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**Office of the Comptroller**

June 15, 2015

Zoning, Neighborhoods & Development Committee  
City of Milwaukee  
City Hall, Room 205  
Milwaukee, WI 53202

RE: File 150184, TID 83 – Broadway & Michigan

Dear Committee Members:

File 150184 would approve the creation of TID 83 (Broadway and Michigan) along with a 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 seven properties, totaling 67,200 SF, bordered by East Michigan Street, East Clybourn Street, North Broadway and North Water Street. The district is being created to partially fund the restoration of one property, the Mackie Building located at 225 E. Michigan St. (the Mackie Project), by 225 East Michigan Street, LLC (the Developer). The Developer is proposing to redevelop the Mackie Building. Interior improvements include building 25 market-rate apartments, retaining the Grain Exchange events room and renovating the first floor commercial space. Exterior renovations include restoring the façade and clock tower and repairing the foundation and roof.

Total estimated costs for the project are \$11.9 million. Of this total, \$7.36 million is the estimated cost of interior renovations while \$2.04 million is the estimated cost of restoring the façade and clock tower and repairing the roof. The remaining \$2.5 million relates to acquisition and soft costs. This file authorizes a \$900,000 grant to the Developer to fund the extraordinary costs of the exterior restoration. The Developer will advance all funding for the project. Upon completion of the project, the District will make annual payments to the developer equal to the incremental taxes collected on the Mackie and Mitchell (207 East Michigan Street) Buildings (Phase I Properties), less an annual administration charge, until such time as \$900,000 is repaid at an interest rate of 4.5% over a period not to exceed 15 years. If final project costs are lower than the \$11.9 million budgeted, the City's obligation to the developer will be reduced by 50% of the cost savings.

The "developer financing" approach of the proposed TID is appropriate as the proposed district provides the Developer with the potential to recover a portion of its costs associated with the project. As a developer-financed TID, the Developer assumes the risk that the proposed district will generate sufficient incremental revenue to recapture the \$900,000.



### **Is This Project Likely to Be Successful?**

From a financial perspective, the proposed TID will be successful given that the City's contribution is limited to a 15 year tax incremental revenue stream from two of the seven properties located within the district. The Developer, 225 East Michigan Street, LLC, assumes the risk of recovering the \$900,000 of TID expenditures.

The feasibility study, which forecasts that the Developer will fully recover the \$900,000, plus interest, in year 13, appears reasonable. However, since the developer, not the City, assumes 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?**

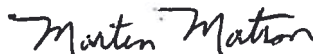
This proposed TID allows the City to provide incentive to 225 East Michigan Street, LLC to redevelop the Mackie building while minimizing the City's involvement and risk. While these expenditures may have occurred with or without this proposed TID, the restoration of the historic Mackie building will increase the City's tax base.

### **Conclusion**

It appears that the proposed TID 83 will be successful from the City of Milwaukee financial perspective since the developer is assuming the risk of recovering the \$900,000 of TID expenditures. In addition, the proposed TID provides an incentive for 225 East Michigan Street, LLC to restore an historic building and increase the City's tax base.

Should you have any questions regarding this letter, please contact Rocky Wruck at 2304.

Sincerely,



Martin Matson  
Comptroller

CC: Lori Lutzka, Dan Casanova

MM/RW