

BUSINESS IMPROVEMENT DISTRICT NO. 42

Schlitz Park

2021 OPERATING PLAN

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Milwaukee, Wisconsin 53212
414-272-6302

Drafted 8/26/20

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I. INTRODUCTION

A. Background

In 1984, the Wisconsin legislature created 66.1109 (formerly S. 66.608) of the Statutes (see Appendix A) enabling cities to establish Business Improvement Districts (BIDs). The purpose of the law is “to allow businesses within those districts to develop, to manage and promote the districts and to establish an assessment method to fund these activities.” (1983 Wisconsin Act 184, Section 1, legislative declaration.)

This document is the Twelfth Operating Plan for the Schlitz Park BID 42 district. The BID proponents prepared this Plan with technical assistance from the City of Milwaukee Department of City Development. This Operating Plan proposes a continuation and expansion of the activities described in the initial BID Operating Plan. Therefore, it incorporates by reference the initial Operating Plan as adopted by the Common Council. In the interest of brevity, this Operating Plan emphasizes the elements which are required by section 66.1109, Wis. Stats., and does not repeat the background information that is contained in the initial Operating Plan.

B. Physical Setting

The Schlitz Riverwalk had suffered tremendous infrastructure damage prior to 2009. The Dock wall was over 100 years old and had to be repaired completely on an emergency basis to prevent the entire Riverwalk from falling into the Milwaukee River. As a result, the Riverwalk was unusable and needed to be returned to its previous glory as it is the longest single stretch of Riverwalk on the entire system. In July 2017, Schlitz Park entered into an agreement with the Redevelopment Authority of the City of Milwaukee (RACM) to extend and enhance the Riverwalk through and across portions of Schlitz Park.

II. DISTRICT BOUNDARIES

A listing of the properties included in the district is provided in Appendix B.

III. PROPOSED OPERATING PLAN

A. Plan Objectives

The objective of the BID is to pay for the capital costs of repairing and reconstructing the Schlitz Riverwalk. The initial cost for this work, including dock wall reconstruction and installation of new Riverwalk and related amenities, was \$1,794,325. Of this amount, \$848,200 was paid for by the Schlitz Business Improvement District (the "BID Contribution"). The balance is being paid for by the owners of the properties within the BID and by the City of Milwaukee. The BID Contribution has been loaned to the BID by the City and the property owners within the BID and will be repaid by the BID through annual assessments over a period of ten years at an annual interest rate of 5%. The annual assessment to the BID for the BID Contribution has been \$108,338. In addition to the assessment for the annual installment of the BID Contribution, there was a modest annual assessment to cover the BID's administrative expenses. For 2018, the total assessment for the BID was \$117,000.

In July 2017, Schlitz Park entered into the Riverwalk Extension Development Agreement in which the City, RACM and The Brewery Works, Inc. (Developer), agree to extend the Riverwalk through and

across portions of Schlitz Park so as to create a multidirectional pedestrian linkage between the Riverwalk and other public rights-of-way including the addition of handicapped accessible ramps and related amenities. The initial cost for this work was \$683,000. Of this amount, \$475,000 was paid by a City Grant, The Riverwalk Extension Grant. The balance of \$208,000 was paid for by the owners of the properties within the BID. The BID Contribution has been loaned to the BID by the owners within the BID and will be repaid by the BID through annual assessments over a period of two years at an annual interest rate of 4%. The annual assessments will be extended an additional two years, from 10 to 12 years. On February 6, 2019 the BID properties were sold to SP Milwaukee PropCo1, LLC. The new property owner assumed the remaining principal on the notes.

B. Proposed Expenditures – Year Twelve

Proposed Budget

<u>Expenses</u>	
Debt Service – SP Milwaukee PropCo1	\$ 75,000
Administrative Expenses	<u>\$ 5,000</u>
Total	<u>\$ 80,000</u>

C. Financing Method

It is proposed to raise \$80,000 through BID assessments (see Appendix B). The BID Board shall have the authority and responsibility to prioritize expenditures and to revise the budget as necessary to match the funds actually available.

D. Organization of BID Board

Upon creation of the BID, the Mayor will appoint members to the district board ("board"). The board's primary responsibility will be implementation of this Operating Plan. This will require the board to negotiate with providers of services and materials to carry out the Plan; to enter into various contracts; to monitor development activity; to periodically revise the Operating Plan; to ensure district compliance with the provisions of applicable statutes and regulations; and to make reimbursements for any overpayments of BID assessments.

State law requires that the board be composed of at least five members and that a majority of the board members be owners or occupants of property within the district.

It is recommended that the BID board be structured and operate as follows:

1. Board Size – Five
2. Composition - At least three members shall be owners or occupants of property within the district. Any non-owner or non-occupant appointed to the board shall be a resident of the City of Milwaukee. The board shall elect its Chairperson from among its members.
3. Term - Appointments to the board shall be for a period of three years except that initially two members shall be appointed for a period of three years, two members shall

be appointed for a period of two years, and one member shall be appointed for a period of one year.

4. Compensation – None

5. Meetings - All meetings of the board shall be governed by the Wisconsin Open Meetings Law.

6. Record Keeping - Files and records of the board's affairs shall be kept pursuant to public record requirements.

7. Staffing - The board may employ staff and/or contract for staffing services pursuant to this Plan and subsequent modifications thereof.

8. Meetings - The board shall meet regularly, at least twice each year. The board shall adopt rules of order (“by laws”) to govern the conduct of its meetings.

9.	<u>Board Member</u>	<u>Title</u>
	Open	Chairman of the Board
	Kenneth Deweerdt	Member
	Samuel Denny	Member
	Eric Peterson	Secretary/Treasurer
	Open	Member

E. Relationship to the Schlitz Park Business Association.

The BID shall be a separate entity from the Schlitz Park Business Association, notwithstanding the fact that members, officers and directors of each may be shared. The Association shall remain a private organization, not subject to the open meeting law, and not subject to the public record law except for its records generated in connection with the BID board. The Association may, and it is intended, shall, contract with the BID to provide services to the BID, in accordance with this Plan.

IV. METHOD OF ASSESSMENT

A. Assessment Rate and Method

The principle behind the assessment methodology is that each parcel’s owner should pay for the benefit and use of the Riverwalk in proportion to such parcel's benefit and use. Subject to any modifications that might be required under section IV B. 2, below, the annual assessments for the BID Contribution for each of the properties within the BID have been allocated accordingly and shall be adjusted according to the prior year actual assessed value of the properties. Each property's proportionate obligation for the annual administrative expenses shall be identical to such property's annual share of the BID Contribution.

The annual assessments for the BID Contribution are shown in Appendix B, attached hereto. The assessment against a parcel for its proportionate share of the BID Contribution and administrative expenses is herein referred to as "BID Assessment" Any BID Assessment related to a previous year or years may not be contested. Any BID Assessment related to this and any subsequent Operating Plan may only be contested prior to approval and adoption of this Operating Plan by the City Council.

Appendix B shows the projected BID assessment for each property included in the district.

B. Excluded and Exempt Property

The BID law requires explicit consideration of certain classes of property. In compliance with the law the following statement is provided.

1. In accordance with the interpretation of the City Attorney regarding State Statute 66.608(1)(b), property exempt from general real estate taxes has been excluded from the district. Privately owned tax-exempt property adjoining the district and which is expected to benefit from district activities may be asked to make a financial contribution to the district on a voluntary basis.

V. RELATIONSHIP TO MILWAUKEE COMPREHENSIVE PLAN AND ORDERLY DEVELOPMENT OF THE CITY

A. City Plans

In February 1978, the Common Council of the City of Milwaukee adopted a Preservation Policy as the policy basis for its Comprehensive Plan and as a guide for its planning, programming and budgeting decisions. The Common Council reaffirmed and expanded the Preservation Policy in Resolution File Number 881978, adopted January 24, 1989.

The Preservation Policy emphasizes maintaining Milwaukee's present housing, jobs, neighborhoods, services, and tax base rather than passively accepting loss of jobs and population, or emphasizing massive new development. In its January 1989 reaffirmation of the policy, the Common Council gave new emphasis to forging new public and private partnerships as a means to accomplish preservation.

The district is a means of formalizing and funding the public-private partnership between the City and property owners in the Schlitz Park business area and for furthering preservation and redevelopment in this portion of the City of Milwaukee. Therefore, it is fully consistent with the City's Comprehensive Plan and Preservation Policy.

B. City Role in District Operation

The City of Milwaukee has committed to helping private property owners in the district promote its development. To this end, the City expected to play a significant role in the creation of the Business Improvement district and in the implementation of the Operating Plan. In particular, the City will:

1. Provide technical assistance to the proponents of the district through adoption of the Plan, and provide assistance as appropriate thereafter.
2. Monitor and, when appropriate, apply for outside funds that could be used in support of the district.
3. Collect assessments, maintain in a segregated account, and disburse the monies of the district.
4. Receive annual audits as required per sec. 66.1109 (3) (c) of the BID law.
5. Provide the board, through the Tax Commissioner's Office on or before June 30th of each Plan year, with the official City records and the assessed value of each tax key number with the district, as of January 1st of each Plan year, for purposes of calculating the BID assessments.
6. Encourage the State of Wisconsin, Milwaukee County and other units of government to support the activities of the district.

VI. PLAN APPROVAL PROCESS

A. Public Review Process

The Wisconsin Business Improvement district law establishes a specific process for reviewing and approving proposed districts. Pursuant to the statutory requirements, the following process will be followed:

1. The Milwaukee City Plan Commission will review the proposed district boundaries and proposed Operating Plan and will then set a date for a formal public hearing.
2. The City Plan Commission will send, by certified mail, a public hearing notice and a copy of the proposed Operating Plan to all owners of real property within the proposed district. In addition a Class 2 notice of the public hearing will be published in a local newspaper of general circulation.
3. The City Plan Commission will hold a public hearing, will approve or disapprove the Plan, and will report its action to the Common Council.
4. The Economic Development Committee of the Common Council will review the proposed BID Plan at a public meeting and will make a recommendation to the full Common Council.
5. The Common Council will act on the proposed BID Plan.
6. If adopted by the Common Council, the proposed BID Plan is sent to the Mayor for his approval.
7. If approved by the Mayor, the BID is created and the Mayor will appoint members to the district board established to implement the Plan.

B. Termination of the BID

The City shall consider terminating the District if the owners of property assessed under the Operating Plan having a valuation equal to more than 50% of the valuation of all property assessed under the Operating Plan, using the method of valuation specified herein, or the owners of property assessed under the Operating Plan having an assessed valuation equal to more than 50% of the assessed valuation of all property assessed under the Operating Plan, file a petition with the City Plan Commission requesting termination of the District. On or after the date such a petition is filed, neither the Board nor the City may enter into any new obligations by contract or otherwise until the expiration of thirty (30) days after the date a public hearing is held and unless the District is not terminated.

Within thirty (30) days after filing of a petition, the City Plan Commission shall hold a public hearing on the proposed termination. Notice of the hearing shall be published as a Class 2 notice. Before publication, a copy of the notice with a copy of the Operating Plan and a copy of the detail map showing the boundaries of the District shall be sent by certified mail to all owners of real property within the District.

Within thirty (30) days after the date of such hearing, every owner of property assessed under the Operating Plan may send a written notice to the City Plan Commission indicating, if the owner signed a petition, that the owner retracts the owner's request to terminate the District or, if the owner did not sign the petition, that the owner requests termination of the District.

If, after the expiration of thirty (30) days after the date of the public hearing, by petition or subsequent notification and after subtracting any retractions, the owners of property assessed under the Operating Plan having a valuation equal to more than 50% of the valuation of all property assessed under the Operating Plan, using the method of valuation specified in the Operating Plan, or the owners of property assessed under the Operating Plan having an assessed valuation equal to more than 50% of the assessed valuation of all properties assessed under the Operating Plan have requested the termination of the District, the City shall terminate the District on the date that the obligation with the latest completion date entered into to implement the Operating Plan expires.

VII. FUTURE YEAR OPERATING PLANS

A. Phased Development

It is possible that the BID board will revise the Operating Plan in a given year in response to conditions affecting both the Riverwalk and Riverwalk Extension and/or opportunities and needs within the BID.

Section 66.1109 (3) (a) of the BID law requires the board and the City to annually review and make changes as appropriate in the Operating Plan. Therefore, while this document outlines in general terms the complete development program, it focuses upon Year One activities, and information on specific assessed values, budget amounts and assessment amounts are based on Year One conditions. Greater detail about subsequent year's activities will be provided in the required annual Plan updates, and approval by the Common Council of such Plan updates shall be conclusive evidence of compliance with this Plan and the BID law.

In later years, the BID Operating Plan will continue to apply the assessment formula, as adjusted, to raise funds to meet the next annual budget. However, the method of assessing shall not be materially altered, except with the consent of the City of Milwaukee.

B. Amendment, Severability and Expansion

This BID has been created under authority of Section 66.1109 of the Statutes of the State of Wisconsin. Should any court find any portion of this Statute invalid or unconstitutional its decision will not invalidate or terminate the BID and this BID Plan shall be amended to conform to the law without need of reestablishment.

Should the legislature amend the Statute to narrow or broaden the process of a BID so as to exclude or include as assessable properties a certain class or classes of properties, then this BID Plan may be amended by the Common Council of the City of Milwaukee as and when it conducts its annual Operating Plan approval and without necessity to undertake any other act. This is specifically authorized under Section 66.1109(3)(b).

APPENDICES

- A. STATUTE
- B. YEAR TWELVE ASSESSMENTS
- C. CURRENT LAND USE MAP

APPENDIX "A"
BID STATUTE

WEST'S WISCONSIN STATUTES ANNOTATED MUNICIPALITIES
SUBCHAPTER XI. DEVELOPMENT

Current through 2003 Act 28, published 6/2/03

66.1109. Business improvement districts

(1) In this section:

(a) "Board" means a business improvement district board appointed under sub. (3)(a).

(b) "Business improvement district" means an area within a municipality consisting of contiguous parcels and may include railroad rights-of-way, rivers, or highways continuously bounded by the parcels on at least one side, and shall include parcels that are contiguous to the district but that were not included in the original or amended boundaries of the district because the parcels were tax-exempt when the boundaries were determined and such parcels became taxable after the original or amended boundaries of the district were determined.

(c) "Chief executive officer" means a mayor, city manager, village president or town chairperson.

(d) "Local legislative body" means a common council, village board of trustees or town board of supervisors.

(e) "Municipality" means a city, village or town.

(f) "Operating plan" means a plan adopted or amended under this section for the development, redevelopment, maintenance, operation and promotion of a business improvement district, including all of the following:

1. The special assessment method applicable to the business improvement district.

1m. whether real property used exclusively for manufacturing purposes will be specially assessed.

2. The kind, number and location of all proposed expenditures within the business improvement district.

3. A description of the methods of financing all estimated expenditures and the time when related costs will be incurred.

4. A description of how the creation of the business improvement district promotes the orderly development of the municipality, including its relationship to any municipal master plan.

5. A legal opinion that subds. 1 to 4 have been complied with.

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

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

(a) An owner of real property used for commercial purposes and located in the proposed business improvement district designated under par. (b) has petitioned the municipality for creation of a business improvement district.

(b) The planning commission has designated a proposed business improvement district and adopted its proposed initial operating plan.

(c) At least 30 days before creation of the business improvement district and adoption of its initial operating plan by the municipality, the planning commission has held a public hearing on its proposed business improvement district and initial operating plan. Notice of the hearing shall be published as a class 2 notice under Ch. 985. Before publication, a copy of the notice together with a copy of the proposed initial operating plan and a copy of a detail map showing the boundaries of the proposed business improvement district shall be sent by certified mail to all owners of real property within the proposed business improvement district. The notice shall state the boundaries of the proposed business improvement district and shall indicate that copies of the proposed initial operating plan are available from the planning commission on request.

(d) Within 30 days after the hearing under par. (c), the owners of property to be assessed under the proposed initial operating plan having a valuation equal to more than 40% of the valuation of all property to be assessed under the proposed initial operating plan, using the method of valuation specified in the proposed initial operating plan, or the owners of property to be assessed under the proposed initial operating plan having an assessed valuation equal to more than 40% of the assessed valuation of all property to be assessed under the proposed initial operating plan, have not filed a petition with the planning commission protesting the proposed business improvement district or its proposed initial operating plan.

(e) The local legislative body has voted to adopt the proposed initial operating plan for the municipality.

(3)(a) The chief executive officer shall appoint members to a business improvement district board to implement the operating plan. Board members shall be confirmed by the local legislative body and shall serve staggered terms designated by the local legislative body. The board shall have at least 5 members. A majority of board members shall own or occupy real property in the business improvement district.

(b) The board shall annually consider and may make changes to the operating plan, which may include termination of the plan, for its business improvement district. The board shall then submit the operating plan to the local legislative body for its approval. If the local legislative body disapproves the operating plan, the board shall consider and may make changes to the operating plan and may continue to resubmit the operating plan until local legislative body approval is obtained. Any change to the special assessment method applicable to the business improvement district shall be approved by the local legislative body.

c) The board shall prepare and make available to the public annual reports describing the current status of the business improvement district, including expenditures and revenues. The report shall include an independent certified audit of the implementation of the operating plan obtained by the municipality. The municipality shall obtain an additional independent certified audit upon termination of the business improvement district.

(d) Either the board or the municipality, as specified in the operating plan as adopted, or amended and approved under this section, has all powers necessary or convenient to implement the operating plan, including the power to contract.

(4) All special assessments received from a business improvement district and all other appropriations by the municipality or other moneys received for the benefit of the business improvement district shall be placed in a segregated account in the municipal treasury. No disbursements from the account may be made except to reimburse the municipality for appropriations other than special assessments, to pay the costs of audits required under sub. (3)(c) or on order of the board for the purpose of implementing the operating plan. On termination of the business improvement district by the municipality, all moneys collected by special assessment remaining in the account shall be disbursed to the owners of specially assessed property in the business improvement district, in the same proportion as the last collected special assessment.

(4m) A municipality shall terminate a business improvement district if the owners of property assessed under the operating plan having a valuation equal to more than 50% of the valuation of all property assessed under the operating plan, using the method of valuation specified in the operating plan, or the owners of property assessed under the operating plan having an assessed valuation equal to more than 50% of the assessed valuation of all property assessed under the operating plan, file a petition with the planning commission requesting termination of the business improvement district, subject to all of the following conditions:

(a) A petition may not be filed under this subsection earlier than one year after the date the municipality first adopts the operating plan for the business improvement district.

(b) On and after the date a petition is filed under this subsection, neither the board nor the municipality may enter into any new obligations by contract or otherwise to implement the operating plan until the expiration of 30 days after the date of hearing under par. (c) and unless the business improvement district is not terminated under par. (e).

(c) Within 30 days after the filing of a petition under this subsection, the planning commission shall hold a public hearing on the proposed termination. Notice of the hearing shall be published as a class 2 notice under ch. 985. Before publication, a copy of the notice together with a copy of the operating plan and a copy of a detail map showing the boundaries of the business improvement district shall be sent by certified mail to all owners of real property within the business improvement district. The notice shall state the boundaries of the business improvement district and shall indicate that copies of the operating plan are available from the planning commission on request.

(d) Within 30 days after the date of hearing under par. (c), every owner of property assessed under the operating plan may send written notice to the planning commission indicating, if the owner signed a petition under this subsection, that the owner retracts the owner's request to terminate the business improvement district, or, if the owner did not sign the petition, that the owner requests termination of the business improvement district.

(e) If after the expiration of 30 days after the date of hearing under par. (c), by petition under this subsection or subsequent notification under par. (d), and after subtracting any retractions under par. (d), the owners of property assessed under the operating plan having a valuation equal to more than 50% of the valuation of all property assessed under the operating plan, using the method of valuation specified in the operating plan, or the owners of property assessed under the operating plan having an assessed valuation equal to more than 50% of the assessed valuation of all property assessed under the operating plan, have requested the termination of the business improvement district, the municipality shall terminate the business improvement district on the date that the obligation with the latest completion date entered into to implement the operating plan expires.

(5)(a) Real property used exclusively for residential purposes and real property that is exempted from general property taxes under s. 70. 11 may not be specially assessed for purposes of this section.

(b) A municipality may terminate a business improvement district at any time.

(c) This section does not limit the power of a municipality under other law to regulate the use of or specially assess real property.

HISTORICAL AND STATUTORY NOTES

2003 Main Volume

APPENDIX "B"
BID ASSESSMENTS – YEAR TWELVE

TAX KEY	ADDRESS	PERCENTAGE SHARE OF BID ASSESSMENT	SHARE OF BID CONTRIBUTION	SHARE OF ADMINISTRATIVE EXPENSES	TOTAL
3611841110	1610 N. 2nd St.	10.99%	\$ 8,242.50	\$ 549.50	\$ 8,792.00
3611954100	215 W. Pleasant St.	1.87%	1,402.50	93.50	1,496.00
36122212000	235 W Galena St.	17.15%	12,862.50	857.50	13,720.00
3611963100	101 E Pleasant St.	3.02%	2,265.00	151.00	2,416.00
3611842000	111 W Pleasant St	5.19%	3,892.50	259.50	4,152.00
3611844000	101 West Pleasant St	7.87%	5,902.50	393.50	6,296.00
3611852121	1542 N 2nd St	0.47%	352.50	23.50	376.00
3610184112	1505-55 N RiverCenter	51.21%	38,407.50	2,560.50	40,968.00
3611962100	1500 N 2nd Street	1.92%	1,440.00	96.00	1,536.00
3612211000	205 W Galena St	0.31%	232.50	15.50	248.00
		100%	\$ 75,000.00	\$ 5,000.00	\$ 80,000.00

The owner of 1610 N. 2nd Street is SP Milwaukee PropCo1, LLC

The owner of 215 W. Pleasant Street and 1542 N. 2nd Street is SP Milwaukee PropCo1, LLC

The owner of 111 W. Pleasant Street and 101 E. Pleasant Street is SP Milwaukee PropCo1, LLC

The owner of 101 West Pleasant Street is SP Milwaukee PropCo1, LLC

The owner of 1505-55 North RiverCenter Drive is SP Milwaukee PropCo1, LLC

The owner of 235 West Galena Street and 205 West Galena Street is SP Milwaukee PropCo1, LLC

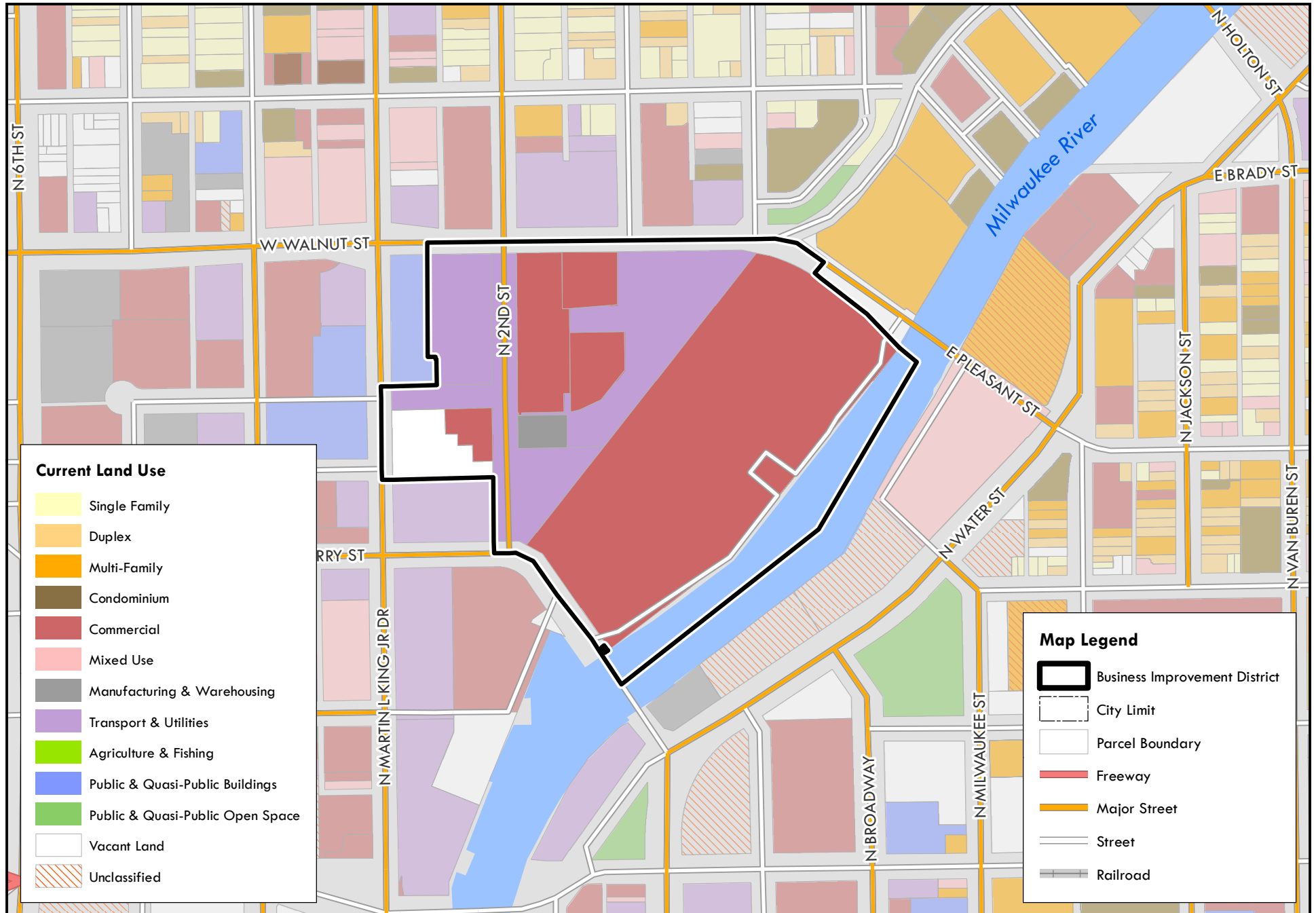
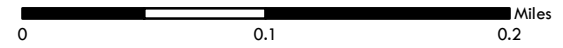
The owner of 1500 N. Second Street is SP Milwaukee PropCo1, LLC

The address of all of the ownership group is 1555 North RiverCenter Drive, Suite 100, Milwaukee, WI 53212.

BID NO. 42: SCHLITZ PARK

CITY OF MILWAUKEE

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



Current Land Use

- Single Family
- Duplex
- Multi-Family
- Condominium
- Commercial
- Mixed Use
- Manufacturing & Warehousing
- Transport & Utilities
- Agriculture & Fishing
- Public & Quasi-Public Buildings
- Public & Quasi-Public Open Space
- Vacant Land
- Unclassified

Map Legend

- Business Improvement District
- City Limit
- Parcel Boundary
- Freeway
- Major Street
- Street
- Railroad

Business Improvement District No. 42 - Annual Report Calendar Year - 2020

Mission Statement/Vision/Priorities

- To provide a safe and aesthetic infrastructure within Schlitz Park for the Milwaukee Riverwalk in the Schlitz Park Corporate Office Community which is the longest single stretch of Riverwalk on the system.

Financial Relationships w/ other entities (CDCs, non-profits, associations)

- None

Total Assessed Value of Properties within District

- The district is comprised of ten properties that make up the Schlitz Park Corporate Campus. The total assessed value increased 1.87% from the prior year.
- Current Year Assessment - \$89,979,900; Prior Year Assessment - \$88,324,680

Core Programs

- Two annual meetings

Economic Development

- General maintenance and aesthetics of the Riverwalk and Riverwalk access which is through portions of the Schlitz Park Campus and creates a multidirectional pedestrian linkage between the Riverwalk and other public rights-of-way including handicapped accessible ramps.

Marketing & Branding

- None

Core Events

- None

Partner/Collaborative Initiatives

- None

**BUSINESS IMPROVEMENT DISTRICT #42
MILWAUKEE, WISCONSIN**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019 AND 2018**

BUSINESS IMPROVEMENT DISTRICT #42
MILWAUKEE, WISCONSIN

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Independent Auditor's Report

Board of Directors
Business Improvement District #42
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Business Improvement District #42, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of the Business Improvement District #42 as of December 31, 2019 and 2018 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Krause & Associates, SC". The signature is written in a cursive style with a small mark above the 'A' in "Associates".

Krause & Associates, SC
Grafton, Wisconsin
September 16, 2020

BUSINESS IMPROVEMENT DISTRICT #42
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ <u>3,735</u>	\$ <u>3</u>
TOTAL ASSETS	\$ <u>3,735</u>	\$ <u>3</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ -	\$ -
Interest payable	8,150	2,673
Notes payable	<u>168,427</u>	<u>279,822</u>
TOTAL LIABILITIES	176,577	282,495
NET ASSETS		
Without donor restrictions	(172,842)	(282,492)
With donor restrictions	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>(172,842)</u>	<u>(282,492)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,735</u>	<u>\$ 3</u>

The accompanying notes are an integral part of these financial statements.

BUSINESS IMPROVEMENT DISTRICT #42
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
REVENUES AND OTHER SUPPORT		
BID assessments	\$ <u>117,000</u>	\$ <u>113,000</u>
Total revenue	<u>117,000</u>	<u>113,000</u>
EXPENSES		
Program services expense:		
Riverwalk	6,350	75,605
Supporting services expense:		
Management and general	1,000	4,662
Fundraising and development	<u>-</u>	<u>-</u>
Total program	<u>7,350</u>	<u>80,267</u>
Total expenses	<u>7,350</u>	<u>80,267</u>
Changes in net assets	109,650	32,733
Net assets, beginning of year	<u>(282,492)</u>	<u>(315,225)</u>
Net assets, at end of year	<u>\$ (172,842)</u>	<u>\$ (282,492)</u>

The accompanying notes are an integral part of these financial statements.

BUSINESS IMPROVEMENT DISTRICT #42
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			
	Program Services	Supporting Services		
		Management and General	Fundraising and Development	Total
	Riverwalk			
Riverwalk improvements	\$ -	\$ -	\$ -	\$ -
Interest	6,350	-	-	6,350
Professional fees:				
Audit	-	1,000	-	1,000
Management	-	-	-	-
Total expenses	\$ 6,350	\$ 1,000	\$ -	\$ 7,350
	2018			
	Program Services	Supporting Services		
		Management and General	Fundraising and Development	Total
	Riverwalk			
Riverwalk improvements	\$ 64,240	\$ -	\$ -	\$ 64,240
Interest	11,365	-	-	11,365
Professional fees:				
Audit	-	1,000	-	1,000
Management	-	3,662	-	3,662
Total expenses	\$ 75,605	\$ 4,662	\$ -	\$ 80,267

The accompanying notes are an integral part of these financial statements.

BUSINESS IMPROVEMENT DISTRICT #42
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 109,650	\$ 32,733
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Increase (decrease) in interest payable	<u>5,477</u>	<u>3,676</u>
Net cash provided by (used in) operating activities	<u>115,127</u>	<u>36,409</u>
 CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from notes payable	-	64,240
Repayments of notes payable	<u>(111,395)</u>	<u>(100,648)</u>
Net cash provided by (used in) financing activities	<u>(111,395)</u>	<u>(36,408)</u>
Net increase (decrease) in cash and cash equivalents	3,732	1
Cash and cash equivalents at beginning of year	<u>3</u>	<u>2</u>
Cash and cash equivalents at end of year	<u>\$ 3,735</u>	<u>\$ 3</u>
Cash paid for interest	<u>\$ 873</u>	<u>\$ 7,689</u>

The accompanying notes are an integral part of these financial statements.

BUSINESS IMPROVEMENT DISTRICT #42
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

The Mayor and the Common Council created the Business Improvement District #42 (BID) in November 2009 under the authority granted by Wisconsin Statutes Section 66.1109. The purpose of the BID is for revitalization and improving the Schlitz Park business area in Milwaukee's 3rd Aldermanic District. The Schlitz Riverwalk had suffered tremendous infrastructure damage in the last several years. The dock wall was over 100 years old and had to be repaired completely in 2009 on an emergency basis to prevent the entire Riverwalk from falling into the Milwaukee River. As a result, the Riverwalk, in its prior state, was unusable and needed to be returned to its previous glory as it is the longest single stretch of Riverwalk on the entire system.

The objective of the BID is to pay for the capital costs of repairing and reconstructing the Schlitz Riverwalk. The total cost for this work, including dock wall reconstruction and installation of new Riverwalk and related amenities, was \$1,794,325. Of this amount, \$848,200 was paid for by the BID (the BID Contribution). The balance was paid for by the owners of the properties within the BID and by the City of Milwaukee. The BID Contribution has been loaned to the BID through the City and the property owners within the BID and is being repaid by the BID through annual assessments over a period of ten (10) years at an annual interest rate of 5%.

In July of 2017 the BID agreed to extend the Schlitz Riverwalk through and across portions of Schlitz Park so as to create a multidirectional pedestrian linkage between the Schlitz Riverwalk and other public rights-of-way including the addition of handicapped accessible ramps and related amenities. The initial cost for the work was \$683,000. Of this amount, \$475,000 was paid by a City of Milwaukee grant (The Riverwalk Extension Grant). The balance of \$208,000 was paid for by the owners of the properties within the BID. The BID Contribution has been loaned to the BID by the owners within the BID and will be repaid by the BID through annual assessments over a period of four (4) years at an annual interest rate of 4%. The annual assessments will be extended an additional two years, from 10 to 12 years and increased the annual BID assessment to \$117,000 beginning in 2019.

BUSINESS IMPROVEMENT DISTRICT #42
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Organization and business activity - continued

The annual assessment to the BID for the BID Contribution will be \$112,000 plus a modest annual assessment to cover the BID's administrative expenses, which for 2019 and 2018 was \$5,000. The total assessment for 2019 and 2018 was \$117,000 and \$113,000, respectively.

The expenditures will be financed from funds collected from the BID Assessments. One hundred percent (100%) of the BID budget will be raised through BID Assessments. The BID Board of Directors shall have the authority and responsibility to prioritize expenditures and to revise the budget as necessary.

The BID is an association of property owners governed by five board members. Members are appointed to three-year terms by the Mayor and confirmed by the Common Council.

2. Cash and cash equivalents

The BID considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

3. Net assets

The BID follows the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America, wherein revenues and expenses are recorded in the period earned or incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the BID are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the BID. These net assets may be used at the discretion of the BID's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the BID or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

BUSINESS IMPROVEMENT DISTRICT #42
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Net assets - continued

The BID reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As of December 31, 2019 and 2018, the BID has no net assets with donor restrictions.

4. Revenue and Revenue Recognition

Revenue is recognized from BID assessments when the services are provided. All services are transferred at a point in time. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of December 31, 2019 and 2018, the BID has no conditional contributions.

5. Riverwalk improvements

Riverwalk improvements are not capitalized; rather they are expensed as incurred as they are considered part of the City of Milwaukee's public infrastructure.

6. Income taxes

The BID is a quasi-public entity which is exempt from Federal and Wisconsin income taxes. The BID evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

7. Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

BUSINESS IMPROVEMENT DISTRICT #42
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2019 AND 2018

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* (ASU). The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The BID has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

10. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through September 16, 2020, which is the date that the financial statements were available to be issued. One subsequent event was noted for disclosure, Note F.

B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date of December 31, 2019 and 2018, comprise the following:

	2019	2018
Cash and cash equivalents	\$ <u>3,735</u>	\$ <u>3</u>

The BID receives an annual assessment from the City of Milwaukee which is ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The BID manages its liquidity and reserves based on the annual Operating Plan submitted to and approved by the City of Milwaukee.

BUSINESS IMPROVEMENT DISTRICT #42
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2019 AND 2018

C – NOTES PAYABLE

The BID, in cooperation with the City of Milwaukee finished original improvements to the Riverwalk in 2010. Financing for the \$1.8 million project was funded partially by the property owners within the district and the City of Milwaukee. The balance of \$848,200 was paid by the BID. The BID used proceeds from two loans to pay for its share of the original improvements.

During 2010, the BID obtained a note from a Schlitz Park property owner in the amount of \$521,200. The proceeds were used to partially fund the BID’s portion of the Riverwalk improvements. The note bears interest at a fixed rate of 5% and was payable in annual installments of \$66,338. The term of the note was 10 years. The note was paid in full during 2019. The balance outstanding at December 31, 2018 was \$51,530.

During 2010, the BID obtained a note from the Redevelopment Authority of the City of Milwaukee in the amount of \$327,000. The proceeds were used to partially fund the BID’s portion of the Riverwalk improvements. The note bears interest at a fixed rate of 5% and was payable in annual installments of \$42,000. The term of the note was 10 years. The note was paid in full during 2019. The balance outstanding at December 31, 2018 was \$15,492.

In July 2017, the BID, in cooperation with the City of Milwaukee commenced improvements to the Riverwalk. Financing for the \$683,000 project was funded partially by the property owners within the district and the City of Milwaukee. The balance of \$208,000 will be paid by the BID. The BID used proceeds from a loan to pay for its share. During 2017, the BID obtained a note from the Schlitz Park property owner, a related party (see Note E), in the amount of \$208,000. The proceeds will be used to partially fund the BID’s portion of the 2017 Riverwalk improvements. The note bears interest at a fixed rate of 4% and is payable in annual installments; \$112,000 in 2020 and \$65,842 in 2021. The amount funded from this note through December 31, 2018 totaled \$204,996, which includes interest in the amount of \$9,792 accrued on the balance outstanding. The balance outstanding at December 31, 2019 and 2018 is \$168,427 and \$204,996. See Note G, subsequent event.

Aggregate annual maturities on the foregoing notes payable at December 31, 2019 are as follows:

2020	\$ 105,151
2021	<u>63,276</u>
	<u>\$ 168,427</u>

BUSINESS IMPROVEMENT DISTRICT #42
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

D – CONCENTRATION OF RISK

The BID, receives property assessment revenue from the City of Milwaukee. The BID’s operations rely on the availability of these funds. 100% of the BID’s revenue was from the City of Milwaukee for the years ended December 31, 2019 and 2018.

E – RELATED PARTY TRANSACTIONS

The BID has an agreement with the owner of the Schlitz Park (Schlitz Park) properties for BID administration as approved annually in the BID Operating Plan. The BID transferred \$0 and 3,662 to Schlitz Park as payment for management services during the years ended December 31, 2019 and 2018.

As referenced in Note C, the BID has a note payable due to Schlitz Park related to financing of Riverwalk improvements. The following summarizes related party transactions for the years ended December 31, 2019 and 2018:

	2019	2018
Note payable, balance outstanding at year end	\$ <u>168,427</u>	\$ <u>256,526</u>
Interest payable	\$ <u>8,150</u>	\$ <u>9,893</u>
Management fees	\$ -	\$ 3,662
Interest expense	<u>6,159</u>	<u>13,019</u>
Total	<u>\$ 6,159</u>	<u>\$ 16,681</u>

The BID is comprised of 10 properties that make up the Schlitz Park Corporate Campus. On February 6, 2019, the properties were sold. The new owner assumed the outstanding debt described in Note C. The BID board was reorganized in 2019 to represent the new ownership of the properties of Schlitz Park.

F – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact support and revenue. The COVID-19 outbreak in the United States has resulted in reduced activities, cancellation or postponement of events, as well as temporary closures where government mandated. At the current time, the BID is unable to quantify the potential effects of this pandemic on our future financial statements.