



Office of the Comptroller

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July 26, 2002

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

RE: File 020337 TID 50:
Ralos – Solar Paints

Dear Committee Members:

File 020337 would approve a Project Plan and create Tax Incremental District (TID) 50, incorporating the terms of a Development Agreement among the City, the Redevelopment Authority and Ralos LLC. Under the Project Plan, Ralos plans to acquire and remediate an environmentally contaminated site just west of Mitchell International Airport. The owner of the property (Solar Paints and Varnishes, Inc.) is bankrupt and abandoned the site 9 years ago. Under an enabling State Statute, the City would foreclose on the property and assign foreclosure rights to Ralos who would take ownership of the site. Ralos would renovate an 8,400 sq. ft. industrial building and would construct a new 33,000 sq. ft. industrial building. Two primary industrial lessees have been identified by Ralos to use these structures. Other tenants may also be sought according to a Feasibility Study conducted by DCD. The property currently has delinquent property taxes of about \$81,000 of which \$48,000 is principal (no interest and no penalties) as reflected in the fiscal note.

The entire project, including remediation and rehabilitation, is expected to cost \$2.5 million excluding satisfaction of any outstanding liens on the property. Because the Project is located on environmentally contaminated soil and is a candidate for "Brownfield Redevelopment", it is eligible for various State and Federal grants, loans and tax credits. About \$116,000 of site investigation work has already been accomplished, funded primarily by a grant.

The Project Plan proposes that the City foreclose on the property, finance a portion of the remediation costs, then assign to Ralos the remediated property released from the tax, EPA and other major liens now encumbering the property. As of June 10, 2002, the total Project budget is to be financed as follows:

Ralos	\$849,000
EPA Revolving Loan to the TID	760,000
Brownfield Grant	400,000
PECFA Funding	180,000
Ralos Tax Credits	153,000
Milwaukee County	100,000
DNR Site Assessment Grant	<u>30,000</u>
	<u>\$2,472,000</u>

The City will finance its \$760,000 share of project costs through a zero interest loan from the US Environmental Protection Agency (EPA) for subsurface remediation work. Based on a minimum projected value of the improved site, the loan should be repaid within 18-20 years.

TID 50 is intended to return to productive use about six acres of land now largely vacated. The City Redevelopment Authority (RACM) has established various safeguards to limit the City of Milwaukee's risk in this investment while providing the necessary City financial participation to move the project forward. Consider the following:

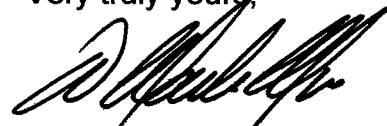
- City of Milwaukee and other funding for remediation work will be provided through an Escrow Fund. Escrowed funds will be released only after building leases have been signed and the site has been vested in Ralos.
- RACM will countersign all disbursements from the Escrow Fund.
- Ralos LLC must fund any remediation cost overruns.
- The City will maintain a second mortgage on the site and escrow funds until all remediation work is complete.
- Ralos will be responsible for securing the release of all current liens on the property.

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It is also important to note that Ralos LLC has agreed to effectively guarantee the realization of the necessary property tax increments. Should the annual property tax valuation fail to achieve the minimum projected value of \$1,366,600, Ralos has agreed to pay the property tax deficiency each year until the City's \$760,000 loan is repaid in full.

With the above safeguards, we recommend the approval of this file consistent with the term sheet included with File 020337. If there are any questions, or if we may be of any added assistance in this matter, please feel free to contact this office.

Very truly yours,



W. MARTIN MORICS
Comptroller

WMM:MJD:glk

Cc: B. Craig, DCD

REF: PD-6208W.DOC