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 Comptroller

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**Office of the
 Comptroller**
 May 12, 2020

Toni Biscobing
 Special Deputy Comptroller

Rocklan Wruck, CPA
 Special Deputy Comptroller

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

RE: File 191951, TID 37 – Grand Avenue
 Amendment 6

Committee Members:

File 191951 would approve Amendment No. 6 to Tax Incremental District (TID) 37, Grant Avenue (the District). We have reviewed the project plan and feasibility study, and have had discussions with Department of City Development (DCD) and Assessor's Office staff. Our analysis is based on the information provided. Amendment 6 to the District would authorize an additional \$7,244,336 to fund donations to underperforming TIDs as more fully described in this letter.

The District 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 1 for a summary of project budget amendments and funding increases.

Table 1 – TID 37 Project Budget Revisions		
File No.	Description	Amount
971894	Original Project Plan - authorized \$2,000,000 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 \$3,000,000 façade grant and \$6,400,000 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 \$5,000,000 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 \$1,200,000 loan to Bon-Ton and \$6,000 of administrative costs.	1,206,000
161313	Amendment 4 - authorized additional \$5,115,000 for street improvements and public infrastructure costs, \$1,900,000 forgivable loan to Bon-Ton, \$750,000 façade grant for redevelopment of Grand Theater and \$100,000 of administrative costs.	7,865,000
190545	Amendment 5 - authorized additional \$3,000,000 for street improvements, including utilities, and improvements to the sidewalks abutting the Grand Theater.	3,000,000
	Total Current Budget	28,971,000
191951	Proposed Amendment 6 - authorizes additional \$7,244,336 for donations to underperforming TIDs	7,244,336
	Total Budget Including File No. 191951	\$ 36,215,336



Donations to Other TIDs

The District is being amended to authorize donation of annual increments from the District to TID 51, TID 71, and TID 72. The donations will be for four years starting with the 2020 levy.

TID 51 was created in 2003 to provide \$4,400,000 in funding for the redevelopment of the former Northridge Mall. TID 51 has not generated sufficient incremental revenue to pay off its existing debt. TID 51 has total outstanding recovery costs (including financing and carrying costs) of \$2,013,609. This file authorizes up to \$2,013,609 from the District in donations to TID 51.

TID 71 was created in 2008 to provide \$2,918,000 in funding for development efforts along the Mitchell Street commercial corridor. TID 71 has not generated sufficient incremental revenue to pay off its existing debt, despite a redetermination of its base value in 2014. TID 71 has total outstanding recovery costs (including financing and carrying costs) of \$2,658,175. This file authorizes up to \$2,658,175 from the District in donations to TID 71.

TID 72 was created in 2008 to provide \$1,135,000 in funding for Phase 1 of the Bishop’s Creek development and \$300,000 for forgivable loans to homeowners. TID 72 has not generated any incremental revenue to pay off its existing debt, despite a redetermination of its base value in 2014. TID 72 has total outstanding recovery costs (including financing and carrying costs) of \$2,572,552. This file authorizes up to \$2,572,552 from the District in donations to TID 72.

The below table summarizes the proposed donations.

<u>Year</u>	<u>Donation to TID 51</u>	<u>Donation to TID 71</u>	<u>Donation to TID 72</u>	<u>Total Donations</u>
2020	\$ 2,013,609	\$ 259,064		\$ 2,272,673
2021		2,312,041		2,312,041
2022		87,070	\$ 2,264,733	2,351,803
2023			307,819	307,819
Total	\$ 2,013,609	\$ 2,658,175	\$ 2,572,552	\$ 7,244,336

Is the Project Likely to Succeed?

From a financial perspective, the proposed donations should not adversely impact the District’s ability to fund its total amended project costs. DCD’s feasibility study, which uses a constant 2.785% property tax rate and 1% property appreciation rate over the remaining years of the TID, forecasts the District will fully recover its project costs and the proposed donations in 2023, after receipt of the 2022 levy (Year 25).

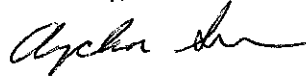
DCD’s feasibility study does not address the potential impact that COVID-19 presents to assessed valuations within the District. 2020 valuations will not be affected, as they are determined on January 1, which is before the virus was widespread in the United States. It is too early to project with any accuracy how valuations around the City will change in 2021. The Comptroller’s Office calculates that, all else remaining equal, the District could support a

one-time valuation drop of approximately 25% in 2021 and still fully recover its project costs and the currently proposed donations. If multi-year valuation drops occur, or if the decline is greater than 25%, the District may not be able to support the proposed donations.

Conclusions

Based on the feasibility study, it appears the District is likely to generate enough cash to fund the additional \$7,244,336 of donations in Amendment 6. In the event that COVID-19 presents extreme valuation declines in the District, the proposed donations may not occur. Should you have any questions regarding this letter, please contact Joshua Benson at 2194.

Sincerely,

A handwritten signature in black ink, appearing to read "Aycha Sawa".

Aycha Sawa, CPA, CIA
Comptroller

CC: Dan Casanova

AS:JB