

**DRAFT**

**AMENDMENT NO. 1**

**PROJECT PLAN FOR TAX INCREMENTAL FINANCING DISTRICT**

**NO. 27**

**(CLARKE SQUARE)**

**Public Hearing Held: Sept. 16, 2010**

**Redevelopment Authority Adopted:**

**Common Council Adopted:**

**Joint Review Board Approved:**

**AMENDMENT NO. 1 TO THE PROJECT PLAN FOR  
TAX INCREMENTAL DISTRICT NO. 27  
(CLARKE SQUARE)**

**Introduction:**

Section 66.1105 (4)(h)(1), Wisconsin Statutes, permits the Redevelopment Authority, subject to the approval of the Common Council, to amend the project plan for a tax incremental financing district.

Section 66.1105 (2)(f) 1.n., permits that amendment to fund projects located outside, but within one half-mile of the district's boundary.

Tax Increment District No. 27 ("District") was created in 1995 and funded the site assembly and clean-up for the Pick N Save Mega Mart project at S. 18<sup>th</sup> & W. National Ave. The 112,000 s.f. store filled a significant need for a full-service grocery store in the Clarke Square neighborhood. The project includes a food court, clinic / pharmacy, bank, liquor store, optical center, and day care center for 40 children. The store employs approximately 160 people (full and part-time). The project also includes an Auto Zone store.

TID 27 has incurred \$2.8 million of expenditures, as of Dec. 2009. The District generates approximately \$225,000 annually in incremental revenue, and is currently expected to close-out following the 2012 levy.

Amendment No. 1 to the District's Project Plan proposes to provide \$400,000 to assist in the redevelopment of certain vacant and underutilized properties at 1538 through 1574 W. National Ave. – on the north side of National Ave., and east of S. Cesar Chavez Dr.

Plans are to demolish existing facilities and develop a 6500 s.f. O'Reilly's auto parts store. In addition, the project includes parking and other site improvements and environmental remediation on the properties identified as 1538 through 1574 W. National Ave. Total estimated costs of the project are \$1,512,400. A second phase, consisting of a two-story office and retail building, containing approx. 10,500 s.f. is planned, but funding for that phase, except for related site work, is not included in this Amendment.

**Amendments to the Project Plan:**

The following amendments are made to the Project Plan. All other sections of the Plan remain unchanged.

**I. DESCRIPTION OF THE PROJECT**

**Sub-Section B**, "Plan Objectives", is amended by adding the following:

- To provide financial assistance for the development of approximately 6500 s.f. of retail space and related site improvements from 1538-1574 W. National Ave.
- **Sub-Section C**, "Proposed Public Action," is amended by adding the following:
  - In addition, the City may provide financial assistance to redevelopment projects located outside, but within one-half mile of the boundary of the district.

**II. PLAN PROPOSALS**

**Sub –Section B (2)**, "Detailed List of Estimated Project Costs," is amended by adding the following to sub-section "c":

- Funding for the development of approximately 6500 s.f. of retail space and related site improvements from 1538-1574 W. National Ave.

**Table A**, "List of Estimated Project Costs," is deleted and restated as follows:

**Table A**  
**List of Estimated Project Costs**

<b>ORIGINAL PROJECT PLAN</b>	
Administration	\$ 25,980
Site Assembly	600,726
Relocation	601,154
Site Improvements	529,195
Demolition and Environmental Remediation	1,060,131
Capitalized Interest	6,692
<b>TOTAL, EXCL. FINANCING</b>	<b>\$2,823,878</b>
Interest Cost	1,213,413
<b>SUB-TOTAL, ORIGINAL PLAN</b>	<b>4,037,291</b>
<b>AMENDMENT NO. 1</b>	
Funding for Redevelopment Project	\$400,000
Admin. / Consulting	2,000
Est. Interest Cost	49,500
<b>SUB-TOTAL, COST OF AMEND. 1</b>	<b>451,500</b>
<b>EST. TOTAL COST OF AMENDED PLAN</b>	<b>4,488,791</b>

**Schedule “A” Estimated Timing of Project Cost** is deleted and restated, as follows:

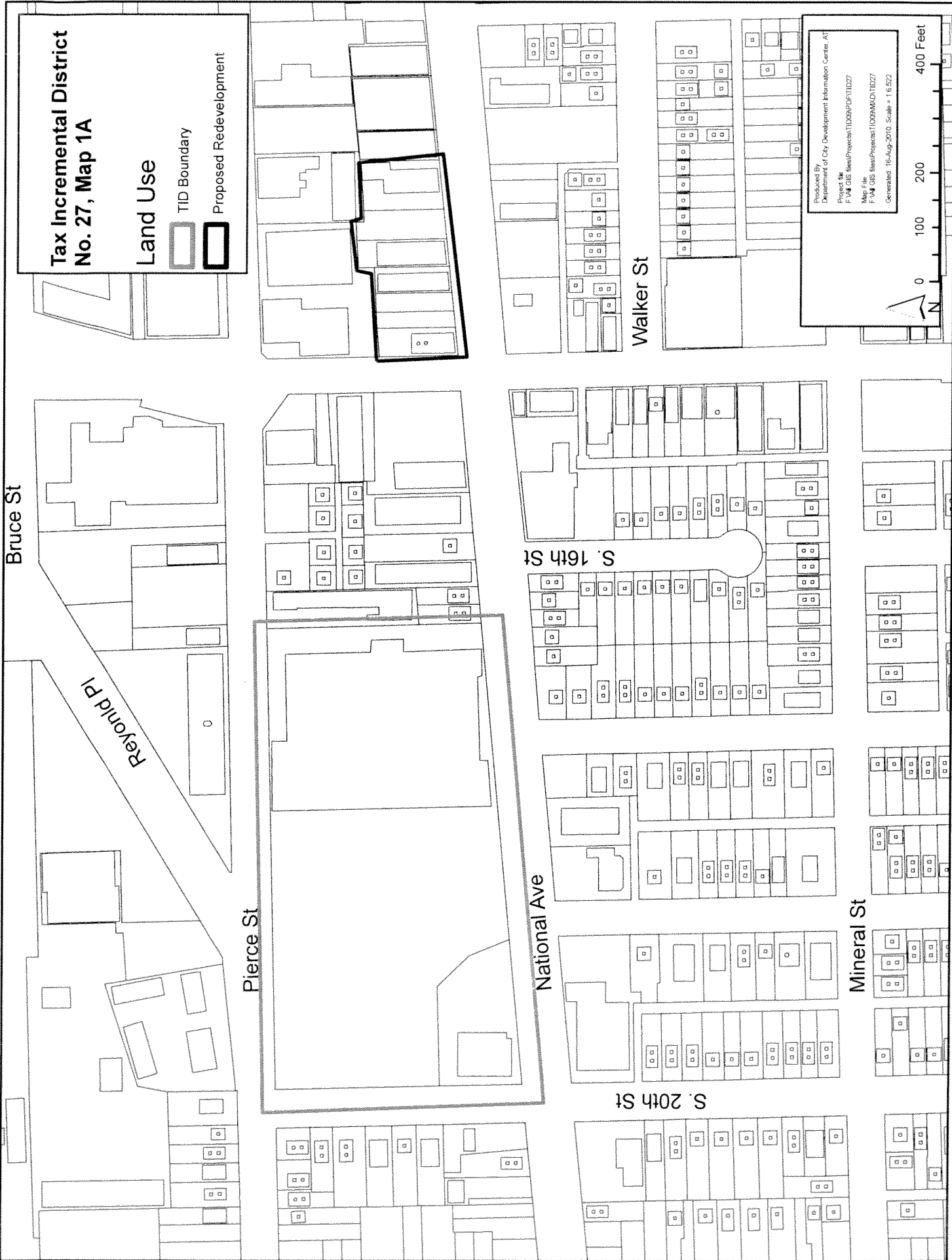
**Schedule “A”**

Year	Estimated Project Costs	Cumulative Total
1995- present	\$2,823,878	\$2,823,878
2010-2011	402,000	3,225,878

**Sub-Section 4, “Economic Feasibility Study,”** is amended by adding:

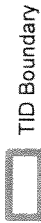
See attached feasibility study for Amended project plan for TID 27.

**Map 1, “Existing Land Use,”** is updated by Map 1A, attached.



# Tax Incremental District No. 27, Map 1A

## Land Use



TID Boundary



Proposed Redevelopment

Produced By  
Department of City Development Information Center, AT  
Project No  
F:\M GIS West\Projects\TID027\DFN11027  
Map File  
F:\M GIS West\Projects\TID027\DCI1027  
Generated 16-Aug-2010, Scale = 1:6,522



0 100 200 400 Feet

## **Updated Economic Feasibility Study for Amended TID No. 27.**

The City proposes to increase the project cost of TID 27 by \$400,000 for the purpose of providing financial assistance for a redevelopment project at S. Cesar Chavez Dr. and W. National Ave.

Terms of the financial assistance is provided in the attached Term Sheet. Funding is to be provided in the form of a subordinated loan at an interest rate of 0%, with an amortization period of 15 years. No payments are due for the first two years of the project and thereafter, monthly payments totaling \$20,000 annually are due.

Given this loan structure, the developer's Internal Rate of Return is estimated at 13+% - well within a market rate of return on equity. See attached.

Annual cash flow in the TID has been in the neighborhood of \$240,000 to \$225,000. The redevelopment project will not contribute to TID cash flow because it is not located within the boundary of the District. Hence TID revenue is not expected to change.

Given the added cost, and including anticipated loan payments starting in year three of the development, the District is expected to have sufficient funds to amortize outstanding City debt by 2014 – approximately two years later than projected without the amendment.

The proposed Amendment is therefore feasible.

Attachments:

- TID 27 Cash Flow
- Redevelopment Project Budget
- Leasing program
- Financing sources
- Redevelopment Project Cash Flow
- Term Sheet
- Site Plan
- Elevations

TID 27 Cash Flow Forecast

Year	District Value	Incremental Value	Incremental Revenue	Debt Service	Amend. 1 Debt Service \$400,000 4%, 5 years	Amend 1 Loan Repayment	Annual Cash Flow	Cum Cash Flow Incl. 3.5% carry cost	Remaining Debt Service
0	1995 \$	1,669,800	\$				\$		4,037,291
1	1996 \$	532,200	\$	\$ 109,038			\$ (109,038)	\$ (109,038)	3,928,253
2	1997	5,106,400	3,436,600	268,454			\$ (268,454)	\$ (381,307)	3,659,800
3	1998	12,392,900	10,723,100	314,984			\$ (213,624)	\$ (608,277)	3,344,816
4	1999	12,757,200	11,087,400	306,185			\$ 13,654	\$ (615,913)	3,038,631
5	2000	12,589,200	10,919,400	303,693			\$ 8,914	\$ (628,556)	2,734,938
6	2001	12,694,100	11,024,300	298,421			\$ 28,193	\$ (622,362)	2,436,517
7	2002	12,682,200	11,012,400	290,478			\$ 20,410	\$ (623,735)	2,146,038
8	2003	12,709,400	11,039,600	262,421			\$ 44,456	\$ (601,110)	1,883,617
9	2004	14,149,900	12,480,100	260,643			\$ 30,885	\$ (591,264)	1,622,975
10	2005	15,155,900	13,486,100	246,672			\$ 78,564	\$ (533,394)	1,376,303
11	2006	16,306,400	14,636,600	242,864			\$ 86,327	\$ (465,736)	1,133,439
12	2007	16,229,900	14,560,100	158,935			\$ 163,619	\$ (318,418)	974,503
13	2008	10,058,000	8,388,200	126,763			\$ 200,263	\$ (129,300)	847,740
14	2009	11,372,300	9,702,500	122,909			\$ 78,290	\$ (55,535)	724,831
15	2010	10,340,100	8,670,300	143,243			\$ 103,952	\$ 46,474	581,589
16	2011			140,556	89,851		\$ (4,979)	\$ 43,121	441,032
17	2012			102,769	89,851		\$ 32,808	\$ 77,438	338,263
18	2013			112,560	89,851	20,000	\$ 43,017	\$ 123,165	225,703
19	2014			110,816	89,851	20,000	\$ 44,761	\$ 172,237	114,887
20	2015			63,913	89,851	20,000	\$ 91,664	\$ 269,929	50,974
21	2016			38,247		20,000	\$ 207,181	\$ 486,557	12,727
22	2017			5,378		20,000	\$ 14,622	\$ 518,209	7,349
23	2018			4,930		20,000	\$ 15,070	\$ 551,416	2,419
24	2019			2,419		20,000	\$ 17,581	\$ 588,297	0
							\$ 4,037,291		



**Chavez & National  
Development Budget - O'Reilly's Only**

21-Sep-10

Rentable Square Feet	6,500
<b>Construction and Design Costs</b>	
O'Reilly's 6500 s.f	\$586,000
Office Retail 10530 s.f	\$0
Environmental	\$117,000
General conditions / Bond / Insurance 7.0%	41,020
Contractor's fees 3.0%	17,580
Geo Technical	5,000
Site Work: incl. demo stone base & asphalt, landscape, lighting	330,000
<b>TOTAL CONSTRUCTION AND DESIGN COSTS</b>	<b>\$1,096,600</b>
<b>Other Development Costs</b>	
Title Insurance / closing	\$1,85
Legal	\$3,08
Lease Commission	\$7,05
Traffic Study	\$0,00
Builder's Risk & Other Insurance	\$0,38
Civil Engineering	\$0,00
Survey at completion	\$4,800
Utility Charges	\$0,00
Appraisal	\$0,54
Architectural	\$7,69
<b>TOTAL OTHER DEVELOPMENT COST</b>	<b>\$21,33</b>
<b>Financing Costs</b>	
Construction Loan Fee	\$1,50
Construction Interest	\$3,48
Financing Costs-Construction Loan	\$0,00
Lender legal	\$0,18
<b>TOTAL FINANCING COSTS</b>	<b>\$5,16</b>
<b>Land Costs</b>	
Land contract payoff	\$22,46
Taxes During Construction	\$0,77
<b>TOTAL LAND COSTS</b>	<b>\$23,23</b>
Development Contingency	\$6,55
<b>TOTAL RESERVES / CONTINGENCIES</b>	<b>\$6,55</b>
<b>TOTAL COST BEFORE DEV/CM FEES</b>	<b>\$225</b>
<b>ENDEAVOR CONSULTING FEE</b>	<b>\$7,69</b>
	<b>3.4%</b>
	<b>\$0,00</b>
	<b>0.0%</b>
<b>TOTAL DEVELOPMENT COST</b>	<b>\$233</b>

16 & National leases																			
Escal.	Tenant	S.F.	Rent per S.F. (NNN)	Annual Rent															
				1	2	3	4	5	6	7	8	9	10						
	O'Reilly's	6,500	\$ 15.00	\$ 97,500	\$ 97,500	\$ 97,500	\$ 97,500	\$ 97,500	\$ 97,500	\$ 104,496	\$ 104,496	\$ 104,496	\$ 104,496	\$ 104,496	\$ 104,496	\$ 104,496	\$ 104,496	\$ 104,496	\$ 104,496
3%	1st Floor retail		\$ 12.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3%	2nd Floor office		\$ 10.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3%				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Total</b>	<b>6,500</b>		<b>\$ 97,500</b>	<b>\$ 97,500</b>	<b>\$ 97,500</b>	<b>\$ 97,500</b>	<b>\$ 97,500</b>	<b>\$ 97,500</b>	<b>\$ 104,496</b>	<b>\$ 104,496</b>	<b>\$ 104,496</b>	<b>\$ 104,496</b>	<b>\$ 104,496</b>	<b>\$ 104,496</b>	<b>\$ 104,496</b>	<b>\$ 104,496</b>	<b>\$ 104,496</b>	<b>\$ 104,496</b>
<b>Non-Reimbursable Operating Expenses</b>																			
	Management																		
	Real Estate Taxes																		
	Property Insurance																		
	Utilities																		
	Repairs																		
	Maintenance																		
	Reserves																		
	<b>Total</b>	<b>@</b>	<b>3%</b>	<b>\$ 2,925</b>	<b>\$</b>	<b>0.45</b>	<b>per s.f.</b>												

Permanent Financing

Total Project Cost **\$1,512,365**

Primary Loan Amount **\$900,000** Per Bank letter 6/10/10  
Additional Funding Required **\$612,365**

TIF Funding (Loan / Grant combination) **\$400,000** **26%**  
Additional Cash Equity Required **\$212,365** **14%**

Bank Loan Terms:

Interest Rate **4.00%**  
Amort. - Years **20**  
Annual Debt Service **(\$66,224)**

19th & National	682,000	8,141	84	17,739	2.18
S.F.					
Value per s.f.					
Taxes per s.f.					
Taxes per s.f.					

**16th & National Cash Flow - O'Reilly's Only**

Year	1	2	3	4	5	6	7	8	9	10
Base Rent (NNN)	\$ 97,500	\$ 97,500	\$ 97,500	\$ 97,500	\$ 97,500	\$ 104,496	\$ 104,496	\$ 104,496	\$ 104,496	\$ 104,496

Net Revenue	\$ 97,500	\$ 97,500	\$ 97,500	\$ 97,500	\$ 97,500	\$ 104,496	\$ 104,496	\$ 104,496	\$ 104,496	\$ 104,496
Less: Vacancy	0%	-	-	-	-	-	-	-	-	-
Less: Non-Reimb. Operating Exp.	\$ 2,925	\$ 2,984	\$ 3,043	\$ 3,104	\$ 3,166	\$ 3,229	\$ 3,294	\$ 3,360	\$ 3,427	\$ 3,496

Net Operating Income	1	2	3	4	5	6	7	8	9	10
Bank Loan Payment	\$ (66,224)	\$ (66,224)	\$ (66,224)	\$ (66,224)	\$ (66,224)	\$ (66,224)	\$ (66,224)	\$ (66,224)	\$ (66,224)	\$ (66,224)
TID CF Loan Payment	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Equity Cash Flow	\$ 28,351	\$ 28,293	\$ 8,233	\$ 8,172	\$ 8,110	\$ 15,043	\$ 14,978	\$ 14,913	\$ 14,845	\$ 14,777
Annual ROE	13.4%	13.3%	3.9%	3.8%	3.8%	7.1%	7.1%	7.0%	7.0%	7.3%
Debt Service Cov. Ratio	1.43	1.43	1.10	1.09	1.09	1.17	1.17	1.17	1.17	1.17

Deferred Fee	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Equity	\$ 212,365	\$	\$	\$	\$	\$	\$	\$	\$	\$
TID Grant	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
TID Loan	\$ 400,000	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Sources	\$ 1,512,365	\$	\$	\$	\$	\$	\$	\$	\$	\$

Gross Sale Proceeds Year 10	\$ 1,262,504
Less: Cost of Sale	\$ 37,875
Less: Loan Balance	\$ 537,133
Less: TID Tax Loan Balance	\$
Less: TID CF Loan Balance	\$ 240,000
Net Sale Proceeds	\$ 447,497

TID Loan Terms	0.00%
Rate	20
Term	(\$20,000.00)
Pynt	0.00%
Accrual Rate	

Net Cash Flow With Sale	\$ 28,351	\$ 28,293	\$ 8,233	\$ 8,172	\$ 8,110	\$ 15,043	\$ 14,978	\$ 14,913	\$ 14,845	\$ 14,777
IRR on Equity (Lev. IRR)	13.7%									

Cap Rate on Sale	1	2	3	4	5	6	7	8	9	10
Loan Balance	900,000	869,776	838,344	805,654	771,657	736,299	699,528	661,285	621,513	580,150
Interest	36,000	34,791	33,534	32,226	30,866	29,452	27,981	26,451	24,861	23,206
Principal	30,224	31,433	32,690	33,997	35,357	36,772	38,242	39,772	41,363	43,018
Loan Balance	869,776	838,344	805,654	771,657	736,299	699,528	661,285	621,513	580,150	537,133

TID CF LOAN AMORT	1	2	3	4	5	6	7	8	9	10
Loan Balance	\$ 400,000	\$ 400,000	\$ 400,000	\$ 380,000	\$ 360,000	\$ 340,000	\$ 320,000	\$ 300,000	\$ 280,000	\$ 260,000
Interest	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Principal	\$	\$	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Loan Balance	400,000	400,000	380,000	360,000	340,000	320,000	300,000	280,000	260,000	240,000

## Term Sheet for

### S. Cesar Chavez Dr. & W. National Ave. Redevelopment Project

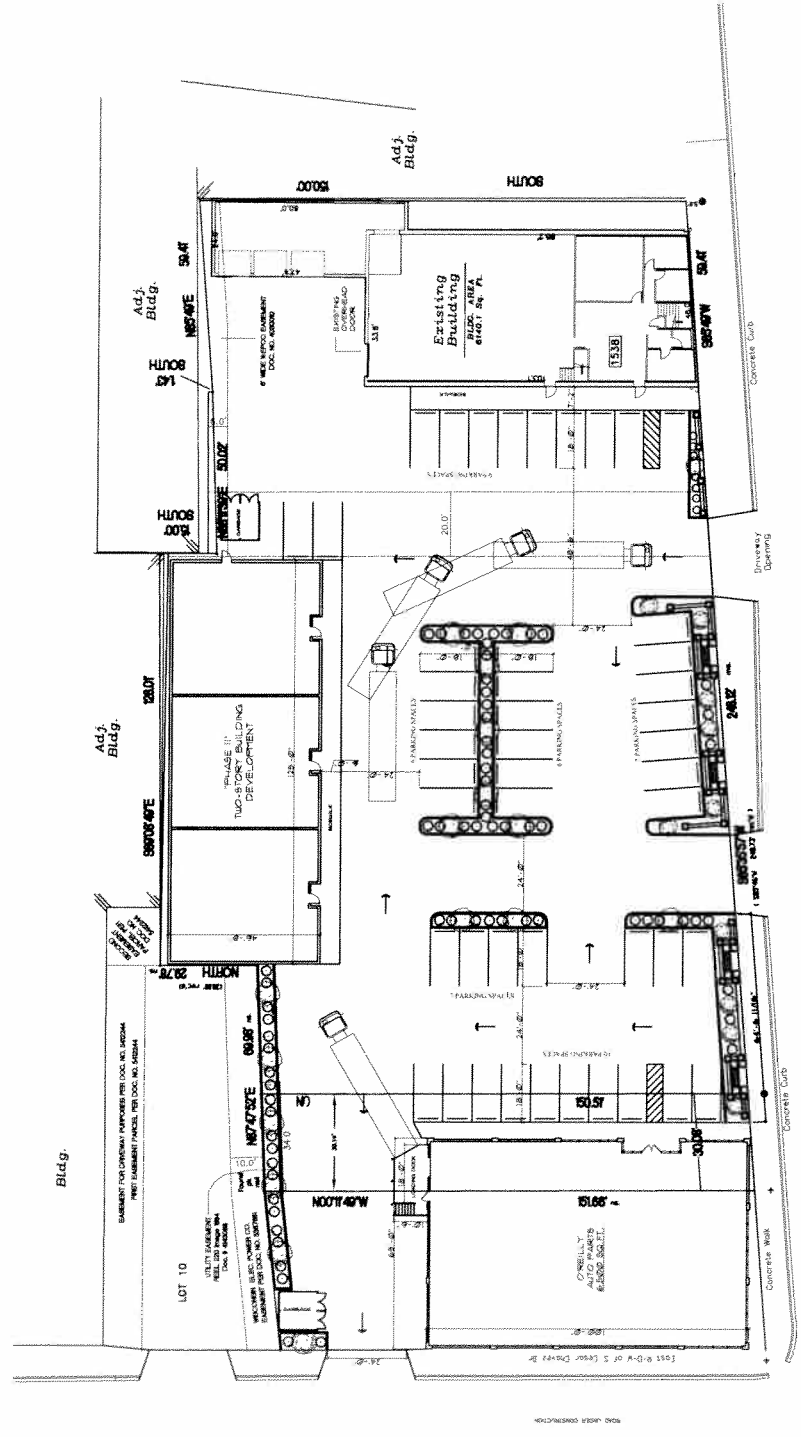
- **Project.** The “Project” consists of the construction of a 6500 s.f. retail facility located at the north-east corner of S. Cesar Chavez Dr. & W. National Ave. for lease to O’Reilly Automotive, Inc. In addition, the project includes parking and other site improvements and environmental remediation on the properties identified as 1538 through 1574 W. National Ave. – all as more particularly set forth in Amendment No. 1 to the Project Plan for Tax Incremental District No. 27 in the City of Milwaukee.
- **Developer/Owner.** The “Developer” for the Project will be an LLC to be formed by Hussein Govani.
- **Project Budget.** The estimated cost of the Project, is \$1,512,000 including site acquisition costs.
- **City Funding.** The City will provide \$400,000 to the Redevelopment Authority of the City of Milwaukee (“RACM”) from Tax Incremental District Bond Account No. TD02780002 for the purposes of providing a Loan to the Project. This funding will be contingent upon the City amending Tax Incremental District No. 27 (Clarke Square), and such amendment being approved by the Joint Review Board for Milwaukee tax increment districts.
- **Loan Terms.** The Loan amount will be \$400,000 and will have an interest rate of 0%, and a term of 17 years. No payments will be due until the third year. Thereafter, the loan will be amortized in equal payments of principal plus interest based on a 20 year amortization. Payments will be made monthly. Security for the Loan will be a second mortgage encumbering the Project, the terms of which shall be commercially reasonable. In addition, RACM will execute a subordination agreement in form and content reasonably acceptable to Developer’s first mortgage lender. The Loan may be prepaid at any time without penalty or fee.
- **Personal Guarantee.** The Loan shall be personally guaranteed by the shareholders of the Developer, in proportion to each shareholder’s ownership interest in the Developer.
- **RACM Responsibilities.** Funds provided by the City to RACM shall be utilized for the costs of the Project and shall be disbursed following the investment by the Developer of not less than \$215,000 and the disbursement, by the Project’s primary lender of its loan proceeds pursuant to a disbursing agreement to be entered into with RACM and a mutually acceptable title insurance company. All repayment revenue received by RACM shall be transferred to

the City as Project Revenues, as defined in Sec. 66.1105(2)(f)1, Wis. Stats. until the termination of the TID.

- **Additional Funding Sources:** To the extent Developer obtains state, local, or federal grants or other funding sources with which to finance the Project, the amount of Loan or Grant proceeds shall be reduced by 90% of such additional sources and such amount will be immediately due and payable upon such event.
  
- **Disbursement of TID Funds.** Prior to disbursement of the Loan the following actions must occur:
  - A. A final budget for the total costs of the Project (hard and soft costs) shall have been approved in writing by City's Commissioner of City Development ("Commissioner").
  - B. Final plans and specifications for the Project shall be approved by the Commissioner.
  - C. The Commissioner shall have received and approved a signed Human Resources Agreement.
  - D. The Developer shall have closed on a construction / permanent loan for the Project, in an amount of \$900,000, and all conditions to the disbursement of such loan, as required by the lender, shall have been satisfied.
  - E. Developer shall provide evidence, satisfactory to the Commissioner, that it has invested \$215,000 of its funds, exclusive of funding from the permanent lender or funding from the Redevelopment Authority.
  
- **Human Resource Requirements.** Prior to disbursement of any City funds, the Developer, City, and RACM shall enter into a customary EBE Agreement providing for not less than 18% participation by Emerging Business Enterprises and a 21% Residents Preference commitment, both in forms consistent with similar transactions.
  
- **PILOT Payments.** The Loan Agreement will require payments in lieu of taxes with respect to the Project or portion of the Project that subsequently becomes exempt from real property taxes.
  
- **Form of Leases, Tenants.** Leases shall be a form generally accepted in the commercial real estate industry for retail and office tenants, and shall be subject to approval as to form only by the Commissioner. Permitted tenants shall exclude employment agencies, and check cashing outlets.

- **Other Provisions.** This Term Sheet does not constitute a binding agreement. The terms set forth herein and other provisions customary for a transaction of this sort shall be incorporated into one or more agreements including the Development Agreement between the City, RACM, and the Developer.





S. CESAR CHAVEZ DR.

W. NATIONAL AVE.

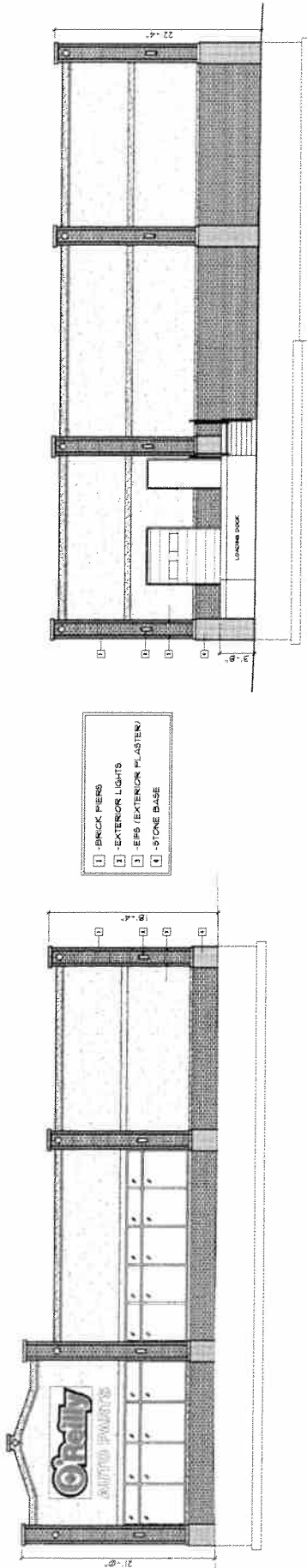
NEW SITE PLAN  
N.T.S.

**BMR**  
DESIGN GROUP, INC.  
Architects & Engineers  
500 West Lincoln Avenue  
Milwaukee, Wisconsin  
414.384.6200

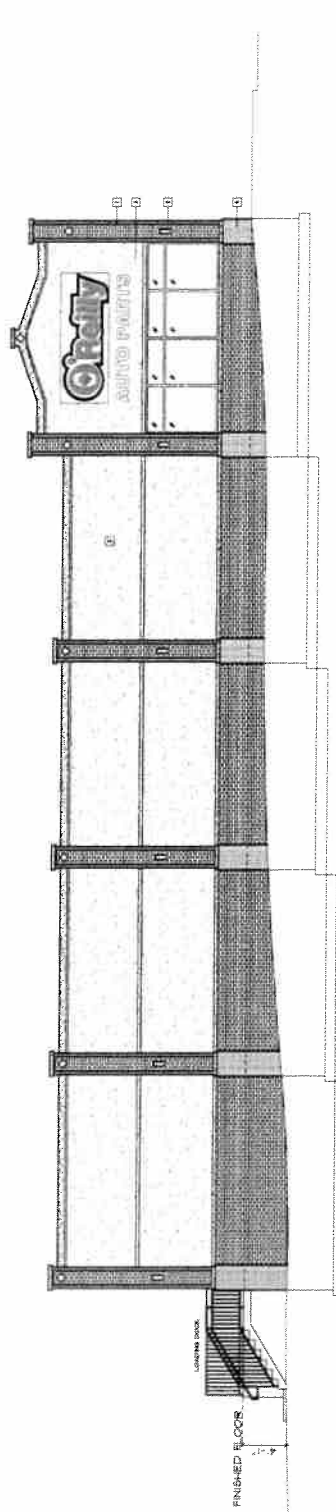
Proposed New O'Reilly Auto Parts 1574 W. National Ave.

By National Real Estate Investors LLC  
Milwaukee, WI

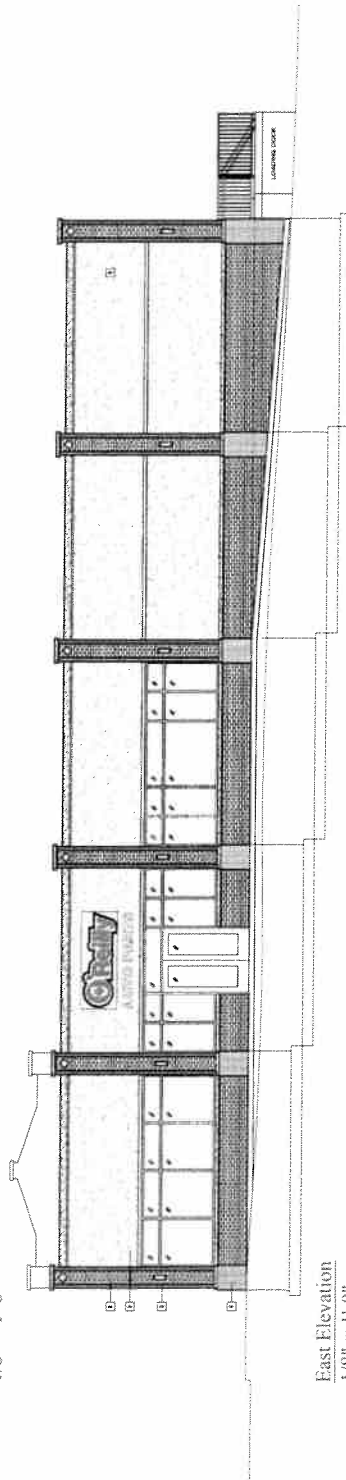
BMR 09-40  
July 06, 2010



Elevation on National Ave.  
1/8" = 1'-0"



Elevation on Cesar Chavez Drive  
1/8" = 1'-0"



East Elevation  
1/8" = 1'-0"