

PROJECT PLAN

TAX INCREMENTAL DISTRICT NO. 79

CITY OF MILWAUKEE

(North Water Street Riverwalk)

Public Hearing Held:

Redevelopment Authority Adopted :

Common Council Adopted:

Joint Review Board Approval:

I. DESCRIPTION OF PROJECT

A. Introduction

Section 66.1105(4)(d), Wis. Stats. Requires the "preparation and adoption of a project for each tax incremental district." This Project Plan is submitted in accordance with this statutory requirement.

B. District Boundaries & Compliance with Statutory Eligibility Criteria

The North Water Street Tax Incremental District ("District" or "TID") is comprised of two properties. The District is shown in Map No. 1, "Boundary and Existing Land Use," and described more precisely in Exhibit 1, "Boundary Description." The area consists solely of whole units of property as are assessed for general tax purposes and which are bounded on one or more sides by railroad rights of way, highways or rivers. A complete list of properties in the District is provided in Exhibit 2, "Property Characteristics."

The District contains property totaling 6.16 acres (268,417 square feet), exclusive of public streets and alleys. 100% (268,417 square feet) of the real property located within the District was found to be in need of rehabilitation or conservation work, as defined in Section 66.1337(2m) Wisconsin Statutes. Exhibit 2 illustrates how the properties in the District meet the statutory criteria for Tax Incremental Districts.

The replacement cost value of the structural improvements on the parcels is more than the fair market value of the land. Accordingly, the District contains no "vacant" property, as provided in section 66.1105(4)(gm)(1).

C. Project Plan Goals and Objectives

Goals and objectives for the District are:

1. To provide a \$1.6 million grant to assist in the construction of 315 linear feet of new Riverwalk and Dockwall along the Milwaukee River. These improvements will be constructed in conjunction with the development of an 87 unit, 4-story apartment complex.
2. Ensure public access to the Milwaukee River with the construction of public access routes, a Riverwalk and improvements to the existing dockwall.
3. Eliminate obsolete conditions and blighting influences that impede development and detract from the functionality, aesthetic appearance and economic welfare of this section of the City.

D. Existing Land Uses and Conditions in the District

As discussed above, the District consists of 6.16 acres and contains a 9,960 s.f. underutilized building.

The District is bounded on the east by North Water Street and on the west by the Milwaukee River.

There are no active uses within the District.

II. PROJECT PLAN PROPOSALS

- A. Section 66.1105(4)(f), Wisconsin Statutes, requires that a Project Plan for a Tax Incremental District shall include:

“...a statement listing the kind, number and location of all proposed public works or improvements within the district or, to the extent provided in subsection (2)(f)1.k., outside the district, an economic feasibility study, a detailed list of estimated project costs, and a description of the methods of financing all estimated project costs and the time when the costs or monetary obligations related thereto are to be incurred. The plan shall also include a map showing existing uses and conditions of real property in the district; a map showing proposed improvements and uses in the district; proposed changes of zoning ordinances, master plan, if any, map building codes and city ordinances; a list of estimated non-project costs; and a statement of a proposed method for the relocation of any persons displaced. The plan shall indicate how creation of the tax incremental district promotes the orderly development of the city.”

- B. Compliance with Statutory Requirements

The statements, maps and exhibits are provided in compliance with the statutory requirements.

1. “Statement of the Kind, Number, and Location of All Proposed Public Works or Improvements.”
 - a. This plan includes public improvements described in general below. The specific kind, number, and locations of public improvements will be based on detailed final plans, specifications and budget estimates as approved by the Department of City Development for project and site development.
 1. Construct approximately 315 linear feet of riverwalk and dockwall along the west boundary of the property located at 1887 North Water Street within the district.
 2. Construct paved walkways, to serve as public access connections to North Water Street.

- b. The number and location of proposed public works and improvements are shown in Map No. 3, "Proposed Uses and Improvements"

2. "Detailed List of Estimated Project Costs"

The costs included in this subsection and detailed in Table "A" which follows are, without limitation hereof because of enumeration, claimed as eligible Project Costs as defined under Section 66.1105(2)(f) and , if appropriate, in any Cooperation Agreement(s) presently or subsequently entered into by and between the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, and/or eligible, designated redeveloper(s), which agreements are incorporated herein by reference, provided further that such expenditures are necessitated by this Project Plan

Table A
Lists of Estimated Project Costs

A	Capital: Riverwalk, Dockwall & Access improvements	\$1,600,000
B	Other: Administrative, professional, & legal	\$150,000
	Total Estimated Project Costs, excluding financing	\$1,750,000
C	Financing: Interest payment on bonds (Incl. capitalized interest)	\$112,000

3. "Description of Timing and Methods of Financing"

- a. Estimated Timing of Project and Financing Costs

All expenditures for the Riverwalk, dockwall and access improvements are expected to be incurred in 2013-2014.

- b. The City expects to issue general obligation bonds to finance the Project Costs.

4. "Economic Feasibility Study"

The Economic Feasibility Study for the District, is attached hereto as **Exhibit 4**. Based upon the anticipated tax incremental revenue to be generated by the projects, the District is financially feasible and is likely to be retired on or before the year 2023.

5. "Map Showing Existing Uses and Conditions."

Please refer to **Map No. 1, "Boundary and Existing Land Use,"** and **Map No. 2, "Structure Condition"** and **Exhibit 3, "Parcel Owners"** in the Exhibits Section which follows.

6. "Map Showing Proposed Uses and Improvements"

Please refer to **Map No. 3, "Proposed Uses and Improvements,"** in the Exhibits Section which follows.

7. "Proposed Change of Zoning Ordinances, Master Plan Building Codes and City Ordinances."

Please refer to **Map No. 4, "Existing Zoning,"** in the Exhibits Section which follows. The proposed project is consistent with the existing zoning, and the existing master plan, map, building codes, and other city ordinances. The project should not require amendments to their provisions.

8. "List of Estimated Non-Project Costs."

Estimated costs to construct the private, 87 unit apartment complex are shown in **Exhibit 5.**

9. "Proposed Method for Relocation."

This Plan does not anticipate the acquisition of property by the City of Milwaukee or by the Redevelopment Authority. Accordingly, no relocation activities or expenditures for relocation payments or services are provided herein.

10. "Statement Indicating How District Creation Promotes Orderly City Development."

The Project Plan for the District anticipates the redevelopment of an underutilized, former light manufacturing facility into an 87-unit, four-story apartment development with 315 linear feet of new Riverwalk. The project, therefore, adds tax base as well as employment opportunities during construction.

11. "Opinion of the City Attorney"

Please refer to **Exhibit 6**

12. Development Agreement

The city, Redevelopment Authority, and Developer shall enter into a Development Agreement for the Project, attached as **Exhibit 7.**

APPENDIX

List of Exhibits

- Map 1: Boundary and Existing Land Use
- Map 2: Site and Structure Condition
- Map 3: Proposed Uses and Improvements
- Map 4: Existing Zoning
- Exhibit 1: Boundary Description
- Exhibit 2: Property Characteristics
- Exhibit 3: Parcel Owners
- Exhibit 4: Economic Feasibility Analysis
- Exhibit 5: Non-Project Costs
- Exhibit 6: Opinion of the City Attorney
- Exhibit 7: Development Agreement

EXHIBIT 1

Boundary Description

Water Lots 10, 11, 12, and 13 in Hubbard and Pearson's Addition to Milwaukee in the Northwest 1/4 of Section 21, Township 7 North, Range 22 East, in the City of Milwaukee, County of Milwaukee and State of Wisconsin, and any and all riparian rights incidental and appurtenant to the lands.

Address: 1887 N. Water Street Milwaukee WI 53202
Tax Key: 354-0319-110

AND

WATER LOTS on MIL RIVER (Hubbard and Pearson's Addition) in Northwest 1/4, Section 21, Township 7 North, Range 22 East, Water Lots 14 to 39 INCL & VAC ST BETW WATER LOT 24 ON E & WATER LOT 32 on W & Part Water Lot 40 LYING NELY of LI DESC AS (COM NWLY LI N WATER ST 407' NELY OF SELY COR LOT 46 HUBBARD & PEARSON'S ADDITION-TH NWLY AT RT ANG WITH NWLY LI SD ST TO MILW RIVER DOCK LI) & (VAC SWLY 49 16' & ABANDONED NELY 46 84") N MARSHALL ST ADJ to WATER LOT 14.

Address: 1781 N. Water Street, Milwaukee, WI 53202
Tax Key: 354-0914-100

1050-2013-122:191024

EXHIBIT 2
Property Characteristics

Findings substantiating that not less than 50% by area, of the real property within the proposed district is a blighted area within the meaning of Section 66.1105(4)a), Wisconsin Statutes

Assessed Valuation 1/1/2013				Blighted Area/Influence								
Parcel No.	Tax Key No.	Land	Improvements	Total	Total Area (sq. ft.)	Explanatory Note	Sound or in Need of Voluntary Repair or Rehabilitation (sq.ft.)	Predominantly Open or Underdeveloped Publicly Owned Parcels (sq.ft.)	Deteriorated Structures or Other Improvements	Obsolete Platting/Faulty Lot Layout (sq.ft.)	Conditions Endangering Life (sq. ft.)	Vacant Property/Property Standing Vacant
1	3540913110	\$1,244,100	\$100	\$1,244,200	41,469		0	0	41,469	0	0	0
2	3540914100	\$4,539,000	0	\$4,539,000	226,948		0	0	226,948	0	0	0
Total		\$5,783,100	\$100	\$5,783,200	268,417		0	0	268,417	0	0	0
Percentage					100%		0%	0%	100%	0%	0%	0%

EXHIBIT 3
Parcel Owners

<u>Parcel Number</u>	<u>Tax Key</u>	<u>Low</u>	<u>High</u>	<u>Dir</u>	<u>Street</u>	<u>ST</u>	<u>Owner Name</u>
1	3540913110	1887	1887	N	Water	ST	Tomich Riverfront Properties, LLC
2	3540914100	1781	1781	N	Water	ST	A.F. Gallum & Sons LLC

EXHIBIT 4

Economic Feasibility Study For: North Water Street Riverwalk

Background:

The City of Milwaukee is proposing to extend its riverwalk to include the properties at 1781 and 1887 N. Water Street, along the south bank of the Milwaukee River. The 1781 site is the former location of the Gallun Tannery, and the 1887 site is the location of a light manufacturing facility. Together, these two sites have frontage on the river of 1360 feet.

As it has for previous extensions of the riverwalk, the city contributes to its construction cost, and receives a permanent easement from the property owner permitting pedestrian access along its length. Generally, the City's contribution is 70% of the riverwalk's cost, and 50% of the cost of dockwall along its length, subject to maximum costs of \$2700/ ft. and \$1080/ft. to riverwalk and dockwall costs, respectively. The property owner contributes the balance of costs, and owns and maintains the improvement.

The first phase of the riverwalk extension in this district will be along the site at 1887 N. Water St., a length of 315 feet. Estimated costs are detailed in the Project Plan and total \$1,541,000, rounded to \$1.6 million.

Tomich Riverfront Properties, LLC proposes to construct an 87-unit, four-story apartment development on this site. Estimated project costs, including the riverwalk, are \$17,130,000. The project will include 69 one-bedroom units, and 18 two-bedroom units. Average rents will range from \$1266 to \$1754 per month. 94 indoor parking spaces will be provided.

Apartment Project Cash Flow

In order to address the "But For" test required for the creation of the proposed tax increment district, we have analyzed the impact on the apartment project's cash flow, if it were required to fund the proposed City share of the riverwalk.

Stabilized cash flow for the apartment project is estimated as follows:

Apartment Revenue	1,693,400	(\$1.82/sf/mo. + pkg.)
Vacancy & Collection Loss	(\$84,700)	(5%)
Net Rental Income	1,608,700	
Other Revenue	42,800	
TOTAL REVENUE	1,651,500	
OPERATING EXPENSES	626,400	(37%)
NET OPERATING INCOME	1,025,100	
Debt Service + Capital Reserve	\$ 756,200	(4.25%, 30 years, \$12.44 M loan)
NET INCOME	269,000	
Debt Service Coverage	1.38	
Return on Equity of \$3,110,200, incl. land	8.6%	

If however, the project is required to permanently fund the proposed city share of riverwalk costs, Return On Equity (ROE) drops substantially. Given that the project's appraised value for lending purposes would stay the same with or without a riverwalk, the added cost of this improvement would most likely be required to be provided via owner equity. That is, another \$1.6 million of equity would be required.

This would drop ROE to $\$269,000 / \$4,710,000 = 5.7\%$, a one-third decline in return. The likelihood of raising this additional capital, to achieve this rate of return, is highly doubtful.

Consequently, if the City requires the riverwalk along this property, it appears non-conventional sources of funding, such as Tax Increment Financing, will be required.

Tax Increment District's Current Property Valuation:

The current real estate assessment of the property in the proposed district (both 1887 and 1781 N. Water) is \$5,783,000, as detailed in the Project Plan

This is the estimated Base Value of the Proposed District, plus allocable personal property.

Anticipated Future Value of the District & District Cash Flow:

The Assessor's Office has estimated the value of the apartment project, for property tax purposes, at \$12,500,000 to \$14,500,000. This equates to \$ 143,000 per unit. This is somewhat lower than the \$159,000 per unit assessment at the North End development, south of this site, and also along the river.

Attached as Table 1 is a cash flow forecast for the proposed Tax Increment District. Basic parameters of this forecast are:

- Base Value: \$5.8 million, as above, and excluding personal property.
- Estimated Apartment Assessed Value.: \$143,000 per apartment unit, upon stabilization.
- Tax Rate: 2.5%, fixed. 2011 rate was 2.69%; 2012 rate is 2.995%.
- Interest rate on City debt payments: 3.5% for a level payment, 15 year amortization.

As shown in the forecast, the District is able to amortize the costs of the riverwalk segment for 1887 N. Water in approximately 10 years. Future riverwalk segments will be conditioned on additional private development in the district and will require an amendment to the Project Plan.

EXHIBIT 5

Non-Project Costs

Tomich Riverfront Properties, LLC proposes to construct an 87 unit, four-story apartment development at a cost of approximately \$15,590,000.

EXHIBIT 6

Opinion of the City Attorney

GRANT F. LANGLEY
City Attorney

RUDOLPH M. KONRAD
LINDA ULISS BURKE
VINCENT D. MOSCHELLA
Deputy City Attorneys



THOMAS O. GARTNER
STUART S. MUKAMAL
THOMAS J. BEAMISH
MAURITA F. HOUREN
JOHN J. HEINEN
SUSAN E. LAPPEN
JAN A. SMOKOWICZ
PATRICIA A. FRICKER
HEIDI WICK SPOERL
KURT A. BEHLING
GREGG C. HAGOPIAN
ELLEN H. TANGEN
MELANIE RUTLEDGE
JAY A. UNORA
DONALD L. SCHRIEFER
EDWARD M. EHRlich
MIRIAM R. HORWITZ
MARYNELL REGAN
O. O'SULLIVAN-CROWLEY
KATHRYN Z. BLOCK
ELOISA DE LEÓN
ADAM B. STEPHENS
KEVIN P. SULLIVAN
THOMAS D. MILLER
JARELY M. RUIZ
ROBIN A. PEDERSON
CHRISTINE M. QUINN
MARGARET C. DAUN
JEREMY R. MCKENZIE
MARY L. SCHANNING
PETER J. BLOCK
NICHOLAS P. DESIATO
Assistant City Attorneys

April 10, 2013

Rocky Marcoux, Commissioner
Department of City Development
809 North Broadway, 2nd Floor
Milwaukee, WI 53202

Re: Project Plan for Tax Incremental District No. 79
(North Water Street Riverwalk)


Dear Commissioner Marcoux:

Pursuant to your request, we have reviewed the Project Plan for the above-referenced Tax Incremental District No. 79.

Based upon that review, it is our opinion that the Plan is complete and complies with the provisions of Wis. Stat. § 66.1105(4)(f).

Very truly yours,

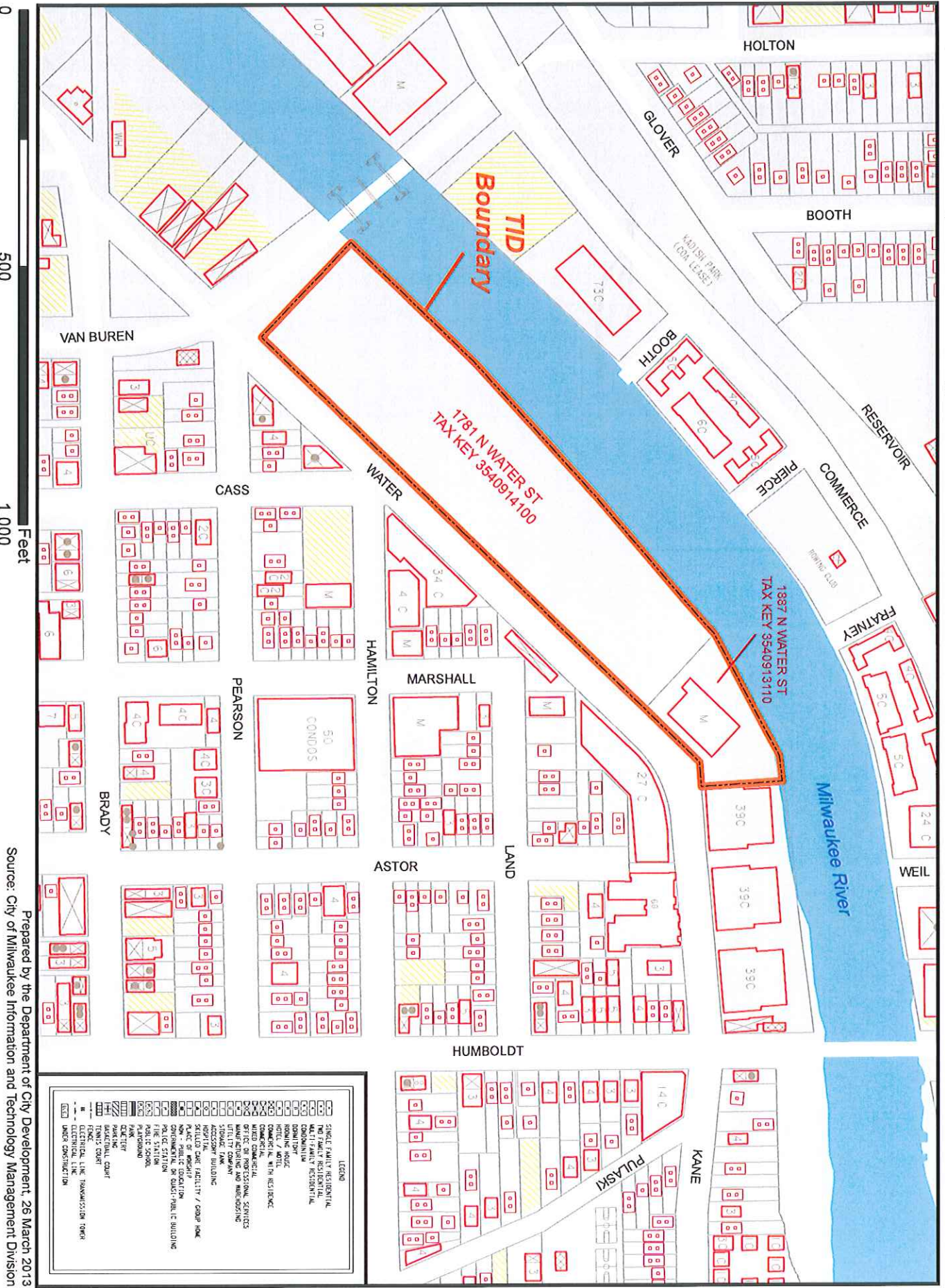

GRANT F. LANGLEY
City Attorney


JEREMY R. MCKENZIE
Assistant City Attorney

JRM:lmc

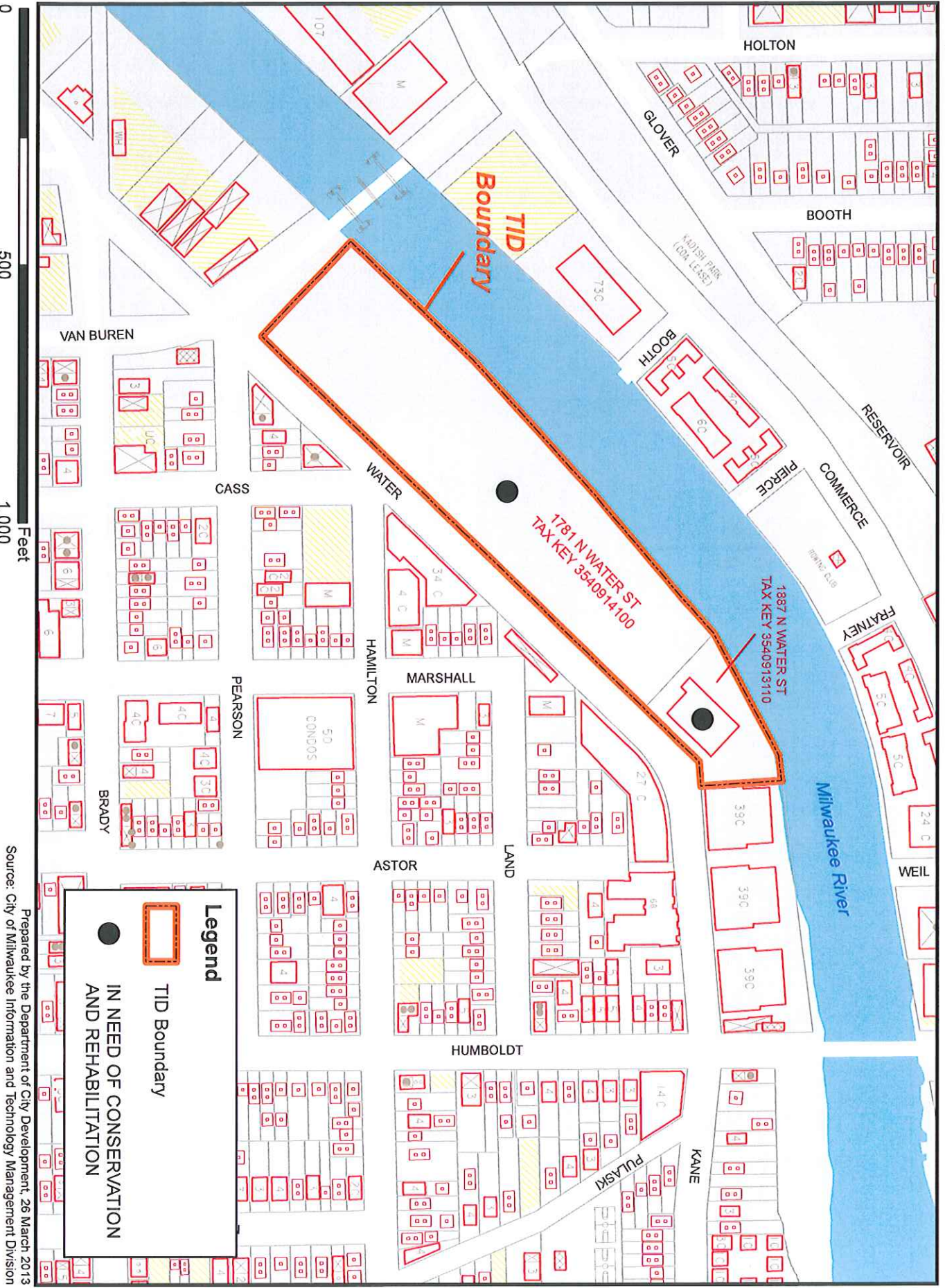
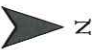
1050-2013-122:190973

North Water Street TID Map 1: Boundary and Existing Land Use



LEGEND	
[Symbol]	SINGLE FAMILY RESIDENTIAL
[Symbol]	TWO FAMILY RESIDENTIAL
[Symbol]	MULTI-FAMILY RESIDENTIAL
[Symbol]	DOMINANT
[Symbol]	ROBING HOUSE
[Symbol]	HOTEL / MOTEL
[Symbol]	COMMERCIAL WITH RESIDENCE
[Symbol]	WIKED COMMERCIAL
[Symbol]	OFFICE OR PROFESSIONAL SERVICES
[Symbol]	UTILITY COMPANY
[Symbol]	STORAGE YARD
[Symbol]	ACCESSORY BUILDING
[Symbol]	PLACE OF WORSHIP
[Symbol]	EDUCATIONAL BUILDING
[Symbol]	DEPARTMENT OF CORRECTIONS BUILDING
[Symbol]	POLICE STATION
[Symbol]	FIRE STATION
[Symbol]	PARKING GARAGE
[Symbol]	PARK
[Symbol]	CONTRACTOR
[Symbol]	INDUSTRIAL COURT
[Symbol]	TENNIS COURT
[Symbol]	TRUCK
[Symbol]	ELECTRICAL LINE TRANSMISSION TOWER
[Symbol]	ELECTRICAL LINE
[Symbol]	UNDER CONSTRUCTION

North Water Street TID Map 2: Structure Conditions



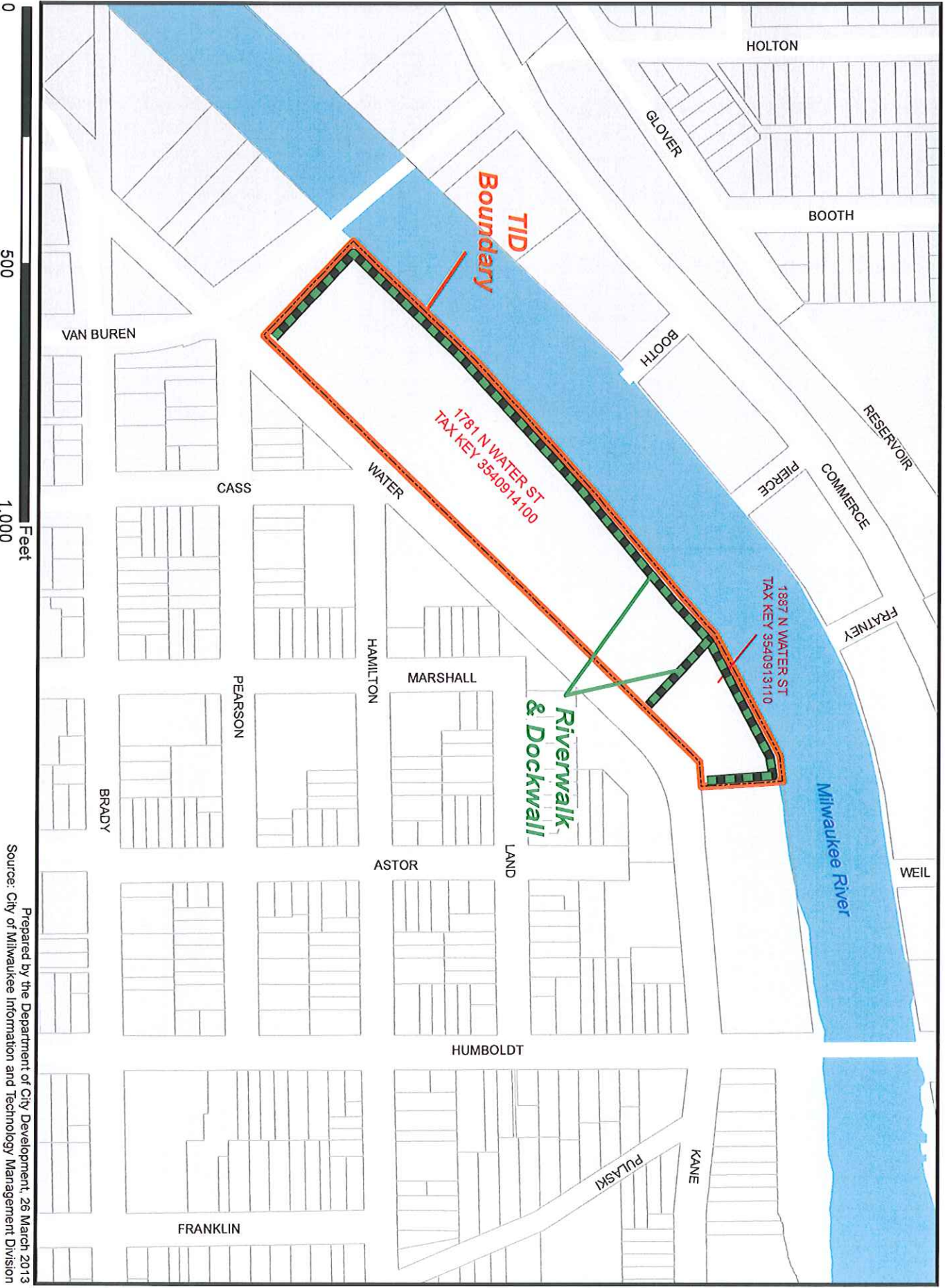
Legend

-  TID Boundary
-  IN NEED OF CONSERVATION AND REHABILITATION

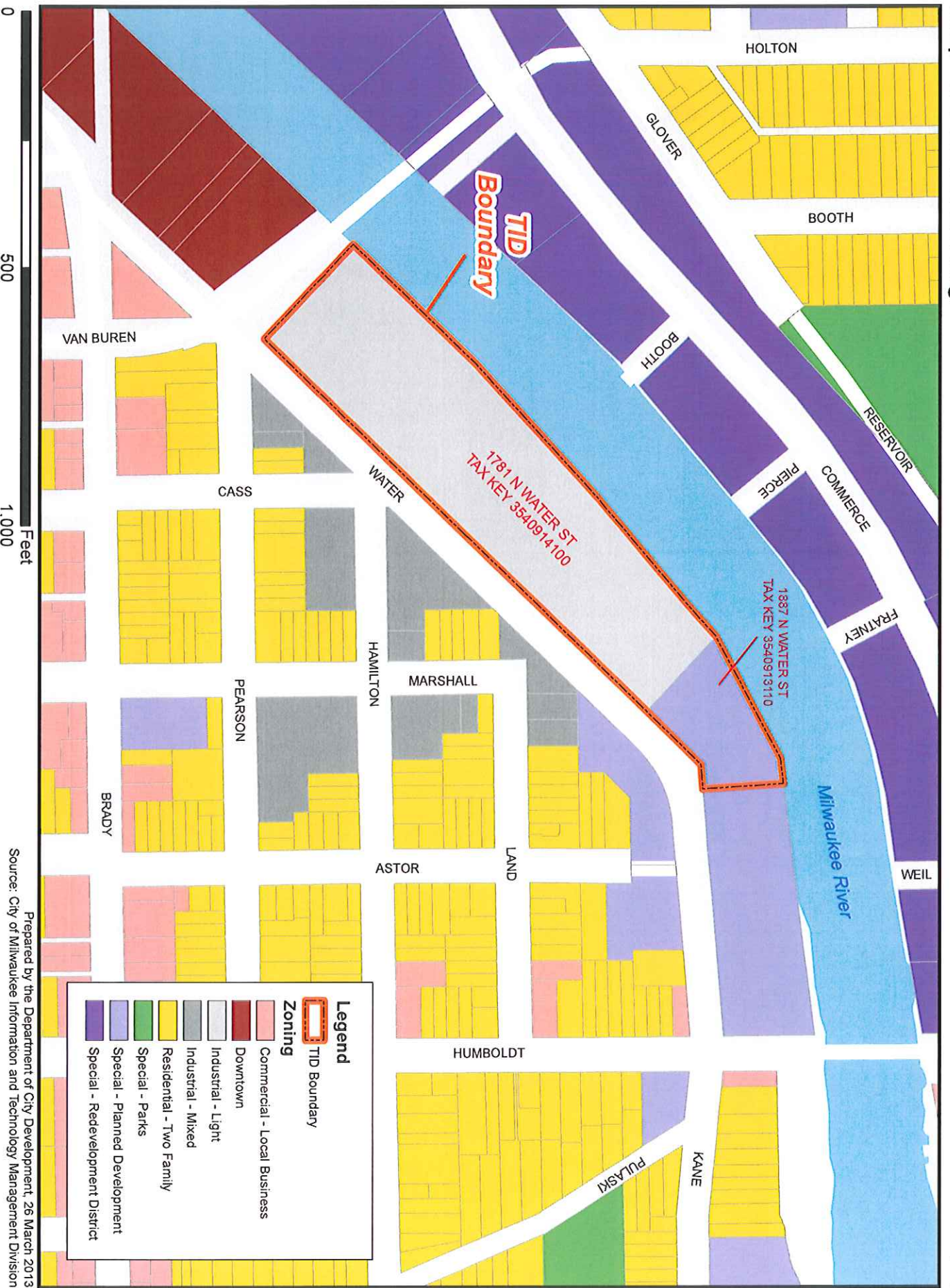
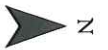
Prepared by the Department of City Development, 26 March 2013
Source: City of Milwaukee Information and Technology Management Division

North Water Street TID

Map 3: Proposed Uses and Improvements



North Water Street TID Map 4: Current Zoning



Legend	
	TID Boundary
Zoning	
	Commercial - Local Business
	Downtown
	Industrial - Light
	Industrial - Mixed
	Residential - Two Family
	Special - Parks
	Special - Planned Development
	Special - Redevelopment District