

**LRB – FISCAL REVIEW SECTION ANALYSIS**

**APRIL 5, 2005 AGENDA**

**ITEM 7, FILE 041514**

**ZONING, NEIGHBORHOODS & DEVELOPMENT COMMITTEE**

**Emma J. Stamps**

File No. 041514 is a resolution amending and restating the Project Plan for Tax Incremental District No. 48 (Park East) in the 3<sup>rd</sup>, 4<sup>th</sup>, and 6<sup>th</sup> Aldermanic Districts. (DCD)

**Background**

1. Initial discussions regarding redeveloping the Park East Corridor were had between previous city, county and state administrations. Previous DPW testimonies before Common Council committees indicate in these discussions the proposed boundaries for a tax incremental district moved westward from N. 4<sup>th</sup> Street to N. 6<sup>th</sup> Street. The Redevelopment Plan extended its scope to N. 8<sup>th</sup> St. and east of the Milwaukee River.
2. On March 2, 2002, Tax Incremental District No. 48 (Park East) was created, its boundaries set and its Project Plan and \$4.3 million budget were approved via Common Council Resolution 011182. The budget was based on 2001 prices and cost estimates.
3. The district is generally bounded by North 8<sup>th</sup> Street, East and West Juneau Avenue, the Milwaukee River from North Edison Street and east Juneau Avenue to North Jackson Street and North Jefferson Street.
4. TID No. 48 revenues will cover the cost of street and other improvements including new roadway construction, concrete sidewalk, storm sewer, lighting, signage and signalization in the former Park East Freeway corridor and surrounding properties.
5. Initially, the TID was to cover the capital cost of \$3,859,676, which would be issued to fund the street improvements and related project costs (Resolution 011182, original Project Plan, p. 4).

For the purpose of sharing costs and encouraging development, the City was authorized to enter into agreements with property owners and developers. Under the original Project Plan, the City reserves the right to implement only those projects that remain viable as the Project Plan period proceeds. (p. 7)

**Discussion**

1. Effective May 15, 2005, increases to tax incremental district budgets are subject to Milwaukee Code of Ordinance 304-93-4. Expenditure authority may not exceed 110 percent of the original TID budget, not to exceed \$1 million. Funds released prior to May 15, 2005 are not affected.
2. DCD wishes to expand the TID's southern and eastern boundaries.

3. As amended, the District will be comprised of all blocks included in the original Plan and expand to include the following blocks:
  - Bounded by N. 6<sup>th</sup> St., W. Juneau Ave., the Milwaukee River, and W. Highland Ave.
  - Southwest corner of the block bounded by N. 4<sup>th</sup> St., W. Vliet St., N. Dr. MLK Jr., Drive, and W. McKinley Ave.
  - Bounded by N. Milwaukee St., E. Ogden Ave., N. Jefferson St., and E. Knapp St.
4. Page 4 of the original Project Plan states, “any expenditures or monetary obligations directly or indirectly related to the public works are considered *project* costs and eligible to be paid with tax increment revenues of the tax incremental district.” The Project Plan is restated within File 041514.

### **Fiscal Impact**

Although \$4.3 million was originally budgeted, DPW contracts with the State generated an additional \$13 million cost to the tax incremental district. The city pays eligible project costs related to all of its tax incremental districts with annual TID capital authority.

File 041514 imposes a \$15,662,893 fiscal impact. If approved, aggregate TID No. 48 financing would total \$19,962,893 (465% of original \$4.3 million TID budget).

The \$19,962,893 is based on time sensitive estimates and State invoices received.

In the Comptroller’s communication relating to this file:

- Aside from the issue of necessity, an estimated \$16-\$17 million of the proposed \$19.9 million in TID 48 expenditures has already been either expended or contractually committed by the City prior to this file being introduced (File 041514)
- Expanding the boundaries would provide a built-in incentive to create additional TID expenditures, which would delay a prompt TID close-out
- Such incentives would demand further Common Council scrutiny before work, which in general is expected to increase the individual TID budget, could commence
- The Comptroller **does not** support expansion of the boundaries.

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