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Office of the Comptroller

October 23, 2018

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

RE: File 181044, TID 95 – Villard Commons

Dear Committee Members:

File 181044 would approve the creation of Tax Incremental District (TID) 95, Villard Commons (the District), along with a corresponding project plan and term sheet. The Comptroller's office has reviewed the project plan, feasibility study and term sheet, and has had discussions with Department of City Development (DCD) and Assessor's Office staff. This analysis is based on the information provided.

The proposed District includes five properties, totaling 23,764 square feet, located at 3611-3633 West Villard Avenue (the Property). The Property is located in the Old North Milwaukee neighborhood along the Villard Avenue commercial corridor. The Property is located near Villard Square, a mixed-use project completed in 2011 which includes the Villard Library and 47 housing units. The District is being created to partially fund the construction of a new four story, 54,520 square foot building with a mix of affordable housing units and 1,758 square feet of ground floor commercial space (the Project). The Project is being developed by a development team comprised of Index Development Group, LLC and Brinshore Development (the Developers).

Total estimated costs for the Project are \$7.3 million. This file authorizes a \$500,000 grant to the Developers to partially fund construction costs. The Developers will advance the \$500,000. After substantial completion of the Project, the District will make annual payments to the Developers equal to the incremental taxes collected in the District, less an annual administration charge of \$3,000, until the \$500,000 plus 4.5% interest is repaid. However, the term sheet limits payments to the Developers to 20 years (2038 tax levy). If final Project costs are lower than the \$7.3 million budgeted, the City's obligation to the Developers will be reduced by 50% of the cost savings. In addition to the TID grant, the Developers have obtained an allocation of Federal HOME funds from the City in the amount of \$368,500.

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 their \$500,000 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 Developers assume the risk of recovering their \$500,000 contribution.

DCD's feasibility study, which uses a constant 2.73% property tax rate and 1% inflation rate over the life of the TID, forecasts that the Developers will fully recover the \$500,000, plus interest, after receipt of the 2038 levy (the final year of City's obligation to the Developers). However, if the tax rate does not remain constant or the forecasted 1% annual appreciation is not realized, the Developers may not recover the entire \$500,000 plus interest. Nonetheless, because the Developers, not the City, assume the repayment risk on their 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 to construct a new mixed-use building while minimizing the City's involvement and risk. While these expenditures may have occurred with or without this proposed TID, the new construction on the Property should increase the City's tax base.

Conclusion

The proposed TID provides the remaining funding necessary for the Developers to construct a new building on underutilized land, while assuming the financial risk, and increasing the City's tax base.

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

Sincerely,



Martin Matson
Comptroller

CC: Maria Prioletta

MM/JB