

Memorandum

To: W. Martin Morics, Comptroller

From: Rob Hunden, Blount Hunter, Todd Gruen
C. H. Johnson Consulting, Inc.

CC: Mike Daun, Richard Li

Date: July 1, 2005

Re: Update on Pabst City

On June 10, 2005, Johnson Consulting received a written response to our analysis from Juneau Avenue Partners, the developer of Pabst City. We have also had various discussions with them regarding the Project, at their request. The intent of these communications was to respond to the suggestions and concerns we raised in our initial report to your office. Per our discussions with your office, we are providing you with our responses to the communications with the developer.

- In our opinion, the follow-up letter was provided to support various positive attributes of the project that were illustrated in our report, not to necessarily react to the issues/concerns presented. For example, the letter makes several remarks with regard to the location of the project. Almost all of the remarks were general in nature that did not significantly address the specific concerns that were brought up in our report. There was no new data presented in the initial written response from the developer that would alter our analysis.
- However, in other communications recently, the developer indicated that their project plans included many of the recommendations in our report. Since the release of the report, the cineplex has been reduced in size and the grocery concept is being rethought altogether. It is unfortunate that those plans were not made available to us before we released our report.
 - To be clear, we had previously issued two requests for information jointly with SB Friedman & Company (prior to our report being issued) and had a conference call with all parties between these two requests with the City Comptroller, DCD, the developer, and SB Friedman & Co. We also had made ourselves available for any potential meetings that the developer thought would be necessary and/or useful to help

communicate the information. Our report was based on the data provided from those requests over a period of many weeks. The original lack of data, including some lack of responses to our requests, was reflected in the findings and conclusions of our May 31, 2005 report.

- Since our report was released, we have had much more candid conversations with the developers. From these discussions, it is clear that their concept for the Project is more similar to what we had prescribed. Following these discussions, we have a new sense of comfort related to the potential tenant choices.
- While we are comfortable with the developer's potential tenant choices and goals, true success will depend on their ability to execute leases with the best tenants. After further discussion with the development team, we are more confident of their ability to execute leases with prime tenants.
- In fact, scrutiny of the project has led to much greater visibility for retailers/restaurants considering Milwaukee. Many prime retailers and restaurants are now eager to establish a presence in Milwaukee. This has resulted in some risk that if the Project does not move forward quickly, the prime retailers and restaurants may choose other locations in the metropolitan area. This would hurt the exclusivity/novelty of the Project when it does proceed.
- The 90,000-square foot, three-story space next to the proposed Gameworks is a large space that is still not assigned to any tenant(s). Normally, this would be a concern. However, we have assumed low sales productivity in our report, so if the developer subdivides the space - as it indicated it may -- we are confident it will achieve greater sales than as an 'anchor' concept and as such, will outperform our projections.
- In summary, based on the additional information on the project concept and strategy we are more confident with the concept and the developer's ability to execute it.

As it relates to site, access and utilization, we still have concerns. These are not faults of anyone or anything; these simply are critical factors that exist and should be mitigated by the developer, the City, or both.

- Our report recommended a dedicated shuttle system or a completely revamped and improved trolley from what currently exists. We believe it is imperative for the Project's success that the Developer complete an

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EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

actionable plan for shuttling patrons to the project day and night, on a consistent basis, looping every 10 minutes during lunch and dinner periods and every 15 minutes for other periods. We recommend that the City continue to make this issue a critical deal point with the developer as the project moves forward. It must be addressed. We are of the opinion that the project's success depends on predictably getting people to the site.

- Our other primary site recommendation is for the City and/or developer to closely examine the blocks immediately to the east of the Project in order to ensure that the Project is fully and easily woven into the rest of downtown. These are gateway blocks to the balance of downtown. With them in the plan, visibility and access increase significantly. Without them, they become a visual barricade to the Project. In urban settings, what cannot be easily seen by pedestrians, can have difficulty attracting patrons (out of sight, out of mind).

If the site and transit issues can be addressed as part of this development deal, we believe the City can look forward to a project with a good chance of success.

The initial communication from the developer is attached.

FAX TRANSMISSION



Office of the Comptroller

W. Martin Morice, C.P.A.
Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

Michael J. Daun
Special Deputy Comptroller

DATE:

June 10, 2005

TO:

Rob Hunden

(FAX NUMBER):

312-444-1125

FROM:

Mike Daun

Office of the Comptroller

200 East Wells Street, Room 404

Milwaukee, WI 53202-3567

(FAX NUMBER): 286-3281

MESSAGE:

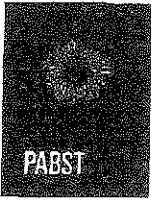
Number of Pages (Including this one):

5

Please call (414) 286-2306 or 286-3321 if transmission is not complete.

Thank you.

FAX
TRANSMISSION
LETTER



Rob
6-10-05
Here's the developer's letter which will be the basis for any written comments you may or may not choose to make
Mike

June 10, 2005

HAND DELIVERED

W. Martin Morics, Comptroller
City of Milwaukee
200 East Wells Street, Room 404
Milwaukee, WI 53202-3546

Rocky Marcoux, Commissioner
Department of City Development
PO Box 324
Milwaukee, WI 53201-0324

RE: Final Report of the Proposed Economic Development Project PabstCity

Gentlemen:

Attached is our response to the Final Report of the Proposed Economic Development Project PabstCity as authored by C.H. Johnson Consulting. We respectfully request that you share this response with representatives of C.H. Johnson.

We appreciated the opportunity to discuss the report with representatives of C. H. Johnson, the comptroller's office and DCD. We are prepared to meet directly with C.H. Johnson to further their understanding of our leasing strategy and related matters.

Once you have had a chance to review our response, please don't hesitate to contact me at 414-274-4600 with any questions, comments or concerns. We appreciate the opportunity to share this information and further clarify our approach to creating Milwaukee's next great urban neighborhood.

Sincerely,

Jerald P. Franke
President
WISPARK LLC

Juneau Avenue Partners
301 West Wisconsin Avenue, Suite 400
Milwaukee, WI 53203

Phone (414) 274-4600
Fax (414) 274-4640

JUNEAU AVENUE PARTNERS RESPONSE TO THE C. H. JOHNSON
CONSULTING REPORT

June 9, 2005

Members of the Common Council were given a copy last week of the Final Report of the Proposed Economic Development Project PabstCity, authored by C. H. Johnson Consulting, Inc. The following is Juneau Avenue Partners response to the report. We have organized our comments in a similar manner to the initial report.

Before we address the specific issues, we would first like to bring to the Council's attention that accompanying the report was a letter from the City Comptroller, W. Martin Morics. In his important letter he stated that, "*Should the PabstCity project proceed to full operation status by 2007 as planned, this TID should be successfully retired by 2028-2030.*" The Comptroller went on to say on the crucial issue of the financial soundness of the PabstCity project, "*[in] spite of the significant development risks, City government is generally well protected against the risk of insufficient property tax increments for a 30 year period. Therefore, the PabstCity project should generate sufficient revenues to successfully retire this TID.*"

Location

The report accurately notes that the former Pabst Brewery complex is not located immediately adjacent to a critical mass of office and hotel properties. However our location has many attributes. They include:

- Great access from the freeway. This will help drive regional business to our tenants. We also have great access from the city street system. Milwaukee is still a very automobile-oriented market and our location and accessible parking assets will promote frequent visitations. Our regional oriented tenants prefer the direct highway access as compared to a location that is more removed from the freeway.
- PabstCity is a significant private investment adjacent to the reconstructed Marquette Interchange and McKinley Boulevard resulting in positive leverage of these significant public improvement projects.
- Good access to public transportation for workers and patrons alike.
- The location is also adjacent to or an easy walk from the 30,000 student campus of MATC, the Milwaukee County courthouse complex (with its 3,500 employees and 15,000 visitors a day) and Marquette University. Customers from these locations will help promote sales during the lunch hour and after work. The cinema will in particular benefit from this close proximity to these student populations.
- PabstCity is a three block walk from the Bradley Center which draws over two million visitors a year. It is also four blocks from the Wisconsin Center District campus.

- The location will help directly connect the benefits of this project to re-emerging neighborhoods such as Lindsay Heights, Midtown, Park East and many others.
- We will work with the existing trolley loop system to assess how best to integrate PabstCity into a destination base mass transit system.
- Over time PabstCity will benefit from the continued growth of downtown and near downtown neighborhoods, in particular as the Park East corridor fills in. It will then have the best of both worlds – nearby workers and residents and a regionally convenient location. This will help ensure long term viability.

Concept

- The report endorses our concept of renovating the key components of the former Pabst Brewery along with newly constructed buildings and concludes that, "the concept is sound."

Tenant Mix

- The report validates our assertion that we need unique retailers that are not already present in our regional marketplace. We have always been committed to that principle. From our anchors to our smaller tenants our guiding principle to leasing this project will be to bring unique, one of kind venues to PabstCity. We have communicated this to C. H. Johnson. We agree with the report that a large scale grocer is not a good fit and have been focusing our leasing efforts on the specialty grocers as recommended in the report. We have evaluated the number of screens and concur with C. H. Johnson's recommendation.

Management/Promotion

- The report correctly states that management and promotion will play a critical role in the development's long term success. We agree. Because it is such a key component we will be making this decision with the active participation of our equity partner. This partner, yet to be determined, will invest approximately \$51.2 million in PabstCity and will likely have experience in dealing with similar developments. PabstCity's management and promotions need to be of the highest caliber to protect our investment and leverage the sale volume necessary for our concept to succeed. We are committed to making that happen.

Leasing Evolution

- The report correctly points out that retail developments must constantly refresh themselves. We share that point of view. Our merchandising program includes a major temporary tenant and cart program that will allow for retail incubation and conversion to permanent retail, thus allowing for fresh, new retail concepts. With approximately \$190 million of conventional debt and equity invested in this development it is imperative that the viability of the project is maintained over the long term. Our owners and management team will be vigilant in maintaining the development's premier market position by refreshing retail spaces as they become available. From bringing the latest in unique tenants to PabstCity to refreshing the tenant improvements of existing and successful tenants, ownership and management will protect and enhance the long-term viability of the development.

Conclusion

- The C. H. Johnson report accurately reflects on many of the aspects of the PabstCity development. Juneau Avenue Partners concurs with many of the suggestions made in the report. Many of those suggestions have been the cornerstone of our development plans from the very beginning. The report raises some valid concerns that are being actively managed. The developers and equity/debt providers will have \$190 to \$250 million of "at risk" capital invested in PabstCity. It is to all of our combined interests that this project is well positioned, aggressively managed and continually refreshed in order to insure that it continues to provide the community with the tremendous benefits it can leverage.

We are sharing our response to this report directly with C. H. Johnson and will be meeting with them to update them on a variety of issues.

If you have any questions regarding this information, please don't hesitate to contact Jerry Franke, President of WISPARK LLC, at (414) 274-4600.