

TO: Board of Estimates
FR: Joe Gromacki, TIF Coordinator
DATE: May 11, 2015

SUBJECT: 2015 First Quarter TIF Report

Per TIF Policy 3.3 (1), TIF Staff must provide the Board of Estimates with a quarterly update on current and pending projects during closed session, or more often on an as needed basis. The following report is for your consideration for the period ending March 30, 2015:

TIF Funded Projects

Anchor Bank—Urban Land Interests (ULI) proposes the renovation of the Anchor Bank building at 25 West Main Street and a parking ramp at 115 South Carroll Street. ULI requests \$33M of TIF assistance, comprised of approximately \$20M of mortgage financing and \$13M of gap. ULI requests that the project be financed through a CDA lease revenue bond, requiring the CDA to acquire the parking and lease it to ULI for approximately 27 years, similar to the Block 89 financing model. The project would require the creation of a new TID #45.

Status:

On March 3, 2015 the Common Council adopted RES 15-00208, ID 36357 authorizing a \$13.3M TIF loan to 25 West Main, LLC or its assigns. Staff is currently drafting the development agreement with Developer. Construction is anticipated in 2015. The process to create TID #45 is underway.

AT&T Building (316 W. Washington)—316 WWA, LLC (“Developer”) proposes to redevelop the AT&T property located at 316 West Washington Avenue located in a proposed Tax Incremental District (TID) #45. The proposed project (the “Project”) consists of 141,000 gross square feet of office and approximately 11,000 gross square feet of first floor retail. The total estimated cost is \$29,157,000. Developer requested \$2,800,000 of TIF assistance (75% of TIF). Staff recommends \$2,050,000 of TIF assistance representing 55% of TIF. The project would require the creation of a new TID #45.

Status:

On March 3, 2015 the Common Council adopted RES 15-00227 authorizing a \$2.05M TIF loan to 316 WWA, LLC. The process to create TID #45 is underway.

TID Administration

Underperforming TIDs—TIDs 38 (Badger-Ann-Park), 39 (Stoughton Road) and 40 (Northside) are not generating positive tax increment. As such, expenditures cannot be made until these districts generate positive tax increment. Once new TID values come out this year, staff will evaluate remedial options and recommend solutions, if any, to the Mayor and Common Council. As of the most recent 2014 figures:

TID 38	Base value: \$54,203,700 2014 Value: \$49,439,900 (-9%)
TID 39	Base Value: \$263,256,500 2014 Value: \$259,683,600 (-1%)
TID 40	Base Value: \$165,175,300 2014 Value: \$148,010,800 (-10%)

Status:

In 2014, Council adopted a TID donor-recipient plan, disbursing \$500,000 per year of excess tax increment from TID #35 to TID #38, beginning with the 2016 tax increment, until 2020. This move should reduce TID #38’s \$5M project cost by about \$2.5M. Similarly, staff will introduce a one-year donor-recipient plan for TID #41 (University-Whitney) to disburse \$400,000 of excess increment from TID #41 to pay off the remaining TID #40 cost and close the district.

2015 TID value figures are anticipated in July from the WI Dept of Revenue.

TID 33 (Monroe – Dudgeon) Affordable Housing Extension—On April 21, 2015, staff introduced resolution ID 38030 that will allow the City to capture one year's tax increment to fund affordable housing, as permitted by TIF Law, prior to its closure. Staff estimates that approximately \$500,000 of tax increment will be disbursed to the Affordable Housing Initiative fund. The TID is anticipated to close in 2016.

Potential New TIDs, Projects Under Discussion

Speculative Commercial or Industrial TID(s)—Staff has conducted preliminary interviews and discussions with prospective commercial or industrial developers about the potential for creating at least one speculative TID. Areas discussed thus far include the University Research Park I, Silicon Prairie development at Mineral Point Road and South Point and 25-acre Gialamas property.

Status:

In 2015, the creation process will begin for a limited-boundary, commercial mixed-use TID in the UW Research Park I as identified in the 2015 Capital Budget.

TID 37: Union Corners—Gorman and Co. received land use approvals for a six-phase \$76M development on the \$6M City-owned Union Corners property. Gorman proposes that the City contribute its \$6M of land, transferring the land to Gorman for \$1, with the City's land cost to be repaid by tax increments generated by the project, contingent upon gap analysis that demonstrates a financing gap. A new TIF application is required.

Status:

Gorman has submitted several versions of a six-phase TIF Loan Application. To date, the first phase is a 60,000 SF UW Health Clinic that is self-funded and constructed by the UW Medical Foundation. Gorman is a limited member in the LLC that will own and operate the facility that will be on the property tax roll. Phase II is proposed as 102 units of market-rate housing with a 28,000 SF grocery, Phase III & IV were initially 82 units market-rate housing but, upon receiving WHEDA tax credit approvals, will now be 90 units of affordable housing. Phase V is 76 market-rate housing units and Phase VI is a small rehab of a 5,500 SF building into commercial use.

There are exceptions to TIF Policy being proposed for this project that will require approval by the Board of Estimates. If authorized, staff would then negotiate a Term Sheet with Gorman that either accepts the proposal or sets forth whatever terms the Board of Estimates authorizes. After agreement is reached on the Term Sheet, a funding resolution that authorizes transfer of the Union Corners at the agreed terms and conditions is introduced to the Common Council.

TID 44: Royster-Corners—The City of Madison created TID #44 (Royster-Clark) in 2013 for the purpose of redeveloping the long-vacant, former Royster-Clark fertilizer plant that comprises 27 acres. The City has invested about \$3M to date in acquiring and providing assistance to Ruedebusch Development for the purchase, remediation and redevelopment of the site.

The City also plans to make approximately \$1.5M of public improvements to Cottage Grove Road and Dempsey Street in advance of the new redevelopment. Ruedebusch proposes a mix of uses in a multi-phase project called Royster-Corners. In 2014, the City provided \$400,000 of TIF loan assistance to Dempsey Lane Apartments, LLC to develop affordable housing on land located in the Royster-Corners project. Stone House Development is the developer of that project. Ruedebusch plans future phases that include multi-family residential, commercial and the relocation of the Pinney Library.

Status:

Ruedebusch has submitted an initial TIF request for 22 units of market-rate housing. Discussions continue.