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January 23, 2024

Members of the Zoning, Neighborhoods
& Development Committee
City of Milwaukee
City Hall, Room 205
Milwaukee, WI 53202

RE: File 231456, TID 48 Park East
Amendment #6

Dear Committee Members:

File 231456 would approve an additional \$17,750,950 to Tax Incremental District (TID) 48, Park East (the District), along with a corresponding project plan and feasibility study. The Comptroller's Office has reviewed the project plan, feasibility study, and has had discussions with the Department of City Development (DCD). Based on the information presented by DCD, our analysis is as follows.

TID Background and Amendment to Project Plan

The District was created in 2002 to provide public improvements necessary to promote development and redevelopment in the former Park East Freeway corridor and surrounding properties. The project has undergone several revisions since creation.

The proposed Amendment 6 would authorize \$1,900,000 for design and public infrastructure improvements to North Water Street from East Pleasant Street to East Kilbourn Avenue. An additional \$1,300,000 for design and public infrastructure improvements to West Kilbourn Avenue from the Milwaukee River to North 6th Street. This amendment also proposes \$1,500,000 for costs associated with the construction of the Vel R. Phillips Plaza at 401-41 West Wisconsin Avenue, \$500,000 for the design of improvements to Red Arrow Park, \$50,000 for the design of improvements to City Hall Square, a \$500,000 contingency, and \$250,000 in administrative costs. Total project and administrative costs is \$6,000,000. Lastly, this amendment proposes to provide up to \$11,750,950 in donations from this TID to TID 74 located on North 35th Street and West Capitol Drive.

Total amendment proposal is \$17,750,950. Table 1 outlines the costs related to Amendment 6.



Table A - TID 48 Amendment 6 Total Project Costs

North Water Street	1,900,000.00
West Kilbourn Avenue	1,300,000.00
Vel Phillips Plaza	1,500,000.00
Red Arrow Park	500,000.00
City Hall Square	50,000.00
Contingency	500,000.00
Administration	250,000.00
TID 48 Amendment 6 Project and Administrative Costs	\$6,000,000.00
TID Donation to TID 74	\$11,750,950.00
Total Proposed Amendment	\$17,750,950.00

Is This Project Likely to Succeed?

From a financial perspective, the proposed amendment will not adversely affect the District’s ability to recover its costs over the life of the TID. The District’s current value for assessment year 2023 is \$440,611,600, generating annual incremental revenue in excess of \$8 million, and TID 48 currently has \$31 million in cash reserves. The \$31 million in cash reserves is anticipated to cover future costs for amendment 5 (File no. 221817) and this proposed amendment.

DCD’s feasibility study, which uses a constant 2.32% property tax rate and 1% inflation rate over the life of the TID, forecasts the TID will fully recover the \$6,000,000 plus interest and \$11,750,950 donation to TID 74, within the TID’s life (expiring 2029). Therefore, the \$17,750,950 proposed amendment seems feasible based on the Comptroller’s Office review.

Sensitivity Analysis

There is inherent risk in every projection of future results. One common way to alleviate this risk is to provide sensitivity analysis, which forecasts the impact that different assumptions have on the projection. Below is a table, which summarizes several scenarios to show the sensitivity of DCD’s projected incremental revenues within the District.

Sensitivity Analysis	
Percentage of DCD Projected Revenue	Payback Year
90%	2027
95%	2027
100% (Base Case)	2026
105%	2026
110%	2026

For each of the above scenarios, the \$6,000,000 and \$11,750,950 donation are projected to pay off within the 27-year lifespan of the District (2029).

Is the Proposed Level of City Financial Participation Required to Implement the Project?

This proposed Amendment would allow the District to fund the projects and help fund another TID currently in debt. Without City funding, the City would have to find an alternate funding source to complete these activities.

Conclusion

Based on the feasibility study, it appears the District is likely to generate enough cash to fund the additional project costs and donation in Amendment 6. Should you have any questions regarding this letter, please contact Nuducha Yang at extension 2354.

Sincerely,

A handwritten signature in black ink, appearing to read 'Aycha Sawa', with a long horizontal flourish extending to the right.

Aycha Sawa, CPA, CIA
Comptroller

CC: Dan Casanova, Gloria Lucas, Joshua Benson, Bill Christianson

AS:NY