

Project Plan for

TAX INCREMENTAL FINANCE DISTRICT #41  
(UNIVERSITY-WHITNEY)

City of Madison

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# TAX INCREMENTAL FINANCE DISTRICT # 41 (UNIVERSITY-WHITNEY)

**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.**

## INTENT AND PURPOSE

The City of Madison (the “City”) has established that the health of the Madison area economy is vital. The City intends to continue to expand, stabilize and diversify its economic base. The City also recognizes that the area at the intersection of University Avenue and Whitney Way is an underutilized commercial site that is a critical entry to the City from communities from the west. To that end, the City may utilize its various implementation tools, such as the City and Community Development Authority’s (CDA) development revenue bonds, tax incremental financing (TIF), and other State or federal tools that may be available.

In particular, the City of Madison is proposing to create Tax Incremental District (TID) #41–(University - Whitney) as a blighted area TID, for the purposes of:

- 1) Elimination of blighting conditions
- 2) Financing public works improvements
- 3) Stimulating commercial redevelopment and the retention or creation of jobs
- 4) Retention, expansion and attraction of business

## PROPOSED CHANGES IN ORDINANCES, CODES OR PLANS

The project elements proposed in this Project Plan conform to the objectives and conceptual recommendations contained in the Objectives and Policies, A Part of The Master Plan For The City of Madison (the “Master Plan”) as approved by the City Plan Commission. No changes in the Official Map, Building Codes or other City Ordinances appear to be necessary to implement the Project Plan. Zoning changes may be necessary as commercial projects are proposed for the area, although none are proposed at this time. The Plan Commission reviews such proposals.

This TID is presently zoned, R1, R5, C1, C2 and C3 ~~SR-C1, NMX, SR-V2, PD, and SE.~~

### **Consistency With the City of Madison Comprehensive Plan**

This Project Plan conforms to the objects and recommendations in the City of Madison Comprehensive Plan, as adopted on August 7, 2018. **The City’s Comprehensive Plan can be found at:**

**<https://www.cityofmadison.com/dpced/planning/plans/440/>**

~~Volume II, Chapter 2 of the Comprehensive Plan, entitled “Objectives and Policies for Established Neighborhoods on pages 2-16 through 2-43, stipulates goals and objectives that are consistent with the activities planned for the proposed TID #41, including but not limited to the following:~~

~~Objective 22: Seek to reduce the demand for vacant development land on the periphery of the City by encouraging urban infill, redevelopment and higher development densities in areas recommended in City plans as appropriate locations for more intense development~~

~~Objective 35: Maintain and enhance economically viable business centers as a source of local employment, a focal point for neighborhood activities and a centralized convenience shopping and service center for area residents.~~

~~Objective 39: Provide for the growth and expansion of major community institutions such as colleges and universities, schools, medical facilities, governmental civic and cultural facilities, and similar uses while protecting the character and integrity of adjacent neighborhoods.~~

~~Objective 43: Provide and upgrade as necessary essential neighborhood infrastructure and services including streets, utilities, transit service, sidewalks, parks, schools, police and fire, ambulance service and code enforcement.~~

~~Objective 43: Encourage private investment and property maintenance in existing developed areas to prevent property deterioration and promote renovation and rehabilitation.~~

Also in Volume II, Chapter 2, pages 2-48 through 2-55:

~~Objective 54: Primary entry routes into the City and to important destinations within the City should provide a welcoming and attractive gateway to the community.~~

~~Objective 59: Identify sites within the City and its planned urban expansion areas that are appropriate locations for mixed-use employment and commercial activity centers.~~

~~Objective 61: Develop and implement strategies to strengthen and diversify the local economy, expand the local tax base, cultivate an entrepreneurial culture, and stimulate job creation, while preserving and enhancing the high quality of life currently enjoyed by City residents and businesses.~~

~~Objective 62: Retain and expand Madison's existing base of offices, research and development businesses and industrial facilities.~~

~~Objective 65: Transform, over time, existing conventional suburban-style commercial developments into more compact, mixed-use, pedestrian, bicycle and transit-oriented destinations that have a greater variety of activities including retail, office, entertainment, civic, open space and residential uses.~~

Volume II, Chapter 5, Page 5-5 through 5-13 of the Comprehensive Plan, entitled "Economic Development, The Plan: Goals, Objectives, Policies and Implementation Recommendations" stipulate goals and objectives that are consistent with the activities planned for the proposed TID #41, including but not limited to the following:

~~Objective 1: Grow the city's role as a leader of economic prosperity in the region and the predominant urban economic center.~~

~~Objective 6: Nurture and cultivate the innovation potential of the region by leveraging the community's institutional assets and competencies.~~

~~Objective 7: Support Madison's diversified economic base by providing adequate land and infrastructure to make locations in the City attractive to business.~~

~~Objective 9: Redevelop appropriate underutilized, obsolete, abandoned or contaminated sites for commercial and industrial uses.~~

~~Objective 10: Enhance neighborhood commerce and retail capacity, especially in older neighborhoods.~~

## **Consistency With TIF Policy**

The **amended** Project Plan is also consistent with City of Madison Tax Incremental Finance Objectives and Policies (the "TIF Policy") adopted by the City's Common Council on April 17, 2001 and amended on March 31, 2009 **and on February 25, 2014**. The Project Plan conforms to the following TIF Policy objectives:

## **SECTION 1: TIF GOALS, OBJECTIVES AND STRATEGIES**

### **Goal 1: Support Economic Development**

TIF Objectives:

**(2) Job Creation through New Business Development.** New business development in high-need areas or industrial TIDs to create living wage jobs.

**(3) Job Creation through Attraction, Retention, Expansion of Existing Business.** Attraction, retention or expansion of existing business in high-need areas or industrial TIDs that create and retain jobs with a preference.

The amended project plan conforms to the following TIF Goals as adopted by the City of Madison Common Council in the “City of Madison TIF Goals, Objectives, and Process”:

- A) Growing the property tax base.
- C) Encouraging the adaptive re-use of obsolete or deteriorating property.
- D) Encouraging urban in-fill projects that increase (or decrease where appropriate) density consistent with the City’s Comprehensive Plan.
- G) Funding public improvements that enhance development potential, improve the City’s infrastructure, enhance transportation options, and improve the quality and livability of neighborhoods.
- I) Reserving sufficient increment for public infrastructure in both TIF project plans and TIF underwriting.

## PROPOSED PROJECT COSTS

The following represent total estimated costs. By TIF Law, TIF may only pay for the non-assessable portion of these costs. More detail is provided in the section entitled “Detailed Estimate of Timing and Project Costs” that estimates the amount of cost paid with TIF.

### Water Main Repair

Water Main Repair \$0

### Sanitary Sewer Repair

Sanitary Sewer Repair \$0

### Storm Sewer Repair

Storm Sewer Repair \$432,000 \$3,000,000

### Street Repair, Rehabilitation

~~Street Repair includes resurfacing, reconstruction or other such repairs.~~

University Avenue	
- 375' north of Flambeau to bridge over WSOR RR	
Whitney Way	
- Old Middleton to University Ave	
Old Middleton Road	
- Whitney Way to 300' east of Eau Claire	
Street Reconstruction	
Old Middleton Rd (Within TID #41 and within ½ Mile)	
Craig Ave (Within ½ Mile)	
Underpass (Within ½ Mile)	
Subtotal Streets	\$3,624,116 969,000

### Bike Paths, Pedestrian Accommodations, Traffic Calming

Subtotal Bike Paths, Pedestrian Accommodations and Traffic Calming \$240,000

### Revitalization Loans

Where necessary or convenient to the implementation of the Amendment, TIF assistance in the form of loans may be provided to private development projects that demonstrate that “but for” such TIF assistance, the project would not occur.

TIF Law allows such funds to be used to reduce the cost of site acquisition or site improvements including the construction or razing of buildings, parking facility construction, site preparation, environmental remediation, landscaping and similar types of related activities.

Estimated Cost: \$4,478,000 6,000,000

## Donations to Other TIDs

In 2014, the City of Madison adopted Legistar #33741 (RES-14-00388), providing for a donation of \$2,500,000 of tax increments from TID #35 to TID #38. This donation provided for five (5) equal donations of \$500,000 in each year, starting in 2016.

As provided for under TIF Law, the City of Madison is amending the TID #35 donor plan in the fourth year of its donation period. In 2019, the City of Madison is proposing to donate an additional \$2,210,000 of tax increments to TID #38. The timing and amount of the proposed donations from both TID #35 and TID #41 is shown in the table below.

The estimated cost of this activity in TID #41 is **\$895,000**.

<b>Donor District</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
TID #35 (1st Donation)	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$-	\$-	\$-	\$2,500,000
TID #35 (2nd Donation)	\$-	\$-	\$-	\$1,300,000	\$910,000	\$-	\$-	\$-	\$2,210,000
TID #41	\$-	\$-	\$-	\$-	\$895,000	\$-	\$-	\$-	\$895,000
Total	\$500,000	\$500,000	\$500,000	\$1,800,000	\$2,305,000	\$-	\$-	\$-	\$5,605,000
<b>Recipient District</b>									
TID #38	\$500,000	\$500,000	\$500,000	\$1,800,000	\$2,305,000	\$-	\$-	\$-	\$5,605,000

## Organizational, Administrative and Professional Costs

TID Administration: This category of project costs includes estimates for administrative, professional, organizational and legal costs. Project costs may include salaries, including benefits, of City employees engaged in the planning, engineering, implementing and administering activities in connection with TID #41, supplies and materials, contract and consultant services, and those costs of City departments such as the Comptroller's Office, City Attorney, City Engineer, Parks Division, Planning & Development and the Office of the Mayor.

Estimated

Cost: **\$500,000**

~~\$400,000~~

**TOTAL COST: \$9,497,116 ~~8,141,000~~**

## Financing Costs

The total TIF-eligible cost authorized in the Detailed Estimate of Project Cost and Timing represents the total TIF Capital Budget for which TIF funds may be used. Finance costs represent the estimated amount of interest incurred if the City were to borrow funds to pay for the entire TIF-eligible costs.

Staff estimates that potential growth within the District, as proposed by the developer of the TIF generator project, may generate tax increments sufficient to recover \$17,210,000 of potential total costs. ~~However, as such projected value growth is phased over a 7-10 year period and later phases are less certain, the City of Madison forecasts that it may require only such tax increments that would recover an estimated \$8,141,000 of total costs through TIF-eligible indebtedness and an estimated \$2,217,000 of financing cost.~~ Over the life of the District, if value growth exceeds the estimates herein, the City of Madison may amend the Project Plan to provide for new project costs, if necessary and appropriate, contingent upon approval by the Common Council and Joint Review Board.

In 2019, the City of Madison is amending the TID #41 Project Plan to modify the total project costs that TID #41 may recover through tax increments to a total of \$9,497,116. These project costs will be paid for through tax increments, as demonstrated in the originally adopted project plan. The original project plan, as noted above, indicates that TID #41 will generate sufficient tax increments to recover \$17,210,000 of potential total costs. However, The City of Madison is only seeking to authorize the expenditure of \$9,497,116 of project costs through this first Project Plan Amendment.

In 2021, the City of Madison is amending the TID #41 Project Plan to modify the total costs that TID #41 may recover through tax increments to a total of \$12,497,116. These project costs will be paid for through tax increments, as demonstrated in the originally adopted and previously amended project plan. The City of Madison is seeking to authorize the expenditure of a total of \$12,497,116 of project costs through this second Project Plan Amendment.

## DETAILED ESTIMATE OF TIMING AND PROJECT COSTS

The following are the eligible project costs as provided for under Section 66.1105 (2)(f), Wisconsin Statutes and the timing in which certain project costs will be incurred. TIF Law requires that all project plan expenditures be made within a blighted area TID within 22 years of its creation. **However, City of Madison TIF Policy requires that all expenditures be made within 12 years of creation.** Certain project costs will be subject to the anticipated long-term development expectations as described elsewhere in this Plan. **The actual eligible project costs herein (shown below) may vary or may be adjusted without a project plan amendment, so long as the total amount of eligible costs does not exceed the amount adopted in the Project Plan.**

Project Cost	Total Cost	Assessable	TIF Cost	Timing
<b>Street Rehab / Reconstruct</b>	\$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
<b>Subtotal Street Rehab / Reconstruct</b>	<b>\$1,050,000</b>	<b>\$81,000</b>	<b>\$969,000</b>	<b>2011-33</b>
-	-	-	-	-
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	
Administrative and Professional	\$500,000	\$0	\$500,000	2011-33
	\$131,638	\$0	\$131,638	
<b>TOTAL CAPITAL COSTS (TIF Capital Budget)</b>	<b>\$8,222,000</b>	<b>\$81,000</b>	<b>\$8,141,000</b>	<b>2011-33</b>
<b>Total Finance Costs</b>	<b>\$2,217,000</b>	<b>\$0</b>	<b>\$2,217,000</b>	<b>2011-33</b>

Amended TID #41 Budget (First Amendment Project Costs)				
Street Reconstruction	\$3,930,000	\$310,000	\$3,620,000	2019-33
<b>SUBTOTAL</b>				
Future Old Middleton Rd	\$1,850,000	\$250,000	\$1,600,000	
Future Craig Ave	\$580,000	\$60,000	\$520,000	
Future Underpass Reconstruction	\$1,500,000	\$0	\$1,500,000	
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

## SUMMARY OF TOTAL PROJECT COSTS AND ECONOMIC FEASIBILITY

The project costs include the estimated costs of planning, engineering, construction or reconstruction of public works and improvements and financing costs. The above chart identifies Non-Project Costs that are to be paid from revenue sources other than tax increments. **The actual eligible project costs may vary or may be adjusted without a project plan amendment, so long as the total amount of eligible costs does not exceed the amount adopted in the Project Plan.**

### How Tax Increments Are Generated, Used

Under the Wisconsin TIF Law, the property taxes paid each year on the increase in equalized value of the Tax Incremental District may be used by the City to pay for eligible project costs within the TID. Taking the TID's current value as a result of growth and deducting the value in the District that existed when the District was created determines the increase in value. All taxes levied upon this incremental (or increased) value by the City, Madison Metropolitan School District, Dane County, and the Madison Area Technical College District are allocated to the City for direct payment of project costs and payment of debt service on bonds used to finance project costs.

Per TIF Law, the maximum life of a blighted area TID is 27 years and all project expenditures must be made five (5) years prior to the termination of the TID. Therefore, all project expenditures must be made by December 31, 2033. Tax increments may be received until project costs are recovered, at which time the TID must close.

### TIF-Eligible Capital Budget

The cost of public improvements and other project costs is **\$12,807,116** ~~\$9,807,116~~ ~~8,222,000~~. It is anticipated that ~~\$310,000~~ ~~81,000~~ of the project costs will be assessable to property owners. These assessments have been determined in accordance with the City and Board of Public Works standard special assessment policies. The **\$12,497,116** ~~\$9,497,116~~ ~~8,141,000~~ balance of the TIF-eligible project costs (i.e. net of assessable costs) represents the authorized TIF Capital



Budget for this Project Plan and will require financial support by incremental taxes from the District and other financing sources.

#### Estimate of Economic Feasibility, TIF Generator(s)

**2021 UPDATE:** At the end of 2020, the actual incremental value of TID 41 was \$69,765,100. At the end of 2020, TID 41 was estimated to have \$366,000 of outstanding debt remaining to be recovered. The City estimates that in 2021 TID 41 will generate \$1,100,000 in incremental revenue. The 2021 Capital Budget for TID 41 includes the following \$5,250,000 of project costs:

- \$2,250,000 – Old Middleton Rd / Craig Ave reconstruction previously approved in the 2019 project plan amendment.
- \$3,000,000 – Stormwater costs proposed in the 2021 project plan amendment.

These \$5,250,000 of 2021 Project Costs, added to the \$366,000 of outstanding debt, will leave a total of \$5,616,000 of debt to be recovered. Assuming TID 41 generates the estimated \$1,100,000 of incremental revenue in 2021, there will be approximately \$4,516,000 of remaining debt to be recovered at the end of 2021. Assuming these costs are incurred, the incremental revenues do not change, and that no additional borrowing is undertaken, City Staff estimate it will take five (5) years to recover its outstanding debts and be able to close in 2026.

**2019 UPDATE:** At the end of 2018, the actual incremental value in TID #41 was \$38,393,700. Assuming no additional borrowing takes place in 2019, at the end of 2019, City Staff estimates that TID #41 will have an estimated \$1,600,000 of outstanding debt. In 2019, TID #41 is estimated to generate approximately \$895,000 of incremental revenue. The proposed future project costs, including the Street Reconstruction and donation to TID #38 will cost an estimated \$4,883,362. Assuming these costs are incurred and the incremental revenue does not change, TID #41 will recover its outstanding debts and be able to close in approximately seven (7) years.

TIF Policy requires a proposed TID have an economic “generator” i.e. at least one private development project that generates increment to finance TID costs. Such generators must have an incremental value at completion of least \$3 million as a prerequisite of creating a new TID. The determination of economic feasibility herein, including such TIF generators, is based on anticipated, near-term development, as well as projected development through 2038. The anticipated development for TID #41 includes:

- 1) An estimated \$24 million, 60,000 SF, privately-owned UW Digestive Health Clinic developed as Phase I of the former Erdman Property at University Avenue and Whitney Way.
- 2) An estimated \$66 million of Phase II development including two (2) additional, privately-owned UW Clinic buildings of 80,000 SF and 60,000 SF.
- 3) An estimated Phase III \$40 million of office, hotel and retail uses.

Total Estimated Incremental Value of all TIF Generators: \$130 million.

As stated under the Finance Costs section, such projected value growth is over a 7-10 year period and is less certain. Therefore, the City of Madison estimates that approximately \$42,400,000 of the projected \$130,000,000 of economic generators demonstrate imminent potential. As such, the City of Madison has forecasted that approximately \$8,141,000 of TIF-eligible project costs could be recovered through tax increments on this discounted value estimate. If value growth exceeds the estimates herein over time, the City of Madison may amend the Project Plan to provide for new project costs, if necessary and appropriate, but contingent upon approval by the Common Council and Joint Review Board.

As demonstrated in the section entitled Expectations for Development, a conservative and discounted estimate of total incremental value resulting from these and other development projects, and economic growth or value appreciation over the life of the TID is estimated to be **\$40,300,000**. This value is projected to produce incremental revenues sufficient to support the project costs stated above.

Project expenditures will be contingent upon development actually occurring or committed to occur. Since the majority of the project cost is financed with long-term debt, borrowing would be undertaken only when sufficient development actually occurs to support each borrowing segment and the expenditure of such funds.

Based on the current tax rates and conservative financial market assumptions, the anticipated economic growth of tax incremental revenues over the life (i.e. the total amount of tax increments over 27 years) of the TID should total

approximately **\$52,179,000**. The present value of the total incremental revenues that are anticipated to be generated is **\$17,210,000, although only \$9,497,116 8,444,000 of that amount is authorized herein.**

As of the proposal of the 2021 Project Plan Amendment, the City estimates that the total amount of incremental revenues that will be generated over the remaining life of TID 41 will be approximate \$27.4M. The present value of these total incremental revenues to be generated is \$15,641,000. However, **the 2021 Project Plan Amendment authorizes the expenditure of only \$12,497,116**

As previously indicated, each segment of the project (i.e., every individual cost element) will require subsequent approval by the Common Council and/or the CDA. The method of financing and the individual debt issues will also require Common Council approval. It is the City's intent to closely monitor all planned and actual development within the TID. The actual City investment in TID #41 may, therefore, be less than the amount shown in the Project Plan.

### **Finance Cost**

~~Staff estimates that TID increment could support interest payments on capital borrowing. The estimated interest and finance cost to borrow the entire estimated capital cost is **\$2,217,000**.~~

The City of Madison estimates that the projects included in the 2021 Project Plan Amendment will generate an additional \$825,000 of interest and financing costs. This would raise the total estimated capital cost from \$2,217,000 to \$3,042,000.

## **PROMOTION OF ORDERLY LAND DEVELOPMENT**

The City of Madison Comprehensive Plan, as adopted on August 7, 2018, identifies this area for Community Mixed Use (CMU). CMU allows for 2-6 story buildings, with exceptions for larger, comprehensively planned mixed-use projects or as part of a transition from suburban car-oriented layout to a more urban, pedestrian-oriented layout. Further information on CMU category can be found at: <https://imaginemadisonwi.com/>.

~~The City of Madison Comprehensive Plan outlines land use and design guidelines specific to the intersection of University Avenue and Whitney Way. In particular, the plan notes a preference for "neighborhood mixed-use" (NMU), and "employment" (E), as noted in the following excerpt from Volume II, Chapter 2, pages 2-87 and 2-95 of the Comprehensive Plan:~~

### **Neighborhood Mixed-Use (NMU)**

~~Neighborhood Mixed-Use districts are the recommended locations for clusters of relatively small convenience shopping and service uses that serve as activity centers and gathering places for the surrounding neighborhoods or districts.~~

#### **Recommended Land Uses**

- ~~\* Neighborhood serving commercial buildings and uses. While primarily intended to serve the adjacent neighborhoods, neighborhood mixed-use districts may also include specialty businesses serving wider markets, provided the size of establishment and scale of building is consistent with the character of the district and the surrounding neighborhood.~~
- ~~\* Housing types similar to Low-Density Residential districts, but with no fixed maximum number of apartment or row house dwelling units in a building, provided the building scale is appropriate. Generally, this will be a relatively small building when the adjacent neighborhood is low density.~~
- ~~\* Mixed-use buildings.~~
- ~~\* Non-commercial residential support uses similar to Low-Density Residential districts.~~

#### **Recommended Development Intensity**

- ~~\* Generally, buildings should be between two and four stories in height. Specific height standards should be established in neighborhood or special area plans, and should be compatible with the scale and intensity of the adjacent neighborhood. One-story buildings may be appropriate in limited circumstances but are not encouraged.~~

- ~~• The maximum development intensity (floor area ratio) for commercial uses should be established in a detailed neighborhood or special area plan.~~
- ~~• Gross square footage of commercial buildings (including single tenant and multi-tenant buildings) should not exceed 10,000 square feet, except for neighborhood serving grocery stores, which should not exceed 25,000 square feet.~~
- ~~• Net residential densities within a neighborhood mixed use district generally should not exceed 40 dwelling units per acre, but a neighborhood or special area plan may recommend small areas within the district for a higher maximum density if the development is compatible with the scale and character of the neighborhood.~~

### **Employment (E)**

~~Employment districts (as distinct from the Commercial districts) are recommended as predominantly office, research and specialized employment areas; and generally do not include retail and consumer service uses serving the wider community. Limited retail and service establishments primarily serving employees and users of the district are encouraged. Although primarily used to identify relatively large, multi-establishment employment districts, such as the University of Wisconsin Research Park, the designation may also be applied to an individual property, such as a hospital, for example.~~

### **Recommended Land Uses**

- ~~• Corporate and business offices.~~
- ~~• Research facilities and laboratories.~~
- ~~• Hospitals, medical clinics and similar uses.~~
- ~~• Complementary uses primarily serving district employees and users, such as business services, conference centers, child care, restaurants, convenience retail, and hotels and motels.~~

### **Recommended Development Intensity**

~~No fixed limits on size of establishment or development intensity, but all uses should be compatible with the density and scale of surrounding development. More specific recommendations may be included in applicable neighborhood or special area plans, and also will be established by applicable zoning regulations. The recommended intensity of development will vary greatly depending on location.~~

### **Spring Harbor Neighborhood Plan**

The Spring Harbor Neighborhood Plan (SHNP), adopted in November 2006, calls for specific uses in TID #41. The SHNP refers to the area in TID #41 as "Spring Harbor (SH) Sites 1 and 2". The SHNP sets out the following Goals and Recommendations for the parcels in TID #41 (SH Sites 1 and 2) on Page 43:

Goal 9: Community Mixed Use and Employment development should be supported on SH Sites 1 and 2.

Recommendation 25: Encourage retention of existing businesses within SH Sites 1 and 2 as redevelopment occurs.

Recommendation 26: Encourage a diverse mix of services and stores that serve the neighborhood and the community and redevelopment occur.

Recommendation 27: Explore financing options to facilitate redevelopment. The dollars gained from funding sought should also go towards increasing physical neighborhood amenities such as entrance signs and decorative lighting.

## EXPECTATIONS FOR DEVELOPMENT

The expectations for development in TID #41 have been developed from and predicated on the Master Plan, Comprehensive Plan and the Land Use Plan for the City of Madison, as adopted by the Common Council. These adopted plans include a land use schedule that indicates a preference for ~~commercial uses~~ **Community Mixed Use** in the area designated as TID #41 (See TID #41 Map - Proposed Land Uses).

### Potential Areas for Development

Potential areas for development are identified as the 16.9 acre, former Erdman property located at the southwest corner of University Avenue and Whitney Way, owned by the UW Hospital and Clinics, to be privately developed over time for health care and supportive commercial hospitality uses (i.e. office, restaurant, coffee shop, hotel, etc.).

### Annual Value Increment Estimates

**Definition of Value Increment:** The increase in value is determined by deducting the value in the TIF district that existed when it was created (i.e. the “base value”) from the TIF district’s increased value as a result of new development. Appreciation of the base value and the new development over the full 27-year life of the TIF district is also included in this estimate.

**Timeframe for Development:** For the purposes of this project plan’s economic expectations new development projects, the TIF generator projects indicated herein are expected to occur within the first 10 years of the district’s life. It is the City’s practice to anticipate development, repayment of costs and closure of the district within a shorter timeframe than the full 27-year period allowed by TIF Law. On average, a City TIF district is closed within about 12 years. City TIF Policy requires that new TIDs operate with a 12-year expenditure period rather than the 22-year period allowable under TIF Law a policy that encourages improvements to be made sooner so that the maximum potential of tax increments accruing over time may be available to pay for the cost. To the extent that the District meets or exceeds economic expectations, it is then able to repay its project costs and return the value increment to the overlying taxing jurisdictions in a shorter period of time.

**Anticipated Development:** The actual timing and value of new growth within the District depends upon variables that are unpredictable at this time. However, the estimated \$24 million UW Digestive Health Clinic is anticipated within 2012-13. An additional \$66 million of subsequent development projects may occur in Phase II between 2015 and 2016 and \$40 million of development between 2017 and 2019. Other than Phase I and a portion of Phase II, subsequent development of the former Erdman site is predicated upon factors that are unpredictable at this time. The total value increment (including appreciation of property value within the district) generated over the 27-year life of the district is estimated at approximately \$227,400,000. This growth is estimated to generate approximately \$52,178,000 of tax increment over the life of the district that could support \$17,210,000 of project cost, although only \$8,141,000 of such costs is authorized herein based upon approximately \$42,400,000 of the \$130,000,000 of potential development.

**2019 Project Plan Amendment:** As demonstrated in the originally adopted TID #41 Project Plan, TID #41 could support up to \$17,210,000 of project costs. However, the original project plan only authorized \$8,141,000 of project costs. To respond to updates in the City’s long-term infrastructure needs, as well as the needs of TID #38, the Project Plan is amended to allow the expenditure of a total of \$9,497,116 of project costs.

**As part of the proposed 2021 Project Plan Amendment, the City estimates that the total amount of incremental revenues that will be generated over the remaining life of TID 41 will be approximate \$27.4M. The present value of these total incremental revenues to be generated is \$15,641,000. However, the 2021 Project Plan Amendment authorizes the expenditure of only \$12,497,116. These additional costs are to support the City’s long-term infrastructure needs, through the reconstruction of Old Middleton Road and Craig Ave. (previously authorized in the 2019 Project Plan Amendment) and the City’s construction of improved stormwater facilities (proposed in the 2021 Project Plan Amendment).**

## RELOCATION OF DISPLACED PERSONS AND BUSINESSES

Where the relocation of individuals and business operations would take place as a result of the City’s acquisition activities occurring within the District, relocation will be carried out in accordance with the relocation requirements set forth in Chapter 32 of the Wisconsin Statutes and the Federal Uniform Relocation Assistance and Real Property Acquisitions Policy Act of 1970 (P.L. 91-646) as applicable.

## LEGAL DESCRIPTION

A parcel of land being part of the South  $\frac{1}{2}$  of Southeast  $\frac{1}{4}$ , Section 18, and the North  $\frac{1}{2}$  of Northeast  $\frac{1}{4}$ , Section 19, all in Township 07 North, Range 09 East of the 4th Principal Meridian, City of Madison, Dane County, Wisconsin, described as follows:

Commencing at the northwest corner of Lot 2, Certified Survey Map No. 9534<sup>1</sup>;  
thence easterly along the southerly right of way line of Old Middleton Road, 211.79 feet to a point of curvature and to the **Point of Beginning**;  
thence northerly to the southerly right of way of the former WSOR Madison – Middleton Rail Corridor, said point also being on the westerly right of way line of Whitney Way;  
thence northerly along the westerly right of way line, 100 feet, more or less, to the southeasterly corner of Lot 1, Certified Survey Map No. 4473<sup>2</sup>, said point also being the northerly right of way of said WSOR Madison – Middleton Rail Corridor;  
thence westerly along said northerly right of way line, also being along the southerly line of aforementioned Lot 1, 225.77 feet to the southwest corner of said Lot 1;  
thence continuing along said northerly right of way line, 645.13 feet, more or less, to the southeast corner of The Trillium, a Condominium Plat<sup>3</sup>;  
thence northerly along the east line of said The Trillium, 918.48 feet, more or less;  
thence northwesterly along a northeasterly line of The Trillium, 457.46 feet, more or less;  
thence northeasterly along a southeasterly line of The Trillium, 403.28 feet, more or less, to the southerly right of way line of University Avenue;  
thence northeasterly, perpendicular measure to the northerly right of way line of said University Avenue, to said northerly right of way line;  
thence southeasterly along said northerly right of way line to the southeast corner of Lot 71, Indian Hills<sup>4</sup>;  
thence southerly to the intersection of the north right of way line of Old Middleton Road, the south right of way line of former WSOR Madison – Middleton Rail Corridor and the southerly right of way line of University Avenue;  
thence southerly, perpendicular measure to the southerly right of way line of Old Middleton Road, to said southerly right of way line, also being the north line of Lot 1, Certified Survey Map Number 4009<sup>5</sup>;  
thence westerly along said southerly right of way line of Old Middleton Road to a point of curvature and to a northwesterly corner of Lot 11, Block 44, University Hill Farms - North Hill Addition<sup>6</sup>;  
thence westerly to the **Point of Beginning**.

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<sup>1</sup> Certified Survey Map No. 9534, recorded in Vol. 54 of Certified Survey Maps, page 239, as Doc. No. 3176099, Dane County Registry.

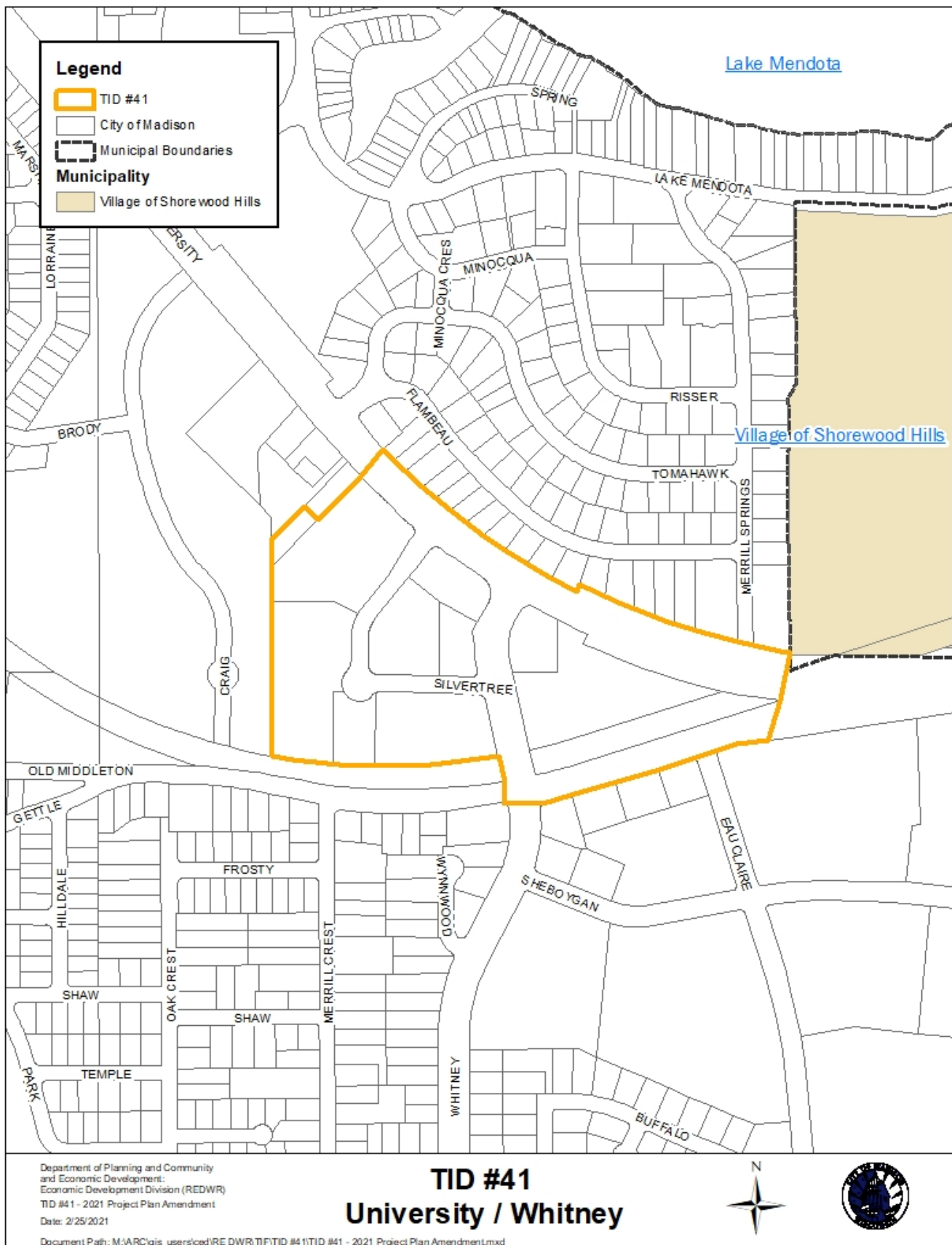
<sup>2</sup> Certified Survey Map No. 4473, recorded in Vol. 19 of Certified Survey Maps, page 181-182, as Doc. No. 1850622, Dane County Registry.

<sup>3</sup> The Trillium, recorded in Vol. 3-041A of Condominium Plats, on pages 1-5, as Doc. No. 3050484, Dane County Registry.

<sup>4</sup> Indian Hills, recorded in Vol. 12 of Plats, on pages 16-17, Dane County Registry.

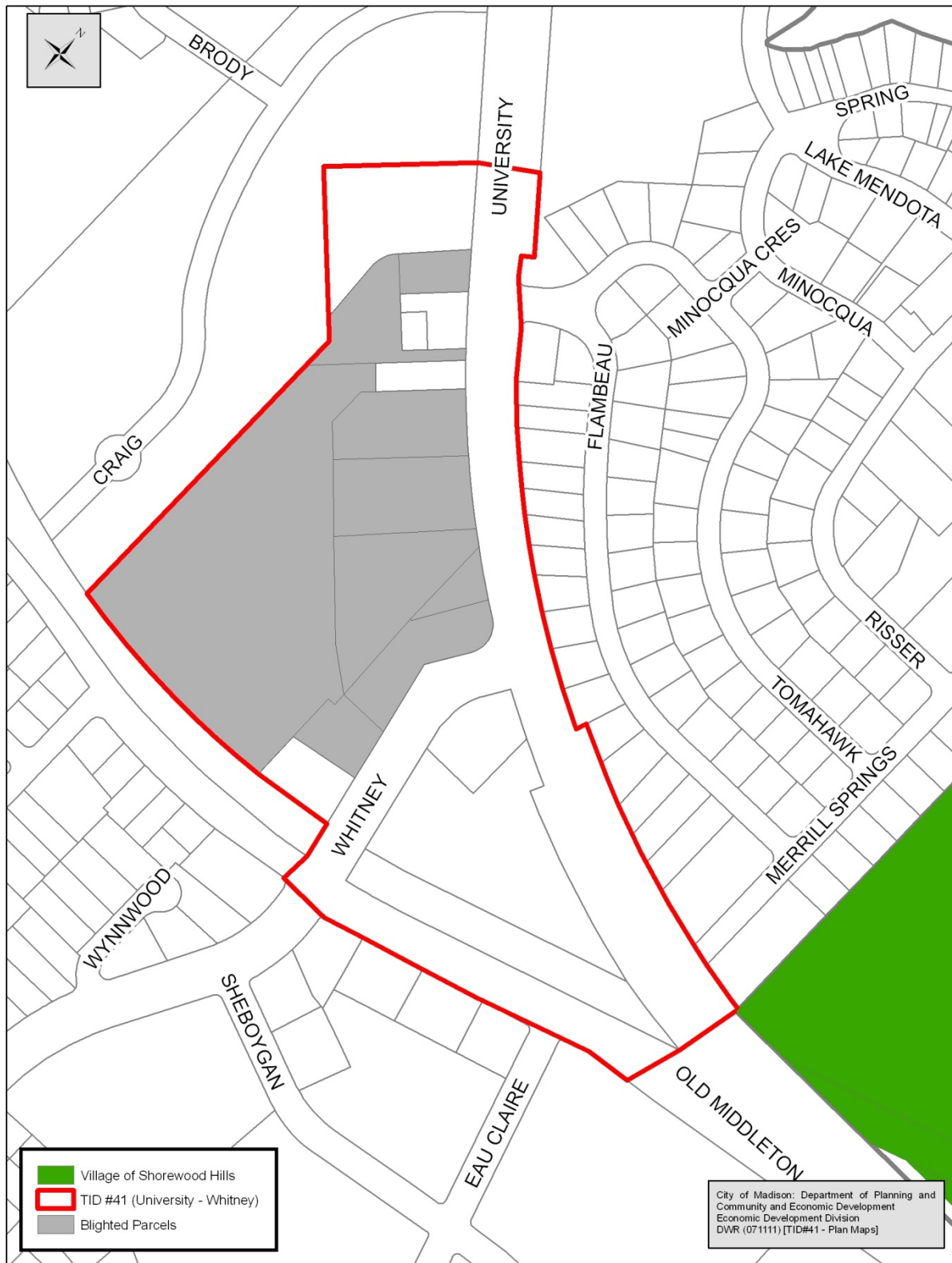
<sup>5</sup> Certified Survey Map No. 4009, recorded in Volume 16 of Certified Survey Maps, on pages 329-332, as Doc. No. 1759433, Dane County Registry.

<sup>6</sup> University Hill Farms - North Hill Addition, recorded in Vol. 22 of Plats, on pages 27-28, as Doc. No. 978616, Dane County Registry.



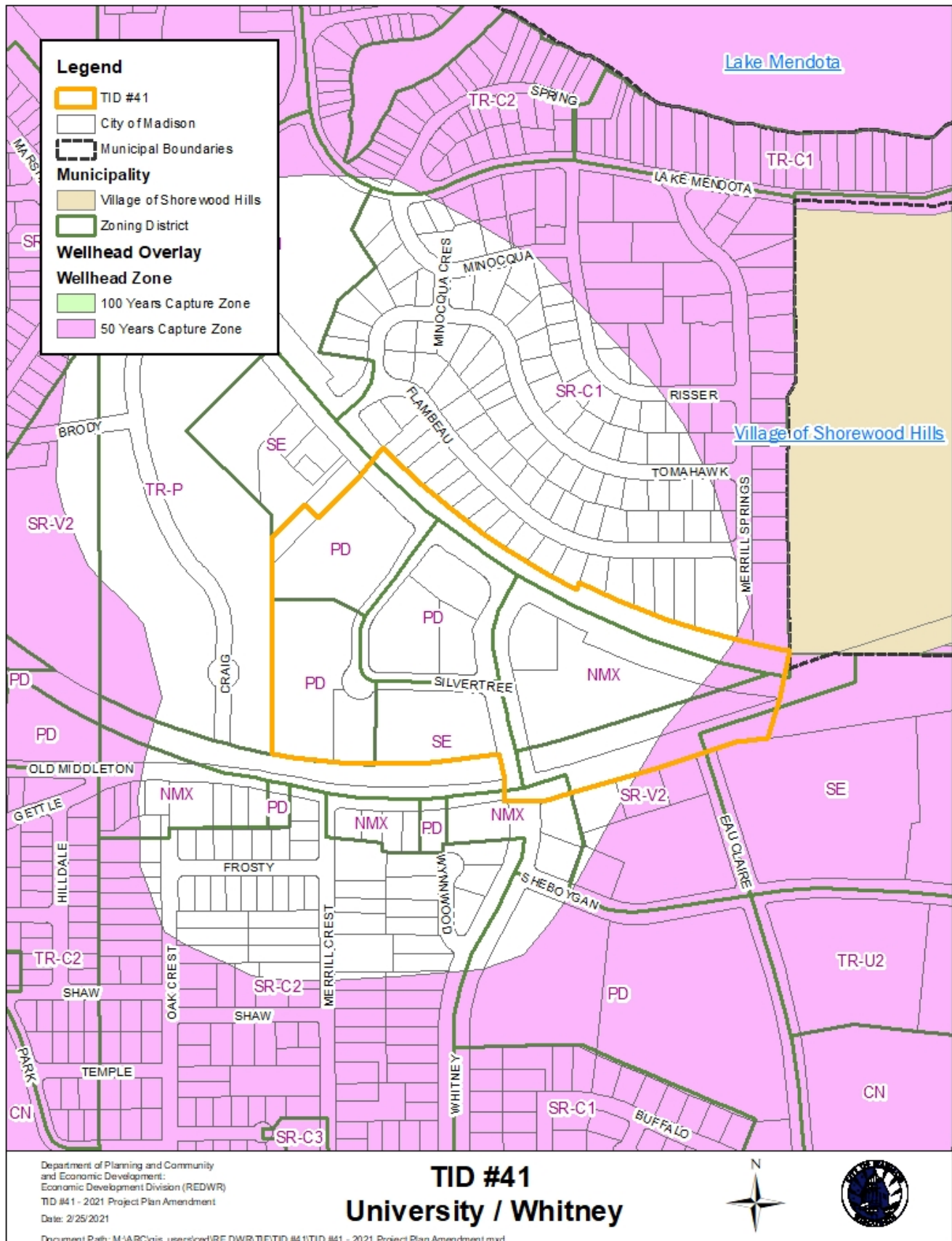


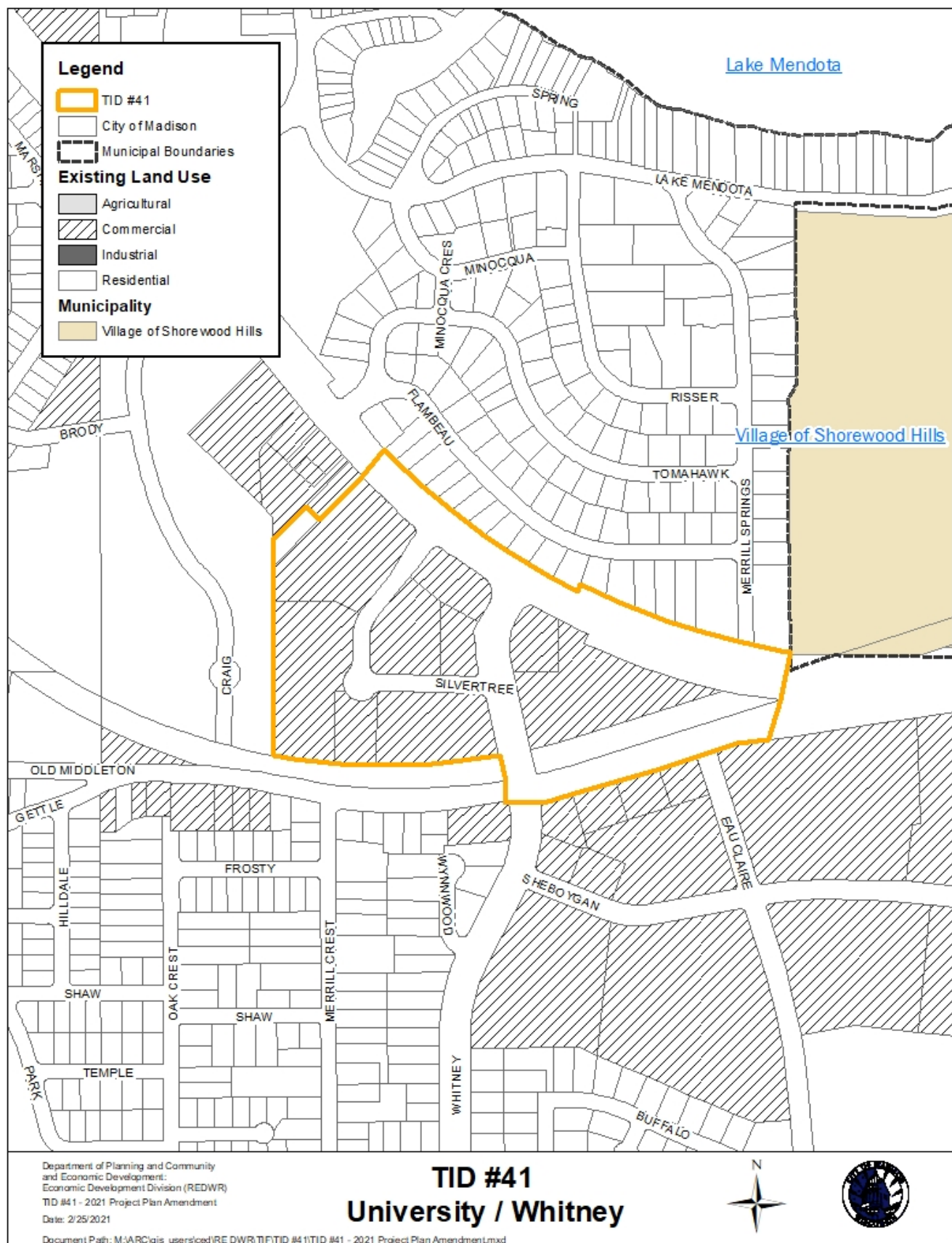
TID 41 – Existing Conditions (Blight Map)

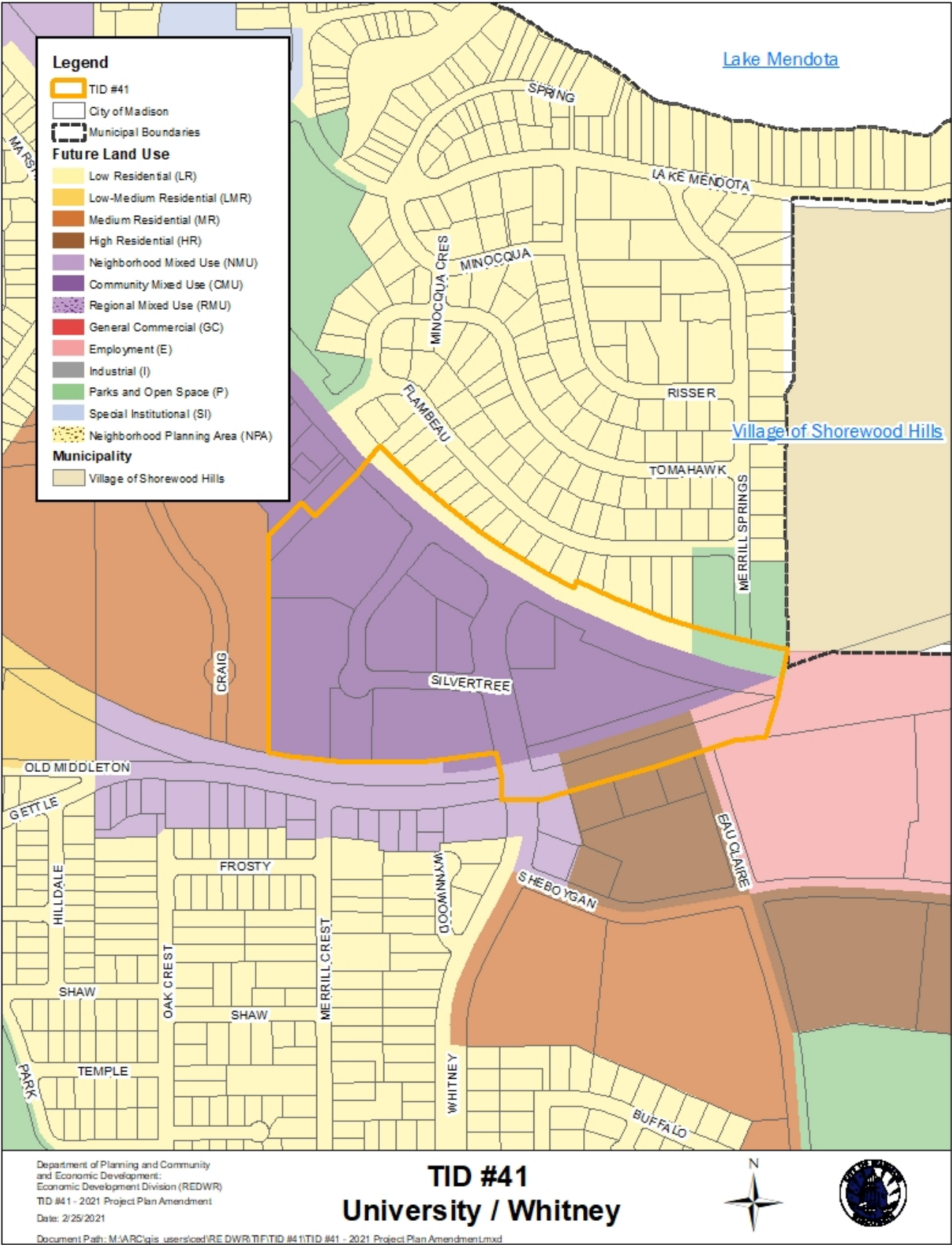














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**LITIGATION ASSISTANT**  
Patricia V. Gehler

March 22, 2021

**MEMORANDUM**

**TO:** Joseph E. Gromacki, TIF Coordinator

**FROM:** Kevin Ramakrishna, Assistant City Attorney

**SUBJECT:** **PROJECT PLAN AMENDMENT FOR TIF DISTRICT NO. 41 – UNIVERSITY-WHITNEY**

In my capacity as Assistant City Attorney for the City of Madison, Wisconsin, I have examined the Project Plan for Tax Incremental Finance District No. 41, City of Madison, Wisconsin, dated on April 17, 2001, amended on March 31, 2009, and amended again on February 25, 2014. Based on this examination, I am of the opinion that the Project Plan is complete and complies with the provisions of Secs. 66.1105(4)(f) and (h), Wis. Stats.

I render no opinion with respect to the accuracy or validity of any statement and/or finding contained in the Project Plan, but direct City officials to review the reports of City staff as regards the Plan.

Respectfully submitted,

*Kevin Ramakrishna*

Kevin Ramakrishna  
Assistant City Attorney



## **Background**

The TIF Law allows funds to be transferred between certain TIF districts if the allocation is approved by the Joint Review Board and if the TIDs have the same overlying taxing jurisdictions. TIF Law refers to this relationship as “donor-recipient.” According to TIF Law, positive increments may be transferred from a “donor” TID to a recipient district.

TIF Law requires that the project plans be amended for donor TIF districts and recipient districts in the event that new project expenditures are incurred that were not outlined in the original project plan.

The Common Council is considering adoption of a resolution approving an amendment to the Project Plan for TID #35 (Todd Dr). The resolution would establish TID #35 as a donor TID. The resolution and five-year donor-recipient allocation plan anticipate a transfer of positive increments to TID #38 (Badger Ann Park). No plan or boundary amendments are required for the recipient TID.

## **Current Status**

### **TID #41 (University / Whitney)**

TID #41 was created on September 6, 2011. The City has provided loans to assist in the development of the Arbor Gate project. Based upon unaudited expenditures through March 2019, the City has spent \$4,668,809 in TID #35. As provided for in TIF Law, the City previously authorized a five-year donor plan to donate \$2.5 million of tax increments from TID #35 to TID #38 (Legistar #33609, RES-14-00388). 2019 is the fourth year of this donor plan, and the City is seeking to make an additional donation of incremental revenue from both TID #41 and TID #35 to TID #38. State of Wisconsin TIF Law provides that a TID may make additional allocation / donations of positive increment to another district, provided that a Project Plan is amended in the fourth year of the original donation plan to allow for a future five year donor plan.

As of January 1, 2019, the value increment in TID #41 was estimated to be in excess of \$38 million. The total capital costs identified in the Project Plan are \$9,497,116. The City estimates it will receive approximately \$895,000 in incremental revenue in 2019. The TID #41 expenditure deadline is September 6, 2035. As of December 31, 2018, TID #41 had an outstanding balance of approximately \$1.6 million of unrecovered costs. Given the amount of outstanding debt that TID #41 owes, the planned infrastructure costs, and the desire to close TID #38 prior to the dissolution of the Town of Madison, TID #41 is a potential donor TID to TID #38.

### **TID #38 (Badger Ann Park)**

TID #38 was created on June 17, 2008. The City has expended funds to assist with the redevelopment of the Villager Mall / Atrium Building and the acquisition and demolition of 36 rental units at the intersection of Cypress Way and West Badger Road. As of Dec 31, 2018, TID #38 had \$4.9 million of net costs to be recovered. The total capital costs identified in the Project Plan are \$11,033,000. As of January 1, 2019, the estimated value increment in TID #38 was (-\$6,713,400). TID #38 has never experienced a positive incremental value, and therefore has never had any incremental revenue.

TID #38 was created as the Great Recession was beginning to take hold of the economy. One of the results of the Great Recession was a large loss in assessed property values that was felt globally and locally. As a consequence, TID #38 has never had a positive incremental value and thus, no incremental revenue. By the end of 2022, the Town of Madison will dissolve, leaving large swaths of land currently adjacent to TID #38 potentially available for redevelopment and in need of massive infrastructure investment. To recover the remaining outstanding debts of TID #38, the City is proposing to utilize donated incremental revenue from both TID #35 and TID #41. This will allow TID #38 to close at the end of 2020.

## Recommendation

It is the City's general practice to retire TIF districts within 10-12 years rather than extend their life to the full 23- or 27-year period (depending on their creation date) so that overlying taxing jurisdictions may receive the tax benefits of new growth sooner, rather than later. This practice also secures the City's flexibility to create future TIDs while complying with the 12% equalized value test required in TIF Law.

TID #38 is not generating enough increment to pay for project costs in a timely manner. The financial health of this TID would benefit from the continued transfer of positive increments from a donor district. It is anticipated that a continued donor-recipient allocation will enable the City to close TID #38 in a timely manner and thus allow the benefits of growth to return to the overlying tax jurisdictions.

In accordance with this general practice, Staff recommends that the TID #35 Project Plan be amended to provide for a five-year donor allocation period. The total amount of increment from TID #35 to be allocated is estimated to be approximately \$4,710,000. The allocation over the next five years is shown in the schedule below.

<b>Donor District</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
TID #35 (1st Donation)	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$-	\$-	\$-	\$2,500,000
TID #35 (2nd Donation)	\$-	\$-	\$-	\$1,300,000	\$910,000	\$-	\$-	\$-	\$2,210,000
TID #41	\$-	\$-	\$-	\$-	\$895,000	\$-	\$-	\$-	\$895,000
Total	\$500,000	\$500,000	\$500,000	\$1,800,000	\$2,305,000	\$-	\$-	\$-	\$5,605,000
<b>Recipient District</b>									
TID #38	\$500,000	\$500,000	\$500,000	\$1,800,000	\$2,305,000	\$-	\$-	\$-	\$5,605,000

This Second Amendment to the Project Plan for TID #35 does not alter any of the terms of the original Project Plan, other than by donating a total of \$5,605,000 of incremental revenue to TID #38, as described herein.

**NOTE:** The combined donations from TID #41 and TID #35 will be used to pay off the remaining indebtedness of TID #38. Up to \$910,000 of 2020 incremental revenues from TID #35 will be committed to pay down debt in TID #38. Up to \$895,000 of incremental revenues from TID #41 will be committed to pay down debt in TID #38. If TID #35 does not have \$910,000 of incremental revenues in 2020, TID #41 will commit up to \$895,000 of incremental revenues to pay off the remaining indebtedness of TID #38.