

**SECOND AMENDMENT TO PROJECT PLAN  
FOR  
TAX INCREMENTAL DISTRICT NO. 47  
CITY OF MILWAUKEE**

Department of City Development  
June, 2007

## **SECOND AMENDMENT TO PROJECT PLAN**

### **TAX INCREMENTAL DISTRICT NO. 47 (875 E. Wisconsin Ave.) CITY OF MILWAUKEE**

#### **BACKGROUND**

The Tax Increment Law (Wis. Stats. Section 66.1105) allows tax increment districts, under certain circumstances, to donate revenues to other tax increment districts in the same municipality. Generally, these circumstances are:

- The “Donor” and the “Recipient” district must have the same overlying taxing jurisdictions;
- The amendment to donate funds must be made before the Donor district has recovered all of its project costs;
- The Recipient district must have been created upon a finding that not less than 50%, by area, of the real property in the district is blighted, or is in need of rehabilitation; or, its project plan provided funds to create or rehabilitate low-cost housing or to remediate environmental contamination;
- The Donor district, once established, cannot request or receive an extension to its life;
- The amount of the donated funds may not exceed the difference between the annual tax incremental revenue collected by the Donor district, and the funds needed to pay the Donor’s project costs or debt service in that year;
- Donations may be made for a period of five years, and upon additional approvals from the City and Joint Review Board, may be made for an additional five years, if needed. This second amendment must be made in the fourth year of the initial five-year donation period; and

The process of donating funds from one district to another is accomplished by the adoption of an amendment to the Donor district’s Project Plan, and is subject to approval by the Common Council, and Joint Review Board.

#### **DONOR DISTRICT**

**Tax Incremental district No. 47 (875 E. Wisconsin Ave.)** was approved by the Milwaukee Common Council on March 5, 2002. Tax incremental revenue received from this district has totaled \$1,505,117, thru the “2006 for 2007” levy. Project revenue (loan payoff) amounts to \$409,722. Project costs, including principal and interest

payments due aggregate to \$3,973,106. The district has a statutory termination date of 2028. All project costs have been incurred.

Incremental revenue generated by TID No. 47 in 2007 (from the 2006 levy) was \$515,680. Scheduled debt service payments are \$116,449 from 2007 through 2014. See Exhibits A and B.

Consequently, excess increments of approximately \$399,000 are available to be donated to other districts, assuming incremental revenues do not decline. Historically, revenues have increased.

As set forth below, it is proposed that this annual amount be donated to two districts which are not expected to recover their projects costs in their remaining statutory lives.

Also set forth below is the expected impact this donation will have on TID No. 47. That is, by donating approximately \$400,000 per year, it is determined that this district will close out approximately four years later than currently anticipated.

### **RECIPIENT DISTRICTS**

TID No.47 will make “donations” to the following “Recipient” Districts, in the amounts indicated:

**Tax Incremental District No. 20 (Florida Yards)** was approved by the Milwaukee Common Council on July 27, 1993. This district was created to redevelop a former rail yard into a fifteen acre business park located at E. Florida and S. Barclay Streets. The district was established as an “Industrial” district, however, the Project Plan provided funding to remediate environmental contamination, and hence this district is eligible to be a Recipient district.

Sites were marketed to manufacturing and distribution firms, although environmental contamination, poor subsoil conditions and sewer service difficulties discouraged development for several years. In 1994 Fred Usinger, Inc. purchased 6 acres and constructed a 20,000 s.f. warehouse and distribution facility. In 2003, Usinger constructed an \$8 million, 55,000 s.f. addition to which it relocated a substantial portion of its production operations. Also, in 2003, V. Marchese & Sons, a produce processor and distributor, completed a 33,000 s.f. \$4 million facility, adding 10 positions to its initial workforce of 64.

From 2001 to 2006, TID 20 received a total of \$850,000 in donations from TID No. 5 (since dissolved) in order to restore its financial feasibility.

As of year-end 2006, TID No. 20 needed to recover \$3,619,531 of net project costs, and annual incremental revenue realized in 2007 (from 2006 levy) was \$253, 231. At this

amount of incremental revenue, the district has a remaining pay-back period of 15 years. However, the district has a remaining statutory life of 13 years (2020).

It is proposed that TID No. 47 make an annual donation to TID No. 20 in an amount sufficient to allow this Recipient district to recover its project costs over the next 12 years, and be closed out. This is calculated as follows.

Net Project Costs as of 12/06	\$3,619,531
Less: Est. Inc. Revenue over 12 years @ \$250,000	\$3,000,000
Donation required over five years	\$619,531
Annual donation required for next five years to achieve break-even in 12 years	\$125,000

**TID No. 21 (North Ave. Commerce center)** was created December 22, 1993 as a “blighted-area” district, and hence qualifies as a Recipient district. This district funded site acquisition, public improvements, and “rent support” payments for two multi-tenant, light industrial buildings at N. 27<sup>th</sup> St. and W. North Ave. The district encompasses a 15-acre site located between N. 27<sup>th</sup> St. and W. Fond du Lac Ave. in the former Park West Freeway Corridor. Plans originally called for up to four multi-tenant industrial buildings, totaling 250,000 s.f. Recently, a new district was adopted to overlap the remaining two vacant blocks and provide funding for a retail center, including a Lena’s grocery store.

Project costs remaining to be recovered for TID No.21, including interest on debt, were \$2,996,239 as of December 31, 2006. Incremental revenues for this district were \$141,521 this year, suggesting a payback period of 22 years. However, this district also has a remaining statutory life of 13 years (2020).

Consequently, it is proposed that for a period of five years, TID 47 donate the balance of any annual surplus incremental revenues, following its \$125,000 donation to TID No. 20. This donation of \$274,000 ( \$399,000 less \$125,000) would have the following effect on the payback period of TID No. 21:

Net Project Costs as of 12/06	\$2,996,239
Less :Incremental Revenue of \$140,000 per year for five years	\$700,000
Less: Donation of \$274,000 per year for five years	\$1,370,000
Net to be recovered after five years	\$926,239
Remaining payback period @ \$140,000 inc. revenue	7 years
Total payback period	12 years

Consequently, this donation to TID No. 21 would have the effect of closing out the district one year prior to its statutory termination date.

### **IMPACT ON TID No. 47**

As of 12/06, \$2,058,267 of Project Costs need to be recovered for TID No. 47. Given the anticipated annual revenue of \$515,000, the district has a relatively short payback period of four years, or by 2011.

Assuming the donations are made as proposed, the following table estimates the impact on the payback period for this Donor district.

Net Project Costs as of 12/06	\$2,058,267
Less: Incremental Revenue (\$515,000) net of donation (\$399,000), or \$116,000 annually for five yrs.	\$580,000
Net Cost to be recovered after five years	\$1,478,267
Remaining payback period @ \$515,000 inc. revenue annually	3 years
Total payback period	8 years (vs. 4 if no donations made)
Est. Close-out	2015 (vs. 2028 statutory limit)

### **ANNUAL DONATIONS FROM TID No. 47:**

As set forth above, TID No. 47 shall, for the five year period beginning in 2008 and ending in 2012:

- Donate annually to TID No. 20: \$125,000
- Donate annually to TID No. 21: The remaining amount of revenues after payment of scheduled debt service for TID No. 47, and the above donation to TID No. 20, an amount estimated at \$274,000.

---

**Exhibits:**

**Exhibit A: Est. future tax increments needed to recover net Project Cost, as of  
December 31, 2006**

**Exhibit B: Scheduled debt service for TID No. 47.**

	EXHIBIT A :			
	Estimate of Required Tax Increments Needed to Recover Net Project Costs, as of Dec. 31, 2006			
	TID 20	TID 21		TID 47
	Florida Yards	North Ave. Comm. Center		875 East Wisconsin Ave.
	TID-20	TID-21		TID-47
G.O.B. Financed Expenditures	5,296,052	3,168,837		2,328,982
G.O.B. Estimated Future Expenditures				
G.O.B. Lifetime-to-Date Interest	914,135	849,147		264,922
Developer-Financed Expenditures				
Certified Project Expenditures				
Estimated Future Expenditures				
Interest Expense				
Amortization of Bond Costs & Discount				
Legal Expense				
Administration				
Add Scheduled Bond Interest Costs-				
Developer Loans - 2007 to Maturity				
Developer Loans - Estimated Future Borrowing				
G.O.B. Interest - 2007 to Maturity	326,638	703,338		1,363,559
G.O.B. Interest - Estimated Future Borrowing				
Cumulative City of Milwaukee Carrying Costs/ (Earnings) on Yearly Deficit or Surplus	472,862	259,113		15,643
<b>Total Project Costs</b>	<b>7,009,687</b>	<b>4,980,435</b>		<b>3,973,106</b>
Project Revenues	(1,410,000)	(254,013)		(409,722)
Change in Principal Debt Service Requirements as a Result of 1985,1996, 2001, 2002, 2003 & 2005 Debt Refundings	2,929	12,171		-
<b>Net Project Costs/Amount to be Recovered through Tax Increments</b>	<b>5,602,616</b>	<b>4,738,593</b>		<b>3,563,384</b>
<b>TAX INCREMENTS REQUIRED</b>				
Amounts Levied:				
1991 and prior	-	-		-
1992	-	-		-
1993	-	-		-
1994	-	-		-
1995	56,503	39,204		-
1996	48,879	84,602		-
1997	38,950	78,077		-
1998	35,250	79,687		-
1999	29,167	87,990		-
2000	44,885	79,985		-
2001	70,832	83,366		-
2002	79,205	92,619		-
2003	98,584	119,674		136,891
2004	155,778	120,252		396,887
2005	222,221	133,577		455,659
2006	253,231	141,521		515,680
<b>Total Tax Increments Levied at December 31, 2006</b>	<b>1,133,485</b>	<b>1,140,554</b>		<b>1,505,117</b>
Reallocation of Tax Increments from TID's with Costs fully Recovered	849,600	601,800		
<b>Net Amount to be Recovered Through Future Tax Increments</b>	<b>3,619,531</b>	<b>2,996,239</b>		<b>2,058,267</b>
Remaining Recovery Years	13	13		18

		Exhibit B: Scheduled Debt Service
		875 East
		Wisconsin Ave.
		TID-47
	2007	\$ 116,449.10
	2008	\$ 116,449.10
	2009	\$ 116,449.10
	2010	\$ 116,449.10
	2011	\$ 116,449.10
	2012	\$ 116,449.10
	2013	\$ 116,449.10
	2014	\$ 116,449.10
	2015	\$ 392,336.06
	2016	\$ 392,192.99
	2017	\$ 393,878.08
	2018	\$ 394,714.38
	2019	\$ 394,798.41
	2020	\$ 395,502.02
	2021	\$ 397,526.05
		\$ 3,692,540.80