

DRAFT

PROJECT PLAN

TAX INCREMENTAL DISTRICT NO. 71

CITY OF MILWAUKEE

(Mitchell Street)

Public Hearing Held: August 16, 2007

Redevelopment Authority Approved: August 16, 2007

Common Council Adopted:

Joint Review Board Approval:

I. DESCRIPTION OF PROJECT

A. Introduction

Section 66.1105(4)(d), Wis. Stats. Requires the "preparation and adoption of a project for each tax incremental district." This Project Plan is submitted in accordance with this statutory requirement.

B. District Boundaries & Compliance with Statutory Eligibility Criteria

The Mitchell Street Tax Increment District (the " District") consists of 281 properties located along, and generally one block north and south of W. Mitchell Street between S. 5th Street and S. 16th Street, plus a commercial area south of W. Forest Home Ave. between S. 13th Street and S. 15th Street. The District contains nearly 2.3 million s.f. of land area, excluding public rights-of-way, and encompasses the Historic Mitchell Street commercial district, including immediately adjacent residential areas, and parking lots which serve the retail business on the Street. The District is shown on Map 1, "Boundary and Existing Land Use," and described in Exhibit 5, "Boundary Description."

As set forth in Exhibit 1, over 50% of the District area satisfies the requirements of Wis. Stats. Sec. 66.1105(4)(gm)(4)(a) as being "in need of rehabilitation and conservation work, as defined in Sec. 66.1337 (2m)(b)." See Exhibit 1 for a list of properties in the District.

Also, less than 25% of the site area of the District meets the definition of "vacant" property, as provided in Sec. 66.1105(4)(gm)(1). Active parking lots, which are numerous in this District, are not considered vacant despite the fact that the value of their improvements is typically less than the value of their land. Also see Exhibit 1 for "vacant" properties.

C. Project Plan Goals and Objectives

Goals and objectives for the District are:

1. To strengthen the economic vitality of the Mitchell Street District by supporting the retention and expansion of existing retail, office, and service business, attracting additional business tenants to currently vacant buildings, and promoting complimentary mixed-use projects, e.g. housing or office development above street-level retail, in strategic properties.
2. To strengthen adjacent housing stock by providing financial assistance and incentives to owners to improve or upgrade their homes.

3. To eliminate blighting influences in the District.
4. To improve security in District
5. To upgrade the aesthetics of the District
6. To increase property values and create job opportunities.
7. To support the renovation of key catalytic projects that will in turn generate further development in the District.

D. Existing Land Uses and Conditions in the District

Mitchell Street has served as the major retail center for Milwaukee's south side for decades. The street has over 130 business, predominantly retailers. The District is predominantly zoned Local Business. Over 800 parking spaces, mostly in lots immediately north and south of the street provide parking for Mitchell Street customers. Most of these lots are owned by the City.

Mitchell Street has an active business and property owner association. Originally known as the Mitchell Street Merchants Assoc., these interests are now represented by the members of a Business Improvement District created in the '90's. Mitchell Street has had a full time Executive Director, since the 1970's.

Like all neighborhood shopping districts, Mitchell St. has had to confront increasing competition from the constantly changing retailing industry. In the 1970's, in an effort to counteract the loss of sales to shopping malls, Mitchell Street was converted to a pedestrian mall, which still permitted traffic and mass transit on the street, but replaced on-street parking with widened pedestrian walkways. A number of pedestrian plazas were built, connecting retailers on the street to several large parking lots located behind the businesses. The "mall of Mitchell St.," by restricting traffic, had the opposite effect on retail activity. The Schusters Department store and Sears store closed, creating major losses of activity for the street as a whole.

In the 1990's, in response to declining sales and the trend toward auto-oriented big-box retailing, the pedestrian mall concept was abandoned, the street reopened to on-street parking, with plazas and closed streets removed to allow greater vehicular access via intersecting north and south streets.

Most recently, Mitchell Street has begun to lose its unique anchor tenants, both large and small. This includes the loss of several bridal stores which had previously made the street a destination for brides throughout the metropolitan area. Also closing in the recent past was Kunzelman Esser, a furniture store with a metropolitan draw. This facility has been converted to affordable-income apartments, but the ground floor retail space remains vacant.

In October, Goldmann's department store will close its doors after 111 years. This 39,000 s.f. vintage department store has been a strong part of Mitchell Street's draw beyond the immediate neighborhood, and attracts numerous tours to the street. This facility will be replaced with another department store, requiring significant upgrades to this old building. Plans are to keep the existing men's department, add sportswear lines, and a Goldmann's museum on the first floor and lower level. The second floor is intended for up to 15,000 s.f. of office space. The buyer of the Goldmann's building is an established retailer with successful stores at the Midtown Center, the former Capitol Court shopping center on Capitol Dr. Preliminary costs estimates for the renovation of Goldmann's is \$3.8 million (incl. soft costs) and a certain amount of gap financing is expected to be provided through this tax increment district. A major component of the renovation is the restoration of the building façade to its 1930's character. The building is currently assessed at \$502,000.

Also closing on the street is Walgreens drug store. Walgreens occupies part of a 63,700 s.f. building which is already mostly vacant, and will move from 11th & Mitchell to a new, free-standing store at 15th & Burnham. A reuse for this building, which once housed a MPS Charter school and a health clinic, is not known at this time. It is currently assessed at \$1,369,000.

Another icon of Mitchell Street is the Modjeska Theater. This former vaudeville and movie theater was recently purchased by Modjeska Theater Project, LLC a joint venture between the Mitchell St. Development Opportunities Corp. (MSDOC) and the Modjeska Theater Co. (MTC) a non-profit theater company. MTC has staged four performances there for several years, and the theater also hosts occasional concerts. Plans are to address numerous exterior and interior renovation requirements in the building and expand its programming to include other performance groups and also to function as meeting and convention space. Estimates of renovation costs range from \$7.5 million to \$8.9 million. Major cost components include masonry restoration, building façade, interior plaster and decorative plaster replacement and repair, painting and decorative painting, plumbing, fire protection, HVAC and electrical upgrades, theater lighting, seating and sound system, acoustical improvements, and asbestos abatements. The proposed TID is intended to contribute to the funding of this work, but the major source of funding is expected to be private contributions. The time horizon for the Modjeska project is expected to be several years. The building is currently assessed at \$453,000.

In addition to the retailing and land use challenges it faces, Mitchell Street also needs to address continuing security needs which affect its customer base and its ability to continue as a regional retailing center. Theft from vehicles and vandalism are ongoing challenges. Broken windows and graffiti continue to be costly to property owners.

Consequently, this Project Plan proposes certain public improvements and funding vehicles designed to address the types of specific building issues discussed above, and to also establish an ongoing economic development fund to address future development opportunities.

Similar TIDs have been created for other neighborhood commercial districts, including: TID 32, N. King Drive; TID 40, W. North Ave.; and, TID 59 Bronzeville.

II. PROJECT PLAN PROPOSALS

A. The following is a description of the kind, number, and location of all proposed Public Works or Improvements within the District:

1. Pedestrian Lighting (Harp Lights)

- Transfer existing lights on Mitchell, located between S. 5th St. to S. 13th St. from WE Energies grid to City's power grid. Requires replacing fixture with City standard fixture, compatible with city street lighting voltage system.
- Install 17 harp lights on W. Mitchell from S. 13th St. to S. 16th St.
- Install 10 harp lights on S. 13th St. between W. Burnham St. and W. Mitchell
- Install 16 harp lights on S. 6th St. between W. Maple St., and W. Lapham Blvd.
- Install 2 harp lights on W. Mitchell St. from S. 10th to S. 11th St. on a privately owned hallow walk area.
- Provide electrical service cabinets and circuitry to service new installations, above.

2. Water Service

- Install irrigation system in the median strip of W. Mitchell from S. 5th St. to S. 6th St.

3. Security cameras

- Security cameras would be installed in City parking lots and strategic locations along W. Mitchell. The cameras would be added to the City's current system which is monitored by MPD. Up to 10 cameras would be installed.

4. Tree grates

- Install approx. 54 grates around the street trees on Mitchell St.

5. Residential Forgivable Loans

- Provide funding for Forgivable Loans to owner occupants for exterior improvements to residential properties. Same approach as used in TID 44 (Lindsay Heights) and TID 66 (Metcalf Homes). \$10,000 per unit, forgivable over five years. See Exhibit 2 for proposed terms

6. Property Acquisition

- Selective property acquisition by Redevelopment Authority of blighted properties

- Funding to buy-out existing leases of marginal retail tenants.

7. Development Fund

- Loans or grants to developers and / or tenants of strategic buildings in the District to provide gap financing for renovations, upgrades. Specific near-term projects to include Goldman's, Walgreens, and Modjeska Theater buildings.
- Specific terms and amounts of financing for any specific project to be subject to review by DCD and Comptroller, and approval by Zoning Neighborhoods and Development Committee. This mirrors the process used for TID 32 (King Dr. & Walnut St.). See Exhibit 2 for representative terms.

B. The following is an estimate of the project costs to be implemented as part of this Project Plan.

PROJECT	ESTIMATED COST
Pedestrian Lighting	\$397,500
Median Irrigation	45,000
Security Cameras (up to 10)	350,000
Tree Grates (\$1000 x 54)	54,000
Residential Improvement Loans (40 x \$10,000)	400,000
Property Acquisition	100
Development Fund	1,500,000
Contingency	170,000
Administration	200,000
Project Cost, excluding financing	3,118,000
Estimated Financing Costs	2,507,600

The costs included in this subsection, without limitation hereof because of enumeration, are claimed as eligible Project Costs as defined under Wis. Stats. Sec. 66.1105(2)(f) and may be incurred directly by the City, or by the Redevelopment Authority of the City pursuant to a grant or cooperation agreement with the City, pursuant to Wis. Stats. Sec.66.1105(2)(f)(1)(h).

C. Project financing and timetable for expenditures:

All expenditures are expected to be incurred in 2007-2012

The City expects to issue general obligation bonds to finance the TID Project Costs.

D. List of Estimated Non-Project Costs:

Non-Project costs would include costs funded privately by property owners or tenants in connection with the redevelopment of specific projects. See Feasibility Study.

E. Proposed Method of Relocating any Persons to be Displaced:

Relocation methods, and payments for relocation, for any businesses or persons displaced shall be in accordance with state statutes.

F. Statement Indicating How District Creation Promotes Orderly Development:

The Project Plan for the District anticipates funding to improve lighting and security in the Mitchell St. retail area, provide for upgrading of adjacent residences, and provide financing for current and future redevelopment projects in the District. In general, this project will strengthen the immediate neighborhood around Mitchell Street and provide for improved security, tax base, business activity, and employment opportunities.

G. Proposed changes of zoning ordinances, master plan, if any, map, building codes and city ordinances:

The zoning for the District is currently Local Business and Residential. There are no provisions in this Project Plan to change the zoning for the District. In addition, there are no planned changes to building codes and ordinances.

APPENDIX

List of Exhibits

Map 1: Map of Boundary and Existing Land Use

Map 2: Map of Site and Structure Condition

Map 3: Map / Site Plan of proposed improvements

Exhibit 1: Parcel listing and calculation of percent "in need of rehabilitation and conservation" and "vacant."

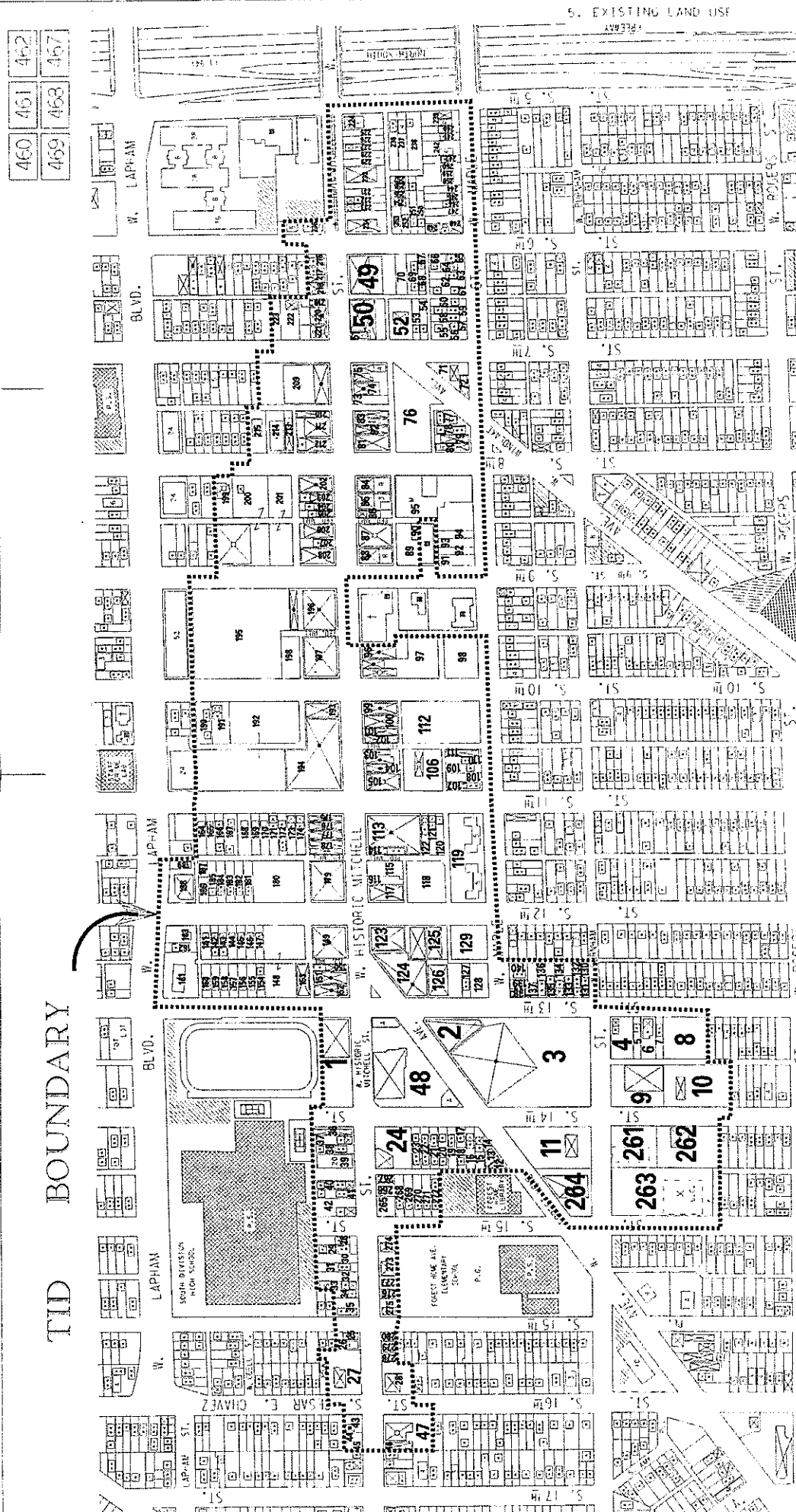
Exhibit 2: Terms of Loans & Grants

Exhibit 3: Economic Feasibility Study

Exhibit 4: Metes and Bounds description of District boundary.

Exhibit 5: City Attorney's opinion.

TID BOUNDARY



5. EXISTING LAND USE



112 Lot Numbers

LEGEND

[Symbol]	PROJECT BOUNDARY	[Symbol]	CHURCH
[Symbol]	UNCLE SAM RESIDENTIAL	[Symbol]	WATER
[Symbol]	UNCLERED RESIDENTIAL	[Symbol]	RAILROAD
[Symbol]	MULTI-FAMILY RESIDENTIAL	[Symbol]	POLICE STATION
[Symbol]	UNITED COMMERCIAL/RESIDENTIAL	[Symbol]	FIRE STATION
[Symbol]	INDUSTRIAL/RESIDENTIAL	[Symbol]	POST OFFICE
[Symbol]	COMMERCIAL/INDUSTRIAL	[Symbol]	CORPORATE OFFICE
[Symbol]	INDUSTRIAL/COMMERCIAL	[Symbol]	UTILITY COMPANY
[Symbol]	SKILLED LABOR RESIDENTIAL	[Symbol]	RECREATION
[Symbol]	RECREATION	[Symbol]	PUBLIC SCHOOL
[Symbol]	PUBLIC BUILDING	[Symbol]	PLAYGROUND
[Symbol]	MANUFACTURING AND WAREHOUSING	[Symbol]	AMUSEMENT
[Symbol]	INDUSTRIAL	[Symbol]	FARM AND FOREST
[Symbol]	INDUSTRIAL COURT	[Symbol]	INDUSTRIAL
[Symbol]	INDUSTRIAL COURT	[Symbol]	INDUSTRIAL

MAP NO. 1

TID - Mitchell Street

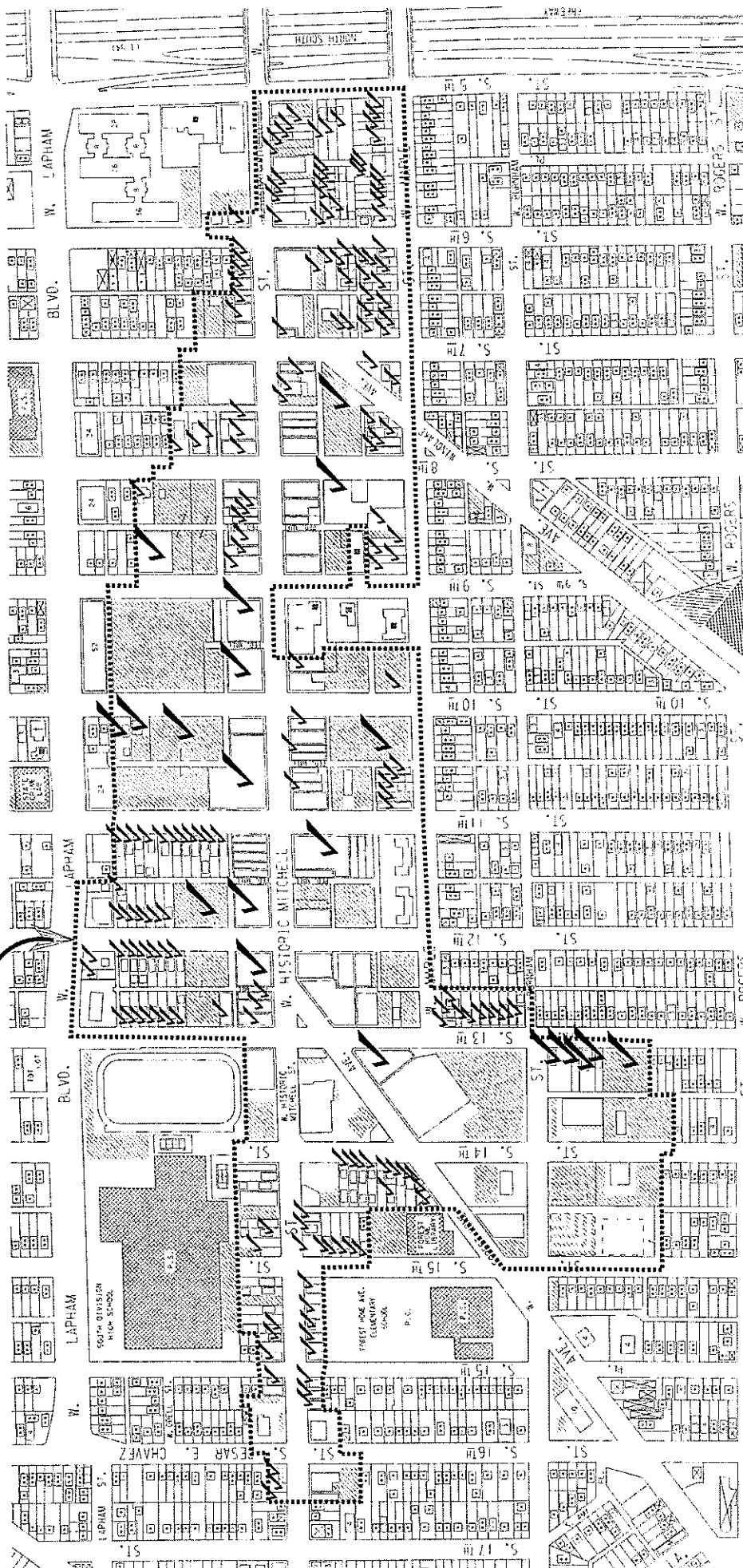
BOUNDARY AND EXISTING LAND USE

DATE

Scale: 1" = 100' (approx.)
 Prepared by: [Name]
 Date: [Date]
 City: [City]
 State: [State]

TID BOUNDARY

460 461 462
463 464 465 466 467



W. LAPHAM
BL. V.D.
W. MITCHELL
W. HISTORIC MITCHEL
W. FOREST AVE.
W. ROSEBERRY
W. CHARLES E. CHAVEZ
S. 17TH ST.
S. 18TH ST.
S. 19TH ST.
S. 20TH ST.
S. 21TH ST.
S. 22TH ST.
S. 23TH ST.
S. 24TH ST.
S. 25TH ST.
S. 26TH ST.
S. 27TH ST.

PROJECT BOUNDARY
SINGLE OR MULTI-RESIDENTIAL
COMMERCIAL / RESIDENTIAL
MIXED COMMERCIAL / RESIDENTIAL
CARETAKER / LOCAL BUSINESS
INDUSTRIAL / STORAGE / GARAGES
MIXED COMMERCIAL
SPECIAL CARE FACILITY
SCHOOL / PUBLIC EDUCATION
PUBLIC SCHOOL
WASHERS AND DRYERS
INDUSTRIAL / STORAGE
HONEY CREEK
BEAR CREEK COURT

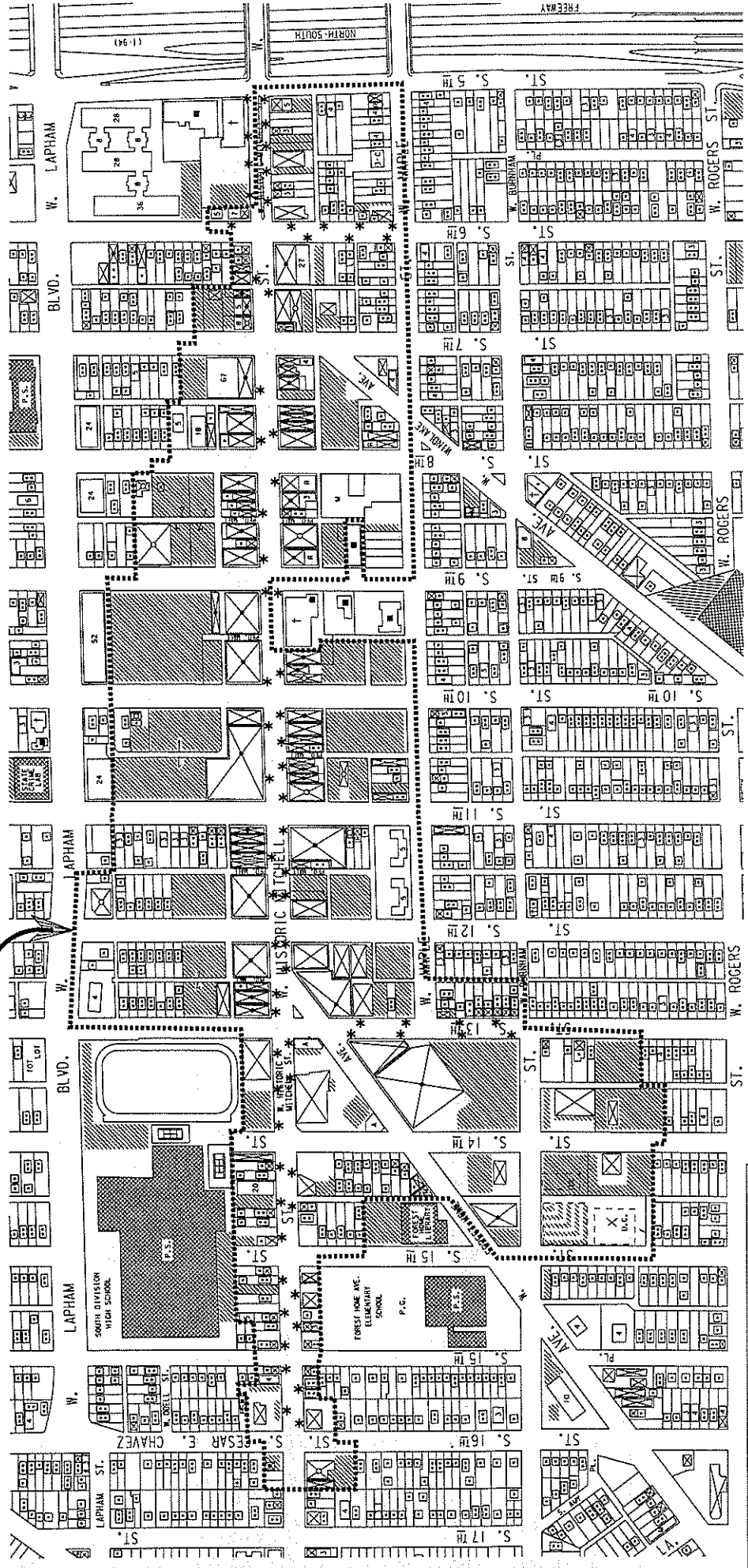
MAP NO. 2
TID - Mitchell Street
STRUCTURE CONDITION
DATE

IN NEED OF REHABILITATION
AND CONSERVATION

DATE

460 461 462
469 468 467

TID BOUNDARY



PROCESSED BY THE DEPARTMENT OF CITY DEVELOPMENT INFORMATION CENTER
 Drawing 7116 - 01/18/2007 - 154-091
 Project Name: Mitchell St. Streetlights
 Generalist: T. J. Scott
 Designer: J. N. Scott
 Date: 01/18/2007
 Scale: 1" = 100'

*** Harp Lights**

LEGEND

---	PROJECT BOUNDARY	CHURCH
□	SINGLE OR DUPLEX RESIDENTIAL	MOTEL
□	MULTI-FAMILY RESIDENTIAL	ROOMING HOUSE
□	COMMERCIAL OR LOCAL BUSINESS	FIRE STATION
□	OFFICE / PROFESSIONAL SERVICES	HOSPITAL
□	RETAIL	UTILITY COMPANY
□	VEGETABLE CROP FACILITY	STORAGE TANK
□	INDUSTRIAL	WATER TREATMENT PLANT
□	MANUFACTURING AND WAREHOUSING	PUBLIC SCHOOL
□	ACCESSORY BUILDING	PLAYGROUND
□	FENCES CORER	PARKING LOT
□	BASEBALL COURT	CEMETERY
□		DORMITORY

TID - Mitchell Street

3a PROPOSED IMPROVEMENTS

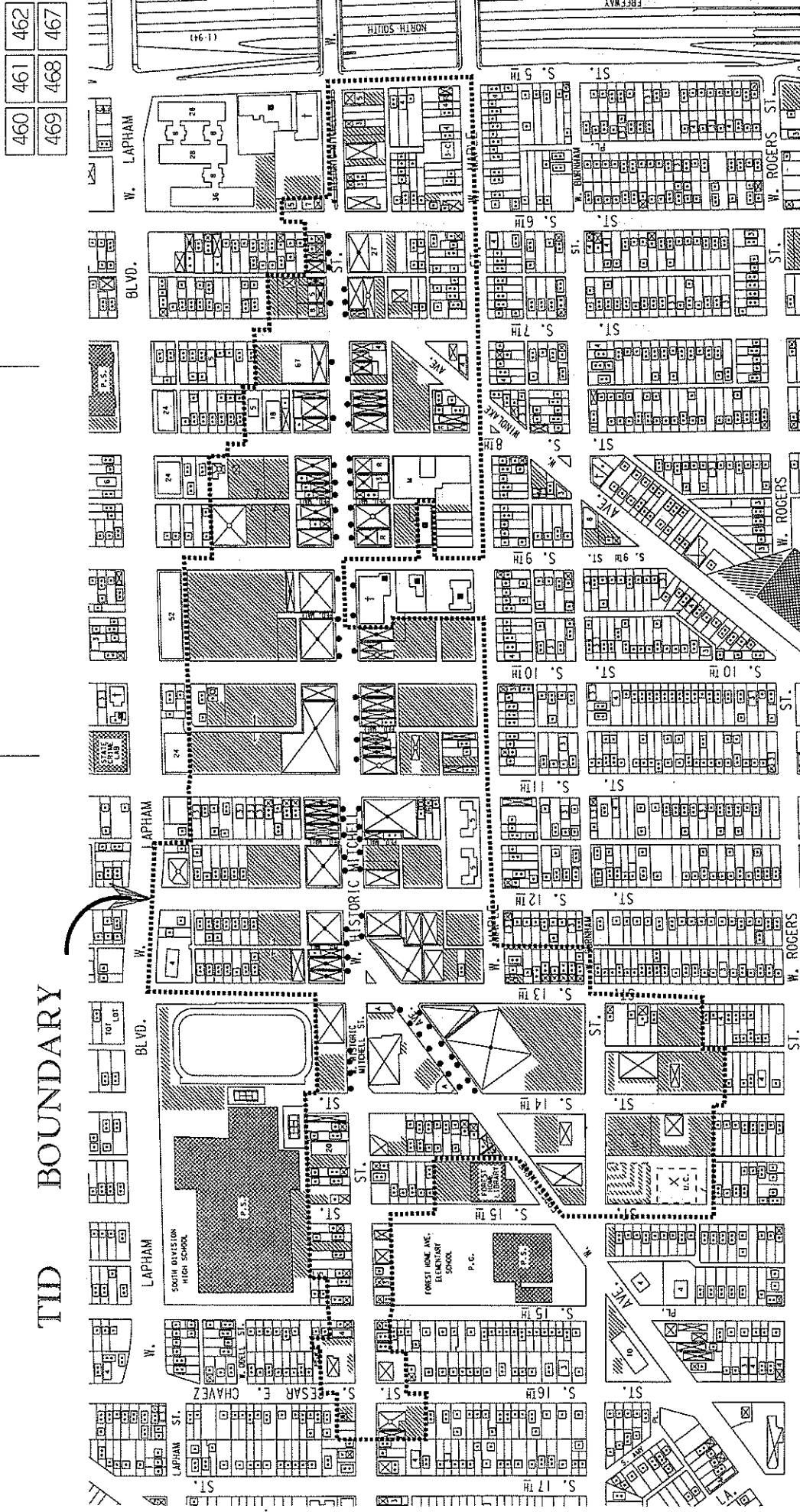
Harp Lights

MAP NO. _____

PAGE 1. _____

DATE _____

TID BOUNDARY



460 461 462
469 468 467

LEGEND

[Symbol]	PROJECT BOUNDARY
[Symbol]	SINGLE OR DUPLEX RESIDENTIAL
[Symbol]	MULTI-FAMILY RESIDENTIAL
[Symbol]	MIXED COMMERCIAL / RESIDENTIAL
[Symbol]	OFFICE / PROFESSIONAL SERVICES
[Symbol]	MIXED COMMERCIAL
[Symbol]	VALENT PARCEL
[Symbol]	NON-RESIDENTIAL
[Symbol]	PUBLIC EDUCATION
[Symbol]	MIXED BUILDING
[Symbol]	ACCESSORY BUILDING
[Symbol]	TENNIS COURT
[Symbol]	BASKETBALL COURT
[Symbol]	CLUBHOUSE
[Symbol]	RESTAURANT
[Symbol]	MOTEL / HOTEL
[Symbol]	ROOMING HOUSE
[Symbol]	FUEL STATION
[Symbol]	HOSPITAL
[Symbol]	CONDOMINIUM
[Symbol]	STORAGE TANK
[Symbol]	PARK
[Symbol]	PUBLIC SCHOOL
[Symbol]	PARKING LOT
[Symbol]	PARKING STRUCTURE
[Symbol]	BOATLIFT

MAP NO. **3b**

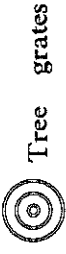
TID

Mitchell Street

PROPOSED IMPROVEMENTS

Tree grates

PAGE 1. DATE _____



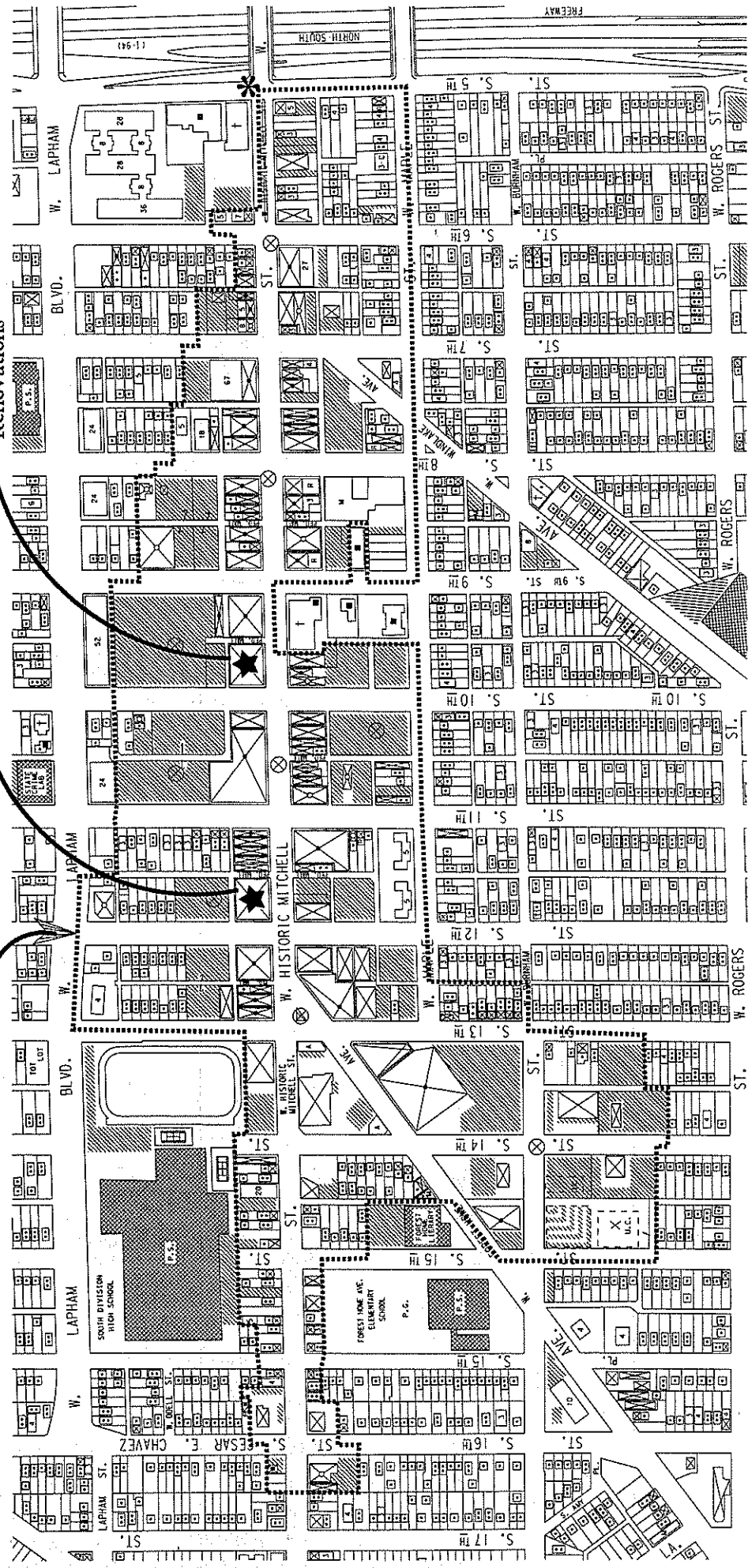
Tree grates

ASSISTED BY THE DEPARTMENT OF CITY DEVELOPMENT, INCORPORATED COUNTY OF WYOMING 8716 - WYOMING 8716-99
 Prepared by: **3b**
 Color Table - **3b**
 Date: _____
 Scale - 1/4" = 100'-0"
 Project No. _____
 WYOMING 8716 - WYOMING 8716-99

TID BOUNDARY

Modjeska Theater Renovations
Goldmann's Renovations

- 460
- 461
- 462
- 469
- 468
- 467



LEGEND

[Symbol]	PROJECT CONDO / RESIDENTIAL
[Symbol]	SINGLE OR DUPLEX RESIDENTIAL
[Symbol]	MULTI-FAMILY RESIDENTIAL
[Symbol]	MIXED COMMERCIAL / RESIDENTIAL
[Symbol]	OFFICE / PROFESSIONAL SERVICES
[Symbol]	MIXED COMMERCIAL
[Symbol]	RETAIL
[Symbol]	INDUSTRIAL
[Symbol]	WALKWAY
[Symbol]	PARK
[Symbol]	PUBLIC EDUCATION
[Symbol]	WATER TREATMENT PLANT
[Symbol]	PUBLIC BUILDING / WAREHOUSING
[Symbol]	ACCESSORY BUILDING
[Symbol]	TENNIS COURT
[Symbol]	BASKETBALL COURT
[Symbol]	CURB
[Symbol]	HOTEL / MOTEL
[Symbol]	ROOMING HOUSE
[Symbol]	POLICE STATION
[Symbol]	HOSPITAL
[Symbol]	CORPORATION
[Symbol]	STORAGE
[Symbol]	PARK
[Symbol]	LIBRARY
[Symbol]	PUBLIC SCHOOL
[Symbol]	INDUSTRIAL LOT
[Symbol]	PARKING STRUCTURE
[Symbol]	LABORATORY

MAP NO. **3C**

TID - Mitchell Street

PROPOSED IMPROVEMENTS

Possible Security Cameras & Catalytic Projects

PAGE 1. DATE



- [Circle with X] Possible Security Cameras
- [Star] Catalytic Projects
- [Asterisk] Irrigation System

DESIGNED BY THE ARCHITECTURAL CITY DEVELOPMENT INFORMATION CENTER
 Design: JTP & Associates Inc., Inc.
 City of Chicago - Office: 415 N. Dearborn St., Suite 400 - Chicago, IL 60610
 City of Chicago - Office: 111 N. LaSalle St., Suite 1200 - Chicago, IL 60610
 Date: 10/15/03

EXHIBIT 1

LIST OF PROPERTIES IN THE DISTRICT

EXHIBIT 2

TERMS OF LOANS OR GRANTS

Commercial Property Loans & Grants:

The final terms of Loans or Grants for specific projects in the District shall be determined by the Common Council on a case-by-case basis. It is expected these terms will provide for:

- Subordinated Loans for 25% to 40% of total project cost, up to a maximum to be determined.
- Accrual of interest payments until occupancy achieves a certain threshold, or until a specific time period lapses, whichever occurs first.
- Interest at the City's cost of funds, to be determined by the Comptroller.
- Grants or refundable grants.

Residential Assistance Program:

This program will provide Forgivable loans for residential new construction and rehabilitation in the District. The program will be managed by the Neighborhood Improvement Development Corp. (NIDC).

Loans for new residential construction shall be made in accordance with the following criteria:

- Eligibility: Buyers who will build, own and occupy the property for 5 years are eligible. Buyers must submit evidence of financing at the time of application.
- Income: There will be no income restrictions, but buyers will have to verify their income for reporting purposes.
- Type of Construction: One and two family owner-occupied residential new construction; Building plan must be pre-approved by the Dept. of City Development's Urban Design Division; Tax-exempt properties are not eligible; Mixed-use properties are not eligible.
- Loan Terms: Loans are for up to \$10,000; Term is 5 years; One loan per property; Loans are 0% forgivable at 20% per year. Families who previously built in the District are not eligible.

Loans for residential rehabilitation are do be made under the following criteria:

- Eligibility: Owners who occupy their property and rental property owners are eligible.
- Income: There will be no income restrictions, but owner-occupants and tenants will be required to verify their income, for reporting purposes.
- Taxes, Insurance, Mortgages, and other Restrictions: All owners must be current with their property taxes, mortgages, and have homeowner's insurance when they apply. Landlords must be current on their property taxes, and have a good building inspector record on all properties located in the city.
- Types of Buildings Eligible: Residential property (owner-occupied and rental) is eligible. The building must be over 25 years old, and 1 to 4 units. Tax-exempt buildings are not eligible. Mixed-use properties are eligible if there are 1 0 4 residential units. All residential units in mixed-use buildings must be occupied when the rehab is done.
- Loan Terms: Same as above

- Investor Owners: Landlord Training is a required condition of obtaining a loan. There are rent controls; landlords are restricted to no more than 5% rent increases per year, starting when the rehab work is completed. Landlords must match the loan dollar-for-dollar with their own funds. If the owner lives within 3 blocks of a rental property, there are no matching fund requirements.
- Assumptions and Subordinations: Loans are assumable only if the home is sold to an owner-occupant. Subordinations are allowed for owner-occupants who are refinancing. Subordinations for equity loans are acceptable. Subordinations are not allowed for investor-owners.
- Forgiveness: For owner-occupants, the loan will be forgiven if the owner lives in the home for five years. For investor-owners, as long as there are no unresolved complaints about rents and the taxes on the building are current, the loan will be forgiven in five years after the rehab is done.
- Eligible Rehabilitation Work: The purpose of the loan is to make permanent exterior repairs that will benefit the homeowner and the neighborhood. Loan funds may be used only for correcting code violations on: Roof replacement, chimney repairs, gutters and downspouts, door replacement, window replacement, porch replacement, siding and cladding, exterior painting, front yard service walks and steps, permanent front yard landscaping
- What is not eligible: Loans are not intended for general remodeling or home improvements. Applicants needing more comprehensive work should be referred to other programs such as Home Rehab, NIP, or WHEDA. Also not eligible are interior repairs, minor repairs, garages, parking pads, patios, decks, fencing, rear yard landscaping, and the like.

EXHIBIT 3

ECONOMIC FEASIBILITY STUDY

Background:

The City of Milwaukee is proposing to assist the Historic Mitchell Street commercial district with certain public improvements and financing programs aimed at improving lighting and security, stimulating the renovation of adjacent housing, eliminating blight, and revitalizing vacant or underutilized retail buildings.

Specific components of the program are set forth in the Project Plan, and can generally be summarized as follows:

1. Pedestrian Lighting (Harp Lights)
 - Transfer existing lights on Mitchell, located between S. 5th St. to S. 13th St. from WE Energies grid to City's power grid. Install 17 harp lights on W. Mitchell from S. 13th St. to S. 16th St.
 - Install 45 harp lights at various other locations in the District
2. Water Service
 - Install irrigation system in the median strip of W. Mitchell from S. 5th St. to S. 6th St.
3. Security cameras
 - Up to 10 security cameras would be installed in City parking lots and strategic locations along W. Mitchell. The cameras would be added to the City's current system which is monitored by MPD.
4. Tree grates
 - Install approx. 54 grates around the street trees on Mitchell St.
5. Residential Forgivable Loans
 - Provide funding for Forgivable Loans to owner occupants for exterior improvements to residential properties. Same approach as used in TID 44 (Lindsay Heights) and TID 66 (Metcalf Homes). \$10,000 per unit, forgivable over five years.

6. Property Acquisition

- Selective property acquisition by Redevelopment Authority of blighted properties
- Funding to buy-out existing leases of marginal retail tenants.
- Subsequent approval will be required for this category of funding.

7. Development Fund

- Loans or grants to developers and / or tenants of strategic buildings in the District to provide gap financing for renovations, upgrades. Specific near-term projects to include Goldman's, former Walgreens, and Modjeska Theater buildings.
- Specific terms and amounts of funding for any specific project to be subject to review by DCD and Comptroller, and approval by Zoning Neighborhoods and Development Committee. This mirrors the process used for TID 32 (King Dr. & Walnut St.).

District Value and Trends

Property value trends in the District, over the past seven years, are set forth in Table A, attached. Currently, property value in the District stands at approximately \$52 million, and represents the Base Value for the proposed District.

In general, the value of commercial property has increased by more than 7% annually since 2000. This reflects appreciation in the basic inventory of properties and a limited amount of new construction activity in the district, e.g. the conversion of Kunzelmann Esser to apartments, and the new office / retail building at 621 W. Mitchell.

Residential values have grown by approximately 4% annually, since 2000 – reflecting the general appreciation of residential properties throughout the city.

Commercial rents in the District range considerably, depending on age, location and size of the space rented:

- Office / Retail Rents: \$16 to \$5/ s.f. , gross

Consequently, building values on Mitchell St. range considerably, as well – for example:

- 621 W. Mitchell (Family Dollar): \$67/ s.f. – 28,350 s.f. new construction, office and retail
- 930 W. Mitchell (Goldman's) : \$13 / s.f.
- 910 W. Mitchell (Hills Bldg.) : \$34 / s.f.
- 1135 W. Mitchell (Payless Shoes) : \$16 / s.f.
- 1122 W. Mitchell (Modjeska Theater) : \$20 / s.f.
- 1202 W. Mitchell (First Floor Retail & Apts.) :\$ 22 / s.f.

Residential values for single-family and duplexes are:

- Single-family: \$60,000 to \$80,000
- Duplexes: \$120,000 +

Virtually all of residential properties included in the District can be classified as “ in need of conservation and rehabilitation.” There are 148 single-family and duplex structures in the District, approximately 43% are owner occupied.

Potential Private Projects in the District

Funding proposed by the Project Plan addresses two funding sources for redevelopment of private property: Funding for exterior residential improvements, and funding for commercial / retail redevelopment projects.

Residential Projects: As initially implemented in TID 44 (Lindsay Heights) the forgivable loans for exterior renovations to residences generally address such items as painting, roof repair and replacement, siding and similar upgrades. Exhibit 2 to the Project Plan sets forth the terms of these loans which are generally forgiven at the rate of 20% per year, over five years, as long as the owner continues to occupy the property. As seen in TID 44, the homeowner often goes beyond the limits of the District funded amount of the repairs. However, since these improvements are largely remedial, they do not immediately increase the value of these properties. As such, these properties are assumed to appreciate at the same rate as the balance of the District.

Commercial / Retail Projects: Three previously created Districts have established Development Funds with which to provide grants or loans to key redevelopment projects in commercial districts: TID 32 (King Drive), TID 40 (West North Ave.), and TID 59 (Bronzeville). In all of these cases, the Development Fund was established to address future, unidentified redevelopment needs in situations where the rents were expected to be insufficient to attract conventional debt and equity to completely fund the project.

As stated in the Project Plan, the redevelopment of Goldman’s Department store, the Modjeska Theater, and the property at 1101 W. Mitchell, from which Walgreens will relocate, are potential examples of the uses the proposed Development Fund. Other examples may include master leasing certain underutilized ground floor retail space in residential conversion projects.

As also stated in the Project Plan, none of these projects is at the point where a definitive underwriting and gap-financing analysis can be undertaken. Accordingly, the Plan proposes capitalizing the Development Fund at an initial amount but actually funding specific projects only after a subsequent analysis by DCD and the Comptroller, and approval by the City.

In order to determine the initial size of the development fund, certain preliminary analyses were undertaken for representative projects.

Goldmann's building: This 36,300 s.f. building is proposed to be redeveloped into a retail and office facility. Project costs are preliminarily estimated below and include a significant amount to restore the façade to its appearance in the 1930's. Preserving and restoring the building, as proposed, is likely to cost more than new construction. However, the structure and business has served as a catalyst for Mitchell St. for years and its restoration is viewed as critical to the future of the commercial district.

Estimated project costs:

Project Costs							
Acquisition		\$ 625,000					
Construction		\$ 2,529,000			\$80/s.f 1st & 2nd Floors, \$30 Bsmt		
Asbestos Abatement		\$ 63,580					
Loan fees, Legal, etc.		\$ 102,500					
A&E		\$ 125,000					
Contingency		\$ 225,606	8%				
Developer Fee		\$ 196,980	6%				
Const. Interest		\$ 279,675					
Total		\$ 4,147,341	\$ 114				

The preliminary proforma for the project is shown below. Even with financing via a New Markets Tax Credit lender, at the advantageous rate of 5.5%, the difference between cost and supportable debt and equity, is roughly \$600,000 to \$700,000. The new owner intends to restore the façade of this building to its appearance in the 1930's and may be able to obtain façade grants or historic tax credits to contribute the cost of this renovation.

This project is subject to more detailed cost estimating, and underwriting. However, the preliminary conclusion is that this property, and other vacant, or soon to be vacant, properties are likely to need the form of assistance proposed through the Development Fund portion of the District Project Plan.

Revenue				Gross		
		Rent / s.f.	Area	Rent		
	1st Floor	15.00	13,600	\$ 204,000		
	2nd Floor	12.50	15,200	\$ 190,000		
	Bsmt	5.00	7,500	\$ 37,500		
			36,300			
	Gross Rent			\$ 431,500		
	Less: 10% Vacancy			43,150		
	Net Rent			388,350		
Operating Expenses				116,505.0	3.21	30%
Net Operating Income				271,845		
Capitalized Value @	8.75%				3,106,800	
Value Per S.F.					\$ 86	
Loan Amount at 80% of Value					2,485,440	
Loan Payment at 5.5% / 30 years				\$171,012	New Markets Tax Credits	
Net Income				\$100,833.33		
Supportable Equity at ROE		10%			1,008,333	
Total Debt & Equity Sources					3,493,773	
Total Project Cost					4,147,300	
Difference					653,527	

Modjeska Theater Building: As mentioned in the Project Plan, this facility is now owned by Modjeska Theater Project, LLC., a non-profit corp. The building is perhaps one of the few, if not the only large performance venue of its kind on the near south side, and is viewed as a catalytic project to stimulate additional economic development within the previously designated theater district on Mitchell St. The new owners plan to expand the use of the facility as a venue for other performance groups, and to serve as meeting space for business groups in the area.

Estimates of renovation cost range from \$7.5 million to \$8.9 million. Major cost components include masonry restoration, building façade, interior plaster and decorative plaster replacement and repair, painting and decorative painting, plumbing, fire protection, HVAC and electrical upgrades, theater lighting, seating and sound system, acoustical improvements, and asbestos abatements. The proposed TID is intended to contribute to the funding of this work, but the major source of funding is expected to be private contributions. The time horizon for the Modjeska project is expected to be several years.

Before beginning renovations, the owners intend to commission a comprehensive study by a nationally recognized consulting group to verify the catalytic impact the renovated theater will likely have on the area.

Other Properties: Other properties include the 63,700 s.f. building soon to be vacated by Walgreens at 11th & Mitchell, as well as numerous smaller properties throughout the street which require significant upgrade. In the Bronzeville TID, general estimates were performed on the cost to construct certain potential new developments and a determination was made as to the amount of public assistance that would be required to finance them. Typical projects included Specialty Retail, a Local Entertainment Venue, a Sandwich Shop, and a Mixed-Use project. These were all prototype projects, none had actually been proposed by a developer at that time. The same approach was taken for TID 32.

In those cases, most of the projects were proposed as new construction. In the case of Mitchell Street, most of these projects are likely to be renovations, or possibly leasehold improvements, which provide little or no collateral value to a primary lender.

As shown below, we have roughly estimated the threshold at which TID or other public funding would be required, under certain assumptions of rent, operating expenses, equity returns, and financing conditions. Basically, given these assumptions, if:

- Gross rent is \$8 / s.f., the project needs some form of assistance if costs exceed \$48 / s.f.
- Gross rent is \$10 / s.f. , assistance is needed when costs exceed \$60 / s.f.; and
- Gross rent is \$15 / s.f., assistance is needed when costs exceed \$90 / s.f.

These are conclusions similar to what was reached in the Bronzeville analysis. We stress that this is a general guideline and will vary depending on the location, age, and condition of the property in the District.

Gross						
Rent/ s.f.		\$ 8.00		\$ 10.00		\$ 15.00
Less 10% vacancy		\$0.80		\$1.00		\$1.50
Net Rent		\$7.20		\$9.00		\$13.50
Operating Exp. @ 30%		\$2.16		\$2.70		\$4.05
Net Operating Income		\$5.04		\$6.30		\$9.45
Value at 8.75% cap. Rate			57.6		72	108
Primary Loan @ 75% LTV			43.2		54	81
Loan Pymt @ 8%, 20 yrs.		\$4.40		\$5.50		\$8.25
Net Income		\$0.64		\$0.80		\$1.20
Supportable Equity at 15% ROE			4.27		5.33	8.00
Total Supportable Debt and Equity			47.47		59.33	89.00

If a total of 30,000 s.f. of rentable space is renovated in a single structure, or in several structures, over time, a certain amount of assistance would be required at the mid-range rent of \$10, assuming costs, including soft costs, exceed \$60 / s.f. Also, assuming rehabilitation costs are in the area of \$80, then assistance for the difference of \$20 / s.f. would require \$20 x 30,000 = \$600,000.

The estimate of 30,000 s.f. of future renovation work seems conservative given that a building of twice that size is scheduled to become vacant by year-end.

Overall Capitalization of the Development Fund

Based on the previous observations, it is proposed that provisional borrowing for the Development Fund component of the Project Plan be established in the amount of \$1.5 million.

As stated previously, none of these funds would be released until specific redevelopment projects are brought forth and approved by the City. A similar approach was established for the three previous TIDs discussed above, King Dr., W. North Ave. and Bronzeville.

Forecast of District Cash Flow

The forecast of Cash Flow from this District is attached as Table B. Basic assumptions included are:

- The Base Value of the District is approximately \$52.8 million.
- Initial increases in value come from:
 1. Renovated Goldman's building achieving a value comparable to that shown in the proforma, above. Upgrades are anticipated to start in 2008 and be completely assessed by 2010.
 2. Renovated Modjeska increasing in value of one-half of the value of a similarly sized and some-what comparable east side meeting and performance venue (1451 N. Prospect Ave); i.e. \$35 / s.f. Upgrades are forecast to be assessed by 2010.
 3. 30,000 s.f. of renovated retail space, renting at \$8 gross, achieving a value as per the proforma above, \$47 /s.f. This space is projected to be renovated at the rate of 10,000 s.f. annually, beginning in 2008, and becoming taxable in 2009 thru 2011.
- The tax rate is 2% - lower than the current rate of \$22.21, but trending in that direction for some time.
- Appreciation in property, overall, is forecast at 2.5%, on average, vs. the 7+% experienced since 2000.
- The City Bond Rate is 5.1% - reflecting that some of the borrowing may be done on a taxable basis if those funds are loaned out, or subject to participation in project cash flow.

Given the above assumptions, the Net Present Value of the District cash flows from tax incremental revenue, using a discount rate at the Bond Rate, exceeds total Project Cost of \$3,118,000 in year 18 of the District, 2025. Consequently, the District is feasible and can support City general obligation borrowing in this amount.

As has been stated a number of times, the approval of the Development Fund as proposed in the Project Plan will not initially release funds until specific projects are approved by the City. Consequently, to the extent specific projects are authorized on a schedule significantly different from that incorporated in the forecast, the payback period, and the amount of funds advanced by vary.

		TABLE A								
		Mitchell St. TID: Trends in Assessments						Trends in Equalized Value		
Year	Total Assessment	Residential	Commercial	Equalization Factor	Total Value	Residential	Commercial			
2000	29,537,140	3,684,300	25,852,840	101.10%	29,215,767	3,644,214	25,571,553			
2001	24,807,200	3,224,800	21,582,400	93.37%	26,568,705	3,453,786	23,114,919			
2002	27,728,500	3,561,300	24,167,200	98.10%	28,265,545	3,630,275	24,635,270			
2003	31,823,100	3,689,700	28,133,400	97.07%	32,783,661	3,801,071	28,982,590			
2004	35,554,800	4,013,700	31,541,100	96.84%	36,714,994	4,144,672	32,570,322			
2005	40,674,100	4,879,700	35,794,400	96.02%	42,360,029	5,081,962	37,278,067			
2006	46,089,300	5,735,600	40,353,700	94.47%	48,787,234	6,071,345	42,715,889			
2007	49,164,400	5,870,400	43,294,000	93.00% est.	52,864,946	6,312,258	46,552,688			
CAGR										
-2007	7.55%	6.88%	7.64%		7.72	4.05	7.81			

EXHIBIT 5

METES AND BOUNDS DESCRIPTION OF DISTRICT

EXHIBIT 6

CITY ATTORNEY OPINION