



Aycha Sawa, CPA, CIA
Comptroller

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August 31, 2023

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

RE: File 230625, TID 117 Filer-Stowell

Dear Committee Members:

File 230625 would approve the creation of Tax Incremental District (TID) 117, Filer-Stowell (the District), along with a corresponding project plan and term sheet. The Comptroller's Office has reviewed the project plan, feasibility study, term sheet, and has had discussions with Department of City Development (DCD) and the Assessor's Office. The Comptroller's Office analysis is based on the information provided.

The proposed District is located in the City's Harbor District and involves the redevelopment of a former industrial complex located between West Becher Street and West Lincoln Avenue at South 1st Street, totaling one parcel of 436,273 square feet (the Property). The Property currently contains a series of vacant industrial buildings. The existing buildings will be demolished and 8 new buildings will be constructed containing 576 housing units (the Project). This project will be known as The Flats and Senior Living at Cream City Yards and will include 432 family units and 144 elderly units with a mix of affordable one and two bedroom units across a range of incomes.

The Developer for the site is FS Apartments, LLC (the Developer), which is a single purpose entity affiliated with Bear Development. The City of Milwaukee is familiar with the Developer as their most recent project together is the new construction of the Michigan Commons project at 9th and Michigan, which will contain 99 affordable housing units.

Total estimated costs for the Project are \$197,000,000. This file authorizes a \$9,200,000 grant to the Developer to assist in funding a portion of these costs. After substantial completion of the Project, following the deduction of Annual Expenses, one hundred percent of incremental tax revenue collected from TID No. 117 will be allocated to repay the Project Owner for costs incurred for the Project through payments on the Monetary Obligation.

Is This Project Likely to Succeed?

As a developer-financed TID, the Developer assumes the risk that the proposed District will generate sufficient incremental revenue to recapture their \$9,200,000 investment with interest.

DCD's feasibility study by Ehlers Public Finance Advisors, which uses a constant 2.2181% property tax rate and 0% inflation rate over the life of the TID, forecasts that the Developer will fully recover the \$9,200,000 plus interest, in 2041 after receipt of the 2040 levy (the final year of the City's obligation to the Developer). However, if the tax rate does not remain constant, the Developer may not recover the entire \$9,200,000, plus interest. Nonetheless, because the Developer, not the City, assumes the repayment risk on their \$9,200,000 contribution, the proposed TID to the City is economically feasible.

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	District Payback Year
90%	2041*
95%	2041*
100% (Base Case)	2041
105%	2040
110%	2039

** 2041 is the final levy year of the monetary obligation. The Developer would not fully recover their investment, plus interest, in this scenario.*

It is important to note that the payback year relates to the expected year in which the Developer will recover their investment. Since the Developer will finance the Project, the City is not at risk of losing the \$9,200,000.

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

This proposed TID allows the City to provide incentive to the Developer to develop the Property while minimizing the City's involvement and risk.

Conclusion

The proposed TID provides incentive for the Developer to construct a mixed-use building consisting of 576 housing units. The Developer will assume the financial risk, and the Project should increase the City's tax base.

Should you have any questions regarding this letter, please contact Nuducha Yang at extension 2354.

Sincerely,

A handwritten signature in cursive script, appearing to read "Aycha Sawa".

for Aycha Sawa, CPA, CIA
Comptroller

CC: Maria Prioretta, Gloria Lucas, Joshua Benson, Bill Christianson

AS:NY