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June 15, 2015

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

RE: File 150159, TID 48: Park East
North End Project – Phases III & IV

Committee Members:

File #150159 would authorize an additional \$3,023,942 in funding for extending the riverwalk and dockwall along with public infrastructure improvements in the North End Phases III and IV project areas. This additional funding will increase the total district budget from the current \$39.9 million to \$42.9 million, excluding capitalized interest and other financing costs. Of the \$39.9 million already authorized, \$2.2 million remains. The Department of City Development is seeking an additional \$3.023 million.

Tax Incremental District 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 increases.

Table A - Project Budget Revisions		
File No.	Description	Amount
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 the 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, administration and public park.	\$11,000,000
101297	Amendment #2 – authorized additional funding for developer loans, developer grants for public improvements and admin.	\$7,628,940
Total current budget		\$39,871,269
150159	Proposed authorization of additional funding	\$3,023,942
Total budget with file #150159		\$42,895,211



To date, \$37.7 million of district funds have been spent, not including capitalized interest or other financing costs. Table B below, provides a breakdown of the current and proposed funding, actual TID-funded expenditures (as of March 31, 2015) and remaining funding.

Table B - Total TID 48 Budgeted and Expended Amounts			
	Budgeted	Expended	Remaining
Public improvements	\$ 22,378,329	\$ 21,344,851 (1)	\$ 1,033,478
Job training	500,000	240,832	259,168
Public park	750,000	-	750,000
Loans	13,928,940	13,928,940	-
Administration	2,314,000	2,139,224	174,776
Current total	39,871,269	37,653,847	2,217,422
Proposed increase	3,023,942	-	3,023,942
Total	<u>\$ 42,895,211</u>	<u>\$ 37,653,847</u>	<u>\$ 5,241,364</u>

(1) includes encumbrances of \$66,849

On December 12, 2006, the Common Council passed file no. 061021, approving the terms of a 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 improvements within the North End project. The public infrastructure improvements include construction of roadways, riverwalk and dockwall and other public amenities. Per the Development Agreement, dated November 7, 2007, TID funding of these public infrastructure improvements is capped at \$7,658,851. To date \$4,634,909 of North End infrastructure funding has been released.

This file requests an additional \$3,023,942 to fund the total \$7.658 million authorized for public infrastructure improvements for the North End Project. After release of the \$3.023 million authorized in this file, \$3.217 million (including \$194,000 of unspent funds remaining from Phases I and II) will be available to fund the remaining work in Phases III and IV.

The Development Agreement, consistent with agreements for previous extensions of the riverwalk, provides for a grant to the developer not to exceed 70% of the cost of construction of the riverwalk improvements and 50% of the cost of construction of the dock wall improvements, but in no case shall total North End expenditures exceed the cap of \$7.658 million. The property owner contributes the balance of the costs, and owns and maintains the improvement. In addition the property owner will convey an easement to the City allowing public access across the entire length of the riverwalk improvements and other public amenities.

Currently, TID 48 has approximately \$2.2 million available in categories funded under prior Council resolutions. Approval of this resolution would increase available funds to \$5.2 million. DCD has indicated a desire to reserve the current \$2.2 million to fund potential public space/amenity improvements not currently in the project plan and additional administrative costs.

Is the Project Likely to be Successful?

From a financial perspective, the proposed funding increase will not adversely impact the district's ability to recover all costs. DCD's feasibility study which estimates the district will break even in 2028, one year prior to the mandatory termination in 2029, does not include future loan repayment revenue from the Moderne and North End loans, or increased property valuation resulting from Phase III and IV development, making it a fairly conservative estimate. Our feasibility calculations suggest that DCD's break-even date of 2028 appears reasonable. Without any additional funding, the district would break even one year earlier.

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

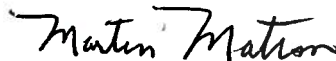
Pursuant to the Development Agreement authorized by Common Council file no. 061021; the City is responsible for 70% of riverwalk costs, 50% of dockwall costs and 100% of roadways, extension dockwall and plaza costs related to this project. The riverwalk extension and other amenities will no doubt enhance the attractiveness of the adjacent developments and surrounding neighborhood, encouraging further nearby development. Financial participation is required to implement the project, but we are unable to determine whether \$3.023 million is appropriate as the budgeted amounts were determined in 2007.

Conclusions and Recommendations

It appears that City financial participation is needed for construction of the TID 48 riverwalk improvements, and that this TID will likely be successful from the City's financial perspective.

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

Sincerely,



Martin Matson
Comptroller

CC: Lori Lutzka, Alyssa Remington

MM:RJW