

PROJECT PLAN

TAX INCREMENTAL DISTRICT NO. ___

CITY OF MILWAUKEE

(S. 27th St. & W. Howard Ave.)

Public Hearing Held: September 17, 2009

Redevelopment Authority Adopted : September 17, 2009

Common Council Adopted:

Joint Review Board Approval:

I. DESCRIPTION OF PROJECT

A. Introduction

Section 66.1105(4)(d), Wis. Stats. Requires the "preparation and adoption of a project for each tax incremental district." This Project Plan is submitted in accordance with this statutory requirement.

B. District Boundaries & Compliance with Statutory Eligibility Criteria

Tax Incremental District No. ____, City of Milwaukee (the " District") consists of approx. 17 acre site bounded by S. 27th St. on the west, W. Howard Ave. on the south, and the Milwaukee Metropolitan Sewerage District right-of-way for the southeast branch of the Kinnickinnic River on the east and north. The District is shown on Map 1, "Boundary and Existing Land Use," and described in Exhibit 5, "Boundary Description."

The district currently encompasses eight properties, including two vacant auto dealerships, a retail mall, a trailer court, other retail facilities, and a recently opened CVS Pharmacy.

Fifty-two percent of the area of the District satisfies the requirements of Wis. Stats. Sec 66.1105(4){gm}(4)(a) as being a "in need of rehabilitation and conservation work, as defined in Sec. 66.1337 {2m}(b)." See Exhibit 1 and Map 2.

In addition, less than 11.4% of the District consists of "vacant" property, as provided in Sec. 66.1105(4)(gm){1}. See Exhibit 1.

C. Project Plan Goals and Objectives

Goals and objectives for the District are:

1. To renovate the vacant, former Foster Pontiac, auto dealership at 3636 S. 27th St. into a 27,000 s.f. retail complex.
2. To redevelop the trailer court at 3774 S. 27th St., into affordable rental housing. In addition, this site is the location of the Wildenberg Hotel and assistance may be provided to redevelop that property, as well.
3. To redevelop the vacant auto dealership at 3804 S. 27th St. into retail space.
4. In general, to redevelop vacant or underutilized property, increase the city's tax base and provide an increase in retail and housing opportunities in the District.

D. Existing Land Uses and Conditions in the District

As discussed above, the District consists of approx. 17 acres, and includes two vacant auto dealerships, a trailer court, the Wildenberg Hotel (circa 1850) and various retail businesses, including a new CVS Pharmacy. The District is bounded on the north and east by a branch of the KK River. The District is near numerous large retail establishments, also located on S. 27th St., including Walmart, Kohl's Department Store, and Pick 'N Save grocery. Aurora St. Luke's Medical Center is the largest employer in the area.

II. PROJECT PLAN PROPOSALS

A. The following is a description of the kind, number, and location of all proposed Public Works or Improvements within the District:

Initial Phase: Provide loans or grants to developers and / or tenants of currently vacant or underutilized property for renovations and conversions to other uses. The focus of the initial phase is the upgrade and of the former Foster Pontiac site at 3636 S. 27th St. into 27,000 s.f. of retail space, plus undetermined out-lot uses leasing 8000 s.f. +/- . The terms of assistance to this project are set forth in Exhibit 3.

In addition, the initial phase of the project will also include streetscape upgrades in the right-of-way of S. 27th Street from Howard Ave. to its intersection with W. Loomis Rd. The streetscape will be subject to approval by Wis. DOT as this is a highway under its control.

Future Phases: Provide loans or grants to developers / tenants of other properties in the District with a particular focus on the trailer court (3774 S. 27th St.) and the other vacant auto dealership at 3804 S. 27th. In addition, efforts will be made to have the MMSD remove the concrete liner on the KK River and have it serve as an amenity for retail establishments located in the District. Implementation of these phases will be contingent upon additional appropriations and funding authorizations from the City.

B. The following is an estimate of the project costs to be implemented as part of this Project Plan; see Exhibit 2 for detail.

TASK	ESTIMATED COST
Loans / grants for Redevelopment	
Initial Phase (Foster)	\$500,000
Future Phases	1
Property Acquisition	1
Streetscape	1
Administration	25,000
Total Capital Cost	\$525,000
NET PROJECT CAPITAL COSTS	
Estimated Interest	\$ 258,700 [5%, 15yr]
TOTAL PROJECT COSTS	\$783,700

Future loans and or grants will be subject to review by DCD and the Comptroller, and approval by the City. This mirrors the process used for TID 32 (King Dr.) and TID 71 (Mitchell St.)

C. Project financing and timetable for expenditures:

All expenditures for the Foster project are expected to be incurred in 2010-2011.

The City expects to issue general obligation bonds to finance the Project Costs.

D. List of Estimated Non-Project Costs:

Estimated costs of redeveloping the Foster building are shown in Exhibit 2

E. Proposed Method of Relocating any Persons to be Displaced:

No persons or businesses are to be displaced in the Initial Phase. Should the acquisition of property be necessary in future phases, the cost and method of relocation will be included in a Redevelopment Plan and associated Relocation Plan prepared pursuant to Sec. 66.1333 and

Section 32.05 Wis. Stats. The costs of such activities will be eligible for reimbursement through tax increment revenue should such revenues be generated during the statutory life of the District.

F. Statement Indicating How District Creation Promotes Orderly Development:

The Project Plan for the District anticipates the redevelopment of several vacant and underutilized properties. As a result, blighting or potentially blighting influences will be removed, commerce and employment will be enhanced, and the general well being of the neighborhood will be improved.

G. Proposed changes of zoning ordinances, master plan, if any, map, building codes and city ordinances:

It is not anticipated that the projects to be assisted within the District will require any zoning changes, or changes to building codes, the master plan or city ordinances.

APPENDIX

List of Exhibits

Map 1: Map of Boundary and Existing Land Use

Map 2: Map of proposed improvements

Exhibit 1: Parcel listing and calculation of percent "in need of rehabilitation or conservation" and "vacant."

Exhibit 2: Project budget

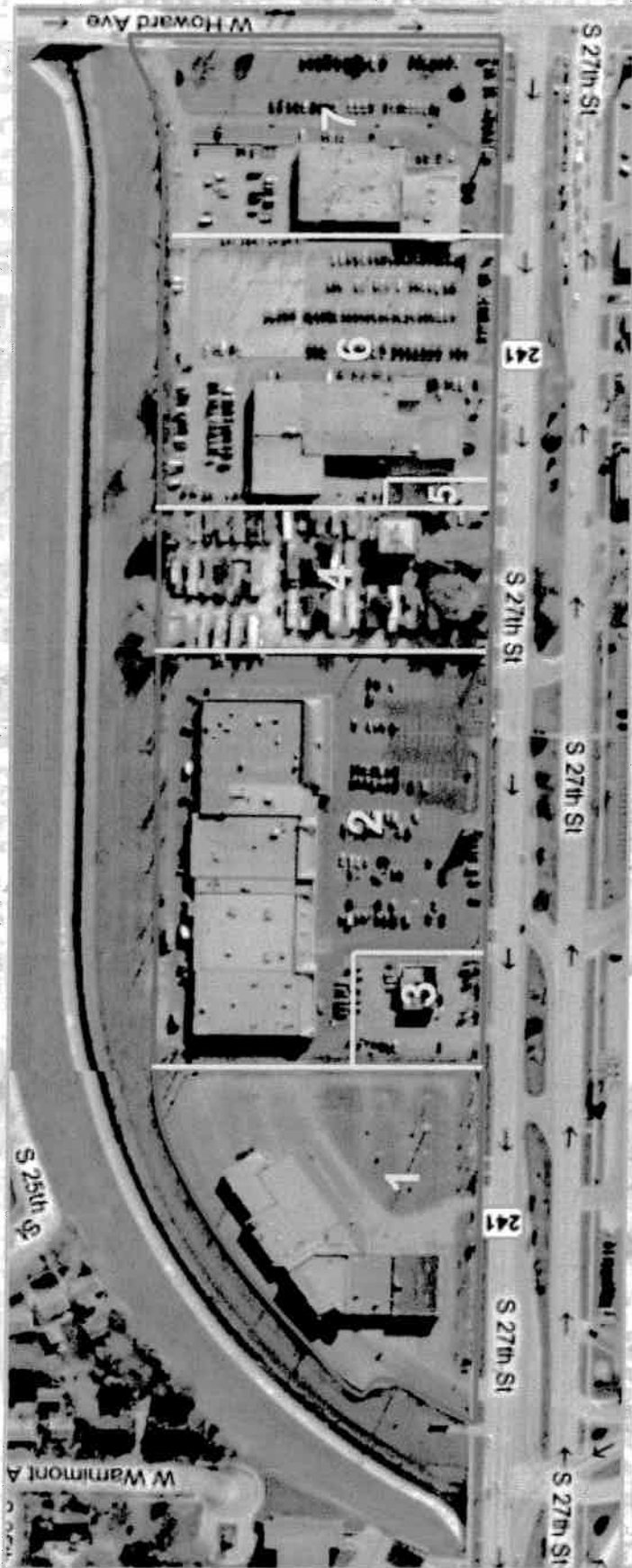
Exhibit 3: Development Agreement Term Sheet

Exhibit 4: Economic Feasibility Study

Exhibit 5: Metes and Bounds description of District boundary.

Exhibit 6: City Attorney's opinion.

Proposed S. 27th Street, Howard Avenue Tax Increment District (TID)



Proposed Properties for S. 27th Street, Howard Avenue TID	
3636 S. 27th Street	1
3700 S. 27th Street	2
3702 S. 27th Street	3
3774 S. 27th Street	4
3800 S. 27th Street	5
3804 S. 27th Street	6
3860 S. 27th Street	7

Prepared by the City of Milwaukee Dept. of City Development

EXHIBIT 1: PROPERTIES IN THE DISTRICT; % IN NEED OF CONSERVATION; % "VACANT"

OWNER NAME_1	ADDRESS	ASSESSMENTS:			LOT AREA S.F.	CONSERV. & REHAB.	VACANT	BUILDING AREA S.F.	
		LAND	IMPROVE.	TOTAL					
JOHN FOSTER	3636 S 27TH ST	53221	\$867,500	\$1,172,500	\$2,040,000	144,576	144,576	37,366	55
COLONIAL VILLAGE LLC	3702 S 27TH ST	53221	\$229,500	\$315,500	\$545,000	22,950		2,508	217
COLONIAL VILLAGE LLC	3700 S 27TH ST	53221	\$2,062,600	\$1,870,400	\$3,933,000	206,257		73,301	54
ELEANOR KLUG	3774 S 27TH ST	53221	\$814,300	\$167,700	\$982,000	81,429	81,429	4,381	224
DARWIN CHENTNIK	3800 S 27TH ST	53221	\$90,000	\$188,000	\$278,000	9,000	9,000	3,351	83
GIUFFRE VI, LLC	3804 S 27TH ST	53221	\$836,400	\$713,600	\$1,550,000	139,392	139,392	30,446	51
WISCONSIN CVS PHARMACY LLC	3860 S 27TH ST	53221	\$1,132,600	\$1,496,400	\$2,629,000	113,256		14,542	181
			Base Value		\$11,957,000				
Total					716,860	374,397	81,429		
					%	52.2%	11.4%		

EXHIBIT 2

PROJECT BUDGET

See Economic Feasibility Study, Exhibit 4.

EXHIBIT 3

Term Sheet for Loan for

Former Foster Auto Dealership Redevelopment Project

- **Project.** The “Project” consists of the exterior renovation / restoration and interior remodeling of the former Foster Pontiac auto dealership, 3636 S. 27th St., Milwaukee, WI., and its conversion to a 19,550 s.f. multi-tenant retail facility, with a 6500 s.f. stand-alone restaurant located on-site. The site also includes a 8000 (+/-) s.f. out-lot.
- **Developer/Owner.** The “Developer” for the Project will be Foster Endeavor, LLC.
- **Project Budget.** The estimated cost of the Project, is approx. \$4,978,000, including site acquisition costs.
- **City Funding.** The City will provide \$500,000 to the Redevelopment Authority of the City of Milwaukee (“RACM”) from Tax Incremental District Bond Account No. TD07_88001 for the purposes of providing a Loan to Project.
- **Loan Terms.** The Loan will have an interest rate of 5% and be amortized in equal payments of principal plus interest over a fifteen year period. Until the 8000 s.f. out-lot is developed (as evidenced by the issuance of an occupancy certificate) but for a period of no longer than three years from the date of Loan closing, no payments will be due and payable and the Loan will accrue interest at 2% per year. Should the out-lot remain undeveloped after three years, the City may consider, but will not be obligated to extend the period of interest accrual or otherwise amend the terms of the Loan. Security for the Loan will be a second mortgage encumbering the Project, the terms of which shall be commercially reasonable. In addition, RACM will execute a subordination agreement in form and content reasonably acceptable to Developer’s first mortgage lender. The Loan may be prepaid at any time without penalty or fee. The Loan shall be personally guaranteed by the shareholders of the Developer, in proportion to each shareholder’s ownership interest in the Developer.
- **RACM Responsibilities.** Funds provided by the City to RACM shall be utilized for restoration and renovation costs of the Project and shall be disbursed by the Project’s primary lender, prorata with its loan funds, pursuant to a disbursing agreement to be entered into with RACM and a mutually acceptable title insurance company, following the investment, by Developer, of not less than \$550,000 in the Project, which investment may take the form of deferred developer’s fees, and the developer’s out-of-pocket payment to satisfy the current mortgage on the site. Any revenues received by RACM shall be transferred to the City as Project Revenues, as defined in Sec. 66.1105(2)(f)1, Wis. Stats. until the termination of the TID.
- **Additional Funding Sources:** To the extent Developer obtains New Markets Tax Credits, or state, local, or federal grants or other funding sources with which to finance or refinance the Project, the amount of the Loan shall be reduced by 75% of such additional sources and such amount will be immediately due and payable upon such event.
- **Disbursement of TID Funds.** Prior to disbursement of the Loan, the following actions must occur:
 - A. A final budget for the total costs of the Project (hard and soft costs) shall have been approved in writing by City’s Commissioner of City Development (“Commissioner”).

- B. Final plans and specifications for the exterior restoration and interior renovation shall be approved by the Commissioner.
 - C. The Commissioner shall have received and approved a signed Human Resources Agreement.
 - D. The Developer shall have closed on a construction / permanent loan for the Project, in an amount not more than \$3,228,000 and all conditions to the disbursement of such loan, as required by the lender, shall have been satisfied.
 - E. Developer's equity contribution in the minimum amount of \$550,000 shall be disbursed to fund the costs of the Project, after which the Loan shall be disbursed prorata with funds disbursed from the construction loan.
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- **Human Resource Requirements.** Prior to disbursement of any City funds, the Developer, City, and RACM shall enter into a customary EBE Agreement providing for not less than 18% participation by Emerging Business Enterprises and a 21% Residents Preference commitment, both in forms consistent with similar transactions.
 - **PILOT Payments.** The Loan Agreement will require payments in lieu of taxes with respect to the Project or portion of the Project that subsequently becomes exempt from real property taxes.
 - **Form of Leases, Tenants.** Leases shall be a form generally accepted in the commercial real estate industry for retail and office tenants, and shall be subject to approval as to form only by the Commissioner; Permitted tenants shall exclude employment agencies, check cashing outlets, and non-profit businesses to the extent they exceed 10% of the leasable area of the Project.
 - **Other Provisions.** 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 one or more agreements including the Development Agreement between the City, RACM, and the Developer.

EXHIBIT 4

ECONOMIC FEASIBILITY STUDY FOR:

S. 27th St. & W. Howard Ave. – PHASE I

Background

The City of Milwaukee is proposing to assist the redevelopment of certain underutilized retail buildings on the east side of S. 27th St. between W. Loomis Rd. and W. Howard Ave. The proposed Tax Increment District contains vacant auto dealerships, a trailer court, a hotel dating to 1850, and other retail outlets.

The initial redevelopment project involves the conversion of the former Foster Pontiac auto dealership at 3636 S. 27th St., into 27,000 s.f. of retail space. The tenants for the Foster project include typical neighborhood outlets such as Auto Zone, Rocky's Pizza, a clothing outlet, and a stand-alone Buffalo Wild Wings restaurant. In addition, an out-lot of approx. 8000 will be available at the northwest corner of the property.

The City's contribution to the Foster project will be a \$500,000 loan on terms set forth in Exhibit 3.

Project Costs, Revenues, and Financing Parameters

Attached is the detailed Development Budget for the Project, as well as anticipated lease terms, debt and equity assumptions, an estimate of property taxes to be generated, and a forecast of cash flow.

Highlights of the project's finances are:

- Total cost is \$5.0 million
- Rent (NNN) ranges from \$12.84 / s.f. to \$19.50 / s.f. Also included in project revenue is ground lease income from the lease of a 8000 s.f. out-lot. A tenant for this property has not been identified.
- Anticipated senior debt terms are \$3.2 Million (70% LTV), 6.15% loan rate, 25 year amortization.
- Estimated real estate taxes are \$94,000 vs. \$44,800 currently (2.2% on \$2,040,000). Hence incremental taxes are estimated at \$49,000 upon completion and full occupancy.
- Amortization of the \$500,000 TID Loan will commence upon development of the 8000 s.f. out-lot, but no later than three years after initial loan closing.
- The Internal Rate of Return (IRR) for the project, assuming it requires two years to develop the out-lot, and a sale of the project in year 10, is 19+%. Without the theoretical sale, the IRR is 5%.

Tax Increment District Feasibility

The initial TID project costs are estimated at \$525,000, including administration. Based on receiving annual incremental taxes of \$49,000, and loan payments of \$50,000 per year (assuming development of the out-lot in year 2 or 3) project costs could be recovered within a period of approximately 9 years.

When future phases or expenditures are contemplated in the District, the feasibility forecast will need to be updated to determine any changes in the payback period of the District.

Foster Project
Development Budget

22-Oct-09

19,550

Rentable Square Feet

	Cost	Cost/Rentable SF
Construction and Design Costs		
Base Building	\$1,057,264	\$54.08
Environmental	\$40,000	\$2.05
Auto Zone White Box	\$254,000	\$34.32
Playmakers White Box	\$100,000	\$20.00
Playmakers Build Out	\$75,000	\$15.00
Rocky's White Box	89,125	\$28.29
Tanning White Box	130,000	\$43.33
Vacant Space White Box	36,000	\$35.00
Geo Technical	5,500	\$0.28
Site Work	860,010	\$43.99
Less: Anticipated savings from revised pricing	(200,000)	
TOTAL CONSTRUCTION AND DESIGN COSTS	\$2,445,889	\$125.11
Other Development Costs		
Title Insurance / closing	\$16,000	\$0.82
Legal	43,000	\$2.20
Lease Commission	\$164,500	\$8.41
Traffic Study	20,000	\$1.02
Builder's Risk & Other Insurance	5,500	\$0.28
Civil Engineering	29,000	\$1.48
Survey at completion	9,500	\$0.49
Utility Charges	0	\$0.00
Appraisal	3,500	\$0.18
TOTAL OTHER DEVELOPMENT COST	\$291,000	\$14.88
Financing Costs		
Construction Loan Fee	32,281	\$1.65
Construction Interest	176,294	\$9.02
Financing Costs-Construction Loan		\$0.00
Other		\$0.00
TOTAL FINANCING COSTS	\$208,575	\$10.67
Land Costs		
Site Cost	\$1,500,000	\$76.73
Taxes During Construction	30,000	\$1.53
TOTAL LAND COSTS	\$1,530,000	\$78.26
Development Contingency	74,429	\$3.81
TOTAL RESERVES /CONTINGENCIES	\$74,429	\$3.81
TOTAL COST BEFORE DEV/CM FEES	\$4,549,903	\$233
DEVELOPMENT FEE	\$300,000	\$15.35
PROJECT OVERHEAD	\$128,000	\$6.55
TOTAL DEVELOPMENT COST	\$4,977,903	\$255

1.5%

6.6%

2.8%

Foster Project Financing			
Permanent Financing			
Total Project Cost		\$4,977,903	
Primary Loan Amount		\$3,227,903	Per Bank letter 10/28/09
Additional Funding Required		\$1,750,000	
Proceeds from BW3 land sale		\$950,000	
Contribution of Fees		\$300,000	
TIF Contribution		\$500,000	
Additional Cash Equity Required		\$0	
Interest Rate		6.15%	
Amort. - Years		25	
Annual Debt Service		(\$256,118)	

	Foster Building	BW3	Total
	19,550	8,000	Project
	S.F.	S.F.	
Gross Revenue	\$ 319,441		
exc ground lease			
Less:			
15% Vacancy			
& Not reimbursed	\$ 47,916		
NOI	\$ 271,525		
Cap at 9%	\$ 3,016,943		
Value per s.f.	\$ 154	155	
Taxes @ 2.2 %	\$ 66,373	\$ 27,280	\$ 93,653
Taxes per s.f.	\$ 3.40	3.41	

	FOSTER CASH FLOW									
Year	1	2	3	4	5	6	7	8	9	10
Base Rent (NNN) Inc. ground lease rev.	\$ 319,441	\$ 324,331	\$ 399,368	\$ 404,556	\$ 409,899	\$ 427,208	\$ 432,877	\$ 438,715	\$ 444,730	\$ 450,924
Net Revenue	\$ 319,441	\$ 324,331	\$ 399,368	\$ 404,556	\$ 409,899	\$ 427,208	\$ 432,877	\$ 438,715	\$ 444,730	\$ 450,924
Less: Vacancy	\$ 15,972	\$ 16,217	\$ 19,968	\$ 20,228	\$ 20,495	\$ 21,360	\$ 21,644	\$ 21,936	\$ 22,236	\$ 22,546
Less: Non-Reimb. Operating Exp.	\$ 12,933	\$ 13,192	\$ 13,455	\$ 13,725	\$ 13,999	\$ 14,279	\$ 14,565	\$ 14,856	\$ 15,153	\$ 15,456
Net Operating Income	\$ 290,536	\$ 294,923	\$ 365,944	\$ 370,603	\$ 375,405	\$ 391,568	\$ 396,668	\$ 401,924	\$ 407,340	\$ 412,922
Loan Payment	\$ (256,118)	\$ (256,118)	\$ (256,118)	\$ (256,118)	\$ (256,118)	\$ (256,118)	\$ (256,118)	\$ (256,118)	\$ (256,118)	\$ (256,118)
TID CF Loan Payment	\$ (50,117)	\$ (50,117)	\$ (50,117)	\$ (50,117)	\$ (50,117)	\$ (50,117)	\$ (50,117)	\$ (50,117)	\$ (50,117)	\$ (50,117)
Equity Cash Flow	\$ 34,417	\$ 38,804	\$ 59,708	\$ 64,367	\$ 69,169	\$ 85,332	\$ 90,432	\$ 95,688	\$ 101,104	\$ 106,686
Annual ROE	2.8%	3.1%	4.8%	5.1%	5.5%	6.8%	7.2%	7.7%	8.1%	8.5%
Debt Service Cov. Ratio	1.13	1.15	1.19	1.21	1.23	1.28	1.30	1.31	1.33	1.35
Land Sale to BW3	\$ 950,000									
Deferred Fee	\$ 300,000									
Acid. Cash Equity	\$ -									
TID Loan	\$ 500,000									
Total Sources	\$ 4,977,903									
Plus: Mtg. Satisfaction	\$ 250,000									
Plus: Equity in Site	\$ -									
TID Loan Terms	5.00%									
Rate	15									
Term										
Pynt.										
Accrual Rate										
Cap Rate on Sale	9.0%									
Expense Rate on Sale	5%									
Net Cash Flow With Sale	\$ (550,000)	\$ 34,417	\$ 59,708	\$ 64,367	\$ 69,169	\$ 85,332	\$ 90,432	\$ 95,688	\$ 101,104	\$ 1,712,019
IRR on Equity (Lev. IRR)										19.1%
LOAN AMORTIZATION										
Loan Balance	3,227,903	3,170,301	3,109,156	3,044,250	2,975,353	2,902,219	2,824,567	2,742,180	2,654,706	2,561,852
Interest	198,516	194,973	191,213	187,221	182,984	178,486	173,712	168,644	163,264	157,564
Principal	57,602	61,145	64,905	68,897	73,134	77,632	82,406	87,474	92,854	98,565
Loan Balance	3,170,301	3,109,156	3,044,250	2,975,353	2,902,219	2,824,567	2,742,180	2,654,706	2,561,852	2,463,287
INCREMENTAL TAX REVENUE										
Base Value is \$2,040,000										
NPV @ 5%	\$409,110.91									
TID CF LOAN AMORT										
Loan Balance	\$ 500,000	\$ 510,000	\$ 520,200	\$ 496,093	\$ 470,780	\$ 444,202	\$ 416,295	\$ 386,992	\$ 356,225	\$ 323,919
Interest	\$ 10,000	\$ 10,200	\$ 10,200	\$ 24,805	\$ 23,539	\$ 22,210	\$ 20,815	\$ 19,350	\$ 17,811	\$ 16,196
Principal	\$ -	\$ -	\$ -	\$ 24,107	\$ 25,313	\$ 26,578	\$ 27,907	\$ 29,303	\$ 30,768	\$ 32,921
Loan Balance	\$ 510,000	\$ 520,200	\$ 496,093	\$ 470,780	\$ 444,202	\$ 416,295	\$ 386,992	\$ 356,225	\$ 323,919	\$ 289,997

EXHIBIT 5

METES AND BOUNDS DESCRIPTION OF DISTRICT

EXHIBIT 6

CITY ATTORNEY OPINION