

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 41 (University-Whitney) 2021 Project Plan Amendment City of Madison

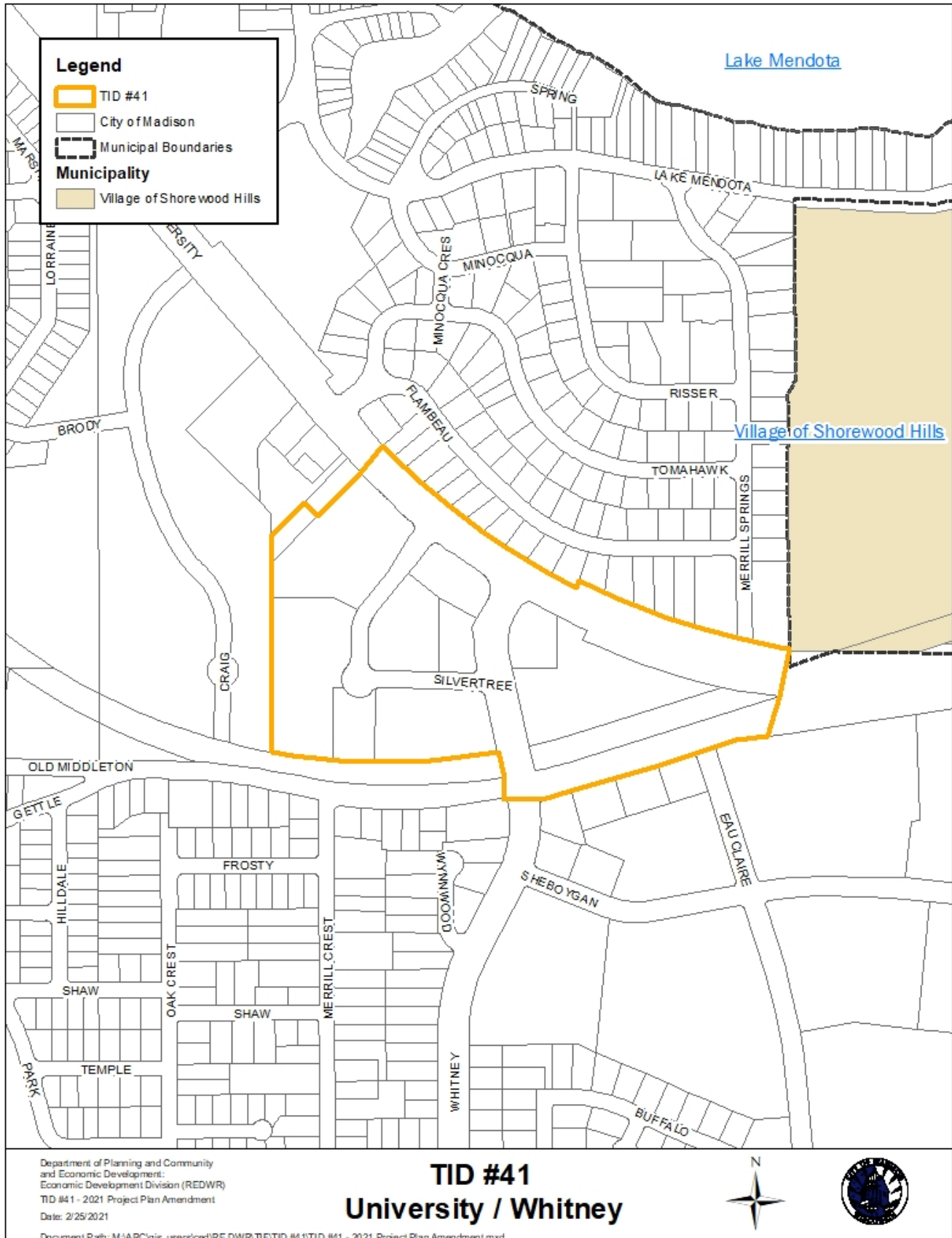
April 2, 2021

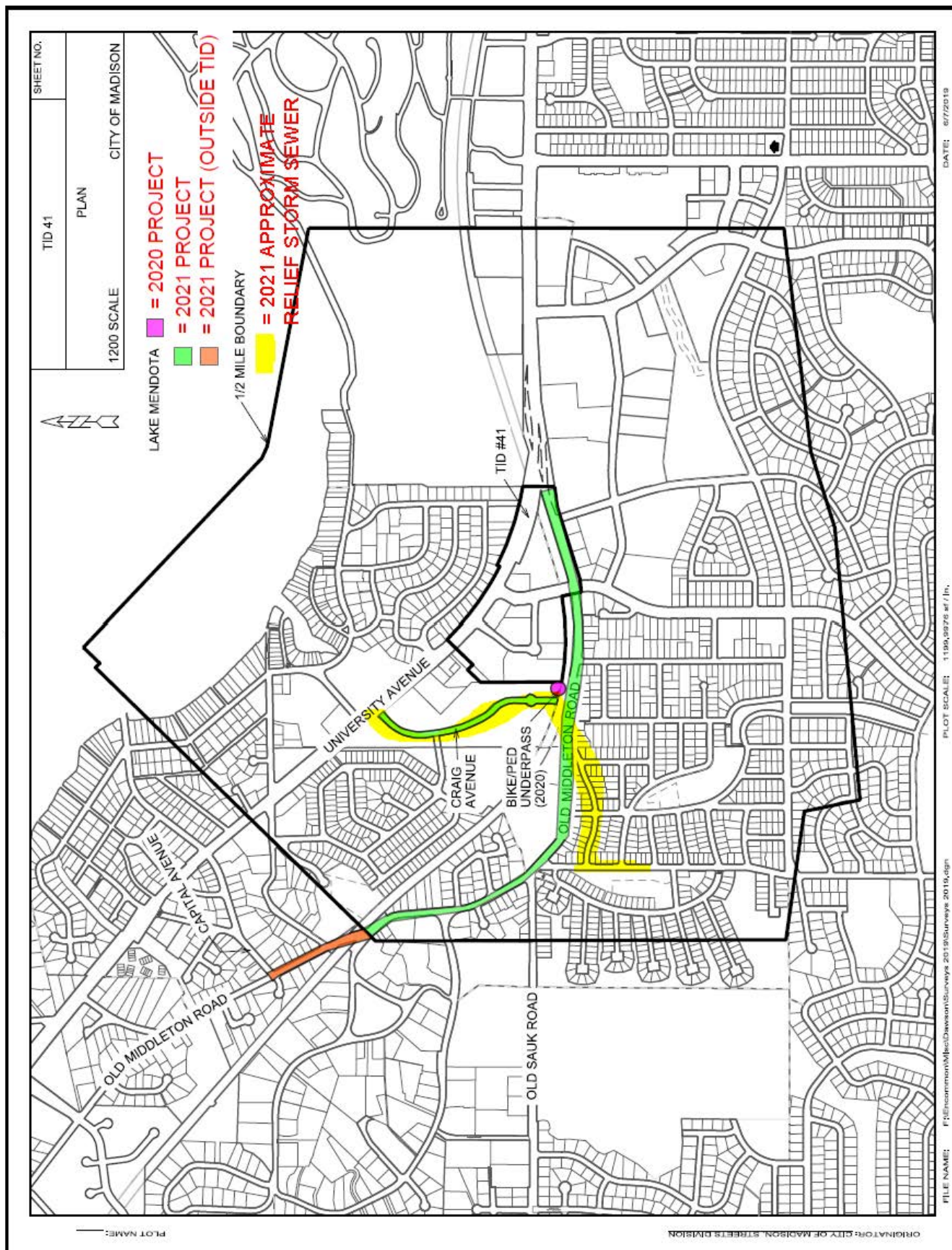
Background

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 41 (University-Whitney).

Summary of the TID #41 Project Plan

The map on the next page depicts the boundaries of TID 41, located at the intersection of University Ave and Whitney Way in 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: All added language from the 2019 Project Plan Amendment is highlighted in grey.

NOTE: All added language from the 2021 Project Plan Amendment is highlighted in green.

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
	\$4,478,000	\$0	\$4,478,000	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	2019-33
<i>SUBTOTAL</i>				
<i>Future Old Middleton Rd</i>	<i>\$1,850,000</i>	<i>\$250,000</i>	<i>\$1,600,000</i>	
<i>Future Craig Ave</i>	<i>\$580,000</i>	<i>\$60,000</i>	<i>\$520,000</i>	
<i>Future Underpass Reconstruction</i>	<i>\$1,500,000</i>	<i>\$0</i>	<i>\$1,500,000</i>	
Donation to TID #38	\$895,000	\$0	\$895,000	2019-33
Administration / Professional Services	\$368,362	\$0	\$368,362	2019-33
2019 Amendment Subtotal	\$5,193,362	\$310,000	\$4,883,362	2019-33
Total Project Costs	\$9,807,116	\$310,000	\$9,497,116	2019-33
2021 TID #41 Budget (Second Project Plan Amendment Project Costs)				
Stormwater	\$3,000,000	\$0	\$3,000,000	2021 - 33
Total Project Costs, including Original Project Plan, First Project Plan Amendment (2019) and Second Project Plan Amendment (2021)	\$12,807,116	\$310,000	\$12,497,116	2021 - 33
Second Amendment Financing Costs	\$825,000	\$0	\$825,000	2021-33
Previously Adopted Financing Costs	\$2,217,000	\$0	\$2,217,000	
Total Financing Costs	\$3,042,000	\$0	\$3,042,000	2021-33

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 **\$12,497,116** 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 41 generated an estimated \$6.5 million of incremental revenues. Based upon the City's TIF run, TID 41 will generate an additional \$27 million of incremental revenue through its expiration date of 2038. The net present value of these incremental revenues is \$15.6 million. **This would lead to a total forecasted incremental revenue over the entire life of TID 41 of \$33.5 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 **\$103,000,000**. 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.

Without any additional projects generating new incremental value, the estimated incremental value in 2026 is \$77 million. The 2021 incremental value is approximately \$69 million. However, the City may propose future amendments to the TID 41 project plan to fund additional development or infrastructure projects.

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 \$12,497,116.

The total amount of assessable costs not to be paid for with TIF funds is \$310,000.

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 41 is **\$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 2021 mill rate.

<u>Tax Jurisdiction</u>	<u>2021 Mill Rate</u>	<u>Share of Tax Levy</u>
City	8.65	36%
County	2.84	12%
MMSD	11.92	49%
MATC	0.92	4%
State of WI	<u>0.0</u>	<u>0%</u>
Totals*	24.33**	100%*

Source: City of Madison 2021 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 \$103 million. The benefits of these potential projects are: sharing new equalized value growth, blight elimination, 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 is anticipated to grow by \$103 million at the end of the 27-year life of the TID. Assuming that the City incurs all of the \$12.4 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 when the TID is forecasted to be closed is estimated to be \$77 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 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 \$12,497,116 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 2026 as projected, it is estimated that approximately \$77 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$103 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure and other investments described in the project plan document in and adjacent to TID 41 would not occur. The infrastructure and other improvements will continue to boost values within and adjacent to TID 41.

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, blight elimination, 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 \$455,000 of tax revenues for the tax parcels included in TID 41, based on the base value of \$18,703,300. As stated earlier, the incremental value in 2038 at the end of the projected life of the TID is estimated at \$103 million. Theoretically, if the City invested all \$12.4 million of project costs in the district, which investment would leverage over \$103 million; or \$1 of TIF leverages approximately \$8.24 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 \$2.96 million, or a net gain of approximately \$2.5 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$12.4 million of public investment. This investment will further enhance the area, eliminate blight, increase values in and around the District, and help create new, family supporting jobs.