



**TIF Joint Review Board Staff Report (Amended)  
TID #32 – Third Amendment  
(Upper State St)  
July 30, 2013**

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 Pages 4 and 5 of the Project Plan. The costs have not increased.

**b) The total dollar amount of these project costs to be paid with tax increments;**

\$39,152,000

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

An estimated **\$12,899,000** of tax increments is forecasted over the district's remaining life within the boundary of the Third Amendment.

**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 area of the Third Amendment at the end of its 27-year life is estimated at **\$63,492,000**. 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. The City estimates that TID #32 will still close on or around 2016 or 2017, if the Third Amendment is approved and current market and fiscal trends maintain their present course. It should be noted that the Third Amendment to TID #32 proposes to make a loan to the 309 West Johnson St project using funds that were previously approved in the Second Amendment to TID #32. As such, **there is no change to the existing approved TID #32 budget.**

Current annual incremental revenues in TID 32 are estimated at \$2.947 million. The estimated balance of unrecovered costs through 2013 is \$478,222. This estimate reflects the current positive cash balance in the TID of \$3.368 million as well as projects currently included in the 2013 adopted city capital budget.

The TIF loan related to the 209 West Johnson Street is \$3.025 million. When combined with the 2013 unrecovered cost estimate, total unrecovered costs increase to \$3.503 million. As such, the TID could recover its costs by the end of 2015 and potentially be closed in 2016. This estimate is subject to revision depending on actions taken in the city capital budget regarding debt issuance, as well as other potential development loans and infrastructure projects in TID 32.

**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.**

Approximately \$678,000 of the \$19,980,000 of planned public infrastructure costs is assessable to property owners based upon City of Madison special assessment policy. Although projected at \$19,000,000, TIF Loan assistance to private development projects is 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 base value of the proposed Third Amendment is estimated at **\$14,960,000**. 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 2012 mill rate.

<u>Tax Jurisdiction</u>	<u>2012 Mill Rate</u>	<u>Share of Tax Levy</u>
City	9.31	36%
County	2.87	11%
MMSD	11.80	45%
MATC	1.86	7%
State of WI	<u>0.17</u>	<u>1%</u>
Subtotals	26.01*	100%
Lottery Credit	(1.80)	
Net Tax Rate	24.20	

Source: City of Madison 2012 Schedule of Tax Rates  
 \*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 existing \$14.9 million base value of the Third Amendment to the District is anticipated to grow to \$78.4 million at the end of 18 years remaining—a gain of \$63.5 million.

The Third Amendment to the District is 67% 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.**

Only \$678,000 of the public improvements anticipated in the District is assessable to property owners, out of a total of \$19,970,000 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 Third Amendment and the redevelopment proposal that exists, are mutually dependent. “But for” TIF assistance, the redevelopment at 309 West Johnson Street, could not occur.

**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 at the end of its statutory life, it is estimated that approximately \$78.452 million of equalized value in the Third Amendment would return to the overlying taxing jurisdictions. Without TIF, the current \$14.960 million base value of the district and proposed Third Amendment would grow at a more gradual rate and reach the estimated value growth levels in a much 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.**

Although blight elimination is a significant, principal benefit to overlying tax jurisdictions, the most quantifiable benefit is sharing of equalized value growth resulting from that investment.

Without TIF, overlying tax jurisdictions would currently share \$362,000 of tax revenues for the tax parcels included in the proposed Third Amendment based on the current base value of \$14.960 million. As stated earlier, the value of the Third Amendment is estimated at \$78.452 million at the end of the statutory life. Applying the current mill to this value increment would yield a levy of \$1,898,000—arguably the maximum benefit, assuming the mill rate does not decrease over time.

