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June 28, 2016

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

RE: File 160288, TID 39 – City Center Hilton
Amendment 2

Committee Members:

File 160288 would approve Amendment 2 to the Tax Incremental District (TID) 39 project. We have reviewed the project plan and feasibility study, and have had discussions with Department of City Development (DCD) staff. Our analysis is based on the information provided.

TID 39 was created in 2000 (Common Council file no. 000165) to partially fund an 850 space parking structure along with streetscape improvements on a parcel bordered by North 5th Street, North 6th Street, West Michigan Street and the Hilton Hotel. Funds for the \$14.8 million project were advanced by Milwaukee City Center, LLC (Developer). The City's \$5.6 million obligation terminated after payment of the 2014 TID 39 tax levy to the Developer. Over a 15-year period, the City paid \$7.6 million, including interest, to the Developer.

The TID project plan was amended in 2015 (Common Council file no. 150913) to provide \$700,000 for paving the street segment located at West Juneau Avenue between North 3rd Street to North 6th Street. Assuming the entire \$700,000 will be spent, the district currently has a surplus of revenues over expenditures.

The City is proposing to construct an extension to the Streetcar project, along 4th Street from the Intermodal Station to the new Arena. The City has applied for a \$20 million Federal TIGER grant but would like a \$20 million City match to increase the competitiveness of the grant application. The \$20 million match would be funded; \$4 million from TID 39 Amendment 2, \$8 million from TID 41 (Time Warner/Manpower) Amendment 3, and \$8 million from the creation of TID 88 (4th & Wisconsin).

Is this Project Likely to Succeed?

To date, \$7.6 million has been spent in the district with another \$700,000 planned for paving. Assuming the entire \$700,000 of paving funds will be spent, the district currently has a surplus of \$45,000. The feasibility study for this amendment forecasts the TID will amortize \$4 million of debt in 2023 after receipt of the 2022 levy. From a

financial perspective, we find the feasibility study to be reasonable based on our analysis which forecasts break-even will occur in 2022 after receipt of the 2021 levy. Based on the feasibility study, it appears that the proposed amendment to the district is likely to generate enough cash to fund an additional \$4 million of expenditures.

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

If the City is awarded a \$20 million TIGER grant, this amendment would allow the City to fund \$4 million of its match requirement. Without this amendment, the City would have to find an alternate source to fund this portion of its commitment.

Conclusion

Amendment #2 will allow the City to partially fund its match of a potential TIGER grant for the proposed extension to the Streetcar project, along 4th Street from the Intermodal Station to the new Arena. An additional \$4 million of funding should not adversely affect the district's ability to break even prior to its mandatory termination. Should you have any questions regarding this letter, please contact Melissa Fulgenzi at extension 2307.

Sincerely,



Martin Matson
Comptroller

MM/MRF

c: Lori Lutzka, Dan Casanova