

February 16, 2006

**HAND DELIVERED**

The Honorable Tom Barrett  
City of Milwaukee  
City Hall  
200 East Wells Street  
Milwaukee, Wisconsin 53202

RE: Proposed Tax Incremental Financing Guidelines

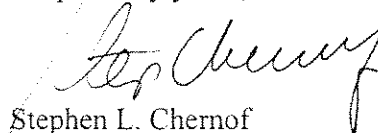
Dear Mayor Barrett:

I am pleased to enclosed the Milwaukee Tax Incremental Financing (TIF) District Guidelines and related application materials proposed by your TIF Advisory Panel. As you know, the TIF Advisory Panel consisted of eighteen members representing different viewpoints on the application of TIF. Accordingly, we had a broad range of input and much vigorous discussion during the process of developing the Guidelines.

The Advisory Panel believes that TIF is an important tool with which government can assist development, and that development, in turn, can lead to a significant increase in job creation and sustained economic development in Milwaukee. We also believe that Milwaukeeans need a better understanding of the benefits of using this important tool. Recent high profile criticism of TIF (based, in large part, on misinformation) has led to some misunderstanding about its impact on the City of Milwaukee and Milwaukee taxpayers. We suggest that the City undertake a conscious effort to better inform the residents of Milwaukee and enhance their understanding of TIF.

We share your vision that "Milwaukee is open for business", and we trust you will find the Guidelines useful as a basis for reviewing TIF applications. We stand ready to assist you with future economic development initiatives in Milwaukee and appreciate this opportunity to work on an important issue.

Respectfully yours,

  
Stephen L. Chernof

SLC:lrp

Enclosure

cc: Members of TIF Advisory Group (w/encl.) (via email)  
MW1091842\_1.DOC

## **Milwaukee Tax Incremental Financing District Guidelines**

Tax Incremental Financing (TIF) is an important tool with which government can assist development, improve public infrastructure and expand the local tax base, with repayment of the TIF expenditures coming from the increased tax base resulting from the development. In Milwaukee and other municipalities throughout the state, TIF is targeted toward eliminating blight, increasing property value and promoting job growth and economic development. State statutes permit TIF districts only when development would not occur "but for" City assistance. TIF assistance should be utilized for developments that implement City and neighborhood plans and for developments that are consistent with the overall government goals of job creation and sustained economic development in Milwaukee.

Each project that receives TIF assistance must demonstrate sufficient need such that, without the City's financial assistance, the proposed project would not take place. Other financial alternatives should be considered and utilized, if possible, before TIF assistance is employed, such as state and federal funds, tax-exempt bonds, tax credits, loans and foundation support.

Since its approval by the Wisconsin Legislature in 1975, the Tax Incremental Finance Law has been applied more than 60 times in the City of Milwaukee. In 2004, the State Legislature enacted changes in the Statutes governing TIF that increased the expenditure period, changed the maximum percentage of equalized value that can be placed in TIF districts and generally encouraged wider use of this economic development tool. While each specific application of TIF assistance will have unique characteristics, a well-reasoned and articulated set of guidelines will help residents, taxpayers and the development community understand the issues generally involved in the City's consideration of TIF assistance. At the same time, guidelines should be considered a framework for policy decisions, recognizing that the City must retain the flexibility to make exceptions in appropriate circumstances.

### **Goals for Projects Supported by Tax Incremental Financing**

- I. Attract and retain family-supporting jobs in the City of Milwaukee.
- II. Increase the City's tax base by facilitating development of underutilized properties or promoting development in emerging neighborhoods.
- III. Improve blighted properties or clean up brownfields in the City by making their redevelopment economically feasible.
- IV. Support City planning initiatives by advancing catalytic projects identified in neighborhood plans, providing public amenities or infrastructure, and strengthening neighborhoods in need of investment and increased home-ownership.

## **Guidelines for TIF**

### **I. General Guidelines**

- a.** Each application for TIF assistance will be evaluated based on short term and long term economic development impacts, adherence to the City's plans, priorities and goals, public benefits provided, amount of public assistance compared to private investment, term of public assistance and risks associated with the project. Priority will be given to development projects that facilitate increased permanent employment with family-supporting wages in the City of Milwaukee.
- b.** TIF assistance will generally not be considered for market rate housing in the downtown area. In addition, the City should work toward a goal of establishing the downtown office market as being self-sustaining without TIF assistance.
- c.** TIF assistance will be evaluated for its impact on the existing market.
- d.** The expected payback period for TIF assistance will be determined by evaluating the goals to be achieved and the type of development proposed (e.g., projects that create jobs may allowed a longer payback period).
- e.** The City's Emerging Business Enterprises (EBE) and Residency Preference Program (RPP) requirements will be considered mandatory for projects that receive TIF assistance. The City will also consider additional requirements such as prevailing wages, mentoring, training, apprenticeships and first source recruitment.
- f.** The City will require guarantees from developers where appropriate.
- g.** The City will be mindful of the impact of TIF on the City's credit rating.
- h.** The City will consider developer-financed TIF districts, where appropriate, provided the City retains the right to pre-pay the debt with lower cost funds.

### **II. Guidelines for Specific TIF districts**

- a.** TIF financing will be used as gap financing. TIF assistance will be limited to the amount necessary to make a project financially feasible. In certain instances, the City may use TIF to create developable land by providing infrastructure or conducting environmental remediation.
- b.** TIF assistance cannot be used for project operating costs, and developer returns in projects that receive TIF assistance will be limited to no more than a reasonable market return.
- c.** All TIF expenditures should generally be made within 10 years of the district's creation.
- d.** Consideration should be given to TIF-supported loans that include participation in cash flows, ultimate residuals on sales or proceeds of refinancing.

## **TIF Application Process**

- I. Parties seeking TIF assistance shall communicate their interest and lay out their project to Department of City Development (DCD) staff before an official TIF application is submitted. DCD staff will undertake a preliminary analysis of the potential economic impact of the proposed development and its consistency with City plans, priorities and TIF goals before the submission of an official application.
- II. If the proposed project appears to be consistent with the City's plan, priorities and goals, DCD will provide the party seeking TIF assistance with an official application for TIF assistance.
- III. Parties seeking TIF assistance shall submit the information required in an official application for TIF assistance to the DCD Commissioner. This application must be accompanied by a non-refundable fee of \$5,000. DCD staff will then engage in deeper analysis of the financial viability and economic impact of the proposed project based on the information included in the application.
- IV. At the conclusion of that analysis, if the project warrants further exploration, DCD will collect an additional fee of \$10,000 to compensate for staff time required to complete a full analysis, underwriting, and presentation of the proposed TIF assistance. In addition, if DCD engages an independent consultant to review the application, the applicant will pay for all third-party costs incurred. If the TIF district is created, the \$10,000 fee and third-party costs may be refunded by the TIF district.
- V. The Comptroller shall have a minimum of 21 days to analyze each TIF application and make comments and recommendations before any action by the Common Council.

January 1, 2006

John Doe  
ABC Corporation  
1234 Main Street  
Milwaukee, WI 53202

Dear Mr. Doe:

Thank you for communicating your intention to request the creation of a Tax Incremental Financing (TIF) district to assist in [ABC Corporation's expansion]. After an initial review of your plans, our staff has determined that your proposal appears to meet the City of Milwaukee's goals of job creation, tax base growth [and/or brownfield remediation], as identified in the Milwaukee Tax Incremental Financing District Guidelines, a copy of which is enclosed.

To further assess the feasibility of a TIF district for your project, we ask that you fill out an application (attached) and submit a \$5,000 non-refundable application fee. The additional information that you provide in the application will allow our staff to further analyze your project.

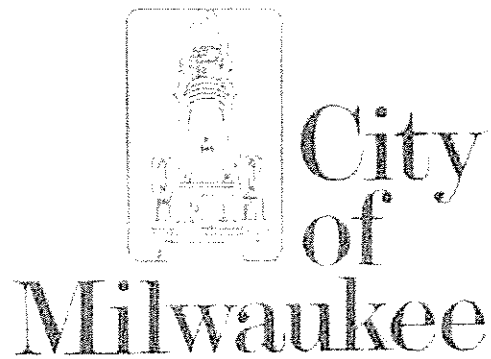
If DCD staff determines that your project meets the City's guidelines and goals, then an additional fee of \$10,000 will be required to cover costs related to completion of a full analysis, underwriting, and presentation of the proposed TIF assistance. In addition, if DCD engages an independent consultant to review the application, you must pay for all third-party costs incurred. If the TIF district is created, then the \$10,000 fee and third-party costs may be eligible TIF costs.

We appreciate your interest in moving Milwaukee forward, and we look forward to receiving your TIF application. If you have any questions, please contact Jim Scherer at 286-5850.

Sincerely,

Richard "Rocky" Marcoux  
City of Milwaukee  
Department of City Development – Commissioner

# Tax Incremental Financing Application



Department of City Development

Please complete and submit the following information to the Department of City Development (DCD) for a more detailed review of the feasibility of your request for Tax Incremental Financing (TIF) by staff of various City departments and the Redevelopment Authority of the City of Milwaukee (RACM), as well as consultants retained for the purpose of analyzing this application. The application is comprised of four parts: Applicant Information, Project/Property Information, Project Budget/Financing Strategy and Buyer Certification and Acknowledgement. Where there is not enough room for responses provided, please use an attachment.

**Applicant Information**

Legal Name \_\_\_\_\_

Mailing Address \_\_\_\_\_

Primary Contact \_\_\_\_\_ Telephone: \_\_\_\_\_

Email \_\_\_\_\_ FAX: \_\_\_\_\_

Attorney \_\_\_\_\_

Legal Entity     Individual(s)     Joint Tenants     Tenants in Common     Corporation  
                           LLC                     Partnership             Other: \_\_\_\_\_

If not a Wisconsin corporation/partnership/LLC, state where organized: \_\_\_\_\_

Will new entity be created for ownership?  Yes  No

Principals of existing or proposed corporation/partnership/LLC and extent of ownership interest.

| <u>Name</u> | <u>Address</u> | <u>Title</u> | <u>Interest</u> |
|-------------|----------------|--------------|-----------------|
| _____       | _____          | _____        | _____           |
| _____       | _____          | _____        | _____           |
| _____       | _____          | _____        | _____           |

Is any owner, member, stockholder, partner, officer or director of any previously identified entities, or any member of the immediate family of any such person, an employee of the City of Milwaukee?  
 Yes  No If yes, give the name and relationship of the employee: \_\_\_\_\_

Have any of the principals of the corporation/partnership/LLC ever been charged or convicted of a misdemeanor or a felony?  Yes  No If yes, please furnish details: \_\_\_\_\_

Please attach:

- Resumes of principles
- Articles/Bylaws/Partnership agreement of corporation/partnership/LLC
- A list of properties in the City of Milwaukee in which buyer has an ownership interest either as an individual or as part of a corporation/partnership/LLC.

**Project/Property Information**

Describe project/proposed use: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Property Summary:      Building Area: \_\_\_\_\_ SF      # Stories: \_\_\_\_\_      Basement  Yes  No  
                                 Land Area: \_\_\_\_\_ SF      # Units: \_\_\_\_\_      # Parking Spaces \_\_\_\_\_

Will project incorporate any "sustainable" concepts? \_\_\_\_\_

Will a zoning change be requested? \_\_\_\_\_

Identify other approvals, permits or licenses (e.g., BOZA, Health Department, etc.): \_\_\_\_\_  
\_\_\_\_\_

Discuss neighborhood impact/support: \_\_\_\_\_  
\_\_\_\_\_

**Development Team**

Developer \_\_\_\_\_

Community Partners \_\_\_\_\_

Architect \_\_\_\_\_

Surveyor \_\_\_\_\_

Contractor \_\_\_\_\_

Sales Agent/Property Manager \_\_\_\_\_

Other Members \_\_\_\_\_

Describe team expertise and experience \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Other Team Projects \_\_\_\_\_  
\_\_\_\_\_

Estimated Emerging Business Enterprise (EBE) Use \_\_\_\_\_ % of total budget or \$ \_\_\_\_\_

Potential contactors (name and/or type) \_\_\_\_\_  
\_\_\_\_\_



**Job Impact Statement**

Current and Created Jobs by Annual Wage Range (Full Time ≥ 30 hours/week)

\$0-15,000:

\_\_\_\_\_ Full Time (current) \_\_\_\_\_ Part Time (current) \_\_\_\_\_ Full Time (created) \_\_\_\_\_ Part Time (created)

\$15,000-35,000:

\_\_\_\_\_ Full Time (current) \_\_\_\_\_ Part Time (current) \_\_\_\_\_ Full Time (created) \_\_\_\_\_ Part Time (created)

\$35,000- 50,000:

\_\_\_\_\_ Full Time (current) \_\_\_\_\_ Part Time (current) \_\_\_\_\_ Full Time (created) \_\_\_\_\_ Part Time (created)

\$50,000 +:

\_\_\_\_\_ Full Time (current) \_\_\_\_\_ Part Time (current) \_\_\_\_\_ Full Time (created) \_\_\_\_\_ Part Time (created)

**Totals =**

\_\_\_\_\_ Full Time (current) \_\_\_\_\_ Part Time (current) \_\_\_\_\_ Full Time (created) \_\_\_\_\_ Part Time (created)

How many employees are minorities? \_\_\_\_\_ How many employees are female? \_\_\_\_\_

How many employees live in the City of Milwaukee? \_\_\_\_\_

Percentage of Health Insurance Premium Paid by Company: \_\_\_\_\_% (Individual) \_\_\_\_\_% (Family)

Average Deductible Paid by Employee: \$ \_\_\_\_\_ (Individual) \$ \_\_\_\_\_ (Family)

Other Benefits Provided to the Majority of the Workforce (Life, Pension, Tuition Reimbursement, 401(k), Childcare): \_\_\_\_\_

Will new Employees be provided with substantially the same benefits as described above?  Yes  No

**Project Timetable**

Final Plan/Specification Preparation \_\_\_\_\_

Bidding & Contracting \_\_\_\_\_

Firm Financing Approval \_\_\_\_\_

Construction/Rehabilitation \_\_\_\_\_

Landscaping/Site Work \_\_\_\_\_

Occupancy/Lease Up \_\_\_\_\_

Please Attach:

- Evidence of site control, if any
- Leases and pre-lease commitments, if any
- Preliminary site and building plans/elevations, if available
- Phase I Environmental Assessment, if available
- Appraisal, if available

# Project Budget and Financial Strategy

Budget Summary:

|                                                   |          |
|---------------------------------------------------|----------|
| Property Acquisition (public & private)           | \$ _____ |
| Environmental testing/remediation (Buyer's share) | \$ _____ |
| Demolition (if applicable)                        | \$ _____ |
| Hard construction/rehabilitation costs            | \$ _____ |
| Soft costs – architectural fees, permits, misc.   | \$ _____ |
| Financing fees                                    | \$ _____ |
| Developer fee                                     | \$ _____ |
| Total cost                                        | \$ _____ |

Budget source:  Developer  Architect  Contractor  Other \_\_\_\_\_

**Attach detailed summary or pro-forma income analysis as necessary.**

|           |                                     |                                   |                               |
|-----------|-------------------------------------|-----------------------------------|-------------------------------|
| Financing | Property purchase will be           | <input type="checkbox"/> Financed | <input type="checkbox"/> Cash |
|           | Construction/rehabilitation will be | <input type="checkbox"/> Financed | <input type="checkbox"/> Cash |

Lender: \_\_\_\_\_

Loan Amount \$ \_\_\_\_\_ Preapproved  Yes  No

Grants involved?  Yes  No

Sources: \_\_\_\_\_  
\_\_\_\_\_

Application status: \_\_\_\_\_  
\_\_\_\_\_

Likelihood of award: \_\_\_\_\_

Other funding: \_\_\_\_\_  
\_\_\_\_\_

---

Please attach:

- Analysis justifying why TIF is necessary
- Loan pre-approval or commitment letter
- Historical and projected financial statements for project
- Personal financial statements of principals
- Schedule of existing debt

## Buyer Certification and Acknowledgement

I acknowledge being informed that the City of Milwaukee (City) will, upon request by a member of the public or in the course of reporting its activities to the public, disclose the names of persons requesting TIF, the amount of TIF requested, federal programs used, if any, and the development impact of the TIF requested (jobs created, tax base impact and total project investment). I have been assured by DCD and RACM, and I understand, that other financial information provided by me in connection with this application or with TIF assistance, if any is given (including, but not necessarily limited to business and personal financial statements, business operating statements, data on historical and projected future sales or other aspects of business performance, and business plans) will, to the extent permissible by law, and except for use in collection proceedings, if any, be treated as confidential. This will confirm that I have relied upon such assurance by DCD and RACM in providing financial information for this application, and that, but for such assurances, such information would not be provided.

I certify that the information contained in this application is, to the best of my knowledge, true and correct. I authorize the City or its consultants to verify the information obtained in this statement and to obtain additional information concerning the applicant(s) financial condition, although the City may rely on this information without any further verification. I agree to notify the City, in writing, of any changes that materially affect the accuracy of this statement.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

---

**A \$5,000, non-refundable, review fee is required with the submission of this application.**

If DCD staff determines that this project meets the goals and guidelines of the City of Milwaukee, an additional \$10,000 fee will be required to cover the costs of a full analysis of the requested TIF. In addition, if DCD engages an independent consultant to review the application, applicant must pay for all third-party costs incurred. If the TIF district is created, the \$10,000 fee and third-party costs may be eligible for reimbursement through the TIF. If you have any questions, please contact Jim Scherer at 286-5850.

Return To: Department of City Development  
Attn: Rocky Marcoux  
809 North Broadway  
P.O. Box 324  
Milwaukee, WI 53201-0324