

February 27, 2009

Honorable Ashanti Hamilton  
Alderman – First District  
City Hall – Room 205  
200 East Wells Street  
Milwaukee, Wisconsin 53202

RE: Proposed Community Participation Ordinance

Dear Alderman Hamilton:

The undersigned are all developers who have recently completed or are currently building substantial real estate projects in the City of Milwaukee. Our developments consist of both affordable and market rate housing, as well as commercial and mixed use projects. We have all reviewed the proposed Milwaukee Community Participation Ordinance. While the proposed ordinance is well intended, and many of its provisions merit our support, even while adding costs to developing in Milwaukee, the specific provision mandating the payment of “prevailing wages” during the construction of projects receiving City assistance must be deleted.

Our current developments have a mix of prevailing and non-prevailing wage subcontractors. We estimate that on average the prevailing wage mandate would add between 8% and 14% to our construction costs, though in the premium could be less in a strictly commercial building, and could approach 20% in an affordable housing development. With these increased costs due to such a mandate, our developments would not have been financed, and therefore would not have been built. Even in a normal economic environment, the returns would not have justified development. Further, these increased costs will place our projects at an economic disadvantage relative to developments without such a mandate. In a competitive marketplace, we cannot simply increase our rents or prices to compensate for the added cost.

While the City of Milwaukee could further subsidize these projects by using TIF to cover the added cost of the prevailing wage mandate, it is important to recognize that such a mandate does not for the most part help those the proposed ordinance is intended to benefit – unemployed and underemployed Milwaukee residents. A recent study demonstrated that 71% of prevailing wage employees live outside the City of Milwaukee.

We do not believe a mandate that simply adds to construction costs and requires a deeper City subsidy, while disproportionately helping non-residents, is a good use of Milwaukee’s tax dollars. We strongly urge that the prevailing wage mandate be deleted from the ordinance.

Thank you for your consideration.

Sincerely,

**MAURES DEVELOPMENT GROUP LLC**

  
Melissa N. Goins

**TMB DEVELOPMENT**

Charlie Trainer

**LIGHTHOUSE DEVELOPMENT**

  
Tom DeMuth

**MANDEL GROUP, INC.**

  
Barry R. Mandel

**GORMAN & COMPANY, INC.**

  
Tom Capp

cc: Honorable Tom Barrett  
Honorable Members – Milwaukee Common Council

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<u>Project</u>	<u>Developer</u>	<u>Development Cost</u>
Teutonia Gardens	Maures Development Group LLC	\$5,000,000
Pabst Boiler House	TMB Development	\$7,200,000
Bridgeview	Lighthouse Development	\$9,000,000
One at The North End	Mandel Group, Inc.	\$23,000,000
Blue Ribbon Lofts	Gorman & Company, Inc.	\$15,000,000

**THE NORTH END  
MILWAUKEE, WISCONSIN**
**EBE PARTICIPATION -- PHASE I CONSTRUCTION**
**KBS Contract Subject to EBE Participation 12,635,006**

Contractor	Type of Work	Subcontract Amount	Percent EBE
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**Awarded or Probable EBE Subcontractors**

Dakota Intertek Corp	Methane Venting	65,040	
Sonag Ready Mix LLC	Concrete Materials	200,000	
Sonag Ready Mix LLC	Concrete Materials	10,946	
Artega Construction, Inc.	Masonry	708,000	
Milwaukee Ironworks, LLC	Metal Fabrication	710,681	
Diva Plumbing LLC (w/ Alpine)	Plumbing	520,727	
L & A	Painting	228,820	
F & H	Drywall	511,655	
Joe Nevels Landscape	Landscaping	31,292	
Installer (Sub to Coyle Carpet)	Carpet	50,000	
Penebaker	Roofing	137,719	

**TOTAL EBE SUBCONTRACTOR PARTICIPATION 3,174,880 25.13%**
**EBE PARTICIPATION -- TIF FUNDED IMPROVEMENTS**
**Contract Amount 5,899,570**
**Awarded Contracts**

Zenith Industrial Services, Inc.	Demolition & Environmental	2,487,292	
Diva Plumbing	Utility	345,316	
Eaton Asphalt	Paving	28,640	
Sonag (Sub to Black Diamond)	Concrete	17,234	
Nevels	Landscaping	37,525	
Buveck	Project Engineer	13,262	

**TOTAL EBE PARTICIPATION -- DEMOLITION & OTHER 2,929,269 49.65%**
**RESIDENT PREFERENCE PROGRAM PARTICIPATION 35.47%**
**COMBINED EBE PARTICIPATION**
**Contract Amounts**

Phase I Construction	12,635,006
TIF Funded Improvements	5,899,570

**Total Contract Amounts 18,534,576**
**EBE Participation**

Phase I Construction	3,174,880
TIF Funded Improvements	2,929,269

**Total EBE Participation 6,104,149 32.93%**

# ONE AT THE NORTH END

## IMPACT OF COMMUNITY PARTICIPATION ORDINANCE

<b>U N F U N D N A D E D</b>	<b>PREVAILING WAGE = 6% to 14% PREMIUM \$1,200,000 to \$2,100,000 (NOT INCLUDING ADDITIONAL RPP COSTS)</b>
	<b>40% RPP PARTICIPATION – UNKNOWN COST</b>
	<b>25% EBE CONTRACTOR PARTICIPATION – \$150,000 to \$200,000 SCHEDULE DELAYS = \$75,000 to \$100,000</b>
	<b>PROJECT CONSTRUCTION COST \$15,000,000</b>

### ADDITIONAL RISK FACTORS:

- Risk on Quality
- Risk on Schedule
- Risk on Financial Viability of Subcontractor
- Lack of Guaranteed Price Contract
- Developer Carries Contracts on Non-Union (Many EBE) Subcontractors

# ONE AT THE NORTH END

## IMPACT OF COMMUNITY PARTICIPATION ORDINANCE

<u>CONSTRUCTION COST</u>	<u>MARKET RENT</u>
15,000,000	\$ 1,500
<u>ADDED COST</u>	<u>ADDITIONAL RENT</u>
EBE -- \$225,000 to \$300,000	\$20 to \$25
RPP	UNKNOWN
Prevailing Wage \$1,200,000 to \$2,100,000	\$100 to \$175
TOTAL ADDED COST	\$325,000,000
TOTAL RENT LIABILITY	\$175,000,000

## ANALYSIS OF VARIOUS WAGE SCALES

WAGE DESIGNATION	BASE WAGE	BENEFITS	TOTAL
MINIMUM WAGE	\$ 6.55	\$ -	\$ 6.55
LIVING WAGE	\$ 8.80	\$ -	\$ 8.80
150% OF LIVING WAGE	\$ 13.20	\$ -	\$ 13.20