



**PROJECT PLAN AMENDMENT NUMBER FIVE (5)
TAX INCREMENTAL DISTRICT NUMBER SEVEN,
CITY OF WEST ALLIS, WISCONSIN**

Summit Place Business Park



- Plan Commission - Review August 27, 2014
- Joint Review Board - Organizational Meeting October 6, 2014
- CDA – Public Hearing October 14, 2014
- CDA – Plan Approval October 14, 2014
- City Council – Adoption November 3, 2014
- Joint Review Board November 18, 2014

Prepared by: Department of Development | City of West Allis
October 29, 2014

Amendment Number Five to Tax Increment District Number Seven

Background

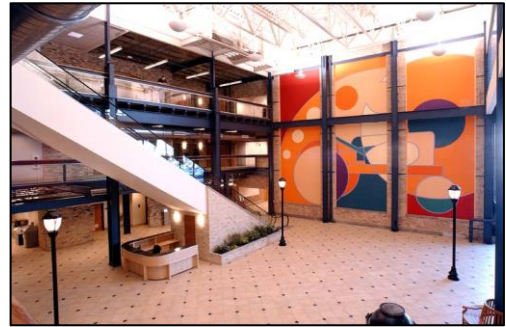
Tax Incremental District (TIF) Number Seven is located in the vicinity of the 6700 block of W. Washington St., primarily the former Allis-Chalmers (A-C) Mfg. complex. TIF District Number Seven was designed to encourage the revitalization of the last two undeveloped vacant and dilapidated former A-C properties. The revitalization has been a success and is now called the Summit Place office complex, which, as a result of this Tax Increment Finance District, is now the second largest office complex in the metro-Milwaukee area. Summit Place consists of over 650,000 sq. of office space, employs about 2,700 people, and is the City's largest tax payer, providing \$1.66 million in annual property tax increment (source: Wisconsin Department of Revenue). The district consists of 10 parcels, totaling approximately 61 acres of land.

*TID Number Seven is the City's most successful TIF District, performing well beyond expectations; and in recent years has accumulated residual cash after debt service payment. Residual cash has been recognized and could help pay off debt faster than the current bond debt expires (see **Exhibit 1**, showing a three-year historical summary of sources and uses of funds on the TIF District's performance through December 31, 2014—provided by the City's Finance Department/Comptroller's Office). The additional expense of Amendment Number Five will add one additional year to the life of TIF District Number Seven. If these improvements are chosen, the life of the TIF District is estimated to expire in 2018.*

Four previous amendments have been made to the original Tax Increment District Number Seven Project Plan.

Amendment #1

The Common Council adopted the first amendment on May 3, 2005 for the purpose of loaning the developer \$2.5 million to induce the development of more parking with the continued redevelopment of the Summit Place office complex. Amendment Number One provided \$2.5 million in tax incremental financing funds as an incentive to increase the development's overall property value and reduce the overall term of Tax Incremental District Number Seven.



Amendment #2

The Common Council adopted the second amendment on November 20, 2007 for off-site improvements for the purpose of creating a safer, more pedestrian-friendly neighborhood that connects the Summit Place redevelopment area to the neighboring Six Points/Farmers Market redevelopment area, with uniform streetlights, benches, bike lanes and additional pedestrian safety enhancements. Amendment Number Two provided \$3.5 million in tax incremental financing funds for off-site improvements and administrative fees.

Amendment #3

The Common Council adopted the third amendment on February 3, 2009 to provide a loan to fund the cost of off-site improvements for a new ingress/egress corridor through the abutting shopping center to the south (the Towne Centre shopping center), to connect the Summit Place office complex to W. Greenfield Ave. as an alternate access to the office complex. Amendment Number Three provided \$1.5 million in tax incremental financing funds for off-site improvements and administrative fees.

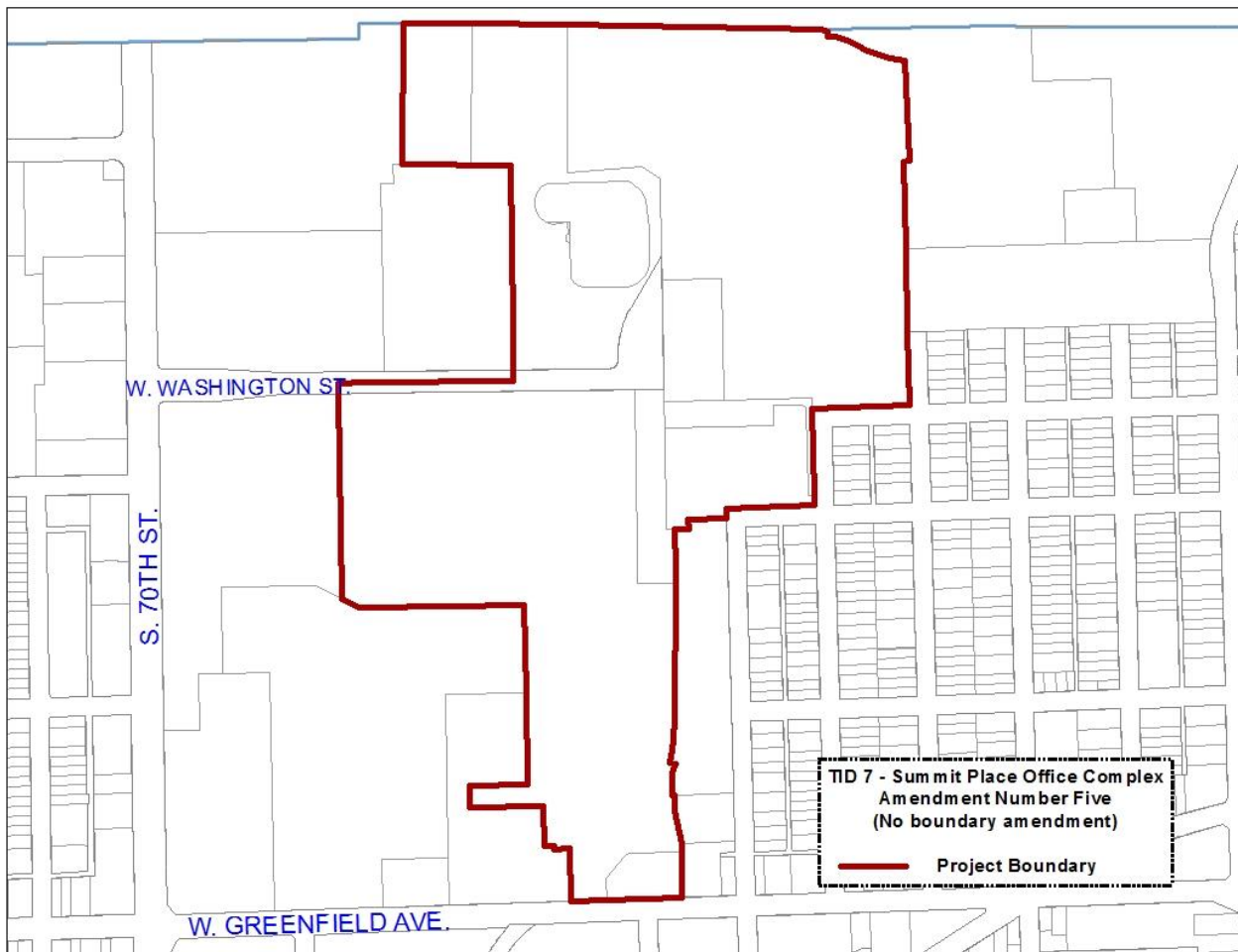
Amendment #4

The Common Council adopted the fourth amendment on February 19, 2013, to fund \$3,250,000 of additional TIF District expenses that included a financial incentive for private construction of additional parking for the office complex, an economic incentive package to a local business(es), funding for a Neighborhood Residential Improvement Program for the surrounding neighborhood, and administrative expenses.

Purpose of Amendment Number Five

The main purpose of the TID Seven Project Plan Amendment Number Five is to stabilize TID Seven's value by eliminating surrounding blight. Through the elimination of surrounding blight, the taxable value of the surrounding neighborhoods and the actual District itself will be increased. **Amendment Number Five increases the TID's budget by \$2,260,000**, which includes the following expenses: (1) the cost of acquisition, demolition, relocation and/or rehab, park improvements, and/or traffic/street improvements within the District's boundaries and/or within a ½-mile radius of the District boundaries (\$1,410,000); (2) an economic incentive package to a business/businesses within the District's boundaries and/or within a ½-mile radius of the District boundaries (\$250,000); (3) additional funding of the existing Neighborhood Residential Improvement Program for the surrounding neighborhood within a ½-mile radius of the District boundaries (\$500,000); and, (4) administrative expenses (\$100,000).

Below is TID Number Seven's boundary map, which is not proposed to change.



Summary of Tax Increment Financing District Performance

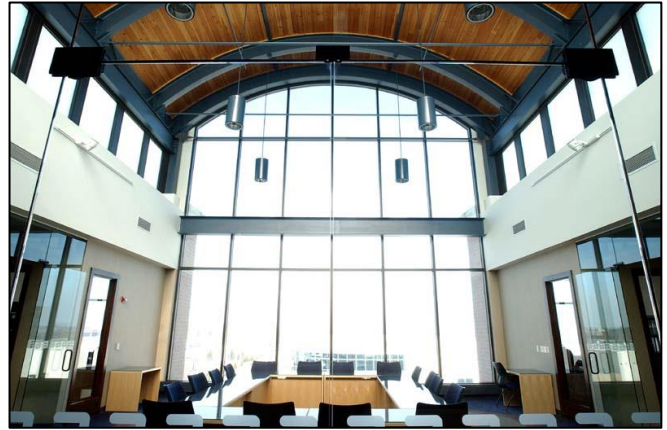
Current value (2013):	\$63,924,100
Base value (2004):	\$15,914,400
Incremental value	\$48,009,700

Original property taxes (2004):	\$350,000
Property Tax Increment (2014):	\$1,665,948

Date TID is estimated to expire: 15-year life of TIF (2018)

TID Number Seven is the City's most successful TIF District, performing well beyond expectations; and in recent years has accumulated residual cash after debt service payment. Residual cash has been recognized and could help pay off debt faster than the current bond debt expires (see **Exhibit 1**, showing a three-year historical summary of sources and uses of funds on the TIF District's performance through December 31, 2014—provided by the City's Finance Department/Comptroller's Office). The additional expense of Amendment Number Five will add one additional year to the life of TIF District Number Seven. If these improvements are chosen, the life of the TIF District is estimated to expire in 2018.

To date, the TIF District has incurred over \$19 million in expenses. The value of properties within the Summit Place TIF District has increased in value by over \$48 million, and produces approximately \$1.66 million in annual tax increment.



Proposed Amendment Number Five

1. Acquisition, Demolition, Relocation and/or Rehabilitation, Park Improvements, and/or traffic/street improvements

This amendment includes \$1,410,000 of expenses for acquisition, demolition, relocation and/or rehabilitation of blighted properties, park improvements, and/or traffic/street improvements. It is necessary and in the public interest that the Community Development Authority of the City of West Allis (the "Authority") undertake activities to eliminate blight, obsolescence and the deterioration of property, and to promote redevelopment and rehabilitation in the area of all TIF Districts, including park improvements and/or traffic/street improvements. Some of these funds would be expended on blighted property within the District's boundaries or within a ½-mile radius of the District boundaries, whether it is acquisition, demolition, relocation and/or rehabilitation efforts. Any purchase of real property would take place through voluntary acquisition.

The Building Inspections and Neighborhood Services Department has cited various building code violations to numerous properties within the City. A few of these buildings have gone as far as receiving a court order to be demolished, citing blighting conditions and buildings that are dangerous, unsafe, unsanitary or otherwise unfit for human habitation, occupancy or use. Some of these properties are located within a ½-mile radius of TID Number Seven's boundary.

2. Economic Development Incentive Package

An economic incentive program totaling \$250,000 would be created to provide low-interest loans or grants to help with the establishment of new businesses or to attract investment into commercial storefronts that are vacant or in need of repair. With the large employment base created by the success of redevelopment in the area, working to improve the commercial corridor surrounding TID Number Seven is a goal of the community. Funds will be utilized within a ½ radius of the district boundaries.

3. Neighborhood Residential Improvement Program

Amendment Number Four included \$500,000 of funding to support the launch of the revitalization initiative called Neighborhood Residential Improvement Program. The purpose of this \$500,000 program was to provide affordable housing rehabilitation loans to properties within a ½ mile radius of the TIF District borders, or the "TID Target Lending Area," and to expand property value within the immediate neighborhood of TIF District. The program has been successful, contracting out over \$100,000 of funds to date. The program was launched in February 2014. Amendment Number Five increases funding to the TID Neighborhood Residential Improvement Program by another \$500,000 and will continue to be conducted in the manner of a revolving loan fund.

The TID Target Lending Area and surrounding neighborhoods have been part of the City's comprehensive exterior code enforcement program. Based on promoting continued efforts to improve the neighborhood, the City proposed the rehabilitation loan program to preserve the neighborhood's housing opportunities and increase the financial opportunity for homeowners to invest in their property, reducing the risk of blight.

4. Administrative Expenses

Amendment Number Five includes an additional \$100,000 of Administrative and legal expenses. These expenses will cover in-house staff and legal administrative costs, in addition to consulting costs and outside legal counsel costs to manage and negotiate acquisition, demolition, relocation and/or rehab; to manage and negotiate the economic incentive package between a business tenant(s); to manage oversight of building code demolition; and, to oversee the Neighborhood Residential Improvement Program.

Table 1 - Economic Feasibility Analysis

I

Existing Principle and Interest without Amendment #5	
1. Principle	\$4,473,220
2. Interest	\$255,585
3. Total Existing Debt	\$4,728,805
Estimated TIF expiration: 2 years, 1 month from the end of 2014 - (2017)	

II

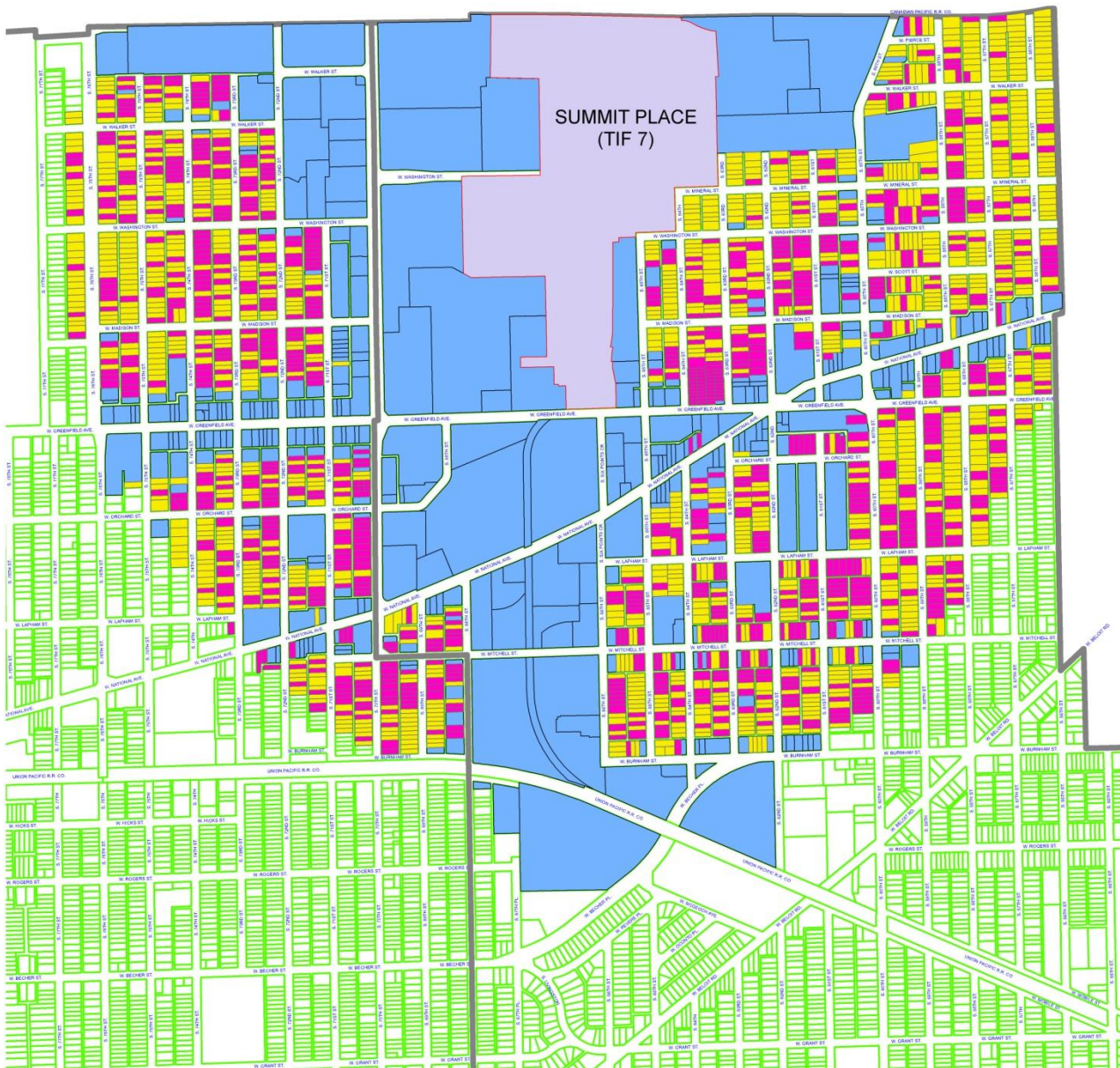
New Debt with Amendment #5	
Project Activity	TIF Plan Budget
1. Acquisition, Demolition, Relocation and/or Rehabilitation, Park Improvements, and/or Traffic/ Street Improvements	\$1,410,000
2. Economic Development Incentive	\$250,000
3. Neighborhood Residential Improvement Program	\$500,000
4. Administration	\$100,000
SUBTOTAL	\$2,260,000
5. Total Existing Debt	\$4,728,805
6. New Interest Expense	\$373,626
TOTAL NEW AND EXISTING DEBT	\$7,362,431
Estimated TIF expiration: 3 years, 10 months from the end of 2014 - (2018)	

III

Projected Revenue Sources	Budget
1. Incremental Revenue	\$6,603,015
2. Payments from Towne Centre loan (Amendment #3)	\$759,416
TOTAL REVENUE	\$7,362,431

1/2 MILE RADIUS FROM SUMMIT PLACE TIF 7

- Summit Place TIF 7
- Single Family Residential (1,226)
- Residential (total n= 2,191)
- .5 mile radius (total n= 2,601)
- Aldermanic District



Summary

Amendment Number Five will provide \$2,260,000 in tax incremental financing funds for improvements that include acquisition, demolition, relocation and/or rehab of various properties, park improvements, and/or traffic/street improvements within the District's boundaries or within a ½-mile radius of the District boundaries, an economic development incentive package to one or more businesses within the District's boundaries or within a ½-mile radius of the District boundaries, off-site improvements to the surrounding neighborhood under the Neighborhood Residential Improvement Program, and administrative fees. The additional expense of Amendment Number Five will add one additional year to the life of TIF District Number Seven. If these improvements are chosen, the life of the TIF District is estimated to expire in 2018.

But For Test

This Amendment would provide a financial option for the City and/or Community Development Authority to address blighted conditions within the ½-mile radius of the TID's boundary, through the acquisition, demolition, relocation and/or rehab project. The amendment also allows for park improvements and/or traffic/street improvements that would not happen but for the amended TID budget. Expenditure of an increased TID budget will also encourage redevelopment to occur by providing financial assistance through an economic incentive package for additional jobs in the redevelopment area, financing of a Neighborhood Residential Improvement Program to improve taxable value of surrounding properties within a ½ mile radius of the District, and by taking on the initiative to demolish blighted and court-ordered raze order properties, which are hindering redevelopment on those properties and surrounding area. Based on market conditions, current conditions and use of the District, the City has determined that redevelopment of the area will not occur as a result of private investment. Without the use of TIF, redevelopment in areas of blighted buildings is unlikely, and the current condition, potential environmental issues and vacancy of the commercial buildings would remain.

Statement Listing the Kind, Number and Location of All Proposed Public Works or Improvements Within the District

Amendment Number Five doesn't include any proposed public works or improvements within the District. Street and/or traffic improvements may be made within a ½-mile radius of the District's boundaries.

Economic Feasibility Study

Current value (2013):	\$63,924,100
Base value (2004):	<u>\$15,914,400</u>
Incremental value	\$48,009,700

Original property taxes (2004):	\$350,000
Property Tax Increment (2014):	\$1,665,948

Date TID is estimated to expire:	15-year life of TIF (2018)
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The District has sufficient positive tax increment to pay its annual debt service as well as the \$2,260,000 in project cost for this amendment. Based on historical growth of the district, and increment, the \$2,260,000 in funds for this amendment will be satisfied by the projected increment. **Table 1** shows the economic feasibility of Amendment Number Five.

Description of the Methods of Financing all Estimated Project Costs and the Time When the Costs of Monetary Obligations Related Thereto are to be Incurred

Financing is required with this amendment. The \$2,260,000 in additional TIF funds may be achieved through the borrowing of debt funds from the State Trust Funds, and/or the sale of Taxable or Tax Exempt General Obligation (G.O.) Bonds, and/or other financing methods.

Detailed List of Estimated Project Costs

The \$2,260,000 in on- and/or off-site acquisition, demolition, relocation and/or rehab improvements, park improvements, and/or traffic/street improvements, the economic development incentives, Neighborhood Residential Improvement Program, plus administrative expenses and interest, are additional project costs beyond those project costs previously approved.

This Plan Amendment is not meant to be a budget nor an appropriation of funds for specific projects, but a framework within which to manage projects. All costs included in the amended Plan are estimates based on best information available. The City retains the right to delete projects or change the scope and/or timing of projects implemented as they are individually authorized by the City, without amending the Plan.

Administrative expenses include but are not limited to covering auditing costs, legal costs, administration of the TIF reimbursement process, administration to execute the developer’s agreement, and general administrative oversight.

Proposed Changes in Zoning Ordinance, the City’s Master Plan, Map, Building Codes or Ordinances

No changes in zoning ordinance, the City’s Master Plan, map, building codes or other ordinances are proposed or necessitated by this amendment.

List of Estimated Non-Project Costs

No non-project costs are proposed by this amendment.

Statement of the Proposed Method for the Relocation of Any Persons Being Displaced

Relocation may be required in connection with this amendment. In the event that relocation becomes necessary, before negotiations begin for the acquisition of property or easements, all property owners will be provided an informational pamphlet prepared by the Wisconsin Department of Administration’s Division of Energy Services (DOA), and if any person is to be displaced as a result of the acquisition, they will be given a pamphlet on “Relocation Rights” as prepared by the DOA. The City will file a relocation plan with the DOA, and shall keep records as required in Section 32.27 of Wisconsin Statutes. The City will provided each owner a full narrative appraisal, a map showing the owners of all property affected by the proposed project and a list of neighboring landowners to whom offers are being made as required by law.

Statement Indicating How this Amendment Promotes Orderly Development of the City

The proposed \$2,260,000 in TIF funds under Amendment Number Five offset costs and improvements within TIF Number Seven’s borders, and/or within the ½ mile radius of the District’s boundaries. These costs and improvements would not take place but for the assistance of Tax Incremental Funds. The \$1,410,000 in on- and/or off-site acquisition, demolition, relocation and/or rehab, park improvement, and/or traffic/street improvement expenses within the District’s boundaries and/or within a ½ mile radius of the District’s

boundaries offer an opportunity for the City to address blighted properties through removal and/or rehabilitation, all with the long-term goal of generating increased property value and stabilizing the value of the TIF District and its surrounding neighborhoods. The \$250,000 economic incentive package funds would be given to one or more businesses within the ½-mile radius of the TID's boundaries, and/or to one or more tenants within the Office Complex to maintain and/or expand jobs and value. And the \$500,000 Neighborhood Residential Improvement Program offers an opportunity for increased property value within a ½ mile radius of the District's boundaries by loaning homeowners rehabilitation funds that would not otherwise be available to them.

Maps Showing: Existing Boundaries, Uses and Conditions of Real Property and Improvements and Uses in the District

The boundaries, uses and conditions of real property and improvements and uses in the District are not changed by this amendment.

EXHIBIT 1

MUNICIPALITY OF WEST ALLIS TAX INCREMENTAL DISTRICT NO. 7

HISTORICAL SUMMARY OF SOURCES, USES, AND STATUES OF FUNDS From Date of Creation Through 12/31/14

SOURCES OF FUNDS	12/31/14	12/31/13	12/31/12
Tax increments	\$1,665,948.38	\$1,644,212.97	\$1,609,497.49
Interest income	0.00	0.00	0.00
Sale of property	0.00	0.00	0.00
Miscellaneous revenues	216,976.00	216,976.00	216,976.00
Transfers from other funds	0.00	0.00	0.00
Proceeds from long-term debt	0.00	0.00	0.00
Net change in A/P & A/R	(418.37)	(418.37)	(250.13)
Advances from other funds	1,755,103.65	94,909.62	(462,766.09)
Total Sources	<u>\$3,637,609.66</u>	<u>\$1,955,680.22</u>	<u>\$1,363,457.27</u>
USES OF FUNDS			
Capital expenditures **	\$2,376,744.00	\$640,136.56	\$19,000.00
Administration	21,463.66	21,463.66	19,667.00
Interest and fiscal charges	170,280.00	230,782.00	301,517.00
Discount on long-term debt	0.00	0.00	0.00
Debt issuance costs	0.00	0.00	0.00
Refunding costs	0.00	0.00	0.00
Principal on long-term debt	1,069,122.00	1,063,298.00	1,023,273.27
Principal on advances	0.00	0.00	0.00
Total uses	<u>\$3,637,609.66</u>	<u>\$1,955,680.22</u>	<u>\$1,363,457.27</u>
Fund Balance (Deficit) - 12/31	\$906,810.25	\$2,661,495.53	\$2,755,986.78
Long Term Debt Outstanding - 12/31	\$4,473,220.72	\$5,542,342.72	\$6,605,640.72
Cash (Advances) Outstanding - 12/31	\$905,766.11	\$2,660,869.76	\$2,755,779.38
Prove out Fund Balance			
TIF #7 fund balance	\$2,660,816.45	\$2,660,816.45	\$2,755,307.70
TIF #7 funds in Debt Svc. Fund	0.00	0.00	0.00
	<u>\$2,660,816.45</u>	<u>\$2,660,816.45</u>	<u>\$2,755,307.70</u>
Prove out cash			
Advances (from) to Cash Fund	\$905,766.11	\$2,660,869.76	\$2,755,779.38
Advances (from) to Debt Service Fund	0.00	0.00	0.00
	<u>\$905,766.11</u>	<u>\$2,660,869.76</u>	<u>\$2,755,779.38</u>

** \$376,744 of capital expenditures is remaining committed balance of job creation incentives related to Brookdale Senior Living