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March 7, 2022

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

RE: File 221689, TID 115 – NM North

Dear Committee Members:

File 221689 would approve the creation of Tax Incremental District (TID) 115, NM North (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. Based on the information presented by DCD, our analysis is as follows.

The proposed District is comprised of two properties located at 818 East Mason Avenue ("the North Building") and 777 North Cass Street ("1,090-stall Parking Structure"), totaling 167,583 square feet ("the Property"), which is owned and occupied by The Northwestern Mutual Life Insurance Company ("the Company"). The development plan for the Property includes extensive internal and external renovations to the North Building, including adding approximately 80,000 square feet of new useable space, as well as pedestrian improvements and plaza space outside the building ("the Project").

Total estimated costs for the Project are \$500,000,000. This file authorizes a \$30,000,000 grant to the Developers to assist with these costs, an additional \$10,000,000 to fund public infrastructure improvements within the District, and \$480,000 for administrative costs. After substantial completion of the Project, the District will make annual payments to the Developers equal to 75% of the incremental taxes collected in the District, less an annual administration charge of \$10,000, until the \$30,000,000 plus 4.5% interest is repaid but is not to exceed 23 years. In consideration for the Monetary Obligation, the Company will commit to having a workforce of at least 5,750 employees by 2030. The remaining 25% of incremental tax revenue will be allocated to the City to fund City projects under the City's discretion and is anticipated to be used towards the \$10,000,000 cost of public infrastructure.

**Is This Project Likely to Succeed?**

As a partial developer-financed TID, the Developers assumes the \$30,000,000 dollar risk that the proposed District will generate sufficient incremental revenue to recapture their investment with interest within a 23-year period.

DCD’s feasibility study, which uses a constant 2.524% property tax rate and 1% inflation rate over the life of the TID, forecasts the Developers will fully recover the \$30,000,000 plus interest, in 2046 after receipt of the 2045 levy (the final year of the City’s obligation to the Developers). However, if the tax rate does not remain constant or the forecasted 1% annual appreciation is not realized, the Developers may not recover the entire \$30,000,000 plus interest. Nonetheless, because the Developers, not the City, assumes the repayment risk on their \$30,000,000 contribution to the District’s costs, 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. This portion will only pertain to the \$10,000,000 infrastructure funding, as the \$30,000,000 investment is developer-financed.

<b>Sensitivity Analysis</b>	
<b>Percentage of DCD Projected Revenue</b>	<b>District Levy Year</b>
90%	2046
95%	2046
100% (Base Case)	2045
105%	2045
110%	2045

From a financial perspective, the proposed \$30,230,000 TID is viable given that the City’s contribution is limited to a 23-year tax incremental revenue stream from the District. Additionally, the \$10,250,000 portion of the TID is also viable within a normal 27-year life TID.

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

This proposed TID allows the City to provide incentive to the Developers to redevelop the Property while minimizing the City’s risk.

**Conclusion**

The proposed TID provides incentive for the Developers and increasing the tax base of the City by redeveloping a property in need of rehabilitation. The Developers will assume the financial risk \$30,000,000 and the Project should and increase the City's tax base.

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

Sincerely,



Aycha Sawa, CPA, CIA  
Comptroller

CC: Dan Casanova, Lori Lutzka, Gloria Lucas, Joshua Benson, William Christianson

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