

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

ZONING, NEIGHBORHOODS & DEVELOPMENT COMMITTEE

AUGUST 31, 2009

Item 2, File #090325

File Number 090325 is a resolution creating Tax Incremental District No. 74 (North 35th Street and West Capitol Drive) and approving a project plan and authorizing expenditures for this district..

Background

1. Wisconsin's Tax Increment Law (s. 66.1105, Wis. Stats.) provides for the creation and administration of a tax incremental district ("TID") to finance economic development and redevelopment projects within the district. Improvements and activities in the district are funded by the increase or "increment" in tax revenues generated by property in the district.
2. To be eligible for TID designation, an area must meet the following criteria:
 - Fifty percent or more of the proposed TID must be "blighted," "in need of rehabilitation or conservation work," or suitable for "industrial sites," within the statutory meanings of these terms.
 - Property that has been vacant for at least 7 years preceding creation of the TID cannot constitute more than 25% of the TID's area (unless the district is being created to promote industrial development).
3. The boundaries and project plan for a TID must be approved by the Redevelopment Authority, the Common Council and the "joint review board" consisting of representatives of the various taxing jurisdictions affected by the creation of the TID.
4. The 86-acre former Tower Automotive (f/k/a A.O. Smith) site located between N. 27th and N. 35th Streets, south of W. Capitol Drive, was once home to thousands of manufacturing jobs. However, this site has been vacant for the past several years and has had a substantial blighting influence on the surrounding neighborhood, which has become increasingly economically distressed. The site has environmental contamination that must be remediated before redevelopment is possible.
5. Creation of a tax increment district encompassing the former Tower Automotive site and surrounding properties has been proposed as a means of funding site acquisition and preparation for a mixed-use redevelopment project in the area, along with the improvement of existing residential properties. This investment could result in expansion of Milwaukee's tax base and the creation of additional employment, retail and housing opportunities in this neighborhood.

Discussion

1. Proposed Tax Incremental District No. 74 (N. 35th Street and W. Capitol Drive) encompasses approximately 293 acres and 1,050 properties in the area bounded by roughly by 26th and 36th Streets, Burleigh Street and Capitol Drive. This land currently has a variety of commercial, industrial and residential zoning classifications.

2. Consistent with statutory requirements, over 50% of the TID meets the criterion of being “in need of rehabilitation or. conservation” (57%). Also, less than 25% of the area within the district boundaries meets the statutory definition of “vacant” property (13%).
3. On July 14, 2009, the Redevelopment Authority adopted a resolution approving the boundaries and project plan for a proposed N. 35th Street and W. Capitol Drive Tax Incremental District.
4. The proposed project plan calls for tax incremental financing to fund the following activities and programs:

Land acquisition & relocation	\$4,500,000
Environmental remediation	6,300,000
Demolition	11,900,000
Infrastructure	4,400,000
Administrative costs	1,300,000
Stabilization & holding costs	1,000,000
Workforce development	500,000
Neighborhood housing	400,000
<u>Soft costs & contingency</u>	<u>4,300,000</u>
TOTAL PROJECT COSTS	\$34,600,000

5. City tax incremental financing will provide \$15.6 million of the total project costs. Other funding sources are:

City capital funding (tax levy)	\$10,000,000
State grant (already secured)	2,000,000
Potential New Market tax credits	2,100,000
Potential state & federal grants	4,900,000
<u>Tax incremental financing</u>	<u>15,600,000</u>
TOTAL FUNDING	\$34,600,000

6. Of the \$10 million in City capital (tax-levy) funding for this project, \$3 million was already provided in the 2008 City Budget and was carried over to 2009. It is anticipated that another \$3 million will be included in the 2010 Budget and the remaining \$4 million in the 2011 Budget.
7. The project plan focuses on redevelopment of the eastern, 74-acre portion of the former Tower site, along with 9 acres of outlots to the east, into a 70-acre business park, 4 acres of retail or commercial uses and 9 acres for single-family and multi-family residences. The project is anticipated to create about 1.1 million square feet of new business park, retail and residential space upon its completion.
8. Specific project activities include:
 - Acquisition of a portion of the former Tower Automotive site
 - Relocation of current owners and tenants of the Tower site

- Demolition of improvements, excavation and asbestos abatement
 - Environmental remediation
 - Construction of new roads and associated public and private infrastructure and utilities
 - Stabilization of existing structures not to be demolished
 - Stormwater management and landscaping improvements
9. The project plan also contemplates a forgivable loan program to provide matching funds for home improvements by owners of properties within the residential neighborhood surrounding the Tower Automotive site.

Fiscal Impact

1. This resolution directs the City Comptroller to transfer \$15.6 million from the parent tax incremental district capital account to an account created for the purpose of implementing the project plan. The 2009 Budget provided \$30 million in new borrowing authority for new tax incremental districts such as TID No. 74. The \$15.6 million will be paid through proceeds from City-issued general obligation bonds and recovered through property tax revenues from the TID's tax increment. Projected tax incremental revenues over the life of the district are \$26.4 million.
2. The resolution also authorizes expenditure of the \$3 million in 2008 Budget capital borrowing authority specifically for implementation of this project plan.
3. The project plan's capital-expenditure timetable indicates that the bulk of the \$15.6 million (\$9.04 million) will be expended in 2011, with the remaining expenses incurred in 2012 and 2013.
4. The economic feasibility study for the proposed TID performed by S. B. Friedman & Company indicates that the district is financially feasible and may be retired by 2035 – within the 27-year statutory limit for the life of a TID.
5. As noted in the City Comptroller's letter regarding this proposed TID, only \$2 million of the \$9 million in non-City funding contemplated by the project plan has actually been secured (a State of Wisconsin grant). The actual amount of grant and tax-credit funding secured may be substantially less than \$9 million, thereby jeopardizing timely implementation of the project plan or necessitating additional City financial commitments in the future.

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