



COUNTY OF MILWAUKEE

INTEROFFICE COMMUNICATION

Office of the Comptroller

Scott B. Manske, Comptroller

DATE: May 24, 2017

TO: Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors
Supervisor Jason Haas, Chairman, Parks, Energy and Environment Committee
Margaret Daun, Corporation Counsel
James Tarantino, Director, DAS – Economic Development

FROM: Scott B. Manske, Comptroller

SUBJECT: Fiscal Analysis of Ballpark Commons re: Files 17-366 and 17-373

Summary

The Office of the Comptroller has been asked several questions related to the proposal to sell County-owned property for the development of the Ballpark Commons on the Franklin Landfill. The 140 acre property located at 7900 Crystal Ridge Road in Franklin, Wisconsin is currently leased to The Rock Sports Complex, LLC and was formerly the Franklin Landfill.

The items supporting the proposed transaction include:

- 1) Term Sheet – The Term Sheet was drafted to describe the parameters of an Option to Purchase between the County and the Purchaser, which is associated with Zimmerman Enterprises. It includes the sale of the Franklin landfill site, and county commitments related to the development project. The resulting option to purchase document would be signed by BPC County Land LLC (Purchaser), and the County.
- 2) De-mapping County Highway K (portions of Crystal Ridge Dr. and Old Loomis Rd.). This action has been requested by Franklin and will require County Board approval.
- 3) Cancellation of the current Maintenance and Operations Services Agreement with The Rock Sports Complex LLC. The agreement was entered into in 2012 under file number 12-495 and is effectively a lease.
- 4) Execution of a new lease for the ski-hill land located in Greendale. (The landfill is located in both Greendale and Franklin.)
- 5) Option to Purchase – if all matters noted above were approved, the County would enter into an option for the Purchaser to purchase the Franklin land. The option to purchase would be approved under current State Statute requirements which would need approval by the County Executive, and either the Franklin designated real estate individual and/or the Comptroller of Milwaukee County.

We reported on the state of our analysis on May 15, 2017. Since that last report, we have received memos from and had discussion with representatives of the City of Franklin, the Developer, Corporation Counsel and the Administration.

Based on this information, our analysis indicates that it would be appropriate for the Administration to continue negotiations for the sale transaction outlined in the Term Sheet and for the Board to take the actions outlined in Files 17-366 and 17-373, with amendments to the Term Sheet to reflect the Developer's long-term financial commitment to the Trust Fund.

However, we believe that the transaction could be strengthened to further shield the County from potential cost associated with environmental risks related to future development on the Franklin Landfill.

A. TID Analysis

The proposed development is financed by Tax Incremental District (TID) No. 5 in the City of Franklin. We focused our analysis on the viability of the TID because it is the best indicator of whether the proposed development will be able to alleviate, fully or partially, the County's projected funding commitment to support the costs of the gas extraction and monitoring system at the Franklin Landfill site. We discussed the TID and the proposed development with representatives of the City of Franklin and the Developer. We performed the attached analysis (Exhibit A) based on a September 2016 report and those discussions.

Our analysis indicated that the total projected revenues were \$43.6 million and total projected expenditures were \$35.3 million, thus providing a coverage ratio of 1.23 on the proposed project. This analysis shows that the TID is expected to generate more than adequate financing for the costs it will cover in the proposed development.

The agreement also provides for incentive payments of an estimated \$9.3 million to the Developer to finance future desirable elements of the project. The expenditure of the incentive funds would require the approval of the TID.

1. Value Added

Since the City of Franklin adopted the Project Plan for the Creation of Tax Incremental District No. 5 drafted by Ehlers, Inc. in September 2016 (Original Project Plan)¹, the Developer has proposed a revised footprint, square footage, and value, which result in estimated additional assessed value of \$12-15 million, increasing the resulting tax increment by \$350,000-\$400,000 annually. Those changes to square footage and buildings are described in a March 2017 status update² but no financial analysis was included. These estimates are addressed in a May 22 memo from the Administration which quotes statements from the Franklin representatives. The

1

http://www.franklinwi.gov/DefaultFileFile/User/Business/RockBallparkCommons/Rock_Ballpark_Commons_Project_Plan_TID5_FINAL_8132016.pdf

2

http://www.franklinwi.gov/DefaultFileFile/User/Business/RockBallparkCommons/Rock_Ballpark_Commons_Status_Update_Presentation_CC_362017.pdf

Developer will request that the City of Franklin approve revisions to the TID No. 5 Project Plan incorporating changes from the March 2017 status update once the County takes action.

2. Cost Modifications

We next discussed the cost components of the Original Project Plan, and modifications that would be in any amended project plan. The cost components to be changed were related to the gas extraction system. The cost in 2018 for the replacement of the gas extraction system, including new southern and western border systems, was added at \$3.4 million. The cost in 2031 of \$1.8 million for a gas extraction system was not removed but would be available to the Trust Fund for gas system replacement. The TID plan would maintain funding for the Developer as offsets to any portion of the plan that had negative development value. These cost modifications increased debt issuance from \$11.6 million to \$15.5 million.

B. Cash Flow Analysis for County – Status Quo versus Proposed Term Sheet

Our analysis compared the projected future costs for the next twenty years under two scenarios. The first scenario contains the estimated costs to be funded if the county retains ownership of the Franklin Landfill and continues the current lease arrangement (Exhibit B). The second scenario also covers a twenty year time frame but is premised on the completion of the transactions described in the Term Sheet (Exhibit C). For both scenarios we included inflationary assumptions for costs at a rate of 2.5% annually and discounted future cash flows by the same rate.

C. Trust Fund and Environmental Risk Concerns

We analyzed the Trust Fund outlined in the Term Sheet. Our analysis (Exhibit D) indicates that, as presently structured, the Trust Fund will be adequate to fully fund potential gas filtration replacement in 2038. Our analysis assumed 2% earnings from the fund's investment and a 2.5% inflation rate for the cost of replacing the gas filtration system. As stated earlier, the TID will be providing \$1.8 million towards the gas system replacement in 2031. The amount includes a 15 percent contingency of \$229,500.

In the Term Sheet as drafted, we noted no estimate of the Developer's contribution to the Trust Fund beyond the first 20 years. In our discussion with the Franklin and Developer's representatives, they emphasized that the Developer is committing to estimated contributions of \$136,000 annually for years 21-40 and \$186,000 annually for years 41-60. We recommend that the Term Sheet be updated to include that commitment.

The development of the site also requires excavation of contaminated soil and replacement with clean fill. The estimated cost of this activity is \$2.5 million, based on the assumption that the soil will be moved to the Franklin Landfill under the existing cap or a replacement. The DNR will need to approve the proposed remediation plan. If on-site soil disposal is not available, costs for soil removal are likely to increase by an estimated \$2 million, according to the Developer.

We understand that insurance may be available to further protect the County related to environmental concerns at the Franklin Landfill site. This should be further investigated.

D. Other Issues

The expertise of the environmental law expert, brought in by Corporation Counsel, is an important addition to the team supporting the proposed transaction.

De-mapping County Highway K (portions of Crystal Ridge Dr. and Old Loomis Rd.) is beneficial to Milwaukee County according to a May 17, 2017 memo from the MCDOT Director. This would relieve the County of future maintenance costs.

The potential costs for highway expansion required by the likely increase in traffic on County Highway BB (Rawson Ave.) between Hawthorne Lane and USH 45 will be determined through a traffic impact analysis (TIA) yet to be conducted. The County has estimated costs for road replacement at \$2.85 million (\$0.8 million State funding, \$2.05 million net County cost). Required expansion costs resulting from the TIA would be borne by the Developer.

Conclusions and Recommendations

It would be appropriate to:

- 1) Review the revised TID documents for viability before executing the Option to Purchase.
- 2) Update the Term Sheet to include the Developer's contribution to the Trust and modify the current resolutions before the County Board.
- 3) Explore insurance to protect the County from potential future costs resulting from environmental liabilities.



Scott B. Manske
Comptroller

Attachments

Cc: Milwaukee County Board of Supervisors
Chris Abele, County Executive
Kelly Bablitch, Chief of Staff, County Board
Raisa Koltun, Chief of Staff, Office of the County Executive
Teig Whaley-Smith, Director, Department of Administrative Services
Steve Cady, Research & Policy Director, Research Services Division, Office of the Comptroller
Jessica Janz-McKnight, Research & Policy Analyst, Office of the Comptroller
Allyson Smith, Committee Coordinator, Office of the County Clerk

Revised Report of Tax Increment Value based on Conversations with Developer and City of Franklin

5/24/2017 Ex. A, p. 1

Year	Development Value	Cum Devel Value	Full Tax Rate	Tax Incre Value Generated	Cum Tax Incre Value Generated	Net Present Value of Tax Incre Value			
1	2016	-	2017	-	2018	\$23.53	-	-	-
2	2017	24,808,950	2018	24,808,950	2019	\$23.30	577,975	577,975	561,018
3	2018	37,066,375	2019	61,875,325	2020	\$23.07	1,427,239	2,005,214	1,925,911
4	2019	25,213,550	2020	87,088,875	2021	\$22.84	1,988,935	3,994,148	3,799,854
5	2020	29,078,125	2021	116,167,000	2022	\$22.61	2,626,753	6,620,901	6,238,164
6	2021	-	2022	116,167,000	2023	\$22.39	2,600,745	9,221,646	8,616,655
7	2022	-	2023	116,167,000	2024	\$22.17	2,574,995	11,796,642	10,936,795
8	2023	-	2024	116,167,000	2025	\$21.95	2,549,500	14,346,142	13,200,015
9	2024	-	2025	116,167,000	2026	\$21.73	2,524,258	16,870,400	15,407,711
10	2025	-	2026	116,167,000	2027	\$21.51	2,499,265	19,369,665	17,561,246
11	2026	-	2027	116,167,000	2028	\$21.30	2,474,520	21,844,185	19,661,949
12	2027	-	2028	116,167,000	2029	\$21.09	2,450,020	24,294,205	21,711,114
13	2028	-	2029	116,167,000	2030	\$20.88	2,425,762	26,719,967	23,710,008
14	2029	-	2030	116,167,000	2031	\$20.67	2,401,745	29,121,712	25,659,863
15	2030	-	2031	116,167,000	2032	\$20.47	2,377,965	31,499,677	27,561,881
16	2031	-	2032	116,167,000	2033	\$20.27	2,354,421	33,854,098	29,417,238
17	2032	-	2033	116,167,000	2034	\$20.07	2,331,110	36,185,207	31,227,077
18	2033	-	2034	116,167,000	2035	\$19.87	2,308,029	38,493,237	32,992,516
19	2034	-	2035	116,167,000	2036	\$19.67	2,285,178	40,778,415	34,714,643
20	2035	-	2036	116,167,000	2037	\$19.48	2,262,552	43,040,967	36,394,521
		<u>116,167,000</u>					<u>43,040,967</u>		

Orig TID Increm	Adtl Increment	Mod Increment
24,808,950		24,808,950
37,066,375		37,066,375
25,213,550		25,213,550
14,078,125	15,000,000	29,078,125
<u>101,167,000</u>		<u>116,167,000</u>

Cash Flow Projection based on conversations with Franklin and Developer as of May 2017

Ex. A p. 2

TID #5 Ballpark Commons - City of Franklin

Prepared by Milw County Comptroller Office

YEAR	Tax Increments	Interest Earnings/ (Cost)	Capitalized Interest	PILOT	Total Revenues	Principal on Franklin GO Bond Issue	Est Rate on GO Bonds	GO Bond Interest	Muni Rev Obligation (MRO) Pay-Go Total	Muni Rev Oblig (MRO)	TIF Rev Note	Franklin Admin Costs	Total Expenditures	Annual	Cumulative	Principal Outstanding	
2016																	2016
2017	0	0	505,946	0	505,946			170,017	14,964,616				170,017	335,929	335,929	30,114,616	2017
2018	0	636			636		1.40%	340,034	14,964,616				340,034	-339,398	-3,469	30,114,616	2018
2019	577,975	2			577,977		1.45%	340,034	14,964,616	207,943		30,000	577,977	0	-3,469	29,906,673	2019
2020	1,427,239	98			1,427,337	587,000	1.55%	335,485	14,756,673	474,852		30,000	1,427,337	0	-3,469	28,844,821	2020
2021	1,988,935	73			1,989,008	734,000	1.70%	324,697	14,281,821	900,311		30,000	1,989,008	0	-3,469	27,210,510	2021
2022	2,626,753	198			2,626,951	910,000	1.80%	310,268	13,381,510	1,376,683		30,000	2,626,951	0	-3,469	24,923,827	2022
2023	2,600,745	241			2,600,986	969,000	1.85%	293,114	12,004,827	1,313,872		25,000	2,600,986	0	-3,469	22,640,955	2023
2024	2,574,995	303			2,575,298	1,057,000	1.95%	273,845	10,690,955	1,219,453		25,000	2,575,298	0	-3,469	20,364,501	2024
2025	2,549,500	313			2,549,813	1,174,000	2.05%	251,506	9,471,501	1,099,307		25,000	2,549,813	0	-3,469	18,091,194	2025
2026	2,524,258	333			2,524,591	1,233,000	2.15%	226,218	8,372,194	1,045,373		20,000	2,524,591	0	-3,469	15,812,821	2026
2027	2,499,265	375			2,499,640	1,292,000	2.25%	198,428	7,326,821	989,212		20,000	2,499,640	0	-3,469	13,531,609	2027
2028	2,474,520	381			2,474,901	1,350,000	2.35%	168,031	6,337,609	941,870		15,000	2,474,901	0	-3,469	11,239,738	2028
2029	2,450,020	587			2,450,607	1,380,000	2.45%	135,263	5,395,738	920,344		15,000	2,450,607	0	-3,469	8,939,395	2029
2030	2,425,762	843			2,426,605	1,438,000	2.55%	100,024	4,475,395	878,582		10,000	2,426,605	0	-3,469	6,622,813	2030
2031	2,401,745	1,088			2,402,833	1,526,000	2.65%	61,470	3,596,813	805,363		10,000	2,402,833	0	-3,469	4,291,450	2031
2032	2,377,965	1,481			2,379,446	1,500,000	2.75%	20,625	2,791,450	848,821		10,000	2,379,446	0	-3,469	1,942,629	2032
2033	2,354,421	889			2,355,310		2.85%	0	1,942,629	1,942,629	400,000	10,000	2,352,629	2,681	-788	0	2033
2034	2,331,110	415			2,331,525		2.95%	0	0	0	1,100,000		1,100,000	1,231,525	1,230,737	0	2034
2035	2,308,029	3,084			2,311,113		3.00%	0	0	0			0	2,311,113	3,541,850	0	2035
2036	2,285,178	8,107			2,293,285		3.05%	0	0	0			0	2,293,285	5,835,135	0	2036
2037	2,262,552	13,093			2,275,645	-	3.10%	0	0	0			0	2,275,645	8,110,780	0	2037
Per Comptroller	43,040,967	32,540	505,946	-	43,579,453	15,150,000		3,379,040	144,755,166	14,964,616	1,500,000	305,000	35,298,656	7,774,851			
Sept 16 Value	37,951,951	32,540	381,694	-	38,366,185	11,625,000		2,577,403	-	14,964,612	1,759,500	305,000	31,149,825	7,216,358			

Coverage Ratio
Revenue 43,579,453 1.23

As Is Scenario - Milwaukee County

Exhibit B

			0.025							
	Lease Revenue	Operating Costs	Operator's Net Revenue to County	LFG System	Western Leg	Southern Border LFG Wells	Eastern Leg	Roadway (Old Loomis Road)	Total	NPV Total
2017	\$25,000	(\$132,000)	\$0						(\$107,000)	(\$107,000.00)
2018	\$25,000	(\$135,300)	\$0			(\$1,273,000)			(\$1,383,300)	(\$1,349,560.98)
2019	\$25,000	(\$138,683)	\$0					(\$1,689,400)	(\$1,803,083)	(\$1,716,199.88)
2020	\$25,000	(\$142,150)	\$0						(\$117,150)	(\$108,785.01)
2021	\$25,000	(\$145,703)	\$0						(\$120,703)	(\$109,351.23)
2022	\$25,000	(\$149,346)	\$0						(\$124,346)	(\$109,903.64)
2023	\$25,000	(\$153,080)	\$0						(\$128,080)	(\$110,442.58)
2024	\$25,000	(\$156,907)	\$0						(\$131,907)	(\$110,968.37)
2025	\$25,000	(\$160,829)	\$0						(\$135,829)	(\$111,481.34)
2026	\$25,000	(\$164,850)	\$0						(\$139,850)	(\$111,981.79)
2027	\$25,000	(\$168,971)	\$0						(\$143,971)	(\$112,470.04)
2028	\$31,250	(\$173,195)	\$0						(\$141,945)	(\$108,182.98)
2029	\$31,250	(\$177,525)	\$0						(\$146,275)	(\$108,763.88)
2030	\$31,250	(\$181,963)	\$0						(\$150,713)	(\$109,330.61)
2031	\$31,250	(\$186,513)	\$0						(\$155,263)	(\$109,883.53)
2032	\$31,250	(\$191,175)	\$0						(\$159,925)	(\$110,422.95)
2033	\$31,250	(\$195,955)	\$0						(\$164,705)	(\$110,949.22)
2034	\$31,250	(\$200,854)	\$0						(\$169,604)	(\$111,462.65)
2035	\$31,250	(\$205,875)	\$0						(\$174,625)	(\$111,963.57)
2036	\$31,250	(\$211,022)	\$0						(\$179,772)	(\$112,452.26)
2037	\$31,250	(\$216,297)	\$0						(\$185,047)	(\$112,929.03)
2038	\$110,115	(\$221,705)	\$0	(\$3,760,625)		(\$2,085,959)			(\$5,958,173)	(\$3,547,414.63)
	\$697,615	(\$3,809,897)	\$0	(\$3,760,625)	\$0	(\$3,358,959)	\$0	(\$1,689,400)	(\$11,921,265)	(\$8,711,900)

Milwaukee County Scenario - Ballpark Commons Term Sheet

Exhibit C

	Lease Revenue	Operating Costs	County's Commitment	Trust (TID Term)	LFG System	Western Leg	Southern Border LFG Wells	Eastern Leg	Total	NPV Total
2017			(\$20,000)						(\$20,000)	(\$20,000.00)
2018			(\$20,000)						(\$20,000)	(\$19,512.20)
2019			(\$20,000)						(\$20,000)	(\$19,036.29)
2020			(\$20,000)						(\$20,000)	(\$18,571.99)
2021			(\$20,000)						(\$20,000)	(\$18,119.01)
2022			(\$20,000)						(\$20,000)	(\$17,677.09)
2023			(\$20,000)						(\$20,000)	(\$17,245.94)
2024			(\$20,000)						(\$20,000)	(\$16,825.30)
2025			(\$20,000)						(\$20,000)	(\$16,414.93)
2026			(\$20,000)						(\$20,000)	(\$16,014.57)
2027			(\$20,000)						(\$20,000)	(\$15,623.97)
2028			(\$20,000)						(\$20,000)	(\$15,242.90)
2029			(\$20,000)						(\$20,000)	(\$14,871.12)
2030			(\$20,000)						(\$20,000)	(\$14,508.41)
2031			(\$20,000)						(\$20,000)	(\$14,154.54)
2032			(\$20,000)						(\$20,000)	(\$13,809.31)
2033			(\$20,000)						(\$20,000)	(\$13,472.50)
2034			(\$20,000)						(\$20,000)	(\$13,143.90)
2035			(\$20,000)						(\$20,000)	(\$12,823.32)
2036			(\$20,000)						(\$20,000)	(\$12,510.55)
2037			(\$193,395)						(\$193,395)	(\$118,023.50)
2038			(\$195,329)						(\$195,329)	(\$116,296.32)
		\$0	(\$788,724)	\$0	\$0	\$0	\$0	\$0	(\$788,724)	(\$553,898)

Ballpark Commons - Trust Fund

Exhibit D

	Developer	County	TID Contribution to		Infrastructure Improvements	Total Trust Cumulative	Total Trust Cumulative
			Improvements	Total Trust		(With Earnings) Nominal	(With Earnings) NPV
2017	\$127,000	\$20,000		\$147,000		\$149,940	\$149,940
2018	\$127,000	\$20,000		\$147,000		\$302,879	\$295,492
2019	\$127,000	\$20,000		\$147,000		\$458,876	\$436,765
2020	\$127,000	\$20,000		\$147,000		\$617,994	\$573,869
2021	\$127,000	\$20,000		\$147,000		\$780,294	\$706,908
2022	\$127,000	\$20,000		\$147,000		\$945,840	\$835,984
2023	\$127,000	\$20,000		\$147,000		\$1,114,696	\$961,199
2024	\$127,000	\$20,000		\$147,000		\$1,286,930	\$1,082,650
2025	\$127,000	\$20,000		\$147,000		\$1,462,609	\$1,200,431
2026	\$127,000	\$20,000		\$147,000		\$1,641,801	\$1,314,637
2027	\$127,000	\$20,000		\$147,000		\$1,824,577	\$1,425,357
2028	\$127,000	\$20,000		\$147,000		\$2,011,009	\$1,532,680
2029	\$127,000	\$20,000		\$147,000		\$2,201,169	\$1,636,692
2030	\$127,000	\$20,000		\$147,000		\$2,395,132	\$1,737,478
2031	\$127,000	\$20,000	\$1,759,500	\$1,906,500		\$4,387,665	\$3,105,270
2032	\$127,000	\$20,000		\$147,000		\$4,625,358	\$3,193,651
2033	\$127,000	\$20,000		\$147,000		\$4,867,805	\$3,279,075
2034	\$127,000	\$20,000		\$147,000		\$5,115,102	\$3,361,619
2035	\$127,000	\$20,000		\$147,000		\$5,367,344	\$3,441,358
2036	\$127,000	\$20,000		\$147,000		\$5,624,630	\$3,518,362
2037	\$127,000	\$193,395		\$320,395		\$6,063,926	\$3,700,638
2038	\$127,000	\$195,329		\$322,329	(\$6,062,881)	\$329,842	\$196,383
	\$2,794,000	\$788,724	\$1,759,500	\$5,342,224	(\$6,062,881)		