



Office of the Comptroller

June 13, 2003

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Comptroller

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Members of the Zoning, Neighborhoods  
& Development Committee

City of Milwaukee  
City Hall, Room 205  
Milwaukee, WI 53202

RE: File 030094; TID 52-Aldrich  
Chemical Company Project

Committee Members:

File #030094 would authorize the creation of Tax Incremental District (TID) #52, known as the Aldrich Chemical Company ("Aldrich") Project. The File would also approve a Project Plan and the terms of a Development Agreement for the District. TID #52 is proposed to assist Aldrich in relocating its current facilities at 940 West St. Paul Avenue. The Company proposes to move its St Paul Avenue operations to 6000 N. Teutonia Avenue on Milwaukee's north side. This move would allow Aldrich to consolidate its Milwaukee operations at this location while expanding and upgrading these facilities. At completion, the Teutonia site is expected to house 550 full time Aldrich employees.

The relocation was necessitated by the planned State expansion and reconstruction of the Marquette interchange in downtown Milwaukee. A major eight-story Aldrich facility would have to be demolished to accommodate this freeway project. The new facilities will include space for manufacturing, research, packaging and other production support activities including a warehouse and offices. The expanded facilities are expected to total over 750,000 sq.ft. of usable space.

Aldrich estimates the cost of this relocation-expansion project to total about \$52,000,000, including site work of \$6,294,000. The Company has also indicated that the Project cost could increase to as much as \$60,000,000 before design drawings are finalized. The proposed TID would authorize a maximum \$5,000,000 conditional City of Milwaukee grant for Project costs. This grant would be provided through an annual contribution to Aldrich following Project completion. The amount of the contribution would be based on the property tax increments generated by the completed Project property each year. Aldrich will finance a large portion of this Project through a \$32.5 million settlement with the State of Wisconsin as compensation for State acquisition of Aldrich property for the interchange project. It is also likely that Aldrich will be eligible to receive significant State tax credits. Aldrich would finance the remaining funds required to complete the Project through its internal sources.

Under the proposed term sheet, Aldrich will advance all funding for the Project including any Project cost overruns. While the City would not transfer any funds to Aldrich at Project completion, the City of Milwaukee would obligate up to \$5 million of grant support for approved site related Project costs. Following Project completion, the City contribution to Aldrich would occur annually up to a cumulative total of \$5,000,000 based on the actual property tax increments generated by the Project through the year 2020 or until the obligation is satisfied – whichever comes first. Following Project completion, interest would also accrue on the outstanding City balance due Aldrich at a rate of five percent per annum. If an outstanding balance remains at year-end 2020, this remaining City obligation will be forgiven.

**Is the Proposed TID Project Likely to be Successful?**

The proposed terms of the Development Agreement provide adequate assurance that **the Project will achieve its two main objectives, namely,**

- 1. The retention of over 400 full time jobs which could have been relocated out of the area.**
- 2. The successful closure of the Tax Incremental District.**

Since Aldrich is responsible for advancing all Project costs including any overruns, the City of Milwaukee incurs no construction cost or Project completion risks. In addition, the City TID obligation involves a \$5 million conditional City obligation. This obligation could be fully repaid through sufficient property tax increments. But because the State exempts all machinery and equipment used in manufacturing, there is a significant risk that the Aldrich property tax increments generated will be insufficient to fully repay the City obligation. However, this financial risk falls to Aldrich since any remaining City of Milwaukee balance due at year-end 2020 will be forgiven.

The proposed term sheet also provides other City safeguards. If the Project is not completed by July 1<sup>st</sup>, 2007 or if the site is not used for the industrial use currently contemplated, the City of Milwaukee can terminate the agreement, eliminating any future payment. In addition, should Aldrich employment drop below the expected 550 full time equivalent employees for a period of six months or more in any year(s) during the course of the agreement, the City's annual payment for that year(s) will be reduced proportionally.

**In short, the proposed Project with the current term sheet provides adequate assurance of the success of TID 52.**

**Is the Proposed level of City of Milwaukee Assistance Needed to Implement the Project?**

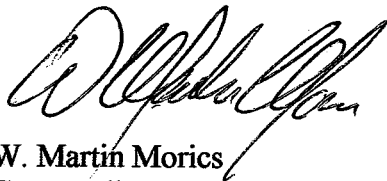
Aldrich maintains that the after tax impact of the State's settlement amount will provide only \$18 million of the required \$52-60 million of financing needed for the Project. The receipt of State tax credit assistance is not certain at this point. Initially, Aldrich requested a minimum \$11.5 million in City financial assistance before ultimately agreeing to the proposed \$5 million in conditional City assistance. Clearly, choices

outside the Milwaukee area are open to Aldrich in terms of its relocation decision, including Sheboygan, WI and St. Louis, Missouri.

The extended negotiations between the City of Milwaukee and Aldrich produced the proposed agreement terms, preserving 400 + full time jobs in the city with a long-time, valued City business and major employer. These negotiations also produced the cost and employment protections for the City as mentioned above. While it is impossible to state with certainty that the proposed \$5 million in conditional City of Milwaukee financial assistance is the minimum amount necessary to keep Aldrich in Milwaukee, **this Office fully supports this proposal as fair and equitable to both City taxpayers and the Sigma Aldrich Corporation.**

Should you have any questions regarding this letter, please contact me immediately.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Martin Morics', written over a horizontal line.

W. Martin Morics  
Comptroller

Cc. Julie Penman  
James Scherer