

## **Executive Summary to the City of Madison Joint Review Board**

### **Tax Incremental District (TID) 45 (Capitol Square West) 2022 Project Plan and Boundary Amendment City of Madison**

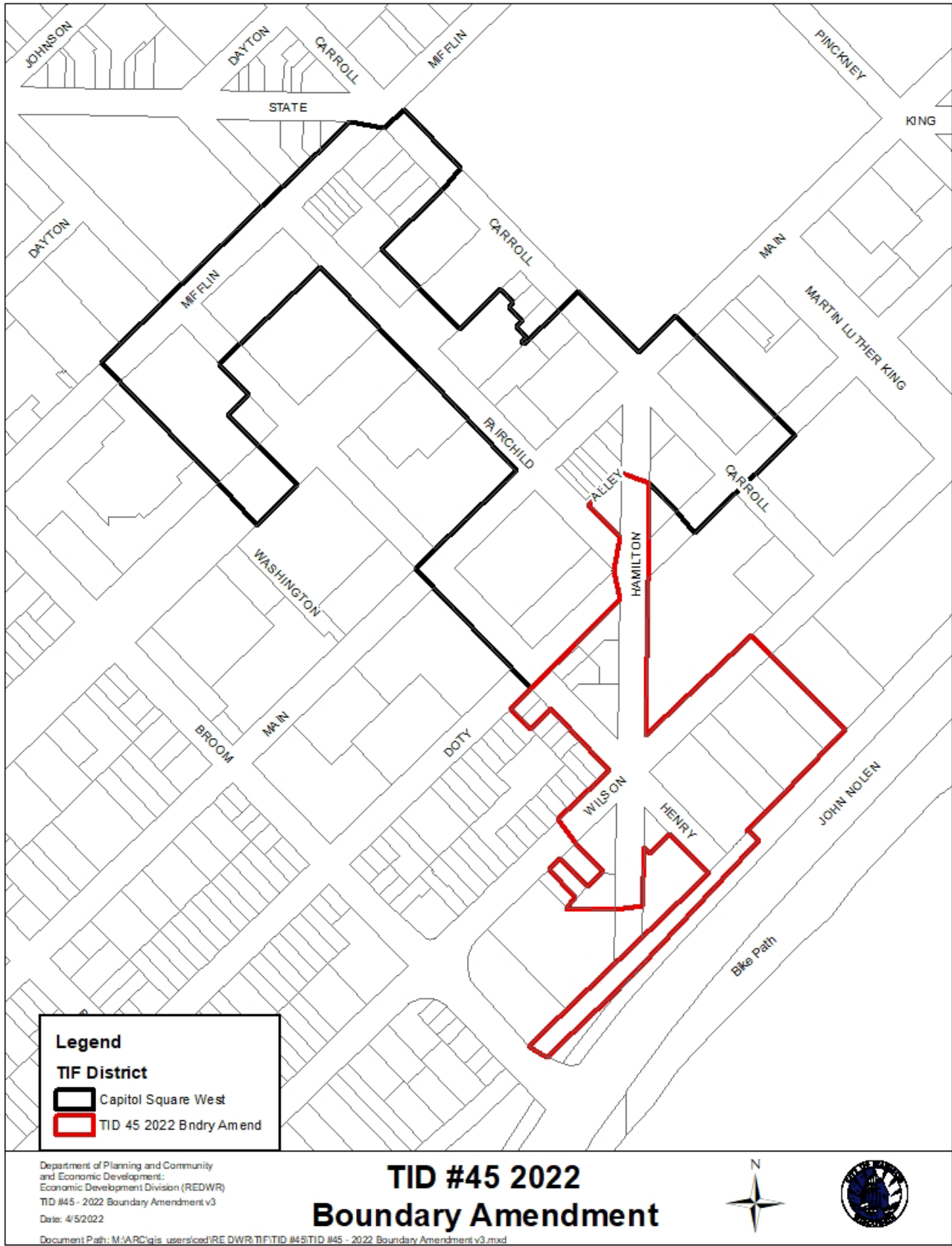
June 7, 2022

#### **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 45 (Capitol Square West).

#### **Summary of the TID #45 Project Plan and Boundary Amendment**

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: Items highlighted in yellow reflect amended costs for the 2022 Project Plan and Boundary Amendment)

| 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 |
|                                       |                                         |                  |                     |             |
| <b>TOTAL PUBLIC IMPROVEMENTS</b>      |                                         |                  |                     |             |
|                                       |                                         |                  |                     |             |
| <b>Development Loans</b>              | \$25,125,000                            |                  | \$25,125,000        | 2015 - 2042 |
|                                       |                                         |                  |                     |             |
| Administrative and Professional Costs | \$500,000                               |                  | \$500,000           | 2015 - 2042 |
| <b>TOTAL PROJECT COSTS</b>            | <b>\$29,000,000</b>                     | <b>\$25,000</b>  | <b>\$29,025,000</b> | 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         |             |
|                                                        |                                         |                          |                     |             |
| <b>TOTAL 2022 PROJECT PLAN AMENDMENT PROJECT COSTS</b> | <b>\$7,000,000</b>                      | <b>\$1,222,000</b>       | <b>\$8,222,000</b>  | 2022-2042   |
| Finance Costs - Amendment                              | \$1,925,000                             |                          |                     |             |
|                                                        |                                         |                          |                     |             |
| <b>TOTAL PROJECT COSTS (Orig. Plan + Amendment)</b>    | <b>\$36,000,000</b>                     | <b>\$1,247,000</b>       | <b>\$37,247,000</b> | 2022-2042   |
| Finance Costs – Orig. Plan + Amended                   | \$9,915,000                             |                          |                     | 2022-2042   |

- 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 **\$36,000,000** of project costs.

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

Through the end of 2021, TID 45 generated an estimated \$8.4 million of incremental revenues. Based upon the City's TIF run, TID 45 will generate an additional \$61 million of

incremental revenue through its expiration date of 2042. **This would lead to a total forecasted incremental revenue over the entire life of TID 45 of \$69.4 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 **\$240 million**. 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 \$170 million.

**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 estimated at \$7 million of additional expenditures. This includes \$1,222,000 to underground utility improvements along Wilson Street and the \$5,778,000 to fund stormwater improvements at the Hamilton/Broom Street intersection. These costs are not assessable to property owners. The total amount of non-assessable costs to be paid for with TIF funds is \$36,000,000.

**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 and its amendment is **\$89,594,000**. 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 2022 mill rate.

| <u>Tax Jurisdiction</u> | <u>2022 Mill Rate</u> | <u>Share of Tax Levy</u> |
|-------------------------|-----------------------|--------------------------|
| City                    | 8.36                  | 36%                      |
| County                  | 2.69                  | 12%                      |
| MSD                     | 11.50                 | 49%                      |
| MATC                    | 0.81                  | 4%                       |
| State of WI             | <u>0.0</u>            | <u>0%</u>                |
| Totals*                 | 23.32**               | 100%*                    |

Source: City of Madison 2022 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 \$240 million. The benefits of these potential projects are: sharing new equalized value growth and infrastructure improvements to benefit those in the district and throughout the City of Madison.

TID 45's base original value of \$79 million and the new amendment base value of \$89 million is anticipated to grow by \$240 million at the end of the 27-year life of the TID. To date, TID 45 has approximately \$15 million of unrecovered project costs from the original Project Plan. The amended Project Plan proposes to add \$7 million of additional project costs, or a total of \$22 million to be recovered with tax increments.

The original TID 45 generates about \$4 million of tax increment per year and the proposed amendment is forecasted to generate an additional \$2 million, for a total of \$6 million of tax increment per year to recover project costs.

Assuming that there are no adverse changes or new costs incurred, the City of Madison forecasts that TID 45 may close in 2026. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2026 when the TID is forecasted to be closed is estimated to be \$150 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 at a future meeting 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.**

None of the proposed \$7,000,000 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 2026 as projected, it is estimated that approximately \$150 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$240 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure and other investments in TID 45

would not occur. The infrastructure improvements will continue to boost values within 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 and tax base growth 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 \$2.1 million of tax revenues for the tax parcels included in TID 45, based on the base value of \$89,954,000.

As stated earlier, the incremental value in 2042, at the end of the projected life of the TID, is estimated at \$240 million. Theoretically, if the City invested \$36 million of project costs in the district, which investment would leverage over \$240 million; or \$1 of TIF leverages approximately \$6.67 of value growth.

If the TID were to be closed in 2042, the value growth would be returned to overlying tax jurisdictions that would now share in a levy of approximately \$5.6 million, or a net gain of approximately \$3.5 million as a result of TIF.