

Martin Matson
Comptroller

Glenn Steinbrecher, CPA
Deputy Comptroller



Aycha Sirvanci, CPA
Special Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Office of the Comptroller

September 14, 2015

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

RE: File 150653, TID 81 – 1st and Greenfield

Dear Committee Members:

File 150653 would authorize additional funding of \$340,000 for TID 81 (1st and Greenfield) site costs. This TID was created in 2014 (Common Council file no. 141267) to redevelop a 9.14 acre site located at the northeast corner of South 1st Street and East Greenfield Avenue. Wangard Partners, Inc. (Developer) proposes to prepare 8.45 acres of the site for development. The development, called Freshwater Plaza (the Project) includes construction of a Cermak grocery store, development of two retail outlots and construction of a 72-unit, mixed use apartment building.

Upon testing of the site soil conditions, it was discovered that the cost of driving the piles for the grocery store and mixed use apartment building foundations would cost an estimated \$1.36 million more than originally estimated. The cost of this additional work is being split equally among the Developer, property owner (Citizens Bank of Mukwonago), Cermak and the City. This file authorizes an additional \$340,000 for the City's portion and will increase the Environmental Remediation and Infrastructure category of the project plan. The original and revised district budgets are shown in Table A.

Table A - Budgeted Project Costs			
	Project Plan Totals		Purpose
	Original	Revised	
Public Improvements			
Environmental Remediation and Infrastructure			
Infrastructure/Utilities	\$ 300,000	\$ 300,000	Utility relocation and street realignment
Geotechnical Conditions	700,000	1,040,000	Piles for grocery store and mixed use building foundations
Environmental Cleanup	1,883,000	1,883,000	
Stormwater System	640,000	640,000	Separate combined sewers
Greenfield Ave. Water Feature	450,000	450,000	Construct a stormwater treatment feature on Greenfield Ave.
Purchase of Building Site	800,000	800,000	RACM purchase of 2.04 acre site from
Total Public Improvements	<u>4,773,000</u>	<u>5,113,000</u>	
Other			
Administration	200,000	200,000	
Total Project Costs	<u>\$ 4,973,000</u>	<u>\$ 5,313,000</u>	



Is This Project Likely to Be Successful?

The DCD feasibility study which accompanies this file, dated November 4, 2014, was prepared for the TID creation file and was based on planned expenditures of \$4.973 million. That study included two development scenarios: a Baseline scenario and an Enhanced Baseline scenario. In the Baseline scenario, the TID breaks-even in 2039, two years prior to the district’s mandatory termination in 2041 (year 27). The Enhanced Baseline scenario forecasts the TID’s break-even point in year 2035. The two scenarios are based on the assumptions shown in Table B.

Table B - Feasibility Scenarios				
	Baseline		Enhanced Baseline	
	Assumption	Assessed Valuation	Assumption	Assessed Valuation
Phase I - Cermak Fresh Market	\$95/SF	\$ 3,990,000	\$105/SF	\$ 4,410,000
Phase II - Retail Outlots	\$150/SF	990,000	\$185/SF	1,221,000
Phase III - Residential	\$111,000/unit	8,000,000	\$111,000/unit	8,000,000
Phase III - Retail	\$62/SF	990,000	\$112/SF	1,848,000
Total Stabilized Assessed Value		<u>\$ 13,970,000</u>		<u>\$ 15,479,000</u>

However, this file authorizes additional funding of \$340,000, raising total project costs to \$5.313 million. Revising the DCD feasibility study for this higher level of expenditures results in the TID breaking even in 2041, the mandatory termination year, under the Baseline scenario and 2037 under the Enhanced Baseline scenario.

Assuming the property valuation estimates provided by DCD can be achieved, which includes appreciation at 1%, the Baseline scenario appears reasonable based on our analysis which forecasts the district will break-even in 2038.

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

This proposed funding increase allows for the TID to fund an additional \$340,000 for foundation work. Without this additional TID funding, the City would have to find an alternate funding source for this activity.

Conclusion

Based on the baseline feasibility study, it appears that the proposed increase in funding will not adversely impact the ability of this TID to break even.

Should you have any questions regarding this letter, please contact Rocky Wruck of my staff at 2304.

Sincerely,



Martin Matson
Comptroller

MM/RW