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December 8, 2014

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

RE: File 141267, TID 81 – 1st and Greenfield

Dear Committee Members:

File 141267 would approve the creation of TID 81 (1st and Greenfield) along with a corresponding project plan and term sheet. We have reviewed the project plan, feasibility studies and term sheet, and have had discussions with Department of City Development (DCD) staff. Our analysis is based on the information provided.

The proposed TID 81 consists of 9.14 acres located at the northeast corner of South 1st Street and East Greenfield Avenue. Wangard Partners, Inc. (Developer) proposes to redevelop 8.45 acres of the site into a mix of retail, office and residential uses called Freshwater Plaza (the Project). The proposed Project currently consists of three phases.

- Phase I Construction of a new 42,000 square foot Cermak grocery store.
- Phase II Development of two retail outlets.
- Phase III Construction of a mixed-use 72-unit apartment building with first floor retail space and underground parking.

This file authorizes district expenditures of approximately \$5 million, mainly for preparing the site for construction and future development. Table A outlines the proposed project costs.

	<u>Amount</u>	<u>Purpose</u>
Public Improvements		
Environmental Remediation and Infrastructure	\$ 2,883,000	Environmental remediation and capping of entire development area, utility relocation, street realignment and other costs
Stormwater System	640,000	Separate combined sewers
Greenfield Ave. Water Feature	450,000	Construct a stormwater treatment feature on Greenfield Ave.
Purchase of Building Site	800,000	RACM purchase of 2.04 acre site from Developer
Total Public Improvements	<u>4,773,000</u>	
Other		
Administration	200,000	
Total Project Costs	<u>\$ 4,973,000</u>	

The Developer will receive a cash grant, estimated at \$2.9 million, for environmental remediation of the entire development site. Either the City or the Developer will construct the stormwater system and Greenfield Avenue water feature. Cash grant funds will be paid to the Developer on a reimbursement basis. After the site is remediated, RACM will purchase from the Developer, for \$800,000, a 2.04 acre parcel to be held for future development.

Is This Project Likely to Be Successful?

This feasibility study includes two development scenarios: a Baseline scenario and an Enhanced Baseline scenario. In the Baseline scenario, the TID breaks-even in year 24, three years prior to the district’s maximum 27-year life. The Enhanced Baseline scenario forecasts the TID’s break-even point in year 20. The two scenarios are based on the assumptions shown in Table B.

Table B - Feasibility Scenarios				
	<u>Baseline</u>		<u>Enhanced Baseline</u>	
	<u>Assumption</u>	<u>Assessed Valuation</u>	<u>Assumption</u>	<u>Assessed Valuation</u>
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>

Based on the property valuation estimates provided by DCD, the Baseline scenario appears reasonable. Analysis performed by my office forecasts the district would break-even in year 23.

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

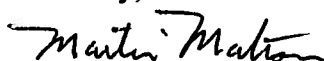
This proposed amendment allows for the remediation and development of a currently vacant brownfield site. After remediation, the site will become home to a grocery store, a mixed-use apartment/retail building and two retail outlots. Without City funding, these improvements may be delayed or not occur altogether, reducing the desirability of this area for future development.

Conclusion

It is clear that, based on the baseline feasibility study, the district is likely to break even in year 23. We recommend approval of 141267, TID 81 – 1st and Greenfield.

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

Sincerely,



Martin Matson
Comptroller

MM/RW