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Office of the Comptroller

April 3, 2019

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

RE: File 181913, TID 97 – The Avenue

Dear Committee Members:

File 181913 would approve the creation of Tax Incremental District (TID) 97, The Avenue (the District), along with a corresponding project plan and term sheet. The Comptroller's office has reviewed the project plan, feasibility study and term sheet, and has had discussions with Department of City Development (DCD) and Assessor's Office staff. This analysis is based on the information provided.

The proposed District includes 21 properties, totaling 346,606 square feet, located at 275 and 301 West Wisconsin Avenue (the Property). The District is being created to assist in the redevelopment of: approximately 190,000 square feet of office space on the upper floors of the Property; approximately 75,000 square feet for a food hall and other retail space on the first floor of the Property; the renovation of the public access ways through the Property; the renovation of skywalks connecting to the Property; and the renovation of the plaza in front of the Property (the Project). The Project will be undertaken by Hempel Milwaukee, LLC (the Developer). The Property is located in the Grand Avenue Mall and overlaps TID 37 (Grand Avenue) and TID 46 (Grand Avenue/New Arcade). Both TID 37 and TID 46 are expected to close before 2021.

Total estimated costs for the Project are \$44 million. This file authorizes a \$9,000,000 grant to the Developer to partially fund project costs. The Developer will advance the \$9,000,000. After substantial completion of the Project, the District will make annual payments to the Developer equal to the incremental taxes collected in the District, less an annual administration charge of \$7,500, until the \$9,000,000 plus 5.5% interest is repaid. The table below outlines the proposed project costs, excluding financing and interest expenses.

Estimated Project Costs	
Monetary Obligation to Developer	\$ 9,000,000
Administrative Costs	135,000
Total Project Costs	\$ 9,135,000



The “developer financing” approach of the proposed District shifts the risk of this TID not breaking even from the City to the Developer. As a developer-financed TID, the Developer assumes the risk that the proposed District will generate sufficient incremental revenue to recapture their \$9,000,000 investment with interest.

Is This Project Likely to Succeed?

From a financial perspective, the proposed TID is viable given that the City’s contribution is limited to an 18-year tax incremental revenue stream from the District. The Developer assumes the risk of recovering their \$9,000,000 contribution.

DCD’s feasibility study, which uses a constant 2.785% property tax rate and 1% inflation rate over the life of the TID, forecasts that the Developer will fully recover the \$9,000,000, plus interest, after receipt of the 2036 levy. However, if the tax rate does not remain constant or the forecasted 1% annual appreciation is not realized, the Developer may not recover the entire \$9,000,000 plus interest. Nonetheless, because the Developer, not the City, assume the repayment risk on their contribution to the District’s costs, the economic feasibility of the proposed TID to the City is guaranteed.

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

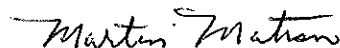
This proposed TID allows the City to provide incentive to the Developer to complete the Project while minimizing the City’s involvement and risk. While these expenditures may have occurred with or without this proposed TID, the redevelopment of the Property should increase the City’s tax base.

Conclusion

The proposed TID provides incentive for the Developer to redevelop the former west arcade of the Grand Avenue Mall and the Matthews Building, while assuming the financial risk, and increasing the City’s tax base.

Should you have any questions regarding this letter, please contact Joshua Benson at extension 2194.

Sincerely,



Martin Matson
Comptroller

CC: Dan Casanova
Lori Lutzka

MM/JB