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**Office of the Comptroller**

**June 7, 2016**

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

**RE: File 160112, TID 87 – Welford Sanders Lofts**

**Dear Committee Members:**

File 160112 would approve the creation of TID 87 (Welford Sanders Lofts) 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) and Assessor's Office staff. Our analysis is based on the information provided.

The proposed district includes one property, totaling 184,843 SF, located at 2801-21 North 4<sup>th</sup> Street (the Property). The Property is bordered by 4<sup>th</sup> and 5<sup>th</sup> and Hadley Streets in the Harambee neighborhood. The district is being created to partially fund the renovation and conversion of the former Nunn Bush shoe factory from an office building to a residential property containing approximately 58 affordable apartments and 38,000 SF of commercial/office space (the Project). The Project is being redeveloped by Wisconsin Redevelopment, LLC and Martin Luther King Economic Development Corporation (the Developer).

Total estimated costs for the project are \$19.9 million. This file authorizes a \$1.2 million grant to the Developer to partially fund renovation costs. The Developer will advance the \$1.2 million. After substantial completion of the project, the District will make annual payments to the Developer equal to the incremental taxes collected in the District, less an annual administration charge of \$7,500, until the \$1.2 million plus 4.5% interest is repaid. However, the term sheet limits payments to the Developer to 20 years (2036 tax levy). If final project costs are lower than the \$19.9 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 District shifts the risk of this TID not breaking even from the City to the Developer. As a developer-financed TID, the Developer assumes the risk that the proposed district will generate sufficient incremental revenue to recapture its \$1.2 million investment with interest.

**Is This Project Likely to Succeed?**

From a financial perspective, the proposed TID is viable given that the City's contribution is limited to a 20-year tax incremental revenue stream from the District. The Developer, Wisconsin Redevelopment, LLC and Martin Luther King Economic Development Corporation, assumes the risk of recovering its \$1.2 million contribution.

DCD's feasibility study, which uses a constant 2.935% property tax rate and 1% inflation rate over the life of the TID, forecasts that the Developer will fully recover the \$1.2 million plus interest, after receipt of the 2036 levy (final year of City's obligation to the Developer). However, if the tax rate does not remain constant or the forecasted 1% annual appreciation is not realized, the Developer will not recover the entire \$1.2 million plus interest. Nonetheless, because 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 Wisconsin Redevelopment, LLC and Martin Luther King Economic Development Corporation to redevelop the former shoe factory while minimizing the City's involvement and risk. While these expenditures may have occurred with or without this proposed TID, the conversion and renovation of the Property should increase the City's tax base.

**Conclusion**

The proposed TID provides the remaining funding necessary for Wisconsin Redevelopment, LLC and Martin Luther King Economic Development Corporation to renovate an underutilized building, while assuming the financial risk, and increasing the City's tax base.

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

Sincerely,

*Toni G. B. Cokring*  
for Martin Matson  
Comptroller

CC: Maria Prioletta

MM/MRF