

## Economic Development Division

### MISSION

The mission of the Economic Development Division of the Department of Planning and Community and Economic Development is to actively promote fiscal sustainability, a diverse, safe and dynamic community and enhance the living, working and recreational choices for all Madison citizens and visitors.

### OBJECTIVES

1. Enhance and promote economic and industrial growth and competitiveness within the City of Madison.
2. Eliminate blighting influences, stimulate desired land uses, promote commercial and housing development, replace necessary infrastructure, and revitalize targeted areas in the City of Madison.

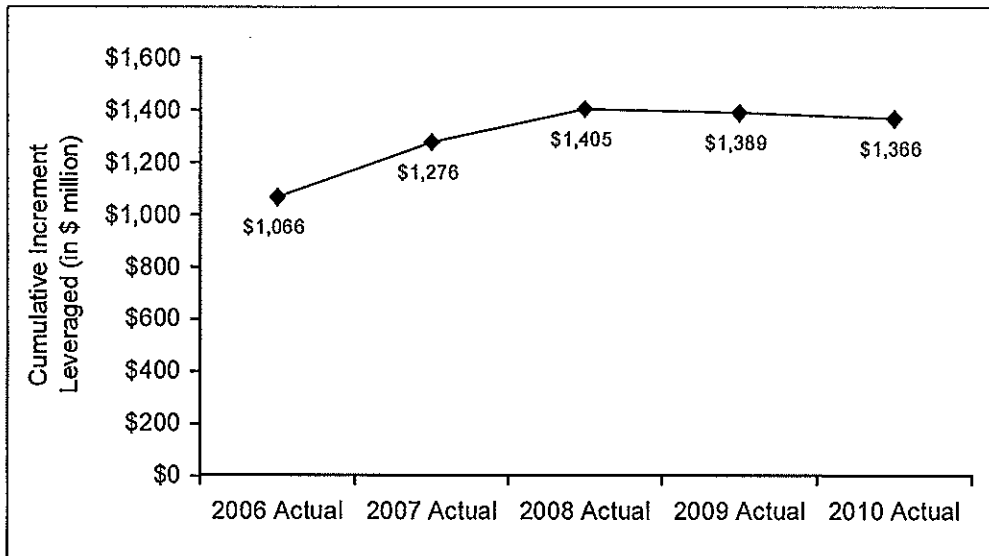
### STRATEGIES

- 1a. Define, encourage and promote Madison's entrepreneurial ecosystem.
- 1b. Provide TIF assistance to attract new industrial users and facilitate retention and expansion of existing industrial users.
- 1c. Provide TIF assistance to retain or expand existing industries/businesses within and attract new commercial/office users.
- 2a. Utilize financial tools such as the City and Community Development Authority of the City of Madison (CDA) development revenue bonds, tax-exempt rental housing bonds, TIF, CDA loans and grants to rehab or develop the existing housing stock.

### DESCRIPTION OF BENCHMARKS, DATA AND RESULTS

#### Tax Incremental Financing

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual
Cumulative Increment Leveraged (in \$ millions)	\$1,066	\$1,276	\$1,405	\$1,389	\$1,366



Source: City of Madison Economic Development Division

Using data from Wisconsin Department of Revenue

This benchmark is derived from equalized property value data generated each year by the Wisconsin Department of Revenue (WDOR). For the purposes of this benchmark, it measures the general growth of property value in Tax Incremental Districts (TIDs) that have been closed and the annual growth in existing TIDs. Assuming that all the value growth is a measurement of the direct impact of TIF investment, increasing values would suggest, on the surface, that the TIF program was successful in stimulating property value growth -- one of the primary objectives indicated in the TIF Law. However, as described below, there are external factors that could increase or decrease property values in TIDs and not necessarily mean that the program was either successful or unsuccessful.

The equalized value data for TIDs is provided to the City each year by WDOR. The data includes growth realized from new development and the appreciation of existing property value as a result of market conditions that may or may not be a direct result of TIF investment. The WDOR figure does not differentiate or provide greater detail. However, generally TIDs that demonstrate positive value growth are better able to repay existing investments or make new ones over the TID's useful life, so the data would indicate that historically, TIF has been financially viable.

The data has limitations. It does not measure more subjective impacts such as cosmetic aesthetic improvement to an area or a correlation to job creation or retention, crime reduction or improvement of health and welfare that are defined as the process of eliminating blighting conditions. It will also be affected each year by City actions such as the creation of new or the amendment of existing TIDs, or changes in the City's mill rate. WDOR equalization formulas or policies may increase or decrease values in a given year, regardless of the impact of City TIF investment. It also does not account for how a comparatively modest amount of TIF investment can leverage large gains in value over time on a per project basis.

TIF leverage is a key measurement of TIF success. It is the way in which TIF invested in a private development project to fund a financing gap yields property value growth. Toward that goal and others, the City of Madison adopted a "50% Rule" in its TIF Policy, wherein no more than 50% of the TIF generated by a new development project may be provided to that project as gap financing. In effect, a limit is placed on TIF assistance to a project that will result in TIF being available to: 1) fund public infrastructure improvements, 2) provide a TIF "cushion" to ensure that TIF debt is repaid in timely fashion and 3) ensure that TIF leverages private equity, debt and other sources of capital to make the project work and yield an increase in property value.

Due to the economic recession, value growth in some TIDs has diminished or remained flat. This trend may continue until economic conditions improve. Though some TIDs have diminished in value, all TIDs are projecting positive tax increments and are repaying indebtedness in a timely manner. City TIF Policy requiring self-sustaining TIF assistance to projects, the 50% Rule, conservative estimates of interest rates, projected values and timing of projects, and other City TIF underwriting practices may be credited for TID resiliency during this bleak economic period.

There are also some positive developments.

For example, the City closed TID #23 (Capitol Square) in 2011, having recovered \$10 million in project costs in 17 years, generating value growth of \$78 million during that period, and distributing \$1,000,000 of excess tax increment among taxing jurisdictions. TID #27 (Broadway) is slated to close in 2012, projected to recover its \$3,289,000 of project costs in 15 years. An estimate of TID #27 value growth and excess tax increment at closure is not available at this time.

A few TIDs have grown in value during this downturn.

<b>TID Number</b>	<b>2010 Value Growth</b>
TID #25 (Wilson Street Corridor)	\$ 2,344,100
TID #32 (Upper State Street)	\$ 8,063,600
TID #35 (Todd Drive)	\$ 3,709,700
TID #39 (Stoughton Road)	\$ 6,177,400
<b>TOTAL</b>	<b>\$ 20,294,800</b>

EDD staff is currently considering seven (7) new TIF proposals in two existing TIDs (TID #36 and #37), a proposed new TID #41 (University-Whitney) and potential TID #42 (Wingra) proposed for creation in 2012. The aggregate value growth of these proposed projects is estimated at \$122,000,000. Upon completion of an internal vetting process, gap analysis and underwriting, projects are considered by the Common Council for funding authorization of TIF assistance.