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June 18, 2024

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

RE: File 240249, TID 118

Dear Committee Members:

File 240249 would approve the creation of Tax Incremental District (TID) 119, Midtown Home Ownership Initiative (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 the Department of City Development (DCD) and the Assessor's Office. The Comptroller's Office analysis is based on the information provided.

The proposed District comprises one hundred and thirty scattered site parcels (575,694 square feet or 13.2 acres) generally bounded by West Garfield Avenue, West Vine Street, North 23rd Street, and North 26th Street. The Project consists of two components involving the construction of homes for both affordable rental and home ownership opportunities. Twenty duplexes (forty units) will be developed under the low income housing tax credit program. The duplexes will contain three bedroom units, with rents affordable to households with incomes less than 50% of Area Median Income. At the end of the 15-year tax credit compliance period, the properties will be sold for home ownership (the "Duplex Component"). In addition, thirty-four single-family homes will be constructed and sold for affordable home ownership opportunities (the "Single Family Component").

A collaboration between Emem Group, LLC, Milwaukee Habitat for Humanity, and the Community Development Alliance is developing the Project. The Community Development Alliance is the Project Funder that will advance the \$2,340,000 of project costs and the one to be repaid.

Total estimated costs for the Project are \$19.9 million. This file authorizes a \$2,340,000 grant to the Developer to assist in funding a portion of these costs. The City will make payments to the Developer; one hundred percent of incremental tax revenue collected from TID No. 119, following the deduction of Annual Expenses, to repay the

Project Owner for costs incurred for the Project through payments on the Monetary Obligation for a duration not to exceed 25 years.

Is This Project Likely to Succeed?

As a Developer-financed TID, the Developer assumes the risk that the proposed District will generate sufficient incremental revenue to recapture its \$2,340,000 investment with interest.

DCD’s feasibility study, which uses a constant 2.2124% property tax rate and 1% inflation rate over the life of the TID, forecasts that the Developer will fully recover the \$2,340,000 plus interest in 2049 after receipt of the 2048 levy (the final year of the City’s obligation to the Developer). However, if the tax rate does not remain constant, the Developer may not recover the entire \$2,340,000, plus interest. Nonetheless, because the Developer, not the City, assumes the repayment risk on their \$2,340,000 contribution, 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 evaluate 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.

Sensitivity Analysis	
Percentage of DCD Projected Revenue	District Payback Year
90%	2049*
95%	2049*
100% (Base Case)	2049
105%	2048
110%	2047

* 2049 is the final payback year, levy year 2048, of the City’s monetary obligation, which is year 25.

It is important to note that the payback year relates to the expected year the Developer will recover their investment. City payments on the monetary obligation will terminate when paid in whole or in the year 2049, whichever comes first. This stipulation remediates the City’s risk.

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 develop the Property while minimizing the City’s involvement and risk.

Conclusion

The proposed TID provides incentives for the Developer to construct homes for residents in the City. The Developer will assume the financial risk, and the Project should increase the City's tax base.

Should you have any questions regarding this letter, do not hesitate to contact Nuducha Yang at extension 2354.

Sincerely,

A handwritten signature in black ink that reads "Bill Christianson". The signature is written in a cursive style with a large initial "B".

Bill Christianson, CPFO
Comptroller

CC: Maria Prioletta, Gloria Lucas, Joshua Benson, Charles Roedel

BC:NY