDown

Answer Option (Yes or N/A) - Scoring Weight: 100%

✓ Answer Option (No) - Scoring Weight: 0%

Applicant Answered

Is this business locally owned or operated by someone within the 61571 zip code?

Earned 33.33 out of 33.33

Answer Type: DropDown

✓ Answer Option (Yes) - Scoring Weight: 100%

Answer Option (No) - Scoring Weight: 0%

Staff Answered