

Martin Matson
Comptroller

Aycha Sawa, CPA, CIA
Deputy Comptroller



Toni Biscobing
Special Deputy Comptroller

Rocklan Wruck, CPA
Special Deputy Comptroller

Office of the Comptroller

October 1, 2019

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

RE: File 190882, TID 101 – Century City

Dear Committee Members:

File 190882 would approve the creation of Tax Incremental District (TID) 101, Century City (the District), along with a corresponding project plan and term sheet. The Comptroller's Office has reviewed the project plan, feasibility study and term sheet, and has had discussions with Department of City Development (DCD) and Assessor's Office staff. This analysis is based on the information provided.

The proposed District consists of one property totaling 1,967,921 square feet, approximately 45 acres, located at 3025 West Hopkins Street (the Property). The Property is entirely within the boundaries of the existing TID 74. The District is being created to assist with the construction of an industrial food processing and office facility totaling approximately 175,000 square feet (the Project). The Project will be undertaken by Strauss Brands, LLC (the Developer).

Total estimated costs for the Project are approximately \$43,000,000. This file authorizes a \$4,500,000 grant to the Developer to fund project costs. The Developer will advance the \$4,500,000. After substantial completion of the Project, the District will make annual payments to the Developer equal to the incremental taxes collected in the District, less an annual administration charge of \$7,500. The District's payments will terminate at the earlier of the repayment of \$4,500,000 plus 5.5% interest, or the payment derived from the 2045 levy payable in 2046. The repayment will also be based on the Developer meeting the workforce projections shown in the below table.

Table 1 - Workforce Projections	
Years	Projected Workforce (FTEs)
1-4	250
5-9	400
10-25	500

If the Developer does not meet or exceed the total workforce projections shown above, the annual payment from the District will be reduced proportionately.



The "developer financing" approach of the proposed District shifts the risk of this TID not breaking even from the City to the Developer. As a developer-financed TID, the Developer assumes the risk that the proposed District will generate sufficient incremental revenue to recapture their \$4,500,000 investment with interest.

Is This Project Likely to Succeed?

From a financial perspective, the proposed TID is viable given that the City's contribution is limited to a 25-year tax incremental revenue stream from the District. The Developer assumes the risk of recovering their \$4,500,000 contribution.

DCD's feasibility study, which uses a constant 2.785% property tax rate and 1% inflation rate over the life of the TID, forecasts that the Developer will fully recover the \$4,500,000, plus interest, after receipt of the 2039 levy. However, if the tax rate does not remain constant or the forecasted valuation is not realized, the Developer may not recover the entire \$4,500,000 plus interest. Nonetheless, because the Developer, not the City, assumes the repayment risk on their contribution to the District's costs, the economic feasibility of the proposed TID to the City is guaranteed.

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

This proposed TID allows the City to provide incentive to the Developer to construct the industrial food processing and office facility while minimizing the City's involvement and risk. While these expenditures may have occurred with or without this proposed TID, the redevelopment of the Property should increase the City's tax base.

Conclusion

The proposed TID provides incentive for the Developer to construct an industrial food processing and office facility, while assuming the financial risk, increasing the City's tax base.

Should you have any questions regarding this letter, please contact Joshua Benson at extension 2194.

Sincerely,



Martin Matson
Comptroller

CC: Dan Casanova
Lori Lutzka

MM/JB