



THE EAST SIDE

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BUSINESS IMPROVEMENT DISTRICT NO. 20

2018 OPERATING PLAN

October 9, 2017

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THE EAST SIDE BUSINESS IMPROVEMENT DISTRICT

2018 OPERATING PLAN

I. INTRODUCTION

In 1984, the Wisconsin legislature created Sec. 66.1109 of the Statutes enabling cities to establish Business Improvement Districts (BIDs) upon the petition of at least one property owner within the proposed district. The purpose of the law is ". . .to allow businesses within those districts to develop, manage and promote the districts and to establish an assessment method to fund these activities." Upon petition from property owners within the East Side business district, the Common Council of the City of Milwaukee on 9/23/97 Resolution File Number 970779 created BID No. 20 (The East Side Business Improvement District) and adopted its initial operating plan.

The BID law requires that a BID Board "shall annually consider and make changes to the operation plan. . .The board shall then submit the operating plan to the local legislative body for approval." The Board of BID No. 20 (The East Side Business Improvement District) submits this 2018 BID operating plan in fulfillment of the statutory requirement.

This plan proposes a continuation and expansion of the activities described in the initial 1997 BID operating plan. Therefore, it incorporates by reference the earlier plans as adopted by the Common Council. In the interest of brevity, this plan emphasizes the elements, which are required by Sec. 66.1109, Wis. Stats. and the proposed changes for 2018. This plan does not repeat the background information that is contained in the initial operating plan.

II. RELATIONSHIP TO MILWAUKEE COMPREHENSIVE PLAN AND ORDERLY DEVELOPMENT OF THE CITY

No changes in the District planning or zoning have occurred since adoption of the initial operating plan.

III. DISTRICT BOUNDARIES

A listing of the properties in the district is provided in Appendix A.

IV. PROPOSED OPERATING PLAN 2018

A. Plan Objectives

The objectives of the BID are as follows:

- Act as a catalyst for private investment. Closely monitor new development opportunities, active recruiting of quality retail in new development and new vacancies, and marketing of area for renewed reinvestment.

- Promotion of the BID District as a desirable place to do business and to visit. Create signature events that drive traffic to the district.
- Improve the overall appearance, perception and image of the area via clean programs, landscaping, and holiday lighting programs.

B. Proposed Activities

Principal activities undertaken by the BID during 2018 include, but are not limited to:

- Continued promotion of the district via special events including the *Black Cat Alley*, *Summer Soulstice Music Festival*, and *Tomato Romp!* festival, and general marketing initiatives for the neighborhood, including a consistent schedule of promotional events to increase multi-business trial as well as more dynamic and inclusive major events to drive more traffic
- Development of perception of the East Side as ground zero for public art in Milwaukee
- Increased programming for planters, trash maintenance, and graffiti removal.
- Promotion of the district as a place to do business, live, work, and recreate.
 1. Enhanced perception and expansion of *entertainment* options
 2. Improved pedestrian walkability and safety (Lighting, Crosswalks, Signage)
 3. Emphasized niche outreach and marketing
- Recruitment of new businesses, retail, and retention of existing businesses. (including increased unique developments to create more destination traffic)
- Improved destination signage for the East Side to brand the region and improve accessibility
- Continued staffing for East Side Architectural Review Board (created November of 2011) in coordination with City of Milwaukee.

C. Proposed Expenditures

Income for 2018

(numbers rounded)

Expected Carryover 2017 to 2018	\$15,000
2018 Assessment	\$217,716
Event Income	\$169,000
Other income	\$5,050
Projected Income Available in 2018	\$406,766

Expenses for 2018

Operating Expenses (office/staffing)	\$82,225
Streetscape Maintenance	\$62,300
Events/Marketing	\$162,250
Loan Payment for 2018	\$78,150
Total Expenses for 2018	\$384,925

The BID Board will have the authority and responsibility to prioritize expenditures and to revise the district budget as necessary to match the funds actually available. Any funds unspent at the end of 2018 shall be carried over to 2019 and applied against future expenses.

D. Financing Method

The City of Milwaukee and the district jointly and cooperatively funded the streetscaping. The district's share of the cost of the streetscaping and the operating expenses of the district will be funded by BID assessments on taxable properties within the district.

The district entered into a Development Agreement with the City of Milwaukee in 2001. The Agreement includes the issuing of municipal bonds to finance the district's portion of the total cost. The district shall pay, each year for the term of the bonds, the amount necessary for principal, interest and other expenses on its portion of the cost. This year's annual payment is \$78,150.00. The total loan period will be for 20 years.

The Development Agreement will constitute a long-term commitment and the district will not be terminated until all repayments to the City have been made and adequate provision is made for the operation and management of improvements financed through the district. The Development Agreement will be in addition to the operating plan. Both parties have executed the Development Agreement.

V. METHOD OF ASSESSMENT

A. Assessment Rate and Method

As of October 1, 2017, the properties in the district had a total BID assessable value of \$108,941,100. This plan proposes to assess the taxable property in the district at a rate of \$5.00 per \$1,000 of assessed value with a cap at \$5,000 for the purposes of the BID. Appendix A shows the projected BID assessment for each property included in the district.

The principle behind the assessment methodology is that each property owner should contribute to the BID in proportion to the benefit derived from the BID. After consideration of assessment methods, it was determined that the assessed value of a property was the characteristic most directly related to the potential benefit provided by the BID. Therefore, a uniform rate applied on the assessed value of each property was selected as the basic assessment method for BID No. 20.

The variables used to determine the regular BID assessments are:

- The total assessed value of each tax key parcel within the district; and
- The specific dollar amount per \$1,000 of the assessed value of each tax key parcel.

The assessment methodology is as follows: For each of the taxable tax key parcels within the BID boundaries, the BID assessment is calculated by applying a \$5.00 per \$1000 charge against the assessed value of the parcel.

B. Excluded and Exempt Property

The BID law requires explicit consideration of certain classes of property. In compliance with the law, the following statements are provided:

1) *Sec. 66.608 (1) (f) Im: The district may contain property used exclusively for manufacturing purposes, as well as properties used in part for manufacturing. These properties will be assessed according to the method set forth in this plan because it is assumed that they will benefit from development in the district.*

2) *Sec. 66.608 (5) (a): Property known to be used exclusively for residential purposes will not be assessed. Such properties are identified as BID Exempt Properties as revised each year.*

The law authorizing the creation of BIDs states the intention that residential space is considered a residential, and not commercial use. Therefore, the owner of any substantial residential property within the BID may certify to the BID Board the square footage of such real property used for residential and non-residential purposes. The percentage of square footage used for non-residential, as compared to the total square footage of such building, multiplied by the assessed value for the entire building on such real property, shall be the value of the real property used for multiplication against the BID assessment rate, subject to the \$5,000 per parcel cap. Calculation of floor area shall exclude basement area. Properties that receive an adjusted BID assessment in 1998 shall be assessed in 2018 only on the non-residential portion of the property as certified by the owner and accepted by the Board of Directors of BID No. 20.

3) *In accordance with the interpretation of the City Attorney regarding Sec. 66.1109 (1) (b), Wis. Stats., property exempt from general real estate taxes have been excluded from the district. Privately owned tax-exempt property, which is expected to benefit from district activities, may be asked to make a financial contribution on a voluntary basis.*

VI. CITY ROLE IN DISTRICT OPERATION

The City of Milwaukee has committed to helping private property owners in the district promote its development. To this end, the City has played a significant role in the creation of the BID and in the implementation of its operating plan. In particular, the City will continue to:

- Provide technical assistance to the proponents of the district through adoption of the operating plan and provide assistance as appropriate thereafter.
- Monitor and, when appropriate, apply for outside funds, which could be used in support of the district.
- Collect BID assessments; maintain the BID assessments in a segregated account; and disburse the BID assessments to the district.
- Receive annual audits as required per Sec. 66.1109 (3) (c) of the BID law.
- On or before June 1st of each plan year, provide the Board, through the Tax Commissioner's Office, with the official City records on the assessed value of each tax key number within the district as of January 1st of each plan year for the purposes of calculating the BID assessments.
- Encourage the State of Wisconsin, Milwaukee County and other units of government to support the activities of the district.

VII. BUSINESS IMPROVEMENT DISTRICT NO. 20 BOARD OF DIRECTORS AND EXECUTIVE DIRECTOR

The Board's primary responsibility will be implementation of this operating plan. The current BID No. 20 Board of Directors and staff is comprised as follows:

- **Robert Kashou**, *President*, business owner, Kashou Carpets
- **Michael Vitucci**, *Vice-President*, business owner, Izzy Hops Swig & Swish / property owner, Murray Avenue Partnership
- **Scott Blum**, *Secretary*, business owner, Rockstar Design
- **Polly Kaplan**, *Treasurer*, co-owner, Beans and Barley Café and Market
- **Jesus Ruiz**, business employee, US Bank

Staff for the East Side BID

- **Kristin Godfrey**, Executive Director
- **Dana Emdol**, Event Coordinator

VIII. FUTURE YEARS' OPERATING PLANS

It is anticipated that the BID will continue to revise and develop the operating plan annually in response to changing development needs and opportunities in the district, in accordance with the purposes and objectives defined in this operating plan.

Section 66.1109 (3) (a) of the BID law requires the BID Board and the City to annually review and make changes as appropriate in the operating plan. Therefore, while this document outlines in general terms the complete development project, it focuses upon 2018 activities. Information on specific assessed values, budget amounts, and assessment amounts are based on 2017 conditions. Greater detail about subsequent years' activities will be provided in the required annual plan updates. Approval by the Common Council of such operating plan updates shall be conclusive evidence of compliance with this operating plan and the BID law.

In later years, the BID operating plan will continue to apply the assessment formula, as adjusted, to raise funds to meet the next annual budget. The method of assessing shall not be materially altered, except with the consent of the City of Milwaukee.

IX. AMENDMENT, SEVERABILITY, AND EXPANSION

The BID has been created under the authority of Section 66.608 of the Statutes of the State of Wisconsin. Should any court find any portion of this statute invalid or unconstitutional, its decision will not invalidate or terminate the BID and this BID operating plan shall be amended to conform to the law without need of reestablishment.

Should the legislature amend the statute to narrow or broaden the process of a BID so as to exclude or include as assessable properties of a certain class or classes of properties, then this BID operating plan may be amended by the Common Council of the City of Milwaukee as and when it conducts its annual review and approval of the operating plan and without necessity to undertake any other act. This is specifically authorized under Sec. 66.1109 (3) (b), Wis. Stats.

Appendix A

Tax Key	Owner	Percentage Commercial	Value to be Assessed	2018 BID Assessment
3190699000	2429 N MURRAY LLC	33.33%	\$82,000.00	\$410.00
3190700000	2423 N MURRAY LLC	46.29%	\$161,081.47	\$805.41
3190704000	PAUL HANNA INC	100.00%	\$262,000.00	\$1,310.00
3190721000	JAMES D STRATTE	100.00%	\$358,000.00	\$1,790.00
3190722000	MURRAY THOMAS LLC	59.55%	\$238,218.05	\$1,191.09
3190723000	GOLDBERG FAMILY LTD	20.85%	\$60,475.27	\$302.38
3190724000	ERZSETAL LLC	100.00%	\$217,000.00	\$1,085.00
3190727100	WILLIAM F JUDGE & JOAN M	100.00%	\$656,000.00	\$3,280.00
3190743000	GURDEV SINGH	100.00%	\$753,000.00	\$3,765.00
3190744000	HPJ PROPERTIES LLC	100.00%	\$221,000.00	\$1,105.00
3190745000	RESOURCE MANAGEMENT	100.00%	\$1,392,200.00	\$5,000.00
3190757000	SHASHA LLC	100.00%	\$1,778,000.00	\$5,000.00
3190760110	FARWELL GROUP LLP	100.00%	\$2,322,000.00	\$5,000.00
3190764111	FIRSTAR BANK MILWAUKEE NA	100.00%	\$1,228,000.00	\$5,000.00
3190766110	ORLEN G WOOD	29.56%	\$322,242.31	\$1,611.21
3190768000	SAMUEL J LLANAS	38.37%	\$98,215.95	\$491.08
3190769000	MATTHEW J LINN	50.63%	\$101,256.19	\$506.28
3190770100	MURRAY AVENUE	49.99%	\$525,922.46	\$2,629.61
3190770200	FORMAN-SMYSER FAMILY LLC	100.00%	\$1,718,000.00	\$5,000.00
3190790000	MICHAEL VITUCCI	68.35%	\$380,005.04	\$1,900.03
3191371000	W.A.CO. SANTA ANA, LLC	100.00%	\$19,427,000.00	\$5,000.00
3191372000	COLUMBIA ST MARYS INC	100.00%	\$19,651,000.00	\$5,000.00
3191373000	COLUMBIA ST MARYS INC	100.00%	\$2,681,000.00	\$5,000.00
3191422000	HSI EAST LIBRARY RESIDEN'L L	2.69%	\$431,068.81	\$2,155.34
3191423000	HSI EAST LIBRARY RESIDEN'L L	100.00%	\$324,000.00	\$1,620.00
3191431000	RJ 1800 LLC	57.60%	\$3,507,552.81	\$5,000.00
3200302112	WISCONSIN PAPERBOARD CORP	100.00%	\$6,325,200.00	\$5,000.00
3201523100	LATHROP HOLDINGS LLC	50.62%	\$147,296.30	\$736.48
3201524000	JAMES & SUE WIECHMANN	12.48%	\$76,602.85	\$383.01
3201525000	ALLAN & JEANANN WIRTH REV	100.00%	\$1,291,000.00	\$5,000.00
3201531100	ESV LLC	100.00%	\$1,175,000.00	\$5,000.00
3201532110	MCDONALDS CORP WISCONSIN PAPERBOARD	100.00%	\$512,000.00	\$2,560.00
3201534100	CORP	100.00%	\$291,200.00	\$1,456.00
3201535100	ROBERT C SCHMIDT, JR	100.00%	\$467,000.00	\$2,335.00
3201537100	MANDEL NORTHTOWN II LLC	100.00%	\$735,000.00	\$3,675.00
3201539000	DR. MOLAR REAL EST LLC	54.96%	\$362,746.15	\$1,813.73
3201540000	MANDEL NORTHTOWN II LLC	100.00%	\$32,500.00	\$162.50
3201721000	SHAWN HUTCHENS	100.00%	\$311,600.00	\$1,558.00
3550101000	MICHAEL D LEE REV TRUST	100.00%	\$190,400.00	\$952.00
3550103000	DP DOUGH MKE HOLDINGS	100.00%	\$328,000.00	\$1,640.00

3550139110	MLRB LLC	100.00%	\$362,000.00	\$1,810.00
3550431116	PIERCE MILWAUKEE LLC	100.00%	\$2,948,300.00	\$5,000.00
3550432000	ROBERT E JOHN	100.00%	\$396,000.00	\$1,980.00
3550448100	E&K LAND LLC	100.00%	\$1,263,000.00	\$5,000.00
3560215100	DOS LOCOS LLC	100.00%	\$3,491,000.00	\$5,000.00
3560229000	COAL DOG LLC	100.00%	\$934,000.00	\$4,670.00
3560278000	TOWN DOGS LLC	100.00%	\$919,000.00	\$4,595.00
3560279000	2203NPROSPECT LLC	33.76%	\$693,728.89	\$3,468.64
3560281100	GEORGE & SOFIA	100.00%	\$640,000.00	\$3,200.00
3560282000	ORIENTAL BUILDING SPE LLC	100.00%	\$2,279,000.00	\$5,000.00
3560283000	NEW LAND INVESTMENTS NO 7	34.37%	\$573,248.18	\$2,866.24
3560285000	2017 EAST NORTH, LLC	100.00%	\$421,600.00	\$2,108.00
3560286000	BFD PROPERTIES LLC	100.00%	\$1,878,000.00	\$5,000.00
	EDUCATORS CR UNION-			
3560287000	IVANHOE	100.00%	\$4,125,000.00	\$5,000.00
3560289111	2B REAL ESTATE LLC	100.00%	\$1,927,000.00	\$5,000.00
3560290100	NORTH FARWELL, LLC	100.00%	\$626,300.00	\$3,131.50
3560296120	GOLDBERG RUEHL PROPERTIES	100.00%	\$854,000.00	\$4,270.00
3560297000	SPECTRUM HOLDINGS INC	35.65%	\$446,686.09	\$2,233.43
3560298110	SPECTRUM HOLDINGS INC	100.00%	\$63,900.00	\$319.50
	SYDNEY C CHARNEY ESTATE			
3560301000	ETAL	100.00%	\$242,000.00	\$1,210.00
	SYDNEY C CHARNEY ESTATE			
3560302000	ETAL	100.00%	\$1,862,000.00	\$5,000.00
	ROBERT H & SANDRA L D			
3560310100	KASHOU	100.00%	\$540,000.00	\$2,700.00
3560311000	MAGNETIC NORTH ES LLC	100.00%	\$203,000.00	\$1,015.00
3560312111	PIERCE MILWAUKEE LLC	100.00%	\$711,900.00	\$3,559.50
3560609100	KHALID AHMED	100.00%	\$574,000.00	\$2,870.00
3560611100	PROSPECT II LLC	100.00%	\$1,147,100.00	\$5,000.00
3561471000	DOWN DOG! LLC	100.00%	\$728,000.00	\$3,640.00
3561472000	TRUST OF MORRIS KATZ	100.00%	\$968,000.00	\$4,840.00
3561495000	BOARD OF REGENTS OF UW	100.00%	\$3,708,000.00	\$5,000.00
3561521000	1857 E KENILWORTH LLC	8.86%	\$1,153,554.29	\$5,000.00
3562271000	WAKATIPU RUGBY CLUB, LLC	100.00%	\$1,093,000.00	\$5,000.00
				\$217,715.97

Appendix C

66.1109 Business Improvement Districts (Wisconsin State Statute)

(1) In this section:

- (a) "Board" means a business improvement district board appointed under sub. (3) (a).
- (b) "Business improvement district" means an area within a municipality consisting of contiguous parcels and may include railroad rights-of-way, rivers, or highways continuously bounded by the parcels on at least one side, and shall include parcels that are contiguous to the district but that were not included in the original or amended boundaries of the district because the parcels were tax-exempt when the boundaries were determined and such parcels became taxable after the original or amended boundaries of the district were determined.
- (c) "Chief executive officer" means a mayor, city manager, village president or town chairperson.
- (d) "Local legislative body" means a common council, village board of trustees or town board of supervisors.
- (e) "Municipality" means a city, village or town.
- (f) "Operating plan" means a plan adopted or amended under this section for the development, redevelopment, maintenance, operation and promotion of a business improvement district, including all of the following:

1. The special assessment method applicable to the business improvement district.
 - 1m. Whether real property used exclusively for manufacturing purposes will be specially assessed.
 2. The kind, number and location of all proposed expenditures within the business improvement district.
 3. A description of the methods of financing all estimated expenditures and the time when related costs will be incurred.
 4. A description of how the creation of the business improvement district promotes the orderly development of the municipality, including its relationship to any municipal master plan.
 5. A legal opinion that subds. 1. to 4. have been complied with.
 - (g) "Planning commission" means a plan commission under s. 62.23, or if none a board of public land commissioners, or if none a planning committee of the local legislative body.
- (2) A municipality may create a business improvement district and adopt its operating plan if all of the following are met:
- (a) An owner of real property used for commercial purposes and located in the proposed business improvement district designated under par. (b) has petitioned the municipality for creation of a business improvement district.
 - (b) The planning commission has designated a proposed business improvement district and adopted its proposed initial operating plan.

account may be made except to reimburse the municipality for appropriations other than special assessments, to pay the costs of audits required under sub. (3) (c) or on order of the board for the purpose of implementing the operating plan. On termination of the business improvement district by the municipality, all moneys collected by special assessment remaining in the account shall be disbursed to the owners of specially assessed property in the business improvement district, in the same proportion as the last collected special assessment.

(4m) A municipality shall terminate a business improvement district if the owners of property assessed under the operating plan having a valuation equal to more than 50 percent of the valuation of all property assessed under the operating plan, using the method of valuation specified in the operating plan, or the owners of property assessed under the operating plan having an assessed valuation equal to more than 50 percent of the assessed valuation of all property assessed under the operating plan, file a petition with the planning commission requesting termination of the business improvement district, subject to all of the following conditions:

- (a)** A petition may not be filed under this subsection earlier than one year after the date the municipality first adopts the operating plan for the business improvement district.
- (b)** On and after the date a petition is filed under this subsection, neither the board nor the municipality may enter into any new obligations by contract or otherwise to implement the operating plan until the expiration of 30 days after the date of hearing under par. (c) and unless the business improvement district is not terminated under par. (e).
- (c)** Within 30 days after the filing of a petition under this subsection, the planning commission shall hold a public hearing on the proposed termination. Notice of the hearing shall be published as a class 2 notice under ch. 985. Before publication, a copy of the notice together with a copy of the operating plan and a copy of a detail map showing the boundaries of the business improvement district shall be sent by certified mail to all owners of real property within the business improvement district. The notice shall state the boundaries of the business improvement district and shall indicate that copies of the operating plan are available from the planning commission on request.
- (d)** Within 30 days after the date of hearing under par. (c), every owner of property assessed under the operating plan may send written notice to the planning commission indicating, if the owner signed a petition under this subsection, that the owner retracts the owner's request to terminate the business improvement district, or, if the owner did not sign the petition, that the owner requests termination of the business improvement district.
- (e)** If after the expiration of 30 days after the date of hearing under par. (c), by petition under this subsection or subsequent notification under par. (d), and after subtracting any retractions under par. (d), the owners of property assessed under the operating plan having a valuation equal to more than 50 percent of the valuation of all property assessed under the operating plan, using the method of valuation specified in the operating plan, or the owners of property assessed under the operating plan having an assessed valuation equal to more than 50 percent of the assessed valuation of all property assessed under the operating plan, have requested the termination of the business improvement district, the municipality shall terminate the business improvement district on the date that the obligation with the latest completion date entered into to implement the operating plan expires.

(5) (a) Real property used exclusively for residential purposes and real property that is exempted from general property taxes under s. 70.11 may not be specially assessed for purposes of this section.

(b) A municipality may terminate a business improvement district at any time.

(c) This section does not limit the power of a municipality under other law to regulate the use of or specially assess real property.

History: [1983 a. 184](#); [1989 a. 56 s. 258](#); [1999 a. 150 s. 539](#); Stats. 1999 s. 66.1109; [2001 a. 85](#).



2017-2018 Annual Report

East Side Business Improvement District #20

Activities for 2016-2017

The East Side B.I.D. #20 respectfully submits its Annual Report on the following activities undertaken in 2016-2017 (19th year in operation). They include:

- 1) Funded and contributed new art to the **Black Cat Alley** street art project. The BCA contracted with national, and local artists to paint 3 new street murals in a private alley just east of the Oriental Theater. The BCA also added a 20'x5' community garden reflecting the work of the art and designed by a local urban garden architect. All funding came from local commercial partners.
- 2) BID is providing staff for the new **East Side Architectural Review Board**. The ARB meets twice monthly (as necessary) and was created in November of 2011.
- 3) Maintenance of over **100 street planters** with variety of annuals, perennials, and bushes, 40 tree box outs, and other common areas in district. Design and implementation of **holiday lights** throughout the BID.
- 4) 15th year of our **East Side Litter Maintenance** program. The group has contracted for services with a maintenance company to pick up litter weekly and as needed in our commercial neighborhood.
- 5) Hosted 17th annual **Summer Soulstice Music Festival** on June 24th, 2017, which attracted over 10,000 people to our all day celebration of the East Side. Featured a makers market curated by The Waxwing (local business), 3 music stages with 18 bands organized with Made in Milwaukee, food from East Side restaurants, dodgeball games, BMX exhibition, family activities, community yoga taught by Urban Om (local business), and an Arts Avenue area on Murray Ave.
- 6) Hosted our 11th annual **Tomato Romp!** featuring the East Side Bloody Mary Contest and famous Tomato Fight. The fight featured over 350 participants and raised thousands for the Riverwest Food Pantry.
- 7) Continued efforts to **shape the development and retail environment** in our neighborhood. We continue to monitor development issues and inform interested investors and realtors about neighborhood goals related to redevelopment and preferred retail mix. Development underway is **Joseph Property Development's 80 unit apartment building with retail/office and parking at the former Prospect Mall parking lot on the 2200 block of N. Farwell.**

- 8) Welcomed **new businesses**: Yokohama, Freshfin Poke, Donut Squad, Izzy Hops Swig & Nosh, and Kawa Sushi & Ramen.
- 9) **Annual audit review** for 2016 was completed.

**EAST SIDE BUSINESS IMPROVEMENT
DISTRICT #20
MILWAUKEE, WISCONSIN**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2016 AND 2015**

EAST SIDE BUSINESS IMPROVEMENT DISTRICT #20
MILWAUKEE, WISCONSIN

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Independent Auditor's Report

Board of Directors
East Side Business Improvement District #20
Milwaukee, Wisconsin

We have audited the accompanying financial statements of East Side Business Improvement District #20, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

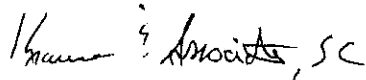
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of the East Side Business Improvement District #20 as of December 31, 2016 and 2015 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Krause & Associates, SC
Grafton, Wisconsin
February 15, 2017

EAST SIDE BUSINESS IMPROVEMENT DISTRICT #20
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
	<u>ASSETS</u>	
Cash and cash equivalents	\$ 15,314	\$ 62,108
Grants receivable	35,938	-
Accounts receivable	6,714	-
Prepaid expenses	<u>4,716</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 62,682</u>	<u>\$ 62,108</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 2,822	\$ 2,103
Payroll tax liabilities	<u>-</u>	<u>103</u>
TOTAL LIABILITIES	2,822	2,206
NET ASSETS		
Unrestricted	<u>59,860</u>	<u>59,902</u>
TOTAL NET ASSETS	<u>59,860</u>	<u>59,902</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 62,682</u>	<u>\$ 62,108</u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE BUSINESS IMPROVEMENT DISTRICT #20
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUE		
BID assessments	\$ 218,658	\$ 220,706
Donations and grants	57,907	24,735
Events – sponsorships and fees	172,603	133,291
Other	33	11,360
Interest	<u>85</u>	<u>83</u>
Total revenue	<u>449,286</u>	<u>390,175</u>
EXPENSES		
Program:		
Public improvements	\$ 6,135	\$ 6,385
Street maintenance and utilities	49,671	56,518
Equipment	1,430	3,597
Loan repayment to City of Milwaukee	78,150	78,150
Special events and member programming:		
Black Cat Alley	47,865	-
Open Market	-	3,296
Summer Soulstice	76,133	71,095
Tomato Romp	24,425	19,245
Public relations	40,000	29,200
Two Way Traffic study	45,000	-
Marketing and planning study	-	6,560
Web design	218	5,566
Community donations support	17,907	21,235
Event marketing	<u>1,809</u>	<u>4,401</u>
Total program	388,743	305,248
Administrative expenses:		
Executive director	46,200	46,200
Audit	1,350	1,335
Insurance	2,779	8,375
Dues and subscriptions	1,817	756
Office supplies	1,831	1,020
Seminar	1,408	-
Rent	<u>5,200</u>	<u>8,085</u>
Total administrative	<u>60,585</u>	<u>65,771</u>
Total expenses	<u>449,328</u>	<u>371,019</u>
Changes in net assets	(42)	19,156
Net assets, beginning of year	<u>59,902</u>	<u>40,746</u>
Net assets, at end of year	<u>\$ 59,860</u>	<u>\$ 59,902</u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE BUSINESS IMPROVEMENT DISTRICT #20
 STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (42)	\$ 19,156
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
(Increase) decrease in grants and accounts receivable	(42,652)	-
(Increase) decrease in prepaid expenses	(4,716)	
Increase (decrease) in accounts payable	719	1,153
Increase (decrease) in payroll tax liabilities	<u>(103)</u>	<u>(663)</u>
Net cash provided by (used in) operating activities	<u>(46,794)</u>	<u>19,646</u>
Net increase (decrease) in cash and cash equivalents	(46,794)	19,646
Cash and cash equivalents at beginning of year	<u>62,108</u>	<u>42,462</u>
Cash and cash equivalents at end of year	<u>\$ 15,314</u>	<u>\$ 62,108</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE BUSINESS IMPROVEMENT DISTRICT #20
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

The East Side Business Improvement District #20 (BID) represents Milwaukee's most exciting retail, entertainment, and residential district. Located between Lake Michigan, the Milwaukee River, downtown Milwaukee and the University of Wisconsin-Milwaukee; the BID is actively involved in the conscientious development of an enhanced business district designed for people looking for a dynamic place to live, work, shop, and relax.

The Mayor and the Common Council created the BID in October 1997 under the authority granted by Wisconsin Statutes Section 66.608. The BID is an association of property owners governed by seven board members. Members are appointed to three-year terms by the Mayor and confirmed by the Common Council. The BID is managed by a contracted executive director.

The BID is independent of the East Side Association, an organization of merchants, residential neighbors in the immediate business area that focuses on marketing, events, and other neighborhood initiatives.

2. Accounting method

The BID follows the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America, wherein revenues and expenses are recorded in the period earned or incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the BID are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted net assets - Net assets subject to donor-imposed restrictions that may or may not be met, either by actions of the BID and/or the passage of time. When a restriction is met, restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. As of December 31, 2016 and 2015, the BID has no temporarily restricted net assets.

EAST SIDE BUSINESS IMPROVEMENT DISTRICT #20
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016 AND 2015

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Accounting method – continued

Permanently Restricted net assets – Net assets subject to a donor imposed restriction that they be maintained permanently by the BID. As of December 31, 2016 and 2015, the BID has no permanently restricted net assets.

3. Cash and cash equivalents

The BID considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

4. Streetscape improvements

Streetscape improvements are not capitalized; rather they are expensed as incurred as they are considered part of the City of Milwaukee's public infrastructure.

5. Income taxes

The BID is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The BID evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

The BID's informational returns are subject to examination by the IRS, generally for three years after they were filed. Management believes that no uncertain tax positions exist for the BID at December 31, 2016 and 2015. The BID has not incurred any interest or penalties for income taxes for the years ended December 31, 2016 and 2015.

EAST SIDE BUSINESS IMPROVEMENT DISTRICT #20
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2016 AND 2015

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through February 15, 2017, which is the date that the financial statements were available to be issued.

B – REPAYMENT OF CITY OF MILWAUKEE ADVANCE

The BID, in cooperation with the City of Milwaukee finished streetscape improvements in 2003. Financing for the \$1.7 million project was funded partially by a \$500,000 contribution from the City of Milwaukee plus proceeds from a city bond issue.

The BID is obligated to repay the City of Milwaukee for its streetscape improvement assistance over 20 years, plus interest at 5.89%. The principal and interest amounts will be funded through future special tax assessments. The principal balance at December 31, 2016 and 2015 was \$271,483 and \$330,185, respectively.

The BID's annual debt service obligation to the City of Milwaukee is \$78,150 through 2020 is as follows:

<u>Repayment Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 62,160	\$ 15,990
2018	65,821	12,329
2019	69,698	8,452
2020	<u>73,804</u>	<u>4,347</u>
	<u>\$ 271,483</u>	<u>\$ 41,118</u>

EAST SIDE BUSINESS IMPROVEMENT DISTRICT #20
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016 AND 2015

C – MANAGEMENT SERVICES

The BID has contracted with its former executive director for administrative services for \$3,850 per month. The total paid in 2016 and 2015 under this contract was \$46,200 for each year. During 2015, the BID expanded the contract and included public relations services. The total paid in 2015 for the public relations under this contract was \$29,200. During 2016, the BID contracted with outside contractors for public relations.

BID #20 (East North Avenue) Board Member Sheet

Board Organization: 7 members, at least 5 members (the majority) shall be owners or occupants of property within the BID. Any non-owner or non-occupant appointed to the Board shall be a resident of the City of Milwaukee. The Board shall elect its Chairperson from among its members.

<u>Board Member</u>	<u>Title</u>	<u>Start Date</u>	<u>End Date</u>
Michael Vitucci	Member	06/30/2014	06/30/2017*
Polly Kaplan	Member	11/09/2015	11/09/2018
Scott Blum	Member	06/24/2016	06/24/2019
Jesus Ruiz	Member	11/12/2015	11/12/2018
Kristin Godfrey	Member	04/07/2017	04/07/2020
Robert Kashou	Member	04/03/2017	04/03/2020

*Expired

Michael Honkamp resigned; 1 Vacancy

