

AMENDMENT NO. 1

**PROJECT PLAN FOR
TAX INCREMENTAL FINANCING DISTRICT NO. 83
(Broadway and Michigan)**

CITY OF MILWAUKEE

Public Hearing Held: October 15, 2015

Redevelopment Authority Adopted:

Common Council Adopted:

Joint Review Board Adopted:

**AMENDMENT NO. 1 to the PROJECT PLAN for
TAX INCREMENTAL FINANCING DISTRICT NUMBER 83
CITY OF MILWAUKEE
(BROADWAY AND MICHIGAN)**

Introduction

Section 66.1105 (4)(h)(1), Wisconsin Statutes, permits the Redevelopment Authority, subject to the approval of the Common Council, to amend the project plan for a tax incremental financing district.

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

The Common Council created Tax Incremental District No. 83 (the "District") in 2015 for the purpose of providing a \$900,000 developer-financed grant to assist in the redevelopment of the Mackie Building. Amendment No. 1 to the District (the "Amendment") authorizes funds for public infrastructure improvements (\$1,935,000) and administration expenses (\$25,000).

Amendments to the Project Plan:

The following amendments are made to the Project Plan. All other sections of the Plan remain unchanged.

I. DESCRIPTION OF THE PROJECT

Sub-Section C, "Project Plan Goals and Objectives," is deleted and restated, as follows:

In 2010, the City of Milwaukee updated its Downtown Area Plan. One of the catalytic projects listed in the plan was called the Broadway Connection, with the goal of revitalizing the area surrounding North Broadway and East Michigan Street to improve the connection between the Historic Third Ward and Downtown Milwaukee. One of the objectives of the Broadway Connection is "Enhanced Historic Building Features to Emphasize the Uniqueness of the District", including "preserving the appeal and usability of historic structures...to meet contemporary occupancy needs" and "carefully designed façade restorations". The intersection of North Broadway and East Michigan Street is in the nationally-designated East Side Commercial Historic District, which includes a number of prominent historic buildings, such as the Mackie (1880), Mitchell (1878), Iron Block (1860), Loyalty (1886), Button Block (1892), McGeoch (1894) and Railway Exchange (1900) buildings.

In 2013, an important step was made when the Loyalty Building was renovated into a Hilton Garden Inn. In late 2015, 225 East Michigan Street, LLC (the "Mackie Developer") will begin redeveloping the Mackie Building located at 225 East Michigan Street (the "Mackie") to include 25 market-rate apartments on the upper floors, retain the existing Grain Exchange Room, renovate the first floor commercial space and completely restore the façade and clocktower (collectively called the "Mackie Project"). The original Project Plan for this District provided a \$900,000 developer-financed grant to the Mackie Developer for the Mackie Project.

Restoration of the Mackie is Phase 1 of a three phase plan to implement the Broadway Connection catalytic project. Phase 2 includes conversion of the Button Block Building (500 North Water Street) to

a 94-room Homewood Suites extended-stay hotel by Bear Development, LLC (the “Button Block Developer”), a \$17 million investment. Phase 2 also includes streetscaping and lighting to better connect the Historic Third Ward and Downtown Milwaukee. Phase 3 is the construction of a mixed-use building on the surface parking lot south of the Mackie, which could include retail space, entertainment uses, housing and parking for adjacent buildings.

This Amendment is for the public infrastructure improvements related to Phase 2. This Project Plan may be amended at a future date to assist with the implementation of Phase 3.

More detailed objectives of this Project Plan are to:

- Eliminate a blighting influence on North Broadway between downtown Milwaukee and the Historic Third Ward.
- Restore historic and iconic buildings in downtown Milwaukee.
- Increase the tax base of the City by developing properties in need of rehabilitation or conservation in downtown Milwaukee.
- Implement a catalytic project, as set forth in the Downtown Area Plan 2010 Update, which called for a Broadway Connection strategy.

II. PLAN PROPOSALS

Sub-Section A, “Statement of the Kind, Number, and Location of All Proposed Public Works or Improvements,” is amended by adding the following:

In addition, funds generated from the District will fund public infrastructure improvements along North Water Street, East Michigan Street, East Clybourn Street and North Broadway. These improvements include street paving, streetscaping, traffic signal upgrades, lighting improvements and bike amenities (the “Public Infrastructure”). A portion of the Public Infrastructure improvements may be completed by the Button Block Developer and Mackie Developer, as outlined in **Exhibit 6, “Streetscaping Term Sheets.”**

The number and location of proposed public works and improvements are shown in “**Map 3: Amendment No. 1, Proposed Uses and Improvements**”.

Sub-Section B, “Detailed List of Estimated Project Costs,” is deleted and restated as follows:

The costs included in this subsection and detailed in Table B which follows are, without limitation hereof because of enumeration, claimed as eligible Project Costs as defined under Section 66.1105(2)(f) and, if appropriate, 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), which agreements are incorporated herein by reference, provided further that such expenditures are necessitated by this Project Plan.

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

Capital Costs

The City shall fund an estimated \$2,835,000 in the form of TID Capital Project Costs enumerated in further detail in Table A of this Plan.

TABLE A: Broadway and Michigan TID Amendment No. 1 Capital Project Costs

Public Infrastructure	
Streetscaping/Paving	\$1,685,000
Traffic Signals and Lighting	\$250,000
TOTAL PUBLIC INFRASTRUCTURE	\$1,935,000
Previously Authorized Grant to Mackie Project (Monetary Obligation to Mackie Developer)	\$900,000
TOTAL Capital Project Costs	\$2,835,000

Other Costs

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

Financing Costs

Financing costs include estimated gross interest expense on bonds that will be issued to pay for Project Costs. Estimates of bond interest are based on interest rates as set forth in the Economic Feasibility Analysis for this Project, attached as **Amended Exhibit 5, “Economic Feasibility Study for Amendment No. 1 to the Broadway and Michigan TID No. 83.”**

The City reserves the right to prepay the Monetary Obligation to the Mackie Developer, which could require issuance of general obligation debt, as described in the Term Sheet, attached as **Exhibit 4, “Term Sheet.”**

TABLE B: Lists of Estimated Project Costs

A	<u>Capital:</u> Public Infrastructure and Grant	\$2,835,000
B	<u>Other:</u> Administration (\$25,000 for Amend No. 1 and \$112,500 from original Project Plan)	\$137,500
	Total Estimated Project Costs, excluding financing	\$2,972,500
C	<u>Financing:</u> Interest payment on bonds	\$1,550,000

Sub-Section C, “Description of Timing and Methods of Financing” is deleted and restated, as follows:

All expenditures are expected to be incurred in 2015-2034.

The City may proceed to fund any or all Project Costs using general obligation bonds or notes, or RACM revenue bonds to be issued in amounts which can be supported using tax increments in the District.

Sub-Section D, “Economic Feasibility Study”, is deleted and restated as follows:

The Economic Feasibility Study for Amendment No. 1 to the Project Plan, is attached as **Amended Exhibit 5, “Economic Feasibility Study for Amendment No. 1 to the Broadway and Michigan TID No. 83.”**

Based upon the anticipated tax incremental revenue to be generated by the District, the District is financially feasible and it likely to be retired on or before 2028, the 13th year of the District. Accordingly, the District is determined to be feasible.

Sub-Section F, “Map Showing Proposed Improvements and Uses:” is amended by adding “Map 3: Amendment No. 1, Proposed Improvements and Uses”, attached.

Opinion of City Attorney letter is deleted and replaced with the attached letter from the City Attorney.

AMENDED EXHIBIT 5

ECONOMIC FEASIBILITY STUDY FOR AMENDMENT NO. 1 TO THE BROADWAY AND MICHIGAN TID NO. 83

Background:

The City of Milwaukee is proposing to amend the Broadway and Michigan Tax Incremental District No. 83 (the “District”) to pay for public infrastructure improvements and administrative expenses totaling \$1,960,000 (the “Amendment Project Costs”). The primary use of the funds will be for streetscaping, traffic signal upgrades, lighting improvements and bike amenities along North Water Street, East Michigan Street, East Clybourn Street and North Broadway. The original Project Plan funded a \$900,000 developer-financed grant to assist in the redevelopment of the Mackie Building. All incremental revenue generated from the Mackie Building (225 East Michigan Street) and the Mitchell Building (207 East Michigan Street) will go towards paying that Monetary Obligation to the Mackie Developer and therefore is not considered in this economic feasibility analysis.

The economic feasibility of Amendment No. 1 to the District is based solely on the incremental revenue generated from the redevelopment of the Button Block building (500 and 510 North Water Street).

Current Property Valuation:

The total assessment of the Button Block properties (500 and 510 North Water Street) as of 1/1/2015 (the date that the base value for the District was set) was: \$1,594,000.

Anticipated Future Value of the District and District Cash Flow:

The Button Block will be redeveloped by Bear Development, LLC into a 94-room extended-stay hotel under the Homewood Suites flag by Hilton, a \$17 million investment. That flag is most comparable with Marriott’s Residence Inn extended-stay flag. Comparable extended-stay hotels in downtown Milwaukee are below:

- Brewhouse Inn and Suites (1203 North 10th Street): \$136,000/room (\$12,400,000/91 rooms)
- Marriott Residence Inn (101 West Wisconsin Avenue): \$182,000/room (\$23,861,000/131 rooms)

Upon completion, the Button Block is estimated to be valued similar to the Marriott Residence Inn. The Assessor’s Office estimates that the stabilized value will be \$20-25 million. For the purposes of this economic feasibility study, the Button Block is conservatively estimated to be assessed at \$150,000/room or \$14,100,000 upon stabilization.

Attached as Table 1 is a cash flow forecast for the proposed Amendment No. 1 to the District. Basic parameters of this forecast are:

- Base Value of Button Block: \$1,594,000
- Tax Rate: 3.00%
- Interest Rate: 4.75%
- Annual Appreciation: 1.00%
- Amendment Project Costs: \$1,960,000
- Issuance Costs: 1.00%

As shown in the forecast, the District is able to amortize the Amendment Project Costs in an estimated 11 years. Due to the costs in the original Project Plan that included a \$900,000 developer-financed grant to the Mackie, the District is projected to be retired in 2028, the 13th year of the District. 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.

EXHIBIT 6
Streetscaping Terms Sheets
(see following pages)

TERM SHEET

Clybourn and Water Streetscaping
October 1, 2015

PROJECT:

Bear Development, LLC is planning to redevelop the existing Button Block building (500 North Water Street) into a 94-room Homewood Suites hotel (the "Project"). The property to the north of the Button Block (510 North Water Street) will be used as guest drop-off and pedestrian connection area (as shown in "**Exhibit A**"). In exchange for streetscaping improvements to implement the Broadway Connection catalytic project in the City of Milwaukee's 2010 Downtown Plan, the Redevelopment Authority of the City of Milwaukee will reimburse Bear Development, LLC for streetscaping costs as outlined below.

PARTIES:

Bear Development, LLC or assigns ("Developer") and the Redevelopment Authority of the City of Milwaukee ("RACM")

DEVELOPER OBLIGATIONS:

Developer shall complete the Project and shall comply with the following requirements:

- A. Provide a public access easement to the pedestrian connection area at 510 North Water Street, as shown in "**Exhibit A**".
- B. Install as part of the Project certain streetscape improvements (to potentially include: pavement, sidewalk, lighting, landscaping, bike and pedestrian improvements) in the public right of way or areas with a public access easement, subject to required permits and approval by the Department of City Development and Department of Public Works.
- C. Use best efforts to comply with the City's Small Business Enterprises ordinance at a level of 25% for the streetscaping portion of the Project and the City's Resident Preference Program for 40% of the streetscaping portion of the Project.

RACM OBLIGATIONS:

RACM shall reimburse Developer for up to \$700,000 (the "Grant") for streetscaping costs. Invoices for actual costs shall be submitted to RACM's Executive Director for review and approval. The Grant shall be paid as a reimbursement for Developer's actual costs.

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 in one or more agreements among RACM and Developer. Resolutions approving this Term Sheet shall provide for the execution of all additional Project Documents and instruments necessary to implement the Project.

EXHIBIT A: Location of Public Access Easement

TERM SHEET

Broadway and Michigan Streetscaping
October 1, 2015

PROJECT:

225 East Michigan Street, LLC owns the building at 225 East Michigan Street. In exchange for streetscaping improvements to implement the Broadway Connection catalytic project in the City of Milwaukee's 2010 Downtown Plan, the Redevelopment Authority of the City of Milwaukee will reimburse 225 East Michigan Street, LLC for streetscaping costs as outlined below.

PARTIES:

225 East Michigan Street, LLC ("Developer") and the Redevelopment Authority of the City of Milwaukee ("RACM")

DEVELOPER OBLIGATIONS:

Developer shall complete the Project and shall comply with the following requirements:

- A. Install as part of the Project certain streetscape improvements (to potentially include: pavement, sidewalk, lighting, landscaping, bike and pedestrian improvements) in the public right of way, subject to required permits and approval by the Department of City Development and Department of Public Works.
- B. Use best efforts to comply with the City's Small Business Enterprises ordinance at a level of 25% for the streetscaping portion of the Project and the City's Resident Preference Program for 40% of the streetscaping portion of the Project.

RACM OBLIGATIONS:

RACM shall reimburse Developer for up to \$385,000 (the "Grant") for streetscaping costs. Invoices for actual costs shall be submitted to RACM's Executive Director for review and approval. The Grant shall be paid as a reimbursement for Developer's actual costs.

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 in one or more agreements among RACM and Developer. Resolutions approving this Term Sheet shall provide for the execution of all additional Project Documents and instruments necessary to implement the Project.

BROADWAY AND MICHIGAN TID

MAP 3: AMENDMENT NO. 1, PROPOSED USES AND IMPROVEMENTS

Prepared by the Department of City Development Planning Division, 21 September, 2015
Source: City of Milwaukee Information & Technology Management Division

