

MEMORANDUM

TO: Common Council

FR: Joe Gromacki, TIF Coordinator

DATE: June 20, 2023

SUBJECT: TIF REPORT – Roth Street II Limited Partnership (Senior Affordable)

Project Description

Roth Street II Limited Partnership (“Developer”) proposes to construct a mixed-use project consisting of 250 affordable apartment units, averaging 60% of AMI, 1,130 square feet of commercial space and 289 parking stalls (the “Project”) (see Figure 1). The Project is located at the former Hartmeyer site at 2007 Roth Street, within the boundary of a proposed Tax Incremental District (TID) #54 to be created in 2023 (Figure 2).

The Project demonstrated a gap of approximately \$2,785,000 or the difference between the total project cost of approximately **\$79,193,000** and capital sources of approximately \$76,408,000. The estimated assessed value of the Project is **\$29,542,000**. Recommended TIF assistance of \$2,785,000 is at the maximum 55% amount allowed under TIF Policy (55% Gateway).

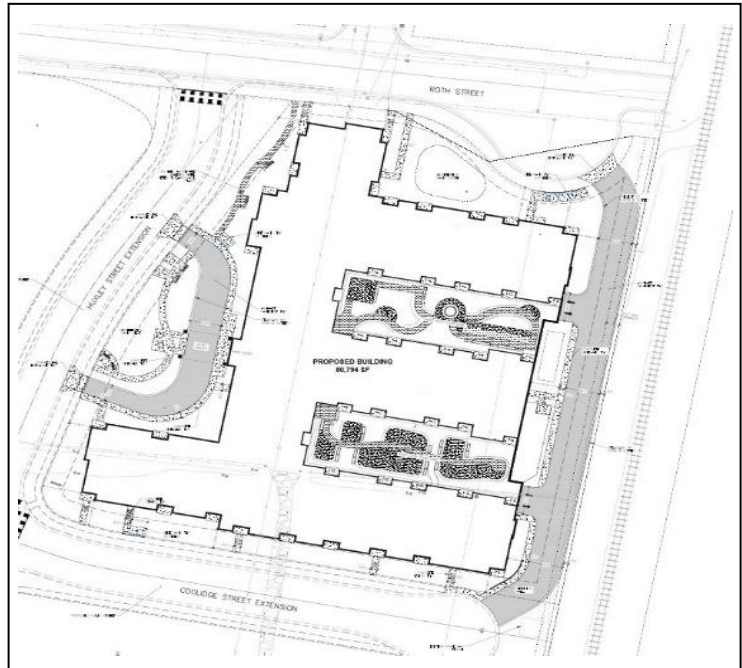


Figure 1

TIF Report

The following TIF Report is provided in compliance with Section 3.1 (8) of TIF Goals, Objectives and Process and Section 1 (9) of TIF Loan Underwriting Policy, adopted by the Common Council on February 25, 2014:

- (a) **Amount Requested:** \$2,785,000
- (b) **Type of Project:** Redevelopment, Affordable Housing
- (c) **Analysis Method:** Gap Analysis
- (d) **Tax Credits:** \$30,430,000
- (e) **Estimated Assessed Value and Tax Increments:**
- | | |
|--------------------------------|---------------------|
| Project Cost | \$79,193,000 |
| Estimated Assessed Value | \$29,542,000 |
| Total Estimated Tax Increments | \$13,208,000 |
| Average Annual Tax Increment | \$489,000 |
| TIF Supportable at 55% | \$2,785,000 |

- (f) **TID Condition:** The Project will require the creation of a new blighted-area TID 54 for an area encompassing along Pennsylvania Avenue to Packers Avenue, north and south from Thornton to Maplewood and east-west from Pennsylvania and Packers to Fordem (**Figure 2**).

As there is limited anticipated value growth from other private development in the proposed TID 54, it is financially prudent to limit TIF assistance to \$2,785,000, which represents the maximum 55% allowable under TIF Policy, thus providing financial cushion for market uncertainty and funds for public works improvements, if necessary and feasible, in the future.

(g) **TIF Policy Compliance**

Developer Equity—Developer equity is approximately \$7,726,000 of deferred developer fee, and \$30,430,000 of Low Income Housing Tax Credit equity from investors. Developer is providing a corporate guaranty for the Project. This amount of developer equity is satisfactory as it exceeds TIF Policy that developer equity must be equal to or greater than the amount of TIF assistance.

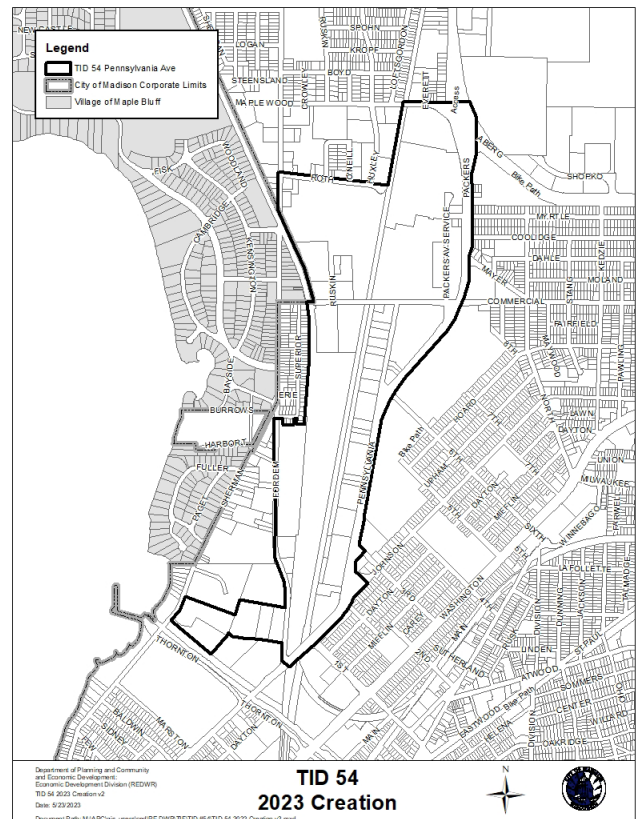


Figure 2

(h) **Other Applicable**

- 1) Quantity of living wage jobs created and/or retained. **N/A**
- 2) Quantity of affordable housing units and level of affordability. **See Section F of TIF Policy Goal Statement (Figure 3).**

(i) **Amount of TIF to Be Considered**

TIF Eligible	\$2,785,000	55% of TIF
TIF Recommended	\$2,785,000	55% of TIF

- (j) **Developer's TIF Goals Statement**— TIF Policy requires that Developer provide a statement (**See Figure 2**) as to how the project addresses the following TIF Policy Goals:

- 1) Per Sections 1 and 3.4 of "TIF Goals, Objectives and Process", how does the Project meet City and TID's goals?
 - A) Grows the City's property tax base
 - B) Fosters the creation and retention of family-supporting jobs
 - C) Encourages the re-use of obsolete or deteriorating property
 - D) Encourages urban in-fill projects that increase density consistent with the City's Comprehensive Plan
 - E) Assists in the revitalization of historic, architecturally significant or deteriorated buildings or enhancement of historic districts.
 - F) Creates a range of housing types, specifically encouraging affordable housing
 - G) Funds public improvements that enhance development potential and improve City's infrastructure
 - H) Promotes superior design, building materials and sustainability features

- I) Reserves sufficient increment for public infrastructure in both TID Project Plan and TIF underwriting

(k) **TIF Policy Exceptions:** **None.**

(l) **Known Labor Agreement, Law Violations:** **None indicated.**

Staff Recommendation: TIF assistance in the amount of \$2,785,000 or 55% of TIF generated by the project. TIF assistance is contingent upon Developer securing \$2.25M of additional funding and recording a 30-year land use restriction agreement (LURA) requiring the project remain affordable for that period.

Figure 3: Applicant's TIF Policy Goal Statement

Roth Street TIF Policy Statement – Senior

A. Growing the property tax base.

As of today, the Roth Street development is owned by Kraft Heinz Food Co. and is a vacant parcel of land. It has been vacant for 30 years, resulting in tremendous tax loss and negligible property tax growth. The proposed Lincoln Avenue Capital redevelopment estimates a future property value of over \$40 million within the next 5 years.

B. Fostering the creation and retention of family-supporting jobs.

The Roth Street development is ideally situated with close access to thousands of jobs that support the City's workforce. With its proximity to downtown, the airport, and the East Washington 151 corridor, the proposed development is an ideal location for the City's workforce and families to call home. The one- and two-bedroom units within the senior development will provide working seniors in the area with brand new, affordable places to call home.

C. Encouraging adaptive re-use of obsolete or deteriorating property.

The site has remained vacant for at least 30 years, and is significantly under-utilized. The Roth Street development will create much needed affordable housing and will be a catalyst to help kick-start redevelopment guided by the Oscar Mayer Small Area Plan, and a revitalization of the North Sherman Avenue corridor.

D. Encouraging urban in-fill projects that increase (or decrease where appropriate) density consistent with the City's Comprehensive Plan.

The Roth Street development will revitalize a blighted and under-utilized site and greatly increase density in accordance with the City's Comprehensive Plan. The location is perfectly suited for density with access to both public transit and local employment. The Roth Street bus stop will be adjacent to the property and will allow future residents to traverse the City without a vehicle. Lincoln Avenue Capital will develop 250 units of senior housing. This density is consistent with the City's comprehensive plan goals, and those goals within the Oscar Mayer Small Area Plan.

E. Assisting in the revitalization of historic or architecturally significant or deteriorated buildings.

N/A

F. Creating a range of housing options and specifically encouraging the development of workforce and affordable housing.

The Roth Street Senior development will provide housing targeted at the senior demographic, while maintaining much needed affordability. 100% of the units within the development (250 units total) will be affordable at 60% of the AMI. This level of affordability caters specifically to the local workforce (which includes seniors), with qualifying incomes ranging from \$48,000 - \$80,000+. The development will provide unit sizes ranging from 1 to 2 bedrooms, so individuals, as well as senior couples will find a unit to call home.

G. Funding public improvements that enhance development potential, improve the City's infrastructure, enhance transportation options, and improve the quality and livability of neighborhoods.

Included as part of the overall Roth Street development, two new roads intersecting the development block will be constructed. The two proposed roads (Huxley Street and Coolidge Street extensions) will improve the City's infrastructure, by improving access and connectivity to the site and the area's transportation amenities. The additional road connections will improve the quality and livability of the subject site, and the adjacent Maple Bluff and Sherman & Tenney-Lapham neighborhoods.

H. Promoting superior design, building materials, and sustainability features in the built environment.

The Roth Street development is designed by JLA Architects, a prominent architectural firm with the City of Madison. Lincoln Avenue Capital and JLA will ensure design, building materials, and features are of high quality and held to high standards of quality and sustainability. The City of Madison Zoning Code, Sustainability Plan, and land use and transportation plans have all been incorporated into the design plans of the proposed development. Further, the development will be a certified as Wisconsin Green Built Homes or as Enterprise Green Community. The first Phase of the development has received an Energy and Innovation Grant from the State of Wisconsin to be used as a Case Study to determine how affordable housing developments can maximize energy efficiency and renewable energy features using financially feasible methods that can be reproduced by future developments throughout the State.

I. Reserving sufficient increment for public infrastructure in both TIF project plans and TIF underwriting.

N/A