

# Executive Summary to the City of Madison Joint Review Board

## Tax Incremental District (TID) No. 44 (Royster Clark) City of Madison

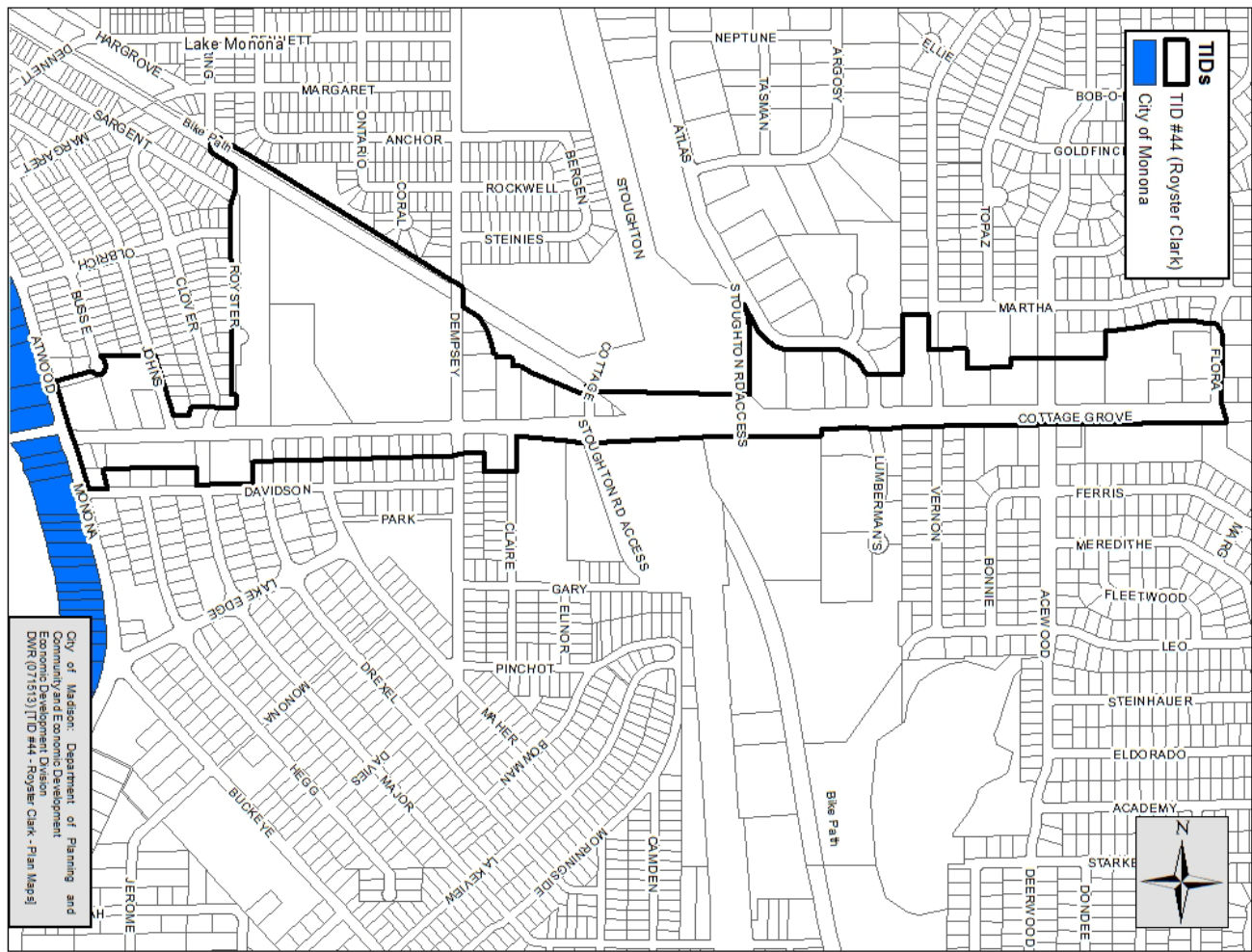
September 18, 2013

### 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 Tax Incremental District (TID) boundary and Project Plan. The Joint Review Board will meet at a future date to take action upon the proposed TID #44 (Royster Clark).

### Summary of the TID #44 Project Plan

The map below depicts the boundaries of the proposed TID #44 in the Cottage Grove Road area of the City of Madison.



TIF Law Required Information for TID Creation Approval

**1) Estimates of project costs and tax increments, including:**

**a) Specific items that constitute project costs; (See Chart Below)**

<b>Street Reconstruction</b>	<b>Proposed, Non-Assessable Cost</b>	<b>Phase I (2014-16)</b>	<b>Phase II (2017-20)</b>	<b>Total</b>	<b>Time Frame</b>
<u>Cottage Grove Road</u>					
Monona Dr to Drexel	445,500		445,500	445,500	2013-2035
Drexel to USH 51	1,776,500	1,776,500		1,776,500	2013-2035
Subtotal Cottage Grove Rd – Streets	2,222,000	1,776,500	445,500	2,222,000	2013-2035
<u>Dempsey Rd</u>					
Cottage Grove N. to Bike Path	92,700	-	92,700		2013-2035
<b>Total Streets</b>	<b>2,314,700</b>	<b>1,776,500</b>	538,200	2,314,700	2013-2035
<b>Utility Undergrounding</b>					
<u>Cottage Grove Road</u>					
Monona Dr to Dempsey	690,000		690,000	690,000	2013-2035
Drexel to Dempsey (MGE)	740,000	740,000		740,000	2013-2035
Drexel to Dempsey (Charter & TE)	370,000	370,000		370,000	2013-2035
Subtotal Cottage Grove Rd. - Underground	1,800,000	1,110,000	690,000	1,800,000	2013-2035
<u>Dempsey Road</u>					
Cottage Grove N. to Bike Path (MGE)	375,000	-	375,000	375,000	2013-2035
Cottage Grove N. to Bike Path (ATT, Charter)	375,000	-	375,000	375,000	2013-2035
Subtotal Dempsey Rd. - Underground	750,000	-	750,000	750,000	2013-2035
<b>Total Undergrounding</b>	<b>2,550,000</b>	<b>1,110,000</b>	<b>1,440,000</b>	<b>2,550,000</b>	2013-2035
<b>TOTAL PUBLIC IMPROVEMENTS</b>	<b>4,864,700</b>	<b>2,886,500</b>	<b>1,978,200</b>	<b>4,864,700</b>	2013-2035
<b>Development Loans</b>	1,300,000			1,300,000	2013-2035
<b>Administrative and Professional Costs</b>	<b>100,000</b>			<b>100,000</b>	2013-2035
<b>TOTAL PROJECT COSTS</b>	<b>6,264,700</b>			<b>6,264,700</b>	2013-2035
Finance Costs	683,000			683,000	2013-2035



**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 **\$6,264,700** of project costs.

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

An estimated **\$17,800,000** of tax increments is forecasted over the district's 27-year life.

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

The anticipated incremental value of property within the district at the end of its 27-year life is estimated at **\$64,000,000**. 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 2027. The estimated incremental value in 2027 is \$43,000,000.

**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.**

None (\$) of the \$4,864,700 of planned public infrastructure costs are assessable to property owners based upon City of Madison special assessment policy. Although projected at \$1,300,000, Development Loans to private development projects are provided only on an as-needed basis, provided the project satisfies the City's "but for" analysis—i.e. demonstrating that but for TIF assistance, the value growth realized by such development would not occur.

**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 proposed District base value is estimated at **\$28,591,700**. 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 2013 mill rate.

<u>Tax Jurisdiction</u>	<u>2013 Mill Rate</u>	<u>Share of Tax Levy</u>
City	9.30	36%
County	2.87	11%
MMSD	11.80	45%
MATC	1.86	7%
State of WI	<u>0.17</u>	<u>1%</u>
Totals*	26.01**	100%*

Source: City of Madison 2012 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.**

The proposed TID provides multiple benefits to the owners of taxable property in the overlying jurisdictions. These benefits include: sharing new equalized value growth, blight elimination, new employment opportunities, and improved quality of life for those in the district and throughout the City of Madison.

The district's base value of \$28.5 million is anticipated to grow to \$92.9 million at the end of the 27 year life of the TID. This is a gain of \$64.4 million. Assuming that the City incurs all of the \$6.2 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 #44 may close at the end of 14 years or 2027. The average life of a TID in the City of Madison is 12 years. The estimated value of the TID in 2027 is forecasted to be \$71.8 million or a net gain of property value of \$43.3 million (*Note: variations are due to rounding*).

An independently conducted Survey of Conditions found that 50.6% of the District is blighted.

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 (\$0) of the proposed improvements within the proposed District are assessable to property owners, out of a total of \$6,264,700 of total costs. 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.

Further, the financial feasibility of the proposed District and the redevelopment proposals that exist, including infrastructure, are mutually dependent. "But for" TIF assistance, the proposed redevelopment of the former Royster Clark fertilizer plant project could not occur. In turn, the District could not support the public improvement costs without the Royster Clark "generator" of tax increment.



**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 2027 as projected, it is estimated that approximately \$71.8 million of equalized value (approximately \$43.3 million of incremental value) would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$92.9 million of equalized value (approximately \$64.4 million of incremental value) to the overlying taxing jurisdictions. It is arguable that, without TIF, the current base value of \$28,591,700 of the proposed District would grow at a more gradual rate and reach the estimated value growth levels in a greater period of time.

**3. Whether the benefits of the proposal outweigh the anticipated tax increments to be paid by owners of property in the overlying tax districts.**

Blight elimination and neighborhood stabilization are the most significant and quantifiable benefit to overlying tax jurisdictions from the investment of TIF funds.

Without TIF, overlying tax jurisdictions would share \$709,000 of tax revenues for the tax parcels included in the proposed District based on the current base value of \$28,591,700. As stated earlier, the value in 2027 at the end of the projected 14-year TID life is estimated at \$71.8 million, or approximately \$43.3 million in incremental value growth. Theoretically, if the City invested all \$6.2 million of project costs in the district, that investment would leverage over \$43.3 million or \$1 of TIF leverages \$7 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 \$1,781,000 or a net gain of \$1,072,000 as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$6,264,700 of public investment that may further enhance the area and also increase values in and around the proposed District.

