Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 53 (E. Wilson)
2023 District Creation
City of Madison

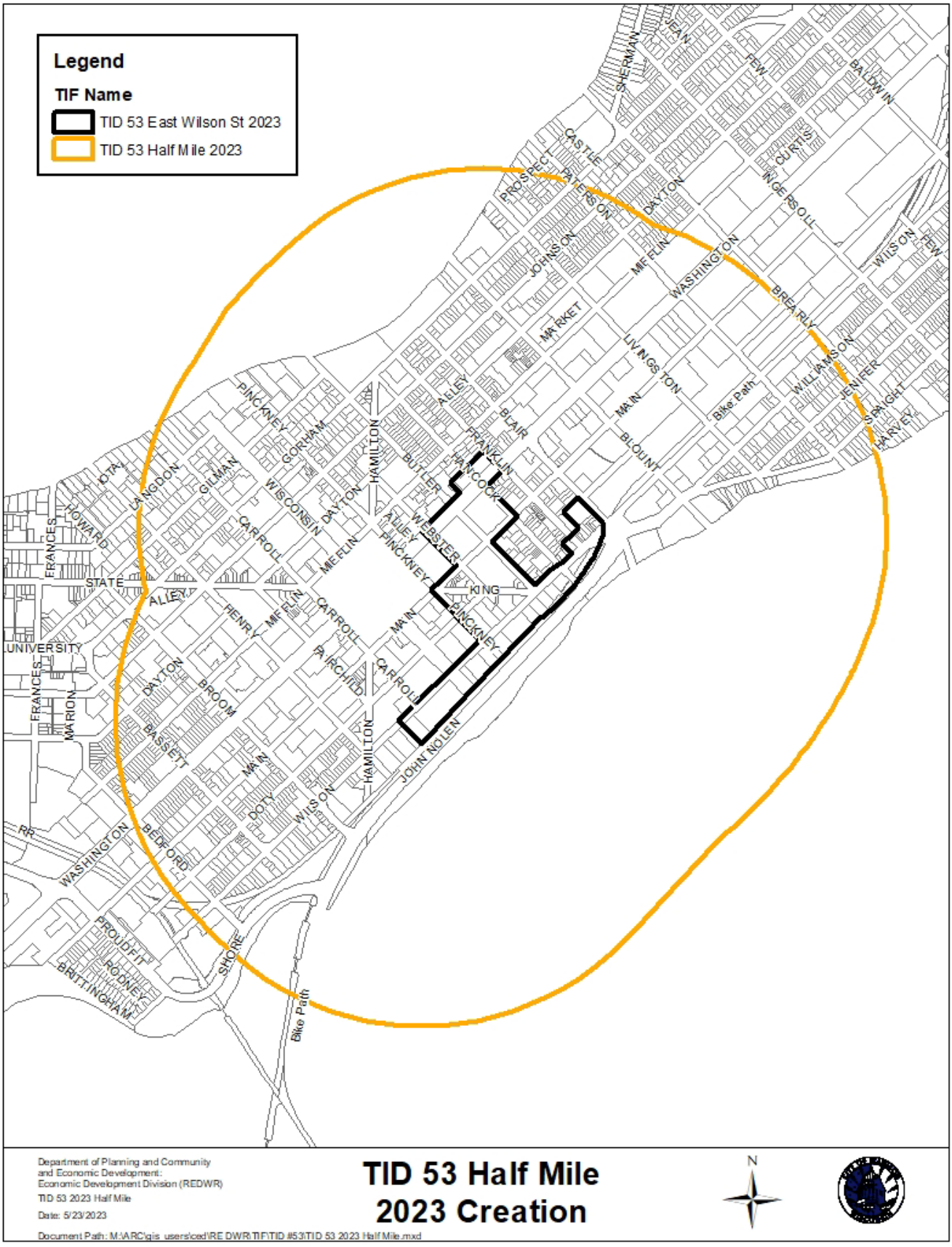
June 7, 2023

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 53 (East Wilson).

Summary of the TID #53 Project Plan

The map on the next page depicts the boundaries of TID 53 in the E. Wilson St. area of the City of Madison, along with the Half Mile boundary of TID 53:


Legend
TIF Name
TID 53 East Wilson St 2023
TID 53 Half Mile 2023
SHERMAN
JEAN
FEW
BALDWIN
CASTLE
PROSPECT
PATERSON
DAYTON
INGERSOLL
CURTIS
JOHNSON
MIFFLIN
WASHINGTON
BREARLY
WILSON
MARKET
LIVINGSTON
WILLIAMSON
JENIFER
MAIN
Bike Path
BLOUNT
STRAIGHT
HARVEY
ALLEY
BLAIR
FRANKLIN
HANCOCK
PINCKNEY
GORHAM
HAMILTON
BUTLER
WEBSTER
KING
IOTA
LANGDON
GILMAN
WISCONSIN
CARROLL
HOWARD
FRANCES
STATE
HENRY
UNIVERSITY
FAIRCHILD
JOHN NOLEN
BROOM
BASSETT
MARION
DOTY
RR
BEDFORD
PROUDFIT
RODNEY
BRITTINGHAM
SHORE
Department of Planning and Community and Economic Development: Economic Development Division (REDWR)
TID 53 2023 Half Mile
Date: 5/23/2023
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TID 53 Half Mile
2023 Creation
N

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 #53	Proposed TIF Funded Non-Assessable Cost	Assessable/ Non-Project Costs	Total	Time Frame
Total Public Improvements				
E. Wilson / W. Wilson	$3,240,000	$360,000	$3,600,000	2023-2028
S. Pinckney / S. Doty	$1,080,000	$120,000	$1,200,000	2023-2028
E. Main / Butler / Hancock	$2,700,000	$300,000	$3,000,000	2023-2028
New John Nolen / Lake Monona Waterfront Infrastructure	$2,250,000	$250,000	$2,500,000	2023-2028
SUBTOTAL PUBLIC IMPROVEMENTS	**$9,270,000**	**$1,030,000**	**$10,300,000**	
Affordable Housing	$2,250,000	$0	$1,750,000	2023-2028
Building Improvement Grants (BIG)	$850,000	$0	$850,000	2023-2030
Façade Grants	$290,000	$0	$290,000	2023-2030
Commercial Ownership Assistance	$500,000	$0	$1,000,000	2023-2030
Administrative and Professional Costs	$500,000	$0	$500,000	2023-2038
TOTAL PROJECT COSTS	**$13,660,000**	**$1,030,000**	**$14,690,000**	
Finance Costs (financing costs for entire project plan)	$3,756,000		$3,756,000	2023-2038

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 **$13,660,000** of project costs.

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

Based upon the City's TIF run, TID 53 will generate an estimated $33 million of incremental revenue through its expiration date of 2043. The net present value of these incremental revenues is $14.6 million. **The total forecasted incremental revenue over the entire life of TID 53 of $33 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 **$182,000,000**. 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 2034.

Without any additional projects generating new incremental value, the estimated incremental value in 2034 is $119 million.

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 $14,690,000.

The total amount of assessable costs that are not paid for with TIF funds is $1,030,000.

The total amount of costs to be paid for with TIF funds is $13,660,000.

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 estimated base value of TID 53 is **$202,393,500**. 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.

Tax Jurisdiction	2023 Mill Rate	Share of Tax Levy
City	7.69	36%
County	2.58	12%
MMSD	10.42	49%
MATC	0.75	4%
State of WI	0.0	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 $182 million. The benefits of these potential projects are: sharing new equalized value growth, infrastructure improvements, and job creation / retention to benefit those in the district and throughout the City of Madison.

TID 53's estimated base value of $202,393,500 is anticipated to grow by $182 million at the end of the 20-year life of the TID. Assuming that the City incurs all of the $13.6 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 53 may close in 2034. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2034 when the TID is forecasted to be closed is estimated to be $119 million *(Note: variations are due to rounding)*.

TID 53 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 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.**

   Only $1,030,000 of the proposed $14,690,000 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 2034 as projected, it is estimated that approximately $119 million of incremental value would return to the overlying taxing jurisdictions. At 20 years, the District would return approximately $182 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 53 would not occur. The infrastructure and other improvements will continue to boost values within and adjacent to TID 53.

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, tax base growth and job creation / retention are the most significant and quantifiable benefit to overlying tax jurisdictions from the investment of TIF funds.

   Without TIF, overlying tax jurisdictions would share approximately $4.3 million of tax revenues for the tax parcels included in TID 53, based on the base value of $202,393,500. As stated earlier, the incremental value in 2034 at the end of the projected life of the TID is estimated at $119 million. Theoretically, if the City invested all $13.6 million of project costs in the district, which investment would leverage over $119 million; or $1 of TIF leverages approximately $8.75 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 $6.8 million, or a net gain of approximately $2.5 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support $13.6 million of public investment. This investment will further enhance the area, increase values in and around the District, and in South Madison, and help create new, family supporting jobs.