

Summary Report to the City of Madison Joint Review Board

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

- Use of ½ Mile Rule -

Background

The City of Madison Common Council is scheduled to take action on the creation of TID #43 (Park / Drake) (File ID No. 31073) on September 17, 2013. TID #43 proposes to capture new value being generated by two redevelopment projects, or TIF "generators", and use the increment from these projects for the creation of a Small Cap TIF program. The two TIF generators that are currently under construction are:

- **Lane's Bakery Redevelopment** – Development of 6,500 SF of first floor retail and 40 apartments.
- **Ideal Body Shop Redevelopment** – Development of 4,300 SF of first floor retail and 62 apartments.

It should be noted that there is an additional development that is currently under consideration at the former Longfellow School site. Alexander Company is proposing to redevelop the school and adjacent vacant property to include 130-140 apartment units and 120-150 parking spaces. While this project has been proposed, there is neighborhood opposition to its completion. This project is not included in the estimates of incremental value for TID #43 due to the uncertainty of its final form and completion date.

Total Estimated Incremental Value of All TIF Generators: \$13,249,000

These projects will generate an estimated total of \$10.5 million of incremental revenue over the 27 year life of TID #43. The present value of this incremental revenue is \$3.7 million, which could be used to fund expenditures identified in the TID #43 project plan.

The Project Plan for TID #43 proposes the creation and implementation of a Small Cap TIF Program. The Project Plan budget includes \$3,000,000 for the implementation of this program. This Small Cap TIF program will seek to increase the number of single-family homes in the Greenbush neighborhood and halt the deterioration of the housing stock. The City will provide a total of approximately twenty (20) to thirty (30) forgivable loans at 0% interest. Loan sizes per dwelling unit will range from \$50,000 to \$150,000 over the life of the program. The program will have a life span of ten (10) years. The program will specifically target properties that:

- were built as single family homes
- have been converted to 2 or more housing units
- are currently used as a rental property
- are in need of rehabilitation

Program design will include two tracks with anticipated terms of:

- Community Development Authority (CDA) lead acquisition and rehabilitation using TIF loaned by the City of Madison to the CDA:
 - Loan from the City of Madison to the CDA is forgiven after rehabilitation upon sale of property to homeowner
 - Deed restrictions to ensure single family use of rehabilitated home; deed restriction will require the home to be owner occupied and will last for ten (10) years after date of sale
 - The creation of a redevelopment district will be required for the CDA to acquire property



- Homeowner lead acquisition and rehabilitation using TIF loaned by the City to the homeowner:
 - Loan principal balance shall decline 10% each year provided the property remains the principal residence of the borrower(s) for a period not less than ten (10) years from the closing date
 - A ten (10) year land use restriction will be recorded against the property requiring that the home is the principal residence of the borrower(s).
 - After ten (10) years the loan is forgiven
 - If the borrower(s) sells or transfers title or if the property is no longer owner occupied within ten (10) years of the date of the loan closing, the outstanding loan balance becomes due and payable

2013 - Proposed Use of ½ Mile Rule

The TID #43 project plan identifies \$3,000,000 for the implementation of the Small Cap TIF program to achieve the goals set forth in the Greenbush Neighborhood Revitalization Plan. The City of Madison's proposed 2014 Capital Budget includes \$1,000,000 for the creation of a Small Cap TIF program. The City of Madison is proposing to expand the Small Cap TIF program to the target area shown on the attached map to enhance its impact on the neighborhood. The City is NOT proposing to amend the boundary or to increase the budget of the Project Plan.

The TIF Law provides that before a city may make or incur expenditures for project costs within a one-half mile radius of a TID's boundary, the joint review board must approve the proposed expenditure. The City is requesting that the Joint Review Board approve this expenditure for the expansion of the Small Cap TIF program within ½ Mile of the TID #43 boundary. The Joint Review Board is scheduled to hold an organizational meeting on August 26, 2013 and a second meeting to take action in September or October of 2013.

A map showing the proposed expenditure location in relation to TID #43 is shown below.



