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November 29, 2022

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

RE: File 221108, TID 110 Vel R. Phillips and Michigan

Dear Committee Members:

File 221108 would approve the creation of Tax Incremental District (TID) 110, Vel R. Phillips and Michigan (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 comprised of an 1895-constructed building with 300,000 SF of office and retail space, as well as 74 apartment units (the Property). The building was home to a Boston Store and the Bon-Ton headquarters, until they declared bankruptcy in 2018. The office and retail space has been largely unoccupied since 2018. Recently, the building was renamed Hub640 and has attracted several smaller office tenants.

Fiserv, Inc. (the Company) is proposing to lease approximately 144,200 SF of office space at the Property and invest at least \$37,000,000 to renovate the Property into a new world headquarters for the Company, which will include at least 780 employees (the Project). The Project will be completed by North Wells Capital, LLC, or an affiliated entity thereof (the Developer). The Company is proposing the Project to meet their future space needs due to growth and to attract and retain employees.

The City is proposing to provide up to a \$7,000,000 developer-financed grant to the Company from the District for completing the Project. The City is also proposing to provide up to \$4,600,000 from the District to fund public infrastructure improvements within a half-mile of the District and \$300,000 for administration. Total estimated Project Costs, excluding financing, are \$11,900,000.

Is This Project Likely to Succeed?

The \$7,000,000 Monetary Obligation for completion of the Project is developer-financed and therefore the Developer assumes the risk. The City's Monetary Obligation consists of a limited and conditional obligation to repay Company an amount up to \$7,000,000, plus 4.5% interest, per year for up to 20 years. Repayment consist of 75% of annual tax increments collected to be placed into a special account at the City, where the remaining 25% of tax incremental revenue will be allocated to fund City's projects at the City's sole discretion. City may, at any time or from time to time, without notice, penalty, or fee, prepay all or any portion of the Monetary Obligation.

Conditions for earning the full Monetary Obligation are as follows.

1. Company shall have at least the number of Projected Employees who are FTEs assigned and working from the Global Headquarters for each reporting year.
2. Workday occupancy at the Global Headquarters averages at least 60% of the total projected FTE working hours in each reporting year.

Employment Requirement				
	Year 1	Year 2 (2025)	Year 3 (2026)	Year 4 (2027 & forward)
Total Projected FTE	580	660	740	780

In the event of a deficiency of Total Projected FTE, there will be an adjustment of the City's Monetary Obligation. The adjustment will result in a proportionate reduction in the City's payment during each year of the deficiency calculated based upon the percentage by which the "actual" workforce reduction falls below the "projected" workforce, provided, such reduction shall not exceed \$10,000 for each such deficient position.

Moreover, in the event that the Lease expires or is terminated, and/or the Company vacates the Premises prior to full repayment of the Monetary Obligation, the Monetary Obligation will be reduced by the total amount outstanding as of the date of the expiration or earlier termination of the Lease and/or the Company's vacation of the Premises.

DCD's feasibility study, which includes a 4.5% interest rate and the Assessor's tax incremental projection, the City's Monetary Obligation of \$7,000,000, will be satisfied in year 16 of the TID's life. The Comptroller's Office finds that this is reasonable.

Additionally, DCD's feasibility study, which uses a constant 2.524% property tax rate and 1% inflation rate over the life of the TID, forecasts the City will fully recover the \$4,600,000 plus interest, after receipt of the 2042 levy. Therefore, from a financial perspective, the proposed TID is viable.

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%	2042
100% (Base Case)	2042
105%	2042
110%	2041

The above analysis shows at 90% of DCD’s Projected Revenue that the infrastructure costs and monetary obligation will breakeven levy year 2043. This projection (Year 21) is still within the normal expectancy of a TID’s 27-year term life.

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

This proposed District allows the City to provide incentive to the Developer to invest at least \$37,000,000 in order to complete the Project. Without City funding, this Project may be delayed or not occur altogether. The Project should result in an increased valuation of the Property. In regards to the street infrastructure, without approval of this amendment, the City would need to use other funding sources to cover the costs.

Conclusion

Based on the feasibility study, it appears the District will generate enough cash to fund the project. Should you have any questions regarding this letter, please contact Nuducha Yang at extension 2534.

Sincerely,



Aycha Sawa, CPA, CIA
Comptroller

CC: Dan Casanova, Lori Lutzka, Joshua Benson, Gloria Lucas
AS:NY