

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 49 (Femrite Dr) 2021 Project Plan Creation City of Madison

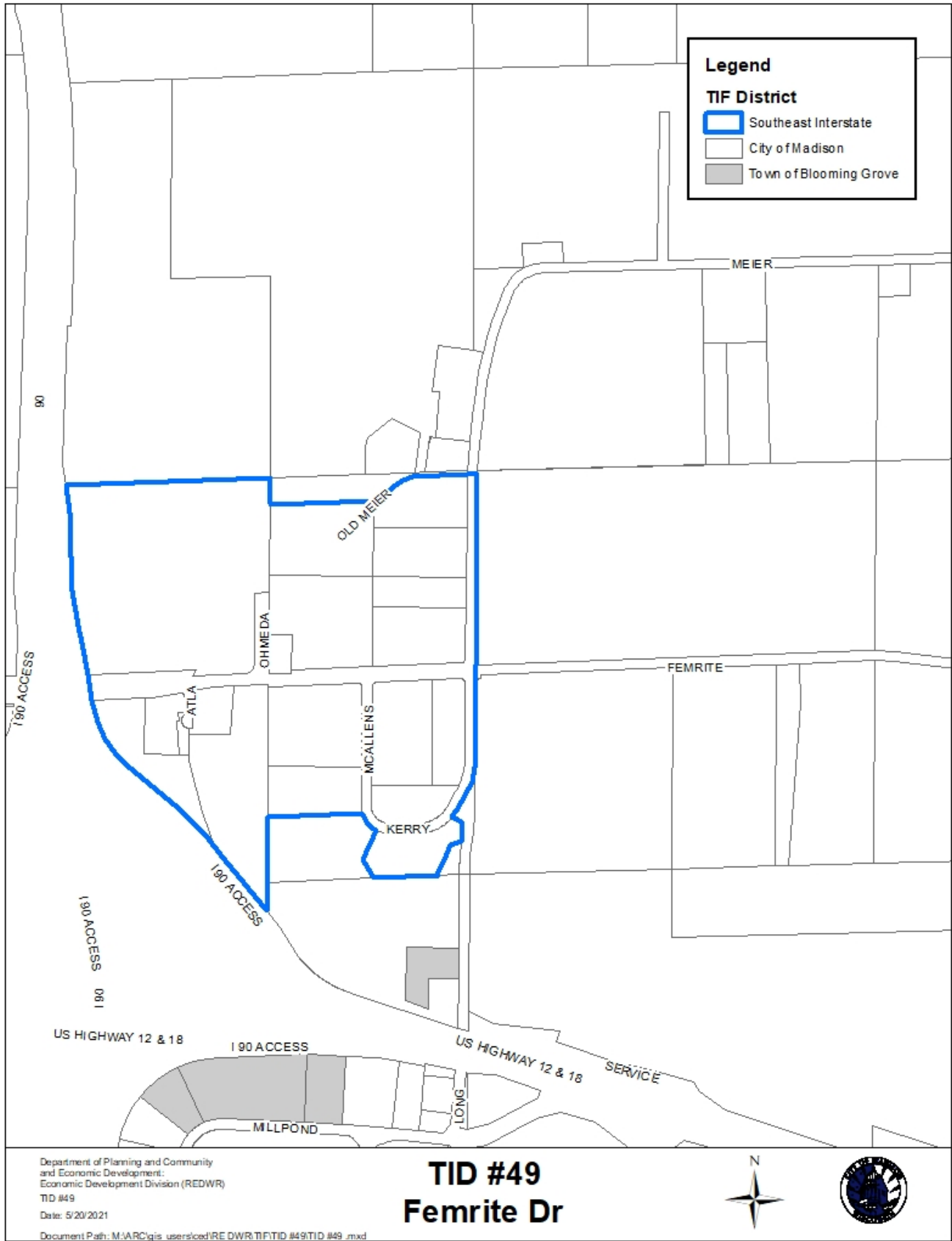
June 8, 2021

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 the proposed creation of a Tax Incremental District (TID). The Joint Review Board will meet at a future date to take action upon the proposed creation of TID 49 (Femrite Dr).

Summary of the TID 49 Project Plan

The map on the next page depicts the boundaries of TID 49 in the Femrite Dr and Meier Rd area of the City of Madison:



TIF Law Required Information for TID Creation Approval

1) Estimates of project costs and tax increments, including:

a) Specific items that constitute project costs; (See Chart Below)

TID 49 (2021 Costs)	Proposed TIF Funded Non-Assessable Cost	Assessable/ Non-Project Costs	Total	Time Frame
Total Public Improvements – Ohmeda Dr* (description below)	\$1,000,000	\$0	\$1,000,000	2021 – 2036
Development Loans				2021 – 2036
Madison Interstate East, LLC	\$2,100,000	\$0	\$2,100,000	2021 – 2036
Administrative and Professional Costs	\$500,000	\$0	\$500,000	2021 – 2036
TOTAL PROJECT COSTS	\$3,600,000	\$0	\$3,600,000	2021 – 2036
Finance Costs	\$990,000	\$0	\$990,000	2021 – 2036

NOTE: These project costs and non-project costs conform with State Statute 66.1105(4)(GM).

Project Description

Ohmeda Drive: Replace pavement, curb and gutter and sidewalk as necessary. Install pedestrian crossing enhancements, transit improvements

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 **\$3,600,000** of project costs.

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

Through the end of its potential 20 year life, based upon the City's TIF run, TID 49 is estimated to generate \$10.1 million of incremental revenue. The net present value of these incremental revenues is \$4.5 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 are anticipated to occur within the district, the anticipated incremental value of property within the district at the end of its 20-year life is estimated to be \$45,000,000. This value will be returned to the 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 revenues to pay all anticipated project costs by 2032.

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 is estimated at \$3,600,000. There are no assessable costs. This leaves a balance of \$3,600,000 of costs to be paid for with TIF funds.

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 estimated base value of TID 49 is **\$22,537,200**. 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>	0%
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 estimated of the total incremental value resulting from potential development projects, and economic growth or value appreciation over the life of the TID is estimated to be \$45 million. The benefits of these potential projects are: infrastructure improvements and sharing new equalized value growth in the district and throughout the City of Madison.

TID 49's estimated base value of \$22,537,200 is anticipated to grow by \$45 million at the end of the 20-year life of the TID. Assuming that the City incurs all of the \$3.6 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 49 may close in 2032. The average life of a TID in the City of Madison is 12 years. The estimated incremental value of the TID in 2032 when the TID is forecasted to be closed is estimated to be \$34 million (*Note: variations are due to rounding*).

TID 49 is an "industrial" 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.

None of the proposed \$3,600,000 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 balance of these costs, \$3,600,000, can be funded through tax increments, as described in this report and the TID 49 project plan.

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 2032 as projected, it is estimated that approximately \$34 million of incremental value would return to the overlying taxing jurisdictions. At 20 years, the District would return approximately \$45 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure investments described in the project plan document in TID 49 would not occur. The infrastructure and other improvements will continue to boost values within TID 49.

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 and tax base growth 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 \$548,000 of tax revenues for the tax parcels included in TID 49, based on the estimated base value of \$22,537,900. As stated earlier, the incremental value in 2032 at the end of the projected life of the TID is estimated at \$34 million. Theoretically, if the City invested all \$3.6 million of project costs in the district, which investment would leverage over \$34 million; or \$1 of TIF leverages approximately \$9.44 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 \$1.375 million, or a net gain of approximately \$827,000 as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$3.6 million of public investment. This investment will further enhance the area and increase values in and around the District, and help create new, family supporting jobs.