

BUSINESS IMPROVEMENT DISTRICT NO. 2

2019 OPERATING PLAN

October 8, 2018

Submitted by:

Business Improvement District No. 2
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Table of Contents

| | |
|--|----|
| I. Introduction | 4 |
| A. Background | 4 |
| B. Physical Setting | 4 |
| II. District Boundaries | 5 |
| III. Proposed Operating Plan | 5 |
| A. Plan Objectives | 5 |
| B. Proposed Activities – Year 32 | 5 |
| C. Proposed 2019 Budget for Year 32 | 9 |
| D. Financing Method | 9 |
| E. Organization of BID Board | 9 |
| F. Relationship to Historic Third Ward Association | 10 |
| IV. Method of Assessment and Disbursement | 11 |
| A. Assessment Rate and Method | 11 |
| i. General Assessment | 11 |
| ii. Riverwalk Assessment | 12 |
| iii. Dockwall Assessment | 12 |
| iv. Riverwalk Maintenance Assessment | 12 |
| v. Contingent Assessments | 13 |
| B. Excluded and Exempt Property | 13 |
| V. Relationships to the Comprehensive Plan and the Orderly Development of the City | 14 |
| A. City Plans | 14 |
| B. City Role | 14 |
| VI. Plan Approval Process | 15 |
| A. Public Review Process | 15 |
| i. Changes to the Operating Plan | 15 |
| ii. Annual appointment of BID-2 Board Members | 15 |
| VII. Future Years Operating Plans | 15 |
| A. Phased Development | 15 |
| B. Amendment, Severability and Expansion | 16 |

VIII. APPENDICES

| | |
|--|----|
| A. Business Improvement District Statute | 17 |
| B. BID Boundaries (Map) | 21 |
| C. Year 32 Assessments | 22 |
| D. 2019 Budget for Year 32 | 26 |
| E. Petition for Creation of BID District | |
| F. Common Council resolution Creating Business Improvement District No. 2 | |
| G. BID-2 Bylaws | |
| H. Statement of City Attorney | |
| I. Development of Riverwalk Project | |
| J. First Amendment to BID-2 1998 Operating Plan | |
| K. Riverwalk Development Agreement | |
| L. Second Amendment to BID-2 1998 Operating Plan | |
| M. Development of Water Street Parking Structure | |
| N. Third Amendment to BID-2 1998 Operating Plan | |
| O. Dockwall Development Loan Agreement | |
| P. 2019 Fiscal Year Dockwall Assessments Per Property | |
| Q. Fourth Amendment to Riverwalk Development Agreement, First Amendment to Dockwall Development Loan Agreement and Third Amendment to Cooperation Agreement | |
| R. 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 | |
| S. Fifth Amendment to Riverwalk Development Agreement | |
| T. Sixth Amendment to Riverwalk Development Agreement | |
| U. Resolution Dissolving TID 11 | |
| V. Third Ward Streetlight Agreement with the City | |
| W. Catalano Square and Erie Street Plaza Lease | |
| X. Third Amendment to TID 56 | |

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 F)

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 2019.

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 Milwaukee Lakeshore State Park. The Third Ward also occupies frontage along the Milwaukee River to the west and south.

The Third Ward contains a large concentration of historic late 19th and early 20th 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 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 B. It includes 182 taxable parcels and 36 exempt parcels, either, city, county, state, or otherwise exempt. 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 2nd Street, extended; thence north along the eastern line of the right of way of North 2nd 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 June 2018 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 32

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, lease and maintain and/or assist in the creation of a public market annex at 346 N Broadway ("Milwaukee Public Market Annex").
10. To 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 thirteenth payment toward the Riverwalk loan in the amount of \$47,209.00 and the tenth 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 2019 the amount

shall be \$18,000. The City will also include \$5,000 in the DPW budget to mitigate costs associated with removing snow accumulation on Broadway.

40. Comply with reporting and notice requirements of public records law and open meeting law.
41. 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)
42. 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.
43. 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.
44. To continue the Graffiti Removal Program and submit an application for a City of Milwaukee grant, if available.
45. In addition, the Business Improvement District has a contractual agreement that the Historic Third Ward Association (HTWA) will do the following in 2019:
 - 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.
 - Maintain a bookkeeping, payroll and monthly financial reporting system.
 - Continue to enhance HTWA benefits of membership.
 - Coordinate events, promotion and advertising. Events currently are, but are not limited to, Christmas in the Ward, Gallery Night & Day, Sidewalk Sales, World's Largest Coffee Break, and the Third Ward Art Festival.
 - Continue to offer the merchant/business coupon validation program.
 - 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.
 - Maintain ongoing involvement with downtown stakeholders to develop retail and marketing strategies.
 - Maintain ongoing involvement with downtown stakeholders to develop transportation strategies.
 - Maintain 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. 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 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 for Third Ward merchants.
- Hold security meetings as necessary.
- 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
- 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 2019 BUDGET FOR YEAR 32

See Appendix, Exhibit D 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 as well as net revenue from the BID's parking structures. It is estimated that the budget will raise \$573,030 through these assessments detailed on Appendix, Exhibit C, 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, \$18,000 to maintain the Riverwalk Connector (a partnership including the City, Downtown Riverwalk District, and BID 2) portion of the Riverwalk and \$5,000 to mitigate cost associated with removing snow accumulation on Broadway. 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 G. 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:

| Name | Affiliation | Term Ends |
|-----------------------|----------------------|------------------|
| Kendall Breunig | BID-2 Property Owner | 7/20/2021 |
| Marianne Burish | BID-2 Property Owner | 3/22/2020 |
| Michael DeMichele | BID-2 Property Owner | 11/12/2018 |
| Michael Gardner | BID-2 Property Owner | 3/3/2020 |
| Robert Joseph | BID-2 Property Owner | 2/15/2020 |
| Robert Monnat | BID-2 Property Owner | 3/6/2020 |
| Ann Pieper Eisenbrown | BID-2 Property Owner | 2/24/2020 |
| Ronald San Felippo | BID-2 Property Owner | 4/25/2020 |
| Greg Uhen | BID-2 Property Owner | 2/21/2020 |

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 19 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-2 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 15th 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, 2018, the property in the District had a total assessed value of over \$299,317,173. This plan proposed to assess the property in the district at a rate of \$1.67 per \$1,000 of assessable value. This does not include special assessments agreed to by specific parcels.

Appendix Exhibit C lists the total amount to be raised through assessments in 2019 (Year 32) 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 June 2018 figures.
3. The total number of parcels assessed under the Plan are parcels identified in Appendix, Exhibit C.

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 15th 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 K "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 J 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 P will be assessed per their agreements with BID-2.

iv. RIVERWALK MAINTENANCE ASSESSMENT

Those properties identified in Exhibit K "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 J, beginning in 2004 (Plan Year 17).

With the addition of the Riverwalk Connector Project identified in Appendix, Exhibit S "Fifth Amendment to Riverwalk Development Agreement" and Appendix, Exhibit T "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 31st. 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 N. 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 C shows the percentage of payment allocated to each parcel in BID-2 using the City's June 2018 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.
3. Wis. Stats. 66.1109 (5)(d): Property that is specially assessed as authorized under this section is of mixed use such that part of the real property is exempted from general property taxes under s. 70.11 or is residential, or both, and part of the real property is taxable, the municipality may specially assess as authorized under this section only the percentage of the real property that is not tax-exempt or residential. This paragraph applies only to a 1st class city.
4. 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 H.
5. This Plan relies on the procedures adopted by the Common Council (Appendix, Exhibit F) 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 2019 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 | 3978004000 | 4290124200 | 3920860100 | 3921727100 |
| 3921732000 | 3978007000 | 3920778100 | 3920624110 | 3921728000 |
| 3920623110 | 4298001000 | 3920879110 | 3921486210 | 3960001100 |
| 3920631111 | 4299999000 | 3921493111 | 3921489100 | |
| 3922178120 | 4299998000 | 3920757111 | 3921490111 | |
| 3978003000 | 4290124111 | 3920636111 | 3921492110 | |

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 BIDs. 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 Community and 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 Community and 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 32 activities for calendar year 2019 (Plan Year), and information on specific land areas, building square footage, assessed values, budget amounts and assessment amounts.

This 2019 BID-2 Operating Plan will continue to apply the assessment formula against the assessed value as determined by the City as of January 1, 2018, to raise funds to meet the 2019 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).

Appendix A

Business Improvement District Statute

.1109 Business improvement districts.

(1) In this section:

- (a) "Board" means a business improvement district board appointed under sub. (3) (a).
- (b) "Business improvement district" means an area within a municipality consisting of contiguous parcels and may include railroad rights-of-way, rivers, or highways continuously bounded by the parcels on at least one side, and shall include parcels that are contiguous to the district but that were not included in the original or amended boundaries of the district because the parcels were tax-exempt when the boundaries were determined and such parcels became taxable after the original or amended boundaries of the district were determined.
- (c) "Chief executive officer" means a mayor, city manager, village president or town chairperson.
- (d) "Local legislative body" means a common council, village board of trustees or town board of supervisors.
- (e) "Municipality" means a city, village or town.
- (f) "Operating plan" means a plan adopted or amended under this section for the development, redevelopment, maintenance, operation and promotion of a business improvement district, including all of the following:

1. The special assessment method applicable to the business improvement district.
- 1m. Whether real property used exclusively for manufacturing purposes will be specially assessed.
2. The kind, number and location of all proposed expenditures within the business improvement district.
3. A description of the methods of financing all estimated expenditures and the time when related costs will be incurred.
4. A description of how the creation of the business improvement district promotes the orderly development of the municipality, including its relationship to any municipal master plan.
5. A legal opinion that subds. 1. to 4. have been complied with.

(g) "Planning commission" means a plan commission under s. 62.23, or if none a board of public land commissioners, or if none a planning committee of the local legislative body.

(2) A municipality may create a business improvement district and adopt its operating plan if all of the following are met:

- (a) An owner of real property used for commercial purposes and located in the proposed business improvement district designated under par. (b) has petitioned the municipality for creation of a business improvement district.
- (b) The planning commission has designated a proposed business improvement district and adopted its proposed initial operating plan.
- (c) At least 30 days before creation of the business improvement district and adoption of its initial operating plan by the municipality, the planning commission has held a public hearing on its proposed business improvement district and initial operating plan. Notice of the hearing shall be published as a class 2 notice under ch. 985. Before publication, a copy of the notice together with a

copy of the proposed initial operating plan and a copy of a detail map showing the boundaries of the proposed business improvement district shall be sent by certified mail to all owners of real property within the proposed business improvement district. The notice shall state the boundaries of the proposed business improvement district and shall indicate that copies of the proposed initial operating plan are available from the planning commission on request.

- (d) Within 30 days after the hearing under par. (c), the owners of property to be assessed under the proposed initial operating plan having a valuation equal to more than 40 percent of the valuation of all property to be assessed under the proposed initial operating plan, using the method of valuation specified in the proposed initial operating plan, or the owners of property to be assessed under the proposed initial operating plan having an assessed valuation equal to more than 40 percent of the assessed valuation of all property to be assessed under the proposed initial operating plan, have not filed a petition with the planning commission protesting the proposed business improvement district or its proposed initial operating plan.
- (e) The local legislative body has voted to adopt the proposed initial operating plan for the municipality.
- (2m)** A municipality may annex territory to an existing business improvement district if all of the following are met:
 - (a) An owner of real property used for commercial purposes and located in the territory proposed to be annexed has petitioned the municipality for annexation.
 - (b) The planning commission has approved the annexation.
 - (c) At least 30 days before annexation of the territory, the planning commission has held a public hearing on the proposed annexation. Notice of the hearing shall be published as a class 2 notice under ch. 985. Before publication, a copy of the notice together with a copy of a detail map showing the boundaries of the territory proposed to be annexed to the business improvement district shall be sent by certified mail to all owners of real property within the territory proposed to be annexed. The notice shall state the boundaries of the territory proposed to be annexed.
 - (d) Within 30 days after the hearing under par. (c), the owners of property in the territory to be annexed that would be assessed under the operating plan having a valuation equal to more than 40 percent of the valuation of all property in the territory to be annexed that would be assessed under the operating plan, using the method of valuation specified in the operating plan, or the owners of property in the territory to be annexed that would be assessed under the operating plan having an assessed valuation equal to more than 40 percent of the assessed valuation of all property in the territory to be annexed that would be assessed under the operating plan, have not filed a petition with the planning commission protesting the annexation.
- (3)**
 - (a) The chief executive officer shall appoint members to a business improvement district board to implement the operating plan. Board members shall be confirmed by the local legislative body and shall serve staggered terms designated by the local legislative body. The board shall have at least 5 members. A majority of board members shall own or occupy real property in the business improvement district.
 - (b) The board shall annually consider and may make changes to the operating plan, which may include termination of the plan, for its business improvement district. The board shall then submit the operating plan to the local legislative body for its approval. If the local legislative body disapproves the operating plan, the board shall consider and may make changes to the operating plan and may continue to resubmit the operating plan until local legislative body approval is obtained. Any change to the special assessment method applicable to the business improvement district shall be approved by the local legislative body.

- (c) The board shall prepare and make available to the public annual reports describing the current status of the business improvement district, including expenditures and revenues. The report shall include one of the following:
1. If the cash balance in the segregated account described under sub. (4) equaled or exceeded \$300,000 at any time during the period covered by the report, the municipality shall obtain an independent certified audit of the implementation of the operating plan.
 2. If the cash balance in the segregated account described under sub. (4) was less than \$300,000 at all times during the period covered by the report, the municipality shall obtain a reviewed financial statement for the most recently completed fiscal year. The statement shall be prepared in accordance with generally accepted accounting principles and include a review of the financial statement by an independent certified public accountant.
- (cg) For calendar years beginning after December 31, 2018, the dollar amount at which a municipality is required to obtain an independent certified audit under par. (c) 1. and the dollar amount at which a municipality is required to obtain a reviewed financial statement under par. (c) 2. shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August 2017, as determined by the federal department of labor. Each amount that is revised under this paragraph shall be rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the next higher multiple of \$10.
- (cr) The municipality shall obtain an additional independent certified audit of the implementation of the operating plan upon termination of the business improvement district.
- (d) Either the board or the municipality, as specified in the operating plan as adopted, or amended and approved under this section, has all powers necessary or convenient to implement the operating plan, including the power to contract.
- (4) All special assessments received from a business improvement district and all other appropriations by the municipality or other moneys received for the benefit of the business improvement district shall be placed in a segregated account in the municipal treasury. No disbursements from the account may be made except to reimburse the municipality for appropriations other than special assessments, to pay the costs of audits and reviewed financial statements required under sub. (3) (c), or on order of the board for the purpose of implementing the operating plan. On termination of the business improvement district by the municipality, all moneys collected by special assessment remaining in the account shall be disbursed to the owners of specially assessed property in the business improvement district, in the same proportion as the last collected special assessment.
- (4g) A municipality may convert a business improvement district under this section into a neighborhood improvement district under s. 66.1110 if an owner of real property that is subject to general real estate taxes, that is used exclusively for residential purposes, and that is located in the business improvement district petitions the municipality for the conversion. If the municipality approves the petition, the board shall consider and may make changes to the operating plan under s. 66.1110 (4) (b).
- (4m) A municipality shall terminate a business improvement district if the owners of property assessed under the operating plan having a valuation equal to more than 50 percent of the valuation of all property assessed under the operating plan, using the method of valuation specified in the operating plan, or the owners of property assessed under the operating plan having an assessed valuation equal to more than 50 percent of the assessed valuation of all property assessed under the operating plan,

file a petition with the planning commission requesting termination of the business improvement district, subject to all of the following conditions:

- (a) A petition may not be filed under this subsection earlier than one year after the date the municipality first adopts the operating plan for the business improvement district.
- (b) On and after the date a petition is filed under this subsection, neither the board nor the municipality may enter into any new obligations by contract or otherwise to implement the operating plan until the expiration of 30 days after the date of hearing under par. (c) and unless the business improvement district is not terminated under par. (e).
- (c) Within 30 days after the filing of a petition under this subsection, the planning commission shall hold a public hearing on the proposed termination. Notice of the hearing shall be published as a class 2 notice under ch. 985. Before publication, a copy of the notice together with a copy of the operating plan and a copy of a detail map showing the boundaries of the business improvement district shall be sent by certified mail to all owners of real property within the business improvement district. The notice shall state the boundaries of the business improvement district and shall indicate that copies of the operating plan are available from the planning commission on request.
- (d) Within 30 days after the date of hearing under par. (c), every owner of property assessed under the operating plan may send written notice to the planning commission indicating, if the owner signed a petition under this subsection, that the owner retracts the owner's request to terminate the business improvement district, or, if the owner did not sign the petition, that the owner requests termination of the business improvement district.
- (e) If after the expiration of 30 days after the date of hearing under par. (c), by petition under this subsection or subsequent notification under par. (d), and after subtracting any retractions under par. (d), the owners of property assessed under the operating plan having a valuation equal to more than 50 percent of the valuation of all property assessed under the operating plan, using the method of valuation specified in the operating plan, or the owners of property assessed under the operating plan having an assessed valuation equal to more than 50 percent of the assessed valuation of all property assessed under the operating plan, have requested the termination of the business improvement district, the municipality shall terminate the business improvement district on the date that the obligation with the latest completion date entered into to implement the operating plan expires.

(5)

- (a) Real property used exclusively for residential purposes and real property that is exempted from general property taxes under s. 70.11 may not be specially assessed for purposes of this section.
- (b) A municipality may terminate a business improvement district at any time.
- (c) This section does not limit the power of a municipality under other law to regulate the use of or specially assess real property.
- (d) If real property that is specially assessed as authorized under this section is of mixed use such that part of the real property is exempted from general property taxes under s. 70.11 or is residential, or both, and part of the real property is taxable, the municipality may specially assess as authorized under this section only the percentage of the real property that is not tax-exempt or residential. This paragraph applies only to a 1st class city.

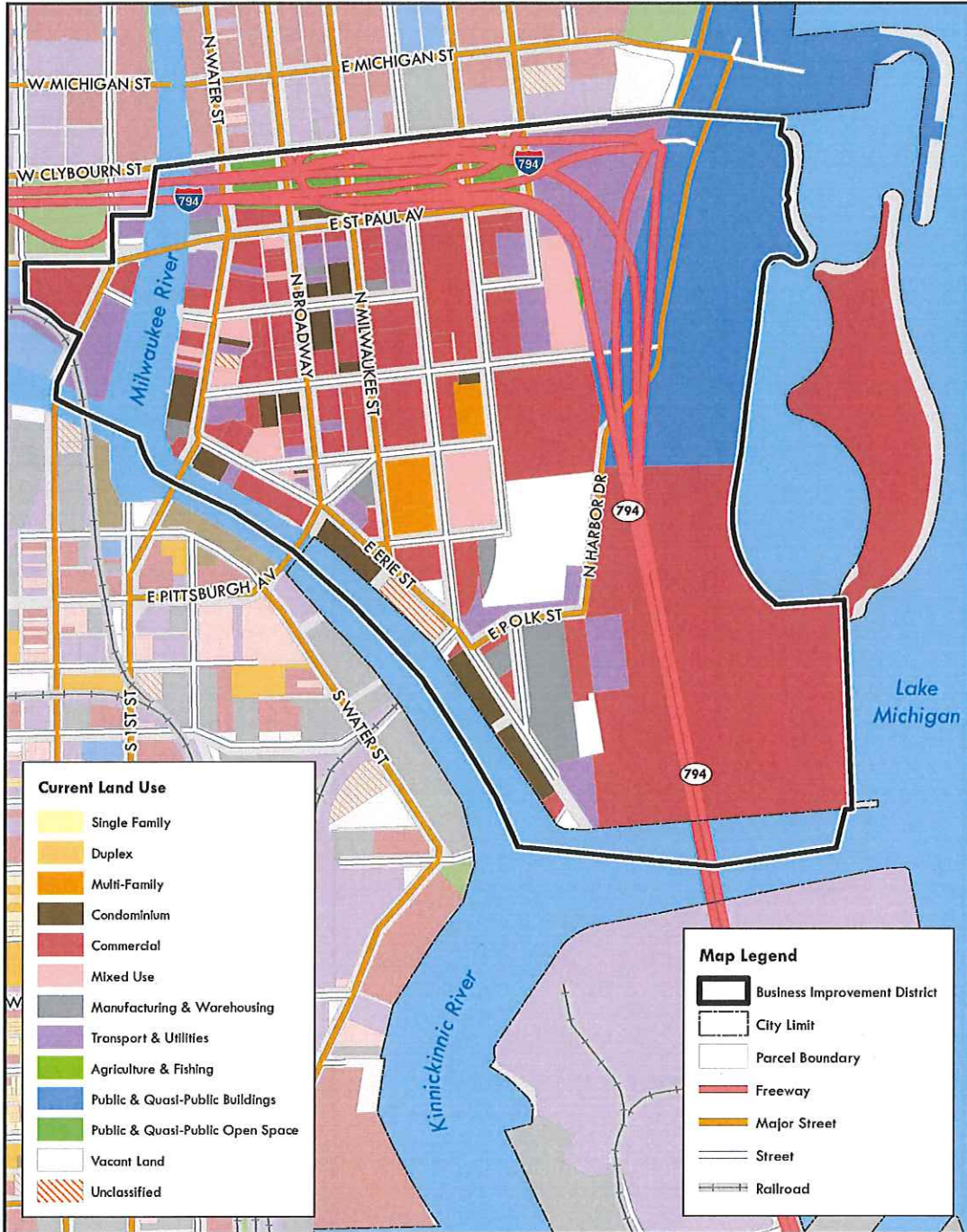
History: 1983 a. 184; 1989 a. 56 s. 258; 1999 a. 150 s. 539; Stats. 1999 s. 66.1109; 2001 a. 85; 2017 a. 59, 70, 189.

Appendix B

BID Boundaries (Map)

BID NO. 2: HISTORIC THIRD WARD
CITY OF MILWAUKEE

Prepared by the Dept. of City Development Planning Division, 7/6/2017
Source: City of Milwaukee Information Technology Management Division;
Dept. of City Development Commercial Corridors Team



Document Path: E:\GIS_Data\Projects\2017 Projects\17-01-30 Updated BID Maps\Up-Updated Maps (7-5-17)\Map - BID 2 - Historic Third Ward.mxd

Appendix C
Year 32 Assessments

| Tax Key No. | BID - 2 Assessment | Dockwall Assessment | Riverwalk Construction | Riverwalk Maintenance | Total Assessment |
|-----------------------|-----------------------|------------------------|---------------------------|--------------------------|---------------------|
| Commercial Non-Exempt | \$ 500,000.04 | \$ 34,411.76 | \$ 19,068.00 | \$ 10,800.00 | \$ 564,279.80 |
| 3610923100-7 | 953.67 | | | | \$ 953.67 |
| 3920231100-1 | 2,857.00 | | | | \$ 2,857.00 |
| 3920232000-0 | 1,199.40 | \$ 4,286.00 | \$ 2,076.00 | \$ 1,880.00 | \$ 9,441.40 |
| 3920521000-1 | 626.41 | | | | \$ 626.41 |
| 3920522000-7 | 384.73 | | | | \$ 384.73 |
| 3920640100-5 | 5,823.25 | | | | \$ 5,823.25 |
| 3920944212-8 | 5,211.86 | \$ 11,083.20 | \$ 6,816.00 | \$ 3,312.00 | \$ 26,423.06 |
| 3920948000-3 | 14,566.49 | \$ 10,810.56 | \$ 8,820.00 | \$ 1,980.00 | \$ 36,177.05 |
| 3920949000-9 | 1,192.57 | | | \$ 816.00 | \$ 2,008.57 |
| 3920950000-4 | 7,712.55 | \$ 5,496.00 | | \$ 1,448.00 | \$ 14,656.55 |
| 3920951000-X | 969.82 | \$ - | \$ - | \$ 915.00 | \$ 1,884.82 |
| 3920952000-5 | 3,639.95 | \$ 2,738.00 | \$ 1,356.00 | \$ 449.00 | \$ 8,180.95 |
| 3920953000-0 | 339.02 | | | | \$ 339.02 |
| 3920954000-6 | 163.71 | | | | \$ 163.71 |
| 3920955000-1 | 5,634.49 | | | | \$ 5,634.49 |
| 3920962000-X | 280.81 | | | | \$ 280.81 |
| 3920963000-5 | 278.97 | | | | \$ 278.97 |
| 3920966000-1 | 3,239.04 | | | | \$ 3,239.04 |
| 3920967000-7 | 2,417.16 | | | | \$ 2,417.16 |
| 3920968000-2 | 1,568.57 | | | | \$ 1,568.57 |
| 3920969000-9 | 434.49 | | | | \$ 434.49 |
| 3920970100-X | 772.33 | | | | \$ 772.33 |
| 3920972100-0 | 12,364.82 | | | | \$ 12,364.82 |
| 3920973000-X | 1,580.27 | | | | \$ 1,580.27 |
| 3920976100-2 | 7,139.58 | | | | \$ 7,139.58 |
| 3920977110-5 | 1,528.48 | | | | \$ 1,528.48 |
| 3920978100-3 | 13,560.86 | | | | \$ 13,560.86 |
| 3920980000-8 | 1,491.73 | | | | \$ 1,491.73 |
| 3920981000-3 | 1,797.42 | | | | \$ 1,797.42 |
| 3920982100-5 | 790.08 | | | | \$ 790.08 |
| 3920984000-X | 943.82 | | | | \$ 943.82 |
| 3920985000-5 | 13,744.62 | | | | \$ 13,744.62 |
| 3920986000-0 | 3,278.90 | | | | \$ 3,278.90 |
| 3920987000-6 | 1,650.42 | | | | \$ 1,650.42 |
| 3920988000-1 | 2,261.96 | | | | \$ 2,261.96 |
| 3920989000-7 | 479.09 | | | | \$ 479.09 |
| 3920991000-8 | 8,308.91 | | | | \$ 8,308.91 |
| 3920992000-3 | 1,760.67 | | | | \$ 1,760.67 |
| 3920993000-9 | 4,067.80 | | | | \$ 4,067.80 |
| 3920994000-4 | 1,990.47 | | | | \$ 1,990.47 |
| 3920995000-X | 419.29 | | | | \$ 419.29 |
| 3920996000-5 | 1,107.52 | | | | \$ 1,107.52 |
| 3921002000-8 | 12,373.16 | | | | \$ 12,373.16 |
| 3921007100-1 | 406.47 | | | | \$ 406.47 |
| 3921008000-0 | 525.86 | | | | \$ 525.86 |
| 3921010100-8 | 8,355.38 | | | | \$ 8,355.38 |
| 3921011000-7 | 7,226.44 | | | | \$ 7,226.44 |
| 3921018000-5 | 1,703.88 | | | | \$ 1,703.88 |
| 3921023000-2 | 1,526.81 | | | | \$ 1,526.81 |
| 3921024000-8 | 723.31 | | | | \$ 723.31 |
| 3921025000-3 | 9,982.72 | | | | \$ 9,982.72 |
| 3921027000-4 | 46,285.35 | | | | \$ 46,285.35 |
| 3921030000-0 | 6,965.86 | | | | \$ 6,965.86 |

| Tax Key No. | BID-2 Assessment | Dockwall Assessment | Riverwalk Construction | Riverwalk Maintenance | Total Assessment |
|--------------|---------------------|------------------------|---------------------------|--------------------------|---------------------|
| 3921031000-6 | 7,677.47 | | | | \$ 7,677.47 |
| 3921034100-9 | 6,845.58 | | | | \$ 6,845.58 |
| 3921036100-X | 31.35 | | | | \$ 31.35 |
| 3921037000-9 | 484.27 | | | | \$ 484.27 |
| 3921041111-2 | 14,838.78 | | | | \$ 14,838.78 |
| 3921062111-7 | 4,724.09 | | | | \$ 4,724.09 |
| 3921071110-8 | 9,934.27 | | | | \$ 9,934.27 |
| 3921088100-3 | 1,049.56 | | | | \$ 1,049.56 |
| 3921089000-2 | 252.24 | | | | \$ 252.24 |
| 3921096000-0 | 433.49 | | | | \$ 433.49 |
| 3921097110-X | 433.49 | | | | \$ 433.49 |
| 3921100100-7 | 433.49 | | | | \$ 433.49 |
| 3921101000-6 | 3,051.95 | | | | \$ 3,051.95 |
| 3921102000-1 | 7,162.97 | | | | \$ 7,162.97 |
| 3921103100-3 | 842.15 | | | | \$ 842.15 |
| 3921105000-8 | - | | | | \$ - |
| 3921126113-0 | 10,012.79 | | | | \$ 10,012.79 |
| 3921150100-X | 3,938.97 | | | | \$ 3,938.97 |
| 3921153000-X | 653.16 | | | | \$ 653.16 |
| 3921167111-8 | - | | | | \$ - |
| 3921169110-0 | 2,909.96 | | | | \$ 2,909.96 |
| 3921478110-0 | 3,197.27 | | | | \$ 3,197.27 |
| 3921480000-8 | 2,332.98 | | | | \$ 2,332.98 |
| 3921486110-4 | 3,128.79 | | | | \$ 3,128.79 |
| 3921734000-8 | 131.63 | | | | \$ 131.63 |
| 3921735000-3 | 289.55 | | | | \$ 289.55 |
| 3921736000-8 | 215.16 | | | | \$ 215.16 |
| 3922153100-4 | 790.12 | | | | \$ 790.12 |
| 3922154000-3 | 892.03 | | | | \$ 892.03 |
| 3922156110-8 | 591.18 | | | | \$ 591.18 |
| 3922169115-X | 903.39 | | | | \$ 903.39 |
| 3922173111-8 | 1,292.95 | | | | \$ 1,292.95 |
| 3922173114-3 | 11,472.78 | | | | \$ 11,472.78 |
| 3922178110-8 | 212.99 | | | | \$ 212.99 |
| 3922182000-6 | 449.36 | | | | \$ 449.36 |
| 3922183000-1 | 1,051.23 | | | | \$ 1,051.23 |
| 3922184000-7 | 510.85 | | | | \$ 510.85 |
| 3922521000-8 | 339.11 | | | | \$ 339.11 |
| 3922581100-1 | 372.52 | | | | \$ 372.52 |
| 3922582000-0 | 696.58 | | | | \$ 696.58 |
| 3922587000-8 | 628.10 | | | | \$ 628.10 |
| 3922588000-3 | 698.26 | | | | \$ 698.26 |
| 3922589000-9 | 380.86 | | | | \$ 380.86 |
| 3960002100-5 | 3,299.43 | | | | \$ 3,299.43 |
| 3960003100-0 | 2,578.88 | | | | \$ 2,578.88 |
| 3960021110-6 | 9,840.73 | | | | \$ 9,840.73 |
| 3960021130-0 | 11,899.25 | | | | \$ 11,899.25 |
| 3960031000-7 | 771.75 | | | | \$ 771.75 |
| 3960032000-2 | 1,336.37 | | | | \$ 1,336.37 |
| 3960033000-8 | 1,605.32 | | | | \$ 1,605.32 |
| 3960034000-3 | 1,650.42 | | | | \$ 1,650.42 |
| 3960081000-X | 1,282.92 | | | | \$ 1,282.92 |
| 3960082000-5 | 1,282.92 | | | | \$ 1,282.92 |
| 3960083000-0 | 823.54 | | | | \$ 823.54 |

| Tax Key No. | BID-2 Assessment | Dockwall Assessment | Riverwalk Constuction | Riverwalk Maintenance | Total Assessment |
|--------------|---------------------|------------------------|--------------------------|--------------------------|---------------------|
| 3960148210-3 | 559.61 | | | | \$ 559.61 |
| 3960261000-8 | 1,049.06 | | | | \$ 1,049.06 |
| 3960262000-3 | 990.59 | | | | \$ 990.59 |
| 3960321000-3 | 2,463.94 | | | | \$ 2,463.94 |
| 3960322000-9 | 187.09 | | | | \$ 187.09 |
| 3960323000-4 | 71.00 | | | | \$ 71.00 |
| 3960324000-x | 3,623.25 | | | | \$ 3,623.25 |
| 3960325000-5 | 2,828.11 | | | | \$ 2,828.11 |
| 3960326000-0 | 2,430.53 | | | | \$ 2,430.53 |
| 3960327000-6 | 3,312.55 | | | | \$ 3,312.55 |
| 3960328000-1 | 3,122.40 | | | | \$ 3,122.40 |
| 3960329000-7 | 2,637.66 | | | | \$ 2,637.66 |
| 3960344000-9 | 1,008.96 | | | | \$ 1,008.96 |
| 3960351000-7 | 868.80 | | | | \$ 868.80 |
| 3960352000-2 | 860.62 | | | | \$ 860.62 |
| 3960381100-8 | 282.31 | | | | \$ 282.31 |
| 3960382000-7 | 541.23 | | | | \$ 541.23 |
| 3960391100-1 | 922.10 | | | | \$ 922.10 |
| 3960392100-0 | 1,162.64 | | | | \$ 1,162.64 |
| 3960393100-2 | 663.17 | | | | \$ 663.17 |
| 3960394100-8 | 631.43 | | | | \$ 631.43 |
| 3960395110-0 | 1,211.09 | | | | \$ 1,211.09 |
| 3960396100-2 | 417.62 | | | | \$ 417.62 |
| 3960397100-4 | 1,196.05 | | | | \$ 1,196.05 |
| 3960398111-1 | 1,556.87 | | | | \$ 1,556.87 |
| 3960400100-9 | 1,219.44 | | | | \$ 1,219.44 |
| 3960401110-1 | 1,879.27 | | | | \$ 1,879.27 |
| 3960402100-x | 1,244.50 | | | | \$ 1,244.50 |
| 3960403100-5 | 2,066.37 | | | | \$ 2,066.37 |
| 3960404100-0 | 552.93 | | | | \$ 552.93 |
| 3960405100-6 | 522.85 | | | | \$ 522.85 |
| 3960406111-8 | 621.42 | | | | \$ 621.42 |
| 3960411000-2 | 1,331.37 | | | | \$ 1,331.37 |
| 3970109110-1 | 1,860.90 | | | | \$ 1,860.90 |
| 3970111110-2 | 3,269.11 | | | | \$ 3,269.11 |
| 3970241000-6 | 811.85 | | | | \$ 811.85 |
| 3970291000-9 | 484.44 | | | | \$ 484.44 |
| 3970431000-9 | 825.21 | | | | \$ 825.21 |
| 3970511000-3 | 16,622.83 | | | | \$ 16,622.83 |
| 3970561000-6 | 559.61 | | | | \$ 559.61 |
| 3970562000-1 | 345.79 | | | | \$ 345.79 |
| 3970563000-7 | 613.06 | | | | \$ 613.06 |
| 3970564000-2 | 1,675.48 | | | | \$ 1,675.48 |
| 3970661000-X | 1,316.32 | | | | \$ 1,316.32 |
| 3970671000-4 | 3,608.21 | | | | \$ 3,608.21 |
| 3972672000-X | 6,683.50 | | | | \$ 6,683.50 |
| 3970673000-5 | 618.07 | | | | \$ 618.07 |
| 3970674000-0 | 4,662.28 | | | | \$ 4,662.28 |
| 3970675000-6 | 517.85 | | | | \$ 517.85 |
| 3970676000-1 | 658.16 | | | | \$ 658.16 |
| 3970677000-7 | - | | | | \$ - |
| 3970678000-2 | - | | | | \$ - |
| 3970679000-8 | 806.84 | | | | \$ 806.84 |
| 3970680000-3 | 1.83 | | | | \$ 1.83 |

| Tax Key No. | BID-2 Assessment | Dockwall Assessment | Riverwalk Construction | Riverwalk Maintenance | Total Assessment |
|--------------|---------------------|------------------------|---------------------------|--------------------------|---------------------|
| 4290101000-X | 7,164.65 | | | | \$ 7,164.65 |
| 4290102000-5 | 333.93 | | | | \$ 333.93 |
| 4290115000-6 | 624.76 | | | | \$ 624.76 |
| 4290116000-1 | - | | | | \$ - |
| 4290123110-3 | 2,103.12 | | | | \$ 2,103.12 |
| 4290130000-8 | 467.73 | | | | \$ 467.73 |
| 4290131000-3 | 272.28 | | | | \$ 272.28 |
| 4290132000-9 | 374.18 | | | | \$ 374.18 |
| 4290133000-4 | 146.00 | | | | \$ 146.00 |
| 4290134000-x | 54.62 | | | | \$ 54.62 |
| 4290221100-9 | 8,272.16 | | | | \$ 8,272.16 |
| 4290231000-7 | 1,386.50 | | | | \$ 1,386.50 |
| 4290232000-2 | 603.04 | | | | \$ 603.04 |
| 4290233000-8 | 456.04 | | | | \$ 456.04 |
| 4290421000-x | 1,137.60 | | | | \$ 1,137.60 |
| 4290422000-5 | - | | | | \$ - |
| 4290431000-4 | 2,525.75 | | | | \$ 2,525.75 |
| 4290432000-X | 159.53 | | | | \$ 159.53 |
| 4290451000-3 | - | | | | \$ - |
| 4290452000-9 | 884.17 | | | | \$ 884.17 |
| 4290462000-8 | 3,728.82 | | | | \$ 3,728.82 |

Appendix D
2019 Budget for Year 32

2019 Business Improvement District No. 2 Budget

| Revenues | BID Budget | General BID | Streetscapes | Riverwalk | ARB | MSPS | WSPS |
|--------------------------------------|---------------------|-------------------|-------------------|-------------------|------------------|---------------------|---------------------|
| BID Assessment | \$ 439,252 | \$ 439,252 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special Assessment | \$ 8,750 | \$ 8,750 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Riverwalk Assessments | \$ 125,028 | \$ - | \$ - | \$ 125,028 | \$ - | \$ - | \$ - |
| City Maintenance Contributions | \$ 23,000 | \$ - | \$ 5,000 | \$ 18,000 | \$ - | \$ - | \$ - |
| Parking Revenues | \$ 2,200,240 | \$ - | \$ - | \$ - | \$ - | \$ 1,002,255 | \$ 1,197,985 |
| Rent Revenues | \$ 182,043 | \$ 108,526 | \$ - | \$ 1,875 | \$ - | \$ 53,636 | \$ 18,006 |
| Interest | \$ 50,000 | \$ 50,000 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 3,028,313 | \$ 606,528 | \$ 5,000 | \$ 144,903 | \$ - | \$ 1,055,891 | \$ 1,215,991 |
| Expenses | BID Budget | General BID | Streetscapes | Riverwalk | ARB | MSPS | WSPS |
| Payroll | \$ 864,462 | \$ 71,515 | \$ 180,362 | \$ 90,415 | \$ - | \$ 261,085 | \$ 261,085 |
| Admin Services (purchased from HTWA) | \$ 126,044 | \$ 126,044 | \$ - | \$ - | \$ - | \$ - | \$ - |
| General Administration | \$ 31,000 | \$ 25,000 | \$ - | \$ - | \$ 500 | \$ 2,750 | \$ 2,750 |
| HTWA Support | \$ 299,144 | \$ 299,144 | \$ - | \$ - | \$ - | \$ - | \$ - |
| WSPS Bonds | \$ 370,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 370,000 |
| Riverwalk Loans | \$ 83,732 | \$ - | \$ - | \$ 83,732 | \$ - | \$ - | \$ - |
| Property & Liability Insurance | \$ 36,582 | \$ 4,982 | \$ 10,000 | \$ 5,700 | \$ - | \$ 8,400 | \$ 7,500 |
| Real Est/Pers Prop Taxes | \$ 286,470 | \$ 27,741 | \$ - | \$ - | \$ - | \$ 127,142 | \$ 131,587 |
| Storage Unit | \$ 1,980 | \$ 1,980 | \$ - | \$ - | \$ - | \$ - | \$ - |
| IT Service & Maintenance | \$ 6,500 | \$ 5,500 | \$ - | \$ - | \$ - | \$ 500 | \$ 500 |
| Telephone & Internet Access | \$ 14,200 | \$ - | \$ - | \$ - | \$ - | \$ 7,400 | \$ 6,800 |
| Audit Services | \$ 12,500 | \$ 12,500 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Legal Fees | \$ 5,000 | \$ 5,000 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Board & Member Events | \$ 1,700 | \$ - | \$ - | \$ - | \$ 1,700 | \$ - | \$ - |
| ARB Coordinator | \$ 18,000 | \$ - | \$ - | \$ - | \$ 18,000 | \$ - | \$ - |
| Riverwalk Park Extension | \$ 125,000 | \$ - | \$ - | \$ 125,000 | \$ - | \$ - | \$ - |
| Shuttle Program | \$ 16,500 | \$ 16,500 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Parking Operations | \$ 27,600 | \$ - | \$ - | \$ - | \$ - | \$ 13,800 | \$ 13,800 |
| Sales & Use Tax | \$ 122,600 | \$ - | \$ - | \$ - | \$ - | \$ 56,126 | \$ 66,473 |
| Credit Card Fees | \$ 42,000 | \$ - | \$ - | \$ - | \$ - | \$ 21,000 | \$ 21,000 |
| Regular Maintenance & Supplies | \$ 121,350 | \$ - | \$ 40,650 | \$ 18,500 | \$ - | \$ 26,800 | \$ 35,400 |
| Graffiti | \$ 1,500 | \$ - | \$ 1,500 | \$ - | \$ - | \$ - | \$ - |
| Beautification Program | \$ 51,000 | \$ - | \$ 51,000 | \$ - | \$ - | \$ - | \$ - |
| Major Maintenance | \$ 264,300 | \$ - | \$ 185,000 | \$ 19,500 | \$ - | \$ 44,800 | \$ 15,000 |
| Utilities | \$ 90,150 | \$ - | \$ 5,150 | \$ 5,700 | \$ - | \$ 41,200 | \$ 38,100 |
| Security | \$ 9,000 | \$ 3,000 | \$ - | \$ - | \$ - | \$ 3,000 | \$ 3,000 |
| Total | \$ 3,028,313 | \$ 598,906 | \$ 473,662 | \$ 348,547 | \$ 20,200 | \$ 614,003 | \$ 972,995 |
| Revenue less Expenses | \$ (0) | \$ 7,622 | \$ (468,662) | \$ (203,644) | \$ (20,200) | \$ 441,888 | \$ 242,996 |

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:

- E. Petition for Creation of BID District
- F. Common Council resolution Creating Business Improvement District No. 2
- G. BID-2 Bylaws
- H. Statement of City Attorney
- I. Development of Riverwalk Project
- J. First Amendment to BID-2 1998 Operating Plan
- K. Riverwalk Development Agreement
 - (a) Description and Timetable for Completion of all Project Segments
 - (b) Estimated Schedule of Repayments
 - (c) Estimated 2nd Year Riverwalk Project Assessments Per Property
 - (d) Estimated Riverwalk Project Budget
- L. Second Amendment to BID-2 1998 Operating Plan
- M. Development of Water Street Parking Structure
- N. Third Amendment to BID-2 1998 Operating Plan
- O. Dockwall Development Loan Agreement
- P. 2019 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
- Q. Fourth Amendment to Riverwalk Development Agreement, First Amendment to Dockwall Development Loan Agreement and Third Amendment to Cooperation Agreement
- R. 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
- S. Fifth Amendment to Riverwalk Development Agreement
- T. Sixth Amendment to Riverwalk Development Agreement
- U. Resolution Dissolving TID 11
- V. Third Ward Streetlight Agreement with the City
- W. Catalano Square and Erie Street Plaza Lease
- X. Third Amendment to TID 56

Business Improvement District #2

Annual Report

(Sept.2017 – Aug. 2018)

Mission Statement/Vision/Priorities

The Third Ward is Milwaukee's premier mixed-use commercial district. It contains a large concentration of historic late 19th and early 20th 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 role as a high-value commercial and residential area.

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.

Financial Relationships w/ other entities

BID-2 is 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 18 members shall remain a private organization and it is intended that HTWA shall contract with BID-2 to provide services to BID-2, in accordance with BID-2's operating plan.

Total Assessed Value of Properties within District

- The total BID-assessable commercial property within BID #2 is \$299,317,173.
- This is a drop from \$342 million in 2017 values due to the change in BID law excluding apartments in mixed use buildings.

Core Programs

- BID #2 maintains over 240 hanging planter baskets in the commercial neighborhood. 40 additional baskets are being added for 2019.
- Our Operations crew maintains other landscaped areas of the neighborhood including the Milwaukee St. median and planters on sidewalks.
- BID #2 also maintains public spaces under agreement with the City of Milwaukee for Erie St. Plaza, Gas Light Park, Riverwalk Park, and Trestle Park. Our crews also maintain and manage the Riverwalk from the freeway deck to Water St. bridge.
- The Third Ward has 8 public art installations erected in the neighborhood including the recently installed Michelle Grabner "Untitled 2017" piece from the 2017 Sculpture Milwaukee exhibit.
- BID #2 owns and manages two parking structures; Milwaukee St. and Water St. with over 900 parking spaces.
- BID #2 and HTWA employ 17 full and part time employees; and five additional seasonally.

Business Improvement District #2

Annual Report

(Sept.2017 – Aug. 2018)

- BID #2 board of directors met 6 times in 2017 and 4 times in 2018.
- Manage and operate the Milwaukee Public Market.

Economic Development

- 2017-18 saw continued robust economic development activity in the Third Ward. A new building for the Milwaukee Ballet is under construction at Corcoran/Jackson, the Jennaro building (346 Broadway) is open for occupancy after extensive rehab, the Atelier redevelopment at Milwaukee/St. Paul added new luxury apartments and retail, Business (BID)/Resident (NID) engagement (level of contact/engagement, surveys of needs)
- BID #2 under agreement with the City of Milwaukee will be caretakers of the new public space created by the City and the Mandel Group at Trestle Park (corner of Erie and Jefferson).
- The Historic Third Ward continues to have minimal first floor vacancies and national and local retail/restaurants are viewing the neighborhood as one of Milwaukee's premier commercial neighborhood destinations.
- BID #2, MPM, and HTWA organizations met regularly in '17-'18 with the Milwaukee Streetcar construction team to manage impacts of construction.

Marketing & Branding

- In coordination with the Historic Third Ward Association, a rebranding effort including new website were unveiled in early 2018. www.historicthirdward.org
- Historic Third Ward has 35 K followers on Twitter, 6,100 followers on Instagram, and 12,200 likes on Facebook.
- Via the HTWA, we have engaged our core constituency through affinity groups meetings and online discussions. We have residential, retail/merchant, restaurant/bar, arts/cultural, and professional services affinity groups that meet at least quarterly.
- The neighborhood hosted several signature events in 2017-2018 that brought thousands to the Third Ward; Christmas in the Ward, four Gallery Nights, World's Largest Coffee Break, Third Ward Welcomes Harley-Davidson (115th Anniversary), and the Third Wards Arts Festival.

Partner/Collaborative Initiatives

- BID #2 / HTWA is an active member of: Downtown Neighbors Association, Friends of Lakeshore State Park, and regularly collaborates with nearby downtown stakeholders in Milwaukee Downtown BID #21, Westown, East Town, Harbor District, Walker's Point, and Menomonee Valley.

BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Totals for the Year Ended December 31, 2016)

BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report..... | 1 - 2 |
| Consolidated Balance Sheet..... | 3 |
| Consolidated Statement of Activities..... | 4 |
| Consolidated Statement of Cash Flows..... | 5 |
| Notes to the Consolidated Financial Statements..... | 6 - 17 |
| Schedule of Consolidated Functional Expenses | 18 |
| Schedule of Balance Sheet Consolidation..... | 19 - 20 |
| Schedule of Unrestricted Revenue and Expenses..... | 21 |
| Schedule of Milwaukee Street Parking Structure Revenue and Expenses | 22 |
| Schedule of Water Street Parking Structure Revenue and Expenses..... | 23 |

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, 2017, 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 Organization'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, 2017, 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

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Board of Directors
Business Improvement District No. 2 and Affiliate

Report on Summarized Comparative Information

We have previously audited Business Improvement District No. 2 and Affiliate's December 31, 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

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, unrestricted revenue and expenses, Milwaukee Street parking structure revenue and expenses, and Water Street parking structure 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
RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
June 28, 2018

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2017
(With Summarized Totals for December 31, 2016)**

| | 2017 | 2016 |
|---|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 5,005,977 | \$ 4,004,237 |
| Net Property Assessment Receivable | 564,280 | 564,107 |
| Accounts Receivable | 48,500 | 93,928 |
| Accrued Interest - Notes Receivable | 22,675 | 24,637 |
| Prepaid Expenses | 76,799 | 41,847 |
| Inventory | 193,406 | 316,179 |
| Current Portion of Long-Term Notes Receivable | 37,692 | 30,804 |
| Total Current Assets | \$ 5,949,329 | \$ 5,075,739 |
| FIXED AND INTANGIBLE ASSETS | | |
| Milwaukee Street Parking Structure - Building | \$ 5,595,865 | \$ 5,595,865 |
| 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 | 33,000 |
| Public Market - Website | 3,000 | 3,000 |
| Public Market - Capital Improvements | 27,319 | 4,849 |
| Office Equipment | 7,850 | 7,850 |
| Vehicles and Equipment | 437,705 | 383,295 |
| Total Fixed Assets | \$ 23,002,596 | \$ 22,905,716 |
| Less: Accumulated Depreciation | (9,369,263) | (8,814,641) |
| Net Fixed Assets | \$ 13,633,333 | \$ 14,091,075 |
| LONG-TERM ASSETS | | |
| Notes Receivable - Property Owners | \$ 232,174 | \$ 338,627 |
| Less: Current Portion | (37,692) | (30,804) |
| Total Long-Term Assets | \$ 194,482 | \$ 307,823 |
| OTHER ASSETS | | |
| Investments - Debt Service Funds | \$ 398,046 | \$ 400,258 |
| Bond Issuance Costs - Net of Accumulated Amortization | 22,300 | 25,933 |
| Total Other Assets | \$ 420,346 | \$ 426,191 |
| TOTAL ASSETS | \$ 20,197,490 | \$ 19,900,828 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 188,729 | \$ 98,876 |
| Accrued Payroll | 52,765 | 50,999 |
| Accrued Lease Payable | 4,950 | — |
| Accrued Real Estate Taxes | 378,682 | 365,818 |
| Market Cards | 172,793 | 149,120 |
| Other Liabilities | 43,008 | 34,978 |
| Deferred Revenue | 471,897 | 492,297 |
| Due to Historic Third Ward Association | 15,981 | 31,884 |
| Add: Current Portion of Long-Term Liabilities | 301,265 | 295,782 |
| Total Current Liabilities | \$ 1,630,070 | \$ 1,519,754 |
| LONG-TERM LIABILITIES | | |
| Notes Payable | \$ 526,334 | \$ 612,020 |
| Net Long-Term Bond Liability | 3,234,211 | 3,442,453 |
| Structure Liabilities | 51,184 | 53,861 |
| Less: Current Portion | (301,265) | (295,782) |
| Total Long-Term Liabilities | \$ 3,510,464 | \$ 3,812,552 |
| OTHER LIABILITIES | | |
| Security and Key Card Deposits | \$ 20,296 | \$ 28,396 |
| Total Other Liabilities | \$ 20,296 | \$ 28,396 |
| TOTAL LIABILITIES | \$ 5,160,830 | \$ 5,360,702 |
| NET ASSETS | | |
| Unrestricted | | |
| Operating | \$ 13,415,946 | \$ 12,924,709 |
| Board Designated | 901,717 | 858,981 |
| Total Unrestricted | \$ 14,317,663 | \$ 13,783,670 |
| Temporarily Restricted | 718,997 | 756,456 |
| Total Net Assets | \$ 15,036,660 | \$ 14,540,126 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 20,197,490 | \$ 19,900,828 |

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, 2017
(With Summarized Totals for the Year Ended December 31, 2016)**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2017 Total</u> | <u>2016 Total</u> |
|--|----------------------|-----------------------------------|-----------------------|-----------------------|
| REVENUE | | | | |
| BID Assessments | \$ 4,008 | \$ 526,588 | \$ 530,596 | \$ 573,122 |
| City of Milwaukee Contributions | 5,000 | --- | 5,000 | --- |
| Parking Revenue | 2,037,116 | --- | 2,037,116 | 1,813,537 |
| Reserve and Replacement Fees | 96,100 | --- | 96,100 | 96,000 |
| Maintenance Fees | 9,854 | --- | 9,854 | 9,912 |
| Shuttle Program Income (Loss) | --- | --- | --- | (84) |
| Investment Income | 12,333 | --- | 12,333 | 5,007 |
| Interest Income on Notes Receivable - Property Owners | 22,675 | --- | 22,675 | 24,637 |
| Rental Income | 159,959 | --- | 159,959 | 144,925 |
| Gain on Disposal of Fixed Assets | 3,096 | --- | 3,096 | --- |
| Miscellaneous Income | --- | --- | --- | 615 |
| HTWA Market Project Income | 1,982,355 | --- | 1,982,355 | 2,095,499 |
| Net Assets Released from Restriction | 564,047 | (564,047) | --- | --- |
| Total Revenue | <u>\$ 4,896,543</u> | <u>\$ (37,459)</u> | <u>\$ 4,859,084</u> | <u>\$ 4,763,170</u> |
| EXPENSES | | | | |
| Program Services | | | | |
| BID #2 | \$ 2,407,845 | \$ --- | \$ 2,407,845 | \$ 2,300,347 |
| HTWA Market Project, LLC | 1,897,206 | --- | 1,897,206 | 1,892,515 |
| Management and General | 57,499 | --- | 57,499 | 37,584 |
| Total Expenses | <u>\$ 4,362,550</u> | <u>\$ ---</u> | <u>\$ 4,362,550</u> | <u>\$ 4,230,446</u> |
| CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM | \$ 533,993 | \$ (37,459) | \$ 496,534 | \$ 532,724 |
| EXTRAORDINARY ITEM: | | | | |
| Transfer in Ownership of HTWA Market Project, LLC | --- | --- | --- | 508,147 |
| CHANGE IN NET ASSETS AFTER EXTRAORDINARY ITEM | \$ 533,993 | \$ (37,459) | \$ 496,534 | \$ 1,040,871 |
| Net Assets, Beginning of Year | <u>13,783,670</u> | <u>756,456</u> | <u>14,540,126</u> | <u>13,499,255</u> |
| NET ASSETS, END OF YEAR | <u>\$ 14,317,663</u> | <u>\$ 718,997</u> | <u>\$ 15,036,660</u> | <u>\$ 14,540,126</u> |

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, 2017
(With Summarized Totals for the Year Ended December 31, 2016)**

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 496,534 | \$ 1,040,871 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | | |
| Depreciation | 569,230 | 556,419 |
| Extraordinary Item | --- | (508,147) |
| Gain on Disposal of Fixed Assets | (3,096) | --- |
| Unrealized Gain on Investment in Development Bonds | 2,212 | 5,227 |
| Amortization of Bond Issuance Costs | 3,633 | 3,844 |
| Amortization of Bond Issuance Discount | 1,758 | 1,860 |
| (Increase) Decrease in Accounts Receivable | 45,428 | 63,817 |
| (Increase) Decrease in Net Property Assessment Receivable | (173) | (44,555) |
| (Increase) Decrease in Accrued Interest - Notes Receivable | 1,962 | 1,836 |
| (Increase) Decrease in Prepaid Expenses | (34,952) | 2,826 |
| (Increase) Decrease in Light Pole Inventory | 122,773 | 658 |
| (Increase) Decrease in Notes Receivable - Property Owners | 106,453 | 27,006 |
| Increase (Decrease) in Accounts Payable | 89,853 | (15,823) |
| Increase (Decrease) in Accrued Payroll | 1,766 | 35,171 |
| Increase (Decrease) in Accrued Lease Payable | 4,950 | (128,731) |
| Increase (Decrease) in Market Cards | 23,673 | 26,908 |
| Increase (Decrease) in Other Liabilities | 8,030 | (359) |
| Increase (Decrease) in Accrued Real Estate Taxes | 12,864 | 12,767 |
| Increase (Decrease) in Deferred Revenue | (20,400) | (7,781) |
| Increase (Decrease) in Due to Historic Third Ward Association | (15,903) | (111,904) |
| Increase (Decrease) in Structure Liabilities | (2,677) | (6,407) |
| Increase (Decrease) in Security Deposits | (8,100) | 3,155 |
| | <u>\$ 1,405,818</u> | <u>\$ 958,658</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | \$ (113,592) | \$ (54,676) |
| Proceeds from Sale of Fixed Assets | 5,200 | --- |
| | <u>\$ (108,392)</u> | <u>\$ (54,676)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on Notes Payable | \$ (85,686) | \$ (82,481) |
| Redemption of Development Bonds | (210,000) | (200,000) |
| | <u>\$ (295,686)</u> | <u>\$ (282,481)</u> |
| Net Increase in Cash and Cash Equivalents | \$ 1,001,740 | \$ 621,501 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>4,004,237</u> | <u>3,382,736</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 5,005,977</u> | <u>\$ 4,004,237</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest Paid | \$ 55,691 | \$ 43,866 |

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, 2017**

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, temporarily time-restricted net assets totaled \$526,588, 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, 2017**

NOTE B - Comparative Financial Information

The financial information shown for 2016 in the accompanying financial statements is included to provide a basis for comparison with 2017. 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, 2016, from which the summarized information was derived.

For comparability, certain 2016 amounts may have been reclassified to conform with classifications adopted in 2017. 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, 2017, the Organization's uninsured cash balances totaled \$357,646.

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, 2017, financial statements include:

| | |
|--|------------------|
| BID Assessments | \$500,000 |
| Dockwall Assessment | 34,412 |
| Riverwalk Construction | 19,068 |
| Riverwalk Maintenance | <u>10,800</u> |
| Total Net Property Assessment Receivable | <u>\$564,280</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 2018 were \$564,280 including the notes receivable and accrued interest portions.

NOTE E - Net Accounts Receivable

As of December 31, 2017, net accounts receivable consists of the following:

| | |
|---------------------------|-----------------|
| Market Tenant Receivables | \$35,383 |
| Other Receivables | <u>13,117</u> |
| Net Accounts Receivable | <u>\$48,500</u> |

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, the balance on the notes was \$232,174.

Notes receivable consist of the following at December 31, 2017:

| | |
|---------------------------------------|------------------|
| Milwaukee Riverwalk Improvement Loans | \$113,558 |
| Milwaukee Dockwall Improvement Loans | <u>118,616</u> |
| Total | <u>\$232,174</u> |

Future receipts of principal are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|------------------|
| 2018 | \$ 37,692 |
| 2019 | 40,255 |
| 2020 | 25,988 |
| 2021 | 26,860 |
| 2022 | 27,897 |
| Thereafter | <u>73,482</u> |
| Total | <u>\$232,174</u> |

Credit Quality Indicators

As of December 31, 2017, 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 | \$232,174 | \$ --- |
| Total | <u>\$232,174</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, 2017, the balance in the advance funded interest reserve was \$398,046. Debt service funds are carried at cost.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017:

| <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 | <u>\$398,046</u> | <u>\$398,046</u> | \$ --- | \$ --- |
| Total | <u>\$398,046</u> | <u>\$398,046</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, 2017, the balance on the mortgage was \$15,793.

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, 2017, the balance on the note was \$292,139.

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 \$218,402 at December 31, 2017.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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> |
|---------------------------------|------------------|
| 2018 | \$ 81,265 |
| 2019 | 67,810 |
| 2020 | 70,232 |
| 2021 | 72,743 |
| 2022 | 75,344 |
| Thereafter | <u>158,940</u> |
| Total | <u>\$526,334</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, 2017.

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, 2017, was \$1,860. Net long-term bond liability consists of the following:

| | |
|------------------------------|--------------------|
| Bonds Payable | \$3,245,000 |
| Unamortized Discount | <u>(10,789)</u> |
| Net Long-Term Bond Liability | <u>\$3,234,211</u> |

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE J - Long-Term Bond Liability (continued)

Future required bond redemptions are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|--------------------|
| 2018 | \$ 220,000 |
| 2019 | 235,000 |
| 2020 | 250,000 |
| 2021 | 260,000 |
| 2022 | 275,000 |
| Thereafter | <u>2,005,000</u> |
| Total | <u>\$3,245,000</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, 2017, 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 \$51,184 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, 2017**

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, 2017, the Organization has related deferred revenue consisting of the following:

| | |
|------------------------------------|------------------|
| Advance Payment of Parking Rentals | <u>\$449,427</u> |
|------------------------------------|------------------|

Retail Lease Agreements

The Organization leases out retail space to tenants in the Water Street and Milwaukee Street Parking Structures. 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 and \$1,500 from October 2017 through September 2022 and monthly payments of \$4,887 through the remainder of the lease term.

Rental income of \$136,685 for the year ended December 31, 2017, is included on the financial statements for these leases, and the expected future rent payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2018 | \$136,045 |
| 2019 | 71,646 |
| 2020 | 71,646 |
| 2021 | 71,646 |
| 2022 | 68,395 |
| Thereafter | <u>278,559</u> |
| Total | <u>\$697,937</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, 2017**

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 was 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> |
|-------------|------------------|
| 2018 | \$102,720 |
| 2019 | 102,720 |
| 2020 | 102,720 |
| 2021 | 102,720 |
| 2022 | <u>17,120</u> |
| Total | <u>\$428,000</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 currently contracted base rents are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2018 | \$308,980 |
| 2019 | 215,588 |
| 2020 | 156,292 |
| 2021 | 66,537 |
| 2022 | 56,539 |
| Thereafter | <u>144,873</u> |
| Total | <u>\$948,809</u> |

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE N - Security Deposits

As of December 31, 2017, the Organization had collected refundable parking security deposits of \$14,905 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, 2017, the Organization had related deferred revenue of \$22,470.

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 \$901,717 of board designated net assets at December 31, 2017, which is a reserve for capital costs of the Milwaukee Public Market building.

NOTE R - Temporary Restricted Net Assets

The Organization has \$756,689 of temporary restricted designated net assets at December 31, 2017, which consists of the following:

| | |
|---------------------------------------|------------------|
| 2017 Assessments | \$526,588 |
| Light Pole Contribution | <u>192,409</u> |
| Total Temporary Restricted Net Assets | <u>\$718,997</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, 2017:

| | |
|----------------------|------------------|
| BID Management Fees | \$113,585 |
| WSPS Management Fees | 60,013 |
| MSPS Management Fees | <u>60,013</u> |
| Total | <u>\$233,611</u> |

As of December 31, 2017, the Organization owed the Historic Third Ward Association \$15,981.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 \$1.72 per \$1,000 of assessed property value for the year ended December 31, 2017.

NOTE U - Related Party Transactions

Two 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.

A board member's company was paid \$52,158 for professional services.

NOTE V - Subsequent Events

The Organization has evaluated events and transactions occurring after December 31, 2017, through June 28, 2018, 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:

In January 2018, the Organization extended one of its vendor contracts at the Milwaukee Public Market. The future minimum payments are included in Note M.

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
SCHEDULE OF CONSOLIDATED FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Totals for the Year Ended December 31, 2016)**

| | Program | Management and General | 2017 Total | 2016 Total |
|-------------------------------------|---------------------|------------------------------|---------------------|---------------------|
| Professional Fees | \$ 2,217 | \$ 12,500 | \$ 14,717 | \$ 13,934 |
| Parking Lot Management/Staffing | 327,954 | --- | 327,954 | 269,014 |
| Security | 4,229 | --- | 4,229 | 14,271 |
| Contracted Services | 40,144 | --- | 40,144 | 59,850 |
| Utilities | 72,083 | --- | 72,083 | 69,160 |
| Equipment Expense | 24,723 | --- | 24,723 | 28,650 |
| Maintenance | 428,810 | --- | 428,810 | 325,058 |
| Real Estate Taxes | 251,193 | --- | 251,193 | 262,369 |
| Bond Expense | 86,826 | --- | 86,826 | 62,432 |
| Administrative Expense | --- | 18,432 | 18,432 | 23,874 |
| Interest Expense | 22,045 | --- | 22,045 | 25,250 |
| Licenses and Permits | 295 | --- | 295 | 1,631 |
| Insurance | 15,479 | --- | 15,479 | 65,479 |
| Parking Management Fees | 120,025 | --- | 120,025 | 120,000 |
| Architectural and Engineering Costs | 20,683 | --- | 20,683 | 17,167 |
| Association Funding | 106,270 | 26,567 | 132,837 | 135,914 |
| Shuttle Program | 9,645 | --- | 9,645 | 22,050 |
| Sales and Use Tax | 107,431 | --- | 107,431 | 94,955 |
| Management Fees | 113,585 | --- | 113,585 | 118,552 |
| Special Projects | 59,068 | --- | 59,068 | 7,583 |
| Depreciation | 564,763 | --- | 564,763 | 552,620 |
| Credit Card Fees | 30,351 | --- | 30,351 | 41,509 |
| Bank Charges | 26 | --- | 26 | 6,609 |
| HTWA Market Project Expenses | 1,897,206 | --- | 1,897,206 | 1,892,515 |
| TOTALS | <u>\$ 4,305,051</u> | <u>\$ 57,499</u> | <u>\$ 4,362,550</u> | <u>\$ 4,230,446</u> |

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
SCHEDULE OF BALANCE SHEET CONSOLIDATION
DECEMBER 31, 2017**

| | ASSETS | | | |
|---|---|---------------------------|-----------------------|----------------------|
| | Business Improvement District No. 2 | HTWA Market Project | Eliminations | Totals |
| CURRENT ASSETS | | | | |
| Cash | \$ 2,954,100 | \$ 2,051,877 | \$ --- | \$ 5,005,977 |
| Net Property Assessment Receivable | 564,280 | --- | --- | 564,280 |
| Accounts Receivable | 2,181 | 46,319 | --- | 48,500 |
| Accrued Interest - Notes Receivable | 22,675 | --- | --- | 22,675 |
| Prepaid Expenses | 44,212 | 32,587 | --- | 76,799 |
| Inventory | 178,864 | 14,542 | --- | 193,406 |
| Current Portion of Long-Term Notes Receivable | 37,692 | --- | --- | 37,692 |
| Total Current Assets | <u>\$ 3,804,004</u> | <u>\$ 2,145,325</u> | <u>\$ ---</u> | <u>\$ 5,949,329</u> |
| FIXED AND INTANGIBLE ASSETS | | | | |
| Land | \$ 1,123,308 | \$ --- | \$ --- | \$ 1,123,308 |
| Buildings | 21,370,414 | --- | --- | 21,370,414 |
| Equipment | 437,705 | 40,850 | --- | 478,555 |
| Capital Improvements | --- | 27,319 | --- | 27,319 |
| Website | --- | 3,000 | --- | 3,000 |
| Less: Accumulated Depreciation | (9,323,111) | (46,152) | --- | (9,369,263) |
| Net Fixed Assets | <u>\$ 13,608,316</u> | <u>\$ 25,017</u> | <u>\$ ---</u> | <u>\$ 13,633,333</u> |
| LONG-TERM ASSETS | | | | |
| Notes Receivable - Property Owners | \$ 232,174 | \$ --- | \$ --- | \$ 232,174 |
| Less: Current Portion | (37,692) | --- | --- | (37,692) |
| Total Long-Term Assets | <u>\$ 194,482</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ 194,482</u> |
| OTHER ASSETS | | | | |
| Investments - Debt Service Funds | \$ 398,046 | \$ --- | \$ --- | \$ 398,046 |
| Bond Issuance Costs - Net of Accumulated Amortization | 22,300 | --- | --- | 22,300 |
| Due From Milwaukee Public Market | 1,052,840 | --- | (1,052,840) | --- |
| Total Other Assets | <u>\$ 1,473,186</u> | <u>\$ ---</u> | <u>\$ (1,052,840)</u> | <u>\$ 420,346</u> |
| TOTAL ASSETS | <u>\$ 19,079,988</u> | <u>\$ 2,170,342</u> | <u>\$ (1,052,840)</u> | <u>\$ 20,197,490</u> |

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
SCHEDULE OF BALANCE SHEET CONSOLIDATION
DECEMBER 31, 2017**

LIABILITIES AND NET ASSETS

| | Business Improvement District No. 2 | HTWA Market Project | Eliminations | Totals |
|---|---|---------------------------|-----------------------|----------------------|
| CURRENT LIABILITIES | | | | |
| Accounts Payable | \$ 136,719 | \$ 52,010 | \$ --- | \$ 188,729 |
| Accrued Payroll | --- | 52,765 | --- | 52,765 |
| Accrued Lease Payable | --- | 4,950 | --- | 4,950 |
| Accrued Real Estate Taxes | 378,682 | --- | --- | 378,682 |
| Market Cards | --- | 172,793 | --- | 172,793 |
| Other Liabilities | --- | 43,008 | --- | 43,008 |
| Deferred Revenue | 471,897 | --- | --- | 471,897 |
| Due to Historic Third Ward Association | 20,285 | (4,304) | --- | 15,981 |
| Due to Business Improvement District #2 | --- | 1,052,840 | (1,052,840) | --- |
| Add: Current Portion of Long-Term Liabilities | 301,265 | --- | --- | 301,265 |
| Total Current Liabilities | <u>\$ 1,308,848</u> | <u>\$ 1,374,062</u> | <u>\$ (1,052,840)</u> | <u>\$ 1,630,070</u> |
| LONG-TERM LIABILITIES | | | | |
| Notes Payable | \$ 526,334 | \$ --- | \$ --- | \$ 526,334 |
| Net Long-Term Bond Liability | 3,234,211 | --- | --- | 3,234,211 |
| Structure Liabilities | 51,184 | --- | --- | 51,184 |
| Less: Current Portion | (301,265) | --- | --- | (301,265) |
| Total Long-Term Liabilities | <u>\$ 3,510,464</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ 3,510,464</u> |
| OTHER LIABILITIES | | | | |
| Security and Key Card Deposits | \$ 20,296 | \$ --- | \$ --- | \$ 20,296 |
| Total Other Liabilities | <u>\$ 20,296</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ 20,296</u> |
| Total Liabilities | <u>\$ 4,839,608</u> | <u>\$ 1,374,062</u> | <u>\$ (1,052,840)</u> | <u>\$ 5,160,830</u> |
| NET ASSETS | | | | |
| Unrestricted | | | | |
| Operating | \$ 12,715,666 | \$ 700,280 | \$ --- | \$ 13,415,946 |
| Board Designated | 805,717 | 96,000 | --- | 901,717 |
| Total Unrestricted | <u>\$ 13,521,383</u> | <u>\$ 796,280</u> | <u>\$ ---</u> | <u>\$ 14,317,663</u> |
| Temporarily Restricted | 718,997 | --- | --- | 718,997 |
| Total Net Assets | <u>\$ 14,240,380</u> | <u>\$ 796,280</u> | <u>\$ ---</u> | <u>\$ 15,036,660</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 19,079,988</u> | <u>\$ 2,170,342</u> | <u>\$ (1,052,840)</u> | <u>\$ 20,197,490</u> |

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
SCHEDULE OF UNRESTRICTED REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Business Improvement District No. 2 | HTWA Market Project | Total |
|---|---|---------------------------|---------------------|
| REVENUE | | | |
| BID Assessments | \$ 568,055 | \$ --- | \$ 568,055 |
| City of Milwaukee Contributions | 5,000 | --- | 5,000 |
| Parking Revenue | 2,037,116 | 518,411 | 2,555,527 |
| Program Revenue | --- | 616,300 | 616,300 |
| Product Sales | --- | 28,666 | 28,666 |
| Reserve and Replacement Fees | 96,100 | --- | 96,100 |
| Maintenance Fees | 9,854 | --- | 9,854 |
| Investment Income | 12,333 | 3,473 | 15,806 |
| Interest Income on Notes Receivable - Property Owners | 22,675 | --- | 22,675 |
| Rental Income | 159,959 | 804,983 | 964,942 |
| Gain on Disposal of Fixed Assets | 3,096 | --- | 3,096 |
| Miscellaneous Income | --- | 7,441 | 7,441 |
| Bio Fuel Revenue | --- | 3,081 | 3,081 |
| Total Revenue | <u>\$ 2,914,188</u> | <u>\$ 1,982,355</u> | <u>\$ 4,896,543</u> |
| EXPENSES | | | |
| Professional Fees | \$ 14,717 | \$ 23,985 | \$ 38,702 |
| Parking Lot Management/Staffing | 327,954 | 113,516 | 441,470 |
| Security | 4,229 | --- | 4,229 |
| Contracted Services | 40,144 | --- | 40,144 |
| Utilities | 72,083 | 191,575 | 263,658 |
| Equipment Expense | 24,723 | 89,300 | 114,023 |
| Maintenance | 428,810 | --- | 428,810 |
| Real Estate Taxes | 251,193 | 99,554 | 350,747 |
| Bond Expense | 86,826 | --- | 86,826 |
| Administrative Expense | 18,432 | --- | 18,432 |
| Interest Expense | 22,045 | --- | 22,045 |
| Licenses and Permits | 295 | --- | 295 |
| Insurance | 15,479 | 9,378 | 24,857 |
| Parking Management Fees | 120,025 | --- | 120,025 |
| Architectural and Engineering Costs | 20,683 | --- | 20,683 |
| Association Funding | 132,837 | --- | 132,837 |
| Shuttle Program | 9,645 | 3,694 | 13,339 |
| Sales and Use Tax | 107,431 | 63,074 | 170,505 |
| Management Fees | 113,585 | --- | 113,585 |
| Special Projects | 59,068 | --- | 59,068 |
| Outdoor Market | --- | 600 | 600 |
| Depreciation | 564,763 | 4,467 | 569,230 |
| Credit Card Fees | 30,351 | --- | 30,351 |
| Bank Charges | 26 | 39,730 | 39,756 |
| Advertising and Marketing | --- | 68,598 | 68,598 |
| Tenant Relocation Cost | --- | 3,503 | 3,503 |
| Worker's Compensation | --- | 14,685 | 14,685 |
| Salaries and Wages | --- | 501,472 | 501,472 |
| Employee Benefits | --- | 59,859 | 59,859 |
| Payroll Taxes | --- | 50,429 | 50,429 |
| Rental Concessions | --- | 2,607 | 2,607 |
| Office Supplies | --- | 11,022 | 11,022 |
| Personal Property Taxes | --- | 9,453 | 9,453 |
| Kitchen Expenses | --- | 251,906 | 251,906 |
| CAM Expenses | --- | 178,867 | 178,867 |
| Meals and Entertainment | --- | 9,268 | 9,268 |
| Bad Debt | --- | 519 | 519 |
| Dues and Subscriptions | --- | 145 | 145 |
| Repairs and Replacement Reserves | --- | 96,000 | 96,000 |
| Total Expenses | <u>\$ 2,465,344</u> | <u>\$ 1,897,206</u> | <u>\$ 4,362,550</u> |
| CHANGE IN NET ASSETS | <u>\$ 448,844</u> | <u>\$ 85,149</u> | <u>\$ 533,993</u> |

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
SCHEDULE OF MILWAUKEE STREET PARKING STRUCTURE REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Totals for the Year Ended December 31, 2016)**

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------|-----------------------|
| REVENUE | | |
| Parking Revenue | \$ 929,534 | \$ 847,847 |
| Rental Income | 49,166 | 47,676 |
| Total Revenue | <u>\$ 978,700</u> | <u>\$ 895,523</u> |
| EXPENSES | | |
| Parking Lot Management/Staffing | \$ 156,423 | \$ 142,281 |
| Credit Card Fees | 15,107 | 20,525 |
| Contractors | 15,077 | 30,111 |
| Security | 1,885 | 11,185 |
| Utilities | 33,579 | 31,477 |
| Equipment | 6,326 | 12,241 |
| Maintenance | 2,857 | 7,397 |
| Real Estate Taxes | 123,439 | 122,964 |
| Administrative Expenses | 7,164 | 9,256 |
| Licenses and Permits | 230 | 122 |
| Management Fees | 60,013 | 60,000 |
| Sales and Use Tax | 48,875 | 44,399 |
| Depreciation Expense | 145,802 | 146,255 |
| Special Projects | 2,500 | 2,500 |
| Total Expenses | <u>\$ 619,277</u> | <u>\$ 640,713</u> |
| NET INCOME | <u>\$ 359,423</u> | <u>\$ 254,810</u> |
| INCOME BEFORE DEPRECIATION EXPENSE | <u>\$ 505,225</u> | <u>\$ 401,065</u> |

**BUSINESS IMPROVEMENT DISTRICT NO. 2 AND AFFILIATE
SCHEDULE OF WATER STREET PARKING STRUCTURE REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Totals for the Year Ended December 31, 2016)**

| | <u>2017</u> | <u>2016</u> |
|---|-----------------------|-----------------------|
| REVENUE | | |
| Parking Revenue | \$ 1,107,582 | \$ 965,705 |
| Maintenance Fees | 9,854 | 9,912 |
| Rental Income | 22,812 | 22,129 |
| Total Revenue | <u>\$ 1,140,248</u> | <u>\$ 997,746</u> |
| EXPENSES | | |
| Parking Lot Management/Staffing | \$ 171,531 | \$ 126,733 |
| Credit Card Fees | 15,107 | 20,525 |
| Contractors | 24,043 | 17,971 |
| Security | 2,314 | 3,085 |
| Utilities | 26,199 | 26,977 |
| Equipment | 4,132 | 10,385 |
| Maintenance | 2,840 | 82,458 |
| Real Estate Taxes | 127,754 | 142,905 |
| Bond Expenses | 54,938 | 45,676 |
| Administrative Expenses | 6,510 | 8,005 |
| Interest Expense | 1,530 | 2,559 |
| Licenses and Permits | 30 | 193 |
| Management Fees | 60,013 | 60,000 |
| Sales and Use Tax | 58,557 | 50,556 |
| Depreciation Expense | 146,545 | 148,362 |
| Special Projects | 2,500 | 2,500 |
| Other Expenses | 320 | --- |
| Total Expenses | <u>\$ 704,863</u> | <u>\$ 748,890</u> |
| NET INCOME | <u>\$ 435,385</u> | <u>\$ 248,856</u> |
| INCOME BEFORE DEPRECIATION EXPENSE | <u>\$ 581,930</u> | <u>\$ 397,218</u> |