



FINANCE DEPARTMENT

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To: Mike Davis, City Administrator
From: Bill Burns, Finance Director
CC: Abby Attoun, Eileen Kelley, Melissa Bohse
Re: Downtown Plaza – Potential for TIF Funding
Date: March 24, 2017

Overview

On March 21, 2017 the City Council referred discussion of a proposed downtown plaza to the Finance Committee. Members of the Council also asked for additional information on the potential use of the Tax Increment Financing (TIF) funds for the plaza and the impact this would have on other TIF projects. TIF District #3 is in excellent financial shape and has available expenditure authority under the project plan and sufficient cash flow to support funding for a plaza. The district could support the full cost of the \$1.3 million property acquisition in 2017 without an adverse impact on other pending projects. TIF funding could also support development costs for the plaza as part of a funding package.

Additional Information

The TID #3 Financial Model was updated in January and presented at the City's Retreat on January 28, 2017. The model shows an available balance (net of advances) of approximately \$4.4 million at the end of 2016. I reviewed the model on March 23, 2017 and I do not see any significant changes to the information presented in January.

The 2017 estimated project costs in the TID 3 model include a placeholder of \$3 million for "Other Capital Projects." This is part of the \$22.3 million of additional capital projects listed in the TID #3 Amendment 9 to the project plan. No specific uses of these funds have been identified in 2017. A portion of these funds could be used for land acquisition and/or development of a plaza without impacting other planned TIF projects.

The TIF model includes estimated projects costs in 2017 of \$776,850 for the City's share of design costs for Pleasant View Road and \$2,150,000 for design and potential land acquisition related to the Parmenter and University Avenue intersection improvements. Use of TIF funds for a downtown plaza would not impact these projects.

With the latest project plan amendment, TID 3 has total authorized direct project costs of \$178,235,626. Actual direct project costs through 2016 are approximately \$101 million. Based on the TIF 3 model, the City will have sufficient authorization for projects costs through 2023/2024. An additional amendment may be needed to increase total authorized projects costs before the end of the TIF expenditure period. However, the need for such an amendment would likely be driven by the level of developer-financed TIF agreements, not spending on City financed capital projects.

Additional TIF-supported borrowing is projected in the model in 2018 and 2022 related to the construction of the Parmenter/University intersection improvements and Pleasant View Road Reconstruction projects. The timing and amount of borrowing is dependent on the design, schedule, and actual costs of these projects. I would anticipate some level of borrowing being needed for these projects regardless of whether or not TIF funding is used for a downtown plaza. There is sufficient borrowing capacity and TIF revenue to support the additional borrowing.