



Office of the Comptroller

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July 20, 2006

Members of the Zoning, Neighborhoods  
& Development Committee  
200 East Wells Street, Room 205  
Milwaukee, WI 53202

RE: File 060404 TID 34 Third Ward Riverwalk

Dear Committee Members:

File 060404 authorizes the expenditure of an additional \$1,736,331 related to Tax Incremental District (TID) 34 – Third Ward Riverwalk. The file revises total project costs from \$3,755,200 to \$5,491,531. The revised amount includes \$1,578,483 in project costs plus \$157,848 in capitalized interest.

In 1997, TID 34 was approved with total project costs of \$2,755,200 for the construction of five riverwalk segments and related dock wall. In 2004, file 040238 authorized an additional \$1 million for the completion of project segments that were in the project plan but due to cost overruns necessitated additional funding, thereby increasing the TID 34 budget to \$3,755,200 (file 040238 also increased authorizations for several other TIDs where project costs exceeded the project plans). To date, TID 34 expenditures are \$3,722,168 and file 060404 would authorize an additional \$1,736,331 to complete the fifth segment of riverwalk as established in the original project plan. If approved, total project costs will be \$5,491,531, nearly double the costs of the original project plan.

DCD staff has not identified the cost overruns or TID project scope changes that resulted in higher costs for the initial four riverwalk segments and due to limited time for review, our office was unable to identify these cost elements. However, DCD asserts that the funding provided in this file is sufficient to complete the fifth segment of riverwalk which, according to DCD, is the only remaining portion of the TID project that has yet to be completed. The Department of Public Works has deemed the project costs reasonable for the final segment of riverwalk, which will be constructed as part of the project underway at Water and Erie Street. Specifically, the additional \$1,578,483 in project costs relate to: riverwalk improvements funded 75/25 between the TID and property owner compared to the anticipated 50/50 split (\$1,350,000); dock wall upgrades with funding split 50/50 between the TID and property owner (\$150,000); an ADA accessible elevator (\$56,000); and eight public boat slips (\$22,000). To our knowledge there are no City policies governing the cost sharing arrangements between the City and property owners concerning river walk and dock wall construction.

#### **Are the Proposed TID Expenditures Likely to be Successfully Recovered?**

As an adjustment to an existing TID, analyzing the success or feasibility of the District must account for the shortened time horizon for recovering project costs. In this instance, of the 27-year maximum life of the TID, 19 years are remaining. In addition, the analysis of the feasibility of TID 34 must account for actual TID performance life-to-date, the additional amount of required borrowing as well as carrying cost throughout the life of the District. For TID 34, it was determined that \$1.6 million in project costs, plus \$158,000 in capitalized interest would need to be recovered over the 19 remaining years of the District.

Accounting for the TID's actual performance life-to-date and carrying costs throughout the term of the TID, it is projected that the District will recover these additional costs well within the statutory 27 year period.

**Are the Proposed Public Improvement's Necessary and Essential for Private Development to Proceed?**

This question was already determined in the original project plan for TID 34 as this file simply provides the additional funding including overruns necessary to complete the improvements established in the original project plan.

**Conclusions and Recommendations**

As it is highly likely that TID 34 will recover the additional \$1.6 million in project costs and it was already determined that the public improvements are necessary and essential for private development to proceed, we support the file, providing the following recommendations:

- 1) DCD should establish by Common Council resolution and adhere to a written policy of funding percentages for dock wall and riverwalk improvements. DCD asserts that the department is currently developing such a policy.
- 2) Relative to the audit of TID 48 DCD should improve project estimation, allowing for contingencies, improve change order control, and monitor expenditures more closely to contain expenditure overruns and scope expansion.
- 3) Finally, we recommend that file 060404 include \$1,736,331 as the amount of contingent borrowing authority required, which includes \$1,578,483 in project costs plus \$157,848 in capitalized interest.

Should you have any questions regarding this letter, please contact me immediately

Sincerely,



W. Martin Morics  
Comptroller

Cc:Rocky Marcoux  
Joel Brennan  
Allison Rozek  
Marianne Walsh  
Emma Stamps

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