

DRAFT

Project Plan
For
Tax Incremental District Number 68
City of Milwaukee
(Metcalf Park Homes)

Prepared by
Department of City Development October, 2006
In Conformance with the provisions

Of Section 66.1105, Wisconsin Statutes,
as Amended.

I. DESCRIPTION OF PROJECT

A. Introduction

Section 66.1105(4)(d), Wisconsin Statutes, requires the "preparation and adoption... of a proposed project plan for each tax incremental district." This Project Plan is submitted in fulfillment of this requirement and the related provisions of section 66.1105, Wisconsin Statutes.

B. District Boundaries

Tax Incremental District Number 68, City of Milwaukee, Metcalfe Park Homes, is the area bounded by West Meinecke Avenue, West Center Street, North 27th Street and North 39th Street. The District is shown on Map No. 1, "Boundary and Existing Land Use," and described more precisely in Exhibit 1, "Boundary Description." A complete list of properties in the District is provided in Exhibit 2, "Property Characteristics."

The District contains property totaling 4,152,000 square feet (95.3 acres), more or less, exclusive of public streets and alleys. More than 50% of the area and real property located within the District was found to be either "blighted" within the meaning of Section 66.1333 (2m)(b) or "in need of rehabilitation or conservation work" within the meaning of Section 66.1337(3), Wisconsin Statutes. Exhibit 2 illustrates how the properties in the District meet the statutory criteria for Tax Incremental Districts.

C. Plan Objectives

The Metcalfe Park Neighborhood has over the years, been challenged by declining housing stock, low levels of owner occupancy, poverty, and crime – both real and perceived.

However, beginning in 2000, when the City of Milwaukee partnered with the Boys and Girls Club and the local philanthropic community to create the Todd Wehr Metcalfe Park Community Center, a combination school and Boys and Girls Club located between 33rd and 35th and North Avenue, there has been a steady stream of investment in the neighborhood that is creating momentum for ongoing improvement. A new Jewel Osco grocery store opened in 2001 near 35th and North Avenue. Several mixed used projects followed along the nearby North Avenue "Gateway District" including Columbia Square, Touissant Square and the New Covenant Gateway project.

Similar signs of encouragement are also occurring in the residential neighborhood. The Next Door Foundation recently completed a \$9.3 million expansion of its facilities at 29th and Wright, to create a state of the art early childhood education center. Habitat for Humanity has jumpstarted residential development efforts in the neighborhood through the construction of new single family homes, including a recent partnership with the Metropolitan Builders Association in which 10 homes were constructed within a one week period. A development partnership between the Milwaukee Urban League and Gorman & Company is in the process of redeveloping the former Urban League headquarters building located at 28th and Wright into a high quality elderly housing development containing 80 affordable housing units.

TID 68 is being created to support additional residential redevelopment efforts in the neighborhood. The Milwaukee Urban League/Gorman and Company partnership is proposing to construct 30 new single family homes on vacant scattered site lots under a “lease to own program.” Along with proposed renovation of existing housing in the district, these efforts will assist in the implementation of the *Fond du Lac and North neighborhood plan*¹, which emphasizes the targeting of resources, the clustering of investment and a mix of residential rehabilitation and new construction in the neighborhood.

The more detailed objectives of this Project Plan are to:

- Construct new single family homes on vacant land located within the district
- Make resources available to property owners to renovate and repair their properties
- Create a range of high quality housing opportunities for neighborhood residents
- Encourage increased homeownership and the retention of existing homeownership in the neighborhood
- Work collaboratively with local residents, community organizations and other stakeholders to address quality of life issues and support the physical redevelopment of the neighborhood
- Identify, seek and obtain other resources that will further support the initiatives neighborhood revitalization efforts.
- Create new employment opportunities through construction jobs relating to the construction of new homes and the rehabilitation of existing homes in the district.

D. Proposed Public Action

Funds generated from the TID will be used for the following purposes:

- Provide financial assistance to the developer to construct new single-family housing in the neighborhood under a “lease to own” program.
- Fund a forgivable loan pool that will provide resources to existing property owners for the renovation and repair of their properties.

The neighborhood loan fund will be administered by the City’s Department of City Development. It is modeled after a similar program that was successful in the Lindsay Heights

¹ Prepared by Planning & Design Institute and adopted by the City of Milwaukee as part of their Comprehensive Plan on March 19, 2004.

Neighborhood.

The City of Milwaukee may, on its own initiative or through a cooperation agreement with the Redevelopment Authority and/or other entities, undertake any and all project and site improvements and activities considered necessary to achieve project objectives and the commitment of private investment. This Plan is not intended to limit and shall not be interpreted as limiting the Redevelopment Authority in the exercise of its powers under Section 66.1333(5), Wisconsin Statutes, within the District. It is possible that future amendments to this District for other investments in this area will be proposed.

II. PLAN PROPOSALS

A. Statutory Requirements

Section 66.1105(4)(f), Wisconsin Statutes, requires that a Project Plan for a Tax Incremental District shall include:

"... a statement listing the kind, number and location of all proposed public works or improvements within the district or, to the extent provided in subsection (2)(f)1.k., outside the district, an economic feasibility study, a detailed list of estimated project costs, and a description of the methods of financing all estimated project costs and the time when the costs or monetary obligations related thereto are to be incurred. The plan shall also include a map showing existing uses and conditions of real property in the district; a map showing proposed improvements and uses in the district; proposed changes of zoning ordinances, master plan, if any, map, building codes and city ordinances; a list of estimated non-project costs; and a statement of a proposed method for the relocation of any persons to be displaced. The plan shall indicate how creation of the tax incremental district promotes the orderly development of the city."

The plan shall also include an opinion of the City Attorney or of any attorney retained by the City advising whether such plan is complete and complies with Section 66.1105(4)(f), Wisconsin Statutes.

B. Compliance with Statutory Requirements

The following statements, maps and exhibits are provided in compliance with the statutory requirements.

1. "Statement of the Kind, Number, and Location of All Proposed Public Works or Improvements."

In general, all appropriately sized and zoned vacant parcels in the District are potential sites for TID supported new housing development. All existing homes are potential sites for the forgivable home improvement loans. To maximize the benefit, the City will work with local residents and stakeholders to market and cluster resources in a systematic way to maximize the benefit to the neighborhood. 30 sites have been identified for new construction for the "lease to own" project. These sites are identified on Map No. 3.

2. "Detailed List of Estimated Project Costs."

The costs included in this subsection and detailed in Table "A" which follows are, without limitation hereof because of enumeration, claimed as eligible Project Costs as defined under Section 66.1105(2) (f) and, if appropriate, in any Cooperation Agreement (s) presently or subsequently entered into by and between the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, and/or eligible designated redeveloper(s), which agreements are incorporated herein by reference, provided further that such expenditures are necessitated by this Project Plan.

These costs and cost estimates are more fully described as follows:

a. Capital Costs

A statement of the kinds of activities proposed for the project is included in subsection II.B.1. of this Plan. This category of costs includes those items which may be undertaken only in conjunction with Redevelopment Projects under provisions of Section 66.431, Wisconsin Statutes, as determined during the course of project execution/implementation, and may also include the City's cost of grants to RACM.

b. Other Costs

This category of Project Costs includes estimates for administrative, professional, organizational and legal costs. Components of the "other costs" include, in general, costs of salaries and employee benefits for employees engaged in planning, engineering, implementing, and administering activities in connection with the tax increment district. Related costs of supplies, materials, contract and consultant services, rental of space and equipment, and the reasonable costs of City departments and agencies having oversight responsibilities due to the creation of this District. Such services include but are not limited to purchasing, property appraisals, personnel, legal, accounting, auditing, the provision of space and maintenance, and costs charged in accordance with an approved cost allocation plan.

c. Financing Costs

Financing costs include estimated gross interest expense on bonds that will be issued to pay for Project Costs. Estimates of bond interest are based on interest rates as set forth in the Economic Feasibility Analysis for this Project.

Table A
List of Estimated Project Costs²

A	<u>Capital:</u>	
	Grant to Redevelopment Authority for financial assistance to developer for construction of lease option homes.	\$900,000
	Grant to Redevelopment Authority for establishment of forgivable loan pool for the rehabilitation of existing homes.	\$500,000
B	<u>Other:</u>	
	Administrative, professional, organizational and legal,	\$ 75,000
	Total Estimated Project Costs, excluding financing	\$1,475,000
C	<u>Financing:</u>	
	Interest payment on tax-exempt bonds	\$566,400

(Excludes Capitalized Interest)

3. "Description of Timing and Methods of Financing."

a. Estimated Timing of Project and Financing Costs

The Summary of Project Costs (Schedule "A" below) identifies the year in which actual expenditures for the cost of public works and improvements described in this plan is expected to be incurred. This schedule anticipates the time costs will be incurred, not the time contracts or other obligations may be entered into. The estimates presented are subject to change as actual circumstances during the project execution period may require. However, all expenditures will be made prior to the year 2027 pursuant to the provisions of s. 66.1105(6)(am), Wisconsin Statutes.

Schedule A
Estimated Timing of Project Costs

Year	Estimated Project Cost	Cumulative Total
2007	\$1,200,000	\$1,200,000
2008	\$ 200,000	\$1,400,000

Excludes Administrative Costs

b. Estimated Method of Financing Project Costs

Sale of General Obligation Bonds: \$1,400,000³

The estimated method of financing may be subject to change during the project

²The City of Milwaukee and/or RACM reserve the right to make only those improvements and to undertake only those activities that are deemed economically feasible and appropriate during the course of project implementation and which are commensurate with positive growth in the tax increment.

period. Consequently, the method identified may, as circumstances warrant, be redefined and the dollar amount adjusted without formal modification of this Plan during the course of project implementation.

The funding source for payment of financing costs will be from tax increment revenues pursuant to Section 66.1105(6)(c), or from other funds ordinarily used for payment of borrowing obligations.

4. "Economic Feasibility Study."

The Economic Feasibility Study for this District, prepared by the Department of City Development and titled *Economic Feasibility Study: Tax Increment District No. 68* (September 28, 2006) is on file in the Office of the Redevelopment Authority of the City of Milwaukee, 809 North Broadway, Milwaukee, Wisconsin, and in the Office of the City Clerk of the City of Milwaukee, 200 West Wells Street, Room 205, Milwaukee Wisconsin, as attached to Common Council Resolution File Number . The study is incorporated herein by reference. The study establishes the dollar value of project costs which, based on certain general assumptions and a reasonable margin of safety, can be financed with the revenues projected to be generated by the proposed tax incremental district.

Based upon the anticipated tax incremental revenue to be generated by this project, the District is financially feasible and is likely to be retired on or before the year 2018. As noted in the economic feasibility study for the project, should the TID not be retired by the year 2023, surplus proceeds from the sale of homes under the lease to own program may be used to retire outstanding TID debt.

5. "Map Showing Existing Uses and Conditions."

Please refer to Map No. 1, "Boundary and Existing Land Use," and Map No. 2, "Structure Condition," in the Exhibits Section, which follows.

6. "Map Showing Proposed Improvements and Uses."

Please refer to Map No. 3, "Proposed Improvements and Uses," in the Exhibits Section which follows.

7. "Proposed Change of Zoning Ordinances, Master Plan, Building Codes and City Ordinances."

Please refer to Map No. 4, "Existing Zoning." The project will not require amendments to the provisions of present zoning ordinances, City master plan, building codes, and other city ordinances.

8. "List of Estimated Non-Project Costs."

None.

9. "Proposed Method for Relocation."

No occupied properties are currently identified for acquisition in this plan, and therefore no individuals or families are to be displaced. If, at a later date, RACM determines that relocation will be necessary, the cost and method of relocation will be included in a Redevelopment Plan and associated Relocation Plan prepared pursuant to sec. 66.1333 and sec. 32.05, Wis. Stats. The costs of such activities will be eligible for reimbursement through tax increment revenues should such revenues be generated during the statutory life of the District.

10. "Statement Indicating How District Creation Promotes Orderly City Development."

The proposed District is consistent with the recommendations contained in the Fond du Lac and North Neighborhood Plan and with the prevailing zoning in the surrounding area. It will support the past and ongoing redevelopment efforts in the surrounding neighborhood.

11. "Opinion of the City Attorney."



Please refer to the letter of the City Attorney, dated in the Exhibits Section.

EXHIBITS

<u>Exhibit</u>	<u>Title</u>
Exhibit 1	Boundary Description
Exhibit 2	Property Characteristics (on file)
Map 1	Boundary and Existing Land Use
Map 2	Structure Condition (in preparation)
Map 3	Proposed Uses and Proposed Improvements
Map 4	Existing Zoning
Attachment 1	City Attorney's Letter (in preparation)

TID BOUNDARY

308	309	310
327	325	325

-  Single Family
-  Excluded From Boundary

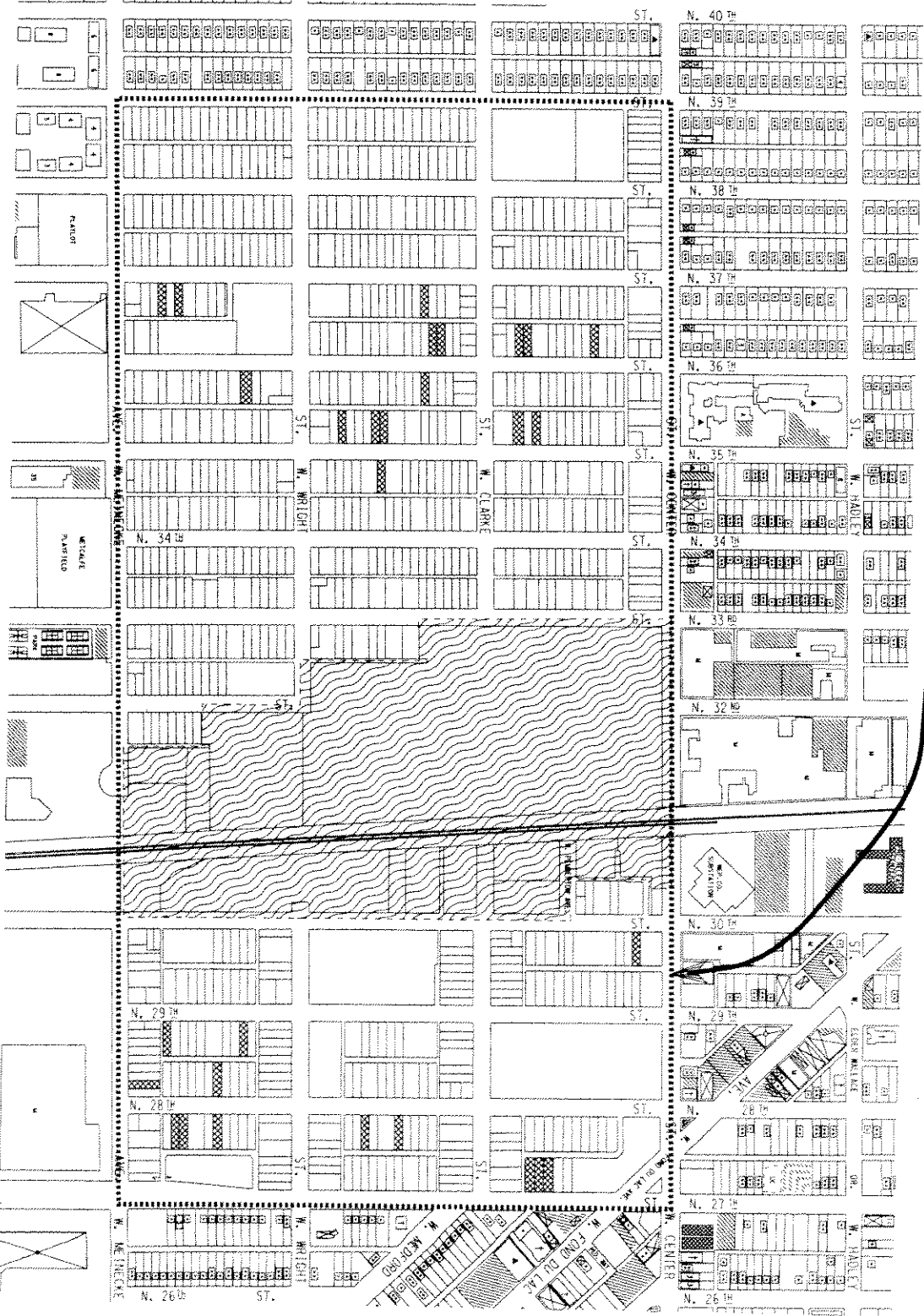
TID - 68
Metcalf Park Initiative

3
PROPOSED
USGS AND IMPROVEMENTS

DATE: _____

PROJECT: METCALF PARK INITIATIVE

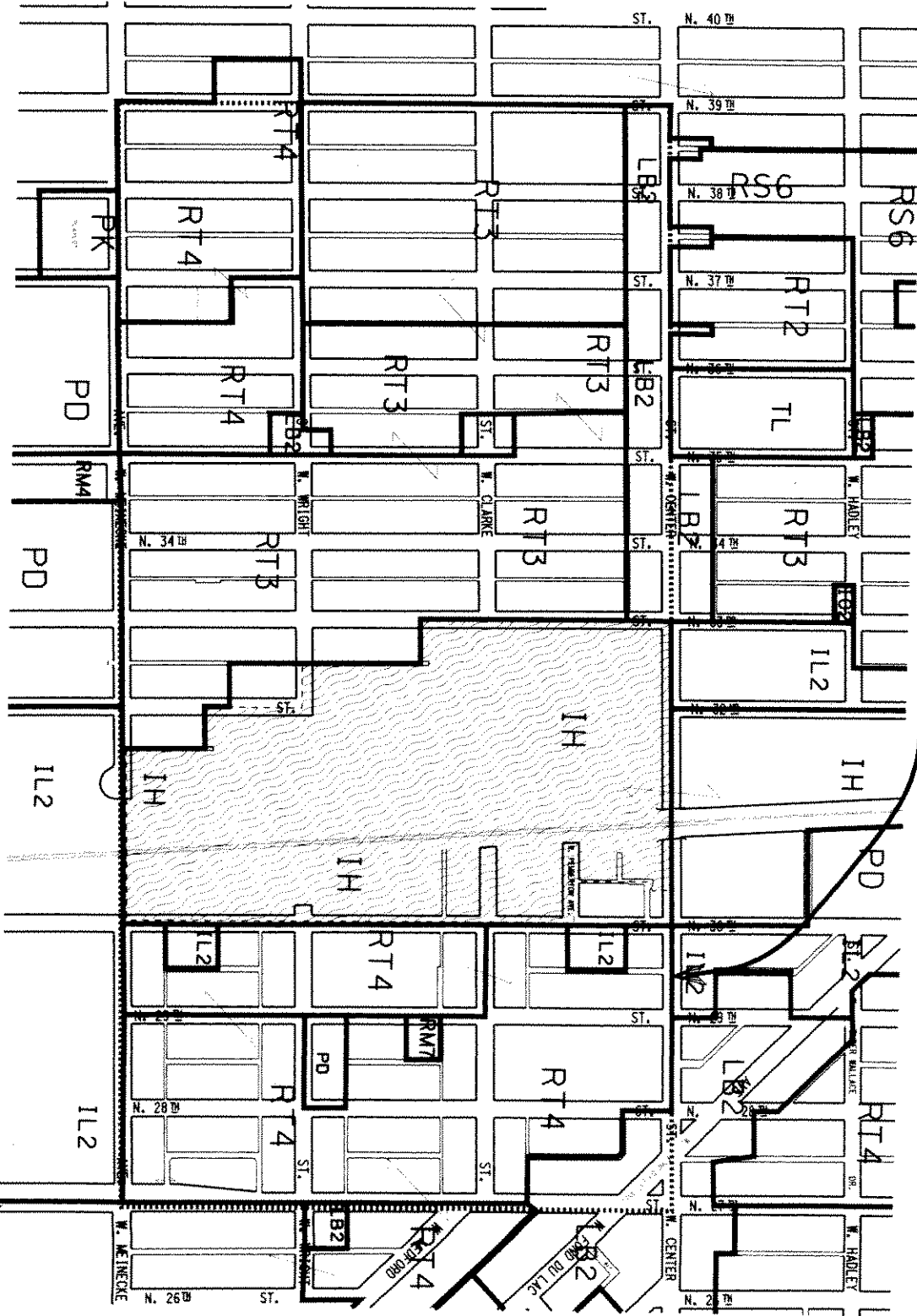
DATE: _____



TID BOUNDARY

Zoning legend

RS1 RS2 RS3 RS4 RS5 RS6	RS7 RS8 RS9 RS10 RS11 RS12	RS13 RS14 RS15 RS16 RS17 RS18	RS19 RS20 RS21 RS22 RS23 RS24
CM1U CM2U CM3U CM4U CM5U CM6U	CM7U CM8U CM9U CM10U CM11U CM12U	CM13U CM14U CM15U CM16U CM17U CM18U	CM19U CM20U CM21U CM22U CM23U CM24U
LI1 LI2 LI3 LI4 LI5 LI6	LI7 LI8 LI9 LI10 LI11 LI12	LI13 LI14 LI15 LI16 LI17 LI18	LI19 LI20 LI21 LI22 LI23 LI24
CO1 CO2 CO3 CO4 CO5 CO6	CO7 CO8 CO9 CO10 CO11 CO12	CO13 CO14 CO15 CO16 CO17 CO18	CO19 CO20 CO21 CO22 CO23 CO24
PD	PD1 PD2 PD3 PD4 PD5 PD6	PD7 PD8 PD9 PD10 PD11 PD12	PD13 PD14 PD15 PD16 PD17 PD18
TL	TL1 TL2 TL3 TL4 TL5 TL6	TL7 TL8 TL9 TL10 TL11 TL12	TL13 TL14 TL15 TL16 TL17 TL18
IL1 IL2 IL3 IL4 IL5 IL6	IL7 IL8 IL9 IL10 IL11 IL12	IL13 IL14 IL15 IL16 IL17 IL18	IL19 IL20 IL21 IL22 IL23 IL24
IH	IH1 IH2 IH3 IH4 IH5 IH6	IH7 IH8 IH9 IH10 IH11 IH12	IH13 IH14 IH15 IH16 IH17 IH18
RM1 RM2 RM3 RM4 RM5 RM6	RM7 RM8 RM9 RM10 RM11 RM12	RM13 RM14 RM15 RM16 RM17 RM18	RM19 RM20 RM21 RM22 RM23 RM24
SP1 SP2 SP3 SP4 SP5 SP6	SP7 SP8 SP9 SP10 SP11 SP12	SP13 SP14 SP15 SP16 SP17 SP18	SP19 SP20 SP21 SP22 SP23 SP24
DC	DC1 DC2 DC3 DC4 DC5 DC6	DC7 DC8 DC9 DC10 DC11 DC12	DC13 DC14 DC15 DC16 DC17 DC18
LF	LF1 LF2 LF3 LF4 LF5 LF6	LF7 LF8 LF9 LF10 LF11 LF12	LF13 LF14 LF15 LF16 LF17 LF18



Excluded From Boundary

TID - 68
Metcalf Park Initiative
EXISTING ZONING
MAP

MAP NO. 4
DATE 10/10/2008

10/10/08
10:10 AM

DRAFT

**ECONOMIC FEASIBILITY STUDY
TAX INCREMENTAL DISTRICT NO. 68
Metcalf Park Homes
City of Milwaukee**

Prepared by the Department of City Development

October 2006

ECONOMIC FEASIBILITY STUDY
TAX INCREMENTAL DISTRICT NO. 68, CITY OF MILWAUKEE
METCALFE PARK HOMES
October 2006

Overview

Tax Incremental District (TID) Number 68 is being created to support the ongoing redevelopment of the Metcalfe Park neighborhood. The Metcalfe Park neighborhood has over the years, been challenged by declining housing stock, low levels of owner occupancy, poverty, and crime – both real and perceived.

However, beginning in 2000, when the City of Milwaukee partnered with the Boys and Girls Club and the local philanthropic community to create the Todd Wehr Metcalfe Park Community Center, a combination school and Boys and Girls Club located between 33rd and 35th and North Avenue, there has been a steady stream of investment in the neighborhood that is creating momentum for ongoing improvement. A new Jewel Osco grocery store opened in 2001 near 35th and North Avenue. Several mixed used projects followed along the nearby North Avenue “Gateway District” including Columbia Square, Touissant Square and the New Covenant Gateway project.

Similar signs of encouragement are also occurring in the residential neighborhood. The Next Door Foundation recently completed a \$9.3 million expansion of its facilities at 29th and Wright, to create a state of the art early childhood education center. Habitat for Humanity has jumpstarted residential development efforts in the neighborhood through the construction of new single family homes, including a recent partnership with the Metropolitan Builders Association in which 10 homes were constructed within a one week period.

Currently, a partnership between the Milwaukee Urban League and Gorman & Company is bringing additional new development to the neighborhood. Construction is underway on the Dr. Wesley Scott project – the conversion of the former Urban League headquarters building located at 28th and Wright into a high quality elderly housing development containing 80 affordable housing units. TID 68 is being created to support an additional phase of these residential renewal efforts. The Milwaukee Urban League/Gorman & Company partnership is proposing to continue their redevelopment efforts by constructing 30 new single-family homes on vacant City owned scattered site lots in the neighborhood under a “Lease to Own Program.” To support this work, and to address the needs of local neighborhood residents, TID 68 would also create a forgivable loan pool that would provide home rehabilitation resources for existing property owners.

Lease to Own Program

The proposed Lease to Own Program is modeled after a similar program developed by the Cleveland Housing Network. The program utilizes the low-income housing tax credit program

as its primary source of funding. Under the Lease to Own Program, residents rent homes and are given the opportunity to purchase them at the end of a fifteen year tax credit compliance period. (Under the low income tax credit program, units have to be affordable to, and leased by, families earning no more than 60% of median income for a fifteen year period.) At the end of the compliance period, all of units will be transferred to the Milwaukee Urban League (a qualified non-profit), which will then sell the properties to qualified tenants at a discounted price. During the course of the lease period, tenants will receive counseling to prepare them for eventual home ownership.

Thirty new single-family homes will be built under the program on City owned scattered site lots in the neighborhood. Homes would be a mixture of 2, 3 and 4 bedroom units, have full basements, garages, central air conditioning, and all appliances. Rents would range from \$675 - \$825 per month. Total costs for this component of the project are \$5.5 million.

The project is being funded through a combination of equity generated from the low income tax credit program, tax exempt bond financing and a 0% mortgage from WHEDA, and deferred development fee. TID 68 would provide a contribution of \$900,000 toward this component of the project. (It should be noted that the developer intends to apply for an additional \$400,000 in Federal HOME funding in 2007 from the City of Milwaukee. Should these funds not be available or approved, additional development fee would be deferred.) A development budget and list of funding sources for the project is attached as Exhibit A.

Low Income Tax Credit Program and Developer Compensation

The low income housing tax credit program was created to encourage investment in affordable housing. In the program, investors receive a dollar for dollar reduction in their federal income taxes for ten years for investing in qualified affordable housing projects. The main source of compensation for developers of low income housing tax credit projects is development fee. Developers hold only a nominal interest in the project (.01%) and unlike a conventional market rate development, real estate losses from depreciation and interest write-off are passed through to the equity investors who purchase the tax credits and invest in the project. The developer will also be required to guaranty full completion and any cost overruns for the project, operating deficits, and recapture of credits due to non-compliance.

Given the structure, the Wisconsin Housing and Economic Development Authority (WHEDA) which is the allocating agency for low income housing tax credits in the State of Wisconsin has a prescribed policy for "acceptable development fees" for low income housing tax credit projects given the development risks associated with the program. For a new construction project, it is 12% of net project costs. In this project, the development fee is \$592,975 or 11.5% of net project costs. It should be noted that \$198,420 of it is deferred, for a net development fee of \$394,555 or 7.6% of net project costs.

Neighborhood Loan Pool

TID 68 would also fund a forgivable loan pool of \$500,000 to provide resources to residents for the rehabilitation of their properties. This approach was successfully employed in the Lindsay

Heights neighborhood and is intended to complement the new construction component of the project. Forgivable loans of up to \$10,000 will be provided for the purpose of making exterior improvements to existing properties in the neighborhood. The program would be administered by the neighborhood housing staff of the Department of City Development. Technical assistance would be provided to property owners including the preparation of a scope of work, assistance in the bidding process, and oversight of construction.

TID Assumptions

In order to determine whether the proposed TID costs can be financed by tax increment generated by the TID, the following assumptions were utilized:

- Total base value of \$44,276,900. Industrial properties along the 30th Street Industrial Corridor are excluded from the TID.
- Average per unit full assessment value for the lease option homes of \$55,000 per unit, or a total of \$1,650,00. Given these are rental units for a period of 15 years, the homes will be assessed using an “income” approach to value. Projected net operating income and estimated valuation is included in Attachment B and was developed in consultation with the City Assessor’s Office. All 30 homes are anticipated to be built out and leased by the end of 2007.
- Estimated value at completion and stabilized occupancy of the Wesley Scott project of \$2,100,000. The project is anticipated to be completed at year-end 2006, and is anticipated to achieve full lease up and stabilized occupancy in October of 2007. (Attachment B). For the purposes of the TID analysis, 90% of value is projected to come on the tax rolls as of January 1, 2006 (completion) and 100% of value will come on the tax rolls as of January 1, 2007 (full lease up achieved). The project is currently assessed at \$450,000.
- While the renovations of existing property will positively contribute to the overall appearance of the neighborhood, the types of improvements contemplated (roofs, porches, siding, windows), are not anticipated to immediately increase the value of the homes.
- Annual property value increases of 2.5% beginning in 2009 for the Wesley Scott project and the Lease Option project and 2007 for the remainder of the district.
- Projections include a declining tax rate through 2020, at which point it would hold constant at 2%.

Table I forecasts total district property cash flow and bond payoff. Full amortization of the City’s obligation is expected in 2018. Should the TID not be repaid by the end of the tax credit

compliance period (2023) for the lease/option homes, there are residual sales proceeds that could help retire any outstanding TID debt. Estimated sales price of the units at the end of the compliance period is approximately \$96,000 per unit. Given that the amount of remaining debt at that time is significantly less than projected sales revenues, a portion of excess sales proceeds will be pledged to retire any outstanding TID debt. An analysis of unit sales at the end of the compliance period and the amount potentially available for TID debt repayment is detailed in Table II.

II. Joint Review Board Test

In this section we evaluate the three tests, which the Joint Review must apply in determining whether or not to approve this amendment.

A. "But For"

The Joint Review Board must consider whether the development can occur without the use of tax incremental financing. To evaluate this criterion, we look at whether this project would be feasible without TID assistance.

While there are signs of improvement in the neighborhood, it is unlikely that the market is at the point that single-family homes could be built and sold at market rate. The lease option program provides an alternative that can bring significant additional subsidy to assist in the development of single-family homes through the low income tax credit program. However, even with the tax credit equity invested in the program, a gap remains. Without City involvement, there would be no incentive for the developer to undertake the project.

In addition, past experience has also shown that in order to impact a neighborhood in a way that creates a climate for continued reinvestment, a combination of both new construction and rehabilitation efforts are necessary. Given the types of rehabilitation efforts planned will not create the immediate increases in value that make projects economically feasible for property owners, financial resources are necessary to encourage renovation.

B. Economic Benefits

The Joint Review Board is charged with deterring whether the economic benefits are sufficient to justify the investment of public funds.

First, the ability to retire TID debt was considered. As structured, the district will close in 2018, prior to its 2033 termination. Additional sales proceeds would be available to retire debt if for some reason the TID does not meet its projections.

Second, There are significant benefits that will be derived from the new investment and new residential development in the neighborhood. The new

development will continue the momentum of redevelopment in the Fond du Lac and North planning area and provide a range of housing opportunities for residents. New construction will provide a visible sign of reinvestment. Existing properties will be rehabilitated and will also positively contribute to the appearance of the neighborhood. The involvement of residents in addressing quality of life issues in conjunction with physical improvement efforts will have a positive affect on the neighborhood.

Third, the project will create construction jobs and opportunities for emerging business enterprises.

C. Impacts on Other Jurisdictions

The Joint Review Board must also consider whether the benefits outweigh the anticipated tax increments to be paid by the owners of the property in the overlying taxing districts. Vacant land is currently generating no taxes - without the TID, it will likely remain so and continue to have a detrimental effect on the continued redevelopment of the neighborhood. The proposed redevelopment will significantly increase its value, as well as enhance the values and viability of surrounding properties. The owners of the property in the overlying taxing districts also will benefit when TID is terminated and its incremental tax revenues can be used for general purposes.

In our opinion, the project clearly meets the Joint Review Board tests.

Exhibit A

**TID No. 68
Metcalfe Park Lease Option
Program**

**Development Budget and
Sources of Funds**

Uses:

Land	\$	30
Construction	\$	4,198,425
Construction Contingency	\$	100,000
FF & E	\$	60,000
A&E	\$	90,000
Accounting	\$	10,000
WHEDA Fees	\$	26,000
Legal	\$	75,000
Loan fees	\$	72,000
Interest	\$	95,000
Insurance	\$	25,000
Title & Recording	\$	16,000
Appraisal/Market Study	\$	12,500
Environmental	\$	5,500
Cost Certification	\$	5,000
Marketing	\$	10,000
Miscellaneous	\$	20,000
Developer's Fee	\$	592,975
Rent-up/marketing	\$	31,000
Reserves	\$	90,000
Total Uses	\$	5,534,430

Sources:

Equity	\$	2,436,010
WHEDA First Mortgage (6.38%, 40 yr. Amort.)	\$	1,200,000
WHEDA Second (0%)	\$	400,000
TID	\$	900,000
City HOME	\$	400,000
Deferred Development Fee	\$	198,420
Total Sources	\$	5,534,430

Exhibit B

**TID No. 68
Metcalfe Park Initiative**

**Metcalfe Park Lease Option Program
Projected Value**

Gross Rental Income	\$257,040
Less Vacancies	(\$7,700)
Net Rental Income	\$249,340
Less Operating Expenses (not including taxes)	(\$124,700)
Net Operating Income	\$124,640
Estimated Value using a 7.5% cap rate (not inc. taxes)	\$1,661,900
# of units	30
Value/unit	\$55,397

Completion Schedule

Completion	8/2007
Lease-up	12/2007

Wesley Scott Projected Value

Gross Rental Income	\$553,200
Less Vacancies	(\$38,700)
Net Rental Income	\$514,500
Other Income	\$17,800
Operating Income	\$532,300
Less Operating Expenses	(\$306,800)
Net Operating Income	\$225,500

Estimated Value using a 10.5% cap rate	\$2,147,600
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Completion Schedule

Estimated Completion	11/06
Full Lease-Up and Stabilized Occupancy	10/07

Value as of 1/2006	\$1,932,800
Value as of 1/2007	\$2,147,600

TID Number 68
Table I

FORECAST OF DISTRICT CASH FLOW
TAX INCREMENTAL DISTRICT NO. 68
Metcalfe Park Initiative

Year	Value Lease Option Homes	Value Wesley Scott	Value Remainder of District	Est. District Value	Base Value	Incremental Value	Tax Rate	Tax Incremental Revenue (2)	Debt Balance	Interest 4.50%
2006	\$0	\$450,000	\$43,926,900	\$44,276,900	\$44,276,900	\$0	2.44%	\$0		
2007	\$0	\$1,932,800	\$44,922,573	\$46,855,373	\$44,276,900	\$2,578,472	2.38%	\$0	\$1,475,000	\$66,375
2008	\$1,500,000	\$2,147,600	\$46,045,637	\$49,693,237	\$44,276,900	\$5,416,337	2.31%	\$61,368	\$1,541,375	\$69,362
2009	\$1,537,500	\$2,201,290	\$47,196,778	\$50,935,568	\$44,276,900	\$6,658,668	2.25%	\$125,117	\$1,549,369	\$69,722
2010	\$1,575,938	\$2,256,322	\$48,376,697	\$52,208,957	\$44,276,900	\$7,932,057	2.19%	\$149,820	\$1,493,973	\$67,229
2011	\$1,615,336	\$2,312,730	\$49,586,115	\$53,514,181	\$44,276,900	\$9,237,281	2.14%	\$173,712	\$1,411,382	\$63,512
2012	\$1,655,719	\$2,370,549	\$50,825,767	\$54,852,035	\$44,276,900	\$11,946,436	2.08%	\$197,678	\$1,301,182	\$58,553
2013	\$1,697,112	\$2,429,812	\$52,096,412	\$56,223,336	\$44,276,900	\$13,352,020	2.03%	\$219,963	\$1,162,058	\$52,293
2014	\$1,739,540	\$2,490,558	\$53,398,822	\$57,628,920	\$44,276,900	\$14,792,743	2.00%	\$242,513	\$994,388	\$44,747
2015	\$1,783,029	\$2,552,822	\$54,733,792	\$59,069,643	\$44,276,900	\$16,269,484	2.00%	\$267,040	\$796,622	\$35,848
2016	\$1,827,604	\$2,616,642	\$56,102,137	\$60,546,384	\$44,276,900	\$17,783,143	2.00%	\$295,855	\$565,430	\$25,444
2017	\$1,873,294	\$2,682,058	\$57,504,691	\$62,060,043	\$44,276,900	\$19,334,644	2.00%	\$325,390	\$295,019	\$13,276
2018	\$1,920,127	\$2,749,110	\$58,942,308	\$63,611,544	\$44,276,900	\$20,924,933	2.00%	\$355,663	-\$17,094	-\$769
2019	\$1,968,130	\$2,817,837	\$60,415,866	\$65,201,833	\$44,276,900	\$22,554,979	2.00%	\$386,693	-\$373,526	-\$16,809
2020	\$2,017,333	\$2,888,283	\$61,926,262	\$66,831,879	\$44,276,900	\$24,225,776	2.00%	\$418,499	-\$777,028	-\$34,966
2021	\$2,067,767	\$2,960,490	\$63,474,419	\$68,502,676	\$44,276,900	\$25,938,343	2.00%	\$451,100	-\$1,230,493	-\$55,372
2022	\$2,119,461	\$3,034,503	\$65,061,279	\$70,215,243	\$44,276,900	\$27,693,724	2.00%	\$484,516	-\$1,736,965	-\$78,163
2023	\$2,172,447	\$3,110,365	\$66,687,811	\$71,970,624	\$44,276,900	\$29,492,989	2.00%	\$518,767	-\$2,299,644	-\$103,484
2024	\$2,226,758	\$3,188,124	\$68,355,007	\$73,769,889	\$44,276,900	\$31,337,237	2.00%	\$553,874	-\$2,921,894	-\$131,485
2025	\$2,282,427	\$3,267,827	\$70,063,882	\$75,614,137	\$44,276,900	\$33,227,590	2.00%	\$589,860	-\$3,607,254	-\$162,326
2026	\$2,339,488	\$3,349,523	\$71,815,479	\$77,504,490	\$44,276,900	\$35,165,202	2.00%	\$626,745	-\$4,359,440	-\$196,175
2027	\$2,397,975	\$3,433,261	\$73,610,866	\$79,442,102	\$44,276,900	\$37,151,255	2.00%	\$664,552	-\$5,182,360	-\$233,206
2028	\$2,457,925	\$3,519,093	\$75,451,137	\$81,428,155	\$44,276,900	\$39,186,959	2.00%	\$703,304	-\$6,080,118	-\$273,605
	\$2,519,373	\$3,607,070	\$77,337,416	\$83,463,859	\$44,276,900		2.00%	\$743,025	-\$7,057,027	-\$317,566

Assumes a 2.5% annual growth rate in property values in district (beginning in 2009 for Wesley Scott and Lease to Own, and 2007 for remainder of district)
Interest on City debt - 4.25%
Declining tax rate through 2020

Draft Term Sheet
TID No. 68 – Metcalfe Park Homes
Lease to Own Program

Project: The Metcalfe Park Lease to Own Program (the “Project”) involves the construction of 30 new single family homes on scattered site lots in the Metcalfe Park neighborhood, bounded by North 27th Street, North 39th Street, West Meinecke Street, and West Center Street. The project is modeled after a similar program developed by the Cleveland Housing Network. The program utilizes the low-income housing tax credit program as its primary source of funding. In the program, residents rent homes and are given the opportunity to purchase them at the end of a fifteen year-tax credit compliance period (under the low income tax credit program, units have to remain as affordable rental units for a fifteen year period.) At the end of the compliance period, all of units will be sold to qualified tenants at a discounted price. During the course of the lease period, tenants will receive counseling to prepare them for eventual home ownership.

The TID will fund a loan/grant to the developer in the amount of \$900,000 to undertake the Project

(In addition, the TID will provide funding for a forgivable loan pool in the amount of \$500,000 to provide resources for Metcalfe Park property owners to make repairs to their homes. These funds will be administered by the Department of City Development and are not part of the City’s agreement with the developer for the Project.)

Project Budget: Total estimated project costs for the Project are \$5.5 million.

Developer: Metcalfe Park Homes Owner Initiative LLC. The Managing Members of the Company shall be the Milwaukee Urban League (51%) and Gorman & Company (49%) as its members.

A The City shall provide a contribution to Project from Tax Incremental District #68 in the amount of \$900,000. (It should be noted that the developer intends to apply for an additional \$400,000 in Federal HOME funding in 2007 to support the project from the City of Milwaukee’s Community Development Grant Agency. Should these funds not be available or approved, the developer’s fee would be deferred.)

Disbursements: 50 % of the City’s contribution will be made available after the project is 50% completed. The remaining 50% will be made available upon 100% completion.

Maximum Term of TIF The maximum term of the TID is November, 2033. The expected date of full amortization of debt is in 2018.

District:

Developer Responsibilities:

- Design and develop 30 single family homes for the program.
- Purchase the land as-is. Developer will assume all costs of storm water

management, land division, site preparation and extension of sewer and water laterals to the properties.

- Submit final site plans, building elevations landscape plans for approval to the Redevelopment Authority.
- Submit final development budget for the project, financing commitments and proof that all funding sources have been committed.
- Commit to 25 % Emerging Business Enterprise participation for all contracted construction work.
- Participate in outreach activities in the neighborhood, including a neighborhood steering committee to be formed for the purposes of supporting the ongoing redevelopment efforts in the neighborhood.
- Gorman & Company shall guaranty completion of construction of 100% of the units in the Project.

Cooperation Agreement:

A Cooperation Agreement between the City and the Redevelopment Authority is required to implement the TID Plan.

Sales Proceeds at end of 15 year compliance period

If there is an outstanding balance remaining on TID #68 at the end of the 15 year tax credit compliance period, 69% of "excess sales proceeds" from the sales of homes in the Project will be utilized to retire outstanding debt until TID #68 debt is paid in full. "Excess sales proceeds" shall be equal to the sales price of a home less any out of pocket expenses relating to sale, (including brokerage fees to the extent they are paid to a third party). Excess sales proceeds shall only be available after retirement of the first mortgage loan to WHEDA in the original amount of \$1,200,000. 69% is the fraction of TID assistance to total subordinate financing in the project. (\$900,000/\$1,300,000).

In the event that there is not an outstanding balance on TID #68 at the end of the compliance period, then any "remaining proceeds" up to an amount of \$ 425,000 shall be provided to the City of Milwaukee for the purposes of undertaking housing and job creating redevelopment initiatives in City neighborhoods. "Remaining proceeds" shall be defined as the total sales price of homes under the Project, less any out of pocket expenses relating to sale, (including brokerage fees to the extent they are paid to a third party) less the amount outstanding on the first mortgage loan from WHEDA in the original amount of \$1,200,000 less the amount outstanding on the second mortgage loan from WHEDA in the original amount of \$400,000, less the amount outstanding on any loan utilizing City HOME funding the project receives.

General

This term sheet does not constitute an agreement between the City or RACM and the Developer. The terms set forth herein, and other provisions customary for a transaction of this sort, shall be incorporated in a Development Agreement for Tax Incremental District No. 68 to be entered into between the Developer, the City and the Redevelopment Authority.

Proposed Guidelines for Forgivable Rehab Loans Through The Metcalfe Park Tax Incremental District (TID)

Eligibility

Who Is Eligible?

Owners who occupy their property and rental property owners are eligible to apply.

Income

There are no income restrictions, but owner-occupants and tenants will have to verify their income, for reporting purposes.

Taxes, Insurance, Mortgages, and Other Restrictions

All owners must be current with their property taxes, mortgages, and have homeowners' insurance when they apply. "Current" includes being on an approved payment plan with their mortgage company and the City Treasurer's Office.

Rental Properties: There are additional restrictions for investor-owners.

Landlords must be current with their property taxes and have a good building inspector record on all City-owned properties.

What Types of Buildings Are Eligible?

Residential property (owner-occupied and rental) is eligible.

The building must be over 25 years old, and 1 to 4 units.

Mixed-use properties are eligible if there are 1 to 4 residential units. All residential units in mixed-use buildings must be occupied when the rehab is done.

Loan Terms

General:

TID loans are for up to \$10,000.

The term is 5 years.

Loans are 0% forgivable loans; forgiveness is pro-rated at 20% a year.

Investor Owners:

Landlord Training is a required condition of obtaining the loan.

There are rent controls. Landlords are restricted to no more than 5% increases per year, starting when the rehab work is completed.
Landlords must match the loan dollar-for-dollar with their own funds.

If the owner lives within 3 blocks of a rental property, there is no required matching expense, but all other conditions for rental properties apply.

Forgiveness

Owner Occupants: As long as the owner lives in the home for five years after the rehab is done, there will be no interest or payment. After the five years, the loan is forgiven if the property taxes are current.

Investor-Owners: As long as NIDC has not received unresolved complaints about rents and the taxes on the building are current the loan will be forgiven five years after the rehab is done.

Other Restrictions

An owner may have only one open TID loan at a time.

Rehab Policy

What Rehab Work Is Eligible?

The purpose of the TID funds is to make permanent exterior repairs that will benefit the homeowner *and the neighborhood*. TID funds pay for major exterior repairs to existing homes.

TID forgivable loans may be combined with other funds to help new buyers who are financing major rehab on a home over 25 years old. Buyers can be investor-owners or owner-occupants.

Examples of exterior work TID funds shall be used for:

Roof replacement	Porch Replacement
Chimney Repairs	Siding and cladding
Gutters and downspouts	Exterior painting
Door replacement (prime and storm)	Front yard service walks & steps
Window replacement (prime and storm)	Permanent front yard
landscaping	

Under exception, up to one-third of the loan may be used to correct hazardous conditions such as heating, plumbing, electrical, lead, or structural conditions.

What Is Not Eligible?

TID loans are not intended for general remodeling or home improvements.

Applicants needing more comprehensive work should be referred to other Programs such as Home Rehab, NIP, or WHEDA. Another option is to combine TID funds with other loan funds to "round out" the loan package.