

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 37 (Union Corners) 2023 Project Plan Amendment City of Madison

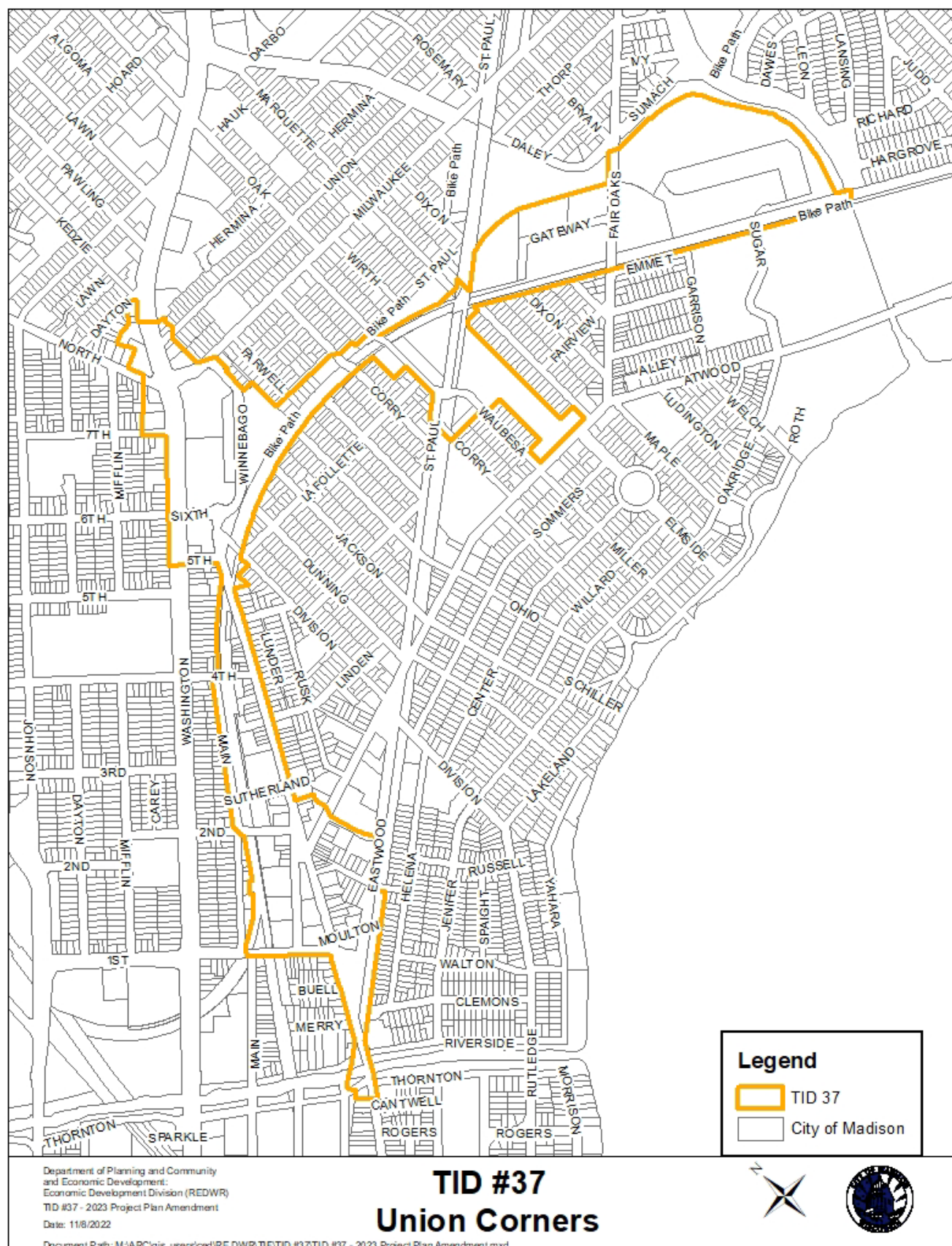
January 19, 2023

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 37 (Union Corners).

Summary of the TID #37 Project Plan

The map on the next page depicts the boundaries of TID 37 in the East Washington Avenue, Eastwood Drive, and Atwood Avenue area 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)

NOTE: The changes to the Project Plan from the First (2023) Amendment are highlighted in yellow.

<u>Public Improvements</u>	<u>TIF Cost</u>	<u>Assessable Cost</u>	<u>Total Cost</u>	<u>Year</u>
Winnebago St	\$2,540,000	\$0	\$2,540,000	2006-28
East Washington Ave	\$1,351,000	\$0	\$1,351,000	2006-28
Fifth St	\$148,000	\$0	\$148,000	2006-28
Fourth St	\$128,000	\$0	\$128,000	2006-28
Linden Ct	\$49,000	\$0	\$49,000	2006-28
Sutherland Court	\$7,000	\$0	\$7,000	2006-28
Second St	\$223,000	\$0	\$223,000	2006-28
Atwood Ave	\$638,000	\$0	\$638,000	2006-28
Amoth Ct	\$9,000	\$0	\$9,000	2006-28
Russell St	\$200,000	\$0	\$200,000	2006-28
First St	\$31,000	\$0	\$31,000	2006-28
Eastwood Dr	\$214,000	\$0	\$214,000	2006-28
East Main St	\$674,000	\$0	\$674,000	2006-28
Waubesa St	\$215,000	\$0	\$215,000	2006-28
Railroad Corridor	\$2,009,000	\$0	\$2,009,000	2006-28
Williamson St	\$109,000	\$0	\$109,000	2006-28
Capitol City Bike Trail	\$484,000	\$0	\$484,000	2006-28
St. Paul Ave	\$108,000	\$0	\$108,000	2006-28
Fair Oaks Ave	\$212,000	\$0	\$212,000	2006-28
Gateway Pl	\$92,000	\$0	\$92,000	2006-28
Dixon St	\$77,000	\$0	\$77,000	2006-28
Union Corners	\$1,804,000	\$0	\$1,804,000	2006-28
Storm water treatment	\$160,000	\$0	\$160,000	2006-28
Other public improvements	\$1,299,000	\$0	\$1,299,000	2006-28
Subtotal	\$12,781,000	\$0	\$12,781,000	2006-28

<u>Other Revitalization:</u>	<u>TIF Cost</u>	<u>Assessable Cost</u>	<u>Total Costs</u>	<u>Year</u>
Housing Development Assistance Loans	\$2,086,000	\$0	\$2,086,000	2006-28
CDA Land Acquisition	\$500,000	\$0	\$500,000	2006-28
Economic Development Assistance Loans	\$5,000,000	\$0	\$5,000,000	2006-28
Subtotal	\$7,586,000	\$0	\$7,586,000	2006-28

<u>Administrative Cost</u>	<u>TIF Cost</u>	<u>Assessable Cost</u>	<u>Total Costs</u>	<u>Year</u>
Admin. & Professional	\$500,000	\$0	\$500,000	2006-28
Subtotal All Categories	\$20,867,000	\$0	\$20,867,000	2006-28
Financing Costs	\$5,738,000	\$0	\$5,738,000	2006-28

TOTAL COST	\$26,605,000	\$0	\$26,605,000	2006-28
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2023 Project Plan Amendment Costs				
Administrative Cost	TIF Cost	Assessable Cost	Total Costs	Year
Donation to TID 51	\$18,000,000	\$0	\$18,000,000	2023-28
Total New Project Costs (2023 Amendment)	\$18,000,000	\$0	\$18,000,000	2023-28
Total Original Project Plan Cost (less Financing Costs) ¹	\$20,867,000	\$0	\$20,867,000	2006-28
TOTAL COST	\$38,867,000	\$0	\$38,867,000	2006-28

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 **\$38,867,000** of project costs.

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

Through the end of 2022, TID 37 generated an estimated \$14.1 million of incremental revenues. Based upon the City's TIF run, TID 37 will generate an additional \$31 million of incremental revenue through its expiration date of 2033. The net present value of these incremental revenues is \$21 million. **This would lead to a total forecasted incremental revenue over the entire life of TID 37 of \$45.1 million**

2. The amount of value increment when the project costs are paid in full and the district is closed.

Based upon development projects that have occurred to date, the anticipated incremental value of property within the district at the end of its 27-year life is estimated at **\$185,000,000**. 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 2030.

Without any additional projects generating new incremental value, the estimated incremental value in 2030 is \$176 million. The 2023 incremental value is approximately \$151 million.

¹ The 2023 Project Plan Amendment does not include any additional financing costs. All proposed additional expenditures in the 2023 Project Plan Amendment are proposed to be funded through excess tax increments. This will eliminate the need for any additional borrowing, and any additional finance costs.

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.

The budget for the proposed project plan amendment is estimated at \$18,000,000.

The total amount of assessable costs not to be paid for with TIF funds is \$0.

The total amount of costs to be paid for with TIF funds, including the original project plan and the First (2023) Project Plan Amendment is \$38,867,000.

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 certified base value of TID 37 is **\$43,466,900**. 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 2023 mill rate.

<u>Tax Jurisdiction</u>	<u>2023 Mill Rate</u>	<u>Share of Tax Levy</u>
City	7.69	36%
County	2.58	12%
MMSD	10.42	49%
MATC	0.75	4%
State of WI	<u>0.0</u>	0%
Totals*	21.46**	100%*

Source: City of Madison 2023 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.

A conservative estimate of the total incremental value resulting from potential development projects, and economic growth or value appreciation of the life of the TID is estimated to be \$185 million. The benefits of these potential projects are: sharing new equalized value growth, blight elimination, infrastructure improvements, and job creation / retention to benefit those in the district and throughout the City of Madison. The First (2023) Project Plan Amendment anticipates some of these benefits will specifically occur in South Madison in the newly formed TID 51.

TID 37's base value of \$43,466,900 is anticipated to grow by \$185 million at the end of the 27-year life of the TID. Assuming that the City incurs all of the \$38 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 37 may close in 2030. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2030 when the TID is forecasted to be closed is estimated to be \$176 million (*Note: variations are due to rounding*).

TID 37 is a “blighted area” TID, as defined by State Statute 66.1105.

Criteria for TID Approval

Per TIF Law, the Joint Review Board will cast a vote 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 \$38,867,000 of project costs are assessable. 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.

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 2030 as projected, it is estimated that approximately \$176 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$185 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure and other investments described in the project plan document in and adjacent to TID 37, and in South Madison, would not occur. The infrastructure and other improvements will continue to boost values within and adjacent to TID 37, and in South Madison via the proposed donor plan.

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 and infrastructure improvements, blight elimination, tax base growth and job creation / retention are the most significant and quantifiable benefit to overlying tax jurisdictions from the investment of TIF funds. These benefits will be felt both in and adjacent to TID 37, as well as in South Madison, via the proposed donor plan.

Without TIF, overlying tax jurisdictions would share approximately \$883,000 of tax revenues for the tax parcels included in TID 37, based on the base value of \$43,466,900. As stated earlier, the incremental value in 2030 at the end of the projected life of the TID is estimated at \$176 million. Theoretically, if the City invested all \$38 million of project costs in the district, which investment would leverage over \$132 million; or \$1 of TIF leverages approximately \$3.48 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 \$3.5 million, or a net gain

of approximately \$2.7 million as a result of TIF. Note that this calculation does not account for any additional value growth in and around the proposed TID 51 in South Madison.

In turn, the anticipated tax increments over the life of the district are estimated to support \$38 million of public investment. This investment will further enhance the area, eliminate blight, increase values in and around the District, and in South Madison, and help create new, family supporting jobs.