



TIF 101: SUBCOMMITTEE ON RENTAL HOUSING

March 7, 2024

Joe Gromacki

TIF Coordinator

Dan Rolfs

Real Estate Development Manager

Office of Real Estate Services

CONTENTS

1. **What is TIF?**
2. **How TIF Works**
3. **Eligible Uses**
4. **How Does the City Use TIF?**
5. **The TID Metric**
6. **TIF Policy Basics**
7. **TIF Lending and Gap**
8. **Gap Analysis**
9. **Madison's TIF Track Record**
10. **Questions**



What is TIF?

The Moving Parts

- Tax Incremental District (TID)—a geographic boundary comprised of contiguous whole units of property
- Project Plan—a document that estimates the eligible development cost that may be recovered by tax increments over time within the TID
- Base Value—property value that exists within the TID boundary when it is created.
- Incremental Value—value of growth over the base value that occurs in the TID after it is created
- Tax Increment—The entire tax levy on incremental value in the TID that pays for development cost



WHAT IS TIF?

STATUTORY REQUIREMENTS

- 50% of the TID area blighted, industrial or mixed-use
- All costs must meet a “but for” test, i.e. but for TIF the project would not otherwise be constructed.
- The aggregate of all value growth in TIDs cannot exceed 12% of a city’s EAV
- Note: Madison is at 4.95% of EAV



HOW TIF WORKS



Base Value (Pre-TID)	\$1,000,000
Annual Tax Levy	\$30,000
<u>Tax Distribution</u>	
City	\$6,000
County	\$10,000
Schools	\$13,000
Voc/Tech School	\$1,000
Total Levy	\$30,000

New Development Value	\$15,000,000
New Tax Levy	\$450,000

Tax Distribution

City	\$6,000
County	\$10,000
Schools	\$13,000
Voc/Tech	\$1,000
Total Levy on Base Value	\$30,000

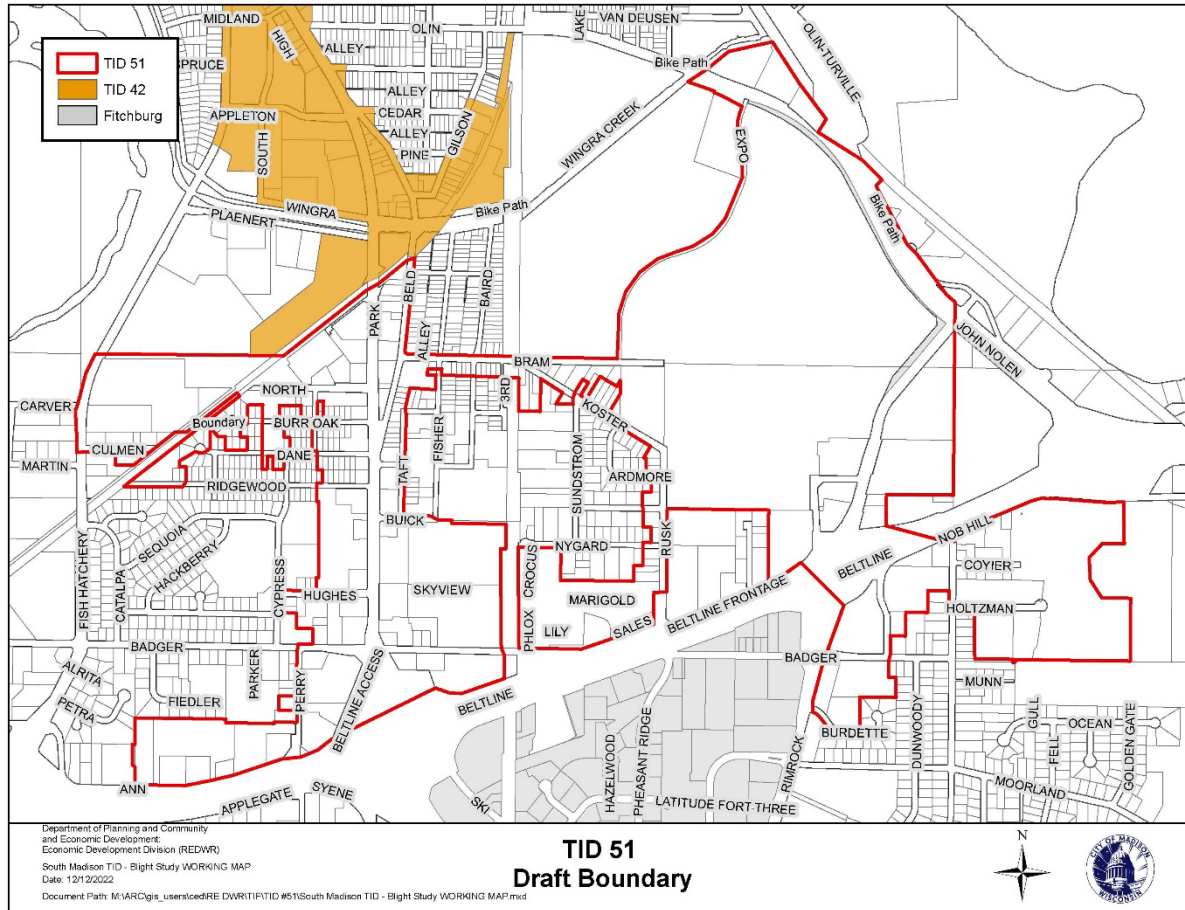
Overlying tax districts still receive this levy over the life of the TID

New Tax Levy	\$450,000
Less: Levy on Base Value	-30,000
Tax Increment	\$420,000



HOW TIF WORKS

HOW ARE TID BOUNDARIES DRAWN?



At left is a typical TID boundary.

Its shape is a balance of competing factors:

- Location of blight (for blighted area TIDs)
- Location of suitable, zoned property (in the case of industrial and mixed-use TIDs)
- Location of TIF generators
- Infrastructure improvement plans, neighborhood plans, etc.
- TIF Law allows no more than four (4) boundary amendments in a TID lifespan

Sometimes property has to be added or left out because of one or more of these factors.



HOW TIF WORKS

TID Lifespan—The maximum period that a TID may collect tax increment

- Blighted Area TID 27 years
- Industrial 20 years
- Mixed Use 20 years

TID Expenditure Period—The maximum period that a TID may make expenditures

- Blighted Area TID 22 years
- Industrial 15 years
- Mixed Use 15 years

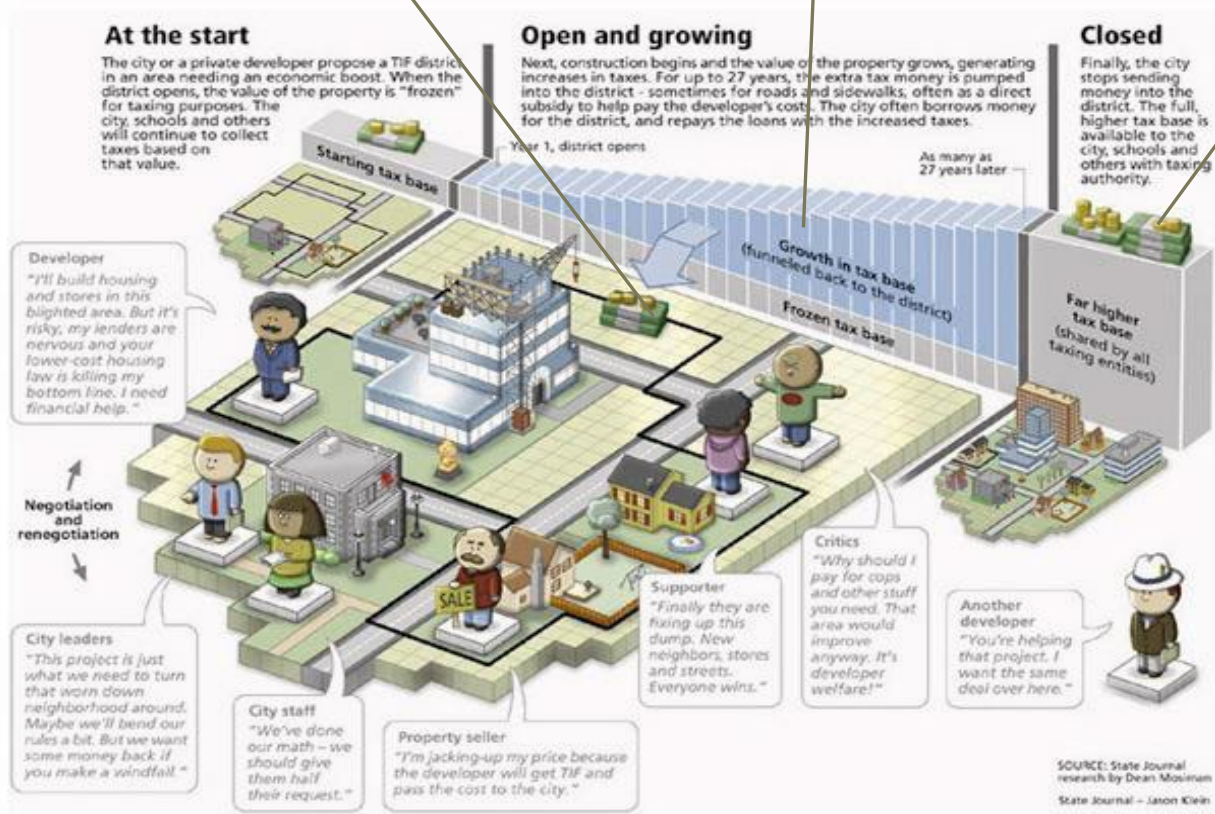


HOW TIF WORKS

Borrowed funds pay for project costs

Borrowing repaid with tax increment revenues

Excess increment = tax increment > debt service



Where do TIF funds come from?

- Most of the time, TIF funds are borrowed.
- TIF borrowing requires Capital Budget authorization.
- Borrowing is repaid through tax increments.
- In some cases, excess tax increment is used instead of borrowing.



ELIGIBLE USES

Eligible Cost

- Public Improvements
- Parking Ramps
- Streetscape
- Land Acquisition
- Demolition
- Remediation
- Construction
- TIF Administration Cost
- Finance Cost

Ineligible Cost

- Public Buildings
- Regional Parks
- Operating Cost
- Assessable Cost



HOW DOES THE CITY USE TIF?

Helpful tips:

1. Review TID Project Plans with TIF Staff.
 - Project Plans are available online at:
<http://www.cityofmadison.com/dpced/economicdevelopment/tax-incremental-financing/415/>
2. Review the Capital Improvement Plan (CIP).
 - 5 year capital project projection
 - Sometimes, TIF can be used for all or part of those costs
 - The CIP is available online at:
<http://www.cityofmadison.com/employeenet-finance/documents/CapBudgetInstructionsKickoff.pdf>
3. Review the TID Metric with TIF Staff and Finance.
 - Demonstrates present financial condition of TID
 - Forecasts impact of new expenditure against measurable guidelines
 - Reviews are conducted during first quarter and again in August / September



Introducing...The TID Metric

Shaded numbers = over spending. Requires plan amendment

Positive ACCR = full cost recovery, TID has excess tax increment

ACCR Should be \geq (2.0)

Should be \geq 50%

TID #	2022 Incremental Value	Expenditures Authorized in Project Plan	Total Authorized Expenditures As Of 12/31/2021	Authorized Expenditures - 2022 Adopted Capital Budget and Proposed New Expenditures	Proposed New Expenditures	Proposed New Donations	Estimated Total Expenditures Thru 12/31/21	Donations (to) / from Other TIDs, Developer Payments, Grant Revenues	Balance of Uncovered Costs Thru 12/31/21	Estimated Incremental Revenues - 2023	Estimated Years to Expenditure Recovery and TID Closure	Years Left in TID Life-span	Estimated Years to Recover All Expenditures	Annual Cost Coverage Ratio	Payback Capacity
29	\$ 45,423,600	\$ 11,974,000	\$ (12,064,621)	\$ (500)	\$ -	\$ -	\$ (12,065,121)	\$ -	\$ 168,775	\$ 1,045,035	0.16	4	1	(24.9)	75%
36	\$ 489,171,700	\$ 52,444,000	\$ (33,845,120)	\$ (10,452,000)	\$ (5,000,000)	\$ (50,000,000)	\$ (44,297,120)	\$ (53,320,875)	\$ (4,993,100)	\$ 11,254,096	(1.37)	9	6	(1.7)	33%
37	\$ 151,313,400	\$ 20,867,000	\$ (8,899,230)	\$ (31,000)	\$ -	\$ (18,000,000)	\$ (8,930,230)	\$ (17,940,662)	\$ (1,309,719)	\$ 3,481,182	(0.39)	10	5	(2.1)	50%
39	\$ 174,983,700	\$ 17,113,000	\$ (5,911,476)	\$ (2,780,500)	\$ (2,750,000)	\$ -	\$ (8,691,976)	\$ (7,525,109)	\$ (1,828,777)	\$ 4,025,751	(1.14)	5	3	(2.4)	40%
41	\$ 56,984,700	\$ 12,497,116	\$ (4,728,172)	\$ (5,250,000)	\$ -	\$ -	\$ (9,978,172)	\$ (772,634)	\$ (1,442,229)	\$ 1,311,015	(5.10)	15	4	(4.3)	73%
42	\$ 117,982,100	\$ 39,173,000	\$ (7,341,812)	\$ (18,100,500)	\$ (3,800,000)	\$ -	\$ (25,442,312)	\$ 12,527,629	\$ (2,618,185)	\$ 2,714,347	(7.63)	16	2	(14.7)	88%
44	\$ 62,349,500	\$ 6,264,700	\$ (4,596,572)	\$ (1,000)	\$ -	\$ -	\$ (4,597,572)	\$ -	\$ 2,570,831	\$ 1,434,440	1.79	17	2	(9.5)	88%
45	\$ 93,013,200	\$ 36,000,000	\$ (18,376,950)	\$ (7,051,500)	\$ (7,000,000)	\$ -	\$ (25,428,450)	\$ 545,283	\$ 12,912,613	\$ 2,139,902	2.74	19	10	(2.1)	47%
46	\$ 349,329,600	\$ 37,681,000	\$ (11,851,924)	\$ (24,000,000)	\$ -	\$ -	\$ (35,851,924)	\$ -	\$ (595,910)	\$ 8,036,828	(3.06)	12	3	(4.1)	75%
47	\$ 18,468,900	\$ 3,000,000	\$ (626,223)	\$ -	\$ -	\$ (626,223)	\$ (626,223)	\$ -	\$ (297,693)	\$ 424,904	(0.70)	14	(1)	20.2	107%
48	\$ 38,550,000	\$ 14,755,000	\$ (4,805)	\$ (120,000)	\$ (120,000)	\$ -	\$ -	\$ -	\$ 4,805	\$ 886,898	(0.13)	18	1	#DIV/0!	94%
49	\$ -	\$ 3,600,000	\$ -	\$ (3,100,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!	19	#DIV/0!	#DIV/0!	#DIV/0!
50	\$ -	\$ 20,600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!	-	#DIV/0!	#DIV/0!	#DIV/0!
51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!	-	#DIV/0!	#DIV/0!	#DIV/0!
	\$ 1,851,911,200	\$ 344,488,573	\$ (184,799,640)	\$ (70,887,000)					\$ (18,263,404)	\$ 42,652,699		12		#DIV/0!	

Current Incremental value

Total allowable TID cost

Expenditure to date

Expenditures in most recent budget

Proposed Donations / Expenditures

Current tax increment

Ensures that City reserves 50% for infrastructure, i.e. 1:2 coverage

Amount available for infrastructure



TIF POLICY

Background

- TIF Policy discussions began in 1999
- Policymakers sought consistency to applying TIF
- First TIF Policy adopted in 2001
- Amended in 2005, 2008 and 2014

Organization – Two Documents

- Goals, Objectives and Process—what the City wants to do with TIF
- TIF Underwriting Policy—how the City evaluates TIF
- Documents available online at:

<http://www.cityofmadison.com/dpced/economicdevelopment/tax-incremental-financing/415/>



TIF POLICY

Basic Policies

- **TIF Generator(s)**—TIDs are only created/amended with an economic generator that has an incremental value of at least \$3M.
- **Self-Supporting TIF**—Increment from other development projects do not support a project's TIF loan assistance.
- **Equity Investment**—Developer or Employer equity investment must equal or exceed TIF request.



TIF POLICY

Two TIF Loan Types:

Standard

- Loans to developers—gap analysis required
- Eligible for up to 50% of TIF (“50% Rule”)
- Extra 5% allowed without Council policy exception (“55% Gateway”)
- Personal guaranty required

Jobs TIF

- Loans to employers—no gap analysis
- Eligible for up to 40% of TIF
- Employers must create/retain at least 100 jobs over 5 years
- Personal/Corporate guaranty required



TIF LENDING AND GAP

When a project costs more to construct than the amount of investment that it can attract, assuming a typical rate of return, it has a gap. TIF may sometimes be used to fund gap in the right circumstances.

To fully understand gap, we must first understand “**no gap.**”

Example: A developer estimates that she can construct an office building for \$20M. She can also attract \$5M of equity investment yielding a 16% return and a \$15M bank loan.

Sources and Uses	Developer Analysis
Loan	15,000,000
Equity at 16% IRR	<u>5,000,000</u>
Total Sources	20,000,000
Less: Uses (i.e. Cost)	<u>(20,000,000)</u>
Gap	0

When investment sources equal the project cost there is no gap. **This project could be built without TIF.**

So what is an example of gap?



GAP

Example: Let's say that the architect informs her that costs have increased and the project will now cost \$22M. The developer thinks that her project now has a \$2M gap.

At this point, the developer may take any number of the following steps:

1. Secure more investment
2. Implement cost saving measures
3. Request TIF
4. Abandon the project

Sources and Uses	Developer Analysis
Loan	15,000,000
Equity at 16% IRR	<u>5,000,000</u>
Total Sources	20,000,000
Less: Uses (i.e. Cost)	<u>(22,000,000)</u>
Gap	(2,000,000)

In this case, the developer requests \$2M of TIF.

Q: But how does the City know if a gap really exists or how much TIF should be provided?

A: Through a process called “gap analysis.”



GAP ANALYSIS — THE STEPS

- **TIF Feasibility**—using a “TIF Run” model, determines how much TIF is generated by the project and how much is feasible to be provided as TIF assistance.
- **Cost Comparison**—determines if project costs are in line with market data.
- **Investment Comparison**—determines if private leverage (bank and equity) and the proposed returns are in line with market data.
- **Sizing the Gap**—a process that adjusts cost and/or investment if necessary to market conditions, comparing the adjusted gap to the amount of TIF that is feasible.



GAP ANALYSIS—THE TIF RUN

Example: The Assessor values the project at \$20M. The base value of the site is \$1M, leaving \$19M of incremental value.

TIF Increment Projection - Sample Project
TID ZERO

YEAR	TAX RATE PROJECTION			INCREMENT CALCULATION				AVAILABLE FOR ASSISTANCE	
	CITYWIDE TAX BASE AS OF JAN 1 PRIOR YEAR	NET TAX LEVY	TAX RATE	DISTRICT VALUE AS OF JAN 1	PROJECT VALUE ADDED	INCREMENTAL VALUE AS OF JAN 1	INCREMENT REVENUE	INCREMENT AFTER COVERAGE	PRESENT VALUE
2019	26,629,976,600	597,740,824	0.02245	1,000,000	0	0	0	0	0
2020	28,227,775,196	621,650,457	0.02202	1,018,500	1,000,000	18,500	0	0	0
2021	29,921,441,708	646,516,475	0.02161	2,037,342	9,000,000	1,037,342	407	204	0
2022	31,716,728,210	672,377,134	0.02120	11,075,033	9,000,000	10,075,033	22,414	11,207	9,000
2023	33,619,731,903	699,272,220	0.02080	20,279,921	0	19,279,921	213,585	106,793	81,000
2024	35,636,915,817	727,243,108	0.02041	20,655,100	0	19,655,100	401,012	200,506	142,000
2025	37,775,130,766	756,332,833	0.02002	21,037,219	0	20,037,219	401,102	200,551	133,000
2026	40,041,638,612	786,586,146	0.01964	21,426,408	0	20,426,408	401,185	200,592	124,000
2027	42,444,136,929	818,049,592	0.01927	21,822,796	0	20,822,796	401,261	200,630	116,000
2028	44,990,785,144	850,771,576	0.01891	22,226,518	0	21,226,518	401,329	200,665	109,000
2029	47,690,232,253	884,802,439	0.01855	22,637,708	0	21,637,708	401,391	200,696	102,000
2030	50,551,646,188	920,194,536	0.01820	23,056,506	0	22,056,506	401,447	200,723	95,000
2031	53,584,744,960	957,002,318	0.01786	23,483,051	0	22,483,051	401,496	200,748	89,000
				Incremental Value	19,000,000		3,446,629	1,723,315	1,000,000
				Add: Base Value	1,000,000				
				Total Est. Value	20,000,000				
						NPV=	2,000,000		
						TIF Request	\$ 3,500,000		
								1,000,000 at 50% of TIF	
								175% of TIF	

ASSUMPTIONS:	
Annual Increase in Citywide Tax Base	6.00%
Annual Increase in Tax Levy	4.00%
Annual Increase in Assessment after construction	2%
Percent of Estimated Increment Available	50.00%
Assumed Interest Rate (Discount Rate)	7.00%
NPV Assumes Discounting to	2019
Est. Incremental Value	\$ 19,000,000

- A. Project's incremental value occurs over time (not all at once)
- B. Tax increments are discounted to determine how much might be borrowed in today's dollars
- C. $\leq 50\%$ of the net present value of the estimated tax increment available for TIF Loan

The project supports a TIF Loan of \$1M at 50% of TIF.



GAP ANALYSIS—COST COMPARISON

Example:

The developer may have over-estimated her land cost by \$500,000. Comparable sales data and assessed values confirm a lower figure.

Sources and Uses	Developer Analysis	Gap Analysis
Loan	15,000,000	15,000,000
Equity at 16% IRR	<u>5,000,000</u>	<u>5,000,000</u>
Total Sources	20,000,000	20,000,000
Less: Uses (i.e. Cost)	<u>(22,000,000)</u>	<u>(21,500,000)</u>
Gap	(\$2,000,000)	(\$1,500,000)

Although construction cost is indeed higher, the City finds the gap should be \$500,000 less, assuming a lower land cost.

At this point the gap appears to be \$1,500,000 based on cost. But there's one more step...



GAP ANALYSIS—INVESTMENT COMPARISON

Example: The developer proposes to invest \$5M of equity into the project at a return of 16% and requests \$2M of TIF assistance.

Sources and Uses	Developer Analysis	Gap Analysis
Loan	15,000,000	15,000,000
Equity Investment	<u>5,000,000</u>	<u>5,500,000</u>
Total Investment	20,000,000	20,500,000
Less: Cost	<u>(22,000,000)</u>	<u>(21,500,000)</u>
Gap	(\$2,00,000)	(\$1,000,000)

Through gap analysis the City learns:

- The developer's desired rate of return is 16%.
- Similar projects achieve returns between 10 and 12%.
- The project could attract an additional \$500,000 of equity (for a total of \$5.5M) and achieve a 12% return.



GAP ANALYSIS—SIZING THE GAP

Sources and Uses	Developer Analysis	Gap Analysis
Loan	15,000,000	15,000,000
Equity Investment	<u>5,000,000</u>	<u>5,500,000</u>
Total Investment	20,000,000	20,500,000
Less: Cost	<u>(22,000,000)</u>	<u>(21,500,000)</u>
Gap	(\$2,000,000)	(\$1,000,000)

Building off our previous analyses:

- The TIF Run indicates that the project can support \$1M of TIF assistance at 50% of TIF, per TIF Policy.
- The developer’s \$2M is 100% of the TIF generated by the project, which is infeasible.
- Reducing land cost by \$500,000 reduces gap to \$1,500,000.
- The Developer investing an additional \$500,000 of equity reduces the gap from \$1.5M to \$1M and yields a market rate of return for investors.

The City’s offer of TIF assistance is \$1,000,000 —50% of the TIF generated by the project.



GAP ANALYSIS—ACTUAL MODEL

TIF Increment Projection - Landmark Oaks (Hutter) TID#35

YEAR	TAX RATE PROJECTION			INCREMENT CALCULATION				AVAILABLE FOR ASSISTANCE	
	CITYWIDE TAX BASE AS OF JAN 1 PRIOR YEAR	NET TAX LEVY	TAX RATE	DISTRICT VALUE AS OF JAN 1	PROJECT VALUE ADDED	INCREMENTAL VALUE AS OF JAN 1	INCREMENT REVENUE	INCREMENT AFTER COVERAGE	PRESENT VALUE
2017	23,140,167,300	552,480,081	0.02388	1,275,000	0				
2018	24,528,577,338	574,579,284	0.02342	1,300,500	0	25,500	0	0	0
2019	26,000,291,978	597,562,456	0.02298	1,326,510	2,045,100	51,510	597	299	261
2020	27,560,309,497	621,464,954	0.02255	3,398,140	9,202,950	2,123,140	1,184	592	483
2021	29,213,928,067	646,323,552	0.02212	12,669,053	9,202,950	11,394,053	47,875	23,938	18,262
2022	30,966,763,751	672,176,494	0.02171	22,125,384	0	20,850,384	252,080	126,040	89,865
2023	32,824,769,576	699,063,554	0.02130	22,567,892	0	21,292,892	452,586	226,293	150,789
2024	34,794,255,750	727,026,096	0.02090	23,019,250	0	21,744,250	453,471	226,736	141,200
2025	36,881,911,095	756,107,140	0.02050	23,479,635	0	22,204,635	454,346	227,173	132,217
2026	39,094,825,761	786,351,425	0.02011	23,949,227	0	22,674,227	455,212	227,606	123,803
2027	41,440,515,307	817,805,482	0.01973	24,428,212	0	23,153,212	456,068	228,034	115,921
2028	43,926,946,225	850,517,702	0.01936	24,916,776	0	23,641,776	456,916	228,458	108,539
2029	46,562,562,999	884,538,410	0.01900	25,415,112	0	24,140,112	457,754	228,877	101,624
2030	49,356,316,779	919,919,946	0.01864	25,923,414	0	24,648,414	458,584	229,292	95,148
2031	52,317,695,785	956,716,744	0.01829	26,441,882	0	25,166,882	459,406	229,703	89,083
2032	55,456,757,533	994,985,414	0.01794	26,970,720	0	25,695,720	460,219	230,109	83,402
					20,451,000		4,866,299	2,433,149	1,250,595

ASSUMPTIONS:

Annual Increase in Citywide Tax Base	6.00%
Annual Increase in Tax Levy	4.00%
Annual Increase in Assessment after construction	2.00%
Percent of Estimated Increment Available	50.00%
Assumed Interest Rate (Discount Rate)	7.00%
NPV Assumes Discounting to	2017
Est. Incremental Value	\$ 20,451,000

NPV=

2,501,190

1,250,595 at 50% of TIF

TIF Request

\$ 913,000

37% of TIF

New Value
Generated by
Project



City of Madison
Gap Analysis - Cost

PROJECT DATA - LANDMARK OAKS

2/8/2017					
Land Area	286,000 SF				
Project Site - Phase I Only (SF)	286,000 SF				
Acres	8.67 AC				
Gross Floor Area (GFA) & Efficiency	2/8/2017	Net SF	Eff.%	% of Project	
Retail	-	-	0%	0%	
Office	109,406	97,396	89%	100%	
Other	-	-	0%	0%	
Total Gross Finished Area (SF)	109,406	97,396	89%		
Parking Stalls	2/8/2017				
	Stalls / Com	SF			
Surface	311	3,23			
Underground	42	-			
Total Parking Stalls	363	-			
Parking Use	Structured	No. of Surface	Total Parking	Stalls/1,000	Stalls / Unit
Commercial (Apartments)	0	0	0	-	0.00
Commercial	42	311	353	3.23	
Other	0	0	0	-	
Totals	42	311	363	3.23	

Adjusted					
	286,000 SF				
	6.57 AC				
Gross SF	Net SF	Eff.%	% of Project		
-	-	0%	0%		
109,406	97,396	89%	100%		
-	-	0%	0%		
109,406	97,396	89%			
Adjusted	Stalls / Com SF	Stalls/Unit			
311	-	0.00			
42	-	0.00			
363	3.23	per stall			
Parking Use	No. of Structured	No. of Surface	Total Parking	Stalls/1,000	Stalls / Unit
Com (Apts)	0	0	0	-	0.00
Commercial	42	311	353	3.23	
Other	0	0	0	-	
Totals	42	311	363	3.23	

COST

2/8/2017			
Land	Per GFA	Per SF-Land	
Acquisition	\$ (1,275,000)	\$ (11.65)	\$ (4.46)
Demolition	\$ -	\$ -	\$ -
Total Land Cost	\$ (1,275,000)	\$ (11.65)	\$ (4.46)
Construction	Per GFA	Per SF of Component	
Construction	\$ (13,159,396)	\$ (120.27)	\$ (120.27)
Contingency	\$ (150,000)	\$ (1.37)	\$ (1.37)
Tenant Improvement	\$ (5,080,950)	\$ (46.44)	\$ (46.44)
Total Construction	\$ (18,389,346)	\$ (168.08)	\$ (168.08)
Parking (Underground & Surface)	Per GFA	Per Stall	
Underground	\$ (1,061,839)	\$ (9.71)	\$ (25,282)
Surface	\$ (611,460)	\$ (5.59)	\$ (1,966)
Total Parking	\$ (1,673,299)		

Adjusted			
	Per GFA	Per SF-Land	
\$ (1,275,000)	\$ (11.65)	\$ (4.46)	
\$ -	\$ -	\$ -	
\$ (1,275,000)	\$ (11.65)	\$ (4.46)	
Adjusted	Per GFA	Per SF of Component	
\$ (13,159,396)	\$ (120.27)	\$ (120.27)	
\$ (150,000)	\$ (1.37)	\$ (1.37)	
\$ (5,080,950)	\$ (46.44)	\$ (46.44)	
\$ (18,389,346)	\$ (168.08)		
Adjusted	Per GFA	Per Stall	
\$ (1,061,839)	\$ (9.71)	\$ (25,282)	
\$ (611,460)	\$ (5.59)	\$ (1,966)	
\$ (1,673,299)			

2/8/2017				Differences Adjustment
Soft Cost - Detail	Per GFA	% of Hard Cost		
Marketing	\$ (50,000)	\$ (0.46) 0.25%	\$ -	
Interest & Loan Fees	\$ (570,952)	\$ (5.22) 2.85%	\$ -	
Architect	\$ (464,974)	\$ (4.25) 2.32%	\$ -	
Construction Admin Fee	\$ (667,426)	\$ (6.10) 3.33%	\$ -	
Development Fee	\$ (1,203,759)	\$ (11.00) 6.00%	\$ (0)	
Project Overhead	\$ -	\$ - 0.00%	\$ -	
Soils / Geotech Testing	\$ -	\$ - 0.00%	\$ -	
Appraisal	\$ (10,000)	\$ (0.09) 0.05%	\$ -	
Legal	\$ (125,000)	\$ (1.14) 0.62%	\$ -	
Engineering	\$ (150,000)	\$ (1.37) 0.75%	\$ -	
Building Permits	\$ -	\$ - 0.00%	\$ -	
Taxes / Insurance	\$ (106,000)	\$ (0.97) 0.53%	\$ -	
Accounting	\$ -	\$ - 0.00%	\$ -	
Surveying	\$ (5,000)	\$ (0.05) 0.02%	\$ -	
Consulting	\$ -	\$ - 0.00%	\$ -	
Market Studies	\$ -	\$ - 0.00%	\$ -	
Tenant Relocation	\$ -	\$ - 0.00%	\$ -	
Outside Broker Lease Commission	\$ (488,959)	\$ (4.47) 2.44%	\$ (488,959)	
Developer Lease Commission	\$ (977,917)	\$ (8.94) 4.87%	\$ -	
Misc / Contingency	\$ (172,500)	\$ (1.58) 0.85%	\$ -	
Total Soft Cost	\$ (4,882,487)	\$ (46.83) 24.88%	\$ (488,959)	

Adjusted				Differences Adjustment
	Per GFA	% of Hard Cost		
\$ (50,000)	\$ (0.46) 0.25%	\$ -		
\$ (570,952)	\$ (5.22) 2.85%	\$ -		
\$ (464,974)	\$ (4.25) 2.32%	\$ -		
\$ (667,426)	\$ (6.10) 3.33%	\$ -		
\$ (1,203,759)	\$ (11.00) 6.00%	\$ (0)		
\$ -	\$ - 0.00%	\$ -		
\$ -	\$ - 0.00%	\$ -		
\$ (10,000)	\$ (0.09) 0.05%	\$ -		
\$ (125,000)	\$ (1.14) 0.62%	\$ -		
\$ (150,000)	\$ (1.37) 0.75%	\$ -		
\$ -	\$ - 0.00%	\$ -		
\$ (106,000)	\$ (0.97) 0.53%	\$ -		
\$ -	\$ - 0.00%	\$ -		
\$ (5,000)	\$ (0.05) 0.02%	\$ -		
\$ -	\$ - 0.00%	\$ -		
\$ -	\$ - 0.00%	\$ -		
\$ -	\$ - 0.00%	\$ -		
\$ (488,959)	\$ (4.47) 2.44%	\$ (488,959)		
\$ (977,917)	\$ (8.94) 4.87%	\$ -		
\$ (172,500)	\$ (1.58) 0.85%	\$ -		
\$ (4,603,628)	\$ (41.18) 22.45%	\$ (488,959)		

TOTAL COST	\$ (26,330,132)	\$ (240.88)	
PLUS Difference Adjustment	\$ -		
Total Cost (Uses)	\$ (26,330,132)		
Loan @ 80% Loan to Cost	\$ 21,064,106	80%	
Developer Equity	\$ 1,275,000		
Developer Cash	\$ 2,100,000		
Add'l Equity - Cost Adjustments	\$ -		
Total Sources	\$ 24,439,106		
Less: Uses	\$ (26,330,132)		
GAP	\$ (1,891,026)		
(LESS:) Ineligible Costs	\$ -		
Construction Admin Adjst	\$ -		
Outside Broker Commission	\$ 488,959		
Adjusted TIF Gap	\$ (1,402,067)		

	\$ (26,330,132)	\$ (240.88)	
	\$ -		
	\$ (26,330,132)		
	\$ 21,064,106	80%	
	\$ 1,275,000		
	\$ 2,100,000		
	\$ -		
	\$ 24,439,106		
	\$ (26,330,132)		
	\$ (1,402,067)		
	\$ 488,959		
	\$ (813,108)		

Reflects Developer's Adjusted Total Cost, PLUS Outside Broker Lease Commission. This cost is used to calculate Adjusted Loan, with Loan to Cost at 80%

Reflects Adjusted Total Cost, PLUS Outside Broker Lease Commission. This cost is used to calculate Adjusted Loan, with Loan to Cost at 80%

Included as a cost to developer, as TIF cannot pay for these over and above, or ineligible costs.

2/1/2017 Revised application



Gap Comparisons

TIF Proposal	Proposed
Loan	\$ 21,064,106
Developer Equity	\$ 1,275,000
Developer Cash	\$ 2,100,000
Add'l Equity - Cost Adjustments	\$ -
Total Sources	\$ 24,439,106
Less: Ineligible Costs	\$ 488,959
Less: Uses	\$ (28,330,132)
Gap	\$ (1,402,067)
Paid-In Ineligible Cost (Phase I)	\$ -
(Cost)	\$ -
(Cost)	\$ -
Paid-In Equity Credit	\$ -

IRR

	Proposed
Investment Period (YRS)	15
Finance Rate	5.00%
Desired Return ("Hurdle") Rate	10.00%
Equity Investment (Negative)	\$ (3,375,000)
Paid-In Equity Credit	\$ -
	\$ (3,375,000)

	Cash Flow (CF)	Cumulative CF
Equity Investment - YR 0	\$ (3,375,000)	\$ (3,375,000)
YR1	\$ 257,840	\$ (3,117,160)
YR2	\$ 459,871	\$ (2,657,289)
YR3	\$ 206,578	\$ (2,450,711)
YR4	\$ 309,774	\$ (2,140,937)
YR5	\$ 405,409	\$ (1,735,528)
YR6	\$ (82,396)	\$ (1,797,923)
YR7	\$ 429,913	\$ (1,368,010)
YR8	\$ (308,675)	\$ (1,676,685)
YR9	\$ 198,065	\$ (1,480,621)
YR10	\$ (191,844)	\$ (1,672,285)
YR11	\$ 326,175	\$ (1,346,089)
YR12	\$ (88,070)	\$ (1,414,159)
YR13	\$ 484,558	\$ (949,602)
YR14	\$ 63,344	\$ (886,258)
YR15	\$ 810,508	\$ (275,750)
YR16	\$ 202,909	\$ (72,840)
YR17	\$ 785,425	\$ 692,585
YR18	\$ 349,998	\$ 1,042,583
YR19	\$ 929,696	\$ 1,972,279
YR20	\$ 508,941	\$ 2,479,221
YR21	\$ 1,103,736	\$ 3,582,956
YR22	\$ 672,167	\$ 4,255,123
YR23	\$ 1,287,978	\$ 5,543,099
YR24	\$ 848,058	\$ 6,391,157
YR25	\$ 1,483,928	\$ 7,875,082

IRR 8%

Does not include Developer fee or sale of the building.

TIF Proposal	Without TIF
Loan	\$ 21,064,106
Developer Equity	\$ 5,754,985
Developer Cash	\$ -
Add'l Equity - Cost Adjustments	\$ -
Total Sources	\$ 26,819,091
Less: Ineligible Costs	\$ (488,959)
Less: Uses	\$ (28,330,132)
Gap	\$ -
Paid-In Ineligible Cost (Phase I)	\$ -
(Cost)	\$ -
(Cost)	\$ -
Paid-In Equity Credit	\$ -

	Without TIF
Investment Period (YRS)	15
Finance Rate	5.00%
Desired Return Rate	10.00%
Equity Investment	\$ (5,754,985)
Paid-In Equity Credit	\$ -
	\$ (5,754,985)

	Cash Flow	Cumulative CF
Equity Investment - YR 0	\$ (5,754,985)	\$ (5,754,985)
YR1	\$ 257,840	\$ (5,497,145)
YR2	\$ 459,871	\$ (5,037,274)
YR3	\$ 206,578	\$ (4,830,696)
YR4	\$ 309,774	\$ (4,520,922)
YR5	\$ 405,409	\$ (4,115,513)
YR6	\$ (82,396)	\$ (4,177,909)
YR7	\$ 429,913	\$ (3,747,996)
YR8	\$ (308,675)	\$ (4,056,671)
YR9	\$ 198,065	\$ (3,860,606)
YR10	\$ (191,844)	\$ (4,052,250)
YR11	\$ 326,175	\$ (3,726,075)
YR12	\$ (88,070)	\$ (3,794,145)
YR13	\$ 484,558	\$ (3,329,587)
YR14	\$ 63,344	\$ (3,266,243)
YR15	\$ 810,508	\$ (2,455,735)
YR16	\$ 202,909	\$ (2,452,826)
YR17	\$ 785,425	\$ (1,667,400)
YR18	\$ 349,998	\$ (1,337,402)
YR19	\$ 929,696	\$ (407,706)
YR20	\$ 508,941	\$ 99,235
YR21	\$ 1,103,736	\$ 1,202,971
YR22	\$ 672,167	\$ 1,875,138
YR23	\$ 1,287,978	\$ 3,163,113
YR24	\$ 848,058	\$ 4,011,171
YR25	\$ 1,483,928	\$ 5,495,097

IRR 4%

City Analysis	Adjusted
Loan	\$ 21,064,106
Developer Equity	\$ 1,275,000
Developer Cash	\$ 2,100,000
Add'l Equity - Cost Adjustments	\$ 488,959
Total Sources	\$ 24,928,065
Less: Ineligible Costs	\$ 488,959
Less: Uses	\$ (28,330,132)
Gap	\$ (913,108)
Paid-In Ineligible Cost (Phase I)	\$ -
(Cost)	\$ -
(Cost)	\$ -
Paid-In Equity Credit	\$ -

	Adjusted
Investment Period (YRS)	15
Finance Rate	5.00%
Desired Return	10.00%
Equity Investment	\$ (3,375,000)
Paid-In Equity Credit	\$ -
Total Equity	\$ (3,375,000)

	Cash Flow	Cumulative CF
Equity Investment - YR 0	\$ (3,375,000)	\$ (3,375,000)
YR1	\$ 255,144	\$ (3,119,856)
YR2	\$ 451,781	\$ (2,668,075)
YR3	\$ 223,484	\$ (2,444,611)
YR4	\$ 326,880	\$ (2,117,951)
YR5	\$ 422,295	\$ (1,695,656)
YR6	\$ (45,510)	\$ (1,741,166)
YR7	\$ 448,799	\$ (1,294,366)
YR8	\$ (308,675)	\$ (1,603,042)
YR9	\$ 198,065	\$ (1,406,977)
YR10	\$ (191,844)	\$ (1,598,621)
YR11	\$ 326,175	\$ (1,272,446)
YR12	\$ (88,070)	\$ (1,340,516)
YR13	\$ 484,558	\$ (875,958)
YR14	\$ 63,344	\$ (812,614)
YR15	\$ 810,508	\$ (202,106)
YR16	\$ 202,909	\$ 804
YR17	\$ 785,425	\$ 786,229
YR18	\$ 349,998	\$ 1,116,227
YR19	\$ 929,696	\$ 2,045,923
YR20	\$ 508,941	\$ 2,552,865
YR21	\$ 1,103,736	\$ 3,656,600
YR22	\$ 672,167	\$ 4,328,767
YR23	\$ 1,287,978	\$ 5,616,743
YR24	\$ 848,058	\$ 6,464,800
YR25	\$ 1,483,928	\$ 7,948,728

IRR 8%

Fee \$ 1,203,759



MADISON'S TIF TRACK RECORD → HOUSING

- From 2013 – 2023, Madison has invested TIF in 2,534 units, including:

Housing Type	Affordable	Market Rate
Owner Occupied	0	71
Rental	1,042	1,421
Total	1,042	1,492

- The City is in the process of finalizing TIF assistance for more than 500 additional units, with applications in process for several hundred more...



MADISON'S TIF TRACK RECORD

- 54 TIDs created since 1977
- 14 active TIDs
- \$168 million of TIF invested in 96 projects
- \$4 billion of value growth from currently active TIDs
- \$7.1 billion of value growth from all TIDs
- More info on TIF available at:

<http://www.cityofmadison.com/dpced/economicdevelopment/tax-incremental-financing/415/>





Questions:

Joe Gromacki, TIF Coordinator & Dan Rolfs, Real Estate Development Manager

Office of Real Estate Services

jgromacki@cityofmadison.com

drolfs@cityofmadison.com