



Department of Planning & Community & Economic Development

Economic Development Division

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Office of Business Resources
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TO: Common Council

FROM: Matthew B. Mikolajewski

SUBJECT: Interstate East TIF Resolution (Legistar #66652)

DATE: August 5, 2021

As noted within the TIF Report attached to Legistar #66652, Economic Development Division staff recommend supporting a \$2.1 million TIF investment in an industrial project to be located at 2930/3030 Ohmeda Drive within the new Femrite Drive TID #49. This recommendation is supported by a demonstrated financial gap which meets all requirements of the City's TIF Policy.

Given that this is the first TIF request being considered by the new Common Council and given that the City does not provide TIF to many industrial projects, the purpose of this memo is to provide some additional background regarding this request. Industrial TIF investments have been allowed in Wisconsin since the original TIF Law was approved by the Legislature in 1975. Then, as now, the Legislature recognized the important role that industrial development plays in our local economy.

Industrial developments typically house "basic sector" or "primary sector" employers. These are employers that generally bring financial resources into the community through the products that they produce and/or distribute. Specific tenants for the buildings proposed at this project have not yet been identified. As such, we do not yet know the exact number and type of jobs that will be available, or wages associated with these jobs. That said, employment positions within industrial spaces generally pay at or above living wage rates, and provide better compensation than other employment sectors. The ability of these businesses to bring financial resources into the community, coupled with generally living wage employment opportunities, make industrial development attractive to the City.

The Madison industrial market area is currently facing a relatively low vacancy rate of 3.5%. Furthermore, the submarket where this project is located has an industrial vacancy rate of 2.9%, and both the overall market area and the submarket area's vacancy rates have fallen in recent months. This statistic suggests a growing shortage of available industrial space. Further, many of the industrial spaces available in the community no longer meet the dimensional needs and efficiency requirements of modern industrial users. Supporting this project provides the City with much-needed modern industrial space. This project goes one step further by taking advantage of an underutilized portion of an existing industrial site. It is a case of industrial in-fill development, densifying the use of this property. As noted in the TIF Report, this infill industrial project has costs that are driving a financial gap when compared to the financial return to the developer. A City TIF investment will help close this financial gap and insure that the project moves forward.