

**BUSINESS IMPROVEMENT DISTRICT NO. 2**

**2018 OPERATING PLAN**

September 21, 2017

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Submitted by:

Historic Third Ward Association Inc.

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Third Floor

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## **I. INTRODUCTION**

### **A. BACKGROUND**

In 1984, the State of Wisconsin created 66.1109 (formerly S. 66.608) of the Statutes (Appendix, Exhibit A) enabling Cities to establish Business Improvement Districts (BIDs).

The purpose of the law is:

"...to allow businesses within those districts to develop, to manage and promote the districts and to establish an assessment method to fund these activities." (1983 Wis. Act. 184, Section 1, legislative declaration.)

The City of Milwaukee created Business Improvement District No. 2 ("BID-2") and approved its initial operating plan via Common Council Resolution No. 870501, adopted by reference October 6, 1987. (Appendix, Exhibit B)

Since 1988, BID-2 has submitted yearly-amended plans adding and modifying its plan objectives as part of its ongoing management and promotion of the district, including in some instances its financing arrangements and assessment methodologies. This amended Plan shall govern operation of BID-2 during calendar year 2018.

### **B. PHYSICAL SETTING**

Business Improvement District No. 2 encompasses the Third Ward, which occupies a strategic location within the Milwaukee central business district (CBD). It is located adjacent to Interstate 794, just south of the downtown. The Third Ward is within 6 to 8 blocks of Downtown's primary retail shopping district, although separated from it by I-794, an elevated expressway. The importance and proximity of Interstate 794, with its connections to the north, south and west have taken on new significance in light of the recent redesign and rebuild of the Hoan Bridge and Lakefront Gateway projects. The Third Ward includes the Summerfest grounds and is adjacent to the emerging Milwaukee Lakeshore State Park. The Third Ward also occupies frontage along the Milwaukee River to the west and south.

The Third Ward also contains a large concentration of historic late 19<sup>th</sup> and early 20<sup>th</sup> century industrial and warehouse buildings, and is one of the last remaining intact warehouse districts in the country. In 1984 the National Register of Historic Places accepted 70 buildings spanning approximately 10 square blocks as "The Historic Third Ward District." While several individual buildings are outstanding architecturally, it is the overall "ensemble" which gives the Third Ward its special identity. The large number of older multistory buildings, located in close proximity, and the interrelationships between buildings and the overall environment give the Third Ward a character unique within the region.

The Third Ward's strategic central location and its physical qualities help support its future role as a high-value commercial and residential area. Wholesaling or other low density light-industrial uses might best be either selectively maintained or eventually phased out, given the area's higher density development potential.

A primary objective of the Plan is to reinforce and enhance the historic image and character of the area through the renovation, rehabilitation and adaptive reuse of existing historic buildings and the encouragement of appropriate infill and new construction.

The City of Milwaukee worked with the Historic Third Ward in 1988 to create the first Tax Incremental Financing District within the boundaries of the Third Ward ("TID No. 11") to finance construction of substantial physical public improvements within the Third Ward (the "TID improvements"). In 1998 the City of Milwaukee authorized the creation of a second Tax Incremental Financing District within the Third Ward ("TID No. 34") to assist with the financing of the Riverwalk Project (as hereinafter described). In 2002 the project scope of TID No. 34 was amended to provide additional funds for the Riverwalk Project (as hereinafter described). In 2002 the City transferred a parcel of land at the northeast corner of North Water and St Paul Ave. to BID-2 as part of its commitment towards creating a Milwaukee Public Market. The City has also, through its Redevelopment Authority, authorized a conduit borrowing mechanism, which allowed BID-2 to initiate and complete the Third Ward Water Street Parking Structure (as hereinafter described). In April 2006 TID No. 11 was retired. In 2011 the City signed a lease agreement with BID-2 to manage and maintain both Catalano Square and Erie Street Plaza. In 2014 the City of Milwaukee authorized Amendment 3 to TID No. 56 to finance public improvements to North Milwaukee Street and East Corcoran Avenue.

## **II. DISTRICT BOUNDARIES**

The Business Improvement District is illustrated by Appendix, Exhibit C. It includes 171 taxable parcels and 36 exempt parcels, either, city, county, state, or otherwise exempt. Total (including exempt property) floor area within the district is 4,683,044 square feet and total land area is 7,527,195 square feet. (Residential is listed on the assessment sheet not included in above totals). The boundaries were established after numerous meetings with District property owners. The boundaries of the District shall be as follows: The eastern boundary shall be the western edge of Lake Michigan; the southern and southwestern boundary shall be the northern and northeastern edge of the Milwaukee River; and the northern and western boundary shall be an irregular line described as follows: commencing on the northern edge of the Milwaukee River and the eastern line of the right-of-way of North 2<sup>nd</sup> Street, extended; thence north along the eastern line of the right of way of North 2<sup>nd</sup> Street, extended, to the northern edge of the right-of-way of St. Paul Avenue; thence east along the northern edge of the right-of-way of St. Paul Avenue to a point on the eastern line of the right-of-way of N. Plankinton Avenue; thence north along the eastern line of the right-of-way line of Interstate Highway 794; thence east along the south and southwest right-of-way line of Interstate Highway 794 to the western edge of the Milwaukee River; thence northeasterly along the western edge of the Milwaukee River to a point on the southern right-of-way line of E. Clybourn Street; thence easterly on E. Clybourn Street to the edge of Lake Michigan. All area and assessment figures stated above are based on City of Milwaukee (DCD) Records dated August 2015 and the City of Milwaukee Website.

## **III. PROPOSED OPERATING PLAN**

### **A. PLAN OBJECTIVES**

The specific objective of BID-2 is to develop, redevelop, maintain, operate, promote, and advertise the area of the Historic Third Ward, identified herein as the "District." It is intended that the Board of BID-2 shall have all powers authorized by law, and by this Plan including, but not limited to the following powers in carrying out its objectives:

## B. PROPOSED ACTIVITIES – YEAR 31

1. To undertake on its own account public improvements and/or to assist in development, underwriting or guaranteeing public improvements within the District.
2. To acquire, improve, lease and sell properties within the District, and otherwise deal in real estate as necessary to promote the economic development of the District and specifically those projects enumerated in the plan objectives as submitted.
3. To plan, implement, operate, maintain and finance a Streetscape improvements plan within the District (the "Streetscape Plan").
4. To plan, finance, construct, operate and maintain a Parking Structure on the northwest corner of North Milwaukee and East Chicago Streets (the "Third Ward Milwaukee Street Parking Structure").
5. To plan, finance, construct, operate and maintain a Parking Structure on the southeast corner of North Water and East Chicago Streets (the "Third Ward Water Street Parking Structure").
6. To plan, finance, construct, operate and maintain a riverwalk system through the District along the Milwaukee River (the "Riverwalk Project").
7. To help plan, finance, construct, operate and maintain the portion of the riverwalk that connects the Riverwalk Project to the Downtown Riverwalk ("Riverwalk Connector")
8. To plan, finance, construct, operate and maintain and/or assist in the creation of a public market on the north side of St. Paul Ave. between N. Water and N. Broadway (the "Milwaukee Public Market").
9. To plan, finance, construct, operate and maintain and/or assist in the creation of a public market annex at 346 N Broadway (Milwaukee Public Market Annex").
10. To enter into management agreements to have others manage the Public Market.
11. To enter into such agreements and extend such guarantees as necessary to acquire interests in land and property, borrow funds, design, develop and construct the Riverwalk Project.
12. To enter into agreements to refinance existing debt.
13. To assess against property in the TID No. 34 area, per the formula described hereafter, those amounts necessary to finance the debt service coming due from time to time under the bonds for the TID Improvements.
14. To enter into loan agreements as necessary with individual Riverwalk property owners on terms agreed upon to finance Riverwalk improvements necessary to the construction of the Riverwalk.
15. To enter into easement agreements as necessary with individual Riverwalk property owners on terms agreed upon as necessary to construct the Riverwalk.
16. To enter into a loan agreement, or agreements, with the City for funds necessary to finance the Riverwalk and/or Riverwalk improvements.
17. To assess against property in the District those amounts necessary to finance the loans and construction costs as described hereafter connected with the creation of the Riverwalk.
18. To use current and accumulated ramp revenues, as described in the Parking Ramp Cooperation and Development Agreement dated 6/13/94, to first pay normal and customary operation and maintenance costs of the structure, second fund repayment of City of Milwaukee Redevelopment Authority Bonds, issued for the Historic Third Ward Parking Facility Project, third, fund an interest rate stabilization reserve, fourth pay such normal and necessary borrowing expenses such as letter of credit fees, remarketing fees and bank trustee fees.
19. To enter into such agreements and to extend such guarantees as necessary to acquire interests in land and property, borrow funds, design, develop and construct the Water Street Parking

Structure, the Milwaukee Street Parking Structure, the Third Ward Streetscapes, the Third Ward Riverwalk, the Riverwalk Connector, the Public Market, the Public Market District, Public Market Annex and such other projects enumerated in the plan objectives.

20. To assess against property in BID-2 area, pursuant to the assessment formulas referred to herein, amounts necessary to meet any obligations entered into to acquire interest in land and/or property, borrow funds, design, develop, construct, operate and maintain the Water Street Parking Structure, the Milwaukee Street Parking Structure, the Third Ward Streetscapes, the Third Ward Riverwalk, the Riverwalk Connector, the Public Market, Public Market Annex, the Public Market District and such other projects enumerated in the plan objectives.
21. To take whatever action necessary to protect and maintain its status as a non-taxable governmental entity. As a BID, BID-2 is a quasi-governmental entity authorized by state statute; created, governed and appointed by the City through its legislative process, and as such, is for legal and tax purposes, an integral part of the creating municipality, both in terms of its structure and endeavors.
22. To OPERATE, MAINTAIN, LEASE and hold a SPECIAL PRIVILEGE for the ongoing financial and physical obligations of caring for and programming of the TID No. 11-funded Streetscape project.
23. To OPERATE, MAINTAIN, LEASE and hold a SPECIAL PRIVILEGE for a Parking Structure located at 212 North Milwaukee Street.
24. To OPERATE, MAINTAIN, LEASE and hold a SPECIAL PRIVILEGE for a Parking Structure located at 225 East Chicago Street.
25. To OPERATE, MAINTAIN, LEASE and hold a SPECIAL PRIVILEGE for the ongoing financial and physical obligations of caring for and programming of the Riverwalk Project.
26. To OPERATE, MAINTAIN, LEASE and hold a SPECIAL PRIVILEGE for the ongoing financial and physical obligations of caring for and programming of the Milwaukee Public Market and Annex
27. To promote new investment and appreciation in the value of existing investments of property in the District.
28. To develop, advertise and promote the existing and potential benefits of the District.
29. To manage the affairs of the District.
30. To apply for, accept and use grants and gifts for these purposes.
31. To contract with the Historic Third Ward Association, Inc., and others as necessary to carry out these goals.
32. To elect officers, hire employees and contract out work as are necessary to carry out these goals.
33. To increase police protection and add to the security of the District.
34. To make reimbursements, if necessary, out of its contingency fund for overpayments of BID-2 Assessments.
35. Maintain the appearance of the neighborhood by working to insure its safety and cleanliness.
36. Develop and implement a master operation and maintenance plan for the two Parking Structures, the Streetscapes and the Riverwalk Improvements.
37. Review additional possible funding instruments for Third Ward development.
38. Remit to the City the twelfth payment toward the Riverwalk loan in the amount of \$47,209 and the ninth payment of the Dockwall loan in the amount of \$36,522.40 for a total of \$83,731.40.

39. With the completion of the Riverwalk Connector, the City has requested that BID-2 take over the maintenance component of this project. This portion of the Riverwalk extends from the Clybourn St. Bridge to the Chase Bank building and is outside the area of BID-2. In return, the City will include a yearly Riverwalk Connector Maintenance Contribution to BID-2. For 2018 the amount shall be \$18,000.
40. Comply with reporting and notice requirements of public records law and open meeting law.
41. Enter into leases or other agreements with WISDOT or other entities as necessary to mitigate parking problems related to freeway reconstruction and other public improvements.
42. Enter into leases or other agreements with the City of Milwaukee or others to operate and maintain "pocket" parks and other publicly accessible areas to enhance the live, work and play quality of the area. (Appendix W)
43. Enter into leases or other agreements with the City of Milwaukee or others to develop, operate and maintain the north extension of Riverwalk Park located east of river, west of Water Street from St. Paul Avenue to Clybourn Street.
44. To enter into agreements to complete public improvements as approved in the Third Amendment of TID 56 involving North Milwaukee Street and East Corcoran Street.
45. In addition, the Business Improvement District has agreements that the Historic Third Ward Association (HTWA) will do the following in 2018:
  - Continue to carry out HTWA strategic plan that was updated in January 2017.
  - Continue to participate in the implementation of the City of Milwaukee's Master Plan.
  - Continue the Graffiti Removal Program. Submit an application for a City of Milwaukee grant, if available.
  - Maintain the in-house bookkeeping, payroll and monthly financial reporting system that began in 1997.
  - Continue to enhance HTWA benefits of membership.
  - Coordinate events, promotion and advertising. Special events currently are Christmas in the Ward, (4) Gallery Nights, *Sidewalk Sales*, *World's Biggest Coffee Break*, and the Third Ward Art Festival. Sizzlin Saturdays has moved to the Milwaukee Public Market.
  - Continue to offer the merchant/business coupon validation program and the monthly parking rates at both the Milwaukee and Water Street Parking Structures.
  - Coordinate rental of parks and maintain yearly calendar.
  - In cooperation with Milwaukee World Festival, Inc., continue to address issues including crowd control, traffic, crime and clean up during events, especially during Summerfest.
  - Extend the banner program to include Harbor Drive.
  - Continue to hang "Third Ward Art District" banners on existing hardware throughout the Ward, a promotional effort that began in 2000.
  - Maintain ongoing involvement with the Collaborative Downtown Association to develop retail and marketing strategies.
  - Maintain a position on Board of the Alliance for Downtown Parking and Transportation to develop transportation strategies. These include redesign issues of the Park East Freeway and Marquette Interchange, on and off street parking, the connector study, mass transit, etc.
  - Maintain ongoing involvement with the Friends of Lakeshore State Park.
  - Continue efforts of our street beautification program with the intent of making the Third Ward the downtown "Flower District." Increase the hanging flower basket program utilizing 216



baskets on 108 poles. Continue the Snow Removal Program for properties in the historic area.

- Enter into leases or other agreements with the BID No. 2 or others to operate and maintain "pocket" parks and other publicly accessible areas to enhance the live, work and play quality of the area. (Appendix W)
- Accept donations and grants on behalf of the Milwaukee Public Market project.
- Continue operation of an office for the District to promote new development, including the following services:
  - Promote publicity and media coverage of District activities.
  - Arrange for security and increased police protection, especially during the festival season.
  - Revise, publish and distribute business-to-business directories, brochures, and other promotional materials.
  - Plan and coordinate special events.
  - Prepare the quarterly e-wire *E-Scapes*, introducing new businesses and providing information to all members and constituents.
  - Continue to promote the Third Ward Sidewalk Sale and Small Business Saturday (formerly known as Black Friday Shopping) and Diva Night for Third Ward merchants.
  - Continue to hold Security meetings for all businesses, property owners and residents. Held quarterly on the second Tuesday, it brings awareness of the crime that is happening in our neighborhood and surrounding areas. The MPD is represented by the crime prevention officer and at times the Captain of the First District.
  - Continue to update the Website on an as-needed basis ensuring all posted information is accurate and up-to-date. Continue doing mass-emails to all Third Ward businesses for announcing neighborhood news and events.
  - Promote all events, sales, promotion and activities on Social Media using Facebook and Twitter.
  - Green Space Initiative: Continue and expand efforts to identify and support the development of public green space. This may be accomplished by independent action, or preferably in conjunction with nearby or other stakeholders. Administrative and operational support may be provided. Act as an agent for contracted services, apply for and accept public and/or private grants and/or loans and whatever else is necessary to complete these projects.
  - Continue to work with the City regarding Third Ward Street lighting issues.

#### **C. PROPOSED 2018 BUDGET FOR YEAR THIRTY ONE**

See Appendix, Exhibit T attached hereto and incorporated herein.

#### **D. FINANCING METHOD**

The proposed expenditures will be financed from revenues collected from general BID and Private Property assessments for Operating, Riverwalk Construction, Riverwalk Maintenance, and Special Assessments. It is estimated that the budget will raise \$573,030 through these assessments detailed

on Appendix, Exhibit D, attached hereto and incorporated herein. Separately from this plan, as part of the City budget process, the City of Milwaukee shall contribute \$18,000 in support of the District and \$18,000 to maintain the Riverwalk Connector (a partnership including the City, Downtown Riverwalk District, and BID 2) portion of the Riverwalk. If for any reason, the City does not authorize in its budget process the contribution of \$18,000 for the maintenance of the Riverwalk Connector, the City will take over the full responsibility of maintaining it.

#### **E. ORGANIZATION OF BID BOARD**

The Board of BID-2 (Board) primary responsibility will be the implementation of the District Operating Plan. This will require the Board to negotiate with providers of services and materials to carry out the plan; to enter into various contracts; to monitor development activity; to revise periodically the District plan and to ensure District compliance with the provisions, applicable statutes and regulations.

State law requires that the Board is composed of at least 5 members and that a majority of the Board members be owners or occupants of property within the District.

BID-2 Board has been structured and is operating as follows:

- Board size - 9 members.
- Composition – at least seven members are owners or occupants of property within the District. Any non-owner or non-occupant appointed to the Board shall be a resident of the City of Milwaukee.
- Term - Appointments to the Board are for a period of 3 years except that initially 3 members were appointed for a period of 2 years, and 3 members were appointed for a period of 1 year, each term ending on March 22 of the applicable year.
- Compensation - None.
- Meetings - All meetings of the Board shall be governed by the Wisconsin Open Meetings law.
- Record Keeping - Files and records of the Board's affairs shall be kept pursuant to public record requirements.
- Staffing - The Board may employ staff and/or contract for staffing services pursuant to this Plan and subsequent modifications thereof.
- Meetings – The Board shall meet regularly, at least annually, in keeping with the by-laws as stated in Appendix, Exhibit F. The Board shall adopt rules of order to govern the conduct of its meetings.
- The Board shall submit to the City the results of its annual audit, which shall be conducted by a qualified certified public accountant.

The following have been appointed by the Mayor to the Board and are currently serving as members:

Kendall Bruenig  
Marianne Burish  
Michael Gardner  
Robert Joseph  
Robert Monnat  
Ann Pieper Eisenbrown  
Ronald San Felippo  
Greg Uhen

## F. RELATIONSHIP TO HISTORIC THIRD WARD ASSOCIATION

BID-2 shall be a separate entity from the Historic Third Ward Association, Inc. (HTWA) notwithstanding the fact, that members, officers and directors of each may be on each board. The HTWA whose board consists of 24 members shall remain a private organization not subject to the open meeting law, and not subject to the public records law except for its records generated in connection with its contact with the BID-2 Board, and may, and it is intended, shall, contract with BID-2 to provide services to BID-2, in accordance with BID-2's operating plan. Any contracting with HTWA to provide services to BID shall be exempt from the requirements of 62.15, Wis. Statutes because such contracts shall not be for the construction of improvements or provision of materials. If BID-2 does contract for the construction of improvements or provision of materials, it shall follow the requirements of such statutes to the extent applicable. Further, the annual accounting required under 66.1109 (3)(c), Wis. Statutes, shall be deemed to fulfill the requirements for 62.15(14) Wis. Statutes. BID-2 Board and the City shall comply with the provisions of 66.1109 Wis. Statutes, before the City inserts assessments for this BID plan onto the tax bills for the parcels assessed hereunder, only to the extent required by law, to create a lien on the parcels assessed.

## IV. METHOD OF ASSESSMENT AND DISBURSEMENT

BID-2 voted on September 10, 2003 to change its Assessment Formula to a value based method that uses the City's Assessed Valuation, as on Jan 1, of the same year, as the determination factor to assess individual property owners of their share of the Assessments.

### A. ASSESSMENT RATE AND METHOD

#### i. THE GENERAL ASSESSMENT

The variables used to determine the regular annual General Assessments are:

1. Value of the property as of January 1, of the year the Assessment is calculated, as determined by the City Assessors' Office.
2. The Gross amount of the assessment.

The assessment methodology will work as follows:

Step 1.

Add up the value of all property subject to BID-2 Assessment.

Step 2.

Divide the amount of the assessment by the total value of the property (see 1 above) to create a valuation factor or mil rate.

Step 3.

Multiply the valuation factor times the assessed value of the property to determine each BID-2 Assessment on a property by property basis.

Step 4.

After compliance with the provision of Article IV, herein, the amount of regular assessment and contingent assessment for each parcel shall be submitted to the City of Milwaukee which shall include it as a separate line item on the real estate tax bill for that parcel next issued. The City shall collect such assessment with the taxes as a special charge, and in the same manner as such taxes, and shall turn over all monies so collected to BID-2 Board for distribution in accordance with BID-2 Plan by the 15<sup>th</sup> day of the month following such collection. All BID-2 Assessments shall be held by the City in a segregated account until it is released to BID-2 Board as provided herein.

As of January 1, 2017, the property in the District had a total assessed value of over \$342,676,618. This plan proposed to assess the property in the district at a rate of \$1.46 per \$1,000 of assessable value. This does not include special assessments agreed to by specific parcels.

Appendix Exhibit D lists the total amount to be raised through assessments in 2018 (Year Thirty One) and the projected assessment for each parcel within BID-2. These assessment figures are estimates. They are based upon the following assumptions:

1. The budget contained herein is adopted.
2. Assessed values within the District are not changed from the Tax Commissioner's August 2017 figures.
3. The total number of parcels assessed under the Plan are parcels identified in Appendix, Exhibit D.

Assessments will vary if any or all of these assumptions prove incorrect. However, it is unlikely that actual costs, floor areas, land areas, assessed values and bonding factors will vary enough from assumed conditions to produce significant changes in projected assessments.

Assessments for individual parcels within BID-2 will be established each year over the life of the District. Thus, as parcels increase or decrease in value, their assessment obligations will change.

The assessment method is designed to reflect changing conditions with BID-2. If potential benefits increase for a particular parcel (e.g., if floor area is added or new construction takes place), the assessment value relative to other parcels will increase. If potential benefits decrease (e.g., if a building is demolished), the assessment value relative to other parcels will decrease. Any BID-2 Assessments collected by the City before or after the plan year for which the Assessments were made, shall be delivered to BID-2 Board by the 15<sup>th</sup> of the month following the month during which such sums were collected, and are to be used by BID-2 Board in the same manner as if received during the applicable Plan Year. This provision is intended to govern BID Assessments prepaid in December prior to the applicable Plan Year, as well as to delinquent and late payments made after the Plan Year.

The Board shall prepare and make available to the public and the City annual reports describing the current status of BID-2, including expenditures and revenues, at the same time it submits its amended Plan to the City for the following year. This report shall include an independent certified audit of the implementation of the Plan, which shall be forwarded to the City, and which shall be paid for out of BID-2's budget.

The presentation of this Plan to the City shall be deemed a standing order of the Board under Sec. 66.1109(4) Wis. Statutes to disburse BID-2 Assessments without necessity of an additional disbursement agreement, disbursement method, or accounting method.

Disbursements made under this Plan shall be shown in the City's Budget as a line item. Disbursement procedures shall be as follows: the City shall forward a check for the full amount of the assessment minus that which is assessed for replenishing the Bond Reserves for the Water Street Parking Structure, if any is due, to the offices of BID-2.

ii. THE RIVERWALK ASSESSMENT

Those properties identified in Appendix, Exhibit J "Riverwalk Development Agreement", which are operational, will be assessed per the methodology outlined in BID-2 No. 2 First Amendment to 1998 Operating Plan, incorporated herein as Appendix, Exhibit I beginning in 2004 (Plan Year 17).

iii. THE DOCKWALL ASSESSMENT

Those properties whose dock walls have been completed and which are identified in Appendix, Exhibits O(1) through O(6) will be assessed per their agreements with BID-2.

iv. RIVERWALK MAINTENANCE ASSESSMENT

Those properties identified in Exhibit J "Riverwalk Development Agreement", which were operational, were assessed per the methodology outlined in BID-2 No. 2 First Amendment to 1998 Operating Plan, and such additional Amendments as have succeeded it, incorporated herein as Appendix, Exhibit I, beginning in 2004 (Plan Year 17).

With the addition of the Riverwalk Connector Project identified in Appendix, Exhibit R "Fifth Amendment to Riverwalk Development Agreement" and Appendix, Exhibit S "Sixth Amendment to the Riverwalk Development Agreement," the City has agreed to fund BID-2 with an \$18,000 City Contribution toward maintaining this publicly owned portion, beginning in 2006 (Plan Year 19). In the event the \$18,000 is not allocated in the budget to BID-2 then the responsibility for maintaining the Riverwalk Connector shall be the City's.

With the addition of the Riverwalk Connector between MIAD and River Renaissance the City has asked BID No.2 to take on the annual cost of approximately \$200 to power three 70watt HPS lights and to replace as necessary. MIAD has agreed to connect the lights to their power source and will be reimbursed annually by BID No.2 before the end of each fiscal year, on or before May 31<sup>st</sup>. The City is responsible for all other maintenance of this Connector portion.

v. CONTINGENT ASSESSMENTS

To guarantee the repayment of bond interest for monies borrowed through RACM, to finance the construction of the Third Ward Water Street Parking Structure, BID-2 pledged to assess for any shortfall in the debt service reserve account, as described in BID-2 Third Amendment to 1998 Operating Plan, attached hereto as Appendix, Exhibit M. Any contingent assessment for this purpose shall be paid based on the General BID Assessment methodology.

The actual yearly assessment for each parcel will be established when the Common Council adopts the annual operating plan update. Appendix, Exhibit D shows the percentage of payment allocated to each parcel in BID-2 using the City's August, 2015 figures.

**B. EXCLUDED AND EXEMPT PROPERTY**

The Business Improvement District law requires the plan to include several specific statements:

1. Wis. Stats. 66.1109 (1)(f)(1m): the District will contain property used exclusively for manufacturing purposes, as well as properties used in part for manufacturing. These

properties will be assessed according to the standard formula, because it is assumed that they will benefit from development in the District.

2. Wis. Stats. 66.1109 (5)(a): Property known to be used exclusively for residential purposes will not be assessed, such properties will be identified as BID Exempt Properties in Appendix, Exhibit D, as revised each year.
3. Wis. Stats. 66.1109 (1)(f)(5): A legal Opinion from the City of Milwaukee Attorney indicating that the plan complies with all applicable provisions of State law is attached to this section as Appendix, Exhibit G.
4. This Plan relies on the procedures adopted by the Common Council (Appendix, Exhibit E) and the City Attorney to review and express an opinion as to its legal sufficiency prior to action by the Common Council to adopt this plan as part of its budget.

Any property status change, after the submittal of the operation plan, that results in a refund of BID fees will be refunded and paid out of the 2018 budget.

## **V. RELATIONSHIPS TO THE COMPREHENSIVE PLAN AND THE ORDERLY DEVELOPMENT OF THE CITY**

### **A. CITY PLANS**

Historic building development became an important component of the City's overall downtown revitalization efforts beginning with the Grand Avenue Mall project. A "Master Plan" of Urban Design and Development Potentials for the Historic Third Ward was prepared with Milwaukee Department of City Development, in September of 1986. This Master Plan identified the need for and potentials of development in the Third Ward, and suggested BID-2 method for accomplishing such goals. This Plan is an outgrowth of these recommendations. The City has subsequently undertaken a number of planning studies involving the District, including a Downtown Master Plan, the development of Architectural Review Design Guidelines and the Third Ward Neighborhood Comprehensive Plan. These build on the original Third Ward Master Plan by putting the District in context with the City's Downtown and setting up standards, which promote the goals identified in the original Master Plan.

Creation of a Business Improvement District to facilitate District development is consistent with the City's plans and promotes the orderly development of the City in general and the Downtown area in particular.

### **B. CITY ROLE**

The City of Milwaukee is committed to helping private property owners in the District promote its development. To this end, the City intends to play a significant role in the creation of the District and in the implementation of the development plan. In particular, the City will:

1. Pay the contribution adopted by the City in its budget process, referenced in IV, above, applied against the following parcels of public land:

3610926111		3921732000	3970115111
3920623110	3921479100	3921734000	3970115112
3920624110	3921481000	3921735000	3978003000
3920631111	3921486210	3921736000	3978004000
3920636111	3921489100	3922167100	3978007000
3920757111	3921490111		4290124111

3920778100	3921492110	3922178120	4290124200
3920860100	3921493111	3922187113	4298001000
3920879110	3921727100	3922187114	4299998000
3920964000	3921728000	3960001100	4299999000

2. Act as staff to the District through adoption of this plan and provide assistance as appropriate thereafter.
3. Monitor, and when appropriate, apply for outside funds that could be used in support of the District.
4. Collect assessments, maintain in a segregated account and disburse the revenues of the District to BID-2, along with identification of those BID-2 assessments included in the disbursement.
5. Review annual audits as required per 66.1109(3) (c) of the BID Statute.
6. Provide the Board, through the Tax Commissioner's Office, on or before September 1 of each plan year, the official City records on assessed value and land area and building square footage for each tax key number within the District, as of January 1 of each plan year, for the purpose of calculating BID-2 assessments.
7. Encourage the County, State, and Federal Governments to support the activities of the District.

## VI. PLAN APPROVAL PROCESS

### A. PUBLIC REVIEW PROCESS

The Wisconsin Business Improvement District law establishes a specific process for reviewing and approving the creation and operation of BID's. In addition to being subject to the open meetings law a BID is required to provide annual audited financial statements to the City. Additions or amendments to a BID's Operating Plan must be passed as by the municipality's legislative process. All appointments to a BID board must be nominated by the chief municipal officer and approved by the governing body.

All of the statutory requirements to create BID-2 were followed and are on file with the City's Legislative Reference Bureau.

#### i. Changes to the Operating Plan

Specifically the statute allows BID-2 to change its Operating Plan annually or at other times by amendment, in both cases the process follows the same procedure.

- The Economic Development Committee of the Common Council reviews the proposed changes to BID-2 Operating Plan at a public meeting and makes a recommendation to the full Council.
- If the Common Council approves it is forwarded to the Mayor for final approval.

#### ii. Annual appointment of BID-2 Board Members

Appointment of BID Board members is provided for under 66.1109 (3)(a) Wis. Statutes. The responsibility of the Board shall be as follows:

1. The nominating committee of BID Board No. 2 will forward, as board members terms expire or vacancies occur, a list of potential board members to the office of the Mayor 60 days prior to the expiration of such board member's term or as vacancies occur.
2. The Mayor will appoint members to the District Board with expiring terms at least 30 days prior to the expiration of such board member's term.
3. The Economic Development Committee of the Common Council will review the Mayor's nomination at a public meeting and will make a recommendation to the full Common Council.
4. The Council will act on said recommendation.

## **VII. FUTURE YEARS OPERATING PLANS**

### **A. PHASED DEVELOPMENT**

It was anticipated that BID-2 would continue to revise and develop its operating plan annually, in response to changing development needs and opportunities within the District, subject to the purposes and objectives defined herein.

Section 66.1109(3)(b) of the Business Improvement District law permits the Board to annually review and make changes as appropriate in the District operating plan. Therefore, while this document outlines in general terms the complete development program, it focuses on Year Thirty One activities for calendar year 2018 (Plan Year), and information on specific land areas, building square footage, assessed values, budget amounts and assessment amounts.

This 2018 BID-2 Operating Plan will continue to apply the assessment formula against the assessed value as determined by the City as of January 1, 2017, to raise funds to meet the 2018 annual budget. The method of assessing shall not be materially altered except with the consent of the City as approved in the Operating Plan.

### **B. AMENDMENT, SEVERABILITY AND EXPANSION**

This Business Improvement District has been created under authority of Section 66.1109 of the Statutes of the State of Wisconsin. Should any court find any portion of this statute invalid or unconstitutional said decision will not invalidate or terminate the Business Improvement District and this Business Improvement District Plan should be amended to conform to the law without need of re-establishment. Should the legislature amend the statute to narrow or broaden the process of a Business Improvement District so as amongst other things to exclude or include as assessable properties, a certain class or classes of properties, then this BID plan may be amended by the Common Council of the City of Milwaukee as and when it conducts its annual budget approval and without necessity to undertake any other act. All of the above is specifically authorized under Section 66.1109(3) (b).



## APPENDICES

The following are the Appendices of the current and previous Business Improvement District No. 2 Operating Plans, and are incorporated herein by reference, unless amended by this document:

- C. BUSINESS IMPROVEMENT DISTRICT STATUTE
- D. PETITION FOR CREATION OF BID DISTRICT
- E. BID BOUNDARIES (MAP)
- F. YEAR 31 ASSESSMENT AND METHODOLGY
- G. COMMON COUNCIL RESOLUTION CREATING BUSINESS IMPROVEMENT DISTRICT NO. 2
- H. BID NO. 2 BY-LAWS
- I. STATEMENT OF CITY ATTORNEY
- J. DEVELOPMENT OF RIVERWALK PROJECT
- K. FIRST AMENDMENT TO BID NO. 2 1998 OPERATING PLAN
- L. RIVERWALK DEVELOPMENT AGREEMENT
  - (a) Description and Timetable for Completion of all Project Segments
  - (b) Estimate Schedule of Repayments
  - (c) Estimated 2nd Year Riverwalk Project Assessments Per Property
  - (d) Estimated Riverwalk Project Budget
- M. SECOND AMENDMENT TO BID NO. 2 1998 OPERATING PLAN
- N. DEVELOPMENT OF WATER STREET PARKING STRUCTURE
- O. THIRD AMENDMENT TO BID NO. 2 1998 OPERATING PLAN
- P. DOCKWALL DEVELOPMENT LOAN AGREEMENT
- Q. 2018 FISCAL YEAR DOCKWALL ASSESSMENTS PER PROPERTY
  - (1) 301 North Water
  - (2) 333 North Water
  - (3) 105 North Water
  - (4) 225 North Water
  - (5) 223 North Water
  - (6) 233 North Water
- R. FOURTH AMENDMENT TO RIVERWALK DEVELOPMENT AGREEMENT, FIRST AMENDMENT TO DOCKWALL DEVELOPMENT LOAN AGREEMENT AND THIRD AMENDMENT TO COOPERATION AGREEMENT
- S. FIRST AMENDMENT TO RIVERWALK DEVELOPMENT AGREEMENT FOR MIAD AND FOURTH AMENDMENT TO COOPERATION AGREEMENT FOR 511 E. MENOMONEE AND 151 N. JACKSON ST BLIGHT DESIGNATION PROJECT
- T. FIFTH AMENDMENT TO RIVERWALK DEVELOPMENT AGREEMENT
- U. SIXTH AMENDMENT TO RIVERWALK DEVELOPMENT AGREEMENT
- V. 2018 BUDGET FOR YEAR 31
- W. RESOLUTION DISSOLVING TID 11
- X. THIRD WARD STREETLIGHT AGREEMENT WITH THE CITY
- Y. CATALANO SQUARE AND ERIE STREET PLAZA LEASE

**Z. THIRD AMENDMENT TO TID 56**

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With Summarized Totals for the Year Ended December 31, 2015)**

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE**

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Independent Auditor's Report

Board of Directors  
Business Improvement District No. 2 and Affiliate

We have audited the accompanying consolidated financial statements of Business Improvement District No. 2 and Affiliate which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 consolidated 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Business Improvement District No. 2 and Affiliate as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ritz Holman LLP  
*Serving businesses, nonprofits, individuals and trusts.*

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Milwaukee, WI 53202 f. 414.271.7464  
ritzholman.com

Board of Directors  
Business Improvement District No. 2 and Affiliate

**Report on Summarized Comparative Information**

We have previously audited Business Improvement District No. 2 2015 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

**Other Matter(s)**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of consolidated functional expenses, balance sheet consolidation, and revenue and expenses are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

  
RITZ HOLMAN LLP  
Certified Public Accountants

Milwaukee, Wisconsin  
June 29, 2017

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2016  
(With Summarized Totals for December 31, 2015)**

ASSETS	2016	2015
<b>CURRENT ASSETS</b>		
Cash	\$ 4,004,237	\$ 1,683,426
Net Property Assessment Receivable	564,107	519,552
Accounts Receivable	93,928	125,918
Accrued Interest - Notes Receivable	24,637	26,473
Prepaid Expenses	41,847	4,369
Inventory	316,179	300,272
Current Portion of Long-Term Notes Receivable	30,804	28,843
Total Current Assets	<u>\$ 5,075,739</u>	<u>\$ 2,688,853</u>
<b>FIXED AND INTANGIBLE ASSETS</b>		
Milwaukee Street Parking Structure - Building	\$ 5,595,865	\$ 5,578,772
Water Street Parking Structure - Building	5,691,500	5,691,500
Milwaukee Public Market Building	9,332,138	9,332,138
Milwaukee Public Market Equipment	217,317	217,317
342-6 N. Broadway Street Building	533,594	533,594
Land	1,123,308	1,123,308
Public Market - Furniture and Equipment	33,000	—
Public Market - Website	3,000	—
Public Market - Leasehold Improvements	4,849	—
Office Equipment	7,850	—
Vehicles and Equipment	363,295	325,712
Total Fixed Assets	<u>\$ 22,905,716</u>	<u>\$ 22,802,341</u>
Less: Accumulated Depreciation	(8,814,841)	(8,220,336)
Net Fixed Assets	<u>\$ 14,091,075</u>	<u>\$ 14,582,005</u>
<b>LONG-TERM ASSETS</b>		
Notes Receivable - Property Owners	\$ 338,627	\$ 365,633
Less: Current Portion	(30,804)	(28,843)
Total Long-Term Assets	<u>\$ 307,823</u>	<u>\$ 336,790</u>
<b>OTHER ASSETS</b>		
Investments - Debt Service Funds	\$ 400,258	\$ 405,485
Bond Issuance Costs - Net of Accumulated Amortization	25,933	29,777
Due from Milwaukee Public Market	—	832,862
Total Other Assets	<u>\$ 426,191</u>	<u>\$ 1,268,124</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,900,828</u>	<u>\$ 18,875,772</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 98,876	\$ 33,129
Accrued Payroll	50,999	—
Accrued Real Estate Taxes	365,818	353,051
Market Cards	149,120	—
Other Liabilities	34,978	—
Deferred Revenue	492,297	500,078
Due to Historic Third Ward Association	31,884	76,671
Add: Current Portion of Long-Term Liabilities	295,782	282,482
Total Current Liabilities	<u>\$ 1,519,754</u>	<u>\$ 1,245,411</u>
<b>LONG-TERM LIABILITIES</b>		
Notes Payable	\$ 612,020	\$ 694,501
Net Long-Term Bond Liability	3,442,453	3,640,593
Structure Liabilities	53,861	60,268
Less: Current Portion	(295,782)	(282,482)
Total Long-Term Liabilities	<u>\$ 3,812,552</u>	<u>\$ 4,112,880</u>
<b>OTHER LIABILITIES</b>		
Security and Key Card Deposits	\$ 28,396	\$ 10,220
Total Other Liabilities	<u>\$ 28,396</u>	<u>\$ 18,226</u>
Total Liabilities	<u>\$ 5,360,702</u>	<u>\$ 5,376,517</u>
<b>NET ASSETS</b>		
Unrestricted		
Operating	\$ 12,924,709	\$ 12,024,335
Board Designated	858,961	762,961
Total Unrestricted	<u>\$ 13,783,670</u>	<u>\$ 12,787,296</u>
Temporarily Restricted	766,456	711,859
Total Net Assets	<u>\$ 14,540,126</u>	<u>\$ 13,499,255</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 19,900,828</u>	<u>\$ 18,875,772</u>

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

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With Summarized Totals for the Year Ended December 31, 2015)**

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
<b>REVENUE</b>				
BID Assessments	\$ 9,075	\$ 564,047	\$ 573,122	\$ 541,924
City of Milwaukee Contributions	—	—	—	306,109
Parking Revenue	1,813,537	—	1,813,537	1,794,040
Reserve and Replacement Fees	96,000	—	96,000	96,000
Maintenance Fees	9,912	—	9,912	9,718
Shuttle Program Income (Loss)	(84)	—	(84)	18,194
Investment Income	5,007	—	5,007	4,026
Interest Income on Notes Receivable - Property Owners	24,637	—	24,637	26,473
Rental Income	144,925	—	144,925	148,385
Loss on Disposal of Fixed Assets	—	—	—	(21,026)
Miscellaneous Income	615	—	615	480
HTWA Market Project Income	2,095,499	—	2,095,499	—
Net Assets Released from Restriction	519,550	(519,550)	—	—
<b>Total Revenue</b>	<b>\$ 4,718,673</b>	<b>\$ 44,497</b>	<b>\$ 4,763,170</b>	<b>\$ 2,924,323</b>
<b>EXPENSES</b>				
Program Services				
BID #2	\$ 2,300,347	\$ —	\$ 2,300,347	\$ 2,455,355
HTWA Market Project, LLC	1,892,515	—	1,892,515	—
Management and General	37,584	—	37,584	36,794
<b>Total Expenses</b>	<b>\$ 4,230,446</b>	<b>\$ —</b>	<b>\$ 4,230,446</b>	<b>\$ 2,492,149</b>
<b>CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM</b>	<b>\$ 488,227</b>	<b>\$ 44,497</b>	<b>\$ 532,724</b>	<b>\$ 432,174</b>
<b>EXTRAORDINARY ITEM:</b>				
Transfer in Ownership of HTWA Market Project, LLC	508,147	—	508,147	—
<b>CHANGE IN NET ASSETS AFTER EXTRAORDINARY ITEM</b>	<b>\$ 996,374</b>	<b>\$ 44,497</b>	<b>\$ 1,040,871</b>	<b>\$ 432,174</b>
Net Assets, Beginning of Year	12,787,296	711,959	13,499,255	13,499,255
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 13,783,670</b>	<b>\$ 756,456</b>	<b>\$ 14,540,126</b>	<b>\$ 13,931,429</b>

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



**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With Summarized Totals for the Year Ended December 31, 2015)**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,040,871	\$ 432,174
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	556,419	552,243
Extraordinary Item	(508,147)	---
Loss on Disposal of Fixed Assets	---	21,026
Unrealized Gain on Investment in Development Bonds	5,227	(92)
Amortization of Bond Issuance Costs	3,844	4,044
Amortization of Bond Issuance Discount	1,860	1,956
(Increase) Decrease in Accounts Receivable	63,817	(75,511)
(Increase) Decrease in Net Property Assessment Receivable	(44,555)	---
(Increase) Decrease in Accrued Interest - Notes Receivable	1,836	1,720
(Increase) Decrease in Prepaid Expenses	2,826	1,517
(Increase) Decrease in Light Pole Inventory	658	(182,876)
(Increase) Decrease in Notes Receivable - Property Owners	27,006	25,288
(Increase) Decrease in Due From Milwaukee Public Market	---	(109,019)
Increase (Decrease) in Accounts Payable	(15,823)	(53,770)
Increase (Decrease) in Accrued Payroll	35,171	---
Increase (Decrease) in Accrued Lease Payable	(128,731)	---
Increase (Decrease) in Market Cards	26,908	---
Increase (Decrease) in Other Liabilities	(359)	---
Increase (Decrease) in Accrued Real Estate Taxes	12,767	68,164
Increase (Decrease) in Deferred Revenue	(7,781)	20,612
Increase (Decrease) in Due to Historic Third Ward Association	(111,904)	2,053
Increase (Decrease) in Structure Liabilities	(6,407)	(1,145)
Increase (Decrease) in Security Deposits	3,155	1,085
	<b>\$ 958,658</b>	<b>\$ 709,469</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	\$ (54,676)	\$ (89,339)
	<b>\$ (54,676)</b>	<b>\$ (89,339)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Notes Payable	\$ (82,481)	\$ (79,313)
Redemption of Development Bonds	(200,000)	(190,000)
	<b>\$ (282,481)</b>	<b>\$ (269,313)</b>
Net Increase in Cash and Cash Equivalents	\$ 621,501	\$ 350,817
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,382,736	1,332,609
CASH AND CASH EQUIVALENTS AT END OF YEAR	<b>\$ 4,004,237</b>	<b>\$ 1,683,426</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 43,866	\$ 33,849

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

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE A - Summary of Significant Accounting Policies**

**Organization**

Business Improvement District No. 2 was created by the Common Council of the City of Milwaukee pursuant to Wisconsin Statutes and started operations in 1987. The Organization is exempt from tax as an affiliate of a government unit. The Organization was formed with the primary objective to reinforce, promote, and enhance the historic image and character of Milwaukee's Historic Third Ward district through renovation, rehabilitation, and adaptive reuse of existing historic buildings.

**Consolidated Financial Statements**

The consolidated financial statements include the accounts of Business Improvement District No. 2 and HTWA Market Project, LLC. HTWA Market Project, LLC is a Wisconsin limited liability company. Business Improvement District No. 2 is the sole member of HTWA Market Project, LLC. All significant intercompany transactions and accounts are eliminated.

**Basis of Accounting**

The financial statements of Business Improvement District No. 2 and Affiliate (the "Organization") have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents**

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Inventory**

Inventory consists of light poles recorded at cost under the first-in-first-out method and apparel, wine, aprons and totes recorded at cost, with cost determined to be the average cost.

**Fixed Assets**

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the fixed assets using the straight-line method. The Organization capitalizes fixed assets with a cost of \$2,500 and greater.

**Bond Issuance Costs**

Costs incurred in connection with the issuance of development revenue bonds during 1999 have been capitalized and are amortized over the life of the bonds using the interest method.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. No allowance for doubtful accounts was determined to be necessary at December 31, 2016.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE A - Summary of Significant Accounting Policies (continued)**

**Notes Receivable**

Notes receivable are stated at unpaid balances and collected through tax assessments. Management believes all receivables will be collected in accordance with the terms of the agreements. Thus, no allowance for uncollectible accounts is necessary at year end. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Interest income is accrued when earned. The Organization does not charge late fees for notes. The accrual of interest on a note shall cease when payments are not received with the city's tax assessment payment. When the accrual of interest is stopped, any unpaid interest previously recorded as income shall be deducted from income. Any future payments received should be applied to reduce principal. At such time as full collection of the remaining recorded balance is expected in the ordinary course of business, interest payments may be recorded as interest income on a cash basis limited to that which would have recognized on the recorded balance at the contractual interest rate.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Assets of the restricted classes are created only by donor-imposed restrictions.

At December 31, 2016, temporarily time-restricted net assets totaled \$564,047, and temporarily purpose-restricted net assets totaled \$192,409.

**Contributions**

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

**Estimates**

The preparation of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE B - Comparative Financial Information**

The financial information shown for 2015 in the accompanying financial statements is included to provide a basis for comparison with 2016. The comparative information is summarized by total only, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

For comparability, certain 2015 amounts may have been reclassified to conform with classifications adopted in 2016. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

**NOTE C - Concentration of Credit Risk**

The Organization maintains cash balances at five financial institutions located in Milwaukee. Balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016, the Organization's uninsured cash balances totaled \$131,555 and the Affiliate's uninsured cash balances totaled \$278,737.

**NOTE D - Net Property Assessment Receivable**

The Organization receives assessments on properties in its district based on a formula suggested by the board and passed through the municipal legislative process. Net assessments receivable and temporarily-restricted revenue are recorded for assessments authorized for the following year. The December 31, 2016, financial statements include:

BID Assessments	\$526,577
Riverwalk Maintenance Assessments	10,800
Special Assessments	<u>8,750</u>
Total Net Property Assessment Receivable	<u>\$564,107</u>

Included in the current portion of long-term notes receivable and accrued interest - notes receivable is \$55,441 of assessments. Total assessments paid to the Organization in February 2017 were \$564,107 including the notes receivable and accrued interest portions.

**NOTE E - Net Accounts Receivable**

As of December 31, 2016, net accounts receivable consists of the following:

Market Tenant Receivables	\$12,661
Other Receivables	<u>81,267</u>
Net Accounts Receivable	<u>\$93,928</u>

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE F - Notes Receivable - Property Owners**

As part of the Organization's participation in improvement of the Milwaukee Riverwalk and Dockwalls, notes receivable for shares of land improvements have been obtained from owners of properties adjacent to the Riverwalk. Repayment of the notes began with assessments on the properties beginning the year following completion of work. The notes have an interest rate of 6.8% and are being repaid over 20 years starting in 2004. The notes are secured by a mortgage on the related property. At December 31, 2016, the balance on the notes was \$338,627.

Notes receivable consist of the following at December 31, 2016:

Milwaukee Riverwalk Improvement Loans	\$159,936
Milwaukee Dockwall Improvement Loans	<u>181,691</u>
Total	<u>\$338,627</u>

Future receipts of principal are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 30,804
2018	32,899
2019	35,136
2020	37,526
2021	40,077
Thereafter	<u>162,184</u>
Total	<u>\$338,627</u>

**Credit Quality Indicators**

As of December 31, 2016, the Organization had only one category of notes. Low risk notes are defined as notes collected through tax assessments. Management believes all receivables will be collected in accordance with the terms of the agreements. Thus, no allowance for uncollectible accounts is necessary at year end.

<u>Loan Type</u>	<u>Note Receivable</u>	<u>Allowance Amount</u>
Low Risk	<u>\$338,627</u>	\$ —
Total	<u>\$338,627</u>	<u>\$ —</u>

**NOTE G - Investments - Debt Service Funds**

In accordance with the Organization's bonds and related agreements (see Note J to the financial statements), the Organization maintains an advance funded interest reserve to cover the next 12 months of interest and redemptions, recalculated each September 15. At December 31, 2016, the balance in the advance funded interest reserve was \$400,258. Debt service funds are carried at cost.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE H - Fair Value Measurements**

The Organization has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

<u>Investment Category</u>	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income	\$400,258	\$400,258	\$ ---	\$ ---
Total	<u>\$400,258</u>	<u>\$400,258</u>	<u>\$ ---</u>	<u>\$ ---</u>

**NOTE I - Notes Payable**

The Organization has a mortgage payable stated at a 5.12% interest rate, requiring monthly installments of \$2,000 through September 2018. The mortgage payable is secured by real estate. At December 31, 2016, the balance on the mortgage was \$38,263.

The Organization has a 20-year note payable to the City of Milwaukee relating to the Riverwalk project. The note bears an interest rate of 3.185%. Payments received from notes receivable - property owners will be used to pay a portion of the required \$47,209 annual payment. Repayment of the note began in 2005. At December 31, 2016, the balance on the note was \$328,873.

The Organization has a loan with the City of Milwaukee for the Dockwall project. Repayment of the 19-year loan began in 2006 requiring annual payments of \$36,522. Payments received from land owners for notes receivable will be used to repay a portion of the loan. The loan has a stated interest rate of 4.1% and a balance of \$244,884 at December 31, 2016.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE I - Notes Payable (continued)**

Required future payments of principal on notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 85,782
2018	81,169
2019	67,810
2020	70,232
2021	72,743
Thereafter	<u>234,284</u>
Total	<u>\$612,020</u>

**NOTE J - Long-Term Bond Liability**

The Redevelopment Authority of the City of Milwaukee issued \$5,720,000 of development revenue bonds in April 1999, of which the proceeds were lent to the Organization for construction of the Water Street Parking Structure. Interest on the loan is payable monthly at a variable rate which is adjusted weekly.

The bonds are secured by substantially all of the Organization's assets. The bonds are also secured by an irrevocable letter of credit issued by Northern Trust Company. The letter of credit expires September 15, 2018, and has a fee of .95% on the average daily amount of the scheduled credit outstanding during the year. The fee is paid in quarterly installments and the letter of credit is secured by any development bonds purchased with proceeds from the letter of credit. The letter of credit value was \$4,353,469 as of December 31, 2016.

The Organization has the right to redeem any of the outstanding bonds for their face value.

As stated in Note G to the financial statements, the Organization is required to maintain an advance funded interest reserve for payments of interest and redemptions. The bonds were issued at a discount of \$57,200. Amortization of the discount in the year ended December 31, 2016, was \$1,860. Net long-term bond liability consists of the following:

Bonds Payable	\$3,455,000
Unamortized Discount	<u>(12,547)</u>
Net Long-Term Bond Liability	<u>\$3,442,453</u>



**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE J - Long-Term Bond Liability (continued)**

Future required bond redemptions are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 210,000
2018	220,000
2019	235,000
2020	250,000
2021	260,000
Thereafter	<u>2,280,000</u>
Total	<u>\$3,455,000</u>

**NOTE K - Parking Structure and Retail Leases**

**Milwaukee Street Parking Structure - City of Milwaukee Agreement**

On June 13, 1994, the Organization entered into a Parking Ramp Cooperation and Development Agreement with the City of Milwaukee. Under the agreement, the Organization received money from the city to construct a parking structure to serve the public purpose of promoting economic development and urban renewal within the Historic Third Ward district.

The agreement requires the Organization to use excess cash from parking structure funds in the following manner:

1. Pay normal and customary operating and maintenance expenses of the Water Street Parking Structure.
2. Fund payment of the City of Milwaukee Redevelopment Bonds issued for the Historic Third Ward Parking Facility Project noted in Note J to the Financial Statements.
3. Fund an interest rate stabilization reserve.

The Organization's management has determined that any excess funds from the year ended December 31, 2016, have been used in accordance with the first two points above and funds are not available to fund the interest stabilization reserve.

The Organization has a reserve of \$53,861 established from prior years' cash flows from parking structure revenue. An amendment to cash usage made in 2000 does not require additional reserves to be set up.

**Milwaukee Street Parking Structure - Land Lease**

The Milwaukee Street Parking Structure was constructed on a 50-year non-cancellable lease with a third party. The Organization has the option to extend the lease with proper notice for an additional ten years. The lease requires payments totaling \$50 during the initial 50-year lease period. As part of the lease agreement, the Organization is required to provide up to 192 parking spaces to the lessor at no charge.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE K - Parking Structure and Retail Leases (continued)**

**Water Street Parking Structure Agreement**

The Water Street Parking Structure was constructed with proceeds from bonds issued by the City of Milwaukee as per Note I to the financial statements. In exchange for the three parcels of land needed to construct the parking structure, the Organization reserved 70 parking spaces in the form of a lease and issued a promissory note totaling approximately \$296,000. The lease terms are for 99 years without rent and only require the tenants to pay an annual maintenance fee of approximately \$100 per space. Each space has been valued at approximately \$7,500 for a total value of \$525,000. The lease commenced on February 1, 2000.

Land totaling \$525,000 and deferred rental revenue of \$549,309 were recorded in 1999.

At December 31, 2016, the Organization has related deferred revenue consisting of the following:

Advance Payment of Parking Rentals	<u>\$454,976</u>
------------------------------------	------------------

**Retail Lease Agreements**

The Organization leases out retail space to tenants in the Water Street and Milwaukee Street Parking Structures. Each year rent is adjusted based on the consumer price index. The leases respectively call for monthly rent payments of \$3,973 and \$1,418 through September 2017.

An amendment to one of the leases signed in April 2016 extends that lease to 2027 and requires monthly payments of \$4,470 from October 2017 through September 2022 and monthly payments of \$4,887 through the remainder of the lease term.

Rental income of \$61,929 for the year ended December 31, 2016; is included on the financial statements for these leases, and the expected future rent payments are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 61,929
2018	53,640
2019	53,640
2020	53,640
2021	53,640
Thereafter	<u>333,450</u>
Total	<u>\$609,939</u>

**Park Lease Agreements**

The Organization entered into leases with the City of Milwaukee for the parks known as Catalano Square and the Erie Street Plaza. The lease agreements commenced on July 1, 2010, and will terminate on June 30, 2025. The Organization intends to use the land to promote itself and to enhance the urban green space.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE L - Public Market Parking Lot**

Construction of the Public Market was completed in 2005. The United States Department of Commerce, Economic Development Administration, provided a \$2,500,000 grant to the Organization to help complete the Public Market building. If the use, transfer or alienation of the Public Market property is in violation of the grant agreement, an amount of \$2,500,000 or an amount determined pursuant to 13 CFR Part 314 shall be due and payable to the Department of Commerce. This lien and encumbrance will terminate in 14 years.

The Milwaukee Public Market has a five-year lease with the Wisconsin Department of Transportation for the parking lot of the Public Market, which signed in March 2017. The renegotiated lease has \$8,560 in monthly lease payments for five years starting March 1, 2017, and ending February 28, 2022.

The expected future payments are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 85,600
2018	102,720
2019	102,720
2020	102,720
2021	102,720
Thereafter	<u>17,120</u>
Total	<u>\$513,600</u>

**NOTE M - Milwaukee Public Market Lease Agreements**

The Organization also has various rental agreements with vendors for space at the Milwaukee Public Market and the building across the street. The vendors are required to pay rent based on a base rent, percentage of sales or both. The terms of these agreements also vary.

The expected future base rents are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$302,123
2018	230,618
2019	126,089
2020	70,158
2021	57,811
Thereafter	<u>182,396</u>
Total	<u>\$969,195</u>

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE N - Security Deposits**

As of December 31, 2016, the Organization had collected refundable parking security deposits of \$14,635 and a security deposit for commercial space of \$5,391.

**NOTE O - Deferred Revenue**

The Organization collected prepayments for the use of a pickup truck and security cameras. At December 31, 2016, the Organization had related deferred revenue of \$37,321.

**NOTE P - Special Projects**

The Organization incurred expenses while improving the Historic Third Ward through installing renovations such as streetlights, foundations, and parkways. The Organization does not own the land for which the improvements were made, and accordingly, the items were expensed and not capitalized as fixed assets.

**NOTE Q - Board Designated Net Assets**

The Organization has \$858,961 of board designated net assets at December 31, 2016, which is a reserve for capital costs of the Milwaukee Public Market building.

**NOTE R - Temporary Restricted Net Assets**

The Organization has \$711,959 of temporary restricted designated net assets at December 31, 2016, which consists of the following:

2016 Assessments	\$564,047
Light Pole Contribution	<u>192,409</u>
Total Temporary Restricted Net Assets	<u>\$756,456</u>

**NOTE S - Management Arrangement**

Under an arrangement with the Historic Third Ward Association, the Organization is provided with office facilities, administrative support, and other overhead-related costs. Under this annually renewed contract, the administrative fees were as follows for the year ended December 31, 2016:

BID Management Fees	\$118,552
WSPS Management Fees	60,000
MSPS Management Fees	<u>60,000</u>
Total	<u>\$238,552</u>

As of December 31, 2016, the Organization owed the Historic Third Ward Association \$31,884.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE T - Assessment Income**

In order to provide revenues to support the Organization's mission, the Common Council of the City of Milwaukee enforced an assessment on property located within the Third Ward area. The assessment is calculated based on assessed values of the properties as of every fall. The assessment levied on the commercial properties was \$1.56 per \$1,000 of assessed property value for the year ended December 31, 2016.

**NOTE U - Related Party Transactions**

Four board members of the Organization are also board members of the Historic Third Ward Association.

The Organization has contracted with the Historic Third Ward Association to provide management and administrative services as outlined in the Organization's annual operating plan.

The Historic Third Ward Association provides management services for the Organization's parking structures.

HTWA Market Project, LLC collects rent for the 340-346 Broadway properties owned by the Organization. Quarterly, HTWA Market Project, LLC will reimburse the Organization for the rent collected. The schedule of expected future payments is included in Note M.

**NOTE V - Extraordinary Item**

The Organization became the sole member of the HTWA Market Project, LLC effective January 1, 2016 with a transfer from Historic Third Ward Association. The details of the transfer are below:

<b>Assets</b>	
Cash	\$1,699,308
Receivables	31,827
Prepays	40,304
Inventory	16,565
Net Fixed Assets	<u>10,813</u>
<b>Total Assets</b>	<b><u>\$1,798,817</u></b>
<b>Liabilities</b>	
Accounts Payable	\$ 81,570
Accrued Payroll	15,828
Accrued Leases	128,730
Market Cards	122,212
Other Liabilities	44,351
Due to Historic Third Ward Association	67,117
Due to Business Improvement District #2	<u>832,862</u>
<b>Total Liabilities</b>	<b><u>\$1,290,670</u></b>
<b>Transfer of HTWA Market Project Net Assets</b>	<b>\$508,147</b>

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE W - Subsequent Events**

The Organization has evaluated events and transactions occurring after December 31, 2016, through June 29, 2017, the date the financial statements were available to be issued, for possible adjustments to the financial statements or disclosures and determined that the following subsequent event needs to be disclosed.

The Organization sold a truck for \$4,000 in May 2017.

The Organization extended one of its vendor contracts and signed two new leases at the Milwaukee Public Market in April and June of 2017. The future minimum payments are included in Note M.

The Organization signed a lease amendment in March 2017 for the HTWA Market Project, LLC parking structure on Water Street. See Note L for additional detail.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
SCHEDULE OF CONSOLIDATED FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With Summarized Totals for the Year Ended December 31, 2015)**

	Program	Management and General	2016 Total	2015 Total
Professional Fees	\$ ---	\$ 12,406	\$ 12,406	\$ 12,406
Parking Lot Management/Staffing	123,854	---	123,854	134,051
Security	14,271	---	14,271	6,234
Contracted Services	59,850	---	59,850	54,881
Utilities	69,160	---	69,160	64,171
Equipment Expense	28,650	---	28,650	14,934
Maintenance	471,746	---	471,746	649,348
Real Estate Taxes	262,369	---	262,369	255,291
Bond Expense	62,432	---	62,432	62,599
Administrative Expense	---	23,874	23,874	23,084
Interest Expense	25,250	---	25,250	28,420
Licenses and Permits	1,631	---	1,631	1,211
Insurance	64,175	1,304	65,479	28,730
Parking Management Fees	120,000	---	120,000	120,000
Architectural and Engineering Costs	17,167	---	17,167	16,924
Association Funding	135,914	---	135,914	190,340
Shuttle Program	22,050	---	22,050	32,486
Sales and Use Tax	94,955	---	94,955	95,348
Management Fees	118,552	---	118,552	100,261
Special Projects	7,583	---	7,583	6,125
Depreciation	552,620	---	552,620	552,243
Credit Card Fees	41,509	---	41,509	39,988
Bank Charges	6,609	---	6,609	3,074
HTWA Market Project Expenses	1,892,515	---	1,892,515	---
<b>Totals</b>	<b>\$ 4,192,862</b>	<b>\$ 37,584</b>	<b>\$ 4,230,446</b>	<b>\$ 2,492,149</b>

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
SCHEDULE OF BALANCE SHEET CONSOLIDATION  
DECEMBER 31, 2016**

	ASSETS			
	Business Improvement District No. 2	HTWA Market Project	Eliminations	Totals
<b>CURRENT ASSETS</b>				
Cash	\$ 2,151,037	\$ 1,853,200	\$ —	\$ 4,004,237
Net Property Assessment Receivable	564,107	—	—	564,107
Accounts Receivable	49,739	44,189	—	93,928
Accrued Interest - Notes Receivable	24,637	—	—	24,637
Prepaid Expenses	4,376	37,471	—	41,847
Inventory	300,272	15,907	—	316,179
Current Portion of Long-Term Notes Receivable	30,804	—	—	30,804
Total Current Assets	<u>\$ 3,124,972</u>	<u>\$ 1,950,767</u>	<u>\$ —</u>	<u>\$ 5,075,739</u>
<b>FIXED AND INTANGIBLE ASSETS</b>				
Land	\$ 1,123,308	\$ —	\$ —	\$ 1,123,308
Buildings	21,370,414	—	—	21,370,414
Office Equipment	363,295	40,850	—	404,145
Leasehold Improvements	—	4,849	—	4,849
Website	—	3,000	—	3,000
Less: Accumulated Depreciation	(8,772,956)	(41,685)	—	(8,814,641)
Net Fixed Assets	<u>\$ 14,084,061</u>	<u>\$ 7,014</u>	<u>\$ —</u>	<u>\$ 14,091,075</u>
<b>LONG-TERM ASSETS</b>				
Notes Receivable - Property Owners	\$ 338,627	\$ —	\$ —	\$ 338,627
Less: Current Portion	(30,804)	—	—	(30,804)
Total Long-Term Assets	<u>\$ 307,823</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 307,823</u>
<b>OTHER ASSETS</b>				
Investments - Debt Service Funds	\$ 400,258	\$ —	\$ —	\$ 400,258
Bond Issuance Costs - Net of Accumulated Amortization	25,933	—	—	25,933
Due From Milwaukee Public Market	952,940	—	(952,940)	—
Total Other Assets	<u>\$ 1,379,131</u>	<u>\$ —</u>	<u>\$ (952,940)</u>	<u>\$ 426,191</u>
<b>TOTAL ASSETS</b>	<u>\$ 18,895,987</u>	<u>\$ 1,957,781</u>	<u>\$ (952,940)</u>	<u>\$ 19,900,828</u>



**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
SCHEDULE OF BALANCE SHEET CONSOLIDATION  
DECEMBER 31, 2016**

**LIABILITIES AND NET ASSETS**

	Business Improvement District No. 2	HTWA Market Project	Eliminations	Totals
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 43,883	\$ 54,992	\$ —	\$ 98,875
Accrued Payroll	—	50,999	—	50,999
Accrued Real Estate Taxes	365,818	—	—	365,818
Market Cards	—	149,120	—	149,120
Other Liabilities	—	34,978	—	34,978
Deferred Revenue	492,297	—	—	492,297
Due to Historic Third Ward Association	36,484	(4,600)	—	31,884
Due to Business Improvement District #2	—	952,940	(952,940)	—
Add: Current Portion of Long-Term Liabilities	295,782	—	—	295,782
<b>Total Current Liabilities</b>	<b>\$ 1,234,264</b>	<b>\$ 1,238,429</b>	<b>\$ (952,940)</b>	<b>\$ 1,519,753</b>
<b>LONG-TERM LIABILITIES</b>				
Notes Payable	\$ 612,020	\$ —	\$ —	\$ 612,020
Net Long-Term Bond Liability	3,442,453	—	—	3,442,453
Structure Liabilities	53,861	—	—	53,861
Less: Current Portion	(295,782)	—	—	(295,782)
<b>Total Long-Term Liabilities</b>	<b>\$ 3,812,552</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,812,552</b>
<b>OTHER LIABILITIES</b>				
Security and Key Card Deposits	\$ 20,176	\$ 8,220	\$ —	\$ 28,396
<b>Total Other Liabilities</b>	<b>\$ 20,176</b>	<b>\$ 8,220</b>	<b>\$ —</b>	<b>\$ 28,396</b>
<b>Total Liabilities</b>	<b>\$ 5,066,992</b>	<b>\$ 1,246,649</b>	<b>\$ (952,940)</b>	<b>\$ 5,360,701</b>
<b>NET ASSETS</b>				
Unrestricted				
Operating	\$ 12,309,578	\$ 615,132	\$ —	\$ 12,924,710
Board Designated	762,961	96,000	—	858,961
<b>Total Unrestricted</b>	<b>\$ 13,072,539</b>	<b>\$ 711,132</b>	<b>\$ —</b>	<b>\$ 13,783,671</b>
Temporarily Restricted	756,456	—	—	756,456
<b>Total Net Assets</b>	<b>\$ 13,828,995</b>	<b>\$ 711,132</b>	<b>\$ —</b>	<b>\$ 14,540,127</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,895,987</b>	<b>\$ 1,957,781</b>	<b>\$ (952,940)</b>	<b>\$ 19,900,828</b>

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
SCHEDULE OF UNRESTRICTED REVENUE AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Business Improvement District No. 2	HTWA Market Project	Total
<b>REVENUE</b>			
BID Assessments	\$ 9,075	\$ —	\$ 9,075
Parking Revenue	1,813,537	628,792	2,442,329
Program Revenue	—	641,110	641,110
Product Sales	—	16,513	16,513
Reserve and Replacement Fees	96,000	—	96,000
Maintenance Fees	9,912	—	9,912
Shuttle Program Income	(84)	—	(84)
Investment Income	5,007	3,211	8,218
Interest Income on Notes Receivable - Property Owners	24,637	—	24,637
Rental Income	144,925	783,662	928,587
Miscellaneous Income	615	19,715	20,330
Bio Fuel Revenue	—	2,496	2,496
Net Assets Released from Restriction	519,550	—	519,550
<b>Total Revenue</b>	<b>\$ 2,623,174</b>	<b>\$ 2,095,499</b>	<b>\$ 4,718,673</b>
<b>EXPENSES</b>			
Professional Fees	\$ 12,406	\$ 43,847	\$ 56,253
Parking Lot Management/Staffing	123,854	87,375	211,229
Security	14,271	—	14,271
Contracted Services	59,850	—	59,850
Utilities	69,160	191,678	260,836
Equipment Expense	28,650	82,124	110,774
Maintenance	471,746	—	471,746
Real Estate Taxes	262,369	82,402	344,771
Bond Expense	62,432	—	62,432
Administrative Expense	23,874	—	23,874
Interest Expense	25,250	—	25,250
Licenses and Permits	1,631	—	1,631
Insurance	65,479	10,778	76,257
Parking Management Fees	120,000	—	120,000
Architectural and Engineering Costs	17,167	—	17,167
Association Funding	135,914	—	135,914
Shuttle Program	22,050	6,559	28,609
Sales and Use Tax	94,955	56,060	151,015
Management Fees	118,552	—	118,552
Special Projects	7,583	—	7,583
Depreciation	552,620	3,799	556,419
Credit Card Fees	41,509	—	41,509
Bank Charges	6,609	31,079	37,688
Advertising and Marketing	—	51,701	51,701
Tenant Relocation Cost	—	1,280	1,280
Worker's Compensation	—	20,964	20,964
Salaries and Wages	—	534,515	534,515
Employee Benefits	—	72,511	72,511
Payroll Taxes	—	48,324	48,324
Office Supplies	—	15,940	15,940
Personal Property Taxes	—	8,659	8,659
Kitchen Expenses	—	277,278	277,278
CAM Expenses	—	163,158	163,158
Meals and Entertainment	—	5,891	5,891
Dues and Subscriptions	—	587	587
Repairs and Replacement Reserves	—	96,000	96,000
<b>Total Expenses</b>	<b>\$ 2,337,931</b>	<b>\$ 1,892,515</b>	<b>\$ 4,230,446</b>
<b>CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM</b>	<b>\$ 285,243</b>	<b>\$ 202,984</b>	<b>\$ 488,227</b>

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE**  
**SCHEDULE OF MILWAUKEE STREET PARKING STRUCTURE REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(With Summarized Totals for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
<b>REVENUE</b>		
Parking Revenue	\$ 847,847	\$ 833,419
Rental Income	47,676	48,658
Loss on Disposal of Fixed Assets	—	(10,513)
Total Revenue	<u>\$ 895,523</u>	<u>\$ 871,564</u>
 <b>EXPENSES</b>		
Parking Lot Management/Staffing	\$ 61,927	\$ 67,025
Credit Card Fees	20,525	19,776
Contractors	30,111	24,148
Security	11,185	1,752
Utilities	31,477	29,187
Equipment	12,241	5,910
Maintenance	87,751	61,450
Real Estate Taxes	122,964	120,060
Administrative Expenses	9,256	9,448
Licenses and Permits	122	122
Management Fees	60,000	60,000
Sales and Use Tax	44,399	44,273
Depreciation Expense	146,255	143,356
Special Projects	2,500	2,500
Total Expenses	<u>\$ 640,713</u>	<u>\$ 589,007</u>
 <b>NET INCOME</b>	<u>\$ 254,810</u>	<u>\$ 282,557</u>
 <b>INCOME BEFORE DEPRECIATION EXPENSE</b>	<u>\$ 401,065</u>	<u>\$ 425,913</u>

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE  
SCHEDULE OF WATER STREET PARKING STRUCTURE REVENUE AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With Summarized Totals for the Year Ended December 31, 2015)**

	<u>2016</u>	<u>2015</u>
<b>REVENUE</b>		
Parking Revenue	\$ 965,705	\$ 960,620
Maintenance Fees	9,912	9,718
Rental Income	22,129	22,565
Loss on Disposal of Fixed Assets	—	(10,513)
Total Revenue	<u>\$ 997,746</u>	<u>\$ 982,390</u>
<b>EXPENSES</b>		
Parking Lot Management/Staffing	\$ 61,927	\$ 67,025
Credit Card Fees	20,525	19,776
Professional Fees	—	(206)
Contractors	17,971	19,646
Security	3,085	1,435
Utilities	26,977	25,570
Equipment	10,385	5,784
Maintenance	147,264	76,565
Real Estate Taxes	142,905	131,078
Bond Expenses	45,676	58,285
Administrative Expenses	8,005	7,957
Interest Expense	2,559	3,626
Licenses and Permits	193	55
Management Fees	60,000	60,000
Sales and Use Tax	50,556	51,075
Depreciation Expense	148,362	146,018
Special Projects	2,500	2,500
Other Expenses	—	(10)
Total Expenses	<u>\$ 748,890</u>	<u>\$ 676,179</u>
<b>NET INCOME</b>	<u>\$ 248,856</u>	<u>\$ 306,211</u>
<b>INCOME BEFORE DEPRECIATION EXPENSE</b>	<u>\$ 397,218</u>	<u>\$ 452,229</u>

## BID #2 (Historic Third Ward) Board Member Sheet

**Board Organization:** 9 members, at least seven members are owners or occupants of property within the District. Any non-owner or non-occupant appointed to the Board shall be a resident of the City of Milwaukee.

<u>Board Member</u>	<u>Title</u>	<u>Start Date</u>	<u>End Date</u>
Kendall Bruenig	Member	02/13/2014	02/13/2017*
Marianne Burish	Member	03/22/2017	03/22/2020
Michael Gardner	Member	03/03/2017	03/03/2020
Michael DeMichele	Member	11/12/2015	11/12/2018
Robert Joseph	Member	02/15/2017	02/15/2020
Robert Monnat	Member	03/06/2017	03/06/2020
Ann Pieper Eisenbrown	Member	02/24/2017	02/24/2020
Ronald San Felippo	Member	04/25/2017	04/25/2020
Greg Uhen	Member	02/21/2017	02/21/2020

\*Expired

