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July 12, 2006

Ms. Allison J. Rozek
Senior Economic Development Specialist
City of Milwaukee
809 North Broadway
Milwaukee, WI 53202

Dear Ms. Rozek:

The purpose of this letter is to request financial assistance from the City of Milwaukee via the Tax Incremental District Number 48, in an attempt to address the revenue short fall associated with initial capital costs. It is believed that, in addition to debt and equity financing, the Project will need an amount in the range of \$7.0 to \$8.0 million, to create an economically feasible project. It is only through this type of "gap" equity financing that the Project can move forward in its current magnitude.

As you are aware, RSC & Associates was the successful respondent to the Milwaukee County Request for Proposal for Blocks One and Two of the Park East redevelopment. Since that time, our firm has spent many months formulating and re-formulating plans for the redevelopment of both blocks. Recently, we were granted an extension until October 13, 2006 by Milwaukee County on the purchase of Block One. The Project has become a much broader, larger mixed-use project incorporating a hotel and additional retail, as well as public streetscape, and increased parking to accommodate this more expansive and dynamic project.

Block One will be a vibrant mixed-use development, one in which residents, employees, and business and leisure travelers can all enjoy the diverse benefits that new restaurants, entertainment, spas, apparel stores and other retailers will bring to the neighborhood. It is our hope that the improvements to our original design will significantly add to the vitality of the continued growth of the Park East Corridor.

Since the initial plan concepts were presented to the County during our pre-development process, significant enhancements and opportunities have surfaced which will benefit the County, City and the overall redevelopment. These benefits include significantly greater

real estate tax revenues as well as increased construction and permanent jobs for the local community. Additionally, the residents, hotel guests and visitors to the restaurants and retail shops will increase expenditures made in the surrounding area retail, restaurant, entertainment, and cultural and business establishments. Overall, the revised plans will boost total private investment in Block One to a level over 50% greater than originally projected. The chart below summarizes the significant changes to the overall Project from the initial to the current designs.

	<u>Initial Design</u>	<u>Current Design</u>	<u>Variance</u>
Residential Units	134	132	(2)
Total Retail/Commercial (square feet)	26,800	64,146	37,346
Hotel Rooms	None	125	125
Project Cost	\$40,093,216	\$66,055,194	\$25,961,978
Total Project Size (square feet)	321,550	489,157	167,607
Total Real Estate Tax Revenue - 10yr	\$10,667,000	\$18,858,063	\$ 8,181,063
- 20yr	\$23,284,183	\$49,087,335	\$25,803,151
Estimated Permanent Jobs Created (FTE's)	50-75	150-200	100-125
Estimated Construction Jobs Created (FTE's)	250	310	60
Targeted DBE Goal	\$8,138,690	\$13,021,349	\$4,882,659

A. Job Creation

The Block One redevelopment will create significant new employment. The 310 new construction jobs and 150 to 200 new permanent full time equivalent jobs will have a significant effect on the surrounding area and the City of Milwaukee as a whole. Our

firm believes these new positions will be good paying jobs, as well as offering diverse opportunities in the hotel, retail and multi-family housing fields. Positions will be available in merchandising, culinary services, building management and maintenance. Whether it is working in one of the unique restaurants, shops or the boutique hotel planned for the block, new and exciting career opportunities will be available.

In addition to the new direct jobs created by the Project, many indirect jobs will benefit. Studies indicate that for every one direct job created, one to two indirect jobs are created in the immediate market area. These indirect jobs come in the form of increased services such as clothing, drycleaners, financial institutions and the like, which are necessary to support the newly created direct jobs.

B. New Tenant Commitments

Since the initial plan concepts were drawn, RSC and our leasing team, Polacheck and LandTrack, have had numerous contacts with potential tenants. As such, the Project has evolved to address specific tenant floor plan requests. Our team believes that the changes to the plans have improved the Project. A number of high profile tenants including casual dining and white tablecloth restaurants, health clubs, fashion retailers, and entertainment venues have expressed interest and requested Letters of Intent ("LOI's") in the Block One redevelopment. Four LOI's have been sent out with four more in progress.

We expect the initial leasing commitments to come from national retailers of coffee, eyewear, banking, and copy/overnight mail services. The second round of tenant commitments will come from national retailers of men's clothing, electronics, ethnic foods and additional convenience foods. RSC has made application for a "flag" hotel and expects to receive approval shortly. With this approval, we will be in a position to move forward with the hotel component of the Project. Leasing efforts will be ongoing and will continue throughout the development and construction of Block One. In order to lessen financial risk, anchor tenants will be obtained and pre-leasing commitments will be achieved prior to moving forward with the Project.

C. Financing

Project financing will have a capital structure composed of three primary sources: construction loan financing, institutional equity, and private equity. The largest portion of the financing will come from a construction loan encompassing approximately 75% of Project costs.

Construction financing for the Project will be provided by one of the major banks with which we have a longstanding relationship. The majority of the equity financing will be

from an institutional source. Our current pension fund partner, which represents major union pension funds, has expressed interest in the Project and is extremely enthusiastic about the Milwaukee real estate markets since they are already invested in the Third Ward. Our firm has had a long and successful relationship with both this firm and the pension funds they represent. Additional equity will be provided by RSC & Associates.

Over our 25+ years in both development and real estate finance, this has been our typical financing program that we have successfully used for our major mixed-use urban developments.

D. Structured Parking and the Financial Need

As the Project has grown, so too has the need for parking. Since there is no practical way to provide adequate parking by using the surrounding streets or other parking lots, the Project needs to provide self contained parking to meet demands. Much of this demand must be met utilizing structured parking. It is anticipated that approximately 430 structured parking spaces along with approximately 30 street surface spaces will be necessary to support the Project.

Two hundred and eighty-eight parking spaces will be required to support the retail uses in the Project. The retail parking spaces will have an approximate total development cost of \$7.6 million. Since it is not practical to charge for retail parking for a project such as this, initial capital costs cannot be recouped and thus require subsidy.

E. Financial Payback

Projected real estate taxes for the currently designed Project will total over \$18.8 million over the initial ten years of the Project and \$49.1 million over 20 years. The chart attached indicates the projected incremental real estate taxes generated by the Project. These new tax revenues are offset against the TID funds received to illustrate a conventional debt retirement schedule with an assumed interest rate of 5.5% per annum and a principal amount equal to the gap financing provided by the TID.

This interest rate assumes an upfront funded TID grant. It is anticipated that the Project grant (including interest on the City's borrowing) will be fully repaid to the City through tax revenues in six and one half (6.5) years. This period would likely be extended if the grant comes in the form of a developer-funded arrangement, due to the higher interest the borrowing would experience. The development team is open to either TID funding arrangement.

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F. Project Schedule

Our Project team is at the point where it is appropriate to meet with City staff to review Project plans and gain conceptual approval of the design and financial pro forma. In light of this, we request that the analysis required by the City in order to begin the TID process commence at the earliest possible time. Concurrently, our team will be working with our debt and equity sources to finalize preliminary financing commitments. We are prepared to begin sharing Project economics and such other information your department requires at your earliest convenience.

G. Team Members

Development. As an update for the City, the RSC development team has advanced with the opening of its Milwaukee office, which is located at 1000 North Water Street, Milwaukee. Mr. Keith Redding, formerly a partner with Irgens Development Partners, LLC will be in charge of the office. As his last project with Irgens, Mr. Redding was responsible for overseeing the development of the new GE Healthcare Project located in the Milwaukee County Research Park.

Design, Construction and Oversight. Barrientos Design & Consulting, LLC and Legat Architects jointly remain as the Project's architects.

Disadvantage Business Enterprise Efforts. Ms. Denise Patten and her firm, BDP & Associates, were initially involved with our team during the RFP response and will remain on the team.

In closing, RSC & Associates is prepared to meet with the City and go over the details of our current plans and Project economics. We welcome the opportunity to do so and very much appreciate the positive response from City staff the Project and our team have received thus far. Thank you for your consideration.

RCS & Associates

Sincerely,

Richard S. Curto