

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 54 (Pennsylvania Ave) 2024 Project Plan Amendment City of Madison

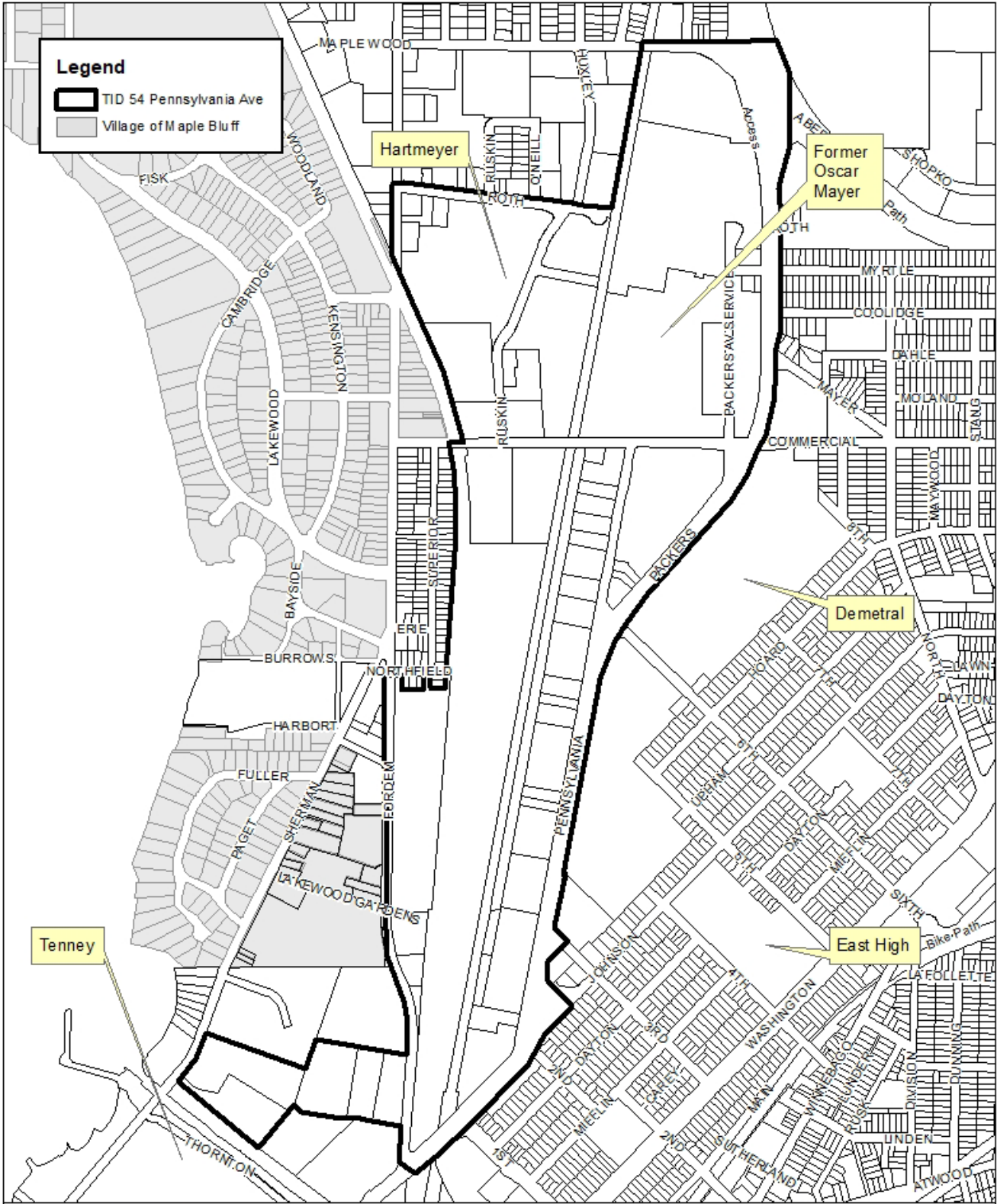
May 24, 2024

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 54 (Pennsylvania Ave).

Summary of the TID #54 Project Plan

The map on the next page depicts the boundaries of the proposed TID #54 in the Pennsylvania Ave, Fordem Ave, Commercial Ave, and Packers Ave area of the City of Madison:



Legend

-  TID 54 Pennsylvania Ave
-  Village of Maple Bluff

Tenney

Hartmeyer

Former Oscar Mayer

Demetral

East High

Department of Planning and Community
and Economic Development;
Economic Development Division (REDWR)
TID 54 2024 Amendment
Date: 4/18/2024

TID 54 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 2022 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
Engineering	Roth St	2023-2050	945,000	105,000	1,050,000
Engineering	Sherman Ave	2023-2050	495,000	55,000	550,000
Engineering	New N/S Multi-Use Path	2023-2050	2,370,000	0	2,370,000
Economic Development	Business Improvement Grants	2023-2050	850,000	0	850,000
Economic Development	Façade Grants	2023-2050	290,000	0	290,000
Economic Development	Commercial Ownership Assistance Grant Program	2023-2050	1,750,000	0	1,750,000
Economic Development	Small Cap TIF	2023-2050	1,000,000	0	1,000,000
Economic Development	Development Loans (Hartmeyer 1 & 2)	2023-2050	6,250,000	0	6,250,000
Org., Admin., and Prof. Costs	Admin	2023-2050	500,000	0	500,000
TOTAL			14,450,000	160,000	14,610,000
Financing Costs		2023-2050	3,974,000	0	3,974,000

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
Sanitary Sewer	Sanitary sewer (Fordem Ave to East Johnson St)	2024-2050	714,000	0	714,000
Park Improvements	Demetral, Burrows, Eken, Tenney, Sherman School, and new Roth St park	2024-2050	2,114,000	0	2,114,000
Economic Development	Vermillion Site (1617 Sherman Ave)	2024-2050	1,669,000	0	1,669,000
Total 2024 Amendment Costs		2024-2050	4,497,000	0	4,497,000
Total TID 54 Project Costs (Original and 2024 Amendment)		2024-2050	18,947,000	160,000	19,107,000
2024 Amendment Financing Costs		2024-2050	1,236,000	0	1,236,000
Total Financing Costs		2023-2050	5,210,000	0	5,210,000

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 **\$18,947,000** 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 when TID 54 was created in 2023, TID 54 will generate an estimated \$59 million of incremental revenue through its expiration date of 2050. The net present value of these incremental revenues is \$21.9 million.

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

TID 54 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 2035. Without any additional projects generating new incremental value, the estimated value in 2035 is \$154 million. However the City may propose future amendments to the TID 54 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 at \$19,107,000.

The total amount of assessable costs not to be paid for with TIF funds is \$160,000.

The total amount of costs to be paid for with TIF funds is \$18,947,000.

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 54 is **\$82,025,900**. 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	0.0	0%
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 \$233 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 54's base value of \$82,025,900 is anticipated to grow by \$233 million at the end of the 27-year life of the TID. Assuming that the City incurs all of the \$18,947,000 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 54 may close in 2035. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2035 when the TID is forecasted to be closed is estimated to be \$154 million (*Note: variations are due to rounding*).

TID 54 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.

Only \$160,000 of the proposed \$19,107,000 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 2035 as projected, it is estimated that approximately \$154 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$233 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 54 would not occur. The infrastructure and other improvements will continue to boost values within and adjacent to TID 54.

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, blight elimination, 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 \$1.4 million of tax revenues for the tax parcels included in TID 54, based on the base value of \$82,025,900. As stated earlier, the incremental value in 2035 at the end of the projected life of the TID is estimated at \$154 million. Theoretically, if the City invested all \$18.9 million of project costs in the district, which investment would leverage over \$233 million; or \$1 of TIF leverages approximately \$8.14 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 \$4.2 million, or a net gain of approximately \$2.8 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$18,947,000 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.