



Department of City Development

Housing Authority  
Redevelopment Authority  
City Plan Commission  
Historic Preservation Commission  
NIDC

Rocky Marcoux  
Commissioner

Martha L. Brown  
Deputy Commissioner

April 26, 2007

To The Honorable Members of the Zoning, Neighborhoods  
& Development Committee  
City of Milwaukee  
City Hall, Room 205

Dear Committee Members:

This letter comments on file #070158, which directs City departments to develop a tax incremental financing package to support proposed development in Block 26 of the Park East redevelopment area.

The Department of City Development opposes adoption of this file, because the developer seeks \$9 million in public subsidy to build a project that clearly conflicts with the Master Plan for the Upper Water Street District. That plan incorporates both market analysis and design considerations, and provides critical guidance for the Department's recommendations.

DCD staff have met with the prospective developer, Mr. Richard S. Curto of RSC & Associates, on several occasions. We have concluded that the City subsidy is requested to develop a proposed mix of uses that, at that location, has little chance of serving as a catalyst for significant additional development. Downtown Milwaukee's current office, retail and entertainment markets and existing property owners may well pay the price in lost tenants for a decision to subsidize this project into existence.

The subsidy request asks City taxpayers to spend \$500,000 to help the developer buy land from Milwaukee County, and spend more than \$6.8 million to build a 487-space parking structure. According to the developer's proposal, this expensive structured parking is required to serve 80,000 s.f. of retail tenants such as Krispy Kreme, FedEx/Kinko's, McDonald's, Subway, PotBelly's, Noodles & Company, and Qdoba. (These retailers represent a partial list of prospective tenants to whom Letters of Intent had been sent as of December 2006.) No office tenants have been identified.

It is important to understand that, according to documents submitted by the developer, RSC & Associates could build *without any public subsidy* by constructing the project approved in July 2005, by Milwaukee County. The proposal submitted to the County Board and reviewed by the Department of City Development included two 8-story

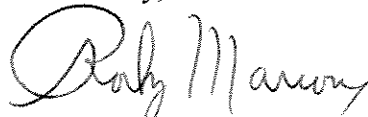
residential condominium buildings with neighborhood-scale retail uses on the first floor. This version of the project conforms to the zoning regulations imposed by the Park East redevelopment plan (volume 3: Development Code), and it also fits well within the City's adopted Master Plan for the Upper Water Street district. This district was not considered a prime location for stand-alone office, entertainment and/or retail. Rather, the plan envisions development that continues the strong pattern of residential construction that has flourished to the east. We have encouraged RSC to move forward with its original plan for residential development.

Much of the debate on the development of the Park East corridor has centered on how to maximize the property tax base generated from new development. However, bigger is not automatically better when the downtown market for hotel, retail and office does not allow for projects of this size and scale to move forward without significant City subsidy. A development that generates more real estate value on a particular piece of property by shuffling downtown retail or office tenants or adds hotel rooms without increasing demand may in fact have a net negative impact on the overall downtown market.

Because of the flood of requests for subsidy of hotel and mixed-use projects in the Park East corridor and throughout downtown, Mayor Barrett directed the Department to undertake an analysis of the retail, housing, office and hotel markets downtown. That study is underway with assistance from outside consultants, and we expect that the final documents will be shared with the Mayor in early May and forwarded to the Council shortly thereafter. This analysis will assist the Mayor, the Council and the Department to identify sites and projects that have the greatest potential catalytic impact.

We appreciate your consideration of the analysis done by DCD professional staff to craft a recommendation on this project. We are eager to work with Council members on structuring support for development that will clearly have a positive impact on the downtown and the entire community.

Sincerely,



Rocky Marcoux  
Commissioner

c: Common Council members