

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

### **Tax Incremental District (TID) No. 36 (Capitol Gateway) 2021 Project Plan Amendment City of Madison**

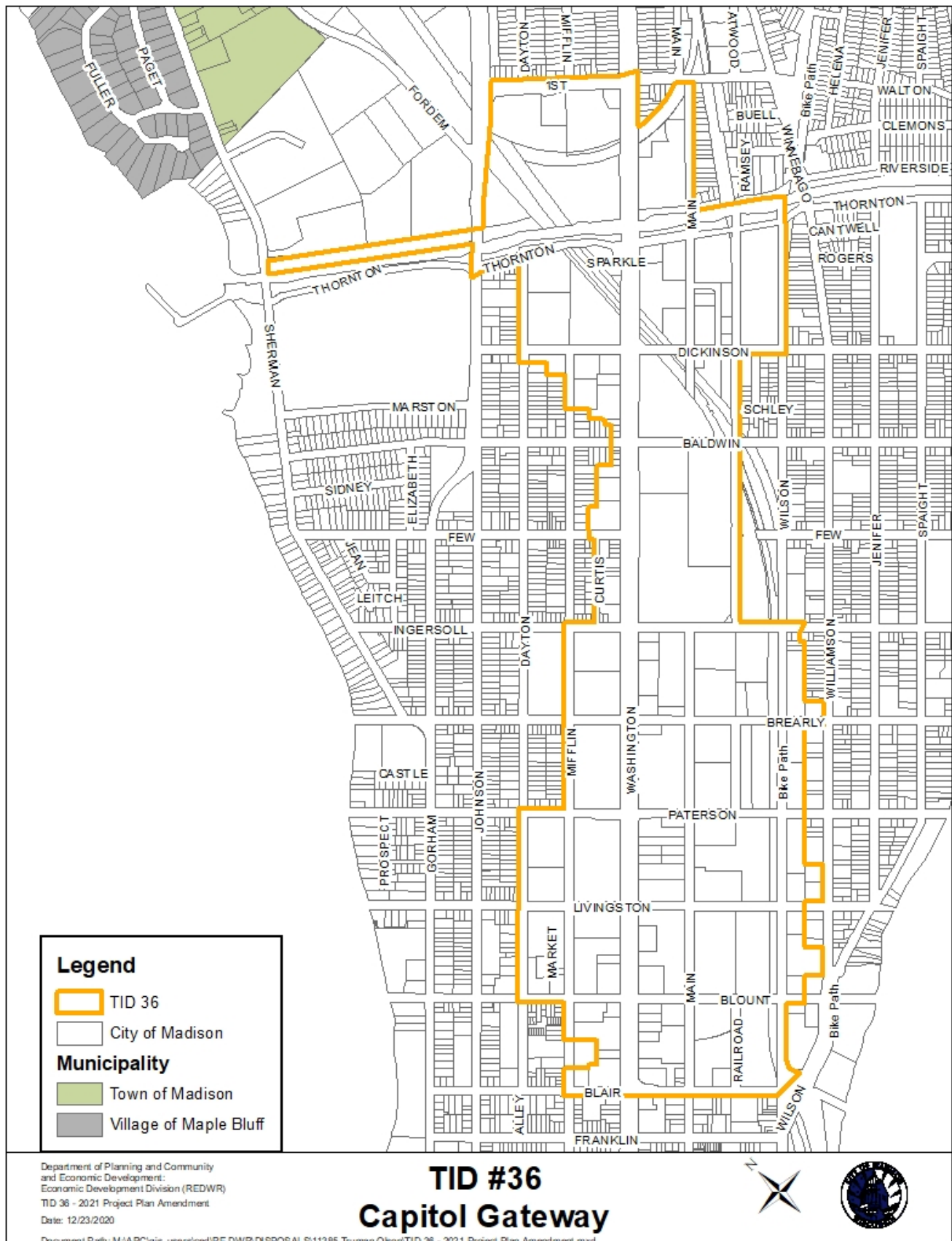
February 5, 2021

#### **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 36 (Capitol Gateway).

#### **Summary of the TID #36 Project Plan**

The map on the next page depicts the boundaries of TID 36 in the East Washington Avenue area 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>ACTIVITY</b>		Funded by Special Assessments	<b>Funded by TIF</b>	Year
<b>Public Improvements</b>	Total Cost			
Breese Stevens Field	\$485,000	\$0	\$485,000	2005-27
<del>East Rail Track Relocation</del>	<del>\$8,500,000</del>	<del>\$0</del>	<del>\$5,000,000</del>	<del>2005-27</del>
Reynolds Park	\$130,000	\$0	\$130,000	2005-27
Sanitary Sewer Improvements (Yahara River)	\$512,000	\$0	\$512,000	2005-27
Street Reconstruction (N. Livingston St)	\$1,381,000	\$98,000	\$1,283,000	2005-27
<del>Streetcar Improvements</del>	<del>\$500,000</del>	<del>\$0</del>	<del>\$500,000</del>	<del>2005-27</del>
Streetscape Improvements	\$500,000	\$0	\$500,000	2005-27
Storm Sewer Improvements (Blount St)	\$728,000	\$0	\$728,000	2005-27
Yahara River Parkway / Burr Jones Park Bike Path Improvements	\$560,000	\$0	\$560,000	2005-27
Subtotal	<del>\$13,296,000</del> \$4,296,000	\$98,000	<del>\$9,698,000</del> \$4,198,000	2005-27

<b>Economic Development</b>	Total Costs	Funded by Special Assessments	<b>Funded by TIF</b>	Year
Economic Development Assistance Loans	<del>\$8,000,000</del> \$9,500,000	\$0	<del>\$8,000,000</del> \$9,500,000	2005-27
Land Acquisition	\$4,000,000	\$0	\$4,000,000	2010
Affordable Housing Development Assistance Loans	\$2,000,000	\$0	\$2,000,000	2005-27
Subtotal	<del>\$10,000,000</del> \$15,500,000	\$0	<del>\$10,000,000</del> \$15,500,000	2005-27

Administrative Cost	Total Costs	Funded by Special Assessments	<b>Funded by TIF</b>	Year
Admin. & Professional	\$524,000	\$0	\$524,000	2005-27
<b>Total Costs</b>	<del>\$23,820,000</del> \$20,320,000	\$98,000	<del>\$20,222,000</del>	2005-27
Estimated Finance Cost on TIF Borrowing			\$5,561,000	

Second Boundary Amendment Project Costs				
	Total Cost	Other Funds (Non-Project Costs / Assessable)	Funded by TIF	
<b>Public Improvements</b>				
Stormwater	\$460,000	\$460,000	\$-	2016-27
Cosmos Parking Ramp	\$13,000,000	\$4,000,000	\$9,000,000	2016-27
Curtis Court	\$220,000	\$220,000	\$-	2016-27
Public Improvements - Subtotal	\$13,680,000	\$4,680,000	\$9,000,000	2016-27
<b>Economic Development</b>				
Economic Development Assistance Loans	\$3,450,000	\$-	\$3,450,000	2016-27
Land Acquisition (MG&E Purchase)	\$1,000,000	\$1,000,000	\$-	2016-27
Starting Block - Grant	\$1,500,000	\$1,500,000	\$-	2016-27
Affordable Housing Assistance	\$-	\$-	\$-	2016-27
Economic Development - Subtotal	\$5,950,000	\$2,500,000	\$3,450,000	2016-27
Administrative Costs (NOTE: Additional Admin Costs are identified in the 2021 Amendment)	\$550,000	\$-	\$550,000	2016-27
<b>Total New Project Costs (2016 Amendment)</b>	<b>\$20,180,000</b>	<b>\$7,180,000</b>	<b>\$13,000,000</b>	<b>2016-27</b>
Third Project Plan Amendment (2021) Project Costs				
Public Market	\$7,000,000	\$0	\$7,000,000	2020-27
Public / Private / Non-Profit Development Partnerships	\$5,000,000	\$0	\$5,000,000	2020-27
Administrative Costs (In addition to existing Admin Costs)	\$500,000	\$0	\$500,000	2020-27
Total Project Costs - Third Project Plan Amendment (2021)	\$12,500,000	\$0	\$12,500,000	2020-27
<b>Total Project Costs (Previous Project Costs and Second Amendment Project Costs)</b>	<b>\$40,500,000</b>	<b>\$7,278,000</b>	<b>\$33,222,000</b>	<b>2016-27</b>
<b>Total Project Costs (Original Project Plan, First, Second &amp; Third (2021) Project Plan Amendment)</b>	<b>\$53,000,000</b>	<b>\$7,278,000</b>	<b>\$45,722,000</b>	<b>2005-27</b>

**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 **\$45,722,000** of project costs.

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

Through the end of 2020, TID 36 generated an estimated \$33 million of incremental revenues. Based upon the City's TIF run, TID 36 will generate an additional \$111 million of incremental revenue through its expiration date of 2032. **This would lead to a total forecasted incremental revenue over the entire life of TID 36 of \$144 million**

**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 **\$533,000,000**. 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 2023.

Without any additional projects generating new incremental value, the estimated incremental value in 2023 is \$430 million. The 2020 incremental value is approximately \$407 million. However, the City intends to propose future amendments to the TID 36 project plan, most likely to continue to invest in South Madison in advance of the Town of Madison's dissolution.

**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 is estimated at \$12.5M, including \$7,000,000 of project costs to support the creation of the Madison Public Market, \$5,000,000 of project costs to support public / private / non-profit partnerships and TIF loans, and \$500,000 of project costs related to administration. The total amount of non-assessable costs to be paid for with TIF funds is \$45,722,000.

**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 certified base value of TID 42 is **\$97,652,400**. 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 \$533 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 36's base value of \$97,652,400 is anticipated to grow by \$533 million at the end of the 27-year life of the TID. Assuming that the City incurs all of the \$45.7 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 36 may close in 2023. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2023 when the TID is forecasted to be closed is estimated to be \$430 million (*Note: variations are due to rounding*).

TID 36 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 \$7,278,000 of the proposed \$53,000,000 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.

**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 2023 as projected, it is estimated that approximately \$430 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$533 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure and other investments in TID 36 would not occur. The infrastructure improvements will continue to boost values within TID 36.

**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 \$2.4 million of tax revenues for the tax parcels included in TID 36, based on the base value of \$97,652,400. As stated earlier, the incremental value in 2032 at the end of the projected life of the TID is estimated at \$533 million. Theoretically, if the City invested all \$45.7 million of project costs in the district, which investment would leverage over \$533 million; or \$1 of TIF leverages approximately \$11.66 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 \$13 million, or a net gain of approximately \$10.6 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$45.7 million of public investment. This investment will further enhance the area, increase values in and around the District and help create new, family supporting jobs.