

**TID 48 - Park East Corridor Redevelopment
Periodic Report
12/31/13**

District Created: 2002

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

Authorizing resolution(s): #011182, #041514, #071392, #081717, #090687, #101297, #131498

Projected TID cost recovery: 2029 (levy year)

Maximum legal life: 2029

Base property value: \$45,325,600

Completion status: Flatiron, North End ONE, Aloft Hotel, Milwaukee Moderne, North End II and the MSOE soccer stadium and parking structure and public park projects are completed. The Avenir is underway.

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 8th 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 Agreement earmarked \$500,000 for job training programs associated with the project. Phase I of

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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 funding increase also included use of an amount not to exceed \$278,160 to purchase the private property 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 a \$9,300,000 loan to the Moderne, which will be repaid by sale proceeds of the 14 condo units and excess cash flow from the apartment & retail portions of 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. In late fall 2012, the parking and apartments were completed, with the condo units completed in December 2012. To date, the Moderne has sold 7 of its 14 condo units. The sale proceeds reduced the \$2.8 million mezzanine loan by \$1.8 million, leaving a balance of just under \$1 million. The completion loan has a balance of \$6.5 million that will be paid, utilizing proceeds from the remaining condo sales and excess cash flow from the apartments, once the mezzanine loan is satisfied. The apartments have a 67% occupancy rate, with 137 of the 203 leased. The commercial portion of the development is fully leased to Carson's Prime Steaks and Famous Barbeque Restaurant.

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 having difficulty securing financing.

The North End Phase II project broke ground in 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, with the remaining 20% leased as affordable units to households earning no more than 60% of the County's median income. 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.

Construction of the North End II project continued and was completed mid-summer 2013. Of the \$4,628,940 in loan proceeds, \$2,636,043.06 was disbursed. The remaining proceeds will be disbursed in 2014. The project has stabilized with occupancy rates in the high 90s for both

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buildings. Infrastructure funds of \$1,225,293 were disbursed in 2013 for the riverwalk, dockwall and Edison Street. A small balance of \$189,888 is remaining and will be drawn down in 2014. Finally, Denim Park, the public plaza, opened with the developer hosting a series of concerts open and free to the public.

The MSOE soccer stadium and parking structure project was completed and had an opening ceremony in the summer of 2013. The parking structure serves both MSOE and BMO Harris Bank and other private users in the downtown area. The soccer stadium has hosted many games in its first season. The development also included creation of a public park abutting the soccer stadium that will be maintained by MSOE.

In fall of 2013, The Avenir broke ground on Block 26 bordered by North Milwaukee, North Jefferson & East Lyon Streets and East Ogden Avenue. Developed by Wangard, the first phase on this 3-acre block will include 102 apartments, 6,500 square feet of commercial space and a parking structure. With an anticipated construction cost of \$22 million, the project is expected to be completed by fall of 2014.

District incremental values have increased as follows:

Year	Incremental Value	Increase
2013	\$ 116,490,500	76%
2012	\$ 66,301,700	37%
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 12/31/13)

	Project Plan Budget	Appropriations	Encumbrances	Expenditures	Remaining
Administration	\$ 2,014,000	\$ 3,051,590	\$ 7,500	\$ 2,089,697	\$ 954,393
Public Improvements	22,678,329	22,040,691	216,200	20,710,209	1,114,282
Public Park	750,000	850,000		-	850,000
Loans to Developer	13,928,940	13,928,940	1,992,897	11,936,043	-
Capitalized Interest	3,937,127	2,038,326	-	2,038,330	(4)
Total	\$ 43,308,396	\$ 41,909,547	\$ 2,216,597	\$ 36,774,279	\$ 2,918,671

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Revenue/Value Performance (as of 12/31/2013)

	Projected	Actual
Property value	\$ 110,276,103	\$ 161,816,100
Incremental value	\$ 67,165,703	\$ 116,490,500
Incremental taxes	\$ 7,900,342	\$ 10,329,004

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:

The continued demand for residential apartment developments in the Park East, east of the river, is happening at a rapid pace. In 2013 North End II was completed and is occupied near capacity. The Avenir is underway and North End III and The Rhythm are expected to break ground mid-summer of 2014. There is another residential mixed-use development proposed for block 22 and is expected to break ground the last quarter of 2014 along with North End IV.

However, development west of the river has proven to be a challenge. To encourage development in the remaining Park East tracts, the City of Milwaukee in collaboration with Milwaukee County and the Commercial Association of Realtors Wisconsin (CARW) joined forces to launch a marketing campaign for blocks 1, 2, 4 & 7 in Spring 2014. The goal is to encourage and promote development, so that the demand occurring east of the river will spread.