



WISCONSIN LEGISLATURE

P.O. BOX 8952 • MADISON, WI 53708

February 25, 2014

Senate Committee on Workforce Development, Forestry, Mining and Revenue
Public Hearing - 1:00 PM – 425 Southwest

Chairman Tiffany and Members of the Committee:

Thank you for the opportunity to testify on behalf of AB 769/SB 615. 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/SB 615. We are open to any questions the committee may have.

Thank you,

Rep. Dale P. Kooyenga
14th Assembly District

Rep. Robb Kahl
47th Assembly District

GUNDERSEN HEALTH SYSTEM®

Testimony Presented by
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February 25, 2014

Chairman Tiffany and the Senate Committee on Workforce Development, Forestry, Mining & Revenue:

I appear before you today on behalf of Gundersen Health System in support of Assembly Bill 615 that pertains to whether parking structures qualify as project costs under tax incremental financing districts.

Gundersen is an integrated health system headquartered in La Crosse that serves the tri-state region of Wisconsin, Minnesota and Iowa. Our system includes hospitals, dozens of clinics, air and ground ambulance, and medical and nursing education programs. Over the past decade, Gundersen has partnered with the City of La Crosse and the City of Onalaska on TIF districts on our largest campuses to promote economic development and long-range neighborhood and commercial planning.

Gundersen is the largest employer in greater La Crosse and receives over 1 million patient visits per year throughout our system. Consequently, both TIF districts are among the highest traffic areas in the region from a parking standpoint. The Gundersen La Crosse TIF includes two parking structures, both of which are owned by Gundersen, while the Gundersen Onalaska TIF includes one parking structure owned by the City of Onalaska.

While the City of La Crosse and City of Onalaska do not administer fully self-sustaining parking utilities or charge for parking, to our knowledge, the City of La Crosse recently unveiled a proposal to begin charging for parking in its downtown parking ramps, which we believe could potentially impact the project costs associated with and agreed upon under the Gundersen La Crosse TIF under Chapter 66 of Wisconsin statutes.

Gundersen's hopes the parking structures in our TIFs with both cities can remain classified as project costs, as originally agreed upon, whether either city adopts a parking utility or not. We appreciate the foresight of Chairman Tiffany and others in the Legislature who anticipated the need to revise the state statute to ensure parking structures may be included as project costs in TIF districts.

In short, Gundersen encourages passage of Assembly Bill 615. Thank you for your time and consideration.

SB 615 / 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

SB 615 / 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.



TO: Members, Senate Committee on Workforce Development, Forestry, Mining and Revenue

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 25, 2014

RE: **Please support SB 615 (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 SB 615 (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.



TO: Senator Tiffany, Members
Government Operations, Public Works, and Telecommunications

FR: Spencer Statz, Wisconsin Pipe Trades Association and Plumbers Local 75

DA: February 25, 2014

RE: Support for SB 615

Thank you very much for your time today and your willingness to address this simple but very important bill – SB #615

And thank you to Senator Tiffany, Representative Kooyenga and Representative Kahl for bringing this bill forward.

My name is Spencer Statz and I am a Business Representative for Plumbers Local #75 which includes the Madison area. I'm also a plumber who has worked for 20 years in the Madison Area.

I'm here today on behalf of the 1700 members of Plumbers Local #75 as well as the 8500 Wisconsin Pipe Trades members of the for one reason only - Jobs.

This simple bill has the potential to start creating jobs almost immediately. The projections on the Judge Doyle Square project are 1,200 construction jobs for workers and contractors.

Approximately 100 of those jobs will be performed by workers in the pipe trades.

The importance of this bill isn't limited to the direct impact it will have on the Judge Doyle Square project... there are five aging parking structures in downtown Madison alone.

If new underground parking structures are eventually built to replace them, new jobs will be created both in construction and permanent jobs created above ground where new opportunities for investment will be available.

This bill is about infrastructure investment vital to future development while providing crucial services and support to city residents, visitors and state government.

This bill is a both a short and long-term gain for contractors, workers, businesses, taxpayers and local government alike. We hope you will support it.

Thank you very much for your time and consideration.