



CDA STAFF REPORT

MEMO DATE: January 10, 2019
MEETING DATE: **JANUARY 14, 2019**

TO: Village of Cottage Grove Community Development Authority
CC: Matt Giese – Village Administrator
Lee Boushea – Village Attorney

FROM: [Erin Ruth, AICP – Village Planning Director](#)

RE: **TIF Incentive Policy**

BACKGROUND

The Village occasionally receives RFPs with a quick turnaround time, or other time sensitive requests for information, which seek information on available TIF incentives.

Staff is asking the CDA to consider whether the Village should establish a predetermined policy to anticipate an appropriate range for a TIF incentive. This would be for guidance only. Any incentive will ultimately need to be reviewed and approved by the Village Board, with a recommendation from the CDA for requests in TID #8, #9, and #10.

OVERVIEW

Staff research has revealed that a typical TIF incentive ranges from 10% to 20% of the total project value, with some examples of incentives up to 25% not uncommon.

At this point, staff is looking at a point system in which points are generated both through a quantitative formula and by assigning points for certain qualitative objectives. An example is provided below. If the CDA deems this to be a workable policy, the specific numbers and criteria used can be modified for a final version. For the sake of simplicity, in the example each point equates to 1% of the total project value, adding up to a total percentage available as an incentive. For the purpose of the example, 25% of the total project value represents the maximum incentive.

Example Formula

Quantitative aspects (up to 15 points)

- Total project value (1 to 5 points)
- Project value per acre (1 to 5 points)
- Total employment (1 to 2.5 points)



- Employment per acre (1 to 2.5 points)

Qualitative aspects (up to 10 points)

- Headquarters project (2 points national, 1 point regional)
- Attracts visitors from outside community (2 points)
- Fills unique market niche (1 point)
- Project includes a public amenity (1 point)
- Will have positive financial interactions with existing Village businesses (1 point)
- Business has an established brand and positive reputation (1 point)
- Pay as you go incentive as opposed to up front (1 point)
- Business has demonstrated good citizenship via volunteers, sponsorships, etc. (1 point)

Other Considerations

The standard caveat for any formula should be that any incentive request will be considered within the context of other TIF obligations in the district, and within the context of the financial status of the Village as a whole. In other words, the Village will not grant an incentive it cannot afford to provide. Furthermore, any incentive requires a guarantee that the project will generate the increment needed to pay for the incentive.

Other topics the CDA should consider relative to this proposed formula:

- To what extent should these be customized for each district?
- What is the maximum starting negotiating position?
- Is this going to be a publicly available document?
- Should a minimum score be required to qualify for an incentive?

STAFF RECOMMENDATION

1. Determine if the proposed formula based approach for guiding incentives is a solution the CDA would like to pursue.
2. If so, discuss the criteria and scoring system in the example to determine any desired changes; or, request additional specific information needed to make these determinations.