

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 46 (Research Park) Second Project Plan Amendment City of Madison

December 5, 2018

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 amendment to a Tax Incremental District (TID) Project Plan. The Joint Review Board will meet at a future date to take action upon the proposed amendment to the project plan to TID #46 (Research Park).

Summary of the Second Amendment to the TID #46 Project Plan

The map on the next page depicts the existing boundaries of TID #46 in the near west side of the City of Madison:

TIF Law Required Information for TID Amendment Approval

1) Estimates of project costs and tax increments, including:

a) Specific items that constitute project costs; (See Chart Below)

TID #46 – Second Project Plan Amendment (2018)	Current TIF Funded Non-Assessable Cost	Proposed New TIF Funded Non-Assessable Cost	Assessable/ Non-Project Costs	Total	Time Frame
Total Public Improvements	\$0	\$0	\$0	\$0	2018- 2030
		\$0			2018- 2030
Illumina Loan	\$1,890,000	\$0	\$0	\$1,890,000	2018- 2030
Exact Sciences Loan (Phase 1)	\$2,500,000*	\$0	\$0	\$2,500,000	2018- 2030
University Research Park (Exact Sciences Loan Phase 2)	\$2,600,000*	\$0	\$0	\$2,600,000	2018- 2030
Exact Sciences Loan (Phase 3)	\$0	\$2,086,000	\$0	\$2,086,000	2018- 2030
Administrative and Professional Costs	\$500,000	\$0	\$0	\$500,000	2018- 2030
TOTAL PROJECT COSTS	\$7,490,000	\$2,086,000	\$ -	\$9,576,000	2018- 2030
Finance Costs (Financing costs for entire project plan)	\$2,069,000	\$594,000		\$2,633,000	2018- 2030

**NOTE: The Illumina and Exact Sciences Phase 1 and Phase 2 loans were made under the previously authorized expenditure limit of the TID #46 project plan. They are stated in this Second Project Plan Amendment to TID #46 to ensure all expenditures in TID #46 are accurately reported and authorized.*

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 **\$9,576,000** of project costs.

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

An estimated **\$40,316,000** of tax increments is forecasted over the district's 20-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 20-year life is estimated at **\$179,000,000**. 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 \$148,000,000. This incremental value in 2026 is based solely upon the projects outlined above in this Second Amendment to the TID #46 Project Plan, and does not include any potential projects that may be developed elsewhere in the TID.

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.

There are no currently planned public infrastructure costs, and as such, there are no costs assessable to property owners. Development Loans to private development projects are projected at \$9,076,000.

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 in the amended TID #46 was recertified by the Wisconsin Department of Revenue as of January 1, 2017 as **\$118,934,300**. 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 final adopted 2018 mill rates.

<u>Tax Jurisdiction</u>	<u>Adopted 2018 Mill Rates</u>	<u>Share of Tax Levy</u>
City	9.06	37%
County	2.91	12%
MMSD	11.58	47%
MATC	0.95	4%
State of WI	<u>0.0</u>	<u>0%</u>
Totals*	24.51*	100%*
Credit	1.99	
Net Rate	22.52	

Source: City of Madison Treasurer's Office
 *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.

A conservative estimate of the total incremental value resulting from potential development projects, and economic growth or value appreciation over the life of the TID is estimated to be \$179million. The benefits of these potential projects are: sharing new equalized value growth and job creation / retention to benefit those in the district and throughout the City of Madison.

The district's base value of \$118,934,300 million is anticipated to grow by \$179 million at the end of the 20 year life of the TID. Assuming that the City incurs all of the \$9.5 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 #46 may close at the end of 11 years or 2026. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2026 is forecasted to be \$148 million (*Note: variations are due to rounding*).

TID #46 is a "mixed-use" 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.

None of the proposed project costs within the proposed District is assessable to property owners. 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 and the development proposals that may occur will be 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 2026 as projected, it is estimated that approximately \$148 million of incremental value would return to the overlying taxing jurisdictions. At 20 years, the District would return approximately \$179 million of incremental value to the overlying taxing jurisdictions. It is arguable that, without TIF, the current base value of \$118 million 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.

Property tax base growth and job creation / retention are the most significant and quantifiable benefit to overlying tax jurisdictions from the investment of TIF funds. The chart below outlines the jobs that are associated with the TIF loans that have been funded from TID #46

Project	Loan Amount	Jobs Created / Retained	Disbursement #1	Disbursement #2	Disbursement #3	Disbursement #4
Illumina	\$1,890,000	100	\$1.6mm upon closing of loan	\$290,000 upon completion of building and confirmation of 100 jobs	N/A	N/A
Exact Sciences (Phase 1)	\$2,500,000	250	\$1.812 mm upon closing of loan	\$688k upon occupancy and verification of 125 jobs on site	N/A	N/A
University Research Park (Exact Sciences Loan Phase 2)	\$2,600,000	N/A (Gap Analysis)	\$1.3mm upon closing of loan	\$780,000 (30%) upon 30% completion of project	\$260,000 (10%) upon 50% completion of project	\$260,000 (10%) upon 80% completion of project
Exact Sciences (Phase 3)	\$2,086,000	250	\$834,400 (40%) upon closing of loan	\$834,400 (40%) upon occupancy of the project	\$417,200 (20%) upon demonstration that 250 jobs have been created / retained	N/A
Total	\$9,076,000	600				

Without TIF, overlying tax jurisdictions would share \$2.7 million of tax revenues for the tax parcels included in the proposed District based on the current base value of \$118 million. As stated earlier, the incremental value in 2026 at the end of the projected 11-year TID life is estimated at \$148 million. Theoretically, if the City invested all \$9.5 million of project costs in the district, that investment would leverage over \$148 million or \$1 of TIF leverages \$15.58 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 \$6.7 million, or a net gain of \$3.4 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$9.5 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.