

AMENDMENT NO. 2 TO PROJECT PLAN
FOR
TAX INCREMENTAL DISTRICT NO. 46
CITY OF MILWAUKEE
(NEW ARCADE PROJECT)

Initial Joint Review Board Meeting:

Public Hearing Held:

Redevelopment Authority Approved:

Common Council Approved:

Joint Review Board Approved:

AMENDMENT No. 2 TO PROJECT PLAN

TAX INCREMENTAL DISTRICT NO. 46 (New Arcade Project)

CITY OF MILWAUKEE

BACKGROUND

Section 66.1105(4)(h)(1), Wisconsin Statutes, permits the Redevelopment Authority of the City of Milwaukee (“RACM”), subject to the approval of the Common Council, to amend the project plan for a tax incremental financing district. Section 66.1105(2)(f)1.n., Wisconsin Statutes, permits amendments to fund projects located outside, but within one-half mile of the District’s boundary. Section 66.1105(6)(f), Wisconsin Statutes, allows a project plan to be amended so that a donor district can allocate positive tax increments to another district.

The City of Milwaukee created Tax Incremental District No. 46 in 2001 for the purpose of facilitating the redevelopment of Grand Avenue retail center’s New Arcade property. The District provided financial assistance for interior remodeling and the reconstruction of the mall’s main entrance at Old World Third Street, as well as enhancements to other project signage. The District was amended in 2002 to provide a loan to the developer for additional improvements to the Arcade property.

To date, \$6.4 million in project costs have been incurred, including interest on debt and associated carrying charges, and approximately \$11 million of incremental revenue has been generated in the TID.

In summary, Amendment No. 2 to the Project Plan will provide \$300,000 for improvements to amenities on streets outside of the District but within one-half mile, and \$388,000 for street paving outside of the District but within one-half mile, in addition to \$25,000 for TID administration costs. Amendment No. 2 will also donate funds to a district which has incurred substantial costs, but has generated no incremental revenue related to the redevelopment of a former 84-acre manufacturing site.

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 allocation of positive tax increments from a donor district to one or more recipient districts cannot be made unless the donor district has first satisfied all of its current-year debt service and project cost obligations.
- 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;
- Donations may be made for a period of five years, and upon additional approvals from RACM, the Common Council, 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 RACM, the Common Council, and Joint Review Board.

Amendments to the Project Plan:

The following amendments are made to the Project Plan. All other sections of the Plan remain unchanged.

II. PLAN PROPOSALS

Section II.B.1.b. is amended by adding the following:

2. Paving of the following street segments:

- West State Street between Old World Third to 9th Street
- North Broadway between Kilbourn to Juneau Avenue

3. Improvements to Amenities on Streets outside of the District but within one-half mile.

Replace Table A in Section II.B.2 "Detailed List of Estimated Project Costs" with the following:

Table A
List of Estimated Project Costs

A	Capital Costs	
	To Date	\$ 5,750,000

	Amendment 2:	
	Improvements to Amenities on Streets	\$ 300,000
	Paving	\$ 388,000
B	Other	
	To Date: Administrative, Professional & Legal	\$ 341,972
	Administration	\$ 25,000
	Total Estimated Project Costs, excluding financing	\$ 6,804,972
C	Financing	\$4,094,372

Section II.B.3. is deleted and restated as follows:

Estimated Timing of Project Costs

<u>Year</u>	<u>Estimated Project Cost</u>	<u>Cumulative Total</u>
2020	\$713,000	\$713,000

The City of Milwaukee will provide financing, through the issuance of general obligation bonds, for the Net Project Capital Costs necessary to implement the Project Plan.

Section II.B.4. “Economic Feasibility Study” is deleted and restated as follows:

Please see Exhibit 3: “Economic Feasibility Study” Calculation of Remaining Amount to be Recovered in TID 46, attached.

Section II.B.6. “Map Showing Proposed Improvements and Uses” is deleted and replaced with the following:

Map 3 is amended by adding the attached map identifying the proposed improvements to amenities on streets and street improvements.

Section III is added to the Project Plan as follows:

III. ALLOCATION

A. DONOR DISTRICT

Tax Incremental District No. 46 (New Arcade Project) was approved by the Milwaukee Common Council on September 5, 2001 and Amendment No. 1 was approved on December 20, 2002. Tax incremental revenue received from this District has totaled \$10,989,636, thru the “2019 for 2020 budget” levy. Project costs, including principal and interest payments due, future project expenses, and donations to other districts total, \$10,899,344.

Project costs related to improvements to amenities on streets, paving improvements and administration have not been incurred, and the District cannot, as yet, be terminated.

The District has a statutory termination date of 2028.

See Exhibit A: “Breakeven Analysis” for a summary of TID 46 costs and revenues.

As set forth below, it is proposed that a donation be made from TID 46 to a district which has substantial project costs, but has generated no incremental revenue.

B. RECIPIENT DISTRICT

Tax Incremental District No. 74 (N. 35th & Capital) was created as a “blighted-area” district in 2009 in order to support the redevelopment of an 84-acre portion of the former A.O.Smith and Tower Automotive manufacturing complex into a business park. The TID was established to promote land uses that engender greater levels of capital investment as well as high quality urban design and storm-water management. The business park seeks to foster living-wage jobs at a targeted density of 15 jobs per acre. In addition, the TID was created for site acquisition and preparation to facilitate a mix-use redevelopment project and the improvement of existing residential properties in order to foster investment within the District. The goal was to expand the tax base and create additional employment, retail and housing opportunities within the City.

TID 74 consists of approximately 293 acres of land, including the 84-acre former manufacturing complex, with the majority of the District being comprised of residential uses. The recession had an adverse effect on the residential property values and the TID has been unable to recover from that loss of increment.

Currently, the District has incurred total project costs of \$16,753,085. The District has generated no incremental revenue, and the incremental value of the District is negative. The outstanding costs to be recovered in the District including financing and carrying costs total \$24,752,062.

See Exhibit B: “Breakeven Analysis” for a summary of TID 74 costs and revenues.

C. PROPOSED DONATION

Given the foregoing, the following donation is proposed from TID 46:

- In 2020, TID 46 will donate \$828,702 to TID 74;
- In 2021, TID 46 will donate \$841,061 to TID 74;
- In 2022, TID 46 will donate \$853,544 to TID 74;
- In 2023, TID 46 will donate \$866,152 to TID 74;

- In 2024, TID 46 will donate \$878,885 to TID 74;

In 2019, tax incremental revenue received by TID 46 was \$816,405 (see Exhibit A) bringing its current surplus to \$1.1 million.

Consequently, and assuming TID 46 generates approximately \$800,000 annually, the donations and payments set forth above would result in the following:

	Contrib. from TID 46, to:	Street Improvements & Administration	TID 74
Costs to be Recovered		\$713,000	\$24,752,062
Cash Reserves	(\$1,060,954)	\$713,000	
Donations:			
2020	\$ 828,702		\$ 828,702
2021	\$ 841,061		\$ 841,061
2022	\$ 853,544		\$ 853,544
2023	\$ 866,152		\$ 866,152
2024	\$ 878,885		\$ 878,885
Totals	\$4,268,345		\$4,268,345

Exhibit A: Breakeven Analysis-TID 46	
Life-to-date 12-31-19 project expenditures	\$ 6,426,263
Interest payments through December 31, 2018	3,487,567
Remaining encumbrance	-
Remaining appropriation	-
Projected future expenses	713,000
Add bond interest costs:	
Scheduled 2019 to maturity	136,570
Estimated interest on future borrowings	158,672
Total project costs	10,922,072
Life-to-date 12-31-19 project revenues	(177,370)
Bond proceeds in excess of principal debt service payments	-
Net project costs to be recovered through tax increments	10,744,702
Tax increments levied:	
2002	59,306
2003	245,785
2004	274,439
2005	867,494
2006	822,400
2007	554,732
2008	788,827
2009	901,521
2010	718,533
2011	779,420
2012	703,685
2013	703,593
2014	670,009
2015	210,755
2016	672,018
2017	566,529
2018	634,185
2019	816,405
Total tax increments levied	10,989,636
Remaining costs to recover	(244,934)
Remaining recovery years	9

Exhibit B: Breakeven Analysis-TID 74	
Life-to-date 12-31-19 project expenditures	\$ 16,753,085
Interest payments through December 31, 2018	5,128,662
Remaining appropriation	-
Add bond interest costs:	
Scheduled 2019 to maturity	2,910,232
Carrying costs	44,392
Estimated future capitalized interest	-
Total project costs	24,836,371
Life-to-date 12-31-19 project revenues	(84,309)
Bond proceeds in excess of principal debt service payments	(0)
Net project costs to be recovered through tax increments	24,752,062
Tax increments levied:	
2009	-
2010	-
2011	-
2012	-
2013	-
2014	-
2015	-
2016	-
2017	-
2018	-
2019	-
Total tax increments levied	-
Remaining costs to recover	24,752,062
Remaining recovery years	17

Exhibit 3: Economic Feasibility Study

No.	Assessment	Budget	Base	Projected	TID	Increment	Revenue	Existing Debt	Debt Service	Donations	Cash flow	Total	After reserving for remaining debt Surplus/(deficit)	TID Payoff
	Year	Year	Value	Value	Incremental Value					to TID 74		Cum. Cash Flow		
1	2001	2002	14,759,500								-	-	(15,167,689)	
2	2002	2003	14,759,500	16,887,700	2,128,200	59,306	11,647				70,953	70,953	(15,096,736)	No
3	2003	2004	14,759,500	24,066,900	9,307,400	245,785	10,140	(39,688)			216,237	287,190	(14,840,811)	No
4	2004	2005	14,759,500	25,290,400	10,530,900	274,439	10,901	(100,910)			184,430	471,620	(14,555,471)	No
5	2005	2006	14,759,500	50,298,400	35,538,900	867,494	15,427	(320,782)			562,139	1,033,759	(13,672,550)	No
6	2006	2007	14,759,500	52,077,700	37,318,200	822,400	9,604	(349,897)			482,107	1,515,866	(12,840,546)	No
7	2007	2008	14,759,500	39,457,700	24,698,200	554,732	35,389	(438,738)			151,383	1,667,249	(12,250,425)	No
8	2008	2009	14,759,500	47,646,500	32,887,000	788,827	9,211	(539,068)			258,970	1,926,219	(11,452,387)	No
9	2009	2010	14,759,500	50,144,600	35,385,100	901,521	9,256	(555,844)			354,933	2,281,152	(10,541,610)	No
10	2010	2011	14,759,500	41,575,800	26,816,300	718,533	7,645	(551,715)			174,463	2,455,615	(9,815,432)	No
11	2011	2012	14,759,500	42,105,800	27,346,300	779,420	6,131	(547,989)			237,562	2,693,177	(9,029,881)	No
12	2012	2013	14,759,500	37,893,500	23,134,000	703,685	6,655	(554,917)			155,423	2,848,600	(8,319,541)	No
13	2013	2014	14,759,500	37,385,600	22,626,100	703,593	11,480	(567,924)			147,149	2,995,749	(7,604,468)	No
14	2014	2015	14,759,500	36,782,300	22,022,800	670,009	10,843	(552,299)			128,553	3,124,302	(6,923,616)	No
15	2015	2016	14,759,500	21,660,000	6,900,500	210,755	5,721	(786,509)			(570,033)	2,554,269	(6,707,140)	No
16	2016	2017	14,759,500	37,581,600	22,822,100	672,018	5,671	(737,719)			(60,030)	2,494,239	(6,029,451)	No
17	2017	2018	14,759,500	33,945,900	19,186,400	566,529	5,755	(720,244)			(147,961)	2,346,279	(5,457,167)	No
18	2018	2019	14,759,500	37,525,500	22,766,000	634,185	5,894	(702,848)			(62,769)	2,283,510	(4,817,088)	No
19	2019	2020	14,759,500	44,352,300	29,592,800	816,405		(700,674)	(96,852)		18,878	2,302,388	(4,000,683)	No
20	2020	2021	14,759,500	44,795,823	30,036,323	828,702		(627,801)	(96,852)	(828,702)	(724,653)	1,577,734	(3,171,981)	No
21	2021	2022	14,759,500	45,243,781	30,484,281	841,061		(630,334)	(96,852)	(841,061)	(727,186)	850,548	(2,330,920)	No
22	2022	2023	14,759,500	45,696,219	30,936,719	853,544		(517)	(96,852)	(853,544)	(97,369)	753,178	(1,477,376)	No
23	2023	2024	14,759,500	46,153,181	31,393,681	866,152		(517)	(96,852)	(866,152)	(97,369)	655,809	(611,224)	No
24	2024	2025	14,759,500	46,614,713	31,855,213	878,885		(304)	(96,852)	(878,885)	(97,156)	558,653	267,661	YES
25	2025	2026	14,759,500	47,080,860	32,321,360	891,746		(299)	(96,852)		794,595	1,353,247	1,159,408	YES
26	2026	2027	14,759,500	47,551,669	32,792,169	904,736		(68)	(96,852)		807,815	2,161,063	2,064,143	YES
27	2027	2028	14,759,500	48,027,185	33,267,685	917,855		(67)	(96,852)		820,936	2,981,999	2,981,999	YES
						17,972,318	177,370	(10,027,672)	(871,672)	(4,268,345)	2,981,999			

Annual appreciation	1.010
Interest Rate	4.00%
Base Value	14,759,500
Property Tax rate	2.759%
Issuance Costs	7,130
Project Costs	713,000

TID 46: GRAND AVENUE - NEW ARCADE

MAP 3: PROPOSED IMPROVEMENTS AND USES

Prepared by the Department of City Development Planning Division, 1/15/2020
Source: City of Milwaukee Information & Technology Management Division

0 0.25 0.5 Miles

