

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 45 (Capitol Square West) 2025 Project Plan Amendment City of Madison

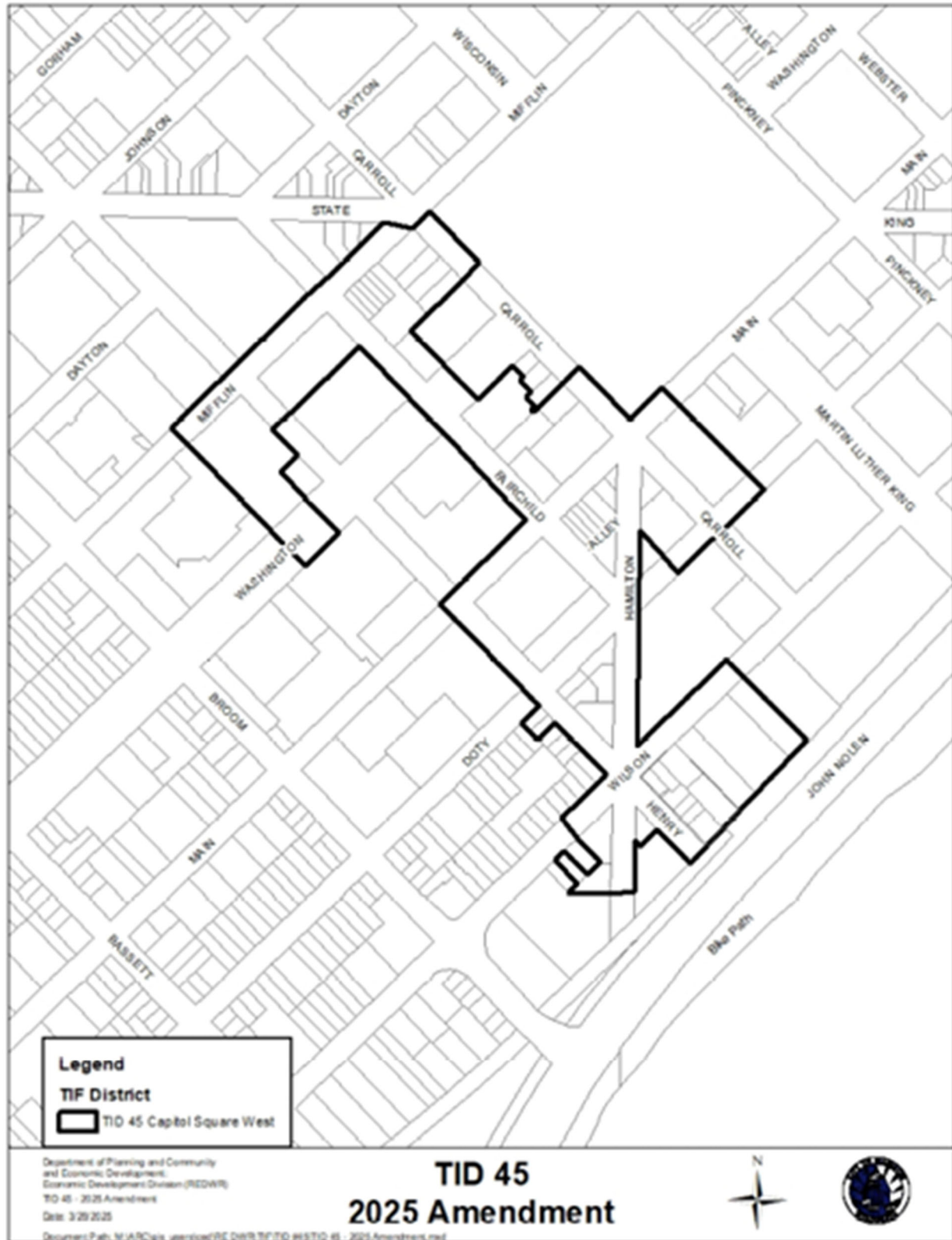
May 22, 2025

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 act upon the proposed amendment to the project plan to TID 45 (Capitol Square West).

Summary of the TID #45 Project Plan

The map on the next page depicts the boundaries of TID #45 in the Capitol Square West area of the City of Madison:



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)

NOTE: The 2022 Project Plan Amendment amendments are highlighted in yellow.

NOTE: The 2024 Project Plan Amendment amendments are highlighted in green.

NOTE: The 2025 Project Plan Amendment amendments are highlighted in turquoise.

Street Reconstruction	Proposed TIF Funded Non-Assessable Cost	Assessable Costs	Total	Time Frame
Capitol Square Reconstruction	\$3,375,000	\$25,000	\$3,400,000	2015 - 2042
TOTAL PUBLIC IMPROVEMENTS				
Development Loans	\$25,125,000		\$25,125,000	2015 - 2042
Administrative and Professional Costs	\$500,000		\$500,000	2015 - 2042
TOTAL PROJECT COSTS	\$29,000,000	\$25,000	\$29,025,000	2015 - 2042
Finance Costs	\$7,990,000			2015 - 2042

2022 Project Plan Amendment Public Works	Proposed TIF Funded Non-Assessable Cost	Non-TIF Assessable Costs	Total	Time Frame
Wilson St Undergrounding	\$1,222,000	\$0	\$1,222,000	2022 - 2042
Hamilton / Broom St Stormwater	\$5,778,000	\$1,222,000	\$7,000,000	
TOTAL 2022 PROJECT PLAN AMENDMENT PROJECT COSTS	\$7,000,000	\$1,222,000	\$8,222,000	2022-2042
Finance Costs - Amendment	\$1,925,000			
TOTAL PROJECT COSTS (Orig. Plan + Amendment)	\$36,000,000	\$1,247,000	\$37,247,000	2022-2042
Finance Costs – Orig. Plan + Amended	\$9,915,000			2022-2042

2024 Project Plan Amendment Public Works	Proposed TIF Funded Non-Assessable Cost	Non-TIF Assessable Costs	Total	Time Frame
West Washington and Henry St resurfacing	\$800,000	\$0	\$800,000	2024 - 2042
John Nolen Dr Underpass ¹	\$1,800,000	\$0	\$1,800,000	2024 - 2042
TOTAL 2022 PROJECT PLAN AMENDMENT PROJECT COSTS	\$2,600,000 \$1,600,000 \$800,000	\$0	\$2,600,000 \$1,600,000 \$800,000	2024 - 2042
TOTAL PROJECT COSTS (Orig. Plan + 2022 and 2024 Amendments)	\$36,800,000	\$1,247,000	\$38,047,000	2022-2042
2024 Finance Costs	\$715,000	\$0	\$715,000	2024 - 2042
Finance Costs – Original Project Plan, First (2022) Amendment and 2024 Amendment	\$10,630,000	\$0	\$10,630,000	2022-2042

2025 Project Plan Amendment Public Works	Proposed TIF Funded Non-Assessable Cost	Non-TIF Assessable Costs	Total	Time Frame
John Nolen Dr Road Project	\$1,800,000	\$0	\$1,800,000	2025 - 2042
TOTAL 2025 PROJECT PLAN AMENDMENT PROJECT COSTS	\$2,600,000 \$1,600,000 \$1,800,000	\$0	\$2,600,000 \$1,600,000 \$1,800,000	2025 - 2042
TOTAL PROJECT COSTS (Orig. Plan + 2022, 2024, and 2025 Amendments)	\$38,600,000	\$1,247,000	\$39,847,000	2022-2042
2025 Finance Costs	\$715,000	\$0	\$715,000	2025 - 2042
Finance Costs – Original Project Plan, First (2022) Amendment, 2024, and 2025 Amendment	\$10,630,000	\$0	\$10,630,000	2022-2042

¹ Reallocated in 2025 Project Plan Amendment to John Nolen Dr reconstruction project.
Department of Planning and Community and Economic Development
Economic Development Division

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 \$38,600,000 of project costs. This is unchanged from the 2024 Project Plan Amendment.

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

Through the end of 2024, TID 45 has generated approximately \$12.7 million of incremental revenues. Based upon the City's TIF run, using TID 45's 2024 incremental value, TIF 45 will generate an estimated \$50 million of additional incremental revenue through its expiration date of 2042. The net present value of these incremental revenues is \$31 million. **This would lead to a total forecasted incremental revenue over the entire life of TID 45 of \$62.7 million**

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

Based upon development projects that have occurred to date, the anticipated incremental value of property within the district at the end of its 27-year life is estimated at **\$255,000,000**. This value will be returned to overlying tax jurisdictions for general tax levy purposes upon closure of the district at the end of its statutory life. Based upon conservative estimates, the district will generate sufficient incremental revenues to repay all anticipated project costs by 2030.

Without any additional projects generating new incremental value, the estimated incremental value in 2030 is \$178 million. The 2025 incremental value is approximately \$154 million. However, the City may propose future amendments to the TID 45 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 \$39,847,000.

The total amount of assessable costs not to be paid for with TIF funds is \$1,247,000.

The total amount of costs to be paid for with TIF funds is \$38,600,000.

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 45 is **\$113,759,800**. 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 2025 mill rate.

<u>Tax Jurisdiction</u>	<u>2025 Mill Rate</u>	<u>Share of Tax Levy</u>
City	7.30	37%
County	2.38	12%
MMSD	9.25	47%
MATC	0.64	3%
State of WI	<u>0.0</u>	<u>0%</u>
Totals*	19.57**	100%*

Source: City of Madison 2025 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 \$255 million. The benefits of these potential projects are: sharing new equalized value growth, blight elimination, housing development, infrastructure improvements, and job creation / retention to benefit those in the district and throughout the City of Madison.

TID 45's base value of \$113,759,800 is anticipated to grow by \$255 million at the end of the 27-year life of the TID. Assuming the City incurs all of the \$38.6 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 45 may close in 2030. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2030 when the TID is forecasted to be closed is estimated to be \$178 million (*Note: variations are due to rounding*).

TID 45 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 \$1,247,000 of the proposed \$39,847,000 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 2030 as projected, it is estimated that approximately \$178 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$255 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 45 would not occur. The infrastructure and other improvements will continue to boost values within and adjacent to TID 45.

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, housing development, 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 \$2 million of tax revenues for the tax parcels included in TID 45, based on the base value of \$113,759,800. As stated earlier, the incremental value in 2030 at the end of the projected life of the TID is estimated at \$178 million. Theoretically, if the City invested all \$38.6 million of project costs in the district, which investment would leverage over \$178 million; or \$1 of TIF leverages approximately \$4.61 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 \$5.1 million, or a net gain of approximately \$3.1 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$38.6 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.