



Office of the Comptroller

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

Re: File 050395 TID xx - Bronzeville Cultural & Entertainment District

Committee Members:

File 050395 would approve a Project Plan and authorize the creation of TID xx – Bronzeville Cultural & Entertainment District. Extending from West Garfield Avenue north to West Center Street, and North 7th east to Martin Luther King Drive, the proposed TID also includes a narrow north-south segment encompassing the blocks on either side of Martin Luther King Drive from West Lloyd Street north to West Burleigh Street. This would make the proposed TID one of the City’s larger TIDs by area, covering about 170 acres. Based on the documents provided to our Office, the following goals of the proposed Bronzeville TID are evident:

- To assist the development of an African American Cultural and Entertainment District in the area surrounding West North Avenue through public infrastructure improvements, property acquisition and business loans/grants, and
- To provide grants for home purchase and rehabilitation throughout the larger District boundary and to provide business loans/grants mainly along Martin Luther King Drive.

The TID budget for this project totals \$3.3 million¹, with additional City and Federal funding of \$1.2 million for a total \$4.5 million². The following summarizes the funding sources and uses for this project.

<u>FUNDING SOURCES:</u>		<u>USES:</u>	
TID Sources	\$3,288,500	BusinessLoans/Grants	\$1,000,000
		Land Acquisition	\$1,000,000
		Residential Assistance Grants	\$ 500,000
		Public Improvements	\$ 488,500
		Marketing/City Administration	\$ 300,000
Non TID Sources			
Federal HOME Grants	\$ 500,000	Home Purchase/Rehab	\$ 500,000
City Development Fund	\$ 315,000	Property Acquisition	\$ 460,000
Fed Grant MPS	\$ 250,000	Rehab MPS Public School	\$ 250,000
Federal CDBG City Grant	\$ 145,000		
NON-TID Sources	\$ 1,210,000		
TOTAL SOURCES	\$ 4,498,500	TOTAL USES	\$4,498,500

Impetus for this TID originated with the completion of a Market Analysis of the four block section of North Avenue in the southernmost section of the proposed Bronzeville TID. This area comprises about 35 acres with a current property tax base of about \$7.2 million. Completed by CH2M Hill in February, 2005, this Study concluded that "...there is great market potential to develop a (African American Cultural & Entertainment) district...". The focus would be on enhancing the arts, restaurant, entertainment and other cultural opportunities

¹ This total excludes \$330,000 of required capitalized interest costs.

² The City is also providing an estimated 20 cleared residential lots for \$1 as a further incentive for prospective home owners. The cost of this land is not included in the project sources total.

within and adjoining the North Avenue commercial area. On February 22, 2005, the Common Council adopted Amendment 2 (File # 041531) to the N. 7th-W. Garfield Ave Redevelopment Plan to create the cultural-entertainment district.

Shortly after the above Redevelopment Plan amendment was adopted, the proposed TID was extended northward to North Center Street also encompassing the commercial strip along Martin Luther King Drive to West Burlleigh Street. This substantially enlarged the original area included within the TID thereby increasing the beginning property value of the proposed TID from \$7.5 million to over \$42 million.

Is the proposed TID likely to be successful in recovering all TID costs?

Supported by the large area of already developed land within the proposed TID boundaries, the Bronzeville TID is likely to recover the planned \$3.6 million (including capitalized interest) in TID costs, successfully retiring the District within the period 2025 - 2030.

In contrast to a typical office centered commercial TID, there is no developer proposal on which to evaluate the probable success of the Bronzeville TID. This TID depends upon future commercial and residential property value growth due to City loans and grants made over a time period extending over 2-3 years or more. Additional time will also be required for the property value impact of these loans/grants to be fully realized through new business start-ups or expansions and new home construction. Hence there is uncertainty as to the extent and pace of TID real estate development triggered by the proposed TID project spending plan.

If we assume that TID spending ultimately enables \$1 million of successful business loans and grants with 30 percent leverage and that \$250,000 of home loan grants for new home construction result in \$2 ½ million in new residential property value, then ultimately the TID would directly add about \$5.8 million in new property value and just over \$150,000 annually in incremental property tax revenues. While significant, this tax increment would not by itself be sufficient to recover all proposed TID costs without substantial other property value growth within the proposed district boundaries.

This risk of insufficient tax increment has been significantly reduced by extending the TID boundaries from West Meinecke north to West Center Street and by adding the Martin Luther King Drive commercial strip. This action effectively expands the TID area by a factor of 4 – 5 times and adds an additional \$35 million in beginning TID property value, increasing its base value from \$7.5 million to \$42.2 million. *Given the extensive size of the expanded TID, the “natural”³ growth in district property value over time will probably have a greater impact than the proposed TID spending in determining whether Bronzeville is able to recover all of its TID costs.*

The feasibility study supporting the creation of the Bronzeville TID assumes an annual 2 1/2 percent property value increase throughout the district over its life. Based on this assumption the TID would be successfully retired by the year 2029. This 2 ½ percent growth assumption is a reasonable long term assumption and below the District’s experience over the last five years. Since this TID relies heavily on the area’s “natural” annual growth rate, maintenance of at least this rate of overall real property value growth within the TID boundaries will be necessary for full TID cost recovery.

Is the proposed \$3.6 million in TID financial assistance (including capitalized interest) required to enable the Bronzeville area to achieve the intended level of revitalization?

In spite of past economic development efforts focused along Dr. Martin Luther King Drive, the TID area has witnessed a general decline in commercial activity over time. *In order to expand business and home ownership opportunities, quicken the pace of this area’s development and exert a greater degree of influence over the quality of such development, the City through its proposed TID provides a practical and cost effective approach to the entire area’s needs. But while the proposed TID is an important initiative, by itself the current TID plan may not be sufficient to accomplish a major revitalization of the entire Bronzeville area. This is particularly true of the large residential area to the north of North Avenue. Therefore, the DCD should consider expanding the*

³ “Natural” property value growth refers to annual increases in property value which would have occurred independent of whether the proposed TID expenditures were made.

Market Study - now limited to the southern portion of the proposed TID surrounding North Avenue and excluding Dr. Martin Luther King Drive - to include the entire proposed TID area.

The Bronzeville Market Study demonstrates the potential of the southernmost section of the TID to become a more vibrant entertainment and commercial center. The Study concludes that a strong primary trade area demand and a level of retail demand exceeding that which can be accommodated on North Avenue supports the success of a commercial development in the southern portion of the proposed TID. The recent CH2M Hill Market Study did not include the larger area to the north including Martin Luther King Drive, so it is unclear if this larger area will likewise respond to the proposed City financial incentives. Nevertheless, the proposed public improvements and incentives provided to prospective area homeowners and businesses would no doubt provide an important benefit for the entire Bronzeville area. Also, the ability of the City to tap existing Federal and State funding sources and the opportunity to accelerate the development of the area support the creation of a tax increment district. According to the CH2M Hill Market Study, the City also needs to play an active role in fostering continuing community input affecting this area's development and in resolving the various neighborhood traffic flow, parking and other important commercial development issues.

Furthermore, there are a number of safeguards built into the proposed TID loan and grant administration for Bronzeville. The DCD has proposed a cooperation agreement with the Redevelopment Authority which establishes a set of essential underwriting guidelines for making residential loans and grants consistent with the successful Lindsay Heights experience. For example, for all new home construction loans/grants, only owner occupants may apply. RACM must pre-approve all building plans. All business loan applications over \$100,000 are subject to the review of the Zoning, Neighborhoods & Development Committee and the Comptroller. Similarly, proposed business loan/grant guidelines help assure that funds are provided to borrowers who can leverage these dollars with their own funds as well as other private financing, increasing the TID's development impact.

As mentioned, the February, 2005 CH2M Hill Market Study was limited to the North Avenue commercial district. **We recommend that the Market Study be expanded to include the entire proposed TID area north to West Center Street and including the King Drive commercial strip north to West Burleigh.** This would assure that development assistance and public improvements are targeted in a way that maximizes their impact on the entire TID area. Identifying and phasing the necessary traffic, lighting and parking improvements for the entire TID area should be accomplished as part of the updated Market Study. Assuming that the Administration would not elect to delay the creation of the Bronzeville TID pending completion of the updated Market Study, we would suggest that any major impact resulting from the updated Study be incorporated into a proposed TID plan amendment as required.

Lastly, we think it important to establish relevant job creation and retention goals associated with these major City of Milwaukee investments. As such, **we recommend that the DCD establish meaningful, time specific measures of intended job creation/retention as a result of this TID and closely monitor the actual jobs impact. This could also be coordinated with a job training program focused on the home rehabilitation component of the TID plan.**

Should you have any questions regarding this letter, please contact me at your convenience.

Sincerely,



W. Martin Morics
Comptroller

Cc Richard Marcoux, Joel Brennan, James Scherer, Rhonda Manuel