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Office of the Comptroller

June 28, 2016

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

**RE: File 160289, TID 78 – Northwestern Mutual
Life Insurance Company
Funding Increase**

Committee Members:

File 160289 would approve a \$6 million increase to the TID 78 - Northwestern Mutual Life Insurance Company (NML) Project Plan. This file would increase total project funding to \$79.3 million, not including financing costs. We have reviewed the revised project plan and feasibility study and have had discussions with Department of City Development (DCD) staff. Our analysis is based on the information provided.

Tax Incremental District 78 was created in 2013 (Common Council file no. 121429) to compensate NML for the additional costs of constructing a downtown high-rise instead of a low-rise building outside of the city and to provide funding for infrastructure improvements associated with the Lakefront Gateway project. The project was amended in 2015 (Common Council file no. 150180) to expand the district boundary and provide a grant to Johnson Controls, Inc. for investigation of a potential building site.

The original \$18 million budget, related to the Lakefront Gateway project, is not sufficient due to increased construction costs, changes from resurfacing to reconstruction of streets, additional storm-water and utility costs and environmental contamination issues. This funding increase would provide an additional \$5,950,000 million for the Lakefront Gateway project and \$50,000 for administration. The amended budget, expenditures and remaining funds, related to TID 78, are shown in Table 1 below.

Table 1 - TID 78 Amended Budget and Expenditures

<u>Description</u>	<u>Budgeted</u>	<u>Expended (As of 5/31/2016)</u>	<u>Remaining</u>
Office project (monetary obligation to NML)	\$ 54,000,000	\$ -	\$ 54,000,000
Lakefront Gateway project (public infrastructure)	15,000,000	7,210,140	7,789,860
Contingency	3,000,000	-	3,000,000
Administration	350,000	43,324	306,676
Johnson Controls cash grant	250,000	-	250,000
Workforce and business development	700,000	564,283	135,717
Current Budget	\$ 73,300,000	\$ 7,817,747	\$ 65,482,253
Resolution No. 160289 - Funding Increase	6,000,000*		6,000,000*
Amended Budget	\$ 79,300,000	\$ 7,817,747	\$ 71,482,253

* Does not include Reconstruction of Michigan & Cass Streets and possible pedestrian bridges.

Is This Project Likely to Succeed?

From a financial perspective, the proposed funding increase should not adversely impact the district's ability to recover all costs. DCD's feasibility study forecasts the district will break even in 2032 (levy year). The Comptroller's Office finds DCD's estimate to be reasonable based on our analysis which indicates break-even will occur in 2033 (levy year).

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

Due to higher-than-expected costs, and revisions to the project scope, the \$18 million originally budgeted is insufficient to complete the Gateway project. Without this \$6 million funding increase, the City would have to find an alternate source of funds to pay for completion of the project.

Conclusion

Based on the feasibility study, it appears the district is likely to generate enough cash to fund an additional \$6 million of public improvements and administration costs. Should you have any questions regarding this letter, please contact Melissa Fulgenzi at 2307.

Sincerely,



Martin Matson
Comptroller

MM/MRF

c: Lori Lutzka, Dan Casanova