



Department of City Development

City Plan Commission  
Historic Preservation Commission  
Neighborhood Improvement  
Development Corporation  
Redevelopment Authority

**Rocky Marcoux**  
Commissioner

**Martha L. Brown**  
Deputy Commissioner

July 26, 2007

Alderman Michael D'Amato, Chair  
Zoning, Neighborhoods & Development Committee  
Milwaukee Common Council  
200 E. Wells St., Room 205  
Milwaukee, WI 53202

Re: File No. 060961- Approving a Tax Incremental District Project Plan for the  
731-735 N. Water Street Project.

Dear Alderman D'Amato:

As a follow-up to this week's hearing at the Zoning, Neighborhoods and Development Committee, we would like to reiterate the basic reasons our department recommended a Tax Incremental District (TID) for the redevelopment of the office buildings at 731-735 N. Water Street.

The focus of this proposed TID is the redevelopment of the 300,000 square foot office building at 735 N. Water Street and the adjacent 81,000 s.f. building at 731 N. Water. These buildings are strategic in the redevelopment of downtown for a number of reasons.

First, they are located at the focus of downtown, the intersection of N. Water Street and W. Wisconsin Ave. This is the so-called "100% corner" of downtown Milwaukee, where rents and occupancy should be the highest, and economic vitality the greatest. However, the 735 building has a 41% vacancy rate and the 731 building is entirely vacant, and has been for fifteen years. The continued underutilization and deterioration of these buildings is detrimental to the overall economy and image of the city. Furthermore, as in all areas of the city, the presence of underutilized properties tends to discourage investment in nearby properties. Similar underutilization and deterioration are evidenced in the two blocks bounded by Wisconsin Avenue, Water Street, Milwaukee Street, and Michigan Street. Overall, this core of office and retail buildings is approaching a blighted and blighting condition. We literally find ourselves with boarded-up buildings on the main street of the State of Wisconsin. We see the revitalization of these two buildings as a beginning point in reversing that deterioration.

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Second, these two buildings are located on the Milwaukee River and have a riverwalk, a portion of which was built in 1913, that is connected to the city riverwalk system. However, this riverwalk is owned privately, is in need of significant repair and does not meet accessibility requirements. Part of the proposed TID funding would be used to repair the riverwalk and install ADA-compliant access improvements. In return, the City would receive a 99-year public access easement, as is the case with the rest of our riverwalk system.

Third, the owner of these properties has devised a creative plan to upgrade the 735 office building and convert the 731 building to parking and condominiums – thus addressing the underutilization of these properties. The combined development will increase the taxable value of these properties from \$12 million to \$33 million.

Overall, this is a significant redevelopment project, involving a \$23 million private investment, which focuses on two key buildings at a strategic location in downtown.

When analyzed from the standpoint of return on investment to the developer, the project is unable to attract conventional debt and equity necessary to fund \$1.5 million of the programmed office building improvements and \$1.554 million of riverwalk and ADA improvements. These costs would be funded from the TID.

Our proposed TID Plan would fund the riverwalk components through City borrowing and recapture our investment through 54% of the tax increment revenue generated by entire development. The developer has agreed to advance funding for the \$1.5 million gap component of the project and be repaid through the balance of incremental revenues at the City's cost of funds. The repayment period for the TID is estimated at 15 years, shorter than the average payback period for our other districts.

While several newer office buildings have been built downtown, no one has attempted a major renovation of an existing office building in quite some time. This project is designed to address that situation by upgrading existing, vacant space, in an iconic structure, and removing 81,000 s.f. of vacant space in the 731 building with market rate residential development.

Finally, much has been made of the fact that the 735 building could be designated as a historic structure. While it certainly may be, given that it was designed by Daniel Burnham, the assistance provided by the proposed TID is not conditioned on the project being designated as historic. Nor is the feasibility of the TID conditioned on the buildings being historic.

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We believe the improvement to these two buildings in the heart of downtown Milwaukee, one 41% vacant and one completely vacant, will add significant value to the downtown and to the City as a whole.

The City's TID Guidelines emphasize the goals of improving underutilized properties, increasing the tax base, and supporting catalytic projects that will stimulate additional growth in the community. We believe this project meets these goals, and respectfully request your support for, and approval of, the proposed Tax Increment District.

Sincerely,

A handwritten signature in black ink that reads "Rocky Marcoux". The signature is written in a cursive, flowing style.

Rocky Marcoux  
Commissioner

Cc: All Members of the Common Council