

October 23, 2001

To The Honorable  
Common Council of the City of Milwaukee  
Zoning, Neighborhoods & Development Committee  
City Hall – Room 205  
City of Milwaukee

Re: File No. 010086, Resolution Approving Amendment No. 1  
to Project Plan for Tax Incremental District No. 5

Dear Committee Members:

In 1995, the Wisconsin Legislature amended the tax increment law to allow tax increment districts, under certain circumstances, to “donate” revenues to other tax increment districts. Generally, these circumstances are:

- the “donor” and “recipient” districts must have the same overlying taxing jurisdictions;
- the “donor” and “recipient” districts must have been created before October 1, 1995; or, if located in a city of the “first class,” before October 1, 1996; and,
- the donation of funds may be made for a period of five years and extended for up to another five years.

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 the Joint Review Board.

TID No. 5 is expected to fully recover its costs in the near future, and generates approximately \$2.4 million in revenue each year. The proposed amendment to TID No. 5 would allocate surplus funds from this district to three districts which are not anticipated to fully recover their own project costs within their remaining statutory lives. These districts are:

**TID No. 20 (Florida Yards):** This district was created to redevelop a sixteen-acre, former rail yard into a business park. Thus far, six acres have been sold to Fred Usinger, Inc., which has constructed a 26,000 s.f. warehouse on the property. Marketability of the

balance of the site has been hampered by poor access, lack of sewer service, environmental contamination, and subsoil problems.

Project costs remaining to be recovered for TID No. 20, including interest on debt, and net of tax incremental revenue, land sale proceeds and grants, amounted to over \$2.7 million as of December 31, 2000. Currently, annual incremental revenue from the district is approximately \$45,000 but is expected to increase to \$70,000 for the next two years. Even with this increase, however, the payback period for this district will be in excess of the remaining 20-year statutory life of TID No. 20.

The proposed amendment to the Project Plan for TID No. 5 provides for TID No. 5 to donate 9.6% of its incremental revenue each year, for five years, until the total donation reaches \$850,000. With this donation, and with anticipated future development in the district, we expect that the project will break even within its remaining life of 20 years.

**TID No. 21 (North Avenue Commerce Center):** This district funded site acquisition, public improvements, and continues to fund “rent support” payments for two multi-tenant, light industrial buildings at N. 27<sup>th</sup> and W. North Avenue.

Projects costs remaining to be recovered for TID No. 21, including interest on debt, were nearly \$1.7 million as of December 31, 2000. In addition, rent support payments for the projects are continuing to be made. These payments vary with occupancy and for each of the two buildings. For the first building, rent support payments are likely to be required through April of 2005. For the second building, rent support payments are capped at \$350,000, and we expect that to be paid out by 2002.

Given these additional outlays, the payback period for this district is also in excess of its remaining 20-year statutory life.

Consequently, we are proposing that TID No. 5 donate 6.8% of its annual incremental revenue for a period of five years until the combined donation reaches \$600,000. Here, again, this donation is expected, along with anticipated future occupancies of the properties, to allow the district to recover its project cost within its statutory life.

**TID No. 30 (Library Hill):** This district funded the site acquisition expenses for the 139-unit apartment complex located at 740 W. Wisconsin Avenue.

Substantial cost overruns were realized in condemning the site for the project and, as of December of 2000, the remaining project cost for TID No. 30, including interest on debt, totaled nearly \$11.2 million.

Incremental revenue from the district was \$84,000 this year and is expected to increase to \$160,000 in 2002, and increase to \$200,000 by 2004.

In order to allow TID No. 30 to break even within its remaining statutory life, the proposed plan provides for TID No. 5 to donate 83.6% of its incremental revenue over the next five years, until total donations for TID No. 30 reach \$7.4 million.

While Milwaukee has not previously donated funds from one tax increment district to another, ten other municipalities throughout Wisconsin are using one tax incremental district to support one or more other districts within their jurisdiction.

Overall, we believe approval of the Amendment to the Project Plan is clearly in the best interests of the taxpayers in the City of Milwaukee, and we recommend your approval of the proposed amendment.

Sincerely,

Julie A. Penman  
Commissioner