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January 23rd, 2023

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

RE: File 221453, TID 112 – Martin Luther King Library

Dear Committee Members:

File 221453 would approve the creation of Tax Incremental District (TID) 112, Martin Luther King Library (the District), along with a corresponding project plan and term sheet. The Comptroller's Office has reviewed the project plan, feasibility study, term sheet, and has had discussions with Department of City Development (DCD). Based on the information presented by DCD, our analysis is as follows.

The proposed District is located on North Dr. Martin Luther King Jr. Drive between West Locust Street and West Chambers Street (the Property). The Property is comprised of the existing Martin Luther King Library, two vacant City owned parcels, a privately owned vacant lot, and a commercial building that once housed the Garfield Theater. The development plan for the Property includes the demolition of the existing library, the construction of a mixed-use building housing a new library and residential units, the preservation of the theater façade and lobby, and the development of a second four story residential building adjacent to the theater (the Project). In total the Project will contain 93 housing units affordable across a range of incomes. The developers for the site are General Capital Development, LLC and Emem Group, LLC (the Developers).

Total estimated costs for the Project are \$37,208,000. This file authorizes a \$915,000 grant to the Developers to partially fund these costs. After substantial completion of the Project, the District will make annual payments to the Developers equal to the incremental taxes collected in the District, less an annual administration charge of \$3,000, until the \$915,000 plus 6.15% interest is repaid. This interest rate reflects the preliminary interest rate on the Developers' underlying financing and is subject to change based on the final closing date of the project. Any upward adjustment to the interest rate may result in a corresponding decrease in the City's obligation to the Developers. If final Project costs are lower than the \$37,208,000 budgeted, the City's obligation to the Developers will be reduced by 50% of the cost savings attributable to the housing component of the Project.



As a developer-financed TID, the Developers assume the risk that the proposed District will generate sufficient incremental revenue to recapture their \$915,000 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 20-year tax incremental revenue stream from the District. The Developers assumes the risk of recovering their \$915,000.

DCD’s feasibility study, which uses a constant 2.52% property tax rate and 1% inflation rate over the life of the TID, forecasts the Developers will fully recover the \$915,000 plus interest, in 2042 after receipt of the 2041 levy (the final year of the City’s obligation to the Developers). However, if the tax rate does not remain constant or the forecasted 1% annual appreciation is not realized, the Developers may not recover the entire \$915,000, plus interest. Nonetheless, because the Developers, not the City, assume the repayment risk on their contribution to the District’s costs, the economic feasibility of the proposed TID to the City is guaranteed.

Sensitivity Analysis

There is inherent risk in every projection of future results. One common way to alleviate 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%	2043*
95%	2043*
100% (Base Case)	2042
105%	2041
110%	2040

** 2043 is the final year of the monetary obligation. The Developers would not fully recover their investment, plus interest, in this scenario.*

It is important to note that the payback year relates to the expected year in which the Developers will recover their investment. Since the Developers will finance the Project, the City is not at risk of losing the \$915,000.

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

This proposed TID allows the City to provide incentive to the Developers to redevelop the Property while minimizing the City’s involvement and risk. The redevelopment of the Property should increase the City’s tax base.

Conclusion

The proposed TID provides incentive for the Developers to construct a mixed-use building, preserve the theater façade and lobby, and construct an additional residential building for a total of 93 housing units. The Developers will assume the financial risk, and the Project should increase the City's tax base.

Should you have any questions regarding this letter, please contact Nuducha Yang at extension 2354.

Sincerely,

A handwritten signature in black ink, appearing to read 'Aycha Sawa', with a long horizontal flourish extending to the right.

Aycha Sawa, CPA, CIA
Comptroller

CC: Maria Prioletta, Gloria Lucas, Joshua Benson

AS:NY