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555 W. Wells Street, Milwaukee, WI 53203

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414.908.6000

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TO: WCD Board Members

FROM: Marty Brooks, President and CEO

RE: Wisconsin Center District Update

DATE: April 1, 2020

Last Friday I submitted to you a working document reflecting ongoing discussions with the City of Milwaukee regarding the development of a Payment In Lieu of Taxes (PILOT) arrangement. Dialogue has progressed to the stage that allows me to share the updated terms for your review and consideration.

Both the City and WCD will benefit from this agreement. It provides financial consideration to the City; they in turn will uphold the certification required for the State's moral obligation and will ensure the District is appropriately supported to effectively proceed with the construction of the expansion after financing has been secured.

Tomorrow we will present to the WCD Board the resolution that will approve both the expansion of the convention center and the refinancing of a portion of our existing debt. If this resolution passes, the next agenda item will seek approval from the Board to finalize the PILOT agreement with the City.

To be clear, a vote for the expansion allows us to be in a position to be able to react in a nimble manner to secure favorable project financing. Final affirmation from the Governance Committee that the appropriate market conditions have been achieved to support the project will be required before financing can be secured.

Stay safe and I'll speak with you tomorrow.

Marty

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City of Milwaukee Payment In Lieu of Taxes Proposal
Draft as of April 1, 2020

The Wisconsin Center District (WCD) seeks to fund the expansion of the existing convention center and has received the State of Wisconsin's moral obligation towards $300 million of the bonds to be issued for the project. In exchange for the February 2020 City of Milwaukee's certification that the WCD met the requirements, the WCD proposes the following:

Based on the results of the WCD's 2024 fiscal year, in May 2025 the WCD will remit to the City of Milwaukee a Payment In Lieu of Taxes (PILOT) in the amount of one million dollars ($1,000,000) for the first thirty million dollars ($30,000,000) of Net Income, as defined as net revenue less expenses and deducting capex, grant and bond premium amortization and before depreciation. Furthermore, for each additional ten million dollars ($10,000,000) of Net Income above thirty million dollars in any fiscal year, WCD shall remit to the City of Milwaukee an additional one million dollars ($1,000,000). Net Payments to be made within thirty days of receipt of audited financial statements. No payment will be made in any year the WCD does not generate Net Income of at least $1,000,000.

By example:
Net income $1,000,000 to $30,000,000 City receives $1,000,000
Net income $30,000,001 to $40,000,000 City receives an additional $1,000,000
Net income $40,000,001 to $50,000,000 City receives an additional $1,000,000
Each additional $10,000,000 increase to Net Income City receives an additional $1,000,000

Subject to the above Net Income criteria, the WCD will remit to the City of Milwaukee a fixed payment of $250,000 in May 2022, $500,000 in May 2023 and $750,000 in May 2024.

The term of the agreement will be the length of the initial bond offering. Over a forty-year period the City of Milwaukee will receive $41,500,000 from the WCD and potentially more with additional payments in those years Net Income performs above the base payment.

City of Milwaukee will calculate all permit fees consistent with the methodology used for any public facility expansion/new construction and will follow the same review and approval process consistent with other projects in the City of Milwaukee.

City of Milwaukee will not pursue or seek claim to all or a portion of any existing WCD revenue sources.

City of Milwaukee agrees not to levy any new fees or increase any existing fees on any WCD properties that are not also levied or charged to all other public and/or not-for-profit entities, organizations or properties unless mandated by state or federal government law.

Past practices for the approval and cost of City permits (non-building permits) will be followed.

As part of the Wisconsin Center expansion project, the WCD will provide the City of Milwaukee a Memorandum of Understanding reflecting the WCD's inclusion plan including the percentages of goals for minority businesses and staffing. Additionally, a Residents Preference Program (RPP) of at least 40% of onsite construction labor hours will be performed by construction trade workers residing in the City of Milwaukee and/or certified through the City of Milwaukee Residents Preference Program. WCD also agrees to provide comparable compliance reports at the similar timing as was followed during the construction of the Fiserv Forum.

This proposal and subsequent agreement are subject to the WCD Board approving the funding of the expansion project and funding being secured by December 31, 2021. Any delays in securing the funding beyond December 31, 2021 will delay the commencement of payments due to the City by the corresponding year(s).

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