CITY OF MADISON
Economic Update
2019 RASCW Commercial Real Estate Forecast
Agenda:
1. Role of the City
2. Economic Snapshot
3. Opportunity Zones
Role of the City
Who we are...

Planning and Community and Economic Development Department (PCED)

- Planning
- Building Inspection

Economic Development Division (Matt Mikolajewski)

- 9 Staff
- Managing City Real Estate Assets
- Acquiring Property for Infrastructure Needs
- Disposing of Property to Facilitate Economic Growth
- Tax Increment Finance

Real Estate Office (Matt Wachter)

- 5 Staff
- Programs Supporting Businesses
- One-on-one work with businesses
- Economic Development Project Management
- Street Vending

CDA Housing

Community Development

Business Resources Office (Dan Kennelly)
Mayor

Satya Rhodes-Conway
Cityofmadison.com/mayor
608-266-4611

- Four-year terms
- Spring Elections (Feb Primary, and April General)
- Manages 10-person Mayor’s office Staff
- Oversees 3,000-person city staff
- Develops Budgets
- Sets City Priorities
- Directs all Department/Division Heads
- Chairs Common Council and Finance Committee Meetings
Common Council
Cityofmadison.com/council
allalders@cityofmadison.com, 608-266-4071

- 20 Districts Across the City
- Chief of Staff (Kwaisi Obeng) and small office staff
- 2 year terms
- Spring Elections
- Represent District/Constituent Services
- Serve on various city committees
- Vote on ordinances and resolutions
- Adopt Budget
City Boards, Commissions, & Committees

- 97 City Committees
- About 40 Have Vacancies

A Few Examples:
- CDBG
- Economic Development Committee
- Finance Committee
- Housing Strategy Committee
- Landmarks Commission
- Plan Commission
- Public Market Development
- Urban Design Committee

Cityofmadison.com/city-hall/committees
Summary of Approval Process (Resolutions)

1. Proposal
2. City Staff Work
3. Report / Recommendation
4. Resolution Language
5. Alder Sponsor
6. Introduction at Council Meeting
7. Referral to Committees
8. Council Action
9. City Staff Implements
Economic Snapshot
Snapshot of Madison’s Economy

4.9% GDP growth for the Madison MSA in 2017

3,000 new Madison residents every year for last five years.

20,000 jobs have been created in the City of Madison since 2010

2.3% 2017 Q4 Dane County Unemployment Rate

$4.75 billion growth in Madison since 2012

500 new businesses started within the City of Madison since 2009

Software publishing, biotechnology, healthcare, and food/beverage driving Madison’s Job Growth
Steady Growth, Economic Engine for Wisconsin

Madison MSA GDP

- Madison MSA
- Madison % of Wisconsin

GDP as % of Wisconsin

Madison MSA GDP ($ms)
40,000 New Jobs Since the Recession

Total Jobs in Dane County

<table>
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<tr>
<th>Year</th>
<th>Jobs</th>
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<tr>
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<td>2016</td>
<td>332,578</td>
</tr>
<tr>
<td>2017</td>
<td>332,578</td>
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</tbody>
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Concentration of Innovation Clusters
(4-digit NAICS with 1.5+ LQ and 1,000+ Workforce (County))

- **Y-axis:** Total Workforce (Private Sector)
- **X-axis:** Industry Location Quotient
- **Dot Size:** 3-year employment growth

- **Medical Equipment and Diagnostics, 1.60**
- **Scientific Research & Development, 2.88**
- **Pharmaceutical manufacturing, 2.95**
- **E-Commerce, 6.59**
- **Software Publishers, 11.65**
Top 10 Best Cities for Entrepreneurs (Inc. Mag)

#1 Quality of Life (NerdWallet)

#1 Fittest City in America (FitBit)

#5 for High Tech Jobs (MarketWatch)

Top 15 Per Cap VC Investment (Atlantic)

#1 Places to Live (Livability)

#5 for High Tech Jobs (MarketWatch)

#6 UW Madison Total research (over $1B/yr)

#1 Places to Live (Livability)

#8 Best City to Raise a Family (Parenting Mag)

#5 for High Tech Jobs (MarketWatch)

#6 Best Bike Cities (Bicycling Mag)

#7 for STEM Professionals (WalletHub)

#6 Highest Share Millennials (Brookings)

#5 for Young Professionals (Forbes)
Steady Population Growth
(3,000 New Residents/Yr.)

City of Madison Population Trend

- Past Census
- 5-year trend projected

- 1970: 168,518
- 2040: 317,073

(3,000 New Residents/Yr.)
New Housing Supply

Source: City of Madison Building Inspection
Rental Vacancy

1st Quarter Vacancy

Source: Madison Gas and Electric

City of Madison Biennial Housing Report
Vision for Growth
Comprehensive Plan Adopted in 2018
Opportunity Zones
Challenges for a growing city with a dynamic economy...

1. Accommodate growth without compromising quality of life

2. Expand the benefits of strong economy to more residents and neighborhoods and avoid displacement
Opportunity Zones Can be Part of the Solution to These Challenges
What are Opportunity Zones (OZs)?

• New economic development tool established in the 2017 tax reform law
• Designated by each state’s Governor, with local input, and certified by the U.S. Treasury Dept.
• Designed to encourage long-term investment in designated areas

• Geography:
  • Nationwide: 8,700 Census Tracts
  • Wisconsin: 120 Tracts
  • SC Wisconsin: 20 Tracts
  • Dane County: 11 Tracts
How the Opportunity Zone Benefit Works
Investors can re-invest capital gains into Opportunity Funds. These Funds invest in projects located in Opportunity Zones. Investors receive a three-tiered tax benefit:

1. Temporary Deferral of Capital Gains Tax
2. Reduction of tax owed on gains if held for 5 years (10%) or 7 years (15%)
3. Any growth in the value of the Opportunity Fund itself is tax free
How the Opportunity Zone Benefit Works

- Defer Tax on Invested Capital Gains
- 10% Reduction in Capital Gains
- 15% Reduction in Capital Gains
- Forgive Gains on Investment

Held for 5 Years
Held for 7 Years
Held for 10 Years
What are Opportunity Funds
An investment vehicle organized as a corporation or a partnership for the purpose of investing in Qualified Opportunity Zone Property

- Self Directed
  - Individual or Partnership
  - Invest into the next project

- Targeted
  - Small Groups
  - Geographically Focused

- Large Funds
  - May be Specialized
  - Professionally Managed
  - National Reach
What Qualifies as a Project?

- Commercial Real Estate Development or Renovation
- Opening New Business
- Expansion of Existing Business into Opportunity Zone
- Large Expansion of Business Already Within Opportunity Zone
MADISON OPPORTUNITY ZONES

Designation Strategy
- Cluster tracts
- Economic need combined with development potential
- Existing/future transit service
- Catalytic project potential
- Areas in transition

Implementation Strategy
- Layer with other tools
- Special area plans for each area
- Be an information source to investors, companies, and developers
- Involve and lift existing residents and businesses
Madison Opportunity Zones

OZ Area 1: Northside

OZ Area 2: South Madison

OZ Area 3: UW Research Park+
Area 1: Near North & Capitol East
- 4 Tracts
- Former Oscar Mayer Site
- Capitol East District
- Airport
- Foreign Trade Zones
- Madison College
- Madison Public Market
Area 1: Southside, Expo Center, Allied

- 4 Tracts
- 150 acre+ event destination
- Medical corridor
- Diverse Neighborhoods
- Development-ready industrial
Area 3:
UW Research Park +

- 2 Tracts
- UW Research Park 150 companies and 3800 employees
- Exact Sciences
- Merlin Mentors
- MGE Innovation Center
- MadWorks Co-Working
- Forward BIOLABs (shared startup lab)
OZs – What We’re Doing

1. Develop Investment Prospectus, post online, share widely
2. Host summit and present to stakeholders
3. Working with Community Partners (DMI, Chamber, MadREP, etc.)
4. Connect with national resources, funds, etc.
5. Share information and make local connections between projects, funds, land-owners, etc.
6. Create special area plans
7. Monitor rules, regulations, and practices
8. Overlay local tools, policies, and resources to achieve community goals
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More info and copy of the Madison Area Opportunity Zone Investment Prospectus at:
http://www.cityofmadison.com/dpced/economicdevelopment/madison-opportunity-zones/2916/