

**TID 48 - Park East Corridor Redevelopment
Periodic Report
12/31/11**

District Created: 2002

Authorized expenditure (excluding interest): \$39,371,269

Authorizing resolution(s): #011182, #041514, #071392, #081717, #090687, #101297

Projected TID cost recovery: 2029 (levy year)

Maximum legal life: 2029

Base property value: \$45,325,600

Completion status: Flatiron project completed. North End ONE and Aloft Hotel projects completed in 2009. Milwaukee Moderne's construction commenced December 2010.

North End II and RSC securing financing and will break ground in 2012. The MSOE soccer stadium and parking structure proposal is expected to break ground spring of 2012.

Project description

The district encompasses the corridor of the former Park East Freeway, generally bounded by East Juneau Avenue and East Highland Avenue on the south, North Street on the west, North Jefferson Street, North Milwaukee Street, and North Broadway on the east, and West McKinley Street on the north.

Initially, the district funded capital costs of \$3.9 million for improvements and reconstruction of numerous street segments. These improvements were made in coordination with the demolition of the freeway structure that previously ended at North Jefferson Street. The freeway has been rebuilt to end at North 6th Street and reconnect with the city street grid at that location.

The demolition of the freeway freed up approximately 25 acres of underutilized land for future development. It is expected that \$780 million of new office, commercial and residential construction will take place on these sites over the next ten to fifteen years. The Redevelopment Authority approved the Redevelopment Plan in 2003 with Common Council approval obtained in 2004.

An amendment to the district plan, increasing costs to \$19.9 million, was approved by the Common Council in May of 2005. Also in 2005, the sale of a site at 1550 North Water Street was approved to Flatiron, LLC. The Flatiron development includes 33 residential units and ground floor retail space along Water Street. In addition, two sites were optioned to RSC, Inc. of Chicago, which proposed to develop a mix of residential and commercial projects. RSC's option on the second site expired and the company chose not to extend it. In late 2007, RSC purchased block 26 from Milwaukee County with the intention of developing two hotels and a residential mixed-use project.

In the latter part of 2006, Milwaukee County also optioned the block encompassed by East Juneau Avenue, East McKinley Avenue, North 3rd Street and North 4th Street to Mequon-based developer Rob Ruvin, who proposed a mixed-use development that would include a hotel, residential and a small retail component. This option expired and the development did not move forward.

In December 2006, the Common Council approved a development agreement for the North End Riverwalk and Public Infrastructure Project, in conjunction with the North End development on the site of the former US Leather tannery, located at 1531 North Water Street. The Development

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Agreement earmarked \$500,000 for job training programs associated with the project. Phase I of the North End development broke ground in March 2008. Completed in 2009, this phase includes 88 apartments, 13,000 square feet of first floor retail and a parking structure with 115 spaces.

In April 2008, an increase in funding was approved for allocation of an additional \$1,250,202 for the City-share of costs for a 200 linear foot riverwalk, dockwall and related public infrastructure built in conjunction with the Aloft Hotel, located at 202 West Juneau Avenue. In December of 2009, the \$27 million project opened to the public with 160 guest rooms, first floor meeting space and a bar/lounge area. The second piece of this funding increase authorized the use of an amount not to exceed \$278,160 to purchase the private property currently owned by M&I Bank for the purpose of establishing right-of-ways for the extension of Ogden and Market Streets.

In November 2009, the Common Council approved an increase in funding to provide \$9,300,000 for a loan to the Moderne, which will be repaid by both loan payments from the developer, as well as tax increments generated by the project. The project, at the southwest corner of Old World 3rd and Juneau Streets will include 203 apartments, 14 condominiums and 204 structured parking spaces. This increase in funding also included \$850,000 for a public park at Water and Broadway Streets, as outlined in the project plan. The Moderne broke ground in December 2010, and is expected to be completed late 2012.

In January 2010, the Redevelopment Authority of the City of Milwaukee (RACM) approved \$30,000,000 in bonding for the Park East Square project, a 121-unit apartment at Ogden and Milwaukee Streets being developed by RSC & Associates. The bonds will be repaid by the developer, using RACM as a conduit. This project was also expected to break ground in 2010, however, the developer is giving difficulty securing financing.

In fiscal year 2011, the Moderne project drew down \$3,904,641 of the \$9,300,000 million in loan proceeds. The project is on schedule and within budget; with the occupancy for the 203 apartments starting in mid-summer and completion of the overall development in late fall of 2012.

North End Phase II anticipates breaking ground in February 2012 and will include 155 residential units & 220 additional parking spaces within an expanded structure. As a condition to receiving their senior financing from WHEDA, 80% of the units will be market rate, however the remaining 20% will be leased as affordable units to households earning no more than 60% of the County's median income. Additional public infrastructure associated with this phase of the project includes an extension of the riverwalk system, a public plaza at the corner of Water and Pleasant Streets and an extension of Edison Street adjacent to the newly constructed riverwalk.

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District incremental values have increased as follows:

Year	Incremental Value	Increase
2011	\$ 48,333,200	20%
2010	\$ 40,232,500	23%
2009	\$ 32,786,900	29%
2008	\$ 25,383,100	69%
2007	\$ 14,987,400	32%
2006	\$ 11,324,900	109%
2005	\$ 5,416,100	134%
2004	\$ 2,313,100	438%
2003	\$ 430,100	

Expenditures - Life to Date (as of 12/31/11)

	Project Plan Budget	Appropriations	Encumbrances	Expenditures	Remaining
Administration	\$ 2,014,000	\$ 2,751,590	\$ 28,240	\$ 1,942,055	\$ 781,295
Public Improvements	22,678,329	19,340,687	9	18,109,378	1,231,300
Public Park	750,000	850,000		-	850,000
Loans to Developer	13,928,940	9,300,000	4,795,530	4,504,470	-
Capitalized Interest	3,224,233	1,923,136	-	1,923,136	-
Total	\$ 42,595,502	\$ 34,165,413	\$ 4,823,779	\$ 26,479,039	\$ 2,862,595

Revenue/Value Performance (as of 12/31/2011)

	Projected	Actual
Property value	\$ 57,737,508	\$ 93,658,800
Incremental value	\$ 14,627,108	\$ 48,333,200
Incremental taxes	\$ 4,664,279	\$ 4,689,802

Is the project within budget? Yes No If no, explain:

Is the project on schedule? Yes No If no, explain:

Identify any significant concerns that might affect budget or schedule of this project in the future: With the County selling whole blocks, one after the other, and the current economic recession slowing the absorption rate for all land uses, most of the proposed, full block developments have been and will continue to request subsidy from government agencies to make the project financially feasible. Opening up 16 acres of land over a 3-year span will also have a competing effect on other downtown projects including The Brewery and existing buildings such as the iconic older buildings with high vacancy rates.

Developers continue to struggle with securing financing to move their projects forward. Government financing of some form, WHEDA, HUD, RACM Bonding, TIF, NMTC, etc., has been the primary, or only, financing used for the most recent development deals.

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Property values are a concern as well. With assessments not increasing or staying the same; or developers challenging their assessment; it is getting increasingly difficult for debt service to be repaid on the bonds used to finance the projects in this district.