

Date: October 4, 2006

Subject: Fifth Ward – First Place on the River Economic Feasibility Study
Revised Draft (originally submitted August 2, 2006)

From: *S. B. Friedman & Company*

To: James Scherer, City of Milwaukee Department of City Development
Allison Rozek, City of Milwaukee Department of City Development

S. B. Friedman & Company (SBFCo) was engaged by the City of Milwaukee Department of City Development (DCD) to conduct an economic feasibility study for a proposed TID in the Fifth Ward that includes the First Place on the River (First Place) project being developed by KeyBridge Development Group (KeyBridge). This document outlines *SBFCo*'s methodology and findings regarding the feasibility of providing Tax Incremental Financing (TIF) assistance to First Place as well as funding other TID project costs, including projections of incremental property tax revenue and estimated amortization of the project costs that may be funded via incremental property tax revenues.

Executive Summary

SBFCo's analysis indicates that the incremental property taxes generated by the TID will likely be more than sufficient to support necessary public infrastructure and the project costs for which KeyBridge has requested TIF assistance. Given the project costs that DCD has indicated it will consider funding (approximately \$4.3 million) via conventional TIF assistance, *SBFCo* estimates that the Tax Incremental District (TID) may be able to close as early as 2016 (TID year nine).

Context and Background

First Place is a mixed-use project located on the west bank of the Milwaukee River, less than one mile south of Downtown Milwaukee. Upon completion, it will contain 151 residential condominiums and five commercial condominiums, totaling approximately 18,000 square feet of space. KeyBridge has requested that the City create a TID to provide assistance to support improvements of the streets, riverwalk, dock wall, and marina/boardwalk associated with the project.

DCD has indicated that it will consider costs associated with First Place and an adjacent property to the east (100 E. Seeboth Street), including:

- 50 percent of the First Place dock wall improvements;
- 70 percent of other First Place riverwalk improvements;
- 70 percent of future riverwalk improvements on 100 E. Seeboth Street;
- 50 percent of future dock wall improvements on 100 E. Seeboth Street; and

- Various street, lighting, and streetscape improvements in close proximity to both properties.

DCD will consider funding these costs if the aggregate amount is supportable by the incremental property tax revenue projected to be generated by the proposed TID. DCD engaged *SBFCo* to evaluate the ability of the proposed TID to amortize the approximately \$4.3 million in project costs associated with this portion of the improvements.

Overall Approach

SBFCo has based its TID projections and estimated debt amortization schedule on the following sources of information:

- Project pricing, sales data, and amenities provided by KeyBridge;
- Real property assessment data obtained from the City Assessor's Office;
- Cost estimates for street, riverwalk, dock wall, and marina/boardwalk improvements provided by KeyBridge;
- Cost estimates for streets, lighting, plaza improvements, and future riverwalk and dock wall improvements provided by the City of Milwaukee Department of Public Works (DPW); and
- Estimated parameters of general obligation bonds, if issued, from DCD.

SBFCo has assumed that if a TID is created, it will be a TID comprised of the First Place project and the adjacent 100 E. Seeboth Street property. We have assumed that it will be created as a district "in need of rehabilitation or conservation work," with a maximum life (before extensions) of 27 years. DCD has indicated that the timing of the TID's creation would result in a TID base value year of 2007.

Assumptions

SBFCo's projections of incremental property tax revenue are based on the assumptions outlined in the following paragraphs.

ASSESSED VALUES

Residential Condominiums

Residential condominiums are assumed to be assessed at 100 percent of fair market value, approximated by contract unit sales price for sold/reserved units and current unit asking price for unsold units. Achieving assessed values equivalent to market value is the stated goal of the Assessor's office, and is supported in practice by a sampling of condominium units recently sold in the neighborhoods surrounding First Place.

To validate that the assessed values implied by the asking prices for First Place condominiums are generally aligned with the market, *SBFCo* examined two nearby comparable condominium

developments: The Waterfront and Harbor Front Condominiums. A comparison table of First Place pricing relative to 2006 assessed values at these two properties is displayed as Figure 1 below.

Figure 1. Comparison of Sale Price and 2006 Assessed Value

Condominium Development	PSF Price or 2006 Assessed Value [1]		Unit Price or 2006 Assessed Value [1]	
	Average	Variance from First Place	Average	Variance from First Place
First Place on the River	\$295	N/A	\$370,828	N/A
The Waterfront	\$252	- 15%	\$365,209	- 1.5%
Harbor Front Condominiums	\$277	- 6%	\$393,644	+ 6.2%

[1] First Place figures are sale prices (proxy for assessed value); all others are 2006 assessed value.

On a per-square-foot basis, First Place pricing slightly exceeds the assessed values observed at comparable developments. However on a per-unit basis, prices at First Place are in line with average assessed values at these projects. We therefore believe that First Place sale prices are a reasonable proxy for the condominium units' assessed value.

Commercial Condominiums

The commercial condominiums, while under contract for \$180 per square foot of space, were estimated at per-square-foot values derived from analysis of 2006 assessed values for each anticipated tenant type in the development program. The City Assessor's office derives assessed values for commercial properties from actual or implied net operating income (rent levels) attainable by the properties. The types of commercial tenants anticipated by KeyBridge span a range of potential rent levels, most of which appear to imply an assessed value that falls below \$180 per square foot (\$20-\$25 per-square-foot net rent).

On a city-wide basis, *SBFCo* analyzed properties in the City of Milwaukee Assessor's database which were fully assessed in 2006 (i.e., not under construction), and were of relatively recent construction (generally built in 1990 or later).

Figure 2 summarizes the valuation estimates that were obtained.

Figure 2. Summary of Assessed Value Estimates

First Place Commercial Tenant Type	“Building Type” or “Land Use”^[1]	Assessed Value per SF (\$2006)	Apx. Implied Net Rent per SF^[2]
Restaurant	Sit-Down Restaurant	\$190	\$21 - \$26
Coffee Shop/Dessert/Wine Lounge	One-Story, Multi-Tenant Retail	\$120	\$13 - \$17
Office (2 condos)	Office, General ^[3]	\$100	\$11 - \$14
Specialty Grocer/Café	N/A – selected comparable properties ^[4]	\$80	\$9 - \$11

[1] As defined by the Milwaukee City Assessor property database

[2] Assumes vacancy allowance of 15% of net rent, unrecoverable allowance of 15% of net rent, and a range of cap rates from 8-10%

[3] Subset of the “Finance, Insurance, Real Estate” land use category

[4] Outpost Natural Foods, Beans & Barley, Aveni’s Italian Specialties, and Glorioso Brothers

TID BASE VALUE

The list of taxkeys comprising the proposed TID as of the time of this study is attached as Exhibit 1.

As of January 1, 2006, the assessed value of the 161 taxkeys comprising First Place was \$6,851,200. The project is currently under construction, with an estimated substantial completion date of July 2007, at which time closing of residential and commercial condominiums will commence, and annual assessed value determination will be based on actual unit sale prices upon occupancy. Sales price-based valuation will therefore commence beginning January 1, 2008, following the closing of the first group of units during the second half of 2007.

Prior to unit occupancy, conversations with the Milwaukee Assessor indicate that the project’s assessed value will be based on the value of construction loan draws made by KeyBridge as of the date of assessment. Information provided by KeyBridge indicates that as of December 31, 2006, an estimated \$27,924,000 will have been drawn down on the project’s development loan for labor, materials, and soft costs (including loan interest). *SBFCo* has assumed that this will be the January 1, 2007, base assessed value of the project (its value is assumed to appreciate at a rate of 1% annually thereafter).

The property at 100 E. Seeboth Street was attributed an assessed value of \$672,500 in assessment years 2004, 2005, and 2006. For the purposes of the TID projections, *SBFCo* has assumed that this property will be assessed at this same value in 2007 (its 2007 base assessed value). The total 2007 base assessed value of the TID is estimated to be \$28,596,900.

DEVELOPMENT PHASING

Beginning in 2008, residential and commercial condominiums are estimated to become fully assessed as their respective contracts close and the units become occupied. All of the commercial units are under contract, and are assumed to close during the second half of 2007. It is assumed that residential condominiums will be able to close at a maximum pace of 12 units per month.

Based on a substantial completion date of August 1, 2007, and the assumption that each residential unit will require 90 days to close (beginning August 1, 2007), *SBFCo* has assumed that 24 residential units will close in 2007, regardless of how many units in excess of this number are under contract at that time (77 units were characterized by KeyBridge as sold or reserved as of February 2006). The remaining 127 units are assumed to close in 2008.

Figure 3 summarizes the estimated closing and assessment schedule for the residential and commercial components of the First Place project.

Figure 3. Estimated Development Phasing

Closed by Dec. 31:	Newly Assessed on Jan. 1:	Residential Condos (units)	Commercial Condos (square feet)
2005	2006	0	
2006	2007	0	
2007	2008	24	18,169
2008	2009	127	
Total		151	18,169

Conversely, absorption of units by the market and subsequent closing may occur more slowly due to the pricing of those units that remain to be sold. To date, the residential units have sold at a pace of 3.52 units per month. However, these units have an average price of \$230 per square foot, while those units that remain to be sold average \$342 per square foot. The unsold units are also at the high end (based on assessed value per square foot) of the range exhibited by recent comparable projects such as The Waterfront and Harbor Front. Therefore, it is possible that these higher-priced units will be absorbed more slowly by the market, resulting in slower growth in assessed value and incremental property taxes for the overall project.

If it is assumed that residential condominium units require 90 days to close once they are under contract and construction is substantially complete, First Place must be fully sold no later than September 30, 2008, to achieve the assessment schedule depicted in Figure 2. This will be possible as long as the project has been and continues to be able to maintain an average absorption pace of at least 2.4 units per month (between February 2006 and September 2008) for the 74 unsold residential condominiums. This would allow for a slowdown of about 32 percent relative to the sales pace achieved through February 2006 (3.52 units per month) without affecting the pace of TID amortization.

Projected TID Revenue

Projections of incremental property tax revenue were calculated assuming that the Fifth Ward/First Place TID is established with a 2007 base value of \$28,596,900, and with 2008 as the first year of incremental revenue (TID year one). In its first ten years, the TID is projected to generate approximately \$6.7 million in incremental property tax revenues based on the development phasing outlined in Figure 3 (excluding personal property held by the commercial establishments). Discounted at a rate of 5 percent, this revenue stream has a present value of

approximately \$4.7 million. The TID is projected to generate approximately \$35.3 million in incremental property tax revenues over its maximum 27-year life (\$14.9 million in 2007 dollars). Detailed incremental property tax projections are attached as Exhibit 2.

Debt Amortization

The First Place on the River project includes an estimated \$3.8 million of project costs attributable to riverwalk, dock wall, marina/boardwalk, and street improvements (see Exhibit 3 for cost detail). DCD has indicated that it will consider funding approximately \$2.5 million of the costs associated with these public improvements on the First Place property. Additional TID project costs have been identified by the City, including:

- Public improvement costs of approximately \$1.1 million, including street paving, lighting and plaza construction;
- District administrative costs estimated at \$350,000; and
- Future riverwalk improvements of approximately \$336,000 anticipated for the property at 100 E. Seeboth Street.

SBFCo evaluated the ability of the potential First Place TID to amortize the total debt amount of \$4.3 million, based on the following assumptions:

- 4.5% percent interest rate on City-issued general obligation bonds (conventional TIF);
- 5.21% percent carry charge for any accumulated shortfalls against target annual debt service (conventional TIF); and
- Debt coverage of 1.0 (conventional TIF).

SBFCo assumed that bonds would be issued January 1, 2008, allowing sufficient time to establish the TID and issue bonds or a note to fund the improvements. The conventional TIF amortization schedule was structured to include two years of interest-only payments and fifteen level principal and interest payments.

Under this amortization schedule, the bonds would be retired in 2024 (TID year 17), assuming no prepayment of outstanding principal will occur. Analysis indicates that the TID could accumulate a sufficient fund surplus to prepay the outstanding balance of the debt as early as 2016 (TID year nine). The potential debt amortization schedule is attached as Exhibit 4.

Conclusions

A new TID comprised of the First Place on the River mixed-use development and 100 E. Seeboth Street is projected to generate approximately \$6.7 million in incremental property tax revenue during its first ten years (through 2017), and \$35.3 million if it remains open for its 27-year maximum life. Based on the cost sharing scenario under consideration by DCD and a 17-year debt amortization schedule, the TID bonds can be retired in 2024 (TID year 17). If the City chooses to prepay the outstanding debt balance when the TID has accumulated a sufficient fund balance to do so, the TID may be able to close as early as by 2016 (TID year nine).

Limitations of Our Engagement

The scope of our engagement included reviewing the developer's application for TIF assistance, projecting the incremental property tax revenues likely to result from the project as proposed, and determining the size of bond issue that TIF revenues from the project could support.

Our projections are based on estimates, assumptions, and other information developed from our research, knowledge of the industry, and meetings with you and the developer during which certain information was obtained. Sources of information and bases of estimates and assumptions are cited in the report. We deem our sources of information to be reliable, but no guarantee can be offered as to the reliability of information obtained from others. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report or associated financial analyses to reflect events or conditions which occur subsequent to the date of the report. These events or conditions include without limitation economic growth trends, governmental actions, acts of war or terrorism, additional competitive developments, construction delays, cost overruns, labor availability and costs, interest rates, and other market factors. However, we will be available to discuss the necessity for revision in view of these changes or market factors.

Our study did not ascertain the legal and regulatory requirements applicable to this project, including zoning, other state and local government regulations, permits, and licenses. No effort was made to determine the possible effect on this project of present or future federal, state, or local legislation, including any environmental or ecological matters. Further, we have not evaluated management's effectiveness, nor are we responsible for future marketing efforts, programming, and other management actions upon which actual results will depend.

Our report is intended solely for your information, the Joint Review Board, and the City Council, and should not be relied upon for any other purposes. Otherwise, neither the report nor its contents, nor any reference to our Firm may be included or quoted in any offering circular or registration statement, prospectus, loan, or other agreement or document.

**City of Milwaukee - First Place on the River
Exhibit 1: First Place on the River Taxkeys**

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Taxkey	2006 Assessed Value			Use
	Land	Improvements	Total	
4280761000	\$ 33,700	\$ 102,900	\$ 136,600	Commercial
4280762000	\$ 47,500	\$ 145,100	\$ 192,600	Commercial
4280768000	\$ 15,200	\$ 46,400	\$ 61,600	Commercial
4280763000	\$ 15,000	\$ 45,800	\$ 60,800	Residential
4280764000	\$ 6,000	\$ 18,300	\$ 24,300	Residential
4280765000	\$ 5,900	\$ 18,000	\$ 23,900	Residential
4280766000	\$ 6,100	\$ 18,600	\$ 24,700	Residential
4280767000	\$ 12,800	\$ 39,000	\$ 51,800	Residential
4280769000	\$ 28,100	\$ 86,000	\$ 114,100	Residential
4280770000	\$ 3,600	\$ 11,100	\$ 14,700	Residential
4280771000	\$ 12,800	\$ 39,000	\$ 51,800	Residential
4280772000	\$ 6,500	\$ 19,700	\$ 26,200	Residential
4280773000	\$ 8,400	\$ 25,600	\$ 34,000	Residential
4280774000	\$ 5,500	\$ 17,000	\$ 22,500	Residential
4280775000	\$ 6,100	\$ 18,500	\$ 24,600	Residential
4280776000	\$ 8,000	\$ 24,500	\$ 32,500	Residential
4280777000	\$ 9,900	\$ 30,400	\$ 40,300	Residential
4280778000	\$ 8,000	\$ 24,300	\$ 32,300	Residential
4280779000	\$ 5,400	\$ 16,500	\$ 21,900	Residential
4280780000	\$ 5,000	\$ 15,300	\$ 20,300	Residential
4280781000	\$ 11,100	\$ 34,000	\$ 45,100	Residential
4280782000	\$ 22,900	\$ 70,000	\$ 92,900	Residential
4280783000	\$ 11,000	\$ 33,600	\$ 44,600	Residential
4280784000	\$ 6,500	\$ 19,700	\$ 26,200	Residential
4280785000	\$ 8,400	\$ 25,600	\$ 34,000	Residential
4280786000	\$ 5,500	\$ 17,000	\$ 22,500	Residential
4280787000	\$ 6,100	\$ 18,600	\$ 24,700	Residential
4280788000	\$ 8,800	\$ 27,200	\$ 36,000	Residential
4280789000	\$ 8,900	\$ 27,200	\$ 36,100	Residential
4280790000	\$ 8,000	\$ 24,300	\$ 32,300	Residential
4280791000	\$ 5,400	\$ 16,500	\$ 21,900	Residential
4280792000	\$ 5,000	\$ 15,300	\$ 20,300	Residential
4280793000	\$ 11,100	\$ 34,000	\$ 45,100	Residential
4280794000	\$ 19,800	\$ 60,500	\$ 80,300	Residential
4280795000	\$ 14,100	\$ 43,100	\$ 57,200	Residential
4280796000	\$ 6,500	\$ 19,700	\$ 26,200	Residential
4280797000	\$ 8,400	\$ 25,600	\$ 34,000	Residential
4280798000	\$ 5,500	\$ 17,000	\$ 22,500	Residential
4280799000	\$ 6,100	\$ 18,600	\$ 24,700	Residential
4280800000	\$ 6,800	\$ 20,700	\$ 27,500	Residential
4280801000	\$ 16,800	\$ 51,500	\$ 68,300	Residential
4280802000	\$ 5,400	\$ 16,500	\$ 21,900	Residential
4280803000	\$ 5,000	\$ 15,300	\$ 20,300	Residential
4280804000	\$ 11,100	\$ 34,000	\$ 45,100	Residential
4280805000	\$ 12,400	\$ 37,700	\$ 50,100	Residential
4280806000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280807000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280808000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280809000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280810000	\$ 9,900	\$ 30,400	\$ 40,300	Residential
4280811000	\$ 19,800	\$ 60,500	\$ 80,300	Residential
4280812000	\$ 14,700	\$ 44,900	\$ 59,600	Residential
4280813000	\$ 10,800	\$ 32,900	\$ 43,700	Residential
4280814000	\$ 8,500	\$ 25,900	\$ 34,400	Residential
4280815000	\$ 10,800	\$ 32,900	\$ 43,700	Residential
4280816000	\$ 7,200	\$ 22,100	\$ 29,300	Residential
4280817000	\$ 7,100	\$ 21,700	\$ 28,800	Residential
4280818000	\$ 7,400	\$ 22,600	\$ 30,000	Residential
4280819000	\$ 7,400	\$ 22,600	\$ 30,000	Residential
4280820000	\$ 8,900	\$ 27,000	\$ 35,900	Residential
4280821000	\$ 6,400	\$ 19,400	\$ 25,800	Residential
4280822000	\$ 6,400	\$ 19,400	\$ 25,800	Residential
4280823000	\$ 13,000	\$ 39,600	\$ 52,600	Residential
4280824000	\$ 12,000	\$ 36,800	\$ 48,800	Residential
4280825000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280826000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280827000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280828000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280829000	\$ 9,900	\$ 30,400	\$ 40,300	Residential
4280830000	\$ 19,800	\$ 60,500	\$ 80,300	Residential
4280831000	\$ 14,700	\$ 44,900	\$ 59,600	Residential
4280832000	\$ 10,800	\$ 32,900	\$ 43,700	Residential
4280833000	\$ 8,500	\$ 25,900	\$ 34,400	Residential
4280834000	\$ 10,800	\$ 32,900	\$ 43,700	Residential
4280835000	\$ 7,200	\$ 22,100	\$ 29,300	Residential
4280836000	\$ 7,100	\$ 21,700	\$ 28,800	Residential
4280837000	\$ 7,400	\$ 22,600	\$ 30,000	Residential
4280838000	\$ 7,400	\$ 22,600	\$ 30,000	Residential
4280839000	\$ 8,900	\$ 27,000	\$ 35,900	Residential
4280840000	\$ 6,400	\$ 19,400	\$ 25,800	Residential
4280841000	\$ 6,400	\$ 19,400	\$ 25,800	Residential
4280842000	\$ 13,000	\$ 39,600	\$ 52,600	Residential
4280843000	\$ 12,000	\$ 36,800	\$ 48,800	Residential
4280844000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280845000	\$ 8,800	\$ 26,900	\$ 35,700	Residential

Taxkey	2006 Assessed Value			Use
	Land	Improvements	Total	
4280846000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280847000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280848000	\$ 9,900	\$ 30,400	\$ 40,300	Residential
4280849000	\$ 19,800	\$ 60,500	\$ 80,300	Residential
4280850000	\$ 14,700	\$ 44,900	\$ 59,600	Residential
4280851000	\$ 7,600	\$ 23,300	\$ 30,900	Residential
4280852000	\$ 6,000	\$ 18,300	\$ 24,300	Residential
4280853000	\$ 7,300	\$ 22,200	\$ 29,500	Residential
4280854000	\$ 10,800	\$ 32,900	\$ 43,700	Residential
4280855000	\$ 8,500	\$ 25,900	\$ 34,400	Residential
4280856000	\$ 10,800	\$ 32,900	\$ 43,700	Residential
4280857000	\$ 7,200	\$ 22,100	\$ 29,300	Residential
4280858000	\$ 7,100	\$ 21,700	\$ 28,800	Residential
4280859000	\$ 7,400	\$ 22,600	\$ 30,000	Residential
4280860000	\$ 7,400	\$ 22,600	\$ 30,000	Residential
4280861000	\$ 8,900	\$ 27,000	\$ 35,900	Residential
4280862000	\$ 6,400	\$ 19,400	\$ 25,800	Residential
4280863000	\$ 6,400	\$ 19,400	\$ 25,800	Residential
4280864000	\$ 13,000	\$ 39,600	\$ 52,600	Residential
4280865000	\$ 12,000	\$ 36,800	\$ 48,800	Residential
4280866000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280867000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280868000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280869000	\$ 8,800	\$ 26,900	\$ 35,700	Residential
4280870000	\$ 9,900	\$ 30,400	\$ 40,300	Residential
4280871000	\$ 22,900	\$ 70,000	\$ 92,900	Residential
4280872000	\$ 11,600	\$ 35,500	\$ 47,100	Residential
4280873000	\$ 7,600	\$ 23,300	\$ 30,900	Residential
4280874000	\$ 6,000	\$ 18,300	\$ 24,300	Residential
4280875000	\$ 7,300	\$ 22,200	\$ 29,500	Residential
4280876000	\$ 6,900	\$ 20,900	\$ 27,800	Residential
4280877000	\$ 5,600	\$ 17,200	\$ 22,800	Residential
4280878000	\$ 10,800	\$ 32,900	\$ 43,700	Residential
4280879000	\$ 8,500	\$ 25,900	\$ 34,400	Residential
4280880000	\$ 10,800	\$ 32,900	\$ 43,700	Residential
4280881000	\$ 7,200	\$ 22,100	\$ 29,300	Residential
4280882000	\$ 9,500	\$ 28,900	\$ 38,400	Residential
4280883000	\$ 9,900	\$ 30,400	\$ 40,300	Residential
4280884000	\$ 9,900	\$ 30,400	\$ 40,300	Residential
4280885000	\$ 12,200	\$ 37,100	\$ 49,300	Residential
4280886000	\$ 6,400	\$ 19,400	\$ 25,800	Residential
4280887000	\$ 6,400	\$ 19,400	\$ 25,800	Residential
4280888000	\$ 10,400	\$ 31,900	\$ 42,300	Residential
4280889000	\$ 16,800	\$ 51,300	\$ 68,100	Residential
4280890000	\$ 15,100	\$ 46,300	\$ 61,400	Residential
4280891000	\$ 16,400	\$ 50,200	\$ 66,600	Residential
4280892000	\$ 19,800	\$ 60,500	\$ 80,300	Residential
4280893000	\$ 14,700	\$ 44,900	\$ 59,600	Residential
4280894000	\$ 7,600	\$ 23,300	\$ 30,900	Residential
4280895000	\$ 6,000	\$ 18,300	\$ 24,300	Residential
4280896000	\$ 7,300	\$ 22,200	\$ 29,500	Residential
4280897000	\$ 13,600	\$ 41,700	\$ 55,300	Residential
4280898000	\$ 13,600	\$ 41,700	\$ 55,300	Residential
4280899000	\$ 11,300	\$ 34,400	\$ 45,700	Residential
4280900000	\$ 14,400	\$ 44,000	\$ 58,400	Residential
4280901000	\$ 11,000	\$ 33,700	\$ 44,700	Residential
4280902000	\$ 9,500	\$ 29,100	\$ 38,600	Residential
4280903000	\$ 9,500	\$ 29,100	\$ 38,600	Residential
4280904000	\$ 20,200	\$ 61,700	\$ 81,900	Residential
4280905000	\$ 13,600	\$ 41,700	\$ 55,300	Residential
4280906000	\$ 13,600	\$ 41,700	\$ 55,300	Residential
4280907000	\$ 11,300	\$ 34,400	\$ 45,700	Residential
4280908000	\$ 14,400	\$ 44,000	\$ 58,400	Residential
4280909000	\$ 11,000	\$ 33,700	\$ 44,700	Residential
4280910000	\$ 9,500	\$ 29,100	\$ 38,600	Residential
4280911000	\$ 9,500	\$ 29,100	\$ 38,600	Residential
4280912000	\$ 15,900	\$ 66,000	\$ 81,900	Residential
4280913000	\$ 13,600	\$ 41,700	\$ 55,300	Residential
4280914000	\$ 13,600	\$ 41,700	\$ 55,300	Residential
4280915000	\$ 11,300	\$ 34,400	\$ 45,700	Residential
4280916000	\$ 14,400	\$ 44,000	\$ 58,400	Residential
4280917000	\$ 11,000	\$ 33,700	\$ 44,700	Residential
4280918000	\$ 9,500	\$ 29,100	\$ 38,600	Residential
4280919000	\$ 9,500	\$ 29,100	\$ 38,600	Residential
4280920000	\$ 20,200	\$ 61,700	\$ 81,900	Residential
4280921000	\$ 100	\$ -	\$ 100	Warehouse
4280210100	\$ 342,900	\$ 329,600	\$ 672,500	Warehouse
Subtotal-1st Place Commercial	\$ 96,400	\$ 294,400	\$ 390,800	
Subtotal-1st Place Residential	\$ 1,588,900	\$ 4,871,500	\$ 6,460,400	
TOTAL ALL TAXKEYS	\$ 2,028,200	\$ 5,495,500	\$ 7,523,700	

City of Milwaukee - First Place on the River
Exhibit 2: Projection of Incremental Property Tax Revenues

DRAFT

Life (in years) of TID (Assumes Rehab/Conservation TID)	27
Annual Inflation of Real Property-Commercial	2.00%
Annual Inflation of Real Property-Residential	3.50%
Annual Inflation of 100 E. Seeboth St., beyond 2007	1.00%
Base Year for Tax Comp Inflation-Commercial Properties	2006
AV of Project Site-2005	\$ 1,464,500
First Place	\$ 792,000
Warehouse	\$ 672,500
AV of Project Site-2006	\$ 7,523,700
Commercial	\$ 390,800
Residential	\$ 6,460,400
Warehouse	\$ 672,500
Est'd. AV of Project Site-2007	\$ 28,596,900
Commercial	\$ 1,592,839
Residential	\$ 26,331,562
Warehouse	\$ 672,500
Equalization Factor	100%
Method of Commercial Valuation	Comps

Assessed Value Comparables Data (\$2006)

Specialty Grocer/Café	\$ 80
Restaurant	\$ 190
Coffee Shop/Dessert/Wine Lounge	\$ 120
Office	\$ 100

City of Milwaukee - First Place on the River
Exhibit 2: Projection of Incremental Property Tax Revenues

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Annual Inflation-Commercial	2.0%
Annual Inflation-Residential	3.5%
Annual Inflation-Warehouse	1.0%
Base Year for Tax Comp Inflation	2006
Base Value of Project Site [1]	\$ 28,596,900
Value of Project Site - 2006	\$ 7,523,700
Value of Project Site - 2005	\$ 1,464,500

[1] Assumes first year of new TID would be 2008, with 2007 base AV. 2007 base AV of project site estimated based on anticipated construction expenditures as of 1/1/07.

Commercial Condominiums	Net Square Ft. New Space	Valuation Method	Annual New EAV Inflation-Adjusted
Value Assessed in:	2006	-	\$ -
	2007	-	\$ 1,592,839
	2008	18,169	\$ 757,215
	2009	-	\$ -
	2010	-	\$ -
Total	18,169		\$ 2,350,054

Note: Includes real property only.

Residential Condominiums	Annual Number of Condo Units Closed	Percent of Total Project Value	Annual New AV Assessed Units (\$Nominal)
Value Assessed in:	2006	0	\$ -
	2007	0	\$ 26,331,562
	2008	24	\$ 3,159,688
	2009	127	\$ 26,503,726
	2010	0	\$ -
Total	151	100%	\$ 55,994,976

TID Yr	Year	Inflated AV of Non-Project Taxkey [1]	Cumulative New AV Additions			Total AV of TID [3]	Incremental AV Above Base Value [4]	Property Tax Rate [5]	Incremental Property Taxes Collected [6]
			Residential AV [2]	Commercial AV [2]					
0	2005	N/A			\$ 1,464,500			\$ -	
0	2006	N/A			\$ 7,523,700			\$ -	
0	2007	N/A	\$ 26,331,562	\$ 1,592,839	\$ 28,596,900		2.32%	\$ -	
1	2008	\$ 679,225	\$ 30,412,854	\$ 2,381,910	\$ 33,473,990	\$ 4,877,089	2.26%	\$ -	
2	2009	\$ 686,017	\$ 57,981,031	\$ 2,429,549	\$ 61,096,596	\$ 32,499,696	2.20%	\$ 110,265	
3	2010	\$ 692,877	\$ 60,010,367	\$ 2,478,140	\$ 63,181,384	\$ 34,584,483	2.14%	\$ 715,365	
4	2011	\$ 699,806	\$ 62,110,730	\$ 2,527,702	\$ 65,338,238	\$ 36,741,338	2.09%	\$ 741,140	
5	2012	\$ 706,804	\$ 64,284,605	\$ 2,578,256	\$ 67,569,666	\$ 38,972,765	2.03%	\$ 766,557	
6	2013	\$ 713,872	\$ 66,534,566	\$ 2,629,821	\$ 69,878,260	\$ 41,281,360	2.00%	\$ 791,629	
7	2014	\$ 721,011	\$ 68,863,276	\$ 2,682,418	\$ 72,266,705	\$ 43,669,805	2.00%	\$ 825,627	
8	2015	\$ 728,221	\$ 71,273,491	\$ 2,736,066	\$ 74,737,778	\$ 46,140,878	2.00%	\$ 873,396	
9	2016	\$ 735,503	\$ 73,768,063	\$ 2,790,788	\$ 77,294,354	\$ 48,697,454	2.00%	\$ 922,818	
10	2017	\$ 742,858	\$ 76,349,945	\$ 2,846,603	\$ 79,939,407	\$ 51,342,507	2.00%	\$ 973,949	
11	2018	\$ 750,287	\$ 79,022,193	\$ 2,903,535	\$ 82,676,016	\$ 54,079,115	2.00%	\$ 1,026,850	
12	2019	\$ 757,790	\$ 81,787,970	\$ 2,961,606	\$ 85,507,366	\$ 56,910,466	2.00%	\$ 1,081,582	
13	2020	\$ 765,368	\$ 84,650,549	\$ 3,020,838	\$ 88,436,755	\$ 59,839,855	2.00%	\$ 1,138,209	
14	2021	\$ 773,021	\$ 87,613,318	\$ 3,081,255	\$ 91,467,595	\$ 62,870,694	2.00%	\$ 1,196,797	
15	2022	\$ 780,752	\$ 90,679,784	\$ 3,142,880	\$ 94,603,416	\$ 66,006,516	2.00%	\$ 1,257,414	
16	2023	\$ 788,559	\$ 93,853,577	\$ 3,205,738	\$ 97,847,874	\$ 69,250,973	2.00%	\$ 1,320,130	
17	2024	\$ 796,445	\$ 97,138,452	\$ 3,269,852	\$ 101,204,749	\$ 72,607,849	2.00%	\$ 1,385,019	
18	2025	\$ 804,409	\$ 100,538,298	\$ 3,335,250	\$ 104,677,956	\$ 76,081,056	2.00%	\$ 1,452,157	
19	2026	\$ 812,453	\$ 104,057,138	\$ 3,401,955	\$ 108,271,546	\$ 79,674,646	2.00%	\$ 1,521,621	
20	2027	\$ 820,578	\$ 107,699,138	\$ 3,469,994	\$ 111,989,709	\$ 83,392,809	2.00%	\$ 1,593,493	
21	2028	\$ 828,784	\$ 111,468,608	\$ 3,539,393	\$ 115,836,785	\$ 87,239,885	2.00%	\$ 1,667,856	
22	2029	\$ 837,071	\$ 115,370,009	\$ 3,610,181	\$ 119,817,262	\$ 91,220,362	2.00%	\$ 1,744,798	
23	2030	\$ 845,442	\$ 119,407,959	\$ 3,682,385	\$ 123,935,786	\$ 95,338,886	2.00%	\$ 1,824,407	
24	2031	\$ 853,897	\$ 123,587,238	\$ 3,756,033	\$ 128,197,167	\$ 99,600,267	2.00%	\$ 1,906,778	
25	2032	\$ 862,436	\$ 127,912,791	\$ 3,831,153	\$ 132,606,380	\$ 104,009,480	2.00%	\$ 1,992,005	
26	2033	\$ 871,060	\$ 132,389,739	\$ 3,907,776	\$ 137,168,575	\$ 108,571,675	2.00%	\$ 2,080,190	
27	2034	\$ 879,770	\$ 137,023,380	\$ 3,985,932	\$ 141,889,082	\$ 113,292,182	2.00%	\$ 2,171,433	
	2035						2.00%	\$ 2,265,844	
Total Incremental Property Taxes Collected, 2008-2035 (not discounted)									\$ 35,347,331
Present Value (\$2007) of Incremental Property Taxes @ 5.0%									\$ 14,889,237

[1] Increases in AV of non-project Taxkey (4280210100) due to annual inflation of 1.0%.

[2] Additions to AV resulting from new construction/rehabilitation.

[3] Total AV of project site as of January 1, accounting for the past year's AV deductions and additions, as well as annual inflation. Actual values are in italics.

[4] January 1 AV less frozen base AV.

[5] Future tax rates projected based on historical trend and floor rate of 2.0%.

[6] Assumes 100% of taxes are collected in the year following their levy.

Source of comps and other calculations: City Assessor's Office and S. B. Friedman & Company

**City of Milwaukee - Fifth Ward/First Place on the River
Exhibit 3: Improvement Costs**

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		Bid/Estimate	Total Cost	City-Funded Portion of Cost
First Place Public Improvements [1]	Seebooth & 1st Place Street Improvements	Estimate	\$ 264,000	\$ 184,800
	Marina Fender Protection/Public Boardwalk	Estimate	\$ 500,000	\$ 350,000
	Total Riverwalk	Estimate	\$ 802,500	\$ 561,750
	1st Street Triangle	Estimate	\$ 25,000	\$ 17,500
	Public Boat Launch	Estimate	\$ 250,000	\$ 175,000
	Seawall (Dock Wall) Reconstruction	Bid	\$ 881,350	\$ 440,675
	Architectural Design	Bid	\$ 175,000	\$ 122,500
	Landscape/Lighting Design	Estimate	\$ 25,000	\$ 17,500
	Riverwalk & Building Lighting	Estimate	\$ 125,000	\$ 87,500
	Structural Engineering	Estimate	\$ 25,000	\$ 17,500
	<i>Subtotal-1st Place Public Improvements</i>		\$ 3,072,850	\$ 1,974,725
	Contingency 10%		\$ 307,285	\$ 197,473
	<i>Subtotal w/Contingency</i>		\$ 3,380,135	\$ 2,172,198
	HCCO CM Insurance 0.96%		\$ 29,499	\$ 18,957
	HCCO CM Fee 2.75%		\$ 84,503	\$ 54,305
Underwriting & Legal Costs 10%		\$ 349,414	\$ 224,546	
Est. Capitalized Interest		\$ -	\$ -	
Total City Share of First Place Public Improvements			\$ 3,843,552	\$ 2,470,006
Public Works [2]	1st Street Paving	DPW Est.		\$ 623,000
	Street Lighting (Harps/Lanterns/Bridge Uplighting)	DPW Est.		\$ 217,500
	Traffic Signals	DPW Est.		\$ 19,500
	Water	DPW Est.		\$ 15,000
	Forestry	DPW Est.		\$ 20,000
	<i>Subtotal-Public Works</i>			\$ 895,000
	Contingency Fee 25%			\$ 223,750
Total City Costs for Public Works				\$ 1,118,750
Future Riverwalk (70%)/Dock Wall (50%)				\$ 336,000
City Administration Fees				\$ 350,000
TOTAL TID EXPENSES				\$ 4,274,756

[1] City funds 50% of dock wall costs and 70% of riverwalk costs (all others).

[2] City funds 100% of public works costs.

City of Milwaukee- First Place on the River

Exhibit 4: Projected Bond Amortization- Net Proceeds to Project of \$4.28 Million

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Issuance Date	1/1/2008
Interest Rate on City Bonds	4.50%
Cost of Funds- Local Gov't Investment Pool	5.21%
Net Proceeds to Project	\$ 4,276,841
Issuance Costs @ 1.0%	\$ 42,768
Cap Interest Allowance 2 Years	\$ 427,214
Less Projected Available Up-Front Cash	\$ -
Cap Interest Allowance	\$ 427,214
Total Bond	\$ 4,746,824
Assumed Level P&I Payments	15
Assumed Debt Coverage Requirement	1.0

Cap Interest Reserve

Year	Reserve	Payment
2007	\$ 427,214	\$ (213,607)
2008	\$ 213,607	\$ (213,607)

Year of TID	Calendar Year	Repayment Sources		TID Payoff Analysis							
		Annual Inc. Tax Revenues Collected (Jan. 31) @ 100%	TID Annual Debt Service Target	Principal Bal. After Current Year's Debt Svc.	Cap Interest Payment	Annual Surplus/ Shortfall	Cumulative Fund Balance	Interest Earnings/ (Carry Cost) on Cuml. Balance	TID Debt Retired	TID Able to Pre-Pay Outstanding Debt Balance	
0	2007	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -	\$ -		
1	2008	\$ -	\$ 213,607	N/A	\$ 213,607	\$ -	\$ -	\$ -	\$ -	NO	
2	2009	\$ 110,265	\$ 213,607	N/A	\$ 213,607	\$ 110,265	\$ 110,265	\$ 5,745	\$ 5,745	NO	
3	2010	\$ 715,365	\$ 441,995	\$ 4,518,436	\$ -	\$ 273,370	\$ 389,380	\$ 20,287	\$ 26,032	NO	NO
4	2011	\$ 741,140	\$ 441,995	\$ 4,279,771	\$ -	\$ 299,145	\$ 708,812	\$ 36,929	\$ 64,961	NO	NO
5	2012	\$ 766,557	\$ 441,995	\$ 4,030,366	\$ -	\$ 324,562	\$ 1,070,304	\$ 55,763	\$ 120,724	NO	NO
6	2013	\$ 791,629	\$ 441,995	\$ 3,769,737	\$ -	\$ 349,634	\$ 1,475,701	\$ 76,884	\$ 201,608	NO	NO
7	2014	\$ 825,627	\$ 441,995	\$ 3,497,380	\$ -	\$ 383,632	\$ 1,936,217	\$ 100,877	\$ 302,485	NO	NO
8	2015	\$ 873,396	\$ 441,995	\$ 3,212,768	\$ -	\$ 431,401	\$ 2,468,495	\$ 128,609	\$ 431,094	NO	NO
9	2016	\$ 922,818	\$ 441,995	\$ 2,915,348	\$ -	\$ 480,823	\$ 3,077,927	\$ 160,360	\$ 591,454	NO	YES
10	2017	\$ 973,949	\$ 441,995	\$ 2,604,543	\$ -	\$ 531,954	\$ 3,770,241	\$ 196,430	\$ 787,884	NO	YES
11	2018	\$ 1,026,850	\$ 441,995	\$ 2,279,753	\$ -	\$ 584,855	\$ 4,551,526	\$ 237,134	\$ 1,024,018	NO	YES
12	2019	\$ 1,081,582	\$ 441,995	\$ 1,940,347	\$ -	\$ 639,587	\$ 5,428,248	\$ 282,812	\$ 1,306,830	NO	YES
13	2020	\$ 1,138,209	\$ 441,995	\$ 1,585,668	\$ -	\$ 696,214	\$ 6,407,274	\$ 333,819	\$ 1,640,649	NO	YES
14	2021	\$ 1,196,797	\$ 441,995	\$ 1,215,028	\$ -	\$ 754,802	\$ 7,495,895	\$ 390,536	\$ 1,981,185	NO	YES
15	2022	\$ 1,257,414	\$ 441,995	\$ 827,709	\$ -	\$ 815,419	\$ 8,701,850	\$ 453,366	\$ 2,434,551	NO	YES
16	2023	\$ 1,320,130	\$ 441,995	\$ 422,962	\$ -	\$ 878,135	\$ 10,033,352	\$ 522,738	\$ 2,957,289	NO	YES
17	2024	\$ 1,385,019	\$ 441,995	\$ (0)	\$ -	\$ 943,025	\$ 11,499,114	\$ 599,104	\$ 3,556,393	YES	YES
18	2025	\$ 1,452,157	\$ -	N/A	\$ -	\$ 1,452,157	\$ 13,550,375	\$ 705,975	\$ 4,262,368	YES	
19	2026	\$ 1,521,621	\$ -	N/A	\$ -	\$ 1,521,621	\$ 15,777,971	\$ 822,032	\$ 5,084,400	YES	
20	2027	\$ 1,593,493	\$ -	N/A	\$ -	\$ 1,593,493	\$ 18,193,496	\$ 947,881	\$ 6,032,281	YES	
21	2028	\$ 1,667,856	\$ -	N/A	\$ -	\$ 1,667,856	\$ 20,809,233	\$ 1,084,161	\$ 7,116,442	YES	
22	2029	\$ 1,744,798	\$ -	N/A	\$ -	\$ 1,744,798	\$ 23,638,192	\$ 1,231,550	\$ 8,348,000	YES	
23	2030	\$ 1,824,407	\$ -	N/A	\$ -	\$ 1,824,407	\$ 26,694,149	\$ 1,390,765	\$ 9,738,765	YES	
24	2031	\$ 1,906,778	\$ -	N/A	\$ -	\$ 1,906,778	\$ 29,991,692	\$ 1,562,567	\$ 11,301,332	YES	
25	2032	\$ 1,992,005	\$ -	N/A	\$ -	\$ 1,992,005	\$ 33,546,264	\$ 1,747,760	\$ 13,049,092	YES	
26	2033	\$ 2,080,190	\$ -	N/A	\$ -	\$ 2,080,190	\$ 37,374,214	\$ 1,947,197	\$ 15,000,289	YES	
27	2034	\$ 2,171,433	\$ -	N/A	\$ -	\$ 2,171,433	\$ 41,492,845	\$ 2,161,777	\$ 17,162,066	YES	
	2035	\$ 2,265,844	\$ -	N/A	\$ -	\$ 2,265,844	\$ 45,920,465	\$ 2,392,456	\$ 19,554,522	YES	
TOTALS		\$ 35,347,331				\$ 28,717,408					

Source: S. B. Friedman & Company

Note: These projections are based on estimates, assumptions, and other information developed from research of the market, knowledge of the industry, and meetings during which we obtained certain information. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those shown here and the variations may be material.