

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 42 (Wingra) First Project Plan Amendment City of Madison

August 12, 2020

Background

By statute, a TIF Joint Review Board, comprised of one representative each from the Madison Metropolitan School District (MMSD), the City of Madison, Dane County, Madison College (MATC) and one public member, meets to review, and if acceptable, approve a proposed amendment to a Tax Incremental District (TID) Project Plan. The Joint Review Board will meet at a future date to take action upon the proposed amendment to the project plan to TID #42 (Wingra).

Summary of the TID #42 Project Plan

The map on the next page depicts the boundaries of TID #42 in the near west side of the City of Madison:



TIF Law Required Information for TID Amendment Approval

1) Estimates of project costs and tax increments, including:

a) Specific items that constitute project costs; (See Chart Below)

NOTE: Items highlighted in grey are proposed additions to the TID #42 Project Plan for 2020.

PROJECT	DESCRIPTION	TOTAL COST	ASSESSED	TIF COST	TIMING
Storm Water Improvements					
Storm Sewer Replacement	165' replace and re-size culverts crossing Park St north and south of old RR tracks	\$58,000	\$0	\$58,000	2012-24
Storm Sewer Replacement	1265' replace failing corrugated metal arch pipe from Wingra Creek South through Thorstads to old RR track	\$285,000	\$0	\$285,000	2012-24
Storm Water Treatment Devices	1 st installation prior to discharge to Wingra Creek of above arch pipe, 2 nd one undistributed likely on Park Street	\$25,000	\$0	\$25,000	2012-24
Storm Water Cleaning	Clean/regrade 950' RR drainage ditch along RR tracks (w/ RR permission)	\$66,000	\$0	\$66,000	2012-24
SUBTOTAL – Storm Water		\$434,000	\$0	\$434,000	2012-24
New Street Construction					
Cedar Street Extension	New street from South Street to Park Street	\$1,360,000	\$130,000	\$1,230,000	2013-15
South Street Extension	New street from Midland to Park St	\$1,910,000	\$40,000	\$1,870,000	2013-15
Subtotal New Streets		\$3,270,000	\$170,000	\$3,100,000	2013-15
Street Rehab / Reconstruct					
Park Street	Joint repair 2200' Delaplaine to Olin	\$910,000	\$0	\$910,000	2012-20
Park Street	Reconstruction 2500' Olin to RR tracks	\$700,000	\$70,000	\$630,000	2012-20
Fish Hatchery Rd	Resurface Park St. to 300' north of Wingra Drive	\$376,000	\$38,000	\$339,000	2012-20
Wingra Drive	Resurface 1400' South St to Beld St	\$201,000	\$20,000	\$181,000	2012-20
South Street	Resurface 1600' Midland to Wingra	\$184,000	\$18,000	\$166,000	2012-20
High Street	Reconstruct 1050' from Fish Hatchery to south end	\$368,000	\$92,000	\$276,000	2012-20
Midland Street	Resurface 550' from Fish Hatchery to Park St	\$43,000	\$4,000	\$39,000	2012-20
Garden Street	Reconstruct 385' from	\$135,000	\$34,000	\$101,000	2012-20

	Midland to south end				
Appleton Rd	Resurface 300' from Fish Hatchery to South St	\$34,000	\$3,000	\$31,000	2012-20
Beld Street	Resurface 1400' from Park St to railroad	\$181,000	\$18,000	\$163,000	2012-20
Gilson Street	Resurface 1100' from Beld to Cedar St	\$126,000	\$13,000	\$113,000	2012-20
Lowell Street Alley	Reconstruct 180' from Emerson south	\$22,000	\$11,000	\$11,000	2012-20
Lowell Street Alley	Reconstruct 180' from Lakeside south	\$22,000	\$11,000	\$11,000	2012-20
SUBTOTAL - Street Resurface / Reconstruct		\$3,302,000	\$332,000	\$2,297,000	
Bike Paths, Pedestrian Accommodations, Traffic Calming					
Wingra Creek Bike Path	Refurface 550'	\$19,000	\$0	\$19,000	2013-15
Streetscape		\$450,000	\$0	\$450,000	2013-20
Subtotal Bike Paths, Pedestrian		\$469,000		\$469,000	
Economic Development Assistance					
Development Loans		\$5,000,000	\$0	\$5,000,000	2012-22
Land Acquisition – Truman Olson		\$1,385,000	\$0	\$1,385,000	2013
Subtotal Economic Development		\$6,385,000	\$0	\$6,385,000	
Administrative and Professional		\$300,000	\$0	\$300,000	2012-34
TOTAL PROJECT COSTS		\$14,160,000	\$ 502,000	\$13,658,000	

2020 Project Plan Amendment					
Land Acquisition		\$2,000,000	\$0	\$2,000,000	2020-34
Home Ownership Program		\$200,000	\$0	\$200,000	2020-34
Organizational, Administrative, and Professional		\$215,000	\$0	\$615,000	2020-34
Total 2020 Project Plan Amendment Costs		\$2,415,000	\$0	\$2,415,000	2020-34
Total Project Costs TID 42 (Original Project Plan and 2020 Amendment)		\$16,575,000	\$502,000	\$16,073,000	2020-34
Finance Costs*		\$3,927,000	\$0	\$3,927,000	2020-34
		\$4,096,000		\$4,096,000	

b) The total dollar amount of these project costs to be paid with tax increments;

Per the above chart, tax increments will pay for a total of **\$16,073,000** of project costs.

c) The amount of tax increments to be generated over the life of the tax incremental district.

An estimated **\$47,089,000** of tax increments is forecasted over the district's 27-year life. *Note that this figure does not include any donated increment from TID 39, as is anticipated in this proposed Project Plan Amendment.*

2. The amount of value increment when the project costs are paid in full and the district is closed.

Based upon development projects that have occurred to date, the anticipated incremental value of property within the district at the end of its 27-year life is estimated at **\$217,622,000**. This value will be returned to overlying tax jurisdictions for general tax levy purposes upon closure of the district at the end of its statutory life. Based upon conservative estimates, the district will generate sufficient incremental revenues to repay all anticipated project costs by 2023. The estimated incremental value in 2023 is \$68M. The current incremental value is approximately \$57M. However, the City intends to propose future amendments to the TID 42 project plan to continue to invest in South Madison in advance of the Town of Madison's dissolution.

3. The reasons why the project costs may not or should not be paid by the owners of property that benefit by improvements within the district.

The budget for the proposed project plan amendment includes \$502,000 of non-assessable infrastructure project costs, as shown on the project costs chart on Page #4 of this report. The amended budget also includes a receipt of a proposed donation from TID 39 of \$1,700,000 to pay for additional project costs. The total amount of non-assessable costs to be paid for with TIF funds is \$16,073,000.

4. The share of the projected tax increments estimated to be paid by the owners of taxable property in each of the taxing jurisdictions overlying the district.

The certified base value of TID 42 is **\$50,866,200**. Overlying jurisdictions will continue to collect their portion of the levy upon the base value over time. The box below indicates the share of the estimated first tax increment invested by overlying tax jurisdictions based upon the 2020 mill rate.

<u>Tax Jurisdiction</u>	<u>2020 Mill Rate</u>	<u>Share of Tax Levy</u>
City	8.90	36%
County	2.87	12%
MMSD	11.78	48%
MATC	0.93	4%
State of WI	<u>0.0</u>	0%
Totals*	24.48**	100%*

Source: City of Madison 2020 Adopted Operating Budget
 *NOTE: Total Mill Rate is the Gross Mill, prior to any State Tax Credits being applied to this rate.
 **NOTE: Total may not add due to rounding

5. The benefits that the owners of taxable property in the overlying taxing jurisdictions will receive to compensate them for their share of the projected tax increments.

A conservative estimate of the total incremental value resulting from potential development projects, and economic growth or value appreciation of the life of the TID is estimated to be \$217 million. The benefits of these potential projects are: sharing new equalized value growth, infrastructure improvements, and job creation / retention to benefit those in the district and throughout the City of Madison.

TID 42's base value of \$50,866,200 and is anticipated to grow by \$217 million at the end of the 27-year life of the TID. Assuming that the City incurs all of the \$16 million of projected costs identified in the TID Project Plan, that there are no changes in tax increment estimates, no further project plan amendments and no changes to TIF Law, the City of Madison forecasts that TID 42 may close in 2023. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2026 is forecasted to be \$68 million (*Note: variations are due to rounding*).

TID 42 is a "blighted area" TID, as defined by State Statute 66.1105.

Criteria for TID Approval

Per TIF Law, the Joint Review Board will cast a vote at a future meeting based upon the following three criteria:

1. Whether the development expected in the tax incremental district would occur without the use of tax incremental financing.

Only \$502,000 of the proposed \$16,073,000 of project costs are assessable. Without tax increment revenue, including \$1,700,000 of donated incremental revenue from TID 39, such improvements are not likely to occur when compared to areas in the City where special assessment revenues may be more readily available to fund greater portions of project costs.

The financial feasibility of the proposed infrastructure projects and other public investments would not occur without the use of donated incremental revenue from TID 39 and financing from TID 42.

2. Whether the economic benefits of the tax incremental district, as measured by increased employment, business and personal income and property value, is insufficient to compensate for the cost of improvements.

If the District closes in 2023 as projected, it is estimated that approximately \$68 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$217 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure and other investments in and adjacent to TID 42 would not occur. The infrastructure improvements will continue to boost values within TID 42, and the other investments will allow the City to continue its efforts to invest in South Madison. The City anticipates opening a new TID in South Madison, after the Town of Madison dissolves in late 2022.

3. Whether the benefits of the proposal outweigh the anticipated tax increments to be paid by owners of property in the overlying tax districts.

Property and infrastructure improvements, tax base growth and job creation / retention are the most significant and quantifiable benefit to overlying tax jurisdictions from the investment of TIF funds.

Without TIF, overlying tax jurisdictions would share approximately \$1.2M of tax revenues for the tax parcels included in TID 42, based on the base value of \$50M. As stated earlier, the incremental value in 2023 at the end of the projected life of the TID is estimated at \$68M. Theoretically, if the City invested all \$16M of project costs in the district, that investment would leverage over \$68M, or \$1 of TIF leverages approximately \$4.25 of value growth. If the TID were to be closed at that time, this value growth would be returned to overlying tax jurisdictions that would now share in a levy of approximately \$2.8M, or a net gain of approximately \$1.6M as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$16M of public investment. This investment will further enhance the area, increase values in and around the proposed District help create new family supporting jobs.