

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 32 (Upper State St) 2015 Project Plan Amendment City of Madison

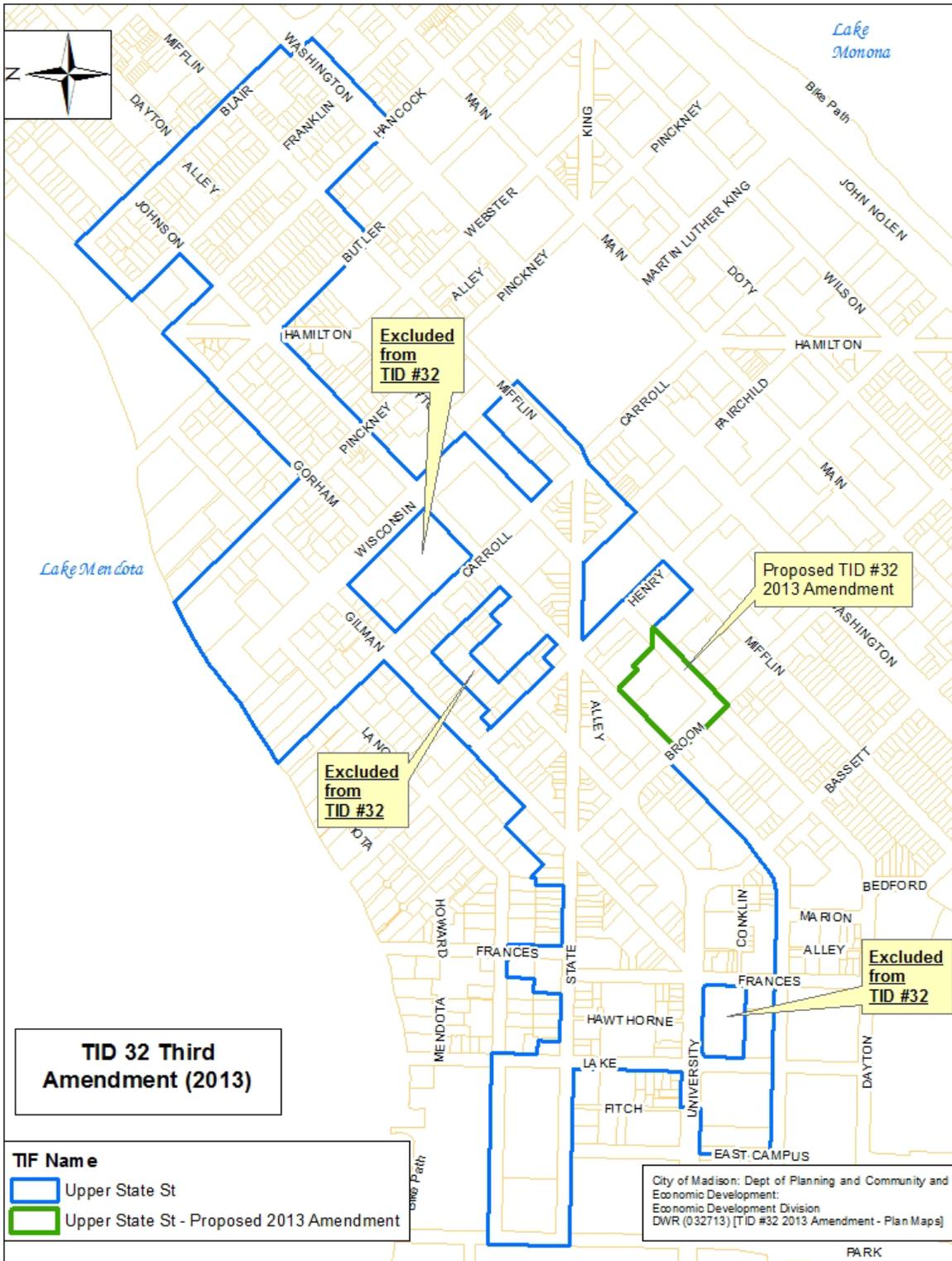
December 16, 2015

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 an amendment to a Tax Incremental District (TID). The Joint Review Board will meet at a future date to take action upon the proposed project plan amendment to TID #32 (Upper State St).

Summary of the TID #32 Project Plan

The map on the next page depicts the boundaries of the proposed TID #32:



TIF Law Required Information for TID Creation Approval

1) Estimates of project costs and tax increments, including:

- a) Specific items that constitute project costs; (See next page – Note: Amendments to the project plan budget are highlighted in yellow.)**

ACTUAL & PROJECTED TID #32 Project Plan Expenditures (Including First Amendment)*

**NOTE: These are expenditures incurred through 2009 plus those State St. Infrastructure Costs that have been identified in the 2010-15 CIP*

<u>Actual Costs to Date</u>	<u>TIF Cost</u>	<u>Assessable Cost</u>	<u>Other Funds****</u>	<u>Total Costs</u>	<u>Year</u>
State St Infrastructure	\$16,286,000	\$600,000	\$1,000,000	\$17,886,000	2003-15
Parks (Lisa Link)	\$650,000	\$0	\$0	\$650,000	2003-09
Parks (Other)	\$10,000	\$0	\$0	\$10,000	2003-09
Area Plan	\$10,000	\$0	\$0	\$10,000	2003-09
Payments to developer (University Square)	\$3,000,000	\$0	\$0	\$3,000,000	2003-09
Administrative Cost	\$350,000	\$0	\$0	\$350,000	2003-09
TOTAL COST	\$20,306,000	\$600,000	\$1,000,000	\$21,906,000	2003-09

TID #32 Third Amendment and 2015 Project Plan Amendment Project Plan Costs

<u>Public Improvements</u>	<u>TIF Cost</u>	<u>Assessable Cost</u>	<u>Other Funds****</u>	<u>Total Cost</u>	<u>Year</u>
Gilman Street rehab	\$321,000	\$36,000	\$0	\$357,000	2010-19
Carroll Street rehab	\$375,000	\$42,000	\$0	\$417,000	2010-19
Undergrounding	\$650,000	\$0	\$0	\$650,000	2010-19
Subtotal-Public Improvements	\$1,346,000	\$78,000	\$0	\$1,424,000	2010-19

<u>Other Revitalization:</u>	<u>TIF Cost</u>	<u>Assessable Cost</u>	<u>Other Funds****</u>	<u>Total Costs</u>	<u>Year</u>
Revitalization Loans*	\$16,000,000 \$15,600,000	\$0	\$0	\$16,000,000	2010-19
Retail Grant Program	\$400,000				2015 - 19
Small CAP TIF Program**	\$1,500,000	\$0	\$0	\$1,500,000	2010-15
Affordable Housing Set-Aside***	\$0	\$0	\$0	\$0	2010-19
Land Acquisition	\$0	\$0	\$0	\$0	2010-19
Subtotal-Other Revitalization	\$17,500,000	\$0	\$0	\$17,500,000	2010-19

<u>Administrative Cost</u>	<u>TIF Cost</u>	<u>Assessable Cost</u>	<u>Other Funds****</u>	<u>Total Costs</u>	<u>Year</u>
Admin. & Professional	\$0	\$0	\$0	\$0	2010-19
Subtotal-All Categories (Second and Third Amendment)	\$18,846,000	\$78,000	\$0	\$18,924,000	2010-19
Total Actual & Projected Expenditures	\$20,306,000	\$600,000	\$1,000,000	\$21,906,000	2003-09
Sub-Total Project Costs (Actual & Projected and Second and Third Amendment)	\$39,152,000	\$678,000	\$1,000,000	\$40,830,000	2010-19
Financing Costs (Second Amendment)	\$5,182,000	\$0	\$0	\$5,182,000	2010-19
Existing Financing Costs	\$1,641,000	\$0	\$0	\$1,641,000	2010-19
Sub-Total Financing Costs	\$6,823,000	\$0	\$0	\$6,823,000	2010-19
TOTAL COST	\$45,975,000	\$678,000	\$1,000,000	\$47,653,000	2010-19

*NOTE: The Third Amendment to TID #32 proposes to make a \$3.4 million loan to the 309 West Johnson St project utilizing a portion of the already budgeted \$16 million. As such, there is no change to the existing TID #32 budget.

**NOTE: Small Cap TIF Program is included in 2010-2015 Capital Improvements Program.

***NOTE: **\$2.2 million was included in the First Amendment to TID #32 for the Affordable Housing Set-aside program.**

****NOTE: "Other Funds" are non-project costs that are non-TIF funding sources.

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 **\$39,152,000** of project costs.

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

In 2013, an estimated **\$12,899,000** of tax increments was forecasted over the district's remaining life within the boundary of the Third Amendment.

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

The anticipated incremental value of property within the district in 2017, when it is anticipated to close will be in excess of \$320,000,000. 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 2017.

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.

Approximately \$678,000 of the \$19,980,000 of planned public infrastructure costs is assessable to property owners based upon City of Madison special assessment policy. Although projected at a total of \$18,600,000, TIF Loan assistance to private development projects is provided only on an as-needed basis, provided the project satisfies the City's "but for" analysis—i.e. demonstrating that but for TIF assistance, the value growth realized by such development would not occur.

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 District base value is **\$409,445,200**. 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 2015 mill rate.

<u>Tax Jurisdiction</u>	<u>2015 Mill Rate</u>	<u>Share of Tax Levy</u>
City	9.48	36%
County	3.01	12%
MMSD	12.37	47%
MATC	0.96	4%
State of WI	<u>0.17</u>	<u>1%</u>
Totals*	24.20**	100%*

Source: City of Madison 2015 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.

The benefits that owners of taxable property in the overlying taxing jurisdictions will receive to compensate them for their share of the projected tax increments are, sharing new equalized value growth and job creation / retention.

The TID is estimated to close in 2017. If the TID does not increase in value at all between now and the date of closure, it is estimated to return to the overlying jurisdictions in excess of \$320,000,000 of incremental value. The average life of a TID in the City of Madison is 12 years. If TID #32 closes in 2017 as currently projected, it will have been open 14 years.

TID #32 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 at a future meeting 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 \$678,000 of the proposed project costs within the District are assessable to property owners. 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.

The Retail Grant Program described in the amended project plan would not occur, but for funding from TID #32.

The financial feasibility of the proposed District and the development proposals that may occur will be mutually dependent. Additionally, State Statute and City TIF Policy require that “but for” TIF assistance, a proposed project would not occur. In turn, the District could not support the public costs without these “generators” of tax increment.

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 2017 as projected, it is estimated that more than \$320 million of incremental value would return to the overlying taxing jurisdictions. Without TIF, the base value of \$409,445,200 would have grown at a more gradual rate and reached the estimated value growth levels in a greater period of time.

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

Without TIF, overlying tax jurisdictions would have share \$9.9 million of tax revenues for the tax parcels included in the proposed District based on the base value of \$409,445,200 million. As stated earlier, the incremental value in 2017 at the end of the projected 14-year TID life is estimated more than \$320 million. Theoretically, if the City invested all \$39 million of project costs in the district, that investment would leverage over \$320 million or \$1 of TIF leverages \$8.20 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 \$17.7 million or a net gain of \$7.8 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$19.980 million of public investment that may further enhance the area, increase values in and around the proposed District and help create new family supporting jobs.

The retail grant program that will be funded by this project plan amendment is intended to invest in the independent retailers in the downtown area to ensure that these businesses are retained.

Unique and successful independent retail businesses can have a significant effect on the attractiveness and marketability of the surrounding area. The retail grant program encourages business owners to reinvest in downtown business areas by offering matching grants to assist with the capital costs associated with renovating the interior and exterior of retail spaces. By enhancing the downtown and surrounding area, the City is helping to protect the public and private investments that have been made, and encourage more growth in the future.