City of Waukesha
Future Multipurpose Municipal Building
REPORT

September 6, 2016

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This report evaluates a potential multipurpose municipal building. Three sites and are included in the report. Also included are the potential redevelopment opportunities of the existing City Hall site and potential ancillary development regarding all three sites. Finally, funding options are explored. Included in this analysis are the potential impact to the City's bond rating and the impact to the expenditure restraint program. The concept of a private/public partnership is outlined along with the potential use of New Market Tax Credits.

This report strives to outline the pros and cons of each site, detail construction and financing costs and estimate redevelopment and potential tax base expansion with the intent to assist City officials in making an informed decision regarding the future multipurpose municipal building.

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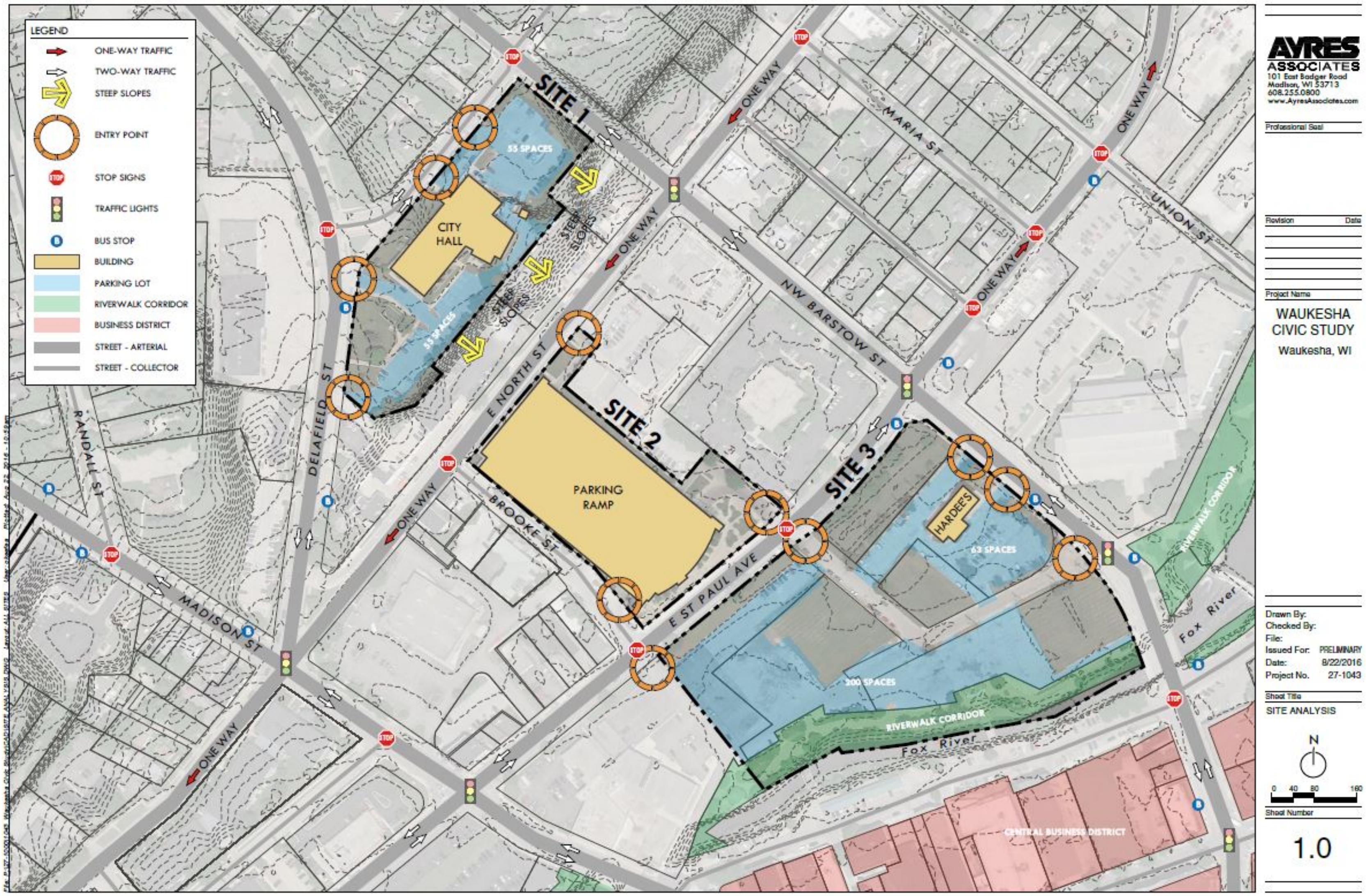
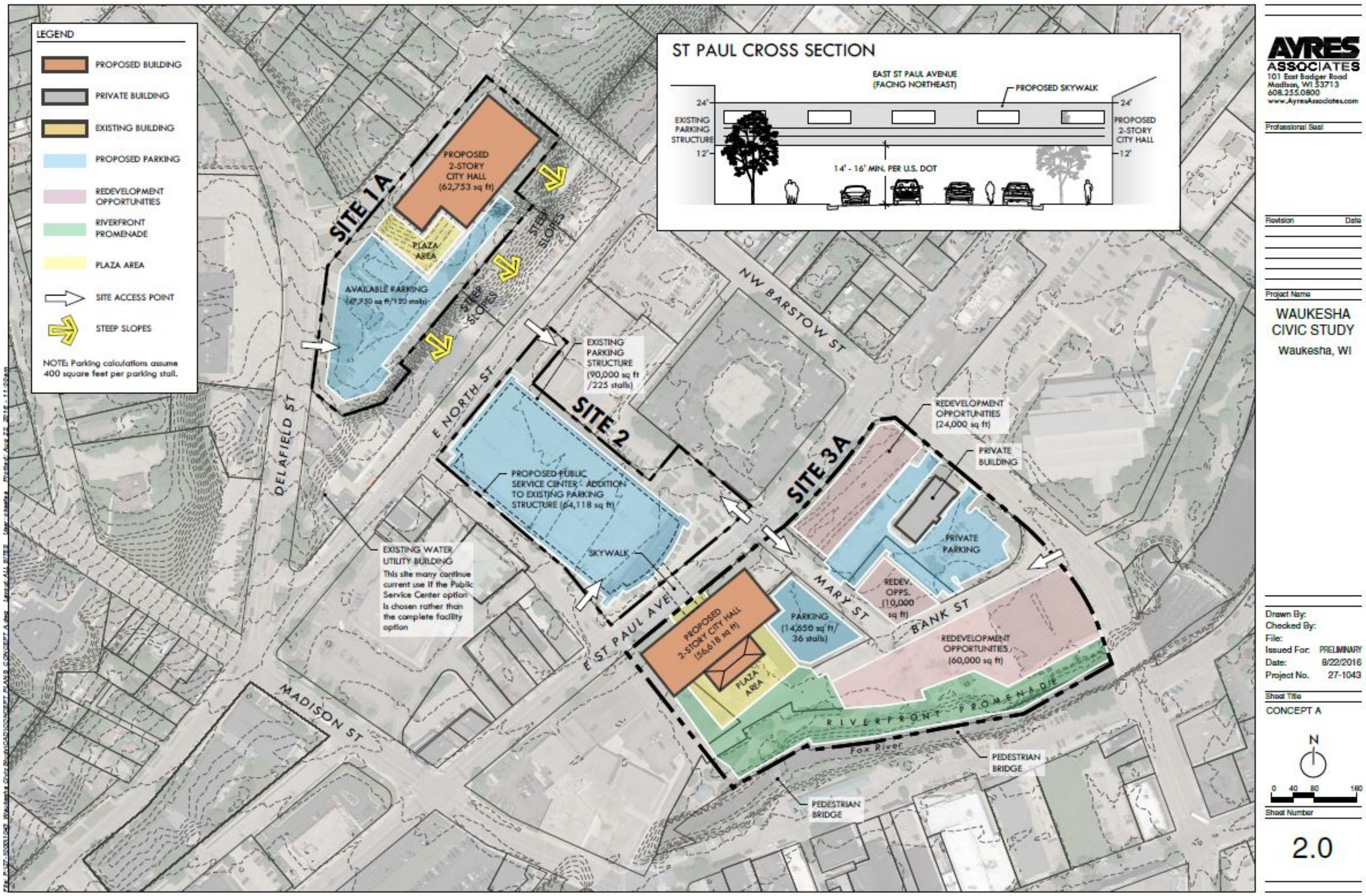
Overview of Site Options

Site Analysis




LEGEND
PROPOSED BUILDING
PRIVATE BUILDING
EXISTING BUILDING
PROPOSED PARKING
REDEVELOPMENT OPPORTUNITIES
RIVERFRONT PROMENADE
PLAZA AREA
SITE ACCESS POINT
STEEP SLOPES
NOTE: Parking calculations assume 400 square feet per parking stall.
ST PAUL CROSS SECTION
EAST ST PAUL AVENUE (FACING NORTHEAST)
PROPOSED SKYWALK
EXISTING PARKING STRUCTURE
PROPOSED 2-STORY CITY HALL
24'
12'
14' - 16' MIN. PER U.S. DOT
SITE 1A
PROPOSED 2-STORY CITY HALL (62,753 sq ft)
PLAZA AREA
AVAILABLE PARKING (47,750 sq ft/120 stalls)
STEEP SLOPES
SITE 2
EXISTING PARKING STRUCTURE (90,000 sq ft /225 stalls)
PROPOSED PUBLIC SERVICE CENTER - ADDITION TO EXISTING PARKING STRUCTURE (64,118 sq ft)
SKYWALK
EXISTING WATER UTILITY BUILDING
This site many continue current use if the Public Service Center option is chosen rather than the complete facility option
SITE 3A
REDEVELOPMENT OPPORTUNITIES (24,000 sq ft)
PRIVATE BUILDING
PRIVATE PARKING
REDEV. OPPS. (10,000 sq ft)
PARKING (14,650 sq ft/ 36 stalls)
PROPOSED 2-STORY CITY HALL (56,618 sq ft)
PLAZA AREA
REDEVELOPMENT OPPORTUNITIES (60,000 sq ft)
RIVERFRONT PROMENADE
Fox River
PEDESTRIAN BRIDGE
PEDESTRIAN BRIDGE
DELAFIELD ST
E NORTH ST
NW BARSTOW ST
E ST PAUL AVE
MARY ST
BANK ST
MADISON ST
AYRES ASSOCIATES
101 East Badger Road
Madison, WI 53713
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Professional Seal
Revision
Date
Project Name
WAUKESHA CIVIC STUDY
Waukesha, WI
Drawn By:
Checked By:
File:
Issued For: PRELIMINARY
Date: 8/22/2016
Project No. 27-1043
Sheet Title
CONCEPT A
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Sheet Number
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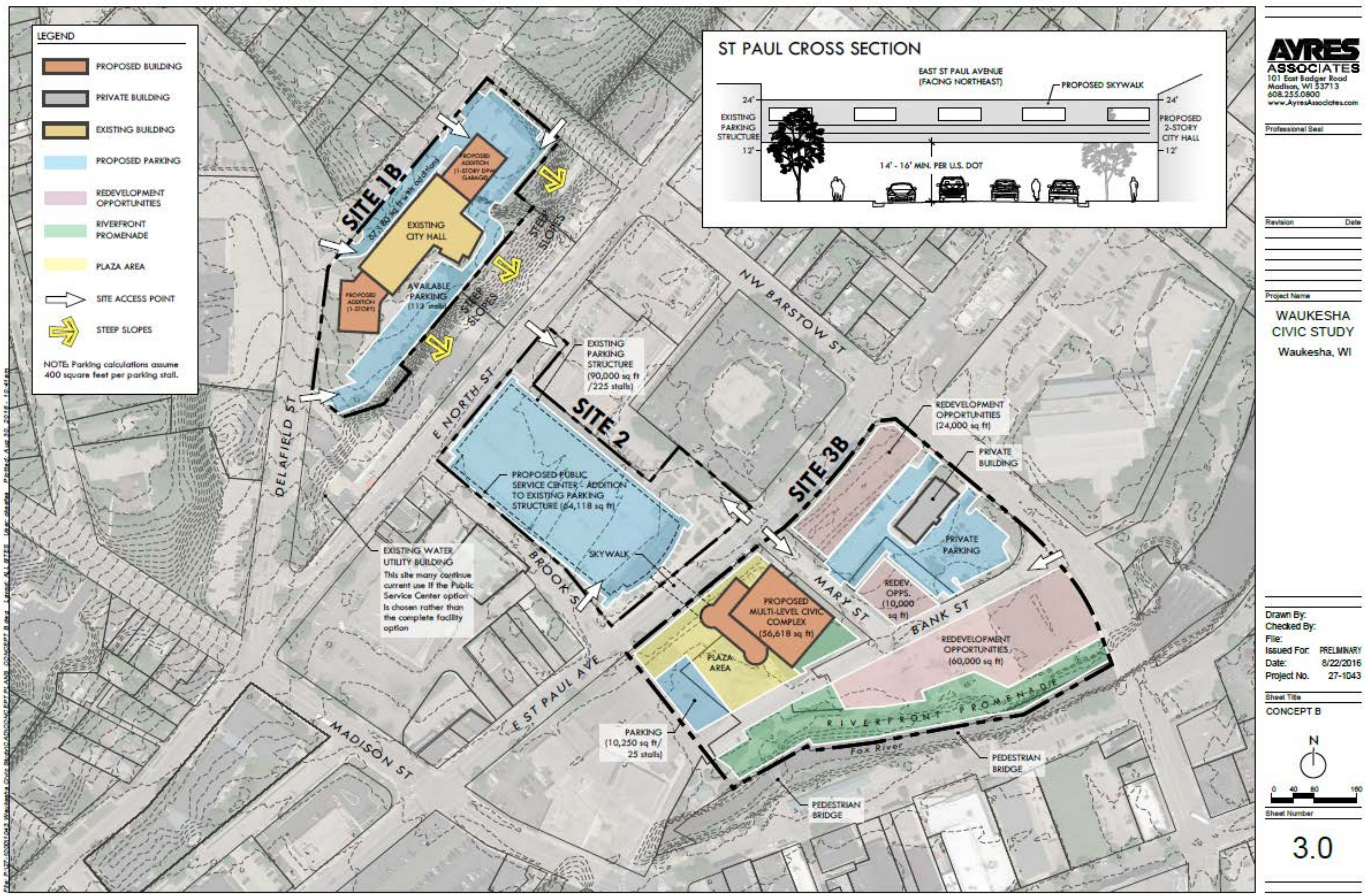
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SITE 3B
REDEVELOPMENT OPPORTUNITIES (24,000 sq ft)
PRIVATE BUILDING
PRIVATE PARKING
REDEV. OPPS. (10,000 sq ft)
PROPOSED MULTI-LEVEL CIVIC COMPLEX (56,618 sq ft)
PLAZA AREA
REDEVELOPMENT OPPORTUNITIES (60,000 sq ft)
RIVERFRONT PROMENADE
Fox River
PARKING (10,250 sq ft/ 25 stalls)
PEDESTRIAN BRIDGE
PEDESTRIAN BRIDGE
EXISTING WATER UTILITY BUILDING
This site many continue current use if the Public Service Center option is chosen rather than the complete facility option
NW BARSTOW ST
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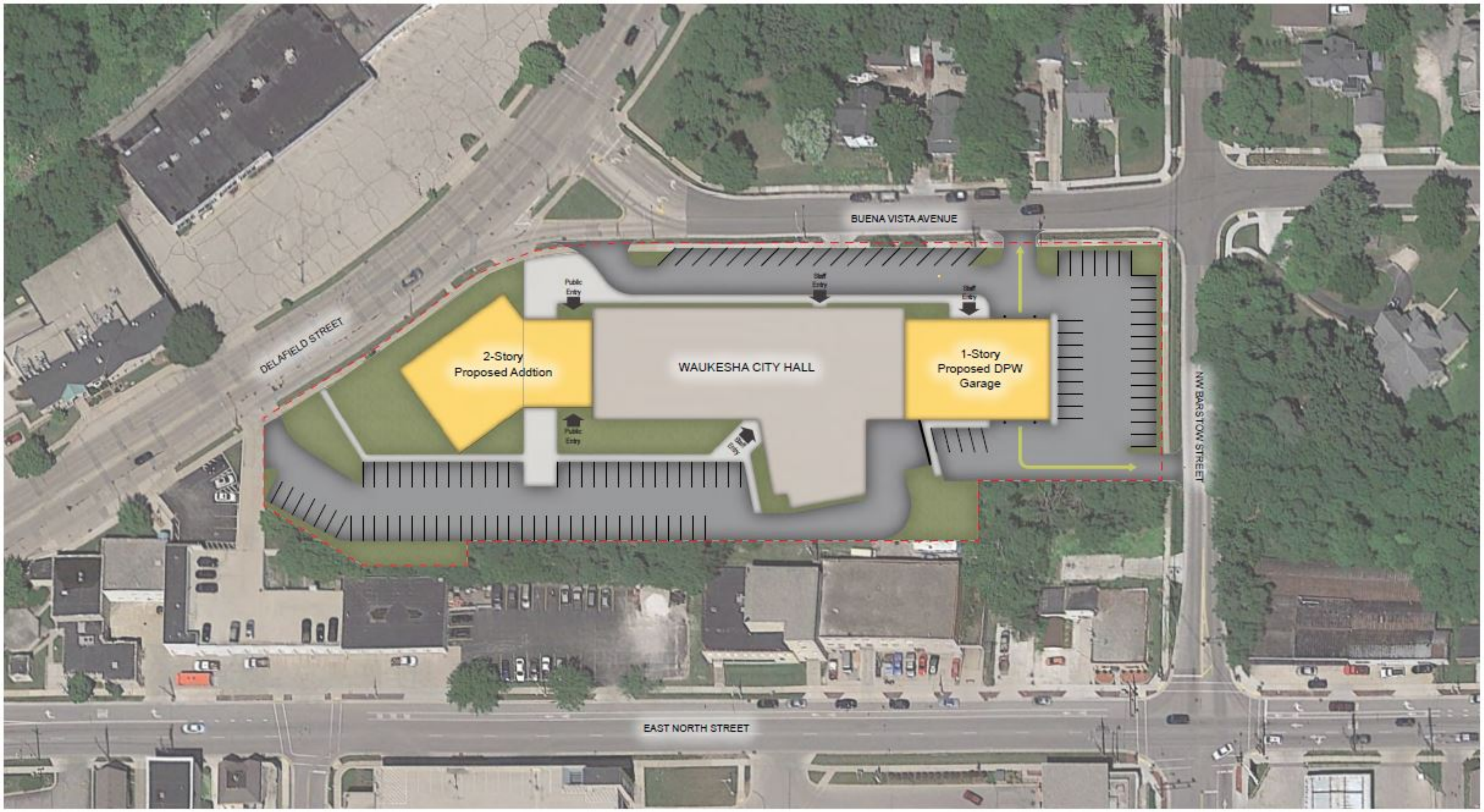

= Property Boundary = Existing Building = New Construction

Proposed Site Plan
SCALE: 1" = 60' - 0"

bray architects
solid foundation. forward thinking.
Project #: 3254

Waukesha City Hall
Waukesha, WI
August 8, 2016


Staff Entry
Council Chambers/ Municiple Court/ Shared Space
Information Technology
Mayor's Office
Attorney
Stair
Toilets
Commitee Meeting Room
DPW
DPW Garage
Information Technology
Finance
Stair
Upper Level
Public Entry
Council Chambers/ Municiple Court/ Shared Space
Public Lobby
Clerk / Treasury
Clerk / Treasury
H.R.
Stair
Toilets
City Admin.
Water Utility
Assessor
Staff Break Room
DPW Garage
Stair
Public Entry
Staff Entry
Community Development
bray architects
solid foundation. forward thinking.
Project #: 3254
= New Construction
= Renovation
= Public Resource Counter
Lower Level
SCALE: 1" = 30' - 0"
Waukesha City Hall
Waukesha, WI
August 8, 2016

Site 1A: Existing City Hall Site | New Construction

Project Narrative: Site 1A considers a complete environmental abatement and mass demolition of the existing City Hall facility and proposes to construct a new 62,753 sq.ft. municipal services building. The proposed two-story building minimizes the overall footprint allowing for efficient staff workflow and public interaction within the facility, while providing adequate on-site surface parking (120 stalls) and stormwater management. The building organization creates a civic plaza and main public entry off the southwest face of the building. This layout aims to consolidate all public site circulation (vehicular and pedestrian) to the western portions of the site while limiting/discouraging civic activities and traffic movement near the adjacent residential neighborhood.

Benefits:

1. Familiarity of community-known site
2. Adjacency to existing / remaining Water Utility site
3. Existing city-owned property
4. Existing DPW functions can remain through completion of construction
5. Ability to sell the existing DPW property and return to a taxable parcel
6. Suitable building site for grading and parking facilities (flat)
7. Maintains high elevation with views of river and downtown
8. Remaining on this site eliminates potential neighborhood opposition to multifamily development on the site

Challenges:

1. Temporary relocation of all existing city hall functions
2. Residential neighborhood adjacency
3. Facility not in a prominent/high visibility location
4. Awkward wayfinding for visitors
5. Limited site access points
6. Isolated site with little connectivity or opportunities for dual-purpose spaces
7. Facility not in a prominent/high visibility location

Site 1B: Existing City Hall Site | Addition / Renovation

Project Narrative: Site 1B considers a complete environmental abatement and renovation of the existing City Hall facility with a proposed 22,000 sq.ft. set of new construction additions to the building (total proposed building: 67,180 sq.ft.). The concept proposes two additions, the first is the construction of a DPW garage off the northeastern side of the existing building which would match the upper level finished floor elevation. The second addition would be a two-story expansion of the existing building to the southwest anchored by a new public plaza – this addition would include a new public lobby and associated council chambers and public meeting spaces, as well as expanding department work spaces. The proposed existing building scope aims to utilize as much of the existing shell and structure, but would fully renovate the entire existing building envelope (roofs, windows, doors, etc.) and completely renovate the interior spaces; including department renovations; significantly noting the relocation of the IT Department from the existing basement. The proposed two-story footprint minimizes the overall footprint allowing for efficient staff workflow and public interaction, while providing adequate on-site surface parking (113 stalls) and stormwater management. All public site circulation (vehicular and pedestrian) to the North (primary, short-term stalls) and Southwest (overflow, extended stay stalls) portions of the site. The building organization proposed creates a civic plaza and main public entry off the north face of the building.

Benefits:
1. Familiarity of community-known site
2. Adjacency to existing / remaining Water Utility site
3. Existing city-owned property
4. Existing DPW functions can remain through completion of construction
5. Ability to sell the existing DPW property and return to a taxable parcel
6. Separated staff and public parking facilities
7. Maintains high elevation with views of river and downtown
8. Remaining on this site eliminates potential neighborhood opposition to multifamily development on the site

Challenges:
1. Temporary relocation of all existing city hall functions during construction
2. Residential neighborhood adjacency
3. New construction addition footprints reduce available on-site surface parking
4. Basement space underutilized as dedicated exclusively to departmental / archival storage
5. Challenging grade differentials on eastern site access points. This could be difficult for large DPW vehicles
6. Awkward wayfinding for visitors

Site 2: Existing Transit Center Site | Addition / Renovation

Project Narrative: Site 2 considers constructing a municipal services building on top of the existing 3-level parking structure. The proposed concept renovates approximately 7,500 sq.ft. of existing building concourse/lobby and stairwells, while it constructs a new 56,618 sq.ft. level atop the existing level two parking deck. Note, the existing parking deck footprint is approximately 70,800 sq.ft.. This concept would utilize the existing southern main entry, off of E. St. Paul Ave., and fully renovate the lobby to dual serve the parking structure and provide access to vertical circulation up to the new municipal services building, approximately 45' above grade. Site 2 relocates all departments, including IT and all associated infrastructure. In addition, all public accessed spaces would also be located within the stacked new construction. Site 2 utilizes the existing parking structure for all city-owned vehicles, omitting the need to build DPW garage within the solution; note that controls would be added to isolate and secure city property. This allows for demolition and liquidation of the existing city hall and annex sites. The water building would remain in its current location.

Benefits:
1. Familiarity of community-known site
2. Existing city-owned property
3. Existing DPW and City Hall functions can remain through completion of construction
4. Ability to sell existing DPW and City Hall properties and return to taxable parcels
5. Current traffic flow on North Street is one-way. Study is underway for conversion of St. Paul Ave from two-way to one-way (pro or con depending on view)
6. Minimal site development and permitting costs

Challenges:

1. Significant lack of civic presence. Facility will truly feel and function as an island with little "hometown" character.
2. Relocation of IT infrastructure
3. Additional investment in existing Transit Center (structural, code compliance) to accommodate new construction
4. Minimal on-site surface parking available near main entry
5. Visitors will be required to use elevator for access to public services
6. Current traffic flow on North Street is one-way. Study is underway for conversion of St. Paul Ave from two-way to one-way (pro or con depending on view)

Site 3: River Redevelopment Site | New Construction

Project Narrative: Site 3 proposes to construct a new 56,618 sq.ft. municipal services building. The proposed two-story footprint minimizes the overall footprint allowing for efficient staff workflow and public interaction, while providing minimal on-site surface parking (36 stalls). The site's adjacency to the existing Transit Center allows for both public and private utilization of this parking for building use. The building organization proposed creates a civic plaza on the river side and main public entry on St Paul Avenue side. This option relocates all departments, including IT and all associated infrastructure. Site 3 utilizes the existing Transit Center parking structure for all city-owned vehicles (requiring a skywalk for access), omitting the need to build DPW garage within the solution; note that controls would be added to isolate and secure city property. This project is seen as a catalytic investment within a larger redevelopment effort, one that would aim to encourage further private investment and continue to enhance the existing Riverwalk.

Benefits:

1. Redevelopment site as anchor to further economic development
    a. Strengthening of Riverfront Promenade
    b. Civic office and its daytime use provides 24-7 vibrancy balanced with the nighttime use from multifamily development
2. Existing DPW and City Hall functions can remain through completion of construction
3. Ability to sell of existing DPW and City Hall properties and return to taxable parcels
4. Establishes a strong connection between the civic office use and riverfront with plaza and public programming spaces
5. New building could be designed to provide exterior restrooms for Riverwalk and plaza patrons
6. Building position along St. Paul reinforces the sense of the developed downtown urban fabric
7. Minimizes need for surface parking by utilizing the ex. parking structure
8. Opportunity to gain economies of scale in site preparation, civil engineering, geotechnical studies, and other costs by combining civic site with adjacent development lands thereby reducing City infrastructure costs, either directly realized, or in reduced amounts needed in subsequent tax incremental financing

Challenges:

1. Relocation of IT infrastructure
2. Cost associated with land acquisition as parcels in this area are privately owned
3. Cost associated with construction of skywalk connection between new civic office building and existing Transit Center parking
4. Civic office use would reduce the private development potential on this site and thereby reduce potential tax revenue

Preliminary Cost Estimate Summary – August 12, 2016			
Site Options	**Notes**	**Low Range**	**High Range**
Site 1A	Existing City Hall Site | New Construction	$17,895,000	$19,778,700
Site 1B	Existing City Hall Site | Addition / Renovation	$17,805,500	$19,679,700
Site 2	Existing Transit Center Site | Addition / Renovation	$20,788,400	$22,976,600
Site 3	River Redevelopment Site | New Construction	$17,205,300	$19,016,300

Notes:
1. Construction costs assume Fall 2017 construction values, annual inflations must be applied
2. Land acquisition costs not included
3. Additional community development / investments not included (right of way, utilities, etc.)

Breakout of Cost Estimates – August 12, 2016							
Site Options	**Demolition and Abatement**	**New Construction**	**Renovation**	**Transit Center Improvements**	**General Construction**	**Soft Costs**	**Total Price**
Site 1A	$429,200	$14,386,600			$1,690,395	$2,330,700	$18,836,895
Site 1B	$271,100	$5,349,000	$9,058,600		$1,724,900	$2,339,000	$18,742,600
Site 2	$11,300	$13,221,000		$3,693,800	$2,327,300	$2,629,100	$21,882,500
Site 3		$14,086,000		$140,000	$1,655,095	$2,229,700	$18,110,795

Evaluation of Sites

CBRE conducted an independent study of the City Hall locations to determine the different values associated with each site. The analysis included the evaluation of current zoning requirements, current parcel condition and highest and best use to ultimately arrive at an estimated value.

CBRE also conducted an independent study of the current Transit Center and North River Bank - East locations to determine the value of adding on the Transit Center and the cost of acquiring land to build near the River. The analysis of the River Site included the evaluation of current zoning requirements, current parcel condition and highest and best use to ultimately arrive at an opinion of the value.

Site Options	Site Sale Value	Land Acquisition Costs	Highest and Best Use	Value of Future Development	Annual City Tax Revenue ($10.35)
Site 1A&B	$736,800 to $1,105,200*	$0	Multi-Family Residential	$7,061,000 to $10,591,500	$73,081 to $109,622
Site 2	$0	$0	Not likely spur surrounding development	$13,892,233**	$0
Site 3	$0	$354,600 to $472,800	Multi-Family Office Potential Retail	$13,310,867**	$0

*Assumes current building is demolished and environmental abatement completed. This can be done through TIF, or should be subtracted from potential sale proceeds. Bray's estimate for both is approximately $429,200.
** Value is based upon market rent for new office space and attributing a market capitalization rate if that asset were to sell as an investment property. As an alternative, the cost of City Hall project could be utilized as the future value.

Site 1A&B: Existing City Hall Site | New Construction and Addition / Renovation

Parcel Size: 3.07 acres (133,729 sf) – *Estimated Area Using Waukesha GIS*

Zoning: Currently I-1 Institutional. No zoning classification has been established for the property should City Hall be relocated and the site be made available for development.

Current Parcel Condition: Currently improved, the site of City Hall. The building's age, challenges associated with modernizing the building, and converting it to another use render the building of little value. The site has a high elevation which commands an attractive view of Waukesha's downtown and the river.

Highest and Best Use: The highest and best use is multifamily residential. In the near future, that use would consist of apartments as little demand currently exists for condominium development because of difficulty in obtaining financing, including by end-buyers.

Opinion of Value: $736,800 to $1,105,200 (Depends upon density allowed, computed $12,000 per unit at both 20 units/AC and 30 units/AC). Note that a developer may require a clear site, and thus the building to be demolished. This can either be accommodated, as is often the case, through tax incremental financing, or may simply be deducted from the value as outlined above. Bray Architects estimates the demolition and abatement costs at $429,200.

Site 2: Existing Transit Center Site | Addition / Renovation

From an occupancy cost standpoint, if considering the cost of adding the City Hall portion of the structure of $21,271,200, then applying a rent constant (based upon an investors likely threshold) of six percent, it would yield an annual rent of $1,276,272 or $19.91 per square foot, triple-net (not including utilities, landscaping and snow removal, maintenance and repairs, building insurance, and similar expenses).

Site 3: River Redevelopment Site | New Construction

As drawn for proposed site plan by Ayres:

Parcel Size: 1.97 acres (85,813 sf) – Estimated Area Using Waukesha GIS

Zoning: Currently B-2 Central Business District. Allows for a wide range of retail and office uses. Multifamily residential is a conditional use, with a provision for allowing a planned unit development (PUD). In-place zoning would be restrictive for new development as highest-and-best use unless City support is gained through the PUD process.

Current Parcel Condition: Currently unimproved, except for asphalt parking in some areas. The site has strong potential for development with its adjacency to the Riverwalk and proximity to downtown Waukesha's amenities.

Highest and Best Use: The highest and best use is for mixed-use development, ideally combined with adjacent under-utilized properties and to get increased density and a larger tax-base.

Opinion of Value: If multifamily would be supported by the City, the value would likely between $354,600 and $472,800. This is based upon a density of between 15 and 20 units per acre, lower than might otherwise be feasible on a similar site after taking into consideration the likelihood that underground parking may be cost-prohibitive due to proximity to the river and the resulting soils and increased construction costs.

As an office site, it is worth approximately $300,000 and would support a building size of approximately 20,000 square feet. The site would likely not be of interest to a retailer for a stand-alone project.

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Financial Analyses (see Appendix A for Detailed Proformas)

Listed below are the funding analyses of the three site options.

Site 1A: Existing City Hall Site | New Construction

Mid-Range Project Cost Estimate	Financing Term	Interest	Total Principal & Interest	Average Annual Principal & Interest
$18,836,895	21 Years	$8,321,350	$27,036,350	$1,287,445
$18,836,895	16 Years	$6,314,000	$24,459,000	$1,528,688

Site 1B: Existing City Hall Site | Addition / Renovation

Mid-Range Project Cost Estimate	Financing Term	Interest	Total Principal & Interest	Average Annual Principal & Interest
$18,742,600	21 Years	$8,278,200	$26,898,200	$1,280,867
$18,742,600	16 Years	$6,279,800	$24,334,800	$1,520,925

Tax Increment Financing:

If the City decides to sell Site 1A or 1B to a developer, the City could utilize a TIF to finance the costs of demolition and abatement for $429,200. Based on CBRE's assessment of a new multi-family development on Site 1, the increment generated could be in the $7,061,000 to $10,591,500 range. Please reference ***Appendix B*** for a detailed proforma.

Site 2: Existing Transit Center Site | Addition / Renovation

Mid-Range Project Cost Estimate	Financing Term	Interest	Total Principal & Interest	Average Annual Principal & Interest
$21,882,500	21 Years	$9,665,925	$31,405,925	$1,495,520
$21,882,500	16 Years	$7,331,400	$28,406,400	$1,775,400

Site 3: River Redevelopment Site | New Construction

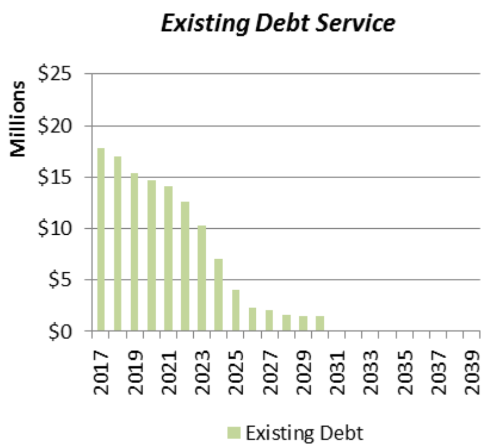
Mid-Range Project Cost Estimate*	Financing Term	Interest	Total Principal & Interest	Average Annual Principal & Interest
$18,524,495	21 Years	$8,178,800	$26,583,800	$1,265,895
$18,524,495	16 Years	$6,208,200	$24,048,200	$1,503,013

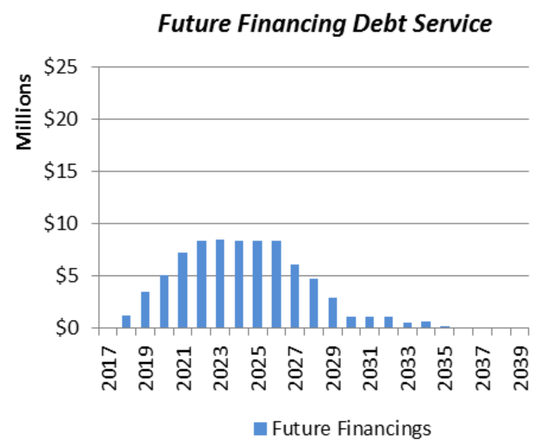
*Includes land acquisition cost

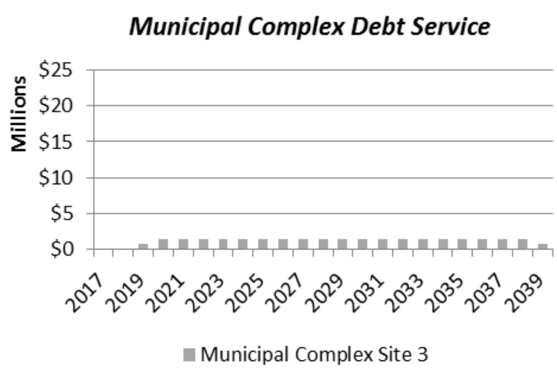
Potential Impact on City's Bond Rating

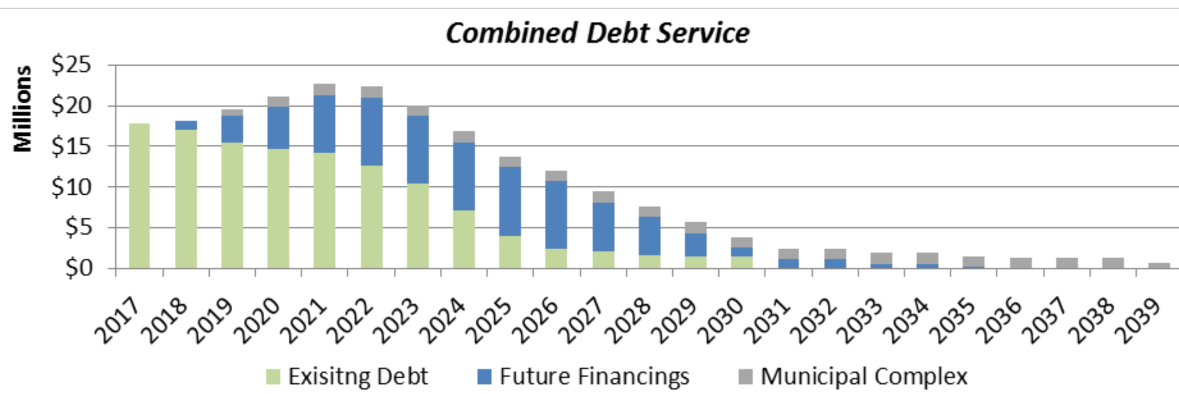
Moody's Investor Services assigns a bond rating of "Aa2" to the City's General Obligation Debt. The latest rating report is included in ***Appendix D***. Several factors impact municipal bond ratings. Those factors include economy and demographics, finances, management and governance, and debt. Debt (and other fixed-payments) represents a 20% component of the overall rating. However, Moody's also evaluates rating factors in the context of similarly rated peer communities.

The City's existing debt and potential future issuance are detailed below. All dollar amounts are in millions of dollars.[1]







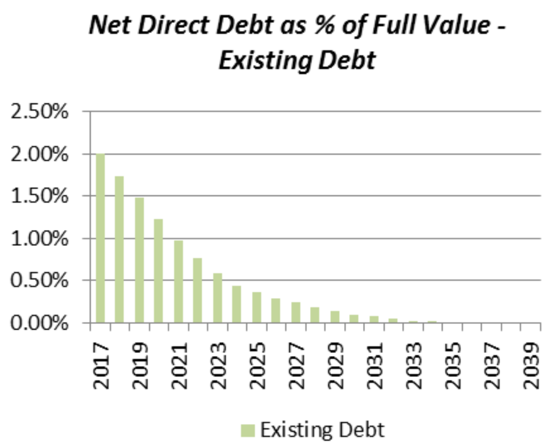


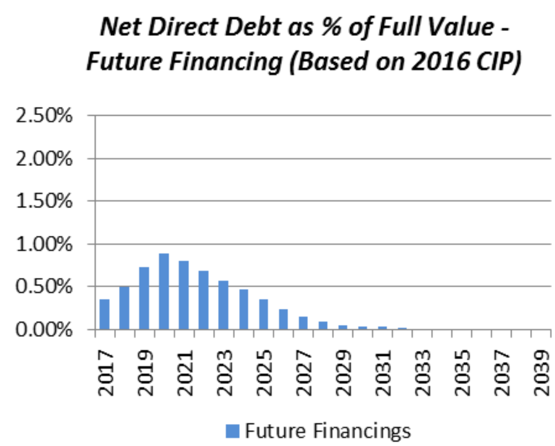
[1] All charts depict 20-year financing scenario. Future Financings based on City's adopted 2016 CIP.

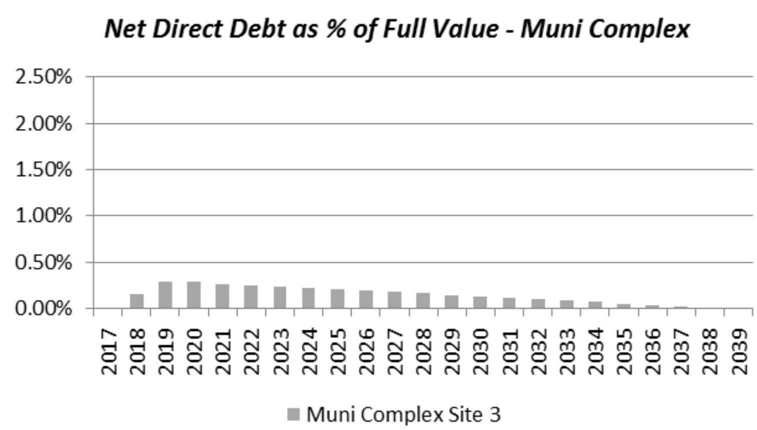
There are several ways to evaluate the level of debt carried by municipalities, including: direct debt (that is, debt issued by the City) as a percentage of the total property value of the City and debt service (principal and interest payments) as a percentage of the City's operating expenditures. The following charts outline these metrics.

Under any of the four scenarios, the financing of the municipal complex in and of itself does not have a material negative impact on the City's debt metrics; however, when coupled with the City's 2016-2020 Combined Five-Year Community Investment Program, the debt metrics are unfavorable. Pairing back the CIP would mitigate the impact.

Net Direct Debt as a percentage of Full Value would peak in 2019 at 2.5%. The U.S. median is 1.2%.[1][2]







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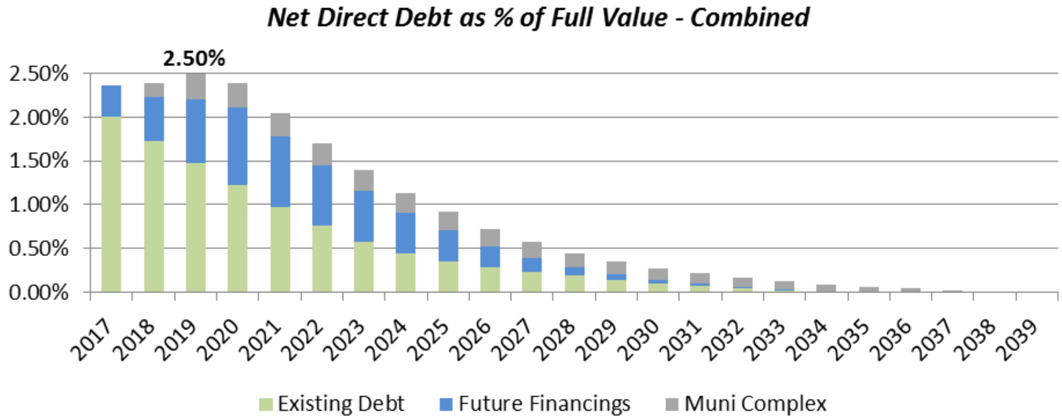
[1] All charts depict 20-year financing scenario. Future Financings based on City's adopted 2016 CIP.
[2] SOURCE: Moody's Investors Service; City of Fond du Lac, WI, Issuer Comment Aug. 10, 2016.



[1]

	Net Direct Debt as % of Full Value		Net Direct Debt as % of Full Value
Mount Pleasant, WI	0.5	Waukesha, WI	2.2
Grand Chute (Town of), WI	0.7	La Crosse, WI	2.3
Muskego, WI	1.1	Sun Prairie, WI	2.4
Germantown, WI	1.2	Fond Du Lac, WI	2.8
Sheboygan, WI	1.5	Oak Creek, WI	3.0
Greenfield, WI	1.9	Green Bay, WI	3.1
Ashwaubenon, WI	1.9	Pleasant Prairie, WI	3.3
West Allis, WI	2.0	Kenosha, WI	3.4
Wausau, WI	2.0	Glendale, WI	5.7
Menomonee Falls, WI	2.1		

Source: Moody's Investors Service, Inc; March 2016

Moody's WI rated Aa2 Cities with EV greater than $2B

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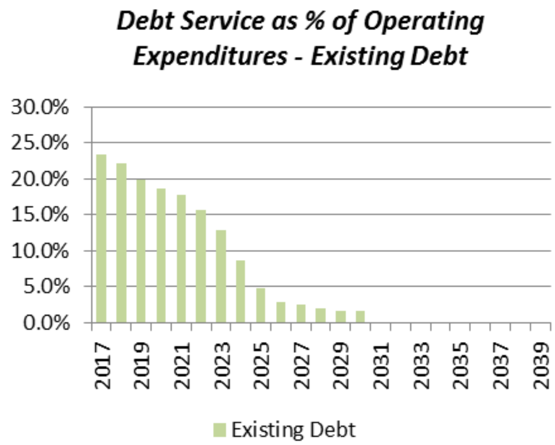
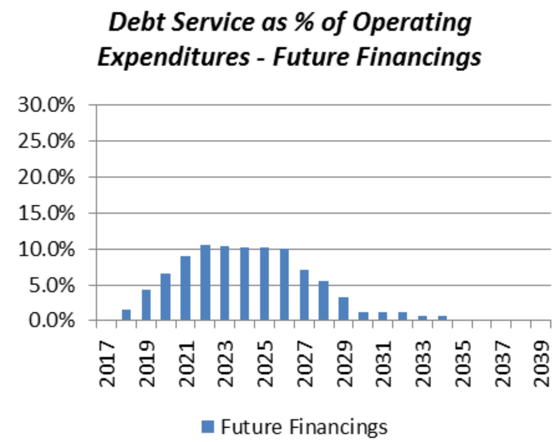
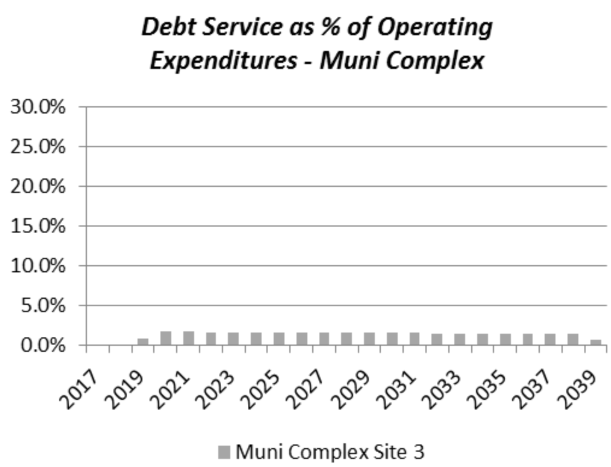
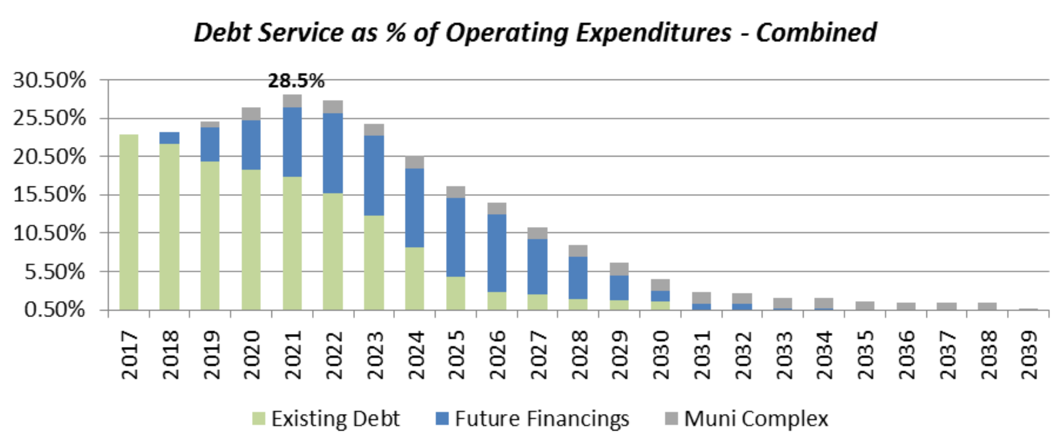
[1] All charts depict 20-year financing scenario. Future Financings based on City's adopted 2016 CIP.

Debt Service as a percent of Operating Expenditures would peak at 28.5% in 2021. In other word, 28.5 cents of every dollar the city spends in 2021 would go to pay debt.[1]









[1] All charts depict 20-year financing scenario. Future Financings based on City's adopted 2016 CIP.

	Debt Service as % of Operating Expenditures		Debt Service as % of Operating Expenditures
Oak Creek, WI	11.1	Grand Chute (Town of), WI	24.5
West Allis, WI	12.0	La Crosse, WI	25.4
Greenfield, WI	12.1	Wausau, WI	25.7
Ashwaubenon, WI	15.0	Germantown, WI	29.5
Mount Pleasant, WI	15.5	Sun Prairie, WI	33.7
Sheboygan, WI	15.8	Kenosha, WI	34.1
Muskego, WI	16.6	Menomonee Falls, WI	44.8
Green Bay, WI	17.5	Pleasant Prairie, WI	58.5
Fond Du Lac, WI	19.0	Glendale, WI	72.2
Waukesha, WI	20.2		

Source: Moody's Investors Service, Inc; March 2016

Moody's WI rated Aa2 Cities with EV greater than $2B

Since debt is only one factor of a bond rating, the City can take proactive steps to mitigate the inflating debt metrics by boosting other rating factors. The most significant step the city could take is increasing its reserves (fund balance).

	Available GF Fund Balance as % of Revenue		Available GF Fund Balance as % of Revenue
Sheboygan, WI	51.2	Germantown, WI	27.4
West Allis, WI	50.9	Fond Du Lac, WI	26.6
Grand Chute (Town of), WI	48.4	Mount Pleasant, WI	26.4
Greenfield, WI	37.0	Muskego, WI	26.0
Glendale, WI	34.5	Kenosha, WI	20.4
Sun Prairie, WI	31.0	Wausau, WI	16.3
Menomonee Falls, WI	29.9	Green Bay, WI	14.9
Pleasant Prairie, WI	29.1	Waukesha, WI	14.3
Oak Creek, WI	28.8	Ashwaubenon, WI	12.5
La Crosse, WI	28.2		

Source: Moody's Investors Service, Inc; March 2016

Moody's WI rated Aa2 Cities with EV greater than $2B

Economic Impact

Site 1A&B: Existing City Hall Site | New Construction and Addition / Renovation

Economic Impact: If the City were to vacate this site and a project is developed of the nature as described above, it would likely yield a built-value of between $7,000,000 and $10,500,0000, which would be a net gain to the City given the property is currently not on the property tax rolls.

Development Catalyst: Should the City of Waukesha choose to exercise site options 1A or 1B, there is little likelihood of the project spurring any surrounding development that would build the tax-base.

Site 2: Existing Transit Center Site | Addition / Renovation

Economic Impact: No positive impact because the site would not be made available for other development if not chosen as the site for the new Civic Center. If the City were to build above the Transit Center, it would not generate tax revenue for the City.

Development Catalyst: Other than the development that would result from freeing up the current site of City Hall for new development, construction of City Hall on the Transit Center structure will not yield any further new development. In fact, this option could restrict potential development on the North River Bank site as it would likely limit the possibility of new development on the River Bank site utilizing the Transit Center parking structure to accommodate a portion of the parking needs for the project. Structured parking on the North River Bank site may be challenging due to the proximity to the river.

Site 3: River Redevelopment Site | New Construction

Economic Impact: While the entire North River Bank – East area is approximately 10.41 acres, it is estimated after carving off a portion of Waukesha State Bank's excess land but leaving the existing office building and bank-branch in-place, approximately eight acres would be available for development, including the former Hardee's property. Depending on density allowed for a project on this site, it could yield a project with a finished value anywhere between $20,000,000 and $40,000,000. Pushing density even higher could increase the finished built-value to as high as $75,000,000, but this would require more expensive construction methods utilizing concrete and steel, and would likely require a larger tax incremental financing contribution to offset the increased costs by the developer. Locating the Civic Center on a portion of this parcel will reduce the total built-values portion that generates property tax revenue, but with proper planning, it would likely yield a greater density and thus offset such loss in a higher amount of taxable project value.

Development Catalyst: Selecting this location would likely spur the greatest amount of other development projects. While it could be argued that locating at this site would limit the amount of taxable new development on the parcel with the City utilizing a portion of it, the Civic Center office component of a larger development and its daytime use will help strengthen the 24-7 vibrancy balance with the nighttime use from multifamily development because this site is not likely to attract a large corporate office user nor a significant amount of retail density. It also allows for the potential dual-use of portions of the Civic area for use as public spaces in off-hours and could provide a larger benefit for the greater downtown area as visitors to City offices may stay and walk to restaurants and other business establishments downtown. The current location of City Hall does not compel visitors to extend their visit downtown due to its location and site configuration, and can be compared to many other "suburban" or single-purpose City Hall buildings.

A larger project would enable the City (or developer partner) to blend down some of the project costs, such as grading, engineering, etc. and thus drive down the City's effective occupancy costs at Site 3, whether directly realized in lower project costs, or in reduced amounts needed in subsequent tax incremental financing as part of a larger development4. It may also provide for opportunities to increase parking rents in the Transit Center as there will be a larger demand for parking.

Public-Private Partnership

A public-private partnership (P3) is between a governmental entity and private-sector party that work together to finance, build and operate projects. A P3 initiative may provide enhanced tax base growth; however, it also adds complexity and some uncertainty.

Site 3 possesses potential for a P3 due to the location, access to a nearby parking structure and proximately to the river. Some strategies to entice developers in partnering in a P3 could be through TIF assistance and site acquisition. Also, the City could partner with an Independent Authority such as WHEDA to apply for NMTC's. An overview of NMTC's is provided below.

Next Steps: If the City decides to further evaluate a P3 the next step is to distribute an RFP to gauge developer interest and potentially engage a developer. Subsequent negotiations/agreements between the City and the developer would convey financial feasibility.

P3 Partnerships to fund municipal facilities are rare in Wisconsin. A recent example of a P3 partnership can be found in ***Appendix E***.

Benefits:
1. Potentially increase tax base
2. Job creation
3. Doesn't reduce City's debt capacity
4. Tax Increment Financing (TIF)
5. New Market Tax Credits (NMTC)

Challenges:
1. Political or Social
2. Developers Agreement
3. Unidentified costs
4. Potential relocation once agreement expires
5. Increases City's fixed costs
6. Long lead time in comparison to transitional financing

New Market Tax Credits

Overview of NMTC:
- A federal tax credit program created to stimulate increased investment and economic growth in low-income communities (as a part of the Community Renewal tax Relief Act of 2000).
- Tax credits are allocated to entities approved by the U.S. Treasury Department called Community Development Entities ("CDE) who then finds tax credit investors and lenders to invest in an eligible project and to make a "Qualified Equity Investment" or "QEI", by lending to organizations like charter schools (among others).
- Eligible communities generally have at least one or more of the following characteristics:
    - Poverty rates greater than 30%
    - Unemployment rates at least 1.5 times the national average
    - Median income less than 60% of area median income

  - Located in empowerment zones, enterprise and renewal communities, HUB Zones and Brownfield sites
  - **Located in a redevelopment project area**
  - Refinance required after the 7-year "tax compliance" period

Benefits for City:

- Flexible uses – similar to bonds and can include acquisition, construction, refinance
- Low debt service requirements
  - Financings are typically structured with <u>interest only</u> component during the seven year "tax-compliance" period.
  - Interest rates on the borrowing is lower than otherwise would be since the tax credit buyer gets "income" from claiming the tax credits, not from income on the loan.
  - A subordinate loan funded from the purchase of tax credits can be "forgiven" at the end of the seven year tax compliance period; 20 – 30% of the <u>original debt may **not** have to be repaid</u> (therefore, equity accrues without the city having paid any principal payment on the debt).

Expenditure Restraint Program (ERP)

This program limits increases to General Fund budgeted expenditures by the rate of inflation plus growth in equalized valuation.

To qualify for a 2017 ERP payment, both of the following must apply:

- Your municipal-only 2015 property tax rate must exceed 5 mills
  - According to DOR records, 479 municipalities have a 2015 tax rate above 5 mills
    Note: This excludes TIF district value and tax increments
- A municipality's non-debt general fund budget expenditure increase from 2015 to 2016 must be **less than** the sum of the 0.3 percent increase in the Consumer Price Index for the 12 months ending September 30, 2015, plus your net new construction percentage during 2014 (up to a maximum 2 percent).

Waukesha received $1,968,007 in 2016 based on 2015 expenditure restraint.

The DOR is requiring that the total General Fund budget expenditures include a community's entire property tax levy even if the community has created other special funds separate from the General Fund. This turns the program into a levy restraint program.

If the City decides to pursue a P3, the lease payments paid would be counted as General Fund budget expenditures; lease payments are not exempt from the calculation of the expenditure restraint payment.

The city loses the ERP payment if it exceeds ERP limits. Please see the ***Appendix C*** for a detailed summary of how the City's 2016 ERP was calculated.

Legislative Change

If the City proceeds with a lease arrangement, legislative change would be required to exclude lease payments from the Municipal budget calculation of the ERP.

APPENDIX A – Proformas

Site 1A (Existing City Hall Site): Public Service Model - New Construction (62,753 sq. ft.)

Cash Flow Proforma Analysis - 21 Year Financing

Assumptions	
Site 1A Cost Estimate	$ 18,836,895.00

$9,420,000 Note Anticipation Notes Dated April 1, 2017 Callable January 1, 2018		$9,320,000 G.O. Refunding Bonds Dated April 1, 2018 Callable April 1, 2027		$9,420,000 Note Anticipation Notes Dated April 1, 2018 Callable January 1, 2019		$9,395,000 G.O. Refunding Bonds Dated April 1, 2019 Callable April 1, 2028	
Amount for Projects	9,420,000	Amount for NAN Pay Off	$9,702,600	Amount for Projects	9,420,000	Amount for NAN Pay Off	$9,702,600
Cost of Issuance (1%)	94,200	Cost of Issuance (2%)	$186,400	Cost of Issuance (1%)	94,200	Cost of Issuance (2%)	$187,900
Bid Premium Avail D/S	14,130	Rounding	$965	Rounding	14,130	Rounding	$923
Less: Reoffering Premium	108,330	Less: Reoffering Premium	$555,835	Less: Reoffering Premium	108,330	Less: Reoffering Premium	$482,293
		Less: NAN Bid Premium Avail D/S	14,130			Less: NAN Bid Premium Avail D/S	14,130

	Calendar Year (12/31)	(a) Interest (4/1) Est. TIC= 1.82%	(b) Principal (4/1)	(c) Interest (4/1 & 10/1) Est. TIC= 3.03%	(d) Debt Service	(e) Interest (4/1) Est. TIC= 1.82%	(f) Principal (4/1)	(g) Interest (4/1 & 10/1) Est. TIC= 3.26%	(h) Debt Service	Net Debt Service (i) Total Debt Service	Net Debt Service (j) Cumulative Debt Service (December 31)	Calendar Year (12/31)	
-	2016											2016	-
1	2017									$0	$0	2017	1
2	2018	$282,600								$0	$0	2018	2
3	2019		$165,000	$503,250	$668,250	$282,600				$668,250	$668,250	2019	3
4	2020		$340,000	$329,900	$669,900		$160,000	$521,750	$681,750	$1,351,650	$2,019,900	2020	4
5	2021		$345,000	$323,050	$668,050		$340,000	$342,300	$682,300	$1,350,350	$3,370,250	2021	5
6	2022		$355,000	$312,500	$667,500		$345,000	$335,450	$680,450	$1,347,950	$4,718,200	2022	6
7	2023		$370,000	$298,000	$668,000		$360,000	$324,800	$684,800	$1,352,800	$6,071,000	2023	7
8	2024		$385,000	$282,900	$667,900		$375,000	$310,100	$685,100	$1,353,000	$7,424,000	2024	8
9	2025		$400,000	$267,200	$667,200		$390,000	$294,800	$684,800	$1,352,000	$8,776,000	2025	9
10	2026		$420,000	$250,800	$670,800		$405,000	$278,900	$683,900	$1,354,700	$10,130,700	2026	10
11	2027		$435,000	$233,700	$668,700		$420,000	$262,400	$682,400	$1,351,100	$11,481,800	2027	11
12	2028		$455,000	$215,900	$670,900		$435,000	$245,300	$680,300	$1,351,200	$12,833,000	2028	12
13	2029		$470,000	$197,400	$667,400		$455,000	$227,500	$682,500	$1,349,900	$14,182,900	2029	13
14	2030		$490,000	$178,200	$668,200		$475,000	$208,900	$683,900	$1,352,100	$15,535,000	2030	14
15	2031		$510,000	$158,200	$668,200		$495,000	$189,500	$684,500	$1,352,700	$16,887,700	2031	15
16	2032		$530,000	$137,400	$667,400		$515,000	$169,300	$684,300	$1,351,700	$18,239,400	2032	16
17	2033		$555,000	$115,700	$670,700		$535,000	$148,300	$683,300	$1,354,000	$19,593,400	2033	17
18	2034		$575,000	$93,100	$668,100		$555,000	$126,500	$681,500	$1,349,600	$20,943,000	2034	18
19	2035		$600,000	$69,600	$669,600		$580,000	$103,800	$683,800	$1,353,400	$22,296,400	2035	19
20	2036		$620,000	$48,300	$668,300		$605,000	$80,100	$685,100	$1,353,400	$23,649,800	2036	20
21	2037		$640,000	$29,400	$669,400		$625,000	$55,500	$680,500	$1,349,900	$24,999,700	2037	21
22	2038		$660,000	$9,900	$669,900		$650,000	$31,625	$681,625	$1,351,525	$26,351,225	2038	22
23	2039						$675,000	$10,125	$685,125	$685,125	$27,036,350	2039	23
			$9,320,000	$4,054,400	$13,374,400		$9,395,000	$4,266,950	$13,661,950	$27,036,350			

Principal & Interest Paid by Refunding Bonds on 4/1/2018.

Principal & Interest Paid by Refunding Bonds on 4/1/2019.

Site 1A (Existing City Hall Site): Public Service Model - New Construction (62,753 sq. ft.)

Cash Flow Proforma Analysis - 16 Year Financing

Assumptions		
Site 1A Cost Estimate	$	18,836,895.00

$9,420,000 Note Anticipation Notes Dated April 1, 2017 Callable January 1, 2018		$9,000,000 G.O. Refunding Bonds Dated April 1, 2018 Callable April 1, 2027		$9,420,000 Note Anticipation Notes Dated April 1, 2018 Callable January 1, 2019		$9,145,000 G.O. Refunding Bonds Dated April 1, 2019 Callable April 1, 2028	
Amount for Projects	9,420,000	Amount for NAN Pay Off	$9,702,600	Amount for Projects	9,420,000	Amount for NAN Pay Off	$9,702,600
Cost of Issuance (1%)	94,200	Cost of Issuance (2%)	$180,000	Cost of Issuance (1%)	94,200	Cost of Issuance (2%)	$182,900
Bid Premium Avail D/S	14,130	Rounding	$1,806	Rounding	14,130	Rounding	$3,934
Less: Reoffering Premium	108,330	Less: Reoffering Premium	$870,276	Less: Reoffering Premium	108,330	Less: Reoffering Premium	$730,304
		Less: NAN Bid Premium Avail D/S	14,130			Less: NAN Bid Premium Avail D/S	14,130

	Calendar Year (12/31)	(a) Interest (4/1) Est. TIC= 1.82%	(b) Principal (4/1)	(c) Interest (4/1 & 10/1) Est. TIC= 2.66%	(d) Debt Service	(e) Interest (4/1) Est. TIC= 1.82%	(f) Principal (4/1)	(g) Interest (4/1 & 10/1) Est. TIC= 2.86%	(h) Debt Service	Net Debt Service (i) Total Debt Service	Net Debt Service (j) Cumulative Debt Service (December 31)	Calendar Year (12/31)	
-	2016											2016	-
1	2017									$0	$0	2017	1
2	2018	$282,600								$0	$0	2018	2
3	2019	Principal & Interest Paid by Refunding Bonds on 4/1/2018.	$310,000	$498,200	$808,200	$282,600				$808,200	$808,200	2019	3
4	2020		$485,000	$323,150	$808,150	Principal & Interest Paid by Refunding Bonds on 4/1/2019.	$315,000	$506,250	$821,250	$1,629,400	$2,437,600	2020	4
5	2021		$495,000	$313,350	$808,350		$495,000	$328,350	$823,350	$1,631,700	$4,069,300	2021	5
6	2022		$510,000	$298,200	$808,200		$500,000	$318,400	$818,400	$1,626,600	$5,695,900	2022	6
7	2023		$530,000	$277,400	$807,400		$520,000	$303,000	$823,000	$1,630,400	$7,326,300	2023	7
8	2024		$555,000	$255,700	$810,700		$540,000	$281,800	$821,800	$1,632,500	$8,958,800	2024	8
9	2025		$575,000	$233,100	$808,100		$560,000	$259,800	$819,800	$1,627,900	$10,586,700	2025	9
10	2026		$600,000	$209,600	$809,600		$585,000	$236,900	$821,900	$1,631,500	$12,218,200	2026	10
11	2027		$625,000	$185,100	$810,100		$610,000	$213,000	$823,000	$1,633,100	$13,851,300	2027	11
12	2028		$650,000	$159,600	$809,600		$635,000	$188,100	$823,100	$1,632,700	$15,484,000	2028	12
13	2029		$675,000	$133,100	$808,100		$660,000	$162,200	$822,200	$1,630,300	$17,114,300	2029	13
14	2030		$705,000	$105,500	$810,500		$685,000	$135,300	$820,300	$1,630,800	$18,745,100	2030	14
15	2031		$730,000	$76,800	$806,800		$715,000	$107,300	$822,300	$1,629,100	$20,374,200	2031	15
16	2032		$760,000	$47,000	$807,000		$745,000	$78,100	$823,100	$1,630,100	$22,004,300	2032	16
17	2033		$795,000	$15,900	$810,900		$775,000	$47,700	$822,700	$1,633,600	$23,637,900	2033	17
18	2034						$805,000	$16,100	$821,100	$821,100	$24,459,000	2034	18
			$9,000,000	$3,131,700	$12,131,700		$9,145,000	$3,182,300	$12,327,300	$24,459,000			

Site 1B (Existing City Hall Site): Public Service Model - Renovation & New Construction (62,180 sq. ft.)

Cash Flow Proforma Analysis - 21 Year Financing

Assumptions	
Site 1B Cost Estimate	$ 18,742,600.00

$9,375,000 Note Anticipation Notes Dated April 1, 2017 Callable January 1, 2018		$9,275,000 G.O. Refunding Bonds Dated April 1, 2018 Callable April 1, 2027		$9,370,000 Note Anticipation Notes Dated April 1, 2018 Callable January 1, 2019		$9,345,000 G.O. Refunding Bonds Dated April 1, 2019 Callable April 1, 2028	
Amount for Projects	9,375,000	Amount for NAN Pay Off	$9,656,250	Amount for Projects	9,370,000	Amount for NAN Pay Off	$9,651,100
Cost of Issuance (1%)	93,750	Cost of Issuance (2%)	$185,500	Cost of Issuance (1%)	93,700	Cost of Issuance (2%)	$186,900
Bid Premium Avail D/S	14,063	Rounding	$1,389	Rounding	14,055	Rounding	$282
Less: Reoffering Premium	107,813	Less: Reoffering Premium	$554,076	Less: Reoffering Premium	107,755	Less: Reoffering Premium	$479,227
		Less: NAN Bid Premium Avail D/S	14,063			Less: NAN Bid Premium Avail D/S	14,055

	Calendar Year (12/31)	(a) Interest (4/1) Est. TIC= 1.82%	(b) Principal (4/1)	(c) Interest (4/1 & 10/1) Est. TIC= 3.03%	(d) Debt Service	(e) Interest (4/1) Est. TIC= 1.82%	(f) Principal (4/1)	(g) Interest (4/1 & 10/1) Est. TIC= 3.26%	(h) Debt Service	Net Debt Service (i) Total Debt Service	(j) Cumulative Debt Service (December 31)	Calendar Year (12/31)	
-	2016											2016	-
1	2017									$0	$0	2017	1
2	2018	$281,250								$0	$0	2018	2
3	2019		$165,000	$500,925	$665,925	$281,100				$665,925	$665,925	2019	3
4	2020		$335,000	$328,400	$663,400		$160,000	$518,825	$678,825	$1,342,225	$2,008,150	2020	4
5	2021		$345,000	$321,600	$666,600		$340,000	$340,350	$680,350	$1,346,950	$3,355,100	2021	5
6	2022		$355,000	$311,050	$666,050		$345,000	$333,500	$678,500	$1,344,550	$4,699,650	2022	6
7	2023		$370,000	$296,550	$666,550		$355,000	$322,950	$677,950	$1,344,500	$6,044,150	2023	7
8	2024		$385,000	$281,450	$666,450		$370,000	$308,450	$678,450	$1,344,900	$7,389,050	2024	8
9	2025		$400,000	$265,750	$665,750		$385,000	$293,350	$678,350	$1,344,100	$8,733,150	2025	9
10	2026		$415,000	$249,450	$664,450		$405,000	$277,550	$682,550	$1,347,000	$10,080,150	2026	10
11	2027		$430,000	$232,550	$662,550		$420,000	$261,050	$681,050	$1,343,600	$11,423,750	2027	11
12	2028		$450,000	$214,950	$664,950		$435,000	$243,950	$678,950	$1,343,900	$12,767,650	2028	12
13	2029		$470,000	$196,550	$666,550		$455,000	$226,150	$681,150	$1,347,700	$14,115,350	2029	13
14	2030		$490,000	$177,350	$667,350		$470,000	$207,650	$677,650	$1,345,000	$15,460,350	2030	14
15	2031		$510,000	$157,350	$667,350		$490,000	$188,450	$678,450	$1,345,800	$16,806,150	2031	15
16	2032		$530,000	$136,550	$666,550		$510,000	$168,450	$678,450	$1,345,000	$18,151,150	2032	16
17	2033		$550,000	$114,950	$664,950		$530,000	$147,650	$677,650	$1,342,600	$19,493,750	2033	17
18	2034		$575,000	$92,450	$667,450		$555,000	$125,950	$680,950	$1,348,400	$20,842,150	2034	18
19	2035		$595,000	$69,050	$664,050		$575,000	$103,350	$678,350	$1,342,400	$22,184,550	2035	19
20	2036		$615,000	$47,925	$662,925		$600,000	$79,850	$679,850	$1,342,775	$23,527,325	2036	20
21	2037		$635,000	$29,175	$664,175		$625,000	$55,350	$680,350	$1,344,525	$24,871,850	2037	21
22	2038		$655,000	$9,825	$664,825		$650,000	$31,475	$681,475	$1,346,300	$26,218,150	2038	22
23	2039						$670,000	$10,050	$680,050	$680,050	$26,898,200	2039	23
			$9,275,000	$4,033,850	$13,308,850		$9,345,000	$4,244,350	$13,589,350	$26,898,200			

Principal & Interest Paid by Refunding Bonds on 4/1/2018.

Principal & Interest Paid by Refunding Bonds on 4/1/2019.

Site 1B (Existing City Hall Site): Public Service Model - Renovation & New Construction (62,180 sq. ft.)

Cash Flow Proforma Analysis - 16 Year Financing

Assumptions	
Site 1B Cost Estimate	$ 18,742,600.00

$9,375,000 Note Anticipation Notes Dated April 1, 2017 Callable January 1, 2018		$8,960,000 G.O. Refunding Bonds Dated April 1, 2018 Callable April 1, 2027		$9,370,000 Note Anticipation Notes Dated April 1, 2018 Callable January 1, 2019		$9,095,000 G.O. Refunding Bonds Dated April 1, 2019 Callable April 1, 2028	
Amount for Projects	9,375,000	Amount for NAN Pay Off	$9,656,250	Amount for Projects	9,370,000	Amount for NAN Pay Off	$9,651,100
Cost of Issuance (1%)	93,750	Cost of Issuance (2%)	$179,200	Cost of Issuance (1%)	93,700	Cost of Issuance (2%)	$181,900
Bid Premium Avail D/S	14,063	Rounding	$4,144	Rounding	14,055	Rounding	$2,205
Less: Reoffering Premium	107,813	Less: Reoffering Premium	$865,531	Less: Reoffering Premium	107,755	Less: Reoffering Premium	$726,150
		Less: NAN Bid Premium Avail D/S	14,063			Less: NAN Bid Premium Avail D/S	14,055

Net Debt Service

	Calendar Year (12/31)	(a) Interest (4/1) Est. TIC= 1.82%	(b) Principal (4/1)	(c) Interest (4/1 & 10/1) Est. TIC= 2.66%	(d) Debt Service	(e) Interest (4/1) Est. TIC= 1.82%	(f) Principal (4/1)	(g) Interest (4/1 & 10/1) Est. TIC= 2.86%	(h) Debt Service	(i) Total Debt Service	(j) Cumulative Debt Service (December 31)	Calendar Year (12/31)	
-	2016											2016	-
1	2017									$0	$0	2017	1
2	2018	$281,250								$0	$0	2018	2
3	2019	Principal & Interest Paid by Refunding Bonds on 4/1/2018.	$310,000	$495,800	$805,800	$281,100				$805,800	$805,800	2019	3
4	2020		$485,000	$321,550	$806,550	Principal & Interest Paid by Refunding Bonds on 4/1/2019.	$315,000	$503,400	$818,400	$1,624,950	$2,430,750	2020	4
5	2021		$495,000	$311,750	$806,750		$490,000	$326,500	$816,500	$1,623,250	$4,054,000	2021	5
6	2022		$510,000	$296,600	$806,600		$500,000	$316,600	$816,600	$1,623,200	$5,677,200	2022	6
7	2023		$530,000	$275,800	$805,800		$515,000	$301,300	$816,300	$1,622,100	$7,299,300	2023	7
8	2024		$550,000	$254,200	$804,200		$540,000	$280,200	$820,200	$1,624,400	$8,923,700	2024	8
9	2025		$570,000	$231,800	$801,800		$560,000	$258,200	$818,200	$1,620,000	$10,543,700	2025	9
10	2026		$595,000	$208,500	$803,500		$580,000	$235,400	$815,400	$1,618,900	$12,162,600	2026	10
11	2027		$620,000	$184,200	$804,200		$605,000	$211,700	$816,700	$1,620,900	$13,783,500	2027	11
12	2028		$645,000	$158,900	$803,900		$630,000	$187,000	$817,000	$1,620,900	$15,404,400	2028	12
13	2029		$670,000	$132,600	$802,600		$655,000	$161,300	$816,300	$1,618,900	$17,023,300	2029	13
14	2030		$700,000	$105,200	$805,200		$685,000	$134,500	$819,500	$1,624,700	$18,648,000	2030	14
15	2031		$730,000	$76,600	$806,600		$710,000	$106,600	$816,600	$1,623,200	$20,271,200	2031	15
16	2032		$760,000	$46,800	$806,800		$740,000	$77,600	$817,600	$1,624,400	$21,895,600	2032	16
17	2033		$790,000	$15,800	$805,800		$770,000	$47,400	$817,400	$1,623,200	$23,518,800	2033	17
18	2034						$800,000	$16,000	$816,000	$816,000	$24,334,800	2034	18
			$8,960,000	$3,116,100	$12,076,100		$9,095,000	$3,163,700	$12,258,700	$24,334,800			

Site 2 (Existing Transit Center Site): Public Service Model - New Construction & Transit Center Improvements (64,118 sq. ft.)

Cash Flow Proforma Analysis - 21 Year Financing

Assumptions	
Site 2 Cost Estimate..................	$ 21,882,500.00

$10,945,000 Note Anticipation Notes Dated April 1, 2017 Callable January 1, 2018		$10,830,000 G.O. Refunding Bonds Dated April 1, 2018 Callable April 1, 2027		$10,940,000 Note Anticipation Notes Dated April 1, 2018 Callable January 1, 2019		$10,910,000 G.O. Refunding Bonds Dated April 1, 2019 Callable April 1, 2028	
Amount for Projects..................	10,945,000	Amount for NAN Pay Off..................	$11,273,350	Amount for Projects..................	10,940,000	Amount for NAN Pay Off..................	$11,268,200
Cost of Issuance (1%)................	109,450	Cost of Issuance (2%)................	$216,600	Cost of Issuance (1%)................	109,400	Cost of Issuance (2%)................	$218,200
Bid Premium Avail D/S..............	16,418	Rounding..................	$2,688	Rounding..................	16,410	Rounding..................	$503
Less: Reoffering Premium..........	125,868	Less: Reoffering Premium..................	$646,221	Less: Reoffering Premium...........	125,810	Less: Reoffering Premium..................	$560,493
		Less: NAN Bid Premium Avail D/S..................	16,418			Less: NAN Bid Premium Avail D/S..................	16,410

	Calendar Year (12/31)	(a) Interest (4/1) Est. TIC= 1.82%	(b) Principal (4/1)	(c) Interest (4/1 & 10/1) Est. TIC= 3.03%	(d) Debt Service	(e) Interest (4/1) Est. TIC= 1.82%	(f) Principal (4/1)	(g) Interest (4/1 & 10/1) Est. TIC= 3.26%	(h) Debt Service	Net Debt Service (i) Total Debt Service	Net Debt Service (j) Cumulative Debt Service (December 31)	Calendar Year (12/31)	
-	2016											2016	-
1	2017									$0	$0	2017	1
2	2018	$328,350								$0	$0	2018	2
3	2019	Principal & Interest Paid by Refunding Bonds on 4/1/2018.	$190,000	$584,900	$774,900	$328,200				$774,900	$774,900	2019	3
4	2020		$395,000	$383,450	$778,450	Principal & Interest Paid by Refunding Bonds on 4/1/2019.	$185,000	$605,838	$790,838	$1,569,288	$2,344,188	2020	4
5	2021		$400,000	$375,500	$775,500		$395,000	$397,475	$792,475	$1,567,975	$3,912,163	2021	5
6	2022		$415,000	$363,200	$778,200		$405,000	$389,475	$794,475	$1,572,675	$5,484,838	2022	6
7	2023		$430,000	$346,300	$776,300		$415,000	$377,125	$792,125	$1,568,425	$7,053,263	2023	7
8	2024		$450,000	$328,700	$778,700		$435,000	$360,125	$795,125	$1,573,825	$8,627,088	2024	8
9	2025		$465,000	$310,400	$775,400		$450,000	$342,425	$792,425	$1,567,825	$10,194,913	2025	9
10	2026		$485,000	$291,400	$776,400		$470,000	$324,025	$794,025	$1,570,425	$11,765,338	2026	10
11	2027		$505,000	$271,600	$776,600		$490,000	$304,825	$794,825	$1,571,425	$13,336,763	2027	11
12	2028		$525,000	$251,000	$776,000		$510,000	$284,825	$794,825	$1,570,825	$14,907,588	2028	12
13	2029		$550,000	$229,500	$779,500		$530,000	$264,025	$794,025	$1,573,525	$16,481,113	2029	13
14	2030		$570,000	$207,100	$777,100		$550,000	$242,425	$792,425	$1,569,525	$18,050,638	2030	14
15	2031		$595,000	$183,800	$778,800		$575,000	$219,925	$794,925	$1,573,725	$19,624,363	2031	15
16	2032		$615,000	$159,600	$774,600		$595,000	$196,525	$791,525	$1,566,125	$21,190,488	2032	16
17	2033		$645,000	$134,400	$779,400		$620,000	$172,225	$792,225	$1,571,625	$22,762,113	2033	17
18	2034		$670,000	$108,100	$778,100		$645,000	$146,925	$791,925	$1,570,025	$24,332,138	2034	18
19	2035		$695,000	$80,800	$775,800		$675,000	$120,525	$795,525	$1,571,325	$25,903,463	2035	19
20	2036		$720,000	$56,100	$776,100		$700,000	$93,025	$793,025	$1,569,125	$27,472,588	2036	20
21	2037		$745,000	$34,125	$779,125		$730,000	$64,425	$794,425	$1,573,550	$29,046,138	2037	21
22	2038		$765,000	$11,475	$776,475		$755,000	$36,613	$791,613	$1,568,088	$30,614,225	2038	22
23	2039						$780,000	$11,700	$791,700	$791,700	$31,405,925	2039	23
			$10,830,000	$4,711,450	$15,541,450		$10,910,000	$4,954,475	$15,864,475	$31,405,925			

Site 2 (Existing Transit Center Site): Public Service Model - New Construction & Transit Center Improvements (64,118 sq. ft.)

Cash Flow Proforma Analysis - 16 Year Financing

Assumptions		
Site 2 Cost Estimate	$	21,882,500.00

$10,945,000 Note Anticipation Notes Dated April 1, 2017 Callable January 1, 2018		$10,455,000 G.O. Refunding Bonds Dated April 1, 2018 Callable April 1, 2027		$10,940,000 Note Anticipation Notes Dated April 1, 2018 Callable January 1, 2019		$10,620,000 G.O. Refunding Bonds Dated April 1, 2019 Callable April 1, 2028	
Amount for Projects	10,945,000	Amount for NAN Pay Off	$11,273,350	Amount for Projects	10,940,000	Amount for NAN Pay Off	$11,268,200
Cost of Issuance (1%)	109,450	Cost of Issuance (2%)	$209,100	Cost of Issuance (1%)	109,400	Cost of Issuance (2%)	$212,400
Bid Premium Avail D/S	16,418	Rounding	$286	Rounding	16,410	Rounding	$3,505
Less: Reoffering Premium	125,868	Less: Reoffering Premium	$1,011,319	Less: Reoffering Premium	125,810	Less: Reoffering Premium	$847,695
		Less: NAN Bid Premium Avail D/S	16,418			Less: NAN Bid Premium Avail D/S	16,410

	Calendar Year (12/31)	(a) Interest (4/1) Est. TIC= 1.82%	(b) Principal (4/1)	(c) Interest (4/1 & 10/1) Est. TIC= 2.66%	(d) Debt Service	(e) Interest (4/1) Est. TIC= 1.82%	(f) Principal (4/1)	(g) Interest (4/1 & 10/1) Est. TIC= 2.86%	(h) Debt Service	Net Debt Service (i) Total Debt Service	Net Debt Service (j) Cumulative Debt Service (December 31)	Calendar Year (12/31)	
-	2016											2016	-
1	2017									$0	$0	2017	1
2	2018	$328,350								$0	$0	2018	2
3	2019		$355,000	$578,900	$933,900	$328,200				$933,900	$933,900	2019	3
4	2020		$565,000	$375,550	$940,550		$365,000	$587,800	$952,800	$1,893,350	$2,827,250	2020	4
5	2021		$575,000	$364,150	$939,150		$575,000	$381,250	$956,250	$1,895,400	$4,722,650	2021	5
6	2022		$595,000	$346,500	$941,500		$585,000	$369,650	$954,650	$1,896,150	$6,618,800	2022	6
7	2023		$620,000	$322,200	$942,200		$605,000	$351,700	$956,700	$1,898,900	$8,517,700	2023	7
8	2024		$645,000	$296,900	$941,900		$625,000	$327,100	$952,100	$1,894,000	$10,411,700	2024	8
9	2025		$670,000	$270,600	$940,600		$655,000	$301,500	$956,500	$1,897,100	$12,308,800	2025	9
10	2026		$695,000	$243,300	$938,300		$680,000	$274,800	$954,800	$1,893,100	$14,201,900	2026	10
11	2027		$725,000	$214,900	$939,900		$705,000	$247,100	$952,100	$1,892,000	$16,093,900	2027	11
12	2028		$755,000	$185,300	$940,300		$735,000	$218,300	$953,300	$1,893,600	$17,987,500	2028	12
13	2029		$785,000	$154,500	$939,500		$765,000	$188,300	$953,300	$1,892,800	$19,880,300	2029	13
14	2030		$815,000	$122,500	$937,500		$795,000	$157,100	$952,100	$1,889,600	$21,769,900	2030	14
15	2031		$850,000	$89,200	$939,200		$830,000	$124,600	$954,600	$1,893,800	$23,663,700	2031	15
16	2032		$885,000	$54,500	$939,500		$865,000	$90,700	$955,700	$1,895,200	$25,558,900	2032	16
17	2033		$920,000	$18,400	$938,400		$900,000	$55,400	$955,400	$1,893,800	$27,452,700	2033	17
18	2034						$935,000	$18,700	$953,700	$953,700	$28,406,400	2034	18
			$10,455,000	$3,637,400	$14,092,400		$10,620,000	$3,694,000	$14,314,000	$28,406,400			

Principal & Interest Paid by Refunding Bonds on 4/1/2018.

Principal & Interest Paid by Refunding Bonds on 4/1/2019.

Site 3 (River Redevelopment Site): Public Service Model - New Construction (56,618 sq. ft.)

Cash Flow Proforma Analysis - 21 Year Financing

Assumptions	
Site 3 Cost Estimate	$ 18,524,495.00

$9,265,000 Note Anticipation Notes Dated April 1, 2017 Callable January 1, 2018		$9,170,000 G.O. Refunding Bonds Dated April 1, 2018 Callable April 1, 2027		$9,260,000 Note Anticipation Notes Dated April 1, 2018 Callable January 1, 2019		$9,235,000 G.O. Refunding Bonds Dated April 1, 2019 Callable April 1, 2028	
Amount for Projects	9,265,000	Amount for NAN Pay Off	$9,542,950	Amount for Projects	9,260,000	Amount for NAN Pay Off	$9,537,800
Cost of Issuance (1%)	92,650	Cost of Issuance (2%)	$183,400	Cost of Issuance (1%)	92,600	Cost of Issuance (2%)	$184,700
Bid Premium Avail D/S	13,898	Rounding	$4,008	Rounding	13,890	Rounding	$791
Less: Reoffering Premium	106,548	Less: Reoffering Premium	$546,461	Less: Reoffering Premium	106,490	Less: Reoffering Premium	$474,401
		Less: NAN Bid Premium Avail D/S	13,898			Less: NAN Bid Premium Avail D/S	13,890

	Calendar Year (12/31)	(a) Interest (4/1) Est. TIC= 1.82%	(b) Principal (4/1)	(c) Interest (4/1 & 10/1) Est. TIC= 3.03%	(d) Debt Service	(e) Interest (4/1) Est. TIC= 1.82%	(f) Principal (4/1)	(g) Interest (4/1 & 10/1) Est. TIC= 3.26%	(h) Debt Service	Net Debt Service (i) Total Debt Service	Net Debt Service (j) Cumulative Debt Service (December 31)	Calendar Year (12/31)	
-	2016											2016	-
1	2017									$0	$0	2017	1
2	2018	$277,950								$0	$0	2018	2
3	2019	Principal & Interest Paid by Refunding Bonds on 4/1/2018.	$165,000	$495,000	$660,000	$277,800				$660,000	$660,000	2019	3
4	2020		$335,000	$324,450	$659,450	Principal & Interest Paid by Refunding Bonds on 4/1/2019.	$160,000	$512,750	$672,750	$1,332,200	$1,992,200	2020	4
5	2021		$340,000	$317,700	$657,700		$335,000	$336,350	$671,350	$1,329,050	$3,321,250	2021	5
6	2022		$350,000	$307,300	$657,300		$340,000	$329,600	$669,600	$1,326,900	$4,648,150	2022	6
7	2023		$365,000	$293,000	$658,000		$355,000	$319,100	$674,100	$1,332,100	$5,980,250	2023	7
8	2024		$380,000	$278,100	$658,100		$365,000	$304,700	$669,700	$1,327,800	$7,308,050	2024	8
9	2025		$395,000	$262,600	$657,600		$380,000	$289,800	$669,800	$1,327,400	$8,635,450	2025	9
10	2026		$410,000	$246,500	$656,500		$400,000	$274,200	$674,200	$1,330,700	$9,966,150	2026	10
11	2027		$430,000	$229,700	$659,700		$415,000	$257,900	$672,900	$1,332,600	$11,298,750	2027	11
12	2028		$445,000	$212,200	$657,200		$430,000	$241,000	$671,000	$1,328,200	$12,626,950	2028	12
13	2029		$465,000	$194,000	$659,000		$450,000	$223,400	$673,400	$1,332,400	$13,959,350	2029	13
14	2030		$480,000	$175,100	$655,100		$465,000	$205,100	$670,100	$1,325,200	$15,284,550	2030	14
15	2031		$500,000	$155,500	$655,500		$485,000	$186,100	$671,100	$1,326,600	$16,611,150	2031	15
16	2032		$520,000	$135,100	$655,100		$505,000	$166,300	$671,300	$1,326,400	$17,937,550	2032	16
17	2033		$545,000	$113,800	$658,800		$525,000	$145,700	$670,700	$1,329,500	$19,267,050	2033	17
18	2034		$565,000	$91,600	$656,600		$545,000	$124,300	$669,300	$1,325,900	$20,592,950	2034	18
19	2035		$590,000	$68,500	$658,500		$570,000	$102,000	$672,000	$1,330,500	$21,923,450	2035	19
20	2036		$610,000	$47,550	$657,550		$595,000	$78,700	$673,700	$1,331,250	$23,254,700	2036	20
21	2037		$630,000	$28,950	$658,950		$615,000	$54,500	$669,500	$1,328,450	$24,583,150	2037	21
22	2038		$650,000	$9,750	$659,750		$640,000	$31,000	$671,000	$1,330,750	$25,913,900	2038	22
23	2039						$660,000	$9,900	$669,900	$669,900	$26,583,800	2039	23
			$9,170,000	$3,986,400	$13,156,400		$9,235,000	$4,192,400	$13,427,400	$26,583,800			

Site 3 (River Redevelopment Site): Public Service Model - New Construction (56,618 sq. ft.)

Cash Flow Proforma Analysis - 16 Year Financing

Assumptions	
Site 3 Cost Estimate..........	$ 18,524,495.00

$9,265,000 Note Anticipation Notes Dated April 1, 2017 Callable January 1, 2018		$8,850,000 G.O. Refunding Bonds Dated April 1, 2018 Callable April 1, 2027		$9,260,000 Note Anticipation Notes Dated April 1, 2018 Callable January 1, 2019		$8,990,000 G.O. Refunding Bonds Dated April 1, 2019 Callable April 1, 2028	
Amount for Projects..........	9,265,000	Amount for NAN Pay Off..........	$9,542,950	Amount for Projects..........	9,260,000	Amount for NAN Pay Off..........	$9,537,800
Cost of Issuance (1%)..........	92,650	Cost of Issuance (2%)..........	$177,000	Cost of Issuance (1%)..........	92,600	Cost of Issuance (2%)..........	$179,800
Bid Premium Avail D/S..........	13,898	Rounding..........	$98	Rounding..........	13,890	Rounding..........	$4,175
Less: Reoffering Premium..........	106,548	Less: Reoffering Premium..........	$856,150	Less: Reoffering Premium..........	106,490	Less: Reoffering Premium..........	$717,885
		Less: NAN Bid Premium Avail D/S..........	13,898			Less: NAN Bid Premium Avail D/S..........	13,890

	Calendar Year (12/31)	(a) Interest (4/1) Est. TIC= 1.82%	(b) Principal (4/1)	(c) Interest (4/1 & 10/1) Est. TIC= 2.66%	(d) Debt Service	(e) Interest (4/1) Est. TIC= 1.82%	(f) Principal (4/1)	(g) Interest (4/1 & 10/1) Est. TIC= 2.86%	(h) Debt Service	Net Debt Service (i) Total Debt Service	Net Debt Service (j) Cumulative Debt Service (December 31)	Calendar Year (12/31)	
-	2016											2016	-
1	2017									$0	$0	2017	1
2	2018	$277,950								$0	$0	2018	2
3	2019	Principal & Interest Paid by Refunding Bonds on 4/1/2018.	$300,000	$490,050	$790,050	$277,800				$790,050	$790,050	2019	3
4	2020		$480,000	$317,900	$797,900	Principal & Interest Paid by Refunding Bonds on 4/1/2019.	$310,000	$497,600	$807,600	$1,605,500	$2,395,550	2020	4
5	2021		$485,000	$308,250	$793,250		$485,000	$322,750	$807,750	$1,601,000	$3,996,550	2021	5
6	2022		$500,000	$293,400	$793,400		$495,000	$312,950	$807,950	$1,601,350	$5,597,900	2022	6
7	2023		$525,000	$272,900	$797,900		$510,000	$297,800	$807,800	$1,605,700	$7,203,600	2023	7
8	2024		$545,000	$251,500	$796,500		$530,000	$277,000	$807,000	$1,603,500	$8,807,100	2024	8
9	2025		$565,000	$229,300	$794,300		$550,000	$255,400	$805,400	$1,599,700	$10,406,800	2025	9
10	2026		$590,000	$206,200	$796,200		$575,000	$232,900	$807,900	$1,604,100	$12,010,900	2026	10
11	2027		$615,000	$182,100	$797,100		$600,000	$209,400	$809,400	$1,606,500	$13,617,400	2027	11
12	2028		$640,000	$157,000	$797,000		$625,000	$184,900	$809,900	$1,606,900	$15,224,300	2028	12
13	2029		$665,000	$130,900	$795,900		$650,000	$159,400	$809,400	$1,605,300	$16,829,600	2029	13
14	2030		$690,000	$103,800	$793,800		$675,000	$132,900	$807,900	$1,601,700	$18,431,300	2030	14
15	2031		$720,000	$75,600	$795,600		$705,000	$105,300	$810,300	$1,605,900	$20,037,200	2031	15
16	2032		$750,000	$46,200	$796,200		$730,000	$76,600	$806,600	$1,602,800	$21,640,000	2032	16
17	2033		$780,000	$15,600	$795,600		$760,000	$46,800	$806,800	$1,602,400	$23,242,400	2033	17
18	2034						$790,000	$15,800	$805,800	$805,800	$24,048,200	2034	18
			$8,850,000	$3,080,700	$11,930,700		$8,990,000	$3,127,500	$12,117,500	$24,048,200			

APPENDIX B – TID Analysis

Waukesha could create a Tax Incremental District ("TID") to provide developer assistance for the redevelopment of Site 1. The following TID analysis assumes the conversion of Site 1 to its highest and best use. The demolition and abatement costs could be recovered via incremental TID revenue. Assuming incremental value of $8,826,250, the TID is projected to recover project costs within six years of full development. If needed to attract development, the City could consider offering additional TID incentives.

Site 1

City of Waukesha
Tax Increment District
Example Cash Flow Proforma Analysis - Site 1

Assumptions	
Annual Inflation During Life of TID.......	0.00%
2015 Gross Tax Rate (per $1000 Equalized Value).......	$10.35
Annual Adjustment to tax rate.......	0.00%
Investment rate.......	0.50%
Data above dashed line are actual	

New Issue - Demolition & Abatement	
$465,000 Taxable G.O. Promissory Notes Dated October 1, 2017	
Amount for Projects.......	$429,200
Capitalized Interest.......	$23,250
Cost of Issuance (est.).......	$10,000
Rounding.......	$2,550
Less: Reoffering Premium.......	$0

	Background Data					Revenues			Expenditures				TID Status			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	
Year	TIF District Valuation	Inflation Increment	Construction Increment	TIF Increment Over Base	Tax Rate	Tax Revenue	Investment Proceeds	Total Revenues	Principal	Interest	Capitalized Interest	Debt Service	Annual Balance	Year End Cumulative Balance	Cost Recovery	Year
	(January 1)		**(1)**					**(2)**	*(10/1)*	*(4/1 & 10/1)* TIC= 2.50%				*(December 31)*		
	Base Value $0															
2017	$0			$0	$10.35	$0	$0	$0					$0	$0		2017
2018	$0	$0	$8,826,250	$8,826,250	$10.35	$0	$0	$0		$11,625	($11,625)	$0	$0	$0		2018
2019	$8,826,250	$0		$8,826,250	$10.35	$0	$0	$0		$11,625	($11,625)	$0	$0	$0		2019
2020	$8,826,250	$0		$8,826,250	$10.35	$91,352	$0	$91,352	$55,000	$11,625		$66,625	$24,727	$24,727		2020
2021	$8,826,250	$0		$8,826,250	$10.35	$91,352	$124	$91,475	$55,000	$10,250		$65,250	$26,225	$50,952		2021
2022	$8,826,250	$0		$8,826,250	$10.35	$91,352	$255	$91,606	$55,000	$8,875		$63,875	$27,731	$78,683		2022
2023	$8,826,250	$0		$8,826,250	$10.35	$91,352	$393	$91,745	$55,000	$7,500		$62,500	$29,245	$107,929		2023
2024	$8,826,250	$0		$8,826,250	$10.35	$91,352	$540	$91,891	$60,000	$6,125		$66,125	$25,766	$133,695		2024
2025	$8,826,250	$0		$8,826,250	$10.35	$91,352	$668	$92,020	$60,000	$4,625		$64,625	$27,395	$161,090	Expenditures Recovered	2025
2026	$8,826,250	$0		$8,826,250	$10.35	$91,352	$805	$92,157	$60,000	$3,125		$63,125	$29,032	$190,122	Expenditures Recovered	2026
2027	$8,826,250	$0		$8,826,250	$10.35	$91,352	$951	$92,302	$65,000	$1,625		$66,625	$25,677	$215,799	Expenditures Recovered	2027
2028	$8,826,250	$0		$8,826,250	$10.35	$91,352	$1,079	$92,431					$92,431	$308,230	Expenditures Recovered	2028
2029	$8,826,250	$0		$8,826,250	$10.35	$91,352	$1,541	$92,893					$92,893	$401,123	Expenditures Recovered	2029
2030	$8,826,250	$0		$8,826,250	$10.35	$91,352	$2,006	$93,357					$93,357	$494,480	Expenditures Recovered	2030
2031	$8,826,250	$0		$8,826,250	$10.35	$91,352	$2,472	$93,824					$93,824	$588,304	Expenditures Recovered	2031
2032	$8,826,250	$0		$8,826,250	$10.35	$91,352	$2,942	$94,293					$94,293	$682,598	Expenditures Recovered	2032
2033	$8,826,250	$0		$8,826,250	$10.35	$91,352	$3,413	$94,765					$94,765	$777,362	Expenditures Recovered	2033
2034	$8,826,250	$0		$8,826,250	$10.35	$91,352	$3,887	$95,238					$95,238	$872,601	Expenditures Recovered	2034
2035	$8,826,250	$0		$8,826,250	$10.35	$91,352	$4,363	$95,715					$95,715	$968,315	Expenditures Recovered	2035
2036	$8,826,250	$0		$8,826,250	$10.35	$91,352	$4,842	$96,193					$96,193	$1,064,509	Expenditures Recovered	2036
2037	$8,826,250	$0		$8,826,250	$10.35	$91,352	$5,323	$96,674					$96,674	$1,161,183	Expenditures Recovered	2037
2038	$8,826,250	$0		$8,826,250	$10.35	$91,352	$5,806	$97,158					$97,158	$1,258,341	Expenditures Recovered	2038
2039	$8,826,250	$0		$8,826,250	$10.35	$91,352	$6,292	$97,643					$97,643	$1,355,984	Expenditures Recovered	2039
2040	$8,826,250	$0		$8,826,250	$10.35	$91,352	$6,780	$98,132					$98,132	$1,454,116	Expenditures Recovered	2040
2041						$91,352	$7,271	$98,622					$98,622	$1,552,738	Expenditures Recovered	2041
		$0	$8,826,250			$2,009,737	$61,751	$2,071,488	$465,000	$77,000		$518,750				

Type of TID: Mixed-Use

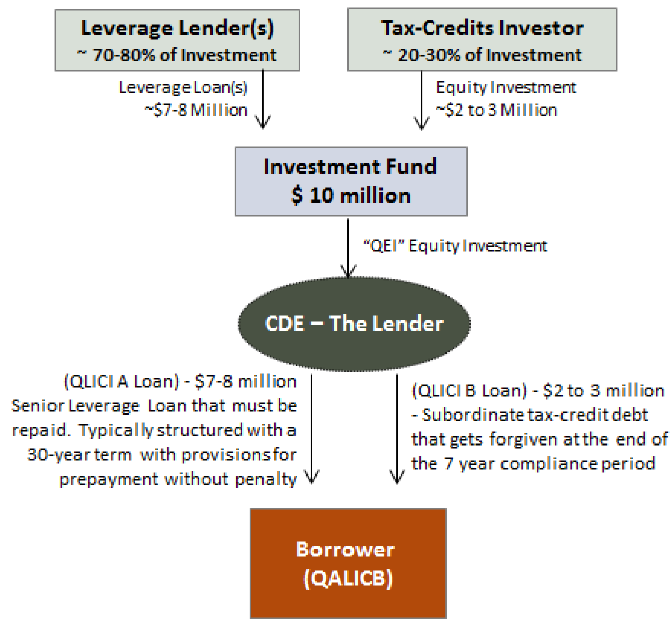
2017 TID Inception
2035 Final Year to Incur TIF Related Costs
2040 Maximum Legal Life of TID (23 Years)
2041 Final Tax Collection Year

(1) *Increment per CBRE average estimate (mid-range).*
(2) *Excludes potential land sale revenue of $736,800 to $1,105,200*

APPENDIX C – New Market Tax Credits and Expenditure Restraint Payment Supplemental Information

A standard leverage structure is provided below but can be modified and/or combined with other financings

STANDARD NMTC FUNDING STRUCTURE – $10 Million Example



PRIMARY TRANSACTION PARTICIPANTS / KEY TERMS

- <u>New Markets Tax Credit</u>– The "new markets tax credit" allowed pursuant to Treasury Code. The credit, taken over seven years, is equal to 39% of the QEI
- <u>CDE</u> – A "qualified community development entity" as authorized by the Treasury Department.
- <u>Leverage Lender</u> – A lender to the investment fund, typically a bank engaged or required to fulfill their CRA requirement or a CDFI (Community Development Financial Institution")
- <u>QEI</u> – A "qualified equity investment," an equity investment in a CDE. The investment must be outstanding for seven years
- <u>Investment Fund</u> – The entity that makes a QEI in the CDE that makes loans to charter schools
- <u>QALICB</u> – A "qualified active low-income community business". Usually the Borrower
- <u>QLICI Loans</u> – the loans made to QUALICB.
  - QLICI A Loan - funded w/ Senior (leveraged) Debt (i.e. CDFIs, TEBs, loans) at prevailing market rates – expected to be repaid in full
  - QLICI B Loan - funded w/ subordinate (tax-credit) debt at subsidized interest rate. This portion of the loan is generally forgiven upon the expiration of the seven year NMTC compliance period and once QLICI A loan is repaid in full (hence the refinancing component required to realize the "equity" accrued.
- <u>Tax Credit Investor</u> – The entity that makes an equity investment in the Investment Fund and receives the New Markets Tax Credits allocated to the Investment Fund over seven years

CALCULATION OF EXPENDITURE RESTRAINT PAYMENT FOR 2015 FOR THE CITY OF WAUKESHA

Step 1: Subtract 5 mills from the municipal purpose tax rate		
Municipal purpose tax levy for 2014/15: This is the total municipal levy excluding any tax incremental finance (TIF) district incremental levies	(A)	$54,546,394
Equalized value (excluding TIF increment value)	(B)	$5,330,832,900
Municipal-purpose property tax rate (A/B)	(C)	**0.010232246**
Municipal-purpose property tax rate minus 5 mills	(D)	0.005232246
Step 2: Multiply the levy in excess of 5 mills by the "TIF in" equalized value		
Equalized value (including TIF incremental value)	(E)	$5,546,910,300
Total Municipal levy in excess of 5 mills (including portion of TIF incremental tax levy attributable to the municipal-purpose tax levy) (D*E)	(F)	$29,022,800
Step 3: Divide the above amount by the state total		
Statewide total of municipal levies in excess of 5 mills for all municipalities qualifying for an expenditure restraint payment	(G)	$857,492,528
Waukesha's share of the state total (F/G)	(H)	0.033846125
Step 4: Multiply the above amount by the total funds appropriated		
Amount appropriated for expenditure restraint payments in 2015	(I)	$58,145,700
Amount payable to the City of Waukesha (H*I)	**(J)**	**$1,968,007**

APPENDIX D – Moody's Investor Service Rating Report Dated March 22, 2016

MOODY'S INVESTORS SERVICE

CREDIT OPINION

22 March 2016

New Issue

Rate this Research

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City of Waukesha, WI

New Issue: Moody's Downgrades Waukesha, WI's GO to Aa2 from Aa1; Assigns Aa2 to LT Offerings, MIG 1 to ST NANs

Summary Rating Rationale

Moody's Investors Service has downgraded the City of Waukesha, WI's general obligation (GO) to Aa2 from Aa1. Concurrently, Moody's has assigned a Aa2 rating to the city's $18.3 million GO Promissory Notes, Series 2016A , $6.6 million GO Refunding Bonds, Series 2016D, $1.2 million Taxable General Obligation Promissory Notes, Series 2016E, and $17.4 million Note Anticipation Notes (NANs), Series 2016B. Additionally, Moody's has assigned a MIG 1 rating to the city's $10.7 million NANs, Series 2016C. Post-sale the city will have $135.0 million of outstanding GO debt and $28.1 million in NANs outstanding.

The downgrade of the city's long-term rating to Aa2 reflects its relatively more narrow reserve levels and challenged position of a tax increment districts (TID). The rating also incorporates the city's sizeable and diverse tax base that benefits from its proximity to the City of Milwaukee (Aa3 stable); along with its modest pension pressures and above average debt profile with rapid amortization.

The MIG1 short-term rating incorporates the city's track record of strong market access, underlying credit quality inherent in its Aa2 long-term rating, and high projected internal liquidity relative to outstanding notes.

Credit Strengths

» Sizeable and diverse tax base

» Large, diverse employment base with below average unemployment

» Modest pension burden

Credit Challenges

» Above average debt burden

» More narrow reserve levels due to pressured TID operations

» State imposed revenue limitations reducing financial flexibility

Rating Outlook

Outlooks are usually not assigned to local government credits with this amount of debt.

Factors that Could Lead to an Upgrade

- Significant Improvement in socio-economic indices
- Material, sustained increase in available reserves
- Moderation of the city's debt burden

Factors that Could Lead to a Downgrade

- Erosion of the city's tax base and demographic profile
- Further decline in operating reserves, or continued pressure from underperforming TIDs

Key Indicators

Exhibit 1

Waukesha (City of) WI	2010	2011	2012	2013	2014
Economy/Tax Base					
Total Full Value ($000)	$ 5,904,933	$ 5,767,117	$ 5,426,430	$ 5,389,651	$ 5,546,910
Full Value Per Capita	$ 83,500	$ 81,531	$ 76,501	$ 75,893	$ 78,108
Median Family Income (% of US Median)	114.3%	111.6%	113.3%	113.2%	113.2%
Finances					
Operating Revenue ($000)	$ 70,627	$ 72,504	$ 70,042	$ 72,859	$ 73,338
Fund Balance as a % of Revenues	16.3%	14.0%	16.1%	13.9%	12.3%
Cash Balance as a % of Revenues	114.3%	102.3%	91.8%	101.7%	102.9%
Debt/Pensions					
Net Direct Debt ($000)	$ 111,288	$ 108,621	$ 112,056	$ 115,971	$ 120,819
Net Direct Debt / Operating Revenues (x)	1.6x	1.5x	1.6x	1.6x	1.6x
Net Direct Debt / Full Value (%)	1.9%	1.9%	2.1%	2.2%	2.2%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	N/A	0.3x	0.4x	N/A
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	N/A	0.4%	0.5%	N/A

The table above represents only data in years which audited financial statements exists. Critical data points such as post-sale debt burden and recent full market value are discussed in the report below.
Source: Audited Financial Statements, Moody's

Detailed Rating Considerations

Economy and Tax Base: Sizeable, Diverse Tax Base Benefits from Proximity to Milwaukee

The City of Waukesha's sizable $5.6 billion tax base is demonstrating signs of stabilization following recent valuation declines. Located 15 miles west of Milwaukee, the city serves as the seat of Waukesha County (Aaa stable). While the city's tax base experienced persistent declines during the national economic downturn, the pace of decline began to slow in 2013 with a minimal 0.7% decrease and began increasing in 2014 with a 2.9% growth in valuation and 2.1% in 2015. The tax base is primarily residential, comprising 66% of equalized value in 2015, but also benefits from a sizeable commercial sector comprising 26% of equalized value.

The city's economy has traditionally been anchored by manufacturing but also includes health care, printing, and high tech industries. At 3.8% in December 2015, Waukesha's unemployment rate was below both the national rate of 4.8% and state rate of 4.2%, during the same period. Resident income levels are slightly above average with median family income at 113% of the US median, as estimated in the 2009-2013 American Community Survey.

Financial Operations and Reserves: Satisfactory Financial Operations and More Narrow Available Reserves Due to Support of Underperforming TID

We expect the city's financial operations to remain satisfactory supported by conservative budgeting and the restructuring of debt associated with a weak performing tax increment district (TID). Slightly increased property taxes, along with tight expenditure controls have enabled the city's General Fund to post modest to moderate annual operating surpluses. This includes a $186,000 General Fund surplus in fiscal 2014, which increased its total balance to $12.7 million, or 21.2% of revenue. However, in recent years annual support of the city's TID #11 through interfund loans has restricted the city's relatively narrow combined available operating reserves.

At fiscal 2014 year-end, the city's TID Debt Service Fund had a deficit balance of $3.8 million as a result of interfund transfers due back to the General Fund. The liability has grown in recent years due slower than projected increment growth, particularly attributed to TID #11. Accounting for this liability, which city management does not expect to be paid off until 2024, the city's year-end available operating reserves stood at $8.9 million, or a more narrow 12.3% of operating revenue. A portion of the previously issued Series 2015A GO Promissory Notes was used to refund the TID #11 GO debt, which is estimated to result in annual interest savings. The savings have allowed TID #11 to begin to produce positive cash flow in fiscal 2015 and the city does not expect additional General Fund support going forward. While these efforts are noted by Moody's, the previous subsidies to support TID #11 have materially narrowed the city's reserve position to below the majority of similarly rated entities.

Near-term financial estimates are favorable, assisted by discontinued General Fund support of the city's TID Debt Service Fund. While audited results are not yet available, the city is projecting the General Fund to record a sizeable $2.2 million operating surplus in fiscal 2015 and to break even in fiscal 2016. Property taxes comprise the city's largest operating fund revenue source at 78% of fiscal 2014 revenues. Like all cities, villages, towns and counties throughout the state, the city is subject to strict levy limits that generally restrict growth in the operating levy to net new construction. The city has kept its levy flat for a number of years, but increased it by approximately 2% in fiscal 2014 and remained relatively flat in fiscal 2015.

LIQUIDITY

The city's cash position is expected to remain satisfactory, bolstered by additional liquidity in its enterprise and internal services operations. At fiscal 2014 year-end the city held $89.5 million across all of its governmental funds. However, approximately $64.3 million represented property tax collected by the city on behalf of surrounding school district's. Net of this amount, the city's year-end operating net cash balance was approximately $10.7 million, or 14.6% of fiscal 2014 operating revenue.

Debt and Pensions: Elevated Debt Levels and Affordable Pension Obligations

The city's debt burden is expected to grow but remain manageable based on current debt plans. At 2.3% and 2.6% of full value, respectively, the city's direct and overall debt burden are above average. Debt service as a percentage of total annual operating expenditures was elevated but manageable at 20% in fiscal 2014. The city's water utility is currently operating under a consent decree from the Department of Justice in which it must be fully compliant with all federal and state drinking water radionuclide standards by June 30, 2018. As a result, the city is planning for $206 million of capital water projects, which will be financed through a combination of grants, GO debt, and water revenue debt. Officials expect GO debt issued in conjunction with the projects will not exceed $50 million, of which about 80% has already been issued inclusive of the current Series 2016B NANs.

The city's fixed cost burden, which includes debt service payments as well as pension and OPEB contributions, is elevated at 26.4% of operating revenues in fiscal 2014.

DEBT STRUCTURE

The city currently has approximately $135.0 million of fixed rate GO debt which amortizes over the long-term. Approximately $31.2 million of this debt is supported by the city's water and wastewater utilities. The city plans to refinance the $10.7 million Series 2016C NANs with long-term debt issuances sometime next spring well advance of the July 7, 2017 maturity date. Additionally, the city plans to take out a clean water fund loan (CWFL) from the state of Wisconsin sometime next year, well in advance of the May 1, 2021 maturity date. The city has successfully been approved for a CWFL in the past.

DEBT-RELATED DERIVATIVES

All of the city's debt is fixed rate, and the city is not a party to any interest rate swap agreements.

PENSIONS AND OPEB

Costs associated with the city's exposure to the state multi-employer pension plan, the Wisconsin Retirement System (WRS), are expected to remain manageable. The city's contribution in fiscal 2014 totaled $2.9 million, or a modest 4.1% of operating revenues. The city has historically made its required contributions to WRS. Moody's three-year adjusted net pension liability (ANPL) for the city through 2014, under our methodology for adjusting reported pension data, was $29.2 million, or a manageable 0.4 times operating fund revenues. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended replace the city's reported contribution information, but to improve comparability with other rated entities. We determined the city's share of liability for WRS in proportion to its contributions to the plan and covered payroll.

Governance: Limited Revenue Raising Flexibility but Ample Ability to Control Expense

Wisconsin cities have an institutional framework score of “A,” or moderate. Revenues are highly predictable as property taxes and state aid represent the largest revenue streams. Overall, cities have low revenue-raising ability. Property tax levy caps generally restrict cities from increasing their operating property tax levy except to capture amounts represented by net new construction growth. Expenditures mostly consist of personnel costs, which are moderately predictable. Expenditures are somewhat flexible, as collective bargaining is allowable for public safety employees but is curbed for non-public safety employees.

The city's management team is sound, adhering to its reserve policy of maintain an unassigned General Fund balance of at least 10% of expenditures and making long-term capital plans. However, the stressed operations in some of the city’s TIDs has narrowed reserves across operating funds in recent years and represents a management weakness in the past. Going forward the city has adopted pay-go financings in more recently opened TIDs and has made a greater emphasis on obtaining developer agreement guarantees.

Legal Security

The note anticipation notes are secured solely by proceeds of future bond or notes, which are covenanted to be secured by the city's general obligation unlimited tax pledge, and do not constitute a general obligation of the city.

The GO bonds and promissory notes are secured by the city's authorization to levy a property tax unlimited as to both rate and amount to pay debt service.

Use of Proceeds

The Series 2016A GO Promissory Notes will be used to finance various capital projects outlined in the city’s 2016 Capital Improvement Plan, financing projects in TID #17 and #22, and to refund certain outstanding obligations of the city. The Series 2016D GO Bonds will be used to refund a portion of the city’s Series 2015C NANs. The Series 2016E Taxable GO Promissory Notes will be used to finance various projects within TID #25.

The Series 2016B NANs will be used to finance water utility projects. The Series 2016C NANs will be used finance sewer utility projects, a fire station and police substation project, and to refund a portion of the Series 2015C NANs.

Obligor Profile

Waukesha is located 15 miles west of Milwaukee and covers approximately 18 square miles. The city provides a variety of municipal services to a population of approximately 70,718.

Methodology

The principal methodology used in the long-term rating was US Local Government General Obligation Debt published in January 2014. The principal methodology used in the short-term rating was US Bond Anticipation Notes published in April 2014. Please see the Ratings Methodologies page on www.moodys.com for a copy of these methodologies.

Ratings

Exhibit 2

WAUKESHA (CITY OF) WI

Issue	Rating
General Obligation Promissory Notes, Series 2016A	Aa2
Rating Type	Underlying LT
Sale Amount	$18,275,000
Expected Sale Date	03/25/2016
Rating Description	General Obligation
General Obligation Refunding Bonds, Series 2016D	Aa2
Rating Type	Underlying LT
Sale Amount	$6,640,000
Expected Sale Date	03/25/2016
Rating Description	General Obligation
Note Anticipation Notes, Series 2016B	Aa2
Rating Type	Underlying LT
Sale Amount	$17,400,000
Expected Sale Date	03/25/2016
Rating Description	General Obligation
Note Anticipation Notes, Series 2016C	MIG 1
Rating Type	Underlying ST
Sale Amount	$10,710,000
Expected Sale Date	03/25/2016
Rating Description	Note: Bond Anticipation
Taxable General Obligation Promissory Notes, Series 2016E	Aa2
Rating Type	Underlying LT
Sale Amount	$1,235,000
Expected Sale Date	03/25/2016
Rating Description	General Obligation

Source: Moody's Investors Service

REPORT NUMBER 1019713

MOODY'S
INVESTORS SERVICE

APPENDIX E – Library Block Project Presentation (City of Platteville)

The following presentation was prepared by City of Platteville, WI officials and presented to the Platteville Common Council on October 27, 2015.

Library Block Project

CITY COUNCIL PRESENTATION

Community Vision

"Downtown Platteville is a vibrant place and the cultural heart and identity of the community. A diverse business mix is thriving and profiting. Arrival to the downtown district is distinctive and appealing and parking is easy to find. Visitors discover reasons to linger and explore and more people choose to live downtown"

Community Vision

The Library Block is a highly visible gateway to downtown and the UWP area

History

2009—Platteville Library Board began investigating Library expansion or new construction.

Spring/Summer 2010—Library Director presented Site Evaluation and Selection Study to City Council. Motion from City Council not to accept Site Selection Study recommendation. (Queen B Radio site).

January 2011—Downtown Development Plan was adopted by City Council. The Library Block was identified as a future redevelopment site with options of including a new library, underground parking, commercial space, student housing, or office space. (Page 49, Site #6)

Fall 2012—Library Board and City Council decided to hire a grant writer to seek funding to conduct a feasibility study. WEDC Planning Grant awarded to City of Platteville in January 2013.

June 2013 —Representatives from the Main Street Program, Library Board, SWCAP, City, WEDC, and UWP Real Estate Foundation began meeting to talk about pursuing redevelopment of the Library Block.

History

Summer/Fall 2013—Redevelopment Feasibility Study for Platteville Library Block Project was completed. Developer Troy Hoekstra of United Development Solutions expressed an interest in the project.

June 2014—City Management Team began meeting to work on details of redevelopment project. Architects presented initial plans to the Plan Commission.

January 2015—Attorneys started working on development agreements.

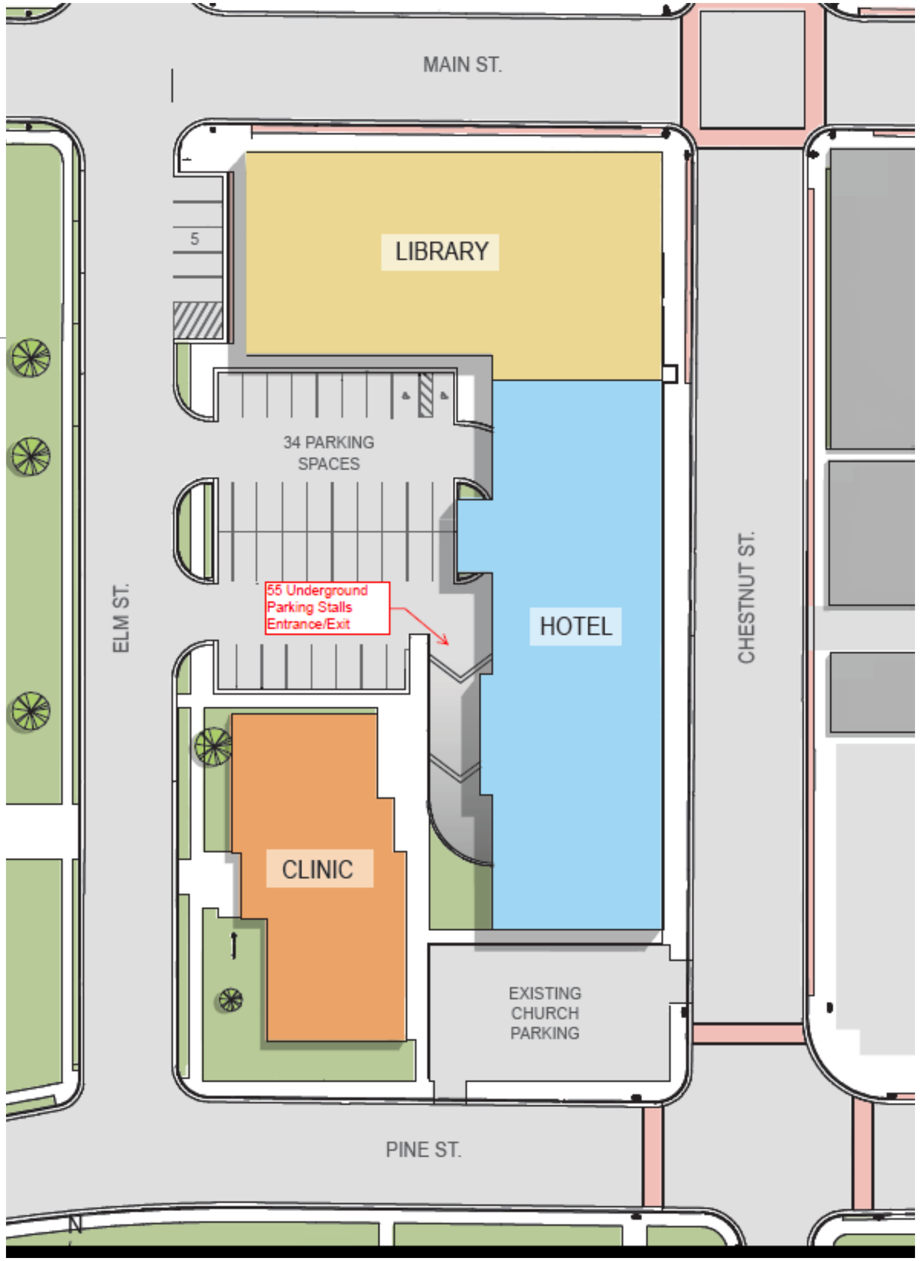
April 2015 – Common Council agrees to development agreement but revisions are needed to satisfy New Market Tax Credit and lending requirements.

June 2015 – Common Council signs letter of intent with respect to lease payments.

October 2015 – Common Council reviews revised development agreement.

Development Proposal

- A public-private partnership to redevelop the "Library Block"
- Demolition of six existing buildings
- Construction of two larger buildings – a 22,000sqf commercial space (library) and a 72 room Holiday Inn Express (43,000sqf)
- Renovation of the current public library space into a SWCAP health clinic
- 55 underground and 42 surface parking lot spaces



Library Proposal

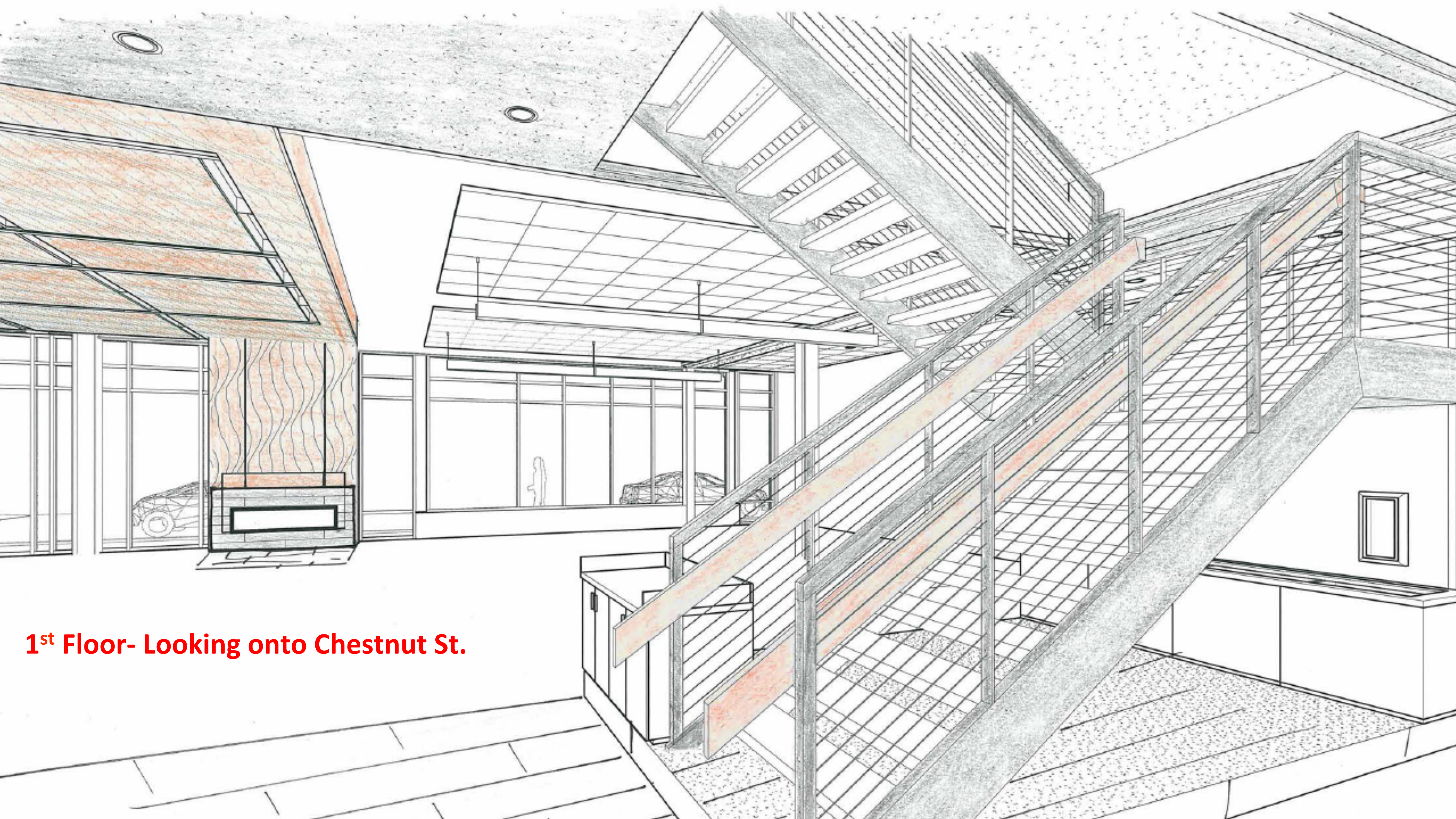
View from the Northeast

Library Proposal

Library- 1st Floor

- Check Out, Returns, and Information Services
- Adult collections- Large Print, Fiction, Non-Fiction, and Media
- Technology- Public Access Computers, copy machine, scanner, printer
- Periodicals- Magazines, local and national newspapers
- Large Group Study Room- for classes, small events, and public use
- Quiet reading areas- scattered tables and lounge chairs for
- Potential for self-serve coffee area, art displays, and self-checkout station

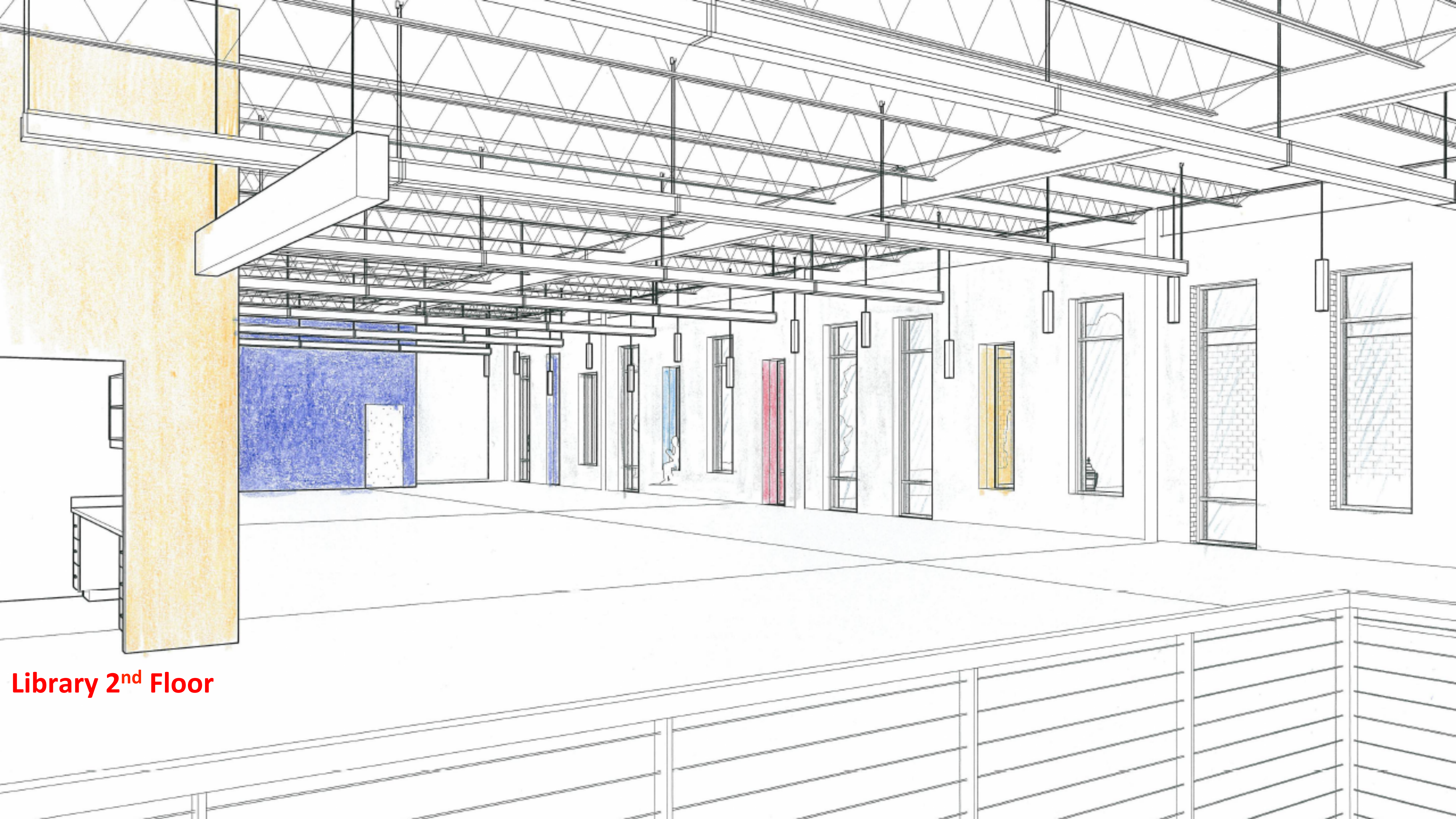
Library 1st Floor



1st Floor- Looking onto Chestnut St.

Library- 2nd Floor

- Community Meeting Room
- 2 study rooms
- Board Room
- Administrative offices
- Children’s collections- Print and media
- Children’s program room- “The Imaginarium”
- Interactive early literacy area, including computers
- Homework station and “Tween” area
- Dedicated Teen space



Library 2nd Floor

Library 2nd Floor

Development Financing

Partner Equity - $3,600,000

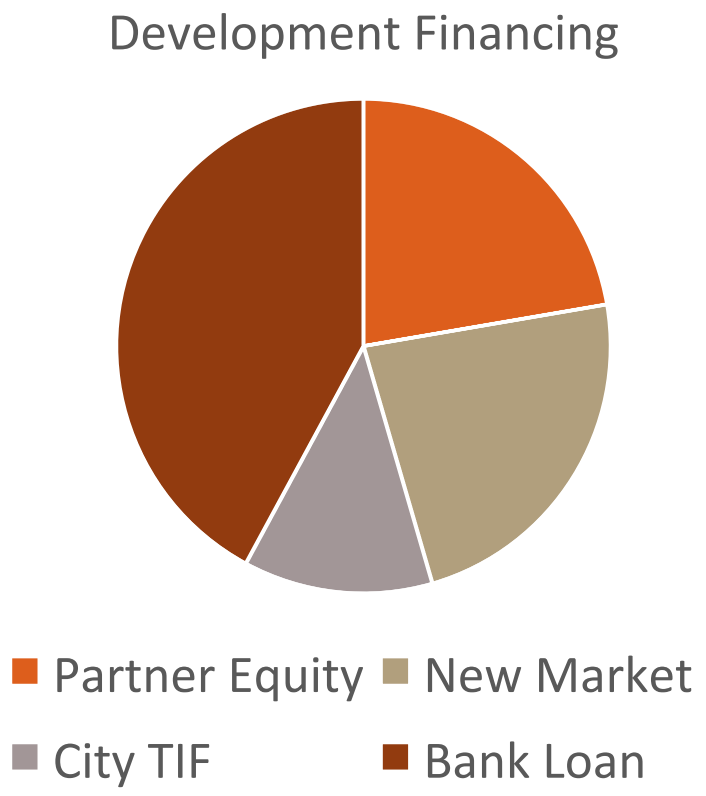
New Market Tax Credits - $3,758,000

City TIF Contribution – $2,000,000

Bank Loan - $6,818,000

Total Project - $16,176,000

** The City would also contribute the current library site/building, conservatively valued at $800,000

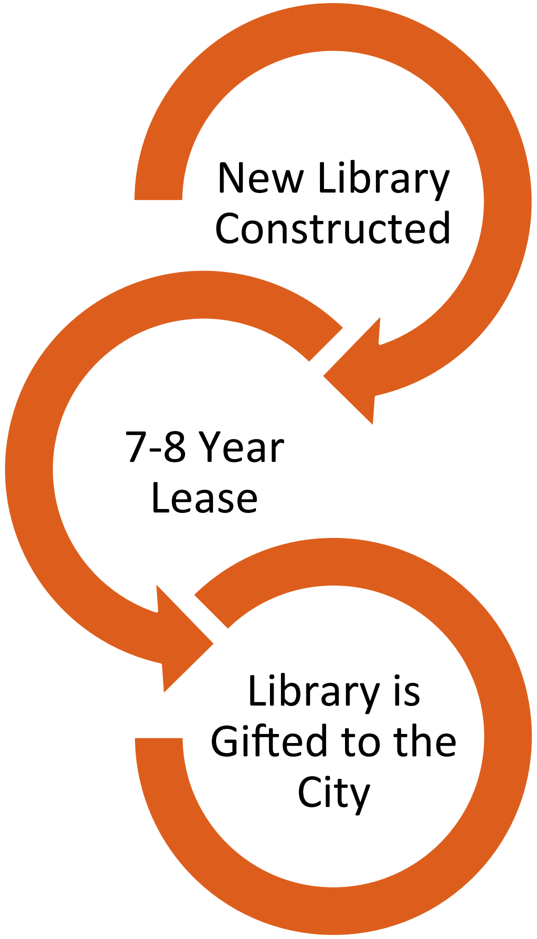


Development Financing

- Redevelopment proposals of this size often require financial assistance to help pay for additional costs associated with site acquisition, demolition costs and, in this case, underground parking.
- City engaged Elhers, Inc to conduct an independent financial analysis to validate the need of requested public support.
- The City's 2 million TIF investment will be recaptured through the increased taxes generated by the project.
  - Development Agreement includes **guaranteed tax increments** ie: the Developer is guaranteeing a minimum amount of taxes regardless of the assessed value of the property.
  - The total value of the guaranteed tax increments is $2.685 million (20 payments from 2017 through 2036).
  - The remaining $315,000 of the total obligation of $3.0 million can be captured through district or donor district TIF revenue.

Lease Agreement

- New market tax credits can only be used for private development. Market-rate lease is required during the 7-year life of the credits.
- The City's lease payments will be $1.5 million over 7 years.
- The lease can be extended up to an additional year, if necessary, to complete the close out of the new market tax credits.
- The lease payments will be paid through a combination of potential tax increment from the project, district or donor district TIF revenue and general tax revenue.



Development Agreement Risk

No guarantee that the library will be gifted to the City at the end of seven years

- Legal and financing requirements associated with projects won’t allow mandatory gifting language in the agreement
- There are strong financial incentives for the owners to gift the library
- The City retains the right to continue leasing and first right of refusal to purchase in the event the library is not gifted

Bankruptcy

- Pro forma review by Ehlers, in addition to New Market Tax Credit and bank lenders.
- The bank has first lien on the library property.
- Investors have given personal guarantees to the City to cover guaranteed tax payment obligations.

Project Timeline

November 2015 –January 2016

- ❖Approvals completed
- ❖Hazardous material abatement
- ❖Demolition of existing buildings

February 2016– November 2016

- ❖Building construction for hotel and library

December 2016-February 2017

- ❖Clinic remodel

Next Steps

- November 10 – Final Council Approval
- November 10 – Resolution for Bond Sale
- Lease agreement
- Planning commission approvals