

# **Executive Summary to the City of Madison Joint Review Board**

## **Tax Incremental District (TID) No. 46 (Research Park) First Project Plan and Boundary Amendment City of Madison**

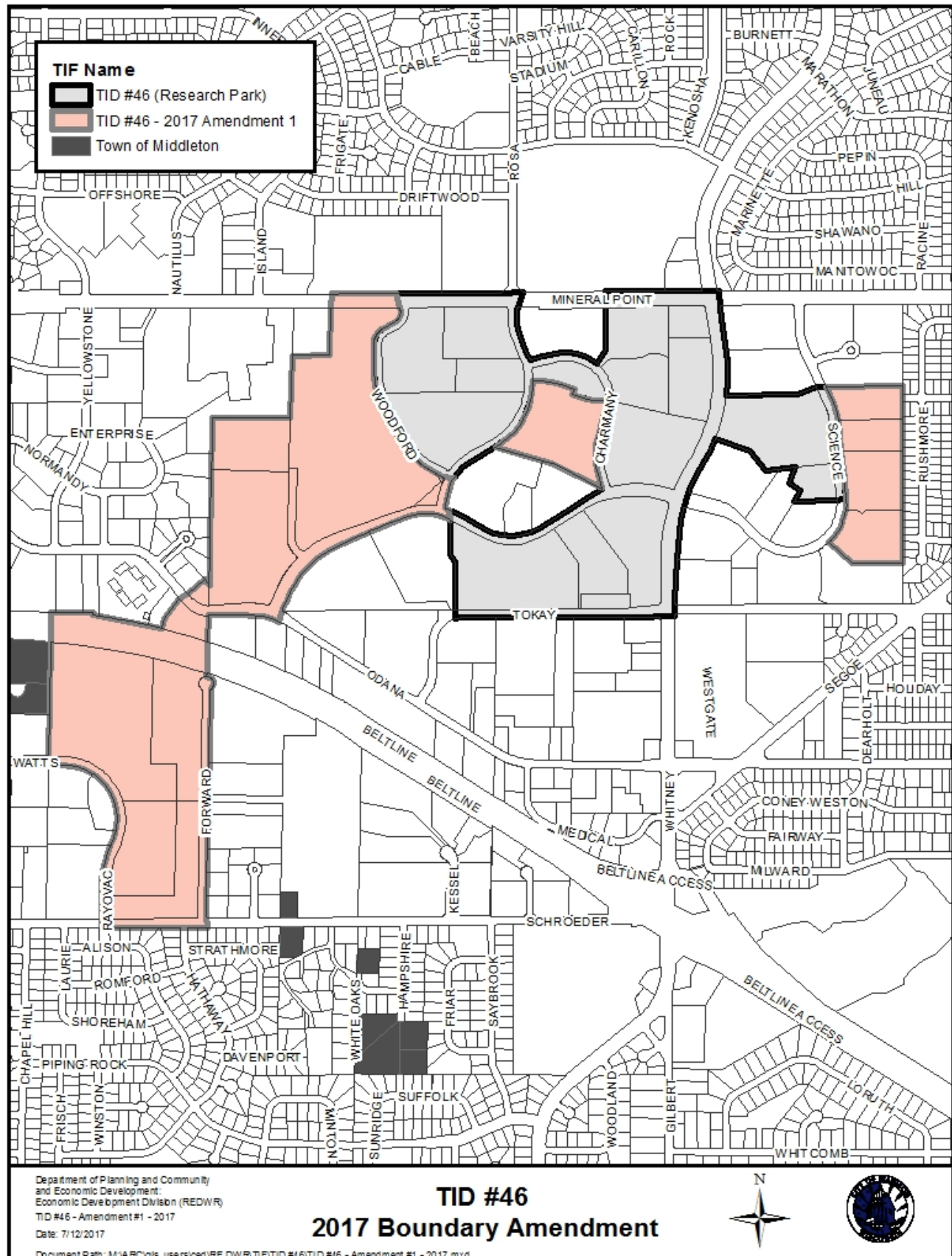
August 17, 2017

### **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) boundary and Project Plan. The Joint Review Board will meet at a future date to take action upon the proposed amendment to the boundary and project plan to TID #46 (Research Park).

### **Summary of the TID #46 Project Plan**

The map on the next page depicts the amendment to the boundaries of TID #46 in the near west side of the City of Madison:



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)**

<b>TID #46 - First Amendment (2017)</b>	<b>Proposed TIF Funded Non-Assessable Cost</b>	<b>Assessable/ Non-Project Costs</b>	<b>Total</b>	<b>Time Frame</b>
<b>Total Public Improvements</b>	\$-	\$ -	\$-	2017 - 2030
<b>Development Loans *</b>	\$1,737,000		\$1,737,000	2017 - 2030
Illumina Loan	\$1,890,000		\$1,890,000	2017 - 2030
Exact Sciences Loan	\$3,400,000		\$3,400,000	2017 - 2030
Administrative and Professional Costs	\$500,000		\$500,000	2017 - 2030
<b>TOTAL PROJECT COSTS</b>	<b>\$7,527,000</b>	<b>\$ -</b>	<b>\$7,527,000</b>	2017 - 2030
Finance Costs (Financing costs for entire project plan)	\$2,069,000			2017 - 2030

**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 **\$7,527,000** of project costs.

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

An estimated **\$16,400,000** of tax increments is forecasted over the district's 20-year life.

**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 at the end of its 20-year life is estimated at **\$74,000,000**. 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. The estimated incremental value in 2029 is \$33,000,000. This incremental value in 2029 is based solely upon the amended area and the two projects anticipated in this area (Illumina and Exact Sciences), and does not include any potential projects that may be developed in the existing TID.

**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.**

There are no currently planned public infrastructure costs, and as such, there are no costs assessable to property owners. Development Loans to private development projects are projected at \$7,027,000. The loan to Illumina is based upon the City's Jobs TIF Policy, as adopted by the City Council. It is anticipated that the proposed Exact Sciences TIF Loan will also be considered under the City's Jobs TIF Policy.

**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 proposed base value in the amendment to TID #46 is estimated at **\$49,098,200**. The base value of the existing TID #46 is \$61,735,800 (Total Estimated Base Value: \$110,834,000). 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 2017 mill rate.

<u>Tax Jurisdiction</u>	<u>2017 Mill Rate</u>	<u>Share of Tax Levy</u>
City	9.48	36%
County	3.03	12%
MMSD	12.26	47%
MATC	0.99	4%
State of WI	<u>0.17</u>	<u>1%</u>
Totals*	23.97**	100%*

Source: City of Madison 2017 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 \$74 million. The benefits of these potential projects are: sharing new equalized value growth and job creation / retention to benefit those in the district and throughout the City of Madison.

The amended district's estimated base value of \$110 million is anticipated to grow by \$74 million at the end of the 20 year life of the TID. Assuming that the City incurs all of the \$7.5 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 #46 may close at the end of 12 years or 2029. The average life of a TID in the City of Madison is 12 years. The

estimated incremental value of the TID in 2029 is forecasted to be \$61 million (*Note: variations are due to rounding*).

TID #46 is proposed to be a “mixed-use” 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.**

None of the proposed project costs within the proposed District is 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 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 2029 as projected, it is estimated that approximately \$61 million of incremental value would return to the overlying taxing jurisdictions. At 20 years, the District would return approximately \$74 million of incremental value to the overlying taxing jurisdictions. It is arguable that, without TIF, the current base value of \$110 million would grow at a more gradual rate and reach 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 and job creation / retention are the most significant and quantifiable benefit to overlying tax jurisdictions from the investment of TIF funds.

Without TIF, overlying tax jurisdictions would share \$2.6 million of tax revenues for the tax parcels included in the proposed District based on the current estimated base value of \$44 million. As stated earlier, the incremental value in 2029 at the end of the projected 12-year TID life is estimated at \$61 million. Theoretically, if the City invested all \$7.5 million of project costs in the district, that investment would leverage over \$61 million or \$1 of TIF leverages \$8.13 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 \$4.4 million, or a net gain of \$1,800,000 as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$7.5 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.