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Office of the Comptroller

June 26, 2019

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

RE: File 190404, TID 99 – Joy Farms

Dear Committee Members:

File 190404 would approve the creation of Tax Incremental District (TID) 99, Joy Farms (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 contains property totaling 1,221,989 square feet, exclusive of wetlands, public streets and alleys located at 7007 and 7007R North 115th Street (the Property). All wetlands in the area are excluded from the District. The District is being created to assist the construction of approximately 4,250 linear feet of a new sanitary sewer and the construction of approximately 913 linear feet of a new water main line adjacent to the development site (the Project). The Project will be undertaken by Wes Land II LLC (the Developer).

Total estimated costs for the Project are \$2,450,000. This file authorizes a \$2,450,000 grant to the Developer to fund project costs. The Developer will advance the \$2,450,000. 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. The District's payments will terminate at the earlier of the repayment of \$2,450,000 plus 5.5% interest, or the payment derived from the 2032 levy payable in 2033. The table below outlines the proposed project costs, excluding financing and interest expenses.

Estimated Project Costs	
Sanitary Sewer Project	\$ 2,200,000
Water Main Line Project	250,000
Administrative Costs (\$7,500 per year for 12 years)	90,000
Total Project Costs	\$ 2,540,000



In addition to the Project, the Developer proposes to construct a 325,000 square foot industrial, distribution, and office building with associated surface parking at a cost of approximately \$18,000,000. This file does not provide any City funds towards the construction of the industrial, distribution, and office building or its associated surface parking.

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 \$2,450,000 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 12-year tax incremental revenue stream from the District. The Developer assumes the risk of recovering their \$2,450,000 contribution.

DCD’s feasibility study, which uses a constant 2.700% property tax rate and 1% inflation rate over the life of the TID, forecasts that the Developer will fully recover the \$2,450,000, plus interest, after receipt of the 2032 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 \$2,450,000 plus interest. Nonetheless, because the Developer, not the City, assumes 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?

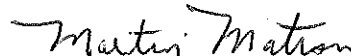
This proposed TID allows the City to provide incentive to the Developer to complete the Project and the associated construction of the industrial, distribution, and office building while minimizing the City’s involvement and risk. While these expenditures may have occurred with or without this proposed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

Conclusion

The proposed TID provides incentive for the Developer to construct an industrial, distribution, and office building and associated surface parking, while assuming the financial risk, 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: Lori Lutzka

MM/JB