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Department of City Development

City Plan Commission  
Historic Preservation Commission  
Neighborhood Improvement  
Development Corporation  
Redevelopment Authority

Rocky Marcoux  
Commissioner

Martha L. Brown  
Deputy Commissioner

April 22, 2009

Ald. Willie L. Hines Jr.  
President, Milwaukee Common Council  
City Hall, Room 205

Ald. James A. Bohl, Jr.  
5<sup>th</sup> Aldermanic District  
City Hall, Room 205

Dear Ald. Hines and Ald. Bohl:

Your letter of March 9, 2009 requested "a detailed assessment of each TID's current and prospective financial status, as well as flexibility of each TID to absorb additional draw on its incremental value."

The attached document, a portion of the 2008 Tax Incremental District Annual Report that will be submitted shortly to the Joint Review Board and the Common Council, summarizes the status of all active tax incremental districts. This material serves as the starting point for the analysis you seek, although the following additional information will be required from DCD, the Office of the Comptroller, and the Office of the Assessor to determine the ability of any particular TID to absorb additional expenditures:

1. DCD will need to project the expected date at which the amount of tax increment collected will be sufficient to retire the debt incurred for expenditures authorized when the TID was created or amended. Such analysis is done as part of the Annual Report of Tax Incremental Districts prepared for the Joint Review Board. The 2008 annual report will be completed on or before May 1, 2009, so we will be able to provide the estimated close-out date for each district in about a week. This projection is re-calculated annually, and is subject to final audit. The TID audits for 2007 and 2008 have not yet been received from the City's auditor.
2. The Comptroller's Office will need to provide an analysis of the borrowing schedules for any district considered for additional expenditure. This information is necessary to accurately project the remaining debt service costs for any individual TID.
3. The Assessor's Office will need to forecast the likely property value of the district in forthcoming years, to determine whether the existing incremental payment is likely to be sustained. We suggest this step because of the current volatility of the commercial real estate market. The assessments that will be released in the next several weeks will provide some insight regarding whether the incremental taxes collected in recent years for each TID will remain stable in the next few years. Last year, for example, despite relatively stable assessments, the Wisconsin Dept. of Revenue reduced the values in certain districts by up to 42 percent. The Assessor is attempting to reconcile this situation with the Revenue Department.

As we discussed when we met last month, the most accurate predictions about ability to absorb additional expenditures can be made for districts that are near closure. We have identified four tax incremental districts that may be possible candidates for closure in 2010, because it appears that debt service for these districts will have been fully recovered by incremental tax payments by the end of this year.

Ald. Willie Hines, Jr.  
Ald. James Bohi, Jr.  
April 22, 2009  
Page two

We are recommending that these districts would be appropriate for the full analysis you requested in your letter, including evaluation of the borrowing schedules and valuation forecast.

In the near future, DCD will propose closure of several districts in 2009. However, because the excess tax revenue that will be released through closure is certified as revenue in the 2009 City budget, these districts would not be candidates for extension.

Please let me know if you would like for DCD, in collaboration with the Comptroller's Office and the Assessor's Office, to analyze the ability of these four districts to absorb additional expenditures if they are kept open beyond 2010. This financial information should be considered in combination with the other factors discussed in my letter of April 3, 2009, including the "but-for" test and the ability of a district to "donate" revenues to districts that are not meeting their annual debt service requirements.

Sincerely,

Rocky Marcoux  
Commissioner

Attachment

C: Wally Morics, Comptroller (without attachment)  
Mary Reavey, Assessment Commissioner (without attachment)  
Ald. Michael Murphy (without attachment)  
Ald. Willie Wade (without attachment)