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Ald Witkowski
Hand out

City of Milwaukee

Office of the Comptroller

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January 20, 2004

To the Honorable Members
of the Common Council
City of Milwaukee
City Hall – Room 205
Milwaukee, WI 53202

Dear Council Members:

I am writing to express my concerns regarding file #031050, a Community Benefits ordinance creating a number of programs and requirements related to private sector development in Milwaukee. At the outset, there is no argument that Community Benefits are desirable. The issue is not whether you are for or against Community Benefits, the issue is whether this file will achieve these ends.

Clearly, the provisions of the ordinance are well intentioned, however, my primary concern is the ordinance's adverse impact on development, and consequently, the City's property tax base.

The proposed ordinance extends to Park East and potentially other private developments the wage, hiring, training and recruitment requirements the City now requires for public works projects. A Real Estate Development Advisory Committee notes that the union or "prevailing wage" requirements of the ordinance will add 8% to 14% to the cost of private residential development and a study by Irgens LLC, a local developer, indicates a 20% to 35% increase in additional costs that are typically part of a public development subsidy package for private commercial development projects. While certain developments may proceed within Milwaukee regardless of these added costs, other projects will certainly be lost to other communities. The ordinance, therefore, will increase the cost of development in the City and inhibit tax base growth. Rather than placing additional requirements in a "one-size-fits-all" fashion on Park East and potentially other developments involving City assistance, the City should focus on applying requirements on a project-by-project basis, applying provisions where City assistance and the economics of the project can support such measures.

In addition, the ordinance will have a specific negative impact on development financed through Tax Incremental Districts (TIDs) to the extent that it is extended to other TID projects. TID financing is the primary means by which the City finances development. These districts issue debt to make improvements paid off over time through property taxes imposed on the incremental value of these districts. Prior to establishment, each TID must pass an economic feasibility study; that is, it must be determined that the costs financed through debt will be fully recovered over the lifetime of the TID. Since the ordinance increases development costs, if passed, there will be less TID financed development.

Finally, although a fiscal note was issued, it did not estimate the costs associated with potential lost development that will occur as a result of this ordinance. This is the most significant fiscal risk associated with this file, and should, therefore, be thoroughly reviewed and examined. I am, therefore, recommending the ordinance be referred back to committee so the impact of lost development can be more closely studied and incorporated as part of the fiscal note.

If there are any questions regarding the issues raised in this letter, or if we may be of any further assistance, please feel free to contact me.

Very truly yours,

W. MARTIN MORICS
Comptroller

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