



Department of City Development
City Plan Commission
Redevelopment Authority of the City of Milwaukee
Neighborhood Improvement Development Corporation

Rocky Marcoux
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Deputy Commissioner
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May 6, 2013

Honorable Members of the Zoning, Neighborhoods
& Development Committee
City Hall, Room 205

Dear Aldermen:

The Department of City Development (DCD) is seeking to amend the Project Plan for Tax Incremental District (TID) #42, Midtown Center, and to authorize expenditures for use within the TID. Amendment #2 seeks to allocate a proposed \$3.5 million between an Economic Development Master Fund, a Tenant Improvement Master Fund, and administration. The Amendment and the proposed Term Sheet are attached for your review. Please note in the Term Sheet that any request for funds exceeding \$100,000 requires the approval of the Zoning, Neighborhoods & Development Committee. The Amendment presented to the Redevelopment Authority of the City of Milwaukee (RACM) received unanimous approval at the March 21, 2013 RACM Board meeting.

With TID #42 performing financially ahead of expectations and with the current accrued surplus of \$2.3 million, this Amendment #2 will allow staff to focus redevelopment efforts and funding on properties in need of revitalization including a vacant Lowe's Home Improvement store, a vacant Applebee's restaurant fronting Capitol Drive, and various vacant in-line commercial space and parcels available for development. Given the current and previous increments in the TID, we anticipate an estimated \$1.5 million per year will be added to the TID over the next few years.

In consultation with the Department of Public Works, DCD has reviewed 304-95 of the Code of Ordinances and its reference to use of one year of increment from TIDs for street-paving projects scheduled within a half mile of such TIDs, and within a six-year timeframe. It has been determined there are six paving projects scheduled totaling an estimated cost of \$1.5 million, an amount equal to one year's estimated increment for the TID (see attached Map). In efforts to address these street projects prior to closing out the TID, DCD anticipates amending the Project Plan again shortly after this Amendment #2.




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Given the interest in the Midtown Center since Amendment #2 to the Project Plan was approved by the Redevelopment Authority and highlighted in various media publications, and given the opportunity to promote Midtown Center at the upcoming International Council of Shopping Centers (ICSC) convention, DCD will seek immediate approval of the Amendment #2 authorizing expenditures for aforementioned Master Funds and administration. DCD will subsequently seek to further amend TID #42 to authorize expenditures for the scheduled street paving projects. In the third Amendment, the Project Plan will include a provision that \$2.5 million shall remain available for use in the Master Fund accounts until the TID generates \$1.5 million for the street paving projects.

This communication is being sent to clarify the Department of City Development's goals related to amendments to Tax Incremental District #42. Deshea Agee of my staff will brief you prior to the upcoming Zoning, Neighborhoods & Development Committee meeting. Thank you in advance for your consideration.

Sincerely,



Rocky Marcoux
Commissioner

Attachments

AMENDMENT NO. 2

PROJECT PLAN FOR TAX INCREMENTAL FINANCING DISTRICT NO.

42

(Capitol Court/Midtown Center)

CITY OF MILWAUKEE

Public Hearing Held:

**Redevelopment Authority Adopted
Common Council Adopted:**

Joint Review Board Adopted:

**AMENDMENT NO. 2 to the PROJECT PLAN for
TAX INCREMENTAL FINANCING DISTRICT NUMBER 42
CITY OF MILWAUKEE
(Capitol Court/ Midtown Center)**

Introduction

Section 66.1105 (4)(h)(1), Wisconsin Statutes, permits the Redevelopment Authority, subject to the approval of the Common Council, to amend the project plan for a tax incremental financing district.

The City of Milwaukee created Tax Incremental District Number 42 in 2000. The District contains 2,457,081 square feet (56.4 acres) and was created to assist developer Boulder Venture, Inc. with the redevelopment of the former Capitol Court shopping mall into a town center concept known as Midtown Center. When Capitol Court opened in 1956, the open air mall was considered a key regional shopping area in Milwaukee with three major department store anchors. In the 1970's Capitol Court was converted to an indoor mall. With the departure of anchor stores and other merchants in the 1990's, Capitol Court faced a decline in occupancy, rents, and sales, and lost its status as a regional shopping center.

The mall was sold to Boulder Venture, Inc. in 2000 for redevelopment into the Midtown Center. Boulder Venture collaborated with the Redevelopment Authority and City of Milwaukee in efforts to among others, eliminate the obsolete mall; promote the coordinated development of underutilized land and vacant buildings; add public improvements and new infrastructure to the site; and to create new employment opportunities with the development of the Midtown Center. In 2002, Midtown Center opened with anchors Walmart, Pick N Save, and various service, apparel and restaurant retailers. In 2005, Lowe's opened its first Wisconsin location at Midtown Center.

Following significant retail development, Midtown Center was sold to Inland Western Real Estate Investment Trust (now named Retail Properties of America, Inc.) in 2005. In 2007, the new owner constructed several new buildings including an Office Depot (20,930 square feet); a Junior Anchor building containing several junior anchor spaces (25,180 square feet); and three separate buildings on 56th Street totaling (40,768 square feet). The project plans anticipates 600,000 square feet of retail space to be built in the District once fully developed, and over 1,200 permanent jobs created. Currently Midtown has a gross leasable area of 408,499 square feet, and vacancy at nearly 13%. Midtown employs approximately 700-800 people, with its largest employers being Walmart (approx. 250 employees) and Pick 'N Save (approx. 109 employees). There are a few pad sites available for development and being marketed.

In 2009, one of the District's largest employer/retailers, Lowe's Home Improvement, vacated its approximately 135,000 square foot property. This site has remained for sale, but vacant, since then. An Applebee's restaurant also closed in the District. In November 2012, Marshall's department store closed its doors at Midtown. In efforts to ensure the objectives of the tax increment district are being reached; to ensure continued success of the tax increment district and the Midtown Center overall; to add new retail opportunities; and to ensure the Center remains vibrant and to create new employment opportunities, this amendment to the TID is to being requested. In addition, this amendment serves to ensure the largest retail shopping area in the City of Milwaukee continues to serve its residents.

In summary, Amendment No. 2 to the Project Plan will provide \$3,500,000 for the purposes of creating an economic development fund to assist with continued redevelopment efforts and new development projects within the TID project area. TID 42 currently has surplus of \$2,332,829. With this amendment, the TID is estimated for retirement in 2015, and will have a surplus at that time also.

To date \$11,733,773 of project costs have been incurred, including interest on debt and associated carrying charges, and approximately \$14,066,603 of incremental revenue has been generated in the TID.

Amendments to the Project Plan:

The following amendments are made to the Project Plan.

II. PLAN PROPOSALS

Table A in Section II(B)(2) is restated as follows:

Table A
List of Estimated Project Costs

Midtown Improvements	\$ 333,218
Grants/Loans to developer	6,498,340
Remaining Appropriations & Encumbrances	185,819
Capitalized Interest	804,292
Administration	104,668
Current Total Project Costs Exc. Financing	7,926,337
Financing Costs, Net of Earnings	3,807,436
Total Including Financing Costs	11,733,773
Proposed Development Fund	3,500,000
Estimated Total Project Costs	\$ 15,233,773

Schedule A of Section II (B) (3) (a) "Description of Timing and Methods of Financing" is deleted and restated, as follows:

Schedule A
Estimated Timing of Project Costs (Excl. Financing)

Year	Estimated Project Costs	Cumulative Total
2000-12	7,740,518	7,740,518
2013-15	3,685,819	11,426,337

Sub-Section 4, "Economic Feasibility Study" is amended by adding the following:

"4. Economic Feasibility Study

Please see forecast of District Cash Flow and District Breakeven analysis, attached. Based on the forecast, following the expenditure of the additional funds for development projects, the District is expected to close-out in 2015. "

ATTACHMENTS

District Cash Flow forecast / Breakeven Analysis

	MidTowne Center TID-42
12-31-12 Lifetime-to-date expenditures	7,740,518
Add:	
Remaining appropriation-DCD	123,688
Current encumbrances	62,131
Total current project costs excluding financing	7,926,337
Lifetime-to-date interest 12-31-12	3,140,749
Scheduled bond interest costs - 2013 to maturity	733,205
Interest on estimated future borrowing	111,758
Future capitalized interest	18,710
Cumulative City of Milwaukee carrying cost	(154,131)
Difference between proceeds and principal debt service	(42,855)
Total current project costs including interest and other charges	11,733,773
Project revenues	-
Tax increments levied:	
2002	82,011
2003	867,446
2004	818,888
2005	1,294,215
2006	1,401,229
2007	1,469,485
2008	1,790,874
2009	1,858,586
2010	1,554,473
2011	1,364,079
2012	1,565,317
2013 estimated	1,500,000
2014 estimated	1,500,000
2015 estimated	1,500,000
Total tax increments levied	18,566,603
Proposed development fund	3,500,000
Net amount to be recovered through future tax increments	(3,332,830)

TERM SHEET FOR COOPERATION AGREEMENT

MIDTOWN TAX INCREMENTAL FINANCE DISTRICT No. 42

Parties:

City of Milwaukee, and Redevelopment Authority of the City of Milwaukee

Project:

The Midtown Tax Incremental Finance District project, as set forth in the Project Plan, was adopted by File No. 000806 on November 28, 2000. The Amended Project Plan sets forth a spending plan in the total amount of \$3,500,000 allocated between these general categories: Economic Development Master Fund, Tenant Improvement Master Fund, and Administration.

Economic Development Master Fund:

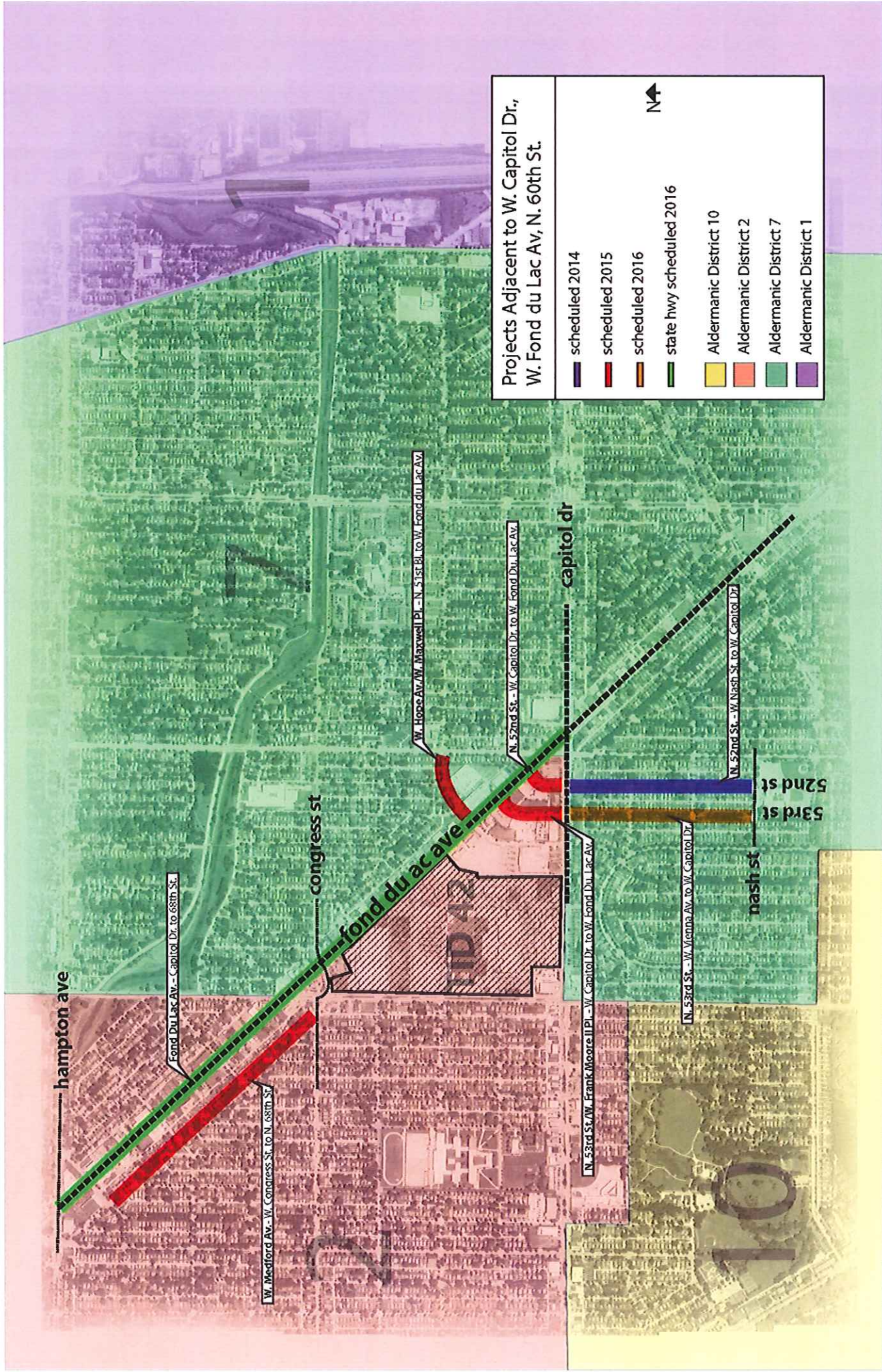
This fund may be used for loans for commercial building redevelopment. Loans shall not exceed 40% of a project's cost. Loan terms shall be flexible depending upon the need of the project, and may be subordinated to conventional lenders, have reduced or adjustable interest rates, allow for payments to accrue until a certain occupancy level is achieved, etc.

Loans shall be subject to review by the City Comptroller and the approval of the Zoning, Neighborhoods, and Development Committee of the Common Council.

Tenant Improvement Master Fund:

This Fund is designed to stimulate successful leasing and redevelopment of vacant retail space in and around Midtown Center by assisting with costs to make interior improvements and upgrade vacant space. Additionally, use of Funds should spur job creation or retain existing jobs within the greater Midtown Center area.

- The Funds will reimburse costs related to improving retail space for commercial tenants. Eligible costs include reusable base finish improvements such as ceilings, lighting, plumbing, interior walls, electric outlets, concrete walls, demising walls, restrooms and HVAC modifications.
- The Fund will offer reimbursement up to \$15 per square feet with a maximum amount of \$100,000. These funds may be in the form of a low interest loan that shall not exceed fifty-percent of the total tenant improvement costs. Funds shall be subject to review by the City Comptroller and the approval of the Zoning, Neighborhoods, and Development Committee of the Common Council.
- Property owners and retailers may qualify for these funds.
- Only one allocation will be allowed from this Fund per retail unit/address each year.
- An executed lease shall be supplied for a project to access funds. Lease term must be 60 months or greater.
- Improvements made prior to application approval may not be eligible for funding.
- For projects that have been submitted and approved, reimbursement shall occur following (1) executed lease; (2) submittal of contracts showing work to be completed; and (3) cancelled checks showing payments have been made.



**Projects Adjacent to W. Capitol Dr.,
W. Fond du Lac Av, N. 60th St.**

█	scheduled 2014
█	scheduled 2015
█	scheduled 2016
█	state hwy scheduled 2016
█	Aldermanic District 10
█	Aldermanic District 2
█	Aldermanic District 7
█	Aldermanic District 1



hampton ave

Fond Du Lac Av - Capitol Dr. to 68th St.

W. Medford Av - W. Congress St. to N. 68th St.

congress st

fond du lac ave

W. Hope Av. W. Maxwell Pl. - N. 51st St. to W. Fond du Lac Av.

N. 52nd St. - W. Capitol Dr. to W. Fond Du Lac Av.

capitol dr

N. 53rd St. W. Frank Moore II Pl. - W. Capitol Dr. to W. Fond Du Lac Av.

N. 53rd St. - W. Vienna Av. to W. Capitol Dr.

53rd st

nash st

N. 52nd St. - W. Nash St. to W. Capitol Dr.

52nd st