

**City of Madison**  
**Second Project Plan Amendment for**  
**Tax Incremental District (TID)#35**  
**(Donor-Recipient Allocation Plan)**  
April 1, 2014

**Background**

The TIF Law allows funds to be transferred between certain TIF districts if the allocation is approved by the Joint Review Board and if the TIDs have the same overlying taxing jurisdictions. TIF Law refers to this relationship as “donor-recipient.” According to TIF Law, positive increments may be transferred from a “donor” TID to a recipient district.

TIF Law requires that the project plans be amended for donor TIF districts and recipient districts in the event that new project expenditures are incurred that were not outlined in the original project plan.

The Common Council is considering adoption of a resolution approving an amendment to the Project Plan for TID #35 (Todd Dr). The resolution would establish TID #35 as a donor TID. The resolution and five-year donor-recipient allocation plan anticipate a transfer of positive increments to TID #38 (Badger Ann Park). No plan or boundary amendments are required for the recipient TID.

**Current Status**

TID #35 (Todd Drive)

TID #35 was created on July 5, 2005. The City has provided loans to assist in the development of the Arbor Gate project. As of December 31, 2012, the City has spent \$2,896,829 in capital expenditures in TID #35, with \$816,519 of net project costs yet to be recovered. As of January 1, 2013, the value increment in TID #35 was \$29,911,600. The total capital costs identified in the Project Plan is \$7,403,000. The City estimates it will receive in excess of \$734,000 in annual incremental revenue through 2017. The TID #35 expenditure deadline is July 5, 2027. As of Dec 31, 2012, there was \$816,519 of net costs to be recovered through tax increments. Given the amount of annual incremental revenue currently flowing into TID #35 and the unrealized project costs that have been identified in the Project Plan, TID #35 has been recognized as a potential donor district.

TID #38 (Badger Ann Park)

TID #38 was created on June 17, 2008. The City has expended funds to assist with the redevelopment of the Villager Mall / Atrium Building and the acquisition and demolition of 36 rental units at the intersection of Cypress Way and West Badger Road. As of Dec 31, 2012, the City had \$5,177,799 of net costs to be recovered in TID #38. The total capital costs identified in the Project Plan is \$11,033,000. As of January 1, 2013, the value increment in TID #38 was (-\$941,600). Because TID #38 has never experienced a positive value increment, there has never been any incremental revenue.

TID #38 was created as the Great Recession was beginning to take hold of the economy. One of the results of the Great Recession was a large loss in assessed property values that was felt globally and locally. As a consequence, TID #38 has never had a positive incremental value and thus, no incremental revenue. This situation considerably lengthens the period of time the district needs to recover its costs. It also limits the City’s ability to retire the district’s debt in the event of a mill rate reduction, interest rate increase or other economic changes. Should any of these events occur, this district might be unable to fully recover its costs within the remaining 22 years of its life. A substantial donation from another TID would help ensure that TID #38 could close in a timely manner.

