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March 27, 2023

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

RE: File 221817, TID 48 Park East
Amendment #5

Dear Committee Members:

File 221817 would approve an additional \$20,750,000 to Tax Incremental District (TID) 48, Park East (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 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 5 would authorize \$15,750,000 for costs associated with the construction of the Vel R. Phillips Plaza located at 401-41 West Wisconsin Avenue, \$4,350,000 for public infrastructure improvements, \$500,000 towards commercial property renovation and \$150,000 in administrative costs, totaling \$20,750,000.

Table A on the following page provides summary of approved project budget amendments and funding increases [as well as the proposed amendment].

Table A - Project Budget Revisions		
File No.	Description	Amount
11182	Original Project Plan - Reconstruct street segments within the district. Authorized funding for public improvements and administration.	\$ 3,945,500
41514	Amendment #1 - Enlarged the district boundaries to include 21 additional properties. Authorized additional funding for public improvements and admin.	\$ 16,017,395
71392	Authorized additional funding for city-funded portion of a riverwalk and dockwall associated with construction of the Aloft hotel and admin.	\$ 1,250,202
81717	Increased funding for cost index adjustment related to Aloft project.	\$ 29,232
90687	Authorized additional funding for developer loans, public park and admin.	\$ 11,000,000
101297	Amendment #2 - Authorized additional funding for developer loans, developer grants for public improvements and admin.	\$ 7,628,940
150159	Authorized additional funding for city-funded portion of a Riverwalk and dockwall associated with North End Phase III and IV project areas.	\$ 3,023,942
151547	Amendment #3 - Authorized additional funding for Workforce Training.	\$ 375,000
160418	Amendment #4 - Authorization of additional funding for public infrastructure associated with Laacke and Joys redevelopment project and public access to the Riverwalk.	\$ 2,033,000
	Current Authorized Expenditure (excluding interest)	\$ 45,303,211
	Proposed Amendment #5 - Vel R Phillips Plaza, public infrastructure, commercial property renovation, and administrative costs.	\$ 20,750,000
	Total Authorized Expenditure Costs for TID	\$ 66,053,211

Is This Project Likely to Succeed?

The District has incurred project costs to date of \$43,791,166. The District's current value is \$363,102,800, generating annual incremental revenue in excess of \$7 million, and TID 48 currently is in a surplus as of 2022.

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 \$20,750,000 plus interest, within the year.

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	Assessment Year
90%	2024
95%	2024
100% (Base Case)	2023
105%	2023
110%	2023

For each of the above scenarios, the \$20,750,000 is projected to pay off within the 27-year lifespan of the District.

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

This proposed Amendment would allow the District to fund the Project. 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 \$20,750,000 of project costs in Amendment 5. 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, Lori Lutzka, Gloria Lucas, Joshua Benson, Bill Christianson

AS:NY