

**CITY OF MADISON
OFFICE OF THE CITY ATTORNEY
Room 401, CCB
266-4511**

Date: September 5, 2007

MEMORANDUM

TO: Mayor David J. Cieslewicz

FROM: Anne Zellhoefer, Assistant City Attorney

RE: CLOSING OF TAX INCREMENTAL DISTRICTS

You have inquired as to when Tax Incremental District 24 (Southeast Industrial Development) and Tax Incremental District 28 (Bassett Neighborhood) are required by law to close.

Closure of TIDs in General

Section 66.1105, Wis. Stats., is Wisconsin's Tax Incremental Law. Subsection (7)(a) of the TIF Law governs when a district must close. It provides that a district terminates when the earlier of the following occurs:

- ! when a district has reached its maximum statutory life;
- ! when a municipality has received aggregate tax increments in an amount equal to the aggregate of all project costs; or
- ! when a municipality voluntarily chooses to dissolve a district early.

Closure of TID 24

TID 24 should be closed in 2008 because the City has received tax increment and other payments into the TID 24 project fund that exceed the aggregate amount of project costs expended in the District.

Through July 31, 2007, the City has expended the amount of \$15,554,316 in TID 24 project costs. Through July 31, 2007 the total increment and other revenues paid into the TID 24 project fund was \$18,747,857, leaving a positive TID 24 fund balance of \$3,193,541. (The dollar amounts in the previous two sentences include debt payments and are unaudited numbers.) In January of 2008, the positive TID 24 fund balance will increase to approximately \$6,800,000 when the City receives additional payments of increment and computer aid from the State. Therefore, pursuant to Section 66.1105(7)(a), Wis. Stats., outlined above, the City is obligated to terminate TID 24 because it has collected more in tax increment and other revenues than it has expended in project costs.

Upon the dissolution of the District, and after escrowing funds to cover any of the District's outstanding debt, all monies remaining in the TID 24 project fund must be paid to the other taxing jurisdictions and to the City's general fund in the proportional amounts that belong to each respectively. The City Comptroller estimates that the total of all TID 24 project fund monies to be disbursed if TID 24 closes in 2008 is \$6,000,000. Of this amount, \$2,040,000 would be deposited into the City's General Fund.

Closure of TID 28

TID 28 should also be closed in 2008 because the City has received tax increment and other payments into the TID 28 project fund that exceed the aggregate amount of project costs expended in the District.

Through August 27, 2007, the City expended the amount of \$11,346,883 in TID 28 project costs. Through August 27, 2007 the total increment and other revenues paid into the TID 28 project fund was \$15,551,374, leaving a positive TID 28 fund balance of \$4,204,491. (The dollar amounts in the previous two sentences include debt payments and are unaudited numbers.) In January of 2008, the positive TID 28 fund balance will increase by approximately \$5,300,000 when the City receives additional payments of increment and computer aid from the State. Therefore, pursuant to Section 66.1105(7)(a), Wis. Stats., outlined above, the City is obligated to terminate TID 28 because it has collected more in tax increment and other revenues than it has expended in project costs.

Upon the dissolution of the District, and after escrowing funds to cover any of the District's outstanding debt, all moneys remaining in the TID 28 project fund must be paid to the other taxing jurisdictions and to the City's General Fund in the proportional amounts that belong to each respectively. The City Comptroller estimates that the total of all TID 28 project fund monies to be disbursed if TID 28 closes in 2008 is \$5,000,000. Of this amount, \$1,700,000 would be deposited into the City's General Fund.

Please call if you have any questions.

AZ:sob