Northeast Side Market Study

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Real Estate Advisors and Development Consultants

Northeast Side Market Study

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1. Executive Summary

Introduction

S. B. Friedman & Company was retained by the Redevelopment Authority of the City of Milwaukee (RACM) to perform a market study in support of the update of the Northeast Side area plan. The market analysis was conducted to assess economic development opportunities within the Northeast Side and to provide guidance to the Northeast Side's future land use plan.

As shown in **Map 1** on page 9, the Northeast Side is roughly bounded by the lakefront to the east, I-43 to the west, the City limits to the north and Walnut and Lyon Avenues to the South. The area contains various vibrant retail districts including the Brady Street Commercial Corridor, the North and Prospect area, emerging mixed use nodes along Martin Luther King Drive, a major industrial/commercial zone at the Riverworks area, and newly developing residential projects within the Lower East Side.

The market analysis involves an evaluation of the existing land use/business mix of the Northeast Side and its competitive position in the local and sub-regional market. Socio-economic trends and projections for the local market were also examined to determine the potential future mix of uses and amount of development that could be supported. Residential, retail, and industrial uses were included in the analysis. This section presents the key facts and findings for each land use analyzed.

Residential Market Facts and Findings

- **Demographics.** In 2007, the Northeast Side of Milwaukee was home to approximately 62,300 people. Since 2000, this part of the City is estimated to have experienced a 1.6 percent decline in population. Although the Northeast Side has experienced population loss, there has been an estimated increase of approximately 164 households to its 2000 household base of 29,376.

  The existing base of over 1,700 young professional households (25- to 34-year-old householders earning $75,000 or more) and the projected addition of nearly 150 empty nester households (55 to 64 years old) earning $100,000 or more over the next five years are indicative of potential future demand for multifamily for-sale housing products such as condominiums.

- **Residential Development Activity.** The Northeast Side is experiencing significant residential development activity. Occupancy permits were issued for over 1,000 units in the Northeast Side in the six years between 2001 and 2006 at an average annual rate of nearly 170 units a year. Single family development in the Northeast Side has been gradual, averaging just 16 units a year in this time frame. The vast majority of the permits (over 87 percent) issued in these six years were for multifamily development that includes condominiums, townhomes, and apartments. The current lack of new market-rate single-family development of significant scale in the Northeast Side is primarily due to the limited availability of sufficient land in areas that could support such product types.

While multiple townhome projects of significant scale have been developed in the Beerline neighborhood along the west side of the river, this area is approaching full buildout. The relatively strong demand for condominiums has led to higher land values on sites on the east side of the river, which in turn has favored higher density condominium development over townhomes.

Over 2,900 units in 34 projects are either actively being marketed, are under construction or are planned for development. While some of the projects are affordable housing with public subsidies, nearly 80 percent of the new, active or planned residential developments are made up exclusively of unsubsidized, market-priced condominium projects and one market-rate apartment project.

- **Affordable Housing.** All six active or planned affordable projects are located west of the Milwaukee River in the Harambee neighborhood where the median household income levels are relatively low. These developments include a mix of rental and for-sale housing and various product types including mid-rise apartments, duplexes and single-family homes. The new housing projects are improving the general image of the area and could serve as critical mass to catalyze further redevelopment activity.
- **Condominium Market.** Between 2004 and 2006, the greater Downtown condominium market had 25 projects under construction, totaling nearly 1,500 units. Over 1,080 units were closed in these three years in the Downtown market at an average annual rate of 360 units a year. In this time frame, the Northeast Side had 10 projects with 566 units under construction and represented approximately 40 percent of the overall greater Downtown condominium market in terms of the number of projects and total units. Northeast Side condominium projects captured approximately 30 percent of the Downtown market sales, an average absorption rate of 107 units a year.

  Currently, there are approximately 16 condominium projects in the Northeast Side that are actively selling units. The majority of the projects have completed construction and each have less than 30 unsold units remaining on the market. The five projects under construction include approximately 557 units. Base prices are reported to start at approximately $180,000 per unit, with average sales prices at about $300,000. Asking prices per square foot cluster between $250 and $350.
- **Apartments.** No new market-rate apartment buildings have been built in the Northeast Side in recent years. The only proposed apartment project is a 475-unit student housing project for the University of Wisconsin-Milwaukee.

- **Opportunity Areas for Future Development.** Several opportunity areas exist in the Northeast Side planning area for continued residential development. The key opportunity areas are as follows:
  - **Areas in the Harambee Neighborhood.** There are underutilized and vacant sites along King Drive at the Five Points Exchange, at the intersection of King and Hadley, and at King and North intersections that can accommodate future residential development. Additionally, there are opportunities for consolidating contiguous

clusters of vacant lots in single-family neighborhoods within Harambee to support a larger scale development of single-family homes.

- **Bronzeville Area.** The proposed mixed-use development at 7th and North by Terry Porter, the former NBA professional basketball player and coach, may create interest for further development activity in this area. Additionally, the former Garfield Elementary School, which is now vacant, may have potential for rehabilitation and conversion to residential uses.
- **Areas within Lower East Side Neighborhood.** This area, where much of the mid- and high-rise residential development activity is occurring, has the potential for continued residential development. Older apartment buildings, single-family homes and underutilized properties along Prospect provide significant opportunities for more intensive residential uses. The North and Farwell node that includes the US Bank, the East Library branch of the Milwaukee Public Library and surface large parking lots, and the area along the eastern bank of the Milwaukee River on Water Street are also experiencing pressure to be redeveloped with higher density residential uses.

- **Future Market Potential by Product.** Future market potential in the Northeast Side will be regulated by the availability of redevelopable sites. The market potential by residential product type is as follows:
  - **Single-Family Homes:** While scattered infill single-family development is likely to continue throughout the Northeast Side, the potential for larger scale single-family development is likely to be limited to the Harambee neighborhood and the Johnson Controls site in Riverwest based on land availability. In the Harambee neighborhood there are opportunities for consolidation of vacant lots for relatively larger-scale residential development that can have a greater revitalization effect than scattered infill development.
  - **Townhomes:** The land constraints pertaining to market-rate single-family homes are generally applicable to townhomes as well. Some townhome development may still be feasible in the Lower East Side as liner buildings to mid-rise and high-rise condominium projects.
  - **Condominiums:** The review of active and planned projects revealed that the proposed pipeline of nine new condominium projects with 723 units represents approximately seven years of supply at current absorption rates. While current concerns regarding an over-supply of units and the softening housing market may dampen the prospects for new projects in the short term, the demand for condominiums is likely to persist in the greater Downtown submarket. Projected growth of young professional and empty nester households in the Milwaukee Metropolitan Area is likely to sustain popularity of the condominium product type in the region as a whole, with Downtown representing the largest and most amenity-rich submarket. Additionally, Milwaukee's condominium market appears to be less oriented to speculative buyers and second-home investors, and is therefore likely more resilient to "housing bubble" concerns than other Downtown markets such as Chicago and Miami.

- **Apartments:** The recent for-sale residential boom in the past few years was accompanied by a decline in demand for market-rate apartments. In recent years, market rents have not generally been high enough to support new construction market-rate urban-style apartments. The "Echo Boom" demographic segment (the children of the post-World War II "baby boom" generation) is projected to enter the Milwaukee apartment market in greater numbers from 2009 onwards. The improving demographic conditions for apartments and constrained supply conditions may lead to increased rents. This trend may at some point in the future allow market-rate apartment construction to become financially feasible.

Retail Market Facts and Findings

- **Retail Opportunities for Northeast Side.** The Northeast Side has a mix of "main street" pedestrian-oriented retail and auto-oriented shopping districts. Based on the character of the existing retail corridors, available opportunity sites and the retail leakage analysis, a list of key retail categories that have market potential in the Northeast Side was compiled for both auto-oriented and pedestrian-oriented retail environments.

  Pedestrian-Oriented Retail Opportunities
  - Home furnishings
  - Local Electronics and Appliances stores
  - Small boutiques and clothing stores seeking an urban environment
  - Smaller format hardware/home improvement stores

  Auto-Oriented Retail Opportunities
  - Grocery stores – full-service and mid-size stores
  - Furniture stores
  - Electronics and Appliance stores
  - Clothing stores
  - General Merchandise stores

- **Retail Opportunities for Key Pedestrian-Oriented Retail Corridors.** The market potential for the key pedestrian-oriented corridors within the Northeast Side are as follows:

  - **Brady Street Corridor.** This corridor, extending from Farwell Avenue to Water Street, contains a diverse and unique mix of specialty stores, most of which are locally owned. Many of the buildings in this corridor are over 75 years old, giving the corridor a historic character. The relatively shallow lot depths on available redevelopment sites within this corridor suggest that most new retail uses would likely be limited to small-scale storefront retail space ranging from 2,000 to 5,000 square feet within mixed-use developments. There are also opportunities for adaptive reuse of residential structures for retail. The retail opportunities are as follows:

    - Electronics stores such as Radio Shack
    - Cell phone store
    - Home furnishings stores
    - Garden/floral supplies, adaptive use of vacant parcels for outdoor market

- Antique store
- Art gallery
- Paper supplies/stationery store, such as Paper Source
- Boutique apparel and accessories stores
- Ice cream store

o **North, Prospect and Farwell Avenues.** This area is experiencing significant new development, which is contributing to a dense and vibrant mixed-use neighborhood. With the recent opening of the Whole Foods grocery store and Urban Outfitters apparel and accessories store this area is emerging as a strong retail destination. Prospect and Farwell Avenues are currently designated as one-way streets to improve traffic flow. Conversion of these streets to two-way is likely to contribute to the vitality of retailing in the area by calming traffic and improving the pedestrian experience. There are opportunities to add to the existing retail base and create a unique urban shopping experience by intensively redeveloping key sites such as the Prospect Mall, the mall parking lot and adjacent gas station, the US Bank site and the library site. The following are examples of retailers that could locate in the North, Prospect and Farwell Corridor:

- Apparel and accessories stores that have an affinity for urban locations, such as Gap, American Apparel, Chicos and Active Endeavors.
- Specialty boutiques – independent/local stores that could benefit from a cluster of national chains.
- Home furnishings such as Cost Plus or Pier 1 Imports.
- Furniture stores
- Spa/Beauty salon
- Additional Health Club
- Additional specialty grocery

o **Martin Luther King Drive (King Drive) Corridor.** The historic King Drive has been a center of commerce for over 100 years. While the corridor has gone through some years of decline, recent investments have brought new residents and retail to the area. Key retail nodes along the corridor in the Northeast Side include the King and North Avenue area, King and Hadley and the Five Points Exchange area. The King Drive corridor is likely to continue to have a neighborhood-serving function in the near future. A potential redevelopment strategy would be to target retail development at the key nodes that have an existing retail core and/or are already attracting new retail development. Retail uses that could be added to the corridor include:

- Small format grocery store such as an Aldi
- Laundromat/dry cleaners
- Local hardware/paint supplies
- Fitness/recreation center
- Florist
- Art and framing stores
- Ice cream store

- **Oakland Avenue Corridor.** The commercial development along this corridor is focused primarily around the Locust Street and Oakland Avenue intersection. Farther north, there is commercial development on Kenwood and Oakland. The existing business mix includes a variety of casual and full-service dining establishments, a drug store, and specialty businesses catering primarily to UWM students such as music, book and bicycle stores. Besides the re-use/redevelopment of a former Walgreens facility, there appear to be no significant retail redevelopment opportunities in the area.
- **Downer Avenue Corridor.** The Downer Avenue Corridor is a relatively compact, three-block corridor with a strong student-oriented retail presence. Significant redevelopment activity is already taking place in this area, including a parking garage with ground floor retail, a hotel, and a condominium/hotel project. Once these projects are completed, there do not appear to be significant redevelopment opportunities in the near term.
- **Riverwest Corridors.** The Riverwest Neighborhood has four relatively small retail corridors on Locust, Center, Clarke and Burleigh Streets that are located within four to five blocks of each other. These corridors serve primarily as neighborhood-oriented retail and include independent stores such as food marts, local eateries, art galleries and coffeehouses. The redevelopment opportunities within these corridors are likely to be limited to independent stores.

- **Retail Opportunities for Auto-Oriented Retail.** Within the Northeast Side planning area, auto-oriented retail uses are concentrated on Capitol Drive between Humboldt Boulevard on the east and I-43 on the west. There are eight shopping centers located in this corridor that range from small convenience centers of approximately 14,000 square feet to freestanding big box retailers of approximately 125,000 square feet. This corridor has the potential to attract new big box retailers that are missing in the area. Key retail categories that could be attracted include:
  - General Merchandise Stores like Target
  - Electronics and Appliance stores such as Best Buy
  - Discount apparel and accessories department stores such as TJ Maxx
  - Home furnishings stores such as Bed Bath and Beyond or Linens N Things
  - Hobby art and craft stores such as Michaels
  - Furniture stores

Industrial Market Facts and Findings

- **Regional Market Trends.** Between 1995 and 2000, approximately 33.4 million square feet of industrial space and over 2,550 acres of industrial land were absorbed in the Milwaukee Metropolitan Area. During this time, the City had a capture rate of regional industrial absorption that ranged from 7% to 15% while most of the remaining growth (85% to 93%) in new industrial development occurred in suburban locations. This trend is primarily due to the relative shortage of development-ready land suitable for industrial uses in the City.

- **Absorption Trends.** The future annual absorption of industrial land in the City is projected to range from 32 to 63 acres based on projections of the regional absorption rate of industrial land and the City's historical capture rates (7% to 15%) of regional industrial growth. However, this projection assumes that the City will be able to add a new supply of suitable development-ready industrial land. Analysis of historical absorption data shows that very little new industrial development activity occurred in the Northeast Side. Of the 550 acres absorbed in the City of Milwaukee between 1990 and 2004 for industrial uses, the Northeast Side absorbed approximately 20 acres, or approximately 4%, of City-wide land area developed for industrial uses. The relatively low capture of new industrial activity is primarily because much of the land suitable for industrial uses in the Northeast Side is already built out.

- **Profile of Existing Industrial Uses in the Northeast Side.** The industrial uses in the Northeast Side are concentrated in the Riverworks area, which is located in the northwest part of the Northeast Side. While there are some remaining industrial uses in scattered locations along the river and the formerly active railroad tracks, this space is a small proportion of the total industrial area of the Northeast Side. The Riverworks area has approximately 120 acres of industrial land, over 3 million square feet of industrial space, and is estimated to have over 1,000 employees. Nearly 85% of the industrial buildings in the Northeast Side are over 50 years old. Therefore, they are less likely to meet the space, access, floor loading, ceiling height, dock, and/or other functional requirements of modern industrial tenants.

- **Competitive Position of Northeast Side.** Key competitive strengths of the Northeast Side in terms of attracting and retaining industrial users include its proximity to I-43, the adjacency to Estabrook Corporate Park -- a successful modern business park located in Glendale -- and the access to the area's large workforce. However, the lack of a cohesive, modern business park image, development-ready sites, an interconnected street grid north of Capitol Drive and the presence of land use conflicts with adjacent residential neighborhoods limit the redevelopment potential of industrial sites in the Northeast Side.

- **Future Industrial Potential.** Four sites in the Riverworks area were identified as having redevelopment potential for industrial uses, including the "Blue Hole" site located in the northeast corner of the Riverworks area. There may also be opportunities to redevelop older/underutilized sites with modern industrial space. Because many of these sites are likely to require extensive demolition and environmental cleanup, City involvement is likely to be required for land assembly and preparation of sites for development. Future absorption potential of industrial uses in the Northeast Side will be largely determined by the pace at which sites can be made development-ready and infrastructure and streetscape improvements implemented in the area.

- **Strategies to Enhance Industrial Development.** There are several additional strategies that the City and the Riverworks Business Improvement District (BID) can jointly implement to further enhance industrial development in the Northeast Side. These include:

  1. **Develop and implement a streetscape program** to enhance the overall appearance of the public realm in the Riverworks Center.

2. **Prepare and adopt design guidelines** to ensure high quality new development/ redevelopment in the area and updated or retrofitted older facilities.
3. **Encourage property maintenance and façade improvements** through grants and voluntary upgrades and replacements of deteriorated or dated building/site elements.
4. **Create an interconnected street network** that eliminates/minimizes dead-end streets and provides adequate turning radii for truck traffic. Additionally, through coordination with the Village of Glendale, street linkages could be established to create a stronger connection to Estabrook Corporate Park.
5. **Assemble and prepare property for industrial development.** A proactive approach could be taken to make additional land available for industrial development in the Northeast Side by identifying and prioritizing obsolete/vacant facilities for redevelopment.

Northeast Side

Map 1: Regional Context

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2. Residential Market Assessment

To determine the future potential of the Northeast Side residential market, an analysis of projected demographic changes and a review of the housing market supply characteristics were conducted. Historical and projected trends in population and number of households by age and income were analyzed using data from ESRI, a national demographic data provider. A determination of the general characteristics of recent residential development in the Northeast Side and data regarding pricing, unit types, and sizes for existing and planned projects were obtained based on field survey data, Department of City Development (DCD) sources, prior *SBFCo* research, and interviews with community leaders, developers, brokers, and realtors who are active in the area.

Demographic Trends and Projections

In 2007, the Northeast Side of Milwaukee was home to approximately 62,300 people, accounting for more than 10 percent of the estimated 585,559 people residing in the City (see **Table A1** in Appendix). Since 2000, this part of the City is estimated to have experienced a 1.6 percent decline in population. Although the Northeast Side has experienced population loss, there has been an estimated increase of approximately 164 households since 2000. The small decrease in population despite an increase in the total number of households is likely due to the decrease in average household size. This mirrors regional trends as both the City and Milwaukee County are estimated to have had a slight decrease in average household size since 2000. This trend is likely to continue, as projections indicate that the Northeast Side will experience a slight decrease of approximately 800 people and a net increase of 280 new households between 2007 and 2012.

The median household income in the Northeast Side is lower than that of both the City as a whole and Milwaukee County. As shown in Table A1, in 2007, the median household income in the Northeast Side was $39,267 compared to $41,888 in the City and $49,421 in the County. Projections over the next five years indicate that the inflation-adjusted median income in the Northeast Side will increase at an annual rate of one percent, which is over three times the projected rate of increase for the County and nearly twice the rate for the City as a whole. However, it is important to note that there is a significant difference in median household incomes between the areas east and west of the Milwaukee River on the Northeast Side. As shown in **Table A2** in the Appendix, the median household income for the area east of the Milwaukee River is $46,048 compared to $30,940 for the area west of the river.

Figure A1 in the Appendix shows the demographic profile of existing households in the Northeast Side in 2007 by age and income. **Figure A2** shows the projected change in households over the next five years. Over 9,500 households, or over 30% of the estimated 29,540 households in the Northeast Side, earn less than $25,000, suggesting a need for continuing investment in affordable housing.

The largest concentration of households earning $25,000 or less is headed by householders 25 to 34 years of age. However, this age cohort also includes over 1,700 households earning $75,000 or more. Householders earning $75,000 or more in this age cohort are commonly referred to as young professional householders and typically choose multifamily product types including rental

apartments and condominiums. While the total number of young professional households is projected to decline over the next five years, they will continue to be a prominent market segment.

The most significant change over the next five years in the Northeast Side is the projected increase of approximately 600 new empty nester households (55 to 64 years old) and nearly 240 senior households (65 years and over). Over 20 percent of the new empty nester households and 80 percent of the new senior households are estimated to be earning more than $100,000. The rise of the empty nester and senior households parallels the nationwide demographic trend of the aging of the baby boomer generation (people born between 1946 and 1964). **The existing base of young professional households and the projected growth in empty nester households are indicative of potential future demand for multifamily for-sale housing products, including condominiums.**

Recent Residential Development Activity

The Northeast Side has seen significant development during the past few years. **Table 2.1** below shows the total number of new construction housing units permitted in the Northeast Side by type of housing product.

Table 2.1: New Construction Occupancy Permits in the Northeast Side (2001 - 2006)

Year	Single Family	Two Family	Multifamily	Total
2001	2		75	77
2002	11	3	64	78
2003	15	3	179	197
2004	16	18	135	169
2005	38	5	102	145
2006	12	3	337	352
Total	**94**	**32**	**892**	**1,018**
Average	**16**	**6**	**149**	**170**

Source: City of Milwaukee and *S.B. Friedman & Company*

New construction occupancy permits were issued for over 1,000 units in the Northeast Side in the six years between 2001 and 2006 at an average annual rate of nearly 170 units a year. Single-family development in the Northeast Side has been gradual, averaging just 16 units a year in the past six years. This appears to be primarily due to the limited availability of vacant land for the development of large scale, single-family subdivisions. Over the past few years, the trend in residential development in the Northeast Side has been towards infill development and rehabilitation rather than any major new subdivision development.

The vast majority of the permits (over 87 percent) issued in the past six years were for multifamily development, including condominiums, townhomes, and apartments. In recent years, the condominium market has experienced substantial development activity in the City of Milwaukee, particularly in the Downtown and areas adjacent to the Downtown. The spike in

occupancy permits in 2006 most likely reflects the completion of several development projects initiated in the early 2000s.[1]

Map 2 on the next page shows the location of the residential units for which multifamily permits were issued between 2000 and 2006. As shown in Map 2, one of the areas with significant multifamily development in the Northeast Side is the Beerline neighborhood along the western banks of the Milwaukee River between Pleasant Street and North Avenues. Once an industrial corridor characterized by railroad tracks serving the breweries, the Beerline area has been transformed into a vibrant riverfront residential neighborhood with over 650 new townhomes and condominium units. The Beerline redevelopment started in 1997, and over the period between 2001 and 2006, accounted for over 18 percent of all the multifamily permits issued in the Northeast Side.

With the Beerline redevelopment nearing completion, the multifamily redevelopment activity on the Northeast Side has shifted to the east bank of the Milwaukee River on Water Street and along the Prospect and Farwell Avenue corridors on the lakefront. Due to an advantageous location just north of the Downtown, access to the lakefront and the presence of many unique shopping districts in close proximity, these corridors appear to be emerging as a key submarket for mid-rise and high-rise condominium development. Over 60 percent of the total multifamily permits issued in the past six years in the Northeast Side were associated with development along these three corridors.

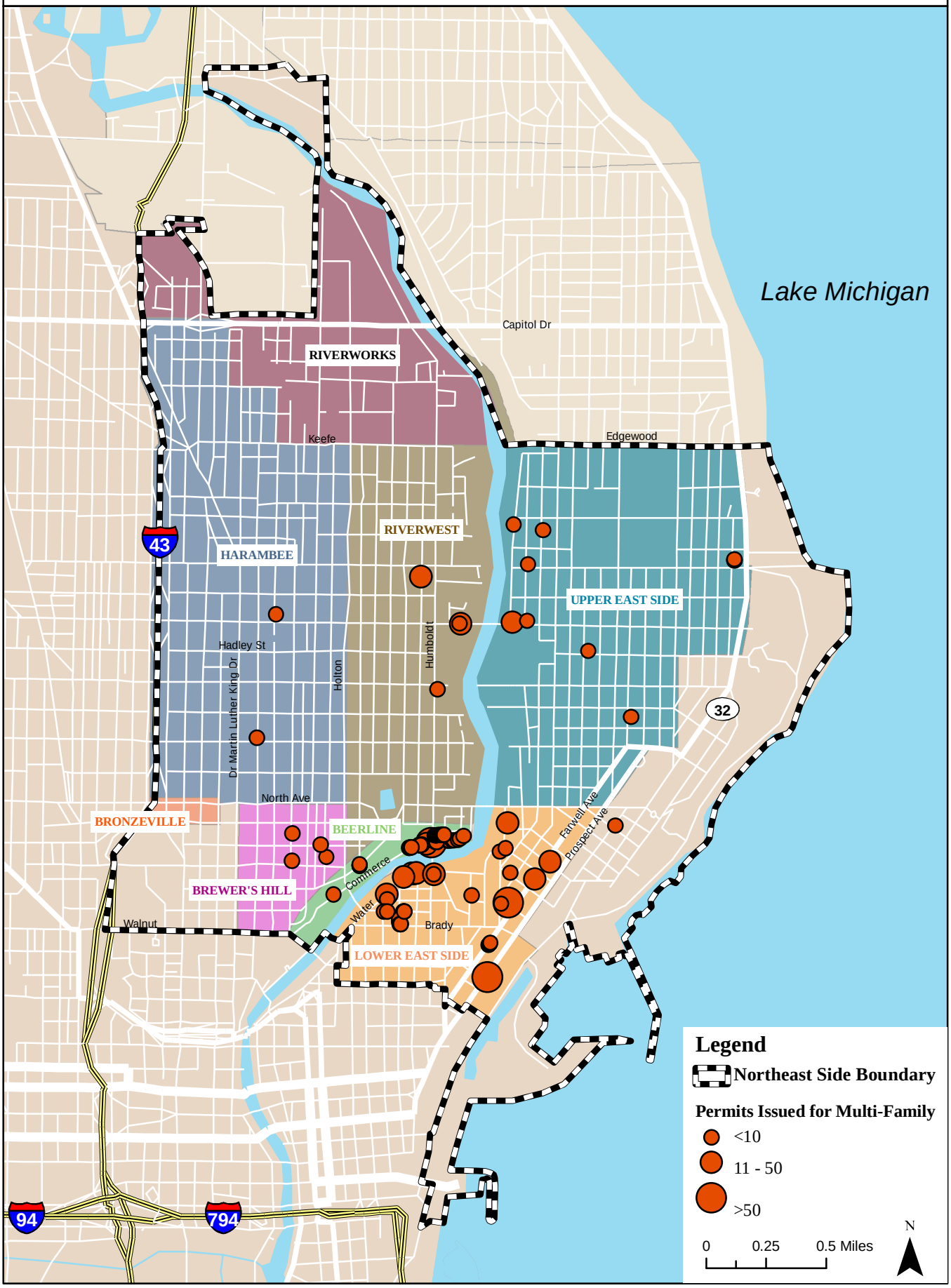
Active and Planned Developments

Field surveys and interviews with brokers, developers, and City staff were conducted to identify both active residential projects that currently have units being sold/leased in the market and planned projects that may be constructed in the near future. **Map 3** on page 14 shows the active and planned residential developments surveyed in the competitive inventory. Some of the residential projects identified were financed with the assistance of public subsidy programs designed to increase homeownership among households earning less than County Median Income ("CMI"). However, nearly 80 percent of the new active or planned residential developments are made up exclusively of unsubsidized, market-priced units.

[1] While the permit data show that over 1,000 new housing units were occupied in the Northeast Side between 2001 and 2006, ESRI's 2007 estimates show an addition of only 164 new households in the Northeast Side between 2000 and 2007. The discrepancy in the two data sources may be partially explained by out-migration of households and demolitions/vacancies of existing housing stock. Additionally, some of the occupancy permits are acquired by developers of new construction projects as units are completed rather than actual occupancy by households. Finally, ESRI may have under-estimated the net growth in households in the Northeast side.

Northeast Side

Map 2: Multi Family Permits by Location: 2000-2006



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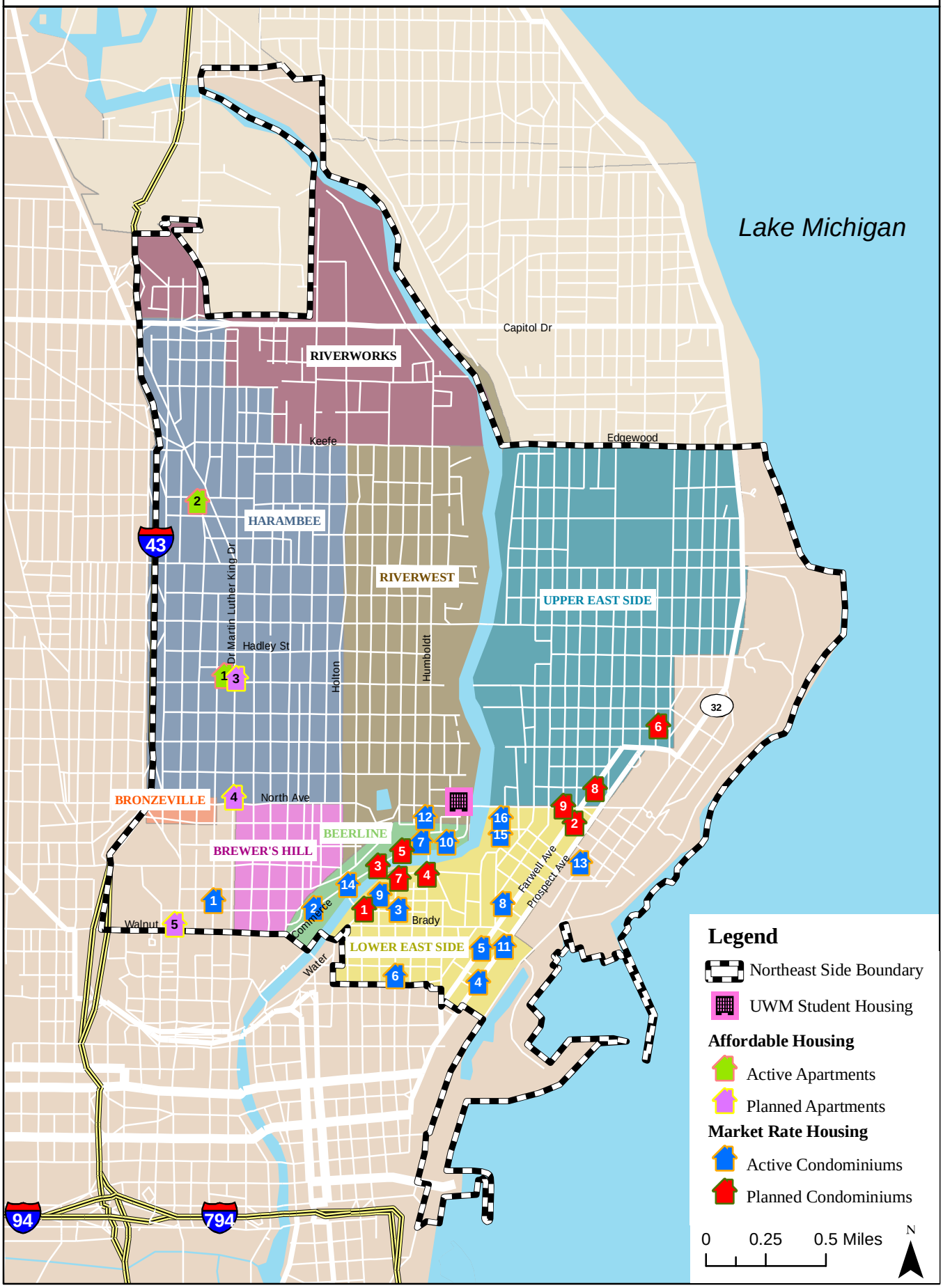
Northeast Side

Map 3: Active & Planned Residential Projects



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AFFORDABLE HOUSING

There are multiple developments underway to provide new construction affordable housing to the residents of the Northeast Side. **Table 2.2** shows the active and planned affordable housing projects in the Northeast Side. As shown in Map 3, all the affordable projects are located west of the Milwaukee River in the Harambee neighborhood where the median household income levels are relatively low. Parts of this neighborhood have significant numbers of vacant lots and exhibit signs of deferred maintenance. However, the new housing projects developed largely by non-profit entities have created a residential street environment that contrasts markedly with the general image of the area, and which could serve as critical mass to catalyze further redevelopment activity. These developments include a mix of rental and for-sale housing and various product types including mid-rise apartments, duplexes and single-family homes. The various affordable housing projects and types of products are discussed below.

Table 2.2: Active and Planned Affordable Housing Projects

Map ID #	Project Name	Status	Total Units
1	King Commons Phase 1	Recently Completed	18
2	Park Hill Senior Housing	Active	62
NA	Habitat for Humanity Single-Family Homes	Active	10/year
NA	ICRC Duplexes	Active	24
3	King Commons Phase 2	Planned	24
4	ICRC Apartments	Planned	50
5	Prince Hall Senior Housing	Planned	115

Source: Developer Interviews and *S. B. Friedman & Company*
Note: Homes by Habitat for Humanity and ICRC are located on scattered sites in the Harambee neighborhood. Therefore, no Map ID was assigned to these projects.

Affordable Rental Apartments

Affordable rental apartments are typically income-restricted housing units that are financed using Low-Income Housing Tax Credits (“LIHTCs”). In Wisconsin, the Wisconsin Housing and Economic Development Authority ("WHEDA") is designated by the Governor of Wisconsin to administer the state’s LIHTC program. According to Section 42 of the Internal Revenue Code, which governs the use of LIHTCs, a development financed using LIHTCs must provide:

- A minimum of 20 percent of units rented to households with incomes not exceeding 50 percent of county median income, adjusted for family size; or
- A minimum 40 percent of units rented to households with incomes not exceeding 60 percent of county median income, adjusted for family size.

In the Northeast Side there are two affordable apartment projects that have recently been developed or are under construction and one project that is proposed for development. All

projects have been financed using Low-Income Housing Tax Credits. The projects are described below.

- King Commons is a multi-phase, mixed-use product being developed by the Martin Luther King Economic Development Corporation. The first phase was a three-story, mixed-use building with 18 apartments and 5,000 square feet of retail space located along Martin Luther King Drive. Ground breaking on the second phase of the King Commons development took place in the summer of 2007. The second phase is a mix of single-family homes, duplexes, three- and four-unit apartment buildings, and a mixed-use, nine-unit building with 2,200 square feet of retail space. These 24 homes are to be developed with assistance from WHEDA. WHEDA provided $5.6 million in affordable housing tax credits and $4.6 million in financing for the second phase of King Commons. Rents for the units of the second phase will range from $625 and $775.

- Park Hill Senior Housing is a 62-unit independent senior living apartment complex located at 5th Street and Concordia Avenue. The apartment facility is 66 percent occupied, with the other 33 percent currently being renovated. Rehabilitation is nearly completed and full occupancy is expected by the end of the year.

- Duplexes by Inner City Redevelopment Corporation (ICRC). ICRC has built 24 duplex units for rent in the Harambee neighborhood and is planning to build 24 more duplex units for delivery in the Spring of 2009. The duplex units have 3 bedrooms, 1½ bathrooms, and a 1-car garage. These homes are targeted at a four block area between 2nd and 3rd Streets east of King Drive. The planned duplex development will have a total project cost of $5 million. The duplex units are financed with Section 42 tax credits. Each unit has an affordability restriction of 60% of the CMI. According to ICRC, their projects generally are at 95% occupancy with tenants staying between 3 to 5 years. There are 145 city-owned lots in the Harambee and King Drive area reserved for ICRC to continue to build homes.

- Planned Apartments by ICRC. ICRC is also planning on partnering with Sherman Associates, Inc. to build a 50-unit apartment building on an excess parking lot behind Brooks Plaza at King Drive and North Avenue. This project will be partially financed by the sale of Section 42 tax credits, but will have a 20 to 30 percent market rate component. Along with the residential development, this project will include renovation of Brooks Plaza. Currently, negotiations are taking place between ICRC and Sherman Associates, Inc.

- Planned Prince Hall Senior Housing is the planned redevelopment of the former Plymouth Manor Nursing and Rehabilitation Center located at 6th and Walnut Streets. The project is designed to be developed in two phases. Phase I will include a skilled nursing facility with 50 beds. Phase II will include a mix of 75 senior independent living apartments and an assisted living facility with 60 units. The second phase of the project will also include a retail/commercial component ranging in size between 20,000 and 30,000 square feet.

Affordable Single-Family Development

Affordable, single-family homes are being developed in the Northeast Side in the Harambee neighborhood. As previously indicated, several non-profit organizations have been active in revitalizing areas of the Harambee neighborhood by developing new homes on vacant lots that have been acquired by the City. The development activity by the non-profit organizations is as follows.

- Habitat for Humanity just finished ten single-family homes in the Harambee neighborhood on formerly City-owned lots that were held by ICRC. The single-family homes were restricted to households earning between 30 to 60 percent of CMI. The homes were contracted over a year in advance of construction completion. The lots were purchased from the City for $1 and a large part of the financing for each home comes from a $636,350 sponsorship provided by the Thrivent Financial for Lutherans Foundation. The homebuyers are provided with an interest-free mortgage and the repayment of that mortgage goes towards the financing of future Habitat homes.

  There are plans to build ten homes a year through 2009 in the Harambee neighborhood, assuming that ICRC and Habitat for Humanity continue to work together on formerly City-owned lots being held by ICRC. The Harambee neighborhood is also engaged in a planning process with multiple non-profit organizations including Local Initiative Support Corporation (LISC) to create a more cohesive vision for development in the area. The Allied Churches Teaching Self-Empowerment (ACTS) organization is also targeting areas of the Harambee neighborhood in need of home rehabilitation, complementing the revitalization efforts by Habitat for Humanity.

MARKET-RATE HOUSING

The Northeast Side has experienced significant market-rate development activity in the recent past. As shown in Map 3, market-rate housing projects that are actively selling units are mostly located west of the river on Commerce Street in the Beerline area, and east of the river, south of North Avenue in the Lower East Side district.

As shown in Map 3, all the active and planned market-rate projects are condominium developments with the exception of the proposed student housing by the University of Wisconsin-Milwaukee. While some limited market-rate single-family detached housing development is occurring in the Northeast Side, such development is on scattered sites and is typically initiated by individual owners. The current lack of new market-rate single-family development of significant scale in the Northeast Side is primarily due to the limited availability of sufficient land in areas that could support such product types. While multiple townhome projects of significant scale (with 20 or more units) have been developed in the Beerline neighborhood along the west side of the river, this area is approaching full buildout. Interviews with realtors suggest that the relatively strong demand for condominiums has led to higher land values on sites on the east side of the river, which in turn has favored higher density condominium development over townhomes. The only townhomes currently under construction in the Northeast Side are part of the Park Lafayette condominium development. These

townhomes will be developed as liner buildings at the base of the condominium towers as an ancillary use that enhances the street frontage of the project.

Condominiums

As previously mentioned, the condominium market in Downtown Milwaukee has flourished in recent years. The "Downtown Projects: Strategic Analysis" ("*SBFCo* study") report prepared by *S.B. Friedman & Company* in June 2007 reviewed recent trends in the greater Downtown condominium market and found that since 2001 there have been over 2,000 condominium units constructed in the greater Downtown area. The greater Downtown area in the *SBFCo* study includes the Park East and Pabst subareas, which are experiencing and/or are projected to experience significant condominium development. Additionally, the greater Downtown area includes the portion of the Northeast Side south of North Avenue. As shown in Map 3, the majority of the condominium development activity within the Northeast Side is taking place in the areas along the river and east of the river up to North Avenue. **Table 2.3** shows the number of condominium units sold in the greater Downtown market and the number of units sold in the Northeast Side south of North Avenue between 2004 and 2006.

Table 2.3: Condominium Absorption Analysis, 2004-2006

	Projects	Units Delivered	Units Closed	Average Annual Absorption
Greater Downtown Condos	25	1,497	1,084	360
NE Side Condos	10	566	321	107
NE Side Share of Downtown Condo Market	40%	38%	30%	30%

Source: City of Milwaukee and *S. B. Friedman & Company*

As shown in Table 2.3, between 2004 and 2006, the greater Downtown condominium market had 25 projects under construction totaling nearly 1,500 units. Over 1,080 units were closed in these three years in the Downtown market at an average annual rate of 360 units a year. In this time frame, the Northeast Side had 10 projects with 566 units under construction and represented approximately 40 percent of the overall greater Downtown condominium market in terms of the number of projects and total units. Northeast Side condominium projects captured approximately 30 percent of the Downtown market sales, an average absorption rate of 107 units a year.

Currently, as shown in Map 3, approximately 16 condominium projects in the Northeast Side are actively selling units. Eleven of the 16 projects have completed construction and each have less than 30 unsold units remaining on the market. Landmark on the Lake, a recently completed condo conversion project, had over 100 unsold units as of May 2007. The five projects under construction include approximately 557 units which range in size from approximately 700 square feet to over 3,000 square feet for some penthouse units. Base prices are reported to start at approximately $180,000 per unit, with average sales prices at about $300,000. Asking prices per square foot cluster between $250 and $350. **Table 2.4** on the next page summarizes the active projects and Map 3 describes their locations within the market area.

Table 2.4: Active Condominium Projects in the Northeast Side

Map ID#	Project Name	Total Units	Construction Status
1	Reservoir Street Lofts	10	Completed
2	City View/Skyline Condos	12	Completed
3	Western Leather Lofts	56	Completed
4	1522 on the Lake	99	Completed
5	McCormick on Farwell	30	Completed
6	Hi Fi Lofts	40	Completed
7	Rivercrest Condos	40	Completed
8	Sterling Condominiums	112	Completed
9	Gallun Tannery	31	Completed
10	Union Point Condos	72	Completed
11	Landmark on the Lake	275	Completed
Total Units in Completed Active Projects		**777**	
12	Humboldt Ridge Condos	4	Under Constr.
13	Park Lafayette (Tower 1 & 2)	291	Under Constr.
14	The Edge Condos	133	Under Constr.
15	Cambridge River North	48	Under Constr.
16	2201 N Cambridge	81	Under Constr.
Total Units in Projects Under Construction		**557**	
Total Units in Actively Selling Projects		**1,314**	

Source: *S.B. Friedman & Company*, developer calls and RACM

SBFCo also reviewed the number of planned condominium projects in the greater Downtown market and the Northeast Side. Planned projects are projects that are contemplated for development and are typically in the initial stages of discussion with DCD but do not yet appear to have approvals and/or a defined time frame for delivery. The analysis of planned projects in the greater Downtown revealed 18 proposals totaling about 2,300 units with probable delivery dates extending from 2009 through 2012 or later. Nine of the 18 proposals in the greater Downtown are located within the Northeast Side and account for approximately 720 planned condominium units. **Table 2.5** shows the list of planned projects and Map 3 shows their location.

Table 2.5: Northeast Side Condominium Projects Currently Planned

Map ID#	Project Name	Total Units
1	Gallun Tannery	250
2	Kenilworth Condos	25
3	Park Bluff Homes	33
4	1890 N. Humboldt	142
5	Commerce Street Condos	65
6	Downer Ave	52
7	Highbridge II	60
8	Farwell & Thomas	24
9	North & Cramer	72
	TOTAL	**723**

Source: *S.B. Friedman & Company*, developer calls and RACM

The program and timing for these planned projects may still evolve as the plans are further refined in the City review process and/or construction financing commitments are secured. **If all nine planned projects proceed with their currently proposed program they would represent approximately seven years of supply at the recently observed Northeast Side absorption pace of 107 units a year.** This suggests an over-supply of units in the short term unless the Northeast Side market is able to expand beyond its 2004-06 absorption pace. However, it is possible that some of the planned projects may encounter delays due to financing gaps, construction lender pre-sale requirements, or other factors.

Apartments

No new market-rate apartment buildings have been built in the Northeast Side in recent years. The only proposed apartment project is a 475-unit student housing project for the University of Wisconsin-Milwaukee. The project, located at North and Cambridge Avenues just east of the river, is likely to be a public-private partnership between the University and an apartment developer.

Opportunity Areas for Future Residential Development

Several opportunity areas exist in the Northeast Side planning area for continued residential development. West of the Milwaukee River in the Harambee and Riverwest neighborhoods the new development opportunities appear to be primarily for lower density development, including mid-rise apartments, rental or for-sale duplexes, and single-family homes. Along the river and in areas east of the river, potential appears to exist for higher density condo residential development. Based on interviews with City staff, field surveys, and analysis of GIS data, several zones were identified that may present opportunities for future residential development. If the current plans for a fixed-rail high-speed transit system in Milwaukee are implemented, this would significantly add to the potential for mixed-use higher density development, particularly within a quarter/half mile of future transit stations. Each zone and the potential for residential development are described below.

Harambee Neighborhood

The key areas in the Harambee neighborhood that present development opportunities include:

- The Five Points Exchange area on King Drive has underutilized parcels at the northeast corner of West Keefe and King. The access from I-43 and its corner location on King Drive could make it an attractive redevelopment site for mixed commercial and residential uses if a sufficient land area can be assembled for development.

- The area around King and Hadley is already experiencing mixed-use redevelopment associated with the multiple phases of the King Commons project. Because of the availability of underutilized sites, new retail development and existing community anchors such as the Social Services building, there may be potential to continue the development momentum northward and southward to Locust and Central streets respectively.

- The area at King Drive and North Avenue has several sites with redevelopment potential. The large parking lot at the northwest corner of King and North, the underutilized parcels in the block at the southwest corner of King and North, and Brooks Plaza present opportunities for mixed-use residential development with ground floor commercial. The vacant former Gimbel warehouse may also provide opportunities for rehabilitation to loft-style residential development. Additionally, within one or more of the options under study for future fixed-guideway public transit investments, a transit stop is under consideration at the King and North node. This presents a potential opportunity for transit-oriented development at this node. The presence of this type of transit would likely enhance the attractiveness of the location for higher-density residential.

- Vacant lot clusters in the single-family neighborhoods provide opportunities for infill development. The City already has ownership of many vacant lots in the area. With the assistance of non-profit organizations active in the area, the City could consider consolidating contiguous vacant lots to support a larger scale development of single-family homes. Such a development could potentially have a greater revitalizing impact compared to the development of scattered lots.

Bronzeville Area

The Bronzeville area currently has several redevelopment opportunity areas. The former Garfield Elementary School is currently vacant and may have potential for rehabilitation and conversion to residential uses. Additionally, the proposed mixed-use development at 7th and North by Terry Porter, the former NBA professional basketball player and coach, will likely be a high profile project that may create interest for further redevelopment activity.

Areas within Lower East Side

As previously described, much of the mid- and high-rise residential development activity is occurring in the Lower East Side. There are several opportunity sites in this area for continued residential development. Some of these development opportunities are clustered around key intersections or nodes while others are located along major corridors. The specific noted opportunity areas are as follows:

- Prospect Avenue between Ogden Avenue and East Windsor Place is one of the major high-rise residential corridors in Milwaukee. The potential for lake views, the proximity to Downtown and adjacency to unique retail districts such as Brady Street have contributed to the attractiveness of this corridor for high-rise residential development. Interviews with City staff suggest that this corridor, which has a number of older apartment buildings and single-family homes, is experiencing pressure for redevelopment. There are a number of older apartment buildings and single-family homes on both sides of the street that present development opportunities for more intensive residential uses. However, some of these structures are historically significant. Because of the pressure to develop high-rise residential structures, the City could consider designating historically significant structures to ensure

that redevelopment opportunity is channeled appropriately while respecting unique historic assets.

- Closer to the intersection of Prospect and North Avenues, several underutilized retail and residential parcels exist. The former Prospect Mall is vacant. The parking lot of the former mall located across the street could be consolidated with the adjacent Clark Petroleum gas station to create a larger redevelopment site. While these sites appear to be opportunities for larger-scale urban retail uses as described in the Chapter on retail uses, financial and/or design considerations may warrant the inclusion of upper-floor residential.

- The North and Farwell node has at least two sites with redevelopment opportunities. One site on the northwest corner includes US Bank and a large parking lot. The other site adjacent to the US Bank site to the west includes another one-story bank facility, the one-story East Library branch of the Milwaukee Public Library and a surface parking lot. Developers have initiated preliminary planning for both sites. Initial plans for the US Bank site appear to contemplate a mixed-use residential and retail project, while plans for the library and bank site include a mix of condominiums, hotel and retail uses. Given the scale and mix of adjacent uses, mid-rise residential development with ground floor retail uses appears to be appropriate. While the Northeast Side does not currently have any major hotels, key anchors in the area such as the University of Wisconsin-Milwaukee and the CSM medical facilities, along with the Catholic & Protestant Homes, may create potential demand for hotel rooms in the North/Farwell area. If such demand exists, it could be addressed in either a stand-alone or mixed condo/hotel format. Further analysis would be necessary to confirm the market and economic feasibility of this concept.

- The area along the eastern bank of the Milwaukee River on Water Street is already experiencing significant residential development. Many of the industrial uses that originally fronted the river are brick, heavy-timbered buildings that have an intrinsic appeal and are either being redeveloped or are planned for redevelopment with residential and/or mixed uses. The Milwaukee River has a more urban character up to the dam just south of the North Avenue Bridge. The City has plans for constructing a public riverwalk along both sides of this portion of the river that will connect to the existing riverwalk network further south and to the trail system to the north. North of the dam the river is narrower and the riverfront has a more natural character. River views south of the dam, proximity to Downtown and adjacency to retail districts make this area highly attractive for residential development. Over time the eastern riverfront is likely to develop similarly to the western riverfront Beerline neighborhood (Beerline “B” and “C”) with residential uses densely clustered along the river and riverwalk.

Future Market Potential by Type of Residential Product

The review of the competitive supply showed that various residential product types are being developed in the Northeast Side. The future market potential for residential uses is likely to vary by product and is discussed below.

- **Single-Family Homes:** While scattered infill single-family development is likely to continue throughout the Northeast Side, the potential for larger scale single-family development is likely to be limited to the Harambee neighborhood and the Johnson Controls site in Riverwest based on land availability. Single-family neighborhoods in the Riverwest and Upper East Side districts are relatively built out and do not appear to have many large vacant sites that can be developed as subdivisions. However, as previously described **there are opportunities for consolidation of vacant lots in the Harambee area.** Because relatively concentrated development would potentially have a greater revitalizing effect on the neighborhood than scattered infill development, the City could consider strategic acquisition of contiguous lots with the goal of developing whole blocks or a significant portion of blocks in this area. Because of the relative scarcity of new construction single-family homes in the City, sufficient demand for modestly priced market-rate units may exist. The City has achieved success with this residential cluster model in the CityHomes and Josey Heights projects. It might be desirable to develop a mix of market-rate units and affordable units to help create mixed-income communities that would attract new residents, as well as retain existing residents in the area. While such development is likely to require public assistance and the involvement of the non-profit organizations active in the area, the success of such development projects could help stabilize disinvested parts of the Harambee neighborhood and stimulate greater numbers of unassisted private investment in the area in the future.

- **Townhomes:** The land constraints pertaining to market-rate single-family homes are generally applicable to townhomes as well. While several townhome projects were developed in the Beerline neighborhood on the western banks of the Milwaukee River, demand for condominium units and relatively higher land values on the eastern riverfront have led increasingly to the development of mid-rise and high-rise residential structures. Some townhome development may still be feasible in the Lower East Side as liner buildings to mid-rise and high-rise condominium projects as is proposed on the Park Lafayette project. The liner townhome units attached to the base of a condominium tower are a good method of wrapping parking structures along streets that do not support storefront retail. Additionally, townhome products compete for a different buyer profile than condominiums and therefore a mix of condominium and townhome products in a project may facilitate higher overall per-project absorption rates.

- **Condominiums:** The intensive condominium development activity taking place in the Beerline and Lower East Side areas suggests that the development community views this part of the Northeast Side as a recognized condominium submarket in the Milwaukee region. The review of active and planned projects revealed that the proposed pipeline of nine new condominium projects with 723 units represents approximately seven years of supply at current absorption rates. It should be noted that the current nationwide slowdown in the housing market may slow absorption of active and planned projects in Milwaukee.

  While current concerns regarding an over-supply of units and the softening housing market may dampen the prospects for new projects in the short term, the *SBFCo* study found that over the long term, **the demand for condominiums is likely to persist in the greater Downtown submarket**. The study concluded that the projected growth of young

professional and empty nester households in the Milwaukee Metropolitan Area (see **Tables A3 and A4** in Appendix) is likely to sustain popularity of the condominium product type in the region as a whole, with Downtown representing the largest and most amenity-rich submarket. Additionally, **Milwaukee's condominium market appears to be less oriented to speculative buyers and second-home investors, and is therefore likely more resilient to "housing bubble" concerns than other Downtown markets such as Chicago and Miami.**

In the light of these findings and the current slate of proposed projects, it appears that condominiums will continue to be developed in the Northeast Side. However, unless the Northeast Side submarket is able to capture a greater share of the overall Downtown market annual absorption, an increase in the number of competing projects may result in lower per-project absorption rates in the short to medium term. As active and planned condo units are absorbed more projects are likely to be built on the many opportunity areas in the Northeast Side.

- **Apartments.** The recent for-sale residential boom in the past few years was accompanied by a decline in demand for market-rate apartments. The nationwide decline in the number of 20- to 30-year-old householders (the key demographic segment for apartment rentals) and low mortgage interest rates (which made new home purchases more feasible for many households) contributed to the decline in the rental demand. In recent years, market rents have not generally been high enough to support new construction of market-rate urban-style apartments in many parts of the country. The *SBFCo* study found this to be true for the Downtown Milwaukee submarket. This condition would also likely apply to the Northeast Side.

  However, the *SBFCo* study also found that **the "Echo Boom" demographic segment or the children of the post-World War II "baby boom" generation were projected to enter the Milwaukee apartment market in greater numbers from 2009 onwards** (see **Figure A3** in Appendix). Additionally, a sample survey of existing rental projects in the City indicated strong average occupancy rates of 97 percent. Furthermore, a trend of condominium conversions of apartment complexes has further shrunk the stock of available apartments in Downtown Milwaukee. The improving demographic conditions for apartments and the constrained supply conditions may lead to increased rents. This trend may, at some point in the future, allow market-rate apartment construction to become financially feasible.

  Currently, below-market apartment projects are being built in the Northeast Side. As previously described, these projects are made economically feasible through the use of various federal tax credit programs such as Low Income Housing Tax Credits. The continuing need for affordable housing is likely to continue the demand for this product type. Additionally, the aging of the baby boom generation and the existing base of lower income households is likely to result in demand for affordable senior housing product types that are also typically financed through federal tax credits.

3. Retail Market Assessment

The competitive position of the Northeast Side retail market was determined in part by evaluating the existing retail mix in the planning area and in the broader region. Based on a detailed assessment of the competitive supply of retail, a "presence-absence" [2] analysis was conducted to identify a list of types of key anchor retail uses that could potentially be supported in the Northeast Side. Interviews with retail brokers and developers were conducted to obtain information on rents and occupancy levels, and to gain additional insights on the overall retail potential.

Existing Retail Supply in the Northeast Side

The Northeast Side has a mix of "main street," pedestrian-oriented, niche, destination retail and auto-oriented shopping districts. **Map 4** on page 29 shows the spatial distribution of the retail corridors/districts in the Northeast Side and major competitive retail destinations near it.

PEDESTRIAN-ORIENTED RETAIL

The key pedestrian-oriented corridors within the Northeast Side are as follows:

- **Brady Street Corridor:** The Brady Street Corridor is one of the older and more specialized retail districts in the Northeast Side. It is known for its diversity and unique mix of specialty retail, ethnic cuisine, coffee shops, chic salons and vibrant nightlife. Overall, there are 95 businesses on Brady Street including nearly 40 bars, restaurants, and coffee shops. The majority of the businesses are locally owned. CVS Pharmacy, Starbucks, Jimmy John's Sandwiches, and Subway Sandwiches are among the few national chain stores located along the corridor. While the corridor extends for over one mile from Farwell Avenue on the east to Water Street on the west, the core commercial area with the highest density is between Astor and Farwell. West of Astor the commercial uses are less concentrated, and some blocks are interspersed with residential uses.

  Many of the buildings in this corridor are over 75 years old and some of the commercial spaces appear to be an adaptive reuse of residential structures. The historic character, the non-traditional building typology, unique mix of stores, and pedestrian-friendly character contribute to the charm and success of this corridor. The retail center located at the northwest corner of Brady and Farwell at the eastern entrance to Brady Street is the only retail in the corridor with a strip-center character.

  The limited availability of parking poses a challenge for the Brady Street commercial district. While on-street parking and some surface lots are available, the overall parking supply appears to be inadequate for the 95 businesses in the corridor. Further, the parcelization of properties along the corridor is generally characterized by shallow lot depths when compared to typical development standards for storefront retail with off-street parking and loading. Potential may exist for small-scale mixed-use redevelopment and/or adaptive reuse of existing residences on

[2] A presence-absence analysis is conducted to identify specific retail categories of types of stores that are missing in the market area, based on a review of the inventory of existing retail stores in the market area by retail category.

the western portion of Brady for additional commercial uses that are complementary and/or synergistic to the existing mix of uses

- **North, Prospect and Farwell Avenues.** This area is experiencing significant new development including residential, retail and healthcare uses, contributing to a dense and vibrant mixed-use neighborhood. The high residential density concentrated along Prospect Avenue appears to be attracting national and regional chain stores to the area. A Whole Foods grocery store and an Urban Outfitters apparel and accessories store have recently opened on Prospect near the North Avenue intersection. Both stores have a pedestrian-friendly design with no surface parking, consistent with a high-density walkable urban neighborhood. These are the first stores opened by both retailers in the Milwaukee metropolitan area, indicating that national retailers are viewing the North/Prospect node as a strong emerging retail destination. Popular restaurants, bars, and cafes such as Beans and Barley, Live on North, and Alterra are also located along North, Prospect and Farwell Avenues. The presence of the Oriental Theater, the recently completed Prospect Medical Commons, and active high-density residential development reinforce the area's ability to draw commercial traffic at various times of day. A Barnes and Noble bookstore, which is proposed at the former gas station site on the southwest corner of North and Prospect Avenues, would further strengthen the retail draw of the area.

  This area has the potential to expand the array of existing retail choices to include popular national chains and specialty local retailers to create a unique urban shopping experience. As described earlier in the residential section, there are several prime redevelopment sites, including the vacant former Prospect Mall, the mall parking lot, the US Bank site, and the East Library site. These sites have potential to be redeveloped with large, anchor retailers and/or storefront retail in a mixed-use environment. High quality building design that continues the existing streetwall and provides an interesting, engaging pedestrian environment through attractive storefronts will be important to create this urban shopping experience. It will likely be necessary to provide additional underground/structured parking to accommodate the parking needs of the new retailers and maintain the pedestrian friendly character of the area.

  Currently, Prospect and Farwell Avenues are designated as one-way streets to improve traffic flow between the Upper East Side and Downtown. The one-way designation results in reduced vehicular accessibility as vehicles often have to take indirect paths to reach their destinations. Conversion of these streets to two-way is likely to enhance the vitality of retail in the area by calming traffic and improving the pedestrian experience.

- **Martin Luther King Drive (King Drive) Corridor.** The historic King Drive has been a center of commerce for over 100 years. While the corridor has gone through some years of decline, recent investments have brought new residents and retail to the area. In the Northeast Side, the corridor extends for approximately 2.5 miles and passes through the King Drive Historic District, the "Bronzeville" redevelopment project, and the Harambee neighborhoods (clusters). It has over 80 businesses that include a mix of banks, restaurants, salons, hardware, home furnishings and apparel and accessories stores. While many of the commercial businesses are spread out over this entire 2.5 mile corridor some key intersections that are anchored by national and local retailers are emerging as retail nodes. The key nodes along this corridor are as follows.

- King Drive and North Avenue Node. Located just east of the Bronzeville area, this is the strongest commercial node in the King Drive corridor. It includes the offices of the Wisconsin Department of Natural Resources and Time Warner, chain retailers such as Walgreens, Foot Locker, and Subway and unique businesses such as Northern Chocolate Company and Readers Choice Bookstore. There are preliminary plans for a new mixed-use development at the current Walgreens site on the northwest corner of King Drive and North Avenue. There are additional opportunities for developing storefront retail in a mixed-use environment on the vacant/underutilized site on the southwest corner and at the Gimbels warehouse site. Redevelopment of these sites could bring in new retailers and further strengthen this commercial node.
- King Drive & Hadley Node. This node is currently experiencing redevelopment. New retail has been developed as a part of the first phase of the mixed-use King Commons project by the Martin Luther King Economic Development Corporation. The second phase, which includes significant residential development and a small commercial component, is underway and will further enhance the vitality of the node. The Finesse Jazz Club, Burger King, Ponderosa, and a U.S. postal retail facility are also located near this intersection. Additional underutilized sites offer potential for redevelopment and extension of the commercial uses at this node northward to Locust Street and southward to Center Street. Anchor uses, such as grocery or drug stores, might particularly help in building critical mass and attracting shopping traffic to this emerging cluster.
- Five Points Exchange. This node, located at the intersection of Martin Luther King Drive, 6th Street and Atkinson and Keefe Avenues has good access from I-43. Although there is no existing significant commercial development, the relatively underutilized site at the northeast corner of Martin Luther King Drive and Keefe Avenue can be redeveloped as a neighborhood shopping center or storefront retail in a mixed-use environment.

- **Oakland Avenue Corridor.** The commercial development along this corridor is focused primarily around the Locust Street and Oakland Avenue intersection. Farther north, there is commercial development on Kenwood and Oakland. The existing business mix includes a variety of casual and full-service dining establishments, a drug store, the Miramar Theatre, and specialty businesses catering primarily to UWM students such as music, book and bicycle stores. The new Walgreens at the northeast corner of the Locust Street and Oakland Avenue intersection was previously located in a smaller facility south of the intersection. Adaptive re-use of the older Walgreens facility with retail or small-format grocery uses may be challenging because of the difficulty in re-configuring the space for a new retailer and the lack of visibility from the intersection. A residentially driven program with ancillary ground floor retail uses might be more appropriate when the site is redeveloped in the future.

- **Downer Avenue Corridor.** The Downer Avenue Corridor is a relatively compact three-block corridor with a strong student-oriented retail presence. It has several national chains such as Starbucks, CVS Pharmacy, Einstein Bagels, and a Landmark Theater. Significant redevelopment activity is already taking place in this area. A four-story parking garage with ground floor retail at the corner of Downer Avenue and Belleview Place is under construction.

An 11-story condominium proposed on the corner of Stowell Avenue and Webster Place, as well as a seven-story hotel on Downer, would likely bring more customers to the existing retail district. The developer associated with these projects is also renovating the upper floors of buildings along Downer Avenue to accommodate professional offices. Once these projects are completed, there do not appear to be significant redevelopment opportunities in the near term.

- **Retail Corridors in Riverwest Neighborhood.** The Riverwest neighborhood has four relatively small retail corridors on Locust, Center, Clarke and Burleigh Streets that are located within four to five blocks of each other. These corridors serve primarily as neighborhood-oriented retail and include independent stores such as food marts, local eateries, art galleries and coffeehouses. The redevelopment opportunities within these corridors are likely to be limited to independent stores and local/regional chains.

AUTO-ORIENTED RETAIL

Within the Northeast Side planning area, auto-oriented retail uses are concentrated on Capitol Drive. The retail on Capitol Drive is discussed below:

- **Capitol Drive Corridor.** Located in the northern portion of the Northeast Side, the Capitol Drive Corridor is bordered by Humboldt Boulevard on the east and I-43 on the west. It runs through the middle of the Riverworks Center, a key industrial area. There are eight shopping centers located in this corridor that range from small convenience centers of approximately 14,000 square feet to freestanding big box retailers of approximately 125,000 square feet. **Table 3.1** below shows the type and sizes of these centers.

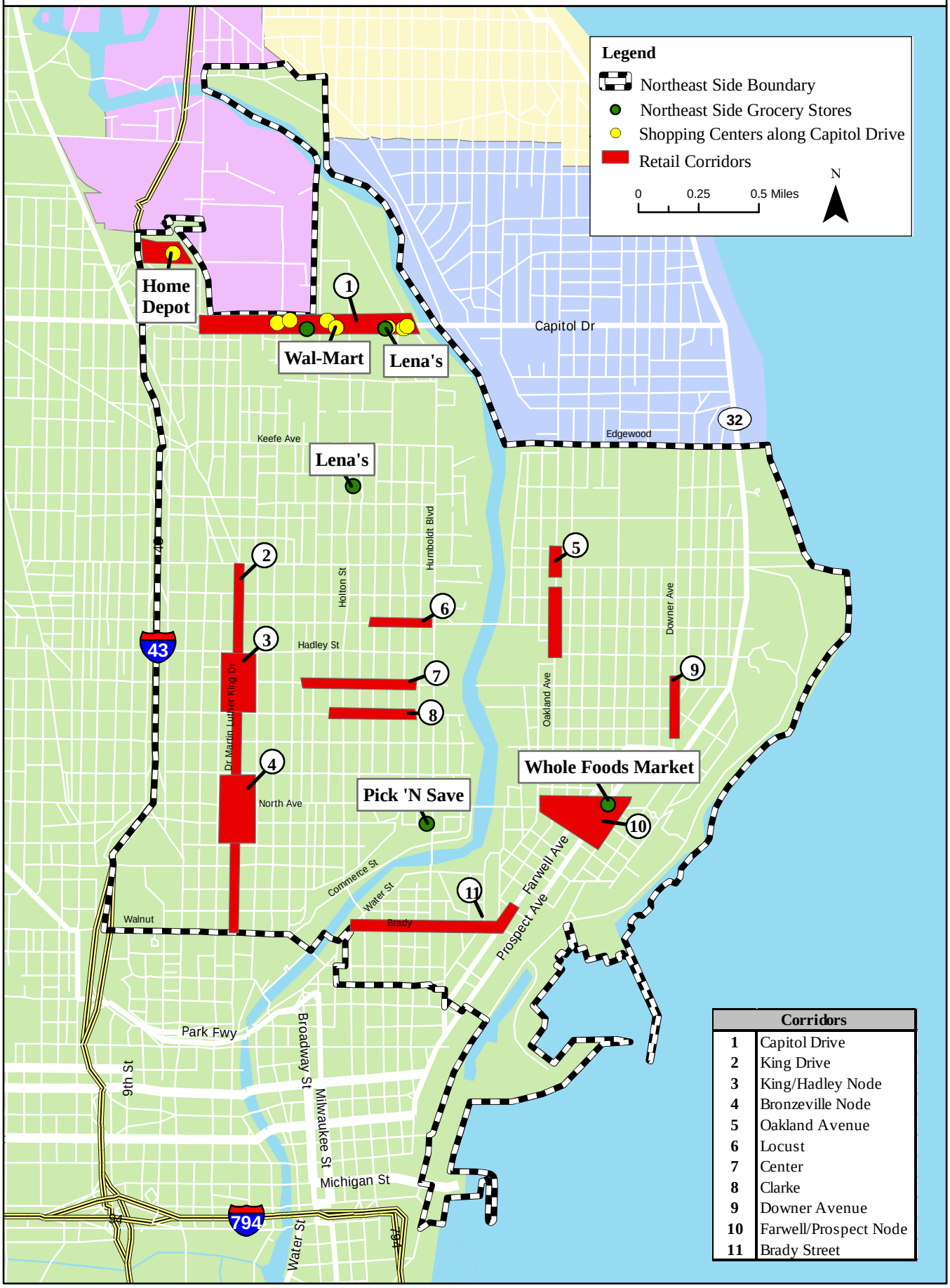
Table 3.1: Shopping Centers Along Capitol Drive

Center	Type	Gross Leasable Area	Key Anchors
River Glen Market Place	Convenience	21,000	
Riverworks Commons	Convenience	13,800	
Lena's	Neighborhood	80,000	Lena's
Riverwest	Community	107,300	Office Depot
Wal-Mart	Freestanding Big Box	125,000	Wal-Mart
Park Place	Convenience	17,300	
East Capitol Place	Convenience	28,000	
Home Depot	Freestanding Big Box	115,000	Home Depot
TOTAL		**507,400**	

Source: *S. B. Friedman & Company.*

Northeast Side

Map 4: Competitive Retail Corridors



Corridors	
1	Capitol Drive
2	King Drive
3	King/Hadley Node
4	Bronzeville Node
5	Oakland Avenue
6	Locust
7	Center
8	Clarke
9	Downer Avenue
10	Farwell/Prospect Node
11	Brady Street

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Real Estate Advisors and Development Consultants

This corridor has approximately 500,000 square feet of retail in these eight shopping centers. Wal-Mart, Big Lots, Office Depot, and Home Depot are the major national big box retailers located in the corridor. Though this corridor has older centers, vacancies of the inline retail in the shopping centers are low and range from 6 to 7 percent. There are a few remaining industrial uses with access and visibility from Capitol Drive that are experiencing pressure for redevelopment into retail uses. The vacant industrial facility on the northeast corner of Holton and Capitol was recently under consideration by Target. Although Target did not ultimately locate here, the site could potentially attract other big box retailers in the future.

Regional Scale Retail near the Northeast Side

As shown in **Map 5** on the next page, four key retail centers near the Northeast Side appear to serve as the primary retail destinations competing with shopping clusters in the planning area. The following regional shopping centers are likely to be the most competitive within the Northeast Side due to their proximity, ease of access, and tenant mix.

- **Bayshore Town Center:** Located in the North Shore suburb of Glendale adjacent to Whitefish Bay, this center was recently redeveloped and repositioned as a "lifestyle center." Situated just east of I-43 on Silver Spring Road, the center is home to many high-end and specialty retailers with a heavy restaurant component plus department stores such as Kohl's, Sears, Boston Store, Williams Sonoma, and Banana Republic, and may therefore draw some customers, especially the more affluent residents, from the Northeast Side.

- **Shops of Grand Avenue/Downtown Milwaukee:** The Shops at Grand Avenue, located in downtown Milwaukee, is comprised of over 70 stores including the Boston Store, Linens N Things, Old Navy, and Office Max. The indoor urban mall also includes a variety of restaurants such as Applebee's, Culver's, and Potbelly Sandwich Works. The Shops of Grand Avenue and downtown Milwaukee are easily accessible from the Northeast Side by public transportation as well as automobile, and may therefore draw some customers from this part of the city.

- **Midtown Center:** This recently redeveloped retail center is located northwest of the study area at Capitol and Fond du Lac. This urban outdoor mall is arranged in a "Town Square" style and includes big box stores such as Wal-Mart and Lowe's, as well as smaller retailers, including Starbucks, Culver's, and Payless Shoes. The walkable street and block layout and pedestrian-friendly design of this center provides a sense of place and is unique relative to other typical auto-oriented power centers that have similar tenancies. This unique design and layout could potentially enhance the drawing power of the center.

- **Mayfair Mall:** This super regional mall is located west of the study area in Wauwatosa. Mayfair Mall is anchored by Macy's, the Boston Store, Crate and Barrel, Barnes & Noble, and AMC Theaters. With over one million square feet of retail, Mayfair is the largest mall in the Milwaukee area, and it includes many of the retailers that are typical of super regional malls. The mall property is part of an 86-acre business complex that includes four office buildings, over 180 stores and restaurants, and a movie theater. Mayfair is easily accessible from the Northeast Side via I-94/45 or Capitol Drive to Highway 100.

Northeast Side

Map 5: Competitive Regional Retail Cluster

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Retail Leakage Analysis

To analyze the demand potential for various retail store categories in the Northeast Side, *SBFCo* reviewed the estimated spending potential, store sales and retail leakage for the Northeast Side. The spending potential for this area represents the buying power of consumers by specific retail category, while store sales represent the estimated sales for all stores within each category. The difference between these two variables is referred to as the "retail leakage." A positive retail leakage for a particular store category indicates that more dollars are being spent by Northeast Side residents outside of the Northeast Side in this category than are being "imported" through expenditures by non-residents at Northeast Side stores. Conversely, a negative retail leakage indicates that Northeast Side retailers are capturing sales in the category that are greater than 100% of the total spending by Northeast side residents, thus suggesting additional traffic from shoppers not living in the area. **Table 3.2** on the next page shows the estimated spending potential, store sales and retail leakage within the Northeast Side in 2007.

Table 3.2: Estimated Retail Leakage: 2007

Retail Category	Retail Sales	Demand Potential	Leakage
Total Retail Trade and Food & Drink	$ 526,163,605	$ 683,479,137	$ 157,315,532
Retail Trade Total	$ 396,326,482	$ 584,181,978	$ 187,855,496
Motor Vehicle & Parts Dealers (NAICS 441)	$ 16,783,203	$ 147,502,454	$ 130,719,251
Automobile Dealers (NAICS 4411)	$ 14,114,548	$ 132,746,966	$ 118,632,418
Other Motor Vehicle Dealers (NAICS 4412)	$ 364,386	$ 7,531,066	$ 7,166,680
Auto Parts, Accessories, and Tire Stores (NAICS 4413)	$ 2,304,269	$ 7,224,422	$ 4,920,153
Furniture & Home Furnishings Stores (NAICS 442)	$ 3,603,520	$ 19,142,872	$ 15,539,352
Furniture Stores (NAICS 4421)	$ 2,313,698	$ 12,303,335	$ 9,989,637
Home Furnishings Stores (NAICS 4422)	$ 1,289,822	$ 6,839,537	$ 5,549,715
Electronics & Appliance Stores (NAICS 443/NAICS 4431)	$ 4,992,399	$ 14,282,309	$ 9,289,910
Bldg Materials, Garden Equip. & Supply Stores (NAICS 444)	$ 54,586,825	$ 15,065,143	$ (39,521,682)
Building Material and Supplies Dealers (NAICS 4441)	$ 54,586,825	$ 13,890,913	$ (40,695,912)
Lawn and Garden Equipment and Supplies Stores (NAICS 4442)	$ -	$ 1,174,230	$ 1,174,230
Food & Beverage Stores (NAICS 445)	$ 109,811,518	$ 74,968,787	$ (34,842,731)
Grocery Stores (NAICS 4451)	$ 99,811,109	$ 65,278,086	$ (34,533,023)
Specialty Food Stores (NAICS 4452)	$ 2,278,635	$ 2,046,698	$ (231,937)
Beer, Wine, and Liquor Stores (NAICS 4453)	$ 7,721,774	$ 7,644,003	$ (77,771)
Health & Personal Care Stores (NAICS 446/NAICS 4461)	$ 49,895,091	$ 25,122,223	$ (24,772,868)
Gasoline Stations (NAICS 447/4471)	$ 27,763,794	$ 68,486,467	$ 40,722,673
Clothing and Clothing Accessories Stores (NAICS 448)	$ 20,587,768	$ 36,978,079	$ 16,390,311
Clothing Stores (NAICS 4481)	$ 12,544,243	$ 29,173,293	$ 16,629,050
Shoe Stores (NAICS 4482)	$ 5,220,110	$ 5,006,406	$ (213,704)
Jewelry, Luggage, and Leather Goods Stores (NAICS 4483)	$ 2,823,415	$ 2,798,380	$ (25,035)
Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)	$ 12,520,752	$ 7,283,389	$ (5,237,363)
Sporting Goods/Hobby/Musical Instrument Stores (NAICS 4511)	$ 5,435,691	$ 2,940,265	$ (2,495,426)
Book, Periodical, and Music Stores (NAICS 4512)	$ 7,085,061	$ 4,343,124	$ (2,741,937)
General Merchandise Stores (NAICS 452)	$ 100,138,304	$ 132,869,172	$ 32,730,868
Department Stores Excluding Leased Depts.(NAICS 4521)	$ 20,010,018	$ 36,564,461	$ 16,554,443
Other General Merchandise Stores (NAICS 4529)	$ 80,128,286	$ 96,304,711	$ 16,176,425
Miscellaneous Store Retailers (NAICS 453)	$ 43,623,005	$ 8,867,937	$ (34,755,068)
Florists (NAICS 4531)	$ 399,233	$ 261,035	$ (138,198)
Office Supplies, Stationery, and Gift Stores (NAICS 4532)	$ 6,131,084	$ 2,668,424	$ (3,462,660)
Used Merchandise Stores (NAICS 4533)	$ 4,486,980	$ 779,379	$ (3,707,601)
Other Miscellaneous Store Retailers (NAICS 4539)	$ 32,605,708	$ 5,159,099	$ (27,446,609)
Food Services & Drinking Places (NAICS 722)	$ 129,837,123	$ 99,297,159	$ (30,539,964)
Full-Service Restaurants (NAICS 7221)	$ 28,344,495	$ 34,712,568	$ 6,368,073
Limited-Service Eating Places (NAICS 7222)	$ 55,606,552	$ 49,895,632	$ (5,710,920)
Special Food Services (NAICS 7223)	$ 3,225,631	$ 7,312,082	$ 4,086,451
Drinking Places - Alcoholic Beverages (NAICS 7224)	$ 42,660,445	$ 7,376,877	$ (35,283,568)

[1] Retail leakage is the difference between spending potential and estimated store sales.
Source: ESRI and *S. B. Friedman & Co.*

As shown in Table 3.2, **leakage of retail dollars from the Northeast Side is occurring in several retailing categories, including auto dealerships, furniture stores, gas stations, apparel clothing stores, general merchandise stores and full-service restaurants.** Retail leakage in a particular category is an indicator of unmet demand and, therefore, an opportunity to develop stores in that retailing category within the Northeast Side. It should be noted, however, that market feasibility for larger retail formats, such as grocery and general merchandise, is also a function of site characteristics, the requirements of specific retailers, and spending potential in the probable trade area for the retailer, as well as the competitive environment within that trade area. For example, auto dealerships (shown above as a category where the Northeast Side is experiencing a

leakage of retail dollars) generally locate in clusters. These clusters typically require a substantial amount of land, access, and visibility. Such sites are not available within the Northeast Side and, therefore, auto-dealerships do not generally appear to be a viable retailing option. General merchandise stores tend to be big boxes such as Target and Walmart, which could be free-standing stores (such as the Walmart located on Capitol Drive) or designed to fit into more urban formats.

It is important to note that some retail categories that do not show retail leakage might still be supportable. For example, as shown in Map 4, the full-service grocery stores are located near the periphery of the Northeast Side – on Capitol Drive to the north, in the Beerline neighborhood to the south and at North and Prospect to the south. The central areas of the Northeast Side, which include large portions of the Harambee, Riverwest and the Upper Eastside areas, are relatively under-served by regional or national full-service grocery stores. Residents have to either travel longer distances or shop at smaller, local food marts. Therefore, there may be market potential for a full-service regional or national grocery store in the area.

Based on the character of the existing retail corridors, available opportunity sites and the retail leakage analysis, *SBFCo* compiled a list of key retail categories that have market potential in the Northeast Side. Because there are opportunities for both auto-oriented and pedestrian-oriented retail development in the Northeast Side, we include retail options for both types of environments.

Auto-Oriented Retail Opportunities

- Grocery stores – full-service and mid-size stores
- Furniture stores
- Electronics and Appliance stores
- Clothing stores
- General Merchandise stores

Pedestrian-Oriented Retail Opportunities

- Home furnishings
- Local Electronics and Appliances stores
- Small boutiques and clothing stores seeking an urban environment
- Smaller format hardware/home improvement stores

Retail Market Potential

While the retail opportunities presented in the section on retail leakage are generally applicable to the entire Northeast Side, a more specific analysis of market potential was completed for the corridors that were identified with significant redevelopment potential. This analysis was based on a review of the inventory of existing retail stores, interviews with retail brokers active in the area and a presence-absence analysis to identify niche retail uses that could be supported in the corridor. The market potential for each corridor with significant redevelopment opportunities is discussed below.

- **Brady Street Corridor.** The relatively shallow lot depths on available redevelopment sites within this corridor suggest that most new retail uses would likely be limited to small-scale storefront retail space ranging from 2,000 to 5,000 square feet within mixed-use developments. Based on lot depth limitations, it is unlikely that this type of development will be able to supply off-street parking facilities. There are also opportunities for adaptive reuse of residential structures for retail. New uses should be complementary and/or synergistic with the existing mix of retail stores. Additionally, because of the limited supply of off-street parking in the corridor, new retail uses would primarily need to rely on on-street parking and pedestrian traffic unless larger-scale site assemblage is possible or shared off-street parking facilities are developed.

  Based on access, visibility, and the potential for a future fixed-guideway transit stop, potential may exist to provide a western anchor to the Brady corridor at the intersection with Van Buren and Holton. The new residential development in Park East will also create additional market support for retail uses at this node. However, it would likely require the assembly of several properties under mixed ownership to provide s sufficient footprint to accommodate such an anchor use.

  The retail opportunities identified for the Brady Street corridor are as follows:

  - Electronics stores, such as a Radio Shack
  - Cell phone store
  - Home furnishings stores
  - Garden/floral supplies, adaptive use of vacant parcels for outdoor market
  - Antique store
  - Art gallery
  - Paper supplies/stationery store, such as Paper Source
  - Boutique apparel and accessories stores
  - Ice cream store

- **North, Prospect, and Farwell Avenues.** As previously described, the North, Prospect and Farwell area is emerging as a significant retail destination with key national anchors. There are opportunities to add to the existing retail base and create a unique urban shopping experience by intensively redeveloping key sites including the approximately one-acre Prospect Mall, the mall parking lot and adjacent gas station, the US Bank site and the library site. New developments should maintain and enhance the existing pedestrian-friendly environment by attracting retailers that seek urban locations. The following are examples of retailers that could locate in the North, Prospect and Farwell Corridor:

  - Apparel and accessories stores that have an affinity for urban locations, such as Gap, American Apparel, Chicos and Active Endeavors.
  - Specialty boutiques – independent/local stores that could benefit from a cluster of national chains.
  - Home furnishings stores such as Cost Plus or Pier 1 Imports.
  - Furniture stores
  - Spa/Beauty salon

- Additional Health Club
- Additional specialty grocery

It should also be noted that the sought-after Trader Joes specialty grocery chain has similar buyer profiles as Whole Foods and often locates in areas that already have a Whole Foods store. This may suggest that the North/Prospect area would be a natural point of entry for this chain if it elects to pursue the Milwaukee market.

- **King Drive Corridor.** The King Drive corridor has neighborhood/convenience-oriented retail uses and is likely to continue to have a neighborhood-serving function in the near future. A potential redevelopment strategy would be to target retail development at the key nodes that have an existing retail core and/or are already attracting new retail development. Retail uses that could be added to the King Drive corridor include:

  - Small format grocery store such as an Aldi
  - Laundromat/dry cleaners
  - Local hardware/paint supplies
  - Fitness/recreation center
  - Florist
  - Art and framing stores
  - Ice cream store

- **Capitol Drive Corridor.** This corridor has the potential to attract new big box retailers that are missing in the area. Key retail categories that could be attracted include:

  - General Merchandise Stores like Target
  - Electronics and Appliance stores such as Best Buy
  - Discount apparel and accessories department stores such as TJ Maxx
  - Home furnishings stores such as Bed Bath and Beyond or Linens N Things
  - Hobby art and craft stores such as Michaels
  - Furniture stores

While these retail categories indicated above are currently either missing or underrepresented in the Northeast Side, the likelihood that these uses are supportable in the Northeast Side in the future is dependent on several factors, including the availability of suitable sites (with sufficient traffic counts, access, and visibility) to accommodate the requirements of these retailers, the pace of future residential growth and corresponding income growth. New residential development is increasing the buying power in the Northeast Side, thereby enhancing the attractiveness of the area for potential retailers. Additional analysis that reviews retail sales potential relative to the supply of existing and planned retail would need to be performed to determine if retail categories mentioned above can be supported in the future.

4. Industrial Market Assessment

A market analysis was conducted to assess the future potential for industrial development on the Northeast Side. The analysis included a review of historical building and land absorption trends, as well as interviews with industrial brokers, community leaders, and planning staff at the Department of City Development.

Regional Market Trends

The "Milwaukee Industrial Land Base: An Analysis of Demand and A Strategy for Future Development" ("*SBFCo* study") report prepared by *S.B. Friedman & Company* in May 2004 reviewed current trends in the regional and local industrial market and projected the future demand for new industrial space in the City. Based on an analysis of The Polacheck Company's[3] industrial data, the *SBFCo* study showed that between 1995 and 2000, approximately 33.4 million square feet of industrial space and over 2,550 acres of industrial land were absorbed in the Milwaukee Metropolitan area. The *SBFCo* study showed that during the five-year time frame between 1995 and 2000, the City of Milwaukee captured approximately 7% of this total regional industrial growth at an average annual absorption rate of approximately 32 acres per year. A second data source, the industrial transaction data tracked by the *Milwaukee Business Journal*, showed that the City captured 15% of the total growth in the region between 1997 and 2002. Overall, the City's capture of regional industrial absorption ranged from 7% to 15%. Most of the remaining growth (85% to 93%) in new industrial development that occurred during the past decade occurred in the suburban counties of the Milwaukee Metropolitan Area. The *SBFCo* study attributed this City trend primarily to the **relative shortage of development-ready land in a business park atmosphere, with good highway and interstate access**, as compared to suburban areas. Interviews undertaken more recently with industrial brokers as a part of this study confirm this finding.

Future potential for industrial development in the City of Milwaukee is likely to continue to be constrained by the lack of suitable industrial land. There are recent efforts to replenish the available stock of industrial land in the City through the demolition and remediation of older/obsolete industrial properties. At the same time, the existing supply of available greenfield land suitable for industrial development is also being absorbed. Therefore, the historical capture rates of industrial development in the City ranging from 7% to 15% of the total metro area are unlikely to be exceeded until the supply of suitable industrial land in the City is increased substantially relative to current levels. The *SBFCo* study projected the future absorption rate of industrial land in the Milwaukee Metro area based on the relationship between the overall economy and overall economic trends. The future annual absorption of industrial land in the City was projected to range from 32 to 63 acres based on projections of the regional absorption rate of industrial land and the City's historical capture rates (7% to 15%) of regional growth.

To gain further insights regarding the historical absorption trends of industrial land in the City, the Milwaukee Master Property File was analyzed. Based on the land use designations and the

[3] Both The Polacheck Company and the *Milwaukee Business Journal* have discontinued tracking detailed industrial absorption in the region.

"Year Built" field, which indicated the year in which a specific improvement was developed, the historical absorption data of industrial land in the City was compiled. **Table 4.1** illustrates the historical absorption of industrial space in the City by decade.

Table 4.1: Historical Absorption of Industrial Space in Milwaukee[1]

Decade	Average Annual Land Area Absorbed (Acres)
1970s	41
1980s	43
1990s	38
2000s[2]	29
Average 1970-2000	41
Average 1970-2005	38

[1] City of Milwaukee Master Property File data for Land Use Codes 8 "Manufacturing, Construction, and Warehousing Space."
[2] The 2000s time period ranges from year 2000 to 2005
Source: City of Milwaukee Assessor Data; *S. B. Friedman & Company*

As shown in Table 4.1, the average annual absorption of land in the City over the past three decades has been 41 acres, which is approximately at the midpoint of the *SBFCo* high and low projection range. Additionally, annual absorption rates have declined in recent years relative to the 1970s and 1980s. While the economic recession following 9/11 is a major contributing factor to the decline in absorption between 2000 and 2005, the slowdowns in absorption since the 1990s is explained at least in part by the limited supply of suitable industrial land in the City. As more suitable land is added to the City's stock of industrial land and the economy emerges from the recent downturn, the absorption rates in the City are likely to improve.

Profile of Existing Industrial Uses in the Northeast Side

The industrial uses in the Northeast Side are concentrated in the Riverworks area. While there are some remaining industrial uses in scattered locations along the river and the formerly active railroad tracks, this space is a small proportion of the total industrial area of the Northeast Side.

The Riverworks area**,** located in the northwest part of the Northeast Side, has a mix of industrial and retail uses. The Riverworks area has approximately 120 acres of industrial land, over 3 million square feet of industrial space, and is estimated to have over 1,000 employees. Riverworks has been generally characterized as aging and somewhat sub-optimal industrial by brokers. As shown in **Table 4.2** on the next page, nearly 85% of the industrial buildings in the Northeast Side are over 50 years old. Therefore, they are less likely to meet the space, access, floor loading, ceiling height, dock, and/or other functional requirements of modern industrial tenants. The majority of the buildings in Riverworks were home to industries that were a part of the supply chain in the production of Chrysler automobiles at the former AMC Plant. Because of the Chrysler plant closure most of these industries had to diversify into other businesses. While nearly 10 percent of the businesses in the Riverworks area continue to be involved in the automobile manufacturing sector, the other major industries include warehousing and distribution, manufacturing of corrugated and solid fiber boxes, and pharmaceutical preparations.

Table 4.2: Age of Industrial Buildings in the Northeast Side

Age Category	Industrial Building Area	
	Square Feet	Percent
<25	160,960	3%
25-50	597,219	13%
50-75	1,513,817	32%
75-100	2,007,704	43%
>100	396,412	8%
Total Industrial Building Area	**4,676,112**	**100%**

Source: City of Milwaukee Master Property File and *S. B. Friedman & Company*

Historical absorption in the Northeast Side was analyzed and compared to the overall absorption in the City to obtain a sense of the scale and size of the Northeast Side industrial submarket. The analysis was based on data from the Milwaukee Master Property File and included all economic sectors classified as manufacturing, construction, or warehousing space. **Table 4.3** shows the historical absorption of industrial space in the Northeast Side compared to the City as a whole between 1990 and 2004.

Table 4.3: Absorption of Industrial Space – City of Milwaukee and the Northeast Side

	City of Milwaukee		Northeast Side		% of City of Milwaukee	
Year	New Bldg Area Developed (SF)	Land Area Absorbed (Acres)	Bldg Area Developed (SF)	Land Area Absorbed (Acres)	Bldg Area Capture Rate	Land Area Capture Rate
1990	715,551	67	0	0	0%	0%
1991	727,916	90	0	0	0%	0%
1992	280,100	66	0	0	0%	0%
1993	514,575	53	10,783	1	2%	2%
1994	240,831	28	0	0	0%	0%
1995	83,248	8	0	0	0%	0%
1996	41,131	7	0	0	0%	0%
1997	310,621	21	74,547	5	24%	26%
1998	84,397	29	0	0	0%	0%
1999	61,373	6	0	0	0%	0%
2000	1,476,168	136	25,080	12	2%	9%
2001	92,902	6	0	0	0%	0%
2002	142,258	20	0	0	0%	0%
2003	71,710	8	50,550	3	70%	39%
2004	52,130	4	0	0	0%	0%
Total	**4,894,911**	**550**	**150,177**	**20**	**3%**	**4%**
Average 1990-2004	**326,327**	**37**	**10,731**	**1**	**3%**	**4%**

Source: City of Milwaukee Master Property File and *S.B. Friedman & Company*

Analysis of historical absorption data shows that very little new industrial development activity occurred in the Northeast Side. As shown in Table 4.3, of the 550 acres absorbed in the City of

Milwaukee between 1990 and 2004, the Northeast Side absorbed approximately 20 acres. On average this indicates that approximately 3 percent of the total building area and 4 percent of the land area developed for industrial use within the City of Milwaukee between 1990 and 2004 has taken place in the Northeast Side.

The relatively low capture of new industrial activity is primarily because much of the land suitable for industrial uses in the Northeast Side is already built out. In fact, in certain locations in the Northeast Side there have been redevelopment pressures to convert industrial uses to residential and retail uses. The recent redevelopment activity in the Beerline area involved conversion of an industrial corridor on the western banks of the Milwaukee River into a new residential neighborhood along the river. Following on the success of the Beerline development, there has been market interest in conversion of marginal industrial sites along the eastern bank of the river to residential uses. The recent redevelopment activity occurring on the former Gallun Tannery and US Leather sites is an indication of this trend. In the Riverworks area the industrial uses with access and visibility on Capitol Drive, a high-traffic thoroughfare, are experiencing pressures to convert to big box retail uses.

Competitive Position of Northeast Side

The Northeast Side possesses various strengths and opportunities in terms of attracting and retaining industrial users:

- The area has good regional access – a majority of the industrial sites in the Northeast Side are located within 2.5 miles of I-43. Current fixed-route transit lines under study include service to the Capitol Drive corridor. Implementation of such transit service would greatly enhance the connectivity of the area to the rest of the region and thereby enhance its marketability.

- The Estabrook Corporate Park, a successful modern business park, is located in Glendale adjacent to the Riverworks Center. As Riverworks is upgraded and stronger interconnections with Estabrook are established, it could benefit from the success of this modern park.

- Businesses located within the Northeast Side have access to the area's large workforce. Workers from other areas in the City are also able to commute to the Northeast Side using the existing mass transit networks.

However, several factors limit the redevelopment potential of industrial sites in the Northeast Side:

- The area north of Capitol Drive lacks an interconnected street network, with several streets dead-ending near the river. This creates a challenge for efficient ingress and egress of vehicles, particularly trucks.

- The Riverworks area does not present a cohesive, modern image. Several buildings are suffering from deferred maintenance, landscaping is minimal and the area lacks streetscape improvements that could create a consistent identity.

- Many of the available sites in the area are not development-ready and will require significant demolition and/or remediation activity. These additional site preparation needs are likely to dampen the absorption potential of the sites and/or require public assistance/intervention to spur additional market activity.

- The Harambee and Riverwest residential neighborhoods are located along the southern edge of the Riverworks Center. In some instances, residential homes are located across the street from industrial use. This creates land-use conflicts and limits the expansion potential of industrial uses to the south.

Future Industrial Potential

The Northeast Side is largely built out and, therefore, the potential for future industrial development is likely to be limited primarily by the availability of redevelopment sites. As shown in **Map 6** on page 43, there are at least four sites in the Riverworks area with redevelopment potential for industrial uses. The largest of these sites is the "Blue Hole" located in the northeast corner of the Riverworks area. The site is owned by the Milwaukee Area Technical College (MATC) and is currently leased to the University of Wisconsin-Milwaukee as a temporary parking lot. MATC is currently seeking to sell the property. Additionally, there may be opportunities to redevelop older/underutilized sites with modern industrial space at different locations within the Riverworks area of the Northeast Side. Many of these sites are likely to require extensive demolition and environmental cleanup prior to redevelopment. Therefore, City involvement is likely to be required for land assembly and preparation of sites for development. Future absorption potential of industrial uses in the Northeast Side will be largely determined by the pace at which sites can be made development-ready and infrastructure and streetscape improvements implemented in the area.

Strategies to Enhance Industrial Development

The Riverworks area has a Business Improvement District (BID) established as a public-private partnership between the City of Milwaukee and property owners with the purpose of developing, managing and promoting the Riverworks Center business district. The Riverworks BID operates three programs that focus on improving the appearance and perception of Riverworks Center. These include façade improvement grants, graffiti removal, street cleaning, and marketing of the area. There are several additional strategies that the City and the Riverworks Business Improvement District (BID) can jointly implement to further enhance industrial development in the Northeast Side.

1. **Develop and Implement a Streetscape Program.** A coordinated streetscape program that includes landscaping, special signage and elements such as banners and gateway features could be implemented to enhance the overall appearance of the public realm in the Riverworks Center. The program should also address negative or unsightly landscape elements that detract from the professional image of the area.

2. **Prepare and Adopt Design Guidelines.** Detailed design guidelines that address building placement, exterior appearance, landscaping, signage and buffering from adjacent residential development could be adopted to ensure high quality new development/redevelopment in the area and updated or retrofitted older facilities.

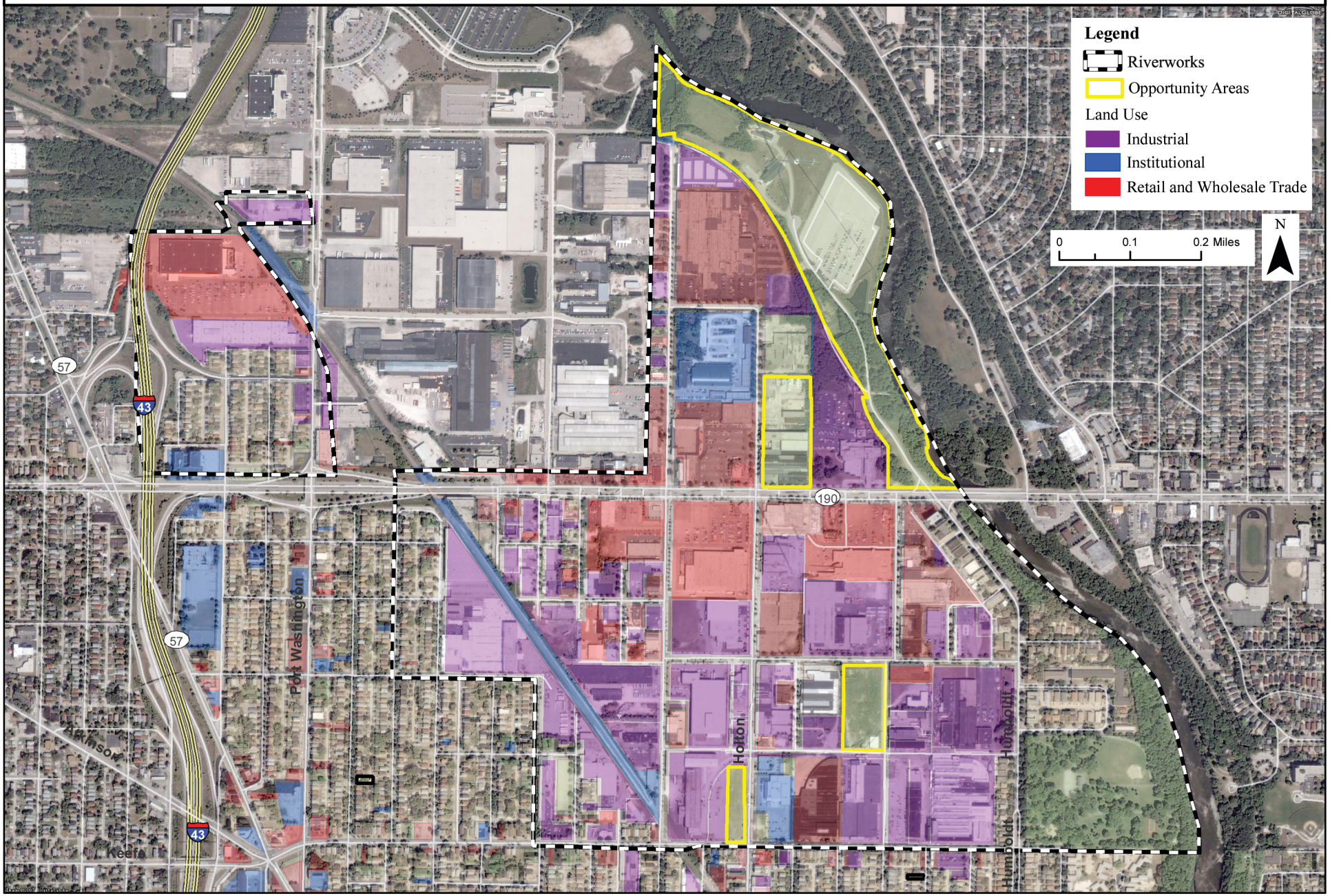
3. **Encourage Property Maintenance and Façade Improvements.** This can be achieved through financial assistance in the form of grants such as the façade improvement grant already in place. This can also be achieved through voluntary upgrades and replacements of deteriorated, worn or dated building/site elements.

4. **Create an Interconnected Street Network.** An interconnected street network that eliminates/minimizes dead-end streets and provides adequate turning radii for truck traffic could be implemented, particularly in the area north of Capitol Drive. Additionally, through coordination with the Village of Glendale, street linkages could be established to create a stronger connection to Estabrook Corporate Park.

5. **Assemble and Prepare Property for Industrial Development.** Potential redevelopment sites identified in Map 6 could be cleared and prepared for new development. A proactive approach could be taken to make additional land available for industrial development in the Northeast Side by identifying and prioritizing obsolete/vacant facilities for redevelopment. Land ownership, parcel size, access issues, and adjacent land uses should be considered. The guidelines set forth in the previous *SBFCo* study ("Milwaukee Industrial Land Base: An Analysis of Demand and a Strategy for Future Development") can be used to evaluate facilities and sites for retention as industrial or conversion to other uses. A feasibility analysis could be also be performed that will consider demolition of any existing underutilized facilities, environmental remediation, development of new site infrastructure, and the overall economic feasibility. The City and the Riverworks BID could also partner with the brokerage community and consider a unified marketing program for vacant industrial facilities and/or developable land in the Northeast Side.

Northeast Side

Map 6: Riverworks Industrial Area



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Appendix

Table A1: Northeast Side, City, and County Demographics

CPI Adjusted to 2007 Dollars

	2000	2007	2012	2000-2007 CAGR[1]	2007-2012 CAGR[1]
Population - Northeast Side	63,361	62,317	61,510	-0.24%	-0.26%
Population - City	596,484	585,559	579,368	-0.26%	-0.21%
Population - County	940,121	927,383	917,110	-0.19%	-0.22%
Number of Households - Northeast Side	29,376	29,540	29,819	0.08%	0.19%
Number of Households - City	231,922	231,993	230,700	0.00%	-0.11%
Number of Households - County	377,709	380,925	379,138	0.12%	-0.09%
Median Household Income - Northeast Side	$ 36,414	$ 39,267	$ 41,452	1.08%	1.09%
Median Household Income - City	$ 39,816	$ 41,888	$ 43,079	0.73%	0.56%
Median Household Income - County	$ 46,834	$ 49,421	$ 50,154	0.77%	0.29%
Median Value of all Owner-Occupied Housing Units - Northeast Side	$ 106,475	$ 140,072	$ 147,747	4.00%	1.07%
Median Value of all Owner-Occupied Housing Units - City	$ 97,738	$ 126,126	$ 131,134	3.71%	0.78%
Median Value of all Owner-Occupied Housing Units - County	$ 123,462	$ 163,451	$ 164,742	4.09%	0.16%

[1] Compound Annual Growth Rate

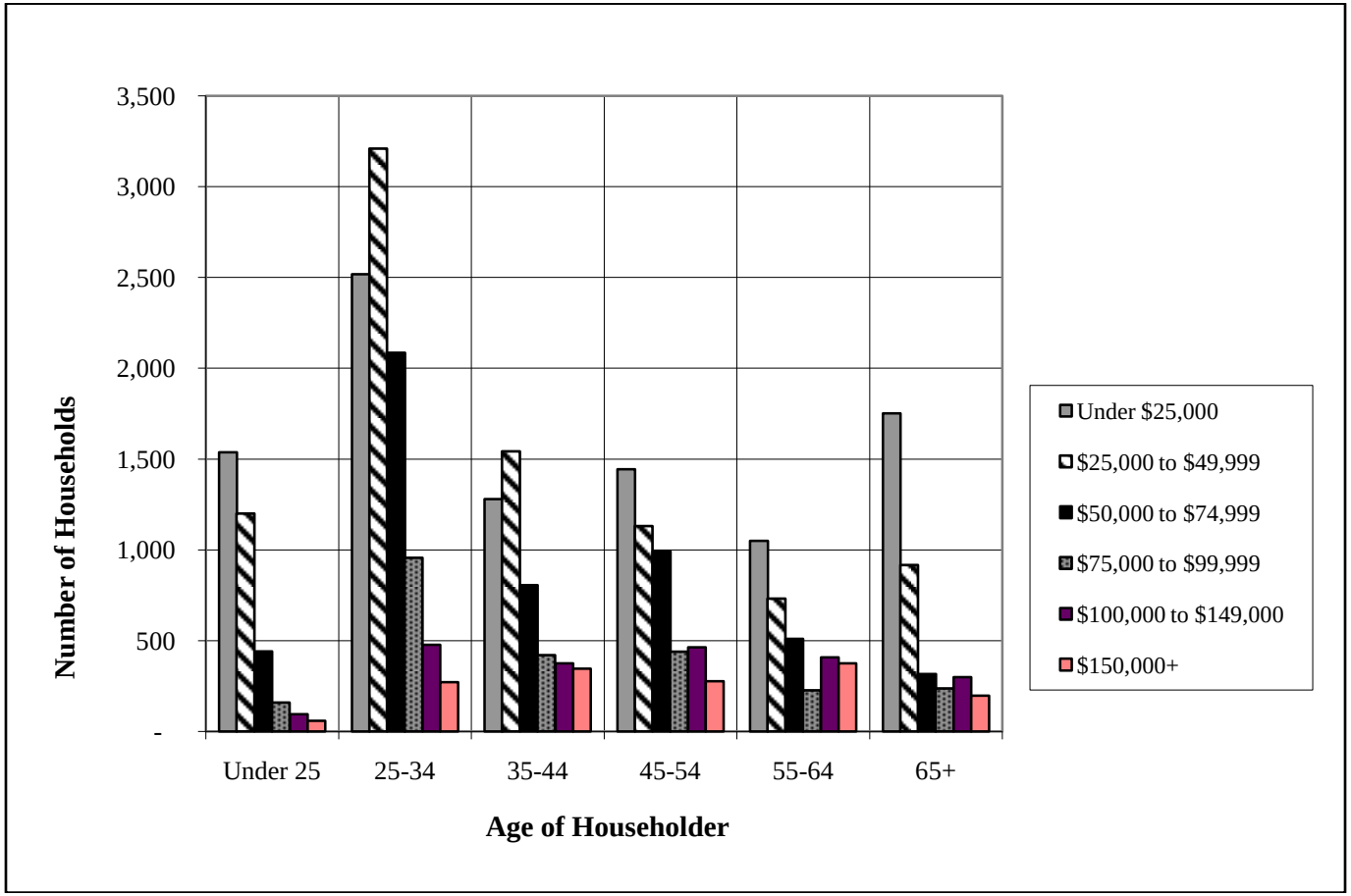
Source: ESRI and *S.B. Friedman & Company*

Table A2: Northeast Side: Comparison of East and West (in 2007 Dollars)

	Population			Median HH Income		
	2000	2007	2012	2000	2007	2012
East	32,094	31,497	31,113	$42,382	$46,158	$53,962
West	31,267	30,819	30,398	$29,461	$31,013	$35,278

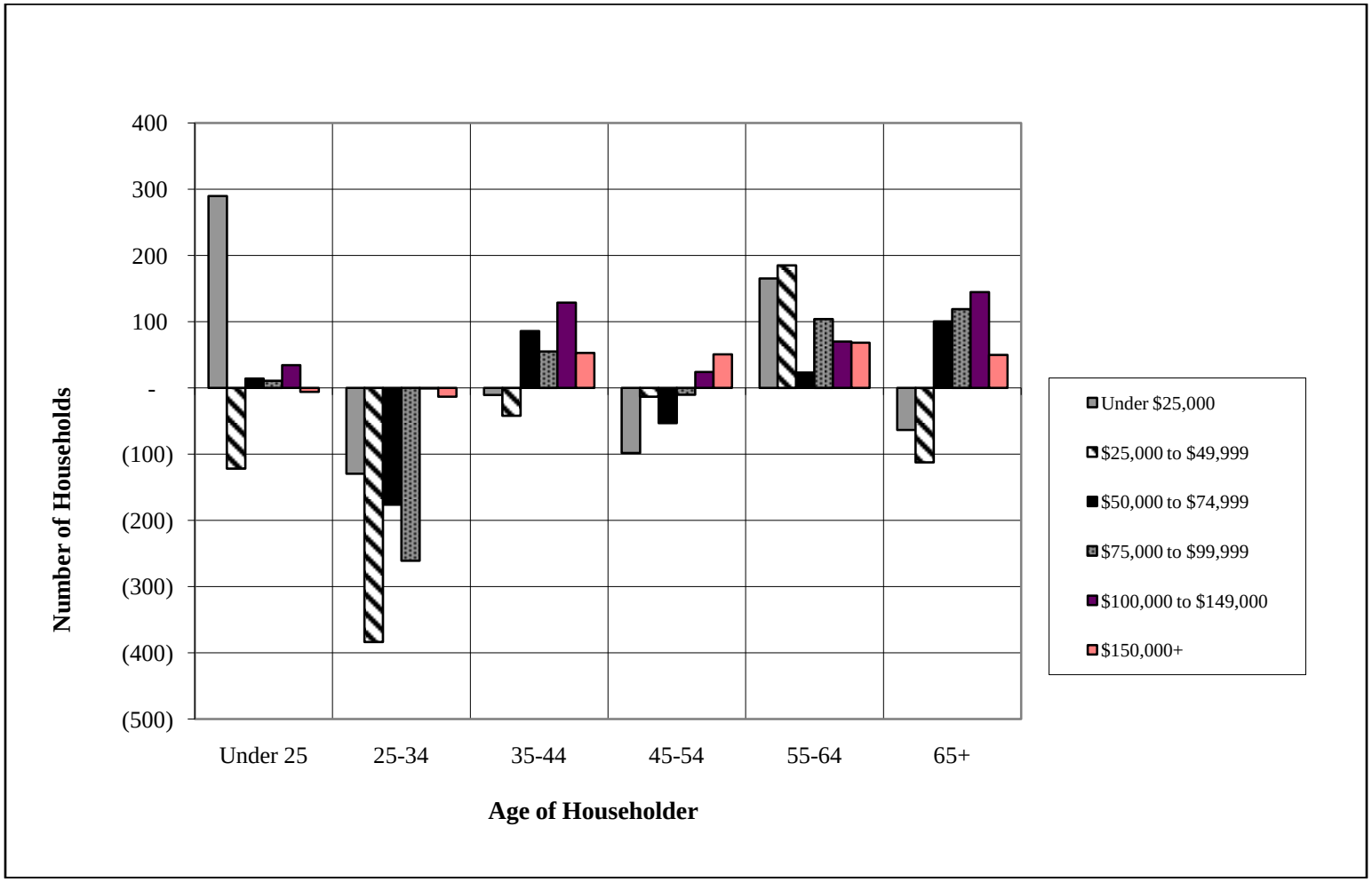
Source: ESRI and *S. B. Friedman & Company*

Figure A1: Northeast Side Households by Age and Income 2007 (2007 Dollars)



Source: ESRI and *S. B. Friedman & Company*.

Figure A2: Projected Change in Northeast Side Households by Age and Income 2007-2012 (Constant 2007 Dollars)



Source: ESRI and *S. B. Friedman & Company*.

Table A3: Milwaukee County Households Earning Over $100,000/Year in Key Condo-Buying Cohorts - 2006-2011

	2006	2011	Total Growth	Annual Growth
Young Professional	5,753	8,003	2,250	450
Empty Nester	18,611	27,742	9,131	1,826
Total	**24,364**	**35,745**	**11,381**	**2,276**

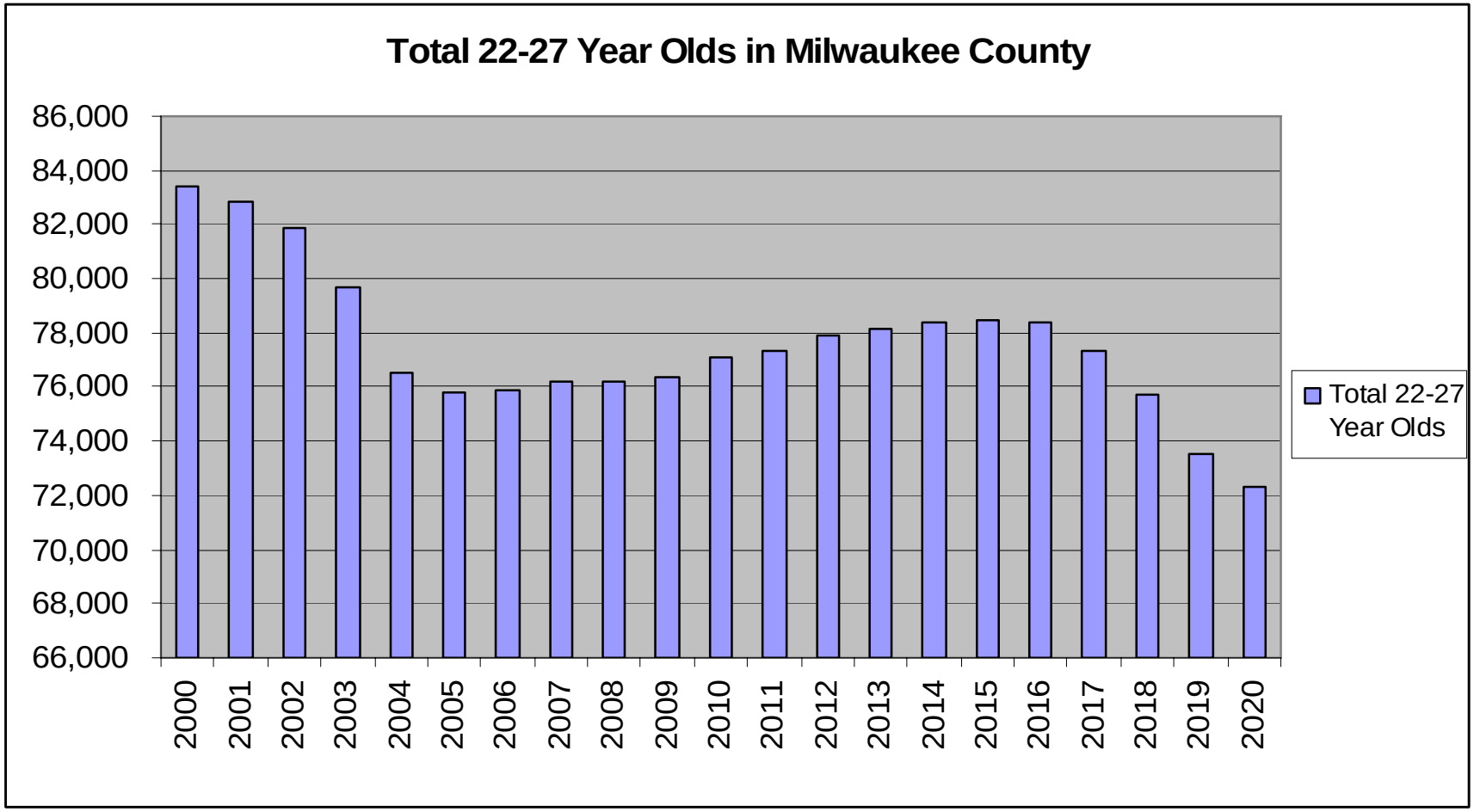
Source: ESRI and *S. B. Friedman & Company*

Table A4: Ozaukee, Washington and Waukesha Counties - Households Earning Over $100,000/Year in Key Condo-Buying Cohorts - 2006-2011

	2006	2011	Total Growth	Annual Growth
Young Professional	6,037	9,406	3,369	674
Empty Nester	24,556	36,085	11,529	2,306
Total	**30,593**	**45,491**	**14,898**	**2,980**

Source: ESRI and *S. B. Friedman & Company*

Figure A3: Entry of the "Boom Echo" Cohort



Source: Woods & Poole Economics, Inc.