

TO: Board of Estimates
FR: Joe Gromacki, TIF Coordinator
DATE: January 25, 2016

SUBJECT: 2015 Quarterly TIF Report – 4th Quarter

Background

Per TIF Policy 3.3 (1), TIF Staff must provide the Board of Estimates with a quarterly update on current and pending projects during closed session, or more often on an as needed basis. The following report is for your consideration for the period ending December 31, 2015:

TIF Funded Development Projects

1. **TID 45: Anchor Bank**—Urban Land Interests (ULI) is completing a \$98M redevelopment of the Anchor Bank building at 25 West Main Street comprising 186,000 square feet of office, 43,000 square feet of commercial and retail, 100 market rate apartments adjacent to the site (not funded by TIF) and a 548-stall underground parking ramp at 115 South Carroll Street.

Status: The Common Council adopted RES 15-00208 authorizing a \$13,317,000 TIF loan, representing 71% of the TIF generated, to assist the project on March 5, 2015 and RES 15-00513 creating TID #45 on June 16, 2015. Certification by the Wisconsin Department of Revenue is anticipated in the first quarter of 2016. The project is currently underway.

2. **TID 45: AT&T Building (316 W. Washington)**—316 WWA, LLC (“Developer”) is completing a redevelopment of the AT&T property located at 316 West Washington Avenue located in a proposed Tax Incremental District (TID) #45. The project consists of 141,000 square feet of office and approximately 11,000 square feet of first floor retail. The total estimated cost is \$29,157,000.

Status: The Common Council adopted RES 15-00227 authorizing a \$2,050,000 TIF loan to assist the project on March 17, 2015 and RES 15-00513 creating TID #45 on June 16, 2015. Certification by the Wisconsin Department of Revenue is anticipated in the first quarter of 2016. The project is currently underway.

3. **TID 37: Union Corners**—Gorman and Co. received land use approvals for a six-phase \$76M development on the \$6M City-owned Union Corners property. Gorman proposes that the City contribute its \$6M of land, transferring the land to Gorman for \$1, with the City’s land cost to be repaid by tax increments generated by the project.

Status: The Common Council adopted RES 15-00575 on July 7, 2015, to convey Phases 1 through 4 of the Union Corners project to Gorman for \$1, representing about \$5M of the City’s \$6M land value. The City retains Phases 5 and 6 although Gorman has a three-year option on those phases. The project is underway.

4. **TID 37: Galaxie**—The Gebhardt Galaxie, LLC (“Developer”) is completing a \$43.7M Phase I project comprised of 205 market-rate apartments, 39,000 square feet of commercial and retail, a 55,000 SF grocery store and 501 structured parking stalls.

Status: The Common Council adopted RES 14-00311 authorizing a \$4.4M TIF loan, representing 60% of the TIF generated, to the project on April 29, 2014. The TIF loan closed in 2015 and the first phase is nearing completion.

5. **TID 37: Galaxie II**—Developer proposed Phase II of the Galaxie project to include 50 market-rate apartments, 21,800 square feet of commercial, 6,630 square feet of retail and 190 parking stalls. Total project cost was estimated at \$15.3M.

Status: Staff reached agreement with Gebhardt for \$1,433,000 of TIF assistance, comprising 70% of the TIF generated, requiring an exception to the 55% Gateway policy. Upon BOE approval of the TIF Policy exception on October 12, 2015, the Common Council adopted RES 15-00837 on November 3, 2015 authorizing the TIF loan. The project is under construction.

Pending or Potential TIF Requests – 2016

1. **TID 36: Madison Dairy**— In 2015, Stone House Development proposed a \$39M project comprised of 133 market rate residential units, 65 affordable units, 73,500 square feet of office and retail and a 355-stall parking structure. The project requires a Project Plan and Boundary amendment to TID 36.

Status: Staff reached agreement with Stone House for \$3,450,000 of TIF assistance at the end of 2015. The request is 65% of TIF generated by the project, requiring an exception to the 55% Gateway policy and contingent upon an adoption of an amended Project Plan and Boundary for TID 36. Staff is currently drafting and negotiating a Term Sheet and report for Board of Estimates consideration of the TIF Policy exception.

2. **TID 44: Royster Commons**—The City of Madison created TID #44 (Royster-Clark) in 2013 for the purpose of redeveloping the long-vacant, former Royster-Clark fertilizer plant that comprises 27 acres. The City has invested about \$3M to date in acquiring and providing assistance to Rudebusch Development for the purchase, remediation and redevelopment of the site. In addition, the City also plans to make approximately \$1.5M of public improvements to Cottage Grove Road and Dempsey Street in advance of the new redevelopment. In 2014, the City provided \$400,000 of TIF loan assistance to Dempsey Lane Apartments, LLC to develop affordable housing on land purchased from the Royster-Commons project.

Status: Ruedebusch Construction (“Developer”) proposes to construct a \$20.3M project consisting of 17,000 square feet of office, a 20,000 square foot Pinney Library branch, 86 market-rate apartments 200 surface parking stalls and 97 below-grade parking stalls. Developer requests \$2.1M of TIF assistance. Staff is still in discussions with Developer.

3. **TID 36: Cosmos**—The City may consider a proposal to construct a \$13M, 650-stall, City-owned parking structure, funded in whole or in part by TIF, supported by tax increment generated by the proposed Cosmos project co-developed by American Family and Gebhardt Development. The project includes approximately 200,000 square feet of office (including a proposed 50,000 square foot Starting Block incubator space constructed by American Family) and 104,000 square feet of office, a proposed 35,000 square foot entertainment venue, 12,000 square feet of retail and a 6,000 square foot culinary center constructed by Gebhardt Development. Funding for the project would require approval of a TID Project Plan and Boundary amendment in 2016.

Status: TIF staff is currently evaluating TIF feasibility for this potential project.

4. **TID 25: Judge Doyle Square**—In February, the Board of Estimates will receive information from the Negotiating Team regarding any finalists proposing to develop the Judge Doyle Square property. TIF staff will analyze the finalist project chosen by the Board of Estimates if TIF funds are required.

Status: TIF staff is awaiting recommendation from the Board of Estimates.

TID Administration

1. **Underperforming TIDs**—TIDs 38 (Badger-Ann-Park), 39 (Stoughton Road) and 40 (Northside) are not generating positive tax increment. As such, expenditures cannot be made until these districts generate positive tax increment. Once new TID values come out this year, staff will evaluate remedial options and recommend solutions, if any, to the Mayor and Common Council. As of the most recent 2014 figures:

TID 38 Base value: \$54,203,700
2014 Value: \$49,439,900 (-9%)

TID 39 Base Value: \$263,256,500
2014 Value: \$259,683,600 (-1%)

TID 40 Base Value: \$165,175,300
2014 Value: \$148,010,800 (-10%)

Status: In 2014, Council adopted a TID donor-recipient plan, disbursing \$500,000 per year of excess tax increment from TID #35 to TID #38, beginning with the 2016 tax increment, until 2020. This move should reduce TID #38's \$5M project cost by about \$2.5M. TID #39 is only slightly below its base value (-1.0%). As such, TID 39 may right itself in subsequent assessment years, although TIF cannot be expended there for the time being. TID #40 has yet to close the gap on its diminished value. No TIF may be expended until the TID demonstrates positive tax increment growth. Wisconsin Department of Revenue 2015 TID assessment figures are anticipated in July of 2016. TIF staff will again evaluate any potential remedy for under-performing TIDs at that time.

2. **TID 33 (Monroe – Dudgeon) Affordable Housing Extension**—On April 21, 2015, staff introduced resolution ID 38030 that will allow the City to capture one year's tax increment to fund affordable housing, as permitted by TIF Law, prior to its closure. Staff estimates that approximately \$500,000 of tax increment will be disbursed to the Affordable Housing Initiative fund. The TID is anticipated to close in 2016.

Status: The Common Council adopted resolution RES-15-00438 to extend TID #33 one year to fund affordable housing on May 19, 2015.

3. **Speculative Commercial or Industrial TID(s)**—Staff has conducted preliminary interviews and discussions with prospective commercial or industrial developers about the potential for creating at least one speculative TID. Areas discussed thus far include the University Research Park I, Silicon Prairie development at Mineral Point Road and South Point and 25-acre Gialamas property.

Status: In 2015, the City created TID #46 in the UW Research Park I as identified in the 2015 Capital Budget as the first speculative TID allowed by TIF Policy. Staff may also propose creation of the second allowable speculative industrial TID at Silicon Prairie, at the southwest quadrant of Mineral Point and South Point Roads.

4. **TID 32 Half Mile Rule**—Staff introduced a resolution that would authorize use of the Half Mile Rule to use approximately \$50,000 of TIF funds from TID 32 to pay for underground utilities to facilitate the development of 46 units affordable housing at 433-37 West Mifflin Street. The project is being developed by Madison Development Corporation.
5. **TID 36 Boundary and Plan Amendment**—Staff will be introducing a TID 36 Project Plan and Boundary amendment in 2016 to facilitate additional projects in the Capital East Corridor.
6. **TID 27 Project Plan Amendment**—Staff will introduce a TID 27 Project Plan amendment to request additional expenditures and recover a slight project cost overrun.
7. **TID 37 Half Mile Rule**—Staff will introduce a Half Mile Rule proposal to pay for approximately \$400,000 of utility undergrounding that will create a buildable site for 30 units of market rental housing at 2087 Atwood.
8. **Potential New TID at Silicon Prairie (Mineral Point and South Point Roads)**—A speculative TID may be created covering the Silicon Prairie development for the purpose of providing financial incentives to business locating there.