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**Office of the Comptroller**

January 26, 2017

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

RE: File 161313, TID 37 – Grand Avenue  
Amendment #4

**Committee Members:**

File #161313 would authorize an additional \$7.865 million of Tax Incremental District (TID) 37 funding for the following purposes: \$5.115 million for street improvement and public infrastructure costs, \$1.900 million for a forgivable loan to Bon-Ton Department Stores, Inc., \$750,000 for a façade grant at the Grand Theater and \$100,000 of administrative costs. The additional funding authorized by this file will increase the total TID 37 budget from the current \$18.106 million to \$25.971 million, excluding capitalized interest and other financing costs.

TID 37 was created in 1998 to revitalize the downtown retail and commercial district anchored by the Grand Avenue retail center by providing financial assistance in the construction of the Courtyard by Marriott hotel, as well as public infrastructure improvements in the area. The project has undergone several revisions since creation. See Table A for a summary of project budget amendments and funding increases.

<b>Table A - Project Budget Revisions</b>		
<b>File No.</b>	<b>Description</b>	<b>Amount</b>
971894	Original Project Plan - authorized \$2.0 million assistance for construction of the Courtyard by Marriott hotel, \$400,000 funding for public infrastructure improvements and \$100,000 of administrative costs.	\$ 2,500,000
990115	Amendment #1 - authorized additional \$3.0 million façade grant and \$6.4 second mortgage loan towards redevelopment of former Marshall Field's/Gimbels building into office, hotel & retail uses (ASQ Center).	9,400,000
000430	Amendment #2 - authorized additional \$5.0 million assistance for renovation of the Boston Store Building consisting of remodeled department store, corporate offices, and 60 apartments.	5,000,000
131580	Amendment #3 - authorized additional \$1.2 million loan to Bon-Ton and \$6,000 of administrative costs.	1,206,000
	<b>Total Current Budget</b>	<b>18,106,000</b>
161313	Proposed Amendment #4 - authorize additional \$5.115 million for street improvements and public infrastructure costs, \$1.900 million forgivable loan to Bon-Ton, \$750,000 façade grant for redevelopment of Grand Theater and \$100,000 of administrative costs.	7,865,000
	<b>Total Budget Including File No. 161313</b>	<b>\$ 25,971,000</b>



To date, \$19.256 million of district funds have been spent, not including capitalized interest or other financing costs. See Table B for a breakdown of budgeted and expended TID funds.

<b>Table B - Total TID 37 Budgeted and Expended Amounts</b>			
<b>Description</b>	<b>Budgeted</b>	<b>Expended as of December 31, 2016</b>	<b>Remaining</b>
Public Improvements	\$ 400,000	\$ 247,914	\$ 152,086
Grants/Loans	17,600,000	17,309,752	290,248
Administration	106,000	1,698,062	(1,592,062)
Current budget	18,106,000	19,255,728	(1,149,728)
Proposed file 161313, Amendment #4			
Street Improvements & Public Improvements	5,115,000	-	5,115,000
Grants/Loans	2,650,000	-	2,650,000
Administration	100,000	-	100,000
Total Amendment	7,865,000	-	7,865,000
Amended budget	\$ 25,971,000	\$ 19,255,728	\$ 6,715,272

The District is being amended to fund a number of projects. A \$1.9 million, 4.5% loan will be made to Bon-Ton Department Stores, Inc. (Bon-Ton) to offset the remodeling costs of their corporate offices and retail space located within the Boston Store building located at 331 West Wisconsin Avenue (the Premises). In exchange for the loan, Bon-Ton will extend their lease of the Premises for 10 years through the end of 2028. Annual debt service on the loan will be forgiven if Bon-Ton retains 750 full-time positions at the Premises.

A \$750,000 façade grant will be provided to reimburse WAM DC LLC (Developer) for restoration of the Grand Theater's façade and marquee at 212 West Wisconsin Avenue. The Developer will also be reimbursed up to an additional \$2.5 million for public infrastructure costs associated with the reconstruction of North 2nd Street. This work will be in conjunction with a complete renovation of the Grand Theater into an approximate 1,750 seat home for the Milwaukee Symphony Orchestra, at an estimated cost of \$80 million.

An estimated \$2.6 million will fund street and infrastructure improvements in or within a half mile of the Grand Avenue district boundary. An additional \$100,000 will fund DCD administrative costs. See Table C for a breakdown of the Amendment #4 budgeted amounts.

<b>Table C - TID 37, Amendment No. 4 Detailed Costs</b>		
<b><u>Description</u></b>		<b><u>Budget</u></b>
<b>Forgivable Loan to Bon-Ton</b>		\$ 1,900,000
<b>Façade Grant for Grand Avenue Theatre</b>		750,000
<b>North 2nd Street Reconstruction</b>		2,500,000
<b>Total Street and Public Infrastructure Improvements</b>		
Wells Street Reconstruction - Broadway to 6th Street	560,000	
Plankinton Ave Reconstruction - St. Paul Ave to Menomonee River	500,000	
Wisconsin Ave High Impact Paving - Milwaukee River to 10th Street	255,000	
Kilbourn Ave High Impact Paving - Plankinton Ave to 6th Street	250,000	
2nd Street High Impact Paving - Clybourn Street to Kilbourn Ave	200,000	
4th Street High Impact Paving - Wells Street to Kilbourn Ave	100,000	
Install Harp Lights-Plankinton Ave from W Wisconsin Ave to W Kilbourn Ave	300,000	
Upgrade Postman Square-W Wells Street, N 2nd Street & N Plankinton Ave	150,000	
Install Upgraded Lighting-W Wisconsin Ave from N 6th Street to N Plankinton	100,000	
Various sidewalk repairs throughout Westown	100,000	
Improvements to exterior of City-owned parking structure	50,000	
Install BublR bikeshare station	50,000	
<b>Total Street and Public Infrastructure Improvement Costs</b>		2,615,000
<b>Administration</b>		100,000
<b>Total TID 37, Amendment No. 4 Costs</b>		<b>\$ 7,865,000</b>

### **Is the Project Likely to Succeed?**

From a financial perspective, the proposed funding increase should not adversely impact the district's ability to fund an additional \$7.685 million in costs. DCD's feasibility study, which uses a constant 2.90% property tax rate and 1% property appreciation rate over the nine remaining years of the TID, forecasts the District will fully recover the \$25.971 million total budget plus financing in 2020, after receipt of the 2019 levy (Year 23). DCD's feasibility study appears reasonable based on the Comptroller's analysis.

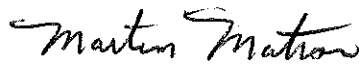
### **Is the Proposed Level of City Financial Participation Required to Implement the Project?**

This proposed Amendment #4 allows the City to provide incentive to Bon-Ton to retain their headquarters and Boston Store department store downtown. In addition, this amendment will help fund the Milwaukee Symphony Orchestra in their relocation to a renovated Grand Theater. Finally, this amendment allows the City to fund necessary street and infrastructure improvements. Without this amendment, the City would have to find an alternate source to fund these activities.

## Conclusions

Based on the feasibility study, it appears the district is likely to generate enough cash to fund an additional \$7.865 million of public improvements and grants/loans. Should you have any questions regarding this letter, please contact Melissa Fulgenzi at 2307.

Sincerely,

A handwritten signature in cursive script that reads "Martin Matson".

Martin Matson  
Comptroller

c: Lori Lutzka, Dan Casanova

MM: MRF