

Executive Summary to Joint Review Board
Amendment of Tax Increment District No. 23 (Capitol Square)
City of Madison
30 November, 2009

Background

The City of Madison has proposed amending the Project Plan of Tax Increment District (TID) No. 23 located on the Capitol Square (see attached map). By TIF statute, a Joint Review Board, comprised of one representative from Madison Metropolitan School District (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

Summary

The TID boundary encompasses the northern portion of the Capitol Square in the City of Madison. This area, shown on the attached map, is generally bounded by East Washington Avenue, Butler Street, Dayton Street, Wisconsin Avenue, Mifflin Street, and Pinckney Street. When the District was created in 1994, it was declared a “blighted area District”, within the meaning of TIF Law. The Common Council of the City of Madison is scheduled to consider adopting a resolution amending the TID No. 23 Project Plan on December 8, 2009. Under TIF Law all blighted area TIDs have a 27-year lifespan.

The amended project plan for TID No. 23 reflects revenue and expenditures for the District that were not anticipated in the original project plan. The original project plan anticipated \$45 million of new value to occur over 23 years. To date, \$64 million of new value has occurred. Due to a change in State TIF Law, the District may remain open 27 years (until 2021) instead of 23 years. The original project plan anticipated that the \$45 million in new value would be realized over the entire 23-year life of the District. However, the \$64 million in actual new value has been realized much faster than originally anticipated.

Value growth realized as of 2009 exceeds of the original Project Plan’s projections and is expected to generate \$15,603,000 of tax increment until the District’s statutory expiration in 2021, or a present value of **\$9,883,000**. As of

January 1, 2009 the District has incurred \$11,775,000 of actual capital and interest costs. This amount exceeds the \$9,662,000 total cost adopted in the original District Project Plan by \$2,113,000. The amended Project Plan is expected to recover the \$2,113,000 of excess cost, \$2,001,000 of new public infrastructure improvements and provide a cushion of \$5,769,000 of tax increment available for yet unidentified capital projects. At minimum the District should recover both the excess cost and new infrastructure cost in approximately three years at which time the District must close.

City of Madison TIF Policy states that no more than 50% of the amount of TIF generated by a private development project may be provided to that project as direct financial assistance. Any determination of TIF assistance is subject to a thorough staff analysis that must determine, according to TIF Law, that “but for” TIF assistance, the project could not be developed. Any recommendation of assistance to any project is subject to consideration and funding authorization by the Common Council.

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 amended TID No. 23 (\$29,554,100) does not negatively impact the statutory 12% value cap. Including TID No. 23, the City of Madison would demonstrate that 2.41% of its citywide equalized value is included in TIDs.

Conclusion

The Capitol Square revitalization has had a large amount of community and neighborhood support and will complete the planned public improvements of the Capitol Square area envisioned in the original TID 23 Project Plan. The amendment of TID No. 23 (Capitol Square Revitalization) will increase the amount of total TID expenditures in the TID Project Plan. This increase in TID expenditures will provide for certain infrastructure projects to be completed, while also addressing an increase in total project costs incurred to date.

30 November, 2009

