

LRB – FISCAL REVIEW SECTION ANALYSIS

APRIL 5, 2005 AGENDA

ITEM 11, FILE 041629

ZONING, NEIGHBORHOODS & DEVELOPMENT COMMITTEE

Emma J. Stamps

File No. 041629 is a resolution approving Amendment No. 2 to the Project Plan for Tax Incremental District No. 44 (Walnut-Locust Neighborhood Improvement Fund) and authorizing additional borrowing for eligible project activities in the 6<sup>th</sup> and 15<sup>th</sup> Aldermanic Districts. (DCD)

**Background**

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. In 2001, TID No. 44 (Walnut-Locust Neighborhood Improvement Fund/Lindsay Heights) was created with a budget of \$1,755,000, plus capitalized interest budget via Resolution 001778. Without regard to income limits, NIDC (administered by DCD) would use the budget to make forgivable loans to new and existing property owners in the district area. TID No. 44 is expected to terminate by 2023.
3. Only residential parcels in the area generally bounded by North 12th Street, North 20th Street, West Walnut Street and West Locust Street.
4. Local banks have advanced funds through LISC to fund the TID.

**Initial Funding to NIDC**

- \$1.6 million grant for program
- \$150,000 admin/other costs

**Authorized TID Funding**

- Phase I = \$1,755,000 from LISC (Resolution 001778)
- Phase II = \$2.2 million using GO Debt (Resolution 040391)
- Phase III = \$1 million (authorization pending File 041629)

5. Phase I-**Lindsay Heights** goals included; building 60 new homes and rehabilitate exteriors on 75 existing residences over 3 years; homebuyers and property owners received grants/forgivable loans averaging \$10,000 per buyer and \$15,000 (max.) per rehab project, respectively.
6. Phase II-**Josey Heights Subdivision** goals included installing necessary local street, greenspace and infrastructure (sewer, water, sidewalk, lighting, etc.) in preparation for sale of a 7.3 acre Lloyd Street playfield to build 53 new homes in the area bounded by N. 12<sup>th</sup> St., N. 14<sup>th</sup> St., W. Brown St., and W. Lloyd St.. Phase II does not subsidize homeownership. Resolution 040391, adopted 7/2004, amended TID No. 44, increasing its budget by \$2 million plus financing costs (est. \$200,000).
7. The \$1,755,000 Phase I budget is depleted. The \$2.2 million for the Phase II that was part of Amendment #1 to the TID has not yet been spent according to DCD.

**Discussion**

8. DCD has identified approximately 30 vacant lots within the boundary that are suitable for new home construction. There are actually 65 lots currently that are not sold or reserved. An estimated 70 existing homes may qualify for home rehabilitation subsidy. This activity would develop under a proposed Phase III.
9. Development of Phase III, the granting of additional subsidies, requires increasing the overall tax incremental district budget. DCD estimates the financing need at \$1 million. If approved, aggregate TID financing would total \$4,955,000 (255% of original \$1,755,000 TID budget).
10. File 041629 authorizes both approves Project Plan Amendment No. 2 and increasing the TID No. 44 budget by \$1 million for the purpose of awarding up to 100 new grants/forgiveable loans in the project boundary. (see map)

**Fiscal Impact**

Adopting this project plan amendment authorizes \$1 million in revenue and authority for eligible TID No. 44 project activities. LISC, through local banks, would finance 100% (\$500,000 in 2005 and \$500,000 in 2006). The debt is expected to retire in year 2011.

**Other Information**

Based on review of both the original loan program and its proposed expansion, the Comptroller recommends adoption of File 041629 (letter dated 4/1/05).

DCD reports that TID No. 44 loan pool provided for 56 new home forgivable loans and 109 existing home rehab forgivable loans. New home buyers received \$10,000 each. Actual rehab awards ranged from \$1,433 to \$10,000.

In regards to the rehab clients, 53% benefited households under 50% of CMI (County Median Income), 30% between 51% and 80% CMI, and 17% over 80% CMI.

In regards to the new construction recipients, 10% were under 80% CMI, and 90% were over 80% CMI.

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