

Project Plan
For
Tax Incremental District Number No. 87
City of Milwaukee
(Welford Sanders Lofts)

Public Hearing Held: May 19, 2016
Redevelopment Authority Adopted: May 19, 2016
Common Council Adopted:
Joint Review Board Approval:

Prepared by
Department of City Development
April 29, 2016

In Conformance with the provisions
Of Section 66.1105, Wisconsin Statutes,
as Amended.

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

Tax Incremental District Number 87 ("District" or "TID No. 87"), City of Milwaukee, Welford Sanders Lofts is comprised of one property located at 2801-21 North 4th Street ("Property"). The District encompasses a site containing 97,792 square feet (2.4 acres). The District is shown on Map No. 1, "Boundary and Existing Land Use," and described more precisely in Exhibit 1, "Boundary Description."

All of the area and real property located within the District was found to be in need of rehabilitation or conservation work within the meaning of Section 66.1105 (4) (gm) of the Wisconsin Statutes. Exhibit 2 "Property Characteristics," illustrates how the properties in the District meet the statutory criteria for Tax Incremental Districts.

C. Plan Objectives

The Property is located between 4th and 5th and Hadley Streets in Milwaukee's Harambee neighborhood. The structures on the site contain over 184,000 square feet and were constructed beginning in 1916 as the Nunn Bush shoe factory which operated at the Property until the 1970s. The Property was purchased by the Milwaukee Area Technical College ("MATC") in 1985 and converted into the Milwaukee Enterprise Center to serve as a small business incubator. The building was sold by MATC in 2011. Currently, less than 1/3 of the space is occupied by a variety of office and light industrial users.

The Property is proximate to the historic King Drive commercial corridor and the Bronzeville Cultural and Entertainment District. It is nearby the first four phases of the King Commons project, a multi-phased development project which includes 108 housing units and commercial space along the King Drive corridor. The redevelopment of the building has been identified as a priority project by Harambee stakeholders and was identified as a key redevelopment that could spur additional investment in the neighborhood in the 2013 Dr. Martin Luther King Visioning Charrette.

A development team comprised of the Martin Luther King Economic Development Corporation and Wisconsin Redevelopment, LLC ("Developer") is proposing a redevelopment plan for the site which includes the creation of 58 housing units affordable to families earning under 60% of Area Median Income and the renovation of 38,000 square feet of commercial/office space (the "Project"). The goal for the commercial space is to prioritize tenants who focus on workforce development and assisting residents

who face barriers to employment. In addition, space will be developed for the Associates in Commercial Real Estate program (“ACRE”) which recruits, trains and mentors minorities in the commercial real estate development field.

All work will be completed consistent with historic standards.

The purpose of the District is to continue to spur revitalization in the area, by redeveloping the Property as a high quality mixed-use redevelopment with housing opportunities for area residents and commercial and office space that supports job creation in the community.

The more detailed objectives of this Project Plan are to:

1. Eliminate a blighting influence in the Harambee neighborhood.
2. Promote the coordinated development of underutilized property for appropriate commercial, office, and residential use.
3. Support past and future investment in the Harambee neighborhood through the restoration of a historic property and the implementation of a catalytic project.
4. Create new employment opportunities.

D. Existing Land Uses in the District

The District is comprised of a 2.4 acre site containing a building with 184,843 square feet. The building is underutilized – less than 1/3 of the space is currently occupied. It is currently assessed at \$220,000 and is zoned LB2.

II. PLAN PROPOSALS

A. Statutory Requirements

Section 66.1105(4) (f), Wisconsin Statutes, requires that a Project Plan for a Tax Incremental District shall include:

"... a statement listing the kind, number and location of all proposed public works or improvements within the district or, to the extent provided in subsection (2) (f)1.k., outside the district, an economic feasibility study, a detailed list of estimated project costs, and a description of the methods of financing all estimated project costs and the time when the costs or monetary obligations related thereto are to be incurred. The plan shall also include a map showing existing uses and conditions of real property in the district; a map showing proposed improvements and uses in the district; proposed changes of zoning ordinances, master plan, if any, map, building codes and city ordinances; a list of estimated non-project costs; and a statement of a proposed method for the relocation of any persons to be displaced. The plan shall indicate how creation of

the tax incremental district promotes the orderly development of the city."

The plan shall also include an opinion of the City Attorney or of any attorney retained by the City advising whether such plan is complete and complies with Section 66.1105(4) (f), Wisconsin Statutes.

B. Compliance with Statutory Requirements

The following statements, maps and exhibits are provided in compliance with the statutory requirements.

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

Funds generated from the District will provide an annual grant to the Developer to offset extraordinary costs associated with redevelopment of the Project. The City will make payments to the Developer equal to 100% of the incremental taxes collected in the District from real and personal property, less an annual administration charge, until such time as \$1,200,000 is repaid by payments at an interest rate of 4.5% over a period not to exceed 20 years (the "Monetary Obligation"). See the Term Sheet, attached as Exhibit 3, "Term Sheet".

2. "Detailed List of Estimated Project Costs."

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 Developer(s), 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 \$1,200,000 in the form of TID Capital Project Costs enumerated in further detail in Table A of this Plan. The allocation of these costs will be set forth in the Term Sheet, attached as Exhibit 3, "Term Sheet."

TABLE A: TID Capital Project Costs	
Grant to Project (Monetary Obligation to Developer)	\$1,200,000
TOTAL Capital Project Costs	\$1,200,000

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 the Monetary Obligation to repay the Developer. Estimates of interest are based on interest rates as Exhibit 4, "Feasibility Study." The City reserves the right to prepay the Monetary Obligation to the Developer, which could require issuance of general obligation debt, as described in the Term Sheet.

Table B - List of Estimated Project Costs

A	<u>Capital:</u> Grant to Project (Monetary Obligation to Developer)	\$1,200,000
B	<u>Other:</u> Administration (\$7,500/year for 20 years)	\$ 150,000*
	Total Estimated Project Costs, excluding financing	\$1,350,000
C	<u>Financing:</u> Interest	\$ 675,000

*Annual administrative fee will be offset by project cash flow.

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

All expenditures are expected to be incurred during the period from 2016 through 2036.

The annual payments to the Developer will be repaid pursuant to the Monetary Obligation, using incremental taxes generated annually in 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. 87 (April 29, 2016)* is attached to this Project Plan as Exhibit 4, "Feasibility Study." The study establishes the dollar value of Project costs which, based on certain general assumptions and a reasonable margin of safety, can be financed with the revenues projected to be generated by the proposed tax incremental district.

Based upon the anticipated tax incremental revenue to be generated by this project, the District is financially feasible and is likely to be retired on or before the year 2036. Should incremental revenues be generated in excess of those currently anticipated, they may be used to accelerate the repayment of the Monetary Obligation for the Project.

5. "Map Showing Existing Uses and Conditions."

Please refer to Map No. 1, "Boundary and Existing Land Use," Map No. 2, "Structure Condition," and Exhibit 5, "Property Owners" in the Exhibits Section, which follows.

6. "Map Showing Proposed Improvements and Uses."

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

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

Please refer to Map No. 4, "Existing Zoning," in the Exhibits Section which follows. The proposed Project is consistent with existing zoning, which is LB 2 (Local Business). The proposed Project is in accordance with the existing master plan, building codes, and other city ordinances. The Project should not require amendments to their provisions, but such amendments could be made if necessary without further amendment to this Project Plan.

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

\$0 – there are no Non-Project Costs.

9. "Proposed Method for Relocation."

The Project Plan does not anticipate the acquisition of property by the City of Milwaukee, accordingly, no relocation activities or expenditures for relocation payments or services are provided herein. If, at a later date, it is determined that acquisition of property by condemnation and requiring relocation will 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 sec. 32.05, 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."

The proposed District is consistent with existing zoning and the goals of the Northeast Side Plan which include the preservation of historic buildings, the development of catalytic projects to leverage new investment, and building on existing investment. It will support the past and ongoing redevelopment efforts in the adjacent neighborhood. Its redevelopment has been identified by area stakeholders as key to the neighborhood and having the potential to spur additional development in the surrounding area.

11. "Opinion of the City Attorney."

Please see Exhibit 6, "Letter from the City Attorney" in the Exhibits Section, which follows

EXHIBITS

<u>Exhibit</u>	<u>Title</u>
Exhibit 1	Boundary Description
Exhibit 2	Property Characteristics
Exhibit 3	Term Sheet
Exhibit 4	Economic Feasibility Study
Exhibit 5	Property Owners
Exhibit 6	City Attorney's Letter
Map 1	Boundary and Existing Land Use
Map 2	Structure Condition
Map 3	Proposed Uses and Proposed Improvements
Map 4	Existing Zoning

Exhibit 1

Boundary Description

Beginning at a point at the north line of West Hadley Street and the west line of North 4th Street,

Thence, west along the north line of West Hadley Street to intersection of West Hadley Street and 2801-21 North 4th Street;

Thence north along the west line of 2801-21 North 4th Street to the intersection with the south line of 2834 North 5th Street;

Thence east along the north line of 2801-21 North 4th Street to the west line of 2801-21 North 4th adjacent to the alley between North 4th Street and North 5th Street between West Hadley Street and West Locust Street;

Thence north along the west line of 2801-21 North 4th Street adjacent to the alley between North 4th Street and North 5th Street between West Hadley Street and West Locust Street to the intersection of the northwest line of 2801-21 North 4th Street and the southwest line of 2853 North 4th Street;

Thence east to the intersection of north line of 2801 North 4th Street and North 4th Street;

Thence south along the west side of north 4th Street to the point of beginning more particularly depicted in Map 1 of this Project Plan.

Exhibit 3

TERM SHEET Welford Sanders Lofts Project TID No. 87

Project

The Welford Sanders Lofts Project (the “Project”) involves the adaptive reuse and redevelopment of the property located at 2801-21 North 4th Street. The building was constructed in 1916 as the Nunn Bush shoe factory which operated at the Property until the 1970s. The Property was purchased by the Milwaukee Area Technical College (“MATC”) in 1985 and converted into the Milwaukee Enterprise Center to serve as a small business incubator. The building was sold by MATC in 2011. Currently, less than 1/3 of the space of the building’s 184,843 square feet is occupied by a variety of office and light industrial users.

The Project is located in the Harambee neighborhood and is proximate to the historic King Drive commercial corridor and the Bronzeville Cultural and Entertainment District. It is nearby the first four phases of the King Commons project, a multi-phased development project which includes 108 housing units and commercial space along the King Drive corridor. The redevelopment of the building has been identified as a priority project by Harambee stakeholders and was recognized as a key redevelopment that could spur additional investment in the neighborhood in the 2013 Dr. Martin Luther King Visioning Charrette.

The redevelopment plan for the Project includes the creation of 58 housing units affordable to families earning under 60% of Area Median Income and the renovation of 38,000 square feet of commercial/office space (the “Project”). The goal for the commercial space is to prioritize tenants who focus on workforce development and assisting residents who face barriers to employment. In addition, space will be developed for the Associates in Commercial Real Estate program (“ACRE”) which recruits, trains and mentors minorities in the commercial real estate development field. All work will be completed consistent with historic standards.

Development Team

The project is being developed by Martin Luther King Economic Development Corporation (“MLKEDC”) and Wisconsin Redevelopment, LLC (“WR”) (together, the “Developer”).

MLKEDC is a non-profit corporation that has been in existence since 1993 with a mission of working in collaboration with other stakeholders in entrepreneurial initiatives to create wealth and jobs, provide technical assistance to area businesses and develop quality, affordable rental and owner occupied housing in the Harambee neighborhood. They have successfully developed four phases the King Drive Commons project – including 108 housing units and commercial space along the King Drive commercial corridor.

WR is a real estate development and consulting firm that has developed 139 housing units,

including 72 units in Milwaukee (Mitchell Market Lofts, Silver City Townhomes and Johnson Park Lofts) and has consulted on several other Milwaukee projects, including the first four phases of the King Common project.

Project Budget:

Total estimated Project costs for the development are \$19.9 million. The financing structure includes low income housing tax credits, federal and state historic tax credits, tax exempt bond financing from the Wisconsin Housing and Economic Development Authority and an allocation of Federal HOME funds from the City of Milwaukee. The site has been donated to the project by its former owner.

Estimated total project sources include:

WHEDA First Mortgage	\$ 4,086,600
Historic Tax Credits	\$ 6,932,300
Low Income Housing Tax Credits	\$ 6,278,500
City Tax Incremental District	\$ 1,200,000
City HOME Funds	\$ 550,000
Deferred Development Fee	<u>\$ 846,700</u>
Total	\$19,894,100

Development Schedule

Construction of the Project shall commence in September of 2016 and the Project shall be substantially completed by December 31st, 2018.

Tax Incremental District

The City intends to create a Tax Incremental District (“TID No. 87”) to assist in funding a portion of the costs of the Project as set forth in the Project Plan.

Funding

The Developer shall advance up to \$1,200,000 (subject to review of the final project budget) of costs related to the Project and shall be repaid for these costs through the Monetary Obligation.

Prior to substantial completion of the Project, City will deposit an amount equal to 100% of the tax incremental revenue actually received by City from TID No. 87, less Annual Expenses into a special fund established for TID No. 87. Upon substantial completion of the Project, such amount shall be disbursed to Developer and applied to reduce the principal balance of the Monetary Obligation.

Subsequent to substantial completion of the Project, following the deduction of Annual Expenses, 100% of incremental tax revenue collected from TID No. 87 will be allocated to repay the Developer for costs incurred for the Project through payments on the Monetary Obligation.

All City payment of tax incremental revenue received by City from TID No. 87 shall be subject to annual appropriation. If not appropriated, City shall not expend such tax increments for any other TID No. 87 project costs.

Monetary Obligation

The Monetary Obligation consists of a limited and conditional obligation to repay Developer an amount up to \$1,200,000 plus interest on the outstanding balance of the Monetary Obligation at 4.5% per year. Payments on the Monetary Obligation are to be made annually following substantial completion of the Project and in an amount equal to 100% of tax incremental revenue actually received by the City from TID No. 87 less Annual Expenses.

As long as any portion of the Monetary Obligation remains outstanding, then funds attributable to the available tax increment generated by the Project shall not be used for any other purposes, including, without limitation, the payment of any other project costs of TID No. 87 until the City has paid in full and satisfied the Monetary Obligation.

The City may, at any time or from time to time, without notice, penalty, or fee, prepay all or any portion of the Monetary Obligation. In the event that City prepays a portion of the Monetary Obligation 100% of tax incremental revenue allocated to payment of the Monetary Obligation shall be proportionately reduced to reflect such prepayment. Tax incremental revenue will not be pledged to the payment of the Monetary Obligation, and the Monetary Obligation shall not constitute a general obligation of City or count against its statutory debt limits.

Cost Savings

If at completion, total Project costs submitted are less than the \$19.9 million estimated in the Project Budget, the principal amount of the Monetary Obligation will be reduced by 50% of the cost savings.

Project Reserves

The low income housing tax credit equity investor for the Project is requiring a special “commercial operating reserve” be capitalized for the Project in the amount of \$400,000 (in addition to customary operating reserves) to mitigate the perceived risk associated with the ongoing leasing of the commercial space in the project. Beginning in year 6 of the low income housing tax credit compliance period, provided the project has achieved a 1.15 debt service coverage ratio, the tax credit equity investor will allow funds to be released from the reserve at the rate of 1/10 of the reserve balance per year. All funds released from the reserve to the Developer shall be used to pay down (accelerate the repayment of) the Monetary Obligation.

Monetary Obligation Earned

Upon substantial completion of the Project Developer shall submit a certification detailing Project costs theretofore incurred (together with copies of records, invoices, accountant’s final

cost certification and/or AIA documentation, in a form reasonably acceptable to the Commissioner of the Department of City Development, evidencing such expenditures). The amount of the Monetary Obligation shall be deemed earned upon approval of such certification by the Commissioner.

Terms of Payments

City payments on the Monetary Obligation will terminate: (i) at the time the Monetary Obligation is fully paid; or (ii) with the payment derived from the 2036 tax levy, payable in 2037, whichever occurs first.

Material Disturbance

If the Project is not substantially completed by December 31, 2018 (unless caused in substantial part by an event of *Force Majeure*) (a “Material Disturbance”), then City shall have the right (but not the obligation) to terminate further payments on the Monetary Obligation, using the following procedure:

(1) City shall give Developer notice of its intention to terminate further payments on the Monetary Obligation, and Developer shall have [180] days to eliminate the Material Disturbance, and

(2) Thereafter, if Developer has not timely eliminated the Material Disturbance and if City still intends to terminate payments on the Monetary Obligation, City’s Common Council shall adopt a resolution determining that the Material Disturbance prevents the substantial realization of the public benefits contemplated as a result of the Project and constitutes just cause for the termination of the Monetary Obligation. City shall thereafter file a certificate with Developer (attaching the resolution of the Common Council) stating that City has elected to terminate payments on the Monetary Obligation. Upon City such filing of the certificate, the Monetary Obligation shall terminate

Developer Responsibilities:

The Developer shall have the following additional responsibilities:

- Design and develop the project consistent with the approved plans.
- Submit final development budget for the project, financing commitments, final bids and proof that all funding sources have been committed (prior to closing).
- Guaranty completion of construction of the Project.

Human Resources:

Developer and City will enter into a Human Resources Agreement in a form customary

for projects subject to Ch. 355 of the Milwaukee Code of Ordinances. The Human Resources Agreement will provide for utilization of certified Small Business Enterprises for 25% of Project construction costs, 25% for purchase of goods and services, and 18% of amounts expended for the purchase of professional services deemed eligible pursuant to SBE Guidelines, utilization of unemployed and underemployed residents for no less than 40% of the total “worker hours” expended on “construction” of the Project, compliance with applicable state and municipal labor standards, utilization of apprentices and/or on-the-job trainees and participation in City’s First-Source Employment Program.

Facade Easement

Upon substantial completion of the Project, the Developer will provide the City with a facade easement to ensure that the façade of the Welford Sanders Lofts Building is maintained during the life of the TID.

PILOT Payments

The Development Agreement will require payments in lieu of taxes with respect to any portion of the Project that subsequently becomes exempt from real property taxes. This provision shall be incorporated into a covenant running with the land for the duration of the TID.

Development Agreement:

Developer and City shall enter into a development agreement (“Development Agreement”) containing terms consistent with this Term Sheet and customary for such development agreements.

General:

This term sheet does not constitute an agreement between the Developer and the City. The terms set forth and any other requirements necessary for a transaction of this sort shall be incorporated into a Development Agreement to be entered into between the Developer and the City. In recognition that there may be adjustments of the dates and descriptions herein as well as administrative approvals which will require the exercise of reasonable discretion on behalf of City, the Commissioner of the Department of City Development will be authorized under these agreements to exercise such discretion and grant such approvals.

Note:

Attachment I provides additional definitions to words and terms used in this Term Sheet in addition to the words and terms elsewhere defined.

Attachment 1

DEFINITIONS

“Annual Expenses” means \$7,500.

“Force Majeure” means circumstances under which any party is delayed or prevented from the performance of any act required by an agreement by reason of fire, earthquake, war, flood, riot, strikes, labor disputes, judicial orders, public emergency or regulations, or other causes beyond the reasonable control of the party obligated to perform, then performance of such act shall be excused for the period of such delay, and the time for the performance of any such act shall be extended for a period commensurate with the nature of such delay.

“Human Resources Agreement” means an agreement in a form customary for developer-funded tax incremental districts.

“Monetary Obligation” means a limited and conditional obligation to repay Developer an amount up to \$1,200,000, plus interest on the outstanding balance at 4.5% per year.

“Project Plan” means the Plan for Tax Incremental District No. 87 (Welford Sanders Lofts).

“Substantial Completion” means the Developer’s receipt from City of a final Occupancy Certificate and lease up of 75% of the residential units in the Project.

Exhibit 4

Tax Incremental District #87 Welford Sanders Lofts Economic Feasibility Study April 29, 2016

Overview

The Welford Sanders Lofts Project (the “Project”) involves the adaptive reuse and redevelopment of the property located at 2801-21 North 4th Street. The buildings on the site were constructed beginning in 1916 as the Nunn Bush shoe factory which operated at the property until the 1970s. The property was purchased by the Milwaukee Area Technical College (“MATC”) in 1985 and converted into the Milwaukee Enterprise Center to serve as a small business incubator. The building was sold by MATC in 2011. Currently, less than 1/3 of the space of the building’s 184,843 square feet is occupied by a variety of office and light industrial users.

A development team comprised of the Martin Luther King Economic Development Corporation and Wisconsin Redevelopment, LLC (“Developer”) is proposing a redevelopment plan for the Project includes the creation of 57 housing units affordable to families earning under 60% of Area Median Income and the renovation of 38,000 square feet of commercial/office space (the “Project”). The residential component of the Project will include a combination of 1, 2 and 3 bedroom units with rents in the \$750-\$795 range.

The building is in need of significant repair. Exterior improvements include restoration and repair of all exterior masonry, installation of a new roof system, repair and replacement of windows and the demolition of the loading dock to allow for restoration of original window openings and the creation of an internal courtyard to provide light and ventilation to residents. All work will be completed consistent with historic standards.

Total costs for the Project are estimated at \$19.9 million. The City of Milwaukee is proposing to offset up to \$1.2 million of these costs through the creation of Tax Incremental District #87. Through a Development and Contribution Agreement, funds will be advanced by the Developer under a “pay as you go” approach and repaid by the City, but only from future tax incremental revenue generated by the Project.

Financing Structure

In addition to the proposed TID contribution of \$1,200,000, the financing structure for the project involves a combination of low income housing tax credits (which require that units in the Project be affordable to, and occupied by families earning under 60% of Area Median Income for a period of at least 15 years), tax exempt bond financing from the Wisconsin Housing and Economic Development Authority (“WHEDA”), historic tax credits, deferred development fee

and a contribution of federal HOME funds from the City:

WHEDA First Mortgage	\$ 4,086,600
Historic Tax Credits	\$ 6,932,300
Low Income Housing Tax Credits	\$ 6,278,500
City Tax Incremental District	\$ 1,200,000
City HOME Funds	\$ 550,000
Deferred Development Fee	\$ 846,700
Total	\$19,894,100

Current Property Value

The Assessed Value of the property as of January 1, 2016 was \$220,000. This is the current base value of the District.

Projected Completed Value

The projected value of the Project upon completion was derived based on the projected Net Operating Income at the time the Project achieves full lease up. The projected completed value was confirmed with the City Assessor's Office.

Net Operating Income at Full Lease Up (not including real estate taxes):	\$393,800
Fully loaded Cap Rate (8% Cap rate and 2.935% tax rate):	10.935%
Estimated Value At Completion (\$393,800/10.935%)	<u>\$3,601,700</u>

Other Assumptions

- Tax Rate: 2.935% - based on the 2016 tax rate and constant over the next 20 years
- Interest Rate on Payments to Developer: 4.5%. This is consistent with the rate of the underlying debt being financed by WHEDA on the TID portion of the financing for the Project.
- Maximum Term of Payments: 20 years
- Annual Appreciation: - The neighborhood has been impacted by the foreclosure crisis and the recession over the past several years and residential property values have remained relatively flat. While it appears the market may have "bottomed out," Tables I and II provide two different scenarios related to potential property appreciation for the Project. Table 1 shows no property appreciation for the next 20 years. Table 2 assumes annual appreciation of 1% for 20 years following Project completion.

District Cash Flow and Amortization of the Monetary Obligation

In a “pay-as-you-go” District, the Developer is accepting the risk that the District will generate sufficient incremental value to recapture the \$1,200,000 of costs, plus 4.5% interest, through future incremental revenue.

As shown in the projections, even using the more conservative estimate which assumes no appreciation in property value for the next 20 years, forecasted tax incremental revenues are sufficient for the Developer to recover the proposed TID amount of \$1,200,000 plus interest in 19 years. Assuming property values increase over time, even at a modest rate, the Monetary Obligation could be retired 1 year earlier.

It should be noted that the Term Sheet for the Project includes a provision relating to the release (on an annual basis) of Project Operating reserves five years after lease-up which can be used for the purpose of accelerating the repayment of the Monetary Obligation. While those “prepayments” are not included in the projections given the lack of certainty regarding their release, if available, they will provide an extra “cushion” to insure the amortization of Project Costs within the prescribed time period.

TID #87 - Welford Sanders Lofts

Table I

No.	Levy Year	Budget Year	Base Value	Assessed Value	Incremental Value	Increment
0	2016	2017	\$220,000	\$220,000	\$0	\$0
1	2017	2018	\$220,000	\$220,000	\$0	\$0
2	2018	2019	\$220,000	\$3,601,700	\$3,381,700	\$99,253
3	2019	2020	\$220,000	\$3,601,700	\$3,381,700	\$99,253
4	2020	2021	\$220,000	\$3,601,700	\$3,381,700	\$99,253
5	2021	2022	\$220,000	\$3,601,700	\$3,381,700	\$99,253
6	2022	2023	\$220,000	\$3,601,700	\$3,381,700	\$99,253
7	2023	2024	\$220,000	\$3,601,700	\$3,381,700	\$99,253
8	2024	2025	\$220,000	\$3,601,700	\$3,381,700	\$99,253
9	2025	2026	\$220,000	\$3,601,700	\$3,381,700	\$99,253
10	2026	2027	\$220,000	\$3,601,700	\$3,381,700	\$99,253
11	2027	2028	\$220,000	\$3,601,700	\$3,381,700	\$99,253
12	2028	2029	\$220,000	\$3,601,700	\$3,381,700	\$99,253
13	2029	2030	\$220,000	\$3,601,700	\$3,381,700	\$99,253
14	2030	2031	\$220,000	\$3,601,700	\$3,381,700	\$99,253
15	2031	2032	\$220,000	\$3,601,700	\$3,381,700	\$99,253
16	2032	2033	\$220,000	\$3,601,700	\$3,381,700	\$99,253
17	2033	2034	\$220,000	\$3,601,700	\$3,381,700	\$99,253
18	2034	2035	\$220,000	\$3,601,700	\$3,381,700	\$99,253
19	2035	2036	\$220,000	\$3,601,700	\$3,381,700	\$99,253
20	2036	2037	\$220,000	\$3,601,700	\$3,381,700	\$99,253

Monetary Obligation Retired

Inflation: 0% (no appreciation)

Tax Rate: 2.935%

NPV rate: 4.50%

Net present value of increment

Year 19: \$1,206,914

TID #87 - Welford Sanders Lofts

Table II

No.	Levy Year	Budget Year	Base Value	Assessed Value	Incremental Value	Increment
0	2016	2017	\$220,000	\$220,000	\$0	\$0
1	2017	2018	\$220,000	\$220,000	\$0	\$0
2	2018	2019	\$220,000	\$3,601,700	3,381,700	99,253
3	2019	2020	\$220,000	\$3,637,717	3,417,717	100,310
4	2020	2021	\$220,000	\$3,674,094	3,454,094	101,378
5	2021	2022	\$220,000	\$3,710,835	3,490,835	102,456
6	2022	2023	\$220,000	\$3,747,943	3,527,943	103,545
7	2023	2024	\$220,000	\$3,785,423	3,565,423	104,645
8	2024	2025	\$220,000	\$3,823,277	3,603,277	105,756
9	2025	2026	\$220,000	\$3,861,510	3,641,510	106,878
10	2026	2027	\$220,000	\$3,900,125	3,680,125	108,012
11	2027	2028	\$220,000	\$3,939,126	3,719,126	109,156
12	2028	2029	\$220,000	\$3,978,518	3,758,518	110,312
13	2029	2030	\$220,000	\$4,018,303	3,798,303	111,480
14	2030	2031	\$220,000	\$4,058,486	3,838,486	112,660
15	2031	2032	\$220,000	\$4,099,071	3,879,071	113,851
16	2032	2033	\$220,000	\$4,140,061	3,920,061	115,054
17	2033	2034	\$220,000	\$4,181,462	3,961,462	116,269
18	2034	2035	\$220,000	\$4,223,277	4,003,277	117,496
19	2035	2036	\$220,000	\$4,265,509	4,045,509	118,736
20	2036	2037	\$220,000	\$4,308,164	4,088,164	119,988

Monetary Obligation Retired

Inflation: 1% annually
 Tax Rate: 2.935%
 NPV rate: 4.50%
 Net present value
 of increment
 Year 18: \$1,252,169

Exhibit 5

Property Owners

Property Address	Tax Key	Owner Name
2801-21 North 4 th Street	313-1916-110-7	Welford Sanders Lofts, LLC

Exhibit 6

City Attorney's Letter

GRANT F. LANGLEY
City Attorney

VINCENT D. MOSCHELLA
MIRIAM R. HORWITZ
ADAM B. STEPHENS
MARY L. SCHANNING
Deputy City Attorneys

CITY OF
MILWAUKEE
Office of the City Attorney

Milwaukee City Hall Suite 800 • 200 East Wells Street • Milwaukee, Wisconsin 53202-3551
Telephone: 414.286.2601 • TDD: 414.286.2025 • Fax: 414.286.8550

STUART S. MUKAMAL
THOMAS J. BEAMISH
MAURITA F. HOUREN
JOHN J. HEINEN
SUSAN E. LAPPEN
JAN A. SMOKOWICZ
PATRICIA A. FRICKER
HEIDI WICK SPOERL
KURT A. BEHLING
GREGG C. HAGOPIAN
ELLEN H. TANGEN
JAY A. UNORA
KATHRYN Z. BLOCK
KEVIN P. SULLIVAN
THOMAS D. MILLER
JARELY M. RUIZ
ROBIN A. PEDERSON
JEREMY R. MCKENZIE
PETER J. BLOCK
NICHOLAS P. DESIATO
JOANNA GIBELEV
JENNY YUAN
KAIL J. DECKER
ALLISON N. FLANAGAN
LA KEISHA W. BUTLER
PATRICK J. LEIGL
HEATHER H. HOUGH
ANDREA J. FOWLER
PATRICK J. MCCLAIN
NAOMI E. GEHLING
CALVIN V. FERMIN
BENJAMIN J. ROOVERS
Assistant City Attorneys

May 23, 2016

Rocky Marcoux, Commissioner
Department of City Development
809 North Broadway, 2nd Floor
Milwaukee, WI 53202

Re: Project Plan for Tax Incremental District No. 87
(Welford Sanders Lofts)

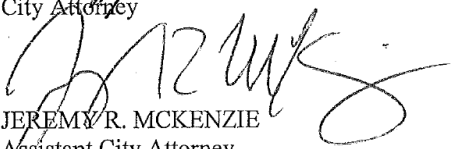
Dear Commissioner Marcoux:

Pursuant to your request, we have reviewed the Project Plan for the above-referenced Tax Incremental District No. 87.

Based upon that review, it is our opinion that the Plan is complete and complies with the provisions of Wis. Stat. § 66.1105(4)(f).

Very truly yours,


GRANT F. LANGLEY
City Attorney


JEREMY R. MCKENZIE
Assistant City Attorney

c: Maria Prioretta (via email)

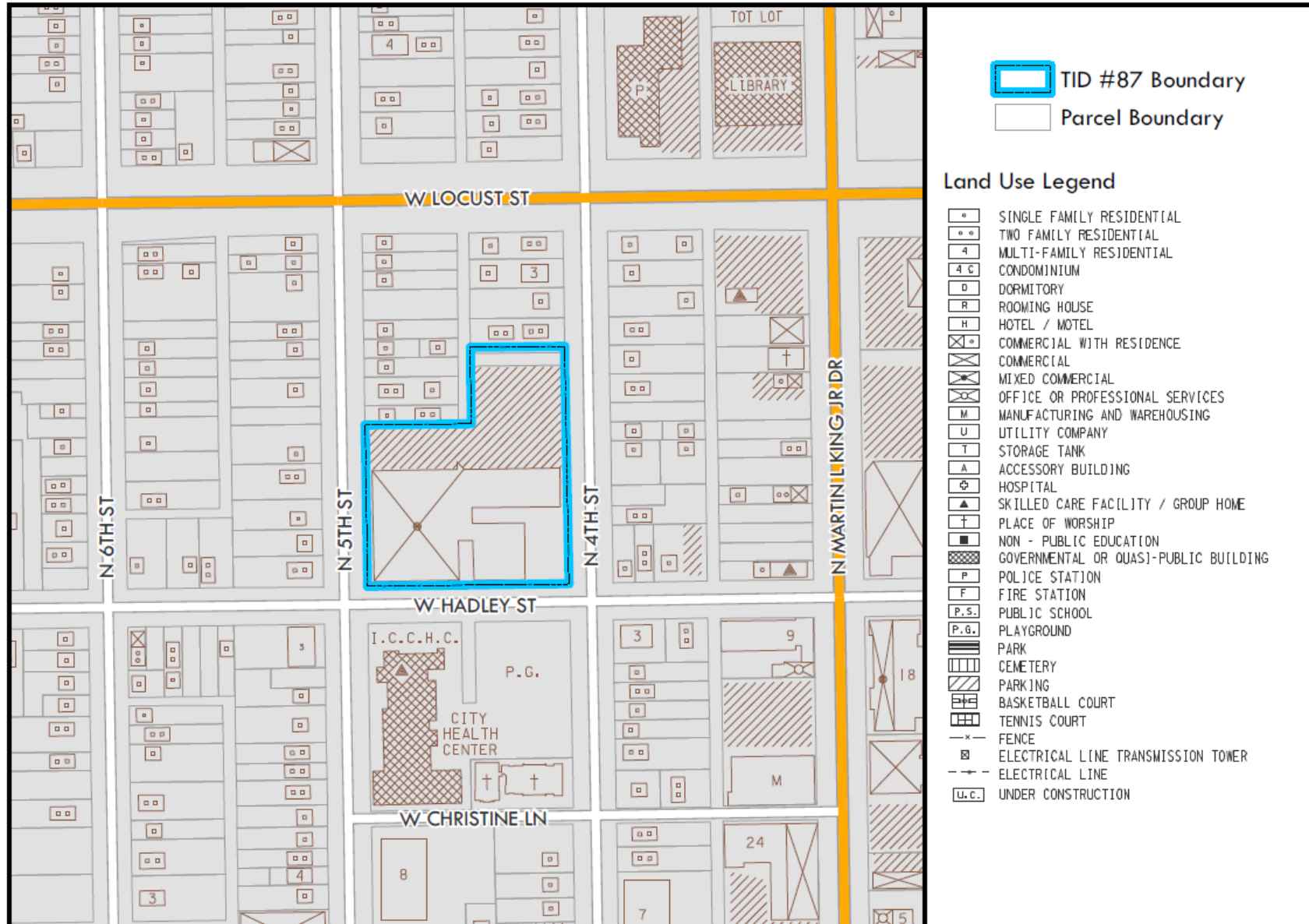
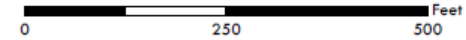
1050-2016-531:228642



TID 87: WELFORD SANDERS LOFTS

MAP 1: BOUNDARY AND EXISTING LAND USE

Prepared by the Department of City Development Planning Division, 3/28/2016
 Source: City of Milwaukee Information Technology Management Division



TID #87 Boundary
 Parcel Boundary

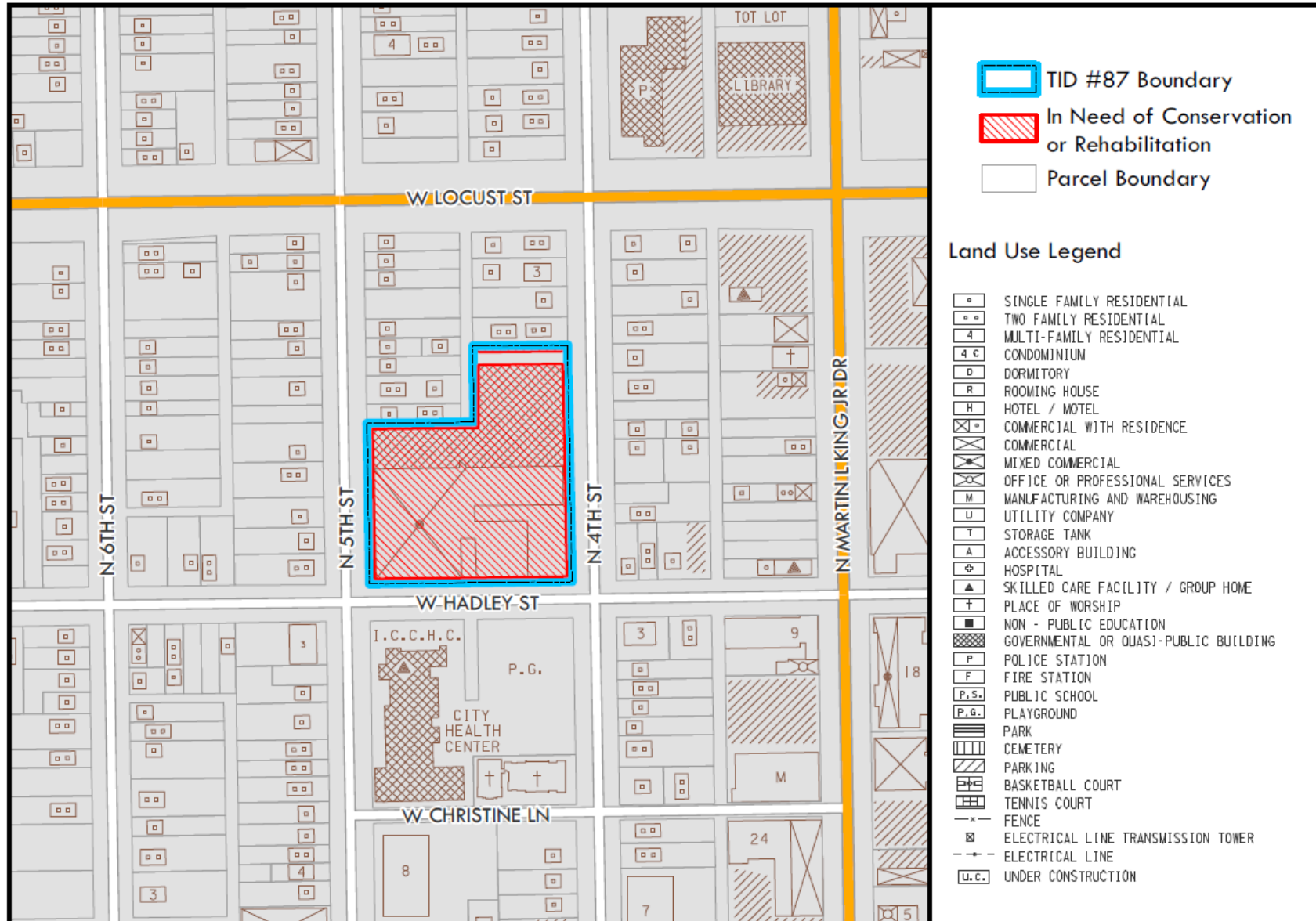
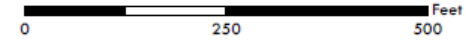
Land Use Legend




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





























TID 87: WELFORD SANDERS LOFTS

MAP 2: STRUCTURE CONDITION

Prepared by the Department of City Development Planning Division, 3/28/2016
 Source: City of Milwaukee Information Technology Management Division



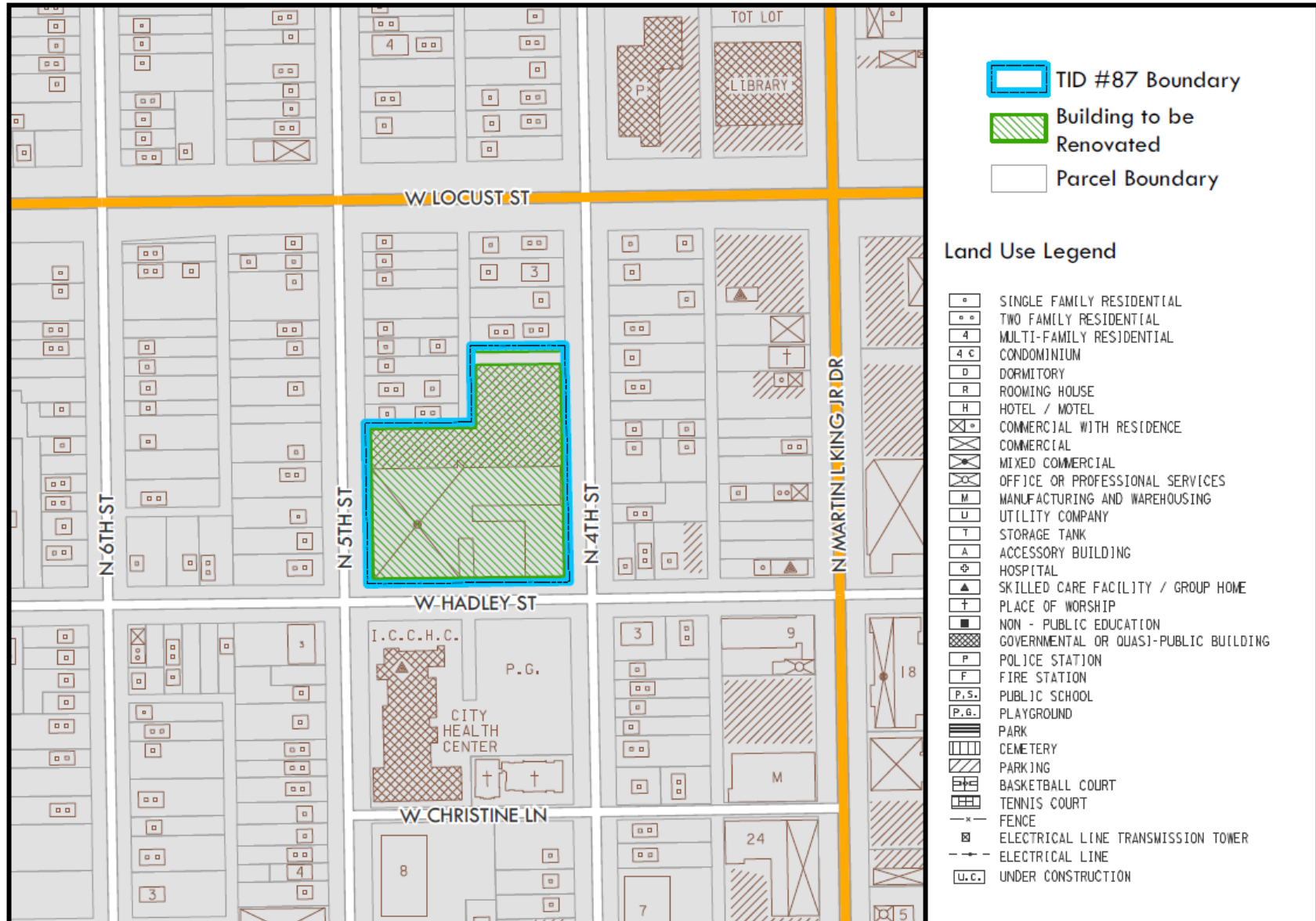
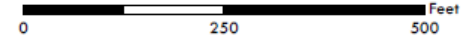
-  TID #87 Boundary
-  In Need of Conservation or Rehabilitation
-  Parcel Boundary




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

TID 87: WELFORD SANDERS LOFTS





























MAP 3: PROPOSED USES AND IMPROVEMENTS

Prepared by the Department of City Development Planning Division, 3/28/2016
 Source: City of Milwaukee Information Technology Management Division



-  TID #87 Boundary
-  Building to be Renovated
-  Parcel Boundary

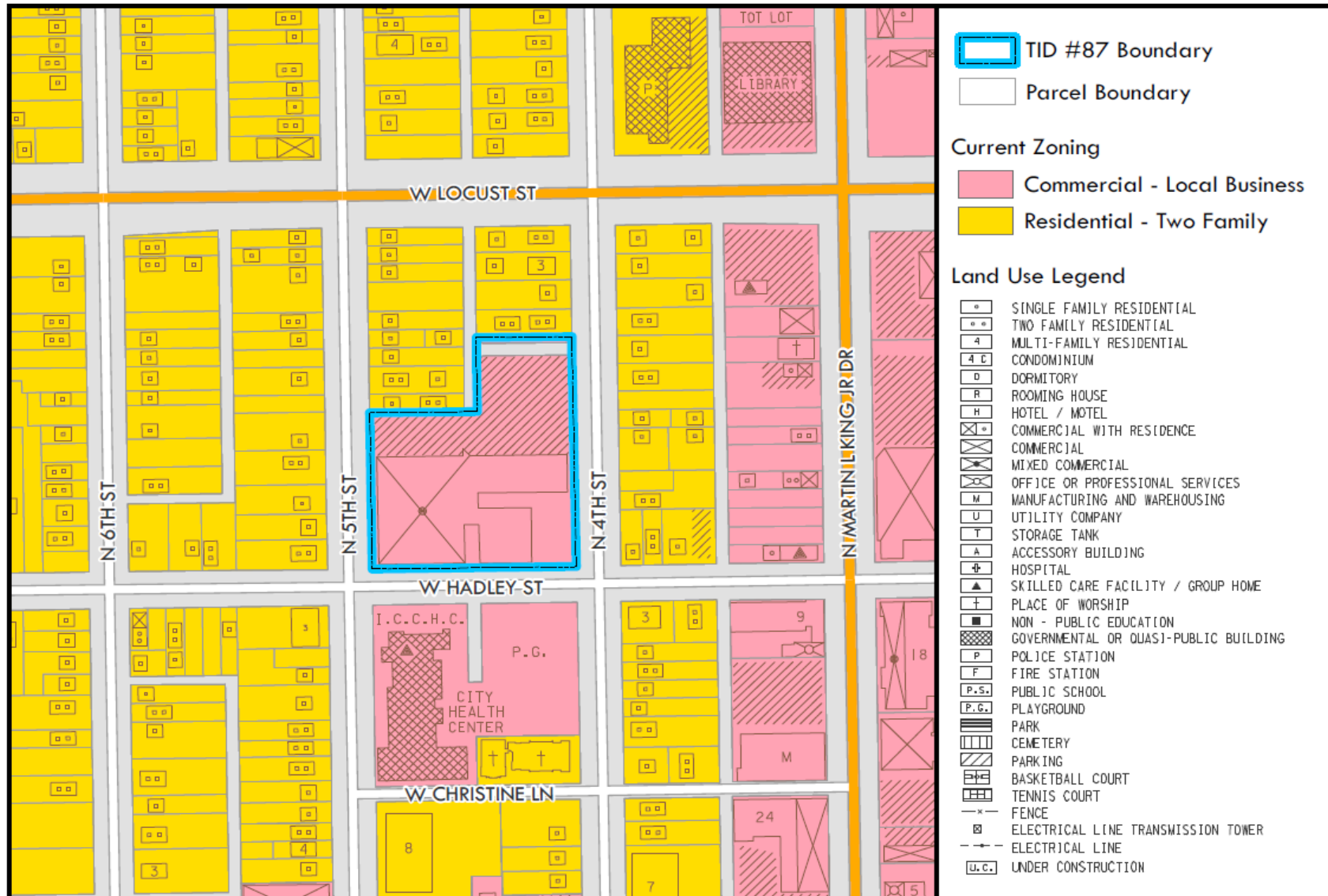
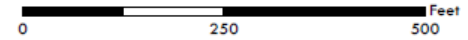
Land Use Legend

-  SINGLE FAMILY RESIDENTIAL
-  TWO FAMILY RESIDENTIAL
-  MULTI-FAMILY RESIDENTIAL
-  CONDOMINIUM
-  DORMITORY
-  ROOMING HOUSE
-  HOTEL / MOTEL
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- TENNIS COURT
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- ELECTRICAL LINE
- UNDER CONSTRUCTION

TID 87: WELFORD SANDERS LOFTS

MAP 4: EXISTING ZONING

Prepared by the Department of City Development Planning Division, 3/28/2016
 Source: City of Milwaukee Information Technology Management Division



- TID #87 Boundary
- Parcel Boundary
- Current Zoning**
- Commercial - Local Business
- Residential - Two Family
- Land Use Legend**
- SINGLE FAMILY RESIDENTIAL
- TWO FAMILY RESIDENTIAL
- MULTI-FAMILY RESIDENTIAL
- CONDOMINIUM
- DORMITORY
- ROOMING HOUSE
- HOTEL / MOTEL
- COMMERCIAL WITH RESIDENCE
- COMMERCIAL
- MIXED COMMERCIAL
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