

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 41 (University Whitney) First Project Plan Amendment City of Madison

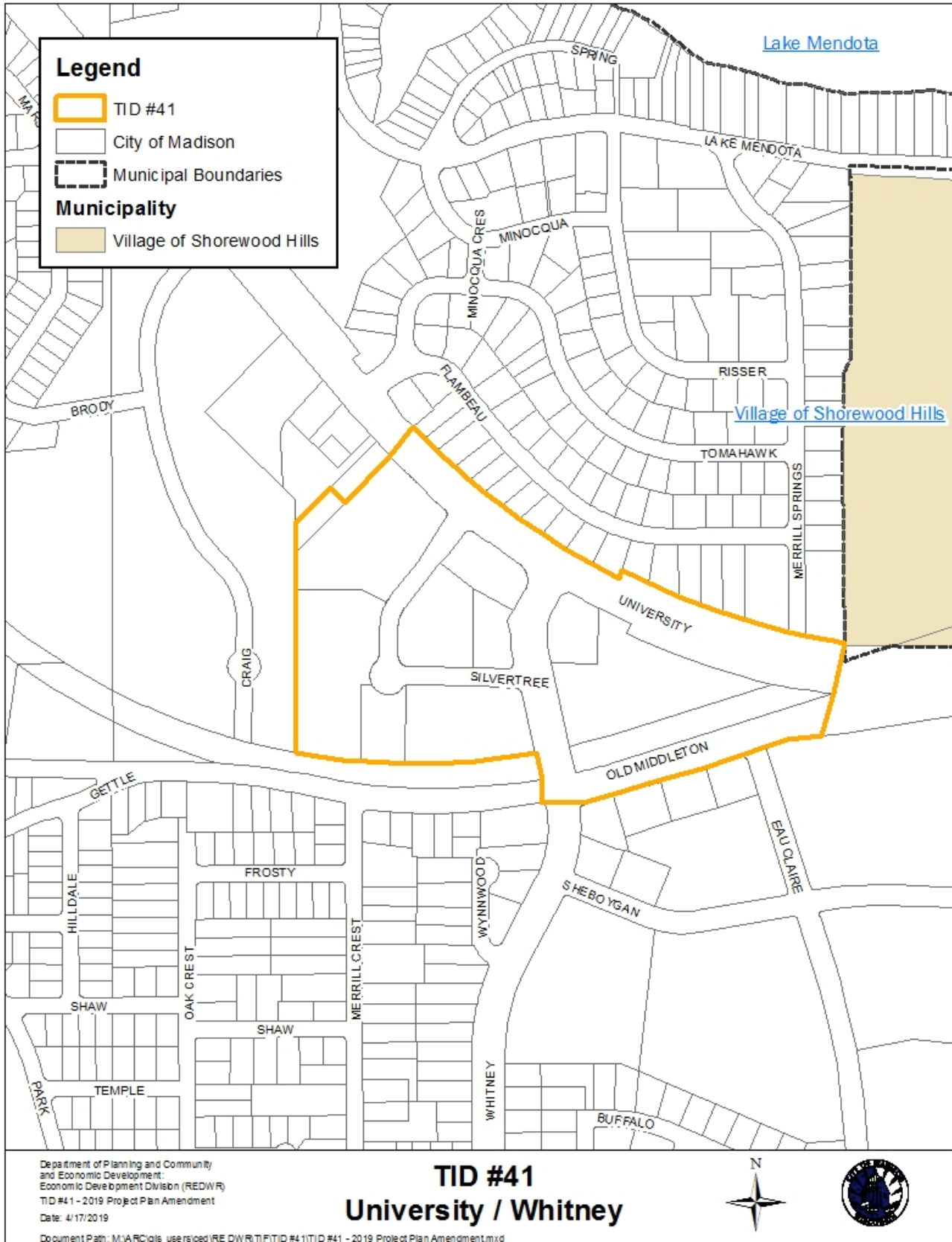
July 1, 2019

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) Project Plan. The Joint Review Board will meet at a future date to take action upon the proposed amendment to the project plan to TID #41 (University Whitney).

Summary of the TID #41 Project Plan

The map on the next page depicts the boundaries of TID #41 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)

NOTE: Items highlighted in grey are proposed additions to the TID #41 Project Plan for 2019.

Project Cost	Total Cost	Assessable	TIF Cost	Timing
Street Rehab / Reconstruct	\$4,116	\$0	\$4,116	2011-33
University Ave (375' north of Flambeau to bridge over WSOR RR)	\$720,000	\$48,000	\$672,000	2011-33
Whitney Way (Old Middleton Rd to University Ave)	\$180,000	\$18,000	\$162,000	2011-33
Old Middleton Rd (Whitney Way to 300' east of Eau Claire)	\$150,000	\$15,000	\$135,000	2011-33
Subtotal Street Rehab / Reconstruct	\$1,050,000	\$81,000	\$969,000	2011-33
-	-	-	-	-
Good Neighbor Bike Path	\$240,000	\$0	\$240,000	2011-33
Storm Sewer	\$432,000	\$0	\$432,000	2011-33
Revitalization Loans	\$6,000,000	\$0	\$6,000,000	2011-33
Administrative and Professional	\$500,000	\$0	\$500,000	2011-33
	\$131,638	\$0	\$131,638	2011-33
TOTAL CAPITAL COSTS (TIF Capital Budget)	\$8,222,000	\$81,000	\$8,141,000	2011-33
Total Finance Costs	\$2,217,000	\$0	\$2,217,000	2011-33
Amended TID #41 Budget (First Amendment Project Costs)				
Street Reconstruction	\$3,930,000	\$310,000	\$3,620,000	2019-26
SUBTOTAL				
Future Old Middleton Rd	\$1,850,000	\$250,000	\$1,600,000	2021
Future Craig Ave	\$580,000	\$60,000	\$520,000	2021
Future Underpass Reconstruction	\$1,500,000	\$0	\$1,500,000	2020
Donation to TID #38	\$895,000	\$0	\$895,000	2020
Administration / Professional Services	\$368,362	\$0	\$368,362	2019-26
2019 Amendment Subtotal	\$5,193,362	\$310,000	\$4,883,362	2019-26
Total Project Costs	\$9,807,116	\$310,000	\$9,497,116	2019-26

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 **\$9,497,116** of project costs.

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

An estimated **\$17,210,000** of tax increments is forecasted over the district's 27-year life.

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

Based upon development projects that have occurred to date, the anticipated incremental value of property within the district at the end of its 27-year life is estimated at **\$60,000,000**. 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 2026. The estimated incremental value in 2026 is \$46,000,000.

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.

The budget for the proposed project plan amendment includes \$3,620,000 of non-assessable infrastructure project costs, as shown on the project costs chart on Page #3 of this report. The amended budget also includes a proposed donation of \$895,000 to TID #38. This donation is meant to assist TID #38 in paying off its outstanding debts and then allow it to close. The total amount of non-assessable costs to be paid for with TIF funds is \$4,883,362.

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 current base value in TID #41 is at **\$18,703,300**. 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 2019 mill rate.

<u>Tax Jurisdiction</u>	<u>2019 Mill Rate</u>	<u>Share of Tax Levy</u>
City	9.07	37%
County	2.91	12%
MMSD	11.58	47%
MATC	0.95	4%
State of WI	<u>0.0</u>	<u>0%</u>
Totals*	24.51**	100%*

Source: City of Madison 2019 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 \$60 million. The benefits of these potential projects are: sharing new equalized value growth, infrastructure improvements, and job creation / retention to benefit those in the district and throughout the City of Madison.

TID #41's base value of \$18,703,300 and is anticipated to grow by \$60 million at the end of the 27-year life of the TID. Assuming that the City incurs all of the \$9.4 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 #41 may close in 2026. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2026 is forecasted to be \$46 million (*Note: variations are due to rounding*).

TID #41 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 \$310,000 of the proposed \$5,193,362 of project costs are assessable 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 infrastructure projects and donation to TID #38 would not occur without the use of financing from TID #41.

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 2026 as projected, it is estimated that approximately \$46 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$60 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure investments in and adjacent to TID #41 and the donation to TID #38 would not occur. The infrastructure improvements will continue to boost values within TID #41. The donation to TID #38 will allow that TID to pay off its outstanding debts and then close. The City anticipates

opening a new TID in the South Park St area where TID #38 is currently located, after the Town of Madison dissolves in late 2022.

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 and infrastructure improvements, 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 approximately \$458,000 of tax revenues for the tax parcels included in TID #41, based on the base value of \$18 million. As stated earlier, the incremental value in 2026 at the end of the projected life of the TID is estimated at \$46 million. Theoretically, if the City invested all \$9.4 million of project costs in the district, that investment would leverage over \$46 million, or \$1 of TIF leverages approximately \$4.90 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 \$1.5 million, or a net gain of approximately \$1.1 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$9.4 million of public investment. This investment will further enhance the area, increase values in and around the proposed District help create new family supporting jobs, and help close TID #38 in a timely manner to ensure that the City is ready to respond to the dissolution of the Town of Madison in 2022.