Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 42 (Wingra)
2024 Project Plan Amendment
City of Madison

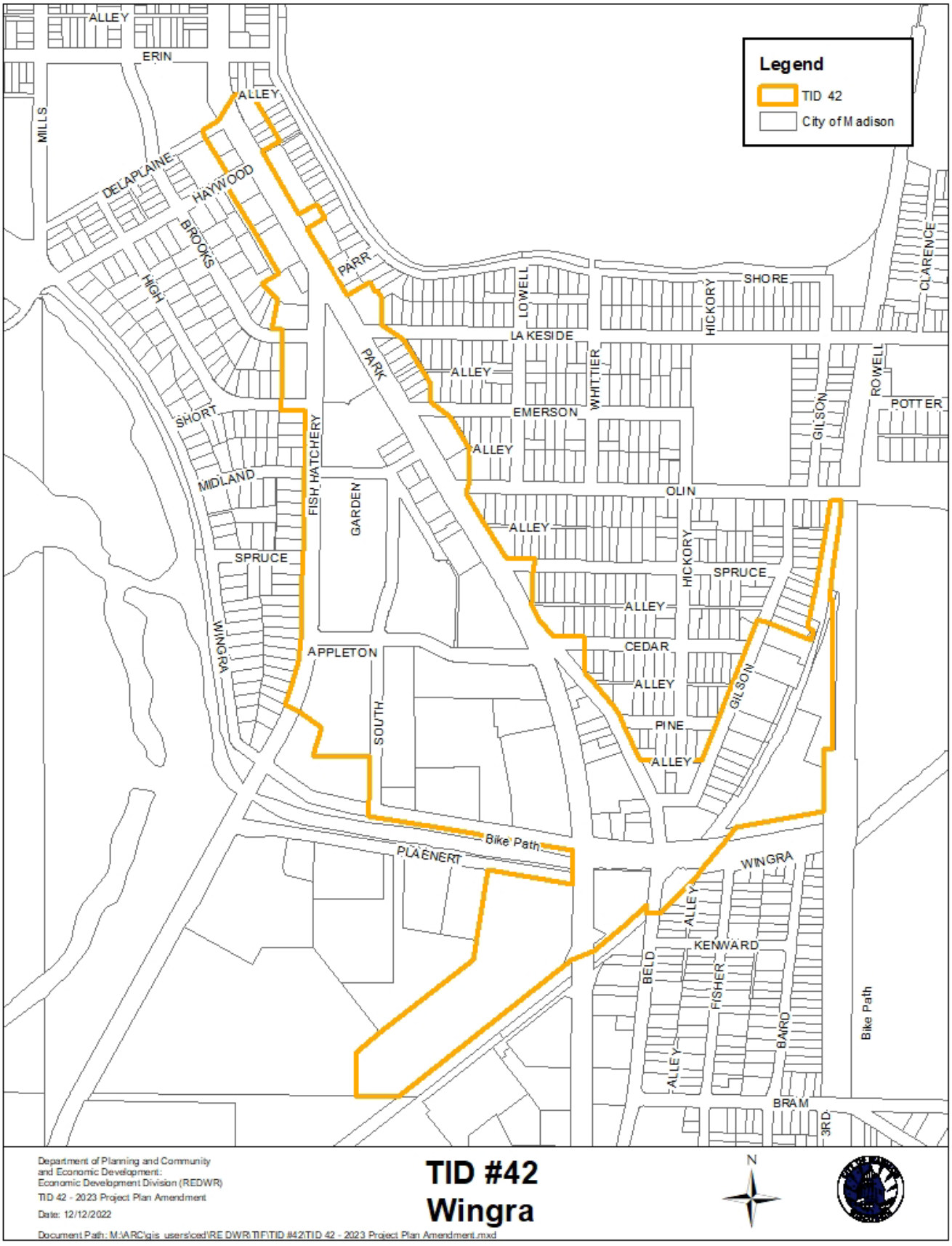
February 20, 2024

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 42 (Wingra).

Summary of the TID #42 Project Plan

The map on the next page depicts the boundaries of TID 42 in the Wingra Creek area of the City of Madison:


Legend
TID 42
City of Madison
ALLEY
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MIDLAND
OLIN
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WINGRA
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SOUTH
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Department of Planning and Community and Economic Development:
Economic Development Division (REDWR)
TID 42 - 2023 Project Plan Amendment
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TID #42
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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: Amendments, including additions and deletions, to the Project Plan from the First Amendment are highlighted in green.
NOTE: Amendments, including additions and deletions, to the Project Plan from the Second Amendment are highlighted in yellow.
NOTE: Amendments, including additions and deletions, to the Project Plan from the Third Amendment (2022) are highlighted in blue.
NOTE: Amendments, including additions and deletions, to the Project Plan from the Fourth Amendment (2023) are highlighted in gray.
NOTE: Amendments, including additions and deletions, to the Project Plan from the Fifth Amendment (2024) are highlighted in teal.

PROJECT	DESCRIPTION	TOTAL COST	ASSESSED	TIF COST	TIMING
Storm Water Improvements					
Storm Sewer Replacement	165' replace and re-size culverts crossing Park St north and south of old RR tracks	$58,000	$0	$58,000	2012-24
Storm Sewer Replacement	1265' replace failing corrugated metal arch pipe from Wingra Creek South through Thorstads to old RR track	$285,000	$0	$285,000	2012-24
Storm Water Treatment Devices	1st intstallation prior to discharge to Wingra Creekof above arch pipe, 2nd one undistributed likely on Park Street	$25,000	$0	$25,000	2012-24
Storm Water Cleaning	Clean/regrade 950' RR drainage ditch along RR tracks (w/ RR permission)	$66,000	$0	$66,000	2012-24
SUBTOTAL – Storm Water		$434,000	$0	**$434,000**	**2012-24**
New Street Construction					
Cedar Street Extension	New street from South Street to Park Street	$1,360,000	$130,000	$1,230,000	2013-15
South Street Extension	New street from Midland to Park St	$1,910,000	$40,000	$1,870,000	2013-15
Subtotal New Streets		$3,270,000	$170,000	$3,100,000	2013-15
Street Rehab / Reconstruct					
Park Street	Joint repair 2200' Delaplaine to Olin	$910,000	$0	$910,000	2012-20
Park Street	Reconstruction 2500' Olin to RR tracks	$700,000	$70,000	$630,000	2012-20
Fish Hatchery Rd	Resurface Park St. to 300' north of Wingra Drive	$376,000	$38,000	$339,000	2012-20

Wingra Drive	Resurface 1400' South St to Beld St	$201,000	$20,000	$181,000	2012-20
South Street	Resurface 1600' Midland to Wingra	$184,000	$18,000	$166,000	2012-20
High Street	Reconstruct 1050' from Fish Hatchery to south end	$368,000	$92,000	$276,000	2012-20
Midland Street	Resurface 550' from Fish Hatchery to Park St	$43,000	$4,000	$39,000	2012-20
Garden Street	Reconstruct 385' from Midland to south end	$135,000	$34,000	$101,000	2012-20
Appleton Rd	Resurface 300' from Fish Hatchery to South St	$34,000	$3,000	$31,000	2012-20
Beld Street	Resurface 1400' from Park St to railroad	$181,000	$18,000	$163,000	2012-20
Gilson Street	Resurface 1100' from Beld to Cedar St	$126,000	$13,000	$113,000	2012-20
Lowell Street Alley	Reconstruct 180' from Emerson south	$22,000	$11,000	$11,000	2012-20
Lowell Street Alley	Reconstruct 180' from Lakeside south	$22,000	$11,000	$11,000	2012-20
SUBTOTAL - Street Resurface / Reconstruct		$3,302,000	$332,000	$2,297,000	
Bike Paths, Pedestrian Accommodations, Traffic Calming					
Wingra Creek Bike Path	Refurface 550'	$19,000	$0	$19,000	2013-15
Streetscape		$450,000	$0	$450,000	2013-20
Subtotal Bike Paths, Pedestrian		$469,000		$469,000	
Economic Development Assistance					
Development Loans		$5,000,000	$0	$5,000,000	2012-22
Land Acquisition – Truman Olson		$1,385,000	$0	$1,385,000	2013
Subtotal Economic Development		$6,385,000	$0	$6,385,000	
Administrative and Professional		$300,000	$0	$300,000	2012-34
TOTAL PROJECT COSTS		$14,160,000	$ 502,000	**$13,658,000**	

2020 Project Plan Amendment					
Land Acquisition		$2,000,000	$0	$2,000,000	2020-34
Home Ownership Program		$200,000	$0	$200,000	2020-34
Organizational, Administrative, and Professional		$215,000	$0	$215,000	2020-34
Total 2020 Project Plan Amendment Costs		**$2,415,000**	**$0**	**$2,415,000**	**2020-34**
Total Project Costs TID 42 (Original Project Plan and 2020 Amendment)		**$16,575,000**	**$502,000**	**$16,073,000**	**2020-34**
Finance Costs*		~~$3,927,000~~	$0	~~$3,927,000~~	2020-34

		$4,096,000		**$4,096,000**	

2021 Project Plan Amendment Additional Project Costs		**TOTAL COST**	**ASSESSED**	**TIF COST**	**TIMING**
Bike / Ped improvements		$20,000	$0	$20,000	2021-34
Donation to CDA					
Village on Park Parking Structure		$9,100,000	$0	$9,100,000	2021-34
Estimated Environmental Remediation / Geo-Tech / Pre-Development for ULGM Black Business Hub		$800,000	$0	$800,000	2021-34
Owner Occupied Affordable Housing		$200,000	$0	$200,000	2021-34
Demo Village on Park North Building and Construct New Parking Lot		$1,100,000	$0	$1,100,000	2021-34
Land Acquisition		$680,000	$0	$680,000	2020-34
Organizational, Administrative, and Professional		$200,000	$0	$200,000	2021-34
Total 2021 Project Plan Amendment Costs		**$12,100,000**	**$0**	**$12,100,000**	**2020-34**
Total Project Costs TID 42 (Original Project Plan and 2020 Amendment)		**$28,675,000**	**$502,000**	**$28,173,000**	**2020-34**

2022 Project Plan Amendment Additional Project Costs		**TOTAL COST**	**ASSESSED**	**TIF COST**	**TIMING**
Cannonball Bike Path Construction		$1,000,000	$0	$1,000,000	2022-28
Donation to CDA					
Village on Park Stormwater		$2,400,000	$0	$2,400,000	2022-28
Village on Park Parking Structure Cost Overruns		$1,400,000	$0	$1,400,000	2022-28
Village on Park North Building Demolition and Rebuild		$1,000,000	$0	$1,000,000	2022-28
Village on Park Public Art		$200,000	$0	$200,000	2022-28
Subtotal CDA Costs		**$5,000,000**	**$0**	**$5,000,000**	**2022-28**
Land Acquisition		$500,000	$0	$500,000	2022-28
Land Acquisition - Environmental Remediation Reserve		$4,000,000	$0	$4,000,000[1]	2022-28
Organizational, Administrative, and Professional		$500,000	$0	$500,000	2022-28
Subtotal – 2022 Project Plan Amendment		$11,000,000		$11,000,000	
Total Project Costs TID 42 (Original Project Plan and 2020, 2021, and 2022 Amendments)		$39,675,000	$502,000	$39,173,000	2022-28
2023 Project Plan Amendment Additional Project Costs		**TOTAL COST**	**ASSESSED**	**TIF COST**	**TIMING**
Donation to CDA					
Village on Park Stormwater		$1,400,000	$0	$1,400,000	2023-28
Village on Park Parking Structure Cost Overruns		$1,400,000	$0	$1,400,000	2023-28
Total – 2023 Project Plan Amendment		**$2,800,000**	**$0**	**$2,800,000**	**2023-28**
Total Project Costs TID 42 (Original Project Plan and 2020, 2021, 2022, and 2023 Amendments)		**$42,475,000**	**$502,000**	**$41,973,000**	**2022-28**

[1] NOTE: The Land Acquisition – Environmental Remediation Reserve Funds will only be spent if these costs are incurred prior to the creation of a new South Madison TID.

2024 Project Plan Amendment Additional Project Costs		TOTAL COST	ASSESSED	TIF COST	TIMING
Donation to CDA					
Village on Park Parking Structure Cost Overruns		$1,600,000	$0	$1,600,000	2024-28
Total – 2024 Project Plan Amendment		**$1,600,000**	**$0**	**$1,600,000**	**2024-28**
Total Project Costs TID 42 (Original Project Plan and 2020, 2021, 2022, 2023, and 2024 Amendments)		$44,075,000	$502,000	$43,573,000	2024-28
Finance Costs*		~~$3,927,000~~ $4,096,000 ~~$6,596,000~~	$0	~~$3,927,000~~ $4,096,000 **~~$6,596,000~~**	2020-34
Finance Costs**		$7,172,000	$	**$7,172,000**	2022-23

**NOTE: Finance Costs in the 2021 Project Plan Amendment reflect the cost to borrow $9,100,000 in TID 42. The remaining $3,000,000 of additional expenditures in 2021 are paid for with donated excess incremental revenue from TID 39.*
*NOTE: **There will be finance costs on approximately $4,000,000 of general obligation borrowing in the 2022. Assuming the proposed borrowing of $4,000,000 occurs, it will incur an additional $576,000 of borrowing costs. This will result in an estimated financing cost total of $7,172,000.*

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 **$44,075,000** of project costs.

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

Through the end of 2023, TID 42 generated an estimated $8.6 million of incremental revenues, while receiving an additional $16.9 million of donated incremental revenue from TIDs 36, 37, and 39. Based upon the City's TIF run, TID 42 will generate an additional $41.7 million of incremental revenue through its expiration date of 2039. The net present value of these incremental revenues is $28 million. **This would lead to a total forecasted incremental revenue over the entire life of TID 42 of $50.3 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 **$204,000,000**. 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 2024. However, the TID is receiving funds from TID 44 in 2024 and must remain open an additional year to receive these funds. Should TID 42 be in a similar financial position in 2025, the TID could potentially close then.

Without any additional projects generating new incremental value, the estimated incremental value in 2025 is $154 million. The 2024 incremental value is approximately $151 million. However, the City may propose future amendments to the TID 42 project plan to fund additional development or infrastructure projects.

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 $44,0075,000.

The total amount of assessable costs not to be paid for with TIF funds is $502,000.

The total amount of costs to be paid for with TIF funds is $43,573,000.

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 42 is **$50,866,200**. 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 2024 mill rate.

Tax Jurisdiction	2024 Mill Rate	Share of Tax Levy
City	7.10	35%
County	2.52	13%
MMSD	9.85	49%
MATC	0.66	3%
State of WI	0.0	0%
Totals*	18.28**	100%*

Source: City of Madison 2024 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 $204 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.

TID 42's base value of $40,866,200 is anticipated to grow by $204 million at the end of the 27-year life of the TID. Assuming that the City incurs all of the $43 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 42 may close in 2025. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2025 when the TID is forecasted to be closed is estimated to be $154 million *(Note: variations are due to rounding)*.

TID 42 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.**

   Only $502,000 of the proposed $43,573,000 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 2025 as projected, it is estimated that approximately $154 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately $204 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 42 would not occur. The infrastructure and other improvements will continue to boost values within and adjacent to TID 42, as well as in South Madison, where TID 42 is currently spending funds on projects within the TID 42 Half Mile Rule area (as previously authorized by the Joint Review Board).

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. In particular, investments in South Madison

   Without TIF, overlying tax jurisdictions would share approximately $1 million of tax revenues for the tax parcels included in TID 42, based on the base value of $50,866,200. As stated earlier, the incremental value in 2025 at the end of the

projected life of the TID is estimated at $154 million. Theoretically, if the City invested all $43 million of project costs in the district, which investment would leverage over $154 million; or $1 of TIF leverages approximately $3.58 of value growth, bearing in mind that a substantial portion of this investment from TID 42 was spent adjacent to TID 42, in the newly created TID 51 in South Madison. 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 $2.8 million, or a net gain of approximately $1.8 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support $43 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.