

**PROJECT PLAN**

**FOR**

**TAX INCREMENTAL DISTRICT NO. 57**

**MENOMONEE VALLEY – EAST PROJECT**

- **Public Hearing Held: September 16, 2004**
- **Redevelopment Authority Adopted: Sept. 16, 2004**
- **Common Council Adopted:**
- **Joint Review Board Adopted :**

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**Prepared by Redevelopment Authority  
of the City of Milwaukee  
September, 2004**

## **I. DESCRIPTION OF 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.

### **B. District Boundaries**

The District consists of approximately seventeen acres of property located at or proximate to the intersection of 6<sup>th</sup> Street and W. Canal Street, excluding public streets and alleys. The District is shown on Map No. 1, "Boundary and Existing Land Use," and described more precisely in Exhibit 1, "Boundary Description." The area consists solely of whole units of property as are assessed for general tax purposes. A list of properties in the District is provided in Exhibit 2, "Property Characteristics."

The District contains property totaling 757,624 square feet (17.39 acres), more or less, exclusive of public streets and alleys. More than 57% of the property located in the District is a "blighted area" within the meaning of section 66.1105(2)(a); see Exhibit 2. Less than 16% of the District is presently "vacant" as defined in the statute. Some of the property is contaminated by environmental pollution and thus not "vacant property" for purposes of section 66.1105(4)(gm)1.

In addition, the District is located within, and will facilitate the objectives of, the Redevelopment Plan for the Menomonee Valley Area "K" Project Area

### **C. Plan Objectives**

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The District is presently the site of a City of Milwaukee public works maintenance facility, known as the Traser Yards, plus several vacant, blighted, or underutilized properties adjacent or proximate thereto which are either owned by the City or the Redevelopment Authority. H-D Milwaukee, LLC, ("Developer") a Wisconsin limited liability company wholly-owned by Harley-Davidson Motor Co., Inc. proposes to develop a Project consisting of approximately 230,000 square feet of new facilities at the Project site, including:

- (1) Harley-Davidson museum; retail, banquet, and restaurant facilities (and related office and technical support facilities), in buildings having a total of approximately 110,000 square feet, plus site improvements, including riverwalks and landscaped open space, at the entire Project site supporting and creating an attractive setting for the foregoing facilities *and* future facilities (“Phase I”),
- (2) An expansion of the museum facilities to include Harley-Davidson’s archive and restoration facilities, of approximately 20,000 additional square feet and additional exhibits (“Phase II”), and
- (3) One or more additional office and/or commercial buildings, to be Developed by H-D Milwaukee, LLC or others, having a total of approximately 100,000 additional square feet (“Phase III”).

In order to implement the Project, the City’s Traser Yards complex will be relocated to a 25 acre site at N. 35<sup>th</sup> St. and W. Vienna St., on what is currently the Tower Automotive, Inc. property. This replacement facility is expected to be completed, and the Traser complex vacated, by early to mid-2006.

Phase I of the Harley-Davidson Project is expected to be completed within two years of the date the Traser complex is vacated by the City. Phase II is expected to be completed within two years after Phase I opens, and Phase III is planned to be developed within three years of the completion of Phase II. The Project may be built in two phases rather than three.

Proforma development costs for the project are estimated as follows:

	Phase I	Phase II	Phase III
Estimated Cost	110,000 sf	20,000 sf	100,000 sf
Property acquisition	\$2,000,000		
Site Development	11,226,900	100,000	450,000
Construction Hard Costs	28,438,000	9,790,000	15,000,000
Soft Costs	4,248,000	978,000	2,050,000
Exhibits	11,310,000	3,346,000	0
FF & E	2,965,000	784,000	2,500,000
Total (Rounded)	\$60,000,000	\$15,000,000	\$20,000,000

The museum and associated development is expected to attract an estimated 350,000 visitors annually from throughout the world to experience the people, products, culture and history of Harley-Davidson. Expected benefits from the project include: \$78 million annually in additional visitor spending in the Milwaukee area, including \$44 million

annually in additional income for local employees and business owners; \$12.3 million in annual state and local tax revenue; greater visibility and enhanced image for Milwaukee worldwide; the creation of new jobs in the museum, support facilities and proposed office and/or commercial buildings; and, stimulus for additional development in the Menomonee Valley, Walker's Point and Downtown.

The more detailed objectives of this Project Plan are to:

1. Retain and create employment opportunities in the City of Milwaukee.
2. Upgrade the physical quality and functional use of the District by eliminating low intensity and uneconomic land uses, environmentally contaminated properties, functionally obsolete structures and blighting influences that detract from the general appearance of the District and surrounding area, inhibit the sound growth of the City, and discourage new private investment.
3. Revitalize the general economy in the City in the vicinity of the District, including the additional Milwaukee-area spending and state and local tax revenue described above.
4. Increase the tax base of the City of Milwaukee.

#### D. Proposed Public Action

The Project Plan for the District proposes to provide funding for extraordinary site costs related to the Project, including, but not limited to, environmental remediation, dockwall repair, replacement, or construction, pile foundations for the buildings proposed above, street vacation and utility relocation, and other related extraordinary site costs. All funding for these costs will be advanced by Developer and be repaid by the City from incremental revenue derived from the District. In addition, following repayment of Developer in full, the City may also apply revenues from the District to the reimbursement of City and Redevelopment Authority costs of demolition at the Project site. Additional costs of administering the District will be funded by Developer and repaid from District revenues, as described above, or paid by the City directly from District revenues over the life of the District.

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Funding for project costs will be implemented through a Cooperation, Contribution and Redevelopment Agreement (the "Cooperation Agreement") with the City of Milwaukee, and the Redevelopment Authority of the City of Milwaukee ("RACM") and Developer.

The City's contribution to project costs will consist of a limited and conditional Monetary Obligation to repay the Developer an amount equal to the actual cost of the

above improvements, and expenses, in the maximum amount of \$7,000,000, plus City costs of administering the Project Plan, and interest on the Monetary Obligation at an interest rate provided in the Cooperation Agreement. Payments from the City of Milwaukee are to be made annually, but only in an amount equal to the tax incremental revenue actually received by the City from the District. Tax incremental revenue will not be pledged to the payment of the Monetary Obligation and the Monetary Obligation will not constitute a general obligation of the City, or count against its statutory debt limits.

The City's contribution will be allocated to each Phase of Developer's Project, as follows:

Phase I	\$5,358,000
Phase II	405,000
Phase III	1,237,000
Total City Contribution (excl. admin and interest cost on the contribution)	\$7,000,000

## II. PROJECT PLAN PROPOSALS

A. The following is a description of the kind, number and location of all proposed public works, improvements and expenses to be incurred within the District:

A contribution for the purposes of carrying on redevelopment and assisting in a redevelopment project of the Redevelopment Authority, pursuant to Section 66.1333 Wis. Stats., or other costs or obligations incurred by the City for the purpose of funding the cost of the following projects to be implemented by Developer, or an affiliate thereof:

- Street vacation and public utility abandonment or relocation.
- Dockwall repair, replacement or construction.
- Environmental remediation; including, but not limited to, soils remediation, active methane abatement, and site capping.
- The incremental cost of pile supported, or similar deep foundation systems as compared with conventional building foundation systems.
- Filling or otherwise elevating the Project Site for the purpose of raising above the existing flood plain.
- Such other extraordinary site-related costs incurred by Developer and approved by the City.
- Administrative costs, audit costs for the District, and engineering consulting for the City and Developer.
- Following repayment of the costs above, reimbursement of City and Redevelopment Authority for their costs of demolition at the Project Site.

B. The following is an estimate of project costs:

1. CITY GRANT ON BEHALF OF REDEVELOPMENT AUTHORITY FOR CONTRIBUTION TO DEVELOPER COSTS (See Exhibit 3)	\$7,000,000
2. CITY ADMINISTRATION, CONSULTING, ETC.	200,000
3. SUB TOTAL, CITY MONETARY OBLIGATION	7,200,000
4. EST. DEMOLITION COSTS	1,250,000
5. EST. DISTRICT CAPITAL COST	\$8,450,000
6. EST. INTEREST COST (see feasibility study)	<u>7,390,400</u>
7. EST. TOTAL DISTRICT PROJECT COST	\$15,840,400
	\$

See Exhibit 3 for detailed cost estimates. The kind, number, location and estimated costs of improvements and projects identified above, and in Exhibit 3, are based on preliminary plans and specifications and may be modified as to the kind, number, and location and the costs allocated at any time during project execution based on more definitive engineering studies and construction plans.

The costs included in this subsection and detailed in Exhibit 3 are, without limitation hereof because of enumeration, claimed as eligible Project Costs as defined under Wis. Stats. Sec. 66.1105(2)(f) and in any Cooperation Agreement(s) presently or subsequently entered into by and between the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, and/or eligible designated redeveloper(s).

### 3. "Description of Timing and Methods of Financing."

#### Estimated Timing of Project and Financing Costs

As indicated above, Developer proposes to construct its project in Phases. Phase I is expected to be completed within 24 months of the time the City of Milwaukee vacates its municipal maintenance facility known as the Traser Yards and located on Parcel 1 of Map 1. The Traser facility is expected to be vacated by early to mid-2006, hence Phase I is expected to be completed by mid- 2008. Phase II (or an equivalent portion of Phase III) of Developer's project will be completed within 24 months of the completion of Phase I. Phase III is expected to be completed within 36 months of the completion of Phase II.

Given the foregoing, we estimate the timing of the Project Costs, including demolition costs, and assuming all Phases are completed on schedule, is as follows:

Year	Estimated Project Cost [1]	Cumulative Total
2005-2008	\$6,595,000	\$ 6,595,000
2009-2010	405,000 \$	\$ 7,000,000
2011-2013	1,250,000	\$ 8,250,000

[1]: Excluding administrative costs.

Developer will provide all financing for the TID Project Costs estimated above, other than the City's cost of demolition. The City will repay funds advanced by Developer, including an interest charge, but only to the extent of incremental revenue actually generated by the District

### 4. "Economic Feasibility Study."

The Economic Feasibility Study for this District, prepared by the Department of City Development and titled *Economic Feasibility Study: Tax Increment District No.57, September 2004*, is attached hereto.

The City is not obligated to repay any more than the District generates in tax incremental revenue. Consequently, the District is feasible for the City and the Developer bears the risk that incremental revenue may be insufficient to fully amortize the Monetary Obligation. The Economic Feasibility Study (Exhibit 5) also show that if all phases of the Project are completed when expected, repayment of Developer's costs as well as the City and Redevelopment Authority's demolition costs will be fully recovered

over the life of the District.

5. "Map Showing Boundary and Existing Uses."

Please refer to Map No. 1

6. "Map Showing Blighted Properties."

Please refer to Map No. 2

7. "Map Showing Proposed Improvements and Uses."

Please refer to Map No. 3.

8. "Proposed Change of Zoning Ordinances, Master Plan, Building Codes and City Ordinances."

Zoning for the District is proposed to be changed from C9H to C9G, mixed activity, subject to further use restrictions as specified in the Menomonee Valley Area "K" Redevelopment Plan

9. "List of Estimated Non-Project Costs."

The District's assistance is a portion of the estimated \$95 million total cost of Developer's three Phase project.

10. "Proposed Method for Relocation."

This Plan does not anticipate the acquisition of property by the City of Milwaukee or by the Redevelopment Authority. All property is now owned by the City or the Authority. 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 pursuant to sec. 66.1333 and ch. 32, Wis. Stats. 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.



10. "Statement Indicating How District Creation Promotes Orderly City Development."

As stated above the expected benefits from the project include: \$78 million annually in additional visitor spending in the Milwaukee area including \$44 million annually in additional income for local employees and business owners; \$12.3 million in annual state and local tax revenue; greater visibility and enhanced image for Milwaukee worldwide; the creation of new jobs in the museum, support facilities and proposed office and/or commercial buildings; and, stimulus for additional development in the Menomonee Valley, Walker's Point and Downtown.

11. "Opinion of the City Attorney."

Please refer to the letter of the City Attorney in the Exhibits Section.

## **EXHIBITS**

<b><u>Exhibit</u></b>	<b><u>Title</u></b>
Exhibit 1	Boundary Description
Exhibit 2	Property Characteristics
Exhibit 3	Project cost estimate
Exhibit 4	City Attorney's Letter
Exhibit 5	Economic Feasibility Study
Map 1	Boundary and Existing Land Use
Map 2	Blighted Properties
Map 3	Proposed Improvements

# Exhibit 1

## DESCRIPTION FOR TID AND REDEVELOPMENT AREA

A parcel of land being part of the Southeast One-quarter (1/4) & Southwest One-Quarter (1/4) of Section Twenty-nine (29), Township Seven (7) North, Range Twenty-two (22) East and the Northeast One-Quarter (1/4) & Northwest One-Quarter (1/4) of Section Thirty-two (32), Township Seven (7) North, Range Twenty-two (22) East located in the City of Milwaukee, County of Milwaukee, State of Wisconsin, more particularly described as follows:

Commencing at the southeast corner of the Southwest 1/4 of Section Twenty-nine (29), Township Seven (7) North, Range Twenty-two (22) East; Thence South 88°56'07" West, 277.19 feet along the south line of said Southwest 1/4 Section also being the centerline of West Canal Street to the Point of Beginning of this description; Thence continuing on said south line, South 88°56'07" West, 50.08 feet; Thence North 01°03'53" West, 35.00 feet to a point on the west line of Parcel 1 of Certified Survey Map No. 4726 extended and the north line of West Canal Street, Thence North 01°11'08" West, 15.00 feet along said west line extended and the northerly line of West Canal Street; Thence North 01°11'08" West, 405.33 feet to the northwest corner of said Parcel 1 being a point on the right dock line of the Menomonee River, established per Ordinance No. 606, Common Council File No. 64-2599-a, adopted on December 1, 1964; Thence North 68°03'43" East, 349.90 feet along said right dock line; Thence along said right dock line North 88°54'08" East, 36.00 feet; Thence continuing along said right dock line North 88°52'29" East, 664.00 feet to the intersection with the left dock line of the South Menomonee Canal, established per Ordinance No. 787, Common Council File No. 61-3943-a, adopted on March 20, 1962; Thence South 01°11'08" East, 555.98 along said left dock line to the north line of West Canal Street; Thence South 01°08'46" East, 56.00 feet to the south line of West Canal Street and said left dock line; Thence continuing along said left dock line the following courses: South 01°07'31" East, 170.74 feet; Thence South 34°08'07" West, 238.86 feet; Thence South 72°42'52" West, 523.01 feet to the intersection of said dock line and the proposed east line of South 6<sup>th</sup> Street; Thence South 79°30'50" West, 95.00 feet to the centerline of South 6<sup>th</sup> Street as established per Right-of-Way Project I.D. 2235-00-02; Thence along said centerline South 10°29'10" East, 8.99 feet; Thence South 79°30'50" West, 60.00 feet to a point on the west line of South 6<sup>th</sup> Street and the south line of Parcel 1 of Certified Survey Map No. 4604; Thence along said south line South 88°56'07" West, 186.00 feet to the southwest corner of Parcel 1 of Certified Survey Map No. 4604; Thence North 01°04'26" West, 530.52 feet to the northwest corner of said Parcel 1 and the south line of West Canal Street; Thence North 01°03'53" West, 47.00 feet to the Point of Beginning of this description. Said parcel contains 1,045,156 Square Feet or 23.99 Acres of land, more or less.

## Exhibit 2

### Property Characteristics

Parcel No.	Tax Key No.	Address	Owner	Area (S.F.)	Blighted Area (S.F.)	Vacant Area (S.F.)
1	398-1221-100	131 N. 6 <sup>th</sup> St.	Redevelopment Authority City Milw.	72,991	72,991	0 [1]
2	397-0001-112	126 N. 6 <sup>th</sup> St.	City of Milw.	322,871	0	0
3	397-0007-000	400 W. Canal St.	City of Milw.	44,500	44,500	44,500
4	428-0523-100	401 W. Canal St	City of Milw.	71,357	71,357	71,357
5	428-0525-100	501 W. Canal St.	Redevelopment Authority City Milw.	164,560	164,560	0
6	427-0531-100	143 S. 6 <sup>th</sup> St.	Redevelopment Authority City Milw.	81,345	81,345	0 [1]
Total				757,624	434,753	115,857 [2]
Percents					57.4%	15.3% [2]

[1] Acquired under Chapter 32 and therefore not “vacant” under 66.1105

[2] Some or all of this property is contaminated by environmental pollution and thus not “vacant property” for purposes of section 66.1105(4)(gm)1.

### Exhibit 3

Est. Project Cost	Phase I	Phase II	Phase III	Total	Comments
Added cost of deep foundations	\$1,320,000	\$305,000	\$800,000	\$2,425,250	Cost differential: \$13/sf on Main Museum and archive, \$10/sf on Exhibit bldg. Retail, restaurant; \$8/sf on Phase III. Source: HGA Architects
Street vacation and utility relocation	215,000			215,000	Vacation of former 6 <sup>th</sup> St. row, & Canal St. east of 6 <sup>th</sup> ; water main relocation, utility abandonment. Source: DPW
Environmental remediation	1,181,000	100,000	450,000	1,731,000	Phase I: Assumes soils can be handled on-site; Methane abatement: \$621,500; Green space cover \$266,000; Remedial action plan \$142,500; add sampling \$119,000. Phases II & III are allowances. Source: Sigma Environmental, Inc.
Site Work	585,000			585,000	Extraordinary site costs, incl elevating site above floodplain.
Dockwall repair and replacement	2,057,000			2,057,000	1160 linear feet of dockwall at \$1600 to \$1800 per LF. Source: E. Gillen Co.
Total City Contribution to Developer Cost	5,358,000	405,000	1,250,000	7,013,000 [7,000,000 Max.]	Maximum \$7 million per Term Sheet
City admin.	150,000	25,000	25,000	200,000	
Max. City Monetary Obligation	5,508,000	430,000	1,275,000	7,200,000	
City Demolition Cost	1,250,000			1,250,000	Source: DCD Includes asbestos abatement.

**Exhibit 4**

**CITY ATTORNEY'S OPINION**

## **Exhibit 5**

### **ECONOMIC FEASIBILITY STUDY**

#### **I. OVERVIEW**

H-D Milwaukee, LLC is proposing a three-phase development as set forth in the Project Plan for Tax Incremental District No. 57. The City and the Redevelopment Authority of the City of Milwaukee (RACM) are proposing to assist this development by funding certain extraordinary site expenses associated with the project. These expenses include, but are not limited to, the incremental cost of deep foundations required for newly constructed buildings proposed for the site, environmental remediation of contaminated soils, street vacation and utility relocation, extraordinary site work including elevating the property above the flood plain, and the replacement or repair of dockwall on the site's perimeter.

As proposed, the Developer will advance all funding for these extraordinary site costs and the City will amortize its contribution, in an amount not to exceed \$7 million plus City administration costs, as well as interest on the outstanding amount of the contribution, through future tax incremental revenue generated from the development. The Developer, therefore, accepts the risk that revenues will be sufficient to fully repay the funds it advances on behalf of the City.

The City's contribution will be distributed over each of the phases of the Developer's project, as set forth in Exhibit 3 of the Project Plan.

The site for the proposed development is owned or controlled by the City and RACM and will be conveyed to the Developer for \$150,000 per acre (including vacated rights-of-way), less the cost of demolishing the structures (which includes abatement of asbestos) on the site, including the City's Department of Public Works maintenance complex, known as the Traser Yards. The estimated cost of this demolition work is \$1,250,000 and is included as a Project Cost to be recovered by the City, after the City's contribution to the Developer's cost is fully amortized. None of the property to be conveyed to the Developer will be acquired with funding from the proposed District.

#### **II. ESTIMATE OF DISTRICT VALUE**

In consultation with the City Assessor's office and the Developer, we have generated estimates of the taxable value of each of the components of the proposed development.

These estimates take into consideration prevailing rents and values in the downtown and Walker's Point neighborhoods, although, admittedly there are few, if any comparable properties to some of the components of the development.

#### **Phase I Values:**

This phase consists of two museum structures proposed for the northeast and northwest corners of W. Canal St. and planned 5<sup>th</sup> Street. In addition, restaurant, retail and banquet space is planned for the southeastern corner of this intersection. This phase is planned to be completed in mid-2008.

- **Museum, permanent exhibit space:** This structure is estimated at 40,000 sf of exhibit space and consists of a four-story equivalent building. For property tax purposes, the value of this facility is equated to "high-end" showroom space at \$150/sf, or \$6,000,000.
- **Museum, flexible exhibit space:** This structure is expected to have a combination of 47,000 sf of exhibit space and offices. The value of this structure is equated to comparable office space in the area, especially office space at the Tannery Complex located immediately south of the site. Value was estimate using a \$15 gross rent, with owner's expenses at 25% of rent, plus real estate taxes. Using a capitalization rate of 10% and a tax rate of 2.7% generates a value of \$88/ sf or, \$4,136,000.
- **Restaurant, retail, and banquet space:** This separate facility of 20,000 sf is valued based on a \$10/sf net rent, and a capitalization rate of 10%, generating a value of \$100/ sf, or \$2,000,000 total.

#### **Phase II Value:**

- **Archives and restoration:** This is anticipated to be a 20,000 sf facility to replace the current archives now located at Harley-Davidson's headquarters facility at 3700 W. Juneau Ave. This is valued as office space, comparable to the museum and office space, above, at \$88/ sf, or \$1,760,000. This phase will be completed by mid-2010.

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#### **Phase III Value:**

- **General office and commercial space:** This phase will consist of 100,000 sf of office and commercial space, in one or more buildings located on W. Canal St., east of the 6<sup>th</sup> St. bridge. Specific plans and uses for this space have not been established. The facilities could be used by Harley-Davidson, for technical training, or other office functions. On the other hand, the facilities may be developed and occupied by others for uses unrelated to Harley-Davidson's



operations. The value of this phase is estimated based on the value of neighboring office space, again at \$88 / sf, for a total value of \$8.8 million.

### III. TAX INCREMENTAL DISTRICT ANALYSIS

The District Value and Cash Flow Forecast for proposed TID No. 57, attached, indicates that the District will ultimately achieve an incremental value of approximately \$27 million by 2013 and repay the City's Monetary Obligation by 2028 – twenty-three years after creation. The maximum life of this District will be twenty-seven years, subject to a three year extension as provided by statute. In the remaining life of the District, it is also estimated that the City's cost relating to demolition of the structures currently on the site will also be recovered. The Project Plan is therefore feasible.

Additional assumptions in this forecast, not previously discussed above, include:

- **Base Value:** While the entire District is now tax exempt, two parcels ( nos. 3 and 4 on Map 1) are not used for municipal purposes or owned by the Redevelopment Authority. These sites were acquired to construct the new 6<sup>th</sup> St. bridge, at a cost of \$335,000. Accordingly, we are using this value as the Base Value for the District.
- **Land Value:** This portion of the forecast is based on the estimated net selling price of the site, i.e. \$150,000 per acre less demolition, or approximately \$100,000 per acre, including the area of certain street segments to be vacated for the project. Under the proposed plan, the private riverwalks, and private streets (designed to look like public streets) will be taxable property.
- **Monetary Obligation:** The forecast assumes all three Phases are completed on schedule and, therefore, the monetary obligation of \$7 million is fully earned by the Developer and payable by the City. If Phases II and III are not completed, the monetary obligation is reduced per the Project Plan.

**City or RACM Option to Purchase:** In the event Phase III of the Developer's project is not developed on time, the City has the option of re-acquiring the two properties located west of 6<sup>th</sup> street (nos. 1 and 6 on Map 1) and redeveloping those sites independent of the Harley-Davidson project. Parking for the museum will then be shifted from these properties to what was intended as the site(s) of Phase III.

In the event these two parcels are not immediately developed as projected, both the Developer and City run the risk of not recovering their project costs under this Project Plan. If the sites are never developed within the remaining life of the District, the Developer will not recover approximately \$1 million of the monetary obligation, and the City will recover none of its demolition costs.

While this is an unlikely eventuality, it is estimated that not less than 75,000 sf of commercial space would need to be immediately developed on these two sites if the Developer and City are to recover their costs. Under the terms of the Redevelopment Agreement, the repurchase price of these sites west of 6<sup>th</sup> street is approximately \$530,000.

#### **IV. “BUT FOR” TEST**

The Joint Review Board must consider whether the development expected in the tax increment district would occur without the use of tax incremental financing. In other words, could the Project Costs to be recovered through the tax increment district be funded from conventional sources of financing.

Overall, the \$7 million of extraordinary site costs and the Redevelopment Authority’s demolition costs, which are to be funded with the TID, represents a \$35/sf cost premium on the planned 230,000 sf museum and commercial / office complex.

The museum components of the development, essentially all of Phases I and II, are expected to be run on a break-even basis and cannot support additional capital contributions toward the \$8+ million of extraordinary site costs. Likewise the office and commercial component, Phase III, has an expected value of less than \$90 /sf and would have to achieve rents 40% higher than prevailing in the market in order to recover these extraordinary site expenses.

The site for the development is clearly blighted and represents a substantial redevelopment challenge. The site needs to be raised approximately three feet to remove it from the flood plain; it requires significant environmental remediation; much of the dockwall around the site needs to be replaced or repaired – an expenditure which adds little or no value to the property; and, the subsoils on the site, and in the Menomonee Valley in general, require piled foundations to a depth of 80 to 100 feet in order to support a structure higher than one story.

Given these circumstances, we believe that without TID assistance, this project could not proceed.

**FORECAST OF PROJECT CASH FLOW: TID 57 (MENOMONEE VALLEY - EAST)**

Year	Phase III Switch	Property Values	Museum	Museum	Relat. etc	Phase I	Phase II	Phase III	Total Value	Value in Excess of Base Value	Tax Incr. Revenue @ Tax Rate per \$1000 of	Monetary Obligation Balance	Interest @	Less: Tax Incr. Revenue	Ending Balance	Demolition Cost	Carrying Cost at LGIP	Less: Tax Incr. Revenue	Ending Demolition Balance
2005	0	Land 914,760	47,000	40,000	100.00	335,000	86.00	86.00	335,000	\$ 335,000	\$ 27	5,506,000	275,400	26,504	5,783,400	1,250,000	37,500	1,287,500	1,287,500
2006	1	2,103,948	2,068,000	3,000,000	1,000,000	1,390,700	1,990,170	1,990,170	1,990,170	1,695,700	28,504	5,783,400	289,170	26,504	6,044,068	1,250,000	38,625	1,326,125	1,326,125
2007	2	2,156,547	4,136,000	6,000,000	2,000,000	6,224,547	6,224,547	6,224,547	6,224,547	7,699,547	47,762	6,044,068	302,203	47,762	6,296,508	1,250,000	39,784	1,365,908	1,365,908
2008	3	2,210,480	4,136,000	6,000,000	2,000,000	14,346,480	14,346,480	14,346,480	14,346,480	14,011,480	213,018	6,296,508	314,923	213,018	6,404,415	1,250,000	40,977	1,406,886	1,406,886
2009	4	2,265,722	4,236,000	6,150,000	2,050,000	15,281,722	15,281,722	15,281,722	15,281,722	14,946,722	378,000	6,404,415	341,521	378,000	6,782,415	1,250,000	42,207	1,449,063	1,449,063
2010	5	2,322,385	4,336,000	6,300,000	2,100,000	16,521,722	16,521,722	16,521,722	16,521,722	16,186,722	403,561	6,782,415	339,681	403,561	7,165,976	1,250,000	43,473	1,492,955	1,492,955
2011	6	2,380,424	4,345,385	6,300,750	2,101,250	17,161,765	17,161,765	17,161,765	17,161,765	16,826,765	428,000	7,165,976	338,487	428,000	7,593,976	1,250,000	44,777	1,537,342	1,537,342
2012	7	2,438,835	4,454,020	6,461,344	2,153,761	18,934,809	18,934,809	18,934,809	18,934,809	18,599,809	448,000	7,593,976	338,487	448,000	8,041,976	1,250,000	46,120	1,582,463	1,582,463
2013	8	2,500,933	4,559,370	6,522,877	2,207,626	20,758,179	20,758,179	20,758,179	20,758,179	20,423,179	473,000	8,041,976	338,487	473,000	8,514,976	1,250,000	47,504	1,628,967	1,628,967
2014	9	2,563,456	4,679,504	6,768,449	2,262,816	22,627,134	22,627,134	22,627,134	22,627,134	22,292,134	508,000	8,514,976	338,487	508,000	9,012,976	1,250,000	48,929	1,676,895	1,676,895
2015	10	2,632,231	4,816,404	7,028,417	2,319,367	24,562,228	24,562,228	24,562,228	24,562,228	24,227,228	543,000	9,012,976	338,487	543,000	9,565,976	1,250,000	50,397	1,728,201	1,728,201
2016	11	2,709,522	4,963,314	7,287,372	2,377,372	26,566,906	26,566,906	26,566,906	26,566,906	26,231,906	578,000	9,565,976	338,487	578,000	10,143,976	1,250,000	51,909	1,786,657	1,786,657
2017	12	2,794,576	5,115,115	7,552,327	2,437,327	28,729,777	28,729,777	28,729,777	28,729,777	28,394,777	613,000	10,143,976	338,487	613,000	10,767,976	1,250,000	53,466	1,847,459	1,847,459
2018	13	2,878,576	5,272,430	7,824,282	2,497,282	31,052,059	31,052,059	31,052,059	31,052,059	30,717,059	648,000	10,767,976	338,487	648,000	11,415,976	1,250,000	55,070	1,911,737	1,911,737
2019	14	2,972,823	5,435,760	8,093,507	2,560,760	33,542,322	33,542,322	33,542,322	33,542,322	33,207,322	683,000	11,415,976	338,487	683,000	12,108,976	1,250,000	56,722	2,006,060	2,006,060
2020	15	3,067,144	5,604,090	8,362,733	2,624,733	36,199,855	36,199,855	36,199,855	36,199,855	35,864,855	718,000	12,108,976	338,487	718,000	12,826,976	1,250,000	58,424	2,101,883	2,101,883
2021	16	3,161,414	5,777,415	8,632,000	2,689,000	39,001,270	39,001,270	39,001,270	39,001,270	38,666,270	753,000	12,826,976	338,487	753,000	13,589,976	1,250,000	60,176	2,200,853	2,200,853
2022	17	3,255,684	5,952,740	8,901,267	2,753,267	41,952,537	41,952,537	41,952,537	41,952,537	41,617,537	788,000	13,589,976	338,487	788,000	14,397,976	1,250,000	61,982	2,305,639	2,305,639
2023	18	3,350,000	6,128,065	9,170,534	2,817,534	45,020,071	45,020,071	45,020,071	45,020,071	44,685,071	823,000	14,397,976	338,487	823,000	15,240,976	1,250,000	63,842	2,406,681	2,406,681
2024	19	3,444,315	6,303,390	9,440,801	2,881,801	48,201,172	48,201,172	48,201,172	48,201,172	47,866,172	858,000	15,240,976	338,487	858,000	16,128,976	1,250,000	65,756	2,503,937	2,503,937
2025	20	3,538,630	6,478,715	9,703,068	2,946,068	51,504,240	51,504,240	51,504,240	51,504,240	51,169,240	893,000	16,128,976	338,487	893,000	17,052,976	1,250,000	67,722	2,608,659	2,608,659
2026	21	3,632,945	6,654,040	9,965,335	3,010,335	54,939,305	54,939,305	54,939,305	54,939,305	54,604,305	928,000	17,052,976	338,487	928,000	18,020,976	1,250,000	69,748	2,710,407	2,710,407
2027	22	3,727,260	6,829,365	10,227,602	3,074,602	58,506,370	58,506,370	58,506,370	58,506,370	58,171,370	963,000	18,020,976	338,487	963,000	19,023,976	1,250,000	71,824	2,819,231	2,819,231
2028	23	3,821,575	7,004,690	10,489,869	3,138,869	62,207,435	62,207,435	62,207,435	62,207,435	61,872,435	998,000	19,023,976	338,487	998,000	20,051,976	1,250,000	73,960	2,932,191	2,932,191
2029	24	3,915,890	7,179,015	10,752,136	3,203,136	66,044,500	66,044,500	66,044,500	66,044,500	65,709,500	1,033,000	20,051,976	338,487	1,033,000	21,124,976	1,250,000	76,156	3,050,151	3,050,151
2030	25	4,010,205	7,353,340	11,014,403	3,267,403	70,020,565	70,020,565	70,020,565	70,020,565	69,685,565	1,068,000	21,124,976	338,487	1,068,000	22,232,976	1,250,000	78,412	3,182,111	3,182,111
2031	26	4,104,520	7,527,665	11,276,670	3,331,670	74,136,630	74,136,630	74,136,630	74,136,630	73,801,630	1,103,000	22,232,976	338,487	1,103,000	23,375,976	1,250,000	80,728	3,326,071	3,326,071
2032	27	4,200,000	7,701,990	11,538,937	3,395,937	78,397,695	78,397,695	78,397,695	78,397,695	78,062,695	1,138,000	23,375,976	338,487	1,138,000	24,553,976	1,250,000	83,104	3,482,175	3,482,175
2033	27					41,474,953	41,474,953	41,474,953	41,474,953	41,139,953					549,826	1,250,000	16,485	1,030,615	1,030,615

Office @ \$88.00/SF

Archives treated as office @ \$88.00/SF

Retail / restaurant at \$10 net.

High-end 'showroom' equivalent. Office at \$15 less \$1 MM demo, gross, 25% exp costs over 19.8 \* taxes, acres = \$100,000 / \$15 \* 75(1+ .027) = \$88 per acre value

**Uses of TID Support:**

Phase I	Phase II	Phase III	Total
Added cost of emp foundations \$ 1,320,000	\$ 305,000	\$ 800,000	\$ 2,425,000
St. & Utility Relat. 215,000			215,000
Environ. Rem 1,181,000	100,000	437,000	1,718,000
Site work 585,000			585,000
Dockwall 2,057,000			2,057,000
City Contribution 5,358,000	405,000	1,237,000	7,000,000
City Admin. 150,000	25,000	25,000	200,000
City Monetary Obligation \$ 5,506,000	\$ 430,000	\$ 1,282,000	\$ 7,200,000
City Demolition 1,250,000			1,250,000

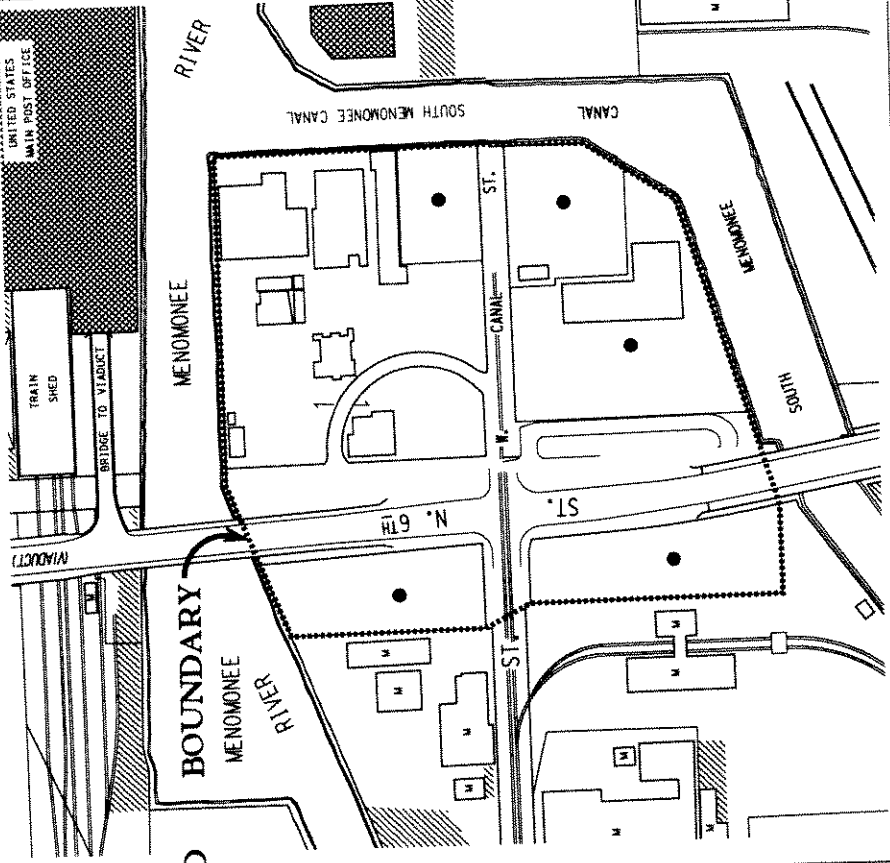
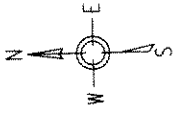
Comments

1,278,777



398 397  
427 428

6. BLIGHTED PROPERTIES



LEGEND  
● BLIGHTED

TID - 57

2

BLIGHTED PROPERTIES

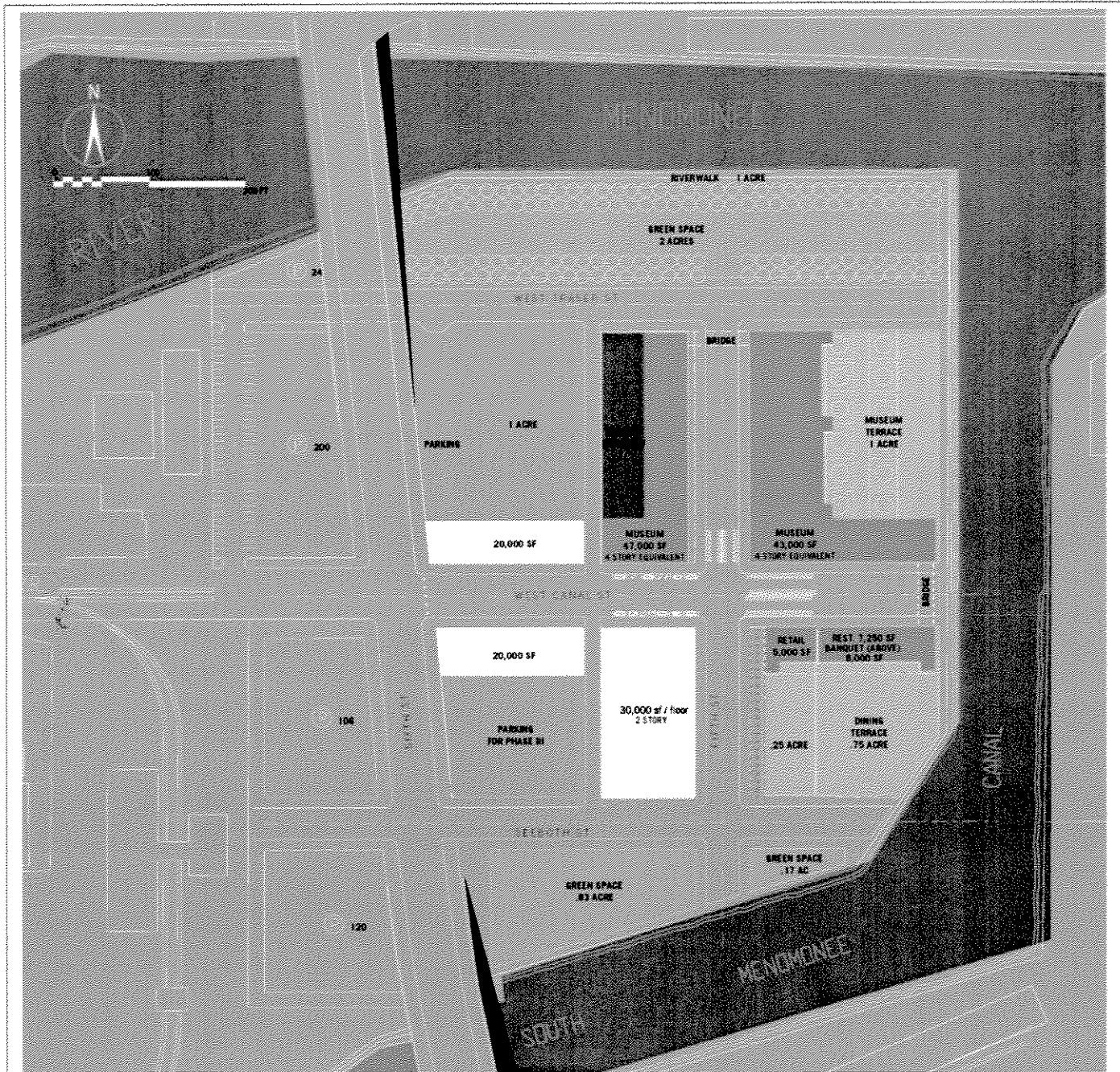
PRODUCED BY THE DEPARTMENT OF CITY DEVELOPMENT (FORMERLY THE OFFICE OF CITY PLANNING) FOR THE CITY OF MILWAUKEE, WISCONSIN  
Date: 08/11/04  
Color: 08/11/04  
Generated: 08/11/04  
Source: GIS Department/Information Systems/2122 - GIS/BLIGHTED PROPERTIES - BLIGHTED PROPERTIES

DATE AUGUST 2004

MAP NO.

# "Map 3: Proposed Improvements"

01.12.04 DRAFT CONCEPTUAL SITE PLAN



## PHASE I

MUSEUM 90,000 SF  
 - EXHIBIT SPACE  
 - CAFE  
 - OPERATION & SERVICES  
 RETAIL 5,000 SF  
 RESTAURANT 7,250 SF  
 BANQUET 8,000 SF  
 110,250 SF

ARCHIVE RESTORATION  
 20,000 SF

## PHASE III

OFFICE COMMERCIAL  
 100,000 SF

**P** PARKING

700 CARS & 500 MC  
 or 3000 MC  
 or 900 CARS

6TH & CANAL ST

HARLEY-DAVIDSON MUSEUM



Pentagram