

## **Executive Summary to the City of Madison Joint Review Board**

### **Tax Incremental District (TID) No. 52 (East Washington and Stoughton Rd) 2024 Project Plan Amendment City of Madison**

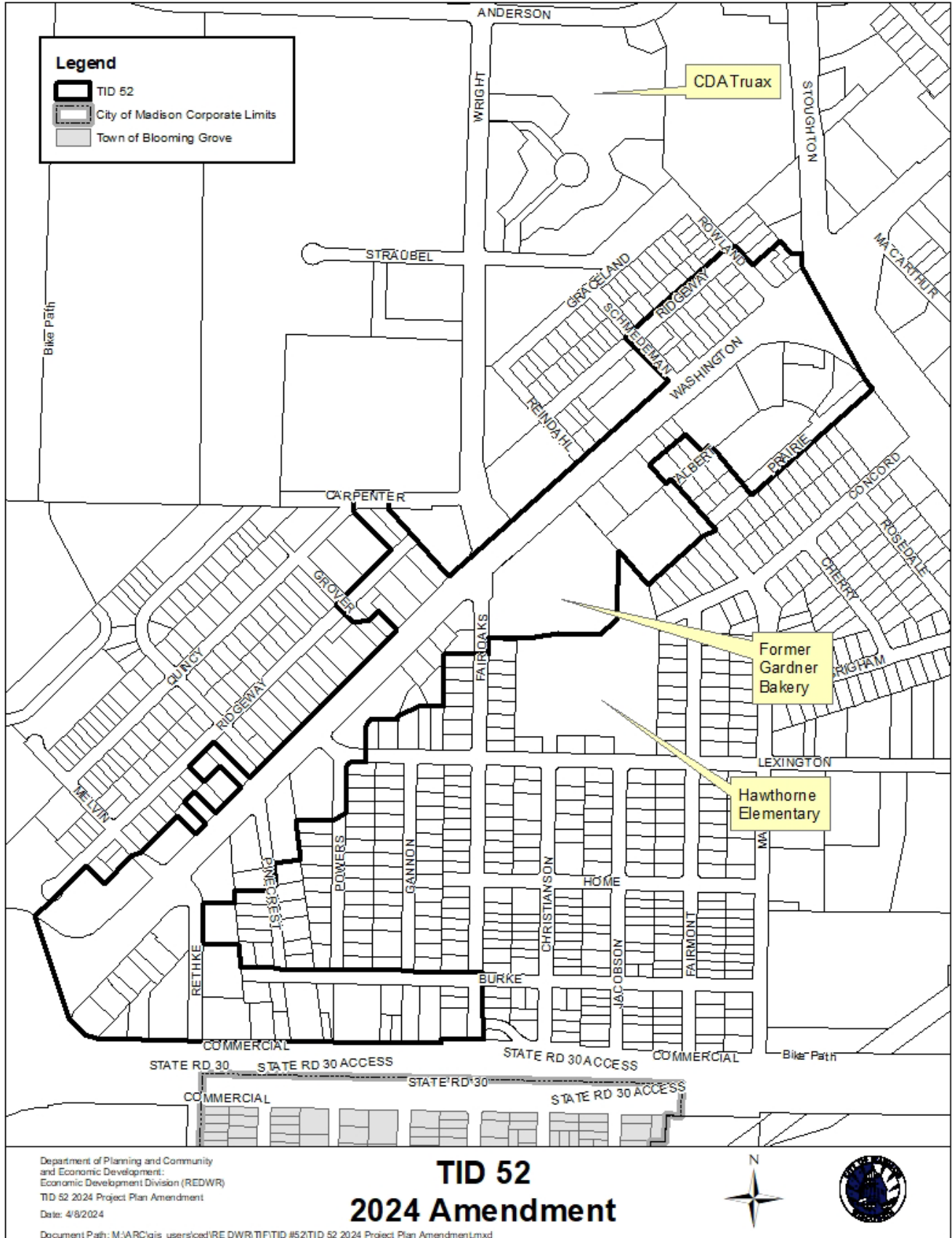
May 24, 2024

#### **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 52 (East Washington and Stoughton Rd).

#### **Summary of the TID #52 Project Plan**

The map on the next page depicts the boundaries of the proposed TID #52 in the East Washington and Stoughton Rd area of the City of Madison



Department of Planning and Community  
and Economic Development;  
Economic Development Division (REDWR)  
TID 52 2024 Project Plan Amendment  
Date: 4/8/2024

# TID 52 2024 Amendment

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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)**

Amendments to the Project Plan from the First (2024) Project Plan Amendment are highlighted in **yellow**.

Type TID / Major Project	Project/Program Name	Year / Time Frame	Proposed TIF Funded Non-Assessable Costs	Assessable / Non-TIF Project Costs	Total
City Engineering	Sanitary Sewer upgrades (Commercial Ave / Hawthorne Neighborhood)	2023-2050	\$1,000,000	\$0	\$1,000,000
CDA	CDA Truax Park Apartments (Recreational Facilities)	2023-2050	\$500,000	\$0	\$500,000
Economic Development	Building Improvement / Façade Grants	2023-2050	\$400,000	\$0	\$400,000
Economic Development	Commercial Ownership Assistance Program	2023-2050	\$200,000	\$0	\$200,000
Economic Development	Small Cap TIF	2023-2050	\$200,000	\$0	\$200,000
Economic Development	Development Loans (Gardner Bakery)	2023-2050	\$2,350,000	\$0	\$2,350,000
Economic Development	Development Loan (Potential 3000 Block of E. Washington)	2023-24	\$1,700,000	\$0	\$1,700,000
Admin	Professional / Admin Services	2023-2050	\$532,000	\$0	\$500,000
<b>TOTAL</b>			<b>\$6,882,000</b>	<b>\$0</b>	<b>\$6,882,000</b>
<b>Financing Costs</b>			<b>\$1,892,000</b>	<b>\$0</b>	<b>\$1,892,000</b>

NOTE: These project costs and non-project costs conform with State Statute 66.1105(4)(GM).

Type TID / Major Project	Project/Program Name	Year / Time Frame	Proposed TIF Funded Non-Assessable Costs	Assessable / Non-TIF Project Costs	Total
City Engineering	Sanitary Sewer Upgrades (Hwy 30 / Jacobson Ave)	2024-2050	\$800,000	\$0	\$800,000
Total 2024 Project Plan Amendment costs		2024-2050	\$800,000	\$0	\$800,000
<b>TOTAL TID 52 Project Costs (Original Project Plan and 2024 Amendment)</b>					
			<b>\$7,682,000</b>	<b>\$0</b>	<b>\$7,682,000</b>
2024 Amendment Financing Costs		2024-2050	\$220,000	\$0	
Total Financing Costs		2024-2050	<b>\$2,112,000</b>	<b>\$0</b>	<b>\$1,892,000</b>

**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 **\$7,682,000** of project costs.

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

Based upon the City's TIF run, TID 52 will generate an estimated \$22,000,000 of incremental revenue through its expiration date of 2050. The net present value of these incremental revenues is \$8.1 million.

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

TID 52 was created in 2023, and as such, as of the drafting of this report, has yet to report any incremental value (positive or negative). Based upon conservative estimates, the district will generate sufficient incremental revenues to repay all anticipated project costs by 2036.

Without any additional projects generating new incremental value, the estimated incremental value in 2036 is \$57 million. However, the City may propose future

amendments to the TID 52 project plan to fund additional development or infrastructure projects.

**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 \$7,682,000.

The total amount of assessable / non-TIF project costs to be paid for with other funding sources is \$0.

The total amount of costs to be paid for with TIF funds is \$7,682,000.

**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 52 is **\$40,062,100**. 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 2024 mill rate.

<u>Tax Jurisdiction</u>	<u>2024 Mill Rate</u>	<u>Share of Tax Levy</u>
City	7.10	35%
County	2.52	13%
MMSD	9.85	49%
MATC	0.66	3%
State of WI	<u>0.0</u>	<u>0%</u>
Totals*	18.28**	100%*

Source: City of Madison 2024 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 \$87 million. The benefits of these potential projects are: sharing new equalized value growth, blight elimination, infrastructure improvements, and job creation / retention to benefit those in the district and throughout the City of Madison.

TID 52’s base value of \$40,062,100 is anticipated to grow by \$87 million at the end of the 27-year life of the TID. Assuming that the City incurs all of the \$7.6 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 52 may close in 2036. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2036 when the TID is forecasted to be closed is estimated to be \$57 million (*Note: variations are due to rounding*).

TID 52 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 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.**

None (\$0) of the proposed \$7,682,000 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 2036 as projected, it is estimated that approximately \$57 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$87 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure and other investments described in the project plan document in and adjacent to TID 52 would not occur. The infrastructure and other improvements will continue to boost values within and adjacent to TID 52.

**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 \$729,000 of tax revenues for the tax parcels included in TID 52, based on the base value of \$40,062,100. As stated earlier, the incremental value in 2050 at the end of the projected life of the TID is estimated at \$87 million. Theoretically, if the City invested all \$7.6 million of project costs in the district, which investment would leverage over \$87 million; or \$1 of TIF leverages approximately \$11.44 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 \$2.3 million, or a net gain of approximately \$1.6 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$7.6 million of public investment. This investment will further enhance the area, eliminate blight, increase values in and around the District, and help create new, family supporting jobs.