

**AMENDMENT TO PROJECT PLAN  
FOR  
TAX INCREMENTAL DISTRICT NO. 22  
CITY OF MILWAUKEE**

Initial Joint Review Board Meeting: December 12, 2012

Public Hearing Held: December 13, 2012

Redevelopment Authority Approved:

Common Council Approved:

Joint Review Board Approved:

## AMENDMENT TO PROJECT PLAN

### TAX INCREMENTAL DISTRICT NO. 22 (Beerline B) CITY OF MILWAUKEE

#### BACKGROUND

The Tax Increment Law (Wis. Stats. Section 66.1105) allows tax increment districts, under certain circumstances, to donate revenues to other tax increment districts in the same municipality. Generally, these circumstances are:

- The “Donor” and the “Recipient” district must have the same overlying taxing jurisdictions;
- The amendment to donate funds must be made before the Donor district has recovered all of its project costs;
- The Recipient district must have been created upon a finding that not less than 50%, by area, of the real property in the district is blighted, or is in need of rehabilitation; or, its project plan provided funds to create or rehabilitate low-cost housing or to remediate environmental contamination;
- The Donor district, once established, cannot request or receive an extension to its life;
- The amount of the donated funds may not exceed the difference between the annual tax incremental revenue collected by the Donor district, and the funds needed to pay the Donor’s project costs or debt service in that year;
- Donations may be made for a period of five years, and upon additional approvals from the City and Joint Review Board, may be made for an additional five years, if needed. This second amendment must be made in the fourth year of the initial five-year donation period; and

The process of donating funds from one district to another is accomplished by the adoption of an amendment to the Donor district’s Project Plan, and is subject to approval by the Common Council, and Joint Review Board.

#### DONOR DISTRICT

Tax Incremental district No. 22 (Beerline B) was approved by the Milwaukee Common Council in December, 1993. This district is located along the west side of the Milw. River, along N. Commerce St. and N. Water St. from E Cherry St. to E. North Ave. A 1999 amendment expanded the original boundary to include the Humboldt Yards area, Caesar Park, and property on the east side of the river, along N. Water St. to N.

Humboldt. Ave. In July 2009, a second amendment expanded the boundary to include the Schlitz RiverCenter office facility.

The district provided public improvements for numerous apartment and condominium projects developed in what was an aging industrial strip, served by the “Beerline” RR line – so named because it served the Schlitz, Pabst and Blatz Breweries.

Project costs, excluding interest on debt, through October, 2012 total nearly \$24 million.

Future project costs are estimated at \$3,638,000:

- \$1,657,000 Clutch Shop Riverwalk
- 1,000,000 Humboldt Ave. & Riverboat Road Riverwalk
- 742,000 Marsupial Bridge, trestle and urban park
- 239,000 Slope stabilization in Kilbourn Park

Total net costs, including interest on debt, is now estimated at \$36,980,800 while tax incremental revenue from this district is \$35,100,300 thru the 2012 levy.

Consequently, a total of \$1,880,500 (\$36,980,800 – 35,100,300) is needed to be recovered from future incremental revenue. See Exhibit A for detail.

TID 22 has a statutory termination date of 2020.

Tax incremental revenue generated by TID No. 22 in 2012 was \$5,693,720. In 2013 it will be \$4,184,500, reflecting a catch-up reduction of value in the TID of \$18.4 million. In subsequent years, incremental value is estimated at \$175 million (down from \$200 million in 2011) generating revenue at \$4.3 million, assuming a 2.5% tax rate.

As set forth below, it is proposed that donations be made to TID 60 & 62. TID 60 was established to assist in funding the upgrade of the city’s Amtrak station. TID 62 was established to assist the renovation of the DRS Power & Control Technologies, Inc. facility, and generate additional employment, at 4265 N. 30<sup>th</sup> St.

### **RECIPIENT DISTRICTS**

**Tax Increment District No. 60 ( Amtrak / Intermodal Station)** was created as a “blighted area” district in 2005. The project plan provided \$6 million of a \$15.8 million upgrade of the Amtrak station at 4<sup>th</sup> & St. Paul Ave. The station is owned by the state of Wisconsin and leased to Wilton Partners of Los Angeles. Wilton sub-leases operating space to Amtrak and Greyhound Bus Lines. Most retail space in the station remains vacant, as does the second floor office area in the building.

As a consequence of these vacancies, district incremental value has never achieved projected levels, and, in fact, has declined from \$14.8 million in 2009, to \$4.6 million in 2012. In addition, adjacent housing development anticipated near the station, another source of incremental revenue anticipated for the district, has not materialized – due, in part, to the weak economy.

Total net project costs for TID 60, including interest payments on debt, total \$9,607,300. Tax Incremental Revenue, through 2013, totals \$873,500. See Exhibit B.

TID 60 has 20 years in which to fully recover its \$8.7 million of remaining costs, but annual incremental value was only \$40,000 in 2012 and is \$141,000 in 2013. At this rate, the payback period for TID 60 will considerably exceed the remaining life of the district.

**Tax Incremental District No. 62 (DRS Power & Control Technologies, Inc.)** was created in 2006 to assist DRS to increase employment and upgrade its facility increase at 4265 N. 30<sup>th</sup> St. The district was created based on it being “in need of rehabilitation and conservation work,” and consists only of the DRS property.

DRS designs and manufactures systems for power generation, conversion, and distribution which are used for U.S. Navy ship propulsion and for industrial applications. DRS currently employs approximately 360 at this location, principally engineers, technicians, and skilled assemblers. The company has locations in New Jersey, Connecticut, California, Texas, Florida, Ohio, Pennsylvania, Massachusetts, and Colorado. In 2008, DRS was acquired by Finmeccanica S.p.A. one of Italy’s leading manufacturers in the high technology sector specializing in aerospace, defense and security.

The TID provided the company with a \$1.5 million forgivable loan for the \$11+ million upgrade of its 1950’s building. Total employment at DRS, however, has not achieved anticipated levels, and, therefore the loan has not been completely forgiven in recent years. Loan payments which have been collected have ranged from \$17,200 to nearly \$38,000 annually.

Total net project costs for TID 62, including interest payments, are \$2.85 million and incremental revenue, through 2013 is \$152,000 – leaving \$2.7 million to be recovered. Incremental revenue has ranged from \$45,000 to \$50,000 annually. Loan payments, which may be received through 2018 depending on DRS employment levels, when combined with incremental revenue, are not estimated to be sufficient to amortize total project costs. See Exhibit C.

**PROPOSED DONATIONS**

TID 22 is permitted by statute to donate up to the difference between its scheduled debt service payments and the amount of tax increment revenue collected. These donations may be made for a period of five years.

Scheduled debt service for TID 22 is shown below for 2013-2017. See Exhibit D for the payments for all years. Proposed donations are summarized in the table below.

Max. Donation to TID 60	Year	TID 22 Est. Revenue	TID 22 Debt Service	Available For Donation	Donate to TID 60	Donate to TID 62
2,000,000	2013	4,184,509	2,886,213	1,298,296	1,298,296	-
	2014	4,300,000	2,638,326	1,661,674	1,661,674	-
	2015	4,300,000	2,162,362	2,137,638	2,000,000	137,638
	2016	4,300,000	1,566,663	2,733,337	2,000,000	733,337
	2017	4,300,000	1,675,518	2,624,482	1,774,030	850,452
	Total				8,734,000	1,721,427

Specific donations are as follows:

- **Donations to TID 60:** For a period of up to five years, TID 22 shall donate excess incremental revenue as above, in the maximum annual amount of \$2 million, up to the cumulative remaining cost of TID 60. As shown in the table, the donations to TID 60, some \$8.7 million over five years, would fully repay the outstanding cost of TID 60. Such donations will be reduced, cumulatively, by any incremental revenue received from TID 60 – currently estimated at approximately \$100,000 per year.
- **Donations to TID 62:** For a period of up to five years, TID 22 shall donate excess incremental revenue not otherwise donated to TID 60, up to the cumulative remaining cost of TID 62. Such donations will be reduced cumulatively, by any incremental revenue, and loan payments, received from this project.

<b>EXHIBIT A: CALCULATION OF REMAINING AMOUNT TO BE RECOVERED IN TID 22</b>	<b>Beer</b>	
	<b>Line B</b>	
	<b>TID-22</b>	
Life-to-date 10-24-12 project expenditures	\$ 23,998,909	
Estimated future project expenditures		
Remaining encumbrances	247,664	
Remaining appropriation	3,390,032	
Interest payments through December 31, 2012	7,513,447	
Add bond interest costs:		
Scheduled 2013 to maturity	2,543,780	
Estimated interest on future borrowings	667,315	
Estimated future capitalized interest	-	
Cumulative City of Milwaukee carrying cost	612,666	
Total project costs	38,973,813	
Life-to-date 10-24-12 project revenues	(1,796,658)	
Bond proceeds in excess of principal debt service payments	(196,317)	
Net project costs to be recovered through tax increments	36,980,838	
Tax increments levied:		
1998	54,799	
1999	253,674	
2000	190,377	
2001	534,850	
2002	783,421	
2003	1,387,205	
2004	1,583,479	
2005	1,998,394	
2006	2,322,523	
2007	3,173,774	
2008	3,540,553	
2009	4,342,205	
2010	5,056,799	
2011	5,693,720	
2012	4,184,509	
Total tax increments levied at December 31, 2012	35,100,282	
Amount to be recovered	\$ 1,880,556	
Remaining recovery years	8	

<b>EXHIBIT B: CALCULATION OF REMAINING AMOUNT TO BE RECOVERED IN TID 60</b>	<b>Amtrak TID-60</b>	
Life-to-date 10-24-12 project expenditures	\$ 6,646,401	
Estimated future project expenditures		
Remaining appropriation	11,410	
Interest payments through December 31, 2012	1,046,158	
Add bond interest costs:		
Scheduled 2013 to maturity	2,056,031	
Estimated interest on future borrowings	6,059	
Estimated future capitalized interest	1,218	
Cumulative City of Milwaukee carrying cost	183,182	
Total project costs	9,950,459	
Life-to-date 10-24-12 project revenues	-	
Bond proceeds in excess of principal debt service payments	(343,107)	
Net project costs to be recovered through tax increments	9,607,352	
Tax increments levied:		
2007	39,851	
2008	52,616	
2009	376,773	
2010	223,555	
2011	39,578	
2012	141,081	
Total tax increments levied at December 31, 2012	873,454	
Amount to be recovered	\$ 8,733,898	
Remaining recovery years	20	

<b>EXHIBIT C: CALCULATION OF REMAINING AMOUNT TO BE RECOVERED IN TID 62</b>	<b>DRS TID-62</b>	
Life-to-date 10-24-12 project expenditures	\$ 1,682,528	
Estimated future project expenditures		
Remaining appropriation	133,996	
Interest payments through December 31, 2012	197,200	
Add bond interest costs:		
Scheduled 2013 to maturity	852,295	
Estimated interest on future borrowings	66,712	
Estimated future capitalized interest	13,415	
Cumulative City of Milwaukee carrying cost	10,699	
Total project costs	2,956,845	
Life-to-date 10-24-12 project revenues	(78,932)	
Bond proceeds in excess of principal debt service payments	(22,781)	
Net project costs to be recovered through tax increments	2,855,132	
Tax increments levied:		
2009	9,391	
2010	49,624	
2011	46,834	
2012	46,147	
Total tax increments levied at December 31, 2012	151,996	
Amount to be recovered	\$ 2,703,136	
Remaining recovery years	20	



## TID 22

Debt Service as of 12-31-11, + Debt Service on \$4.8 Million future borrowing

<b>EXHIBIT D: TID 22 ANNUAL DEBT SERVICE</b>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1994	-	11,578	11,578
1995	28,566	22,199	50,765
1996	28,437	30,649	59,086
1997	64,648	71,351	135,999
1998	147,221	136,291	283,512
1999	147,131	179,862	326,993
2000	152,482	215,347	367,829
2001	214,449	273,821	488,271
2002	258,862	440,370	699,232
2003	410,027	497,020	907,047
2004	620,124	535,877	1,156,001
2005	708,857	662,095	1,370,952
2006	694,050	731,442	1,425,492
2007	1,059,465	709,856	1,769,321
2008	1,656,306	687,649	2,343,956
2009	1,553,206	605,595	2,158,801
2010	1,658,052	576,833	2,234,885
2011	1,701,631	586,994	2,288,625
2012	1,679,346	538,585	2,217,931
2013	2,288,615	597,598	2,886,213
2014	2,143,398	494,928	2,638,326
2015	1,749,592	412,771	2,162,362
2016	1,221,312	345,351	1,566,663
2017	1,383,537	291,982	1,675,518
2018	1,364,582	233,751	1,598,333
2019	1,041,246	185,748	1,226,994
2020	879,051	151,551	1,030,602
2021	218,650	121,291	339,941
2022	366,664	107,149	473,813
2023	374,403	89,071	463,474
2024	396,319	70,206	466,525
2025	413,595	50,308	463,903
2026	273,881	33,417	307,299
2027	286,775	19,672	306,447
2028	255,805	6,311	262,116
2029	-	-	-
	<b>27,440,286</b>	<b>10,724,522</b>	<b>38,164,808</b>