

From: Linda Elmer
To: Charlotte Rodriguez
Date: 7/18/2005 8:00:17 AM
Subject: Fwd: Dear Wally,

Please load this e-mail into 050073.
Thanks -

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>>> James Owczarski 07/15/05 6:09 PM >>>
Please make sure this is scanned into the record.

I will print a copy and place it into the file.

Thanks,

Jim

Jim Owczarski
Council Records Manager
City of Milwaukee
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>>> Michael D'AMATO 07/15/05 6:01 PM >>>
Dear Wally,

This e-mail is a follow-up to our conversation the other day regarding your analysis on the Pabst City TIF.

As we discussed, the report you provided the Council indicating that the proposed Pabst City TIF could pay back the \$41 million public subsidy within the statutorily legal time limit made certain leasing assumptions that allowed you to arrive at that conclusion. Specifically, you indicated that your office assumed that either all of the leases for the anchor tenants would be automatically renewed for the length of the pay back period or that the space they occupy would be immediately re-leased by a tenant who would pay the same "above market rate" (according to Wispark). In other words, your analysis is based on the best possible scenario for the project.

I think that most members of the Council were unaware of the fact that your analysis was a "best case scenario" rather than a possible "likely or mid-range scenario".

Since your letter to the Council, there have been many questions raised regarding both the length of the lease terms and the lease history of certain anchor tenants,

namely the House of Blues and Gameworks. Articles from around the country show that both organizations are financially tenuous and have a history of pulling out of deals before they are completed or as soon as their lease term allows.

The limited knowledge that the Council has regarding the leases for potential tenants at Pabst City includes the fact that the House of Blues will sign a lease with a five year "out" if less than 70% of the nearly 500,000 sq. ft of retail space is leased. In addition, we know that the other two anchors, Gameworks and the movie theater will also be able to leave if the mall is less than 70% leased.

This sets up a possible nightmare scenario in which the loss of a single anchor, through bankruptcy, financial necessity or decisions made nationally, not locally (as has been the case for the House of Blues in other cities) would trigger ALL the anchors to leave.

As we have witnessed at the Grand Avenue Mall, where 30% vacancy was unfortunately more common than anyone expected, and the checkered results of Pabst City-like developments in other cities, the scenario above is not unlikely. As such, I would respectfully request that in addition to the best case payback analysis that you have already provided that you also provide for the Council additional analyses that run the numbers for the following scenarios:

- the non-renewal of the House of Blues lease after 5 yrs. because of less than 70% lease up.
- In addition to above, the loss of one other anchor after 5 years and the loss of both other anchors after 5 years.
- The loss of the House of Blues after 5yrs and the loss of one or both other anchors after 10 yrs. all based on the leasing of less than 70% of the retail space.
- Any "likely scenario" that your staff may want to provide

Lastly, please provide us with your opinion as to whether the prospects of the repayment of the public debt and possible success of the project are better with 5 yr. anchor leases, 10 years or 20 years. In other words, do longer lease terms for the anchors improve the likelihood for success and, therefore, reduce the public's risk?

Thank you in advance for your immediate attention to this matter.

Mike

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