

LRB – FISCAL REVIEW SECTION ANALYSIS

**JANUARY 14, 2003 AGENDA
ZONING NEIGHBORHOODS & DEVELOPMENT COMMITTEE**

**ITEM 9, FILE 020950
Emma J. Stamps**

File No. 020950 is a resolution authorizing Amendment No. 4 to the Cooperation Agreement for Tax Incremental District No. 32 (Walnut Street/King Drive Commercial Area; 1846 North King Drive Project). (DCD)

Background

1. Tax incremental districts (TIDs) succeed when the city induces private development in a targeted geographic area by making public improvements and loans to developers. City costs are later recovered through the additional property taxes generated (from all local governments) by the new development.
2. TID No. 32 was established in 1996 for the area bounded by North 6th Street, North Dr. Martin Luther King Jr. Drive, West Walnut Street, West Vine and West Reservoir Street.
3. Total city contributions were estimated at \$1,050,000.
4. To date, three loans totaling \$525,000 have been made under TID No. 32.
 - Resolution 970594 authorizing a \$110,000 maximum loan to Dreamland Improvement Group (Cooperative Agreement Amendment No. 1) to redevelop vacant property at the northwest corner of North Dr. Martin Luther King Jr. Drive and West Vine Street into 9,000 sq. ft. of commercial and 8 apartment units.
 - Resolution 971279 authorizing a \$300,000 maximum TID No. 32 second mortgage loan to Odellian Group LLC (Cooperative Agreement Amendment No. 2) to construct a 13,300 sq. ft. leaseable floor two-story office building at 1849 North Martin Luther King Jr. Drive.
 - Resolution 001059 authorizing a \$115,000 maximum TID No. 32 second mortgage loan to Mangan Development Group, LLC (Cooperative Agreement Amendment No. 3) to construct a 10,000 sq. ft. leaseable floor two-story, mixed-use at 1823 North Dr. Martin Luther King Jr. Drive

Discussion

1. The 2003 budget provides \$14 million to sustain TID city expenditure needs.
2. This file authorizes the Milwaukee Economic Development Corporation, an agency under the Department of City Development, to extend a \$300,000, 5.25% 20-year MEDC loan to Tristar Development LLC, a company formed by Noel and Rilla Williams, to construct a 12,676 sq. ft space two story commercial building at 1846-48 N. Dr. Martin Luther King Jr. Drive.
3. The loan terms require a minimum \$216,900 borrowers' equity contribution.
4. The Comptroller letter dated January 9, 2003 conclude that this project is financially possible but advises this Committee to consider the various material loan risks, including the following:
 - Cash flow projections based on relatively low vacancy rate for commercial structures,
 - Adjustable interest rates,
 - Possibility of loan defaults, and

- Verified consistency of executed loan agreements and supporting documents to those already on file with the Comptrollers office

Fiscal Impact

Adoption of File 020950 authorizes expenditures of \$300,000 from Tax Increment District No. 32 to Tristar Development, LLC to purchase vacant land at 1846-48 North Dr. Martin Luther King Jr. Drive and construct a 12,676 sq. ft. multi-tenant commercial building.

This loan is subordinate to the \$725,000 first mortgage having a 3-year minimum term and a 20-year amortization.

Also, this loan is amortized over 20 years, and payments are deferred during the first 24 months.

A lump sum interest payment in the amount of \$31,500 is due in the 25th month.

Monthly principal and interest repayments in the amount of \$2,150 are due in months 26 to 240.

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LRB – Fiscal Review Section
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