



Department of City Development

City Plan Commission
Historic Preservation Commission
Neighborhood Improvement
Development Corporation
Redevelopment Authority

Rocky Marcoux
Commissioner

Martha L. Brown
Deputy Commissioner

August 29, 2008

The Honorable Members of the
Zoning, Neighborhoods & Development Committee
City of Milwaukee
City Hall, Room 205

Dear Committee Members:

Re: File No. 080541: Proposed Amendment No. 1 to Tax Incremental District
No. 68 (Fifth Ward-First Place Lofts)

This resolution will approve amendments to the boundary of TID 68, for the purpose of correcting the District's Base (initial) Value assessment which was significantly overstated when the District was created.

TID No. 68 is a five parcel district whose Base Value was established as of January 1, 2007. Parcel 1 in TID 68, shown on Map 1 in the attached Amendment, is the property at 106 W. Seeboth St., which now consists of 161 condominium units. Six of these units are commercial condominiums; the balance are residential units. As of mid-July, 2008, 33 of the units have been sold.

This TID was originally established to fund certain public improvements, including riverwalks, dockwall, street paving, street lights and other public infrastructure. The total capital budget for the TID was \$4,053,000, of which \$2,684,322 had been expended or encumbered.

The Base Value of this District was established at \$56.5 million, based on the completed value of the condominiums, despite the fact that the vast majority of the units were not completed at that time. This error has resulted in the 2007 Base Value being significantly greater than the corrected 2008 value, which now reflects the unfinished condition of nearly all of the units.

Specifically, the 2008 assessment for the TID has been reported by the City Assessor to the Wisconsin Department of Revenue to be \$32.1 million. This consists of a \$24 million value for the condominium project and \$8 million for the balance of the district.

The City Assessor now estimates the value of the finished condominium project will be approximately \$41 million.

Given these circumstances, if the original Base Value is left uncorrected, the District will never generate an incremental value and the district will be insolvent, requiring either direct levy contributions to amortize its debt, or donations from other districts.

The Tax Increment Law (Wis. Stats. Section 66.1105) allows amendments to the TID boundary by subtracting parcels or adding parcels that are contiguous to the existing TID boundary. To determine the Base Value of the amended TID, the value of the subtracted parcels is deducted from the Base, at their value when the TID was originally created. The value of the added parcels is their value at the time they are added to the TID.

Consequently, and acting on the advice of the Wisconsin Dept. of Revenue, it is proposed that the Base Value be corrected by first deducting the condominium parcel from the territory of the TID, and therefore deducting its overstated 2007 value from the Base Value.

Next, the condominium parcel will be added back into the territory of the TID at the current 2008 value. This would reset the Base Value at the \$32.1 million figure mentioned above, and upon build-out of the condominium units, the TID would achieve a positive incremental value.

See Exhibit 2 in the Amendment for a summary of all values in the District for 2007 and 2008.

The updated feasibility analysis for the TID, Exhibit 3, indicates that the district, as restructured, could retire the total TID debt by 2029 if the Seeboth property peaks in value at \$41 million, or 2023 if the original estimated value of \$50 million is achieved.

We believe this is the most effective way to correct this situation and recommend approval of this Amendment.

Sincerely,



Rocky Marcoux
Commissioner