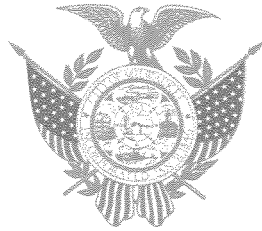


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July 10, 2014

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

RE: File 140453, TID 75 – Reed Street Yards

Committee Members:

File 140453 would approve Amendment 2 to the TID 75 (Reed Street Yards) project plan and corresponding term sheet. We have reviewed the project plan, feasibility studies, term sheet, and have had discussions with Department of City Development (DCD) staff. Our analysis is based on the information provided.

Tax Incremental District 75 was created in 2009 (Common Council file nos. 090688 and 090564) to fund infrastructure costs associated with the Reed Street Yards water technology and business park. In addition it funded a loan to Business Improvement District 49 for the developer's share of riverwalk and dockwall construction. The district budget, prior to this amendment, is \$6.2 million. Amendment 2 authorizes an additional \$7.12 million in funding for the following purposes:

	<u>Amount</u>	<u>Purpose</u>
Public Infrastructure	\$ 1,360,000	Reconstruct W. Freshwater Way, repave W. Florida St., extend W. Freshwater Way sewer, install storm water management facilities, harp lighting, bikeshare station and other amenities
Florida Lofts Grant	660,000	Grant to developer for construction of parking structure and streetscaping
Public/Private Venture Fund (PPVF)	5,000,000	Grants/loans/incentives for construction of new buildings or relocation to the district
Administration	100,000	
	<u>\$ 7,120,000</u>	

The \$1.36 million of public infrastructure improvements will be constructed by the City, Building 41, LLC, and Midwest Bikeshare, Inc. The grant will reimburse Hovde Properties, LLC, up to \$660,000 for construction of a parking garage with 20 public spaces and a public rooftop plaza, and streetscaping improvements on Florida Street.



The Public Private Venture Fund (PPVF) will be used to provide grants or loans to fund new development or incentives for businesses to locate within the district. The amendment requires Common Council approval of a final term sheet for any project receiving funding from the PPVF.

Is This Project Likely to Be Successful?

This amendment includes two feasibility studies: a baseline scenario and a full development scenario. Under the baseline scenario, the public infrastructure, Florida Lofts grant and administration funds, totaling \$2.1 million, will be spent. The baseline scenario assumes the construction of two apartment buildings and a parking structure. Under this scenario, break-even occurs in 2021 (year 13 of the TID’s life).

The full development scenario consists of the baseline scenario along with an additional \$5.0 million of expenditures related to the PPVF. In addition to the development assumptions under the baseline scenario, the full development analysis assumes the construction of two additional multi-tenant office buildings. Under this scenario, break-even occurs in 2024 (year 16). However, DCD staff indicated that, currently, there are no firm plans for use of the PPVF.

From a financial perspective, we find the baseline feasibility analysis to be reasonable. Spending an additional \$2.1 million on public infrastructure, the Florida Lofts grant and administration (baseline scenario), should not adversely affect the break-even of TID 75. However, due to the uncertainty of the nature and timing of the PPVF projects, it is possible the additional \$5 million could push the break-even point closer to the end of the TID’s life.

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

This proposed amendment allows the City to provide infrastructure and public parking improvements within the district for the benefit of current and future property owners, residents and visitors. Without City funding, these improvements may be delayed or not occur altogether, reducing the desirability of this area for future development.

Conclusion

It is clear that, based on the baseline feasibility study, spending an additional \$2.1 million on infrastructure and parking improvements will not adversely impact the break-even date of the district. We recommend approval of file 140453, TID 75 amendment 2. However, due to the uncertainty regarding the timing and uses of the \$5 million PPVF, we recommend that DCD submit a revised feasibility study when requesting Common Council approval of final Term Sheets for projects receiving PPVF funding.

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

Sincerely,



Martin Matson
Comptroller

MM/RW