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May 27, 2015

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

RE: File 150157, TID 79 – North Water Street Riverwalk

Committee Members:

File 150157 would approve Amendment 1 of TID 79 (North Water Street Riverwalk) Project Plan and the corresponding Development Agreement. We have reviewed the project plan, feasibility study and development agreement and have had discussions with Department of City Development (DCD) staff. Our analysis is based on the information provided.

Tax Incremental District (TID) 79 consists of two properties totaling 6.16 acres at 1781 and 1887 N. Water Street, along the bank of the Milwaukee River. Together these two sites have 1360 feet of river frontage. Tax Incremental District 79 was created in 2013 to provide a \$1.6 million grant to assist in the construction of 315 lineal feet of new riverwalk and dockwall in conjunction with the development of an 87 unit apartment building located on the 1887 N. Water Street parcel. However, the planned development did not occur.

This amendment would provide a cash grant to construct 1,046 linear feet of riverwalk, in two phases, along the entire riverfront boundary of the TID in conjunction with the development of four apartment buildings. A cash grant will be provided to the developer, Atlantic Realty Partners, Inc. (the Developer), on a reimbursement basis, to fund the City's share of riverwalk costs. Phase I of the development will include the construction of two apartment buildings, containing approximately 244 units, and 514 feet of riverwalk. If Phase I is successful, Phase II will commence, including the construction of two additional buildings, containing approximately 200 units, and 532 feet of riverwalk.

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 Improvement and 50% of the cost of construction of the dock wall improvement, but in no case exceeding \$3,920,000 in total (\$2.1 million for Phase I and \$1.8 million for Phase II). 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 Improvement.

Is This Project Likely to Be Successful?

From a financial perspective, the proposed TID will likely be successful. The total cost of implementing the Project Plan for this segment of Riverwalk totals \$4,070,000 (including \$150,000 for admin.), and will be financed through City borrowing. Based upon the anticipated tax incremental revenue to be generated by the development of the apartment complex, the costs of this amendment including financing cost, will likely be recovered within eight



years. Assumptions for assessed values, tax rates and interest rates on debt payments used for the cash flow analysis in the Economic Feasibility Study all appear reasonable.

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

Since the Riverwalk is a publicly accessible pedestrian thoroughfare, it is likely City funding is necessary to implement construction of this improvement. The proposed Riverwalk will no doubt enhance the attractiveness of the adjacent developments and surrounding neighborhood, encouraging further nearby development. However, the project's appraised value for lending purposes would likely not change with the addition of a Riverwalk. The added Riverwalk cost would likely require an additional capital investment by the Developer, which would substantially reduce the return on equity for this project. The likelihood of the Developer raising additional capital to cover the TID 79 share of the Riverwalk is doubtful.

Conclusion

It appears that City financial participation is needed for construction of the TID 79 Riverwalk improvement, 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

MM:RJW