



# CITY OF MILWAUKEE

## PROPOSAL SUMMARY & PUBLIC DISCLOSURE STATEMENT HIGHLAND GARAGE COMMERCIAL SPACE

This form must be completed by parties leasing or purchasing commercial property from the City of Milwaukee. Attach additional information as needed or as required in the property listing. Confidential material must be clearly identified as proprietary. Submit with interior layout plans and detailed scope of work for build out.

Lease/sale acceptance is contingent on approval by the Common Council. Terms will be outlined in a commercial lease or a sale agreement and will be subject to use restrictions and performance obligations as approved by the Common Council. Staff of the Department of Public Works must review and approve all interior build-out prior to application for building permits. Uses requiring BOZA, Licenses Committee or other regulatory approval will be required prior to Common Council consideration of the lease/sale.

**PROPERTY 1118 NORTH 4TH STREET (PART OF 324 WEST HIGHLAND)**

### OFFER INFORMATION

Lease Space will be leased on a net basis. Lessee will be required to make a quarterly payment for common area expenses and a contribution for a payment in lieu of taxes that is estimated at \$25,000 for Year 1.

Initial Base Rent: \$10,000/Month NNN – 2014  
\$ 14.27/SF

Rent Increases 2 % Adjustment Intervals Every 12 Months

... Purchase Offer Price \$ N/A

Proposed Term & Renewals: Ten (10) year term with four (4) options of five (5) years each to extend the initial lease term, at the then escalated rate of two percent (2%) for each renewal term. Tenant shall give Landlord six (6) months prior written notice of said intention of extending with respect to all or any portion of its existing premises prior to the current lease term expiration.

(Five year minimum for base term)

Contingences Obtaining a Class B tavern license and PEP license.

Broker Name Ben Anderson  
Firm Cresa

Telephone (414) 455-5670  
Address 735 N Waters St., Suite 1110  
Milwaukee, WI 53202

Proposed brokerage commission \$ 5.71 /SF or 4 %.

Lease commission will be paid in equal installments over a three-year period with the first payment upon lease

execution and the remaining payments on the lease anniversary provide lessee is current in all rent and special payments and not in violation of any lease term unless different structure negotiated prior to Council action. Purchase commission to be paid at closing.

No fee is paid to a broker/lessee.

**LESSEE/BUYER IDENTIFICATION**

Legal Name Downtown Silk MKE, LLC (dba Silk Exotic Gentlemen's Club)  
Mailing Address 11400 W. Silver Spring Rd. Milwaukee, WI 53225  
Primary Contact Jon Ferraro Telephone (414) 462-7455  
Email Jon@SilkExotic.com FAX: (877) 737-3329  
Attorney Jeff Scott Olson  
Legal Entity  Individual(s) If multiple, identify  Joint Tenants  Tenants in Common  
 Corporation  LLC  Partnership  Other \_\_\_\_\_  
If not a Wisconsin corporation/partnership, state where organized: \_\_\_\_\_  
Will new entity be created for lease/ownership  Yes  No

Principals of existing or proposed corporation/partnership and extent of ownership interest.

Name	Address	Title	Interest
Jon Ferraro	N52 W21488 Taylors Woods Dr., Menomonee Falls, WI	Managing Principal	50%
Scott A. Krahn	1143 Marry Hill Circle, Hartland, WI	Principal	25%
Joseph P. Modl	W186 N9895 Rivers Bend Circle, Germantown, WI	Principal	25%

Attach a list of properties in the City of Milwaukee in which Lessee/Buyer has an ownership interest either as individual or as part of a corporation/partnership. Changes in ownership structure subject to Council approval.

**OCCUPANCY DESCRIPTION**

Proposed use/uses: Upscale Gentlemen's Club (also known as an adult nightclub)

Required interior build-out Downtown Silk MKE, LLC will invest approximately one million one hundred-sixty thousand (\$1,160,000.00) dollars of its own cash into the building.

Needed approvals, permits or licenses (i.e. Licenses Committee, BOZA, Health Department, etc.) Class B Tavern License, and PEP License

(City to provide site commitment letter to allow applications in advance of Common Council lease/sale action)

**OPERATIONAL INFORMATION**

Established business relocating / expanding in facility?  Yes  No  
Current location(s) Milwaukee, Middleton, Juneau WI  
Describe experience with business, current location(s) Currently all three locations are thriving and working well with the community and municipalities respectively. See Business Plan  
Start up business?  Yes  No If yes, attach business plan and evidence of working capital  
Discuss qualifications / experience is proposed business \_\_\_\_\_

Discuss on-site operator and management oversight : Jon Ferraro oversees the management of all the businesses. Craig Ploetz, who has been with Jon since the development of the first Silk, is Jon's right-hand man. There is a G.M. at each location and several other managers for each department. Perry Wilk has been the GM at the Milwaukee location for the past 6 years. He will be relocated downtown to run the new club. Ferraro's method of

operation is to rely on his GM's, but he is also known to be very hands-on and strict with his supervision, and makes frequent unannounced visits to each club. Staff who work for Silk are absolutely forbidden to drink alcoholic beverages while on duty – one drink results in automatic immediate termination. Employee hiring, supervision, etc.: The GM handles the supervision of all employees. Silk employs extensive security staff, floor hosts, VIP hosts, bartenders, wait staff, cashiers and a “house mom” to assist the entertainers in the dressing room. The entertainers, as explained above, are independent contractors whose services are obtained through Legacy Entertainment, a national booking agency.

Finances and Recordkeeping: The GM does the daily paperwork; he delivers it once a week to the Silk administrative assistant for review, then Ferraro double checks it and sends it once a month to the Silk accountant for further review and filing.

Legal Affairs: By being proactive, Silk keeps legal needs to a minimum, but wherever needed, it utilizes the services of the appropriate attorney, several of whom are listed below.

Information Technology: Silk has a website for each club. It is on Facebook, Twitter, LinkedIn, and uses mass texting, and email blasts.

Equipment maintenance: Silk has several technicians that it relies upon, and has used for the past 10 years, for any needed repairs/maintenance.

Consultants: Silk is represented by the Jeff Scott Olson Law Firm which advises it of any new developments in the industry due to its participation in ACE (Association of Club Executives), a national organization that monitors and assists the adult nightclub industry members. The Silk executive staff attends the national in-service seminar put on by ACE on an annual basis. It also utilizes the advisory services of nationwide entertainment consultant, Legacy Entertainment. The Silk Exotic Gentlemen's Club logo is trademarked, and all trademark issues are handled by the well-known Milwaukee firm, Andrus, Sceales, Starke, and Sawall, LLP.

Regulations: State laws apply to alcohol distribution. Also, there are local ordinances with which Silk is always in compliance.

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## DEVELOPMENT TEAM

Architect The Custom House LLC

General Contractor J. Pipkorn Home Construction

Other Members N/A

Describe team developer expertise and experience Been in business for eleven (11) years and have twenty (20) plus years' experience in the industry. Have built sound, successful businesses and dozens of high end homes.

Other team projects Silk Madison, Milwaukee Harley Davidson, Harvey Mays, Bottoms Up North and South, Jerry's Village Inn, Tally Ho, Madam Belles, dozens of high end homes.

Estimated Small Business Enterprise (SBE) Use 0 % of total budget or \$ 0.00

Potential SBE contactors (name and/or type) N/A

## PROJECT BUDGET & FINANCING STRATEGY

Interior Demolition	\$	<u>50,000.00</u>
Hard build-out costs	\$	<u>800,000.00</u>
Soft costs – architectural fees, permits, misc. charges, overhead & profit, contingency, etc.	\$	<u>10,000.00</u>
Financing fees	\$	<u>0.00</u>
Furniture, Fixtures & Equipment/Personal Property	\$	<u>300,000.00</u>
Total Budget	\$	<u>1,160,000</u>

Budget source  Developer/Operator  Architect  Contractor  Other Personally Financed

Financing Construction  Financed  Cash (Attach evidence of equity)

Loan Amount \$ 0.00 Preapproved  Yes  No (Attach pre-approval or letter of interest)

Expected Lender N/A

Established relationship  Yes  No Describe lender accounts/loans N/A

City Funding Sources Application Status/likelihood

Façade Grant ... Yes ... No N/A

RIF Fund ... Yes ... No N/A

MEDC Loan ... Yes ... No N/A

Other funding N/A

## JOB CREATION

Current Employment (if applicable)      Full Time      Part Time

Number of jobs to be created 35 Full Time 40 Part Time

Number of jobs to be retained      Full Time      Part Time

Type of jobs Bartenders, bar-backs, waiters, waitresses, floor hostesses, cooks, cleaners, maintenance.

management, administrators, security, valet

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Expected average wage \$10.00/Hr

Benefits?  Yes  No If yes, please specify 401 K

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## ESTIMATED SCHEDULE

Final Plan/Specification Preparation	<u>12/15/2013 – 2/1/2014</u>
Bidding & Contracting	<u>12/15/2013 – 1/15/2014</u>
Firm Financing Approval	<u>N/A</u>
Construction/Rehabilitation	<u>1/1/2014 – 3/15/2014</u>
Occupancy/Lease Up	<u>3/15/2014</u>

## CONFLICT OF INTEREST DISCLOSURE

Lessee/Buyer covenants that no member of the Common Council of the City of Milwaukee, nor any officers or employees of the City of Milwaukee, has any interest in the Lessee/Buyer or the intended redevelopment of the property, except as follows: N/A

Is Lessee/Buyer a City of Milwaukee employee or member of any City board?  Yes  No

If yes, identify the department, board and/or and position: \_\_\_\_\_

## CITY POLICIES

Lessee/Buyer certifies that it, as an individual or member of a corporation or partnership, is not now and will not be at closing or lease signing in violation of any of the following policies:

- Delinquent taxes due the City
- Building or health code violations that are not being actively abated
- Convicted of violating an order of the Department of Neighborhood Services or Health Department within the previous year
- Convicted of a felony crime that affects property or neighborhood stability or safety
- Outstanding judgment to the City
- In Rem foreclosure by the City within the previous five years.

Properties are leased/sold on an "as is, where is basis." The City has conducted no environmental investigation of the property. ALTA surveys are not provided. Building encroachments in the right of way may require Special Privilege Permits and are the responsibility of the Occupant.

Lessee/Buyers are encouraged to comply with the City's Small Business Enterprise (SBE) program requiring best efforts for SBE participation of at least 25% of the total expenditures for goods and services and 18% for professional services.

If sold, the condominium unit must be fully taxable for property tax purposes. The deed shall contain a restriction prohibiting future application to the City for exempt status.

Lease execution/closing contingencies include full project funding including firm financing without contingencies and City approval of final plans. Final plans must conform to the original submission as approved by the City. Plan changes may require confirmation by the Common Council and lease or sale agreement shall contain performance obligations.

**ADDITIONAL COMMENTS**

Reference: Ron Bosak, Mayor of Juneau (where one Silk has been located since 2007)

9/6/13

To whom it may concern,

Silk has been a business in the City of Juneau for almost seven years. They put a million dollar plus investment into the remodeling of their building. This building is state of art and has created a good tax base for the city. Their personnel keep it clean, and they also police the outside and back of the premises.

Silk has been generous by providing sponsorships to several local baseball teams, and they have donated to the City's Fire Department and our recreation department.

Because they have their own security, there are seldom any problems. At the close of business, they send personnel to check the streets and other taverns for any problems.

There is a dress code for anyone entering the building.

Although I do not condone the nature of business, every person has a choice of what type of entertainment they want, and the hiring of local workers has created jobs in the City.

Again, Silk has not been any burden on the City, or on any of our departments. Their utilities and taxes are always paid in a timely matter. Please feel free to call me if you have any questions.

Sincerely,

Ron Bosak, Mayor  
City of Juneau, WI

mayor@cityofjuneau.net

Ron Bosak,  
Mayor, City of Juneau  
City Hall, 920-386-4800  
mayor@cityofjuneau.net  
cda@cityofjuneau.net  
ronbosak@charter.net  
920-386-0313 - home  
920-319-0780 - cell

**LESSEE/BUYER CERTIFICATION & ACKNOWLEDGEMENT**

We certify that this statement is true and correct and we understand City policies.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date



List of properties in the City of Milwaukee in which Lessee/Buyer has an ownership interest either as individual or as part of a corporation/partnership

- 11400 W Silver Spring Rd., Milwaukee, WI 53225

