



Legislation Text

File #: 15476, **Version:** 1

Fiscal Note

A staff analysis of the potential tax increment associated with this proposed TIF loan has not been completed. No increment has yet been accumulated in this newly established TIF district and funding authorization for such loans was not included in the current year capital budget. Future tax increment anticipated from initial base growth in this large district has already been committed through an earlier budget amendment to fund the City's contribution towards the Bio-Link Incubator project, and it is not known when sufficient additional increment would be generated by the proposed Danisco project to repay the \$300,000 forgivable loan authorized in this resolution.

Title

SUBSTITUTE - Amending the 2009 Capital Budget to authorize a TIF Loan in the amount of \$300,000 to Danisco USA, Inc. in Tax Incremental District (TID) No. 39 (Stoughton Road) and authorizing the Mayor and City Clerk to execute a development agreement to fund the TIF Loan in the amount of \$300,000 to Danisco USA, Inc. to assist in the expansion of its existing facilities in Tax Incremental District No. 39 (Stoughton Road).-BY TITLE ONLY-

Body

On June 19, 2009 TIF staff received a TIF Application (dated May 29, 2009) signed by the Borrower's finance director. The Borrower pledged \$12.7 million of internal investment from its parent company, requesting \$300,000 in TIF assistance. City of Madison TIF Policy requires that all projects requesting TIF assistance demonstrate the "but for" through an objective gap analysis. TIF staff could not determine that a statutory "but for" exists based upon the documents provided by Borrower with the TIF application. The Borrower recently purchased a plant in Rochester, NY. Staff has been informed that this expansion could occur at either the Madison or Rochester plants. The Borrower requests that the City consider providing \$300,000 of TIF assistance using "competitive factors" rather financial gap analysis.

WHEREAS on September 3, 2008 the Common Council of the City of Madison adopted RES 08-00817, ID No. 11506, approving the creation of TIF District Number 39 Boundary and Project Plan for the District, which states that the City of Madison has created said district to advance adopted City objectives for encouraging industrial growth and orderly land development; and

WHEREAS, Danisco USA, Inc. ("the Borrower") now employs 154 FTEs in Madison and would retain 20 jobs and create 25 jobs in Madison; and

WHEREAS ("Borrower") has requested that the City of Madison make a \$300,000 loan for the purpose of constructing a 10,000 SF expansion, at a cost of \$13 million, at their facility located at 3322 Agricultural Drive; and

WHEREAS the accompanying financial statements provided by the Borrower demonstrate the Borrower's sound financial condition such that the Borrower does not meet the "but for" standard required in TIF Law, as determined by the City of Madison TIF Policy through gap analysis.

NOW THEREFORE BE IT RESOLVED that in furtherance of the objectives of the project plan for TIF District Number 39 and in conformity with the TIF law of the State of Wisconsin, and such other applicable statutes as may be appropriate, the Mayor and City Clerk are hereby authorized to execute an agreement to undertake development and authorize a loan of \$300,000 to Borrower subject to the following conditions:

1. Repayment of said loan shall be made through tax incremental revenues generated by the real estate and improvements to be constructed at 3322 Agriculture Drive, to be evidenced by a mortgage note. The Borrower shall provide an increment guaranty to the City's satisfaction.
2. The City of Madison shall secure a second mortgage lien in the amount of \$300,000 subordinated to a first mortgage lien on the real estate and improvements to be constructed at 3322 Agriculture Drive. The mortgage shall be released and the note satisfied when a combination of increment and out-of-pocket payments equal the amount of the loan recovered by the City.
3. In approving the TIF Loan to Borrower, the Common Council of the City of Madison authorizes an exception to the following TIF Policy provision:

TIF Policy 4.1 (6) **"But for" Standard.** Each project must demonstrate sufficient need for the City's financial assistance, so that without that assistance, the proposed project would not occur. Every other financial alternative is to be exhausted prior to the use of TIF, including equity participation, other federal and state funds, bonds, tax credits, loans, etc. TIF assistance will be utilized as gap financing. Each project must demonstrate a probability of success.
4. On or before September 1, 2009, the Borrower shall pay the required TIF Application fee of .005 times the amount of TIF assistance requested.

BE IT FURTHER RESOLVED that the Common Council finds this amount to be necessary for the implementation of the project plan for TIF District Number 39 in which the proposed development is situated.

BE IT FURTHER RESOLVED that the Common Council finds that the project meets a public purpose by retaining and attracting jobs to the City of Madison.

BE IT FURTHER RESOLVED that the 2009 Capital Budget be amended to authorize a \$300,000 expenditure to fund the TIF Loan to Borrower, located in TID #39.

BE IT STILL FURTHER RESOLVED that the Mayor and City Clerk are hereby authorized to execute any other documents as may be necessary to complete this transaction, all of which are subject to the approval of the City Attorney.