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June 28, 2022

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

RE: File 220300, TID 109 – Michigan Street Commons

Dear Committee Members:

File 220300 would approve the creation of Tax Incremental District (TID) 109, Michigan Street Commons (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 proposed District is located on the vacant lot of Southwest corner of North 9th Street and is comprised of two parcels totaling 33,832 square feet or .78 acres (the Property). The development plan for the Property includes construction of a multifamily apartment building with 99 housing units (the Project). All units of the Project will be affordable to families earning 60% of the Area Median Income with 29 units that will be affordable to families earning under 50% of Area Median Income. The land adjacent to the parcel will not be a part of proposed TID; however, there are plans for future multi-phase development including a soccer stadium, hotel, entertainment venue and commercial space. The developer for the site is Bear Development (the Developer).

Total estimated costs for the Project are \$27,503,800. This file authorizes a \$1,800,000 grant to the Developer to partially fund these costs. 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 \$1,800,000 plus 5.25% interest is repaid. This interest rate reflects the preliminary interest rate on the Developer's underlying financing and is subject to change based on the final closing date of the project. In no event, should the interest rate exceed 5.75%. If final Project costs are lower than the \$27,503,800 budgeted, the City's obligation to the Developers will be reduced by 50% of the cost savings. The City will repay the Developer, but only from future tax incremental revenue generated by the Project. As a developer-financed TID,



the Developer assumes the risk that the proposed District will generate sufficient incremental revenue to recapture their \$1,800,000 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 19-year revenue stream from the District. The Developer assumes the risk of recovering their \$1,800,000.

DCD's feasibility study, which uses a constant 2.783% property tax rate and 1% inflation rate over the life of the TID, forecasts the Developer will fully recover the \$1,800,000 plus interest, after receipt of the 2040 levy (the final year of the 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 Developers may not recover the entire \$1,800,000, plus interest. Nonetheless, because the Developers, 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.

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 is a table, which summarizes several scenarios to show the sensitivity of DCD's projected incremental revenues within the District.

Sensitivity Analysis	
Percentage of DCD Projected Revenue	District Payback Year
90%	2042*
95%	2041
100% (Base Case)	2040
105%	2039
110%	2038

* 2042 is the final year of the monetary obligation. The Developers would not fully recover their investment, plus interest, in this scenario.

It is important to note that the payback year relates to the expected year in which the Developers will recover their investment. Since the Developers will finance the Project, the City is not at risk of losing the \$1,800,000.

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

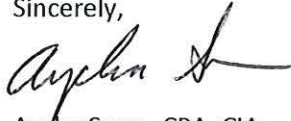
This proposed TID allows the City to provide incentive to the Developer to redevelop the Property while minimizing the City's involvement and risk. While these expenditures may have occurred with or without this proposed TID, the redevelopment of the Property should increase the City's tax base.

Conclusion

The proposed TID provides incentive for the Developer to construct a multifamily apartment building consisting of 99 housing units, while assuming the financial risk, and increasing the City's tax base.

Should you have any questions regarding this letter, please contact Nuducha Yang at x2534.

Sincerely,

A handwritten signature in black ink, appearing to read "Aycha Sawa". The signature is fluid and cursive, with a long horizontal stroke at the end.

Aycha Sawa, CPA, CIA
Comptroller

CC: Maria Prioletta

AS:NY