

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) 50 (State and Lake) Project Plan and Boundary City of Madison

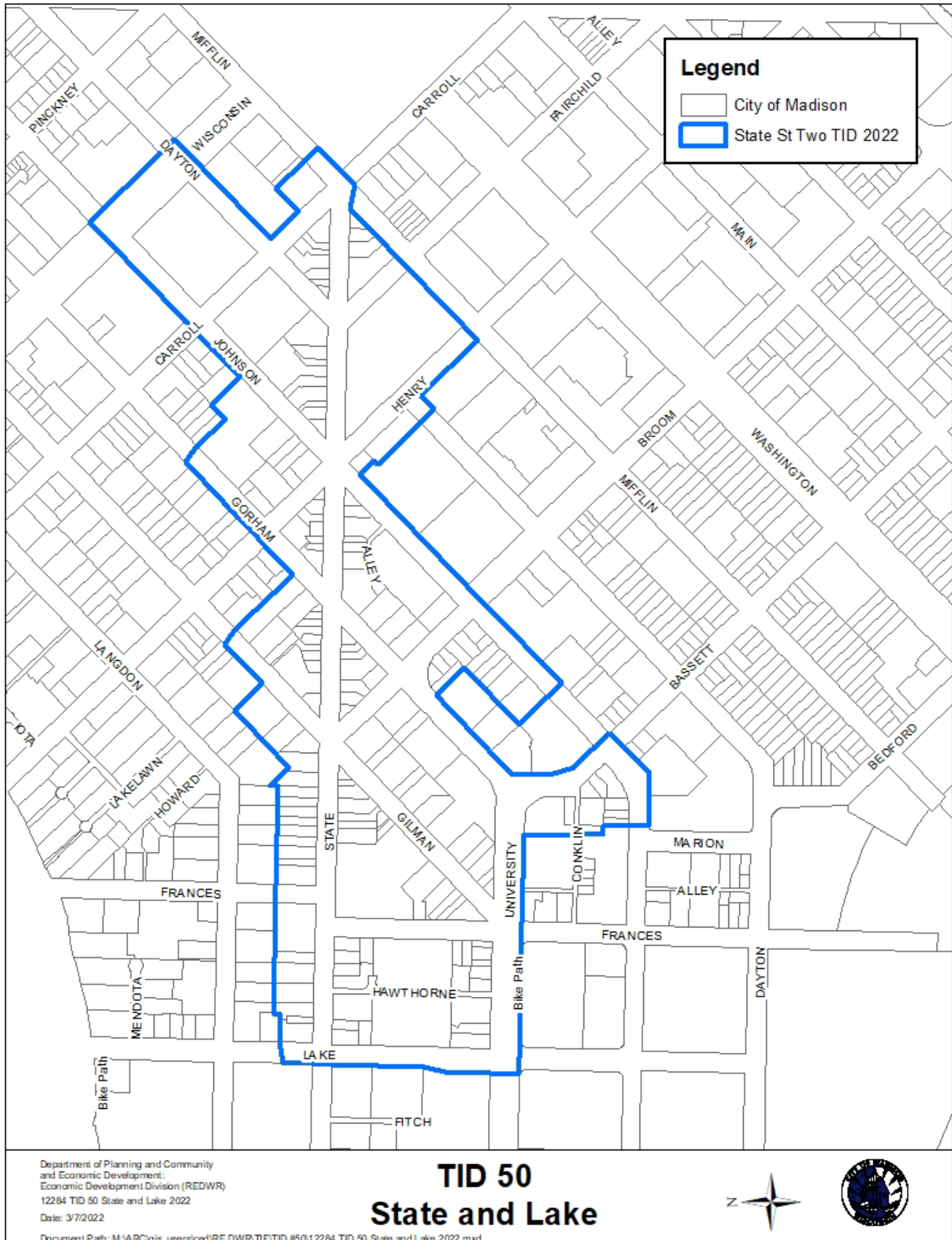
June 8, 2022

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 the proposed creation of a Tax Incremental District (TID) Project Plan. The Joint Review Board will meet at a future date to take action upon the creation of a project plan and boundary for TID 50 (State and Lake).

Summary of the TID #50 Project Plan and Boundary

The map on the next page depicts the boundaries of TID 50 in the State and Lake Street area of the City of Madison:



TIF Law Required Information for TID Creation Approval

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

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

TID #50	Proposed TIF Funded Non- Assessable Cost	Assessable/ Non-Project Costs	Total	Time Frame
Total Public Improvements				
Lake Street Ramp	\$15,000,000	\$15,000,000	\$30,000,000	2022 – 2028
State St. Furniture, Repair and Upgrades	\$600,000	\$0	\$600,000	2022-28
TOTAL PUBLIC IMPROVEMENTS	15,600,000	\$15,000,000	\$30,600,000	2020-28
Small Business Grants	\$4,200,000	\$0	\$4,200,000	2022-2028
Administrative and Professional Costs	\$500,000	\$0	\$500,000	2022-2037
Additional Marketing, Planning and Market Studies	\$300,000	\$0	\$300,000	2022-28
TOTAL PROJECT COSTS	\$20,600,000	\$15,000,000	\$35,600,000	2022-2037
Finance Costs (Financing costs for entire project plan)	\$5,665,000	\$0	\$0	2022-37

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 **\$20,600,000** of project costs.

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

TID 50 is estimated to generate approximately **\$72,380,000** in tax increments over its 20-year life.

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

Based upon development projects proposed to date, the anticipated incremental value of property within the district at the end of its 20-year life is estimated at **\$374,282,000**. 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 2032.

Without any additional projects generating new incremental value, the estimated incremental value in 2032 is \$227,339,000.

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 is estimated at \$35,600,000 of expenditures. This includes \$15,000,000 of non-TIF funds to pay for part of the Lake Street Ramp construction. Therefore, the total amount of non-assessable costs to be paid for with TIF funds is \$20,600,000.

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 50 is estimated at **\$443,314,600**. 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 2022 mill rate.

<u>Tax Jurisdiction</u>	<u>2022 Mill Rate</u>	<u>Share of Tax Levy</u>
City	8.36	36%
County	2.69	12%
MSD	11.50	49%
MATC	0.81	4%
State of WI	<u>0.0</u>	<u>0%</u>
Totals*	23.32**	100%*

Source: City of Madison 2022 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 **\$374,282,000**. 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 50's base value of **\$443,314,600** is anticipated to grow by **\$374,282,000** at the end of the 20-year life of the TID. Assuming that the City incurs all of the \$20.6 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 50 may close in 2032, or ten years from the date of its creation**. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2032 when the TID is forecasted to be closed is estimated to be **\$227,299,000** (*Note: variations are due to rounding*).

TID 50 is a "mixed-use" TID, as defined by State Statute 66.1105 with a maximum statutory lifespan of 20 years.

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 \$20,600,000 of the proposed \$35,600,000 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 2032 as projected, it is estimated that approximately \$228 million of incremental value would return to the overlying taxing jurisdictions. At 20 years, the District would return approximately \$374 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure and other investments in TID 50 would not occur. The infrastructure improvements will continue to boost values within TID 50.

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 \$10.3 million of tax revenues for the tax parcels included in TID 50, based on the base value of \$443,314,600. As stated earlier, the incremental value in 2032 at the end of the projected life of the TID is estimated at \$228 million. Theoretically, if the City invested all \$20.6 million of project costs in the district, which investment would leverage over \$228 million; or \$1 of TIF leverages approximately \$11.40 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 \$15.6 million, or a net gain of approximately \$5.2 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$20.6 million of public investment. This investment will further enhance the area, increase values in and around the District, create housing opportunities and revitalize small business in the area.