Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 36 (Capitol Gateway)
2024 Project Plan Amendment
City of Madison

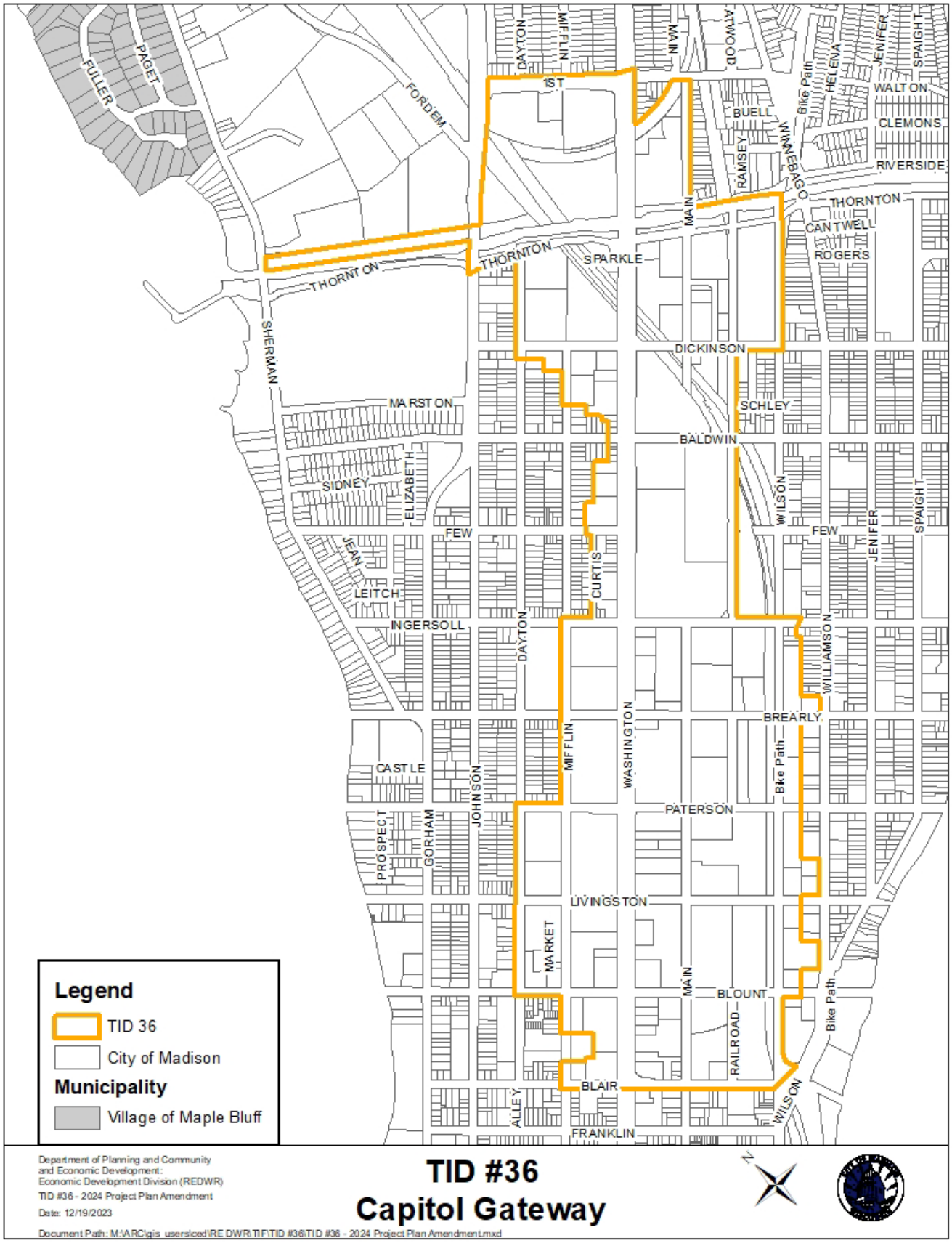
February 20, 2024

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 36 (Capitol Gateway).

Summary of the TID #36 Project Plan

The map on the next page depicts the boundaries of TID 36 in the East Washington area of the City of Madison between First Street and Blair Street:


Legend
TID 36
City of Madison
Municipality
Village of Maple Bluff
Department of Planning and Community and Economic Development:
Economic Development Division (REDWR)
TID #36 - 2024 Project Plan Amendment
Date: 12/19/2023
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TID #36
Capitol Gateway
N
PAGET
FULLER
FORDEM
DAYTON
MIFFLIN
MAIN
ATWOOD
1ST
Bike Path
HELENA
JENIFER
SPAIGHT
WALTON
BUELL
CLEMONS
RAMSEY
WAUBESA
RIVERSIDE
THORNTON
CANTWELL
ROGERS
SPARKLE
SHERMAN
DICKINSON
MARSTON
SCHLEY
BALDWIN
SIDNEY
ELIZABETH
WILSON
FEW
JEAN
LEITCH
CURTIS
INGERSOLL
WILLIAMSON
BREARLY
CASTLE
JOHNSON
WASHINGTON
PROSPECT
GORHAM
PATERSON
LIVINGSTON
MARKET
BLOUNT
RAILROAD
BLAIR
ALLEY
FRANKLIN

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:
NOTE: Amendments to the Project Plan from the First Amendment are highlighted in grey.
Amendments to the Project Plan from the Second Amendment are highlighted in yellow.
Amendments to the Project Plan from the 2021 Project Plan amendment are highlighted in blue.
Amendments to the Project Plan from the 2022 Project Plan amendment are highlighted in pink.
Amendments to the Project Plan from the 2023 Project Plan amendment are highlighted in teal.
Amendments to the Project Plan from the 2024 Project Plan amendment are highlighted in red.

ACTIVITY **Public Improvements**	Total Cost	Funded by Special Assessments	**Funded by TIF**	Year
Breese Stevens Field	$485,000	$0	$485,000	2005-27
~~East Rail Track Relocation~~	~~$8,500,000~~	~~$0~~	~~$5,000,000~~[1]	~~2005-27~~
Reynolds Park	$130,000	$0	$130,000	2005-27
Sanitary Sewer Improvements (Yahara River)	$512,000	$0	$512,000	2005-27
Street Reconstruction (N. Livingston St)	$1,381,000	$98,000	$1,283,000	2005-27
~~Streetcar Improvements~~	~~$500,000~~	~~$0~~	~~$500,000~~[2]	~~2005-27~~
Streetscape Improvements	$500,000	$0	$500,000	2005-27
Storm Sewer Improvements (Blount St)	$728,000	$0	$728,000	2005-27
Yahara River Parkway / Burr Jones Park Bike Path Improvements	$560,000	$0	$560,000	2005-27
Subtotal	~~$13,296,000~~ $4,296,000	$98,000	~~$9,698,000~~ $4,198,000	2005-27

Economic Development	Total Costs	Funded by Special Assessments	**Funded by TIF**	Year
Economic Development Assistance Loans	~~$8,000,000~~ $9,500,000	$0	~~$8,000,000~~ $9,500,000	2005-27
Land Acquisition	$4,000,000	$0	$4,000,000	2010
Affordable Housing Development Assistance Loans	$2,000,000	$0	$2,000,000	2005-27
Subtotal	~~$10,000,000~~ $15,500,000	$0	~~$10,000,000~~ $15,500,000	2005-27

Administrative Cost	Total Costs	Funded by Special Assessments	**Funded by TIF**	Year
Admin. & Professional	$524,000	$0	$524,000	2005-27

[1] This project was not implemented and funding was re-allocated.
[2] This project was not implemented and funding was re-allocated.

Total Costs	~~$23,820,000~~ $20,320,000	$98,000	**$20,222,000**	2005-27
Estimated Finance Cost on TIF Borrowing			$5,561,000	

Second Boundary Amendment Project Costs				
	Total Cost	Other Funds (Non-Project Costs / Assessable)	Funded by TIF	
Public Improvements				
Stormwater	$460,000	$460,000	$-	2016-27
Cosmos Parking Ramp	$13,000,000	$4,000,000[3]	$9,000,000	2016-27
Curtis Court	$220,000	$220,000	$-	2016-27
Public Improvements - Subtotal	$13,680,000	$4,680,000	$9,000,000	2016-27
Economic Development				
Economic Development Assistance Loans	$3,450,000	$-	$3,450,000[4]	2016-27
Land Acquisition (MG&E Purchase)	$1,000,000	$1,000,000[5]	$-	2016-27
Starting Block - Grant	$1,500,000	~~$1,500,000~~[6]	$1,500,000-	2022~~6-27~~
Affordable Housing Assistance	$-	$-	$-	2016-27
Economic Development - Subtotal	$5,950,000	~~$2,500,00~~ $1,000,000	~~$3,450,000~~ $4,950,000	2016-27
Administrative Costs *(NOTE: Additional Admin Costs are identified in the 2021 Amendment)*	$550,000	$-	$550,000	2016-27
Total New Project Costs (2016 Amendment)	**$20,180,000**	**~~$7,180,000~~ $ 5,680,000**	**~~$13,000,000~~ $14,500,000**	2016-27
Total Project Costs (Previous Project Costs and Second Amendment Project Costs)	**$40,500,000**	**~~$7,778,000~~ $5,778,000**	**$34,722,000**	2016-27

[3] 2016 Boundary and Project Plan amendment envisioned future reimbursement of Cosmos / Livingston St Parking ramp and land acquisition when sufficient incremental revenues were available. The 2022 Project Plan Amendment will reimburse the City these $4,000,000.

[4] City intent to fund loans to Madison Dairy (Lyric) of $3.45M.

[5] 2016 Boundary and Project Plan amendment envisioned future reimbursement of Cosmos / Livingston St Parking ramp and land acquisition when sufficient incremental revenues were available. The 2022 Project Plan Amendment will reimburse the City these $1,000,000.

[6] The City disbursed the $1,500,000 grant to Starting Block out of the proceeds from the sale of City land located in TID 36 to Gebhardt for the Cosmos project in 2017. The Fourth Project Plan Amendment (2022) updates the source of funds from "Other Funds" to "Funded by TIF" as the TID will reimburse the City for grant.

Third Project Plan Amendment (2021) Project Costs				
Public Market	$7,000,000	$0	$7,000,000	2020-27
Public / Private / Non-Profit Development Partnerships	~~$5,000,000~~	$0	~~$5,000,000~~[7]	2020-27
Administrative Costs (In addition to existing Admin Costs)	$500,000	$0	$500,000	2020-27
Total Project Costs - Third Project Plan Amendment (2021)	~~$12,500,000~~ $7,500,000	$0	~~$12,500,000~~ $7,500,000	2020-27
Total Project Costs (Original Project Plan, First, Second & Third (2021) Project Plan Amendment)	**~~$53,000,000~~ $48,000,000**	**$5,778,000**	**~~$47,222,000~~ $42,222,000**	2005-27
Fourth Project Plan Amendment (2022) Project Costs				
	Total Cost	Other Funds (Non-Project Costs / Assessable)	Funded by TIF	
Blair St Intersection Improvements	$1,222,000	$0	$1,222,000	2022-23
Livingston Street Ramp Reimbursement	$0	($-4,000,000)[8]	$4,000,000[9]	2022
Land Acquisition (MGE) Reimbursement	$0	(-$1,000,000)	$1,000,000[10]	2022
Donation to TID 42	$4,000,000	$0	$4,000,000	2022
Total Project Costs – Fourth Project Plan Amendment (2022) *(NOTE: These are total new costs, and do not include $5M cost re-allocation from 2021 amendment. This is reflected in the Total Project Costs below.)*	**$5,222,000**	**(-$5,000,000)**	**$10,222,000**	**2022-23**
Total Project Costs (Original Project Plan and 1st, 2nd, 3rd, and 4th (2022) Project Plan Amendment) *(NOTE: Includes $5M cost re-allocation from 2021 amendment*	**$53,222,000**	**$778,000[11]**	**$52,444,000**	2022-27

[7] 2016 Boundary and Project Plan amendment envisioned loans to assist two projects; Brink and Doran projects. Neither required TIF assistance. As such, in 2022, the City is proposing to reallocate this previously authorized expenditure to repay the aggregate costs of the Livingston Ramp.

[8] 2022 Reimbursement will take place over time, as determined by City Finance Staff.

[9] 2022 Reimbursement of the balance of the Livingston / Cosmos Ramp construction costs.

[10] 2022 Reimbursement of the $1,000,000 MGE acquisition associated with the Livingston Ramp construction, as outlined in the 2016 Boundary and Project Plan Amendment.

[11] This figure reflects the changes noted in Footnote 6 above.

Fifth Project Plan Amendment (2023) Project Costs				
	Total Cost	Other Funds (Non-Project Costs / Assessable)	Funded by TIF	
2023 Additional Public Market Support	$4,500,000	$0	$4,500,000	2023-28
Donation to TID 42	$2,800,000	$0	$2,800,000	2023-28
Donation to TID 51	$47,200,000	$0	$47,200,000	2023-28
Additional Admin and Professional Costs (in addition to previously approved Admin / Professional Costs)	$500,000	$0	$500,000	2023-28
Total Project Costs – Fifth Project Plan Amendment (2023)	**$55,000,000**	**$0**	**$55,000,000**	**2023-28**
Total Project Costs (Original Project Plan and 1st, 2nd, 3rd, 4th, and 5th (2023) Project Plan Amendment) *(NOTE: Includes $5M cost re-allocation from 2021 amendment*	**$108,222,000**	**$778,000**[12]	**$107,444,000**	2023-28

Sixth Project Plan Amendment (2024) Project Costs				
	Total Cost	Other Funds (Non-Project Costs / Assessable)	Funded by TIF	
2024 Additional Public Market Support	$1,600,000	$0	$1,600,000	2024-28
Total Project Costs – Sixth Project Plan Amendment (2023)	**$1,600,000**	**$0**	**$1,600,000**	**2024-28**
Total Project Costs (Original Project Plan and 1st, 2nd, 3rd, 4th, 5th, and 6th (2024) Project Plan Amendment) *(NOTE: Includes $5M cost re-allocation from 2021 amendment*	**$109,822,000**	**$778,000**[13]	**$109,044,000**	2023-28

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 **$109,044,000** of project costs.

[12] This figure reflects the changes noted in Footnote 6 above.
[13] This figure reflects the changes noted in Footnote 6 above.

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

Through the end of 2023, TID 36 generated an estimated $56 million of incremental revenues. Based upon the City's TIF run, TID 36 will generate an additional $69.7 million of incremental revenue through its expiration date of 2032. The net present value of these incremental revenues is $29.8 million. **This would lead to a total forecasted incremental revenue over the entire life of TID 36 of $125.7 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 **$642,000,000**. 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 2029.

Without any additional projects generating new incremental value, the estimated incremental value in 2029 is $605 million. The 2024 incremental value is approximately $548 million. However, the City may propose future amendments to the TID 36 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 $109,822,000.

The total amount of assessable costs not to be paid for with TIF funds is $778,000.

The total amount of costs to be paid for with TIF funds is $109,044,000.

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 36 is **$97,652,400**. 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 $642 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 36's base value of $97,652,400 is anticipated to grow by $642 million at the end of the 27-year life of the TID. Assuming that the City incurs all of the $109 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 36 may close in 2029. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2029 when the TID is forecasted to be closed is estimated to be $605 million *(Note: variations are due to rounding)*.

TID 36 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 $778,000 of the proposed $109,822,000 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 2029 as projected, it is estimated that approximately $605 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately $642 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 36 would not occur. The infrastructure and other improvements will continue to boost values within and adjacent to TID 36, as well as in South Madison, where TID 36 is donating excess incremental revenue.

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 $1.7 million of tax revenues for the tax parcels included in TID 36, based on the base value of $97,652,400. As stated earlier, the incremental value in 2032 at the end of the projected life of the TID is estimated at $642 million. Theoretically, if the City invested all $109 million of project costs in the district, which investment would leverage over $642 million; or $1 of TIF leverages approximately $5.88 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 $11.7 million, or a net gain of approximately $10 million as a result of TIF.

   In turn, the anticipated tax increments over the life of the district are estimated to support $109 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.