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April 11, 2025

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

RE: File 241880, TID 122 – Cudahy Farms

Dear Committee Members:

File 241880 would approve the creation of Tax Incremental District (TID) 122, Cudahy Farms (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 District is the site of the former John C. Cudahy/Northwest YMCA at 9050 North Swan Road on the City’s northwest side, referred to as the Cudahy Farms. The site will be developed by Royal Capital Group, LLC, but will be owned by Cudahy Farms P1, LLC (the Developer) for the purpose of securing low-income housing tax credits. The Developer is proposing a plan which includes the construction of multifamily residential units and amenities such as an early childhood education center, gym/fitness center and other activities using the former YMCA facilities. The project would include 212 multifamily units, with a mix of one-, two- and three-bedroom units available at reduced rents for those earning 30%-80% of area median income (the Project). Of the 212 units, there would be 100 one-bedroom units reserved for seniors.

The total estimated costs for the Project are \$56,872,407. This file authorizes an up to \$3,700,000 grant to the Developer to assist in funding a portion of these costs. The Developer will advance the \$3,700,000. The District will make annual payments to the Developer equal to the incremental taxes collected in the District, less an annual administration charge of \$7,500. The District’s payments will terminate at the earlier of the repayment of \$3,700,000 plus 5.1% interest, or the payment derived from the 2041 levy payable in 2042 (year 17 of the District).

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 their \$3,700,000 investment with interest.

DCD's feasibility study, completed by Ehlers Public Finance Advisors, which uses a constant 2.22156% property tax rate and 0% inflation rate over the life of the TID, forecasts that the Developer will fully recover the \$3,700,000 plus interest in 2042 after receipt of the 2041 levy. However, if the tax rate does not remain constant, the Developer may not recover the entire \$3,700,000, plus interest. Nonetheless, because the Developer, not the City, assumes the repayment risk on their up to \$3,700,000 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%	2042*
95%	2042*
100% (Base Case)	2042
105%	2041
110%	2040

** 2042 is the final year of the monetary obligation. The Developer 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 Developer will recover their investment. Since the Project will be financed by the Developer the City is not at risk of losing the \$3,700,000.

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

This proposed TID allows the City to provide incentive to the Developer to develop the Property while minimizing the City's involvement and risk.

Conclusion

The proposed TID provides incentive for the Developer to construct affordable housing within 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 Joshua Benson at extension 2319.

Sincerely,



Bill Christianson, CPFO
Comptroller

CC: Lori Lutzka, Dan Casanova, Charles Roedel

BC:JB