

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

## **Tax Incremental District (TID) No. 25 (Wilson St Corridor) 2015 Project Plan Amendment City of Madison**

August 18, 2016

### 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 an amendment to a Tax Incremental District (TID). The Joint Review Board will meet at a future date to take action upon the proposed first project plan amendment to TID #25 (Wilson St Corridor).

### Summary of the TID #25 Project Plan

The map on the next page depicts the boundaries of the proposed TID #25:



Department of Planning and Community  
and Economic Development  
Economic Development Division (REDWR)  
TID #25 2015 Project Plan Amendment - Plan Maps  
Date: 9/2/2015

# TID #25



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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)**

The project costs in the originally adopted project plan were:

**NOTE: Highlighted sections are amendments to the TID #25 Project Plan.**

Projects	Cost	TIF Funds	Other
Water Mains	\$490,000	\$490,000	-0-
Streets/Sidewalks/Sewer Repair	\$1,364,000	\$1,364,000	-0-
Pedestrian Circulation Systems, Streetscape Improvement Bus Shelters, Tax Stands, Turn Lanes, Ornamental Lighting, and Parkland Improvement	\$9,600,000	\$3,800,000	\$5,800,000
Other Costs (Administrative)	\$600,000	\$600,000	-0-
Loans/Grants	\$25,000,000	\$9,758,000	\$15,242,000
Sub Total	\$37,054,000	<b>\$16,012,000*</b>	\$21,042,000
Financing Cost	\$38,426,000	\$16,605,000	\$21,821,000
<b>Total</b>	<b>\$75,480,000</b>	<b>\$32,617,000</b>	<b>\$42,863,000</b>

**\*NOTE: Sub Total of "TIF Funds" represents total allowable expenditures under the originally adopted TID #25 Project Plan.**

The proposed project costs are:

Actual TID #25 Project Plan Expenditures Through Dec 31, 2015				
	Total Cost	TIF Funds	Non-TIF Funds	Year
Water Mains	\$-	\$-	\$-	1995-2014
Street / Sidewalk / Sewer Repair	\$1,281,470	\$1,281,470	\$-	1995-2014
Skywalk	\$1,501,816	\$1,501,816	\$-	1995-2014
Pedestrian circulation system, bus shelters, taxi stands, lighting, turn lanes, streetscape and parkland improvements	\$619,535	\$619,535	\$-	1995-2014
Grants / loans	\$3,555,127	\$3,555,127	\$-	1995-2014
Acquisition	\$1,123,625	\$1,123,625	\$-	1995-2014
Parking structures (Block 89 & Marcus Hilton Hotel)	\$32,228,997	\$32,228,997	\$-	1995-2014
Administration	\$1,270,637	\$1,270,637	\$-	1995-2014
Master planning Judge Doyle	\$400,000	\$400,000	\$-	1995-2014
<b>Total TID #25 Expenditures to Date</b>	<b>\$41,981,207</b>	<b>\$41,981,207</b>	<b>\$-</b>	<b>1995-2014</b>
Projected TID #25 Project Costs - 2015 Project Plan Amendment				
Judge Doyle Parking Ramp	\$39,000,000	\$24,000,000	\$15,000,000	2016-2022
Master Planning (Judge Doyle)	\$570,000	\$570,000	\$-	2016-2022
Outer Capitol Loop - Southeast Major Streets Project (2017)	\$1,770,000	\$1,700,000	\$70,000	2016-2022
Street Trees	\$12,000	\$12,000	\$-	2016-2022
Administrative and Professional	\$436,963	\$436,963	\$-	2016-2022
Subtotal (All Categories) - First Project Plan Amendment	\$41,788,963	\$26,718,963	\$15,070,000	2016-2022
Sub-Total Project Costs (Actual Expenditures & First Amendment)		\$68,700,170	\$15,070,000	2016-2022

The total Project Costs that will be incurred in the First Amendment to TID #25 are \$68,700,170. This does not include any interest costs that result from borrowing. This includes \$41,981,207 of expenditures to date and \$26,788,963 of proposed expenditures in the First Project Plan Amendment.

The City is also seeking retro-active approval of the \$25,969,207 spent in excess of the originally approved project plan.

**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 **\$68,700,170** of project costs.

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

An estimated **\$57,000,000** of tax increments is forecasted over the district’s 27-year life.

TID #25 has received \$12.9 million of incremental revenue as part of a donor / recipient plan amendment from TID #6 and TID #14.

**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 **\$231,000,000**. 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 2022. The estimated incremental value in 2022 is \$231,000,000.

**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.**

Planned infrastructure costs include \$25,712,000 for reconstruction of the Government East Parking Ramp, the Outer Capitol Loop and planting street trees. Of these costs, \$70,000 are assessable to property owners. There are currently no projected development loans associated with this project plan amendment to TID #25. 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 **\$38,606,700**. 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 2015 mill rate.

<u>Tax Jurisdiction</u>	<u>2015 Mill Rate</u>	<u>Share of Tax Levy</u>
City	9.48	36%
County	3.01	12%
MMSD	12.37	47%
MATC	0.96	4%
State of WI	<u>0.17</u>	<u>1%</u>
Totals*	24.20**	100%*

Source: City of Madison 2015 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.**

Infrastructure reconstruction including the Government East Parking Ramp and the Outer Capitol Loop, along with the Judge Doyle project will provide benefits to overlying jurisdictions, including new shared equalized value growth, job growth creation / retention, and improved public infrastructure. A conservative estimate of total incremental value resulting from existing and potential development is \$231,000,000 at the end of TID #25.

The district's estimated base value of \$38 million is anticipated to grow to \$231 million at the end of the 27 year life of the TID. This is a gain of approximately \$ 193 million. Assuming that the City incurs all of the \$68.7 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 #25 will close at the end of its statutory life in 2022. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2022 is forecasted to be \$231 million.

TID #25 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 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 \$70,000 of the proposed project costs within TID #25 are assessable to property owners. 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.

The financial feasibility of the proposed District and the development proposals that may occur will be mutually dependent. Additionally, State Statute and City TIF Policy require that "but for" TIF assistance, a proposed project would not occur. In turn, the District could not support the public costs without these "generators" 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 2022 as projected, it is estimated that approximately \$231 million of incremental value would return to the overlying taxing jurisdictions. It is arguable that, without TIF, the current value of \$181 million (including \$158 million of incremental value) 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.**

Property tax base growth, job creation / retention, and infrastructure reconstruction are the most significant and quantifiable benefit to overlying tax jurisdictions from the investment of TIF funds.

Without TIF, overlying tax jurisdictions would share \$934,000 of tax revenues for the tax parcels included in the District based on the current base value of \$38 million. As stated earlier, the estimated incremental value at the end of TID #25's statutory life in 2022 is estimated at \$231 million.

Theoretically, if the City invested all \$68.7 million of project costs in the district, that investment would leverage over \$193 million or \$1 of TIF leverages \$2.81 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 \$5,590,000 or a net gain of \$4,656,000 as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$68.7 million of public investment that may further enhance the area, increase values in and around the proposed District.