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June 28, 2023

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

RE: File 230331, TID 116 – Riverwest Food Accelerator

Dear Committee Members:

File 230331 would approve the creation of Tax Incremental District (TID) 116, Riverwest Food Accelerator (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) and the Assessor's Office. The Comptroller's Office analysis is based on the information provided.

The proposed District is located on East North Avenue, near Humboldt Boulevard (the Property). The Property is comprised of one City owned and two privately owned vacant parcels of land. The development plan for the Property will be to develop a new mixed-use building containing 91 housing units and ground floor space, which will be used for activities related to food, cooking, nutrition education, and food oriented entrepreneurship (the Project). In total, the Project will contain 91 housing units, which consist of 83 affordable units and 8 market rate units.

The Developers for the site are General Capital and KG Development (the Developer). The Project will be owned by affiliates of the Developer (Project Owner). The Project will consist of a single building comprised of two condominium units, containing the Project's 91 residential units and the ground floor community space. The ownership structure is being created to facilitate the project's financing, which includes two separate allocations of low income housing tax credits, necessitating separate ownership and financing corresponding to the units associated with each tax credit allocation. Condominium #1 (Condo #1) will contain 50 of the building's 91 units and Condominium #2 (Condo #2) will contain 41 of the building's 91 units.

Total estimated costs for the Project are \$30,419,000. This file authorizes a \$1,248,000 grant to the Developer to partially fund these costs. After substantial completion of the Project, following the deduction of Annual

Expenses, one hundred percent of incremental tax revenue collected from TID No. 116 will be allocated to repay the Project Owner for costs incurred for the Project through payments on the Monetary Obligation. One hundred percent of the payments for Condo #1, less annual expenses of \$3,750, will be paid to the ownership entity for Condo #1 and one hundred percent of the payments for Condo #2, less annual expenses of \$3,750, will be paid to the ownership entity for Condo #2.

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. As a developer-financed TID, the Developer assumes the risk that the proposed District will generate sufficient incremental revenue to recapture their \$1,248,000 investment with interest.

DCD's feasibility study, which uses a constant 2.523% property tax rate and 1% inflation rate over the life of the TID, forecasts that the Developer will fully recover the \$1,248,000 plus interest, in 2042 after receipt of the 2041 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 Developer may not recover the entire \$1,248,000, plus interest. Nonetheless, because the Developer, not the City, assumes the repayment risk on their \$1,248,000 contribution, the proposed TID to the City is economically feasible.

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%	2043*
95%	2043
100% (Base Case)	2042
105%	2041
110%	2040

** 2043 is the final year of the monetary obligation. The Developer 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 Developer will recover their investment. Since the Developer will finance the Project, the City is not at risk of losing the \$1,248,000.

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 develop the Property while minimizing the City's involvement and risk. While these expenditures may have occurred with or without this proposed TID, the development of the Property should increase the City's tax base.

Conclusion

The proposed TID provides incentive for the Developer to construct a mixed-use building consisting of a 91 housing units and providing a space for food education. The Developer will assume the financial risk, and the Project should increase the City's tax base.

Should you have any questions regarding this letter, please contact Nuducha Yang at extension 2354.

Sincerely,

A handwritten signature in black ink, appearing to read 'Aycha Sawa', followed by a horizontal line.

Aycha Sawa, CPA, CIA
Comptroller

CC: Maria Prioletta, Gloria Lucas, Joshua Benson, Bill Christianson

AS:NY