

**PROJECT PLAN FOR
TAX INCREMENTAL FINANCING DISTRICT NO. 78
(The Northwestern Mutual Life Insurance Company)**

CITY OF MILWAUKEE

Public Hearing Held: January 17, 2013

Redevelopment Authority Adopted: January 17, 2013

Common Council Adopted:

Joint Review Board Adopted:

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I. DESCRIPTION OF THE PROJECT

A. Introduction

Section 66.1105(4)(d), Wisconsin Statutes, requires the “preparation and adoption...of a proposed project plan for each tax incremental district.” This Project Plan is submitted in fulfillment of this requirement and the related provisions of section 66.1105, Wisconsin Statutes. The implementation of this Project Plan includes both the Office Project and the Gateway Project, as hereinafter defined.

B. District Boundaries and Compliance with Statutory Eligibility Criteria

The Northwestern Mutual Life Insurance Company Tax Incremental District (“District” or “TID”) is comprised of two properties at 800 East Wisconsin Avenue (taxkey: 392-1656-112) and 910 East Wisconsin (taxkey: 392-1656-113) totaling 4.44 acres (collectively, the “Property”). The District is shown in **Map No. 1, “Boundary and Existing Land Use,”** and described more precisely in **Exhibit 1, “Boundary Description.”** 85% of the real property located within the District was found to be in need of rehabilitation or conservation work within the meaning of Section 66.1105(4)(gm) of the Wisconsin Statutes. **Exhibit 2, “Property Characteristics,”** illustrates how the property in the District meets the statutory criteria for Tax Incremental Districts.

C. Project Plan Goals and Objectives

The Northwestern Mutual Life Insurance Company (“NM”) has been headquartered in downtown Milwaukee for over 150 years and is a major employer in downtown Milwaukee, with over 3,600 employees at its downtown campus. One of the buildings on the downtown campus, the East Building at 800 East Wisconsin Avenue, was built in 1978, is over 450,000 SF and houses 1,100 employees. However, the East Building has been found to require significant structural repairs, as well as significant renovations and upgrades to meet the needs of NM in the coming years. As a result, NM has determined that it would be more cost-effective for them to demolish the East Building and replace it with a new building, than make the necessary upgrades to the existing building.

NM has proposed replacing the East Building with a new building that would be not less than 1,114,000 SF at a cost of \$350-400 million (the “Office Project”) at the location shown in **Map No. 3a, “Proposed Uses and Improvements (Office Project).”** The construction of the Office Project would ensure that the 1,100 employees currently in the East Building would remain at the downtown campus. In addition, the Office Project will provide space for NM to grow in the future. Accordingly, NM projects that the total workforce located at the downtown campus will increase by 1,900 by 2030. A majority of those positions will be professional jobs paying an average salary of \$60,000, in 2013 dollars.

Constructing the Office Project in downtown Milwaukee, on NM’s downtown campus, presents several additional costs when compared to low-rise construction on a vacant site. Campus-wide building systems must be temporarily relocated and foundations of existing buildings must be protected. Further, due to the high-rise nature of the Office Project, the foundation, structure and other building systems are more costly. The estimated additional costs, when compared to alternatives, for the Office Project are approximately \$50 million, based on an analysis by construction consultants, The Concord Group.

Additional costs to be offset by the City will include up to \$4,000,000 representing amounts actually expended under an out-of-program agreement with City for public infrastructure and publicly-accessible amenities including streetscaping and improvements to Cass Street, Mason Street, Van Buren Street and Wisconsin Avenue which are supplemental to the street improvements to be directly

funded by the City. NM shall bear responsibility for maintenance of non-standard public infrastructure constructed pursuant to such out-of-program agreement.

In addition, the 2010 Downtown Plan Update identified the area around, and main access points to, the downtown Milwaukee NM campus as the Lakefront Gateway Catalytic Project. That update included plans for improving the access to and between the eastern end of downtown Milwaukee and the lakefront. In 2011, a Long Range Lakefront Committee was created to further refine that concept and issued a report with a series of recommended changes to the infrastructure in the area, including the Lakefront Interchange. In 2012, the City, Wisconsin Department of Transportation and other stakeholders conducted preliminary engineering on the proposed changes and developed a final plan for the Lakefront Gateway that includes reconfigured freeway ramps, reconstructed city streets, new city streets and pedestrian amenities. This Project Plan includes the infrastructure changes from that Lakefront Gateway plan that are the responsibility of the City, such as the city streets and pedestrian amenities (the “Gateway Project”).

More detailed objectives of this Project Plan are to:

- Create and retain jobs at NM in downtown Milwaukee.
- Increase the tax base of the City by developing a property in need of rehabilitation or conservation in downtown Milwaukee.
- Provide funding for public infrastructure that is not feasible without public/private cooperation, including street reconstruction, upgraded utilities, streetscaping and pedestrian enhancements.
- Implement a Catalytic Project, as set forth in the Downtown Area Plan 2010 Update, which called for a new gateway to Downtown Milwaukee near East Michigan Street and North Lincoln Memorial Drive, as well as increased private investment in the area.

Funds generated from the District will be used for:

- Office Project: Providing annual payment to NM to offset additional costs associated with the Office Project. NM will advance all costs for the Office Project. City will make payments to NM equal to 70% of the incremental taxes collected in the District from real and personal property, less an annual administration charge, until such time as \$54 million is repaid by the payments at an interest rate of 4.5%, over a period not to exceed 25 years (the “Monetary Obligation”). See the Term Sheet, attached as **Exhibit 4, “Term Sheet.”**
- Gateway Project: Providing funding for the construction and reconstruction of streets, and associated utility work, pedestrian improvements and streetscaping associated with the Gateway Project, as shown in **Map No. 3b, “Proposed Uses and Improvements (Gateway Project)”** and more explicitly described in Section II.A of this Project Plan.

The City may, on its own initiative or through cooperation agreements with other entities, undertake any and all Office Project and Gateway Project public infrastructure improvements and activities considered necessary to achieve the objectives of this Project Plan and the commitment of private investment. It is possible that future amendments to this Project Plan for other investments in the area of the District will be proposed.

D. Existing Land Uses and Conditions in the District

The District is currently occupied by the East Building: a 16-story, 451,964 SF office building built in 1978. It is currently assessed at \$53,842,400. The parcel also includes a fountain and outdoor common areas. The entire District is zoned C9F(A).

II. PLAN PROPOSALS

The following statements, maps and exhibits are provided in compliance with Section 66.1105(4)(f) of the Wisconsin Statutes.

A. “Statement of the Kind, Number, and Location of All Proposed Public Works or Improvements.”

- Office Project. Construction by NM of a not less than 1,114,000 SF new office building, at a cost of \$350-400 million, on NM’s downtown campus
- Gateway Project. This Project Plan includes public infrastructure and improvements associated with the Gateway Project and within a one half-mile radius of the District boundary, per Section 66.1105(2)(f), described in general below. The specific kind, number, and locations of public works and other improvements will be based on detailed final plans, specifications and budget estimates as approved by the Department of City Development and Department of Public Works for public infrastructure and site development. While not anticipated at this time, actions such as vacation of existing public rights-of-way, site clearance and environmental remediation directly related to the Gateway Project also may be undertaken if necessary for the implementation of this Plan.
 - Repaving North Cass Street from East Wisconsin Avenue to East Michigan Street
 - Repaving East Michigan Street from North Van Buren Street to North Harbor Drive
 - Repaving and extending North Lincoln Memorial Drive to East Chicago Street
 - Repaving North Harbor Drive from East Clybourn Street to East Chicago Street
 - Reconstructing East Clybourn Street into a boulevard from North Van Buren Street to Art Museum Drive
 - Streetscaping, traffic signals, street lights, street trees, and utility work associated with the street repaving and reconstruction projects
 - Pedestrian amenities, including new pedestrian bridges from the current transit center site to O’Donnell Park and Urban Park, bikeshare stations, landscaping, pedestrian-level lighting, decorative pavement, widened sidewalks, signage, and street furniture such as trash containers, benches, etc.

The number and location of proposed public works and improvements are shown in **Map No. 3b, “Proposed Uses and Improvements (Gateway Project)”** and a budget is attached as **Exhibit 6, “Gateway Project Budget.”**

B. “Detailed List of Estimated Project Costs.”

The costs included in this subsection and detailed in Table B which follows are, without limitation because of enumeration, eligible project costs as defined under Section 66.1105(2)(f) and, if appropriate, in any cooperation agreement(s) entered into by and between the City of Milwaukee and eligible designated developer(s), provided further that such expenditures are necessitated by this Project Plan.

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

Capital Costs

The City shall fund an estimated \$72 million in the form of TID Capital Project Costs enumerated in further detail in **Table A** of this Plan.

TABLE A: TID Capital Project Costs	
Office Project (Monetary Obligation to NM)	\$54,000,000
Gateway Project (Public Infrastructure)	\$18,000,000
TOTAL Capital Project Costs	\$72,000,000

The allocation of these funds will be as set forth in the Term Sheet, attached as **Exhibit 4, “Term Sheet.”**

Other Costs

This category of Project Costs includes estimates for administrative, professional, organizational, legal costs and a Workforce and Business Development Program.

Financing Costs

Financing costs include estimated gross interest expenses on the Monetary Obligation to repay NM and on bonds that will be issued to pay for public infrastructure and other costs associated with the Gateway Project. Estimates of interest are based on interest rates as set forth in the Economic Feasibility Analysis, attached as **Exhibit 5, “Feasibility Study.”** The City reserves the right to prepay the Monetary Obligation to NM, which could require issuance of general obligation debt, as described in the Term Sheet, attached as **Exhibit 4, “Term Sheet.”**

TABLE B: Lists of Estimated Project Costs

A	<u>Capital:</u> Office Project (Monetary Obligation to NM) Gateway Project (Public Infrastructure)	\$54,000,000 \$18,000,000
	Subtotal of Capital Project Costs	\$72,000,000
B	<u>Other:</u> Administrative, professional, organizational and legal Workforce and Business Development Program	\$600,000 \$700,000
	Total Estimated Project Costs, excluding financing	\$73,300,000
C	<u>Financing:</u> Interest	\$48,000,000

C. “Description of Timing and Methods of Financing.”

All expenditures are expected to be incurred during the period from 2013-2028.

The annual payments to NM will be repaid pursuant to the Monetary Obligation, but only from 70% of the incremental taxes generated annually in the District.

The Gateway Project and administrative costs are anticipated to be funded by General Obligation Bonds.

D. “Economic Feasibility Study.”

The Economic Feasibility Study for this District, is attached to this Project Plan as **Exhibit 5, “Feasibility Study.”** The study establishes the dollar value of the Office Project and Gateway Project

costs which, based on certain general assumptions and a reasonable margin of safety, can be financed with the revenues projected to be generated by the District.

Based upon the anticipated tax incremental revenue to be generated by the District, the District is financially feasible and is likely to be retired on or before year 25. Should incremental revenues be generated in excess of those currently anticipated, they may be used to more rapidly repay the Monetary Obligation for the Office Project and to pay Gateway Project costs.

E. "Map Showing Existing Uses and Conditions."

Please refer to **Map No. 1, "Boundary and Existing Land Use,"** and **Map No. 2, "Structure Condition"** and **Exhibit 3, "Parcel Owners"** in the Exhibits Section which follows.

F. "Map Showing Proposed Uses and Improvements."

Please refer to **Map No. 3a, "Proposed Uses and Improvements (Office Project)"** and **Map No. 3b, "Proposed Uses and Improvements (Gateway Project)"** in the Exhibits Section which follows.

G. "Proposed Change of Zoning Ordinances, Master Plan, Building Codes and City Ordinances."

Please refer to **Map No. 4, "Existing Zoning,"** in the Exhibits Section which follows. The proposed Office Project is consistent with the existing zoning, which is C9F(A), however, once the final size of the building is determined, it may be necessary to change the zoning to meet floor area ratio requirements. The proposed Office Project and Gateway Project are in accordance with the existing master plan, map, building codes, and other city ordinances. The Office Project and Gateway Project should not require amendments to their provisions, but such amendments could be made if necessary without further amendment to this Project Plan.

H. "List of Estimated Non-Project Costs."

New Commercial/Office Development	\$350-400 million
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I. "Proposed Method for Relocation."

This Project Plan does not anticipate the acquisition of property by the City of Milwaukee. Accordingly, no relocation activities or expenditures for relocation payments or services are provided herein. Should the acquisition of property by condemnation and requiring relocation be necessary, the cost and method of relocation will be included in a redevelopment plan and associated relocation plan prepared in cooperation with the Redevelopment Authority, pursuant to Section 66.1333 and Section 32.05, Wis. Stats. The costs of such activities will be eligible for reimbursement through tax increment revenues should such revenues be generated during the statutory life of the District.

J. "Statement Indicating How District Creation Promotes Orderly City Development."

The creation of the District will provide a means to continue the revitalization of downtown Milwaukee and maintain it as a major employment center for the Milwaukee region. The District is consistent with the objectives of the Downtown Area Plan, updated in 2010, which identifies the District as part of the Lakefront Gateway Catalytic Project. It will facilitate the development of a property in need of rehabilitation or conservation, job creation and the construction of public improvements and amenities that serve as a gateway to downtown Milwaukee. The Downtown Area Plan sets forth the following objectives for the Lakefront Gateway, which will be accomplished, in part, by the District: significantly improve pedestrian access from Downtown to Lakefront attractions,

calm traffic and provide a sense of arrival for drivers on Lincoln Memorial Drive, increase the working population in Downtown Milwaukee and maximize of private-sector investment in Lakefront improvements.

K. “Opinion of the City Attorney.”

Please refer to **Exhibit 7, “Letter from the City Attorney.”**

EXHIBIT 1
Boundary Description

Beginning at a point at the intersection of the south line of East Mason Street and the west line of 800 East Wisconsin Avenue;

Thence, south along the west line of 800 East Wisconsin Avenue to the intersection with the north line of East Wisconsin Avenue;

Thence, east along the north line of East Wisconsin Avenue to the intersection with the west line of 910 East Wisconsin Avenue;

Thence, northeast along the north line and west line of East Wisconsin Avenue and the east line of 910 E Wisconsin Avenue to the intersection with the south line of East Mason Street;

Thence, west along the south line of East Mason Street to the point of beginning and more particularly depicted in Map 1 of this Project Plan.

EXHIBIT 2
Property Characteristics

Findings substantiating that not less than 50%, by area, of the real property within the proposed district in need of conservation within the meaning of Section 66.1105(4)(gm)4.a. Wisconsin Statutes.

Parcel No.	Taxkey	Owner Name	Land Assessment	Improvement Assessment	Total Assessment	Lot SF	In Need of Rehabilitation or Conservation (SF)	Area Vacant (SF)	Contaminated by Environmental Pollution (SF)
1	392-1656-112	NORTHWESTERN MUTUAL LIFE INSURANCE CO	\$17,178,700	\$33,759,300	\$50,938,000	164,545	164,545	0	0
2	392-1656-113	NORTHWESTERN MUTUAL LIFE INSURANCE CO	\$2,904,400	\$0	\$2,904,400	29,015	0	29,015	0
Total			\$20,083,100	\$33,759,300	\$53,842,400	193,560	164,545	29,015	0
Percentage							85%	15%	0%

EXHIBIT 3
Parcel Owners

Parcel No.	Taxkey	Address				Owner Name
1	392-1656-112	800	E	WISCONSIN	AV	NORTHWESTERN MUTUAL LIFE INSURANCE CO
2	392-1656-113	910	E	WISCONSIN	AV	NORTHWESTERN MUTUAL LIFE INSURANCE CO

EXHIBIT 4
Term Sheet

TERM SHEET

(The Northwestern Mutual Life Insurance Company Project – TID No. 78)

Project

The Northwestern Mutual Life Insurance Company (“NM”)* has been headquartered in downtown Milwaukee for over 150 years and is a major employer in downtown Milwaukee, with a workforce of over 3,600 at its downtown campus. One of the buildings on the downtown campus, the East Building at 800 East Wisconsin Avenue, was built in 1978, is over 450,000 SF and houses a workforce of 1,100. However, the East Building has been found to require significant structural repairs, as well as significant renovations and upgrades to meet the needs of NM in the coming years. As a result, NM has determined that it would be more cost-effective for them to demolish the East Building and replace it with a new building, rather than make the necessary upgrades to the existing building.

NM has proposed replacing the East Building with a new building that would contain approximately 1,114,000 square feet of space at a cost of \$350-400 million (the “Office Project”). The construction of the Office Project will ensure that the 1,100 workers currently in the East Building will remain at the downtown campus. In addition, the Office Project will provide space for NM to grow in the future. Accordingly, NM projects that the total workforce located at the downtown Milwaukee campus will increase by 1,900 by 2030, with the majority of those positions paying a professional average salary of \$60,000, in 2013 dollars.

Constructing the Office Project in downtown Milwaukee, on NM’s downtown campus, presents several additional costs when compared to low rise construction on a vacant site. Campus-wide building systems must be temporarily relocated and foundations of existing buildings must be protected. Further, due to the high-rise nature of the Office Project, the foundation, structure and other building systems are more costly. The estimated additional costs, when compared to alternatives, for the Office Project are approximately \$50 million.

The Monetary Obligation will include up to \$4,000,000 representing amounts actually expended under an out-of-program agreement with City for public infrastructure and publicly-accessible amenities including streetscaping and improvements to Cass Street, Mason Street, Van Buren Street and Wisconsin Avenue which are supplemental to the Gateway Project. NM shall bear responsibility for maintenance of non-standard public infrastructure constructed pursuant to such out-of-program agreement.

In addition, City will fund a Workforce and Business Development Program and certain public improvements related to the Lakefront Gateway Project (the “Gateway Project”). The Gateway Project is expected to include:

* Certain capitalized terms used in this Term Sheet are defined on Attachment 1.

- Repaving North Cass Street from East Wisconsin Avenue to East Michigan Street.
- Repaving East Michigan Street from North Van Buren Street to North Harbor Drive.
- Repaving and extending North Lincoln Memorial Drive to East Chicago Street.
- Repaving North Harbor Drive from East Clybourn Street to East Chicago Street.
- Reconstructing East Clybourn Street into a boulevard from North Van Buren Street to North Harbor Drive.
- Streetscaping, Traffic Signals, Street Lights, Street Trees, and Utility work associated with the street repaving and reconstruction projects.
- Pedestrian and Streetscape Amenities, including new pedestrian bridges from the current transit center site to O'Donnell Park and Urban Park, bikeshare stations, landscaping, pedestrian-level lighting, decorative pavement, widened sidewalks, signage, and street furniture such as trash containers, benches, etc.

Development Schedule

Construction of the Office Project shall commence by _____ and the Office Project shall be substantially completed within _____ months following commencement of construction. Construction of the Gateway Project shall commence by _____ and is expected to be completed by _____.

Design Review

Plans and specifications for the Office Project and Gateway Project shall be subject to the review and approval of City's Commissioner of City Development (the "Commissioner"). City and NM shall cooperate in the design of streetscape elements of the Gateway Project which are adjacent to the Office Project. The parties anticipate the preparation of a Certified Survey Map for the Office Project when plans, specifications and the designs are finalized.

Parties

City and The Northwestern Mutual Life Insurance Company.

Tax Incremental District

City intends to create a Tax Incremental District ("TID No. 78") to assist in funding certain additional costs of the Office Project as set forth in the Project Plan.

In addition, TID No. 78 will fund the Gateway Project, the Workforce and Business Development Program and administrative costs, all as set forth in the Project Plan.

Funding

NM shall advance up to \$54 million of additional costs related to the Office Project and shall be repaid through the Monetary Obligation. City anticipates funding the Gateway Project, the Workforce and Business Development Program and administrative costs for TID No. 78 through the issuance of its general obligation bonds.

Prior to substantial completion of the Office Project, City will deposit an amount equal to 70% of the tax incremental revenue actually received by City from TID No. 78, less Annual Expenses and onetime consulting costs not to exceed \$50,000, into a special fund established for TID No. 78. Upon substantial completion of the Office Project such amount shall be disbursed to NM and applied to reduce the principal balance of the Monetary Obligation.

Subsequent to substantial completion of the Office Project, following the deduction of Annual Expenses, 70% of incremental tax revenue collected from TID No. 78 will be allocated to repay NM for costs incurred for the Office Project through payments on the Monetary Obligation. The remaining 30% of incremental tax revenue will be allocated to repayment of City costs incurred for Gateway Project, the Workforce and Business Development Program and TID No. 78 administration. For purposes of calculating tax incremental revenue from TID No. 78, the real estate component of the base value shall not be less than \$33 million. (In the event that the base value is established at less than \$33 million, excess increment generated by the difference between such lower base value and \$33 million shall be distributed back to the taxing bodies.)

All City payments of tax incremental revenue received by City from TID No. 78 shall be subject to annual appropriation. If not appropriated, City shall not expend such tax increments for any other TID No. 78 project costs.

Monetary Obligation

The Monetary Obligation consists of a limited and conditional obligation to repay NM an amount up to \$54 million, plus interest on the outstanding balance of the Monetary Obligation at 4.5% per year. Payments on the Monetary Obligation are to be made annually following substantial completion of the Office Project but only in an amount equal to 70% of tax incremental revenue actually received by the City from TID No. 78, less Annual Expenses. Interest on the Monetary Obligation shall not begin to accrue until substantial completion of the Office Project. City may, at any time or from time to time, without notice, penalty, or fee, prepay all or any portion of the Monetary Obligation. In the event that City prepays a portion of the Monetary Obligation the 70% of tax incremental revenue allocated to payment of the Monetary Obligation shall be proportionately reduced to reflect such prepayment. Tax incremental revenue will not be pledged to the payment of the Monetary Obligation, and the Monetary Obligation shall not constitute a general obligation of City or count against its statutory debt limits.

Monetary Obligation Earned

Upon substantial completion of the Office Project, NM shall submit a certification detailing Office Project costs theretofore incurred (together with copies of records, invoices and/or AIA documentation evidencing such expenditures). The amount of the Monetary Obligation shall be deemed earned upon approval of such certification by the Commissioner, and interest will begin to accrue on the balance of the Monetary Obligation as of the date of substantial completion of the Office Project.

Grants and Tax Credits

City and NM will work together to secure all available grants and tax credits for the Office Project. If grants or tax credits are received and utilized for the Office Project, then such funds shall offset a corresponding amount of the Monetary Obligation.

Terms of Payments

City payments on the Monetary Obligation will terminate: (i) at the time the Monetary Obligation is fully paid; or (ii) with the payment derived from the 2037 tax levy, payable in 2038, whichever occurs first.

Material Disturbance

If the Office Project is not Substantially Completed within _____ months following commencement of construction; or, if following Substantial Completion of the Office Project, less than _____ square feet of the Office Project is used for corporate headquarters and related purposes by NM, or for any other purpose or operation reasonably acceptable to City, and such failure continues for any 12-month period during the life of TID No. 78 (unless caused in substantial part by an event of *Force Majeure*) (a “Material Disturbance”), then City shall have the right (but not the obligation) to terminate further payments on the Monetary Obligation, using the following procedure:

- (1) City shall give NM notice of its intention to terminate further payments on the Monetary Obligation, and NM shall have [180] days to eliminate the Material Disturbance, and
- (2) Thereafter, if NM has not timely eliminated the Material Disturbance and if City still intends to terminate payments on the Monetary Obligation, City’s Common Council shall adopt a resolution determining that the Material Disturbance prevents the substantial realization of the public benefits contemplated as a result of the Office Project and constitutes just cause for the termination of the Monetary Obligation. City shall thereafter file a certificate with NM (attaching the resolution of the Common Council) stating that City has elected to terminate payments on the Monetary Obligation. Upon City such filing of the certificate, the Monetary Obligation shall terminate.

Employment

If NM does not continuously occupy the Office Project (subject to *Force Majeure*) and meet the total workforce projections shown for each required period on the Schedule of Projected NM Workforce attached hereto as Attachment 2, then, subject to prior written notice from City and no less than a 12-month opportunity to cure, future payments on the Monetary Obligation shall be adjusted for the duration of the deficiency. The adjustment will result in a proportionate reduction in City's payment on the Monetary Obligation during each year of the deficiency calculated based upon the percentage by which "actual" NM Workforce falls below the "projected" NM Workforce; provided, however, that such reduction shall not exceed \$20,000 for each such deficient position.

Zoning and Other Approvals

The parties will cooperate and use best efforts to apply for, initiate, and attempt to obtain all TID, zoning, and other governmental and third-party approvals and permits necessary or desirable for the construction of the Office Project and the Gateway Project.

Environmental Considerations

The Office Project and the Gateway Project will each be developed and constructed in an environmentally conscious manner in compliance with all federal, state and local laws.

Human Resources:

NM and City will enter into a Human Resources Agreement in a form customary for projects subject to Ch. 355 of the Milwaukee Code of Ordinances. The Human Resources Agreement will provide for utilization of certified Small Business Enterprises for 25% of Office Project construction costs and 25% of amounts expended for the purchase of services, professional services and supplies for the Office Project deemed eligible pursuant to SBE Guidelines, utilization of unemployed and underemployed residents for no less than 40% of the total "worker hours" expended on "construction" of the Office Project, compliance with applicable state and municipal labor standards, payment of prevailing wages, utilization of apprentices and/or on-the-job trainees and participation in City's First-Source Employment Program.

Report of Costs

Upon substantial completion of the Office Project, NM shall provide City with an accounting of the costs incurred for the Office Project. Such accounting shall be in a form reasonably acceptable to City's Comptroller.

General

This Term Sheet does not constitute a binding agreement. The terms set forth herein and other provisions customary for a transaction of this sort, shall be incorporated in one or more agreements, including a Cooperation and Development Agreement for TID No. 78, a human resources agreement and an out of program agreement and easement amendments to accommodate infrastructure improvements, each between City and NM. In recognition that there may be adjustments of the dates and descriptions herein as well as administrative approvals which will require the exercise of reasonable discretion on behalf of City, the Commissioner will be authorized under these agreements to exercise such discretion and grant such approvals.

1050-2012-943

Attachment 1

DEFINITIONS

“Annual Expenses” means \$10,000.

"NM Workforce" means all individuals actively working at NM's downtown campus as recorded on NM's facility management database.

“Force Majeure” means circumstances under which any party is delayed or prevented from the performance of any act required by an agreement by reason of fire, earthquake, war, flood, riot, strikes, labor disputes, judicial orders, public emergency or regulations, or other causes beyond the reasonable control of the party obligated to perform, then performance of such act shall be excused for the period of such delay, and the time for the performance of any such act shall be extended for a period commensurate with the nature of such delay.

“Gateway Project” means the construction and reconstruction of streets, and associated utility work, pedestrian improvements and streetscaping more explicitly described in Section II.A of the Project Plan.

“Monetary Obligation” means a limited and conditional obligation to repay NM an amount up to \$54 million, plus interest on the outstanding balance at 4.5% per year.

“Office Project” means replacement of the East Building, located on NM’s downtown campus, with a new building containing not less than 1,114,000 SF at a cost of \$350-400 million.

“Project Plan” means the Plan for Tax Incremental District No. 78 (The Northwestern Mutual Life Insurance Company).

“Workforce and Business Development Program” means the Workforce and Business Development Program referenced in the Project Plan.

Attachment 2

Year	Cumulative Minimum New FTEs	
1	2013	
2	2014	
3	2015	
4	2016	
5	2017	
6	2018	502
7	2019	
8	2020	664
9	2021	
10	2022	835
11	2023	
12	2024	1015
13	2025	
14	2026	1204
15	2027	
16	2028	1403
17	2029	
18	2030	1730

Cumulative New FTE's, as above, means new FTE's located in the City, in addition to the 3645 FTEs now located in the City.

Full-Time Equivalent Employee, or "FTE" shall mean an employee of NM, an affiliate, contract employee, or consultant who is employed in a permanent position at least 37.5 hours per week, in the City.

Part-time employees, consultants, or contract employees hours shall be converted to FTE's by dividing their combined hours for a given year, by 1950 hours per FTE.

EXHIBIT 5
Feasibility Study

**ECONOMIC FEASIBILITY STUDY FOR:
THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY PROJECT**

Background:

The City of Milwaukee is proposing to offset up to \$54 million of costs to be incurred by The Northwestern Mutual Life Insurance Company (“NM”) in connection with the demolition of its 452,000 s.f. office building at 800 E. Wisconsin Ave., and the construction of a new 1,0114,000 s.f. building at this location. The new project consists of an approximately 677,700 s.f. office tower, on top of an approximately 436,300 s.f. “town center” containing conference space, training centers, dining facilities, a fitness center, and support space.

The costs to be offset by the City will include up to \$4,000,000 representing amounts actually expended under an out-of-program agreement with City for public infrastructure and publicly-accessible amenities including streetscaping and improvements to Cass Street, Mason Street, Van Buren Street and Wisconsin Avenue which are supplemental to the street improvements to be directly funded by the City. NM shall bear responsibility for maintenance of non-standard public infrastructure constructed pursuant to such out-of-program agreement.

In addition, the City is proposing to directly fund several street improvements within one-half mile of the planned Tax Incremental District for NM. These improvements follow the 2012 Lakefront Gateway plan to improve access between the eastern end of the central business district and the lakefront. The total cost of these improvements, plus certain workforce and business development program and administrative costs is currently estimated at \$19.3 million, not including the reconfiguration of freeway ramps called for in the Project Plan. The cost of the new freeway ramps will be the responsibility of the State of Wisconsin.

In total, the Project Plan calls for amortizing \$73.3 million of project costs from tax incremental revenue generated by the proposed NM Office Project.

NM’s downtown Milwaukee campus consists of four office buildings, totaling 1,465,700 s.f. – all in the immediate vicinity of its iconic “home office” at 720 E. Wisconsin Ave.

The structure at 800 E. Wisconsin Ave. houses the main mechanical, electrical, and communications systems which serve most of the campus’ buildings, all of which will be required to be replaced or reconfigured when this building is removed. In addition, the construction of a single high-rise facility is expected to cost significantly more than building smaller office structures, on a staged basis, to accommodate employee growth over time. These additional costs form the basis for the City’s Monetary Obligation.

NM currently employs approximately 3,600 at its downtown campus, and 2,300 at its Franklin campus, just south of the city. NM’s downtown expansion plans will permit it to retain the 1,100 employees now in the building to be replaced, and add an estimated 1,900 new positions, over 15 years.

Through a Cooperation, Contribution and Development Agreement, funds will be advanced by NM under a “pay-as-you-go” approach, and be repaid, by the City, but only from future tax incremental revenue generated by the Office Project. NM will receive up to 70% of the actual incremental revenue for this purpose. To the extent NM’s employment at this campus falls short of estimates, the payment to NM will be reduced proportionately.

Current Property Valuation:

The current real estate assessment for the property at 800 E. Wisconsin Ave., and the undeveloped site at 910 E. Wisconsin Ave. is:

	Value	S.F. or Acres	Value / S.F. or Acre
Land	\$20,083,100	4.44 Acres	\$4.5M / Acre
Buildings	\$33,759,300	451,964 S.F.	\$74.70 / S.F.
Total	\$53,842,400		

This is the estimated Base Value of the Proposed District, plus allocable personal property. NM typically reports approximately \$38 million in annual taxable personal property, about \$26 per s.f. of office area.

Given the condition of the building at 800 E. Wisconsin, NM will seek a reduction in assessed value of real estate for this property. NM has agreed that for purposes of calculating tax incremental revenue, this value, including the assessment for 910 E. Wisconsin Ave., will, in total, not be less than \$33 million – excluding any taxable personal property attributable to the District.

In addition to funding certain costs related to the NM expansion, the remaining 30% of the incremental revenue will be used to fund public improvements listed in the Project Plan including reconstructing E. Michigan St. between Van Buren Ave. and Lincoln Memorial Dr., extending Harbor Dr. south to service Summerfest, and several other public improvements (the “Gateway Project”).

Anticipated Future Value of the District and District Cash Flow:

NM is accepting the risk that the Proposed District will generate sufficient incremental value to recapture the \$54 million of costs through its share of future incremental revenue. In addition, the City will borrow for the above-mentioned street improvements, and accept the risk that its share of the incremental revenue will be sufficient to amortize that cost.

Attached as Table 1 is a cash flow forecast for the Proposed District. Basic parameters of this forecast are:

- Base Value: \$54 million, as above, and excluding personal property.

- Estimated Assessed Value: \$295/s.f. for the office component of the Office Project and \$168/s.f. for the town center. The Office Project assessment compares with \$260/s.f. for the 875 E. Wisconsin Ave. building, the highest assessment in the downtown. The next highest in downtown is the Manpower HQ at \$194/s.f.
- Rents, for the purposes of estimating value, are \$35 and \$20/s.f. for the office and town center, respectively. These are gross rents, excluding reimbursement for property taxes.
- Owner's non-reimbursable expenses and vacancy are estimated at 15% of gross.
- Capitalization rate is 7.5%.
- Tax Rate: 2.60%, fixed. 2011 rate was 2.69%. 2012 rate is 2.995%.
- Interest rate on payments to NM: 4.5%
- Annual appreciation is estimated at 1.5%.
- Maximum term of payments to NM: 25 years
- Interest rate on City bonds issued to fund the Gateway Project and other City costs: 3.5%

As shown in the forecast, the Proposed District is able to amortize the Monetary Obligation for the Office Project, and in excess of the proposed \$19.3 million of public improvement, workforce and business development program, and administrative costs. The estimate for public improvements and related costs includes a 25% safety margin.

The Proposed District is also estimated to pay off in 24 years, providing a three-year safety margin before it is required to close. Given this estimate, the Proposed District is determined to be feasible and capable of amortizing the NM and City share of Project Costs within the statutory life of the Proposed District.

1050-2012-943:191244

TABLE 1

District Cash Flow Forecast - 677,700 s.f. office plus 436,300 s.f. Town Center

				Bldg. Assmt. Per S.F	TID Value	Value Increment	Tax Increment	NM Share 70%	Public Improvements 30%
Appreciation	1.015	0	2013		\$54,000,000				
		1	2014		\$54,000,000				
NM Share	70%	2	2015		\$81,965,970	\$27,965,970			
		3	2016		\$204,914,925	\$150,914,925	\$727,115	\$508,981	\$218,135
Office Rents	\$35.00	4	2017	\$245	\$273,219,900	\$219,219,900	\$3,923,788	\$2,746,652	\$1,177,136
Town Ctr. Rent	\$20.00	5	2018	\$249	\$277,318,199	\$223,318,199	\$5,699,717	\$3,989,802	\$1,709,915
		6	2019	\$253	\$281,477,971	\$227,477,971	\$5,806,273	\$4,064,391	\$1,741,882
S.F. Office Twr.	677,700	7	2020	\$256	\$285,700,141	\$231,700,141	\$5,914,427	\$4,140,099	\$1,774,328
S.F. Town Ctr.	436,300	8	2021	\$260	\$289,985,643	\$235,985,643	\$6,024,204	\$4,216,943	\$1,807,261
Building S.F.	1,114,000	9	2022	\$264	\$294,335,428	\$240,335,428	\$6,135,627	\$4,294,939	\$1,840,688
		10	2023	\$268	\$298,750,459	\$244,750,459	\$6,248,721	\$4,374,105	\$1,874,616
Tax Rate	2.60%	11	2024	\$272	\$303,231,716	\$249,231,716	\$6,363,512	\$4,454,458	\$1,909,054
		12	2025	\$276	\$307,780,192	\$253,780,192	\$6,480,025	\$4,536,017	\$1,944,007
Base Value	\$54,000,000	13	2026	\$280	\$312,396,895	\$258,396,895	\$6,598,285	\$4,618,799	\$1,979,485
		14	2027	\$285	\$317,082,848	\$263,082,848	\$6,718,319	\$4,702,823	\$2,015,496
Office Assmt. per S.F.	\$295	15	2028	\$289	\$321,839,091	\$267,839,091	\$6,840,154	\$4,788,108	\$2,052,046
		16	2029	\$293	\$326,666,677	\$272,666,677	\$6,963,816	\$4,874,671	\$2,089,145
		17	2030	\$298	\$331,566,677	\$277,566,677	\$7,089,334	\$4,962,534	\$2,126,800
Town Cts. Assmt. per S.F.	\$168	18	2031	\$302	\$336,540,178	\$282,540,178	\$7,216,734	\$5,051,714	\$2,165,020
		19	2032	\$307	\$341,588,280	\$287,588,280	\$7,346,045	\$5,142,231	\$2,203,813
		20	2033	\$311	\$346,712,104	\$292,712,104	\$7,477,295	\$5,234,107	\$2,243,189
Initial Assmt.	\$273,219,900	21	2034	\$316	\$351,912,786	\$297,912,786	\$7,610,515	\$5,327,360	\$2,283,154
		22	2035	\$321	\$357,191,478	\$303,191,478	\$7,745,732	\$5,422,013	\$2,323,720
Current Land	\$20,000,000	23	2036	\$325	\$362,549,350	\$308,549,350	\$7,882,978	\$5,518,085	\$2,364,894
Current Impr	\$34,000,000	24	2037	\$330	\$367,987,590	\$313,987,590	\$8,022,283	\$675,000	\$7,347,283
Current Value	\$54,000,000	25	2038						
							Total	\$93,643,832	\$47,191,068
							NPV @ 4.50%	\$54,007,808	\$21,869,555
								3.50%	25% Safety Margin

EXHIBIT 6
Gateway Project Budget

Project	Cost
Street Paving and Infrastructure	\$9,500,000
Street Lighting, Street Signals and Street Signing	\$1,100,000
Streetscaping, Landscaping, Pedestrian Bridges and Amenities	\$4,250,000
Bikeshare Stations	<u>\$150,000</u>
Subtotal	\$15,000,000
Contingency (20%)	<u>\$3,000,000</u>
TOTAL	\$18,000,000

EXHIBIT 7
Letter from the City Attorney

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City Attorney

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Assistant City Attorneys

May 10, 2013

Mr. Rocky Marcoux, Commissioner
Department of City Development
809 North Broadway, 2nd Floor
Milwaukee, WI 53202

Re: Project Plan for Tax Incremental District No. 78
(The Northwestern Mutual Life Insurance Company)

Dear Commissioner Marcoux:

Pursuant to your request, we have reviewed the Project Plan for the above-captioned Tax Incremental District No. 78.

Based upon that review, it is our opinion that the plan is complete and complies with the provisions of Wis. Stat. § 66.1105(4)(f).

Very truly yours,

GRANT F. LANGLEY
City Attorney

THOMAS O. GARTNER
Assistant City Attorney

MARY L. SCHANNING
Assistant City Attorney

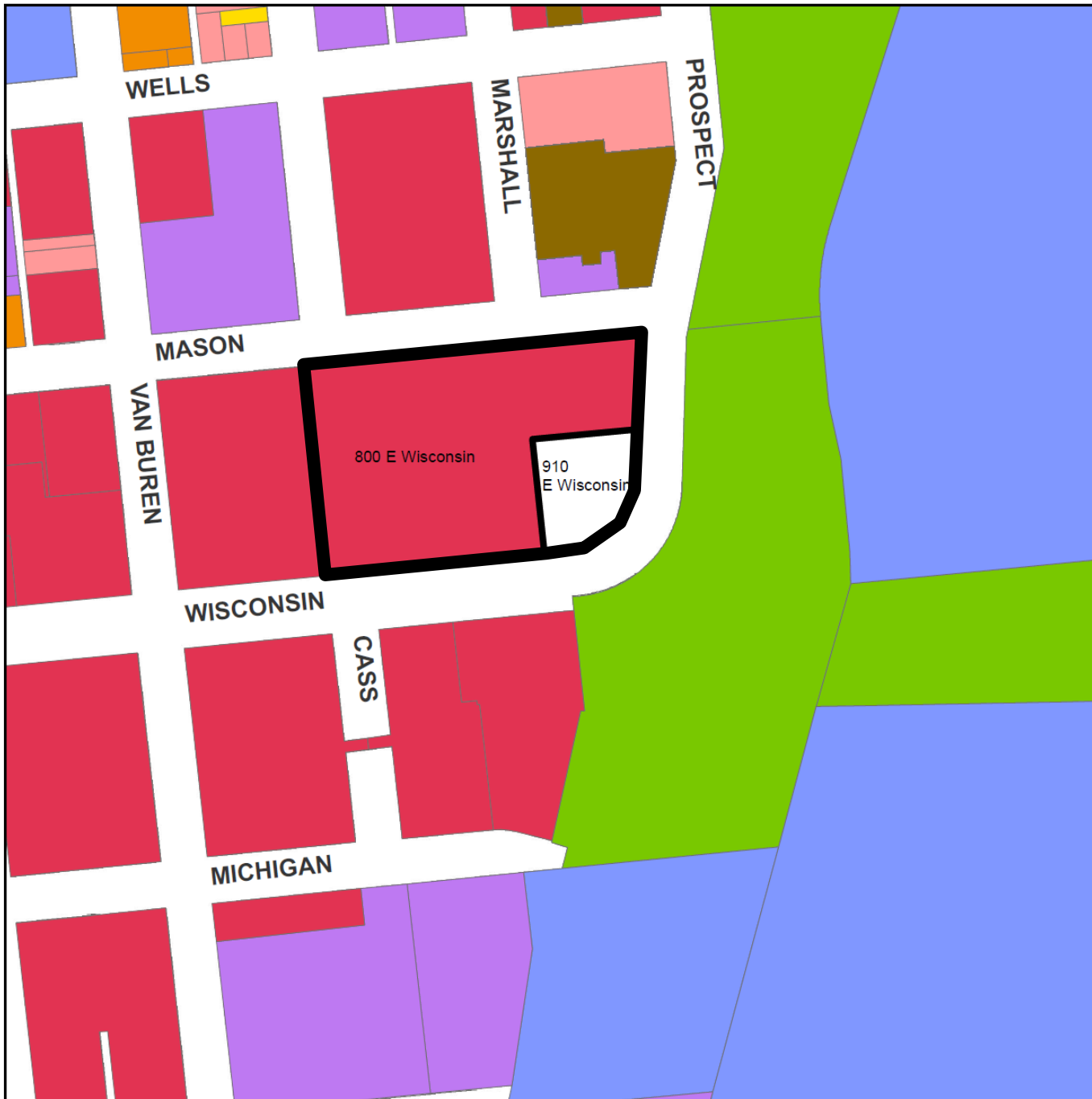
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OFFICE OF THE CITY ATTORNEY

Tax Incremental District Northwestern Mutual

Map 1: Boundary and Existing Land Use





 TID Boundary

Residential


 Single Family


 Duplex

 Multi-Family

 Condominiums

Commerical

 Commerical

 Mixed Commerical and Residential


Manufacturing, Construction, and Warehousing




Transportation, Communications, and Utilites



Public and Quasi-Public

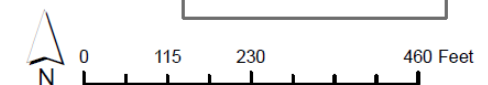
 Public Parks and Quasi-Public
Open Space

 Public Schools and Buildings,
Churches, Cemeteries, and
Quasi-Public Buildings



Vacant Land or Recent Taxkey Change

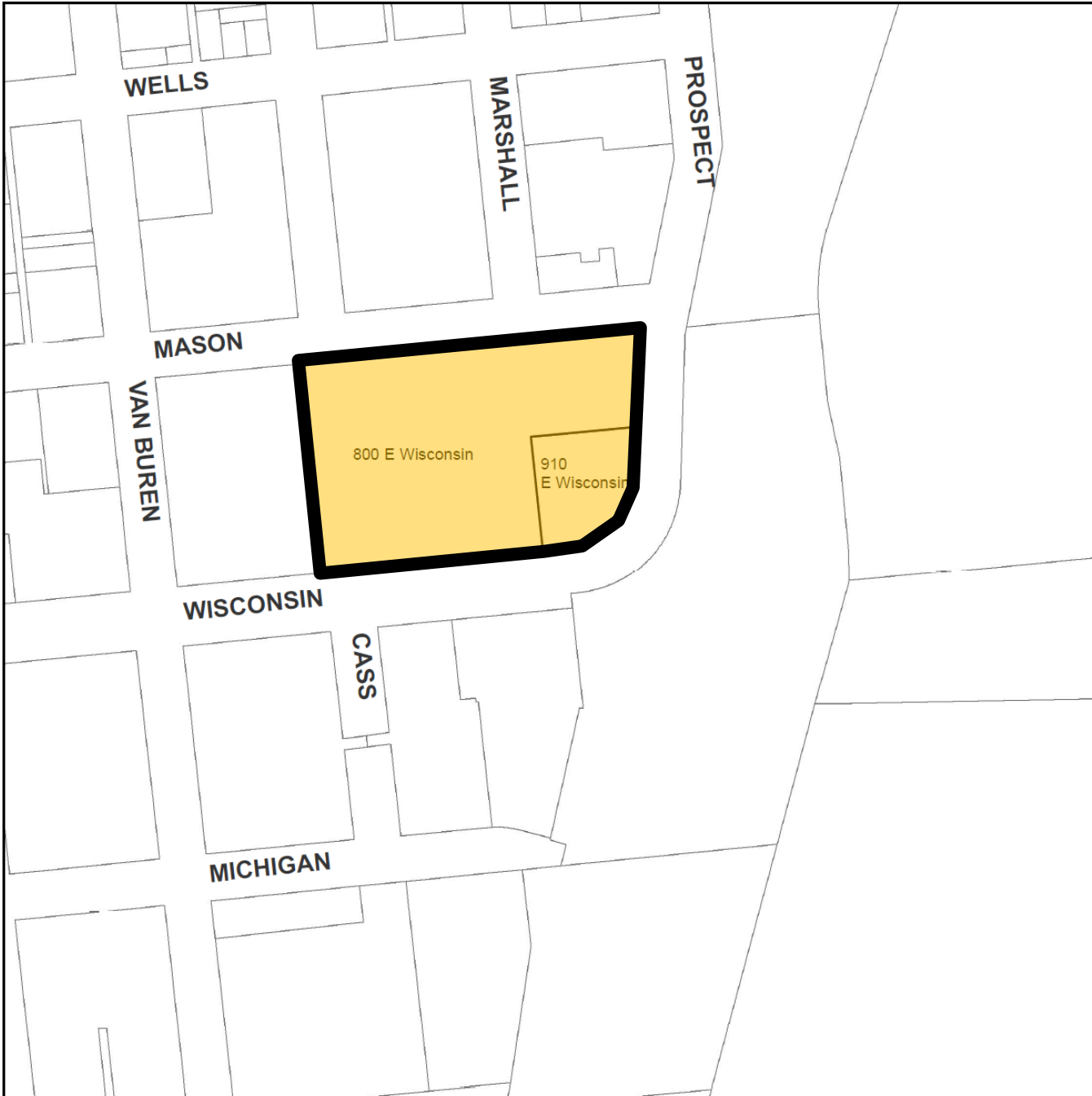


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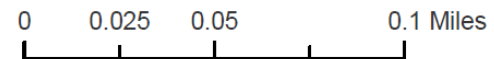
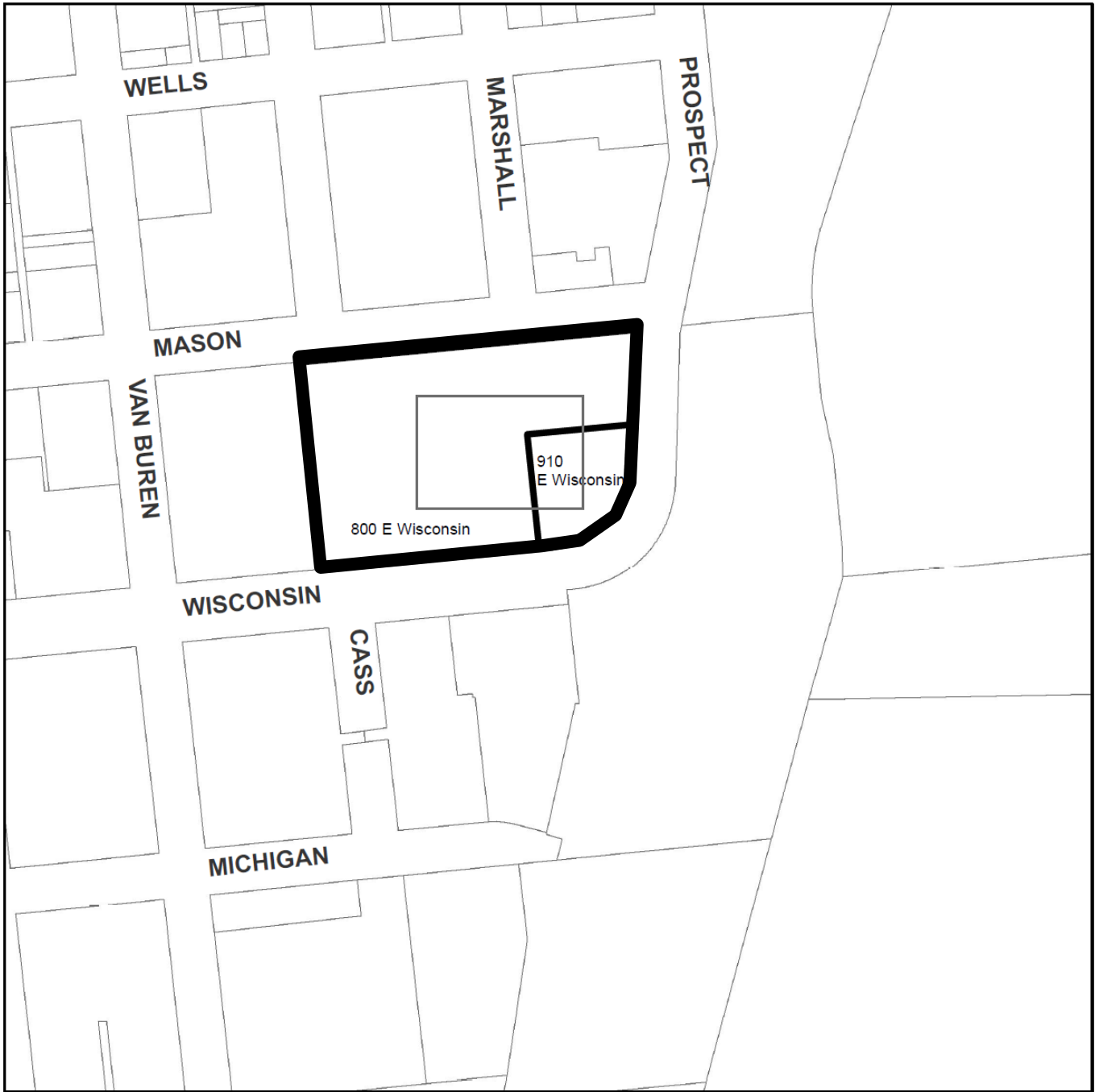
**Tax Incremental District
Northwestern Mutual**
Map 2: Structure Condition

-  TID Boundary
-  In need of Rehabilitation or Conservation

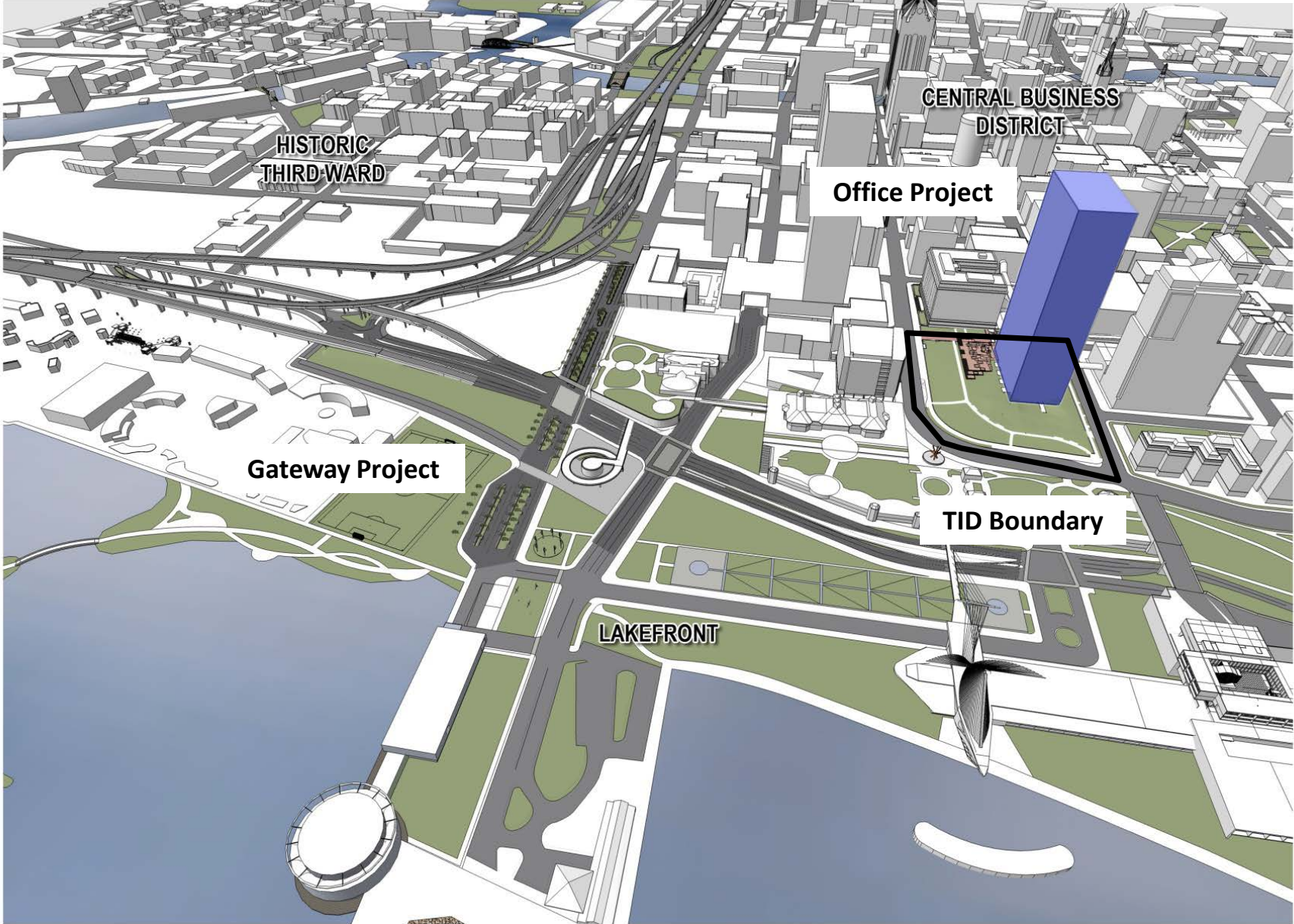


**Tax Incremental District
Northwestern Mutual**
Map 3a: Proposed Uses and
Improvements (Office Project)

-  TID Boundary
-  Proposed new construction



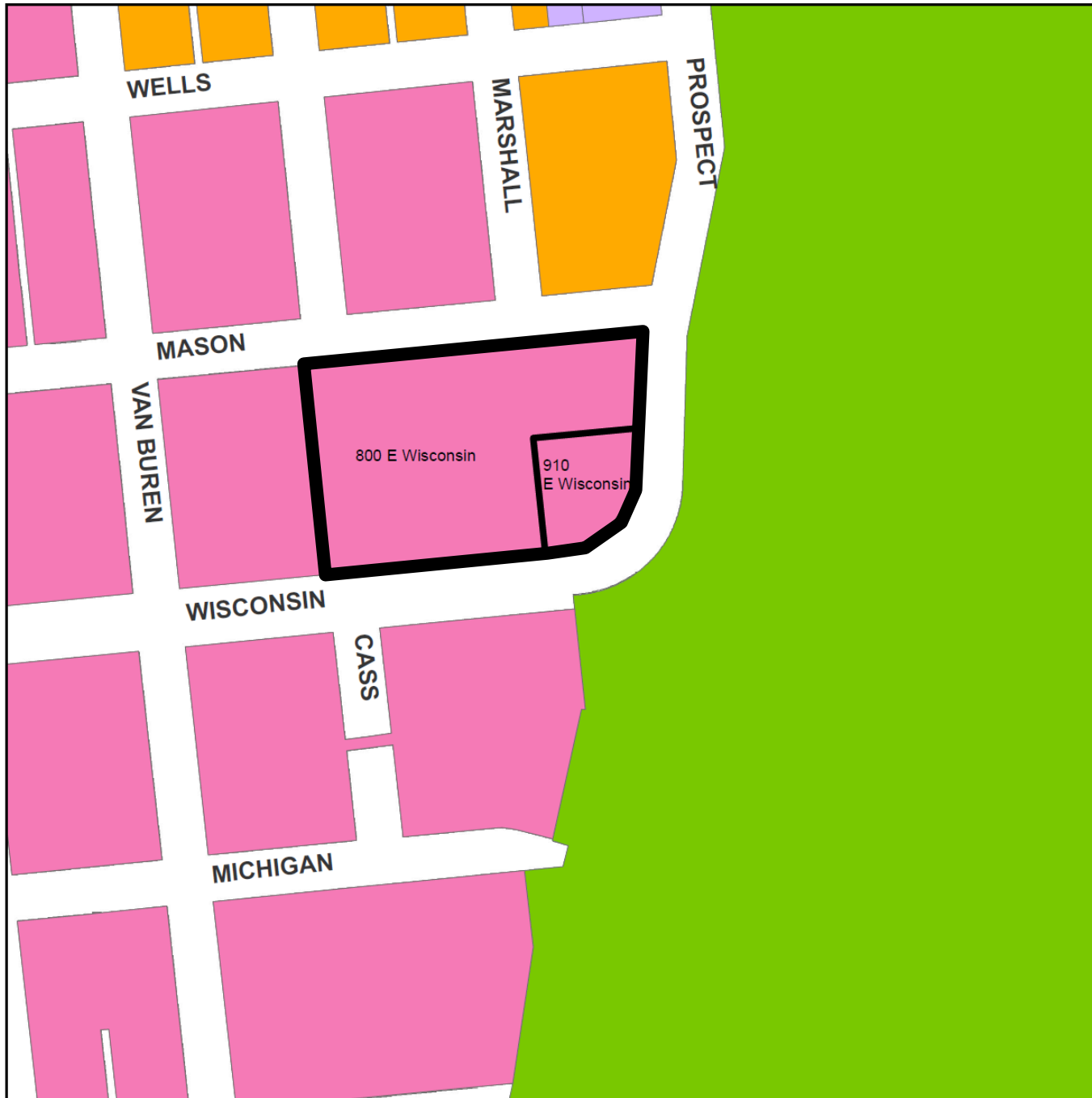
**Tax Incremental District
Northwestern Mutual**
Map 3b: Proposed Uses and
Improvements (Gateway Project)




Tax Incremental District








Northwestern Mutual

Map 4: Existing Zoning














 TID Boundary






Residential Districts

-  Single Family
-  Two-Family
-  Multi-Family
-  Residential and Office
-  C9A(A) - High-Density Residential
-  C9A(B) - High-Density Residential
-  C9B(A) - Residential and Specialty Use
-  C9B(B) - Residential and Specialty Use







Commercial Districts

-  Neighborhood Shopping
-  Local Business
-  Commercial Service
-  Regional Business
-  Central Business
-  C9C - Neighborhood Retail
-  C9E - Major Retail
-  C9F(A) - Office and Service
-  C9F(B) - Office and Service
-  C9F(C) - Office and Service
-  C9G - Mixed Activity

Industrial Districts

-  Industrial - Office
-  Industrial - Light
-  Industrial - Mixed
-  Industrial - Heavy
-  C9H - Warehouseing and Light Manufacturing

Special Districts

-  Parks
-  Institutional
-  Planned Development
-  Redevelopment
-  C9D(A) - Civic Activity
-  C9D(B) - Civic Activity

