

MEMORANDUM

TO: Common Council

FR: Joe Gromacki, TIF Coordinator

DATE: March 7, 2017

SUBJECT: TIF REPORT – Landmark Oaks (Landmark Oaks Development, LLC)

Project Description

The Project is situated on a vacant hilltop located at 2921 Landmark Place (“Property”) with the boundary of Tax Incremental District (TID) #35 (**Figure 1**).

Landmark Oaks Development, LLC (“Developer”) submitted a TIF Application and fee on January 11, 2017, proposing to construct 109,000 square feet of office space and 353 parking stalls (**Figure 2**). The proposed gap is caused by increased construction cost attributable to excavating the limestone beneath the topsoil to create approximately 42 underground parking stalls.

TIF Report

The following TIF Report is provided in compliance with Section 3.1 (8) of TIF Goals, Objectives and Process and Section 1 (9) of TIF Loan Underwriting Policy, adopted by the Common Council on February 25, 2014:

(a) **Amount Recommended:** \$913,000

(b) **Type of Project:** Redevelopment

(c) **Analysis Method:** Gap Analysis

(d) **Tax Credits:** Not Applicable

(e) **Estimated Assessed Value and Tax Increments:**

Estimated Value	\$20,451,000
Total Est. Tax Increments	\$4,866,000
Avg. Annual Tax Increment	\$450,000
TIF Supportable at 100%	\$2,501,000

Figure 1



(f) TID Condition:

At its creation, the TID 35 Project Plan authorized approximately \$7,403,000 of expenditures. As of the most recent audit dated December 31, 2015, TID #35 has expended \$3,097,691. From 2010-2015, TID #35 averaged around \$700,000 per year in tax increment. In 2016 it will generate approximately \$800,000. The TID is meeting its annual debt service obligation of approximately \$300,000 per year.

TID #35 has fully recovered its project cost leaving a positive tax increment balance of \$1,231,000. In most cases, a TID in this condition would close, with the portion of excess tax increments required for remaining annual debt service payments set aside in a separate debt service escrow account, with any remaining balance apportioned among the overlying taxing jurisdictions.

However, in this case, the TID remains open because it is donating \$500,000 per year of excess tax increment to stabilize TID #38 (Badger-Ann-Park), as allowable by TIF Law and authorized by a five-year donor-recipient plan adopted by Council on May 20, 2014 (RES-14-00388). There are four years remaining in the donor-recipient plan.

As total expenditures of \$3,097,691 have not exceeded those allowable in the original Project Plan, the City may incur additional expenditure to fund the proposed \$913,000 of TIF loan assistance for the Project and infrastructure improvements (street lighting) planned in 2017.

In the forecast demonstrated below (**Figure 3**), it is anticipated that the TID will generate sufficient tax increment by 2018 to recover the TIF Loan, planned infrastructure improvements in 2017 and set aside funds to an escrow account to complete the remaining tax increment donations to TID #38. It is anticipated that the TID may close in 2018.

Figure 3

TID 35 Forecast	2015	2016	2017	2018
TID 35 Fund Balance	\$ (2,071,000)	\$ (2,131,000)	\$ (1,270,000)	\$ (1,387,000)
Donation to TID #38 Remaining	\$ -	\$ 2,000,000	\$ 1,500,000	\$ 1,000,000
Debt Outstanding	\$ 840,000	\$ 560,000	\$ 280,000	\$ -
Net Cost to Recover (Fav)	\$ (1,231,000)	\$ 429,000	\$ 510,000	\$ (384,982)

TID 35 Projections:

Year Created	2005
Unrecovered Cost	\$0
Cash Balance – December 31, 2015	\$1,231,000
Est. Annual Increment w/o Project	\$800,000
Est. Increment Generated by Project	\$452,000
Remaining TID #38 Tax Increment Donation (\$500,000/yr x 4 yrs.)	\$2,000,000
TIF Loan to Project	\$913,000
Estimated Cost Recovery w/ New Project	1 year

Figure 2

LANDMARK OAKS—FACT SHEET



FOR LEASE:
 Floors 2, 4, and 5 are available
 Asking rate: \$18.00-\$19.85 NNN TI Allowance: \$40/USF
 Term: 7+ years

THE BUILDING:

- Class-A Office Building
- Occupancy: May 2018
- 5-story, 110,000 SF building
- Floor plates are approx. 20,555 USF / 21,481 RSF
- Pro-rata underground parking

THE LOCATION:

- Located on mature wooded lot with 360° views of the city
- Highly visible on beltline with 135,000+ cars daily
- Central location <10 minutes to Downtown
- Near bike and pedestrian paths and City of Madison bus lines



MIG COMMERCIAL REAL ESTATE, LLC
 3001 W. BELTLINE HWY, SUITE 202
 MADISON, WI 53713

FOR MORE INFORMATION CONTACT: BRANDI ZANDER
 (608)-509-1000
 BZANDER@MIGLLC.BIZ

(g) TIF Policy Compliance

Developer Equity--Developer equity is approximately \$3,864,000. This amount is in compliance with TIF policy that equity equal or exceeds the amount of TIF provided.

55% Gateway--The \$913,000 TIF Request is 37% of TIF and complies with the 55% Gateway.

Self-Supporting Projects—The Project generates tax increment sufficient to repay the TIF loan and a portion of the TID's infrastructure costs.

Guaranty-- Principals of Developer are providing a personal guaranty of both increment and the loan agreement terms and conditions.

(h) Other Applicable

Job Retention--Developer estimates that 255 jobs will be retained in the City of Madison as a result of this project.

(i) Amount of TIF to Be Considered

Upon analysis, the project cash flow demonstrated the ability to support additional private investment such that the gap could be reduced from \$1.4 million to \$913,000.

TIF Requested	\$1,402,000	
TIF Eligible	\$1,375,000	55% of TIF
TIF Recommended:	\$913,000	37% of TIF

(j) Developer's TIF Goals Statement— TIF Policy requires that Developer provide a statement (**Figure 4**) as to how the project addresses the following TIF Policy Goals:

- 1) Per Sections 1 and 3.4 of "TIF Goals, Objectives and Process", how does the Project meet City and TID's goals?
 - A) Grows the City's property tax base
 - B) Fosters the creation and retention of family-supporting jobs
 - C) Encourages the re-use of obsolete or deteriorating property
 - D) Encourages urban in-fill projects that increase density consistent with the City's Comprehensive Plan
 - E) Assists in the revitalization of historic, architecturally significant or deteriorated buildings or enhancement of historic districts.
 - F) Creates a range of housing types, specifically encouraging affordable housing
 - G) Funds public improvements that enhance development potential and improve City's infrastructure
 - H) Promotes superior design, building materials and sustainability features
 - I) Reserves sufficient increment for public infrastructure in both TID Project Plan and TIF underwriting

(k) TIF Policy Exceptions**None.****(l) Known Labor Agreement, Law Violations****None indicated.****Staff Recommendation:**

The Project has demonstrated a gap of \$913,000 or 37% of TIF. Staff recommends that TIF assistance should not exceed this amount.

Figure 4

**Landmark Oaks Development, LLC
Developer's TIF Policy Goal Statement**

A) Grows the City's property tax base – The proposed Landmark Oaks development project seeks to develop a currently vacant lot (parcel #251-0709-334-1103-8) located at 2921 Landmark Place in Madison, WI. The lot measures approximately 280,000 square feet. As of December 31, 2016, the lot was assessed as unimproved vacant land. The proposed development seeks to construct an office building consisting of approximately 109,000 square feet with estimated costs in excess of \$26 million. Inherently, construction of the proposed development will significantly increase the total property value which, in turn, will grow the City's property tax for years to come.

B) Fosters the creation and retention of family-supporting jobs – The Landmark Oaks development project is a successor development to the neighboring, immensely successful, Arbor Gate development project, completed eight years ago by the same investment and management group. The Arbor Gate project resulted in the retention of 250 and the creation of more than 300 new, high paying jobs within the City of Madison. The Landmark Oaks development project aims to build on the success of the Arbor Gate development. To date, multiple professional service firms have signed lease agreements for the Class A office space to be constructed under the project. These professional service firms, along with future tenants, will provide the creation and retention of hundreds of Madison area jobs with family-supporting wages and benefits upon completion of the development.

C) Encourages the re-use of obsolete or deteriorating property – The proposed Landmark Oaks development project will develop a lot that has remained vacant land since it was originally settled as Prospect Hill Farm back in 1843.

D) Encourages the urban in-fill projects that increase density consistent with the City's Comprehensive Plan – The proposed Landmark Oaks development project is closely aligned with the urban in-fill and density goals as defined by the City's Comprehensive Plan and more specifically, the Arbor Hills-Leopold Neighborhood Plan within City's Comprehensive Plan. The Landmark Oaks development project falls within the Arborview Employment/Commercial Corridor area of the Arbor Hills-Leopold Neighborhood Plan. The vacant land that the Landmark Oaks development project will be built on is explicitly called out for potential redevelopment within the Arborview Employment/Commercial Corridor and is identified for employment use within the proposed future land use map. In addition, the proposed Landmark Oaks development will continue to establish a neighborhood theme/identity, one of the key strategies for the Arborview Employment/Commercial Corridor as identified within the Arbor Hills-Leopold Neighborhood Plan.

E) Assists in the revitalization of historic, architecturally significant or deteriorated buildings or enhancement of historic districts – Not applicable to the Landmark Oaks development project.

F) Creates a range of housing types, specifically encouraging affordable housing – Not applicable to the Landmark Oaks development project.

G) Funds public improvements that enhance development potential and improve City's infrastructure – As part of the proposed Landmark Oaks development project, a new cul-de-sac will be constructed on Landmark Place. The cul-de-sac will allow City maintenance vehicles to have adequate area to perform

maintenance on Landmark Place, an identified issue that currently exists. Additionally, the developer has committed to providing a bus shelter for the Landmark Place bus stop that will not only serve the occupants of the building, but local residents and area commuters as well. Furthermore, the development project is likely to serve as a catalyst for improvements needed on the Frontage Road. Such improvements would include the addition of street lighting and the widening of the intersection. These improvements will help improve traffic management for both the businesses and residents of the area.

H) Promotes superior design, building materials and sustainability features – The development team for this project includes MIG Commercial Real Estate, Potter Lawson, Vierbicher Associates, and Ideal Builders. The collaborative efforts of this development team has resulted in superior building design and has led to multiple top commercial design recognition awards from organizations such as InBusiness and Wisconsin Builders Association over the past few years. The proposed Landmark Oaks development project looks to build off of the previous success and innovation of this development team to create another award winning building. With respect to building materials and sustainability, LED lighting will be exclusively used for the proposed development building and site. The building will be constructed of Class A materials and systems. Perhaps the most unique feature of the proposed development will be the preservation of three bicentennial oak trees on the site, which will be used as the centerpiece of the development, providing an outdoor park for employees and visitors alike.

I) Reserves sufficient increment for public infrastructure in both TID Project Plan and TIF underwriting – The project is receiving 37% of the TIF generated. This leaves 63% of the increment generated for other projects. In dollars, the project is estimated to generate \$2.5 million, with \$913,000 going to the project. The remaining \$1,587,000 will be reserved for use by the City.