

MEMORANDUM

TO: Common Council
FR: Joe Gromacki, TIF Coordinator
DATE: July 2, 2024

SUBJECT: TIF REPORT – University Park Commons II, LLC

Project Description

University Park Commons II, LLC, (“Developer”) proposes to construct a mixed-use project consisting of 68 affordable apartment units (the “Project”) (see **Figure 1**). The Project is located at 625 Sand Pearl Lane, located in the former Westgate mall property in Tax Incremental District 46 (Research Park) (**Figure 2**).

The Project demonstrated a gap of approximately \$344,000 or the difference between total project cost of approximately \$21,175,000 and capital sources of approximately \$20,831,000. The estimated assessed value of the Project is \$8,230,000. Recommended TIF assistance of \$344,000 is at the maximum 55% amount allowed under TIF Policy (55% Gateway).

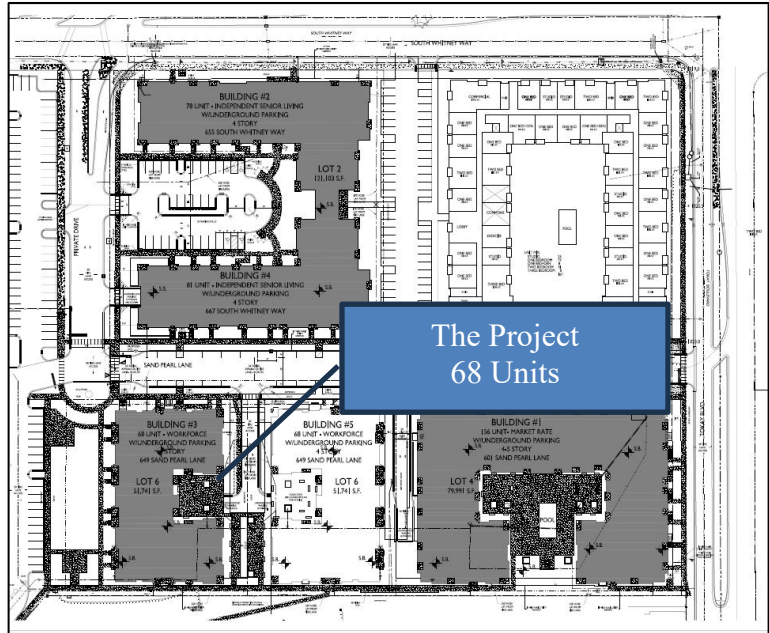


Figure 1

TIF Report

The following TIF Report is provided in compliance with Section 3.1 (8) of TIF Goals, Objectives and Process and Section 1 (9) of TIF Loan Underwriting Policy, adopted by the Common Council on February 25, 2014:

(a) <u>Amount Requested:</u>	\$344,000
(b) <u>Type of Project:</u>	Redevelopment, Affordable Housing
(c) <u>Analysis Method:</u>	Gap Analysis
(d) <u>Tax Credits:</u>	\$12,319,000
(e) <u>Est. Value and Tax Increments:</u>	
Approximate Project Cost	\$21,175,000
Estimated Assessed Value	\$ 8,230,000
Total Estimated Tax Increments	\$ 1,037,000
Average Annual Tax Increment	\$ 135,000
TIF Supportable at 55%	\$ 334,000

(f) TID Condition:

The Project is located within Tax Incremental District (TID) 46 which the City created in 2015. TID 46 stretches east and west along the West Beltline Highway and Mineral Point Road, bounded by Schroeder Road to the south (**Figure 2**).

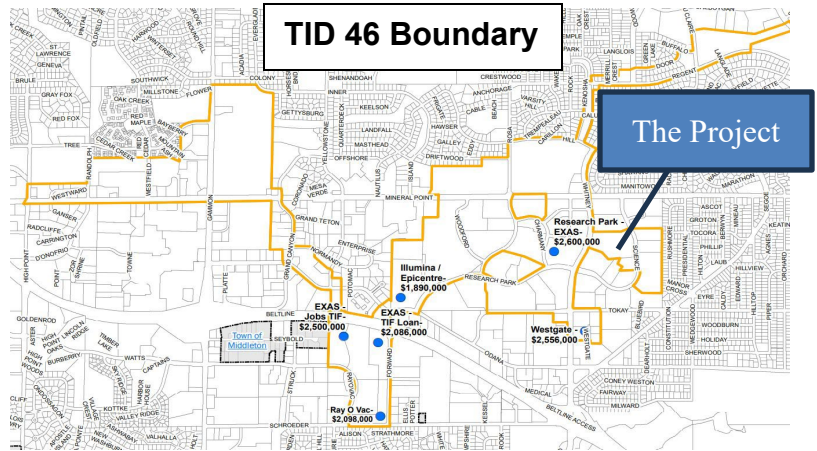


Figure 2

TID 46 has about 10 years of life remaining to recover the TIF Loan expenditure with tax increments. The TID has also committed over \$20M to fund the East-West BRT. Although TID 46 has some capacity to fund additional projects, the TID has very little financial cushion to absorb any project shortfalls.

As noted in previous TIF Reports, affordable housing projects, such as the proposed Project, suppress rents at lower, affordable levels, for long periods of time and are therefore much lower in assessed value than their market rate counterparts. In this case, the Project costs about \$21,175,000 to construct, yet is only valued at about \$8,230,000. Generally, the value of a market rate apartment project would equal or exceed its cost.

Therefore, it is financially prudent to limit TIF assistance to no more than the maximum amount allowable under TIF Policy (55% Gateway), thus providing financial cushion for the lower incremental value, any market or economic uncertainty and the reduced period to recover the expenditure with project tax increments.

(g) TIF Policy Compliance

Developer Equity—Developer equity is approximately \$414,000 of deferred developer fee, and \$12,319,000 of Low-Income Housing Tax Credit (LIHTC) equity from investors. Developer is providing a personal guaranty for the Project. This amount exceeds TIF Policy that developer equity (i.e., the deferred developer fee) must be equal to or greater than the amount of TIF assistance and is therefore in compliance.

(h) Other Applicable

- 1) Quantity of living wage jobs created and/or retained. **See TIF Goal Statement (Figure 4.)**
- 2) Quantity of affordable housing units and level of affordability. **See TIF Goal Statement (Figure 4.)**

(i) Amount of TIF to Be Considered

TIF Eligible	\$344,000	55% of TIF
TIF Recommended	\$344,000	55% of TIF

(j) Developer’s TIF Goals Statement— TIF Policy requires that Developer provide a statement (**See Figure 4**) as to how the project addresses the following TIF Policy Goals:

- 1) Per Sections 1 and 3.4 of “TIF Goals, Objectives and Process”, how does the Project meet City and TID’s goals?

- A) Grows the City's property tax base
- B) Fosters the creation and retention of family-supporting jobs
- C) Encourages the re-use of obsolete or deteriorating property
- D) Encourages urban in-fill projects that increase density consistent with the City's Comprehensive Plan
- E) Assists in the revitalization of historic, architecturally significant, or deteriorated buildings or enhancement of historic districts.
- F) Creates a range of housing types, specifically encouraging affordable housing
- G) Funds public improvements that enhance development potential and improve City's infrastructure
- H) Promotes superior design, building materials and sustainability features
- I) Reserves sufficient increment for public infrastructure in both TID Project Plan and TIF underwriting

(k) TIF Policy Exceptions: None.

(l) Known Labor Agreement, Law Violations: None indicated.

Staff Recommendation: TIF assistance in the amount of \$344,000 or 55% of TIF generated by the project. A 30-year land use restriction agreement (LURA) shall be recorded, requiring the Project to remain affordable for that period.

Figure 4: Applicant's TIF Policy Goal Statement



June 27, 2024

Joseph Gromacki
 City of Madison
 215 Martin Luther King, Jr. Blvd, 3rd Floor
 Madison, WI 53703

RE: TIF Objectives & Goals- University Park Commons II

Dear Mr. Gromacki,

Please see the itemized list of University Park Commons II's TIF objectives and goals:

- A. **Growing the property tax base. Estimate the property tax growth as a result of your project.**
 As of today, the site for University Park Commons II is completely vacant, and the assessed land value is only valued at \$375,000. The proposed redevelopment project has an estimated stabilized value of \$7,375,000. University Park Commons II will bring an estimated \$128,000 of tax basis growth to the City of Madison by 2026. The site previously held the vacant Westgate Mall and this is the 2nd of a planned multiphase redevelopment project. To date, we have created about \$40,000,000 of increment on the property and look to continue that growth with this next phase of development.
- B. **Fostering the creation and retention of family-supporting jobs. The City of Madison has a Living Wage Ordinance and has stated through numerous resolutions its support for the right of workers to collectively bargain.**
 N/A
- C. **C. Encouraging adaptive re-use of obsolete or deteriorating property. The most sustainable building practice is often to reuse existing structures in whole or in part. The City of Madison has an adopted Sustainability Plan.**
 The original Westgate Mall building sustained significant damage from the 2018 flood, and have would requiring significant rehabilitation costs that would make the project financially infeasible. Furthermore, market data concluded that a large retail did not have sustainable demand. One way in which we sustainably reused the building was by grinding up concrete on site and using it to raise the site and construct a bisecting Private Drive Sand Pearl Lane.
- D. **D. Encouraging urban in-fill projects that increase (or decrease where appropriate) density consistent with the City's Comprehensive Plan. The City has adopted plans and policies to encourage growth and density in certain locations through its Comprehensive Plan, Neighborhood Plans, and other applicable land use and transportation plans**
 University Park Commons II is part of a greater redevelopment that is revitalizing a blighted and under-used site, while greatly increasing density in accordance of the City's Comprehensive Plan.

The location is perfectly suited for workforce housing, density with access to both public transportation, and local employment. Proximity to the West Transfer bus stop and future BRT will provide future residents the ability to traverse the City without a vehicle. The development will provide bike parking to encourage residents to utilize the exceptional bike infrastructure within the neighborhood

- E. **E. Assisting in the revitalization of historic or architecturally significant or deteriorated buildings.** The goal of the Madison Landmarks Ordinance is to preserve, protect, enhance and perpetuate and improve historically and architecturally significant buildings, neighborhoods, and historic districts.

N/A

- F. **F. Creating a range of housing options and specifically encouraging the development of workforce and affordable housing.** Adopted land use plans and the report of the Housing Diversity Ad Hoc Committee contain recommendations to further the availability of a full range of housing choices.

University Park Commons II is an workforce housing development financed with competitive 9% WHEDA housing tax credits to create housing for a diverse range of incomes. The main project goal of University Park Commons II is to provide housing for any person of any income, age, or demographic. This development will create 68 units of family housing with 55 units reserved for residents making between 30%-60% of the county AMI, along with additionally market rate units. Within the 68 units will include 14 first floor 3 bedroom townhome style units with individual entrances, designed to accommodate families with children. Additionally, 22 units will be targeting veterans, persons with disabilities, and persons experiencing housing instability/homelessness.

We believe University Park Commons II perfectly exemplifies the City of Madison's TIF goals, and appreciate your consideration of our TIF application. Please do not hesitate to reach out with any questions or comments.

Sincerely,



Jacob T. Klein
President