



Office of the Comptroller
February 16, 2001

W. Martin Morics, C.P.A.
Comptroller

John M. Egan, C.P.A.
Deputy Comptroller

Michael J. Daun
Special Deputy Comptroller

Anita W. Paretti, C.P.A.
Special Deputy Comptroller

Members of the Zoning, Neighborhoods
& Development Committee
City of Milwaukee
Room 205, City Hall
Milwaukee, WI 53210

RE: File 001260 Amendment #1 – TID 24
Riverworks Industrial Center

Committee Members:

TID 24 is a Tax Increment District created in 1994 at the site of the former American Motors assembly plant. The District includes about 33 acres within an area bounded generally by East Capital Drive and East Keefe Avenue, North Richards and North Holton Streets. Since its creation, development in the District has included a variety of retail and manufacturing uses. Although a large hardware store chain had vacated this area in 1999, a Walmart is expected to reopen there in the next few months¹. The tax base within TID 24 has more than doubled since inception, from just over \$6 million in 1994 to nearly \$15 million at year-end 2000. Expenditures on behalf of this TID have totaled about \$833,000, principally for public way/infrastructure improvements and a \$275,000 loan to one of the companies locating within the District.

This file proposes the first amendment to the TID 24 Project Plan. This amendment would expand the boundaries of the TID to include three separate sites totaling 8.6 acres to the west, east and north of the current boundaries. The proposed amendment would increase the original TID budget of \$3,173,000 by \$100,371 and allocate the funding to different projects. Beyond the \$833,000 already spent, this TID would also incur an additional \$2,440,600 - about \$601,500 authorized under the current project plan and the remaining \$1,839,100 to projects in the additional area added to the District. The funds would be spent mainly for land assembly/site improvements (\$1.4 million), public way/infrastructure (\$0.5 million), business loans (\$0.5 million).

Is the Project Likely to Be Successful?

Clearly, due to the existing development already in place, this TID is expected to close successfully. In fact, with no further development, the current TID 24 would likely close this year or 2002, thereafter releasing about \$250,000 in property tax revenue annually to fund City and other local government services. The retail and manufacturing development already in place and the imminent Walmart outlet generate continuing annual property tax revenue of about \$300 for every \$1,000 of City funds invested.

The more relevant question is whether the proposed additional \$2,440,600 will prove to be a successful investment. The DCD has not as yet identified any potential purchasers of this land.

¹According to DCD staff, the location of the planned Walmart outlet will occur within the existing TID 24 boundaries and will take place with or without the proposed expansion of the District.

Based on DCD's conservative property value projections, the additional \$2.4 million in City expenditures is expected to generate about \$108,000 in annual new property tax revenue. This averages \$44 in annual property tax revenue per \$1000 of invested City funds, far from the \$300 per \$1,000 in invested City funds already achieved with the existing TID 24. In short, the development benefits of Amendment #1 proposed spending are modest and somewhat uncertain.

Assuming DCD's property tax increment projections are fulfilled, our Office performed a City Investment Cashflow Analysis, discounting all future cashflows to/from the City to account for the time value of money and also accommodating the effect on State aids to Milwaukee from the development. We performed this Analysis for both the current TID 24 and the TID 24 including the proposed Amendment #1. This Analysis quantifies the current dollar value of this City TID investment over a 20 year life. The higher the present value, the more financially attractive the project becomes. This Analysis shows that **the existing TID 24 (without the amendment) returns a positive \$890,000 in current dollars while the TID 24 including Amendment #1 returns a positive \$698,000, a difference of about \$192,000.**

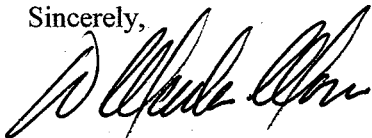
Using DCD's property tax increment projections, the proposed Amendment #1 would bring TID costs to a total \$3,340,000 and extend the closure date of this TID to the year 2012 or 2013. This closure year is well within the Statutory maximum life of a TID. However, should a severe economic downturn occur or for other reasons the City not be able to attract appropriate development on these three sites, this TID could be in danger of not closing successfully.

Is the City's Proposed \$2.4 million in Additional TID Investment Required for Continued Development of this Area?

This question is impossible for our Office to answer. The DCD believes that the proposed land assemblage, infrastructure improvements and business loans are essential to the continuing development of this area. It is disappointing to note that existing development and related City financial participation in the area has not already given rise to either private development initiatives or prospective buyers of any of the three sites proposed in the Amendment. We are simply not in a position to know to what extent such development would or would not occur without the proposed expenditures.

In summary, the expanded TID 24 as proposed in Amendment #1 is likely to be repaid by 2012-2013 with the aid of existing development within the original TID boundaries. The proposed \$2,440,600 of City expenditures is intended to continue development in this area and is projected to produce moderate tax base additions to the area. Without purchase commitments from prospective companies, our Office cannot determine either the likelihood of this new development or the necessity of the proposed City expenditures. Should you wish to discuss this matter further, please do not hesitate to contact me at your convenience.

Sincerely,



W. Martin Morics
Comptroller

Julie A. Penman
Brian F. O'Connell

Mjd/2-14-01