



Office of the Comptroller

July 21, 2005

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

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

Michael J. Daun
Special Deputy Comptroller

Alderman Michael D'Amato, Chair
Zoning, Neighborhoods & Development Committee
City of Milwaukee
200 East Wells Street, Room 205
Milwaukee, WI 53202

Alderman D'Amato:

This letter is in response to your email to me of July 15th, requesting that we provide the Common Council with information regarding the ability of the TIF to be successfully retired under various negative PabstCity leasing projections.

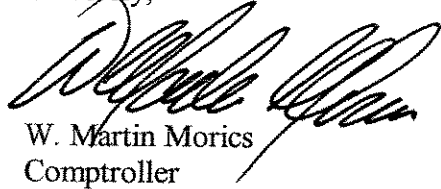
You also indicated that you believe that our leasing assumptions were "best case" and therefore overly optimistic regarding the future of the proposed PabstCity TID. You suggested a scenario where the House of Blues leaves PabstCity after five years. With the help of S.B.Friedman and Co., we ran a scenario assuming that the House of Blues terminated its lease after five years and that as a result, other retail occupancy reduces to 70 percent for an indefinite period. Even in this negative scenario, projections are that the TID would be successfully retired, albeit in about 27 years. The tax increment projections used for this scenario were conservative in that they ignore all joint venture income in valuing the PabstCity property. Also, the existence of a developer's tax increment guarantee as included in the term sheet would provide further support for ultimate City debt repayment by PabstCity.

You also discussed certain worst case scenarios involving the permanent loss of two or three anchor tenants after five years. If this should occur, certain other non-anchor tenants might also be induced to leave. Such extensive major tenant vacancies would ultimately lead to project failure if not corrected. In these types of severely negative scenarios, without a need to re-run projections, we can conclude that the Project would likely be unable to repay the debt issued by the City of Milwaukee. As you know, the City does have a tax increment guarantee by the developer. However, in this situation, the City might elect to ignore the PabstCity tax increment guarantee to avoid further economic pressure on the development. Of necessity, should these key tenants leave, PabstCity investors would be compelled to take immediate action to replace the tenants in an effort to restore project viability. It is therefore highly unlikely that the retail space vacated by major anchor tenants would remain vacant over the long term.

You also asked me about the length of tenancy and its relationship to Project success. There is no question that the prospects of PabstCity project success improve with the length and certainty of the lease terms with all of its tenants – particularly its anchor tenants. A ten year lease is better than a five year lease. However, these terms must be negotiated aggressively by the developer in the context of the reality of what the market will allow.

Should you or any member of the Common Council have questions about this letter, please contact me immediately.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Martin Morics". The signature is fluid and cursive, with a large initial "W" and "M".

W. Martin Morics
Comptroller

Cc Mayor Tom Barrett
Members of the Common Council
Richard Marcoux
Joel Brennan
James Scherer
Emma Stamps