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Comptroller

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Office of the Comptroller

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June 23, 2020

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

RE: File 200250, TID 105 – Community Within the Corridor

Dear Committee Members:

File 200250 would approve the creation of Tax Incremental District (TID) 105, Community Within the Corridor (the District), along with a corresponding project plan and term sheet. The Comptroller's office has reviewed the project plan, feasibility study and term sheet, and has had discussions with Department of City Development (DCD) and Assessor's Office staff. This analysis is based on the information provided.

The proposed District includes four vacant and underutilized parcels, totaling 304,616 square feet, bounded by the Union Pacific Railroad (east of North 32nd Street), North 33rd Street, West Center Street, and West Hadley Street in the Metcalfe Park neighborhood (the Property). The property is comprised of a former Briggs and Stratton industrial complex, which has been closed since the mid 1980's. The District is being created to assist in the adaptive reuse of a series of six industrial buildings with 197 affordable housing units, approximately 23,000 square feet of commercial space and approximately 40,000 square feet of community and recreational space for residents of the project and the neighborhood (the Project). The Project is being undertaken by Scott Crawford, Inc. and Roers Companies, Inc. (the Developers).

Total estimated costs for the Project are \$58,990,400. This file authorizes a \$3,150,000 grant to the Developers to partially fund construction costs. The Developers will advance the \$3,150,000. After substantial completion of the Project, the District will make annual payments to the Developers equal to the incremental taxes collected in the District, less an annual administration charge of \$7,500, until the \$3,150,000 plus 4.5% interest is repaid. However, the term sheet limits payments to the Developers to 20 years (2040 tax levy). If final Project costs are lower than the \$58,990,400 budgeted, the City's obligation to the Developers will be reduced by 50% of the cost savings. In addition to the TID grant, the Developers are also seeking an allocation of Federal HOME funds from the City in the amount of \$1,000,000.

The “developer financing” approach of the proposed District shifts the risk of this TID not breaking even from the City to the Developers. As a developer-financed TID, the Developers assumes the risk that the proposed District will generate sufficient incremental revenue to recapture their \$3,150,000 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 20-year tax incremental revenue stream from the District. The Developers assume the risk of recovering their \$3,150,000 contribution.

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 Developers will fully recover the \$3,150,000, plus interest, after receipt of the 2040 levy (the final year of the City’s obligation to the Developers). 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 \$3,150,000, 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 which show the sensitivity of DCD’s projected incremental revenues within the District.

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

* 2041 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 Project will be financed by the Developers the City is not at risk of losing the \$3,150,000.

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

This proposed TID allows the City to provide incentive to the Developers 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 Developers to redevelop six vacant industrial buildings, while assuming the financial risk, and increasing the City's tax base.

Should you have any questions regarding this letter, please contact Joshua Benson at extension 2302.

Sincerely,



Aycha Sawa, CPA, CIA
Comptroller

CC: Maria Prioletta

AS/JB