

Aycha Sawa, CPA, CIA
Comptroller

Joshua Benson
Deputy Comptroller



Office of the Comptroller

Toni Biscobing
Special Deputy Comptroller

Richard Bare, CPA
Special Deputy Comptroller

January 27, 2021

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

RE: File 201282, TID 107 – Chapel Gardens

Dear Committee Members:

File 201282 would approve the creation of Tax Incremental District (TID) 107, Chapel Gardens (the District), along with a corresponding project plan and term sheet. The Comptroller's office has reviewed the project plan, feasibility study and term sheet, and has had discussions with Department of City Development (DCD) and Assessor's Office staff. This analysis is based on the information provided.

The proposed District includes one property, totaling 95,087 square feet, located on South Layton Boulevard and Greenfield Avenue in the Layton Boulevard West Neighborhood (the Property). The Property is comprised of a former convent building and outbuilding on the campus of the School Sisters of St. Francis, who have occupied the site since the early 1900's. The District is being created to assist in the adaptive reuse of the buildings into 63 affordable housing units, including 59 one and two bedroom units for elderly residents and four three bedroom units for families (the Project). The Project is being undertaken by the School Sisters of St. Francis and General Capital Development, LLC (the Developers).

Total estimated costs for the Project are \$16,156,600. This file authorizes a \$720,000 grant to the Developers to partially fund construction costs. The Developers will advance the \$720,000. After substantial completion of the Project, the District will make annual payments to the Developers equal to the incremental taxes collected in the District, less an annual administration charge of \$3,000, until the \$720,000 plus 4.75% interest is repaid. However, the term sheet limits payments to the Developers to 20 years (2041 tax levy). If final Project costs are lower than the \$16,156,600 budgeted, the City's obligation to the Developers will be reduced by 50% of the cost savings.

The “developer financing” approach of the proposed District shifts the risk of this TID not breaking even from the City to the Developers. As a developer-financed TID, the Developers assumes the risk that the proposed District will generate sufficient incremental revenue to recapture their \$720,000 investment with interest.

Is This Project Likely to Succeed?

From a financial perspective, the proposed TID is viable given that the City’s contribution is limited to a 20-year tax incremental revenue stream from the District. The Developers assume the risk of recovering their \$720,000 contribution.

DCD’s feasibility study, which uses a constant 2.771% property tax rate and 1% inflation rate over the life of the TID, forecasts the Developers will fully recover the \$720,000, plus interest, after receipt of the 2041 levy (the final year of the City’s obligation to the Developers). However, if the tax rate does not remain constant or the forecasted 1% annual appreciation is not realized, the Developers may not recover the entire \$720,000, plus interest. Nonetheless, because the Developers, not the City, assumes the repayment risk on their contribution to the District’s costs, the economic feasibility of the proposed TID to the City is guaranteed.

Sensitivity Analysis

There is inherent risk in every projection of future results. One common way to alleviate this risk is to provide sensitivity analysis which forecasts the impact that different assumptions have on the projection. Below is a table which summarizes several scenarios which show the sensitivity of DCD’s projected incremental revenues within the District.

Sensitivity Analysis	
Percentage of DCD Projected Revenue	District Payback Year
90%	2042*
95%	2042*
100% (Base Case)	2042
105%	2041
110%	2040

* 2042 is the final year of the monetary obligation. The Developers would not fully recover their investment, plus interest, in this scenario.

It is important to note that the payback year relates to the expected year in which the Developers will recover their investment. Since the Project will be financed by the Developers the City is not at risk of losing the \$720,000.

Is the Proposed Level of City Financial Participation Required to Implement the Project?

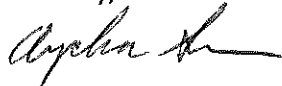
This proposed TID allows the City to provide incentive to the Developers to redevelop the Property while minimizing the City's involvement and risk. While these expenditures may have occurred with or without this proposed TID, the redevelopment of the Property should increase the City's tax base.

Conclusion

The proposed TID provides incentive for the Developers to redevelop a former convent and outbuilding and the creation of 63 housing units, while assuming the financial risk, and increasing the City's tax base.

Should you have any questions regarding this letter, please contact Joshua Benson at extension 2302.

Sincerely,



Aycha Sawa, CPA, CIA
Comptroller

CC: Maria Prioletta

AS/JB