

MEMORANDUM

TO: Common Council
FR: Joe Gromacki, TIF Coordinator
DATE: May 8, 2018

SUBJECT: TIF REPORT – University Research Park, Inc (Exact Sciences #3)

Project Description

The Project is located within the University of Wisconsin Research Park, adjacent to an existing building at 501 Charmany Dr (“Property”) within the boundary of Tax Incremental District (TID) #46 (**Figure 1**).

The University Research Park, Inc (“Developer”) submitted a TIF Application and fee on May 8, 2018, proposing to construct an office building of approximately 137,000 square feet, referred to as “Innovation One” in **Figure 2**, and 338 underground parking stalls and 134 surface stalls, for a total of 472 parking stalls. The proposed gap is caused by increased construction cost attributed to the construction of 338 stalls of underground parking.

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:** \$2,600,000
- (b) **Type of Project:** Redevelopment
- (c) **Analysis Method:** Gap Analysis
- (d) **Tax Credits:** Not Applicable
- (e) **Estimated Assessed Value and Tax Increments:**

Estimated Value	\$40,700,000
Total Est. Tax Increments	\$11,113,000
Avg. Annual Tax Increment	\$874,000
TIF Supportable at 100%	\$5,384,000

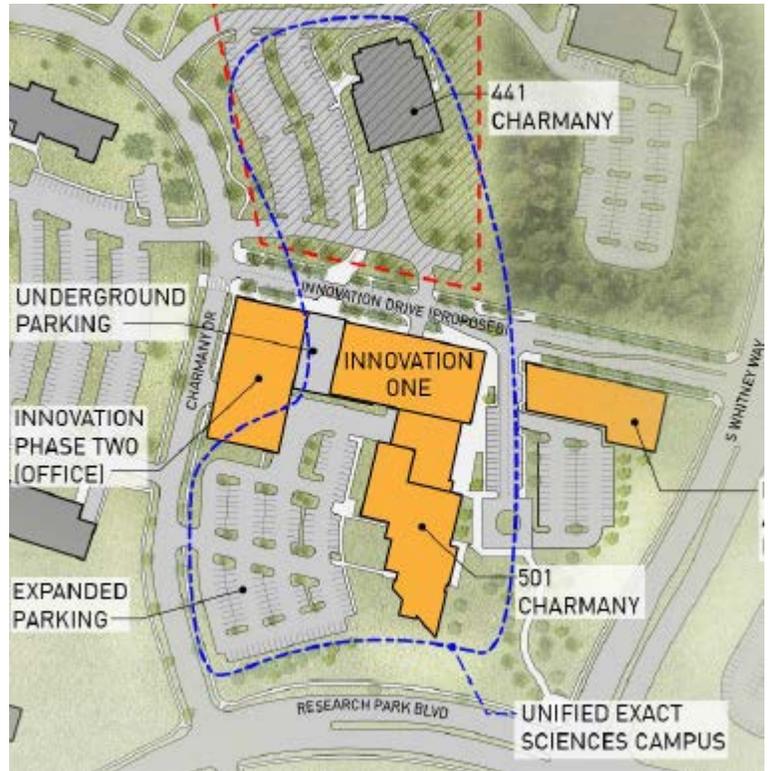
Figure 1



(f) TID Condition:

Figure 2

The TID #46 Project Plan, as amended on September 19, 2017, authorized \$7,527,000 of expenditures. As of May 4, 2018, TID #46 has expended \$4,535,883.48. This includes \$1,890,000 of assistance to Epicentre (Illumina) and \$2,500,000 to Exact Sciences. As the total expenditures of \$4.5 million outlined above have not exceeded those allowable in the Project Plan, the City may incur additional expenditures to fund the proposed \$2,600,000 of TIF loan assistance for the Project.



TID #46 is projected to generate \$700,000 in tax increment in 2018, per the City’s Adopted 2018 Budget. TID #46 has \$3,238,274 of outstanding project costs remaining to be recovered. The estimated time to recover all outstanding costs, including the new Project, is seven years.

TID 46 Projections:

Year Created	2015
Unrecovered Cost	\$3,200,000
Est. Annual Increment w/o Project	\$700,000
Est. Annual Increment Generated by Project at Completion / Full Assessment	\$874,000
TIF Loan to Project	\$2,600,000
Estimated Recovery of all Outstanding Costs w/ New Project	7 years

(g) TIF Policy Compliance

Developer Equity--Developer equity is approximately \$17,195,000. This consists of \$13,810,000 of Developer cash and \$3,385,000 of Developer equity (land and fee). This amount complies with TIF policy that Developer equity equals or exceeds the amount of TIF provided.

55% Gateway--The \$2,600,000 TIF Request is 50% of TIF and complies with the 55% Gateway.

Self-Supporting Projects—The Project generates tax increment sufficient to repay the TIF loan.

Guaranty-- Developer will provide a corporate guaranty of both increment and the loan agreement terms and conditions.

(h) Other Applicable

Job Retention—Developer estimates that this project will help retain 232 employees of Exact Sciences (“Tenant”). In addition, Developer estimates that Tenant will create an additional 88-184 jobs when the project is occupied in 2020.

(i) Amount of TIF to Be Considered

In early February 2018, Developer met with TIF Staff to review a draft TIF application requesting \$7,212,673. After initial analysis, Staff notified the Developer that the initial application was more than 100% of the TIF generated by the Project. The Developer further refined their final application to request \$2,600,000 of TIF assistance.

TIF Requested	\$2,600,000	
TIF Eligible	\$2,600,000	50% of TIF
TIF Recommended:	\$2,600,000	50% 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 \$2,600,000 or 50% of TIF. Staff recommends that TIF assistance should not exceed this amount.

Figure 4



OVERVIEW OF TIF POLICY GOALS MET BY EXACT SCIENCES PROJECT

University Research Park will purchase Exact Sciences' R&D building, 501 Charmany Drive, and construct a 338-car underground parking facility, a Class A office tower, and a link building to promote collaboration between Exact's administrative and research teams. The project will construct a new public road and unlock sites for a second future office/lab building and a site designated for future retail/mixed-use development (excluded from this project for TIF purposes). University Research Park is seeking to add appropriate density, to be good stewards of land, to create a campus-like environment that sensitively mixes the built and natural environments in a sustainable way, to create a more walkable and bike-able campus, and to attract walkable retail amenities. The first project will help set the tone for the future, catalyze additional development, and establish a new pattern. We are proud to partner with Exact Sciences and appreciate the contribution their project will make to helping University Research Park evolve. Specific TIF goals addressed include:

A. GROWS THE CITY'S PROPERTY TAX BASE

The project will immediately create more than \$40 million of property tax base, unlock two additional infill sites for further growth, and catalyze additional infill at University Research Park. University Research Park's masterplan for the site includes two additional projects: a second tower to accommodate Exact Sciences expansion and a mixed-use project intended to provide walkable amenities for companies in the park.

B. FOSTERS THE CREATION AND RETENTION OF FAMILY-SUPPORTING JOBS

Once this headquarters is completed, Exact Sciences will retain or relocate 232 employees to this headquarters site. Exact Sciences will also create an additional 88 to 184 jobs when the project is occupied in 2020 and another 130-260 jobs over the next five years (at this site only). These jobs represent a range of education and skill levels and average pay ranges from \$45,000 to \$150,000 depending on the position.¹

C. ENCOURAGES THE RE-USE OF OBSOLETE OR DETERIORATING PROPERTY

While University Research Park is very strong, many suburban office parks have struggled nationally. A master-planned effort to add density and amenities to the park will maintain University Research Park's strength into the future.

D. ENCOURAGES URBAN IN-FILL PROJECTS THAT INCREASE DENSITY CONSISTENT WITH ADOPTED PLANS

University Research Park has recently updated its restrictive covenants to allow a more urban form that uses land in a more sustainable manner. Currently, the project site is 10.7 acres and contains a single 51,000 square foot building. Our project will increase this by

¹ Exact Sciences has other employees in Madison, including employees at 441 Charmany Dr. within University Research Park and pays a living wage to all positions.

510 Charmany Drive
Suite 250
Madison, WI 53719

P. 608.441.8000
F. 608.441.8010

approximately 135,000 square feet and future sites unlocked by the first phase can accommodate an additional ~130,000 square feet of development. The Exact Sciences office will hold the street edge of the new public street, setting a new pattern in the park (rather than the typical 60 to 100-foot setbacks).

E. ASSIST IN THE REVITALIZATION OF HISTORIC, ARCHITECTUALLY SIGNIFICANT OR DETERIORATED BUILDINGS OR ENHANCEMENT OF HISTORIC DISTRICTS

N/A

F. CREATES A RANGE OF HOUSING TYPES, SPECIFICALLY ENCOURAGING AFFORDABLE HOUSING

University Research Park hopes that the market will want to partner with us or our ground tenants to add a range of housing to the park as part of our evolution and enhanced environment. We have begun discussions with other developers, including affordable housing developers.

G. FUNDS PUBLIC IMPROVEMENTS THAT ENHANCE DEVELOPMENT POTENTIAL AND IMPROVE CITY'S INFRASTRUCTURE

The project will begin to impose a street-grid over University Research Park's curvilinear street network by providing a new connection between Charmany Drive and Whitney Way. This street will include on-street parking, trees and other landscaping, designed to promote walking. We will also create a dedicated pedestrian/bike connection between the new street and the Research Park Blvd. and Whitney Way intersection.

H. PROMOTES SUPERIOR DESIGN, BUILDING MATERIALS AND SUSTAINABILITY FEATURES

The Exact Sciences headquarters has exceptional design and material characteristics. The architect, Valerio Dewalt Train Associates, has taken advantage of post-tension concrete's natural ability to cantilever without requiring additional structure. In addition, we have included a curved façade on a single, uniform radius in order to standardize window elements. This has allowed us to create a graceful, curving façade that shows off its glass curtainwall, creates interesting view corridors, and provides abundant daylighting. We hope to pursue LEED (v4) certification for the project and are including elements such as a high efficiency VRF HVAC system, bike storage/lockers, and advanced energy metering.

I. RESERVES SUFFICIENT INCREMENT FOR PUBLIC INFRASTRUCTURE IN BOTH TID PROJECT PLAN AND TIF UNDERWRITING

With four technology company generators in the TID, including a Stratatech expansion project that did not apply for TIF, extra increment should be plentiful.