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**Office of the Comptroller**

June 23, 2017

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

RE: File 170425, TID 90 – 15<sup>th</sup> and North

Dear Committee Members:

File 170425 would approve the creation of TID 90 (15<sup>th</sup> and North) 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 three properties, totaling 34,020 SF, located between 15<sup>th</sup> and 16<sup>th</sup> Streets and West North Avenue in Milwaukee's Lindsay Heights neighborhood (the Property). The district is being created to partially fund the redevelopment of the former Blommer Ice Cream Factory from a vacant industrial building into a residential property containing 38 housing units in addition to the demolition of an adjacent mixed use property, including a vacant lot, to accommodate construction of a new building with 26 housing units and 1,885 square feet of office space (the Project). The development will provide a total of 54 affordable housing units out of the 64 total units constructed. The Project is being redeveloped by Evergreen Real Estate Group, LLC and Legacy Midwest Renewal Corporation (the Developer).

Total estimated costs for the project are \$13.7 million. This file authorizes a \$635,000 grant to the Developer to partially fund renovation and new construction costs. The Developer will advance the \$635,000. 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 \$635,000 plus 4.5% interest is repaid. However, the term sheet limits payments to the Developer to 20 years (2037 tax levy). If final project costs are lower than the \$13.7 million budgeted, the City's obligation to the developer will be reduced by 50% of the cost savings over \$300,000.

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 its \$635,000 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 a 20-year tax incremental revenue stream from the District. The Developer, Evergreen Real Estate Group, LLC and Legacy Midwest Renewal Corporation, assumes the risk of recovering its \$635,000 contribution.

DCD's feasibility study, which uses a constant 2.870% property tax rate and 1% inflation rate over the life of the TID, forecasts the Developer will fully recover the \$635,000 plus interest, after receipt of the 2037 levy (final year of City's obligation to the Developer). However, if the tax rate does not remain constant or the forecasted 1% annual appreciation is not realized, the Developer will not recover the entire \$635,000 plus interest. Nonetheless, because the developer, not the City, assumes the repayment risk on its contribution to the District's costs, the economic feasibility of the proposed TID to the City of Milwaukee 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 Evergreen Real Estate Group, LLC and Legacy Midwest Renewal Corporation to redevelop the former Blommer Ice Cream Factory, a mixed use property and vacant lot while minimizing the City's involvement and risk. While these expenditures may have occurred with or without this proposed TID, the conversion, renovation and new construction of the Property should increase the City's tax base.

**Conclusion**

The proposed TID provides the remaining funding necessary for Evergreen Real Estate Group, LLC and Legacy Midwest Renewal Corporation to renovate an underutilized building, demolish a mixed use property and develop a vacant lot, while assuming the financial risk, and increasing the City's tax base.

Should you have any questions regarding this letter, please contact Melissa Fulgenzi at extension 2307.

Sincerely,



for Martin Matson  
Comptroller

CC: Maria Prioletta

MM/MRF