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Office of the Comptroller
February 22, 2016

Members of the Zoning, Neighborhoods &
Development Committee
Milwaukee Common Council
City Hall, Room 205
Milwaukee, WI 53202

RE: File 151547, TID 48: Park East
Workforce Training, Amendment #3

Committee Members:

File #151547 would authorize an additional \$375,000 in Tax Incremental District (TID) 48 funding for workforce training and capacity building associated with the Milwaukee Bucks Arena construction project, located within TID 84. This additional funding will increase the total TID 48 budget from the current \$42.9 million to \$43.3 million, excluding capitalized interest and other financing costs.

TID 48 was created in 2002 to provide public improvements necessary to promote development and redevelopment in the former Park East Freeway corridor and surrounding properties. The project has undergone several revisions since creation. See Table A for a summary of project budget amendments and funding increases.

Table A - Project Budget Revisions		
File No.	Description	Amount
011182	Original project plan – reconstruct street segments within the district. Authorized funding for public improvements and administration.	\$3,945,500
041514	Amendment #1 – enlarged the district boundaries to include 21 additional properties. Authorized additional funding for public improvements and admin.	\$16,017,395
071392	Authorized additional funding for city-funded portion of a riverwalk and dockwall associated with the construction of the Aloft hotel and admin.	\$1,250,202
081717	Increased funding for cost index adjustment related to Aloft project.	\$29,232
090687	Authorized additional funding for developer loans, administration and public park.	\$11,000,000
101297	Amendment #2 – authorized additional funding for developer loans, developer grants for public improvements and admin.	\$7,628,940
150159	Authorized additional funding for city-funded portion of a Riverwalk and dockwall associated with North End Phase III and IV project areas.	\$3,023,942
Total current budget		\$42,895,211
151547	Proposed Amendment #3 - authorization of additional funding	\$375,000
Total budget including file #151547		\$43,270,211



To date, \$37.7 million of district funds have been spent, not including capitalized interest or other financing costs. See Table B below for a breakdown of budgeted and actual TID-funded expenditures, as of December 31, 2015.

Table B - Total TID 48 Budgeted and Expended Amounts			
	Budgeted	Expended	Remaining
Public improvements	\$ 25,402,271	\$ 21,343,059	\$ 4,059,212
Job training	500,000	250,926	249,074
Public park	750,000	-	750,000
Loans	13,928,940	13,928,940	-
Administration	2,314,000	2,162,978	151,022
Total	\$ 42,895,211	\$ 37,685,903	\$ 5,209,308

On September 22, 2015, the Common Council passed file no. 150383, approving the term sheet of a development agreement (Development Agreement), between the City and Milwaukee Bucks LLC and Head of the Herd LLC, including their Affiliates (Bucks), for the Arena Project, funded by utilizing TIDs 22 and 84. The Development Agreement requires the City and Bucks to contribute \$375,000 each, toward job training and capacity building programs for the Greater Arena Project.

Is the Project Likely to be Successful?

From a financial perspective, the proposed funding increase should not adversely impact the district’s ability to recover all costs. DCD’s feasibility study estimates the district will break even in 2025, four years prior to the mandatory termination in 2029. The Comptroller’s Office feasibility calculation also forecasts the district will break even in 2025. Therefore, DCD’s feasibility study appears reasonable.

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

This amendment allows the City to fund its \$375,000 contribution for job training and capacity building required by the Development Agreement. Without this amendment, the City would have to find an alternate source to fund its commitment.

Conclusions

Amendment #3 will allow the City to use TID 48 to fund its \$375,000 job training and capacity building obligation. The additional \$375,000 of funding should not adversely affect the district’s ability to break even prior to its mandatory termination. Without this amendment these activities would need to be funded elsewhere in the City budget.

Should you have any questions regarding this letter, please contact Melissa Fulgenzi at 2307.

Sincerely,



Martin Matson
Comptroller

CC: Lori Lutzka, Alyssa Remington
MM: MRF