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Office of the Comptroller  
July 19, 2016

Members of the Zoning, Neighborhoods &  
Development Committee  
Milwaukee Common Council  
City Hall, Room 205  
Milwaukee, WI 53202

RE: File 160418, TID 48 - Park East  
Amendment #4

Committee Members:

File #160418 would authorize an additional \$2 million of Tax Incremental District (TID) 48 funding for the following purposes: \$1.6 million for riverwalk, dockwall and public access costs, including Department of Public Works (DPW) review and inspections, associated with the Laacke and Joys redevelopment, and \$435,000 for cost increases associated with construction of the North End, Phase IV riverwalk and dockwall. The additional funding authorized by this file will increase the total TID 48 budget from the current \$43.3 million to \$45.3 million, excluding capitalized interest and other financing costs.

TID 48 was created in 2002 to provide public improvements necessary to promote development and redevelopment in the former Park East Freeway corridor and surrounding properties. The project has undergone several revisions since creation. See Table A for a summary of project budget amendments and funding increases.

<b>File No.</b>	<b>Description</b>	<b>Amount</b>
011182	Original Project Plan - reconstruct street segments within the district. Authorized funding for public improvements and administration.	\$3,945,500
041514	Amendment #1 - enlarged the district boundaries to include 21 additional properties. Authorized additional funding for public improvements and admin.	16,017,395
071392	Authorized additional funding for city-funded portion of a riverwalk and dockwall associated with construction of the Aloft hotel and admin.	1,250,202
081717	Increased funding for cost index adjustment related to Aloft project.	29,232
090687	Authorized additional funding for developer loans, public park and admin.	11,000,000
101297	Amendment #2 - authorized additional funding for developer loans, developer grants for public improvements and admin.	7,628,940
150159	Authorized additional funding for city-funded portion of a Riverwalk and dockwall associated with North End Phase III and IV project areas.	3,023,942
151547	Amendment #3 - authorized additional funding for Workforce Training.	375,000
	<b>Total Current Budget</b>	<b>43,270,211</b>
160418	Proposed Amendment #4 - authorization of additional funding	2,033,000
	<b>Total Budget Including File No. 160418</b>	<b>\$45,303,211</b>



To date, \$38.4 million of district funds have been spent, not including capitalized interest or other financing costs. See Table B for a breakdown of budgeted and expended TID funds.

<b>Table B - Total TID 48 Budgeted and Expended Amounts</b>			
<u>Description</u>	<u>Budgeted</u>	<u>Expended as of</u>	
		<u>May 31, 2016</u>	<u>Remaining</u>
Public improvements	\$ 17,743,420	\$ 15,396,937	\$ 2,346,483
Public improvements - North End	7,658,851	5,946,122	1,712,729
Job training	500,000	250,926	249,074
Workforce Development - Arena Project	375,000	-	375,000
Public park	50,000	-	50,000
Loans	14,628,940	14,628,940	-
Administration	2,314,000	2,178,075	135,925
Current budget	\$ 43,270,211	\$ 38,401,000	\$ 4,869,211
Proposed file 160418, Amendment #4			
Public improvements - North End	435,000	-	435,000
Public improvements - Laake and Joys	1,598,000	-	1,598,000
Amended budget	\$ 45,303,211	\$ 38,401,000	\$ 6,902,211

On December 12, 2006, the Common Council passed file no. 061021, approving the terms of the development agreement (Development Agreement), between the City and USL Land LLC (USL Land), for the North End Project within the district. The Development Agreement outlines the responsibilities of the City and USL Land regarding construction of public infrastructure within the North End project area. The public infrastructure improvements include construction of roadways, riverwalk, dockwall and other public amenities. Per the Development Agreement, dated November 7, 2007, TID funding of North End public infrastructure improvements is capped at \$7,658,851. To date \$7,658,851 of North End infrastructure funding has been released. However, projected Phase IV costs have increased \$435,000, resulting in the need to amend the Development Agreement. After the release of an additional \$435,000 authorized in this file, \$2.1 million will be available to fund the remaining North End projects. See Table C for a summary of North End funds budgeted and expended.

<b>Table C - North End Budgeted and Expended</b>			
<u>Description</u>	<u>TID-Funded</u>	<u>Expended</u>	<u>Remaining</u>
Preconstruction Site Work	\$ 1,456,335	\$ 1,456,335	\$ -
Phase I Infrastructure	978,574	846,366	132,208
Phase II Infrastructure	2,200,000	2,140,115	59,885
Phase III & IV Infrastructure	3,023,942	1,503,307	1,520,635
<b>Sub-Total</b>	7,658,851	5,946,123	1,712,728
Additional Phase IV funding authorized by this file	435,000	-	435,000
<b>Total</b>	8,093,851	5,946,123	2,147,728

Is the Project Likely to Succeed?

From a financial perspective, the proposed funding increase should not adversely impact the district's ability to fund an additional \$2.0 million in costs. DCD's feasibility study, which estimates the district will break even in 2026 (three years prior to the mandatory termination in 2029) excludes future loan repayment revenue from Moderne and North End loans and increased property valuation resulting from the ongoing North End and Laacke and Joys developments, making it a fairly conservative estimate. DCD's feasibility study appears reasonable based on the Comptroller's Office analysis.

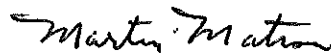
Is the Proposed Level of City Financial Participation Required to Implement the Project?

Both Amendment 1 to the USL Land development agreement (Common Council file no. 160420) and the Cherry Water, LLC (developer of the Laacke and Joys site) development agreement (Common Council file no. 160419), consistent with agreements for previous extensions of the riverwalk, require the City to finance 70 percent of the cost of constructing the riverwalk, 50 percent of the cost of the dockwall and 100 percent of the cost of the public access connection. Approval of this TID amendment allows the City to fund its share of these costs.

Conclusions

Based on the feasibility study, it appears the district is likely to generate enough cash to fund an additional \$2 million of public improvements. Should you have any questions regarding this letter, please contact Melissa Fulgenzi at 2307.

Sincerely,



Martin Matson  
Comptroller

c: Lori Lutzka, Alyssa Remington

MM: MRF