

**DRAFT**

Project Plan  
For  
Tax Incremental District Number 66  
City of Milwaukee  
(Metcalf Park Homes)

Prepared by  
Department of City Development October, 2006  
In Conformance with the provisions

Of Section 66.1105, Wisconsin Statutes,  
as Amended.

## I. DESCRIPTION OF PROJECT

### A. Introduction

Section 66.1105(4)(d), Wisconsin Statutes, requires the "preparation and adoption... of a proposed project plan for each tax incremental district." This Project Plan is submitted in fulfillment of this requirement and the related provisions of section 66.1105, Wisconsin Statutes.

### B. District Boundaries

Tax Incremental District Number 66, City of Milwaukee, Metcalfe Park Homes, is the area bounded by West Meinecke Avenue, West Center Street, North 27<sup>th</sup> Street and North 39<sup>th</sup> Street. The District is shown on Map No. 1, "Boundary and Existing Land Use," and described more precisely in Exhibit 1, "Boundary Description." A complete list of properties in the District is provided in Exhibit 2, "Property Characteristics."

The District contains property totaling 4,152,000 square feet (95.3 acres), more or less, exclusive of public streets and alleys. More than 50% of the area and real property located within the District was found to be either "blighted" within the meaning of Section 66.1333 (2m)(b) or "in need of rehabilitation or conservation work" within the meaning of Section 66.1337(3), Wisconsin Statutes. Exhibit 2 illustrates how the properties in the District meet the statutory criteria for Tax Incremental Districts.

### C. Plan Objectives

The Metcalfe Park Neighborhood has over the years, been challenged by declining housing stock, low levels of owner occupancy, poverty, and crime – both real and perceived.

However, beginning in 2000, when the City of Milwaukee partnered with the Boys and Girls Club and the local philanthropic community to create the Todd Wehr Metcalfe Park Community Center, a combination school and Boys and Girls Club located between 33<sup>rd</sup> and 35<sup>th</sup> and North Avenue, there has been a steady stream of investment in the neighborhood that is creating momentum for ongoing improvement. A new Jewel Osco grocery store opened in 2001 near 35<sup>th</sup> and North Avenue. Several mixed used projects followed along the nearby North Avenue "Gateway District" including Columbia Square, Touissant Square and the New Covenant Gateway project.

Similar signs of encouragement are also occurring in the residential neighborhood. The Next Door Foundation recently completed a \$9.3 million expansion of its facilities at 29<sup>th</sup> and Wright, to create a state of the art early childhood education center. Habitat for Humanity has jumpstarted residential development efforts in the neighborhood through the construction of new single family homes, including a recent partnership with the Metropolitan Builders Association in which 10 homes were constructed within a one week period. A development partnership between the Milwaukee Urban League and Gorman & Company is in the process of redeveloping the former Urban League headquarters building located at 28<sup>th</sup> and Wright into a high quality elderly housing development containing 80 affordable housing units.

Tax Incremental District Number 66 is being created to support additional residential redevelopment efforts in the neighborhood. The Milwaukee Urban League/Gorman and Company partnership is proposing to construct 30 new single family homes on vacant scattered site lots under a “lease to own program.” Along with proposed renovation of existing housing in the district, these efforts will assist in the implementation of the *Fond du Lac and North neighborhood plan*<sup>1</sup>, which emphasizes the targeting of resources, the clustering of investment and a mix of residential rehabilitation and new construction in the neighborhood.

The more detailed objectives of this Project Plan are to:

- Construct new single family homes on vacant land located within the district
- Make resources available to property owners to renovate and repair their properties
- Create a range of high quality housing opportunities for neighborhood residents
- Encourage increased homeownership and the retention of existing homeownership in the neighborhood
- Work collaboratively with local residents, community organizations and other stakeholders to address quality of life issues and support the physical redevelopment of the neighborhood
- Identify, seek and obtain other resources that will further support the initiatives neighborhood revitalization efforts.
- Create new employment opportunities through construction jobs relating to the construction of new homes and the rehabilitation of existing homes in the district.

#### D. Proposed Public Action

Funds generated from the TID will be used for the following purposes:

- Provide financial assistance to the developer to construct new single-family housing in the neighborhood under a “lease to own” program.
- Fund a forgivable loan pool that will provide resources to existing property owners for the renovation and repair of their properties.

The neighborhood loan fund will be administered by the City’s Department of City Development. It is modeled after a similar program that was successful in the Lindsay Heights

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<sup>1</sup> Prepared by Planning & Design Institute and adopted by the City of Milwaukee as part of their Comprehensive Plan on March 19, 2004.

Neighborhood.

The City of Milwaukee may, on its own initiative or through a cooperation agreement with the Redevelopment Authority and/or other entities, undertake any and all project and site improvements and activities considered necessary to achieve project objectives and the commitment of private investment. This Plan is not intended to limit and shall not be interpreted as limiting the Redevelopment Authority in the exercise of its powers under Section 66.1333(5), Wisconsin Statutes, within the District. It is possible that future amendments to this District for other investments in this area will be proposed.

## II. PLAN PROPOSALS

### A. Statutory Requirements

Section 66.1105(4)(f), Wisconsin Statutes, requires that a Project Plan for a Tax Incremental District shall include:

"... a statement listing the kind, number and location of all proposed public works or improvements within the district or, to the extent provided in subsection (2)(f)1.k., outside the district, an economic feasibility study, a detailed list of estimated project costs, and a description of the methods of financing all estimated project costs and the time when the costs or monetary obligations related thereto are to be incurred. The plan shall also include a map showing existing uses and conditions of real property in the district; a map showing proposed improvements and uses in the district; proposed changes of zoning ordinances, master plan, if any, map, building codes and city ordinances; a list of estimated non-project costs; and a statement of a proposed method for the relocation of any persons to be displaced. The plan shall indicate how creation of the tax incremental district promotes the orderly development of the city."

The plan shall also include an opinion of the City Attorney or of any attorney retained by the City advising whether such plan is complete and complies with Section 66.1105(4)(f), Wisconsin Statutes.

### B. Compliance with Statutory Requirements

The following statements, maps and exhibits are provided in compliance with the statutory requirements.

#### 1. "Statement of the Kind, Number, and Location of All Proposed Public Works or Improvements."

In general, all appropriately sized and zoned vacant parcels in the District are potential sites for TID supported new housing development. All existing homes are potential sites for the forgivable home improvement loans. To maximize the benefit, the City will work with local residents and stakeholders to market and cluster resources in a systematic way to maximize the benefit to the neighborhood. 30 sites have been identified for new construction for the "lease to own" project. These sites are identified on Map No. 3.

## 2. "Detailed List of Estimated Project Costs."

The costs included in this subsection and detailed in Table "A" which follows are, without limitation hereof because of enumeration, claimed as eligible Project Costs as defined under Section 66.1105(2) (f) and, if appropriate, in any Cooperation Agreement (s) presently or subsequently entered into by and between the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, and/or eligible designated redeveloper(s), which agreements are incorporated herein by reference, provided further that such expenditures are necessitated by this Project Plan.

These costs and cost estimates are more fully described as follows:

### a. Capital Costs

A statement of the kinds of activities proposed for the project is included in subsection II.B.1. of this Plan. This category of costs includes those items which may be undertaken only in conjunction with Redevelopment Projects under provisions of Section 66.431, Wisconsin Statutes, as determined during the course of project execution/implementation, and may also include the City's cost of grants to RACM.

### b. Other Costs

This category of Project Costs includes estimates for administrative, professional, organizational and legal costs. Components of the "other costs" include, in general, costs of salaries and employee benefits for employees engaged in planning, engineering, implementing, and administering activities in connection with the tax increment district. Related costs of supplies, materials, contract and consultant services, rental of space and equipment, and the reasonable costs of City departments and agencies having oversight responsibilities due to the creation of this District. Such services include but are not limited to purchasing, property appraisals, personnel, legal, accounting, auditing, the provision of space and maintenance, and costs charged in accordance with an approved cost allocation plan.

### c. Financing Costs

Financing costs include estimated gross interest expense on bonds that will be issued to pay for Project Costs. Estimates of bond interest are based on interest rates as set forth in the Economic Feasibility Analysis for this Project.

Table A  
List of Estimated Project Costs<sup>2</sup>

A	<u>Capital:</u>	
	Grant to Redevelopment Authority for financial assistance to developer for construction of lease option homes.	\$ 900,000
	Grant to Redevelopment Authority for establishment of forgivable loan pool for the rehabilitation of existing homes.	\$ 500,000
B	<u>Other:</u>	
	Administrative, professional, organizational and legal,	\$ 75,000
	Total Estimated Project Costs, excluding financing	\$1,475,000
C	<u>Financing:</u>	
	Interest payment on tax-exempt bonds	\$ 566,400

(Excludes Capitalized Interest)

3. "Description of Timing and Methods of Financing."

a. Estimated Timing of Project and Financing Costs

The Summary of Project Costs (Schedule "A" below) identifies the year in which actual expenditures for the cost of public works and improvements described in this plan is expected to be incurred. This schedule anticipates the time costs will be incurred, not the time contracts or other obligations may be entered into. The estimates presented are subject to change as actual circumstances during the project execution period may require. However, all expenditures will be made prior to the year 2027 pursuant to the provisions of s. 66.1105(6)(am), Wisconsin Statutes.

Schedule A  
Estimated Timing of Project Costs

Year	Estimated Project Cost	Cumulative Total
2007	\$1,200,000	\$1,200,000
2008	\$ 200,000	\$1,400,000

Excludes Administrative Costs

b. Estimated Method of Financing Project Costs

Sale of General Obligation Bonds: \$1,400,000<sup>3</sup>

The estimated method of financing may be subject to change during the project

<sup>2</sup>The City of Milwaukee and/or RACM reserve the right to make only those improvements and to undertake only those activities that are deemed economically feasible and appropriate during the course of project implementation and which are commensurate with positive growth in the tax increment.

period. Consequently, the method identified may, as circumstances warrant, be redefined and the dollar amount adjusted without formal modification of this Plan during the course of project implementation.

The funding source for payment of financing costs will be from tax increment revenues pursuant to Section 66.1105(6)(c), or from other funds ordinarily used for payment of borrowing obligations.

4. "Economic Feasibility Study."

The Economic Feasibility Study for this District, prepared by the Department of City Development and titled *Economic Feasibility Study: Tax Increment District No. 66* (October, 2006) is on file in the Office of the Redevelopment Authority of the City of Milwaukee, 809 North Broadway, Milwaukee, Wisconsin, and in the Office of the City Clerk of the City of Milwaukee, 200 West Wells Street, Room 205, Milwaukee Wisconsin, as attached to Common Council Resolution File Number . The study is incorporated herein by reference. The study establishes the dollar value of project costs which, based on certain general assumptions and a reasonable margin of safety, can be financed with the revenues projected to be generated by the proposed tax incremental district.

Based upon the anticipated tax incremental revenue to be generated by this project, the District is financially feasible and is likely to be retired on or before the year 2018. As noted in the economic feasibility study for the project, should the TID not be retired by the year 2023, surplus proceeds from the sale of homes under the lease to own program may be used to retire outstanding TID debt.

5. "Map Showing Existing Uses and Conditions."

Please refer to Map No. 1, "Boundary and Existing Land Use," and Map No. 2, "Structure Condition," in the Exhibits Section, which follows.

6. "Map Showing Proposed Improvements and Uses."

Please refer to Map No. 3, "Proposed Improvements and Uses," in the Exhibits Section which follows.

7. "Proposed Change of Zoning Ordinances, Master Plan, Building Codes and City Ordinances."

Please refer to Map No. 4, "Existing Zoning." The project will not require amendments to the provisions of present zoning ordinances, City master plan, building codes, and other city ordinances.

8. "List of Estimated Non-Project Costs."

None.

9. "Proposed Method for Relocation."

No occupied properties are currently identified for acquisition in this plan, and therefore no individuals or families are to be displaced. If, at a later date, RACM determines that relocation will be necessary, the cost and method of relocation will be included in a Redevelopment Plan and associated Relocation Plan prepared pursuant to sec. 66.1333 and sec. 32.05, Wis. Stats. The costs of such activities will be eligible for reimbursement through tax increment revenues should such revenues be generated during the statutory life of the District.

10. "Statement Indicating How District Creation Promotes Orderly City Development."

The proposed District is consistent with the recommendations contained in the Fond du Lac and North Neighborhood Plan and with the prevailing zoning in the surrounding area. It will support the past and ongoing redevelopment efforts in the surrounding neighborhood.

11. "Opinion of the City Attorney."

Please refer to the letter of the City Attorney, dated in the Exhibits Section.



EXHIBITS

<u>Exhibit</u>	<u>Title</u>
Exhibit 1	Boundary Description
Exhibit 2	Property Characteristics (on file) <i>This exhibit, which lists every parcel in the District and is 23 pages in length is available upon request.</i>
Map 1	Boundary and Existing Land Use
Map 2	Structure Condition
Map 3	Proposed Uses and Proposed Improvements
Map 4	Existing Zoning
Attachment 1	City Attorney's Letter (in preparation)

**Exhibit I**

Tax Incremental District No. 66

Metcalf Park Homes

**Boundary Description**

The perimeter boundary of the tax incremental district is as follows:

Beginning at the centerline of the intersection of North 39<sup>th</sup> Street and West Center Street;

Thence, east to the center line of the intersection of North 27<sup>th</sup> Street and West Center Street;

Thence, south to the center line of the intersection of North 27<sup>th</sup> Street and West Meinecke Avenue;

Thence, west to the centerline of the intersection of West Meinecke Avenue and North 39<sup>th</sup> Street;

Thence, north to the centerline of the intersection of North 39<sup>th</sup> Street and West Center Street, the point of beginning.

# TID BOUNDARY

LEGEND

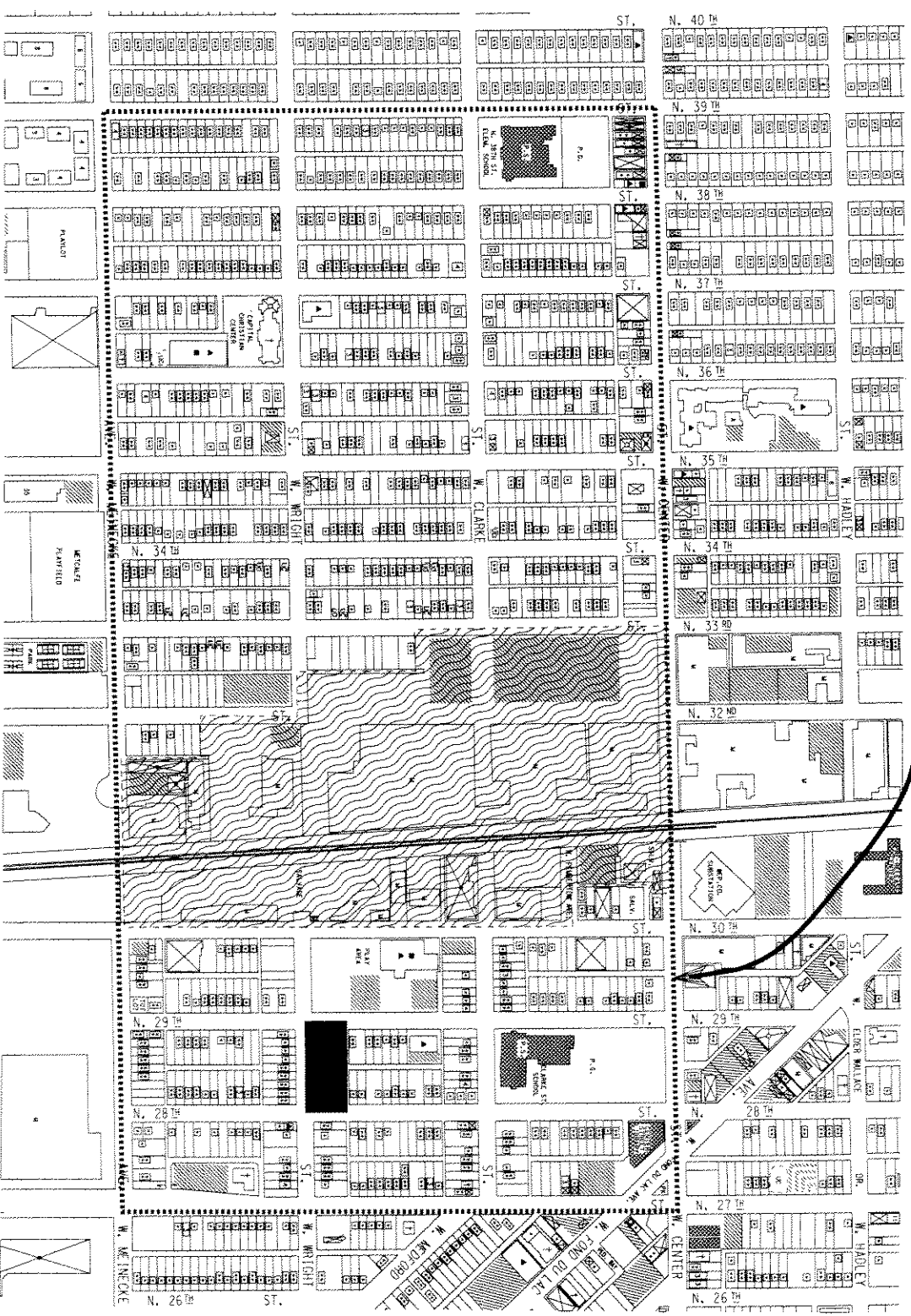
.....	PROJECT BOUNDARY
1	CHURCH
H	HOTEL / MOTEL
R	ROOMING HOUSE
P	POLICE STATION
F	FIRE STATION
C	HOSPITAL
U	CONDOMINIUM
T	UTILITY COMPANY
S	STORAGE TANK
P	PARK
P.S.	PUBLIC SCHOOL
P.G.	PLAYGROUND
P.L.	PARKING LOT
P.L.	PARKING STRUCTURE
○	SINGLE OR DUPLEX RESIDENTIAL
○	MULTI-FAMILY RESIDENTIAL
○	MIXED COMMERCIAL / RESIDENTIAL
○	COMMERCIAL OR LOCAL BUSINESS
○	OFFICE / PROFESSIONAL SERVICES
○	MIXED COMMERCIAL
○	SKILLED CARE FACILITY
○	VACANT PARCEL
○	NON-PUBLIC EDUCATION
○	PUBLIC BUILDING
○	MANUFACTURING AND WAREHOUSING
○	ACCESSORY BUILDING
○	CEMETERY
○	TENNIS COURT
○	BASKETBALL COURT
○	DORMITORY

Excluded From Boundary

TID - 66  
 Mercatle Park Homes

1  
 BOUNDARY AND  
 EXISTING LAND USE

DATE: (01/07/2008)



308	309	310
327	326	325

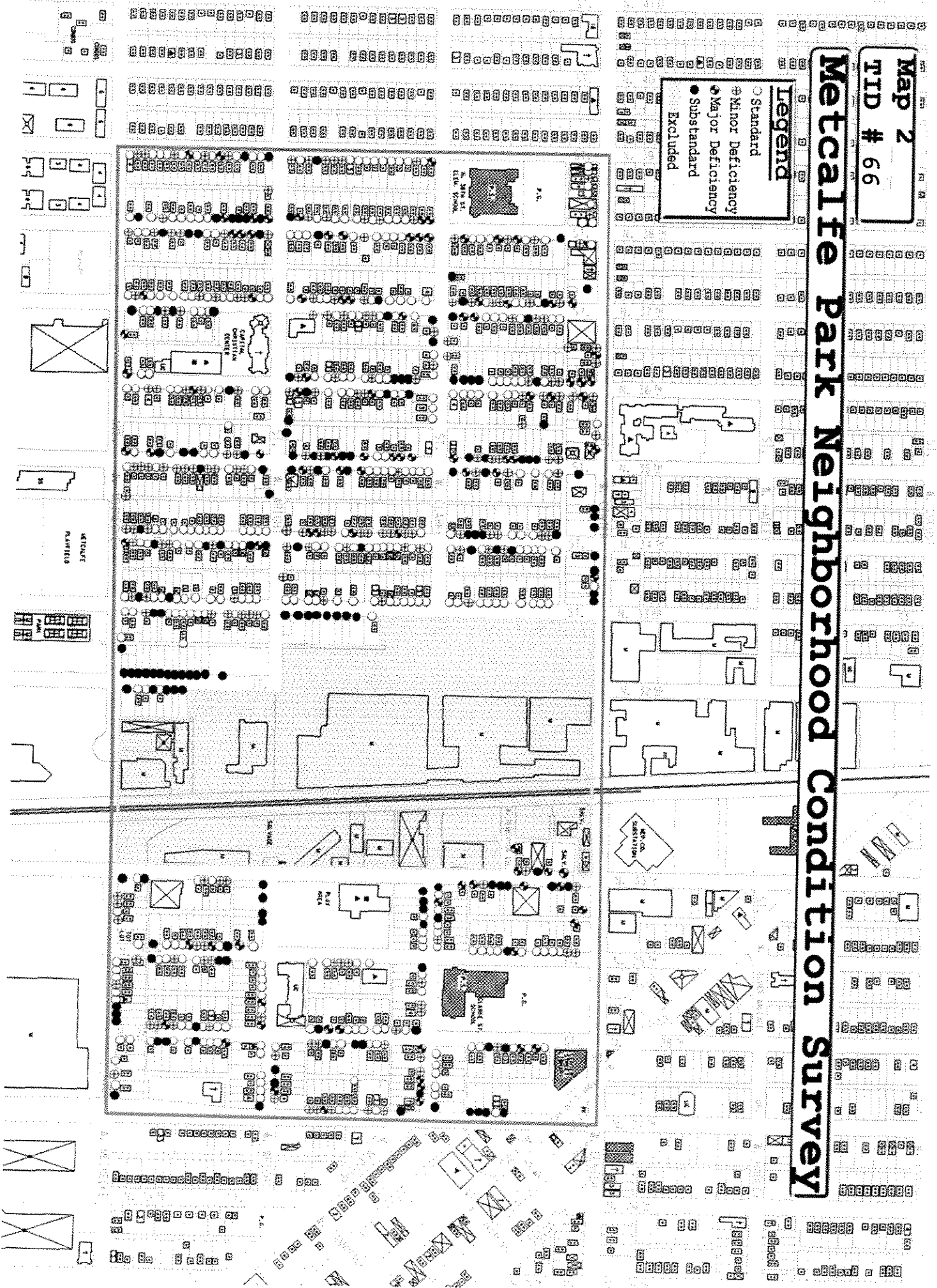
5. EXISTING LAND USE

Map 2  
PID # 66

**Legend**

- Standard
- ⊕ Minor Deficiency
- ⊖ Major Deficiency
- Substandard
- ⊗ Excluded

# Metcalfe Park Neighborhood Condition Survey

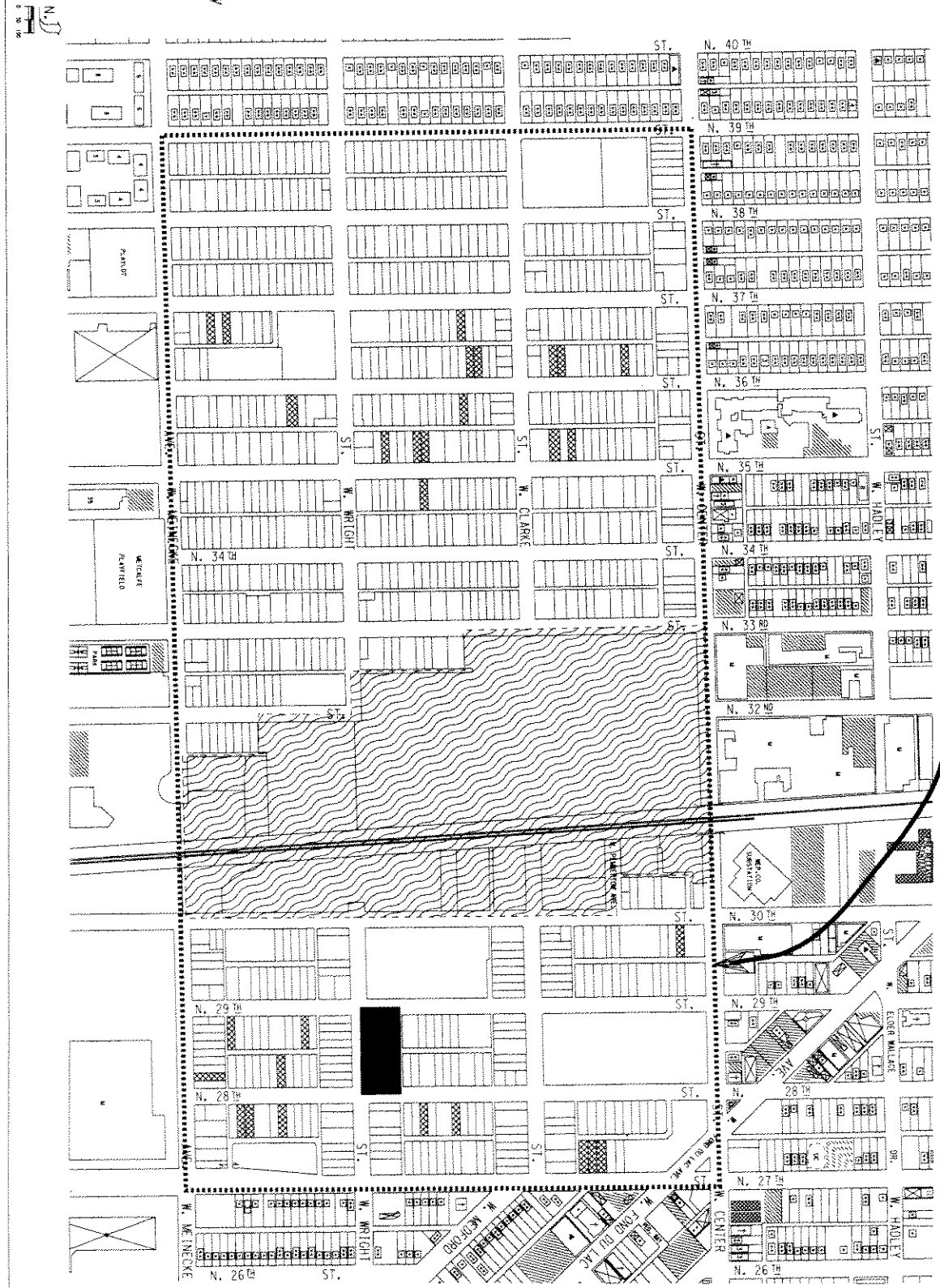


# TID BOUNDARY

TID - 66  
 Metcalfe Park Homes  
 PROPOSED  
 USES AND IMPROVEMENTS

DATE: 10/10/2008

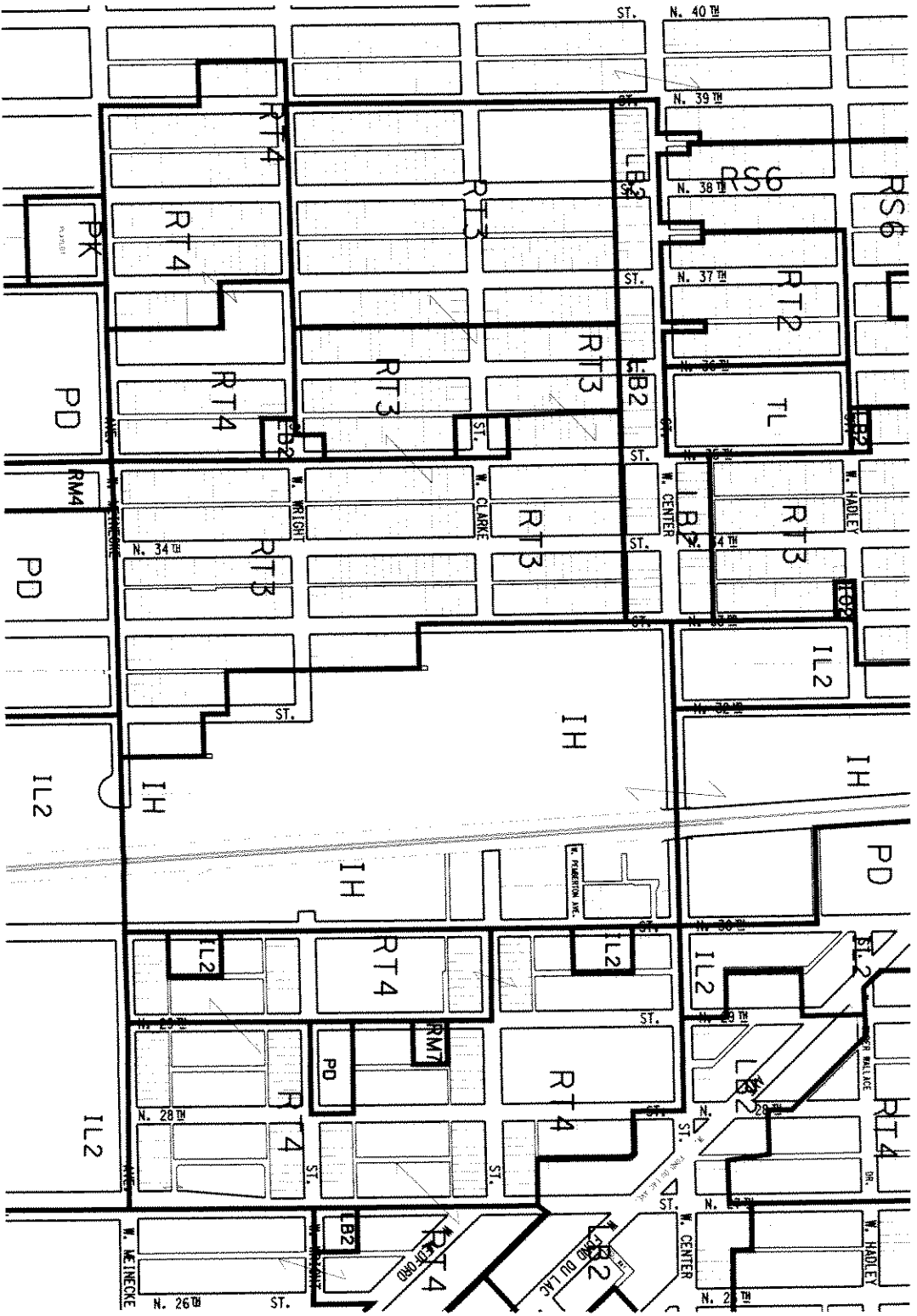
- Single Family
- Excluded From Boundary



308	309	310
327	326	325

308 309 310  
 327 326 325

Zoning Legend		Residential		Commercial		Industrial	
RS1 RS2 RS3 RS4 RS5 RS6	RS1A RS1B RS1C RS1D RS1E RS1F	RS1 RS2 RS3 RS4 RS5 RS6	RS1A RS1B RS1C RS1D RS1E RS1F	CB1 CB2 CB3 CB4 CB5	CB1A CB1B CB1C CB1D CB1E	IL1 IL2 IL3 IL4 IL5	IL1A IL1B IL1C IL1D IL1E
CM1 CM2 CM3 CM4 CM5	CM1A CM1B CM1C CM1D CM1E	CM1 CM2 CM3 CM4 CM5	CM1A CM1B CM1C CM1D CM1E	IO1 IO2 IO3 IO4 IO5	IO1A IO1B IO1C IO1D IO1E	PK	PK
CH1 CH2 CH3 CH4 CH5	CH1A CH1B CH1C CH1D CH1E	CH1 CH2 CH3 CH4 CH5	CH1A CH1B CH1C CH1D CH1E	LB1 LB2 LB3 LB4 LB5	LB1A LB1B LB1C LB1D LB1E	TL	TL
SP1 SP2 SP3 SP4 SP5	SP1A SP1B SP1C SP1D SP1E	SP1 SP2 SP3 SP4 SP5	SP1A SP1B SP1C SP1D SP1E	DL1 DL2 DL3 DL4 DL5	DL1A DL1B DL1C DL1D DL1E	LF	LF



N.D.  
 1 11 18

MAP NO. 4  
 TTD - 66  
 Metcalfe Park Homes  
 EXISTING ZONING MAP  
 DATE 10/19/2006

DRAFT

ECONOMIC FEASIBILITY STUDY  
TAX INCREMENTAL DISTRICT NO. 66  
Metcalf Park Homes  
City of Milwaukee

Prepared by the Department of City Development

October 2006

ECONOMIC FEASIBILITY STUDY  
TAX INCREMENTAL DISTRICT NO. 66, CITY OF MILWAUKEE  
METCALFE PARK HOMES  
October 2006

**Overview**

Tax Incremental District (TID) Number 66 is being created to support the ongoing redevelopment of the Metcalfe Park neighborhood. The Metcalfe Park neighborhood has over the years, been challenged by declining housing stock, low levels of owner occupancy, poverty, and crime – both real and perceived.

However, beginning in 2000, when the City of Milwaukee partnered with the Boys and Girls Club and the local philanthropic community to create the Todd Wehr Metcalfe Park Community Center, a combination school and Boys and Girls Club located between 33<sup>rd</sup> and 35<sup>th</sup> and North Avenue, there has been a steady stream of investment in the neighborhood that is creating momentum for ongoing improvement. A new Jewel Osco grocery store opened in 2001 near 35<sup>th</sup> and North Avenue. Several mixed used projects followed along the nearby North Avenue “Gateway District” including Columbia Square, Touissant Square and the New Covenant Gateway project.

Similar signs of encouragement are also occurring in the residential neighborhood. The Next Door Foundation recently completed a \$9.3 million expansion of its facilities at 29<sup>th</sup> and Wright, to create a state of the art early childhood education center. Habitat for Humanity has jumpstarted residential development efforts in the neighborhood through the construction of new single family homes, including a recent partnership with the Metropolitan Builders Association in which 10 homes were constructed within a one week period.

Currently, a partnership between the Milwaukee Urban League and Gorman & Company is bringing additional new development to the neighborhood. Construction is underway on the Dr. Wesley Scott project – the conversion of the former Urban League headquarters building located at 28<sup>th</sup> and Wright into a high quality elderly housing development containing 80 affordable housing units. TID 66 is being created to support an additional phase of these residential renewal efforts. The Milwaukee Urban League/Gorman & Company partnership is proposing to continue their redevelopment efforts by constructing 30 new single-family homes on vacant City owned scattered site lots in the neighborhood under a “Lease to Own Program.” To support this work, and to address the needs of local neighborhood residents, TID 66 would also create a forgivable loan pool that would provide home rehabilitation resources for existing property owners.

**Lease to Own Program**

The proposed Lease to Own Program is modeled after a similar program developed by the Cleveland Housing Network. The program utilizes the low-income housing tax credit program



as its primary source of funding. Under the Lease to Own Program, residents rent homes and are given the opportunity to purchase them at the end of a fifteen year tax credit compliance period. (Under the low income tax credit program, units have to be affordable to, and leased by, families earning no more than 60% of median income for a fifteen year period.) At the end of the compliance period, all of units will be transferred to the Milwaukee Urban League (a qualified non-profit), which will then sell the properties to qualified tenants at a discounted price. During the course of the lease period, tenants will receive counseling to prepare them for eventual home ownership.

Thirty new single-family homes will be built under the program on City owned scattered site lots in the neighborhood. Homes would be a mixture of 2, 3 and 4 bedroom units, have full basements, garages, central air conditioning, and all appliances. Rents would range from \$675 - \$825 per month. Total costs for this component of the project are \$5.5 million.

The project is being funded through a combination of equity generated from the low income tax credit program, tax exempt bond financing and a 0% mortgage from WHEDA, and deferred development fee. TID 66 would provide a contribution of \$900,000 toward this component of the project. (It should be noted that the developer intends to apply for an additional \$400,000 in Federal HOME funding in 2007 from the City of Milwaukee. Should these funds not be available or approved, additional development fee would be deferred.) A development budget and list of funding sources for the project is attached as Exhibit A.

### **Low Income Tax Credit Program and Developer Compensation**

The low income housing tax credit program was created to encourage investment in affordable housing. In the program, investors receive a dollar for dollar reduction in their federal income taxes for ten years for investing in qualified affordable housing projects. The main source of compensation for developers of low income housing tax credit projects is development fee. Developers hold only a nominal interest in the project (.01%) and unlike a conventional market rate development, real estate losses from depreciation and interest write-off are passed through to the equity investors who purchase the tax credits and invest in the project. The developer will also be required to guaranty full completion and any cost overruns for the project, operating deficits, and recapture of credits due to non-compliance.

Given the structure, the Wisconsin Housing and Economic Development Authority (WHEDA) which is the allocating agency for low income housing tax credits in the State of Wisconsin has a prescribed policy for "acceptable development fees" for low income housing tax credit projects given the development risks associated with the program. For a new construction project, it is 12% of net project costs. In this project, the development fee is \$592,975 or 11.5% of net project costs. It should be noted that \$198,420 of it is deferred, for a net development fee of \$394,555 or 7.6% of net project costs.

### **Neighborhood Loan Pool**

TID 66 would also fund a forgivable loan pool of \$500,000 to provide resources to residents for the rehabilitation of their properties. This approach was successfully employed in the Lindsay

Heights neighborhood and is intended to complement the new construction component of the project. Forgivable loans of up to \$10,000 will be provided for the purpose of making exterior improvements to existing properties in the neighborhood. The program would be administered by the neighborhood housing staff of the Department of City Development. Technical assistance would be provided to property owners including the preparation of a scope of work, assistance in the bidding process, and oversight of construction.

### **TID Assumptions**

In order to determine whether the proposed TID costs can be financed by tax increment generated by the TID, the following assumptions were utilized:

- Total base value of \$44,276,900. Industrial properties along the 30<sup>th</sup> Street Industrial Corridor are excluded from the TID.
- Average per unit full assessment value for the lease option homes of \$55,000 per unit, or a total of \$1,650,00. Given these are rental units for a period of 15 years, the homes will be assessed using an “income” approach to value. Projected net operating income and estimated valuation is included in Attachment B and was developed in consultation with the City Assessor’s Office. All 30 homes are anticipated to be built out and leased by the end of 2007.
- Estimated value at completion and stabilized occupancy of the Wesley Scott project of \$2,100,000. The project is anticipated to be completed at year-end 2006, and is anticipated to achieve full lease up and stabilized occupancy in October of 2007. (Attachment B). For the purposes of the TID analysis, 90% of value is projected to come on the tax rolls as of January 1, 2006 (completion) and 100% of value will come on the tax rolls as of January 1, 2007 (full lease up achieved). The project is currently assessed at \$450,000.
- While the renovations of existing property will positively contribute to the overall appearance of the neighborhood, the types of improvements contemplated (roofs, porches, siding, windows), are not anticipated to immediately increase the value of the homes.
- Annual property value increases of 2.5% beginning in 2009 for the Wesley Scott project and the Lease Option project and 2007 for the remainder of the district.
- Projections include a declining tax rate through 2020, at which point it would hold constant at 2%.

Table I forecasts total district property cash flow and bond payoff. Full amortization of the City’s obligation is expected in 2018. Should the TID not be repaid by the end of the tax credit

compliance period (2023) for the lease/option homes, there are residual sales proceeds that could help retire any outstanding TID debt. Estimated sales price of the units at the end of the compliance period is approximately \$96,000 per unit. Given that the amount of remaining debt at that time is significantly less than projected sales revenues, a portion of excess sales proceeds will be pledged to retire any outstanding TID debt. An analysis of unit sales at the end of the compliance period and the amount potentially available for TID debt repayment is detailed in Table II.

## **II. Joint Review Board Test**

In this section we evaluate the three tests, which the Joint Review must apply in determining whether or not to approve this amendment.

### **A. “But For”**

The Joint Review Board must consider whether the development can occur without the use of tax incremental financing. To evaluate this criterion, we look at whether this project would be feasible without TID assistance.

While there are signs of improvement in the neighborhood, it is unlikely that the market is at the point that single-family homes could be built and sold at market rate. The lease option program provides an alternative that can bring significant additional subsidy to assist in the development of single-family homes through the low income tax credit program. However, even with the tax credit equity invested in the program, a gap remains. Without City involvement, there would be no incentive for the developer to undertake the project.

In addition, past experience has also shown that in order to impact a neighborhood in a way that creates a climate for continued reinvestment, a combination of both new construction and rehabilitation efforts are necessary. Given the types of rehabilitation efforts planned will not create the immediate increases in value that make projects economically feasible for property owners, financial resources are necessary to encourage renovation.

### **B. Economic Benefits**

The Joint Review Board is charged with deterring whether the economic benefits are sufficient to justify the investment of public funds.

First, the ability to retire TID debt was considered. As structured, the district will close in 2018, prior to its 2033 termination. Additional sales proceeds would be available to retire debt if for some reason the TID does not meet its projections.

Second, There are significant benefits that will be derived from the new investment and new residential development in the neighborhood. The new

development will continue the momentum of redevelopment in the Fond du Lac and North planning area and provide a range of housing opportunities for residents. New construction will provide a visible sign of reinvestment. Existing properties will be rehabilitated and will also positively contribute to the appearance of the neighborhood. The involvement of residents in addressing quality of life issues in conjunction with physical improvement efforts will have a positive affect on the neighborhood.

Third, the project will create construction jobs and opportunities for emerging business enterprises.

### **C. Impacts on Other Jurisdictions**

The Joint Review Board must also consider whether the benefits outweigh the anticipated tax increments to be paid by the owners of the property in the overlying taxing districts. Vacant land is currently generating no taxes - without the TID, it will likely remain so and continue to have a detrimental effect on the continued redevelopment of the neighborhood. The proposed redevelopment will significantly increase its value, as well as enhance the values and viability of surrounding properties. The owners of the property in the overlying taxing districts also will benefit when TID is terminated and its incremental tax revenues can be used for general purposes.

In our opinion, the project clearly meets the Joint Review Board tests.

**Exhibit A**

**TID No. 66  
Metcalf Park Lease Option  
Program**

**Development Budget and  
Sources of Funds**

**Uses:**

Land	\$	30
Construction	\$	4,198,425
Construction Contingency	\$	100,000
FF & E	\$	60,000
A&E	\$	90,000
Accounting	\$	10,000
WHEDA Fees	\$	26,000
Legal	\$	75,000
Loan fees	\$	72,000
Interest	\$	95,000
Insurance	\$	25,000
Title & Recording	\$	16,000
Appraisal/Market Study	\$	12,500
Environmental	\$	5,500
Cost Certification	\$	5,000
Marketing	\$	10,000
Miscellaneous	\$	20,000
Developer's Fee	\$	592,975
Rent-up/marketing	\$	31,000
Reserves	\$	90,000
<b>Total Uses</b>	<b>\$</b>	<b>5,534,430</b>

**Sources:**

Equity	\$	2,436,010
WHEDA First Mortgage (6.38%, 40 yr. Amort.)	\$	1,200,000
WHEDA Second (0%)	\$	400,000
TID	\$	900,000
City HOME	\$	400,000
Deferred Development Fee	\$	198,420
<b>Total Sources</b>	<b>\$</b>	<b>5,534,430</b>

**Exhibit B**

**TID No. 66  
Metcalf Park Initiative**

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**Metcalf Park Lease Option Program  
Projected Value**

Gross Rental Income	\$257,040
Less Vacancies	(\$7,700)
Net Rental Income	\$249,340
Less Operating Expenses (not including taxes)	(\$124,700)
Net Operating Income	\$124,640

Estimated Value using a  
7.5% cap rate (not inc. taxes) \$1,661,900

# of units 30

Value/unit \$55,397

**Completion Schedule**

Completion 8/2007  
Lease-up 12/2007

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**Wesley Scott Projected Value**

Gross Rental Income	\$553,200
Less Vacancies	(\$38,700)
Net Rental Income	\$514,500
Other Income	<u>\$17,800</u>
Operating Income	\$532,300
Less Operating Expenses	<u>(\$306,800)</u>
Net Operating Income	\$225,500

Estimated Value  
using a 10.5% cap rate \$2,147,600

**Completion Schedule**

Estimated Completion 11/06  
Full Lease-Up and Stabilized  
Occupancy 10/07

Value as of 1/2006 \$1,932,800  
Value as of 1/2007 \$2,147,600

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Year	Value Lease Option Homes	Value Wesley Scott	Value Remainder of District	Est. District Value	Base Value	Incremental Value	Tax Rate	Tax Incremental Revenue (2)	Debt Balance	Interest 4.50%
<b>Table I</b> <b>TID Number 66</b> <b>Metcalfe Park Homes</b>  <b>FORECAST OF DISTRICT CASH FLOW</b> <b>TAX INCREMENTAL DISTRICT NO. 66</b> <b>Metcalfe Park Initiative</b>										
2006	\$0	\$450,000	\$43,826,900	\$44,276,900	\$44,276,900	\$0	2.44%	\$0	\$1,475,000	\$66,375
2007	\$0	\$1,932,800	\$44,922,573	\$46,855,373	\$44,276,900	\$2,578,472	2.38%	\$0	\$1,541,375	\$69,362
2008	\$1,500,000	\$2,147,600	\$46,045,637	\$49,693,237	\$44,276,900	\$5,416,337	2.31%	\$61,368	\$1,549,369	\$69,722
2009	\$1,537,500	\$2,201,290	\$47,196,778	\$50,935,568	\$44,276,900	\$6,658,668	2.25%	\$125,117	\$1,493,973	\$67,229
2010	\$1,575,938	\$2,256,322	\$48,376,697	\$52,208,957	\$44,276,900	\$7,932,057	2.19%	\$149,820	\$1,411,382	\$63,512
2011	\$1,615,336	\$2,312,730	\$49,586,115	\$53,514,181	\$44,276,900	\$9,237,281	2.14%	\$173,712	\$1,301,182	\$58,553
2012	\$1,655,719	\$2,370,549	\$50,825,767	\$54,852,035	\$44,276,900	\$10,575,135	2.08%	\$197,678	\$1,162,058	\$52,293
2013	\$1,697,112	\$2,429,812	\$52,096,412	\$56,223,336	\$44,276,900	\$11,946,436	2.03%	\$219,963	\$994,388	\$44,747
2014	\$1,739,540	\$2,490,558	\$53,398,822	\$57,628,920	\$44,276,900	\$13,352,020	2.00%	\$242,513	\$796,622	\$35,848
2015	\$1,783,029	\$2,552,822	\$54,733,792	\$59,069,643	\$44,276,900	\$14,792,743	2.00%	\$267,040	\$665,430	\$25,444
2016	\$1,827,604	\$2,616,642	\$56,102,137	\$60,546,384	\$44,276,900	\$16,269,484	2.00%	\$295,855	\$295,019	\$13,276
2017	\$1,873,294	\$2,682,058	\$57,504,691	\$62,060,043	\$44,276,900	\$17,783,143	2.00%	\$325,390	\$-17,094	-\$769
2018	\$1,920,127	\$2,749,110	\$58,942,308	\$63,611,544	\$44,276,900	\$19,334,644	2.00%	\$355,663	-\$373,526	-\$16,809
2019	\$1,968,130	\$2,817,837	\$60,415,866	\$65,201,833	\$44,276,900	\$20,924,933	2.00%	\$386,693	-\$777,028	-\$34,966
2020	\$2,017,333	\$2,888,283	\$61,926,262	\$66,831,879	\$44,276,900	\$22,554,979	2.00%	\$418,499	-\$1,230,493	-\$55,372
2021	\$2,067,767	\$2,960,490	\$63,474,419	\$68,502,676	\$44,276,900	\$24,225,776	2.00%	\$451,100	-\$1,736,965	-\$78,163
2022	\$2,119,461	\$3,034,503	\$65,061,279	\$70,215,243	\$44,276,900	\$25,938,343	2.00%	\$484,516	-\$2,299,644	-\$103,484
2023	\$2,172,447	\$3,110,365	\$66,687,811	\$71,970,624	\$44,276,900	\$27,693,724	2.00%	\$518,767	-\$2,921,894	-\$131,485
2024	\$2,226,758	\$3,188,124	\$68,355,007	\$73,769,889	\$44,276,900	\$29,492,989	2.00%	\$553,874	-\$3,607,254	-\$162,326
2025	\$2,282,427	\$3,267,827	\$70,063,882	\$75,614,137	\$44,276,900	\$31,337,237	2.00%	\$589,860	-\$4,359,440	-\$196,175
2026	\$2,339,488	\$3,349,523	\$71,815,479	\$77,504,490	\$44,276,900	\$33,227,590	2.00%	\$626,745	-\$5,182,360	-\$233,206
2027	\$2,397,975	\$3,433,261	\$73,610,866	\$79,442,102	\$44,276,900	\$35,165,202	2.00%	\$664,552	-\$6,080,118	-\$273,605
2028	\$2,457,925	\$3,519,093	\$75,451,137	\$81,428,155	\$44,276,900	\$37,151,255	2.00%	\$703,304	-\$7,057,027	-\$317,566
2028	\$2,519,373	\$3,607,070	\$77,337,416	\$83,463,859	\$44,276,900	\$39,186,959	2.00%	\$743,025		

Assumes a 2.5% annual growth rate in property values in district (beginning in 2009 for Wesley Scott and Lease to Own, and 2007 for remainder of district)  
Interest on City debt - 4.25%  
Declining tax rate through 2020

