

AMENDMENT NO. 4

**PROJECT PLAN FOR
TAX INCREMENTAL FINANCING DISTRICT NO. 37
(GRAND AVENUE)**

CITY OF MILWAUKEE

Public Hearing Held: January 19, 2017

Redevelopment Authority Adopted:

Common Council Adopted:

Joint Review Board Adopted:

**AMENDMENT NO. 4 to the PROJECT PLAN for
TAX INCREMENTAL FINANCING DISTRICT NUMBER 37
CITY OF MILWAUKEE
(GRAND AVENUE)**

Introduction

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

Wis. Stat. 66.1105 (2)(f) 1.n. permits that amendment to fund projects located outside, but within one half-mile of the district's boundary.

The Common Council in 1998 created Tax Incremental District No. 37 (the "**District**") and approved the District's project plan (the "**Plan**") to revitalize the downtown retail and commercial district anchored by the Grand Avenue retail center. Initially, the District assisted in the construction of the Courtyard by Marriott hotel, as well as public infrastructure improvements in the area, totaling \$2,500,000 in project costs.

Amendment No. 1 to the Plan was approved in 1999, and provided \$9,400,000 towards the redevelopment of the former Marshall Field's/Gimbels building into office, hotel and retail uses, and is now known as the ASQ Center.

Amendment No. 2 to the Plan was approved in 2000, and provided \$5,000,000 towards the redevelopment of the Boston Store building into office, residential and retail uses.

Amendment No. 3 to the Plan was approved in 2014, and provided \$1,200,000 to Bon-Ton Stores, Inc. ("**Bon-Ton**"), plus \$6,000 in administrative expenses, to assist in keeping its headquarters and the Boston Store department store in downtown Milwaukee.

Amendment No. 4 to the Plan (the "**Amendment**") authorizes funds for a number of projects and improvements surrounding the Grand Avenue mall complex: a façade grant to assist in the redevelopment of the Grand Theater (\$750,000), a forgivable loan to Bon-Ton (\$1,900,000), street improvement projects (\$4,365,000), other public infrastructure improvement projects (\$750,000) and administrative expenses (\$100,000), totaling \$7,865,000 in new Project Costs.

Per Wis. Stat. 66.1105 (5)(b) the percentage of territory within the District that will be devoted to retail business at the end of the maximum expenditure period is estimated to be 20%.

Amendments to the Project Plan:

The following amendments are made to the District's Plan. All other sections of the Plan remain unchanged.

I. DESCRIPTION OF THE PROJECT

Plan Section I.C., “Plan Objectives,” is amended by adding as I.C.9. the following objectives:

9. Assist in the redevelopment of the former Grand Theater into a new home for the Milwaukee Symphony Orchestra and as a site for other events.

Plan Section I.D., “Proposed Public Action,” is amended by adding the following:

Funds generated from the District will be used for the following purposes under Plan Amendment 4:

Façade Grant (\$750,000). Fund a façade grant to assist in the redevelopment of the former Grand Theater into a new home for the Milwaukee Symphony Orchestra, per the attached Grand Theater Term Sheet. The Grand Theater was originally constructed in 1930 as a movie theater. The \$80m renovation will create a 1,750 seat theater suitable for live music performances and other events.

Forgivable Loan (\$1,900,000). Bon-Ton is extending its leases for its corporate offices and downtown department store for 10 years, until 2028. The forgivable loan would offset remodeling and tenant improvement expenses related to the lease extension and annual payments under the loan would be forgiven if Bon-Ton maintain employment of 750 FTE employees in downtown Milwaukee at its leased premises, per the attached Bon-Ton Term Sheet.

Street Improvement Projects (\$4,365,000)

- 2nd Street Reconstruction. In conjunction with the renovation of the Grand Theater, reconstruct North 2nd Street from West Wisconsin Avenue to North Plankinton Avenue and improvements to the sidewalks abutting the Grand Theater, per the attached Grand Theater Term Sheet (\$2,500,000)
- Wells Street Reconstruction, from Broadway to 6th Street (\$560,000)
- Plankinton Avenue Reconstruction, from St. Paul Avenue to the Menomonee River (\$500,000)
- Wisconsin Avenue High Impact Paving, from the Milwaukee River to 10th Street (\$255,000)
- Kilbourn Avenue High Impact Paving, from Plankinton Avenue to 6th Street (\$250,000)
- 2nd Street High Impact Paving, from Clybourn Street to Kilbourn Avenue (\$200,000)
- 4th Street High Impact Paving, from Wells Street to Kilbourn Avenue (\$100,000)

Other Public Infrastructure Improvements (\$750,000)

- Install harp lights on Plankinton Avenue from West Wisconsin Avenue to West Kilbourn Avenue (\$300,000)
- Upgrade Postman Square at West Wells Street, North Second Street and North Plankinton Avenue (\$150,000)
- Install upgraded lighting on West Wisconsin Avenue from North 6th Street to North Plankinton Avenue (\$100,000)
- Make various sidewalk repairs throughout Westtown (\$100,000)

- Make improvements to the exterior of the City-owned parking structure at 724 North Second Street (\$50,000)
- Install a Bublr bikeshare station (\$50,000)

The City of Milwaukee may, on its own initiative or through a cooperation agreement with the Redevelopment Authority and/or other entities, undertake any and all project and site improvements and activities considered necessary to achieve project objectives and the commitment of private investment. This Plan is not intended to limit and shall not be interpreted as limiting the Redevelopment Authority in the exercise of its powers under Wis. Stat. 66.1333 (5) within the District. It is possible that future amendments to this Project Plan for other investments in this area will be proposed.

II. PLAN PROPOSALS

Plan Section II.B.1, “Statement of the Kind, Number, and Location of All Proposed Public Works or Improvements,” is amended by adding as new II.B.1.b.6. the following:

This Plan includes public works and improvements described in general below. The specific kind, number, and locations of public works and other improvements will be based on detailed final plans, specifications and budget estimates as approved by the Department of City Development for project and site development. Vacation of existing public rights-of-way may be necessary to implement the plan for the District. While not anticipated at this time, site clearance, environmental remediation, and other incidental costs directly related to the project also may be incurred and undertaken if necessary for the implementation of the plan for the District.

- Reconstruction of the following street segments, including pavement, sidewalks, lighting, utilities, traffic signals, trees, landscaping, signage, pedestrian and bicycle amenities, and stormwater management facilities:
 - 2nd Street from West Wisconsin Avenue to North Plankinton Avenue
 - Wells Street Reconstruction, from Broadway to 6th Street
 - Plankinton Avenue Reconstruction, from St. Paul Avenue to the Menomonee River
- Repaving of the following street segments:
 - Wisconsin Avenue, from the Milwaukee River to 10th Street
 - Kilbourn Avenue, from Plankinton Avenue to 6th Street
 - 2nd Street, from Clybourn Street to Kilbourn Avenue
 - 4th Street, from Wells Street to Kilbourn Avenue
- Installation of harp lighting on North Plankinton Avenue between West Wisconsin Avenue and West Kilbourn Avenue.
- Upgrades to the Postman Square Park at the intersection of West Wells Street, North 2nd Street and North Plankinton Avenue, including pavement, sidewalks, lighting, utilities, traffic signals, trees, landscaping, signage, pedestrian and bicycle amenities, public art and stormwater management facilities.
- Make various improvements to public sidewalks in the Westtown neighborhood that are in need of repair and/or require ADA upgrades.

- Design and installation of enhanced pedestrian and decorative lighting on West Wisconsin Avenue from North 6th Street to North Plankinton Avenue.
- Upgrades to the exterior of the City-owned parking structure at 724 North Second Street, including sidewalks, lighting, trees, landscaping, signage, and bicycle and pedestrian amenities.
- Installation of Bublr bikeshare station or stations.

Plan **Map No. 3**, the number and location of proposed public works and improvements, is amended by adding attached **Map No. 3, “Amendment No. 4 Proposed Uses and Improvements.”**

Plan Section II.B.2, “Detailed List of Estimated Project Costs,” is amended by adding the following:

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 Wis. Stat. 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 redeveloper(s), which agreements are incorporated herein by reference, provided further that such expenditures are necessitated by this Project Plan.

These costs and costs estimates are more fully described as follows:

Capital Costs

Under this Amendment 4, the City shall fund an estimated \$7,765,000 in the form of TID Capital Project Costs enumerated in further detail in Table A of this Plan.

TABLE A: Grand Avenue TID Amendment No. 4 Capital Project Costs

Public Infrastructure	
Street Improvements Projects	\$4,365,000
Other Public Infrastructure Improvements Projects	\$750,000
TOTAL Public Infrastructure	\$5,115,000
Grand Theater Façade Grant	\$750,000
Bon-Ton Forgivable Loan	\$1,900,000
TOTAL Capital Project Costs	\$7,765,000

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 bonds that will be issued to pay for Project Costs. Estimates of bond interest are based on interest rates as set forth in the Economic Feasibility Analysis for this Project, attached as **Exhibit 1, “Economic Feasibility Study for Amendment No. 4 to the Grand Avenue TID No. 37.”**

TABLE B: Lists of Estimated Project Costs

A	<u>Capital:</u> Public Infrastructure and Grand Theater Façade Grant	\$7,765,000
B	<u>Other:</u> Administration	\$100,000
	Total Estimated Project Costs, excluding financing	\$7,865,000
C	<u>Financing:</u> Interest payment	\$935,000
D	<u>District Costs to Date:</u>	\$22,077,482

Plan Section III.B.3, “Description of Timing and Methods of Financing” is amended to add the following as new section III.B.3.c.:

All Amendment 4 expenditures are expected to be incurred in 2017-20.

The City may proceed to fund any or all Project Costs using general obligation bonds or notes, or RACM revenue bonds to be issued in amounts which can be supported using tax increments in the District.

Plan Section II.B.4, “Economic Feasibility Study”, is amended to add the following:

The Economic Feasibility Study for Amendment No. 4 to the Project Plan is attached as **Exhibit 1, “Economic Feasibility Study for Amendment No. 4 to the Grand Avenue TID No. 37.”**

Based upon the anticipated tax incremental revenue to be generated by the District, the District is financially feasible and it likely to be retired on or before 2020, the 23rd year of the District. Accordingly, the District is determined to be feasible.

Plan Section II.B.6, “Map Showing Proposed Improvements and Uses:” is amended by adding “Map No 3: Amendment No. 4 Proposed Improvements and Uses”, attached.

Plan Section II.B.8, “List of Non-Project Costs”, is amended by adding the following:

None – there are no estimated non-project costs associated with Amendment 4.

Plan Section II.B.11, “Opinion of City Attorney”, is amended by adding the attached letter from the City Attorney.

EXHIBIT 1

ECONOMIC FEASIBILITY STUDY FOR AMENDMENT NO. 4 TO THE GRAND AVENUE TID NO. 37

Background:

The City of Milwaukee is proposing Amendment No. 4 to the Grand Avenue Incremental District No. 37 (the “**District**”) to pay for public infrastructure improvements, a façade grant, a forgivable loan and administrative expenses totaling \$7,865,000 (the “**Amendment 4 Project Costs**”). The original Project Plan and Amendments 1, 2 and 3 funded \$22,077,482 in District Costs to Date.

The base value of the District when created in 1998 was \$60,317,400.

Current Property Valuation:

The total assessment of the District as of 1/1/2016 was \$142,110,100.

Anticipated Future Value of the District and District Cash Flow:

Attached as Table 1 is a cash flow forecast for the proposed Amendment No. 4 to the District. Basic parameters of this forecast are:

- Base Value of the District: \$60,317,400
- 2016 Value of the District: \$142,110,100
- Tax Rate: 2.90%
- Interest Rate: 3.50%
- Annual Appreciation: 1.00%
- District Costs to Date: \$22,077,482
- Amendment 4 Project Costs: \$7,865,000
- Issuance Costs: 1.00%

As shown in the forecast, the District is able to amortize the District’s Costs to Date and the Amendment 4 Project Costs in an estimated 23 years or 2020. Given this estimate, the proposed District is determined to be feasible and capable of amortizing the District Costs to Date and Amendment 4 Project Costs within the statutory life of the proposed District.

Table 1: TID 37 Feasibility Study

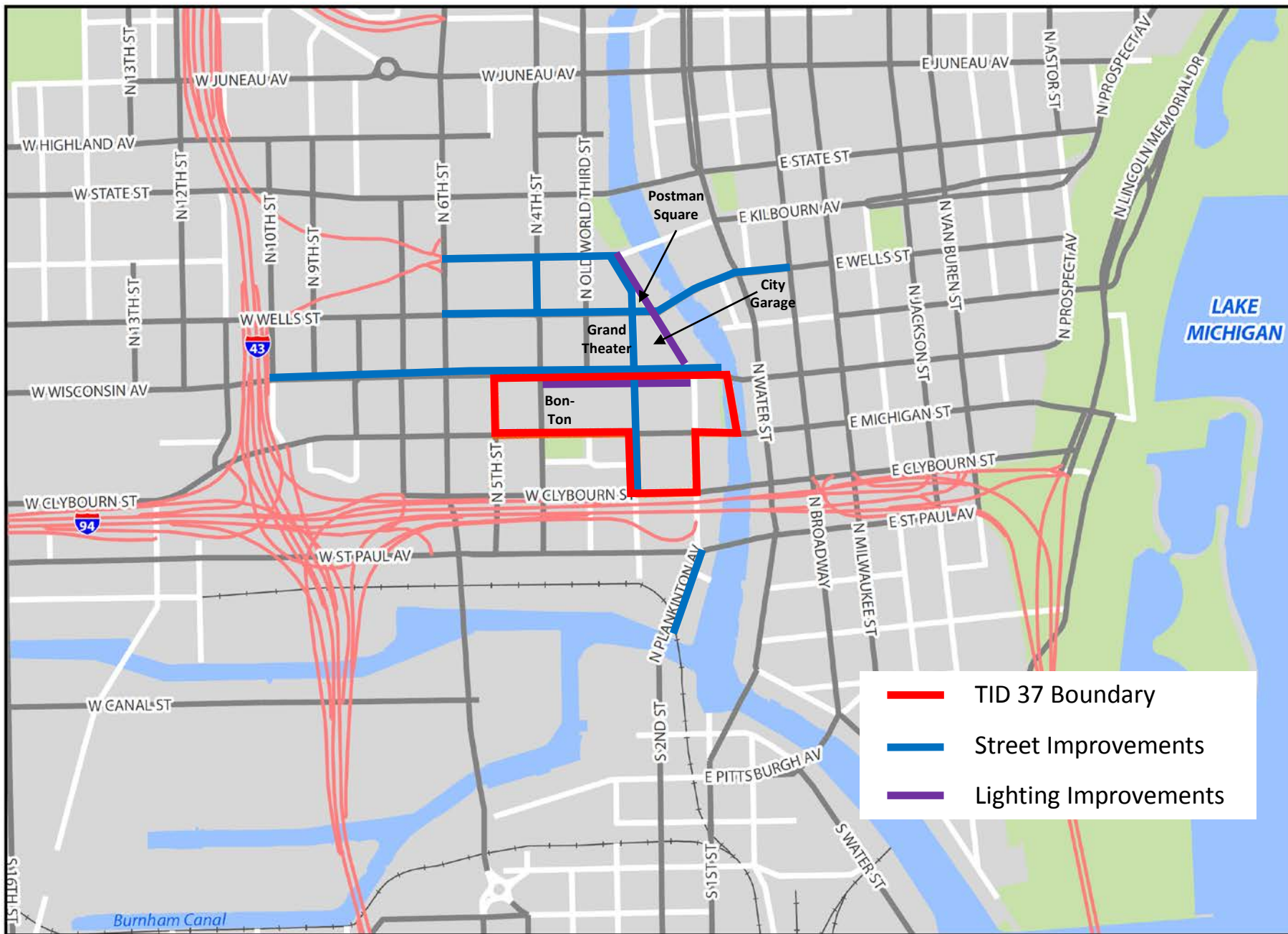
Year No.	Assessment Year	Budget Year	Base	Projected	TID Incremental Value	Increment	Loan repayments		Amend No. 4	Existing Grant to	Cash flow	Cum. Cash Flow	After reserving	TID
			Value	Value			to TID	Debt Service	Project Costs	Bon-Ton Stores			for remaining debt	
													Surplus/(deficit)	Payoff
1	1998	1999	60,317,400	60,317,400			24,917	-			24,917	24,917	(41,374,630)	
2	1999	2000	60,317,400	66,460,000			86,666	(130,965)			(44,299)	(19,382)	(41,287,963)	No
3	2000	2001	60,317,400	67,141,200	6,142,600	173,189	69,255	(155,660)			86,784	67,402	(41,045,519)	No
4	2001	2002	60,317,400	84,218,600	6,823,800	204,109	315,848	(254,783)			265,174	332,577	(40,525,562)	No
5	2002	2003	60,317,400	95,474,800	23,901,200	674,020	417,732	(1,059,764)			31,988	364,564	(39,433,810)	No
6	2003	2004	60,317,400	98,933,300	35,157,400	979,712	2,275,028	(1,150,098)			2,104,642	2,469,206	(36,179,070)	No
7	2004	2005	60,317,400	117,997,000	38,615,900	1,019,749	192,000	(1,849,452)			(637,703)	1,831,503	(34,967,321)	No
8	2005	2006	60,317,400	115,937,400	57,679,600	1,503,155	176,000	(1,902,893)			(223,738)	1,607,765	(33,288,166)	No
9	2006	2007	60,317,400	133,726,000	55,620,000	1,357,668	244,883	(1,903,157)			(300,606)	1,307,159	(31,685,615)	No
10	2007	2008	60,317,400	152,270,800	73,408,600	1,617,743	2,235,500	(2,137,460)			1,715,783	3,022,942	(27,832,372)	No
11	2008	2009	60,317,400	120,738,400	91,953,400	2,065,310	205,950	(3,483,013)			(1,211,753)	1,811,189	(25,561,112)	No
12	2009	2010	60,317,400	140,084,500	60,421,000	1,449,257	198,375	(2,040,629)			(392,997)	1,418,192	(23,913,480)	No
13	2010	2011	60,317,400	111,200,300	79,767,100	2,032,261	2,146,000	(2,100,398)			2,077,863	3,496,055	(19,735,219)	No
14	2011	2012	60,317,400	117,888,000	50,882,900	1,363,389	108,000	(2,248,114)			(776,725)	2,719,330	(18,263,830)	No
15	2012	2013	60,317,400	121,551,700	57,570,600	1,640,869	136,735	(1,745,690)			31,914	2,751,244	(16,486,226)	No
16	2013	2014	60,317,400	127,204,100	61,234,300	1,862,611	185,205	(1,672,038)			375,778	3,127,022	(14,438,410)	No
17	2014	2015	60,317,400	129,095,100	66,886,700	2,079,945	214,728	(1,563,172)			731,501	3,858,523	(12,143,737)	No
18	2015	2016	60,317,400	128,635,000	68,777,700	2,092,453	71,576	(1,221,025)			943,004	4,801,528	(10,579,708)	No
19	2016	2017	60,317,400	142,110,100	68,317,600	2,086,554		(1,085,052)		(300,000)	701,502	5,503,030	(8,493,154)	No
20	2017	2018	60,317,400	143,531,201	83,213,801	2,413,200		(1,923,001)	(1,759,371)	(300,000)	(1,569,172)	3,933,858	(6,079,954)	No
21	2018	2019	60,317,400	144,966,513	84,649,113	2,454,824		(1,553,567)	(1,759,371)		(858,113)	3,075,745	(3,625,130)	No
22	2019	2020	60,317,400	146,416,178	86,098,778	2,496,865		(194,645)	(1,759,371)		542,849	3,618,594	(1,128,265)	No
23	2020	2021	60,317,400	147,880,340	87,562,940	2,539,325		(50,534)	(1,759,371)		729,421	4,348,015	1,411,060	YES
24	2021	2022	60,317,400	149,359,143	89,041,743	2,582,211		(199,858)	(1,759,371)		622,982	4,970,997	3,993,271	YES
25	2022	2023	60,317,400	150,852,735	90,535,335	2,625,525		(197,279)			2,428,246	7,399,242	6,618,795	YES
26	2023	2024	60,317,400	152,361,262	92,043,862	2,669,272		(188,960)			2,480,312	9,879,554	9,288,067	YES
27	2024	2025	60,317,400	153,884,875	93,567,475	2,713,457		(166,479)			2,546,978	12,426,532	12,001,524	YES
28	2025	2026	60,317,400	155,423,723	95,106,323	2,758,083		(425,008)			2,333,075	14,759,608	14,759,608	YES
						47,454,756	9,304,398	(32,602,694)	(8,796,853)	(600,000)	14,759,608			
											1,139,561	Actual Cumulative Carrying costs		
											15,899,169	projected surplus		

Annual Appreciation	1.010
Interest Rate	3.50%
Base Value	60,317,400
Property Tax rate	2.900%
Issuance Costs	78,650
Project Costs	7,865,000
Carrying Costs %	0.100%

Unbonded costs	7,865,000
Int. rate	3.50%
Issuance costs	78,650

(931,853)

TID NO. 37 | Map No. 3, "Amendment No. 4 Proposed Uses and Improvements"



GRAND THEATER TERM SHEET

Amendment No. 4 for Tax Incremental District No. 37

Grand Theater Project

Project

WAM DC LLC is a non-profit entity formed to facilitate the redevelopment of West Wisconsin Avenue. WAM DC, LLC, or its successors and assigns (the “**Developer**”), per the approval of the City of Milwaukee (“**City**”) or Redevelopment Authority of the City of Milwaukee (“**RACM**”), upon closing its option and acquiring fee title to the Grand Theater at 212 West Wisconsin Avenue (the “**Grand Theater**”), proposes to redevelop the Grand Theater. The Grand Theater is a historic theater, in a historic district. It was originally constructed in 1930 as a movie theater and has been vacant since the 1990’s. The Developer and Milwaukee Symphony Orchestra, Inc. (“**MSO**”) plan to invest approximately \$80,000,000 to renovate the Grand Theater into an approximately 1,750 seat home for the MSO and for other live music performances and other community events (the “**Grand Theater Project**”).

The City and RACM propose a \$750,000 façade grant (the “**Façade Grant**”) to complete the historic restoration of the Grand Theater’s Wisconsin Avenue façade (the “**Façade Project**”).

To create a larger stage sufficient to accommodate a symphony orchestra and chorus, as well as satisfy the needs of other on stage users, the Developer needs to relocate the eastern wall of the Grand Theater approximately 30 feet into North 2nd Street. New additions to the north and south of the existing theater will also be constructed so that their east facades align with the newly located easterly wall. To provide the necessary amount of space for the newly located eastern wall, a portion of the western side of North 2nd Street right-of-way between approximately West Wisconsin Avenue and West Wells Street will need to be vacated and the street infrastructure engineered and reconstructed within the resulting right-of-way (the “**Public Infrastructure Project**”) at a cost of approximately \$2,500,000 (the “**Public Infrastructure Grant**”).

Development Schedule

The Grand Theater Project is anticipated to commence in 2017 and be substantially complete within 24 months following commencement of construction.

“Commencement” means acquisition of the Grand Theater Project.

The Façade Project is anticipated to commence in 2017 and be substantially complete within 24 months following commencement of construction.

The Public Infrastructure Project is anticipated to commence in 2017 and be substantially complete within 24 months following commencement of construction.

Parties

The City of Milwaukee (“**City**”), the Redevelopment Authority of the City of Milwaukee (“**RACM**”), WAM DC, LLC or its successors and assigns (the “**Developer**”), and the Milwaukee Symphony Orchestra, Inc. (“**MSO**”).

Parties’ Obligations

Upon RACM and City approval (by their respective governing bodies), RACM, City, Developer, and MSO will enter into a combined Wis. Stat. 66.1333 (13), 66.1105 (2)(f)1.h Cooperation, Reimbursement, and Development Agreement for TID No. 37 to address the reimbursement and the Project (“**Cooperation Agreement**”).

To receive financial assistance from RACM (via the City’s contribution under the Cooperation Agreement), Developer and MSO must fulfill the following obligations:

- A. MSO shall have the right and obligation to lease or own, and to occupy and operate the Grand Theater upon the Grand Theater Project’s completion. Developer and MSO anticipate that MSO will enter into a written lease agreement with Developer for an initial term of 20 years, with an as-yet undetermined number of extension options. MSO and Developer shall disclose to RACM the basic lease terms, when finally determined, and prior to receiving RACM funds, Developer shall deliver to RACM a copy of such executed lease for a minimum term of at least 20 years.
- B. MSO shall demonstrate its financial capacity or ability to achieve the financial means to finance the balance of the costs to complete the Grand Theater Project other than those provided by the Façade Grant and the Public Infrastructure Grant.
- C. Developer shall complete the Grand Theater Project as proposed, including complete historic restoration of the façade (Façade Project). Developer shall enter into a Grand Theater Façade Easement with RACM to ensure that the façade is maintained in for 40 years after completion of construction. Developer shall enter into a Human Resources Agreement with the City in which Developer agrees to use best efforts for the Façade Project to use Small Business Enterprises for 25% of the construction and supply costs and 18% of professional services costs and to use unemployed and underemployed residents for no less than 40% of total “worker hours”, pursuant to the City’s Resident Preference Program per the recent ordinances changes, effective January 1, 2017.
- D. Developer shall complete the Grand Theater Project as proposed, including the portions of the Public Infrastructure Project the City deems reasonably appropriate for the Developer to perform, with input from Developer (all or some portions, at City’s election and option, may be performed by the City’s Department of Public Works). Developer shall comply with City’s bidding requirements for those portions of the

Public Infrastructure Project performed by the Developer. For work performed by Developer for the Public Infrastructure Project, Developer shall enter into a Human Resources Agreement with the City that will require the use of certified Small Business Enterprises for 25% of the construction and supply costs and 18% of professional services costs and to use unemployed and underemployed residents for no less than 40% of total “worker hours”, pursuant to the City’s Resident Preference Program per the recent ordinances changes, effective January 1, 2017.

- E. Developer shall enter into a payment in lieu of taxes (“PILOT”) agreement, to be recorded against title, with the City whereby Developer agrees to make PILOT payments to the City in the event that any portion of the Grand Theater subsequently becomes exempt from the payment of real property taxes.

Flow of Payment for Work Performed

Upon approval by the City Common Council and RACM Board, and Joint Review Board under Wis. Stat. 66.1105, City shall use funds approved as part of Amendment No. 4 to Tax Incremental District No. 37 (Grand Avenue) to assist RACM with the Façade Grant of \$750,000 and the Public Infrastructure Grant of \$2,500,000.

RACM shall reimburse Developer for up to \$750,000 out of pocket costs spent by Developer for the Façade Grant (work regarding the façade) upon completion of the Grand Theater Project including all of Developer’s obligations described above and issuance of an occupancy permit for the Grand Theater Project by the City of Milwaukee. Invoices for actual costs shall be submitted to RACM’s Executive Director for review and approval and paid as a reimbursement for Developer’s actual costs.

RACM shall reimburse Developer for up to \$2,500,000 out of pocket costs spent by Developer (the “Public Infrastructure Grant”) for portions of the Public Infrastructure Project performed by the Developer. Invoices for actual costs shall be submitted no more than once monthly to RACM’s Executive Director for review and approval and paid as a reimbursement for Developer’s actual costs as incurred.

RACM shall reimburse City from Public Infrastructure Grant for portions of the Public Infrastructure Project that City’s Department of Public Works performs.

General

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 in one or more agreements, including the Cooperation Agreement, a Human Resources Agreement, Small Business Enterprise and Residential Preference Program Agreement, Façade Easement Agreement, and PILOT Agreement, and other documents or agreements necessary to accomplish the objectives described above. 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 RACM or the City, the

Department of City Development Commissioner and Executive Director of RACM will be authorized under these agreements to exercise such discretion and grant such approvals.

BON-TON TERM SHEET

Amendment No. 4 for Tax Incremental District No. 37

The Bon-Ton Department Stores, Inc. Project

PROJECT

The Bon-Ton Department Stores, Inc. (“**Bon-Ton**”), WisPark, LLC (“**WisPark**”), Bostco LLC (“**Bostco**,” an affiliate of WisPark) or the subsequent owner of Units 1 and 2 in Bostco Condominiums located at 331 W. Wisconsin Avenue, Milwaukee, WI (Units 1 and 2 together are herein called the “**Premises**”) will undertake and complete, as appropriate, the obligations set forth in Paragraphs A-D below (the “**Project**”).

The Redevelopment Authority of the City of Milwaukee (“**RACM**”), to assist redevelopment and urban renewal under Wis. Stat. 66.1333 (13), and in cooperation with the City of Milwaukee (“**City**”), proposes to provide Bon-Ton a **\$1,900,000** conditionally forgivable loan (the “**Loan**”) from Tax Incremental District No. 37 (Grand Avenue).

PARTIES

The City, RACM, Bon-Ton, WisPark, and Bostco.

PARTIES’ OBLIGATIONS

Upon RACM and City approval (by their respective governing bodies) and approval by the Joint Review Board under Wis. Stat. 66.1105, RACM, City, Bon-Ton, Wispark, and Bostco will enter into a combined Wis. Stat. 66.1333 (13), 66.1105 (2)(f)1.h. cooperation, loan and development agreement, to address the Loan and the Project (the “**Cooperation Agreement**”), and Bon-Ton will sign and provide to RACM a **Note** for the Loan. If Bostco sells the Premises prior to signing the Cooperation Agreement, Bostco shall inform RACM and identify the new owner, and obtain the subsequent owner’s consent to sign the Cooperation Agreement. The term “Bostco” as used herein includes the new owner of the Premises as successor to Bostco should such a sale occur.

In order to receive financial assistance from RACM (via the City’s contribution under the Cooperation Agreement), Bon-Ton and/or Bostco as the case may be must fulfill the following obligations, and Bon-Ton will repay the Loan per the terms of the Cooperation Agreement and Note:

- A. Bon-Ton shall enter into a lease or lease amendment with its landlord, Bostco (the “**Lease Extension**”), (i) extending the lease and operating covenant for Bon-Ton’s existing office space (Unit 2, approximately 170,000 s.f.) and existing retail space (Unit 1, approximately 125,000 s.f.) for Bon-Ton’s downtown department store at the Premises for 10 years, through the end of January 2028, and (ii) requiring the

conversion of approximately 21,900 s.f. of Bon-Ton retail space to Bon-Ton office space, and additional remodeling of and tenant improvements to the Premises (which may include acquisition of furniture, fixtures and equipment, office build-out, retail store reconfiguration, and architectural expense for space planning) (“**Project Work**”). The Lease Extension, Project Work, and estimated costs are subject to the City’s and RACM’s reasonable approval.

- B. Bostco shall complete the Project Work at the Premises by **December 31, 2017**, and the out of pocket expense for that work must be at least the principal amount of the Loan.
- C. Bostco shall enter into a **Human Resources Agreement** with the City that will require the use of certified Small Business Enterprises for 25% of construction and supply costs and 18% of professional services costs for the Project Work, and that will use unemployed and underemployed residents, pursuant to the City’s Resident Preference Program, for no less than 40% of total “worker hours” expended on the Project Work. These expenses are considered out of pocket expenses for purposes of Paragraph B above.
- D. Bostco (the owner of the Premises) shall enter into a payment in lieu of taxes (“**PILOT**”) agreement with the City (meeting City’s approval) agreeing to make PILOT payments to the City in the event that any portion of the Property at 331 W. Wisconsin Avenue (Unit 1, Unit 2, or Unit 3) ever becomes exempt from the payment of real property taxes. Bostco shall also enter into a **Façade Easement** with RACM (meeting RACM’s and City’s approval) (see below regarding Façade Easement).

PAYMENT OF THE LOAN

Upon approval by the City Common Council, RACM Board, and the Joint Review Board, City shall use funds approved as part of Amendment No. 4 to Tax Incremental District No. 37 (Grand Avenue) to assist RACM with this redevelopment and urban renewal Project, and RACM shall provide the Loan in the amount of **\$1,900,000** to Bon-Ton to be used for payment and reimbursement of out-of-pocket Project Work costs. Those costs are subject to review and approval by the Commissioner of City Development and must be actually expended by Bon-Ton and/or Bostco for the Project. The Loan shall be funded by the City and be paid to Bon-Ton by RACM.

The principal of the Loan shall be paid to Bon-Ton on the **Loan closing date** to be determined by the parties, which shall occur no later than 60 days after mutual execution of the Lease Extension. As indicated, Bon-Ton shall sign and deliver to RACM a **Note** regarding the Loan.

The interest rate on the Loan shall be 4.5% per year. There shall be no payments due for the Loan for year 2017 and no interest shall accrue for year 2017.

Beginning January 1, 2018 interest shall begin to accrue at the 4.5% compounded annual rate. Annual payments of principal and interest for each of years **2018-2027** (inclusive) shall be due on the respective, following **May 1**. For example, the annual payment for year 2018 is due **May 1, 2019**. The Loan must be paid in full on or before **May 1, 2028**.

Possible forgiveness based on FTEs

Notwithstanding the foregoing, the annual payment of principal and interest will be completely forgiven each year so long as Bon-Ton retains no less than **750 full-time equivalent** (“**FTE**”) positions in the City at the Premises for its office and retail space for the entire particular year of possible forgiveness. If that benchmark is not met for that year, unless caused in substantial part by damage or destruction to its office and retail space or other verifiable events of force majeure not caused by or attributable to Bon-Ton, the annual payment under the Loan for that year will be due and owing to RACM by **May 1** of the succeeding year based on the actual number of FTE’s employed by Bon-Ton at the Premises for that year.

The following examples are for sake of illustration.

- If for calendar year 2019, Bon-Ton reports and demonstrates to RACM that Bon-Ton employed 750 FTE positions at the Premises for its office and retail space for the entire 2019 calendar year, then Bon-Ton’s annual payment for year 2019 (due May 1, 2020) would be zero (the annual payment for year 2019 would be forgiven in full).
- If for calendar year 2020, Bon-Ton reports and demonstrates to RACM that Bon-Ton employed 675 FTE positions at the Premises for its office and retail space for the entire 2020 calendar year (10% less than the 750 FTE benchmark), then Bon-Ton’s annual payment for year 2020 (due May 1, 2021) would be 90% forgiven, and Bon-Ton, on or before May 1, 2021 would have to pay RACM 10% of the annual principal and interest payment due for year 2020.

On or before **April 30th** of each year from **2019-2028 inclusive**, Bon-Ton shall provide City and RACM such reasonable documentation and certifications to substantiate the number of FTE positions Bon-Ton employed at the Premises for Bon-Ton’s office and retail space for each of the previous calendar years (**2018-2027 inclusive**) ending December 31st.

The first such annual reporting on FTEs is due April 30, 2019 for the year ending **December 31, 2018**.

The terms “**FTE**” and “**full-time equivalent**” shall be consistent with the following definition:

The ratio of the total number of paid hours during a period (part time, full time, contracted) by the number of working hours in that period, Mondays through Sundays, for a year-long period.

The ratio units are FTE units or equivalent employees working full-time. In other words, one FTE is equivalent to one employee working full-time.

For example: Bon-Ton has 3 employees and they work 50 hours, 40 hours, and 10 hours per week - totaling 100 hours per week, and they work these weekly hours every week during the calendar year (52 weeks, including paid leave and holidays). FTE as used herein assumes a full-time employee works 40 hours per week, 52 weeks per year, or 2080 hours per year. So Bon-Ton's FTE calculation is 100 hours x 52 weeks = 5,200 hours divided by 2,080 hours, or 2.5 FTE for that year.

In order to be included in the FTE calculation, however, each employee position must receive pay that is equal to at least 150% of the federal minimum wage.

Notwithstanding the foregoing, Bon-Ton's FTE report to RACM and City due April 30, 2028 for FTE's at the Premises for year 2027 shall also include a report for FTE's at the Premises for the month of January 2028. Notwithstanding annual payments under the Loan for years 2018-2027, and recognizing no Loan payment and no interest due for year 2017, if Bon-Ton fails to meet the benchmark of FTE's at the Premises for the month of January 2028, then Bon-Ton shall on or before May 1, 2028 also pay to RACM (in addition to any annual payment that may be due for year 2027) one-twelfth of an annual payment subject to percentage reduction based on actual FTE's employed at the Premises for Bon-Ton's office and retail space for January 2028.

Possible Payment Due to Incomplete Project Work or Project Work less than Loan

As indicated above: the Project Work must be completed by December 31, 2017; Project Work and estimated costs for same are subject to the City's and RACM's reasonable approval; and the out of pocket expense for the Project Work must be at least equal to the principal amount of the Loan.

By **April 1, 2018**, Bon-Ton and Bostco shall provide City and RACM with a report showing documented actual costs for Project Work actually undertaken at the Premises on or before December 31, 2017 (including purpose of expenditure, amount of expenditure, payee and such supporting material as RACM or City may request). That report and documentation are subject to City's and RACM's reasonable approval.

If actual Project Work costs for actual Project Work completed, as approved by RACM and City, are less than the principal amount of the Loan, notwithstanding provisions above about possible forgiveness of annual payments based on FTEs, Bon-Ton shall by **May 1, 2018** pay to RACM \$X where X = \$1,900,000 less the actual Project Work costs for the actual Project Work that are approved by RACM and City.

SATISFACTION OF PRIOR RACM 2001 LOAN; \$150,000 FAÇADE ESCROW/EASEMENT

Pursuant to a Development Agreement by and among the City, RACM, WisPark and Bostco, dated as of January 26, 2001, RACM advanced \$2 million to Bostco to assist with the renovation of the space occupied by Bon-Ton at the Premises. Bostco had the choice of treating such advance as either a loan or a grant, and Bostco elected to treat the advance as a loan (the "**2001 RACM Loan**"). The 2001 RACM Loan is evidenced by a 1-26-2001 Revolving Credit Note in the principal amount of \$2,001,000 from Bostco to RACM, and by a Mortgage of even date securing that note, that was not recorded in the Register of Deeds Office.

At the same time RACM advances the principal amount of the Loan to Bon-Ton, and as a condition to RACM advancing the Loan to Bon-Ton,, Bostco shall pay to RACM in good funds **\$150,000** for RACM to hold in a RACM account per the Cooperation Agreement. RACM shall retain for itself any interest on the funds. The principal amount of these funds may be used by Bostco on a reimbursement basis for exterior façade repair at the Property (Units 1, 2, 3) and may be disbursed by RACM upon proof of expense actually incurred and proof of exterior façade repair actually undertaken (meeting RACM's approval). Notwithstanding the foregoing, any amount of these funds not disbursed by RACM prior to the 5-year anniversary of RACM receiving the funds shall no longer be available for reimbursement for façade repair and shall, at such time, become the sole property of the City of Milwaukee, and RACM shall then disburse any such remaining balance to the City.

In consideration of Bostco's payment of said \$150,000 and Bostco's previous investment of \$1,000,000 of equity into the rehabilitation/restoration of the façade of Units 1, 2, 3 at the Property in 2015-16, and Bostco's agreement to grant to RACM a **Façade Easement** for the Units 1, 2, 3 (to be delivered to RACM on or before the date that RACM advances the Loan principal amount) (which easement must meet City's and RACM's prior approval) and to undertake the Project Work referenced herein, subject to RACM Board approval, RACM agrees that the 2001 RACM Loan shall be deemed satisfied and paid in full.

2014 TRANSACTION; TID PLAN AMENDMENT 3.

The structuring of the Loan under this Amendment 4 to the TID 37 Project Plan recognizes Bon-Ton duties regarding retention of employees at the Premises through January 2018 under the June 1, 2014 "TID-37 Cooperation and Grant Agreement" that pertained to Amendment 3 to the TID 37 Project Plan. The parties retain all rights and duties under that June 1, 2014 agreement unaffected by the terms and conditions of this transaction.

GENERAL

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 the Cooperation Agreement, a human resources agreement, the Note, the Façade Easement, and any other documents or agreements necessary to accomplish the objectives described above. In recognition that there may be adjustments of the dates and descriptions herein as well as administrative approvals that will require the exercise of reasonable discretion on behalf of RACM or the City, the Commissioner of City Development and Executive Director of RACM will be authorized under these agreements to exercise such discretion and grant such approvals.