



Office of the Comptroller
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Members of the Zoning, Neighborhoods
& Development Committee
200 East Wells Street, Room 205
Milwaukee, WI 53202

RE: File 051169 TID 22 Beer Line "B" Adjustment

Dear Committee Members:

File 051169 authorizes the expenditure of an additional \$11.9 million related to Tax Incremental District (TID) 22 - Beer Line "B". The file revises total project costs from \$13.4 million to \$25.3 million (including capitalized interest). The revised project costs include \$6.3 million of new project costs related to public improvements, \$4.7 million of existing expenditures and unencumbered committed projects, and \$880,080 of capitalized interest and issuance costs. Approval of file 051169 will bring TID 22 into compliance with City ordinance Section 304-93, which requires Common Council authorization of project costs.

New Projects	\$6,282,000
Expended Projects	3,665,000
Committed Projects	1,052,000
Capitalized Interest and Issuance Costs	<u>880,080</u>
Total Uses	\$11,879,080

In 1993, TID 22 was approved with total project costs of \$6,250,000. The project consisted of approximately \$5 million in public improvements, primarily street, sewer and riverwalk improvements, and a \$1.2 million loan for the development of the Brewer's Point Apartments, formerly the Gimbels warehouse. In 1999, the Project Plan was amended to \$13.4 million to include \$7.2 million of additional project costs for public improvements located within the amended TID boundary. The amended TID boundary included thirteen additional acres consisting of the Jewel/Osco site, bordered by Humboldt Avenue, North Avenue and the Milwaukee River; parcels generally located south of the Milwaukee River along Kane Place; and Caesar's Park. To date, expended and committed project costs are \$18.1 million and it is anticipated that \$6.3 million in additional project costs plus \$879,000 of capitalized interest and issuance costs will bring total project costs of TID 22 to \$25.3 million. The table below illustrates the cumulative change in project costs over time.

	<u>1993</u>	<u>1999</u>	<u>2006</u>
Paving	\$ 1,738,630	\$ 3,713,413	\$ 4,379,143
Riverwalk	1,200,000	2,450,000	6,360,481
Park and Open Space Development	-	2,949,400	5,397,490
Other Improvements	1,761,370	2,501,370	5,145,135
Developer Loan	1,200,000	1,200,000	1,200,000
Capitalized Interest and Other Costs	350,000	600,000	2,811,397
Total Project Costs	\$ 6,250,000	\$ 13,414,183	\$ 25,293,645



Are the Proposed TID Expenditures Likely to be Successfully Recovered?

As an adjustment to an existing TID, analyzing the success or feasibility of the District must account for the shortened time horizon for recovering project costs. In this instance, of the 27-year maximum life of the TID, 15 years are remaining. In addition, the analysis of the feasibility of TID 22 must account for actual TIF performance life-to-date, the additional amount of required borrowing as well as carrying cost throughout the life of the District.

For TID 22, it was determined that \$8.2 million in project costs, capitalized interest and issuance costs would need to be recovered over the 15 remaining years of the District. Accounting for the TID's actual performance life-to-date and carrying costs throughout the term of the TID, it is projected that the District will recover the additional \$8.2 million, within the statutory 27 year period. In order to test the District's sensitivity or reliance on new development, it was assumed no new development would occur and under this scenario the TID would recover by 2020, the 27th year of the District. We therefore conclude that it is likely that the District will successfully recover the additional project costs.

Are the Proposed Public Improvement's Necessary and Essential for Private Development to Proceed?

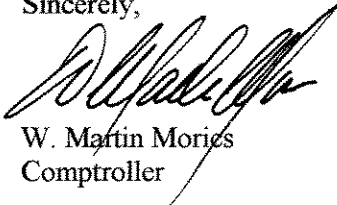
There is little doubt that the proposed riverwalk, park and bridge work, and other public improvements will enhance the attractiveness of the area's condominium developments as well as the neighborhood overall. Approximately \$3.8 million of the \$6.3 million in new projects are for riverwalk improvements, which if constructed, may result in as many as 5 private development projects to proceed. It cannot be definitively stated that these private development projects would terminate, if the riverwalk improvements were not made. In addition, it cannot be concluded that the remaining project costs for new and expended projects, if not incurred or expended, would jeopardize these private development projects. Given these factors, we cannot address the "but for" question for the TID adjustment.

Conclusions and Recommendations

It is highly likely that TID 22 will recover the additional \$8.2 million in project costs. We also conclude that the private development already underway will support the public improvements being proposed.

We recommend that the project plan for TID 22 be amended to include the adjusted project costs. We also recommend that the resolution limit the budget authority in the TID 22 project account to \$25.3 million, requiring the Department of City Development to seek Common Council approval *prior* to any further expansion in project scope, activities, or costs. Finally, we recommend that file 051169 and its fiscal note be amended to reflect \$25,293,645.81 in total projects costs, \$733,400 in capitalized interest and \$146,680 in issuance costs.

Sincerely,



W. Martin Morics
Comptroller

Cc Mayor Tom Barrett
Common Council Members
Richard Marcoux
Joel Brennan
Michael Wisniewski
Marianne Walsh

CDK/1-26-06