

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 43 (Park / Drake) City of Madison

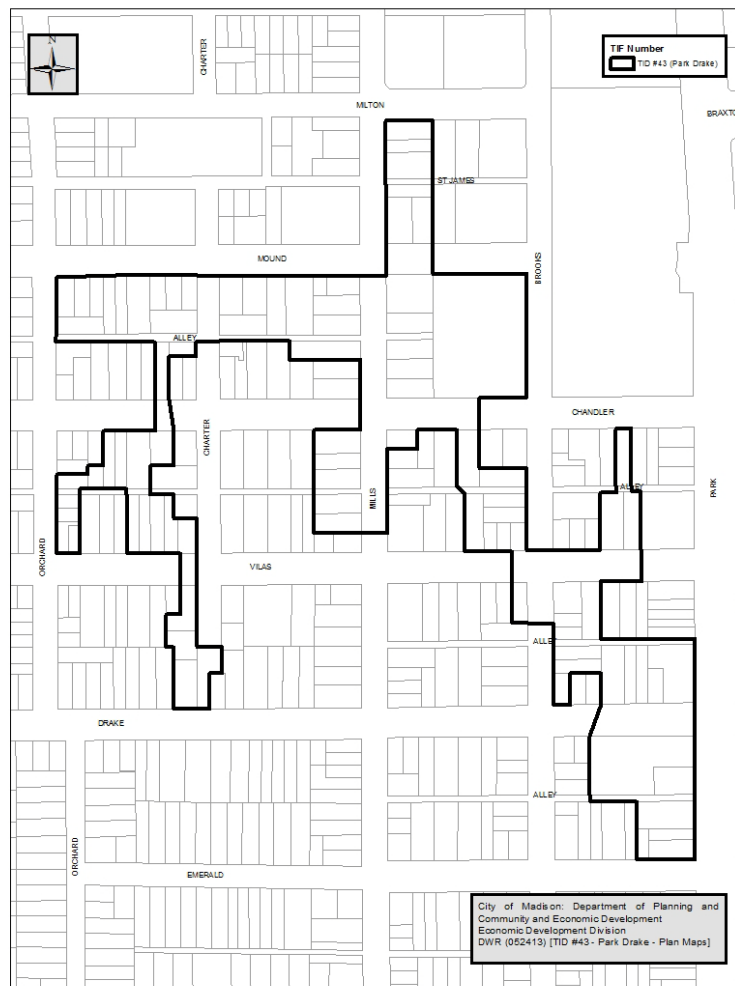
August 21, 2013

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 a proposed Tax Incremental District (TID) boundary and Project Plan. The Joint Review Board will meet at a future date to take action upon the proposed TID #43 (Park / Drake).

Summary of the TID #43 Project Plan

The map below depicts the boundaries of the proposed TID #43 in the Park Street and Drake Street area of the City of Madison.



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)

PROJECT	TOTAL COST	ASSESSED	TIF COST	TIMING
Small Cap TIF Program	\$1,500,000	\$0	\$1,500,000	2013 – 2040
Land Acquisition	\$1,500,000	\$0	\$1,500,000	2013 – 2040
Subtotal	\$3,000,000	\$0	\$3,000,000	2013 – 2040
Administrative and Professional	\$500,000	\$0	\$500,000	2013 – 2040
TOTAL PROJECT COSTS	\$3,500,000	\$0	\$3,500,000	

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 **\$3,500,000** of project costs.

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

An estimated **\$10,600,000** of tax increments is forecasted over the district's 27-year life.

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 **\$38,540,000**. 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 2026. The estimated incremental value in 2026 is \$23,000,000.

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.

TID #43 does not have any planned infrastructure costs. The funds in TID #43 are meant to implement the "Greenbush-Vilas Neighborhood Revitalization Strategy Report" (adopted by RES 10-00886) by increasing the number of owner occupied single-family homes in the neighborhood and halting the deterioration of the housing stock. Approximate \$3,000,000 will be used in two separate programs. The first will be a City of Madison Community Development Authority (CDA) lead acquisition and rehabilitation of selected properties. The second will be a homeowner lead program of acquisition and rehabilitation of properties. These funds will only be utilized on an as-needed basis, provided that the project satisfies the City's "but for" analysis—i.e. demonstrating that



but for TIF assistance, the revitalization 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 estimated at **\$24,787,500**. 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	8.82	35%
County	2.73	11%
MMSD	11.35	45%
MATC	1.74	7%
State of WI	<u>0.17</u>	<u>1%</u>
Totals*	24.81**	100%*

Source: City of Madison 2012 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 proposed TID provides multiple benefits to the owners of taxable property in the overlying jurisdictions. These benefits include: blight elimination and improved quality of life for those in the district and throughout the City of Madison.

The district’s base value of \$24.7 million is anticipated to grow to \$63.3 million at the end of the 27 year life of the TID. This is a gain of \$38.5 million. Assuming that the City incurs all of the \$3.5 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 #43 may close at the end of 13 years or 2026. The average life of a TID in the City of Madison is 12 years. The estimated value of the TID in 2026 is forecasted to be \$48 million or a net gain of property value of \$23 million (*Note: variations are due to rounding*).

An independently conducted Survey of Conditions found that 51.5% of the District is blighted. There are two projects currently under construction in the proposed TID #43. These projects are the redevelopment of the former Lane’s Bakery site and the Ideal Body Shop redevelopment. There is also a proposed project at the former Longfellow School site. There is neighborhood opposition to the completion of this project, so it has not been included in the estimates of incremental value due to the uncertainty of its final form and completion date.



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.

None (\$0) of the proposed improvements within the proposed District are assessable to property owners, out of a total of \$3,500,000 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.

The financial feasibility of the proposed District is predicated upon the redevelopment proposals that are currently under construction. These “generators” of tax increments will provide funding for the proposed Small Cap TIF program. “But for” TIF assistance, the Small Cap TIF program could not be implemented, and the rehabilitation of housing stock and stabilization of the neighborhood would 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 in 2026 as projected, it is estimated that approximately \$48 million of equalized value (approximately \$23 million of incremental value) would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$63.3 million of equalized value (approximately \$38.5 million of incremental value) to the overlying taxing jurisdictions. It is arguable that, without TIF, the current base value of \$24,787,500 of the proposed District 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.

Blight elimination and neighborhood stabilization are the most significant and quantifiable benefit to overlying tax jurisdictions from the investment of TIF funds.

Without TIF, overlying tax jurisdictions would share \$615,000 of tax revenues for the tax parcels included in the proposed District based on the current base value of \$24,787,500. As stated earlier, the value in 2026 at the end of the projected 13-year TID life is estimated at \$48 million, or approximately \$23 million in incremental value growth.

