

TAX INCREMENTAL DISTRICT 16 AMENDMENT I

INFORMATION AND FINANCIAL ANALYSIS

PREPARED BY THE DEPARTMENT OF COMMUNITY DEVELOPMENT

1. Background Information.

Tax Incremental District No. 16 in the City of Waukesha was created in 2007 to promote the redevelopment of the downtown central city as authorized in Wisconsin Statutes 66.1105, to provide greater employment opportunities, increased downtown central city housing opportunities and to broaden the property tax base to relieve the tax burden of residents and homeowners. There were areas within the district boundaries that are blighted and one of the goals of this district was for rehabilitation and/or infill projects in these areas in and around Downtown Waukesha. The original project plan established a TIF loan program to aid residents with repairs to their homes in and around downtown, which contains the oldest housing stock in the City. Additionally the project plan envisioned using TIF for developer incentives as detailed below:

- South St. Townhouses:
- Commercial Redevelopment of existing buildings on southwest corner of South St. and Barstow
- Redevelopment of historic train depot site
- Redevelopment of post office and flower shop
- Joint parking structure to serve WCTC, YMCA, Post Office
- Redevelopment of northwest corner of Hartwell and Broadway
- Redevelopment of video store site
- Townhouse development on Barney
- Redevelopment of commercial site between the railroad and Pleasant St.
- Northwest corner of Barney St. and McCall St. converted to 2 single family lots.

It was anticipated these projects when completed would have added and estimated 20 million dollars in new taxable value to the district. Unfortunately the timing of the projects within this district coincided with the Great Recession and the anticipated projects have not occurred.

In addition to these projects we had some properties within the district became tax exempt as they were acquired by non-profit entities. This includes East Terrace, a large 9-story senior apartment

building. This property had a taxable value of \$3,957,900.00 when the TID was created. It was purchased by the Wisconsin Housing Preservation Corporation (WHPC) and is now tax-exempt.

Due to these setbacks the base value of the district has declined from a 2007 base value of \$51,142,800 to its current 2014 value of \$36,939,600.

This project plan is being done solely to redetermine the base value of the district. Earlier in 2014 the State of Wisconsin passed legislation that allows for a base value adjustment for a TID in a decrement situation as defined under state law (sec. 66.1105(2)(a)). In order to qualify for a base value redetermination the following criteria must be met:

- TID's Equalized Value (see Tax Incremental Value Reports) must be at least 10 percent below the current base value of the TID for two consecutive years (decrement)
- Municipality's resolution date stating a decrement exists determines the two consecutive years (ex: May 21, 2014 resolution date requires both the 2012 and 2013 TIDs to be 10 percent below the TID's current base value)
- TID must be created under state law (sec. 66.1105, Wis. Stats.)
- One base value redetermination is allowed during the life of a TID
- Decrement determination does not impact the four allowed amendments in the TID's life
- Distressed or severely distressed TIDs qualify.

City of Waukesha Tax Incremental District Number 16 qualifies for a base value redetermination. The District's equalized value for the years 2012 and 2013 was 21.7 percent and 27.6 percent lower than the established base, far exceeding the 10 percent decline from the base value in two consecutive years required by State Statutes. The current equalized value for 2014 is still 27.8 percent lower than the base value. Table 1 below shows the loss in base value for TID No. 16 for the last seven (7) years.

TABLE 1: TID Number 16 Base Value 2008-2014			
	TID #16 Total Value	Loss in Value from Base Year	Percent Decline from Base Year
2007 Base Value	\$ 51,142,800		
2011 Revised Base Value*	\$ 49,974,700		
2008	\$ 47,289,700	\$ 3,853,100	7.5%
2009	\$ 46,208,300	\$ 4,934,500	9.6%
2010	\$ 41,741,200	\$ 9,401,600	18.4%
2011	\$ 37,578,900	\$ 13,563,900	26.5%
2012	\$ 40,043,600	\$ 11,099,200	21.7%
2013	\$ 37,047,000	\$ 14,095,800	27.6%
2014	\$ 36,939,600	\$ 14,203,200	27.8%

* Reflects Dept. of Revenue adjustment of (\$1,168,100) for current method of valuation that applies municipality level of assessment versus the prior method that applied the level by class of property.

Under the new state law the municipality must include one of three options (3, 4, or 5) defined in Sec 66.1105(5)(i) of the State Statutes when redetermining a TID's base value. These options are:

- **Option 3:** The project plan specifies that, with regard to the total value of public infrastructure improvements in the district that occur after approval by the joint review board under par. (h) 2., at least 51 percent of the value of such improvements must be financed by a private developer, or other private entity, in return for the city's agreement to repay the developer or other entity for those costs solely through the payment of cash grants as described in sub. (2)(f) 2. d. To receive the cash grants, the developer or other private entity must enter into a development agreement with the city as described in sub. (2) (f) 2. d.
- **Option 4:** The project plan specifies that the city expects all project costs to be paid within 90 percent of the tax incremental district's remaining life, based on the district's termination date as calculated under sub. (7)(ak)to(au).
- **Option 5:** The project plan specifies that expenditures may be made only within the first half of the tax incremental district's remaining life, based on the district's termination date as calculated under sub. (7) (ak) to (au), except that expenditures may be made after this period if the expenditures are approved by a unanimous vote of the joint review board. No expenditure under this subdivision may be made later than the time during which an expenditure may be made under sub. (6)(am).

The City of Waukesha is selecting Option 4. All of the project costs for TID No. 16 will be paid within 90 percent of the district's remaining life based on the district's termination date as calculated under sub. (7)(ak)to(au) of State Statutes Section 66.1105.

2. Financial Analysis.

The following materials are required by state statute for the financial analysis that must be performed by the Common Council before approving the redetermination of the District's base value. They are presented in the order listed in the statute.

a. List of Public Works. There are no planned public works within the District.

b. Economic Feasibility Study. The City had its financial advisor, R.W. Baird, run a Cash Flow Proforma analysis for TID No. 16 and with the redetermined base value set at the 2014 level of \$36,939,600 it is projected the TID expenditures would be recovered in 2027 using a 1% rate of inflation. All of the project costs for TID No. 16 will be paid within 90 percent of the district's remaining life based on the district's termination date as calculated under sub. (7)(ak)to(au) of State Statutes Section 66.1105.

The Cash Flow Proforma Analysis is on the next page.

1 % Inflation

City of Waukesha Tax Increment District No. 16 Cash Flow Proforma Analysis



Assumptions	
Annual Inflation During Life of TTD	1.00%
2013 Gross Tax Rate (per \$1,000 Equalized Value)	\$22.76
Annual Adjustment to tax rate	0.00%
Investment rate	3.00%

Data above dashed line are actual

(a) Val. Date	(b) TIF District Valuation	Background Data			(f) TIF Increment Over Base	(g) Tax Rate	Revenues			Expenditures			TTD Status			
		(c) Value of Exempt Computers	(d) Inflation Increment	(e) Construction Increment			(h) Tax Revenue	(i) Investment Proceeds	(j) Total Revenues	(k) Principal	(l) Interest	(m) Combined Debt Service	(n) Annual Balance	(o) Year End Cumulative Balance	(p) Cost Recovery	
		Base Value														
		2007 Revised Value														
		2007 Revised Value														
		2014 Revised Value														
2008	\$47,289,700	\$172,300			(\$4,762,200)	\$18.99										
2009	\$46,208,300	\$197,800			(\$9,203,800)	\$20.62										
2010	\$41,741,200	\$218,900			(\$12,176,900)	\$21.51										
2011	\$37,578,900	\$157,070			(\$9,774,030)	\$21.67										
2012	\$40,043,600	\$162,200			(\$12,765,500)	\$22.91										
2013	\$37,047,000	\$114,000			(\$12,823,100)	\$22.76										
2014	\$39,939,600	\$114,000			(\$8,537,356)	\$22.02										
2015	\$37,308,996	\$114,000			\$373,090	\$22.02	\$0	\$0	\$0	\$10,643	\$0	\$0	\$0	(\$9,620)	(\$9,620)	
2016	\$37,682,086	\$114,000			\$76,821	\$22.02	\$10,643	\$0	\$0	\$18,858	\$0	\$0	\$0	\$1,023	(\$26,513)	
2017	\$38,058,907	\$114,000			\$380,589	\$22.02	\$18,858	\$0	\$0	\$18,858	\$0	\$0	\$0	\$9,238	(\$25,490)	
2018	\$38,439,496	\$114,000			\$384,395	\$22.02	\$27,154	\$0	\$0	\$27,154	\$0	\$0	\$0	\$17,534	(\$16,252)	
2019	\$38,823,891	\$114,000			\$388,239	\$22.02	\$35,534	\$0	\$0	\$35,534	\$0	\$0	\$0	\$25,952	\$1,282	
2020	\$39,212,130	\$114,000			\$392,121	\$22.02	\$43,997	\$38	\$817	\$44,814	\$0	\$0	\$0	\$35,194	\$27,234	
2021	\$39,604,251	\$114,000			\$396,043	\$22.02	\$52,545	\$17	\$817	\$54,418	\$0	\$0	\$0	\$35,194	\$62,428	
2022	\$40,000,294	\$114,000			\$400,003	\$22.02	\$61,179	\$2,167	\$817	\$63,345	\$0	\$0	\$0	\$9,798	\$72,226	
2023	\$40,400,299	\$114,000			\$404,003	\$22.02	\$69,898	\$2,767	\$817	\$72,666	\$0	\$0	\$0	\$20,020	\$92,247	
2024	\$40,804,299	\$114,000			\$408,043	\$22.02	\$78,705	\$3,539	\$817	\$82,244	\$0	\$0	\$0	\$25,706	\$117,953	
2025	\$41,212,342	\$114,000			\$412,123	\$22.02	\$87,601	\$4,646	\$817	\$92,247	\$0	\$0	\$0	\$35,924	\$154,877	
2026	\$41,624,466	\$114,000			\$416,245	\$22.02	\$96,585	\$6,106	\$817	\$102,690	\$0	\$0	\$0	\$48,647	\$203,524	
2027	\$42,040,711	\$114,000			\$420,407	\$22.02	\$105,659	\$7,931	\$817	\$113,590	\$0	\$0	\$0	\$60,850	\$284,374	
2028	\$42,461,118	\$114,000			\$424,611	\$22.02	\$114,823	\$11,339	\$817	\$124,979	\$0	\$0	\$0	\$79,964	\$377,964	
2029	\$42,885,729	\$114,000			\$428,857	\$22.02	\$124,079	\$15,124	\$817	\$139,203	\$0	\$0	\$0	\$113,590	\$504,126	
2030	\$43,314,586	\$114,000			\$433,146	\$22.02	\$133,428	\$19,900	\$817	\$152,728	\$0	\$0	\$0	\$126,162	\$634,329	
2031	\$43,747,732	\$114,000			\$437,472	\$22.02	\$142,871	\$23,882	\$817	\$166,752	\$0	\$0	\$0	\$139,203	\$796,057	
2032	\$44,185,209	\$114,000			\$441,852	\$22.02	\$152,407	\$28,884	\$817	\$181,282	\$0	\$0	\$0	\$166,752	\$962,809	
2033	\$44,627,061	\$114,000			\$446,271	\$22.02	\$162,039	\$34,323	\$817	\$196,362	\$0	\$0	\$0	\$181,282	\$1,144,101	
2034	\$45,073,332	\$114,000			\$450,733	\$22.02	\$171,768	\$40,214	\$817	\$211,982	\$0	\$0	\$0	\$196,362	\$1,340,463	
					\$8,584,465		\$1,689,773	\$202,950	\$1,892,723	\$230,000	\$93,385	\$323,385		\$1,552,445	\$2,117,982	

Type of TTD: (Blight)
 2007 TTD Inception
 2029 Final Year to Incur TIF Related Costs
 2034 Maximum Legal Life of TTD (27 Years)

(1) 2011 increment includes DOR adjustment (\$1,168,100) for current method of valuation that applies municipality level of assessment versus the prior method that applied the level by class of property.
 (2) 2014 tax rate reflects an \$0.89 adjustment due to Wisconsin Act 145. This will increase state aid to technical college districts and lower levy amount.

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c. Estimated Project Costs, Methods of Financing, and Time of Cost Incurrence. The City could acquire parcels for City and/or private use. In addition, the City could provide funds for site clearance, conducting a phase one and/or two environmental assessments, grading the land and then reselling the land to a developer at less than the cost of acquisition and clearance. Also, the City could fund special projects on private property such as loans for exterior façade improvements to existing commercial buildings and public infrastructure improvements if deemed a benefit to the district. The City may also provide low or no interest loans to home owners adding substantial value to the district through property improvements. Land acquisition, write downs, loans and special projects will all aid in providing for the sound growth of the community and foster redevelopment and increased property values. Any incentives for development outside of Redevelopment District No. 6 would be available only to projects that are consistent with the current zoning on the property.

Also see the following table:

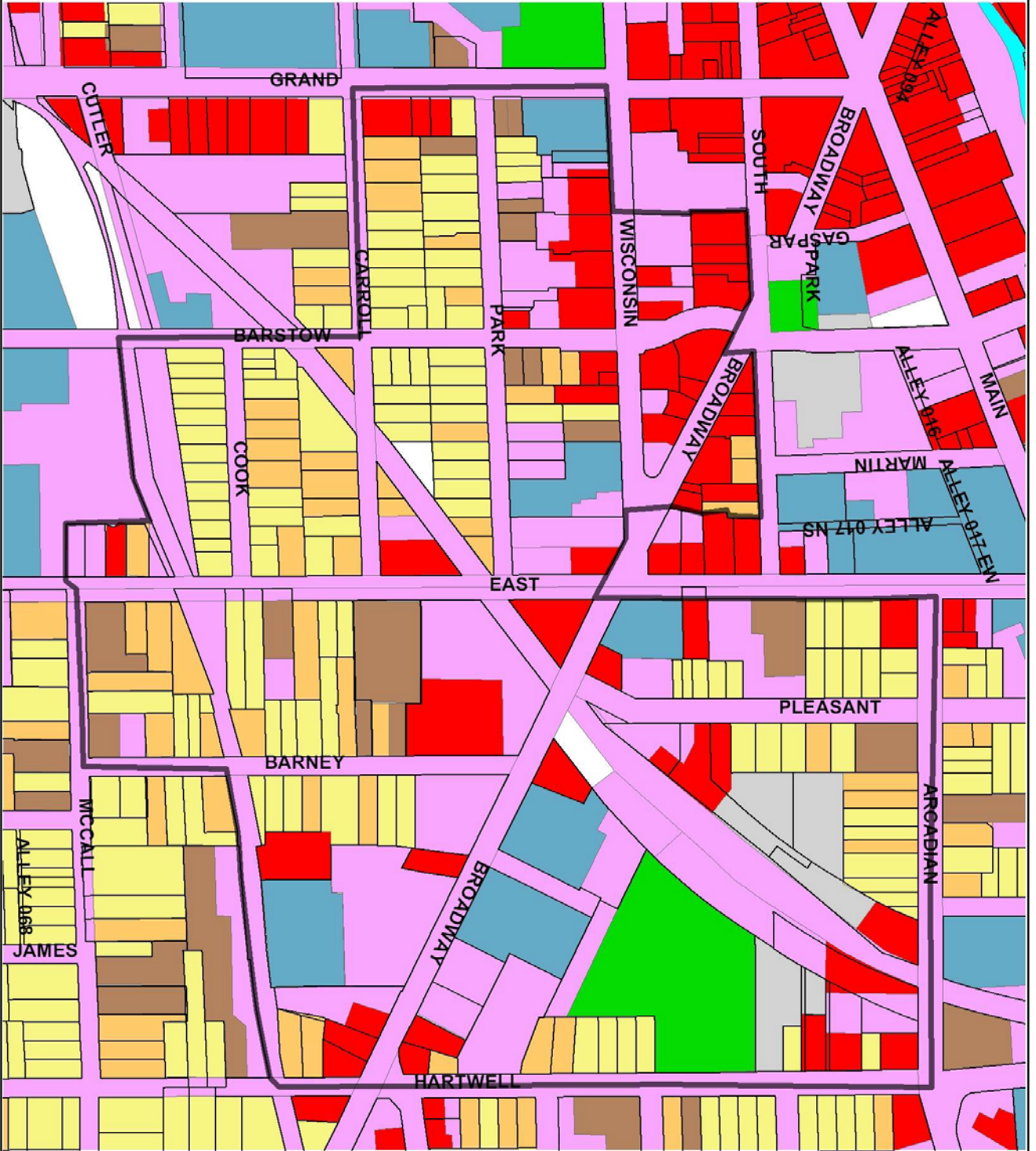
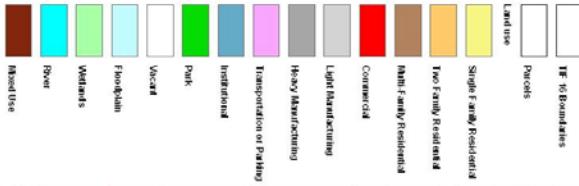
	PROJECT	ESTIMATED COST	INTERIM METHOD OF FINANCING	TIME OF COST INCURRENCE
		<i>TIF</i>		
1	Land Acquisition, Write Downs, Loans and Special Projects	\$5,000,000.00	GOB or GCF ¹	2007-2027
2	Capitalization, interest, issuance	\$4,000,000.00	GOB or GCF ¹	2007-2027
	TOTAL	\$9,000,000.00		

1. GOB = general obligation bond; GCF = general city fund

d. Map of Existing Land Use. See map on next page. More than 50% of the land in the District is blighted, as that term is defined in state statutes.

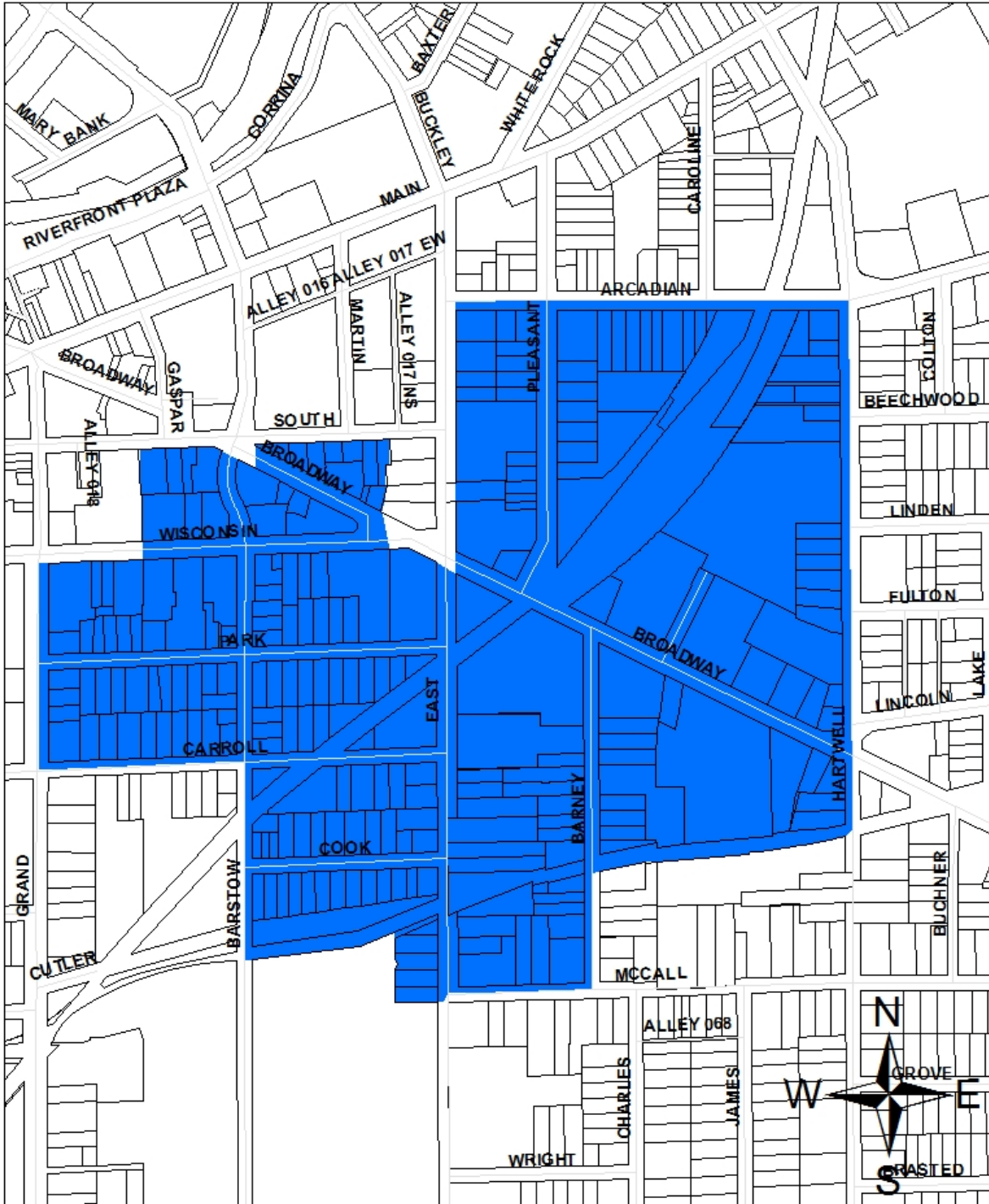
**PROPOSED
TIF 16
EXISTING
LAND USE**

May 2007



e. Maps of District Boundaries, Parcels and Key Numbers.

CITY OF WAUKESHA TAX INCREMENTAL DISTRICT NO. 16 BOUNDARIES



f. Locations of Projects within District. Projects will occur throughout the District.

g. Changes to Zoning Ordinances, Master Plan, Building Codes or Other Ordinances. Certain properties may need to be rezoned to accommodate land use changes recommended in the Redevelopment District 6 Project Plan.

No changes to any City ordinances are planned.

h. Method of Relocating Displaced Persons. No displacements are expected.

i. Non-Project Costs. None.

j. Project Costs, Amount to Be Paid from Increment, Amount of Increment Generated over Life of District. See the Cash Flow Proforma Analysis on page 4.