

CITY OF MIDDLETON

TAX INCREMENT FINANCING DISTRICT

No. 3

Amendment No. 5

**Common Council
Decision**

March 20, 2007

Prepared by:

Vandewalle & Associates
Madison, Wisconsin

AMENDED SECTION I. INTRODUCTION

In September, 1993, the City of Middleton created TID #3. This TID was created under the finding that at least 50% of the property was zoned and suitable for industrial uses as found in then Section 66.46, now Section 66.1105.

Tax Increment Financing law has significantly changed since TID #3's inception in 1993. A municipality may now conduct up to four boundary amendments and subtract property (Amendment #4), not just add property. Project costs that are added or expanded within the TID or amended area still must be extensions of the projects within the original project plan.

Additional changes in the law included the extension of the retirement period (TID #3 was 23 years and is now 27 years) and also the spending period (from 10 to 22 years). One last substantial change, among other minor changes, was the allowance for cash grants to development that the City felt was in the best interest of the community to undertake.

Since 1993, the City has undertaken four amendments; two amendments included boundary changes that either added or subtracted property. In addition, one of the boundary amendments updated and added project costs as well as the remaining two other amendments which updated and added project costs but did not include a boundary amendment.

Amendment No. 5 for TID No. 3 is limited to clarifying the types of financing and disbursement of tax increment revenues that the City intends to implement, subject to adoption of resolutions by the Plan Commission and City Council as well as approval by the Joint Review Board.

This project plan contains this financing identification and enumeration in Amended Section VII. Economic Feasibility Analysis.

AMENDED SECTION VII. ECONOMIC FEASIBILITY ANALYSIS

At the writing of the original project plan, the City had identified projects that it anticipated to undertake but had not yet formulated a specific borrowing strategy. It was the intent of the City to determine, on a yearly basis, the projects that it would undertake and then finalize the type of borrowing that would most strategically accomplish the project implementation in the most economic fashion.

Consequently, in the original project plan, the following paragraph generalized the language as it presented the forms of financing that the City would use on a development-by-development basis:

Financing for the proposed project will be done primarily as General Obligation Bonds, revenue bonds or loans. The amount of borrowing of the strategy of Financing is yet to be determined. The accounting for TIF District No. 3 will be Done as a separate fund. The City will make its final decision on where and how To borrow funds on a case-by-case basis and with the advice of the City's Financial consultant

Since the writing of this language, the City has borrowed using different forms of financing: GO bonds, revenue bonds and State trust funds, to name a few. Since 1993, other forms of financing have become available and the City is currently negotiating with developers to use a newer form of financing, one of which is called as "reverse tax increment financing" and/or "developer-financed TIF". This form of financing begins with a developer agreement in which both parties make commitments to successfully perform projects or acts that will accomplish the completion of public and private sector improvements. Typically up to this point the City had borrowed funds, either as a GO or revenue bond, and then used tax increment revenues to pay the bond back. The Developer was required to guarantee value or new development increment to generate enough tax increment revenues for the successful repayment of the debt.

AMENDED SECTION VII. ECONOMIC FEASIBILITY ANALYSIS

At the writing of the original project plan, the City had identified projects that it anticipated to undertake but had not yet formulated a specific borrowing strategy. It was the intent of the City to determine, on a yearly basis, the projects that it would undertake and then finalize the type of borrowing that would most strategically accomplish the project implementation in the most economic fashion.

Consequently, in the original project plan, the following paragraph generalized the language as it presented the forms of financing that the City would use on a development-by-development basis:

Financing for the proposed project will be done primarily as General Obligation Bonds, revenue bonds or loans. The amount of borrowing of the strategy of Financing is yet to be determined. The accounting for TIF District No. 3 will be Done as a separate fund. The City will make its final decision on where and how To borrow funds on a case-by-case basis and with the advice of the City's Financial consultant

Since the writing of this language, the City has borrowed using different forms of financing: GO bonds, revenue bonds and State trust funds, to name a few. Since 1993, other forms of financing have become available and the City is currently negotiating with developers to use a newer form of financing, once of which is called as "reverse tax increment financing" and/or "developer-financed TIF". This form of financing begins with a developer agreement in which both parties make commitments to successfully perform projects or acts that will accomplish the completion of public and private sector improvements. Typically up to this point the City had borrowed funds, either as a GO or revenue bond, and then used tax increment revenues to pay the bond back. The Developer was required to guarantee value or new development increment to generate enough tax increment revenues for the successful repayment of the debt.

Reverse TIF or developer-financed TIF is essentially the same except for two conditions: (1) The Developer actually does the borrowing or bonding (not the City) and completes the project costs typically undertaken by the City; and (2) the tax increment revenues generated by the project are not kept by the City to pay back the borrowing but are transferred, on a yearly basis, to the Developer for repayment of the bond. Once the bond (principal and interest) is paid that is identified in the original development agreement, the annual tax increment revenues cease to flow to the Developer and remain in the City's control until the TID is retired. If the total debt is not paid by the end of the TID statutory-retirement period, it remains the Developer's responsibility to pay the remaining balance, not the City's taxpayer.

This form of financing could be considered less risky for the City as it is the Developer's obligation to fulfill paying off the debt and the City's obligation is to only pay the pre-determined amount from the annual tax increment revenue amount stream that is actually generated by the project and no more. Thus, for sake of consideration, if the City would determine in any of the negotiations that it would pledge less than 100% of the annual tax increment revenue stream to the Developer, then the remaining percentage of non-pledged tax increment revenues could be used for District-wide debt payment or projects. The amount of tax increment revenue to be directed to the Developer will be determined in each individual development agreement.

Another benefit of this form of debt is that it does not count against the City's debt capacity limit. However, the debt is project specific and so the City must make sure that the remainder of the TID and its past, present and future debt does not rely on any of the tax increment revenue stream that flows from the developer-financed TIF portion of the district

in completing the City's obligation(s) for the benefit of the TID until the commitment to the Developer is fulfilled and/or the District is retired, whichever comes first.

in completing the City's obligation(s) for the benefit of the TID until the commitment to the Developer is fulfilled and/or the District is retired, whichever comes first.



OFFICE OF THE CITY ADMINISTRATOR

CITY OF MIDDLETON
7426 HUBBARD AVENUE
MIDDLETON, WI 53562-3118

PH 608.827.1058 FAX 608.827.1057
E-MAIL: mdavis@ci.middleton.wi.us
WEB: www.ci.middleton.wi.us

February 5, 2007

Ms. Kathleen Falk
Dane County Executive
210 Martin Luther King Jr. Blvd.
City-County Building, Rm 421
Madison, WI 53703

Re: TIF No. 3, Amendment No. 5, City of Middleton, Wisconsin

Dear Kathleen:

The City of Middleton is proposing to amend Tax Increment Financing District No. 3 (TID #3) for the purpose of identifying different borrowing and/or funding mechanisms to implement the projects within TID #3 as stated in the original TID #3 and subsequent amendments. Section 66.1105, Wis. Stats., requires that the City notify all of the affected taxing jurisdictions of the proposed project plan amendment. Enclosed is a copy of the legal notice advertising the public hearing at which the proposed project plan amendment will be considered.

The public hearing is scheduled for Tuesday, February 27, 2007 beginning at 7:00 p.m. Prior to the public hearing, the Joint Review Board is requested to meet at 6:30 p.m. to elect a Chairperson and a member-at-large. Enclosed please find the agenda for that meeting. We ask that you send a representative of your taxing jurisdiction to the Joint Review Board meeting at 6:30 p.m. If your representative cannot attend the Joint Review Board meeting, please assign an alternative representative so that we can be assured of a quorum and proceed with the process of amending the TIF district boundary. We also encourage that representative to attend the Plan Commission public hearing immediately after to hear public input.

Please give your representative a copy of this letter as well as the notice and the agenda.

We will be contacting you to obtain the name and address of your representative as well as to confirm attendance at this meeting.

Sincerely,

CITY OF MIDDLETON

Michael Davis
City Administrator

Enclosure: Public Hearing Notice
Joint Review Board Agenda



OFFICE OF THE CITY ADMINISTRATOR

CITY OF MIDDLETON
7426 HUBBARD AVENUE
MIDDLETON, WI 53562-3118

PH 608.827.1058 FAX 608.827.1057
E-MAIL: mdavis@ci.middleton.wi.us
WEB: www.ci.middleton.wi.us

February 5, 2007

Dr. Bettsey Barhorst
President, MATC
3550 Anderson St.
Madison, WI 53704

Re: TIF No. 3, Amendment No. 5, City of Middleton, Wisconsin

Dear Dr. Barhorst:

The City of Middleton is proposing to amend Tax Increment Financing District No. 3 (TID #3) for the purpose of identifying different borrowing and/or funding mechanisms to implement the projects within TID #3 as stated in the original TID #3 and subsequent amendments. Section 66.1105, Wis. Stats., requires that the City notify all of the affected taxing jurisdictions of the proposed project plan amendment. Enclosed is a copy of the legal notice advertising the public hearing at which the proposed project plan amendment will be considered.

The public hearing is scheduled for Tuesday, February 27, 2007 beginning at 7:00 p.m. Prior to the public hearing, the Joint Review Board is requested to meet at 6:30 p.m. to elect a Chairperson and a member-at-large. Enclosed please find the agenda for that meeting. We ask that you send a representative of your taxing jurisdiction to the Joint Review Board meeting at 6:30 p.m. If your representative cannot attend the Joint Review Board meeting, please assign an alternative representative so that we can be assured of a quorum and proceed with the process of amending the TIF district boundary. We also encourage that representative to attend the Plan Commission public hearing immediately after to hear public input.

Please give your representative a copy of this letter as well as the notice and the agenda.

We will be contacting you to obtain the name and address of your representative as well as to confirm attendance at this meeting.

Sincerely,

CITY OF MIDDLETON

Michael Davis
City Administrator

Enclosure: Public Hearing Notice
Joint Review Board Agenda



OFFICE OF THE CITY ADMINISTRATOR

CITY OF MIDDLETON
7426 HUBBARD AVENUE
MIDDLETON, WI 53562-3118

PH 608.827.1058 FAX 608.827.1057
E-MAIL: mdavis@ci.middleton.wi.us
WEB: www.ci.middleton.wi.us

February 5, 2007

Bill Reis, Superintendent
Middleton-Cross Plains School District
7106 South Avenue
Middleton, WI 53562

Re: TIF No. 3, Amendment No. 5, City of Middleton, Wisconsin

Dear Bill,

The City of Middleton is proposing to amend Tax Increment Financing District No. 3 (TID #3) for the specific purpose of identifying different borrowing and/or funding mechanisms to implement the projects within TID #3 as stated in the original TID #3 and subsequent amendments. Section 66.1105, Wis. Stats., requires that the City notify all of the affected taxing jurisdictions of the proposed project plan amendment. Enclosed is a copy of the legal notice advertising the public hearing at which the proposed project plan amendment will be considered.

The public hearing is scheduled for Tuesday, February 27, 2007 beginning at 7:00 p.m. Prior to the public hearing, the Joint Review Board is requested to meet at 6:30 p.m. to elect a Chairperson and a member-at-large. Enclosed please find the agenda for that meeting. We ask that you send a representative of your taxing jurisdiction to the Joint Review Board meeting at 6:30 p.m. If your representative cannot attend the Joint Review Board meeting, please assign an alternative representative so that we can be assured of a quorum and proceed with the process of amending the TIF district boundary. We also encourage that representative to attend the Plan Commission public hearing immediately after to hear public input.

Please give your representative a copy of this letter as well as the notice and the agenda.

We will be contacting you to obtain the name and address of your representative as well as to confirm attendance at this meeting.

Sincerely,

CITY OF MIDDLETON

Michael Davis
City Administrator

Enclosure: Public Hearing Notice
Joint Review Board Agenda



OFFICE OF THE CITY ADMINISTRATOR

CITY OF MIDDLETON
7426 HUBBARD AVENUE
MIDDLETON, WI 53562-3118

PH 608.827.1058 FAX 608.827.1057
E-MAIL: mdavis@ci.middleton.wi.us
WEB: www.ci.middleton.wi.us

February 5, 2007

Mayor Doug Zwank
City of Middleton
7426 Hubbard Ave.
Middleton, WI 53562

Re: TIF No. 3, Amendment No. 5, City of Middleton, Wisconsin

Dear Doug,

The City of Middleton is proposing to amend Tax Increment Financing District No. 3 (TID #3) for the purpose of identifying different borrowing and/or funding mechanisms to implement the projects within TID #3 as stated in the original TID #3 and subsequent amendments. Section 66.1105, Wis. Stats., requires that the City notify all of the affected taxing jurisdictions of the proposed project plan amendment. Enclosed is a copy of the legal notice advertising the public hearing at which the proposed project plan amendment will be considered.

The public hearing is scheduled for Tuesday, February 27, 2007 beginning at 7:00 p.m. Prior to the public hearing, the Joint Review Board is requested to meet at 6:30 p.m. to elect a Chairperson and a member-at-large. Enclosed please find the agenda for that meeting. We ask that you send a representative of your taxing jurisdiction to the Joint Review Board meeting at 6:30 p.m. If your representative cannot attend the Joint Review Board meeting, please assign an alternative representative so that we can be assured of a quorum and proceed with the process of amending the TIF district boundary. We also encourage that representative to attend the Plan Commission public hearing immediately after to hear public input.

Please give your representative a copy of this letter as well as the notice and the agenda.

We will be contacting you to obtain the name and address of your representative as well as to confirm attendance at this meeting.

Sincerely,

CITY OF MIDDLETON

Michael Davis
City Administrator

Enclosure: Public Hearing Notice
Joint Review Board Agenda

Publish in newspaper
Publish on February 8 & 15, 2007

PUBLIC NOTICE
CITY OF MIDDLETON

TO WHOM IT MAY CONCERN:

At a meeting of the City of Middleton Plan Commission to be held on or about 7:00 p.m., Tuesday, February 27, 2007, at City Hall, 7426 Hubbard Ave., City of Middleton, a Public Hearing will be held on the proposed project plan amendment for the City of Middleton Tax Increment District #3. The purpose of the proposed project plan amendment is to authorize the City to utilize newly created tax increment generated from specific projects to reimburse developers for project costs that would otherwise have been borne by the City rather than applying all tax increment solely to paying City-incurred project costs. A copy of the proposed project plan amendment is available and will be provided upon request at the City Clerk's office at City Hall, between the hours of 8:00 a.m. and 4:00 p.m., Monday through Friday.

At the Public Hearing, interested parties will be afforded a reasonable opportunity to express their views on the proposed amended project plans.

Michael Davis
City Administrator

CITY OF MIDDLETON
TIF DISTRICT NO. 3, AMENDMENT NO. 5
JOINT REVIEW BOARD

Tuesday, February 27, 2007

6:30 P.M.

City Hall

1. Call to order
2. Election of Chairperson
3. Election of Fifth Member-at-large
4. Distribution and initial explanation of TIF District No. 3, Amendment No. 5
5. Other items as allowed by law
6. Set next meeting
7. Adjourn

STATE OF WISCONSIN

LOUISE ELLIS

being duly sworn, doth depose and say that he/she is an authorized representative of the:

NEWS-SICKLE-ARROW

SAUK-PRAIRIE STAR

MIDDLETON TIMES-TRIBUNE

MOUNT HOREB MAIL

POST MESSENGER

a weekly newspaper published at

Middleton WI

in Dane County,

and that an advertisement of which the annexed is a true ^{photo} copy, taken from said paper, was published therein on

Feb. 8, 2007

Feb. 15, 2007

SIGNED

Louise Ellis

DATED

4-10-07

Deanie S. Baumgartner

Notary Public, State of Wisconsin

My Commission Expires 10/3/10

of Lines _____ # of Weeks Published _____

Printers Fee \$ _____

Proof of Publication \$ _____

Total \$ _____

-or-

See monthly invoice for cost

Received Payment _____

**PUBLIC NOTICE
CITY OF MIDDLETON**

TO WHOM IT MAY CONCERN:

At a meeting of the City of Middleton Plan Commission to be held on or about 7:00 p.m., Tuesday, February 27, 2007, at City Hall, 7426 Hubbard Ave., City of Middleton, a Public Hearing will be held on the proposed project plan amendment for the City of Middleton Tax Increment District #3. The purpose of the proposed project plan amendment is to authorize the City to utilize newly created tax increment generated from specific projects to reimburse developers for project costs that would otherwise have been borne by the City rather than applying all tax increment solely to paying City-incurred project costs. A copy of the proposed project plan amendment is available and will be provided upon request at the City Clerk's office at City Hall, between the hours of 8:00 a.m. and 4:00 p.m., Monday through Friday. At the Public Hearing, interested parties will be afforded a reasonable opportunity to express their views on the proposed amended project plans.

Publish: 2-8-07; 2-15-07 **WNAXLP** Michael Davis, City Administrator



MINUTES
JOINT REVIEW BOARD
TIF DISTRICT #3, AMENDMENT #5
CITY OF MIDDLETON
TUESDAY FEBRUARY 27, 2007 6:30 P.M.

PRESENT: David Gawenda, Mary Rapp, Tom Engle, Kurt Sonnentag, Carol Biendsell at 6:37 p.m.

ALSO PRESENT: Mike Davis, Eileen Kelley

As the City's representative on the board, Sonnentag called the meeting to order at 6:35 p.m.

Moved by Gawenda, seconded by Engle, to nominate Sonnentag as the Chairperson of the Joint Review Board, TIF District #3, Amendment #5. Motion carried, 4-0.

Moved by Gawenda, seconded by Engle, to appoint Carol Biendsell as the citizen member-at-large for the Joint Review Board. Motion carried, 4-0. At this time Biendsell joined the meeting.

City Administrator Mike Davis briefly explained the proposed Amendment #5 to TIF District #3. The purpose of the proposed amendment is to clarify the types of financing and disbursement of tax increment revenues. Gawenda requested that a report be provided at the next meeting, regarding the cost of borrowing for developer-financed TIF projects and the cost to the district.

It was agreed that the next meeting of the Joint Review Board will be held on Thursday, April 12 at 6:30 p.m.

Moved by Biendsell, seconded by Engle, to adjourn the meeting at 6:52 p.m. Motion carried.



Eileen Kelley

Note: These minutes were prepared by Eileen Kelley, City Planner & Zoning Administrator. These minutes are based on the notes of the recorder and are subject to change at a subsequent meeting.

MINUTES
MIDDLETON PLAN COMMISSION
TUESDAY FEBRUARY 27, 2007 7:00 P.M.

PRESENT: Zwank, Wexler, Grosse, Kruser, Sonnentag, White

ABSENT: Zellers

ALSO PRESENT: Davis, Kelley

1. **Minutes of 2-13-07**

Moved by Wexler, seconded by Sonnentag, to approve the minutes of 2-13-07. Motion carried 6-0.

2. **Tax Increment District #3 – Proposed Project Plan Amendment #5**

Chairman Zwank opened the public hearing at 7:03 p.m.

Van Nutt, Executive Director of the Middleton Chamber of Commerce, spoke in favor of the proposed project plan amendment.

Chairman Zwank closed the public hearing at 7:04 p.m.

Moved by Wexler, seconded by Sonnentag, to recommend approval of the proposed project plan amendment #5 for TIF District #3. Motion carried 5-1, with Grosse opposed.

3. **Request for Sign Variance – Wolff Kubly Hardware, 6305 University Ave.**

Chairman Zwank opened the public hearing at 7:10 p.m.

Van Nutt expressed support for the sign variance request.

Chairman Zwank closed the public hearing at 7:11 p.m.

Grosse stated that because this is a product sign, not a business sign, he cannot support the request.

Moved by Wexler, seconded by Sonnentag, to grant the sign variance request as submitted. Motion carried 5-1, with Grosse opposed.

4. **Concept Review – UW Medical Foundation, 7974 Discovery Ct.**

Following a presentation by the applicant, Plan Commission members discussed the project.

Moved by Wexler, seconded by Sonnentag, to grant concept approval for the building materials, colors, elevations, and footprint, and to the parking layout and landscaping plan, with the suggestion to determine the credit to be given to plantings in the bioswales, and to support allowing the applicant to begin driving pilings following the completion of the gravel course for Discovery Ct. Motion carried 6-0.

RESOLUTION NO. 2007- 12

RESOLUTION AMENDING TAX INCREMENT
DISTRICT NO. 3 PROJECT PLAN

WHEREAS, the City of Middleton Plan Commission has prepared and adopted an Amendment to the Project Plan for Tax Increment District No. 3; and

WHEREAS, since the creation of Tax Increment District No. 3 in 1993, the tax increment financing law has changed to permit additional financing methods; and

WHEREAS, the City of Middleton has been approached by several developers wishing to utilize a method of financing whereby the City does not actually expend project costs on new development, but directs certain amounts of increment from new development within specified properties to developers to retire project costs for public improvements that would otherwise have been borne by the City of Middleton; and

WHEREAS, the Plan Commission has held a public hearing on February 27, 2007, on the proposed Project Plan amendment; and

WHEREAS, the City of Middleton has notified the Chief Executive Office of the Middleton-Cross Plains School District, the Dane County Board and the Madison Area Technical College, representing the entities having power to levy taxes on property located within TID No. 3 pursuant to Wis. Stats. § 66.1105(4)(a); and

WHEREAS, the City Plan Commission has submitted such Amended Project Plan to the Common Council of the City of Middleton;

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of Middleton as follows:

1. Amendment No. 5 to Tax Increment District No. 3, including the text included therein in the form attached hereto as Exhibit "A" is hereby approved in accordance with Wis. Stats. § 66.1105(4)(h)2.

2. Amendment No. 5 to Tax Increment District No. 3 does not add or subtract territory from Tax Increment District No. 3, nor include additional project costs but, rather, allocates increment that would not otherwise come into existence in accordance with the terms of Amendment No. 5 to Tax Increment District No. 3.

3. The improvement of the area through the projects identified in Amendment No. 5 to Tax Increment District No. 3 is likely to enhance significantly the value of substantially all of the other real property in the District.

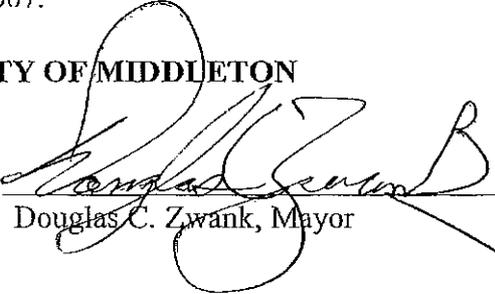
4. Such Amended Project Plan for Tax Increment District No. 3 remains feasible after adopting of Amendment No. 5 to Tax Increment District No. 3.

5. The Amended Project Plan for TID No. 3 is in conformity with the Comprehensive Plan of the City of Middleton, as well as other policies and laws of the City of Middleton.

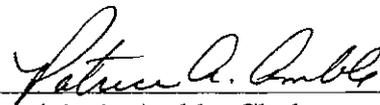
This Resolution shall take effect upon approval by the Joint Review Board pursuant to Wis. Stats. § 66.1105(4m).

This Resolution was duly adopted at a regular meeting of the Common Council of the City of Middleton on the 20 day of March, 2007.

CITY OF MIDDLETON

By: 
Douglas C. Zwank, Mayor

ATTEST:


Patricia A. Amble, Clerk

Ayes: 8
Noes: 0
Adopted: 3/20/07

JOINT REVIEW BOARD

TIF DISTRICT NO. 3
AMENDMENT NO. 5

CITY OF MIDDLETON

INFORMATION AND PROJECTIONS

Wisconsin state law requires that certain information and projections be provided to the Joint Review Board. The contents are listed in Section 66.1105(4m)(c)(1), Wis. Stats.

(i) *The local legislative body shall provide the joint review board with the following information and projections:*

1. *The specific items that constitute the project costs, the total dollar amount of these project costs to be paid with the tax increments, and the amount of tax increment to be generated over the life of the tax incremental district.*

Response:

No change has been made to add or subtract any project costs from the last applicable amendment (Amendment #3).

2. *The amount of the value increment when the project costs in subd. 1 are paid in full and the tax incremental district is terminated.*

Response:

With the proposed language change in Amendment #5, TID #3 will retire within the statutory required time frame or by 2020. The City may enter into development agreements in which a developer is paying costs that would otherwise be City-financed project costs that will pledge only applicable TID revenues from newly-established specific development projects and only until the developer-financed debt is paid or 2020, whichever occurs earlier. Upon retirement of the City-incurred debt for project costs paid by the City (which is anticipated to be paid by years 2013-2014 unless estimated development increment is not generated to retire the debt), at that time it is anticipated that the current configuration of TID #3 will change and the district will be decreased in size to those parcels which still have outstanding developer-financed obligations and any other parcels that may be required to ensure boundary contiguity.

3. *The reasons why the project costs in subd. 1 may not or should not be paid by the owners of property that benefit by improvements within the tax incremental district.*

Response:

With the proposed language in Amendment #5, the owners of property that execute development agreements with the City will be responsible for all debt incurred to develop the property. The proposed language allows the City to pledge annual tax increment revenues (to be determined on a project-by-project basis) to the specific project(s) that meets all of the criteria required by Section 66.1105, Wis. Stats. as well as meeting the City's goals and criteria (job creation, tax increment creation, blight elimination, etc.) slated for TID #3 and the City as a whole. Consequently, the "but for" test must be met in order for the City to pledge any tax increment revenues. The proposed language minimizes the direct risk to the City by allowing developer-financing in the TID.

4. *The share of the projected tax increments in subd. 1 estimated to be paid by the owners of taxable property in each of the taxing jurisdictions overlying the tax incremental district.*

Response:

The January 1, 2006 total equalized value of TID #3 was \$540,652,800 with the increment valued at \$475,291,600. Approximately \$137,000,000 of base and increment has been subtracted from the district bringing an anticipated estimated total value of the district (including estimated new increment developed in 2006 of approximately \$22,000,000) to a 1/1/07 estimated total equalized value of \$425,000,000. At the writing of this amendment and upon payment of all current outstanding debt, the City anticipates subtracting most property out of the current TID boundary and leaving only those properties that have developer-financing and/or needed for contiguity left within TID #3.

The two proposed developer-financed projects are estimated to be valued together at approximately \$85,000,000 over the next 7-9 years if all projects are completed as currently presented to the City. The potential tax revenues generated from the estimated total value of the projects could equal \$11,750,000 by the end of the TID. Development plans for other properties that will be contained within the amended boundary that are required for contiguity are yet to be determined by the property owners, consequently development forecasting is not possible at this time.

Regardless of the type of financing for these two projects, either as project costs incurred and paid for by the City or as project costs incurred and paid for by a developer, the share of project tax increments estimated to be paid by the

owners of taxable property in each of the taxing jurisdictions overlying the developer-financed and/or contiguous properties could be estimated as follows:

State of Wisconsin	1%	\$ 117,500
Dane County	14.76%	1,734,300
Middleton School District	47.46%	5,576,550
Madison Area Technical College	7.39%	868,325
City of Middleton	29.32%	3,445,100

(Discrepancies may occur due to rounding)

With the alternative funding mechanism of developer-financing and if all development occurs as predicted and inflation and other contributing economic factors happen as predicted, the life of the TID may be extended for an additional two years which represents approximately \$2.75 million of taxes generated by the projects that are needed to pay off the debt in the last two years of the TID. Consequently, the overlying taxing jurisdictions would not collect their proportionate share on this \$2.75 million.

5. *The benefits that the owners of taxable property in the overlying taxing jurisdictions will receive to compensate them for their share of the project tax increments in subd. 4.*

Response:

The reasons remain the same as when the TID was originally created and amended.

JOINT REVIEW BOARD

TIF DISTRICT NO. 3
AMENDMENT NO. 5

CITY OF MIDDLETON

DECISION CRITERIA

Under the Wisconsin Statutes, Joint Review Boards must base their decision to approve or deny a proposed tax incremental district plan and boundary designation on the following criteria:

- A. *Whether the development expected in the tax incremental district would occur without the use of tax incremental financing;*
- B. *Whether the economic benefits of the tax incremental district, as measured by increased employment, business and personal income and property value are insufficient to compensate for the cost of improvements; and*
- C. *Whether the benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying tax districts.*

This report has been prepared to address those criteria by providing some information and data on the impact of TIF District No. 3, Amendment No. 5, in the City of Middleton. The criteria are addressed in turn below.

- A. TIF District No. 3 was created for multiple purposes which included, but were not limited to the following: job creation (living wage jobs); tax base creation; diversifying the tax base from higher percentages of residential to more commercial and industrial/business, development to the City's standards of under-utilized properties; controlling the aesthetics of the properties along the old USH 12 corridor and the current West Beltline corridor; eliminating blighted conditions which included environmental, stormwater management, floodplain management; completing downtown revitalization projects and business recruitment and enhancing land use patterns and relocating inappropriate land uses to further enhance redevelopment of abutting properties.

While the economic benefits of creating TIF District No. 3 were numerous and will benefit not only the City of Middleton but also the overlying taxing jurisdictions as well, the amount of revenue generated from increased employment and income taxes as well as increases in property values is insufficient to compensate for the project expenditures and debt service associated with borrowing for those project costs. Whether the City or developer borrowed for the project, pledging just the City's portion of the levy would only be able to pay for a

fraction of the project costs due to the constrained time period in which the debt must be paid (2020).C.Amendment of TID #3 will continue to encourage the orderly growth of the west side of the City by providing a stimulus for new development on already-improved business and industrial sites created under the existing TID #3.

RESOLUTION APPROVING CITY COUNCIL RESOLUTION
AMENDING TIF DISTRICT NO. 3 PROJECT PLAN
CITY OF MIDDLETON, WISCONSIN

WHEREAS, the Joint Review Board, Tax Incremental District No. 3, City of Middleton, Wisconsin, has reviewed the public record, planning documents and resolution related to the amended project plan for TIF District No. 3, City of Middleton, Wisconsin; and

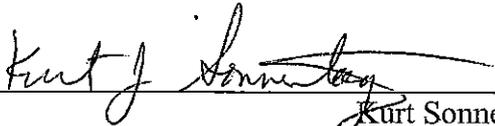
WHEREAS, the Joint Review Board, Tax Incremental District No. 3, City of Middleton, Wisconsin has received in an open meeting additional information from the City of Middleton staff regarding the amended project plan for Tax Incremental District No. 3, City of Middleton, Wisconsin.

NOW, THEREFORE, BE IT RESOLVED that the Joint Review Board finds:

1. The development expected in TIF District No. 3, City of Middleton, Wisconsin, would not occur without the use of tax incremental financing;
2. The economic benefits of TIF District No. 3, City of Middleton, Wisconsin, as measured by increased employment, business and personal income and property value, are insufficient to compensate for the cost of the improvements;
3. The benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing districts.

Adopted this 12th day of April, 2007.

JOINT REVIEW BOARD
TAX INCREMENTAL DISTRICT No. 3
AMENDMENT No. 5
CITY OF MIDDLETON, WISCONSIN



Kurt Sonnentag, Chair

MURPHY DESMOND ^{SC}

L A W Y E R S

Manchester Place
2 East Mifflin Street, Suite 800
Madison, Wisconsin 53703-4217

Mailing Address:
P.O. Box 2038
Madison, Wisconsin 53701-2038

Telephone (608) 257-7181
www.murphydesmond.com

20 April 2007

Lawrence E. Bechler
Direct Line (608) 268-5601
Facsimile (608) 257-4333
lbechler@murphydesmond.com

Hon. Kurt Sonnentag
Mayor, City of Middleton
7426 Hubbard Avenue
Middleton, WI 53562

Re: City of Middleton Tax Increment District No. 3
Project Plan Amendment No. 5

Dear Mayor Sonnentag:

As requested, we have acted as counsel to the City of Middleton, a Wisconsin municipal corporation, in connection with the adoption of Amendment No. 5 to the Middleton Tax Increment District No. 3, a Wisconsin Tax Increment District created in 1993 pursuant to Wis. Stats. 1991 § 66.46.

In our capacity as counsel to the City of Middleton, we have examined originals (or copies identified to our satisfaction as identical to the originals) of the following documents:

1. Amendment No. 5 to Project Plan for Tax Increment District No. 3, as dated February 27, 2007;
2. Notice of Public Hearing relating to adoption of the said Amendment No. 5;
3. Minutes of Middleton Plan Commission dated February 27, 2007 related to said public hearing;
4. Resolution No. 2007-12 of the Middleton Common Council relating to approval of the said Amendment No. 5;
5. Notices to Chief Executive Officers or administrators of all local governmental entities having power to levy taxes on property within the said Tax Increment District No. 3;
6. Minutes of meetings of Joint Review Board relating to the said Amendment No. 5;

Hon. Kurt Sonnentag
20 April 2007
Page 2

7. Decision of Joint Review Board on the said Amendment No. 5 dated April 12, 2007.

Based upon the foregoing, and pursuant to Wis. Stats. 2005-2006 § 66.1105(4)(f), it is our opinion that the Project Plan for Tax Increment District No. 3, as revised by Amendment No. 5 to said Project Plan, is complete and complies with Wis. Stats. 2005-2006 § 66.1105(4)(f).

We render no opinion with regard to accuracy, validity or sufficiency of any statements and/or findings contained in the said Amendment No. 5, since these were prepared by City staff and consultants rather than by our office.

Very truly yours,



Lawrence E. Bechler

LEB:kka

200738

Zwank TIF ltr 042007

bcc: Mr. Michael K. Davis, mdavis@ci.middleton.wi.us
Ms. Eileen Kelley, ekelley@ci.middleton.wi.us
Ms. Susan Hoeft, shoeft@vandewalle.com