

DRAFT

AMENDMENT NO. 1

PROJECT PLAN FOR TAX INCREMENTAL FINANCING DISTRICT

NO. 76

(S. 27TH ST. & W. HOWARD AVE.)

Public Hearing Held: December 16, 2010

Redevelopment Authority Adopted: December 16, 2010

Common Council Adopted:

Joint Review Board Approved:

**AMENDMENT NO. 1 TO THE PROJECT PLAN FOR
TAX INCREMENTAL DISTRICT NO. 76
(S. 27TH ST. & W. HOWARD AVE.)**

Introduction:

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

Tax Increment District No. 76 ("District") was created in 2009 to fund the redevelopment of a 17 acre area which includes vacant auto dealerships, a trailer court, a historic hotel, and various retail businesses. The District is bounded on the north and east by a branch of the KK River, on the west by S. 27th St., and on the south by W. Howard Ave. The District is near numerous large retail establishments, including Walmart, Kohl's Department Store, and a Pick 'N Save grocery store. The Aurora St. Lukes medical center is the largest employer in the area.

The Project Plan proposed the initial funding of a project to reuse the vacant Foster Pontiac property at 3636 S. 27th St. Approximately 27,000 s.f. of retail space was planned, plus an outlot development containing 8000 s.f. of additional space. That project did not proceed because of the inability to resolve issues between the property owner and its current mortgage holder.

Amendment No. 1 to the District's Project Plan proposes a scaled down plan of 19,500 s.f. of retail space, including one of the anchor businesses in the original plan, a 6500 s.f. Buffalo Wild Wings restaurant.

The developer of the project will be an LLC established by Frontline Real Estate Partners, of Northbrook Ill. Frontline has an agreement with the current property owner's mortgage holder to purchase its mortgage, and proceed to acquire the property through a deed-in-lieu of foreclosure.

Amendments to the Project Plan:

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

I. DESCRIPTION OF THE PROJECT

Sub-Section C, "Project Plan Goals and Objectives", is amended by deleting paragraph no. 1, and replacing it with the following:

"1. To renovate the vacant, former Foster Pontiac auto dealership at 3636 S. 27th St. into a 19,500 s.f. (approx.) retail complex. The project design and site layout will be governed by the Development Incentive Zone Guidelines approved for the District."

II. PLAN PROPOSALS

Sub –Section A, " Description of the kind, number, and location of all proposed Public Works or Improvements within the District" is amended by deleting the first paragraph of this sub-section, and replacing it with the following:

"Initial Phase: The focus of the initial phase is the demolition of the former Foster Pontiac property at 3636 S. 36th St., and the development of approx. 19,500 s.f. of retail space on the cleared site. The terms of assistance to this phase are set forth in Exhibit 3. Funding will be provided for alterations in the median of S. 27th St. to provide for a left turn into the site; and, for landscape buffers along the S. 27th St. face of the site, and the rear of the site along the KK River branch."

Sub-Section B, "List of Estimated Project Costs," is deleted and restated as follows

List of Estimated Project Costs

TASK	ESTIMATED COST
Loans / grants for Redevelopment	
Initial Phase (Foster)	\$50,000
Landscape buffers	
Future Phases	1
Property Acquisition	1
Median cut / Turn lane	\$125,000
Administration	\$ 25,000
TOTAL CAPITAL COST	\$200,000
Est. Interest Cost	65,000
TOTAL PROJECT COSTS	\$265,000

Future loans or grants will be subject to review by DCD and the Comptroller, and approval by the City.

Sub-Section C: Project financing and timetable for expenditures. The first sentence is deleted and replaced with the following:

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

APPENDIX

The following items are deleted and replaced with the attachments hereto:

Map 2: Map of proposed improvements

Exhibit 2: Project Budget

Exhibit 3: Development Agreement Term Sheet

Exhibit 4: Economic Feasibility Study.

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CONSULTANTS

PROJECT TITLE

ISSUE

PROJECT INFORMATION

PROJECT NUMBER: 20100261.00
DATE: 09/11/10
DRAWN BY: PKO
CHECKED BY: CTC
APPROVED BY:
SCALE: 1"=20'

SHEET TITLE

SITE PLAN

SHEET NUMBER

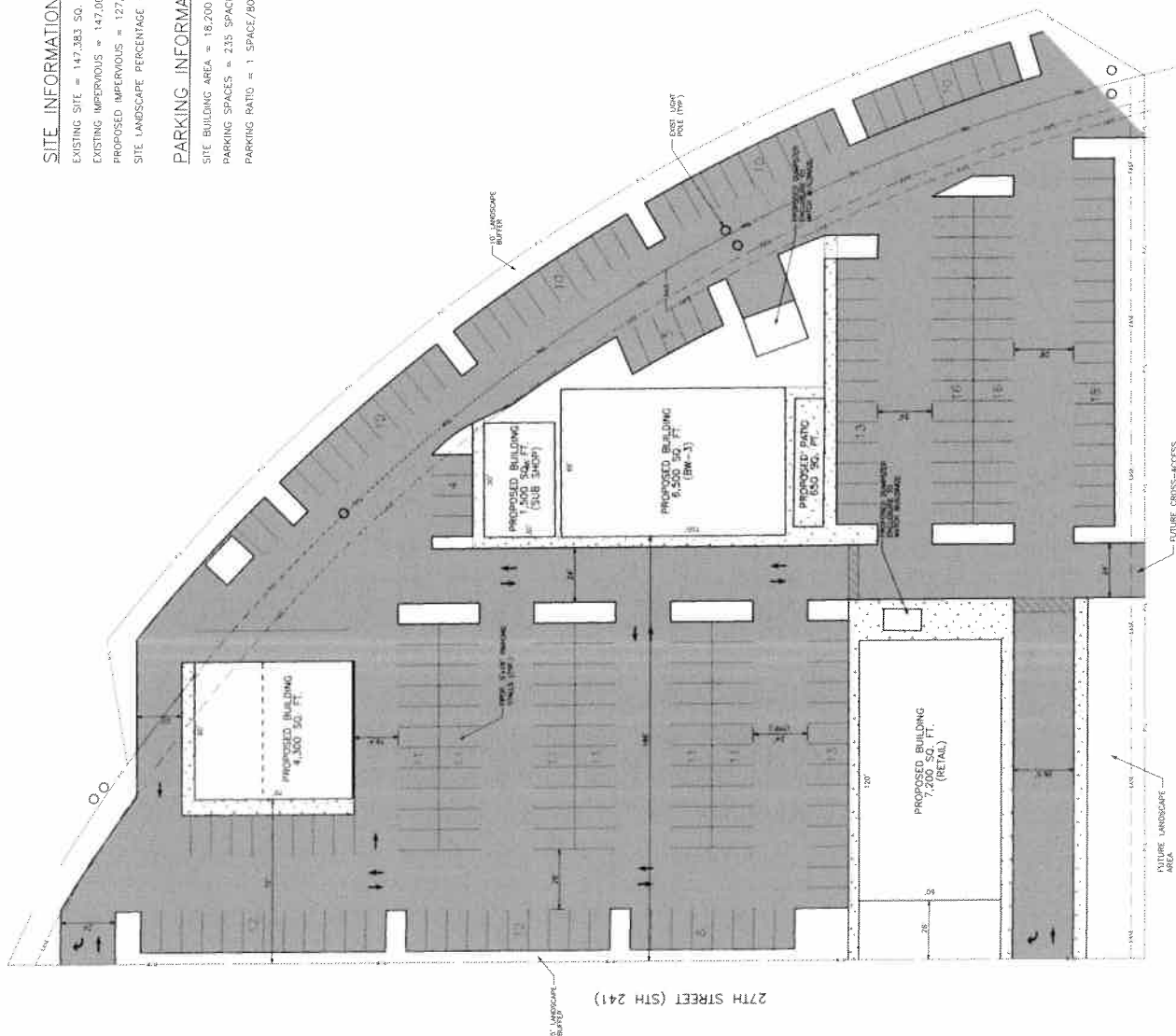
C100

SITE INFORMATION

EXISTING SITE = 147,383 SQ. FT.
EXISTING IMPERVIOUS = 147,000 SQ. FT.
PROPOSED IMPERVIOUS = 127,000 SQ. FT.
SITE LANDSCAPE PERCENTAGE = APPROX. 15%

PARKING INFORMATION

SITE BUILDING AREA = 18,200 SQ. FT.
PARKING SPACES = 235 SPACES
PARKING RATIO = 1 SPACE/80 SQ. FT.



1 CITADEL METAL PANELS - SILVER

2 NOT USED

3 STUCCO: "SW SOCIAL BUTTERFLY" WITH SANDEBBLE FINISH

4 STUCCO: "BLACK" WITH SANDEBBLE FINISH

5 STUCCO: "#310 CHINA WHITE" WITH SANDEBBLE FINISH

6 BRICK: SIOUX CITY BRICK - TOASTED FINE ART VELOUR MODULAR ALT. CLOUD CERAMICS - TERRACOTTA VELOUR MODULAR

7 CMU: MASTER BLOCK - ROCK FACE RF13193

8 FABRIC AWNING "JET BLACK 4608/6103" SUNBRELLA WITH PANTONE #116 COATED YELLOW SQUARES

9 PREFINISHED ALUMINUM PANELS "BLACK" CITADEL

10 PREFINISHED ALUMINUM PANELS "BONE WHITE" UNA-CLAD

11 PREFINISHED METAL CAP FLASHING "SILVER METALLIC" CITADEL

12 DOWNSPOUT AND SCUPPER "SILVER METALLIC" CITADEL

13 24" X 24" VENT WITH INSECT SCREEN "PAINTED TO MATCH ADJACENT EIFS" AIRLINE LOUVERS MODEL # LSA4W38

14 ADJACENT RETAIL SPACE

15 TELEVISION WITH EXTERIOR WEATHER PROOF MOUNTING BRACKET

16 WINDOW OR DOOR - TRANSPARENT GLASS UNLESS OTHERWISE NOTED AS SPANDREL GLASS - ANODIZED ALUMINUM FRAME

17 ILLUMINATED SIGNAGE - SEE SIGNAGE CRITERIA MANUAL FOR COLORS AND SIZES

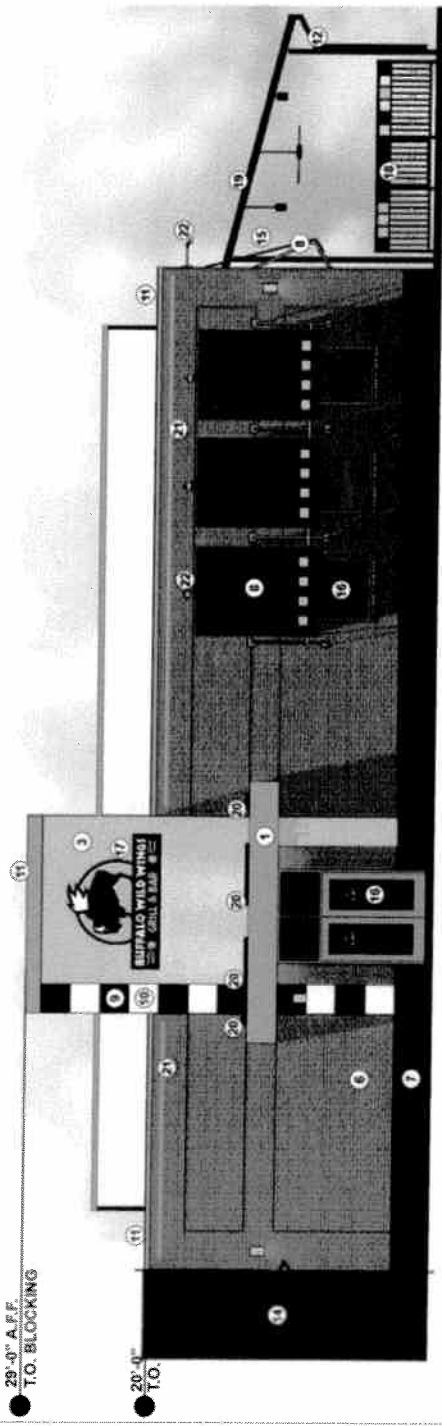
18 BLACK POWDER COATED PATIO RAIL PAINTED WITH GLOSS YELLOW SQUARES

19 STANDING SEAM METAL ROOF "BLACK WITH YELLOW" CHECKER - STEEL CONSTRUCTION

20 4-FOOT LIGHT FIXTURE: COLUMBIA SL4-1-48HO-OR-SLB8-2-48HO-X-120

21 SINGLE STROKE OF 1" LED STRIP LIGHTING - NOT USED

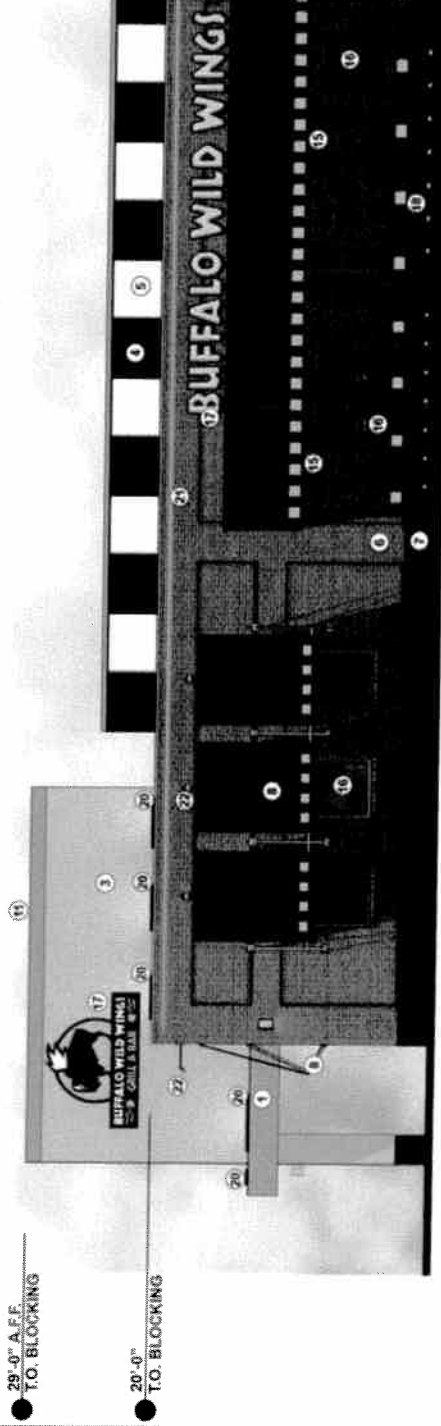
22 AWNING LIGHT FIXTURE: KIM LIGHTING EL215BK/100T4CL



1 SOUTH ELEVATION

29'-0" A.F.F.
T.O. BLOCKING

20'-0"
T.O.



2 EAST ELEVATION

29'-0" A.F.F.
T.O. BLOCKING

20'-0"
T.O. BLOCKING

EXHIBIT 2

PROJECT BUDGET

See Economic Feasibility Study, Exhibit 4.

EXHIBIT 3

Term Sheet For

Former Foster Auto Dealership Redevelopment Project

- **Project.** The "Project" consists of the redevelopment of the former Foster Pontiac auto dealership site, 3636 S. 27th St., Milwaukee, WI., into 19,000 s.f. of retail space, including a 6500 s.f. Buffalo Wild Wings restaurant, and other facilities comprising the balance of the space.
- **Developer/Owner.** The "Developer" for the Project will be a limited liability corporation created by Frontline Real Estate Partners, LLC, 7077 Skokie Boulevard, Suite 580, Northbrook, IL 60062
- **Project Budget.** The estimated cost of the Project, is approx. \$3,000,000, including the cost of acquiring the mortgage currently securing the site.
- **Private Financing:** Developer shall secure first mortgage financing for the project in the amount of not less than \$1,272,000 at a rate of 6.5% with payments based on an amortization of 25 years, or terms substantially similar to these, as determined by the Executive Director of RACM.
- **City Funding.** The City will provide \$175,000 to the Redevelopment Authority of the City of Milwaukee ("RACM") from Tax Incremental District Bond Account No. TD07688001 for the purposes of providing funds to the Project.
- **Funding Terms.** RACM will reimburse Developer for costs incurred to modify the median in S. 27th St., as necessary to provide access to the Project, and shall also reimburse costs for landscape buffers along S. 27th St., and along the east side of the Project. Reimbursements shall not exceed \$175,000 and payment will be made, following the submission of documentation satisfactory to the Executive Director of RACM, following the substantial completion of the entire Project.

- **Additional Government Funds:** To the extent Developer obtains New Markets Tax Credits, or state, local, or federal grants or loans with which to finance or refinance the Project, the amount of the City Funding shall be reduced by 90% of such additional sources and such amount will be immediately due and payable upon such event.
- **Plans and Specifications:** Plans and specifications for the Project shall be subject to the approval of the Executive Director of RACM. The Project shall substantially conform to the site plan attached to this Project Plan Amendment as Map No. 2.
- **Human Resource Requirements.** Developer, City, and RACM shall enter into a customary EBE Agreement providing for not less than 18% participation by Emerging Business Enterprises and a 21% Residents Preference commitment, both in forms consistent with similar transactions.
- **PILOT Payments.** The Loan Agreement will require payments in lieu of taxes with respect to the Project or portion of the Project that subsequently becomes exempt from real property taxes.
- **Form of Leases, Tenants.** Leases shall be a form generally accepted in the commercial real estate industry for retail and office tenants, and shall be subject to approval as to form only by the Commissioner; Permitted tenants shall exclude employment agencies, check cashing outlets, and non-profit businesses to the extent they exceed 10% of the leasable area of the Project.
- **Other Provisions.** This Term Sheet does not constitute a binding agreement. The terms set forth herein and other provisions customary for a transaction of this sort shall be incorporated into one or more agreements including the Development Agreement between the City, RACM, and the Developer.

EXHIBIT 4

Updated Economic Feasibility Study for Amended TID No. 76- Phase I

Background:

The City proposes to assist the redevelopment of the vacant Foster Pontiac dealership at 3636 S. 27th St. Approximately 19,500 s.f. of retail space is planned, including a 6500 s.f. Buffalo Wild Wings restaurant. Other tenants are expected to include a coffee shop, auto parts store, and a fast food outlet. At this time, only Buffalo Wild Wings has signed a letter-of-intent with the developer.

The City's contribution to the project will be limited to funding alterations to the median in S. 27th St. in order to facilitate access to the project, and funding for landscaping buffers along S. 27th St., and along the east side of the site, facing the KK River. Terms of this funding is set forth in Exhibit 3.

Project Costs, Revenues, and Financing Parameters:

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

Highlights are as follows:

- Total cost is \$3+ million, net of reimbursements for site work from outlot purchasers.
- The Buffalo Wild Wings restaurant will purchase its site from the developer for \$925,000 and construct its own facility.
- A prospective outlot tenant will lease its site from the developer and construct its own 7200 s.f. facility.

- The developer will construct a stand-alone retail building of approx. 4300 s.f., to accommodate one to two tenants. Rents in this facility are estimated at \$32/s.f. (NNN).
- Anticipated senior debt terms are \$1,272,000 (65% LTV), 6.5%, 25 year amortization.
- Estimated real estate taxes are \$102,000 vs. \$49,000 currently. Hence, incremental taxes are estimated at \$53,000, annually, upon full occupancy.
- The Internal Rate of Return (IRR) for the project, is 15%, assuming the project is sold in year 10.

Tax Increment District Feasibility:

The initial TID project costs are \$175,000 plus \$25,000 for administration. Based on receiving incremental taxes of \$53,000, project costs would be recovered within a period of 5 years, assuming city borrowing at 3-4%.

The Project Plan, as amended, is therefore feasible. When future phases or expenditures are contemplated in the District, the feasibility forecast will need to be updated to determine any changes in the payback period of the District.

Foster Project
Development Budget

24-Nov-10

	Cost
HARD COSTS	
Land / Note	\$1,137,000
Site Work - On Site	
Signage	\$20,000
Demolition	\$100,000
Asbestos Removal	25,000
Soil Remediation	25,000
Basic Site work / grading	605,000
Sub Total	775,000
Reimbursements	
Buffalo Wild Wings	(350,000)
Auto Zone	(50,000)
Sub Total	(400,000)
Site Work - Off Site	
WE Energies	50,000
Median Cut	125,000
Sub Total	175,000
Construction	
Base Building 4000 s.f. \$55/s.f.	340,000
TI Allowance 4000 s.f. 40 / s.f.	160,000
	500,000
Permits and Bonds	50,000
TOTAL CONSTRUCTION AND DESIGN COSTS	\$2,237,000
SOFT COSTS	
Architectural	\$35,000
Engineering	70,000
Survey at completion	\$15,000
Traffic Study	10,000
Soil & Const. Testing	12,500
Environmental	27,500
Appraisal	6,000
Insurance	7,000
Legal (Ind. foreclosure litigation)	50,000
Taxes	50,000
Lender's Fee	25,000
Construction Interest	41,342
Brokerage Fees	150,000
Acquisition Fee	50,000
Development Fee	125,000
Title & Escrow	10,000
Contingency	100,000
Sub Total	784,342
TOTAL DEVELOPMENT COSTS	3,021,342
Sales - BWV	(925,000)
NET DEVELOPMENT COSTS	2,096,342

[illegible]

Foster Project Financing	
Permanent Financing	
Total Project Cost	\$2,096,342
(Net of Reimbursements & Sale to BWV)	
Primary Loan Amount	\$1,272,050
Additional Funding Required	\$824,292
TID Contribution	\$175,000
Additional Cash Equity Required	\$649,292
Interest Rate	6.50%
Amort. - Years	25
Annual Debt Service	(\$104,285)

ESTIMATED PROPERTY TAXES

Retail Building	BW3	Retail Building
4,300	8,000	7,200
S.F.	S.F.	S.F.

Gross Revenue \$ 129,600

exc ground lease

Less:

15% Vacancy

& Not reimbursed \$ 19,440

NOI

\$ 110,160

Cap at:

9.0% \$ 1,224,000

1,600,000

1,440,000

4,264,000

Value per s.f.

\$ 285

200

200

Taxes @

2.40%

\$ 29,376

\$ 38,400

\$ 34,560

102,336

Taxes per s.f.

\$ 6.83

4.80

4.80

FOSTER CASH FLOW[illegible]