TIF Feasibility Report

PROPOSED PABST CITY REDEVELOPMENT PROJECT

Prepared for:

City of Milwaukee

Submitted:
May 4, 2005

S. B. Friedman & Company
Real Estate Advisors and Development Consultants

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May 4, 2005

James Scherer
Vice President
Milwaukee Economic Development Corp.
809 N. Broadway
Milwaukee, WI 53201

Dear Mr. Scherer,

Pursuant to our agreement, *S. B. Friedman & Company*, in association with Vistara Construction Services, has prepared this analysis of TIF feasibility for the proposed Pabst City redevelopment project.

The scope of our engagement included reviewing the proposed project pro forma and application for TIF assistance. We also studied the level of need for City assistance, the incremental property tax revenues likely to result from the project as proposed, and 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 guaranty 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.

S. B. Friedman & Company is not an accounting firm and has not followed the procedures established by the American Institute of Certified Public Accountants in connection with prospective financial information.

Our report and prospective financial analysis are 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.

We appreciate the opportunity to have been of service to the City of Milwaukee.

Sincerely,

S. B. Friedman & Company

Stephen B. Friedman, AICP, CRE
President

Tony Q. Smith
Senior Project Manager

City of Milwaukee
Proposed Pabst City Project

TIF Feasibility Study

Transmittal Letter

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1. Project Description and Study Approach

Based on information provided by Juneau Avenue Partners (the developer) and direction provided by the City of Milwaukee's Department of City Development (DCD), *S. B. Friedman & Company* (*SBFCo*) has produced a TIF Feasibility Report for the proposed Pabst City project.

Project Description

The Pabst City project is proposed on the site of the former Pabst Brewery complex at the southeast corner of the intersection of Interstate 43 and the Park East freeway in the northwest portion of Downtown Milwaukee. The project as proposed consists of over 1.1 million square feet housed in a mix of rehabilitated and newly constructed buildings located in a 6 ½ block area. The proposed program includes:

- About 488,000 square feet of retail uses, including specialty shops, entertainment and restaurants
- 257,000 square feet of office space
- 381,000 square feet of residential space, including apartments and for-sale condominiums
- 3,800 stalls of parking primarily provided in three structures

The materials submitted in the developer's January 25, 2005 TIF application and subsequent discussions with Juneau Avenue Partners indicated that the Pabst City project was at the time divided into four somewhat financially discrete elements: the **Brewery** (mixed-use entertainment, residential, retail, and office), the **Building 29 Office** component, the **County Parking Garage**, and the **Office/Gift Shop/Blue Ribbon Hall** complex (to be owned and operated separately by a separate entity). In subsequent discussions with Juneau Avenue Partners and reviews of the updated project pro formas, the Brewery and Building 29 Office components have been treated by the developer and *SBFCo* as a single project for the purposes of evaluating TIF need. This change is primarily a result of the developer's current assumption that the Historic Tax Credit and easement donation equity included in the original January 25, 2005 TIF application pro forma is no longer likely to be available to the project.

Study Approach

In addition to reviewing the developer's overall proposed plan and TIF application for the Pabst City site, *SBFCo,* in conjunction with Vistara Construction Services, Inc. reviewed and considered the following key factors affecting the TIF feasibility of the proposed project:

- Pro forma information contained in the original January 25, 2005 TIF application, as well as subsequent iterations and versions in electronic format
- Construction cost budget and supplemental information provided by Turner Construction, Inc. on behalf of the developer
- Key financing assumptions embedded in Juneau Avenue Partners' pro formas through review of industry sources and interviews with key informants

- Market study information for retail and residential (condominium and apartment) uses produced on behalf of the developer by Retail Market Analysis, Inc. and Tracy Cross Associates, respectively
- Supplemental retail market information provided by the developer subsequent to the initial TIF application
- Developer's proposed New Markets Tax Credits and historic-related equity assumptions based on interviews with key informants
- Key assumptions regarding retail income and anchor NOI participations through discussions with key informants
- Available information on leases under negotiation to date, including letters of intent (LOIs)
- Assessment techniques likely to be used as a basis for property taxation, based on key informant interviews with the Milwaukee Assessor's Office
- Real property assessment data from the City Assessor's Office for each key project component in order to validate the potential assessments for Pabst City within the overall context of the City as a whole
- Potential bonding assumptions as provided by DCD and the City of Milwaukee Office of the Comptroller to be used in evaluating financing capacity

2. Need for Financial Assistance

Pursuant to our engagement with the City of Milwaukee, *SBFCo* reviewed key assumptions included in the developer's pro forma for the Pabst City project, as well as their resulting implications for TIF need.

Pro Forma Assumptions

SBFCo has reviewed several versions of Juneau Avenue Partners' pro forma for the Pabst City project, beginning with the pro forma included in the January 25, 2005 TIF application. In addition, Vistara Construction Services has reviewed the proposed construction budget as provided by Turner Construction on behalf of the developer.

- **Residential Rents and Sales Prices.** The apartment rents and condo sales price assumptions included in the original January 25, 2005 TIF application were developed without benefit of a formal residential market study. A residential market study, prepared by Tracy Cross & Associates, was provided to *SBFCo* by the developer on March 29, 2005. This study indicated market support for the proposed condo and apartment uses, and recommended price points and unit configurations for each product type. The average sale prices and rents in the Tracy Cross report were somewhat higher than those originally assumed in the TIF application. At *SBFCo*'s suggestion, the assumed condo sales prices were increased in the developer's pro forma from $200 to about $209 per square foot (after downward adjustments to reflect detached parking for some units, and upward adjustments to reflect upper-floor and corner unit premiums) to match the conclusions of the Tracy Cross study. Likewise, the assumed velocity of sales was increased from 3 units per month to 4. Assumed apartment rents were also increased from $1.12 to $1.36 per square foot to reflect the findings of the study.

- **Retail Rent Escalations.** The developer's initial pro forma assumed average annual retail rent escalations of about 1% per year, as compounded every five years. At *SBFCo*'s suggestion, this assumption was increased to 2% per year to reflect more typical industry assumptions and estimates of inflation.

- **Developer Fee.** The initial January 25, 2005 pro forma assumed a developer fee equal to 5% of project hard costs and tenant improvements. This formula yielded a combined fee of about $11.4 million for the Brewery and Building 29 Office components. At *SBFCo*'s suggestion, this fee level was reduced to 3.5% of Total Development Costs, yielding a revised fee amount in the developer's April 29, 2005 pro forma of about $10.4 million.

- **Corrections.** SBFCo identified several calculation errors in the various versions of the pro forma, which have been corrected by the developer in the April 29, 2005 pro forma. These include:
  - Full recognition of condo sales proceeds in income stream of project
  - Full use of all available cash reserves
  - Calculation of loan balance for Building 29 Office component
  - Use of the correct current tax rate in calculating Office component taxes

- **Forward Capping.** The original pro forma provided in the January 25, 2005 TIF application estimated the sale value of the project at the end of the investment analysis term based on Year 10 income. Based on discussion and mutual agreement with *SBFCo*, the developer changed this assumption to Year 11 income to reflect typical investment analysis techniques.

- **Construction Cost.** Vistara's review of the anticipated project construction costs assessed major line items within the schematic design information available at this stage in the proposed project. Vistara has indicated to *SBFCo* that, while its assumptions for certain cost line items differ from the developer's budget, on an overall basis these differences are within a normal industry range for a project at the current stage of design.

Resulting TIF Need/"But For"

The developer's April 29, 2005 pro forma, as reviewed by *SBFCO*, indicates a need for $39 million in up-front assistance based on the following key assumptions in addition to those described above:

- Going-in cap rate of 9% for construction loan sizing
- Loan-to-value ratio of 65%
- Terminal cap rate of 10.5%

These assumptions appear to have been chosen by the developer to reflect a conservative estimate of how the project might be evaluated by debt and equity providers. *SBFCo* believes these assumptions are within market ranges, and that the developer's rationale for choosing conservative assumptions is primarily based on:

- The complexity of the project—both the mix of uses and the proposed rehabilitation component
- The scarcity of comparable properties in the market to serve as indicators of how debt and equity markets will respond

The developer's projections using these assumptions, as shown in Tables 1 and 2 on the following pages, provide for an annual cash-on-cash preferred return of 10% for the developer's and outside investor's equity, an overall equity IRR of 20.3% for the Building 29 Office component, and a developer equity IRR of 23.1% for the Brewery component. Outside investor IRR for the Brewery component is shown at 20.3% for Years 6-10 of the project, and calculated by *SBFCo* to be about 13.5% for Years 1-10%. *SBFCo* has reviewed the pro forma assumptions leading to these return calculations, and believes that:

- These assumptions would reasonably lead to returns in the ranges shown with up-front TIF assistance of $39 million
- Although the returns shown for the Building 29 Office component appear to be at the aggressive end of the spectrum, particularly in terms of early-year cash flows, the overall returns indicated by the developer fall within ranges that have been observed in the market

Milwaukee Department of City Development--Pabst City TIF Feasibility
Table 1- Developer Pro Forma for Brewery Component as Presented 4/29/05

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6		Year 7	Year 8	Year 9	Year 10
	NOI		$11,878,832	$13,407,519	$15,328,939	$15,339,270	$15,424,764	$16,749,048		$16,983,451	$17,318,672	$17,663,216	$18,017,389
	Future Development - Ground Lease Block 6					$100,000	$100,000	$100,000		$100,000	$100,000	$100,000	$100,000
	Condominium 's Available:	124	48	48	28								
	Condo Sales (**$209.2/sf , 7% commission**)		$10,711,475	$10,711,475	$6,359,646	$0	$0	$0		$0	$0	$0	$0
	Net Cash Available		$22,590,307	$24,118,994	$21,688,585	$15,439,270	$15,524,764	$16,849,048		$17,083,451	$17,418,672	$17,763,216	$18,117,389
	Leasing Commissions		$28,800	$28,800	$96,000	$96,000	$144,000	$144,000		$144,000	$144,000	$144,000	$144,000
	Capital Costs / Reserve		$250,000	$250,000	$250,000	$250,000	$300,000	$300,000		$300,000	$300,000	$300,000	$300,000
	Cash Available for Debt Service		$22,311,507	$23,840,194	$21,342,585	$15,093,270	$15,080,764	$16,405,048		$16,639,451	$16,974,672	$17,319,216	$17,673,389
	First Mortgage*	$121,454,243	$121,454,243	$113,956,210	$106,458,178	$102,006,426	$102,006,426	$102,006,426		$102,006,426	$102,006,426	$102,006,426	$102,006,426
i: 7.0%	Paydown (condo proceeds)		($7,498,032)	($7,498,032)	($4,451,752)	$0							
n: 20	Principal					($2,596,826)	($2,662,412)	($2,848,780)		($3,048,195)	($3,261,569)	($3,489,879)	($3,734,170)
cap: 9.0%	Interest		($8,501,797)	($8,501,797)	($8,501,797)	($7,452,072)	($6,966,273)	($6,779,905)		($6,580,490)	($6,367,116)	($6,138,806)	($5,894,515)
			($15,999,829)	($15,999,829)	($12,953,549)	($10,048,899)	($9,628,685)	($9,628,685)		($9,628,685)	($9,628,685)	($9,628,685)	($9,628,685)

* Credit for condo proceeds to value of mortgage. 5th year stabilized cash flow, 50% JV income value.

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6		Year 7	Year 8	Year 9	Year 10
	New Markets	$55,874,591											
	Principal		($1,000,000)	($1,500,000)	($1,500,000)	($1,500,000)	($1,500,000)	($10,000,000)		$0	$0	$0	$0
	Interest		$0	$0	$0	$0	$0	$0		$0	$0	$0	$0
			($1,000,000)	($1,500,000)	($1,500,000)	($1,500,000)	($1,500,000)	($10,000,000)		$0	$0	$0	$0
	Equity												
	Sale of Asset		$0	$0	$0	$0	$58,500,450	$0		$0	$0	$0	$106,995,859
	Funds Available for distribution		$5,311,677	$6,340,365	$6,889,036	$3,544,371	$3,952,079	($3,223,637)		$7,010,766	$7,345,987	$7,690,531	$115,040,563
	Total Debt Coverage:		2.02	2.14	1.92	1.36	1.36						
	Partnership-Pabst - 10%	(4,693,500)	$469,350	$469,350	$469,350	$469,350	$469,350	$469,350		$469,350	$469,350	$469,350	$469,350
	Partnership - CPR									$0	$0	$0	$0
	Return of Equity		$0			$0	$0	$0		$0	$0	$0	$0
	Outside Investor - 10%	(46,176,536)	$4,617,654	$4,617,654	$4,617,654	$4,617,654	$4,617,654	$5,617,654		$5,617,654	$5,617,654	$5,617,654	$5,617,654
	Additional Equity - New Market Take-out							($10,000,000)					
	Outside Investor - CPR		$0	$0	$0	$0	$0	$0		$0	$0	$0	$0
	Return of Equity												
	Equity Reserve												
			$224,674	$1,253,361	$1,802,032	($1,542,632)	($1,134,925)	$689,360		$923,763	$1,258,983	$1,603,527	$108,953,560
	Annual Cash Flow		$224,674	$1,478,035	$1,802,032	($1,542,632)	($1,134,925)	$689,360		$923,763	$1,258,983	$1,603,527	$108,953,560
	Year End Cash Balance		$224,674	$1,478,035	$3,280,067	$1,737,435	$602,510	$1,291,870		$2,215,633	$1,474,616	$1,578,143	$109,031,702
	Cash Distribution		$0	$0	$0	$0	$0	$0		$2,000,000	$1,500,000	$1,500,000	$109,031,702
Equity Distributions													
	LLC - 1	40%	$0	$0	$0	$0	$0	$0	20.0%	$400,000	$300,000	$300,000	$21,806,340
	Third Party	50%	$0	$0	$0	$0	$0	$0	75.0%	$1,500,000	$1,125,000	$1,125,000	$81,773,777
	LLC - 2	5%	$0	$0	$0	$0	$0	$0	3.0%	$60,000	$45,000	$45,000	$3,270,951
	LLC - 3	5%	$0	$0	$0	$0	$0	$0	2.0%	$40,000	$30,000	$30,000	$2,180,634
	Remaining Cash Flow Equity		$0	$0	$0	$0	$0	$0		$0	$0	$0	$0
	Outside Investor - Cash on Cash		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%		12.7%	12.0%	12.0%	155.6%
	Outside Investor - IRR (years 1-5)		9.2%	(Assumes a sale at 10% cap rate in year 5)									
	Outside Investor - IRR (years 6-10)		20.3%										
	Partnership - Cash on Cash		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%		18.5%	16.4%	16.4%	474.6%
	Partnership - IRR		23.1%										

Source: Juneau Avenue Partners

Milwaukee Department of City Development--Pabst City TIF Feasibility
Table 2- Developer Pro Forma for Building 29 Office Component as Presented 4/29/05

Cash Flow:

			Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
	NOI		$2,426,148	$2,426,301	$2,239,570	$2,202,817	$2,165,393	$2,478,554	$2,439,746	$2,400,227	$2,359,982	$2,318,998
	Condominium Sales ($200/sf , 7% comission)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Net Cash Available		$2,426,148	$2,426,301	$2,239,570	$2,202,817	$2,165,393	$2,478,554	$2,439,746	$2,400,227	$2,359,982	$2,318,998
	Leasing Costs		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Capital Costs / Reserve		$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
	Cash Available for Debt Service		$2,326,148	$2,326,301	$2,139,570	$2,102,817	$2,065,393	$2,378,554	$2,339,746	$2,300,227	$2,259,982	$2,218,998
			1	2	3	4	5	6	7	8	9	10
	First Mortgage	$16,174,672	$16,174,672	$16,174,672	$16,174,672	$16,174,672	$16,174,672	$16,174,672	$16,174,672	$16,174,672	$16,174,672	$16,174,672
i: 7.0%	Paydown		$0	$0	$0	$0						
n: 20	Principal		($394,548)	($422,166)	($451,718)	($483,338)	($517,171)	($553,373)	($592,110)	($633,557)	($677,906)	($725,360)
cap: 9.00%	Interest		($1,132,227)	($1,104,609)	($1,075,057)	($1,043,437)	($1,009,603)	($973,401)	($934,665)	($893,217)	($848,868)	($801,415)
			($1,526,775)	($1,526,775)	($1,526,775)	($1,526,775)	($1,526,775)	($1,526,775)	($1,526,775)	($1,526,775)	($1,526,775)	($1,526,775)
	Bonds											
i:												
n:												
cap:			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Equity											
	Sale of Asset		$0	$0	$0	$0	$0	$0	$0	$0	$0	$13,129,125
	Funds Available for distribution		$799,373	$799,527	$612,795	$576,043	$538,618	$851,780	$812,972	$773,452	$733,207	$13,821,348
	Outside Investor - 10%	(5,043,238)	$799,373	$799,527	$612,795	$576,043	$538,618	$851,780	$812,972	$773,452	$733,207	$13,821,348
	Outside Investor - CPR				$0	$0	$0	$0	$0	$0	$0	$0
	Return of Equity		$0			$0	$0	$0	$0	$0	$0	$0
	Cash on Cash		**15.9%**	**15.9%**	**12.2%**	**11.4%**	**10.7%**	**16.9%**	**16.1%**	**15.3%**	**14.5%**	**274.1%**
	IRR		**20.3%**									

Source: Juneau Avenue Partners

Sensitivity of TIF Need to Key Variables

During the course of our review of the proposed Pabst City project, *SBFCo* identified a number of factors affecting the projected need for up-front TIF assistance. Due to the size, complex nature, and current stage of development of the proposed project, a number of important variables affecting TIF need cannot be predicted with a high degree of certainty at this time. The following factors were identified by *SBFCo* as key variables that could potentially reduce the project's need for up-front assistance:

- **Historic Tax Credits/Easement Donation Equity.** The January 25, 2005 TIF application included approximately $20 million in equity generated by a combination of federal and state tax credits and tax deductions from historic easement donations. In a revised pro forma submitted to *SBFCo* on April 12, 2005, the developer indicated that it was no longer likely that the Building 29 Office component would qualify for these historic-related equity sources. The developer's April 12, 2005 pro forma did not indicate a resulting TIF need greater than the original $39 million. This is largely due to the correction of an error identified by *SBFCo* in the January 25, 2005 TIF application pro forma, which had omitted about $18.2 million in condo sales proceeds. If the project is determined to be eligible for historic tax credits/easement donation equity, it appears that the need for TIF subsidy would decrease by roughly the same amount.

- **Supportable Construction Debt (Loan to Value Ratio and Going-In Cap Rate).** Extensive discussion has taken place between *SBFCo*, the developer, and City officials regarding appropriate assumptions for cap rates and loan to value ratios. The primary effect of these factors is on the assumed amount of construction debt that can be secured. The pro forma provided by the developer on April 12, 2005 assumed a 75% loan to value ratio with a going-in cap rate of 9% and a terminal cap rate of 10.5%. These assumptions indicated supportable construction debt of about $135 million for the Brewery component of the project. However, the developer reduced the loan-to-value assumption to 65% in a pro forma provided to *SBFCo* on April 29, 2005. The basis provided by the developer for this reduction was two-fold: a) that more aggressive income assumptions changed as a result of discussions with *SBFCo* would likely cause construction lenders to use a more conservative loan-to-value ratio, and b) that ongoing discussions with lenders suggested that a loan-to-value ratio of less than 70% was more realistic in any case. The developer's revised assumptions resulted in supportable construction debt of about $121 million in the April 29, 2005 pro forma. If additional construction debt can be leveraged, the need for TIF would likely be reduced.

- **Terminal Cap Rate Assumption and Equity Returns.** The terminal cap rate assumption primarily affects the projected internal rate of return (IRR) on outside investor and developer equity. It has a significant effect on the anticipated future sale value of the project, which typically makes up a large component of equity returns. Projected IRR is generally an important measure of the ability of a project to attract investor equity. In this case, the developer has indicated that because of the specific nature of the Pabst City project, annual cash-on-cash returns on equity (shown in the pro forma at a minimum of 10% per year) are more important than IRR as a benchmark for attracting investor capital. The rationale behind this distinction appears to be based on the difficulty of predicting the sale terms to a future owner for a project as uncommon as Pabst City. If equity investors ultimately use a more aggressive cap rate than the 10.5% currently assumed in the developer's pro forma, it appears likely that additional equity could be attracted, thus potentially reducing the need for TIF assistance.

- **Retail Base Rents and Tenant Improvement Allowances.** The project pro forma includes retail rental income estimates on a space-by-space basis for the entire project. Supplemental materials supplied by the developer to *SBFCo* indicate that leasing progress to date has produced more favorable base rents and tenant improvement allowances than assumed in the pro forma. If these trends continue throughout the lease-up of the project, the potential effect would be a significant improvement in annual income to the project. If construction debt for the project is eventually sized based on more favorable base rent and TI information than is currently assumed, it appears likely that additional debt could be attracted, thus reducing the need for up-front TIF as a financing source.

- **Assumption of Percentage Rent Income.** The Juneau Avenue Partners pro forma assumes that income from retail percentage rent equals 2% of base rent income in years 1 and 2, and 4% in subsequent years. At the sales productivity levels currently projected by the developer, retail percentage rent income is not anticipated to exceed these levels. However, if the project is highly successful, conversations with Terremark Partners, the project's leasing broker, suggest that it might be reasonable to assume percentage rent income of 10% of base rent beginning after stabilization. The impact of improved percentage rent income over pro forma would largely be on equity returns for the developer and outside investor on an annual basis and at the time of an eventual sale or refinancing.

- **Anchor Tenant Sales Performance.** The Juneau Avenue Partners pro forma includes income from proposed NOI participations with the entertainment anchor tenants. These assumptions appear to be based on sales projections provided by the tenants. If the sales performance of these anchors exceeds projected levels, the project would likely realize greater income from the NOI participations. Recent sales performance information on a newly-opened House of Blues location in Cleveland shows sales exceeding projections by about 45%. Without more detailed information on the anchor tenants' sales projection methodology and operating expenses, it is difficult to assess the potential upside potential (or downside risk) to the project from the NOI participation income. However, the probable effect would, like improved percentage rent income, be on annual equity dividends and the ultimate sale/refinancing value of the project.

  Another possibility regarding the anchor tenant NOI participations is that one or more tenants might choose to buy out these agreements before the full term is completed. One scenario under which these tenants might be motivated to perform these buyouts is if they were becoming publicly held companies, and wanted to increase their ability to raise investor capital. These buyouts would likely occur under favorable terms for the project owners, and would therefore likely generate additional cash returns to equity.

- **Construction Cost of Building 29 Office.** If the Building 29 Office component of the project is not eligible for historic tax credit and easement donation benefits, it appears likely that construction cost for this component would be reduced as a result of relaxed requirements for the scope of the rehab. An estimate from Turner Construction provided by the developer indicates a reduction of about 4% in the hard cost of this component if tax credits are not pursued. According to Vistara Construction, a sub-consultant to *SBFCo*, cost differentials between historic tax credit-level rehabs and non-historic rehabs can range up to 15% due to the ability to replace certain building components with similar materials, time savings due to the lack of federal/state review, and the increased pool of contractors that can be used. The difference between a 10% and a 4% cost savings in Building 29 amounts to a reduction in project cost of about $1.1 million, which would potentially reduce the need for TIF assistance.

- **Block 2 Parking Garage Financing.** As described in the "Project Structure" section of this report, the County Parking Garage component is somewhat financially isolated from the Brewery/Building 29 Office components of the project. The primary assumed source of funds to construct the Block 2 Garage is County bond proceeds, with about $2.5 million in New Markets Tax Credit and brownfield grant funds earmarked to facilitate demolition, remediation, and site preparation. In addition, the entire $10.2 million acquisition cost for the Pabst City site, including the portion corresponding to the County Garage site (indicated to be about $1.4 million by the developer) is currently absorbed in the Brewery/Building 29 Office pro forma, including the portion corresponding to the County Parking Garage site. The terms of the transfer of ownership of this parking structure between the developer and the County are reportedly not yet negotiated, and therefore may vary from the assumptions currently reflected in the project pro forma. It is difficult to assess the potential benefit to the Brewery/Building 29 Office pro forma from these negotiations, but *SBFCo* estimates at this point that the magnitude of this benefit might be as much as $3 million (a $1.4 million land reimbursement plus the portion of NMTC and brownfield grant funds over and above the amount needed for site preparation). This benefit would likely result in a corresponding reduction in TIF need.

SBFCo ran a sensitivity analysis scenario reflecting a reasonably possible combination of the factors described above in order to evaluate the potential effects on TIF need. The assumptions used for this analysis were as follows:

- No historic tax credit or easement donation equity
- Supportable construction debt of $135 million for the Brewery component based on a 70% loan to value ratio and an 8.5% going-in cap rate.
- Construction debt for the Building 29 Office component based on 70% loan to value and a 9% going-in cap rate
- No change in the 10.5% terminal cap rate assumption for both the Brewery and Building 29 Office components
- No change in pro forma retail base rent, TI allowance, and percentage rent assumptions
- No change in anchor tenant NOI participation income assumptions
- 10% cost reduction in Building 29 construction costs
- No change in County Parking Garage financing assumptions

SBFCo's analysis indicates that the level of up-front TIF assistance necessary to achieve comparable return levels for the Building 29 Office Component and Brewery for both developer and outside investor equity (years 1-10 and 6-10) to those shown in the developer's April 29, 2005 pro forma would be about $31 million under the scenario described above. Table 3 on the following page illustrates this scenario for the Brewery component of the project.

Recommended Methods of Addressing Key Variables

As discussed in the prior section, the project's potential need for TIF assistance is highly dependent on a number of factors that cannot fully be predicted at this point in the project. In order to address these variables, *SBFCo* recommends that a "reset" mechanism be incorporated in the City's agreements with the developer.

As the project moves toward construction, the project's sources and uses of funds will become better established though debt and equity commitments, guaranteed maximum price construction contracts, and resolution of any outstanding issues regarding historic/New Markets tax credits. *SBFCo* recommends that any additional construction debt, outside investor equity, and other sources of funds that can be raised would serve to reduce the City's TIF commitment. In order to incentivize the developer to maximize these sources, the City would allow reductions under the reset mechanism to take place on a less than dollar-for-dollar basis with the additional savings accruing to the project. The current proposed City share of such savings is 85%.

The reset mechanism directly or indirectly addresses six of the eight key variables described in this section—including the variables that will be more fully resolved and defined as construction contracts are secured and debt and equity commitments are made. Factors primarily affecting annual operating-year cash flows and sale/refinancing value would not be likely to affect the reset outcome, but could be addressed through City upside participations in annual cash flows and equity distributions at sale or refinancing events.

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Table 3: TIF Need Sensitivity Analysis Scenario- Brewery Component Only (Building 29 Office Not Shown)

	Year	0	1	2	3	4	5	6	7	8	9	10	11
NOI			$ 11,928,157	$ 13,454,658	$ 15,528,407	$ 15,297,613	$ 15,330,555	$ 16,636,252	$ 16,892,519	$ 17,226,469	$ 17,569,717	$ 17,922,569	
Future Ground Lease			$ -	$ -	$ -	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	
Condos- Sales/Mo	124	4	48	48	28	-	-	-	-	-	-	-	
SF/Unit, Price/SF	1,152	$ 209.20	$ 11,563,948	$ 11,563,948	$ 6,745,636	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Total Income			**$ 23,492,105**	**$ 25,018,606**	**$ 22,274,044**	**$ 15,397,613**	**$ 15,430,555**	**$ 16,736,252**	**$ 16,992,519**	**$ 17,326,469**	**$ 17,669,717**	**$ 18,022,569**	**$ 19,547,596** (used to calculate sale value)
Minus Sales Costs													
Condo Commission @	7%		$ (809,476)	$ (809,476)	$ (472,195)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Leasing Costs			$ (28,800)	$ (28,800)	$ (96,000)	$ (96,000)	$ (144,000)	$ (144,000)	$ (144,000)	$ (144,000)	$ (144,000)	$ (144,000)	
Capital Reserve			$ (250,000)	$ (250,000)	$ (250,000)	$ (250,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)	
Cash Available			**$ 22,403,829**	**$ 23,930,329**	**$ 21,455,849**	**$ 15,051,613**	**$ 14,986,555**	**$ 16,292,252**	**$ 16,548,519**	**$ 16,882,469**	**$ 17,225,717**	**$ 17,578,569**	
New Markets Tax Credit- Equity/Secondary Loan													
Cash In	$	57,927,271	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Interest			$ (1,000,000)	$ (1,500,000)	$ (1,500,000)	$ (1,500,000)	$ (1,500,000)	$ (10,000,000)	$ -	$ -	$ -	$ -	
Construction/Permanent Financing													
Balance	$	135,193,467	$ 135,193,467	$ 127,665,337	$ 120,137,207	$ 115,745,798	$ 115,745,798	$ 115,745,798	$ 115,745,798	$ 112,922,420	$ 109,901,404	$ 106,668,918	
Paydown (Condo Proceeds)		70%	$ (7,528,130)	$ (7,528,130)	$ (4,391,409)								
Principal PMT			$ -	$ -	$ -	$ -	$ -	$ -	$ (2,823,379)	$ (3,021,015)	$ (3,232,486)	$ (3,458,760)	
Interest PMT	20	7%	$ (9,463,543)	$ (8,936,574)	$ (8,409,605)	$ (8,102,206)	$ (8,102,206)	$ (8,102,206)	$ (8,102,206)	$ (7,904,569)	$ (7,693,098)	$ (7,466,824)	
Reversion													
Sale Price @ Cap Rate of		10.5%										$ 186,167,578	
Minus Remaining Loan Balance												$ (103,210,158)	
Leveraged Sale Proceeds												$ 82,957,420	
Equity Cash Flow			**$ 4,412,156**	**$ 5,991,440**	**$ 8,759,934**	**$ 9,823,000**	**$ 10,821,007**	**$ 4,624,712**	**$ 5,861,305**	**$ 5,956,884**	**$ 6,300,133**	**$ 89,610,405**	
Preferred Return Distributable			$ 4,386,342	$ 4,386,342	$ 4,386,342	$ 4,386,342	$ 4,386,342	$ 4,386,342	$ 4,386,342	$ 4,386,342	$ 4,386,342	$ 4,386,342	
Other Distributable			$ -	$ -	$ -	$ -	$ -	$ -	$ 1,474,963	$ 1,570,543	$ 1,913,791	$ 85,224,063	
Equity Reserve- Held for NMTC Payoff			$ 25,814	$ 1,605,099	$ 4,373,593	$ 5,436,658	$ 6,434,666	$ 238,370	$ -	$ -	$ -	$ -	
JTMK-Pabst Equity													
Cash In (1/2 Dev Fee)		(4,548,041)											
Preferred Return	10% Target Annual		$ 454,804	$ 454,804	$ 454,804	$ 454,804	$ 454,804	$ 454,804	$ 454,804	$ 454,804	$ 454,804	$ 454,804	
Other Distributions	23.0% Of Total		$ -	$ -	$ -	$ -	$ -	$ -	$ 339,242	$ 361,225	$ 440,172	$ 19,601,535	
Equity Cash Flow		(4,548,041)	454,804	454,804	454,804	454,804	454,804	454,804	794,046	816,029	894,976	20,056,339	
IRR/Cash on Cash		**22.5%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**17%**	**18%**	**20%**	**441%**	
Outside Investor Equity													
Cash In	$	(39,315,375)											
Preferred Return	10% Target Annual		$ 3,931,537	$ 3,931,537	$ 3,931,537	$ 3,931,537	$ 3,931,537	$ 3,931,537	$ 3,931,537	$ 3,931,537	$ 3,931,537	$ 3,931,537	
Other Distributions	72.0% Of Total		$ -	$ -	$ -	$ -	$ -	$ -	$ 1,061,973	$ 1,130,791	$ 1,377,930	$ 61,361,325	
Equity Cash Flow	$	(39,315,375)	$ 3,931,537	$ 3,931,537	$ 3,931,537	$ 3,931,537	$ 3,931,537	$ 3,931,537	$ 4,993,511	$ 5,062,328	$ 5,309,467	$ 65,292,863	
IRR/Cash on Cash		**13.6%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**13%**	**13%**	**14%**	**166%**	
Years 6-10 IRR		**22.5%**											
Terremark/BrewCity Distributions													
Cash In		-											
Other Distributions	5%		$ -	$ -	$ -	$ -	$ -	$ -	$ 73,748	$ 78,527	$ 95,690	$ 4,261,203	
Equity Cash Flow	$	-	$ -	$ -	$ -	$ -	$ -	$ -	$ 73,748	$ 78,527	$ 95,690	$ 4,261,203	

Source: *S. B. Friedman & Company*

Sources and Uses

Total Development Cost	**$**	**268,984,154**
Brownfield Grant	$	1,000,000
Parking Revenue	$	-
Construction Loan	$	135,193,467
NMTC Equity	$	57,927,271
JTMK Equity	$	4,548,041
TIF	$	31,000,000
Other Equity	$	39,315,375
Total Construction Sources	**$**	**268,984,154**

3. Incremental Property Tax Revenues

In order to evaluate the time frame of repayment for the proposed $39 million in up-front TIF assistance, *SBFCo* projected future incremental property taxes revenues to be generated by the proposed Pabst City project, as well as potential amortization of the associated bonds.

TIF Projection Assumptions and Methodology

Table 4 on the following page shows *SBFCo*'s projections of incremental property taxes. These projections indicate total undiscounted tax collections of about $85.4 million between 2006 and 2029, yielding a present value (discounted at 5%) in 2006 dollars of about $44.3 million. Our methodology and key assumptions are described below:

- **Timing of Assessments.** A construction schedule provided by Turner Construction indicates that completion of most components of the proposed project would take place in summer of 2007. Accordingly, *SBFCo* assumed 25% assessment for the project components assumed by the developer to be substantially occupied in Year 1—the retail, Building 29 Office, and taxable parking garage components.

- **Tax Rate.** Our analysis considered historical trends in the overall City of Milwaukee property tax rate over the past 5, 10, 15, and 20-year periods. The tax rate has trended downward over all of these analysis periods at compound annual rates ranging from about 1.3% (20-year history) to 3.4% (10-year history). For our analysis, *SBFCo* assumed a tax rate declining at 1.62%, the average rate of decline for the past 5 years. The overall tax rate is assumed to stabilize at 2% ($20 per $1,000 of taxable value), which is projected to occur in the year 2020. Table A-1 in the appendix of this report shows the tax rate history leading to this calculation.

- **Valuation Approach.** Based on discussions with the Milwaukee Assessor's Office, it appears likely that the income approach to valuation would be used to estimate taxable value for the leased components of the Pabst City project. For the net leased project components, such as retail and non-county office, *SBFCo* used a direct cap rate of 10% on income projections based on the developer's pro forma to project taxable value throughout the 23-year projection period. For project components where property tax is part of the developer's NOI calculation, *SBFCo* removed the developer's anticipated property tax payments from the NOI calculation, and then converted this pre-tax NOI to taxable value with a tax-loaded cap rate equal to 10% plus the tax rate.

  We then compared the resulting values with property tax comparables from the assessor's citywide database of properties in order to ensure that the income-based valuations were in line with other assessments in the City of Milwaukee. Our projected values for each component of Pabst City, with the exception of the retail component, are based on the *lower* of the income-based and comps-based valuation approaches.

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Table 4: Incremental Property Tax Revenue Projections

Inputs and Assumptions	
2004 Assessed Value of Pabst City PINs	$ 9,832,700
2005 Extrapolated Base Value of Pabst City PINs	$ 9,832,700
Demolition Year	2006
Net Tax Rate, 2004 (Less State Credit)	2.586%
Assumed Assessment Ratio	100.00%
Annual Inflation Rate, Real Property - Condos	3.50%
Annual Inflation Rate, Real Property - All Other	2.00%
Annual Inflation Rate, Site EAV w/o Improvement	0.00%
Tax Collection Rate	97.00%
Assumed Phase-in in 2007 as % of following Yr	25.00%

Year of TID	Assessment Year (Jan. 1) [1], [2]	Inflation Existing Site [3]	Projected Site AV [4]	Cumulative AV Deductions [5]	Cumulative New AV By Use [6] Retail	Condo	Parking	Office	Apartment	Pers Prop	TOTAL	Total Value of TID Parcels [7]	Incremental AV Above Base AV [8]	Tax Rate	Tax Revenues Collected (Jan. 31) @ 97% [9]
0	2004	0.0%	$ 9,832,700	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			2.59%	$ -
0	2005	0.0%	$ 9,832,700	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,832,700	$ -	2.54%	$ -
1	2006	0.0%	$ 9,832,700	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,832,700	$ -	2.50%	$ -
2	2007	0.0%	$ 9,832,700	$ (9,832,700)	$ 16,990,820	$ -	$ 2,132,007	$ 5,888,813	$ -	$ 7,257,000	$ 32,268,640	$ 32,268,640	$ 22,435,940	2.46%	$ -
3	2008	0.0%	$ 9,832,700	$ (9,832,700)	$ 67,963,280	$ 11,477,803	$ 8,528,029	$ 24,283,251	$ 5,824,199	$ 25,838,400	$ 143,914,962	$ 143,914,962	$ 134,082,262	2.42%	$ 535,882
4	2009	0.0%	$ 9,832,700	$ (9,832,700)	$ 67,963,280	$ 23,357,330	$ 8,781,137	$ 26,711,317	$ 13,992,046	$ 24,418,520	$ 165,223,630	$ 165,223,630	$ 155,390,930	2.38%	$ 3,150,680
5	2010	0.0%	$ 9,832,700	$ (9,832,700)	$ 75,472,520	$ 30,870,222	$ 9,041,119	$ 27,762,812	$ 19,029,182	$ 24,073,608	$ 186,249,463	$ 186,249,463	$ 176,416,763	2.34%	$ 3,592,252
6	2011	0.0%	$ 9,832,700	$ (9,832,700)	$ 75,472,520	$ 31,950,679	$ 9,308,143	$ 27,679,820	$ 19,409,766	$ 20,245,108	$ 184,066,036	$ 184,066,036	$ 174,233,336	2.31%	$ 4,012,261
7	2012	0.0%	$ 9,832,700	$ (9,832,700)	$ 75,472,520	$ 33,068,953	$ 9,582,379	$ 30,364,846	$ 19,797,961	$ 17,212,936	$ 185,499,595	$ 185,499,595	$ 175,666,895	2.27%	$ 3,898,421
8	2013	0.0%	$ 9,832,700	$ (9,832,700)	$ 81,230,174	$ 34,226,367	$ 9,864,001	$ 30,357,895	$ 20,193,920	$ 14,640,184	$ 190,512,540	$ 190,512,540	$ 180,679,840	2.23%	$ 3,866,834
9	2014	0.0%	$ 9,832,700	$ (9,832,700)	$ 82,268,583	$ 35,424,289	$ 10,153,186	$ 30,260,983	$ 20,597,799	$ 12,434,968	$ 191,139,808	$ 191,139,808	$ 181,307,108	2.20%	$ 3,912,763
10	2015	0.0%	$ 9,832,700	$ (9,832,700)	$ 83,327,761	$ 36,664,140	$ 10,450,114	$ 30,158,079	$ 21,009,755	$ 10,597,288	$ 192,207,136	$ 192,207,136	$ 182,374,436	2.16%	$ 3,862,752
11	2016	0.0%	$ 9,832,700	$ (9,832,700)	$ 84,408,122	$ 37,947,384	$ 10,754,972	$ 30,049,081	$ 21,429,950	$ 9,004,632	$ 193,594,141	$ 193,594,141	$ 183,761,441	2.13%	$ 3,822,558
12	2017	0.0%	$ 9,832,700	$ (9,832,700)	$ 85,510,090	$ 39,275,543	$ 11,067,946	$ 29,933,885	$ 21,858,549	$ 7,626,372	$ 195,272,386	$ 195,272,386	$ 185,439,686	2.09%	$ 3,789,245
13	2018	0.0%	$ 9,832,700	$ (9,832,700)	$ 86,921,503	$ 40,650,187	$ 11,391,960	$ 30,576,742	$ 22,295,720	$ 6,554,392	$ 198,390,504	$ 198,390,504	$ 188,557,804	2.06%	$ 3,761,917
14	2019	0.0%	$ 9,832,700	$ (9,832,700)	$ 88,358,214	$ 42,072,943	$ 11,725,214	$ 31,232,455	$ 22,741,634	$ 30,628,000	$ 226,758,461	$ 226,758,461	$ 216,925,761	2.02%	$ 3,763,216
15	2020	0.0%	$ 9,832,700	$ (9,832,700)	$ 89,820,701	$ 43,545,496	$ 12,059,321	$ 31,882,353	$ 23,196,467	$ 28,330,900	$ 228,835,238	$ 228,835,238	$ 219,002,538	2.00%	$ 4,259,258
16	2021	0.0%	$ 9,832,700	$ (9,832,700)	$ 91,309,450	$ 45,069,589	$ 12,378,204	$ 32,491,580	$ 23,660,396	$ 24,073,608	$ 228,982,827	$ 228,982,827	$ 219,150,127	2.00%	$ 4,248,649
17	2022	0.0%	$ 9,832,700	$ (9,832,700)	$ 92,824,957	$ 46,647,024	$ 12,705,729	$ 33,112,440	$ 24,133,604	$ 20,245,108	$ 229,668,863	$ 229,668,863	$ 219,836,163	2.00%	$ 4,251,512
18	2023	0.0%	$ 9,832,700	$ (9,832,700)	$ 94,367,728	$ 48,279,670	$ 13,042,135	$ 33,745,156	$ 24,616,276	$ 17,212,936	$ 231,263,901	$ 231,263,901	$ 221,431,201	2.00%	$ 4,264,822
19	2024	0.0%	$ 9,832,700	$ (9,832,700)	$ 95,938,277	$ 49,969,459	$ 13,387,667	$ 34,389,954	$ 24,878,518	$ 14,640,184	$ 233,204,059	$ 233,204,059	$ 223,371,359	2.00%	$ 4,295,765
20	2025	0.0%	$ 9,832,700	$ (9,832,700)	$ 97,537,132	$ 51,718,390	$ 13,742,579	$ 35,047,064	$ 25,057,857	$ 12,434,968	$ 235,537,990	$ 235,537,990	$ 225,705,290	2.00%	$ 4,333,404
21	2026	0.0%	$ 9,832,700	$ (9,832,700)	$ 99,164,826	$ 53,528,533	$ 14,107,130	$ 35,716,721	$ 25,238,490	$ 10,597,288	$ 238,352,988	$ 238,352,988	$ 228,520,288	2.00%	$ 4,378,683
22	2027	0.0%	$ 9,832,700	$ (9,832,700)	$ 100,821,906	$ 55,402,032	$ 14,481,586	$ 36,399,164	$ 25,420,425	$ 9,004,632	$ 241,529,746	$ 241,529,746	$ 231,697,046	2.00%	$ 4,433,294
23	2028	0.0%	$ 9,832,700	$ (9,832,700)	$ 102,508,930	$ 57,341,103	$ 14,866,222	$ 37,094,638	$ 25,603,671	$ 7,626,372	$ 245,040,936	$ 245,040,936	$ 235,208,236	2.00%	$ 4,494,923
24	2029														$ 4,563,040
Total Proceeds, 2006 - 2029 (Not Discounted)															**$ 85,492,128**
Net Present Value (2006 Dollars) @			**5.00%**												**$ 44,306,499**

Source: *S. B. Friedman & Company*

[1] The TID is assumed to be established in 2005 with a base year of 2005.
[2] Properties in the City of Milwaukee are reassessed every year as of January 1.
[3] 2% inflation is assumed to be applied annually to residential properties; 0% is applied annually to existing base value. Inflation of income properties is based on projected NOI growth
[4] Base AV of site (2005), adjusted for inflation.
[5] Deductions resulting from demolition or replacement.
[6] Additions resulting from new development, adjusted for inflation.
[7] AV after all adjustments.
[8] AV less Base AV (based on base year values).
[9] Tax revenues are collected one year after the taxing year at a 97% collection rate.

- **Inflation of Property Values.** Because a declining tax rate was used for the Pabst City TIF projections, the assumptions for the growth rate of for-sale residential and other properties differ somewhat from those used in the recent Park East TID projections. In the Pabst City projections, condo values are projected to increase by 3.5% while all other project components are projected to grow in value at 2% per year for valuations based on comps. Income-based valuations are projected to increase at the rate of growth indicated by NOI growth, generally 2% per year or less. These growth rates are counteracted by the projected declines in the tax rate, yielding an overall result similar to the Park East TID projections, which assumed 2% growth in condos and 0% growth in all other properties with a constant tax rate.

- **County Portions of Project.** It is assumed in *SBFCo*'s projections that the entire County Garage structure would be tax-exempt. The small (about 7,800 square foot) proposed retail component within the County Garage structure, although potentially taxable if occupied by private tenants, was not included in the projections to allow for potential changes to the County Garage building program and/or the possibility that this small retail component might be tenanted in a manner that does not produce property tax revenue.

- **Retail Valuation.** For the retail component, *SBFCo* used a modified income approach to reflect methodological discussions with the Assessor. These discussions suggest that the assessor might discount income-based valuations purely based on NOI by:

  - Discounting income results by up to 15% to reflect typical shopping center ratios of non-recoverable expenses to income
  - Using cap rates higher than would be typically found in industry sources such as Korpacz in order to reflect uncertainty regarding the true sale value of a project for which few if any comparables exist in the City of Milwaukee, as well as the typical assessment levels for other retail properties in the City

  In order to develop our income-based assessment estimates, *SBFCo* discounted the developer's projected lease income for the retail spaces by 15%, and then divided the result by a 10% cap rate. This produced values about $158 per square foot. *SBFCo* was unable to identify properties likely to be comparable to the retail component of the Pabst City project. Therefore, the income-based values were compared to comps-based values derived from citywide retail properties built in 1980 or later, with extreme outliers removed:

  - Small Retail- $153/square foot, equal to the upper-quartile of values citywide
  - Large Retail/Entertainment Anchors- $111/square foot, equal to the median of citywide retail
  - Grocery- $72/square foot, equal to the median of citywide grocery stores
  - Restaurant- $190/square foot, equal to the upper-quartile of restaurants citywide

  These comparables produced an overall blended value per square foot of about $126 in 2004 dollars and about $142 at stabilization. The comps-based values are about 11%

lower than the income-based approach. In light of the higher-than-market rents proposed for the Pabst City project, and a proposed ownership and management structure that appears likely to allow the Assessor's Office access to full and accurate rent roll data, *SBFCo* based the retail valuation on the higher, income-based methodology. The results of these calculations are shown in Table A-2 in the appendix of this report.

- **Condo Valuation.** Based on the prices indicated in a residential market study prepared by Tracy Cross, Inc. for the project, the condo component is anticipated to fetch sales prices of about $208 per square foot exclusive of any upgrades. *SBFCo* compared this price point to a sample of condos sold in Downtown Milwaukee in 2004. Although the Pabst City price point is about 10% higher than the average of the comparables, *SBFCo* based the valuation of the condo component on the pro forma sales prices for two key reasons:

  - The Tracy Cross market study provides a comfort level that the pro forma sales prices will be achieved
  - The pro forma sales price is expressed in 2005 dollars, while the Pabst City condos are anticipated to sell between 2007 and 2009

  Calculations of taxable value for the condo component are shown in Table A-3 in the appendix of this report.

- **Office Valuation.** Projected income-based valuations of the 40,000 square foot Brewery and larger Building 29 Office components were compared to a sample of newer downtown Class B office properties. The income-based valuation produced very similar (within 1% at stabilization) results to the comps approach for the smaller Brewery Office component, and slightly lower values for the Building 29 Office component. These calculations are shown in Table A-4 in the appendix of this report.

- **Apartment Valuation.** Income-based valuation of the Pabst-City apartment component indicated taxable value of about $93 per square foot at stabilization, about 16% higher than a sample group of comparable apartment properties in and around Downtown Milwaukee. For our projections, we set the value for the Pabst City apartments equal to the average of the comparable properties. These calculations are shown in Table A-5 in the appendix of this report.

- **Parking Valuation.** The projected NOIs for the taxable garages included in the Pabst City project indicate a taxable value at stabilization of about $5,300 per parking space, about 60% of the value of a sample of Downtown Milwaukee parking garages. This may be partially due to the fact that a portion of the parking in Pabst City is to be dedicated for condo and owners and certain retailers, and will not be available for flexible revenue-generating use. The income-based valuation was used in our projections. These calculations are shown in Table A-6 in the appendix of this report.

- **Personal Property Valuation.** Based on discussions with a personal property specialist with the Milwaukee Assessor's Office, SBFCo used for these projections an assumption of $40 per square foot in initial personal property value for the retail and non-County office portions of the project, plus a value of $75,000 per movie screen in the cinema component. After substantial lease-up of the project, these values are anticipated to depreciate on a ten-year schedule. At the end of each ten-year period, it is assumed that personal property value is replenished to 100% of the original level, without inflation. These calculations are shown in Table A-7 in the appendix of this report.

Projected Amortization of TIF Debt

The Pabst City developer's request for TIF assistance is in the form of an up-front grant. *SBFCo* assumes that one or more GO-backed bonds would need to be issued in order to facilitate this structure. We used the following key assumptions regarding the bonding in order to develop our projections:

- **Interest Rates.** Based on input from DCD and the Office of the Comptroller, *SBFCo* assumed an interest rate of 4.5% on the bonds, with a 3.5% reinvestment rate of any capitalized interest reserves.

- **Issuance Date/Capitalized Interest Period.** The projections assume a bond issuance date of January 1, 2006. The current construction schedule for the project indicates substantial delivery of most of the leasable space in approximately July/August of 2007. If the project is partially assessed in 2007 and approaches full assessment in 2008, it appears that sufficient revenues to support debt service will first become available in early 2009. Therefore, the projections assume three full years of capitalized interest.

- **Issuance Costs.** Based on discussions with DCD and the Office of the Comptroller, the projections assume an issuance costs allowance of 0.5% of total bond proceeds.

Based on the assumptions above, the proposed $39 million up-front TIF grant to the Pabst City project would require a bond issuance of approximately $46.5 million. When this amount is compared with the stream of projected incremental property tax revenues described in the previous section of this report, *SBFCo* projects amortization of the full amount of the bond in the year 2025, including capitalized interest payments in years 2006 through 2008, and variable principal and interest payments in the 17 subsequent years. This projected amortization is shown in Table 5 on the following page.

Table 6 on the page immediately following Table 5 shows projected amortization if the net bond proceeds are increased from $39 million to $41 million to reflect job training and other City costs. Under this scenario, full amortization takes place under the parameters described above in 2027, including capitalized interest payments in years 2006 through 2008, and variable principal and interest payments in the 19 subsequent years

City of Milwaukee- Pabst City TIF Feasibility

Table 5: Projected Bond Amortization- Pabst City Incremental Tax Proceeds with Net Proceeds to Project of $39 Million

Issuance Date	1/1/2006
Interest Rate	4.50%
Reinvestment Rate	3.25%
Net Proceeds to Project	**$ 39,000,000**
Cap Interest Required	$ 6,195,995
Interest on Cap Interest	$ 471,925
Issuance Costs- Professional Fees Allowance	$ -
Issuance Costs- Additional 0.5% of Bond Amount	$ 228,340
Total Bond Proceeds	$ 45,896,260
Capitalized Interest End Date	1/1/2009
Assumed Debt Coverage Requirement	1.0

Cap Int Year	Principal	Cap Int. Reserve	Reinv.	Interest Pmt	Ending Bal	Earnings
1	$ 45,896,260	$ 6,195,995	3.25%	$ 2,065,332	$ 4,130,663	$ 201,370
2	$ 45,896,260	$ 4,130,663	3.25%	$ 2,065,332	$ 2,065,332	$ 134,247
3	$ 45,896,260	$ 2,065,332	3.25%	$ 2,065,332	$ -	$ 67,123

Year of TID	Calendar Year	Annual Inc. Tax Revenues Collected (Jan. 31) @ 97%	Cumulative Tax Increment At 97% Coll.	Beginning Principal Balance	Interest Due	Increment Available for P&I	Cap Int Yr	Cap Interest Payment	Total P&I Payment	Principal Reduction	Annual Surplus/ Coverage	Cumulative Reserves
0	2004	$ -	$ -	$ -	$ -	$ -	N	-	$ -	$ -	$ -	$ -
0	2005	$ -	$ -	$ -	$ -	$ -	N	-	$ -	$ -	$ -	$ -
1	2006	$ -	$ -	$ 45,896,260	$ 2,065,332	$ -	Y	2,065,332	$ 2,065,332	$ -	$ -	$ -
2	2007	$ -	$ -	$ 45,896,260	$ 2,065,332	$ -	Y	2,065,332	$ 2,065,332	$ -	$ -	$ -
3	2008	$ 535,882	$ 535,882	$ 45,896,260	$ 2,065,332	$ 535,882	Y	2,065,332	$ 2,601,214	$ 535,882	$ -	$ -
4	2009	$ 3,150,680	$ 3,686,562	$ 45,360,378	$ 2,041,217	$ 3,150,680	N	-	$ 3,150,680	$ 1,109,463	$ -	$ -
5	2010	$ 3,592,252	$ 7,278,813	$ 44,250,915	$ 1,991,291	$ 3,592,252	N	-	$ 3,592,252	$ 1,600,961	$ -	$ -
6	2011	$ 4,012,261	$ 11,291,074	$ 42,649,954	$ 1,919,248	$ 4,012,261	N	-	$ 4,012,261	$ 2,093,013	$ -	$ -
7	2012	$ 3,898,421	$ 15,189,495	$ 40,556,942	$ 1,825,062	$ 3,898,421	N	-	$ 3,898,421	$ 2,073,358	$ -	$ -
8	2013	$ 3,866,834	$ 19,056,329	$ 38,483,583	$ 1,731,761	$ 3,866,834	N	-	$ 3,866,834	$ 2,135,073	$ -	$ -
9	2014	$ 3,912,763	$ 22,969,091	$ 36,348,510	$ 1,635,683	$ 3,912,763	N	-	$ 3,912,763	$ 2,277,080	$ -	$ -
10	2015	$ 3,862,752	$ 26,831,843	$ 34,071,431	$ 1,533,214	$ 3,862,752	N	-	$ 3,862,752	$ 2,329,537	$ -	$ -
11	2016	$ 3,822,558	$ 30,654,401	$ 31,741,894	$ 1,428,385	$ 3,822,558	N	-	$ 3,822,558	$ 2,394,173	$ -	$ -
12	2017	$ 3,789,245	$ 34,443,646	$ 29,347,721	$ 1,320,647	$ 3,789,245	N	-	$ 3,789,245	$ 2,468,598	$ -	$ -
13	2018	$ 3,761,917	$ 38,205,563	$ 26,879,123	$ 1,209,561	$ 3,761,917	N	-	$ 3,761,917	$ 2,552,356	$ -	$ -
14	2019	$ 3,763,216	$ 41,968,779	$ 24,326,767	$ 1,094,705	$ 3,763,216	N	-	$ 3,763,216	$ 2,668,512	$ -	$ -
15	2020	$ 4,259,258	$ 46,228,037	$ 21,658,256	$ 974,621	$ 4,259,258	N	-	$ 4,259,258	$ 3,284,636	$ -	$ -
16	2021	$ 4,248,649	$ 50,476,686	$ 18,373,619	$ 826,813	$ 4,248,649	N	-	$ 4,248,649	$ 3,421,836	$ -	$ -
17	2022	$ 4,251,512	$ 54,728,199	$ 14,951,783	$ 672,830	$ 4,251,512	N	-	$ 4,251,512	$ 3,578,682	$ -	$ -
18	2023	$ 4,264,822	$ 58,993,020	$ 11,373,100	$ 511,790	$ 4,264,822	N	-	$ 4,264,822	$ 3,753,032	$ -	$ -
19	2024	$ 4,295,765	$ 63,288,785	$ 7,620,068	$ 342,903	$ 4,295,765	N	-	$ 4,295,765	$ 3,952,862	$ -	$ -
20	2025	$ 4,333,404	$ 67,622,190	$ 3,667,206	$ 165,024	$ 4,333,404	N	-	$ 3,832,230	$ 3,667,206	$ 501,174	$ 501,174
21	2026	$ 4,378,683	$ 72,000,872	$ 0	$ 0	$ 4,378,683	N	-	$ 0	$ 0	$ 4,378,683	$ 4,879,857
22	2027	$ 4,433,294	$ 76,434,166	$ 0	$ 0	$ 4,433,294	N	-	$ 0	$ 0	$ 4,433,294	$ 9,313,150
23	2028	$ 4,494,923	$ 80,929,089	$ 0	$ 0	$ 4,494,923	N	-	$ 0	$ 0	$ 4,494,923	$ 13,808,073
24	2029	$ 4,563,040	$ 85,492,128	$ 0	$ 0	$ 4,563,040	N	-	$ 0	$ 0	$ 4,563,040	$ 18,371,113
TOTALS		**$ 85,492,128**	**$ 85,492,128**		**$ 27,420,751**				**$ 73,317,011**	**$ 45,896,260**	**$ 18,371,113**	

Source: *S. B. Friedman & Company*

City of Milwaukee- Pabst City TIF Feasibility

Table 6: Projected Bond Amortization- Pabst City Incremental Tax Proceeds with Net Proceeds to Project of $41 Million to Reflect Additional City Costs

Issuance Date	1/1/2006
Interest Rate	4.50%
Reinvestment Rate	3.25%
Net Proceeds to Project	**$ 41,000,000**
Cap Interest Required	$ 6,513,738
Interest on Cap Interest	$ 496,126
Issuance Costs- Professional Fees Allowance	$ -
Issuance Costs- Additional 0.5% of Bond Amount	$ 240,049
Total Bond Proceeds	$ 48,249,914
Capitalized Interest End Date	1/1/2009
Assumed Debt Coverage Requirement	1.0

Cap Int Year	**Principal**	**Cap Int. Reserve**	**Reinv.**	**Interest Pmt**	**Ending Bal**	**Earnings**
1	$ 48,249,914	$ 6,513,738	3.25%	$ 2,171,246	$ 4,342,492	$ 211,696
2	$ 48,249,914	$ 4,342,492	3.25%	$ 2,171,246	$ 2,171,246	$ 141,131
3	$ 48,249,914	$ 2,171,246	3.25%	$ 2,171,246	$ 0	$ 70,565

Year of TID	**Calendar Year**	**Annual Inc. Tax Revenues Collected (Jan. 31) @ 97%**	**Cumulative Tax Increment At 97% Coll.**	**Beginning Principal Balance**	**Interest Due**	**Increment Available for P&I**	**Cap Int Yr**	**Cap Interest Payment**	**Total P&I Payment**	**Principal Reduction**	**Annual Surplus/ Coverage**	**Cumulative Reserves**
0	2004	$ -	$ -	$ -	$ -	$ -	N	-	$ -	$ -	$ -	$ -
0	2005	$ -	$ -	$ -	$ -	$ -	N	-	$ -	$ -	$ -	$ -
1	2006	$ -	$ -	$ 48,249,914	$ 2,171,246	$ -	Y	2,171,246	$ 2,171,246	$ -	$ -	$ -
2	2007	$ -	$ -	$ 48,249,914	$ 2,171,246	$ -	Y	2,171,246	$ 2,171,246	$ -	$ -	$ -
3	2008	$ 535,882	$ 535,882	$ 48,249,914	$ 2,171,246	$ 535,882	Y	2,171,246	$ 2,707,128	$ 535,882	$ -	$ -
4	2009	$ 3,150,680	$ 3,686,562	$ 47,714,032	$ 2,147,131	$ 3,150,680	N	-	$ 3,150,680	$ 1,003,548	$ -	$ -
5	2010	$ 3,592,252	$ 7,278,813	$ 46,710,484	$ 2,101,972	$ 3,592,252	N	-	$ 3,592,252	$ 1,490,280	$ -	$ -
6	2011	$ 4,012,261	$ 11,291,074	$ 45,220,204	$ 2,034,909	$ 4,012,261	N	-	$ 4,012,261	$ 1,977,351	$ -	$ -
7	2012	$ 3,898,421	$ 15,189,495	$ 43,242,852	$ 1,945,928	$ 3,898,421	N	-	$ 3,898,421	$ 1,952,492	$ -	$ -
8	2013	$ 3,866,834	$ 19,056,329	$ 41,290,360	$ 1,858,066	$ 3,866,834	N	-	$ 3,866,834	$ 2,008,768	$ -	$ -
9	2014	$ 3,912,763	$ 22,969,091	$ 39,281,592	$ 1,767,672	$ 3,912,763	N	-	$ 3,912,763	$ 2,145,091	$ -	$ -
10	2015	$ 3,862,752	$ 26,831,843	$ 37,136,501	$ 1,671,143	$ 3,862,752	N	-	$ 3,862,752	$ 2,191,609	$ -	$ -
11	2016	$ 3,822,558	$ 30,654,401	$ 34,944,892	$ 1,572,520	$ 3,822,558	N	-	$ 3,822,558	$ 2,250,038	$ -	$ -
12	2017	$ 3,789,245	$ 34,443,646	$ 32,694,854	$ 1,471,268	$ 3,789,245	N	-	$ 3,789,245	$ 2,317,977	$ -	$ -
13	2018	$ 3,761,917	$ 38,205,563	$ 30,376,877	$ 1,366,959	$ 3,761,917	N	-	$ 3,761,917	$ 2,394,957	$ -	$ -
14	2019	$ 3,763,216	$ 41,968,779	$ 27,981,920	$ 1,259,186	$ 3,763,216	N	-	$ 3,763,216	$ 2,504,030	$ -	$ -
15	2020	$ 4,259,258	$ 46,228,037	$ 25,477,891	$ 1,146,505	$ 4,259,258	N	-	$ 4,259,258	$ 3,112,753	$ -	$ -
16	2021	$ 4,248,649	$ 50,476,686	$ 22,365,138	$ 1,006,431	$ 4,248,649	N	-	$ 4,248,649	$ 3,242,218	$ -	$ -
17	2022	$ 4,251,512	$ 54,728,199	$ 19,122,920	$ 860,531	$ 4,251,512	N	-	$ 4,251,512	$ 3,390,981	$ -	$ -
18	2023	$ 4,264,822	$ 58,993,020	$ 15,731,939	$ 707,937	$ 4,264,822	N	-	$ 4,264,822	$ 3,556,884	$ -	$ -
19	2024	$ 4,295,765	$ 63,288,785	$ 12,175,054	$ 547,877	$ 4,295,765	N	-	$ 4,295,765	$ 3,747,888	$ -	$ -
20	2025	$ 4,333,404	$ 67,622,190	$ 8,427,166	$ 379,222	$ 4,333,404	N	-	$ 4,333,404	$ 3,954,182	$ -	$ -
21	2026	$ 4,378,683	$ 72,000,872	$ 4,472,985	$ 201,284	$ 4,378,683	N	-	$ 4,378,683	$ 4,177,398	$ -	$ -
22	2027	$ 4,433,294	$ 76,434,166	$ 295,586	$ 13,301	$ 4,433,294	N	-	$ 308,888	$ 295,586	$ 4,124,406	$ 4,124,406
23	2028	$ 4,494,923	$ 80,929,089	$ -	$ -	$ 4,494,923	N	-	$ -	$ -	$ 4,494,923	$ 8,619,329
24	2029	$ 4,563,040	$ 85,492,128	$ -	$ -	$ 4,563,040	N	-	$ -	$ -	$ 4,563,040	$ 13,182,368
TOTALS		**$ 85,492,128**	**$ 85,492,128**		**$ 30,573,584**				**$ 78,823,498**	**$ 48,249,914**	**$ 13,182,368**	

Source: *S. B. Friedman & Company*

4. Appendix: TIF Projection Detail

City of Milwaukee- Pabst City TIF Feasibility

Table A-1: City Combined Net Tax Rate History

Assess Year	Budget Year	Assessment Ratio	City Rate (Inc. Sch. Bonds)	City School Rate	MATC Rate	MMSD Rate	County (Inc. State Forestry)	Gross Tax Rate	State Credit	Net (Less State Credit)
1984	1985	99.91%	12.10	14.18	1.65	3.51	5.51	36.95	3.52	**33.43**
1985	1986	99.27%	12.32	14.77	1.71	3.44	5.43	37.67	5.30	**32.37**
1986	1987	99.27%	13.01	16.54	1.71	3.25	5.71	40.22	5.95	**34.27**
1987	1988	96.69%	13.09	16.12	1.79	3.11	5.64	39.75	3.74	**36.01**
1988	1989	99.38%	12.88	17.31	1.74	3.04	5.62	40.59	3.47	**37.12**
1989	1990	95.31%	12.85	17.61	1.82	3.16	6.71	42.15	3.42	**38.73**
1990	1991	98.53%	12.76	17.78	2.01	3.05	5.99	41.59	3.24	**38.35**
1991	1992	96.67%	12.07	18.14	2.06	3.12	5.84	41.23	2.46	**38.77**
1992	1993	99.90%	11.95	18.00	2.00	2.99	5.68	40.62	2.24	**38.38**
1993	1994	96.39%	11.39	18.13	2.09	3.16	5.80	40.57	2.13	**38.44**
1994	1995	98.23%	10.86	16.99	2.04	3.07	5.62	38.58	1.92	**36.66**
1995	1996	94.87%	10.53	15.70	2.10	2.81	5.95	37.09	1.86	**35.23**
1996	1997	98.87%	10.24	12.00	2.01	1.72	5.92	31.89	2.46	**29.43**
1997	1998	96.40%	9.99	10.85	2.11	1.77	6.17	30.89	2.35	**28.54**
1998	1999	99.14%	9.71	10.97	2.01	1.72	5.92	30.33	2.04	**28.29**
1999	2000	93.28%	9.69	10.38	2.16	1.80	6.03	30.06	2.00	**28.06**
2000	2001	101.10%	10.49	9.87	2.00	1.68	5.66	29.70	1.69	**28.01**
2001	2002	93.37%	10.87	10.12	2.23	1.87	6.13	31.22	1.66	**29.56**
2002	2003	98.10%	10.15	9.34	2.05	1.74	5.40	28.68	1.43	**27.25**
2003	2004	97.07%	9.73	8.96	2.04	1.64	5.15	27.52	1.35	**26.17**
2004	2005	96.84%	9.19	9.40	2.00	1.59	4.91	27.09	1.23	**25.86**

Compound Annual Rate of Change	
5-Year	**-1.62%**
10-Year	**-3.43%**
15-Year	**-2.66%**
20-Year	**-1.28%**

Source: Milwaukee Assessor's Office and *S. B. Friedman & Company*

City of Milwaukee- Pabst City TIF Feasibility
Table A-2: Retail Component- New Taxable Value Summary

Comps-based Approach

	Square Feet	AV/SF (Comps) [1]	Total AV ('04)	
Small Retail	98,300	$ 153.37	$ 15,076,374	Upper quartile of retail citywide newer than 1980
Large Retail/Ent	284,400	$ 110.97	$ 31,560,842	Median of retail citywide newer than 1980
Grocery	40,000	$ 71.78	$ 2,871,374	Median of grocery stores citywide newer than 1980
Restaurant	56,000	$ 190.45	$ 10,665,002	Upper quartile of restaurants citywide newer than 1980
TOTAL/AVG	**478,700**	**$ 125.70**	**$ 60,173,591**	
Inflation per Year		2%		
Base Year for Inflation		2004		

		Income Approach [1] [2]						Comps Approach			
Yr		2.0% Retail Income	0.98% Anchors	Non-Recoverable Expense Allowance 15%	Pre-Tax NOI	Cap Rate	Taxable Value (Income Approach)	Percent Online	Inflation Factor	Taxable Value (Comps Approach)	Differential- Income vs. Comps
	2007						$ 16,990,820	25.00%	1.06	$ 15,964,174	
1	2008	$ 4,711,680	$ 3,284,000	$ 1,199,352	$ 6,796,328	10%	$ 67,963,280	80.00%	1.08	$ 52,107,064	
2	2009	$ 4,711,680	$ 3,284,000	$ 1,199,352	$ 6,796,328	10%	$ 67,963,280	80.00%	1.10	$ 53,149,206	
3	2010	$ 5,595,120	$ 3,284,000	$ 1,331,868	$ 7,547,252	10%	$ 75,472,520	100.00%	1.13	$ 67,765,237	11.4%
4	2011	$ 5,595,120	$ 3,284,000	$ 1,331,868	$ 7,547,252	10%	$ 75,472,520	100.00%	1.15	$ 69,120,542	9.2%
5	2012	$ 5,595,120	$ 3,284,000	$ 1,331,868	$ 7,547,252	10%	$ 75,472,520	100.00%	1.17	$ 70,502,953	7.0%
6	2013	$ 6,108,291	$ 3,448,200	$ 1,433,474	$ 8,123,017	10%	$ 81,230,174	100.00%	1.20	$ 71,913,012	13.0%
7	2014	$ 6,230,457	$ 3,448,200	$ 1,451,799	$ 8,226,858	10%	$ 82,268,583	100.00%	1.22	$ 73,351,272	12.2%
8	2015	$ 6,355,066	$ 3,448,200	$ 1,470,490	$ 8,332,776	10%	$ 83,327,761	100.00%	1.24	$ 74,818,298	11.4%
9	2016	$ 6,482,167	$ 3,448,200	$ 1,489,555	$ 8,440,812	10%	$ 84,408,122	100.00%	1.27	$ 76,314,664	10.6%
10	2017	$ 6,611,811	$ 3,448,200	$ 1,509,002	$ 8,551,009	10%	$ 85,510,090	100.00%	1.29	$ 77,840,957	9.9%
11	2018	$ 6,744,047	$ 3,482,012	$ 1,533,909	$ 8,692,150	10%	$ 86,921,503	100.00%	1.32	$ 79,397,776	9.5%
12	2019	$ 6,878,928	$ 3,516,156	$ 1,559,263	$ 8,835,821	10%	$ 88,358,214	100.00%	1.35	$ 80,985,732	9.1%
13	2020	$ 7,016,506	$ 3,550,635	$ 1,585,071	$ 8,982,070	10%	$ 89,820,701	100.00%	1.37	$ 82,605,446	8.7%
14	2021	$ 7,156,836	$ 3,585,452	$ 1,611,343	$ 9,130,945	10%	$ 91,309,450	100.00%	1.40	$ 84,257,555	8.4%
15	2022	$ 7,299,973	$ 3,620,610	$ 1,638,087	$ 9,282,496	10%	$ 92,824,957	100.00%	1.43	$ 85,942,706	8.0%
16	2023	$ 7,445,973	$ 3,656,113	$ 1,665,313	$ 9,436,773	10%	$ 94,367,728	100.00%	1.46	$ 87,661,560	7.7%
17	2024	$ 7,594,892	$ 3,691,964	$ 1,693,028	$ 9,593,828	10%	$ 95,938,277	100.00%	1.49	$ 89,414,792	7.3%
18	2025	$ 7,746,790	$ 3,728,167	$ 1,721,243	$ 9,753,713	10%	$ 97,537,132	100.00%	1.52	$ 91,203,087	6.9%
19	2026	$ 7,901,726	$ 3,764,724	$ 1,749,968	$ 9,916,483	10%	$ 99,164,826	100.00%	1.55	$ 93,027,149	6.6%
20	2027	$ 8,059,760	$ 3,801,641	$ 1,779,210	$ 10,082,191	10%	$ 100,821,906	100.00%	1.58	$ 94,887,692	6.3%
21	2028	$ 8,220,955	$ 3,838,919	$ 1,808,981	$ 10,250,893	10%	$ 102,508,930	100.00%	1.61	$ 96,785,446	5.9%

[1] Source of Income information: Juneau Avenue Partners pro forma 4/12/05 version
[2] Non-Recoverable Expense Ratio assumption based on typical range reported by Milwaukee Assessor's Office
Source of Comps and other calculations: City Assessor's Office and *S. B. Friedman & Company*

City of Milwaukee- Pabst City TIF Feasibility

Table A-3: Condo Component- New Taxable Value Summary

	NSF [1]	Units	Avg SF/Unit	Price/SF ('05$) [2]	Sellout Value
Block 1 Condos	58,800	50	1,176	$ 207.64	$ 12,209,232
Block 2 Condos	84,000	74	1,135	$ 207.64	$ 17,441,760
TOTAL/AVERAGE	**142,800**	**124**	**1,152**	**$ 207.64**	**$ 29,650,992**

[1] Square footages are net per developer e-mail on 3/31/05

[2] Base prices from Tracy Cross Market Study with extrapolation for corner premiums, parking deductions, upper-floor premiums

Phasing

Sales/Month	4
Sales Begin in	2007

Year	Closings	Phasing %	New Value	Annual Inflation	Cumulative Value
2007	48	38.7%		3.50%	$ -
2008	48	38.7%	$ 11,477,803	3.50%	$ 11,477,803
2009	28	22.6%	$ 11,477,803	3.50%	$ 23,357,330
2010	-	0.0%	$ 6,695,385	3.50%	$ 30,870,222
2011	-	0.0%	$ -	3.50%	$ 31,950,679
2012	-	0.0%	$ -	3.50%	$ 33,068,953
2013	-	0.0%	$ -	3.50%	$ 34,226,367
2014	-	0.0%	$ -	3.50%	$ 35,424,289
2015	-	0.0%	$ -	3.50%	$ 36,664,140
2016	-	0.0%	$ -	3.50%	$ 37,947,384
2017	-	0.0%	$ -	3.50%	$ 39,275,543
2018	-	0.0%	$ -	3.50%	$ 40,650,187
2019	-	0.0%	$ -	3.50%	$ 42,072,943
2020	-	0.0%	$ -	3.50%	$ 43,545,496
2021	-	0.0%	$ -	3.50%	$ 45,069,589
2022	-	0.0%	$ -	3.50%	$ 46,647,024
2023	-	0.0%	$ -	3.50%	$ 48,279,670
2024	-	0.0%	$ -	3.50%	$ 49,969,459
2025	-	0.0%	$ -	3.50%	$ 51,718,390
2026	-	0.0%	$ -	3.50%	$ 53,528,533
2027	-	0.0%	$ -	3.50%	$ 55,402,032
2028	-	0.0%	$ -	3.50%	$ 57,341,103

City of Milwaukee- Pabst City TIF Feasibility

Table A-4: Office Component- New Taxable Value Summary

Comps-based Cap on Valuation

	SF	AV/SF (04$)	Total AV ('04)
Brewery Office- Assumed Class B	40,000	$ 100.86	$ 4,034,479
Building 29 Office- Assumed Class B	217,000	$ 100.86	$ 21,887,049

Inflation per Year 2%

Base Year for Inflation 2004

				Brewery Office								Building 29 Office- If Included and Taxable						
				Income Approach [1]						Comps Approach		Income Approach [1]					Comps Approach	
	Yr		Inflation Factor- Comps	Office	CAM	Expenses	1.92% Pre-Tax NOI	Base Cap Rate	Taxable Value (Income Approach)	Percent Online	Taxable Value (Comps Approach)	1.94% Income	2.00% Expense	Pre-Tax NOI	Tax-Loaded Cap Rt	Taxable Value (Income Approach)	Percent Online	Taxable Value (Comps Approach)
		2007	1.06							0.00%						$ 5,888,813	25.00%	$ 5,922,811
Developer Projection	1	2008	1.08	$ 200,000	$ 96,000	$ 223,200	$ 72,800	10%	$ 728,000	40.00%	$ 1,746,820	$ 4,390,898	$ 1,464,750	$ 2,926,148	12.42%	$ 23,555,251	100.00%	$ 23,691,245
	2	2009	1.10	$ 375,000	$ 180,000	$ 223,200	$ 331,800	10%	$ 3,318,000	75.00%	$ 3,340,793	$ 4,390,898	$ 1,494,045	$ 2,896,853	12.38%	$ 23,393,317	100.00%	$ 24,165,070
	3	2010	1.13	$ 465,000	$ 223,200	$ 234,360	$ 453,840	10%	$ 4,538,400	100.00%	$ 4,543,479	$ 4,390,898	$ 1,523,926	$ 2,866,972	12.34%	$ 23,224,412	100.00%	$ 24,648,372
	4	2011	1.15	$ 474,300	$ 223,200	$ 234,360	$ 463,140	10%	$ 4,631,400	100.00%	$ 4,634,348	$ 4,390,898	$ 1,554,404	$ 2,836,493	12.31%	$ 23,048,420	100.00%	$ 25,141,339
	5	2012	1.17	$ 483,786	$ 234,360	$ 246,078	$ 472,068	10%	$ 4,720,680	100.00%	$ 4,727,035	$ 4,742,169	$ 1,585,493	$ 3,156,677	12.27%	$ 25,728,235	100.00%	$ 25,644,166
	6	2013	1.20	$ 493,462	$ 246,078	$ 258,382	$ 481,158	10%	$ 4,811,578	100.00%	$ 4,821,576	$ 4,742,169	$ 1,617,202	$ 3,124,967	12.23%	$ 25,546,317	100.00%	$ 26,157,049
	7	2014	1.22	$ 503,331	$ 258,382	$ 271,301	$ 490,412	10%	$ 4,904,119	100.00%	$ 4,918,007	$ 4,742,169	$ 1,649,546	$ 3,092,623	12.20%	$ 25,356,864	100.00%	$ 26,680,190
	8	2015	1.24	$ 513,398	$ 271,301	$ 284,866	$ 499,833	10%	$ 4,998,325	100.00%	$ 5,016,368	$ 4,742,169	$ 1,682,537	$ 3,059,632	12.16%	$ 25,159,754	100.00%	$ 27,213,794
	9	2016	1.27	$ 523,666	$ 284,866	$ 299,109	$ 509,422	10%	$ 5,094,222	100.00%	$ 5,116,695	$ 4,742,169	$ 1,716,188	$ 3,025,981	12.13%	$ 24,954,859	100.00%	$ 27,758,070
	10	2017	1.29	$ 534,139	$ 299,109	$ 314,065	$ 519,183	10%	$ 5,191,834	100.00%	$ 5,219,029	$ 4,742,169	$ 1,750,512	$ 2,991,658	12.09%	$ 24,742,052	100.00%	$ 28,313,231
Extrapolation	11	2018	1.32				$ 529,150	10%	$ 5,291,503	100.00%	$ 5,323,409	$ 4,834,293	$ 1,785,522	$ 3,048,771	12.06%	$ 25,285,239	100.00%	$ 28,879,496
	12	2019	1.35				$ 539,309	10%	$ 5,393,086	100.00%	$ 5,429,878	$ 4,928,207	$ 1,821,233	$ 3,106,975	12.02%	$ 25,839,369	100.00%	$ 29,457,086
	13	2020	1.37				$ 549,662	10%	$ 5,496,620	100.00%	$ 5,538,475	$ 5,023,945	$ 1,857,657	$ 3,166,288	12.00%	$ 26,385,733	100.00%	$ 30,046,227
	14	2021	1.40				$ 560,214	10%	$ 5,602,140	100.00%	$ 5,649,245	$ 5,121,543	$ 1,894,810	$ 3,226,733	12.00%	$ 26,889,439	100.00%	$ 30,647,152
	15	2022	1.43				$ 570,969	10%	$ 5,709,687	100.00%	$ 5,762,229	$ 5,221,037	$ 1,932,707	$ 3,288,330	12.00%	$ 27,402,753	100.00%	$ 31,260,095
	16	2023	1.46				$ 581,930	10%	$ 5,819,298	100.00%	$ 5,877,474	$ 5,322,464	$ 1,971,361	$ 3,351,103	12.00%	$ 27,925,858	100.00%	$ 31,885,297
	17	2024	1.49				$ 593,101	10%	$ 5,931,013	100.00%	$ 5,995,024	$ 5,425,861	$ 2,010,788	$ 3,415,073	12.00%	$ 28,458,941	100.00%	$ 32,523,003
	18	2025	1.52				$ 604,487	10%	$ 6,044,874	100.00%	$ 6,114,924	$ 5,531,266	$ 2,051,004	$ 3,480,263	12.00%	$ 29,002,190	100.00%	$ 33,173,463
	19	2026	1.55				$ 616,092	10%	$ 6,160,919	100.00%	$ 6,237,223	$ 5,638,720	$ 2,092,024	$ 3,546,696	12.00%	$ 29,555,802	100.00%	$ 33,836,932
	20	2027	1.58				$ 627,919	10%	$ 6,279,193	100.00%	$ 6,361,967	$ 5,748,261	$ 2,133,864	$ 3,614,397	12.00%	$ 30,119,971	100.00%	$ 34,513,671
	21	2028	1.61				$ 639,974	10%	$ 6,399,737	100.00%	$ 6,489,206	$ 5,859,930	$ 2,176,541	$ 3,683,388	12.00%	$ 30,694,901	100.00%	$ 35,203,944

[1] Source of Income and Expense information: Juneau Avenue Partners pro forma 4/12/05 version

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

Class B Office Tax Comparables

Address	Year Built	Bldg. Area	2004 AV	AV/SF
9000 W. Chester	2003	74,564	$ 7,556,000	$ 101.34
135 S. 84th	2000	160,647	$ 16,576,000	$ 103.18
115 S. 84th	1998	159,673	$ 16,461,000	$ 103.09
125 S. 84th	1997	164,825	$ 16,654,000	$ 101.04
840 N. Milwaukee	1996	46,607	$ 4,108,000	$ 88.14
839 N. Jefferson	1983	54,260	$ 5,272,000	$ 97.16
Average- Post 1980 Bldgs				**$ 98.99**
Weighted Average-Post 1980 Bldgs				**$ 100.86**

Source: Milwaukee Assessor's Office

City of Milwaukee- Pabst City TIF Feasibility

Table A-5: Apartment Component- New Taxable Value Summary

Comps-based Cap on Valuation

	Square Feet	AV/SF (Comps)	Total AV ('04)	
Apartments	238,300	$ 70.91	$ 16,897,369	Unweighted average of tax comps shown below
TOTAL/AVG	**238,300**	**$ 70.91**	**$ 16,897,369**	
Inflation per Year		2%		
Base Year for Inflation		2004		

			Income Approach [1]							Comps Approach		
	Yr		Income	Exp (no Tax)	0.72% Pre-Tax NOI	Base Cap Rate	Market Value Tax Rate	Tax-Loaded Cap	Taxable Value (Income Approach)	Percent Online	Inflation Factor	Taxable Value (Comps Approach)
		2007							$ -	0.00%	1.06	$ -
Developer Projection	1	2008	$ 1,555,622	$ 832,112	$ 723,510	10%	2.42%	12.42%	$ 5,824,199	40.00%	1.08	$ 7,316,102
	2	2009	$ 2,945,960	$ 977,881	$ 1,968,079	10%	2.38%	12.38%	$ 15,893,076	75.00%	1.10	$ 13,992,046
	3	2010	$ 3,570,503	$ 1,051,173	$ 2,519,331	10%	2.34%	12.34%	$ 20,408,284	100.00%	1.13	$ 19,029,182
	4	2011	$ 3,806,553	$ 1,087,837	$ 2,718,716	10%	2.31%	12.31%	$ 22,091,404	100.00%	1.15	$ 19,409,766
	5	2012	$ 3,844,619	$ 1,105,977	$ 2,738,641	10%	2.27%	12.27%	$ 22,321,071	100.00%	1.17	$ 19,797,961
	6	2013	$ 3,883,065	$ 1,124,445	$ 2,758,621	10%	2.23%	12.23%	$ 22,551,467	100.00%	1.20	$ 20,193,920
	7	2014	$ 3,921,896	$ 1,143,245	$ 2,778,651	10%	2.20%	12.20%	$ 22,782,563	100.00%	1.22	$ 20,597,799
	8	2015	$ 3,961,115	$ 1,162,384	$ 2,798,731	10%	2.16%	12.16%	$ 23,014,330	100.00%	1.24	$ 21,009,755
	9	2016	$ 4,000,726	$ 1,181,868	$ 2,818,858	10%	2.13%	12.13%	$ 23,246,737	100.00%	1.27	$ 21,429,950
	10	2017	$ 4,040,733	$ 1,201,705	$ 2,839,028	10%	2.09%	12.09%	$ 23,479,753	100.00%	1.29	$ 21,858,549
Extrapolation	11	2018			$ 2,859,494	10%	2.06%	12.06%	$ 23,715,448	100.00%	1.32	$ 22,295,720
	12	2019			$ 2,880,107	10%	2.02%	12.02%	$ 23,952,606	100.00%	1.35	$ 22,741,634
	13	2020			$ 2,900,868	10%	2.00%	12.00%	$ 24,173,902	100.00%	1.37	$ 23,196,467
	14	2021			$ 2,921,780	10%	2.00%	12.00%	$ 24,348,163	100.00%	1.40	$ 23,660,396
	15	2022			$ 2,942,842	10%	2.00%	12.00%	$ 24,523,679	100.00%	1.43	$ 24,133,604
	16	2023			$ 2,964,055	10%	2.00%	12.00%	$ 24,700,461	100.00%	1.46	$ 24,616,276
	17	2024			$ 2,985,422	10%	2.00%	12.00%	$ 24,878,518	100.00%	1.49	$ 25,108,602
	18	2025			$ 3,006,943	10%	2.00%	12.00%	$ 25,057,857	100.00%	1.52	$ 25,610,774
	19	2026			$ 3,028,619	10%	2.00%	12.00%	$ 25,238,490	100.00%	1.55	$ 26,122,989
	20	2027			$ 3,050,451	10%	2.00%	12.00%	$ 25,420,425	100.00%	1.58	$ 26,645,449
	21	2028			$ 3,072,441	10%	2.00%	12.00%	$ 25,603,671	100.00%	1.61	$ 27,178,358

[1] Source of Income and Expense information: Juneau Avenue Partners pro forma 4/12/05 version

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

Apartments

	Total Assessment	Total Units [2]	Avg SF [3]	Total SF	Value/Unit	Value/SF
Library Hill	$ 7,200,000	139	947	131,633	$ 51,799	$ 55
The Franklin @ East Pointe	$ 5,762,000	73	983	71,759	$ 78,932	$ 80
Trostel Square	$ 8,060,000	99	985	97,515	$ 81,414	$ 83
Lake Bluff Apartments	$ 11,728,000	110	1,262	138,820	$ 106,618	$ 84
Prospect Towers	$ 11,950,000	200	942	188,400	$ 59,750	$ 63
Juneau Village Towers	$ 26,000,000	598	726	434,148	$ 43,478	$ 60
Unweighted Average					**$ 70,332**	**$ 71**
Weighted Average					**$ 57,998**	**$ 67**
Pabst City at Stabilization Based on NOI					**$ 126,237**	**$ 93**

[1] Source: Milwaukee Assessor

[2] Source: Milwaukee Assessor and Tracy Cross Market Study

[3] Source: Tracy Cross Market Study

City of Milwaukee- Pabst City TIF Feasibility
Table A-6: Non-County Parking Garages: New Taxable Value Summary

Comps-based Cap on Valuation

	Spaces	AV/Spc (04$)	Total AV ('04)	
Parking Structures B&C	1,710	$ 8,198	$ 14,018,790	Weighted average of comparables shown below
TOTAL/AVG		**$ 8,198**	**$ 14,018,790**	
Inflation per Year	2%			
Base Year for Inflation	2004			

			Income Approach [1]							Comps Approach		
	Yr		2.9% Garage B NOI	2.0% Garage C NOI	Total Pre-Tax NOI	Base Cap Rate	Market Value Tax Rate	Tax-Loaded Cap	Taxable Value (Income Approach)	Percent Online	Inflation Factor	Taxable Value (Comps Approach)
		2007							$ 2,132,007	25.00%	1.06	$ 3,719,213
Developer Projection	1	2008	$ 726,448	$ 332,946	$ 1,059,393	10%	2.42%	12.42%	$ 8,528,029	60.00%	1.08	$ 9,104,633
	2	2009	$ 747,617	$ 339,773	$ 1,087,390	10%	2.38%	12.38%	$ 8,781,137	80.00%	1.10	$ 12,382,301
	3	2010	$ 769,400	$ 346,694	$ 1,116,094	10%	2.34%	12.34%	$ 9,041,119	100.00%	1.13	$ 15,787,434
	4	2011	$ 791,814	$ 353,709	$ 1,145,523	10%	2.31%	12.31%	$ 9,308,143	100.00%	1.15	$ 16,103,183
	5	2012	$ 814,876	$ 360,815	$ 1,175,692	10%	2.27%	12.27%	$ 9,582,379	100.00%	1.17	$ 16,425,246
	6	2013	$ 838,607	$ 368,012	$ 1,206,619	10%	2.23%	12.23%	$ 9,864,001	100.00%	1.20	$ 16,753,751
	7	2014	$ 863,024	$ 375,298	$ 1,238,323	10%	2.20%	12.20%	$ 10,153,186	100.00%	1.22	$ 17,088,826
	8	2015	$ 888,148	$ 382,672	$ 1,270,820	10%	2.16%	12.16%	$ 10,450,114	100.00%	1.24	$ 17,430,603
	9	2016	$ 913,999	$ 390,130	$ 1,304,129	10%	2.13%	12.13%	$ 10,754,972	100.00%	1.27	$ 17,779,215
	10	2017	$ 940,597	$ 397,671	$ 1,338,268	10%	2.09%	12.09%	$ 11,067,946	100.00%	1.29	$ 18,134,799
Extrapolation	11	2018	$ 967,989	$ 405,599	$ 1,373,587	10%	2.06%	12.06%	$ 11,391,960	100.00%	1.32	$ 18,497,495
	12	2019	$ 996,178	$ 413,684	$ 1,409,862	10%	2.02%	12.02%	$ 11,725,214	100.00%	1.35	$ 18,867,445
	13	2020	$ 1,025,188	$ 421,931	$ 1,447,119	10%	2.00%	12.00%	$ 12,059,321	100.00%	1.37	$ 19,244,794
	14	2021	$ 1,055,043	$ 430,342	$ 1,485,384	10%	2.00%	12.00%	$ 12,378,204	100.00%	1.40	$ 19,629,690
	15	2022	$ 1,085,767	$ 438,921	$ 1,524,687	10%	2.00%	12.00%	$ 12,705,729	100.00%	1.43	$ 20,022,284
	16	2023	$ 1,117,386	$ 447,670	$ 1,565,056	10%	2.00%	12.00%	$ 13,042,135	100.00%	1.46	$ 20,422,729
	17	2024	$ 1,149,926	$ 456,594	$ 1,606,520	10%	2.00%	12.00%	$ 13,387,667	100.00%	1.49	$ 20,831,184
	18	2025	$ 1,183,413	$ 465,696	$ 1,649,110	10%	2.00%	12.00%	$ 13,742,579	100.00%	1.52	$ 21,247,807
	19	2026	$ 1,217,876	$ 474,980	$ 1,692,856	10%	2.00%	12.00%	$ 14,107,130	100.00%	1.55	$ 21,672,764
	20	2027	$ 1,253,342	$ 484,448	$ 1,737,790	10%	2.00%	12.00%	$ 14,481,586	100.00%	1.58	$ 22,106,219
	21	2028	$ 1,289,841	$ 494,106	$ 1,783,947	10%	2.00%	12.00%	$ 14,866,222	100.00%	1.61	$ 22,548,343

[1] Source of Income and Expense information: Juneau Avenue Partners pro forma 4/12/05 version
Source of Comps and other calculations: City Assessor's Office and *S. B. Friedman & Company*

Parking Tax Comps

	Total Assessment	Total Spaces	Total SF	Value/Space	Value/SF
Plaza Pavilion- 330 E. Wells	$ 6,379,000	749	198,073	$ 8,517	$ 32.21
4th and Kilbourn- 340 W. Wells	$ 6,151,000	725	232,960	$ 8,484	$ 26.40
212 N Milwaukee Structure	$ 4,063,000	550	192,594	$ 7,387	$ 21.10
Unweighted Average				**$ 8,129**	**$ 26.57**
Weighted Average				**$ 8,198**	**$ 26.61**

City of Milwaukee- Pabst City TIF Feasibility
Table A-7: Personal Property Value Estimate

Comps-based Cap on Valuation

	Units	Value/Unit [1]	Total Value
Movie Screens	16	$ 75,000	$ 1,200,000
Retail SF	478,700	$ 40	$ 19,148,000
Small Office SF	40,000	$ 40	$ 1,600,000
Bldg 29 Office SF	217,000	$ 40	$ 8,680,000
TOTAL			**$ 30,628,000**

[1] Source: Milwaukee Assessor's Office

Inflation per Year 0%

Base Year for Inflation 2008

	Yr		Infl Factor	Depr Year	Depr. Factor [1]	% Online Theater	% Online Retail	% Online Small Office	Taxable Value Excl. Bldg. 29	% Online Bldg 29	Taxable Value Bldg. 29
		2007	1.00	0	1.000	25%	25%	0%	$ 5,087,000	25%	$ 2,170,000
Developer Projection	1	2008	1.00	0	1.000	100%	80%	40%	$ 17,158,400	100%	$ 8,680,000
Developer Projection	2	2009	1.00	1	0.925	100%	80%	75%	$ 16,389,520	100%	$ 8,029,000
Developer Projection	3	2010	1.00	2	0.786	100%	100%	100%	$ 17,251,128	100%	$ 6,822,480
Developer Projection	4	2011	1.00	3	0.661	100%	100%	100%	$ 14,507,628	100%	$ 5,737,480
Developer Projection	5	2012	1.00	4	0.562	100%	100%	100%	$ 12,334,776	100%	$ 4,878,160
Developer Projection	6	2013	1.00	5	0.478	100%	100%	100%	$ 10,491,144	100%	$ 4,149,040
Developer Projection	7	2014	1.00	6	0.406	100%	100%	100%	$ 8,910,888	100%	$ 3,524,080
Developer Projection	8	2015	1.00	7	0.346	100%	100%	100%	$ 7,594,008	100%	$ 3,003,280
Developer Projection	9	2016	1.00	8	0.294	100%	100%	100%	$ 6,452,712	100%	$ 2,551,920
Developer Projection	10	2017	1.00	9	0.249	100%	100%	100%	$ 5,465,052	100%	$ 2,161,320
Extrapolation	11	2018	1.00	10	0.214	100%	100%	100%	$ 4,696,872	100%	$ 1,857,520
Extrapolation	12	2019	1.00	0	1.000	100%	100%	100%	$ 21,948,000	100%	$ 8,680,000
Extrapolation	13	2020	1.00	1	0.925	100%	100%	100%	$ 20,301,900	100%	$ 8,029,000
Extrapolation	14	2021	1.00	2	0.786	100%	100%	100%	$ 17,251,128	100%	$ 6,822,480
Extrapolation	15	2022	1.00	3	0.661	100%	100%	100%	$ 14,507,628	100%	$ 5,737,480
Extrapolation	16	2023	1.00	4	0.562	100%	100%	100%	$ 12,334,776	100%	$ 4,878,160
Extrapolation	17	2024	1.00	5	0.478	100%	100%	100%	$ 10,491,144	100%	$ 4,149,040
Extrapolation	18	2025	1.00	6	0.406	100%	100%	100%	$ 8,910,888	100%	$ 3,524,080
Extrapolation	19	2026	1.00	7	0.346	100%	100%	100%	$ 7,594,008	100%	$ 3,003,280
Extrapolation	20	2027	1.00	8	0.294	100%	100%	100%	$ 6,452,712	100%	$ 2,551,920
Extrapolation	21	2028	1.00	9	0.249	100%	100%	100%	$ 5,465,052	100%	$ 2,161,320

[1] Assumes reinvestment is made at the end of each 10-year depreciation cycle to the uninflated original Personal Property Value.
Source: Milwaukee Assessor's Office