

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

### **Tax Incremental District (TID) No. 39 (Stoughton Rd) Second Project Plan Amendment City of Madison**

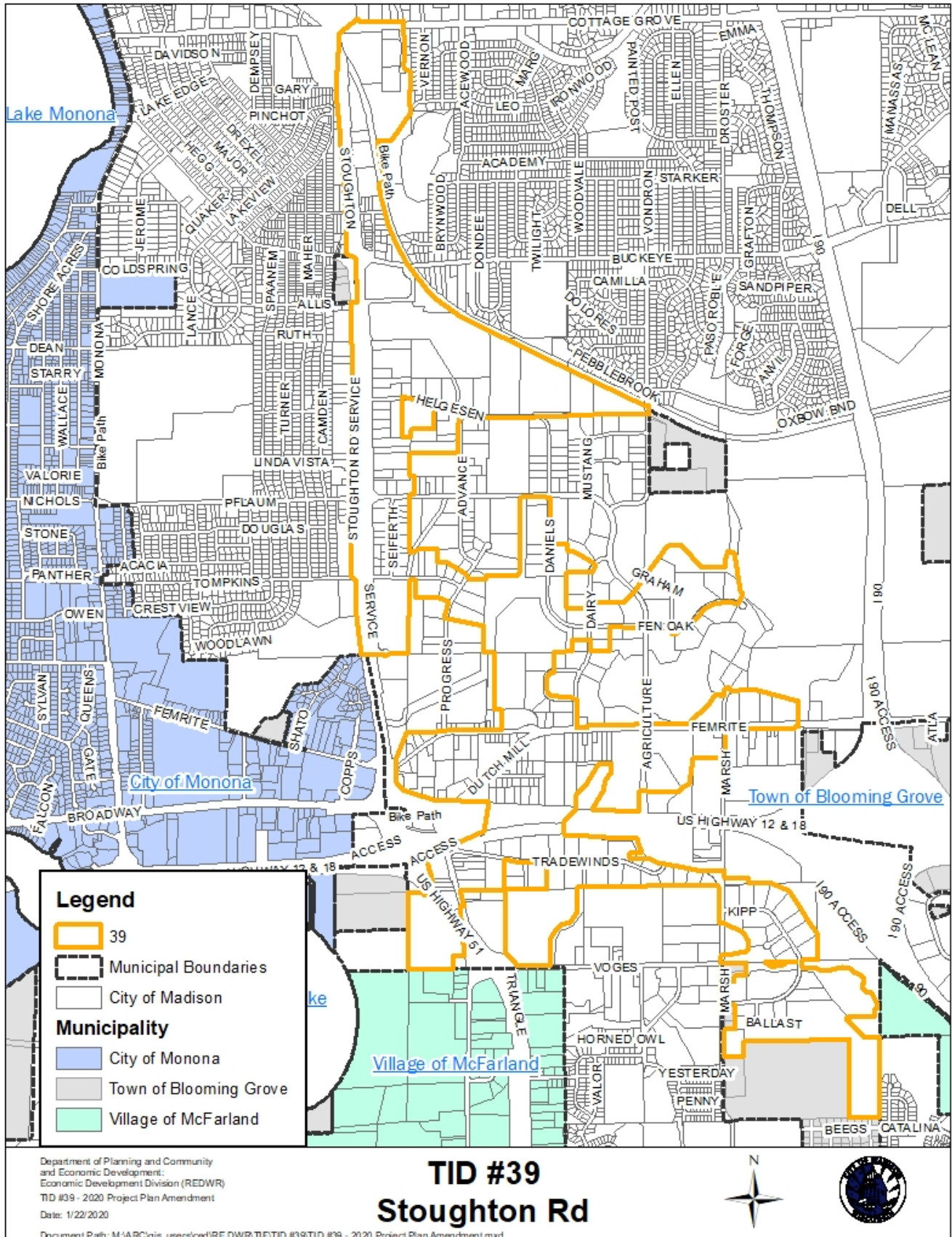
August 12, 2020

#### **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 #39 (Stoughton Rd).

#### **Summary of the TID #39 Project Plan**

The map on the next page depicts the boundaries of TID #39 in the southeast 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 yellow are proposed additions / changes to the TID #39 Project Plan for 2020.

PROJECT COSTS	Total Cost	Assessable Cost	TIF Eligible	Year
Water Mains	\$0	\$0	\$0	2008-23
Sanitary Sewer	\$0	\$0	\$0	2008-23
Storm Sewer				
–Increase storm sewer at Camden/Major	200,000	0	200,000	2008-23
–Storm drainage study	75,000	0	75,000	2008-23
–Camden/Linda Vista storm improvements	200,000	0	200,000	2008-23
–Helgesen drainage improvements	53,000	0	53,000	2008-23
–Storm water treatment device installation	100,000	0	100,000	2008-23
–Extend storm sewers on Vondron Rd.	35,000	0	35,000	2008-23
–Greenway restoration – Pflaum to South	130,000	0	130,000	2008-23
Sub-total -- Storm Sewer	0	0	\$0	2008-23
Street Resurfacing				
Lumbermans Trl Cottage Grove to south end of TID	86,000	14,000	72,000	2008-23
Remington Road Frontage Rd to east end of TID	245,000	105,000	140,000	2008-23
Blossom Lane – Remington to Frontage Rd	69,000	11,000	58,000	2008-23
Stoughton Rd Service Road Remington to Blossom	142,000	23,000	119,000	2008-23
Buckeye Rd -Stoughton Rd to Stoughton Rd Svc Rd	113,000	18,000	95,000	2008-23
Stoughton Rd Service Rd – Buckeye to Pflaum	418,000	68,000	350,000	2008-23
Helgesen Drive – Stoughton Rd. Sev Rd to Daniels	290,000	47,000	243,000	2008-23
Seiferth Rd – Pflaum Rd to Tompkins	120,000	20,000	100,000	2008-23
Tompkins Drive – Service Rd to Progress Rd	133,000	22,000	111,000	2008-23
Stoughton Rd Service Rd – Pflaum to south end of TID	240,000	39,000	201,000	2008-23
Daniels St – Pflaum to Dairy Dr	230,000	37,000	193,000	2008-23
World Dairy Dr – Dairy Dr to Ag Drive	95,000	15,000	80,000	2008-23
Agriculture Dr -- World Dairy Dr to 650' north	98,000	16,000	82,000	2008-23
Dairy Drive @ World Dairy Dr	80,000	13,000	67,000	2008-23
Blazing Star Dr – west of Dairy Dr	36,000	6,000	30,000	2008-23
Prairie Dock Dr – Blazing Star to Dairy Dr	76,000	42,000	64,000	2008-23
Dairy Dr – Prairie Dock Dr to Femrite Dr	53,000	9,000	44,000	2008-23
Dutch Mill – Broadway to Femrite	236,000	38,000	198,000	2008-23
Femrite Dr – Broadway to Dutch Mill	389,000	63,000	326,000	2008-23
Femrite Dr – Dutch Mill to Agriculture Dr	368,000	60,000	308,000	2008-23
Agriculture Dr – Femrite to South TID boundary	156,000	25,000	131,000	2008-23
Ellestad Dr – Dutch Mill to east end of TID	87,000	14,000	73,000	2008-23
E. Broadway – Dutch Mill to east end of TID	170,000	28,000	142,000	2008-23
Tradewinds Pkwy – Dutch Mill to east end of TID	156,000	25,000	131,000	2008-23
Galleon Run – Tradewinds Pkwy to south end of TID	53,000	9,000	44,000	2008-23
Femrite Drive Reconstruction – 2900 ft. west to Interstate 39/90	1,960,000	240,000	1,720,000	2010
Subtotal – Street Resurfacing	4,350,000	628,000	3,722,000	2008-23
<b>Dutch Mill Park &amp; Ride</b>	500,000	0	500,000	2008-23

<b>Quiet Zone Upgrades</b>				
@ Buckeye Rd	200,000	0	200,000	2008-23
@ Pflaum Rd	300,000	0	300,000	2008-23
Subtotal – Quiet Zones	500,000	0	500,000	2008-23
<b>Other TIF Eligible Costs</b>				
Land Acquisition	\$0	0	\$0	2008-23
Organization, Administrative and Professional Costs	300,000	0	300,000	2008-23
TIF Loans for Job Creation, Retention	691,000	0	691,000	2008-23
BioLink Incubator TIF Loan	2,049,000		2,049,000	2009-10
Subtotal Other TIF Eligible Costs	3,040,991,000	0	3,040,991,000	2008-23
<b>Total Project Cost</b>	8,390,000 6,341,000	628,000	7,762,000 5,713,000	2008-23
Finance Cost			2,135,000	
<b>2020 Project Plan Amendment Costs</b>	<b>Total Cost</b>	<b>Assessable Cost</b>	<b>TIF Eligible</b>	
Land Acquisition	\$250,000	\$0	\$250,000	2020-23
Small Cap TIF	\$500,000	\$0	\$500,000	2020-23
Donation to TID 42	\$1,700,000	\$0	\$1,700,000	2020-23
Organization, Administrative and Professional Costs	\$200,000	\$0	\$200,000	2020-23
<b>SUBTOTAL 2020 Project Plan Amendment</b>	<b>\$2,650,000</b>	<b>\$0</b>	<b>\$2,650,000</b>	<b>2020-23</b>
Total TID 39 Project Costs, Including 2020 Project Plan Amendment	\$8,991,000	\$628,000	\$8,363,000	2020-23

**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 **\$8,363,000** of project costs.

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

An estimated **\$18,403,000** of tax increments is forecasted over the district's remaining 8-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 **\$120,000,000**. 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 2021. The estimated incremental value in 2022 is \$104,000,000. However, should economic conditions allow, the City intends to return to the Joint Review Board, economic conditions permitting, in each subsequent year to request that the JRB consider a proposal to amend the donor recipient plan based upon current figures to allow additional incremental revenue to be donated from TID 39 to TID 42.

**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 \$8,363,000 of non-assessable project costs, as shown on the project costs chart on Pages #3 and #4 of this report. The amended budget also includes a proposed donation of \$1,700,000 to TID #42. This donation is meant to allow the City to begin investing in South Madison, following the dissolution of the Town of Madison. The total amount of non-assessable costs to be paid for with TIF funds is \$8,363,000.

**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 base value in TID #39 is at **\$263,256,500**. 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 2020 mill rate.

<u>Tax Jurisdiction</u>	<u>2020 Mill Rate</u>	<u>Share of Tax Levy</u>
City	8.90	36%
County	2.87	12%
MMSD	11.78	48%
MATC	0.93	4%
State of WI	<u>0.0</u>	<u>0%</u>
Totals*	24.48**	100%*

Source: City of Madison 2020 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 \$106 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 #39's base value of \$263,256,500 is anticipated to grow by \$120 million at the end of the 20-year life of the TID. Assuming that the City incurs all of the \$8.3 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 #39 may close in 2021. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2021 is forecasted to be \$104 million (*Note: variations are due to rounding*).

TID #39 is an "industrial area" TID, as defined by State Statute 66.1105.

## Criteria for TID Approval

Per TIF Law, the Joint Review Board will cast a vote on whether to approve the proposed project plan amendment to TID 39 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 \$628,000 of the proposed \$8,991,000 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, land acquisition, Small Cap TIF program, and donation to TID #42 would not occur without the use of financing from TID #39.

**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 2021 as projected, it is estimated that approximately \$104 million of incremental value would return to the overlying taxing jurisdictions. At 20 years, the District would return approximately \$120 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure investments, land acquisition, and Small Cap TIF program in and adjacent to TID #39 and the donation to TID #42 would not occur. The infrastructure improvements will continue to boost values within TID #39, while the land acquisition and Small Cap TIF program will aid in job creation and tax base growth. The donation to TID #42 will allow the City to invest in South Madison prior to the dissolution of the Town of Madison. 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, job creation / retention, and blight elimination (in and adjacent to TID 42) 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 \$5,900,000 of tax revenues for the tax parcels included in TID #39, based on the base value of \$265 million. As stated earlier, the incremental value in 2021 at the end of the projected life of the TID is estimated at \$104 million. Theoretically, if the City invested all \$8.3 million of project costs in the district, that investment would leverage over \$104 million, or \$1 of TIF leverages approximately \$8.00 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 \$8.3 million, or a net gain of approximately \$2.4 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$8.363 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 begin to address long-standing inequities in South Madison prior to the dissolution of the Town of Madison in 2022.