

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

ZONING, NEIGHBORHOODS & DEVELOPMENT COMMITTEE

SEPTEMBER 18, 2007

Item 2, File #070611

File Number 070611 is a resolution creating a Mitchell Street tax incremental district, approving a project plan for this district and authorizing expenditures for the district.

Background

1. Wisconsin's Tax Increment Law (s. 66.1105, Wis. Stats.) provides for the creation and administration of a tax incremental district ("TID") to finance economic development and redevelopment projects within the district. Improvements and activities in the district are funded by the increase or "increment" in tax revenues generated by property in the district.
2. To be eligible for TID designation, an area must meet the following criteria:
 - Fifty percent or more of the proposed TID must be "blighted," "in need of rehabilitation or conservation work," or suitable for "industrial sites," within the statutory meanings of these terms.
 - Property that has been vacant for at least 7 years preceding creation of the TID cannot constitute more than 25% of the TID's area (unless the district is being created to promote industrial development).
3. The boundaries and project plan for a TID must be approved by the Redevelopment Authority, the Common Council and the "joint review board" consisting of representatives of the various taxing jurisdictions affected by the creation of the TID.
4. West Mitchell Street between South 5th Street and South 16th Street/South Cesar Chavez Drive has, for many decades, been the most important commercial district on the Near South Side of Milwaukee. However, in recent years, Mitchell Street has been confronted with increased competition from outlying shopping malls and big-bog retailers, the loss of several long-time businesses and anchor establishments, and growing security concerns.
5. Creation of a tax increment district for Mitchell Street has been proposed as a means of retaining and expanding existing businesses in the area, attracting additional commercial tenants to vacant buildings, promoting the development of mixed-use (residential/commercial) projects, improving the adjacent housing stock, eliminating blight, enhancing security and aesthetics, and increasing property values and job opportunities.

Discussion

1. The proposed Mitchell Street TID consists of 281 properties located along Mitchell Street and in the area extending one block north and south of Mitchell Street, between 5th and 16th streets. It also includes a commercial area extending about a block and a half south of Forest Home Avenue between 13th and 15th Streets.
2. Consistent with statutory requirements, over 50% of the TID meets the criterion of being “in need of rehabilitation or. conservation”. Also, less than 25% of the area within the district boundaries meets the statutory definition of “vacant” property.
3. Three major issues currently facing Mitchell Street that the proponents of the TID seek to address through its creation are: 1) the imminent closing of Goldmann’s Department Store and plans for renovation of its building; 2) the exterior and interior renovation needs of the Modjeska Theater; 3) the relocation of the Walgreen’s store from 11th and Mitchell to 15th and Burnham, which will result in yet more vacant retail space on Mitchell Street.
4. The proposed project plan calls for the following public improvements, programs and activities in the Mitchell Street TID:

a. Installation of new pedestrian lighting (45 harp lights)	\$397,500
b. Installation of irrigation system in median strip	\$45,000
c. Installation of up to 10 MPD-monitored security cameras in City parking lots and at strategic locations	\$350,000
d. Installation of approximately 54 grates around street trees	\$35,000
e. Provide funding for 40 5-year, forgivable \$10,000 loans for exterior improvements to owner-occupied residential properties	\$400,000
f. Selective acquisition of blighted properties by RACM	\$100
g. Establishment of a development fund to provide loans or grants as gap financing for renovations of strategic buildings in district	\$1,500,000
	Contingency \$190,000
	<u>Administration \$200,000</u>
TOTAL PROJECT COSTS	\$3,118,000

5. All expenditures for implementation of the project plan are expected to be incurred in 2007 through 2012.

6. The Mitchell Street TID's project costs will be financed by the issuance of general obligation bonds by the City.
7. Similar tax incremental districts have been created to stimulate development in other neighborhood commercial districts in the city, including King Drive (TID No. 32), West North Avenue (TID No. 40) and Bronzeville (TID No. 59).

Fiscal Impact

1. The proposed project plan sets total project costs for the Mitchell Street TID at \$3,118,000. Estimated financing costs are an additional \$2,507,600. These costs will be paid through proceeds from City-issued general obligation bonds and recovered through property tax revenues from the TID's tax increment.
2. This economic feasibility study for the proposed Mitchell Street TID indicates that the net present value of the district's cash flows from tax incremental revenue will exceed the total project cost in year 18 of the TID (2025). Thus, the district appears to be financially feasible and can support City general obligation borrowing in the amount of \$3,118,000.
3. The immediate fiscal impact of this resolution is TID general obligation borrowing in the amount of \$1,616,600. This covers all project costs except the \$1.5 million development fund; appropriations for development projects assisted with this fund will be subject to separate Common Council approval in the future.

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September 13, 2007

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