

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

ZONING, NEIGHBORHOODS & DEVELOPMENT COMMITTEE

DECEMBER 9, 2008

Item 5, File #081070

File Number 081070 is a resolution creating Tax Incremental District No. 72 (Bishop's Creek), approving a project plan, development agreements and cooperation agreement for this district, and authorizing expenditures for the district.

Background

1. Wisconsin's Tax Increment Law (s. 66.1105, Wis. Stats.) provides for the creation and administration of a tax incremental district ("TID") to finance economic development and redevelopment projects within the district. Improvements and activities in the district are funded by the increase or "increment" in tax revenues generated by property in the district.
2. To be eligible for TID designation, an area must meet the following criteria:
 - Fifty percent or more of the proposed TID must be "blighted," "in need of rehabilitation or conservation work," or suitable for "industrial sites," within the statutory meanings of these terms.
 - Property that has been vacant for at least 7 years preceding creation of the TID cannot constitute more than 25% of the TID's area (unless the district is being created to promote industrial development).
3. The boundaries and project plan for a TID must be approved by the Redevelopment Authority, the Common Council and the "joint review board" consisting of representatives of the various taxing jurisdictions affected by the creation of the TID.
4. The 5.2-acre former Kaiser Tannery site at North 32nd Street and West Hampton Avenue has long been vacant and has had a substantial blighting influence on the surrounding neighborhood. The site has environmental contamination that must be remediated before redevelopment is possible.
5. Creation of a tax increment district encompassing the Kaiser Tannery site and surrounding properties has been proposed as a means of funding building demolition and site remediation at the Tannery facility, the construction of new affordable housing on the site and the renovation of existing housing in the neighborhood.

Discussion

1. Proposed Tax Incremental District No. 72 (Bishop's Creek) encompasses 65.6 acres in the area bounded by 32nd and 38th Streets, Hampton Avenue and Congress Street. It includes a property on the northwest corner of 32nd and Hampton and excludes most of the land south of Courtland Avenue and east of 35th Street. Current land use is a mixture

of residential, commercial and industrial properties, with the commercial properties being concentrated on Hopkins Street and Hampton Avenue and the industrial properties being located in the eastern portion of the district along the railroad line.

2. Consistent with statutory requirements, over 50% of the TID meets the criterion of being “in need of rehabilitation or. conservation”. Also, less than 25% of the area within the district boundaries meets the statutory definition of “vacant” property.
3. On November 20, 2008, the Redevelopment Authority adopted a resolution creating the Bishop’s Creek Tax Incremental District.
4. The proposed project plan calls for tax incremental financing to fund the following activities and programs:

- a. Installation of a new storm sewer in 32nd Street to serve new development \$150,000
- b. Financial assistance for demolition and remediation of the former Kaiser Tannery site on 32nd and Hampton \$335,000
- c. Financial assistance for construction of 55 units on new affordable housing on the Tannery site \$650,000
City parking lots and at strategic locations
- d. Establishment of a forgivable loan pool for rehabilitation of existing homes located in the TID \$300,000

	Administration \$150,000
TOTAL PROJECT COSTS	\$1,585,000

5. The resolution creates the Bishop’s Creek TID as of January 1, 2009. It carries this name because the Bishop’s Creek Community Development Corporation, which has undertaken a number of other neighborhood improvement projects in the surrounding area, is spearheading the redevelopment of the former Kaiser Tannery property. “Bishop’s Creek” is also the name of the redevelopment project to be carried out on the tannery site.
6. All expenditures for implementation of the project plan are expected to be incurred in 2009 and 2010.
7. The Bishop’s Creek TID’s project costs will be financed by the issuance of general obligation bonds by the City.
8. This resolution not only approves the project plan for Tax Incremental District No. 72 and authorizes project expenditures for this TID, but also approves the following documents:

- a. A term sheet for a development agreement between the City and Bishop's Creek CDC for Phase 1A of the Bishop's Creek project. This agreement would provide up to \$150,000 for the sewer improvement project and up to \$335,000 to the CDC to assist with extraordinary site remediation costs (demolition and abatement work) and to close a financing gap in the project. The estimated total project cost is \$2,711,000.
- b. A term sheet for a development agreement between the City and Common Bond Communities for Phase 1A of the Bishop's Creek project. This agreement would provide up to \$650,000 in financial assistance to Common Bond for construction of 55 new units of affordable housing on the former tannery site. The estimated total project cost is \$10,160,000,
- c. A cooperation agreement between the City and the Redevelopment Authority. Under this agreement, the Redevelopment Authority will implement the project upon receiving the necessary funding from the City.

Fiscal Impact

1. The proposed project plan sets total project costs for the Bishop's Creek TID at \$1,585,000. Estimated financing costs – interest payments on tax-exempt bonds – are an additional \$856,200. These costs will be paid through proceeds from City-issued general obligation bonds and recovered through property tax revenues from the TID's tax increment.
2. This economic feasibility study for the proposed Bishop's Creek TID performed by S. B. Friedman & Company indicates that the assessed-valuation increment from the proposed Phase 1A Kaiser Tannery project and the surrounding district could produce sufficient revenues to fully amortize the proposed TID expenditures (\$1.585 million) by year 18 of the project (2026). .
3. The immediate fiscal impact of this resolution is TID general obligation borrowing in the amount of \$1,745,085 -- \$1,585,000 for the project itself and \$160,085 for capitalized interest. The adopted 2009 Budget provides \$30 million for new borrowing for new TIDs and \$3 million for capitalized interest.

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