

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 36 (Capitol Gateway Corridor) Second Project Plan and Boundary Amendment (2016) City of Madison

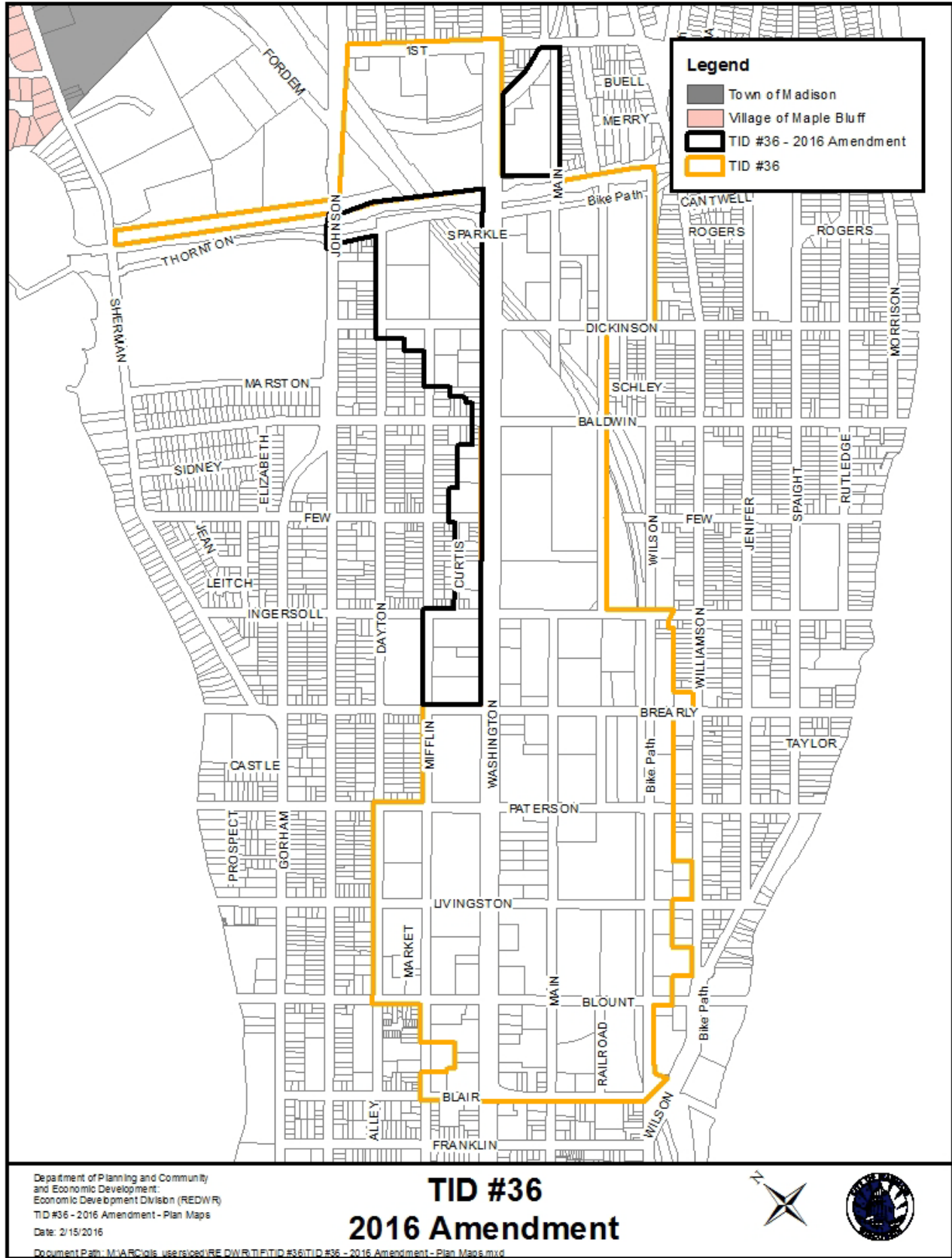
May 12, 2016

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 second project plan and boundary amendment to TID #36 (Capitol Gateway Corridor).

Summary of the TID #32 Project Plan

The map on the next page depicts the amendment to the boundaries of TID #36:



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 next page – Note: The second amendments to the project plan budget are highlighted in yellow.)

ACTUAL & PROJECTED TID #36 Project Plan Expenditures (Including First Amendment)*

**NOTE: These are the adopted project plan costs and timing, including the original and first amendment to TID #36. The sections that are stricken reflect changes adopted to the project plan under the first amendment to TID #36.*

ACTIVITY		Funded by Special Assessments	Funded by TIF	Year
Public Improvements	Total Cost			
Breese Stevens Field	\$485,000	\$0	\$485,000	2005-27
East Rail Track Relocation	\$8,500,000	\$0	\$5,000,000	2005-27
Reynolds Park	\$130,000	\$0	\$130,000	2005-27
Sanitary Sewer Improvements (Yahara River)	\$512,000	\$0	\$512,000	2005-27
Street Reconstruction (N. Livingston St)	\$1,381,000	\$98,000	\$1,283,000	2005-27
Streetcar Improvements	\$500,000	\$0	\$500,000	2005-27
Streetscape Improvements	\$500,000	\$0	\$500,000	2005-27
Storm Sewer Improvements (Blount St)	\$728,000	\$0	\$728,000	2005-27
Yahara River Parkway / Burr Jones Park Bike Path Improvements	\$560,000	\$0	\$560,000	2005-27
Subtotal	\$13,296,000 \$4,296,000	\$98,000	\$9,698,000 \$4,198,000	2005-27

	Total Costs	Funded by Special Assessments	Funded by TIF	Year
Economic Development				
Economic Development Assistance Loans	\$8,000,000 \$9,500,000	\$0	\$8,000,000 \$9,500,000	2005-27
Land Acquisition	\$4,000,000	\$0	\$4,000,000	2010
Affordable Housing Development Assistance Loans	\$2,000,000	\$0	\$2,000,000	2005-27
Subtotal	\$10,000,000 \$15,500,000	\$0	\$10,000,000 \$15,500,000	2005-27

	Total Costs	Funded by Special Assessments	Funded by TIF	Year
Administrative Cost				
Admin. & Professional	\$524,000	\$0	\$524,000	2005-27
Total Costs	\$23,820,000 \$20,320,000	\$98,000	\$20,222,000	2005-27
Estimated Finance Cost on TIF Borrowing			\$5,561,000	

TID #36 Second Amendment Project Plan Amendment Project Plan Costs (2016)

Second Amendment Project Costs				
	Total Cost	Other Funds (Non-Project Costs / Assessable)	Funded by TIF	
Public Improvements				
Stormwater	\$460,000	\$460,000	\$-	2016-27
Cosmos Parking Ramp	\$13,000,000	\$4,000,000	\$9,000,000	2016-27
Curtis Court	\$220,000	\$220,000	\$-	2016-27
Public Improvements - Subtotal	\$13,680,000	\$4,680,000	\$9,000,000	2016-27
Economic Development				
Economic Development Assistance Loans	\$3,450,000	\$-	\$3,450,000	2016-27
Land Acquisition (MG&E Purchase)	\$1,000,000	\$1,000,000	\$-	2016-27
Starting Block - Grant	\$1,500,000	\$1,500,000	\$-	2016-27
Affordable Housing Assistance	\$-	\$-	\$-	2016-27
Economic Development - Subtotal	\$5,950,000	\$2,500,000	\$3,450,000	2016-27
Administrative Costs	\$550,000	\$-	\$550,000	2016-27
Total New Project Costs (2016 Amendment)	\$20,180,000	\$7,180,000	\$13,000,000	2016-27
Total Project Costs (Previous Project Costs and Second Amendment Project Costs)	\$40,500,000	\$7,278,000	\$33,222,000	2016-27

NOTES:

- Based upon the final negotiations with the developer for Cosmos, the Cosmos Parking Ramp may be a privately owned and operated ramp. If this change is made, the City will underwrite this request using gap analysis, as it would any request for TIF assistance. If this change occurs, these costs would be shifted to the Economic Development Assistance section.
- Should sufficient increment be generated, the City may wish to be reimbursed the \$4 million in "Other Funds" identified for the construction of the Cosmos Parking Ramp. This would require a future amendment to the Project Plan.
- Should sufficient increment be generated, the City may wish to be reimbursed the \$1 million in "Other Funds" used to purchase the Cosmos Parking Ramp site from MG&E. This would require a future amendment to the Project Plan.
- Should sufficient increment be generated, the City may wish to be reimbursed the \$1.5 million in "Other Funds" used for the grant to Starting Block. This would require a future amendment to the 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 **\$33,222,000** of project costs.

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

In 2016, an estimated **\$26,000,000** of tax increments was forecasted over the district's remaining life within the boundary of the second amendment to TID #36.

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 TID #36 upon closure at the end of its statutory life in 2032 is \$215,700,000. This includes \$87,700,000 from the original project plan estimate and first amendment to TID #36 and an additional \$128,000,000 of value associated with this second project plan amendment. Based upon conservative estimates, TID #36 will generate sufficient incremental revenues to repay all anticipated costs by 2027

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.

Over \$4,680,000 of the planned \$13,680,000 in infrastructure costs in the second amendment to TID #36 are either assessable to property owners based upon City of Madison special assessment policy or are other non-project costs. Although projected at \$3,450,000, Economic Development 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 amended area is **\$19,405,900**. 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 2016 mill rate.

<u>Tax Jurisdiction</u>	<u>2016 Mill Rate</u>	<u>Share of Tax Levy</u>
City	9.48	36%
County	3.06	12%
MMSD	12.54	48%
MATC	0.96	4%
State of WI	<u>0.17</u>	<u>1%</u>
Totals*	26.23**	100%*

Source: City of Madison 2016 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 benefits that owners of taxable property in the overlying taxing jurisdictions will receive to compensate them for their share of the projected tax increments are, sharing new equalized value growth and job creation / retention.

The TID is estimated to close in 2027. If the TID stays open until its statutory closure date, it is estimated that the amendment area along will return to the overlying jurisdictions in excess of \$128,000,000 of incremental value. The average life of a TID in the City of Madison is 12 years. If TID #36 closes in 2027 as currently projected, it will have been open 22 years.

TID #36 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 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.

\$7,180,000 of the proposed project costs within the amendment to TID #36 are assessable to property owners or are non-project 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.

The financial feasibility of the proposed amendment to TID #36 and the development proposals that may occur are 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 2027 as projected, it is estimated that more than \$113 million of incremental value would return to the overlying taxing jurisdictions. Without TIF, the base value of the amendment area of \$19,405,900 would grow at a more gradual rate and reached 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 have share \$509,000 of tax revenues for the tax parcels included in the proposed amendment to TID #36 based on the base value of \$14,405,900 million. As stated earlier, the incremental value in 2027 at the end of the projected 20-year TID life is estimated more than \$113 million. Theoretically, if the City invested all \$13 million of project costs in the amendment to TID #36, that investment would leverage over \$113 million or \$1 of TIF leverages \$8.69 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 \$2.9 million or a net gain of \$2.4 million as a result of TIF.

In turn, the anticipated tax increments over the life of the amendment to TID #36 are estimated to support \$13 million of public investment that may further enhance the area, increase values in and around the proposed District and help create new family supporting jobs.