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August 24, 2015

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

RE: File 150384, TID 22 – Beerline “B”

Committee Members:

File 150384 would approve Amendment 4 to the TID 22 (Beerline “B”) project plan. Amendment 4 revises the Project Plan for TID 22 to allocate \$27 million for a contribution toward a new parking structure for the downtown arena project. We have reviewed the project plan and feasibility study and have had discussions with Department of City Development (DCD), Budget Office, City Attorney and Assessor’s Office staff. Our analysis is based on the information provided as of July 16, 2015.

Tax Incremental 22 was created in 1993 to facilitate the redevelopment of the Soo-Line railroad right of way and riverfront land adjacent to North Commerce Street and North Riverboat Road. The project has undergone several revisions since creation, including expanding the district boundary by thirty acres, authorizing additional funding for additional public improvements, including the riverwalk, and authorizing donations to underperforming TIDs.

To date, TID 22 expenditures total approximately \$34.1 million as shown in Table A. Amendment #4 would provide a \$27 million contribution to fund the construction of a new parking structure for the downtown “Arena Project”, located on the site bound by West McKinley Avenue, West Juneau Avenue, North 5th Street and North 6th Street. The \$27 million is part of a \$47 million contribution by the City of Milwaukee for the development and construction of sports and entertainment arena facilities. Upon completion, the parking structure will be owned by the City and leased to the Bucks with net parking revenues split 50/50 between the City and the Bucks. The parking structure is within one mile of the District boundaries, therefore an allowable project cost per State Statute section 66.1105 (2) (f) 1.

Table A: TID 22 Total Estimated Project Costs	
Current TID 22 Project Costs	
Public Way & Facilities Development	\$ 21,359,224 ¹
Loans	1,625,279
Administration	1,174,267
Financing Costs	10,282,153 ²
Total Current TID 22 Project Costs	34,440,923
Amendment No. 4 Costs	
Contribution towards Parking Structure	27,000,000
Estimated Financing Costs	590,218 ³
Total Amendment No. 4 Costs	27,590,218
Total Estimated TID 22 Project Costs	\$ 62,031,141
¹ Includes current costs, encumbrances, & additional proposed costs.	
² Bond interest payments, capitalized interest and carrying cost as of 12-31-2014.	
³ Assumes a \$13 million, 4-year taxable G.O. note with an average annual interest rate of 1.8%. Remaining \$14 million will be financed with contingent borrowing to be paid off by the debt service fund.	



Is This Project Likely to Be Successful?

Numerous preconditions must be met before the Arena Project, including construction of the parking structure, can proceed. These preconditions, listed within the Term Sheet (Exhibit 4) of the Project Plan, include:

- A. Passage of State legislation in a form that is satisfactory to the parties (2015 WI Act 60 became effective on August 14, 2015).
- B. Formation of new Wisconsin Center District (WCD) Board.
- C. Transfer Agreement between Bradley Center and WCD and conveyance of Block 1 to WCD.
- D. Negotiation and execution of master arena lease, management and operations agreement between Bucks and WCD approved by NBA.
- E. Negotiation and execution of master development/construction oversight agreement between Bucks and WCD, approved by NBA.
- F. Engagement of Architectural Engineer and Contractor by Bucks on terms consistent with WCD and NBA requirements.
- G. Park East Land optioned to Head of Herd LLC.
- H. Detailed planned development zoning approval for Blocks 1 and 4.
- I. WCD passes resolutions to issue necessary debt.
- J. City approves TID and development agreement with the Bucks.

The DCD feasibility study included with this amendment shows that the District will break even in 2020, which is the current mandatory termination year for this district. The DCD feasibility study is based, in part, on the following assumptions:

- Of the \$27 million to be provided, \$14 million will consist of contingent borrowing to be repaid by the debt service fund with excess TID increment, while \$13 million will be funded through a 4-year general obligation (GO) note with an average annual, taxable interest rate of 1.80%.

The DCD feasibility analysis, based on the assumptions provided above, predicts that the District will break even in 2020 after receipt of the 2019 levy. We find the DCD feasibility study reasonable, based on our analysis which also shows the district should break even in 2020. Because this TID is not eligible for a four year extension, the District must terminate by December 22, 2020. Furthermore, the District must complete its expenditures prior to December 22, 2015, which is the mandatory expenditure period termination date. Without this amendment, the district would likely be able to terminate in 2016.

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

The proposed amendment allows TID 22 to fund a major portion of the City's proposed commitment to the Arena Project. Without this amendment, the City would have to find an alternate source to fund \$27 million of the proposed \$35 million contribution for the parking structure.

Conclusion

Based on the feasibility study, spending \$27 million of TID 22 funds for a new parking structure will not adversely affect the district's ability to break even prior to the mandatory termination year of 2020.

Please note that any modifications to the assumptions provided in the project plan or corresponding feasibility study may change the outcome of the current review of the Comptroller's Office. Should you have any questions regarding this letter, please contact the Comptroller's Office.

Sincerely,



Martin Matson
Comptroller

CC: Lori Lutzka, Alyssa Remington, Dan Casanova

MM/MRF