

Ownership of the local portion of the arts center will be a community not-for-profit corporation. The final determination of the nature and governance of this entity is subject to negotiations with both the City and the State.

The City has directed that a \$2.5 million reserve fund be in place before the City guaranty could be invoked. We have projected that the worst case scenario is an operating loss of about \$300,000 annually. I'm not aware of any challenges to that estimate. Accordingly, the reserves in the Not-For-Profit will represent about 8 years of maximum losses. After 7 years, the interest on New Market Tax Credits goes away, reducing expenses by an additional \$100,000 per year. In addition to the reserves in the N-F-P, there is a proposed reserve account in the operating entity, the Confluence Council.

The room tax is only from new, incremental dollars above what is currently allocated. Existing programs would have room for inflationary growth and none would be cut as a result of this contribution. The arts center would receive its allocation only to the extent that new room tax revenues are available.

The TIF funding support is not driven by building use. It simply recognizes that development in an urban site with existing buildings, unstable and potentially contaminated soils and need for underground parking is more expensive than typical sites. The advance does get repaid from property taxes generated by the property constructed. It is not realistic to expect that private development could or will occur on this site without the benefit of this municipal financing mechanism.

The property tax guarantee for the mixed use building covers the bond payment for funds advanced for the Mixed Use Building AND for the City's investment in the arts center.

In my view, the City is getting all of the benefits of the project without any direct taxpayer investment in the arts center and with minimal operating risk.

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