

LRB-FISCAL REVIEW SECTION ANALYSIS

NOVEMBER 18, 2003 AGENDA

ZONING AND NEIGHBORHOOD DEVELOPMENT COMMITTEE

ITEM 9, FILE 031042

EMMA J. STAMPS

File 031042 is a resolution relative to application and acceptance of a City of Milwaukee Community Development Block Grant application for \$10,000,000 under the City of Milwaukee's amended 2004 Consolidated Community Development Entitlement Program for use as loan guarantee funds pursuant to Section 108. File 031042 further authorizes the acceptance and funding of a \$2,000,000 Brownfields and Economic Development Initiative Grant from the U.S. Department of Housing and Urban Development to conduct remediation and redevelopment activities in the Menomonee Valley. (DCD)

Background and Discussion

1. The Department of City Development plans to use 2004 Consolidated Community Development Entitlement Program CDBG funds to provide for loan guarantee funds pursuant to Section 108. Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. **Section 108 loan guarantee awards reduce annual CDBG entitlements.** These funds will provide for the Menomonee Valley redevelopment.
2. In July 2003, the Common Council file 030351 authorized the DCD to *only apply* for up to \$2 million in Brownfield Economic Development Initiative (BEDI) grants from HUD. Per the grant analysis form, the grant operates January 1, 2004 to December 31, 2007. Eligible activities include:
 - Site acquisition
 - Demolition
 - Remediation
 - Infrastructure construction or reconstruction
 - Assistance to for-profit businesses for economic development
 - Construction or reconstruction of public facilities
3. DCD will use the \$2 million for remediation costs, land write-downs and other costs, according to the grant budget form on file in Resolution 030351.
4. File 031042 authorizes the application and acceptance of a \$2 million BEDI grant, and the application and acceptance of a \$10 million Section 108 loan guarantee through an amended 2004 Consolidated Community Development Entitlement Program; although only \$2 million is required for the BEDI match.

According to DCD staff, the remaining \$8 million will replace \$8 million of the \$16 million capital improvement funding provided for Menomonee Valley Tax Incremental District, contingent upon adoption of the 2004 budget. The \$12 million is to be used as follows:

- \$2 million BEDI grant for site remediation costs and a debt service reserve to cover interest in the early years of the Menomonee Valley TID project
- \$2 million for 1:1 BEDI grant match using \$2 million Section 108 loan guarantee
- \$8 million Section 108 loan guarantee for Menomonee Valley 260-acre redevelopment that includes the former 140-acre CMC Shops site

Fiscal Impact

This file authorizes acceptance and funding of up to \$2 million BEDI grants and \$10 million Section 108 loan guarantees to support the aforementioned initiatives.

The City's CDBG program must be able to meet the debt requirement because Section 108 loan repayments are deducted from annual entitlements.

Other Information

CDBG funds support activities, which benefit low and moderate-income persons, as described in criteria §570.208(a). "The \$2 million set aside for assistance to business loans or grants is less than 10 percent of the total development budget", as stated in the Comptroller's letter dated November 14, 2003.

HUD guidelines allow the City to "re-loan" the Section 108 loan proceeds and provide BEDI funds to a business or other entity to carry out an approved economic development project, or the City may carry out the eligible project itself.

The Section 108 Program requires that the City pledge annual CDBG funds along with additional security as collateral for the loan guarantee. RACM will use the \$16 million Menomonee Valley Tax Incremental District capital project borrowing listed in the 2004 City Capital Budget as collateral, pending adoption of the 2004 City Capital budget (see File 030974). The City will cover tax increment shortfalls to repay the Section 108 debt.

The file does not include a cash flow analysis to determine how much the City has to pay back out of annual CDBG grants over the next 2-3 years. It is recommended that the DCD provide an analysis.

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LRB-Fiscal Review Section
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