

**BUSINESS IMPROVEMENT DISTRICT NO. 15
MILWAUKEE RIVERWALK
2003 OPERATING PLAN**

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I. INTRODUCTION

On March 31, 1994 the Common Council of the City of Milwaukee (the "Common Council") approved the creation of Business Improvement District No. 15 (the "BID") and the initial Operating Plan for the BID. The objective of the initial Operating Plan was to establish a development scheme and funding mechanism for the construction of a series of riverwalks and related amenities along the Milwaukee River in downtown Milwaukee (the "Riverwalk System"). Subsequent to the creation of the BID, the BID and the City of Milwaukee entered into a Riverwalk Development Agreement dated as of May 23, 1994 (and the parties have subsequently entered into a series of amendments thereto) to further implement the development of the Riverwalk System consistent with the framework established in the initial Operating Plan. (The May 23, 1994 Riverwalk Development Agreement and all amendments thereto are collectively referred to as the "Development Agreement").

Section 66.1109(3)(b), Wisconsin Statutes, requires that a business improvement district board "shall annually consider and make changes to the operating plan.....the board shall then submit the operating plan to the local legislative body for approval." The board of the BID (the "Board") hereby submits this 2003 Operating Plan in fulfillment of its statutory requirement.

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.

II. DISTRICT BOUNDARIES

Boundaries of the BID are shown on Exhibit A of this Operating Plan. A listing of the properties included in the BID is provided in Exhibit B.

VIII. DEVELOPMENT OF PROPOSED OPERATING PLAN

A. Plan Objectives

The objective of the BID is to complete the improvements described in Exhibit C of this Operating Plan. These improvements will increase public access to the Milwaukee River and promote, attract, stimulate and revitalize commerce and industry within the City. In particular, these improvements

will further the City policies identified in the initial Operating Plan for the BID.

B. Proposed Activities

A description of the improvements to be completed by the BID, including both those improvements already commenced or undertaken and those improvements to be constructed in 2003 and subsequent operating years, is set forth in Exhibit C of this Operating Plan. Much of the work is dependent upon obtaining easements and/or other access rights from owners of property within the BID and upon the City agreeing to finance those portions of the Riverwalk System originally contemplated by the Development Agreement but not completed within the time frame set forth therein. Accordingly, the Board may alter the schedule of the work as it deems necessary or appropriate.

C. Proposed Expenditures and Financing Method

The actual and estimated costs for each of the BID's completed and proposed development activities are set forth on Exhibit C of this Operating Plan (the "Development Costs"). The BID and the City will share the Development Costs in accordance with the terms of the Development Agreement. The estimated total amount of the BID's share of the Development Costs (net of any capitalized interest) is \$ _____. Of this amount, \$ _____ will be assessed against all properties within the BID and up to \$ _____ will be assessed against a specified class of properties within the BID. The City will fund the balance of the Development Costs up to the maximum total amount set forth on Exhibit C. The Board shall have the authority and responsibility to prioritize expenditures and to revise the budget as necessary to match the funds actually available.

The BID's share of the Development Costs will be obtained through the issuance of bonds and/or other sources. These funds will be loaned to the BID and the BID will repay the loan through annual assessments against the assessable properties within the BID. The assessments for Development Costs first commenced in 2000 in accordance with the BID's 2000 Operating Plan and appeared on the property tax bills of the assessable properties within the BID toward the end of 2000. Interest on funds advanced to the BID prior to commencement of the annual assessments for Development Costs has accrued. To the extent that certain Development Costs will be incurred in 2003 or later years, the assessments for such

Development Costs will be deferred until completion of the construction to which such Development Costs are attributable. During such period of deferral, interest will accrue. The interest rate charged to the BID is the interest rate paid on the funds raised to finance the loan to the BID. If the City subsequently refinances all or parts of any funds it loans to the BID at a lower interest rate, such interest rate savings shall be passed through to the BID. The proposed terms of the City's loan to the BID, including the estimated annual payments due the City throughout the life of the loan, were set forth on Appendix F of the initial Operating Plan for the BID and were revised and restated on subsequent Operating Plans.

The loan from the City to the BID will constitute a long term contractual obligation of the BID, necessitating the continuous existence of the BID for at least the term of the loan.

In addition to the assessments necessary to repay the funds borrowed by the BID, the BID will incur annual operating expenses for the administration of the BID. The estimated annual operating expenses for 2003 are \$ _____, to pay for accounting, administrative and legal expenses likely to be incurred in connection with the management and administration of the BID. In addition, the 2003 operating expenses include an additional \$ _____ that will be held in a reserve account for the purpose of funding Board expenditures incurred pursuant to Article IV.B.1. of the Operating Plan. Any funds expended from the reserve account for the benefit of specific property owners will be recouped from special assessments against such property owners in the year following expenditure and redeposited into the reserve account. Accordingly, the total assessment for operating expenses for 2003 is \$ _____. The method of assessing annual operating expenses against properties located within the BID is set forth in Article IV of this Operating Plan. Subsequent revisions to this Operating Plan will specify any additional categories and amounts for operating expenses.

D. Organization of BID Board

Upon creation of the BID, the Mayor appointed members to the Board. The Board's primary responsibility is implementation of this Operating Plan. This requires the Board to negotiate with providers of services and materials to carry out this Operating Plan; to enter into various contracts; to monitor development activity; to periodically revise this Operating Plan; to ensure 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 BID.

The Board is structured and operates as follows:

1. Board size - Seven.
2. Composition - At least four members shall be owners or occupants of property within the BID. Any nonowner or nonoccupant 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 three members shall be appointed for a period of three years, two members shall be appointed for a period of two years, and two members 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 records 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.

E. Relationship to the Milwaukee Riverwalk District, Inc.

The BID is a separate entity from the Milwaukee Riverwalk District, Inc., a private, not for profit corporation exempt from taxation under section 501(c)(3) of the Internal Revenue Code, notwithstanding the fact

that members, officers and directors of each may be shared. The Milwaukee Riverwalk District, Inc. shall remain a private organization, not subject to the open meeting law, and not subject to the public records law except for its records generated in connection with the Board. Milwaukee Riverwalk District, Inc. has contracted with the BID to provide services to the BID, in accordance with this Operating Plan.

IV. METHOD OF ASSESSMENT

A. Annual Assessment Rate and Method

The general principle behind the assessment methodology for this BID is that each property should contribute to the BID in proportion to the benefit derived from the BID. After consideration of other assessment methods, it was determined that the following assessment formula will be followed:

1. The annual assessment for repayment of the Development Costs will be levied against each property within the BID in proportion to the current assessed value of each property for real property tax purposes (thus, the amount of a special assessment against a particular property may change from year to year if that property's assessed value changes relative to other properties within the BID), and subject to the following conditions:
 - a. There shall be four categories of properties within the BID.
 - (i) Class 1 Properties. These properties either (i) are not located on the Milwaukee River; or (ii) are located on the Milwaukee River but will not have new riverwalks constructed on their river frontage as part of the BID Operating Plan.
 - (ii) Class 6 Properties. These properties are located on or near the Milwaukee River and will have new riverwalks constructed on their river frontage or directly benefiting their properties as part of the BID Operating Plan.
 - (iii) Class 1(a) Properties. These are properties that will be assessed annually in the same manner as Class 1 Properties and, in addition, will receive a separate annual assessment to repay the costs of special work

performed on or for the benefit of these specific properties.

- (iv) Class 6(a) Properties. These are properties that will be assessed annually in the same manner as Class 6 Properties and, in addition, will receive a separate annual assessment to repay the costs of special work performed on or for the benefit of these specific properties.
- b. The current estimate of the aggregate amount of additional costs to be recouped solely from the Class 1(a) and Class 6(a) Properties is \$ _____. Such costs shall be loaned to the BID on the same terms as the \$ _____ and repaid by the BID on the same amortization schedule as the \$ _____. Assessments to recoup these additional costs will commence in the same year that the overall BID assessments for Development Costs commence (and the interest on such costs shall accrue until the annual assessments for Development Costs commence).
- c. The minimum annual assessment for all properties within the BID (exclusive of the additional assessments levied against the Class 1(a) and Class 6(a) Properties) is \$ _____.
- d. The maximum annual assessment for Class 1 Properties, and the maximum annual "base" assessment for Class 1(a) Properties (i.e., exclusive of the additional assessments levied against Class 1(a) Properties) is \$ _____.
- e. Subject to the minimum and maximum assessments set forth in subparagraphs c and d, above, and adjustments necessitated thereby, Class 1 Properties shall be assessed at approximately 1/6 the rate of Class 6 Properties.

Exhibit B identifies each property included in the BID by category and shows the estimated assessment for each property for 2003 under the foregoing formula (including the additional assessments allocable to the 1(a) and 6(a) Properties).

2. The annual assessment for BID operating expenses will be levied against each property within the BID in proportion to the current assessed value of each

property for real property tax purposes (thus, the percentage of annual assessments for operating expenses allocable to a particular property may change from year to year if that property's assessed value changes relative to other properties within the BID). Exhibit B shows the estimated 2003 operating expense assessment for each property within the BID.

3. The annual BID assessments for both Development Costs and operating expenses for a given year shall be calculated and fixed based upon the City of Milwaukee real property assessments as of August 1 of such year. (For example, the annual BID assessments for the Development Costs and operating expenses levied pursuant to this 2003 Operating Plan shall be calculated and fixed based upon the City's real property assessments as of August 1, 2002.) No BID assessment for a given year shall be modified for such year as a result of an increase or decrease in the assessed value of a property for such year that occurs after August 1 of the year in which such BID assessment has been levied. However, as noted in paragraphs IV.A.1 and IV.A.2, above, the amount of BID assessments levied against a particular property may change from year to year to the extent that property's assessed value changes in relation to the assessed values of other properties within the BID.

B. Unique Assessment Categories and Methods

1. The Development Agreement between the City and the BID requires those property owners who will have new improvements constructed on their river frontage or for their benefit to maintain such improvements to a standard acceptable to the City and the Board. If any property owner fails to so maintain its improvements (after expiration of all applicable cure periods), either the City or the BID may perform any necessary work on such improvements and the cost therefor shall be specially assessed directly (and exclusively) against such property owner. Further, one or more of such property owners may elect to request that the BID be responsible for certain maintenance activities (such as cleaning, landscaping, watering of plants) on their respective improvements. If the Board agrees to undertake such responsibilities, the costs for same shall be specially assessed directly against the property owners who have requested such services.

2. Any improvements made by property owners within the BID to their properties that will increase access to and use of the Riverwalk System will further the public purposes and objectives set forth in paragraph III.A. of this Operating Plan. Accordingly, future loans from the City may be available to or through the BID for owners of property located within the BID and adjacent to riverwalks for improvements that enhance the use and enjoyment of the Riverwalk System. In the event such loans become available from the City, the BID may lend such funds to individual property owners who shall repay such funds through special assessments incorporating such terms and conditions as the City requires.

C. Excluded and Exempt Property

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

1. State Statute 66.1109(1)(f)lm: The BID will contain property used exclusively for manufacturing purposes, as well as properties used in part for manufacturing. These properties will be assessed according to the method set forth in this Operating Plan because it is assumed that they will benefit from development in the BID.
2. State Statute 66.1109(5)(a): Property known to be used exclusively for residential purposes will not be assessed; such properties will be identified as BID Exempt Properties in Exhibit B, as revised each year.
3. In accordance with the interpretation of the City Attorney regarding State Statute 66.1109(1)(b), property exempt from general real estate taxes has been excluded from the BID. Privately owned tax exempt property adjoining the BID and which is expected to benefit from BID activities may be asked to make a financial contribution to the BID on a voluntary basis.

D. Prepayment and Acceleration of Assessments

1. Any property owner shall be entitled to prepay at any time either: (a) the then outstanding principal portion (together with accrued interest) of the general BID assessment (i.e., the assessment for Development Costs) allocable to such owner's property (with such allocation to be determined by the Board); or (b) as to an owner of a

Class 1(a) or Class 6(a) property, the principal amount (together with accrued interest) of the separate assessment for special work performed on or for the benefit of such property. For administrative convenience, no partial prepayments shall be permitted. Any interested owner of property that is subject to general BID assessments may make a written request to the Board for a statement of the outstanding principal portion (together with accrued interest) of the general BID assessment allocable to such property. Upon receipt from a property owner of payment of all principal and accrued interest for either category of assessments identified above, the Board shall prepare and deliver to the respective property owner a written confirmation of payment and satisfaction of assessment in recordable form. The released property shall continue to be assessed for annual BID operating expenses and for any subsequent expenses (capital or otherwise) incurred by the Board pursuant to future Operating Plans. A schedule of the principal portion, and accrued interest, of the BID's assessment for Development Costs allocable to each assessable property is attached hereto as Exhibit D. The allocations set forth on Exhibit D are effective only for calendar year 2003, and will be revised, at the discretion of the Board, in subsequent operating plans.

2. The entire outstanding principal portion (together with accrued interest) of the general BID assessment (i.e., the assessment for Development Costs) allocable to a particular property (as determined by the Board) and, if applicable, the entire outstanding principal amount (together with accrued interest) of any separate assessment allocable to a particular property shall become immediately due and payable in full in either of the following events: (a) if the particular property becomes wholly residential; or (b) if the particular property becomes exempt from general real estate taxes. If either of such accelerated assessments is not paid in full within 15 days following the event giving rise to such acceleration, the Board may commence any action it deems appropriate to collect same, including initiation of proceedings to foreclose the statutory lien securing such assessments.

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.

This BID is a means of formalizing and funding the public-private partnership between the City and property owners in the River Walk Corridor 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.

The BID is also compatible with, and intends to follow, the recommendations in applicable comprehensive planning studies such as:

Historic Preservation Planning Recommendations for Milwaukee's Central Business District, September 1993;

Milwaukee Riverlink Guidelines, March 1992;

A Planning Guide for the Middle and Upper Portions of the Milwaukee River, June 1988; and

Planning and Zoning Concepts for Downtown Milwaukee, Spring 1985.

B. City Role in District Operation

The City of Milwaukee has committed to helping private property owners in the BID promote its development. To this end, the City has played a significant role in the creation of the BID and in the implementation of the initial Operating Plan. In furtherance of its commitment, the City will:

1. Provide technical assistance to the BID in the adoption of this and subsequent Operating Plans, and provide such other assistance as may be appropriate.

2. Monitor and, when appropriate, apply for outside funds which could be used in support of the BID.
3. Collect assessments, maintain same in a segregated account, and disburse the monies of the BID.
4. Receive annual audits as required per sec. 66.1109(3)(c) of the BID law.
5. Provide the Board, through the Office of Assessment on or before June 1st of each plan year, with the official City records on the assessed value of each tax key number within the BID, 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 BID.

VI. FUTURE YEAR OPERATING PLANS

A. Phased Development

It is anticipated that the BID will continue to revise and develop this Operating Plan annually, in response to changing development needs and opportunities in the BID, in accordance with the purposes and objectives defined in this Operating Plan.

Section 66.11.09(3)(b) 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, information on specific assessed values, budget amounts and assessment amounts are based solely upon current conditions. Greater detail about subsequent years' 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 Operating 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 Operating Plan shall be amended to conform to the law without need of re-establishment.

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 Operating 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).