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Members of the Zoning, Neighborhoods
& Development Committee

City of Milwaukee
City Hall, Room 205
Milwaukee, WI 53202

RE: File 171210, TID 93 – 7th and National

Dear Committee Members:

File 171210 would approve the creation of Tax Incremental District (TID) 93, 7th and National (the District), along with the corresponding project plan and term sheet. We have reviewed the project plan, feasibility study and term sheet, and have had discussions with Department of City Development (DCD) staff. Our analysis is based on the information provided.

The proposed District includes one property located at 704-10 West National Avenue, totaling 1.75 acres, bordered by West Pierce Street, South 7th Street, West National Avenue and the vacated alley/freeway right of way between West Pierce Street and West National Avenue (the Property). The Property currently is comprised of a number of underutilized interconnected warehouse buildings that will be demolished as part of the redevelopment. The property has an assessed value of \$784,900. The District boundary is located within TID 85 (6th and National).

A development team comprised of Rule Enterprises, LLC and Impact Seven Inc. (the Developers) will undertake the redevelopment of the site (the Project). The Project will consist of the construction of a new building with 60 housing units, including both affordable and market rate apartments. Of the 60 units in the building, 51 units will be affordable for families earning under 80% of Area Median Income and 9 units will be market rate.

Total estimated costs for the project are \$12.6 million. This file authorizes a \$575,000 grant to partially fund the Developers' renovation, demolition and construction costs, along with \$150,000 in administration costs. The Developers will advance the \$575,000. After substantial completion of each project, the District will make full payment of the \$575,000 at an interest rate of 4.5% to the Developer. The payment will be made in the form of increment revenue generated by the District, less an administrative charge of \$7,500 per year. If final project costs are lower than the \$12.6 million budgeted, the City's obligation to the Developer will be reduced by 50% of the cost savings. The District's obligation to repay the Developers expires after 20 years.

The “developer financing” approach of the proposed District shifts the risk of this TID not breaking even from the City to the Developers. As a developer-financed TID, the Developers assume the risk that the proposed District will generate sufficient incremental revenue to recapture its \$575,000 investment with interest.

Is This Project Likely to Succeed?

From a financial perspective, the proposed TID will be successful given that the City’s contribution is limited to a 20-year tax incremental revenue stream from the District. The Developers assume the risk of recovering their \$575,000 contribution.

DCD’s feasibility study, which uses a constant 2.87% property tax rate and 1% inflation rate over the life of the TID, forecasts the District will fully recover the \$575,000 grant plus financing in 2038, after receipt of the 2037 levy (year 20). DCD’s feasibility study appears reasonable based on the Comptroller’s analysis. Nonetheless, because the Developers, not the City, assume the repayment risk on its contribution to the District’s costs, the economic feasibility of the proposed TID to the City of Milwaukee is guaranteed.

Is the Proposed Level of City Financial Participation Required to Implement the Project?

This proposed TID allows the City to provide incentive to the Developers for construction of additional Walker’s Point neighborhood housing while minimizing the City’s involvement and risk. Without City funding, this project may be delayed or not occur altogether, reducing the desirability of this area for future development.

Conclusion

The proposed TID provides the gap financing necessary for the Developers to construct 60 housing units. Completion of this project would add approximately \$2 million to the City’s tax base, while the Developers assume the risk of recovering their \$575,000 investment.

Should you have any questions regarding this letter, please contact Joshua Benson at extension 2194.

Sincerely,



Martin Matson
Comptroller

CC: Maria Prioletta
Lori Lutzka

MM/JB