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May 13, 2019

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

RE: File 190172, TID 41 – Time Warner Riverwalk
File 190173, TID 48 – Park East
File 190174, TID 56 – Erie/Jefferson Riverwalk
File 190175, TID 75 – Reed Street Yards

Dear Committee Members:

Files 190172, 190173, 190174, and 190175 are being offered to approve amendments to four Tax Incremental Districts (TIDs). The files would approve amendments to the TIDs as summarized in the below table.

		<u>Offered Amendments</u>		
File	District	Streetcar Costs	Other Projects	Total Amount
190172	TID 41 - Time Warner Riverwalk	\$ 4,500,000	--	\$ 4,500,000
190173	TID 48 - Park East	16,000,000	\$ 5,000,000	21,000,000
190174	TID 56 – Erie/Jefferson Riverwalk	5,800,000	--	5,800,000
190175	TID 75 - Reed Street Yards	500,000	--	500,000
		\$ 26,800,000	\$ 5,000,000	\$ 31,800,000

The Comptroller's office has reviewed the project plans and feasibility studies for the proposed amendments, and has had discussions with Department of City Development (DCD) and City Attorney's staff. The Comptroller's office analysis is based on the information provided.

The Amended TIDs

TID 41 – Time Warner Riverwalk was created in 2000 to fund a developer-financed extension of the Riverwalk between West Juneau Avenue and West Cherry Street and other public improvements. TID 41 has been amended four times to date, including an \$8 million dollar amendment in 2016 for Streetcar projects. As of December 31, 2018, TID 41 had an approved budget of \$41,091,000 with expenditures of \$31,581,678.



TID 48 – Park East was created in 2002 to provide public improvements necessary to promote development and redevelopment in the former Park East Freeway corridor and surrounding properties. TID 48 has been amended four times to date. As of December 31, 2018, TID 48 had an approved budget of \$49,240,338 with expenditures of \$45,175,822.

TID 56 – Erie/Jefferson Riverwalk was created in 2004 to assist in the financing of public improvements, Riverwalk, restoration and adaptive reuse of certain existing buildings and potential new development in the section of the Historic Third Ward Area bounded by North Broadway, the Milwaukee River, East Erie Street and the Harbor Entrance. TID 56 has been amended five times to date. As of December 31, 2018, TID 56 had an approved budget of \$44,142,319 with expenditures of \$33,022,812.

TID 75 – Reed Street Yards was created in 2009 to fund infrastructure costs associated with the Reed Street Yards water technology and Business Park and a loan to a Business Improvement District for the developer’s share of Riverwalk and dockwall construction. TID 75 has been amended twice to date. As of December 31, 2018, TID 75 had an approved budget of \$14,671,547 with expenditures of \$9,539,879.

The Proposed Projects

The proposed amendments are being offered to provide the remainder of the funding necessary for the proposed Streetcar project. The proposed Streetcar project consists of Phase 1 of the Bronzeville Extension of the Streetcar (originally called the 4th Street Extension). Phase 1 of the Bronzeville Extension is comprised of a 0.4 mile segment from West St. Paul Avenue up to West Wisconsin Avenue. In addition to funding Phase 1 of the Bronzeville Extension, the proposed Streetcar project includes preliminary engineering and planning (Project Development) on future phases of the Bronzeville Extension and Phase 1 of the Walker’s Point Extension. Finally, File 190173 includes \$5,000,000 to provide funding for a public plaza on West Wisconsin and Vel R. Phillips Avenues.

The table below describes the additional funding authorized by the proposed amendments.

<u>Project Descriptions by TID</u>			
File	District	Project Description	Amount
190172	TID 41	Project Development - Bronzeville Extension	\$ 4,500,000
190173	TID 48	Construction and Project Development - Bronzeville Extension Public Plaza	16,000,000 5,000,000
190174	TID 56	Project Development - Walker's Point Extension	5,800,000
190175	TID 75	Project Development - Walker's Point Extension	500,000
			\$ 31,800,000

The total cost of the proposed Streetcar project is \$46,800,000. The proposed TID amendments will provide the remaining authorization necessary to complete the proposed Streetcar project. \$20,000,000 has already been approved for the Bronzeville Extension of the Streetcar (the 4th Street Extension). The table on the following page shows the total financing authorizations for the proposed Streetcar project. The table does not include the public plaza included in the proposed amendment to TID 48.

<u>Proposed Streetcar Funding May 2019</u>		
District	Project Description	Amount
TID 39 - Hilton Hotel	Construction and Project Development - Bronzeville Extension	\$ 4,000,000 ⁽¹⁾
TID 41 - Time Warner Riverwalk	Project Development - Bronzeville Extension	12,500,000 ⁽²⁾
TID 48 - Park East	Construction and Project Development - Bronzeville Extension	16,000,000
TID 56 - Erie/Jefferson Riverwalk	Project Development - Walker's Point Extension	5,800,000
TID 75 - Reed Street Yards	Project Development - Walker's Point Extension	500,000
TID 88 - 4 th and Wisconsin	Construction and Project Development - Bronzeville Extension	8,000,000 ⁽³⁾
		<u>\$ 46,800,000</u>

(1) Approved in 2016, File Number 160288

(2) \$8 million Approved in 2016, File Number 160299 – remainder of this funding coming from the current amendment

(3) Approved in 2016, File Number 160297 – additional Council action required before funds are available (File 190171)

The Streetcar funding from TID 88 authorized by File 160297 in 2016 was contingent on the City successfully receiving a Federal grant or private funds necessary to complete the then contemplated 4th Street Extension. No Federal grant or private funds were secured, and therefore Council action is required to access these funds. File 190171 (not included in this review) is being offered so that the City will be able to expend the \$8 million previously authorized.

Is This Project Likely to Succeed?

From a financial perspective, the proposed TID amendments appear feasible given the strong increment revenues which are currently generated from the respective TIDs. DCD's feasibility studies separate the increment revenue into two sets – one set of increment revenues is derived from the tax increment allocable to Milwaukee County and MATC; the second set of increment revenues is derived from the remaining tax increment (allocable to the City, MPS, and MMSD). The feasibility studies project that the streetcar costs associated with the proposed amendments can be repaid using increment revenue allocable to the City, MPS, and MMSD. The County and MATC increment allocable revenue is used in DCD's feasibility studies to pay for previously authorized TID costs and, in the case of TID 48, the public plaza.

DCD's feasibility studies for the proposed TID amendments assume a 1% inflation rate over the life of the TID. The feasibility studies also assume that the 2019 tax rates will remain constant with no increases or decreases. The 2019 tax rates are shown in the below table.

Tax Rates Used for Feasibility Studies			
Jurisdiction	Tax Rate	Jurisdiction	Tax Rate
Milwaukee County	0.490%	City of Milwaukee	1.059%
Milwaukee Area Technical College	0.123%	Milwaukee Public Schools	0.944%
Subtotal	0.613%	Milwaukee Metro. Sewerage District	0.169%
		Subtotal	2.172%
		Total Tax Rate Used	2.785%

File 190172, TID 41 – Time Warner Riverwalk

DCD's feasibility study forecasts TID 41 will fully recover its existing costs along with the new amendment costs plus financing in 2023, after receipt of the 2022 levy (year 23). DCD's analysis is based on TID 41's current incremental value of \$108,550,200, which generated \$3,023,846 in increment revenues for 2019.

DCD's feasibility study for TID 41 appears reasonable based on the Comptroller's office analysis.

File 190173, TID 48 – Park East

DCD's feasibility study forecasts TID 48 will fully recover its existing costs along with the new amendment costs plus financing in 2025, after receipt of the 2024 levy (year 23). DCD's analysis is based on TID 48's current incremental value of \$259,870,100, which generated \$7,239,113 in increment revenues for 2019.

DCD's feasibility study for TID 48 appears reasonable based on the Comptroller's office analysis.

File 190174, TID 56 – Erie/Jefferson Riverwalk

DCD's feasibility study forecasts TID 56 will fully recover its existing costs along with the new amendment costs plus financing in 2022, after receipt of the 2021 levy (year 18). DCD's analysis is based on TID 56's current incremental value of \$151,413,600, which generated \$4,217,877 in increment revenues for 2019.

DCD's feasibility study for TID 56 appears reasonable based on the Comptroller's office analysis.

File 190175, TID 75 – Reed Street Yards

DCD's feasibility study forecasts TID 75 will fully recover its existing costs along with the new amendment costs plus financing in 2023, after receipt of the 2022 levy (year 14). DCD's analysis is based on TID 75's current incremental value of \$77,090,600, which generated \$2,147,487 in increment revenues for 2019.

DCD's feasibility study for TID 75 appears reasonable based on the Comptroller's office analysis.

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

The proposed TID amendments allow the City to complete construction of Phase 1 on the Bronzeville Extension, Project Development on further phases of the Bronzeville Extension and the Walker's Point Extension, and the construction of a public plaza. Without TID funding, these Projects would either not occur or would need to be funded from other sources.

Citywide Financial Impact

At the request of Alderman Donovan and Alderman Borkowski, we are including an analysis on the proposed Streetcar financing's impact on the City's overall finances. Between the Streetcar financing of \$46,800,000 and the \$5,000,000 public plaza associated with TID 48, the total cost to the City of the proposed projects is \$51,800,000.

Although these costs would ultimately be paid by increment revenues derived from the TIDs, the funds would be committed using general obligation debt, increasing the City's overall debt burden. The projects as proposed would increase the City's outstanding general obligation debt by 5.33%.

Conclusion

The proposed TID amendments provide the remaining financing necessary for the proposed Streetcar project and the public plaza in TID 48. Based on the feasibility studies, it appears that the impacted TIDs will likely be able to generate enough cash to fund their existing obligations along with the proposed amendments.

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

Sincerely,

A handwritten signature in black ink that reads "Martin Matson". The signature is written in a cursive style with a large, sweeping "M" and "S".

Martin Matson
Comptroller

CC: Dan Casanova
Alyssa Remington
Lori Lutzka
Alderman Robert G. Donovan
Alderman Mark Borkowski

MM/JB