

DRAFT

AMENDMENT NO. 3

**PROJECT PLAN FOR TAX INCREMENTAL FINANCING DISTRICT
(Grand Avenue)**

Public Hearing Held: February 20, 2014

Redevelopment Authority Adopted: February 20, 2014

Common Council Adopted:

Joint Review Board Approved:

**AMENDMENT NO. 3 TO THE PROJECT PLAN FOR
TAX INCREMENTAL DISTRICT NO. 37
(Grand Avenue)**

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.

Tax Increment District No. 37 ("District") was created in 1998 to revitalize the downtown retail and commercial district anchored by the Grand Avenue retail center. Initially, the District funded a \$2 Million loan to assist the 169-room Courtyard by Marriott Hotel project at W. Michigan and N. 3rd streets. This \$13+Million development was the first of several staged revitalization efforts for this area.

In 1999, the District's project plan was amended to assist the renovation of the former Marshall Fields building- now the ASQ Center. City assistance of \$9.4 million, including \$6.4 million in City loans, was provided to help convert the project to hotel, office and retail uses, as well as to restore its exterior. Major tenants include another Marriott Hotel and the American Society for Quality headquarters. ASQ has a staff of 200 and occupies five floors of the building.

In 2000, the plan was amended to provide \$5 million for the renovation of the Boston Store building, upgrading the retail space and the regional offices of Boston Store's owner, Saks, Inc. This project retained the last department store in downtown Milwaukee. The Boston Store retail space and its offices was acquired by an affiliate of WisPark, a subsidiary of WE Energies. The store pays no base rent at this location, only an "overage" rent should gross sales exceed a certain threshold.

Saks sold its Boston Store unit to Bon-Ton Stores, Inc. in 2006. Bon-Ton continues to operate the store and has grown employment in its regional offices to over 750. The store's lease expired in January 2012, and Bon-Ton has been leasing on a year-to-year basis. The store is not profitable.

The purpose of this current amendment is to provide a financial incentive for Bon-Ton to extend its retail lease to coincide with its office lease, which ends in early 2018. This four year extension will contribute to the ongoing efforts to revitalize west Wisconsin

Ave. and strengthen the area as a center for retail activity. This initiative is part of a larger effort to stimulate the area by reactivating the Grand Theater, filling current retail vacancies, increasing the apartment and condo population downtown, and other strategies being worked on by the City Task Force appointed to grow the central business district west of the Milwaukee River.

Amendments to the Project Plan:

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

I. Add in section II.B1 “Statement of the Kind, number, and Location of All proposed Public Works or Improvements.”:

b. 5. Grant to the Redevelopment Authority under section 66.431(13), Wis. Stats., for the purpose of providing Bon-Ton Department Stores, Inc. with an annual amount equal to its share of property taxes allocated to the retail and office space Bon-Ton occupies at 331 W. Wisconsin Ave. through the 2017 levy, but not to exceed \$300,000 per year.

II. Add in Section II.B.2. “Detailed List of Estimated Project Costs”:

Table A

List of Estimated Project Costs

A	Capital Grant from RACM to Bon-Ton Stores, Inc. (Not to exceed \$300,000 annually)	\$1,200,000
B	Administrative, etc.	6,000
C	Total project costs, excluding financing	\$1,206,000
D	Financing	TBD

III. Add to section II.B.3. "Description of Timing and Methods of Financing":

Schedule A: Estimated Timing of Project Costs

Year	Est. Project Cost	Cumulative Total
2014-2018	\$1,206,000	\$1,206,000

Method of Financing Project Costs: Source of funding will be incremental revenue generated by TID 37. No borrowing anticipated.

IV. Add to section B.4 "Economic Feasibility Study"

See feasibility study attached.

EXHIBITS

Exhibit 1: Development Agreement Term Sheet

Exhibit 2: Economic Feasibility Study

EXHIBIT 1

Term Sheet

Amendment No. 3 for Tax Incremental District No. 37

Bon-Ton Stores, Inc. Project

Project: Bon-Ton Department Stores, Inc. to extend its lease and operating covenant for 125,000 s.f. of retail space at 331 W. Wisconsin Ave., through January, 2018. Bon-Ton Stores, Inc. to continue its regional headquarters operations in 170,360 s.f. of office space at 331 W. Wisconsin Ave., through January, 2018. Retail operations and regional headquarters shall retain not less than 750 full-time equivalent positions in the City of Milwaukee.

Tax Increment

District: Means Tax Incremental District No. 37, and the Project Plan therefore, created on June 22, 1998, as amended, and further amended for this Project by the adoption of File No. _____, on _____ 2014 ("District").

Corporation: Bon-Ton Stores, Inc.

Funding: City to provide the Redevelopment Authority of the City of Milwaukee (RACM), pursuant to section 66.431(13) Wis. Stats, and RACM to fund an amount not to exceed \$1,200,000 to Corporation in equal instalments of up to \$300,000 per year ("City Funding") commencing upon the extension of the lease and operating covenant for the above mentioned retail space. The City/RACM funding shall be the lesser of Corporation's actual payment of its share of real estate property taxes for the above mentioned retail and office space, as prorated pursuant to its current leases, or \$300,000.

Use of Funds: Corporation shall utilize City Funding for leasehold improvements, equipment, working capital, advertising and store promotion.

Funding

Reduction: In the event Corporation's employment at the retail and office locations provided above shall, on a combined basis, be less than 750 full-time equivalent positions for a period of six months within any given calendar year, unless caused in substantial part by damage or destruction to its retail and office, or events of force majeure, City/RACM funding for that year will be reduced proportionately, unless employment shall be less than 700 for such time period, then, in such event, no City/RACM funding shall be due for that year. In the event the office operation permanently ceases prior to January 31, 2018, all previous funding from the City/RACM shall immediately be repaid. Corporation shall submit to City copies of its UC-101A Quarterly Contribution / Wage Report at the same time it submits it to the Wisconsin Dept. of Workforce Development. Corporation shall submit such other information to evidence its employment as City may reasonably require.

Full-Time
Equivalent

Position: The term "full-time equivalent position" means any regular, full-time position, or the equivalent thereof, where an employee is required, as a condition of employment, to work at least 40 hours per week and at least 2080 hours per year, including paid leave and holidays, and for which the employee receives pay that is equal to at least 150% of the federal minimum wage.

Bostco LLC Bostco LLC is the owner of the retail and office spaces leased by Bon-Ton. Bostco LLC to reduce rent for office space on floors 3, 4, and 5 at 331 W. Wisconsin Ave.

Human

Resources: Company shall also comply with applicable Human Resource requirements for the construction of privately owned improvements or building renovations as to which the City has provided funding.

General: This Term Sheet does not constitute an agreement with the Corporation. The terms set forth herein, and other provisions customary for a transaction of this sort, shall be incorporated in a Cooperation, Contribution, and Redevelopment Agreement for this tax incremental district.

EXHIBIT 2

Economic Feasibility

The City of Milwaukee proposes to retain Bon-Ton Department Store's retail and regional office operations at 331 W. Wisconsin Ave. through January, 2018 by providing financial assistance from Tax Increment District No. 37.

Funding from TID 37 will be equivalent to Bon-Ton's proportionate share of real estate taxes for its leased retail and office space. Payment will be contingent on Bon-Ton's extension of its retail lease and operating covenant and the retention of 750 full-time equivalent positions employed in both functions.

TID 37 was created in 1998 and has been amended twice to assist in funding the Marriott hotel adjacent to the Grand Ave., the redevelopment of the former Marshall Fields building, and to upgrade the Boston Store retail space.

As of December 31, 2013, project costs for TID 37 totaled \$20.9 million, including \$2.5 million of capitalized interest. Following the 2013 levy, costs remaining to be recovered are estimated at \$1.4 million, somewhat less than one-year's incremental revenue of \$1.8 to \$2.0 million.

Consequently, the addition of up to \$1.2 million of project costs, plus \$6000 for administration costs, as proposed in Amendment No. 3, should be recoverable, without borrowing, with less than one-year's additional incremental revenue. The table attached summarizes the current status of TID 37.

The District's maximum life is 27 years, ending in 2025, indicating there is sufficient time to recover these expenses.

Accordingly, the District as amended would remain financially viable.

EXHIBIT A: CALCULATION OF REMAINING AMOUNT	Grand Avenue
TO BE RECOVERED IN TID 37	Redevelopment
	TID-37
Life-to-date 12-31-13 project expenditures	\$ 20,877,332
Estimated future project expenditures	
Remaining encumbrances	-
Remaining appropriation (will not be spent)	-
Interest payments through December 31, 2012	9,137,452
Add bond interest costs:	
Scheduled 2013 to maturity	1,667,467
Estimated interest on future borrowings	-
Estimated future capitalized interest	-
Cumulative City of Milwaukee carrying cost 12-31-12	(1,123,242)
Total project costs	30,559,009
Project revenues through 12/31/13	(9,018,094)
Bond proceeds in excess of principal debt service payments	(139,931)
Net project costs to be recovered through tax increments	21,400,984
Tax increments levied:	
1999	173,189
2000	204,109
2001	674,020
2002	979,712
2003	1,019,749
2004	1,503,155
2005	1,357,668
2006	1,617,743
2007	2,065,310
2008	1,449,257
2009	2,032,261
2010	1,363,389
2011	1,640,869
2012	1,862,611
2013	2,079,945
Total tax increments levied at December 31, 2013	20,022,987
Donations to TIDs	-
Amount to be recovered	\$ 1,377,997
Remaining recovery years	12