

LRB-FISCAL REVIEW SECTION ANALYSIS

NOVEMBER 29, 2005 AGENDA
ZONING, NEIGHBORHOODS & DEVELOPMENT COMMITTEE

ITEM 20, FILE 050948
EMMA J. STAMPS

File No. 050948 is a resolution approving a Project Plan and creating Tax Incremental District No. 62 (DRS Power & Control Technologies, Inc.), in the 1st Aldermanic District.

Background and Discussion

1. DRS Power & Control Technologies, Inc., designs and manufactures equipment for ship propulsion systems at the manufacturing facility located at 4265 N. 30th Street, a facility previously owned by Cutler-Hammer, Inc., in the 1st Aldermanic District. Only 350,000 s.f. of the 600,000 s.f. Milwaukee facility is utilized (165,000 s.f. is located in the basement and cannot be used efficiently for manufacturing).
2. The company employs 5,700 people nationally, including 370 at the Milwaukee facility (mainly engineers and skilled tradesmen). Wages average \$19/hr. for unionized positions and \$34/hr. for technical and administrative positions.
3. In order to create operating efficiencies at its Milwaukee plant, DRS intends to undertake major renovation of its facility for a total cost estimated at \$11.3 million. DRS received \$2 million Major Economic Development Fund and \$500,000 Focus on Energy Program allocations and now seeks New Market Tax Credits and TID funding from the City.
4. File 050948 creates and funds up to \$1,870,000 for TID No. 62 *forgivable loans* and related capitalized interest related to renovating the DRS site located at 4265 N. 30th Street and exterior repairs on neighboring residential properties through grants to RACM and the NIDC for the following uses:
 - \$1,500,000 – DRS facility energy efficiency upgrades on 343,000 s. f.
 - \$ 150,000 – Exterior residential home repair loans (up to \$10,000 ea. 5-yr terms)
 - \$ 50,000 – Administrative costs paid to RACM
 - \$1,700,000 Total estimated TID capital project costs

 - \$ 170,000 Portion of estimated \$1,522,000 total capitalized interest budget

 - \$1,870,000 Total TID No. 62 authority provided for via CCFN 050948
5. The City will use general obligation debt to finance TID No. 62 grants to RACM and NIDC for expenditures incurring during years 2006-2010. The TID will expire in 2032.
6. 257,000 s.f. of space will be available for lease beginning in 2008.
7. By 2009, DRS must increase employment from the current 370 FTEs to 450 FTEs and continue to employ at least 450 FTEs annually for 10 years thereafter, having \$175,850 forgiven in year(s) when employment goals are met, or requiring DRS to make \$175,850 payments to the City in year(s) when employment goals are not met.
8. Repayments are due upon other conditions including, (1) upon sale and (2) upon property exemption, or (3) DRS may elect to make PILOT payments if exempted.

Fiscal Impact

1. If adopted, File 050948 has a fiscal impact totaling up to \$1,870,000 (\$1.7 million TID capital expenditures plus 10% or \$170,000 capitalized interest).

The 2006 Capital Improvement Budget for TID financing would adjust accordingly:

New Projects:	\$ 28,300,000	Budgeted for new TID projects
	(\$ 3,617,350)	TID No. 59 (Bronzeville) via CCRN 050395
	(\$ 6,250,000)	TID No. 60 (MIPS/Amtrack) via CCRN 050724
	<u>(\$ 1,700,000)</u>	TID No. 62 via CCRN 050948
	\$ 16,732,265	Available for new TID projects
Capitalized		
Interest:	\$ 1,500,000	Budgeted for new TID projects
	<u>\$ 170,000</u>	Appropriated for TID #62 via CCRN 050948
	\$ 1,330,000	Available for new TID projects (may be reduced for TIDs 59 and 60)

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LRB-Fiscal Review Section
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