

LRB - FISCAL SECTION ANALYSIS

MAY 12, 2004
PUBLIC IMPROVEMENTS COMMITTEE

ITEM 31, FILE 040025
EMMA J. STAMPS

File #040025 is a resolution relating to the relocation of the Department of Public Works' Traser Yard facilities and the Milwaukee Water Works' Lincoln Avenue and Cameron Avenue distribution facilities to a newly-constructed combined facility at the Tower Automotive site in the vicinity of North 35th Street and West Keefe Avenue. (DPW)

Background

The Menomonee Valley Plan adopted by the Common Council in 1998 assumes the transfer of DPW facilities out of the Menomonee Valley. The Department of Public-Works and Department of City Development are collaborating to complete developments along Canal Street in the Menomonee Valley.

The city owns the Traser Yards located on about 10 acres of land at 6th and Canal Streets in the Menomonee Valley. Various DPW workgroups, averaging 250 employees, are stationed at the Traser Yards to provide the following services:

Street Maintenance – handles street maintenance and repair for 2/3 of the city streets from W. Capitol Dr. south to the city limits.

Bridge Maintenance – provides bridge maintenance for the entire city.

Facilities Maintenance – provides maintenance to city owned buildings.

Sewer Maintenance – provides maintenance and repair for the south 1/3 of the city.

Support Services – maintains and dispenses supplies and equipment to work groups.

Work group vehicles, trucks and other equipment park overnight at the Menomonee Valley site.

While the Water Works does not have a facility in the Menomonee Valley, it plans to implement changes to increase operational efficiencies and control costs. The distribution section provides 24-hour maintenance and repair of approximately 1,947 miles of water mains, 46,100 valves, 159,000 service lines, and 19,600 hydrants throughout the water distribution system. This infrastructure represents the largest investment (asset category) of the utility, and its condition has a direct impact on the quality and quantity of water. About 130 distribution employees conduct preventive maintenance and repairs of the underground infrastructure in the City of Milwaukee and retail service areas of St. Francis, Greenfield, and Hales Corners.

Prior Plans to Relocate the Traser Yard

DCD wants to develop the land that the asphalt plant (Traser Yard) is on as part of the Menomonee Valley redevelopment plan, which includes other city facility including the central garage. The plan will make land available for private development to promote economic development, job creation and retention. The matter came up after the 2002 budget was adopted. DNR environmental laws make it cost prohibitive to move asphalt production elsewhere in the city. After the 2002 budget was adopted, DPW

proposed to stop making asphalt and put an asphalt silo (storage facility) on Marina Drive. A Common Council committee put that plan on hold.

The 2004 adopted city budget funds only the first expenditure phase or \$2.5 million to relocate city facilities from the Menomonee Valley. Resolution 031049 footnotes the budget to ensure that plans will first be reviewed and approved by the Common Council before any funds can be released for the Menomonee Valley relocation project.

The Harley-Davidson Motor Corporation (HD or “the developer”) proposes purchasing approximately 20 acres of city-owned property, including the Traser Yards parcel at 6th and Canal Streets. The terms include the city creating a \$7 million Tax Incremental District and entering into a \$1 per year agreement to lease the Traser Yards from HD until January 15, 2006.

Prior Plans to Relocate the Lincoln and Cameron Distribution Facilities

Consolidation of the Water Works distribution facilities was authorized by the adopted 1999 City Budget but project delays caused the \$9.9 million expenditure authority to expire in 2002. The 2004 budget authorized \$8.0 million to replace and consolidate the current Lincoln and Cameron Avenues facilities, as planned in 1999. Resolution 031048 footnotes the budget to ensure that plans will first be reviewed and approved by the Common Council before any funds can be released for the distribution facilities.

Discussion

Subject to Common Council review, this file authorizes the DPW to relocation the Traser Yards and the Water Works Lincoln and Cameron Avenue distribution facilities and begin the first phase of newly-constructing a combined facility at the Tower Automotive site at North 35th Street and West Keefe Avenue.

This file further authorizes the city to convey the Traser Yards to the Redevelopment Authority (RACM) which will negotiate, subject to common council approval, a turn-key (purchase) or lease agreement for the design, construction and occupancy of the new facility. A working group, represented by the DPW, DCD, Comptroller, Mayor’s Office, and DOA staff, identified and evaluated 8 possible relocation sites using the following criteria:

- Location
- Freeway access
- Need for demolition of structures
- Site size
- Availability of utilities
- Anticipated maintenance of equipment

The most favorable sites for relocating the Traser Yards were determined to be:

1. A vacant WE Energies facility at 76th and Main Streets, centrally located on the city’s west side.

Pro: Existing facilities provide city with cost savings

Con: May not be able to accommodate relocation of other DPW facilities in the Menomonee Valley (i.e. central garage) unless surrounding land is also purchased

2. Undeveloped Harbor Commission land located at S. Marina Drive and E. Stewart Street, centrally located on the city’s southeast side.

Pro: Could be transferred to the city at no cost

Con: Extensive construction cost projections

3. The Tower Automotive manufacturing facilities located at N. 35th Street and W. Capitol Drive, centrally located on the city's north side.

Pro: Significant land to relocate all DPW facilities currently located in the Menomonee Valley and both Water Works distribution facilities. Moreover, user fees support the \$9.9 million Water Works portion of \$24 million total project costs.

Con: This plan requires an unanticipated capital request of \$2.2 million capital funding needs for the 2005 budget.

All three sites are within short distances from freeways and public transit routes. Surrounding neighborhoods of the We Energies and Tower sites are zoned 'mixed-use and residential' whereas the Marina site surrounding areas are zoned 'industrial'.

Project Financing and Bidding

The estimated acquisition and development capital cost of relocating DPW Traser Yard and Water Works distribution facilities to the Tower Automotive site is \$24 million (\$14.1 million and \$9.9 million, respectively) which will be supported by both the enterprise fund and the tax levy.

The work will not conform to normal city bidding procedures as these procedures are impractical for acquiring and constructing the combined DPW facility.

Based on the working group recommendation, the most cost-effective and expeditious method in which to proceed is to execute a cooperation agreement with RACM for the redevelopment and negotiation of a turn-key development agreement or lease agreement pursuant to which the owner/developer of the Tower Automotive site will develop the site to meet the city's needs for a new facility and convey the fully developed site to RACM or the city by deed or lease.

Fiscal Impact

User fees, not the property tax levy, provide for all Water Works operating and capital projects.

An estimated \$24 million is needed to relocate and construct the three DPW facilities to the Tower Automotive site. If this file is adopted, DPW may spend up to \$10.5 million; \$8 million in Water Works capital funding expenditures from the Water Works enterprise fund and up to \$2.5 million in DPW capital improvement account funding for this relocation project, subject to further Common Council review of lease agreements and construction plans. The remainder must be requested in the 2005 city budget.

A Budget office cost-benefit analysis suggests that, over 25 years, the Water Works could realize an estimated \$1.3 million annual operational savings by consolidating its distribution facilities and DPW could realize an estimated \$30,000 annual operational savings by relocating the Traser Yards. Also, the plan to construct a HD museum on the Tower Automotive site could provide a present value net benefit to the city of approximately \$1 million, or \$40,000 per year.

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