

Century City/Villard Square NMTC Financing
March 22, 2011

B

Project Description

1. Borrower (QALICB): "Century City Redevelopment Corporation" or "CCRC". § 66.1301(3)(s), Wis. Stats.
 - A. City and RACM organize CCRC under Ch. 180 (Stock Corp.) (Sec. 66.1307(1) refers to "general corporation law. Shares owned in full by City of Milwaukee (the "beneficial owner" of the property for purposes of property tax).¹
 - B. Common Council appoints RACM as its agent to do everything the planning commission would otherwise do under the Urban Redevelopment Law.
 - C. RACM and CCRC create a development plan for each area/site, meeting the requirements of 66.1303(1).
 - D. RACM holds a hearing on the plan(s).
 - E. RACM approves the plan(s) after making the determinations set forth in 66.1303(3).
 - F. Common Council approves the plan(s) by 2/3 vote after making the determinations set forth in 66.1303(4).
 - G. Common Council approves any sale of real estate to third party and any lease of entire building to third party.
 - H. If any of the property is to be purchased by CCRC from the City, then notice, hearing and approval requirements under 66.1319 will be required.
2. CDE: MEDC Subsidiary CDE, LLC.
3. Investor: TBD (e.g. Chase affiliate).
4. Prior to the Closing, City/RACM enter into a loan agreement for City to provide RACM with a portion of the Leveraged Funds.
 - A. Bond Loan Proceeds (\$6.9 million). The source of repayment for the loan from City to RACM will be incremental tax revenues paid to CCRC in the form of a TIF grant. The source of funds for the loan should not, therefore, also be the

¹ See 66.1331(11) Wis. Stats., discussing limits on exemption for "private redevelopment company."

pledge of incremental tax revenues; nor should the pledge of proceeds be used to support other borrowing.

- B. Villard Square Capital Funds. A portion of the funds are used upon the sale of the property by RACM to CCRC to repay the loan made for March acquisition. To service the \$2,750,000 debt from RACM to City:
1. During compliance period (Yr. 1-7) RACM makes annual loan payment of \$24,000 to City, from proceeds of rent collected by CCRC.
 2. After compliance, RACM makes annual loan payment of \$134,000 (\$110,000 principal plus \$24,000 rent) to City, from proceeds of rent collected by CCRC. [City has option to acquire the Note from RACM]
5. Leverage Lender: RACM. enters into Loan Agreement with Investment Fund ("IF")
- A. \$13,409,890 in Leverage Lender funds must transfer from Leverage Lender account(s) to IF account at NMTC Closing;
1. RACM Revolving Loan Funds;
 2. RACM (HUD) Economic Development Initiative ("EDI") funds;
 3. RACM (WISDOT) funds must be [loaned][disbursed] to RACM (\$3,100,000);
 4. Commerce funds – if only available as reimbursement, will need bridge loan; may be better to use BCRLF and seek reimbursement;
 5. Bond Loan Proceeds (\$6,900,0000).
 6. Villard Square Capital Funds
 - a. City 1-day loan ("One Day Loan")(\$1,276,000);
 - b. City capital improvement funds (\$1,474,000)
6. Property is sold by RACM to CCRC²:
- A. Century City, or a portion thereof, for [\$3.1/\$3.8] million (DOT reimbursement funds can then be paid by RACM to City to pay down TID)(additional purchase price received by RACM might be used to again revolve in the RLF)(Any

² Transfer tax not assessed where conveyances is from government agencies of a municipality in this state. Where the transferor is also a lender for the transaction, a return must be filed (but still no tax). See Sections 77.25(2) and 77.255. See also <http://www.revenue.wi.gov/pubs/slf/pb802.pdf> at 12

funds from sales or rent, not needed for debt service or project costs to be paid as contingent purchase price or distribution to shareholders).

- B. Villard Square Library. RACM can use proceeds to repay the March loan. Landlord provides a construction allowance to Tenant for buildout (draws from account on presentation of lien waivers, or a grant). Villard Square must be subject to redevelopment plan, in accordance with Sec. 66.1303, Wis. Stats. et seq.
- C. Prior to Closing on NMTC, need:
 - 1. to properly form CCRC (Articles of Incorporation and Bylaws; appoint board);
 - 2. Purchase and Sale agreement for Villard Square and Century City by CCRC;
 - 3. Assignment of lease for Villard Square and Talgo. ?
 - 4. [Development Agreement between City and CCRC, providing CCRC with a developer grant in the form of future tax increments, corresponding to debt obligations under NMTC schedule, to be used to satisfy CCRC debt obligations to MEDC sub-CDE; funds trace up to pay down debt on Bond Loan to RACM.]
- 7. Investment Fund invests in Sub-CDE. Investment Fund subject to NMTC Investor requirements:
 - A. Forbearance;
 - B. Redeployment;
 - C. Guarantees by RACM and/or City
 - 1. NMTC Value;
 - 2. Environmental and "traditional" lender requirements.
- 8. Sub-CDE makes loan (Note A and Note B) to CCRC
 - A. Proceeds used to pay:
 - 1. Closing costs
 - 2. Reserve Funds, if any
 - 3. Villard Square
 - a. Acquisition Cost \$1.276 million;

- b. 2011 project cost \$1.55 million
 - 4. Century City
 - a. 2011 acquisition cost [\$3.1/\$3.8] million
 - b. 2011 Project Costs - \$7 million
 - (i) Demolition
 - (ii) Investigation/Remediation
 - c. 2012 Project Costs - \$6 million³
- B. Security traditionally in the form of Mortgage and UCC filings. Exclude assets as appropriate or necessary.
9. Debt Service on Loan yr. 1-7 (\$207,000/yr. for yr. 1-7):
 - A. Villard Square Rent (\$ 24,000/yr.)
 - B. Talgo Rent (\$360,000/yr.)
 - C. T-Mobile (\$19,200/yr.)
 - D. Developer grant from City (from Incremental Tax Revenues) (up to \$163,800 depending on Talgo rent)
10. Debt Service on Loan yr. 8-25 (2018-2036) (\$1,003,000/yr principal, plus \$207,000/yr interest)
 - A. Villard Square Rent (\$134,000/yr.)
 - B. Land Sales (est. \$270,000/yr., from 2018 to 2025; see attached)
 - C. Developer grant from City (from Incremental Tax Revenues)
 - 1. \$806,000 from 2018 to 2025;
 - 2. \$1,210,000 per year from 2025 through 2041.
11. At year 7, ownership in Investment Fund is conveyed to/acquired by RACM or related party through Put (\$1,000) or Call. Notes can be terminated.

³ If project cash > 5% of CCRC total assets, may have issue of non-qualifying financial assets.

City of Milwaukee- N, 35th St. and W. Capitol Dr. TID Economic Feasibility Study
 Figure 5.8: TID Debt Capacity

DRAFT

Year of TID	Calendar Year	Scenario 1: Tax Rate Stabilization at 2.0%				Scenario 2: Tax Rate Stabilization at 2.3%			
		Repayment Sources				Repayment Sources			
		Incremental Property Tax Tower Site Only	Estimated Sale Proceeds Tower Site	Incremental Property Tax-Balance of TID	Total Anticipated Sources	Incremental Property Tax Tower Site Only	Estimated Sale Proceeds Tower Site	Incremental Property Tax-Balance of TID	Total Anticipated Sources
1	2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	2012	\$ -	\$ -	\$ -	\$ 37,269	\$ -	\$ -	\$ -	\$ 37,269
5	2013	\$ -	\$ 4,183,131	\$ -	\$ 4,252,195	\$ -	\$ 4,183,131	\$ -	\$ 4,252,195
6	2014	\$ -	\$ 289,248	\$ -	\$ 390,643	\$ -	\$ 250,248	\$ 110,395	\$ 390,643
7	2015	\$ 66,780	\$ 285,853	\$ -	\$ 398,501	\$ 66,780	\$ 285,853	\$ -	\$ 498,901
8	2016	\$ 195,908	\$ 291,570	\$ -	\$ 669,071	\$ 197,885	\$ 291,570	\$ -	\$ 673,074
9	2017	\$ 279,644	\$ 279,826	\$ -	\$ 776,145	\$ 287,259	\$ 279,826	\$ -	\$ 789,662
10	2018	\$ 351,324	\$ 287,497	\$ -	\$ 870,044	\$ 366,831	\$ 267,497	\$ -	\$ 876,614
11	2019	\$ 408,425	\$ 272,847	\$ -	\$ 966,617	\$ 433,469	\$ 272,847	\$ -	\$ 1,069,157
12	2020	\$ 450,843	\$ 278,303	\$ -	\$ 1,048,194	\$ 486,361	\$ 278,303	\$ -	\$ 1,108,846
13	2021	\$ 491,892	\$ 283,870	\$ -	\$ 1,128,103	\$ 539,379	\$ 283,870	\$ -	\$ 1,209,598
14	2022	\$ 531,616	\$ 289,547	\$ -	\$ 1,206,187	\$ 592,326	\$ 289,547	\$ -	\$ 1,311,433
15	2023	\$ 570,038	\$ 295,338	\$ -	\$ 1,283,088	\$ 645,804	\$ 295,338	\$ -	\$ 1,414,374
16	2024	\$ 608,014	\$ 301,245	\$ -	\$ 1,359,677	\$ 699,216	\$ 301,245	\$ -	\$ 1,518,442
17	2025	\$ 654,579	\$ 271,837	\$ -	\$ 1,416,524	\$ 752,766	\$ 271,837	\$ -	\$ 1,588,227
18	2026	\$ 701,265	\$ -	\$ -	\$ 1,231,856	\$ 806,454	\$ -	\$ -	\$ 1,416,635
19	2027	\$ 748,074	\$ -	\$ -	\$ 1,119,859	\$ 860,295	\$ -	\$ -	\$ 1,317,253
20	2028	\$ 795,010	\$ -	\$ -	\$ 1,409,014	\$ 914,261	\$ -	\$ -	\$ 1,610,367
21	2029	\$ 842,074	\$ -	\$ -	\$ 1,492,041	\$ 968,385	\$ -	\$ -	\$ 1,723,897
22	2030	\$ 889,270	\$ -	\$ -	\$ 1,590,057	\$ 1,022,660	\$ -	\$ -	\$ 1,828,566
23	2031	\$ 936,592	\$ -	\$ -	\$ 1,682,084	\$ 1,077,089	\$ -	\$ -	\$ 1,934,397
24	2032	\$ 986,552	\$ -	\$ -	\$ 1,757,629	\$ 1,111,535	\$ -	\$ -	\$ 2,021,273
25	2033	\$ 973,653	\$ -	\$ -	\$ 1,811,237	\$ 1,119,706	\$ -	\$ -	\$ 2,087,923
26	2034	\$ 980,905	\$ -	\$ -	\$ 1,865,918	\$ 1,128,041	\$ -	\$ -	\$ 2,145,896
27	2035	\$ 988,298	\$ -	\$ -	\$ 1,921,693	\$ 1,136,542	\$ -	\$ -	\$ 2,209,947
28	2036	\$ 995,838	\$ -	\$ -	\$ 1,978,583	\$ 1,145,214	\$ -	\$ -	\$ 2,275,370
TOTALS		\$ 14,416,508	\$ 7,581,111	\$ -	\$ 11,967,309	\$ 33,974,928	\$ 16,358,448	\$ 7,581,111	\$ 13,541,033
PV 5/10/10	4.5%	\$ 5,359,345	\$ 5,925,912	\$ -	\$ 4,340,652	\$ 15,615,909	\$ 6,005,014	\$ 5,925,912	\$ 4,833,385

Source: S. B. Fridman & Company

Note: These projections are based on estimates, assumptions, and other information developed from research of the market, knowledge of the industry, and meetings during which we obtained certain information. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those shown here and the variations may be material.

City of Milwaukee- N. 35th St. and W. Capitol Dr. TID Economic Feasibility Study DRAFT
 Figure 5.7: Anticipated Sale Revenues

Industrial	per acre	\$ 65,000	0.30 FAR
Bldgs 35 & 36	per sf (bldg)	\$ 8	
Retail	per sf	\$ 10	0.25 FAR
For-Sale Residential	per lot	\$ 5,000	
Rental Residential	per unit	\$ -	900 sf/unit avg

Land Sale Proceeds

Proj Yr	Year	Inflation Factor	Industrial	Retail	For-Sale Residential	Rental Residential	TOTAL
0	2008	0.98	\$ -	\$ -	\$ -	\$ -	\$ -
1	2009	1.00	\$ -	\$ -	\$ -	\$ -	\$ -
2	2010	1.02	\$ -	\$ -	\$ -	\$ -	\$ -
3	2011	1.04	\$ -	\$ -	\$ -	\$ -	\$ -
4	2012	1.06	\$ -	\$ -	\$ -	\$ -	\$ -
5	2013	1.08	\$ 2,202,280	\$ 1,948,378	\$ 32,473	\$ -	\$ 4,183,131
6	2014	1.10	\$ 247,126	\$ -	\$ 33,122	\$ -	\$ 280,248
7	2015	1.13	\$ 253,068	\$ -	\$ 33,785	\$ -	\$ 285,853
8	2016	1.15	\$ 257,109	\$ -	\$ 34,461	\$ -	\$ 291,570
9	2017	1.17	\$ 262,252	\$ -	\$ 17,575	\$ -	\$ 279,826
10	2018	1.20	\$ 267,497	\$ -	\$ -	\$ -	\$ 267,497
11	2019	1.22	\$ 272,847	\$ -	\$ -	\$ -	\$ 272,847
12	2020	1.24	\$ 278,303	\$ -	\$ -	\$ -	\$ 278,303
13	2021	1.27	\$ 283,870	\$ -	\$ -	\$ -	\$ 283,870
14	2022	1.29	\$ 289,547	\$ -	\$ -	\$ -	\$ 289,547
15	2023	1.32	\$ 295,338	\$ -	\$ -	\$ -	\$ 295,338
16	2024	1.35	\$ 301,245	\$ -	\$ -	\$ -	\$ 301,245
17	2025	1.37	\$ 271,837	\$ -	\$ -	\$ -	\$ 271,837
18	2026	1.40	\$ -	\$ -	\$ -	\$ -	\$ -
19	2027	1.43	\$ -	\$ -	\$ -	\$ -	\$ -
20	2028	1.46	\$ -	\$ -	\$ -	\$ -	\$ -
21	2029	1.49	\$ -	\$ -	\$ -	\$ -	\$ -
22	2030	1.52	\$ -	\$ -	\$ -	\$ -	\$ -
23	2031	1.55	\$ -	\$ -	\$ -	\$ -	\$ -
24	2032	1.58	\$ -	\$ -	\$ -	\$ -	\$ -
25	2033	1.61	\$ -	\$ -	\$ -	\$ -	\$ -
26	2034	1.64	\$ -	\$ -	\$ -	\$ -	\$ -
27	2035	1.67	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL			\$ 5,481,317	\$ 1,948,378	\$ 151,416	\$ -	\$ 7,581,111

Sources: S.B. Friedman and Company