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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 221109, TID 111 East North Avenue

Dear Committee Members:

File 221109 would approve the creation of Tax Incremental District (TID) 111, East North Avenue (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 City of Milwaukee is proposing to create the East North Avenue Tax Incremental District (TID) 111 to pay up to \$3,800,000 in public infrastructure improvements, \$100,000 towards commercial property renovation, and \$200,000 in administrative costs, for a total of \$4,100,000 (the Project Costs). The plan proposes two phases.

Phase 1 will fund \$2,500,000 of public infrastructure improvements to East North Avenue and within a one half-mile radius of the District's boundary. Infrastructure includes the design and construction of traffic calming elements, all ages bike facility, new pavement, street trees, landscaping, street lighting, streetscaping elements, pedestrian amenities, median alterations, Oak Leaf Trail improvements, public art, public plazas, and related improvements to intersecting streets. Additionally, in an effort to attract and retain office and retail tenants, the plan will utilize \$100,000 for cash grants or loans to facilitate tenant improvements. The City's Commercial Corridors and/or Commercial Foreclosure Renovation Fund programs will administer the \$100,000.

Phase 2 will fund \$1,300,000 additional infrastructure improvements as described in Phase 1 only if the value in the District increases to a level where the District is able to amortize in 20 years.

Is This Project Likely to Succeed?

Phase 1's forecast is reasonably able to amortize the cost of \$2,800,000 in an estimated 20-year term even if Phase 2 remains undeveloped. Additionally, Phase 2 implementation will occur only on a condition that Phase 1 increases the value of the District, to where the District is able to amortize in 20 years. In the case of Phase 2 implementation, the proposed District will still be determined.

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 \$4,100,000 plus interest, after receipt of the 2042 levy. Therefore, 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.

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 are two tables, which summarizes several scenarios in regards to completion of only Phase 1 and completion of Phase 1 and Phase 2 of the project plan. The tables show the sensitivity of DCD's projected incremental revenues within the District.

| Sensitivity Analysis for Phase 1 | |
|---|-----------------------|
| Percentage of DCD Projected Revenue | District Payback Year |
| 90% | 2044 |
| 95% | 2043 |
| 100% (Base Case) | 2042 |
| 105% | 2042 |
| 110% | 2041 |

| Sensitivity Analysis for Phase 1 & 2 | |
|---|-----------------------|
| Percentage of DCD Projected Revenue | District Payback Year |
| 90% | 2044 |
| 95% | 2043 |
| 100% (Base Case) | 2042 |
| 105% | 2042 |
| 110% | 2041 |

Under each of the above scenarios, the City would fully recover its project costs within a 20-year tax incremental revenue stream or within the District's life, which is 27-years.

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

This proposed TID will provide public infrastructure to help in slowing down traffic by enhancing pedestrians and bike infrastructures and by adding public spaces along high crash and injury corridors in identified spaces in Milwaukee. Without approval of this amendment, the City would need to use other funding sources to cover the public infrastructure 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