

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 39 (Stoughton Rd) 2021 Project Plan Amendment City of Madison

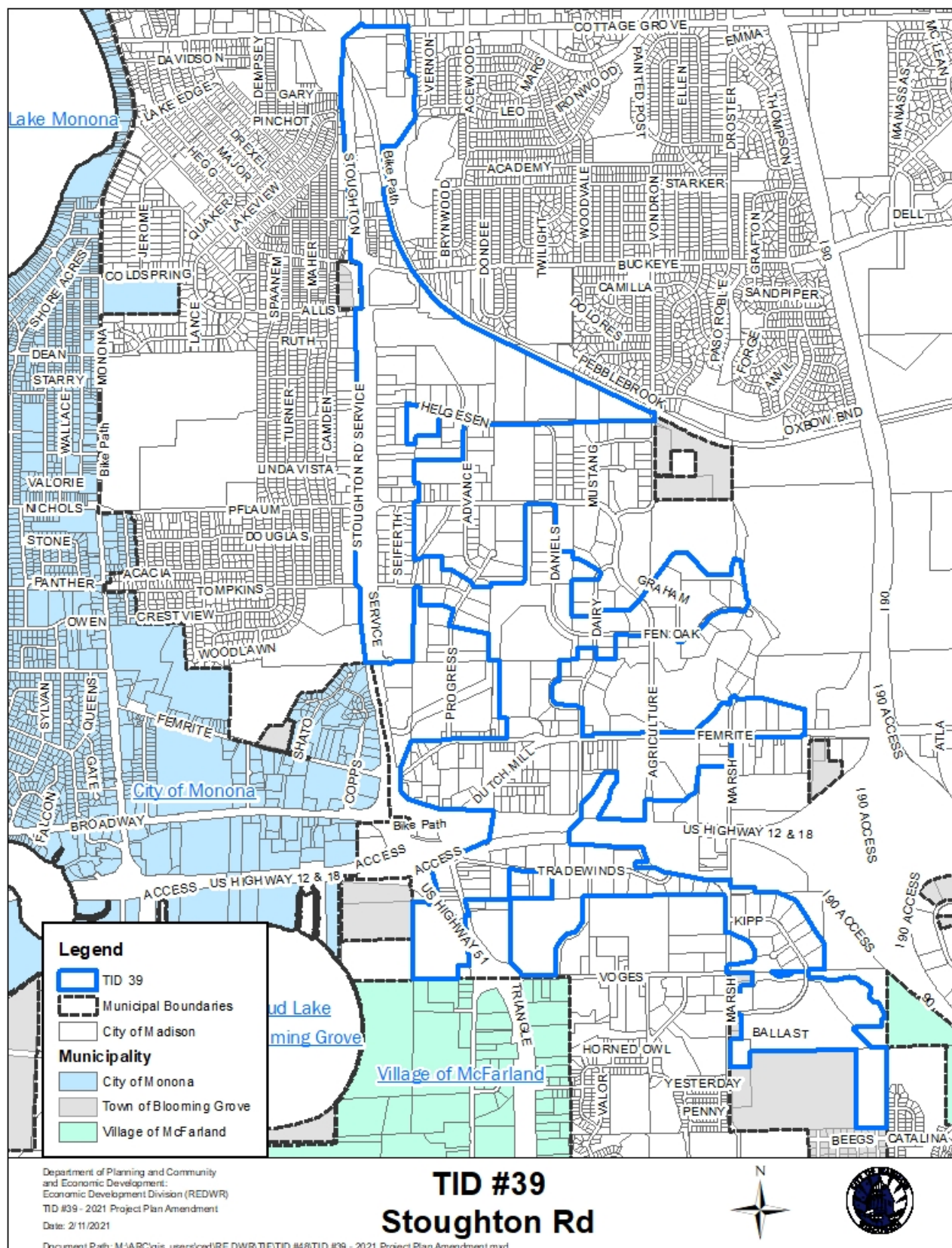
April 2, 2021

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 39 (Stoughton Rd).

Summary of the TID #39 Project Plan

The map on the next page depicts the boundaries of TID 39 in the Stoughton Rd area 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 blue reflect the 2021 Project Plan Amendment.

PROJECT COSTS	Total Cost	Assessable Cost	TIF Eligible	Year
Water Mains	\$0	\$0	\$0	2008-23
Sanitary Sewer	\$0	\$0	\$0	2008-23
<u>Storm Sewer</u>				
–Increase storm sewer at Camden/Major	200,000	0	200,000	2008-23
–Storm drainage study	75,000	0	75,000	2008-23
–Camden/Linda Vista storm improvements	200,000	0	200,000	2008-23
–Helgesen drainage improvements	53,000	0	53,000	2008-23
–Storm water treatment device installation	100,000	0	100,000	2008-23
–Extend storm sewers on Vondron Rd.	35,000	0	35,000	2008-23
–Greenway restoration–Pflaum to South	130,000	0	130,000	2008-23
Sub-total -- Storm Sewer	0	0	\$0	2008-23
<u>Street Resurfacing</u>				
Lumbermans Trl Cottage Grove to south end of TID	86,000	14,000	72,000	2008-23
Remington Road Frontage Rd to east end of TID	245,000	105,000	140,000	2008-23
Blossom Lane – Remington to Frontage Rd	69,000	11,000	58,000	2008-23
Stoughton Rd Service Road Remington to Blossom	142,000	23,000	119,000	2008-23
Buckeye Rd -Stoughton Rd to Stoughton Rd Svc Rd	113,000	18,000	95,000	2008-23
Stoughton Rd Service Rd – Buckeye to Pflaum	418,000	68,000	350,000	2008-23
Helgesen Drive – Stoughton Rd. Sev Rd to Daniels	290,000	47,000	243,000	2008-23
Seiferth Rd – Pflaum Rd to Tompkins	120,000	20,000	100,000	2008-23
Tompkins Drive – Service Rd to Progress Rd	133,000	22,000	111,000	2008-23
Stoughton Rd Service Rd – Pflaum to south end of TID	240,000	39,000	201,000	2008-23
Daniels St – Pflaum to Dairy Dr	230,000	37,000	193,000	2008-23
World Dairy Dr – Dairy Dr to Ag Drive	95,000	15,000	80,000	2008-23
Agriculture Dr -- World Dairy Dr to 650' north	98,000	16,000	82,000	2008-23
Dairy Drive @ World Dairy Dr	80,000	13,000	67,000	2008-23
Blazing Star Dr – west of Dairy Dr	36,000	6,000	30,000	2008-23
Prairie Dock Dr – Blazing Star to Dairy Dr	76,000	12,000	64,000	2008-23
Dairy Dr – Prairie Dock Dr to Femrite Dr	53,000	9,000	44,000	2008-23
Dutch Mill – Broadway to Femrite	236,000	38,000	198,000	2008-23
Femrite Dr – Broadway to Dutch Mill	389,000	63,000	326,000	2008-23
Femrite Dr – Dutch Mill to Agriculture Dr	368,000	60,000	308,000	2008-23
Agriculture Dr – Femrite to South TID boundary	156,000	25,000	131,000	2008-23
Ellestad Dr – Dutch Mill to east end of TID	87,000	14,000	73,000	2008-23
E. Broadway – Dutch Mill to east end of TID	170,000	28,000	142,000	2008-23
Tradewinds Pkwy – Dutch Mill to east end of TID	156,000	25,000	131,000	2008-23
Galleon Run – Tradewinds Pkwy to south end of TID	53,000	9,000	44,000	2008-23
Femrite Drive Reconstruction – 2900 ft. west to Interstate 39/90	1,960,000	240,000	1,720,000	2010
Subtotal – Street Resurfacing	4,350,000	628,000	3,722,000	2008-23
<u>Dutch Mill Park & Ride</u>	500,000	0	500,000	2008-23
<u>Quiet Zone Upgrades</u>				

@ Buckeye Rd	200,000	0	200,000	2008-23
@ Pflaum Rd	300,000	0	300,000	2008-23
Subtotal – Quiet Zones	500,000	0	500,000	2008-23
Other TIF Eligible Costs				
Land Acquisition	\$0	0	\$0	2008-23
Organization, Administrative and Professional Costs	300,000	0	300,000	2008-23
TIF Loans for Job Creation, Retention	691,000	0	691,000	2008-23
BioLink Incubator TIF Loan	2,049,000		2,049,000	2009-10
Subtotal Other TIF Eligible Costs	3,040,991,000	0	3,040,991,000	2008-23
Total Project Cost	8,390,000 6,341,000	628,000	7,762,000 5,713,000	2008-23
Finance Cost			2,135,000	
2020 Project Plan Amendment Costs	Total Cost	Assessable Cost	TIF Eligible	
Land Acquisition	\$250,000	\$0	\$250,000	2020-23
Small Cap TIF	\$500,000	\$0	\$500,000	2020-23
Donation to TID 42	\$1,700,000	\$0	\$1,700,000	2020-23
Organization, Administrative and Professional Costs	\$200,000	\$0	\$200,000	2020-23
SUBTOTAL 2020 Project Plan Amendment	\$2,650,000	\$0	\$2,650,000	2020-23
2021 Project Plan Amendment Costs	Total Cost	Assessable Cost	TIF Eligible	
Donation to 42	\$3,000,000	\$0	\$3,000,000	2021-23
Total TID 39 Project Costs, Including 2020 Project Plan Amendment and 2021 Project Plan Amendment	\$11,991,000	\$628,000	\$11,363,000	2021-23

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 **\$11,363,000** of project costs.

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

Through the end of 2020, TID 39 generated an estimated \$6.5 million of incremental revenues. Based upon the City's TIF run, TID 39 will generate an additional \$22.8 million of incremental revenue through its expiration date of 2028. The net present value of these incremental revenues is \$18 million. **This would lead to a total forecasted incremental revenue over the entire life of TID 39 of \$29.3 million**

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 20-year life is estimated at **\$168,000,000**. 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.

Without any additional projects generating new incremental value, the estimated incremental value in 2023 is \$127 million. The 2021 incremental value is approximately \$114,770,700. However, the City may propose future amendments to the TID 39 project plan, most likely 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 is estimated at \$11,363,000, including \$3,000,000 of donated excess tax increments to TID 42 in 2021.

The total amount of assessable costs not to be paid for with TIF funds is \$628,000.

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 39 is **\$263,256,500**. 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 2021 mill rate.

<u>Tax Jurisdiction</u>	<u>2021 Mill Rate</u>	<u>Share of Tax Levy</u>
City	8.65	36%
County	2.84	12%
MMSD	11.92	49%
MATC	0.92	4%
State of WI	<u>0.0</u>	<u>0%</u>
Totals*	24.33**	100%*

Source: City of Madison 2021 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 \$168 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 39's base value of \$263,256,600 is anticipated to grow by \$168 million at the end of the 20-year life of the TID. Assuming that the City incurs all of the \$11.3 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 39 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 2023 when the TID is forecasted to be closed is estimated to be \$127 million (*Note: variations are due to rounding*).

TID 39 is an "industrial area" TID, as defined by State Statute 66.1105.

Criteria for TID Approval

Per TIF Law, the Joint Review Board will cast a vote 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 \$628,000 of the proposed \$11,363,000 of project costs are assessable. Without tax increment revenue, 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.

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 \$127 million of incremental value would return to the overlying taxing jurisdictions. At 20 years, the District would return approximately \$168 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure and other investments in TID 39 would not occur. The infrastructure improvements will continue to boost values within TID 39.

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 \$6.4 million of tax revenues for the tax parcels included in TID 39, based on the base value of \$256,263,600. As stated earlier, the incremental value in 2023 at the end of the projected life of the TID is estimated at \$127 million. Theoretically, if the City invested all \$11.3 million of project costs in the district, which investment would leverage over \$127 million; or \$1 of TIF leverages approximately \$11.24 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 \$9.4 million, or a net gain of approximately \$3 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$11.3 million of public investment. This investment will further enhance the area, increase values in and around the District, and in South Madison, and help create new, family supporting jobs.