



# WISCONSIN LEGISLATURE

P.O. BOX 8952 • MADISON, WI 53708

February 17, 2013

Assembly Committee on State Affairs and Government Operations  
Public Hearing - 11:00 AM – 328 Northwest

Chairman Weininger and Members of the Committee:

Thank you for the opportunity to testify on behalf of AB 769. This legislation relates to a tax incremental financing (TIF) project for the city of Madison.

The city of Madison alone is prohibited from financing the costs of parking facilities using a TIF. The prohibition stems from changes in TIF law made in response to a 1981 Legislative Audit. The audit criticized the use of TIF funds to pay for large-scale water and sewage facilities because they typically serve areas outside of the TIF district.

Although that concern did not apply to parking structures, the new law was overly broad in that it prohibits the use of TIF for any project that is generally financed by a municipal utility; that includes the Madison parking utility. The city of Madison is the only municipality in the state that has a parking utility thus, it is the only municipality that cannot finance a parking structure with a TIF. Other communities can and do use TIF for parking. The TIF is appropriate in this case because the additional cost associated with placing a parking garage underground requires a type of financing that is more closely associated with the economic development aspect of the project as opposed to the parking revenue associated with the garage.

Passage of this legislation would enable the City to finance the construction of an underground parking ramp and open up valuable development space above. It has been estimated the project would create over 1,200 family supporting construction jobs. Above ground redevelopment of the space could create hundreds of permanent jobs.

Although the work would be done in Madison, the construction workers could be from your respective districts. The companies that would benefit are also headquartered throughout the state.

Economic development and job creation are the number one priority for our constituents. As legislators we often have to take a "Field of Dreams" approach to job creation. We each try to do what we think is best to build a good education system, a good network of roads and laws that will be conducive to investment. When this bill is signed into law, you will have the opportunity in the very near future to walk one block down the street and see men and women working on a project and know it was your vote that helped make it happen.

Thank you again for taking the time to discuss AB 769. We are open to any questions the committee may have.

Thank you,

Rep. Dale P. Kooyenga  
14<sup>th</sup> Assembly District

Rep. Robb Kahl  
47<sup>th</sup> Assembly District

## AB 769 – TIF for Public Parking Structures

### ISSUE

The city of Madison has 5 downtown parking structures, the oldest of which was built in 1958, and is in imminent need of replacement. As these are replaced, the city would like to rebuild the structures underground to free up the above-ground real estate for development, creating economic growth and jobs.

The City of Madison parking utility has historically funded the construction of its public parking solely through revenue bonds. However, the cost of building underground parking would far exceed the revenues from parking fees. Thus, the city would need to find a source of funding for the gap between the parking revenue and the construction costs. State law currently prohibits Madison from using TIF for this purpose.

### CURRENT LAW

State law provides that TIF funds cannot be used for a facility “. . . if the city generally finances similar facilities only with utility user fees” (emphasis added). This law was not aimed at parking structures. The prohibition stems from a 1981 Legislative Audit. That audit criticized the use of TIF funds to pay for large-scale water and sewage facilities because such facilities typically serve areas outside of the TIF district. Further, the audit noted revenue bonds “. . . are designed for and capable of funding these types of improvements.”

There appears to be no other community in the state that has a parking utility, nor has any other community financed parking exclusively through revenue bonds. Other communities can and have used TIF in this manner, so the impact of a legislative change should be minimal, but would help redevelopment activities in Madison.

### APPLICATION

As an example, the city is looking to redevelop blocks 88 (across from City Hall) and 105 (current site of Government East parking ramp) to add hotel space, retail/restaurant, residential, office space and public and private parking. The project is a significant economic development opportunity and will support the Monona Terrace Community and Convention Center, an important economic generator for the region. The project could create as many as 1,200 construction jobs and 150-200 permanent jobs.

In addition to the economic activity generated through the convention center, the development of these underused blocks is expected to bring in significant property, room and sales tax revenues to the state, city and county.

### PROPOSED CHANGE

AB 769 amends current law to add the underlined words:

66.1105 (2) (f) 2. b. The cost of constructing or expanding any facility, except a parking structure that supports redevelopment activities, if the city generally finances similar facilities only with utility user fees.

## Background on TIF & Parking Structures

Parking is important to economic development, and particularly to development projects that support jobs. While a residential project may only have 1 parking stall per 1,000 square feet of development, commercial projects typically require 3 to 4 parking stalls per 1,000 SF and retail or health related uses can require 5 or more per 1,000.

Structured parking is expensive to build and the market won't always allow companies or developers to charge enough to recover all the costs. This market failure might require a public investment to correct and TIF is an ideal and appropriate vehicle.

As an example, the City of Madison is looking at redeveloping the block that the Madison Municipal Building sits on and the city-owned parking structure across from DOA. This project has numerous positive economic benefits:

1. It will create approximately \$80 million of property tax base and substantial sales and income tax base as well.
2. It will take two partial city blocks that are currently off the tax rolls and put them back on the rolls in private use.
3. It will feature a convention center hotel that will help attract more visitors and companies to events held in Wisconsin.
4. It will allow the Monona Terrace to expand its book of business and create more efficient mix of business. The business that Monona Terrace gives up will benefit other hotels and venues.
5. Additional visitors will strengthen air travel, ground transportation, other hotels, and local businesses.
6. The project will create additional amenities and restaurants downtown for employees, residents, students, and visitors.
7. One projection indicates the development could create as many as 1,200 construction jobs and 150-200 permanent jobs.
8. The construction project will inject approximately \$150 million into Wisconsin's economy and may be financed with money from out-of-state.

## Support for Assembly Bill 769

### **Madison is an effective and prudent steward of TIF.**

- The City has only 2.75% of its equalized value in active TIDs – well below the 12% maximum.
- Since 1977, the city has invested approximately \$100 million in 68 projects that have yielded over \$1.3 billion of new tax base.
- On average, a TID in the City of Madison has a 12-year lifespan.
- The most frequent criticism of the city is that it has been too *conservative* in its use of TIF.

### **This is not about one community's advantage over another.**

- Rather, Madison alone faces an arbitrary and unintended limitation. The fact that other communities can and do use TIF for parking structures only serves to illustrate that this is basic infrastructure used to facilitate economic development in a TID.

### **The utility does not provide a special funding benefit**

- The utility ensures that the cost and benefits stay directly with the users - the parking fees that are paid in go directly to the construction and upkeep of the facilities.
- Madison parking utility was formed in the 1940's when parking served a very different function in our economy. Parking is now an invaluable tool for economic development.
- The law is drafted so that it looks at past practice. Even if the city were to eliminate the parking utility, the bill would be necessary.

### **Parking serves as an essential tool in economic development, particularly for development projects that support jobs.**

- While a residential project may only have 1 parking stall per 1,000 square feet of development, commercial projects typically require 3 to 4 parking stalls per 1,000 SF, and retail or health related uses can require 5 or more per 1,000.
- Structured parking is expensive to build and the market won't always allow companies or developers to charge enough to recover all the costs. This market failure might require a public investment to correct and TIF is an ideal and appropriate vehicle.

### **This will not tip the scales in favor of more risky spending, or ensure that the project goes forward in a more expensive direction.**

- The merits and benefits of the Judge Doyle project will be debated on their own merit in the same fashion as any other community. The legislation would simply provide the city the same tool to make those calculations that every other community possesses.

### **The bill would bring the statutes in line with the specifically stated intent of the law.**

- The Legislative audit was very clear in its intent to limit the use of TIF for large-scale sewer and water projects, not parking.
- Parking is the type of infrastructure that facilitates economic development – exactly what TIF was designed for
- The proposal is not exempting a specific TIF district from the general rule. The change would create a clear rule applicable to all municipalities and TIF districts around the state.



To: Committee on State Affairs and Government Operations

From: Paul Soglin, Mayor, City of Madison

Zach Brandon, President, Greater Madison Chamber of Commerce

Susan Schmitz, President, Downtown Madison Inc.

February 17, 2014

RE: Support for Assembly 769

We are writing to ask for your support for Assembly Bill 769.

This bill would provide a technical fix to a state law that prevents only the City of Madison from using Tax Incremental Financing (TIF) for public parking. That law could affect Madison's ability to pursue certain downtown redevelopment projects, including a major project that is currently under review.

The need to replace the city's oldest parking ramp has led to the city pursue a redevelopment project that could be the largest in city history. The project would convert a municipal parking structure and a half-empty lot into a hotel, retail, restaurants, residences, office space, and public and private parking. Estimates indicate this could create 1,200 construction jobs, and up to 150-200 permanent jobs. In addition to the construction jobs and increased convention center business, the development of these underused blocks is expected to bring in significant property, room and sales tax revenues to the state, city and county. It could add up to \$80 million of new property tax base.

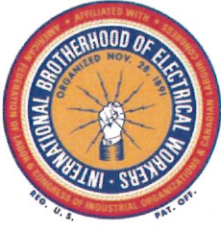
An unintended effect of current law prevents only Madison from using TIF for public parking. In 1981, a Legislative Audit criticized the use of TIF funds to pay for large-scale water and sewage facilities because such facilities typically serve areas outside of the TIF district. Although that

concern does not apply to parking structures, the resulting law prohibits the use of TIF for any project that is generally financed by municipal utility user fees. Since Madison appears to be the only municipality in the state that has a parking utility, it is the only municipality that cannot finance a parking structure with TIF.

The Madison parking utility was formed in 1947. Since the 1940's, however, the role of parking in economic development has changed dramatically. The City of Madison has 5 downtown parking structures on valuable real estate. As the city begins to examine the reconstruction of these aging structures, it makes sense to do so with the same economic development tools as the rest of the state. For example, reconstructing the parking underground would free the real estate for private development, but the costs would exceed what parking revenue alone could support. Similarly, if the city were to build structured parking in a redeveloping area as a means of helping to drive economic development, the initial fee revenues alone might not cover the costs. TIF financing could help fund these gaps, and it is the tool that any other community would turn to.

Parking is exactly the type of infrastructure investment the TIF law was designed to promote. These projects create good-paying construction jobs, and the resulting infrastructure facilitates further economic development. A simple exemption for parking structures would allow Madison to use this financing tool for downtown redevelopment, just as other municipalities already can. AB 769 represents a very small change in state law, but the potential economic impact is great.

We appreciate your support.



TO: Members, Assembly Committee on State Affairs and Government Operations

FM: Robert Doyle, Business Manager, IBEW Local #159

Tim DeMinter, Business Manager, Iron Workers Local #383

Jeff Gaecke, Mechanical Contractors Association of Wisconsin

David Cullen, J.P. Cullen & Sons, Inc.

Tripp Ahern, JF Ahern & Sons, Inc.

John Schmitt, President, Wisconsin Laborers District Council

Jim Boullion, Associated General Contractors of Wisconsin

Terry McGowan, President, Operating Engineers Local #139

Steve Breitlow, Business Manager, Plumbers Local #75

Mark Reihl, Executive Director, Wisconsin State Council of Carpenters

Terry Hayden, President, Wisconsin Pipe Trades Association

DT: February 14, 2014

RE: **Please support AB 769 relating to: the definition of project costs under the tax incremental financing program.**

We are writing to urge your support for including an important job-creating bill.

The bill would provide a technical fix to a state law that currently prevents only the City of Madison from using Tax Incremental Financing (TIF) for public parking. That law could negatively affect Madison's ability to pursue certain downtown redevelopment projects, including a major project that is currently under review.

## **Benefits of the Bill**

### **The Bill Will Help Create Jobs**

Madison is reviewing proposals for the largest redevelopment project in city history, on two city blocks downtown. A projection says the project could:

- Provide as many as 1,200 construction jobs for workers and contractors, and
- Create 150-200 permanent jobs.

A project this size would likely provide construction jobs for workers in many parts of the state, not just in the Madison area.

### **The Bill Will Help Provide Economic Growth**

- The proposed construction project would inject approximately \$150 million into Wisconsin's economy and may be financed with money from out-of-state.
- It features a convention center hotel that will help attract more visitors and companies to events held in Wisconsin.

### **The Bill Will Help Increase the Property and Sales Tax Bases**

- The proposed project could create approximately \$80 million of new property tax base and substantial sales and income tax base as well.

## **TIF Could Provide a Needed Financing Tool**

### **Current Law Prevents Only Madison from Using TIF for Parking**

State law provides that TIF funds cannot be used for a facility ". . . if the city generally finances similar facilities only with utility user fees" (emphasis added). This law was not aimed at parking structures. The prohibition stems from a 1981 Legislative Audit. The audit criticized the use of TIF funds to pay for large-scale water and sewage facilities because they typically serve areas outside of the TIF district.



Although that concern does not apply to parking structures, the law prohibits the use of TIF for any project that is generally financed by a municipal utility. That includes the Madison parking utility. Because Madison appears to be the only municipality in the state that has a parking utility, it is the only municipality that cannot finance a parking structure with TIF. Other communities can and do use TIF for parking.

A simple exemption from the provision above for parking structures would allow Madison to use this financing tool for downtown redevelopment, just as other municipalities already can.

### **Moving Parking Underground Frees Up Space for Redevelopment**

The city of Madison has 5 downtown parking structures. As these are replaced, the city would like to rebuild the structures underground to free up the above-ground real estate for development, creating economic growth.

However, the cost of building underground parking would far exceed the revenues from parking fees. TIF financing could help fund the gap between the parking revenue and underground construction costs, allowing redevelopment of the land currently occupied by city parking structures.

The redevelopment project that Madison is currently reviewing includes land currently occupied by Madison's oldest parking structure, the Government East ramp (across from DOA), which was built in 1958 and is in need of replacement. The redevelopment would create new hotel, retail/restaurant, residential and office space, as well as public and private parking, creating jobs and an increased tax base on portions of two city blocks.

## **Support AB 769 to Create Jobs**

### **A Small Change in the Law Can Help Provide Jobs and Economic Growth**

The proposed bill represents a very small change in state law, allowing Madison to utilize TIF in the same fashion that all other communities can. Bringing Madison in line with the rest of the state can provide a boon to the construction industry and to the state's economy. Construction of parking is exactly the type of infrastructure investment the TIF law was designed to facilitate. These projects create good-paying construction jobs, and the resulting infrastructure facilitates further economic development.

We appreciate your support.