



## Finance Department

David P. Schmiedicke, Finance Director

City-County Building, Room 406  
 210 Martin Luther King, Jr. Boulevard  
 Madison, Wisconsin 53703  
 Phone (608) 266-4671  
 Fax (608) 267-8705  
[finance@cityofmadison.com](mailto:finance@cityofmadison.com)  
[www.cityofmadison.com/finance](http://www.cityofmadison.com/finance)

Date: August 20, 2015

To: Mayor Soglin  
 Common Council Members

From: David Schmiedicke  
 Finance Director

Subject: Fiscal Note for Judge Doyle Square Resolution (Legistar #39800)

As has been described in reports from the Judge Doyle Square Negotiating Team to the Board of Estimates and Council, the Judge Doyle Square project as proposed by JDS Development, LLC, requires a series of financial transactions and budgetary actions by the City as part of a total public and private investment of \$200 million. A summary of these transactions is shown in the table below.

|                                    | Block 88 Bldg | Hotel         | Block 105 Bldg | Private Building Total | Private Parking | Private Development Total | Public Parking, City Fleet, Bike Center, MMB Annex Demolition | Grand Total    |
|------------------------------------|---------------|---------------|----------------|------------------------|-----------------|---------------------------|---|----------------|
| Debt                               | \$ 36,709,000 | \$ 34,852,000 | \$ 17,701,000  | \$ 89,262,000          | \$ -            | \$ 89,262,000             | \$ -  | \$ 89,262,000  |
| Direct Equity                      | 15,066,000    | 17,636,000    | 11,655,000     | 44,357,000             | -               | 44,357,000                | -   | 44,357,000     |
|                                    | \$ 51,775,000 | \$ 52,488,000 | \$ 29,356,000  | \$ 133,619,000         | \$ -            | \$ 133,619,000            | \$ -  | \$ 133,619,000 |
| Jobs TIF                           | \$ 12,000,000 | \$ -          | \$ -           | \$ 12,000,000          | \$ -            | \$ 12,000,000             | \$ -  | \$ 12,000,000  |
| Equity / Land Cost TIF Grant       | -             | -             | -              | -                      | -               | -                         | -   | -              |
| TID 25 Balance                     | 9,737,000     | -             | -              | 9,737,000              | -               | 9,737,000                 | -   | 9,737,000      |
| Land Sale Proceeds                 | 4,200,000     | -             | -              | 4,200,000              | -               | 4,200,000                 | -   | 4,200,000      |
| TIF for Private Parking            | -             | -             | -              | -                      | 20,800,000      | 20,800,000                | -   | 20,800,000     |
| TIF for Public Parking             | -             | -             | -              | -                      | -               | -                         | 400,000   | 400,000        |
| Parking Utility Reserves           | -             | -             | -              | -                      | -               | -                         | 13,066,480  | 13,066,480     |
| Land Sale Proceeds                 | -             | -             | -              | -                      | -               | -                         | 6,800,000   | 6,800,000      |
| 2015 Facilities Management Funding | -             | -             | -              | -                      | -               | -                         | 100,000   | 100,000        |
|                                    | \$ 25,937,000 | \$ -          | \$ -           | \$ 25,937,000          | \$ 20,800,000   | \$ 46,737,000             | \$ 20,366,480   | \$ 67,103,480  |
| Sources Total                      | \$ 77,712,000 | \$ 52,488,000 | \$ 29,356,000  | \$ 159,556,000         | \$ 20,800,000   | \$ 180,356,000            | \$ 20,366,480   | \$ 200,722,480 |
| Development Cost excluding Land    | \$ 70,871,000 | \$ 48,752,000 | \$ 24,933,000  | \$ 144,556,000         | \$ 20,800,000   | \$ 165,356,000            | \$ 20,366,480   | \$ 185,722,480 |
| Land Cost (paid to City)           | 6,841,000     | 3,736,000     | 4,423,000      | 15,000,000             | -               | 15,000,000                | -   | 15,000,000     |
| Total Cost                         | \$ 77,712,000 | \$ 52,488,000 | \$ 29,356,000  | \$ 159,556,000         | \$ 20,800,000   | \$ 180,356,000            | \$ 20,366,480   | \$ 200,722,480 |
| Debt Share                         | 47.2%         | 66.4%         | 60.3%          | 55.9%                  | 0.0%            | 49.5%                     | 0.0%  | 44.5%          |
| Equity Share                       | 19.4%         | 33.6%         | 39.7%          | 27.8%                  | 0.0%            | 24.6%                     | 0.0%  | 22.1%          |
| Public Share                       | 33.4%         | 0.0%          | 0.0%           | 16.3%                  | 100.0%          | 25.9%                     | 100.0%  | 33.4%          |
|                                    | 100.0%        | 100.0%        | 100.0%         | 100.0%                 | 100.0%          | 100.0%                    | 100.0%  | 100.0%         |
| Public Funding                     |               |               |                |                        |                 |                           |   |                |
| TID 25                             | \$ 21,737,000 | \$ -          | \$ -           | \$ 21,737,000          | \$ 20,800,000   | \$ 42,537,000             | \$ 400,000  | \$ 42,937,000  |
| Parking Utility Reserves           | -             | -             | -              | -                      | -               | -                         | 13,066,480  | 13,066,480     |
| Land Sale Proceeds                 | 4,200,000     | -             | -              | 4,200,000              | -               | 4,200,000                 | 6,800,000   | 11,000,000     |
| 2015 Capital Funds                 | -             | -             | -              | -                      | -               | -                         | 100,000   | 100,000        |
|                                    | \$ 25,937,000 | \$ -          | \$ -           | \$ 25,937,000          | \$ 20,800,000   | \$ 46,737,000             | \$ 20,366,480   | \$ 67,103,480  |

The public investment totals \$67.1 million. Of this amount, \$11 million is drawn from the \$15 million in land sale proceeds paid by the developer. The remaining \$56.1 million is split between TID 25 (\$43 million), Parking Utility Reserves (\$13 million), and 2015 capital appropriations to Facilities Management (\$100,000).

Under the Development Agreement, the Community Development Authority (CDA) will receive a payment of \$115,000 annually from net income of the private parking stalls. After 27 years, if the developer meets the property tax increment guaranties in the Development Agreement, the developer will pay \$4 million for the private parking stalls. This amount, combined with the present value of the \$115,000 annual payment over 27 years, totals \$6.1 million. This amount should be considered an income to the City/CDA for the \$20.8 million investment made in the parking structure.

Sale of City Land for the Development and Use of Proceeds

One element of the transaction is a “like-kind” transfer of \$15 million in proceeds from sale of an investment property allowed under section 1031 of the Internal Revenue Code, which will be used to acquire the City’s land and development rights on Blocks 88 and 105. The City will retain the \$15 million, returning some of the proceeds to the developer, along with TID 25 funds, to write-down the total cost of the land to the developer by \$13.9 million.

(\$ in millions)

|  |             |
|--|-------------|
| <u>Equity Return Grant from TID 25</u> |             |
| TID 25                                 | 9.7         |
| Sale Proceeds                          | <u>4.2</u>  |
| Total                                  | 13.9        |
| <br>                                   |             |
| 1031 Transaction                       | \$15.0      |
| <br>                                   |             |
| Equity Return                          | <u>13.9</u> |
| Net Developer Payment for Land         | \$1.1       |

The \$15 million paid to the City for its land will be allocated in the following ways: \$4.5 million is related to the Parking Utility property on Block 105, and will be deposited in the Parking Utility enterprise fund and used to help defray the cost of the replacement parking structure for Government East; another \$4.2 million will be appropriated to TID 25 and used to support the return of equity / land cost offset grant to the developer (as described above).

(\$ in millions)

|  |            |
|--|------------|
| <u>Sale of Blocks 88 and 105</u>         |            |
| Proceeds / 1031 Transaction              | \$15.0     |
| Appropriated to TID 25 for Equity Return | <u>4.2</u> |
|  | \$10.8     |
| Parking Utility Share of Land Proceeds   | <u>4.5</u> |
| Net Proceeds for General Purposes        | \$6.3      |

Of the remaining \$6.3 million, a total of \$4.2 million will be used for purposes related to the development, including City Fleet parking in the new parking facility to replace parking lost due to construction of the Exact Sciences office tower on Block 88 (\$1.3 million), construction of a Bike Center (\$1.0 million) and a deposit in the General Fund to offset the loss of Parking Utility Payment in Lieu of Taxes due to closure of the Government East facility for 17 months.

(\$ in millions)

|   |             |
|---|-------------|
| <u>Net Land Proceeds for the JDS Project Uses</u>                   |             |
| Net Proceeds in Capital Projects Fund                               | \$6.3       |
| City Fleet Parking  | -1.3        |
| Bike Center   | <u>-1.0</u> |
| Net Remaining   | 4.0         |
| Deposit in General Fund to Offset for lost GE Parking Utility PILOT | <u>-0.2</u> |
| Net Remaining   | 3.8         |

Predevelopment Costs in 2015

The Development Agreement includes a provision that the City will reimburse the developer for the predevelopment costs associated with the public portion of the parking ramp. In the event that the project does not proceed, these costs, which total \$667,200 from July 2015 through December 2015, will be paid by the City from appropriations made for the Judge Doyle Square parking ramp from the Parking Utility's reserves in the 2015 Adopted Capital Budget. It is estimated that the City's share of predevelopment costs will total \$187,200 by the end of August. If the project proceeds as proposed, then these costs are included as part of the estimated \$18 million overall cost of the public ramp.

Estimated 2016 Appropriations

The table below summarizes the estimated appropriations for the project that will be included in the 2016 Executive Capital Budget for consideration by the Council. These appropriations total \$67 million.

(\$ in millions)

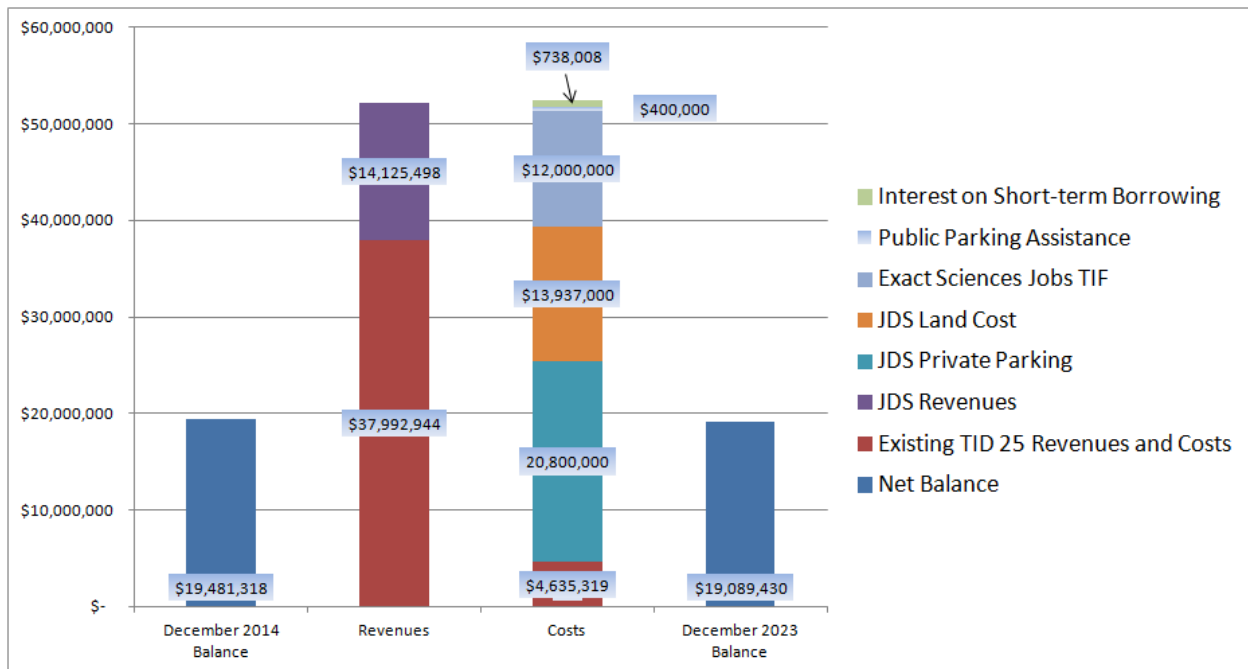
| <b>2016 Capital Budget Appropriations</b>                           |               |
|---|---------------|
| <b><i>Parking Utility --Public Parking Ramp</i></b>                 |               |
| Parking Utility Reserves and Land Sale Proceeds                     | \$17.6        |
| TID 25  | <u>0.4</u>    |
| Payment to CDA from Parking Utility                                 | \$18.0        |
| <b><i>Economic Development -- TID 25 -- Private Parking</i></b>     |               |
| TID 25 Payment to CDA   | \$20.8        |
| <b><i>Economic Development -- TID 25 -- Jobs TIF</i></b>            |               |
| TIF 25 Assistance   | \$12.0        |
| <b><i>Economic Development -- TID 25 -- Equity Return Grant</i></b> |               |
| TID 25 Assistance   | \$13.9        |
| <b><i>Engineering -- Facilities Management and Other</i></b>        |               |
| City Fleet Parking -- Capital Projects Fund                         | 1.3           |
| Bike Center -- Capital Projects Fund                                | <u>1.0</u>    |
|   | \$2.3         |
| <b>TOTAL APPROPRIATIONS</b>   | <b>\$67.0</b> |

In addition, the 2016 Executive Capital Budget will authorize \$10 million of short-term borrowing (no more than 3 years) in TID 25 for cash flow purposes, if needed. The estimated interest cost on this borrowing is \$775,000.

TID 25 Impacts

Tax Increment District 25, which was created in 1995, will provide approximately \$43 million of estimated tax increment revenues between 2015 and 2023 for the project. In addition, \$4.2 million from the proceeds paid by the developer for City land on Blocks 88 and 105 will be appropriated to TID 25 and used to support a portion of the Land Cost grant for the Judge Doyle Square project. Finally, another \$4.6 million in other revenues, including Hilton Hotel parking lease payments, state computer aid reimbursements and interest income are anticipated through 2023. These project inflows total \$52 million between 2015 and 2023.

These resources will be allocated to the Judge Doyle Square project, and other costs, over that same time period. The graph below shows that allocation. The net surplus (after deducting for principal costs on all outstanding debt) totaled \$19 million on December 31, 2014. The estimated surplus on December 31, 2023 (the date of closure plus a year of increment) is also \$19 million. This surplus will be distributed based on the proportional property tax base share of each participating taxing jurisdiction (City of Madison, Madison Metropolitan School District, Dane County, Madison College and the State of Wisconsin).



The contributions to the project from TID 25 are summarized below:

| (\$ in millions)                       |             |
|--|-------------|
| <u>TID 25 Impacts</u>                  |             |
| Equity Return Grant / Land Value       | \$9.7       |
| Equity Return Grant / Sale Proceeds    | \$4.2       |
| Jobs TIF                               | 12.0        |
| Private Parking                        | 20.8        |
| Public Parking Incremental Cost        | <u>0.4</u>  |
| Total TID 25 Impacts                   | \$47.1      |
| Land Sale Proceeds Deposited in TID 25 | <u>-4.2</u> |
| Net Impact on TID 25 Balance           | \$42.9      |

The land value to be supported from TID 25 was calculated in the following way: the \$13.2 million is based on a fair market value estimate of \$150 per square foot; the value of land retained is associated with the portion of the project that will be used for the Parking Utility structure; finally, the net impact on TID 25 is reduced by the net developer payment to the City for the land.

| <u>Estimated Value of City Land for Development</u> |             |
|---|-------------|
| Total Value   | \$13.2      |
| Value of Land Retained                              | <u>-2.3</u> |
| Net Value   | \$10.8      |
| Net Developer Payment for Land                      | <u>-1.1</u> |
| Net Value paid by TID 25                            | \$9.7       |

Please let me know if you have any questions on this issue.