

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : October 12, 2017

TO : Chris Abele, County Executive
Supervisor Peggy A. West, Chairwoman, Finance and Audit Committee
Teig Whaley-Smith, Director, Department of Administrative Services

FROM : James Tarantino, DAS – Economic Development, Director

SUBJECT : Revenue Deficits in excess of \$75,000 – Economic Development Division

Policy Issue

County Ordinance 56.02 requires each person in charge of any County office, department, agency, or any non-departmental account to:

“ . . . submit a written report to the County Executive, the Committee on Finance and Audit of the County Board and the Department of Administration whenever such person has reason to know or believe that a deficit of seventy-five thousand dollars (\$75,000.00) or more in any revenue account will occur for the division of county government under the supervision of that person.” ...

Background

As in previous years, \$400,000 in revenue is budgeted in Real Estate Services to cover the division’s operating expenditures. This represents the first \$400,000 of unallocated land sales and is historically realized through the sale of foreclosed properties and other miscellaneous land. Excluding the sale of the former Midwest Airlines Hangars at Mitchell Airport (File 17-680) the sales of these properties have resulted in a gross revenue of \$866,229.00 but only a net revenue of \$96,995.47 According to the 2017 Property Inventory Report, the current pending-close properties are projected to provide additional net revenue of \$64,183.22 for an overall revenue shortfall of (\$238,821.31) for 2017. This estimate excludes the potential revenue that could be realized through the sale of properties that have outstanding Option to Purchase Agreements. If at any point during the Option to Purchase period an agreement is executed, the County would receive the benefit of cash proceeds from those sales and potentially overcome the revenue shortfall. There are three outstanding Option to Purchase Agreements:

<u>Property</u>	<u>Buyer Name</u>	<u>Purchase Price</u>
Park East Block 12B	MH Exchange LLC	\$50,000
Park East Block 22	Wangard Partners	\$2,433,890
D-18 Food Service Bldg	Samapa LLC	\$970,000
	TOTAL	\$3,453,890

Item	Short Description	Budget Amount	Actual amount to date	Projected Amount	Variance between budget and projected
4905	Sale of Capital Assets	\$400,000.00	\$51,425.00	\$51,425.00	(\$348,575.00)
4972	Sale Tax Deeded Properties	\$0	\$45,570.47	\$109,753.69	\$109,753.69
	TOTAL	\$400,000.00	\$96,995.47	\$161,178.69	(\$238,821.31)

Cause of Deficit

To date in 2017, the Economic Development Division has sold 21 properties for gross revenue of \$866,229.00. As of the date this report is submitted, we will sell another 8 properties for \$229,992.12. These properties carry a total property tax debt burden of \$879,175.84. Once the cash proceeds from these sales are collected by the County, the tax debt is resolved by a transfer to the Treasurer's office, where the debt is accrued.

After this transfer, the remaining balance is split by the process outlined in MCGO 6.03(4). This Ordinance was amended in April, 2017 as File 17-204 in order to establish a clear and uniform process for the distribution of proceeds from the sale of tax foreclosed properties pursuant to Wisconsin State Statute 75.36(3). Among other things, 17-204 states –

“The Economic Development Division shall be paid \$5,000 or 10 percent of the sale price, whichever is less, for costs related to: maintenance, board-up, clean-up, demolition, and additional costs that are “reasonable and necessary” to sell the property, inclusive of costs stated per Wis. Stat. § 75.36(3)(a)(2) related to real estate agent or broker fees.”

Accounting for property sale revenue has adapted to this change in ordinance, and items 4905 and 4972 above now reflect that Economic development receives \$5,000 or 10 percent of the sale price, whichever is less, for each successful transaction.

Are there funds available to offset the revenue deficit?

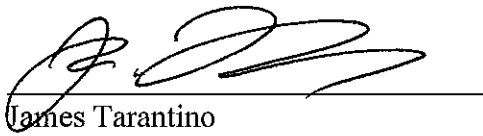
Yes, through increases in other revenue sources, in particular the revenue collected from parking lot leases, it is expected that the Economic Development Division will be able to offset the revenue deficit in 4905 and 4972.

Will this be an issue beyond the current year?

As indicated above, the three outstanding Option to Purchase agreements total \$3,453,890 in proceeds to Milwaukee County and if executed would achieve the \$400,000 threshold.

Recommendation

This is an informational report required by Section 56.02 of the Milwaukee County Ordinances and requires no action.



James Tarantino

DAS – Economic Development, Director

cc: Theodore Lipscomb, Chairman, County Board of Supervisors
Raisa Koltun, Chief of Staff to the County Executive
Stephen Cady, Director, Research & Policy
Jerome Heer, Director, Department of Audit
Gina DeSota, Administrator of Financial Operations, DAS Central Business
Office
David Cullen, Treasurer
Katarina Lucas, Research and Policy Analyst, Office of the Comptroller

