

**PROJECT PLAN FOR
TAX INCREMENTAL FINANCING DISTRICT NO. 102
(Schuster's Building)**

CITY OF MILWAUKEE

Public Hearing Held: October 17, 2019

Redevelopment Authority Adopted:

Common Council Adopted:

Joint Review Board Adopted:

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I. DESCRIPTION OF THE PROJECT

A. Introduction

Section 66.1105(4)(d), Wisconsin Statutes, requires the “preparation and adoption...of a proposed project plan for each tax incremental district.” This Project Plan is submitted in fulfillment of this requirement and the related provisions of section 66.1105, Wisconsin Statutes.

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

B. District Boundaries and Compliance with Statutory Eligibility Criteria

The Schuster’s Building (“District” or “TID”) is comprised of four properties totaling 163,619 SF (collectively, the “Property”). The District is shown in **Map No. 1, “Boundary and Existing Land Use,”** and described more precisely in **Exhibit 1, “Boundary Description.”** 67.89% of the real property located within the District was found to be in need of rehabilitation or conservation work within the meaning of Section 66.1105(4)(gm) of the Wisconsin Statutes. 0% of the real property located within the District is considered vacant property within the meaning of Section 66.1105(4)(gm) of the Wisconsin Statutes. **Exhibit 2, “Property Characteristics,”** illustrates how the properties in the District meet the statutory criteria for Tax Incremental Districts. Per Wisconsin Statute 66.1105 (5)(b) the percentage of territory within the District that will be devoted to retail business at the end of the maximum expenditure period is estimated by the City to be 15.28%. The entire District overlaps the existing Tax Incremental District No. 59 (Bronzeville), as shown in **Map No. 5, “Overlap with Existing TIDs.”**

C. Project Background

Proposed Project

The Schuster’s Building project is a proposed redevelopment of the former Schuster’s department store and Gimbel’s warehouse, a 350,000 SF building at 2153 North Dr. Martin Luther King Jr. Drive and a 24,000 SF warehouse at 2212-2228 North Vel R. Phillips Avenue (the “Project Site”), also commonly referred to as the Coakley Building. The Project Site will be developed by Royal Capital Group, LLC (the “Developer”), or its successors and assigns.

The Developer plans to redevelop the Project Site into apr. 131,000 SF of office space, apr. 40,000 SF of early childhood education/fitness uses, 77 affordable apartment units and apr. 315 structured parking spaces (the “Project”). The Project represents a total investment of apr. \$84.5m.

The City is proposing up to a \$15,000,000 developer-financed cash grant to the Developer from this District to partially offset the costs necessary to assist with the façade restoration, affordable housing units and other extraordinary costs related to the Project, per the attached Term Sheet, **Exhibit 6, “The Schuster’s Building Term Sheet.”**

History of the Project Site

The Schuster’s Building was built in 1907 as a Schuster’s Department Store, on the popular shopping district of, what was then, North Third Street. Several additions occurred throughout the years, including a major one in 1913. In 1961, it was purchased by Gimbels Departments Stores and continued to operate as a department store until 1969. After the department store closed, the building was used as storage by Gimbels until 1992 when CH Coakley & Co. purchased the building. For the past 25+ years, CH Coakley & Co. has operated out of the building, using it as storage and office

space. To the north, 2212-2228 North Vel R. Phillips Avenue, was used as additional storage space for Schuster's and Gimbel's.

Plans for the Project Site and Neighborhood

In 2009, the City of Milwaukee adopted the Northeast Side Area Plan. One of the catalytic projects listed in the plan was to redevelop the stretch of North Martin Luther King Jr. Drive from Meinecke to Brown, including identifying the redevelopment of the Schuster's Building into a mix of uses.

<https://city.milwaukee.gov/AreaPlans/Northeast.htm#.XVcBY-NKiUk>

In 2011, the Historic King Drive Business Improvement District created an economic development plan that sought to recruit businesses to the area, facilitate residential development, increase density, redevelop blighted properties and improve facades along the corridor.

In 2013, the City conducted a Bronzeville Area Redevelopment Charette which looked specifically at the Schuster's Building. That process recommended redeveloping the building into a mixed-use project with retail uses on the first floor and housing on the upper floors.

<https://city.milwaukee.gov/ImageLibrary/Groups/cityDCD/planning/plans/Northeast/pdfs/Bronzeville-Charette-Report.pdf>

In 2018, the City of Milwaukee adopted the Equitable Growth Through Transit Oriented Development Plan, which identified the Schuster's Building as a prime redevelopment site. That plan states, "The revitalization of the Coakley Building will inject new energy into this area, making full use of its substantial floor space and site. This anchor building has the potential to host a range of new uses including office, workspace, maker spaces and housing."

<https://city.milwaukee.gov/Plans/MovingMKEForward#.XVcBzuNKiUk>

D. Project Plan Goals and Objectives

More detailed goals and objectives of this Project Plan are to:

- Eliminate a blighting influence on North Martin Luther King Jr. Drive.
- Restore a historic and iconic building in Milwaukee.
- Increase the tax base of the City by redeveloping a property in need of rehabilitation or conservation.
- Implement a catalytic project, as set forth in the Northeast Side Area Plan, which called for the redevelopment of the Schuster's Building.
- Provide affordable housing in the City.

E. Existing Land Uses and Conditions in the District

The District is currently comprised of four properties assessed at \$3,784,300 in 2019. The Property in the District is zoned CS (Commercial Service) and LB2 (Local Business).

II. PLAN PROPOSALS

The following statements, maps and exhibits are provided in compliance with Section 66.1105(4)(f) of the Wisconsin Statutes.

A. "Statement of the Kind, Number, and Location of All Proposed Public Works or Improvements."

Funds generated from the District will be used for the following purposes:

Monetary Obligation (\$15,000,000): Provide annual cash grants to the Developer to partially offset the costs necessary to assist with the façade restoration, affordable housing units and other extraordinary costs related to the Project. Developer will advance all costs for the Project. City will make annual payments to the Developer equal to 100% of the incremental taxes collected in the District from real and personal property, less an annual administration charge, until such time as up to \$15,000,000 is repaid by the payments at an interest rate of 5.5%, over a period not to exceed 25 years (the “Monetary Obligation”) per the attached Term Sheet, **Exhibit 6, “The Schuster’s Building Term Sheet.”**

B. “Detailed List of Estimated Project Costs.”

The costs included in this subsection and detailed in Table B which follows are, without limitation because of enumeration, eligible project costs as defined under Section 66.1105(2)(f) and, if appropriate, in any cooperation agreement(s) entered into by and between the City of Milwaukee and eligible designated developer(s), provided further that such expenditures are necessitated by this Project Plan.

These costs and costs estimates are more fully described as follows:

Capital Costs

The City shall fund an estimated \$15,000,000 in the form of TID Capital Project Costs enumerated in further detail in **Table A** of this Plan.

TABLE A: TID Capital Project Costs	
Monetary Obligation to Developer	\$15,000,000
TOTAL Capital Project Costs	\$15,000,000

Other Costs

This category of Project Costs includes estimates for administrative, professional, organizational and legal costs.

Financing Costs

Financing costs include estimated gross interest expenses on the Monetary Obligation to repay the Developer. Estimates of interest are based on interest rates as set forth in the Economic Feasibility Analysis, attached as **Exhibit 4, “Feasibility Study.”** The City reserves the right to prepay the Monetary Obligation to Developer, which could require issuance of general obligation debt, as described in the Term Sheet, attached as **Exhibit 6, “The Schuster’s Building Term Sheet.”**

TABLE B: Lists of Estimated Project Costs

<u>Capital:</u> Monetary Obligation to Developer	\$15,000,000
<u>Other:</u> Administration (\$7,500 x 25 years)	\$187,500
Total Estimated Project Costs, excluding financing	\$15,187,500
<u>Financing:</u> Interest	\$15,505,000

C. “Description of Timing and Methods of Financing.”

All expenditures for the City Project Costs are expected to be incurred during the period from 2020-2046.

The annual cash grants to the Developer for the Monetary Obligation will be paid from incremental taxes generated annually in the District.

D. “Economic Feasibility Study.”

The Economic Feasibility Study for this District is attached to this Project Plan as **Exhibit 4, “Feasibility Study.”** The study establishes the dollar value of the Project Costs which, based on certain general assumptions and a reasonable margin of safety, can be financed with the revenues projected to be generated by the District.

Based upon the anticipated tax incremental revenue to be generated by the District, the District is financially feasible and is likely to be retired on or before year 2045, the 25th year of the District. Accordingly, the District is determined to be feasible.

E. “Map Showing Existing Uses and Conditions.”

Please refer to **Map No. 1, “Boundary and Existing Land Use,”** and **Map No. 2, “Structure Condition”** and **Exhibit 3, “Parcel Owners”** in the Exhibits Section which follows.

F. “Map Showing Proposed Uses and Improvements.”

Please refer to **Map No. 3, “Proposed Uses and Improvements”** in the Exhibits Section which follows.

G. “Proposed Change of Zoning Ordinances, Master Plan, Building Codes and City Ordinances.”

Please refer to **Map No. 4, “Existing Zoning,”** in the Exhibits Section which follows. The proposed Project Plan is consistent with the existing zoning, which is CS (Commercial Service) and LB2 (Local Business). The proposed Project Plan is in accordance with the existing master plan, map, building codes, and other city ordinances. The proposed Project Plan should not require amendments to their provisions, but such amendments could be made if necessary without further amendment to this Project Plan.

H. “List of Estimated Non-Project Costs.”

There are no Non-Project Costs.

I. “Proposed Method for Relocation.”

This Project Plan does not anticipate the acquisition of property by the City of Milwaukee. Accordingly, no relocation activities or expenditures for relocation payments or services are provided herein. Should the acquisition of property by condemnation and requiring relocation be necessary, the cost and method of relocation will be included in a redevelopment plan and associated relocation plan prepared in cooperation with the Redevelopment Authority, pursuant to Section 66.1333 and Section 32.05 of the Wisconsin Statutes. The costs of such activities will be eligible for reimbursement through tax increment revenues should such revenues be generated during the statutory life of the District.

J. “Statement Indicating How District Creation Promotes Orderly City Development.”

The creation of the District will provide a means to continue the revitalization of Milwaukee, and more specifically, the North Martin Luther King Jr. Drive corridor, consistent with the objectives of the Northeast Side Area Plan, adopted in 2009. The District will also facilitate the development of a property in need of rehabilitation or conservation and increase employment opportunities in Milwaukee.

K. “Opinion of the City Attorney.”

Please refer to **Exhibit 5, “Letter from the City Attorney.”**

EXHIBIT 1
Boundary Description

Beginning at a point at the intersection of the center line of North Martin Luther King Jr. Drive and the center line of West Lloyd Street;

Thence, west along the center line of West Lloyd Street to its intersection with the center line of North Vel R. Phillips Avenue;

Thence, north along the center line of North Vel R. Phillips Avenue to its intersection with the north line of 2212-28 North Vel R. Phillips Avenue;

Thence, east along the north line of 2212-28 North Vel R. Phillips Avenue to its intersection with the center line of the north-south alley in the block bounded by North Martin Luther King Jr. Drive, West Garfield Avenue, North Vel R. Phillips Avenue and West North Avenue;

Thence, south along the center line of the north-south alley in the block bounded by North Martin Luther King Jr. Drive, West Garfield Avenue, North Vel R. Phillips Avenue and West North Avenue to its intersection with the center line of West Garfield Avenue;

Thence, east along the center line of West Garfield Avenue to its intersection with the center line of North Martin Luther King Jr. Drive;

Thence, south along the center line of North Martin Luther King Jr. Drive to the point of beginning and more particularly depicted in Map 1 of this Project Plan.

**EXHIBIT 2
Property Characteristics**

Findings substantiating that not less than 50%, by area, of the real property within the proposed district is in need or rehabilitation or conservation within the meaning of Section 66.1105(4)(gm)4.a Wisconsin Statutes.

Parcel No.	Address	Taxkey	Owner Name	Land Assessment	Improvement Assessment	Total Assessment	Lot SF	In Need of Rehabilitation or Conservation SF	Vacant SF	Retail SF
1	2153 NORTH MARTIN LUTHER KING JR. DRIVE	353-0294-112	SCHUSTERS REDEVELOPMENT LLC	\$113,300	\$2,331,200	\$2,444,500	111,078	111,078	0	10,000
2	2107-2111 NORTH MARTIN LUTHER KING JR. DRIVE	353-0297-000	KIVLEY INVESTMENTS LLC	\$45,100	\$482,900	\$532,000	7,517	0	0	0
3	2101-2105 NORTH MARTIN LUTHER KING JR. DRIVE	353-0298-000	BREWERS HILL APTS LLC	\$42,900	\$554,900	\$597,800	7,519	0	0	0
4	2212-2228 NORTH VEL R PHILLIPS AVE	353-0213-000	CMK INC	\$112,500	\$97,500	\$210,000	37,505	0	0	15,000

TOTAL: **\$313,800 \$3,466,500 \$3,784,300 163,619 111,078 0 25,000**

PERCENTAGE: **100.00% 67.89% 0.00% 15.28%**

EXHIBIT 3
Parcel Owners

Parcel No.	Address	Taxkey	Owner Name
1	2153 NORTH MARTIN LUTHER KING JR. DRIVE	353-0294-112	SCHUSTERS REDEVELOPMENT LLC
2	2107-2111 NORTH MARTIN LUTHER KING JR. DRIVE	353-0297-000	KIVLEY INVESTMENTS LLC
3	2101-2105 NORTH MARTIN LUTHER KING JR. DRIVE	353-0298-000	BREWERS HILL APTS LLC
4	2212-2228 NORTH VEL R PHILLIPS AVE	353-0213-000	CMK INC

EXHIBIT 4

ECONOMIC FEASIBILITY STUDY FOR THE SCHUSTER'S BUILDING TID (NO. 102)

Background:

The City of Milwaukee is proposing to create Schuster's Building Tax Incremental District No. 102 (the "District") to fund annual cash grants to the Developer to assist with the façade restoration, affordable housing units and other extraordinary costs related to the Project. The Monetary Obligation outlined in the Project Plan, totaling \$15,000,000 in Project Costs, will be developer-financed and paid annually from actual incremental tax revenue.

The District is comprised of four properties totaling 163,619 SF of land (the "Property").

Current Property Valuation:

The assessment of the Property as of 1/1/2019 was \$3,784,300 and thus, that is the estimated base value of the proposed District with a base year of 2020.

Anticipated Future Value of the District:

Increment generated in the District will come from three project components: 131,000 SF of office space, 40,000 SF of early childhood education/fitness uses and 77 affordable residential units.

Office Value:

Apr. 131,000 SF of the Project Site will be converted to Class A office and medical office space, whose anchor tenants will be the Medical College of Wisconsin and the Greater Milwaukee Foundation. Both anchor tenants will be paying market-rate rents. Office tenants will have access to on-site structured parking. To determine a potential assessed value, a comparable and income based approach are considered.

Recent and nearby new construction or renovated office buildings, offer good comparables, such as:

- 1433-75 North Water Street (main tenant of Bader Rutter) is a 139,309 SF office building that is a combination of new construction (2016) and renovation of existing space with a 2019 assessment of \$21,403,100 (\$153/SF). This building was a combination of rehab and new construction and is considered Class B space, with limited on-site parking.
- 1254-1320 North Martin Luther King Jr. Drive (main tenant of Spectrum) is an 189,063 SF office building with a 2019 assessment of \$29,179,900 (\$154/SF). This building was renovated into office space in the 1990's and is considered Class B space, with limited on-site parking.
- The Manpower Headquarters (201 West Cherry Street), completed in 2007 near Schlitz Park, is a 280,000 SF Class A office building with a 2019 assessment of \$65,677,800 (\$234/SF). It has an attached parking structure.
- 1271 North 6th Street (main tenant is the Medical College of Wisconsin/Froedtert) is a 37,000 SF medical office building with a 2019 assessment of \$10,394,400 (\$280/SF). Completed in 2017, this building is a Class A medical office building with limited on-site parking.

Based on those comparables and the availability/inclusion of parking, it is assumed that the office space will be assessed at \$29,475,000 (\$225/SF) upon stabilization in 2022.

From an income approach, based on conversations with the City Assessor's Office, office/medical office buildings are typically valued at a cap rate of 7% (and a loaded cap rate of 9.785%). Using the Developer's projected net operating income of apr. \$4,400,000 and a 9.785% loaded cap rate would lead to an assessed value of \$44,966,786 ($\$4,400,000 / .09785$).

For the purposes of this feasibility study, the assessed value of the office portion of the Project is assumed to be the average of the comparable and income values, $\$37,220,893$ ($(\$29,475,000 + \$44,966,786) / 2$).

Early Childhood/Fitness Value:

Apr. 40,000 of the Project Site will be converted to early childhood education and fitness center uses, essentially first floor commercial uses. The best comparables are existing commercial properties in the area:

- The Pete's Fruit Market at 2323 North Martin Luther King Jr. Drive was assessed at \$991,700 (\$60/SF) in 2019.
- The buildings at 2220-2244 North Martin Luther King Jr. Drive, with Subway and other first floor retailers, was assessed at \$896,000 (\$79/SF) in 2019.

For the purposes of this feasibility study it is assumed that the early childhood education and fitness center uses will be assessed at \$3,200,000 (\$80/SF) upon stabilization in 2022.

Residential Value:

Upper floors of the Project Site are being converted to 77 affordable-rate apartments units. Similar apartments in the area are assessed at:

- The Griot: 2235 North Vel R. Phillips Avenue. \$39,200/unit. (\$1,607,200 assessment in 2019, 41 units). These units opened in 2018 and the building is not fully stabilized.
- Historic Garfield Apartments: 2215 North Vel R. Phillips Avenue. \$45,026/unit. (\$1,350,800 assessment in 2019, 30 units). These units opened in 2018 and the building is not fully stabilized.
- Haymarket Lofts: 1300 North Vel R. Phillips Avenue. \$47,193/unit. (\$3,397,900 assessment in 2019, 72 units). These units opened in 2018 and the building is not fully stabilized.
- Park East Enterprise Lofts: 1401 North Martin Luther King Jr. Drive. \$62,452/unit. (\$5,308,400 assessment in 2019, 85 units).

Once the apartments are stabilized in 2022, it is assumed that units will be valued at \$60,000/unit, due to their location, quality and on-site parking. Therefore, the apartments will be valued at \$4,620,000, upon stabilization in 2022.

Therefore, combined, it is anticipated that the Project's assessed value will be \$45,040,893 ($\$37,220,893 + \$3,200,000 + \$4,620,000$) upon stabilization in 2022. A 1% annual appreciation on the Project is assumed.

Anticipated District Cash Flow:

Attached as Table 1 is a cash flow forecast for the proposed District. Basic parameters of this forecast are:

- Base Value: \$3,784,300
- Tax Rate: 2.785%
- Interest Rate: 5.5%
- Annual Appreciation: 1.00%
- Developer Financed Costs: \$15,000,000
- Annual Admin Costs: \$7,500 (deducted from annual payment to Developer)

As shown in the forecast, the District is able to amortize the Project Costs in an estimated 25 years. Given this estimate, the proposed District is determined to be feasible and capable of amortizing the Project Costs within the statutory life of the proposed District.

Table 1: Schuster's Building TID (#102)

No.	Assessment Year	Budget Year	Base Value	Projected Value	TID Incremental Value	Incremental Revenue	Cumulative Inc. Revenue	Annual Expenses	Increment After Expenses	NPV of Increment After Expenses	TID Payoff
1	2020	2021	3,784,300	3,784,300	-	-	-	-	-	-	
2	2021	2022	3,784,300	10,000,000	6,215,700	173,107	173,107		173,107	155,529	No
3	2022	2023	3,784,300	45,040,893	41,256,593	1,148,996	1,322,103	7,500	1,141,496	1,127,642	No
4	2023	2024	3,784,300	45,491,302	41,707,002	1,161,540	2,483,643	7,500	1,154,040	2,059,203	No
5	2024	2025	3,784,300	45,946,215	42,161,915	1,174,209	3,657,853	7,500	1,166,709	2,951,892	No
6	2025	2026	3,784,300	46,405,677	42,621,377	1,187,005	4,844,858	7,500	1,179,505	3,807,323	No
7	2026	2027	3,784,300	46,869,734	43,085,434	1,199,929	6,044,787	7,500	1,192,429	4,627,043	No
8	2027	2028	3,784,300	47,338,431	43,554,131	1,212,983	7,257,770	7,500	1,205,483	5,412,534	No
9	2028	2029	3,784,300	47,811,816	44,027,516	1,226,166	8,483,936	7,500	1,218,666	6,165,218	No
10	2029	2030	3,784,300	48,289,934	44,505,634	1,239,482	9,723,418	7,500	1,231,982	6,886,458	No
11	2030	2031	3,784,300	48,772,833	44,988,533	1,252,931	10,976,349	7,500	1,245,431	7,577,561	No
12	2031	2032	3,784,300	49,260,561	45,476,261	1,266,514	12,242,863	7,500	1,259,014	8,239,779	No
13	2032	2033	3,784,300	49,753,167	45,968,867	1,280,233	13,523,096	7,500	1,272,733	8,874,313	No
14	2033	2034	3,784,300	50,250,699	46,466,399	1,294,089	14,817,185	7,500	1,286,589	9,482,316	No
15	2034	2035	3,784,300	50,753,206	46,968,906	1,308,084	16,125,269	7,500	1,300,584	10,064,891	No
16	2035	2036	3,784,300	51,260,738	47,476,438	1,322,219	17,447,488	7,500	1,314,719	10,623,095	No
17	2036	2037	3,784,300	51,773,345	47,989,045	1,336,495	18,783,983	7,500	1,328,995	11,157,945	No
18	2037	2038	3,784,300	52,291,078	48,506,778	1,350,914	20,134,896	7,500	1,343,414	11,670,411	No
19	2038	2039	3,784,300	52,813,989	49,029,689	1,365,477	21,500,373	7,500	1,357,977	12,161,427	No
20	2039	2040	3,784,300	53,342,129	49,557,829	1,380,186	22,880,559	7,500	1,372,686	12,631,886	No
21	2040	2041	3,784,300	53,875,550	50,091,250	1,395,041	24,275,600	7,500	1,387,541	13,082,645	No
22	2041	2042	3,784,300	54,414,306	50,630,006	1,410,046	25,685,646	7,500	1,402,546	13,514,525	No
23	2042	2043	3,784,300	54,958,449	51,174,149	1,425,200	27,110,846	7,500	1,417,700	13,928,313	No
24	2043	2044	3,784,300	55,508,034	51,723,734	1,440,506	28,551,352	7,500	1,433,006	14,324,763	No
25	2044	2045	3,784,300	56,063,114	52,278,814	1,455,965	30,007,317	7,500	1,448,465	14,704,600	No
26	2045	2046	3,784,300	56,623,745	52,839,445	1,471,579	31,478,895	7,500	1,464,079	15,068,515	YES
27	2046	2047	3,784,300	57,189,982	53,405,682	1,487,348	32,966,243	7,500	1,479,848	15,417,174	YES

32,966,243

Annual appreciation	1.010
Discount Rate	5.50%
Base Value	3,784,300
Projected Value	45,040,893
Initial Property Tax rate	2.785%
Developer Financed Costs	15,000,000
Annual Expenses	7,500

EXHIBIT 5
Letter from the City Attorney

EXHIBIT 6
The Schuster's Building Term Sheet

09/26/19

**DRAFT
TERM SHEET**

(Schuster’s Building – TID 102)

PROJECT

The Schuster’s Building project is a proposed redevelopment of the former Schuster’s department store and Gimbel’s warehouse, a 350,000 SF building at 2153 North Dr. Martin Luther King Jr. Drive and a 24,000 SF warehouse at 2212-2228 North Vel R. Phillips Avenue (the “**Project Site**”). The Project Site will be developed by Royal Capital Group, LLC (the “**Developer**”), or its approved successors and assigns.

The Developer plans to redevelop the Project Site into apr. 131,000 SF of office space, apr. 40,000 SF of early childhood education/fitness uses, 77 affordable apartment units and apr. 315 structured parking spaces (the “**Project**”). A portion of the Office Space will be occupied by the Medical College and a portion will be occupied by the Greater Milwaukee Foundation. Approximately 13 of the residential units will be available to families earning under 30% of the Area Median Income, 9 units will be available to families earning under 50% of the Area Median Income, 31 units will be available to families earning under 60% of the Area Median Income and 24 units will be available to families earning under 80% of the Area Median Income. The Project represents a total investment of apr. \$84.5m.

The City of Milwaukee (“**City**”) proposes to assist Developer via the creation of a new Tax Incremental District No. 102 (Schuster’s Building) (the “**TID**”) to fund a \$15,000,000 “**Monetary Obligation**” item described below and as set forth in the TID Project Plan.

PROJECT BUDGET

Total estimated costs for the Project are approximately \$84.5m. Estimated Project sources are:

Commercial Loans:	\$39,000,000
Historic Tax Credits:	\$16,600,000
Tax Incremental Financing:	\$12,600,000
Equity:	\$7,400,000
Low Income Housing Tax Credit:	\$6,200,000
<u>Deferred Developer Fee</u>	<u>\$2,700,000</u>
TOTAL	\$84,500,000

APPROXIMATE DEVELOPMENT SCHEDULE

Commence Construction of Project by September 1, 2020.
Substantial Completion of Project by May 1, 2022.

DESIGN REVIEW

Plans and specifications for the Project shall be subject to the reasonable review and approval of City's Commissioner of City Development (the "**DCD Commissioner**").

PARTIES

City, Redevelopment Authority of the City of Milwaukee and Developer.

PARTIES' OBLIGATIONS

In order to receive the financial assistance described above, Developer must fulfill the following obligations:

- A. Achieve "**Substantial Completion**" which shall mean that Developer shall develop the Project, including obtaining necessary building permits for the construction of the Project, except for the remaining build out of vacant office suites, and substantially complete construction of the Project and obtain Certificates of Occupancy for the spaces to be occupied by the Medical College, the Greater Milwaukee Foundation, and by apartment dwellers by May 1, 2022, subject to force majeure.
- B. Developer shall enter into a Human Resources Agreement with City that will require Developer to utilize certified Small Business Enterprises ("**SBE**") for 25% of construction and supply costs and 18% of professional services costs on the Project and utilize unemployed and underemployed residents, pursuant to City's Resident Preference Program ("**RPP**"), for no less than 40% of total "worker hours" expended on construction of the Project. City and Developer shall agree upon a schedule of anticipated SBE and RPP percentages over the life of the Project. If the Developer does not meet the required SBE and RPP percentages set forth in Milwaukee Code of Ordinance Chapters 355 and 370, then per MCO Section 355-19, the release of all or a portion of the Monetary Obligation may be withheld until the percentages are met or may be withheld completely if the percentages are never met.
- C. Developer shall enter into a standard payment in lieu of taxes ("**PILOT**") agreement with City agreeing to make PILOT payments to City for the full property tax rate in the event that the real property included in the Project, becomes exempt from the payment of real property taxes during the original term of the TID. PILOT payments shall be due until termination of the TID or through the year of the 2046 tax levy, payable in 2047; whichever shall first occur.
- D. Upon Substantial Completion of the Project, the Developer will provide the City with a façade easement to ensure that the façade of the Project and Project Site is maintained during the life of the TID.

- E. Maintain the affordable residential units in the Project for at least 25 years.
- F. Comply with the City's Anti-Displacement Neighborhood Preference Policy, and Common Council Resolution File No. 190401, and the policy regulations and requirements promulgated under that File No. 190401.

MONETARY OBLIGATION

Developer will advance and City will reimburse up to the capped amount of \$15,000,000 in project costs to assist with the façade restoration, affordable housing units and other extraordinary costs related to the Project (the "Monetary Obligation").

The Monetary Obligation consists of a limited and conditional obligation to repay Developer an amount up to the capped amount of \$15,000,000, plus interest on the outstanding balance of the Monetary Obligation at 5.5% per year for up to 25 years. Payments on the Monetary Obligation are to be made annually, less annual expenses of \$7,500. City may, at any time or from time to time, without notice, penalty, or fee, prepay all or any portion of the Monetary Obligation.

Interest on the Monetary Obligation shall not begin to accrue until Substantial Completion of the Project. Prior to Substantial Completion of the Project, City will deposit the incremental tax revenue actually received by City from the TID, less annual expenses of \$7,500 into a special fund established for the TID. Upon Substantial Completion of the Project, such amount shall be disbursed to Developer and applied to reduce the principal balance of the Monetary Obligation.

Subsequent to Substantial Completion of the Project, following the deduction of annual expenses, incremental tax revenue collected from the TID will be allocated to repay Developer for project costs incurred for the façade restoration, affordable housing units and other extraordinary costs related to the Project through payments on the Monetary Obligation.

Tax incremental revenue will not be pledged to the payment of the Monetary Obligation, and the Monetary Obligation shall not constitute a general obligation of City or count against its statutory debt limits. All disbursements of tax incremental revenue received by City from the TID shall be subject to annual appropriation. If not appropriated, City shall not expend such tax incremental revenue for any other TID project costs or for any other purpose. City agrees to negotiate, in good faith, terms and conditions within the definitive agreement which are reasonably acceptable to Developer's lender as it pertains to this paragraph.

Developer shall be obligated to sign a development agreement (Wis. Stat. 66.1105 (2)(f)2.d. which shall also indicate that the Monetary Obligation shall not be used to pay property taxes, *Voters with Facts v. City of Eau Claire*, 2018 WI 63).

Monetary Obligation Earned

Upon Substantial Completion of the Project, Developer shall submit a certification detailing project costs theretofore incurred (together with copies of records, invoices and/or AIA documentation evidencing such expenditures). The amount of the Monetary Obligation shall be deemed earned upon approval of such certification by the DCD Commissioner and interest will begin to accrue on the balance of the Monetary Obligation as of the date of Substantial Completion of the Project.

Term of Payments

City payments on the Monetary Obligation will terminate: **(i)** at the time the Monetary Obligation is fully paid; or **(ii)** with the payment derived from the 2046 tax levy, payable in 2047, whichever occurs first.

Cost Savings

If at completion, the Project costs submitted are less than the \$84.5m estimated in the Project Budget, the principal amount of the Monetary Obligation will be reduced by 50% of the cost savings.

OTHER ENTITLEMENTS OR APPROVALS

City will work with Developer regarding Developer's efforts to secure any zoning changes, right-of-way vacations, right-of-way dedications and any other approvals or entitlements required for the Project.

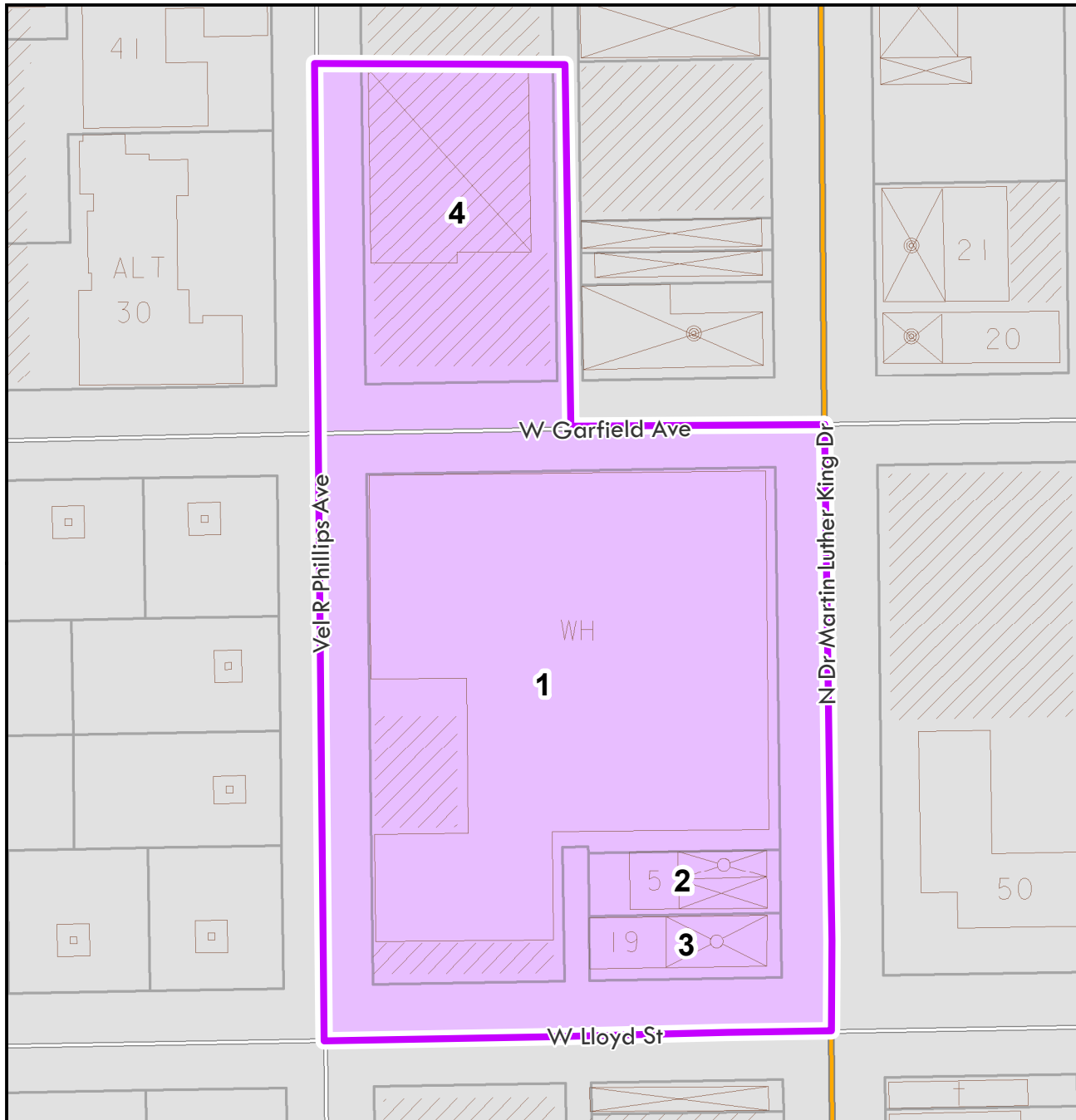
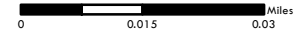
GENERAL

This Term Sheet does not constitute a binding agreement. The terms set forth herein and other provisions customary for a transaction of this sort, shall be incorporated into a Cooperation, Contribution and Redevelopment Agreement (a Wis. Stat. 66.1105 (2)(f)2.d. development agreement), a Human Resources Agreement, a PILOT Agreement and any other documents, instruments or agreements necessary to accomplish the objectives described above. In recognition that there may be adjustments of the dates and descriptions herein as well as administrative approvals which will require the exercise of reasonable discretion on behalf of City, the DCD Commissioner will be authorized under these agreements to exercise such discretion and grant such approvals.

TID 102: SCHUSTER'S BUILDING, MAP 1

BOUNDARY AND EXISTING LAND USE

Prepared by the Department of City Development Planning Division, 9/16/2019
 Source: DCD Planning Division; Information Technology Management Division






PROPERTY LIST

No.	Taxkey	Property Address
1	353-0294-112	2153 N MARTIN LUTHER KING JR. DR
2	353-0297-000	2107-2111 N MARTIN LUTHER KING JR. DR
3	353-0298-000	2101-2105 N MARTIN LUTHER KING JR. DR
4	353-0213-000	2212-2228 N VEL R PHILLIPS AVE

MAP LEGEND

-  TID 102 Boundary
-  Parcel Boundary

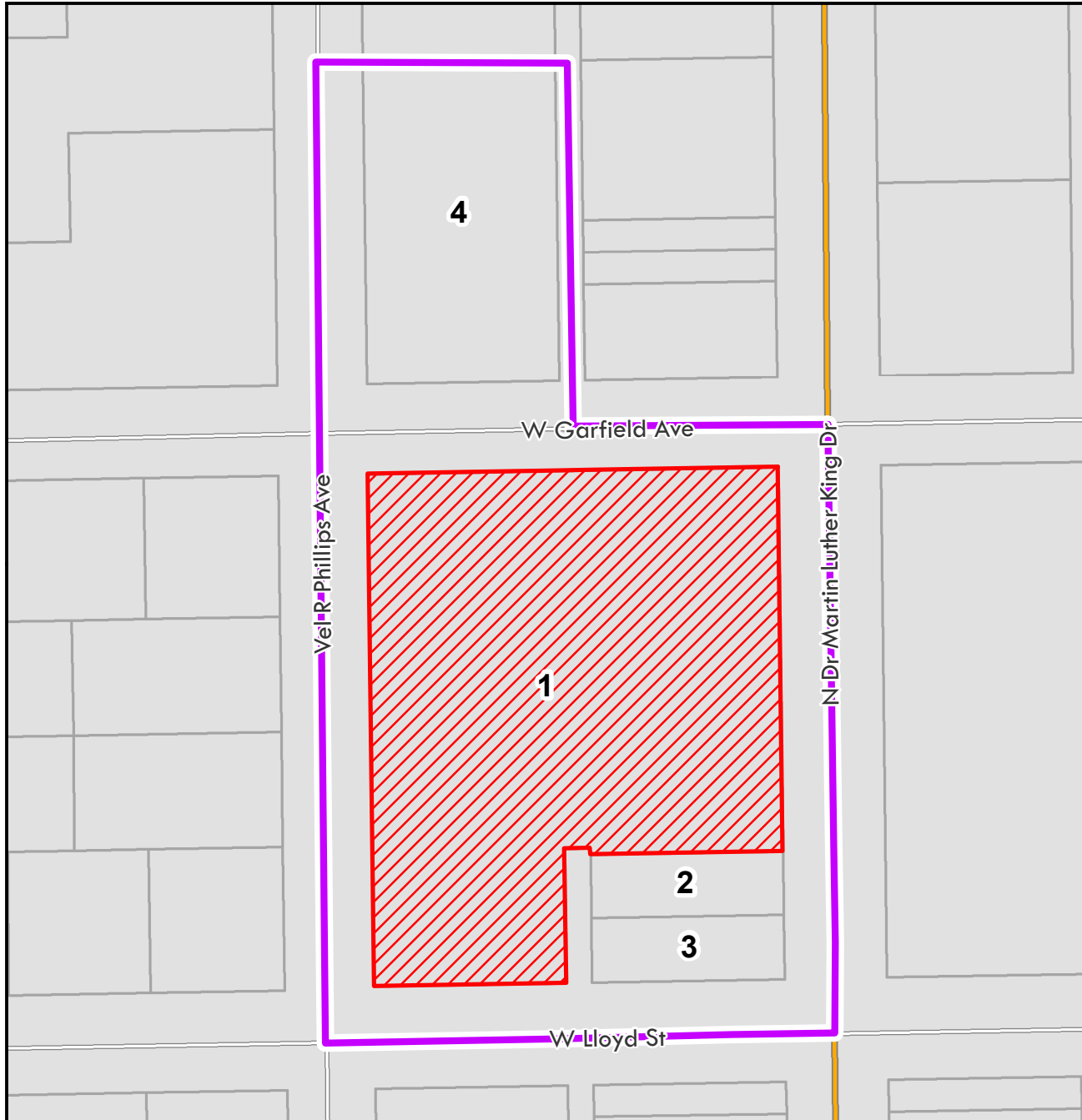
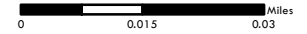
Current Land Use

-  SINGLE FAMILY RESIDENTIAL
-  TWO FAMILY RESIDENTIAL
-  MULTI-FAMILY RESIDENTIAL
-  CONDOMINIUM
-  DORMITORY
-  ROOMING HOUSE
-  HOTEL / MOTEL
-  COMMERCIAL WITH RESIDENCE
-  COMMERCIAL
-  MIXED COMMERCIAL
-  OFFICE OR PROFESSIONAL SERVICES
-  MANUFACTURING AND WAREHOUSING
-  UTILITY COMPANY
-  STORAGE TANK
-  ACCESSORY BUILDING
-  HOSPITAL
-  SKILLED CARE FACILITY / GROUP HOME
-  PLACE OF WORSHIP
-  NON - PUBLIC EDUCATION
-  GOVERNMENTAL OR QUASI-PUBLIC BUILDING
-  POLICE STATION
-  FIRE STATION
-  PUBLIC SCHOOL
-  PLAYGROUND
-  PARK
-  CEMETERY
-  PARKING
-  BASKETBALL COURT
-  TENNIS COURT
-  FENCE
-  ELECTRICAL LINE TRANSMISSION TOWER
-  ELECTRICAL LINE
-  UNDER CONSTRUCTION

TID 102: SCHUSTER'S BUILDING, MAP 2

STRUCTURE CONDITION




Prepared by the Department of City Development Planning Division, 9/16/2019
 Source: DCD Planning Division; Information Technology Management Division



PROPERTY LIST

No.	Taxkey	Property Address
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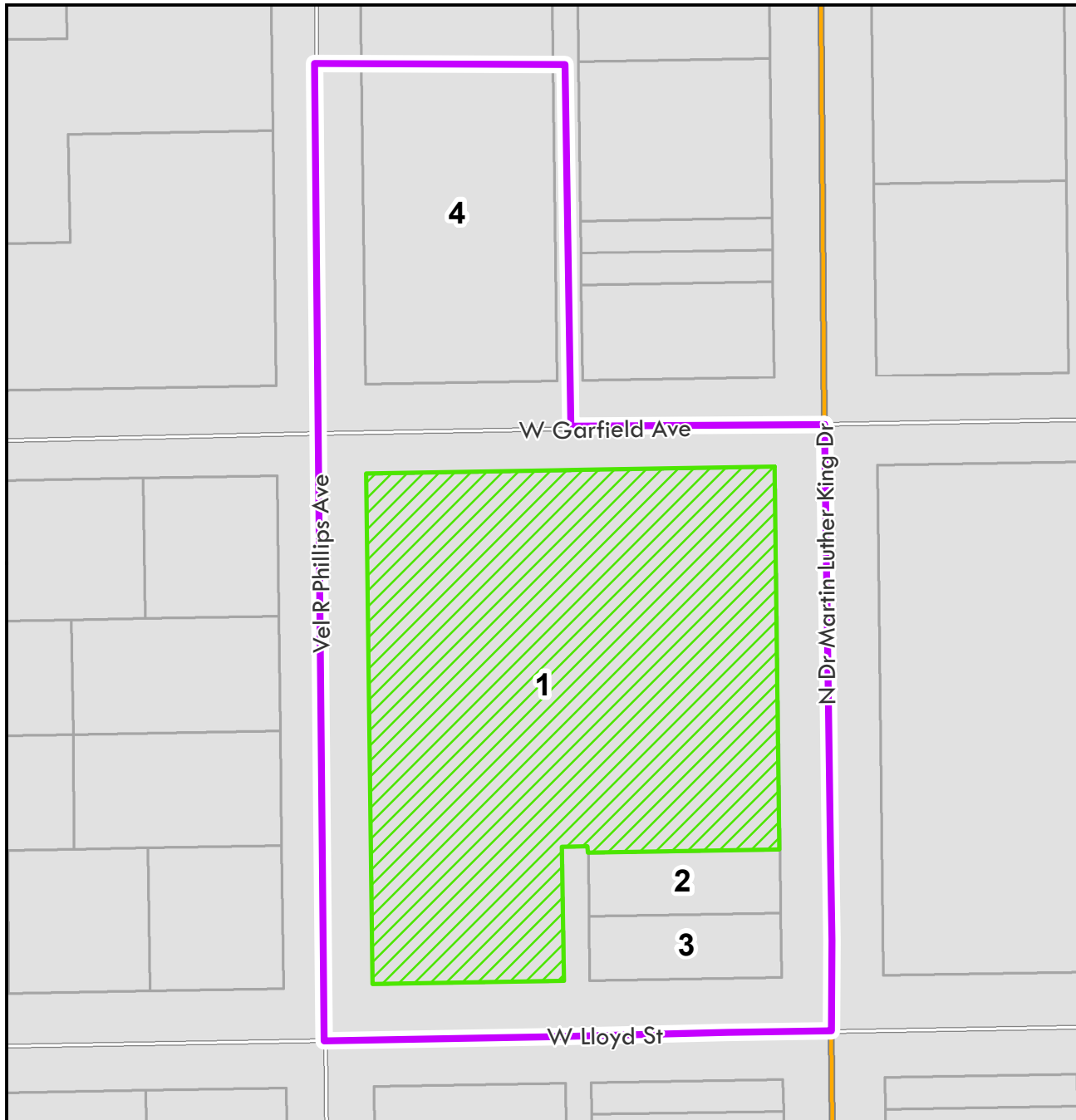
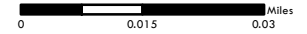
MAP LEGEND

-  TID 102 Boundary
-  In Need of Conservation or Rehabilitation
-  Parcel Boundary

TID 102: SCHUSTER'S BUILDING, MAP 3

PROPOSED USES AND IMPROVEMENTS




Prepared by the Department of City Development Planning Division, 9/16/2019
 Source: DCD Planning Division; Information Technology Management Division



PROPERTY LIST

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1	353-0294-112	2153 N MARTIN LUTHER KING JR. DR
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4	353-0213-000	2212-2228 N VEL R PHILLIPS AVE

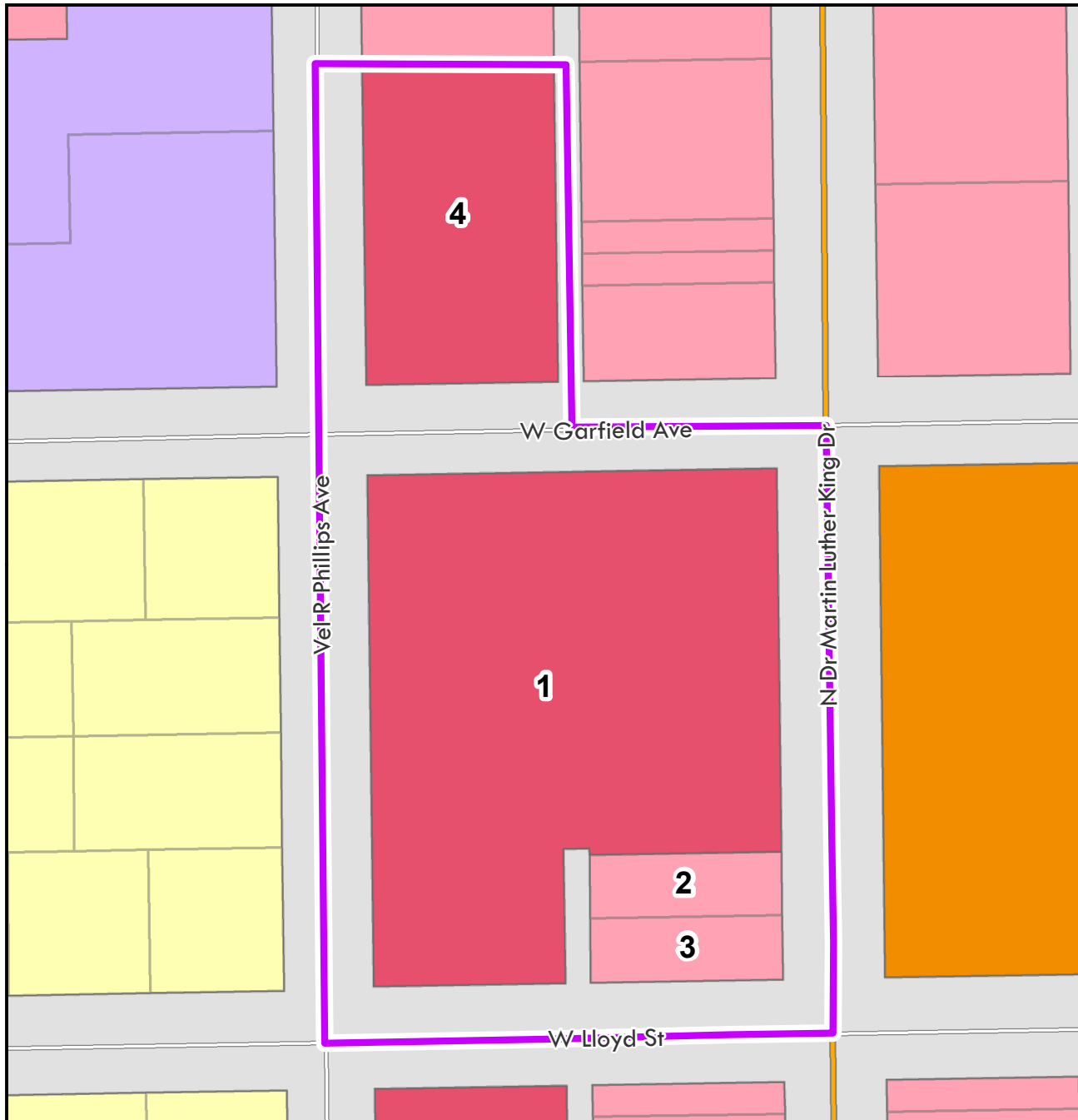
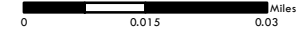
MAP LEGEND

-  TID 102 Boundary
-  Overall Project
-  Parcel Boundary

TID 102: SCHUSTER'S BUILDING, MAP 4

EXISTING ZONING

Prepared by the Department of City Development Planning Division, 9/16/2019
 Source: DCD Planning Division; Information Technology Management Division



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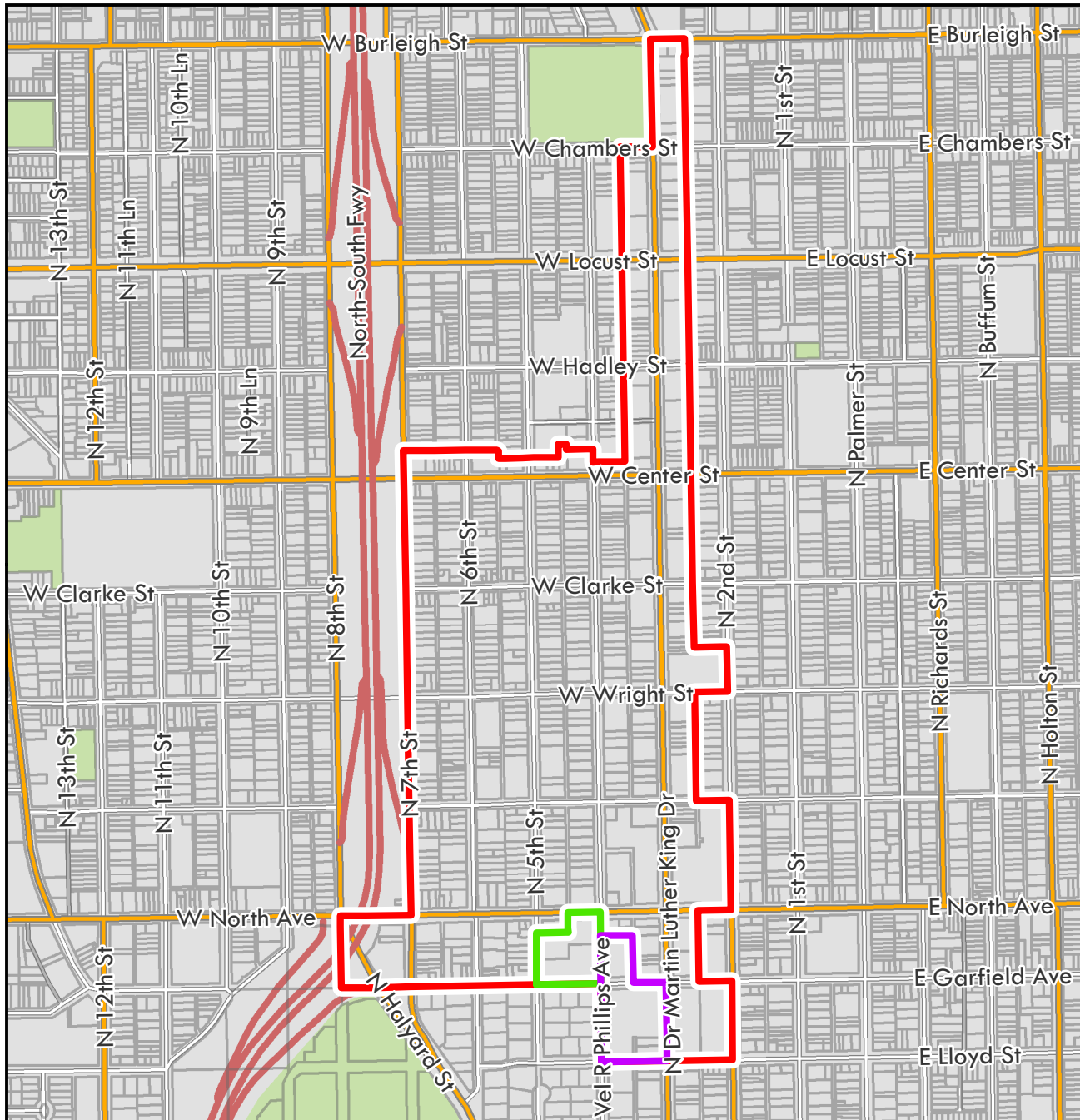
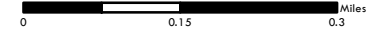
MAP LEGEND

- TID 102 Boundary
- Parcel Boundary
- Commercial - Commercial Service
- Commercial - Local Business
- Residential - Single Family
- Residential - Multi-Family
- Special - Planned Development

TID 102: SCHUSTER'S BUILDING, MAP 5

OVERLAP WITH EXISTING TIDS





Prepared by the Department of City Development Planning Division, 9/16/2019
 Source: DCD Planning Division; Information Technology Management Division



PROPERTY LIST

No.	Taxkey	Property Address
1	353-0294-112	2153 N MARTIN LUTHER KING JR. DR
2	353-0297-000	2107-2111 N MARTIN LUTHER KING JR. DR
3	353-0298-000	2101-2105 N MARTIN LUTHER KING JR. DR
4	353-0213-000	2212-2228 N VEL R PHILLIPS AVE

MAP LEGEND

-  TID 102 Boundary
-  TID 59 Boundary
-  TID 89 Boundary
-  Parcel Boundary