

LRB – FISCAL REVIEW SECTION ANALYSIS

FEBRUARY 26, 2002 AGENDA

ZONING NEIGHBORHOODS & DEVELOPMENT COMMITTEE

ITEM 11, FILE 011240

ITEM 12, FILE 011469

Emma J. Stamps

File No. 011240 and File No. 011469 relate to the creation of Tax Incremental District No. 49 (Cathedral Place). File No. 011240 is a resolution approving a Project Plan and creating Tax Incremental District No. Forty-Nine (Cathedral Place) in the 4th Aldermanic District. File No. 011469 is a resolution authorizing the proper City officials to enter into a Development and Cooperation Agreement for Tax Incremental District No. 49 (Cathedral Place).

Background and Discussion

1. File No. 011240 approves the Project Plan and Tax Incremental District No. 49 creation for the Jackson/Mason development project, in the 4th Aldermanic District.
2. File No. 011469 authorizes the City of Milwaukee and the Redevelopment Authority of the City of Milwaukee and Cathedral Place LLC to enter into a Development Agreement under the terms set forth in a Term Sheet. The developer-project manager, Mr. Joel S. Lee, is also a major long-term investor in Cathedral Place LLC.
3. **The Project includes a \$23.3 million Parking Structure, which will be owned by the Redevelopment Authority of the City of Milwaukee.** The Redevelopment Authority will recognize any cost savings due to final bidding/contracts at below estimated costs.
4. **The developer is responsible for any costs exceeding RACM's \$23.3 million budget associated with the Parking Structure development.**
5. The Comptroller report estimates total cost of Cathedral Place, including the parking structure, at \$65.3 million. The Project includes construction of a 940 space, eight-story parking structure and approximately \$42 million mixed-use development at the SW corner of Jackson and Wells Streets. **The developer is responsible for all mixed-use development costs.**
6. Current planning and design is underway for the Project, which includes a 30 unit residential condominium, office (160,000-sq. ft.), retail (24,000-sq. ft.) and parking complex totaling about 300,000 sq. ft. According to File 011469, the financial commitment of the developer will be at least \$32 million.
7. RACM debt service will be repaid from Parking Manager "Support Payments", future parking cash flows, tax increments or upon sale of the parking structure by RACM.
8. The Comptroller, assuming certain contingencies, believes TID no. 49 should produce sufficient tax increments to retire the TID by 2020, but no later than 2023.
9. A mortgage will secure RACMs Project interests, subordinate only to any mortgage securing the bonds.
10. The development would be located on the eastern half of the square block bounded by North Jackson Street on the east, East Wells on the north, and East Mason Street on the south.

11. The Commissioner of City Development will approve fair market parking rates, subject to recommendation by VMB, as long as the Management Agreement is in effect.
12. According to the Development and Cooperation Agreement, the developer is required to use DBEs for an amount equal to 25% of the development and construction costs of the Project.

Fiscal Impact

1. The Comptroller recommends the City provide **a moral obligation pledge only that would require the City to commit now to consider the future appropriation of funds necessary to cure a possible future RACM bond default.**
2. Per the Comptroller and DCD, moral obligation pledges is the preferred method of City participation because it minimizes the City's financial risk and operational involvement. However, very aggressive parking rates, current demand for parking and new development in the area provide a reasonable expectation that the parking structure will succeed.

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