

November 20, 2006

Members of the Zoning, Neighborhoods
& Development Committee
200 East Wells Street, Room 205
Milwaukee, WI 53202

RE: File 060895 - Proposed TID 67: Fifth Ward/First Place

Dear Committee Members:

File 060895 authorizes the creation of Tax Incremental District (TID) 67, Fifth Ward/First Place Project, and approves the related project plan and term sheet. The proposed TID is intended to assist Developer, Keybridge Group, Inc., in constructing riverwalk, dockwall and marina facilities related to the First Place on the River development. This condominium project will consist of 151 residential and 5 commercial units located along the Milwaukee River in the general vicinity of North Water and East Seeboth Streets. The proposed TID also includes "Fifth Ward" public improvements consisting of paving, lighting, signaling and other similar public improvements in the immediate area surrounding First Place on the River. In addition, the proposed TID includes future dockwall and riverwalk improvements along East Seeboth Street, which is not associated with the First Place on the River project. In total, the proposed project is \$7.2 million, with \$4.8 million funded by the TID and \$2.4 million funded by Developer.

<u>USES</u>	
Riverwalk and Dockwall	\$ 3,072,850
Marina	727,500
Legal, Insurance, Fees and Underwriting	563,160
Contingency	307,290
Total First Place Improvements	<u>4,670,800</u>
Fifth Ward Public Improvements	1,118,750
Future Seeboth Riverwalk and Dockwall	668,570
DCD Administration and Capitalized Interest	790,300
TOTAL USES	<u>\$ 7,248,420</u>
 <u>SOURCES</u>	
Public TID Financing	\$ 4,843,270
Private Developer Funding	2,405,150
TOTAL SOURCES	<u>\$ 7,248,420</u>

Of the improvements identified above, only the "Fifth Ward" infrastructure improvements will be publicly owned City facilities, which will be fully funded with public TID funds. The riverwalk and dockwall improvements will be privately owned and maintained, subject to public access, with all maintenance being the responsibility of the adjoining private property owners. The funding for the riverwalk and dockwall improvements will be split between the City and Developer, with Developer paying 30 percent of total riverwalk costs and 50 percent of total dockwall costs. These cost sharing arrangements comply with DCD's riverwalk and dockwall funding policy established in resolution 060578. City costs for the riverwalk segment adjoining First Place on the River will be \$1,920 per linear foot and City dockwall costs related to this segment will be \$906 per linear foot. These City costs for this segment approximate the dollar limits established in DCD's riverwalk and dockwall funding policy of \$2,000 per linear foot for riverwalk and \$800 per linear foot for dockwall. The planned 120 foot riverwalk improvement for East Seeboth Street agrees with DCD's riverwalk and dockwall funding policy both in terms of the funding percentages and the dollar limits. Finally, the proposed TID includes the development of a 28 slip marina¹ consisting of 24 private and 4 public

¹ NOTE: An earlier version of the term sheet entertained City financial assistance for a portion of construction of the private marina at a cost of \$630,000. There appears to be a shift in costs as the current version provides TID funding for enhancements associated with the private marina and there was no reduction in TID funding from the prior version.

boat slips. The TID will fund 4 public slips with the remaining slips to be funded by Developer.

Is the Project Likely to be Successful?

We have reviewed the feasibility study conducted by S.B. Friedman and Company and have independently calculated the cash flow projections for the project to determine the TID's feasibility. We have verified that the TID will likely retire the \$4.8 million in city debt issued for this TID in 2024, the 17th year of the TID. We do note however, that this projection is highly dependent on \$28.6 million in additional assessed value related to the First Place on the River project. Should market conditions deteriorate and units sell for less than the estimated average \$370,000, or units do not completely sell-out by 2008 as assumed, the TID recovery could extend well beyond 2024.

The "But For" Question: Are the proposed Riverwalk and other improvements required to enable the private development to proceed?

The proposed riverwalk, street and other public improvements will no doubt enhance the attractiveness of the adjacent condominium development and surrounding neighborhood. However, it is highly doubtful that a significant portion of the private development would terminate should city the City improvements not be made. In fact, **construction of First Place on the River has already begun.** If these improvements were viewed as primarily benefiting the upscale condominium development, an argument could be made that the developer should be able to include the riverwalk segment along with its various enhancements into the purchase price of the condominiums, thereby eliminating these elements as items to be funded with public TID assistance.

Rather than serving as a trigger for private development, DCD staff indicates that the riverwalk would function primarily to provide public access to the Milwaukee River consistent with the established City of Milwaukee Riverlink Development Plan and Site Review Plan Review Overlay District. DCD indicates that these improvements should be considered as benefiting the general public over any specific private property interest. While this argument can be made for the riverwalk, it cannot be made for the riverwalk enhancements necessitated by the marina or those riverwalk enhancements primarily serving a predominately private marina. The TID 67 Economic Feasibility Study does not address the "But For" question.

Conclusions and Recommendations

This TID should be successfully closed within the Statutory maximum of 27 years.

Typically, a TID is created because the public improvements become the principal inducement to the private development. But as the riverwalk is seen as primarily benefiting the general public, the question becomes, 'why create a TID to finance these improvements?' The primary justification is that through TID financing approximately 15% of the cost of these improvements will be financed by taxpayers outside the City through taxing jurisdictions whose jurisdictions exceed the boundaries of the City – the County, Milwaukee Area Technical college and the Milwaukee Metropolitan Sewerage District.

While this is a viable justification for public improvements such as the riverwalk, there is a lesser justification for the riverwalk enhancements that predominately serve private purposes such as the marina fender, boardwalk and boat launch. It is therefore recommended that DCD review its riverwalk and dockwall funding policy, approved as File #060895, and provide clarification as to what constitutes eligible expenditures for the City/developer cost sharing arrangement established in that policy.

Should you have any questions regarding this letter, please contact me immediately.

Sincerely,

W. Martin Morics
Comptroller

Cc Richard Marcoux, Allison Rozek
CDK/11-20-06