

Martin Matson
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Office of the Comptroller

May 13, 2013

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

RE: File 130053, TID 79 – North Water Street Riverwalk

Committee Members:

File 130053 would approve the creation of TID 79 (North Water Street Riverwalk), and the related Project Plan and Development Agreement. In total, this Tax Increment District Project Plan provides a \$1.6 million grant to assist in the construction of 315 lineal feet of new Riverwalk and dock wall along the Milwaukee River. The Riverwalk and dock wall will be constructed in conjunction with the development of an 87 unit, 4-story apartment complex by Tomich Riverfront Properties, LLC. An additional \$150,000 is provided for administrative, professional and legal expenses.

Tax Incremental District 79 consists of two properties totaling approximately 6.16 acres at 1781 and 1887 North Water Street, along the south bank of the Milwaukee River. Together these two sites have 1360 feet of river frontage. The first phase of Riverwalk extension in this district, included in the TID 79 Project Plan, will be a length of 315 feet along the site at 1887 North Water Street.

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 \$1,541,413 in total. 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 cost of implementing the Project Plan for this segment of Riverwalk totals \$1,750,000, 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 District is likely to be retired within ten 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. We agree with the Department of City Development that the likelihood of raising additional capital to cover the TID 79 share of the Riverwalk at the lower rate of return is highly 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 my office.

Sincerely,

A handwritten signature in black ink that reads "Martin Matson". The signature is written in a cursive style with a large initial "M".

Martin Matson
Comptroller

MM:TB