

Amendment No. 1

To

Project Plan For

Tax Incremental District No. 68

(Fifth Ward – First Place)

Public Hearing Held: August 21, 2008

Redevelopment Authority Adopted :

Common Council Adopted:

Joint Review Board Approved:

## Background

The Tax Increment Law ( Wis. Stats. Section 66.1105) allows amendments to the TID boundary by subtracting parcels or adding parcels that are contiguous to the existing TID boundary. To determine the Base Value of the amended TID, the value of the subtracted parcels is deducted from the Base, at their value when the TID was originally created. The value of the added parcels is their value at the time they are added to the TID.

TID No. 68 is a five parcel district whose Base Value was established as of January 1, 2007. Parcel 1 in TID 68, shown on Map 1, is the property at 106 W. Seeboth St., which now consists of 161 condominium units. Six of these units are commercial condominiums, the balance are residential units. As of mid-July, 2008, 33 of the units have been sold. A listing of the key numbers within this parcel is contained in Exhibit 1.

This TID was originally established to fund certain public improvements, including riverwalks, dockwall, street paving, street lights and other public infrastructure. The total capital budget for the TID was \$4,053,000, of which \$2,684,322 had been expended or encumbered.

The Base Value of this District was established at \$56.5 million, based on the completed value of the condominiums, despite the fact that the vast majority of the units were not completed at that time. This error has resulted in the 2007 Base Value being significantly greater than the corrected 2008 value, which reflects the unfinished condition of nearly all of the units. Specifically, the 2008 assessment for the TID has been reported by the City Assessor to the Dept. of Revenue to be \$32.1 million. This consists of a \$24 million value for the condominiums and \$8 million for the balance of the district.

The City Assessor now estimates the value of the finished condominium project will be approximately \$41 million.

Given these circumstances, if the original Base Value is left uncorrected, the District will never generate an incremental value and the district will be insolvent, requiring either direct levy contributions to amortize its debt, or donations from other districts.

Consequently, and acting on the advice of the Wisconsin Dept. of Revenue, it is proposed that the Base Value be corrected by first deducting the condominium parcel from the territory of the TID, and therefore deducting its overstated 2007 value from the Base Value.

Next, the condominium parcel will be added back into the territory of the TID at the current 2008 value. This would reset the Base Value at the \$32.1 million figure mentioned above, and upon build-out of the condominium units, the TID would achieve a positive incremental value.

See Exhibit 2 for a summary of all values in the District for 2007 and 2008.

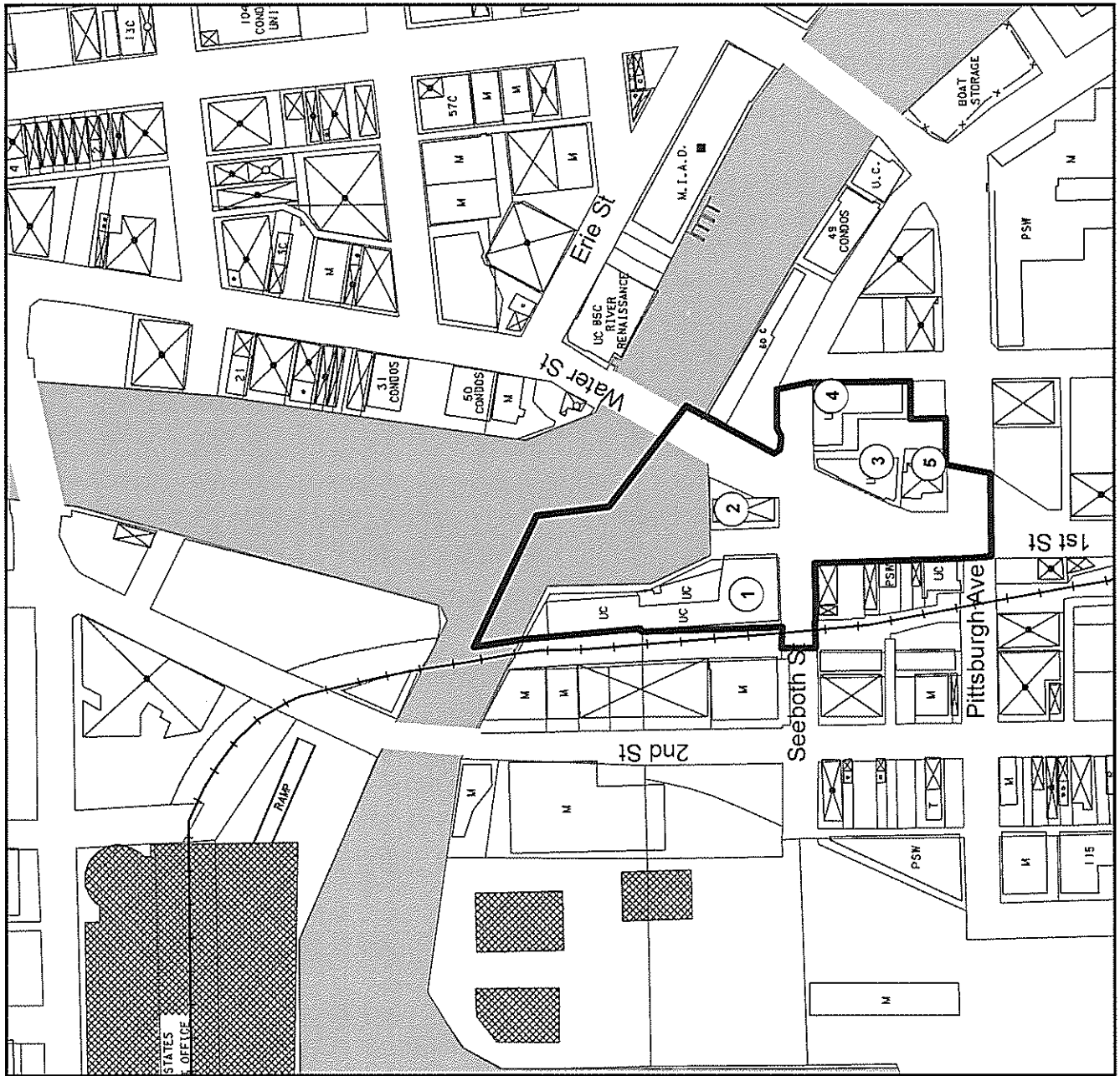
The updated feasibility analysis for the TID, Exhibit 3, indicates that the district, as restructured, could retire the total TID debt by 2029 if the Seeboth property peaks in value at \$41 million, or 2023 if the original estimated value of \$50 million is achieved.

## Proposed Amendment

1. The territory in TID 68 identified as 106 W. Seeboth St., as shown as parcel 1 on Map 1, and consisting of the tax key numbers listed on Exhibit 1, is herewith subtracted from the area of Tax Incremental District No. 68; and
2. The identical territory subtracted from Tax Incremental District No. 68, above, is herewith added to the amended area of TID 68.

It is understood that this Amendment is required to be adopted by the Common Council on or before Sept. 30, 2008 if the corrected 2008 values for the condominium project are to be substituted into the Base Value for the District.

**Map 1**  
**TID 68: First Place Lofts**



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# EXHIBIT 1

## Assessed Values

106 W. Seeboth St.

Tax Incremental District No. 68 ( Fifth Ward - First Place)

Tax Key No.

428-0XXX-000

2007

2008

ALL UNFINISHED

761	1,013,700	391,000
762	1,429,600	488,000
763	451,200	199,000
764	180,300	103,900
765	177,700	112,000
766	183,100	112,000
767	384,300	389,000
768	457,400	543,000
769	847,300	356,000
770	109,300	55,700
771	384,300	577,500
772	194,500	63,500
773	252,200	142,800
774	167,100	110,300
775	182,900	124,500
776	241,100	130,900
777	299,300	169,500
778	239,700	162,800
779	162,300	105,000
780	151,000	92,400
781	334,800	213,900
782	689,300	122,100
783	331,300	55,300
784	194,500	63,500
785	252,200	150,700
786	167,100	95,400
787	183,100	67,100
788	204,400	134,100
789	267,600	100,500
790	239,700	163,500
791	162,300	110,600
792	151,000	106,800
793	334,800	233,200
794	596,000	122,600

Tax Key No.						
428-0XXX-000		2007	2008	ALL UNFINISHED		
795		424,300	78,200			
796		194,500	66,300			
797		252,200	151,100			
798		167,100	95,400			
799		183,100	142,600			
800		204,400	127,800			
801		507,300	99,900			
802		162,300	93,100			
803		151,000	104,200			
804		334,800	292,100			
805		372,000	323,800			
806		264,800	100			
807		264,800	172,800			
808		264,800	100			
809		264,800	100			
810		299,300	100			
811		596,000	124,800			
812		442,700	77,100			
813		324,600	118,300			
814		255,300	93,200			
815		326,300	127,900			
816		217,700	113,400			
817		213,400	84,600			
818		222,700	164,200			
819		222,700	131,500			
820		266,700	159,600			
821		191,700	117,700			
822		191,400	113,000			
823		390,200	221,000			
824		362,300	260,000			
825		264,800	178,400			
826		264,800	156,200			
827		264,800	156,200			
828		264,800	155,800			
829		299,300	171,500			
830		596,000	127,000			
831		442,700	170,500			
832		324,600	123,000			
833		255,300	96,900			
834		326,300	239,900			
835		217,700	125,200			
836		213,400	87,700			
837		222,700	131,500			
838		222,700	131,500			
839		266,700	159,600			
840		191,700	117,700			
841		191,400	113,000			
842		390,200	220,800			

Tax Key No.						
428-0XXX-000		2007	2008	ALL UNFINISHED		
843		362,300	300,100			
844		264,800	213,300			
845		264,800	156,200			
846		264,800	156,200			
847		264,800	155,800			
848		299,300	171,500			
849		596,000	246,300			
850		442,700	180,400			
851		229,300	63,200			
852		180,300	29,500			
853		218,900	35,700			
854		324,600	255,500			
855		255,300	201,300			
856		326,300	206,300			
857		217,700	123,700			
858		213,400	174,900			
859		222,700	93,000			
860		222,700	170,900			
861		226,700	218,600			
862		191,700	127,700			
863		191,400	138,100			
864		390,200	327,900			
865		362,300	229,500			
866		264,800	228,800			
867		264,800	168,000			
868		264,800	168,000			
869		264,800	167,500			
870		299,300	255,200			
871		689,300	253,800			
872		349,700	142,100			
873		229,300	154,800			
874		180,300	61,700			
875		218,900	37,300			
876		206,300	104,600			
877		168,900	57,100			
878		324,600	129,700			
879		255,300	102,500			
880		326,300	278,300			
881		217,700	188,200			
882		285,100	269,100			
883		297,200	280,000			
884		297,200	280,200			
885		366,000	307,300			
886		191,700	84,200			
887		191,400	85,400			
888		314,200	272,400			
889		505,900	229,700			
890		455,500	395,800			







## **EXHIBIT 3**

### **Update of Economic Feasibility Forecast**

**For**

### **Tax Incremental District No. 68**

As provided in Amendment No. 1 to the Project Plan for TID 68, the City of Milwaukee proposes certain boundary amendments to correct an error in the amount of the Base Value of this District.

In summary, the City proposes to remove the property at 106 W. Seeboth, and its overstated 2007 values from the District, and add back the same property at its current 2008 values.

The effect of these changes is estimated to reduce the Base Value from over \$56 million to approximately \$29.4 million. See Exhibit 2 from the Project Plan.

Attached is a forecast of incremental value for the amended District, given the following assumptions:

- The Base Value is adjusted as discussed above, and as estimated in Exhibit 2.
- The value of 106 W. Seeboth is \$24.2 million for 2008 and increases, incrementally, to the City Assessor's estimated maximum value of \$41 million in 5 years. This value is considered conservative especially when compared with the previous "completed" value of the property of \$50.8 million.
- Thereafter, the value of this property appreciates at 1.5% per year.
- The values of the five remaining properties in the District remain unchanged at just under \$8 million for the life of the District. This too is conservative, given that parcel 2 ( Map 1) has significant redevelopment potential, and the other recently completed projects in the District are likely to appreciate over time.

- The assumed Tax Rate for all jurisdictions is 2.0% compared with the current rate of 2.3%.
- The City's GO borrowing rate is 4.5%.

Given the foregoing assumptions, the attached forecast estimates the Present Value of the Incremental Taxes from the amended District to be \$5.7 million over its remaining statutory life. District project costs are unchanged at \$4.4 million. Hence, the cash flow from the District is expected to adequately cover the necessary principal and interest associated with the project's borrowing.

Using a characteristic city debt structure, the District is expected to pay off by 2029. If however, the value of the 106 W. Seeboth property reaches the originally estimated value of \$50 million in five years, instead of \$41 million as used in the forecast, the payoff date moves up to 2023.

TID 68: FORECAST OF INCREMENTAL TAX REVENUE FOLLOWING ADJUSTMENT TO BASE VALUE												
	Base Value	District Values	Remaining Properties	Total District Value	Incremental Value	Taxes @ 0.02	Debt Service 4,840,000	Net Cash Flow	Cum. Cash Flow			
2007	55,987,600	50,810,200	5,177,400	55,987,600	-	-	242,000	(242,000)	(242,000)			
2008	29,411,200	24,233,800	7,870,000	32,103,800	2,692,600	-	242,000	(242,000)	(242,000)			
2009	29,411,200	28,000,000	7,870,000	35,870,000	6,468,800	53,852	242,000	(188,148)	(441,038)			
2010	29,411,200	32,000,000	7,870,000	39,870,000	10,458,800	129,176	450,671	(321,495)	(782,380)			
2011	29,411,200	36,000,000	7,870,000	42,870,000	13,458,800	209,176	450,671	(241,495)	(1,059,081)			
2012	29,411,200	38,000,000	7,870,000	45,870,000	16,458,800	269,176	450,671	(181,495)	(1,288,235)			
2013	29,411,200	41,000,000	7,870,000	48,870,000	19,458,800	329,176	450,671	(121,495)	(1,467,700)			
2014	29,411,200	41,615,000	7,870,000	49,485,000	20,073,800	389,176	450,671	(61,495)	(1,595,242)			
2015	29,411,200	42,239,225	7,870,000	50,109,225	20,698,025	401,476	450,671	(49,195)	(1,716,222)			
2016	29,411,200	42,872,813	7,870,000	50,742,813	21,331,613	413,961	450,671	(36,710)	(1,830,163)			
2017	29,411,200	43,515,906	7,870,000	51,385,906	21,974,706	426,632	450,671	(24,039)	(1,936,559)			
2018	29,411,200	44,168,644	7,870,000	52,038,644	22,627,444	439,494	450,671	(11,177)	(2,034,880)			
2019	29,411,200	44,831,174	7,870,000	52,701,174	23,289,974	452,549	450,671	1,878	(2,124,572)			
2020	29,411,200	45,503,641	7,870,000	53,373,641	23,962,441	465,799	450,671	15,129	(2,205,049)			
2021	29,411,200	46,186,196	7,870,000	54,056,196	24,644,996	479,249	450,671	28,578	(2,275,698)			
2022	29,411,200	46,878,989	7,870,000	54,748,989	25,337,789	492,900	450,671	42,229	(2,335,876)			
2023	29,411,200	47,582,174	7,870,000	55,452,174	26,040,974	506,756	450,671	56,085	(2,384,905)			
2024	29,411,200	48,295,906	7,870,000	56,165,906	26,754,706	520,819	450,671	70,149	(2,422,077)			
2025	29,411,200	49,020,345	7,870,000	56,890,345	27,479,145	535,094	450,671	535,094	(1,995,977)			
2026	29,411,200	49,755,650	7,870,000	57,625,650	28,214,450	549,593	450,671	549,593	(1,536,213)			
2027	29,411,200	50,501,985	7,870,000	58,371,985	28,960,785	564,289	450,671	564,289	(1,041,053)			
2028	29,411,200	51,259,515	7,870,000	59,129,515	29,718,315	579,216	450,671	579,216	(508,685)			
2029	29,411,200	52,028,407	7,870,000	59,898,407	30,487,207	594,366	450,671	594,366	(2,000,000)			
2030	29,411,200	52,808,834	7,870,000	60,678,834	31,267,634	609,744	450,671	609,744	(2,508,744)			
2031	29,411,200	53,600,966	7,870,000	61,470,966	32,059,766	625,353	450,671	625,353	(3,033,104)			
2032	29,411,200	54,404,981	7,870,000	62,274,981	32,863,781	641,195	450,671	641,195	(3,574,924)			
2033	29,411,200	55,221,055	7,870,000	63,091,055	33,679,855	657,276	450,671	657,276	(4,132,199)			
2034	29,411,200	56,049,371	7,870,000	63,919,371	34,508,171	673,597	450,671	673,597	(4,705,796)			
					PV @	0.045	\$5,718,670.64					

Assumptions:	
Escalation	1.015
Tax Rate	0.02
Bond Rate	0.045
Project Cost	4,400,000
Cap Int	440,000
Total	4,840,000
Borrowing	4,840,000
Carry Cost	0.045