



Office of the Comptroller
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Members of the Zoning, Neighborhoods
& Development Committee
200 East Wells Street, Room 205
Milwaukee, WI 53202

RE: TID 71 – Mitchell Street Project

Dear Committee Members:

File 070611 is a resolution creating Tax Incremental District (TID) 71 – Mitchell Street Project. This resolution also approves the TID project plan and authorizes certain TID expenditures. The proposed boundaries of the TID include Mitchell Street from 5th to 16th Street and city blocks generally to the immediate north and south of Mitchell Street. The TID boundaries also include properties located along Forest Home Avenue from 13th to 15th Streets. The proposed TID seeks to increase economic activity and commerce within the Mitchell Street District and improve the housing stock within the proposed TID. Specifically, the proposed TID will:

- Create a Development Fund to provide “gap” financing loans and grants for real estate development projects within the proposed district.
- Provide public improvements including harp lights, tree grates, boulevard irrigation system and security cameras; and
- Establish a residential forgivable loan pool for exterior improvements to properties within the proposed TID.

<u>USES</u>	
Business Loans/Grants	1,500,000
Public Improvements	846,500
Residential Assistance Grants	400,000
Contingency/City Administration	370,100
Capitalized Interest	311,660
TOTAL USES	3,428,260

The Project Plan identifies potential commercial and retail projects that may be eligible for loans or grants from the proposed Development Fund, including the Goldmann’s building, the Modjeska Theater, and 1101 W. Mitchell Street. Although identified as potential projects, specific grants or loans for these projects are not considered at this time. Rather, the Project Plan calls for \$1.5 million of borrowing authority to be set aside for the Development Fund to provide “gap” financing for these or similar commercial and retail development projects. The amount of assistance and financing terms for any project receiving the TID’s Development Fund assistance is subject to future approval by the Zoning, Neighborhoods, and Development Committee and the Common Council. A similar approach was established for TID 32 (King Drive) and TID 40 (West North Avenue/Sherman Boulevard).



In addition to the creation of a Development Fund, the Project Plan calls for the creation of a \$400,000 Residential Loan Pool, whereby forgivable loans of up to \$10,000 per unit are provided to owner occupants for exterior improvements. The expected write-down period for these loans is five years. An identical structure was successfully used in TID 44 (Lindsay Heights) and most recently applied in TID 66 (Metcalf Park Homes).

Also, \$846,500 is allocated for public improvements within the proposed TID project boundaries. Together with a budgeted project contingency, capitalized interest and city administration, the total budget for the proposed TID is \$3.4 million, which is to be funded with city GO bonds.

Is the proposed TID likely to be successful?

The true success of this project is dependent on the extent that the combination of public improvements, residential and commercial loans and grants spur additional development along the Mitchell Street corridor. As there are no specific real estate development projects being committed to at this time, only time will tell whether the proposed TID investment will trigger sufficient development to repay the City for its \$3.4 million investment.

There are two key factors which favor the successful retirement of the proposed TID:

- The way in which the TID boundaries are defined.
- The excellent history of involvement and investment by the Mitchell Street business community.

The proposed area included in the proposed Mitchell Street Tax Increment District is large enough to encompass sufficient *existing* residential and commercial development to provide a substantial advantage to this TID. Approximately 85% of the proposed TID's projected tax increment is from this *existing* residential and commercial development. As years pass and existing real estate values within the proposed TID increase, this provides "automatic" TID revenues to help pay for the \$3.4 million. Calculating the feasibility of the of the proposed TID, we conclude that it is likely that incremental revenues will recover project costs, including capitalized interest in 2025, or the 19th year of the 27 statutory life of the proposed TID.

Is the Proposed Level of City Assistance Necessary?

At this time there is no information regarding the potential real estate development projects identified in the Project Plan, therefore the necessity of TID assistance cannot be assessed at this point in time. The opportunity to assess the "but for" question for specific projects will occur at the time specific proposals come back before the Zoning, Neighborhoods and Development Committee for approval.

Based on the feasibility of the proposed TID and the ability of the city to assess the necessity of TID assistance future projects seeking assistance from the proposed TID's Development Fund, we recommend approval of the proposed district. Please contact me should you have any questions concerning this letter.

Sincerely,



W. Martin Morics
Comptroller

Cc Richard Marcoux,, James Scherer
CDK/MJD/9-14-07