

**LRB-RESEARCH AND ANALYSIS SECTION ANALYSIS**

**JANUARY 31, 2006 AGENDA**

**ITEM 8, FILE 051169**

**ZONING, NEIGHBORHOODS & DEVELOPMENT COMMITTEE**

**EMMA J. STAMPS**

File No. 0511169 is a resolution relative to funding for Tax Incremental District No. 22 (Beerline “B”), in the 3<sup>rd</sup> and 6<sup>th</sup> Aldermanic Districts.

**Background and Discussion**

1. The maximum life of a TID created before 10/1/1995 cannot be extended pursuant to 2005 Wisconsin Tax Incremental Financing Law ([www.dor.state.wi.us](http://www.dor.state.wi.us)). The law allows TIF expenditures up to 5 years before the TID’s maximum life expires (i.e. A TID whose maximum life expires in 2012 could recognize expenditures through year 2007).

If a TID wishes to increase its project costs, but is not introducing the funding increase through an amendment to the Project Plan, then the funding increase, which is transferred from the capital improvement TID parent account, is only subject to Common Council approval by resolution, and not that of the Joint Review Board. Amending a TID requires review by the Joint Review Board as the final step.

There are 3 types of amendments allowed for a TIF district including:

- (a.) Add/subtract territory in a TIF district boundary project plan (up to 4 times in a TID’s life)
  - (b.) Project Plan amendment during the expenditure period
  - (c.) Amend allocations of TIF increments between active TIDs
2. Section 304-93 of the Milwaukee Code of Ordinances, established under File No. 031616, provides for Common Council review and approval of expenditures of city funds for any tax incremental district. Effective May 15, 2005, a tax incremental district shall have an authorized funding amount equal to 110% of the sum of funding not exceeding \$1,000,000 explicitly authorized by resolutions for that district.
  3. In 1993, the Common Council approved the creation of TID No. 22 to redevelop the Soo-Line railroad right of way and riverfront land adjacent to N. Commerce St. and N. Riverboat Rd. between E. Pleasant St. and E. North Ave. The TID will retire by 2012. To date, the Common Council has approved the following TID funding allocations:

Resolution Number	Date Adopted	Council Action On	Max. Authority	Trfrs from TID Parent Account
CCFN 930935	adopted 12/22/1993	Project Plan – Original	\$ 6,250,000	\$ 6,250,000
CCFN 990110	adopted 7/29/1999	Amendment #1	\$12,875,900	\$ 7,204,415
CCFN 010485	adopted 8/2/2001	Funding Change #2	\$13,414,132	\$ 7,164,182
CCFN 020345	adopted 6/25/2002	Funding Change #3	\$13,814,132	\$ 400,000
		<b>SUBTOTAL</b>	<b>\$13,818,132</b>	<b>\$21,018,597</b>
CCFN 051169*	pending*	Funding Change #4		\$ 7,334,354
		Est. Capitalized Interest		\$ 680,232
		<b>*Pending total city TID (partial) capital interest</b>		<b>\$29,033,183</b>

Project Plan Amendment #1 added 13 parcels, approximately 13 acres, to the redevelopment area along the Milwaukee River between approximately E. Pleasant St. and E. North Ave. This amendment anticipates \$12,875,900 maximum total project cost accumulation through 2002 (Schedule A, pg. 3) plus total interest payable of \$7,154,945. The amendment, adopted in July 1999, further resolves to “... retain the existing 10-year expenditure period for the District.” The 10-year expenditure period would have expired in 2003. Post-2003 expenditures **may** be

subject to review pursuant to the 2005 Wisconsin Tax Incremental Financing Law.

Funding change #2 provided for increased funding for the River Homes Riverwalk project along Commerce St. without formally amending the Project Plan.

Funding change #3 provided a \$400,000 match Federal-State Congestion Mitigation and Air Quality (CMAQ) grant for the Marsupial Bridge without formally amending the Project Plan.

4. TID No. 22 total project costs increased to \$13,814,132 via Resolution No. 020345, the most recent Council reviewed funding change. However, according to File 051169, as of December 15, 2005, fund expenditures and provisions totaled \$17,068,174 (plus capitalized interest). The DCD and Comptroller's Office should address this variance in a substitute to File 051169.
5. The DCD requests adoption of File 051169, thereby increasing TID No. 22 project expenditure limit up to \$24,402,528.41 (plus capitalized interest, estimated at \$680,232) to pay for riverwalk improvements along the Milwaukee River between approximately E. Pleasant St. and E. North Ave. as described in the S. F. Friedman & Company economic feasibility study.

If adopted, File 051169 would increase total project funding by \$10,588,396 from \$13,814,132 up to \$24,402,528.

### **Fiscal Impact**

According to the fiscal note dated 12/12/2005, this file imposes a \$8,014,586.07 fiscal impact, although the Comptroller estimated the fiscal impact at \$8.2 million. The Comptroller's letter dated 1/26/2006 recommends substituting File 051169 to provide up to \$25,293,645.81 for revised TID No. 22 project costs, plus capitalized interest and issuance costs, and further recommends that the project plan for TID 22 be amended to include the adjusted project costs, limiting the budget authority in the TID 22 project account to \$25.3 million, and requiring that DCD seek Common Council approval *prior* to any further expansion in project scope, activities, or costs.

Using S. B. Friedman & Co. estimates, the \$7,334,354 expenditure authority would pay for the following activities (excluding capitalized interest):

\$752,031      Current Activities (DPW payroll deficit, Booth St. paving, Trostel riverwalk, other outstanding DPW invoices estimated at \$505,514)

\$6,582,323      New Costs      (50% of each riverwalk including Pleasant St. Market, Brewer's Pt. 1890 N Commerce St., 2070 N. Commerce St., 2176 N. Riverwalk Rd., and new streets adjacent to Pleasant St. Market and north of Holton, upgrade and maintain Kilbourn park through year 2007, bridge upgrades, enhancements, and cost overruns, administration and 10% contingency)

### **Other Information**

The economic feasibility study, in File 051169, prepared by S.B. Friedman & Co., suggests that sufficient investments can be made to cover \$36,283,352 in project costs plus interest. No mention is made to extending the expenditure period beyond the 10-years stated in the 1999 Project Plan Amendment. If warranted, any further project expenditure increases limits up to \$36,283,352 should require common council review.

cc:      Marianne Walsh      Rocky Marcoux      Wally Morics      Prepared by: Emma J Stamps x 8666  
Mark Nicolini      Martha Brown      Michael Daun      LRB-Fiscal Review Section  
Tom Croasdaile      Michael Wisniewski      Craig Kammholz      January 26, 2006 1:02PM  
David Schroeder