

Executive Summary to Joint Review Board
Amendment of Tax Increment District No. 32 (Upper State St)
City of Madison
August 12, 2010

Background

The City of Madison has proposed the amendment of Tax Increment District (TID) No. 32 located in the Isthmus (see attached maps). By TIF statute, a Joint Review Board, comprised of one representative from MMSD, the City, the County, MATC and a public member will meet to review and if acceptable approve the proposed TID boundary and project plan.

There are two proposals for the boundaries for the amendment of TID #32. The first is titled "Second Amendment to Tax Incremental (TID) No. 32 Project Plan (Upper State St)" (the "Amendment") shown on Exhibit A. The resolution authorizing this amendment was sponsored by Mayor Cieslewicz and Alder Maniaci.

The second proposal for the boundary amendment of TID #32 is titled "Substitute Alternate Second Amendment to Tax Incremental District (TID) No. 32 Project Plan (Upper State St.)" (the "Alternate"). The Alternate is sponsored by Alders Maniaci and Verveer and includes additional properties on Gilman Street and Gorham Street, shown on Exhibit B.

Summary

The proposed Amendment and Alternate TID boundary encompass a wide swath of what is generally referred to as State St., University Ave., Johnson St., and Gorham St. in the City of Madison. This amended area includes portions of the Mansion Hill, James Madison Park and State / Langdon Neighborhoods. The City commissioned a blight study of the parcels within the proposed Amendment and Alternate. The blight study found that 55% of the parcels within the Amendment and 59% of the parcels in the Alternate were blighted or in need of rehabilitation or conservation work. The Common Council of the City of Madison is scheduled to consider adopting a resolution amending TID No. 32 on September 7, 2010. Under TIF Law all blighted area TIDs have a 27-year lifespan. The current TID 32 is projected to close in 2015. As a result of either the Amendment or the Alternate, the projected closure date would increase to 2019, which would be a total lifespan of 16 years.

The project plan for both the Amendment and the Alternate anticipate approximately \$44,800,200 in new development from the redevelopment of the Edgewater Hotel. The estimated total incremental value, anticipated tax incremental revenues, and the present value of these incremental revenues are identified below for both the Amendment and the Alternate. The anticipated economic growth of tax incremental revenues over the 27-year life of the District Based are based on current tax rates and conservative financial market assumptions. The present value of these incremental revenues is also identified.

	<u>Amendment</u>	<u>Alternate</u>
Total Incremental Value	\$133,000,000	\$152,000,000
Anticipated Tax Incremental Revenues	\$24,515,000	\$27,232,000
Present Value of Incremental Revenues	\$10,832,000	\$11,955,000

The existing TID 32 (original and first amendment) is currently generating approximately \$3,000,000 million of tax increment annually, of which approximately \$1,500,000 is committed to recovering \$20,306,000 of project cost. An estimated \$1,500,000 of residual tax increment in the existing TID 32 is available to recover additional project costs within the Amendment. This residual, combined with the estimated present value of incremental revenues in either the Amendment or the Alternate, can be used to pay for an estimated \$18,846,000 eligible TID project costs, as follows:

Small Cap TIF for Housing Renovation	\$1,500,000
Public Improvements:	
Street Reconstruction	\$696,000
Utility Undergrounding	\$650,000
TIF Loan Assistance	\$16,000,000
Total	\$18,846,000

TIF statute sets forth that the base value of the proposed TID and all existing TIDs may not exceed 12% of the equalized assessed value of the City. The base value within the proposed Amendment and the Alternate do not negatively impact the statutory 12% value cap. Including the proposed Amendment or the Alternate, the City of Madison would demonstrate that the citywide equalized value included in TIDs is:

	<u>Amendment</u>	Alternate
Estimated Base Value	\$146,157,300	\$185,546,400
12% Test	2.75%	2.92%

Conclusion

The second amendment of TID No. 32 (Upper State St) will assist in the elimination of blighting conditions through the Small Cap TIF, Public Works and redevelopment of the Edgewater Hotel. The second amendment of TID No. 32 (Upper State St) will also promote tax base growth of an estimated \$78,000,000 (Amendment) or \$86,000,000 (Alternate) of new property value by the TID's projected closure date in 2019. The City of Madison looks forward to continuing a successful partnership with MMSD, MATC, and Dane County to continue to revitalize Madison.

Exhibit A - Amendment

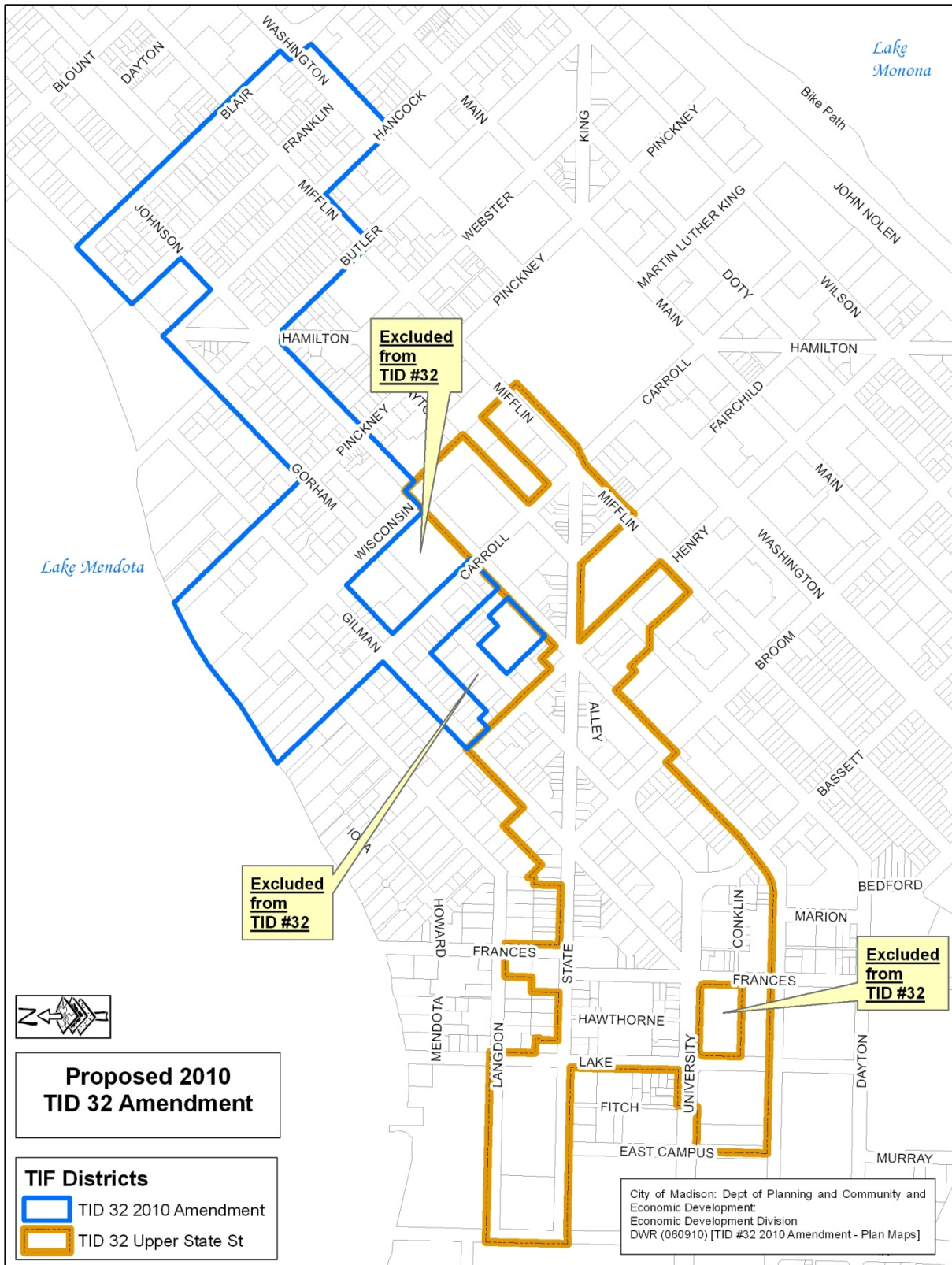


Exhibit B - Alternate

