

# MEMORANDUM

TO: Common Council  
FR: Joe Gromacki, TIF Coordinator  
DATE: March 5, 2024

**SUBJECT: TIF REPORT – East Washington Apts, LLC**

## Project Description

East Washington Apts, LLC, (“Developer”) proposes to construct a mixed-use project consisting of 192 affordable apartment units and 139 parking stalls (the “Project”) (see **Figure 1**). The Project is located at the former Capitol Auto at 808 Melvin Court, located in the 3100 Block of East Washington Avenue, bounded by Highway 30 to the southwest and Melvin Cour to the northeast (**Figure 2**).

The Project demonstrated a gap of approximately \$1,700,000 or the difference between total project cost of approximately \$68,418,243 and capital sources of approximately \$66,718,243. The estimated assessed value of the Project is \$24,680,000. Recommended TIF assistance of \$1,700,000 is at the maximum 55% amount allowed under TIF Policy (55% Gateway).

## TIF Report

The following TIF Report is provided in compliance with Section 3.1 (8) of TIF Goals, Objectives and Process and Section 1 (9) of TIF Loan Underwriting Policy, adopted by the Common Council on February 25, 2014:

- (a) **Amount Requested:** \$1,700,000 (55% of TIF)
- (b) **Type of Project:** Redevelopment, Affordable Housing
- (c) **Analysis Method:** Gap Analysis
- (d) **Tax Credits:** \$27,994,000
- (e) **Est. Value and Tax Increments:**

Approximate Project Cost	\$68,418,243
<b>Estimated Assessed Value</b>	<b>\$24,680,000</b>
Total Estimated Tax Increments	\$ 8,762,000
Average Annual Tax Increment	\$ 220,000
<b>TIF Supportable at 55%</b>	<b>\$ 1,700,000</b>

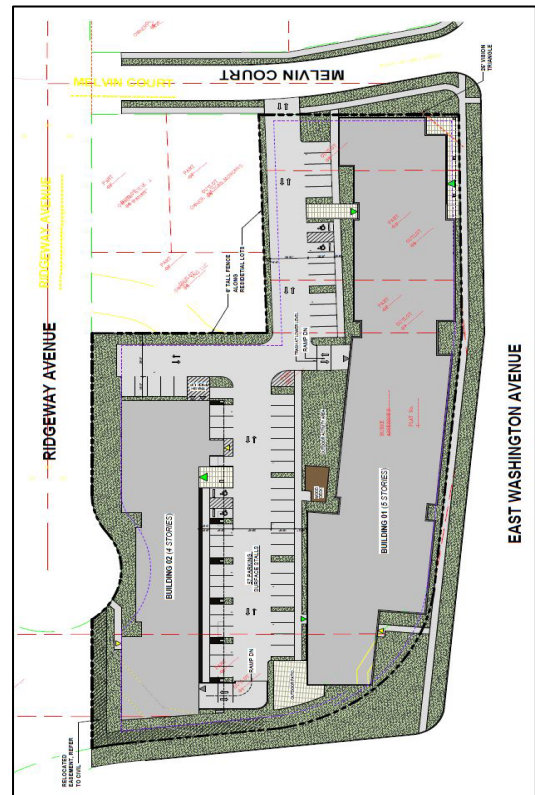


Figure 1

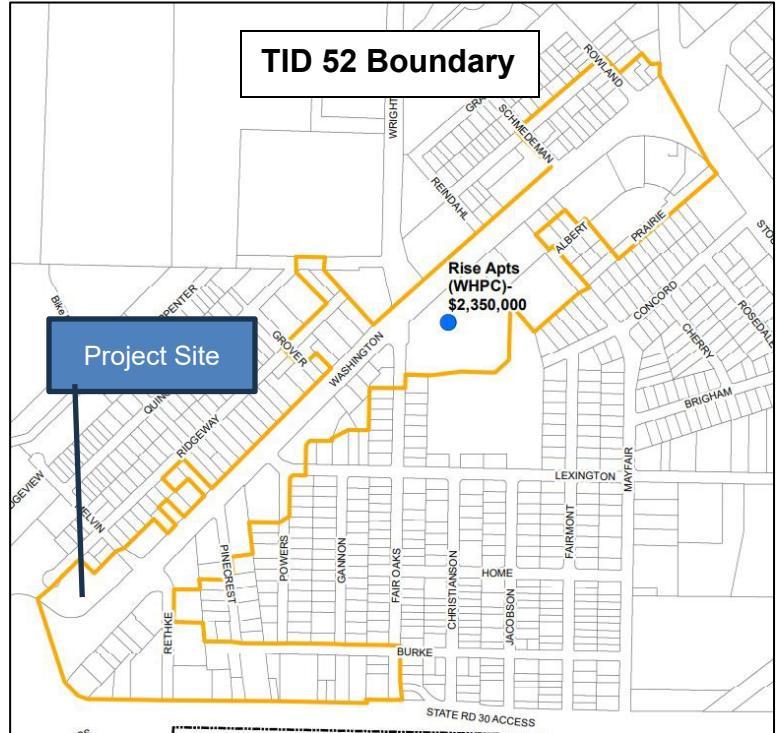


Figure 2

**(f) TID Condition:**

The Project is located within Tax Incremental District (TID) 52 which the City created in 2023. TID 52 stretches along East Washington Avenue, bounded by Highway 30 to the southwest and Highway 51 (Stoughton Road) to the northeast. (Figure 3).

There is limited value growth from other private development in the initial years of a newly created TID such as TID 52. Affordable housing projects such as Rise Apartments and the proposed Project, which suppress rents for long periods of time for the purposes of affordability, are assessed lower (anywhere between 30% and 45% of market value) than market rate projects. As such, the TID will need a significant amount of time to accumulate tax increments.



**Figure 3**

Therefore, it is financially prudent to limit TIF assistance to no more than the maximum amount allowable under TIF Policy (55% Gateway), thus providing financial cushion for market uncertainty and funds for public works improvements, if necessary and feasible, in the future.

**(g) TIF Policy Compliance**

**Developer Equity**—Developer equity is approximately \$8,041,000 of deferred developer fee, and \$27,994,000 of Low-Income Housing Tax Credit (LIHTC) equity from investors. Developer is providing a corporate guaranty for the Project. This amount exceeds TIF Policy that developer equity must be equal to or greater than the amount of TIF assistance and is therefore in compliance.

**(h) Other Applicable**

- 1) Quantity of living wage jobs created and/or retained. **See TIF Goal Statement (Figure 4.)**
- 2) Quantity of affordable housing units and level of affordability. **See TIF Goal Statement (Figure 4.)**

**(i) Amount of TIF to Be Considered**

TIF Eligible	\$1,700,000	55% of TIF
<b>TIF Recommended</b>	<b>\$1,700,000</b>	<b>55% of TIF</b>

**(j) Developer’s TIF Goals Statement**— TIF Policy requires that Developer provide a statement (See Figure 4) as to how the project addresses the following TIF Policy Goals:

- 1) Per Sections 1 and 3.4 of “TIF Goals, Objectives and Process”, how does the Project meet City and TID’s goals?
  - A) Grows the City’s property tax base

- B) Fosters the creation and retention of family-supporting jobs
- C) Encourages the re-use of obsolete or deteriorating property
- D) Encourages urban in-fill projects that increase density consistent with the City's Comprehensive Plan
- E) Assists in the revitalization of historic, architecturally significant, or deteriorated buildings or enhancement of historic districts.
- F) Creates a range of housing types, specifically encouraging affordable housing
- G) Funds public improvements that enhance development potential and improve City's infrastructure
- H) Promotes superior design, building materials and sustainability features
- I) Reserves sufficient increment for public infrastructure in both TID Project Plan and TIF underwriting

**(k) TIF Policy Exceptions:               None.**

**(l) Known Labor Agreement, Law Violations: None indicated.**

**Staff Recommendation:** TIF assistance in the amount of \$1,700,000 or 55% of TIF generated by the project. A 30-year land use restriction agreement (LURA) shall be recorded, requiring the Project to remain affordable for that period.



Figure 4: Applicant's TIF Policy Goal Statement



December 21, 2023

Joe Gromacki  
TIF Coordinator  
215 Martin Luther King, Jr. Blvd Rm. 312  
Madison, WI 53701-2983

Dear Mr. Gromacki,

Bear Development, LLC (Bear) is proposing to acquire and develop the property located at 808 Melvin Court (formerly 3100 E Washington Avenue) into 192-units of affordable housing. The 2.21-acre site has an existing commercial building that will be demolished for construction. All units would be affordable, with rents restricted between 50-70% AMI and will consist of 86 one-bedroom units and 106 two-bedroom units. The project will be primarily funded with 4% Low-Income Housing Tax Credits (LIHTC), Tax-Exempt Bonds, for which Bear has received approval from WHEDA, and Tax Incremental Financing (TIF), for which Bear is requesting \$1,920,000 in assistance.

Regarding the City of Madison TIF Goals, Objectives, and Process, we believe the development meets the proposed policies as outlined in the Policy Statement below:

- **Growing the property tax base:** The 2023 assessed value of the project site was \$1,094,200. The projected assessed value of the site at completion of the project is approximately \$25,000,000.
- **Fostering the creation and retention of family-supporting jobs:** The development is estimated to generate 265 temporary jobs during construction. Once stabilized, approximately four permanent jobs will be retained to manage the property.
- **Encouraging adaptive reuse of obsolete or deteriorating property:** NA- The development will replace and underutilized commercial building and parking lot. The commercial building is approximately 6,000 square feet and cannot be reused.
- **Encouraging urban in-fill projects that increase density consistent with the City's Comprehensive Plan:** The Madison Generalized Future Land Use map listed the project site as a MR-Medium Residential area with a density range of 20-90 dwelling units/acre and building height in the 2-5 story range. The development will replace an unused commercial building and parking lot and will be 5 stories and have 87 dwelling units/ acre and is consistent with the City's future land use plans.
- **Assisting the revitalization of historic, architecturally significant or deteriorated buildings:** NA- The development will replace and underutilized commercial building and parking lot. The commercial building is approximately 6,000 square feet and cannot be reused. The demolition permit was review by the Landmarks Commission and it was determined that the existing building has no historic value.
- **Creating a range of housing options and specifically encouraging the development of workforce and affordable housing:** All of the units at the development are affordable with rents restricted to 50-70% AMI.

- **Funding public improvements that enhance development potential, improve the City's infrastructure, enhance transportation options, and improve the quality and livability of neighborhoods:** The development will replace an unused commercial building and parking lot and it is located in a TOD overlay district, directly adjacent to a newly planned BRT stop. The development plans also call for the installation of a new sidewalk on Ridgeway Avenue along the site frontage.
- **Promoting superior design, building materials, and sustainability features in the built environments:** The development has received final approval from the City's Urban Design Committee who extensively reviewed its design, and the project will also be designed and constructed to achieve at least 150 Wisconsin Green Built Homes points.
- **Reserving sufficient increment for public infrastructure in both TIF project plans and TIF underwriting:** Our team's understanding is that the project should generate increment in excess of the TIF assistance requested and the underwriting is in compliance with the City's TIF policy.

We look forward to bringing another successful development to the City of Madison and appreciate the opportunity to pursue TIF assistance which is needed to make the project feasible. Should there be any questions, please feel free to contact me at any time.

Sincerely,

A handwritten signature in black ink, appearing to read 'NO', is positioned above the typed name.

Nick Orthmann  
Project Manager  
Bear Development, LLC