

**Update of Assumptions/Economic Feasibility Analysis
Tax Incremental District No. 58
20th and Walnut**

Background

TID No. 58 was created in 2005 to support the redevelopment of two key sites located near North 20th and West Walnut Streets in the Fond du Lac and North planning area. The sites included the London Square Apartments, a 115 unit subsidized Section 8 project that had suffered from disrepair and absentee management, and a former Sentry grocery store which closed in 2005. TID No. 58 provided for up to \$2.2 million for the acquisition of the Sentry site, demolition of the existing improvements and the public infrastructure work associated with preparing the site for the development of new single-family owner occupied homes. (The London Square project was acquired by a private developer with a strong development track record and has been significantly improved.)

Demolition of the improvements on the Sentry site was completed in 2006 and in December of 2006, the Redevelopment Authority of the City of Milwaukee issued a Request for Proposals (RFP) for the redevelopment of the site. In addition to the development of high quality single family homes, one of the goals of the RFP was to create opportunities for both local builders and developers to participate in the site's redevelopment. Since a conceptual plan had been prepared for the residential redevelopment of the site as part of the Fond du Lac and North Plan, RACM prepared a subdivision plat for the site and allowed for submissions on individual lots, or groups of lots contained within the site. Two builders are being recommended for participation as part of the Land Disposition Report that is being presented to the Common Council for its approval.

The Cooperation Agreement between the City and RACM for TID No. 58 required that at the time the sale of the property was presented to RACM and the City for approval, an analysis would be presented that includes updates to the costs and projected value for the proposed new development and an updated analysis of the assumptions contained in the economic feasibility for the TID.

Updated Budget, Cost Estimates and Feasibility Analysis

Exhibit I contains the updated budget for TID No. 58, and includes actual costs, as well as updates to previous estimates provided by the Department of Public Works taking into account the final site configuration. Exhibit II contains updated financial assumptions for TID No. 58, based on the number of homes being proposed and their projected value. The updated budget and assumptions include the following changes:

- Total number of projected homes to be developed decreased from 40 to 32, based on the final subdivision layout.

- Home sale prices were originally projected at \$165,000. The proposed range of prices in the builder proposals is \$220,000-\$300,000. The bottom of the range (\$220,000) was used for updating the analysis.
- Total projected new value for generated from new single-family home construction increased from \$6,600,000 to \$7,040,000.
- Total projected net TID costs declined from \$2,191,650 to \$1,940,560. The reduction is largely a result of additional sales proceeds generated as a result of RACM subdividing the site and selling individual lots directly to builders.
- The tax rate was updated to reflect a decline in the tax rate from \$26/\$1,000 in assessed value to \$22/\$1,000 of assessed value.

Based on the updates to the assumptions for TID No. 58, the District is expected to generate a cumulative net cash flow sufficient to retire all debt by 2026 – six years before its statutory termination date and one year before what had originally been projected.

Eshibit I
TID No. 58 - 20th and Walnut
Project Cost Update
May 2007

<u>Item</u>	<u>Original Estimated Cost</u>	<u>Updated Cost May - 2007</u>
Acquisition	\$950,000	\$950,000 (1)
Demolition	\$204,000	\$133,000 (1)
Environmental - building	\$25,000	inc.above
Environmental - land	\$200,000	\$200,000
Infrastructure:		
Lighting	\$83,000	\$169,000
Trees	\$4,400	\$4,400
Water Main in Walnut	\$185,000	\$195,000
Water Main in 21st - Galena/Walnut	\$90,000	\$110,000
Water Services to lots	\$80,000	\$80,000
Combined Sewer in Walnut	\$150,000	\$153,000
Combined Sewer in Galena	\$70,000	\$91,000
Sewer services to lots	\$120,000	\$80,000
Paving	\$174,250	\$174,250
Alleys	<u>\$156,000</u>	<u>\$130,910</u>
Total Infrastructure	\$1,112,650	\$1,187,560 (2)
Miscellaneous- including survey/subdivision plat/ Stormwater Management Plan		\$30,000
WEPCO - gas and electric		\$100,000 (3)
Administrative costs	<u>\$100,000</u>	<u>\$100,000</u>
Subtotal	\$2,591,650	\$2,600,560
Less WHEDA grant	(\$200,000)	(\$200,000)
Less sales proceeds	<u>(\$200,000)</u>	<u>(\$560,000)</u>
Total	\$2,191,650	\$1,940,560

(1) Actual costs

(2) Updated Department of Public Works cost estimates

(3) WeEnergies Estimate

Exhibit II		TID No. 58 - 20th and Walnut		Updated Assumptions and Economic Feasibility Analysis		May 2007									
Number of homes to be built: 32		Home value for assessment purposes: \$220,000		Years to achieve full assessment on tax roles: 2 years after start of construction											
Year	Homes starts	Cumulative units assessed	Assessment 50%	Assessment 100%	Total	Incremental Value	Base Value (1)	Est. District Value	Incremental Value	Tax Incremental Revenue (2)	Capitalized Interest on \$1,940,560	Debt Service on Cap Interest + \$1,940,560 (4)	Cash Flow Annual	Cash Flow Cumulative	
2007	8		\$0	\$0	\$0		\$4,420,700	\$4,420,700	\$0	\$0	\$97,028	\$97,028			
2008	12	8	\$880,000	\$0	\$880,000		\$4,420,700	\$3,672,000	-\$748,700	\$0	\$97,028	\$97,028			
2009	12	20	\$1,320,000	\$1,760,000	\$3,080,000		\$4,420,700	\$3,948,000	-\$472,700	\$0		\$175,544	-\$175,544	-\$175,544	
2010	32	32	\$1,320,000	\$4,400,000	\$5,720,000		\$4,420,700	\$4,926,700	\$506,000	\$0		\$175,544	-\$175,544	-\$351,088	
2011				\$7,040,000	\$7,040,000		\$4,420,700	\$7,227,868	\$2,807,168	\$11,132		\$175,544	-\$113,786	-\$646,759	
FORECAST OF DISTRICT CASH FLOW															
TAX INCREMENTAL DISTRICT NO. 58															
20th and Walnut															
Year	Value Sentry Site	Value London Square	Assessment 50%	Assessment 100%	Total	Incremental Value	Base Value (1)	Est. District Value	Incremental Value	Tax Incremental Revenue (2)	Capitalized Interest on \$1,940,560	Debt Service on Cap Interest + \$1,940,560 (4)	Cash Flow Annual	Cash Flow Cumulative	
2005	\$939,700	\$3,481,000					\$4,420,700	\$4,420,700	\$0	\$0	\$97,028	\$97,028			
2006	\$0	\$3,672,000					\$4,420,700	\$3,672,000	-\$748,700	\$0	\$97,028	\$97,028			
2007	\$0	\$3,948,000					\$4,420,700	\$3,948,000	-\$472,700	\$0		\$175,544	-\$175,544	-\$175,544	
2008	\$880,000	\$4,046,700					\$4,420,700	\$4,926,700	\$506,000	\$0		\$175,544	-\$175,544	-\$351,088	
2009	\$3,080,000	\$4,147,868					\$4,420,700	\$7,227,868	\$2,807,168	\$11,132		\$175,544	-\$164,412	-\$522,522	
2010	\$5,720,000	\$4,251,564					\$4,420,700	\$9,971,564	\$5,550,864	\$61,758		\$175,544	-\$113,786	-\$646,759	
2011	\$7,040,000	\$4,357,853					\$4,420,700	\$11,397,853	\$6,977,153	\$122,119		\$175,544	-\$63,425	-\$700,183	
2012	\$7,396,400	\$4,466,800					\$4,420,700	\$11,682,800	\$7,262,100	\$153,497		\$175,544	-\$22,047	-\$722,230	
2013	\$7,396,400	\$4,578,470					\$4,420,700	\$11,974,870	\$7,554,170	\$159,766		\$175,544	-\$15,778	-\$738,008	
2014	\$7,581,310	\$4,692,931					\$4,420,700	\$12,274,241	\$7,853,541	\$166,192		\$175,544	-\$9,352	-\$747,360	
2015	\$7,770,843	\$4,810,255					\$4,420,700	\$12,581,097	\$8,160,397	\$172,778		\$175,544	-\$2,766	-\$750,126	
2016	\$7,965,114	\$4,930,511					\$4,420,700	\$12,895,625	\$8,474,925	\$179,529		\$175,544	\$3,985	-\$746,142	
2017	\$8,164,242	\$5,053,774					\$4,420,700	\$13,218,015	\$8,797,315	\$186,448		\$175,544	\$10,904	-\$735,237	
2018	\$8,368,348	\$5,180,118					\$4,420,700	\$13,548,466	\$9,127,766	\$193,541		\$175,544	\$17,997	-\$691,973	
2019	\$8,577,556	\$5,309,621					\$4,420,700	\$13,887,177	\$9,466,477	\$200,811		\$175,544	\$25,267	-\$659,255	
2020	\$8,791,995	\$5,442,362					\$4,420,700	\$14,234,357	\$9,813,657	\$208,263		\$175,544	\$32,719	-\$618,898	
2021	\$9,011,795	\$5,578,421					\$4,420,700	\$14,590,216	\$10,169,516	\$215,900		\$175,544	\$40,356	-\$570,713	
2022	\$9,237,090	\$5,717,881					\$4,420,700	\$14,954,971	\$10,534,271	\$223,729		\$175,544	\$48,185	-\$514,503	
2023	\$9,468,017	\$5,860,828					\$4,420,700	\$15,328,846	\$10,908,146	\$231,754		\$175,544	\$56,210	-\$450,068	
2024	\$9,704,718	\$6,007,349					\$4,420,700	\$15,712,067	\$11,291,367	\$239,979		\$175,544	\$64,435	-\$201,658	
2025	\$9,947,336	\$6,157,533					\$4,420,700	\$16,104,868	\$11,684,168	\$248,410		\$0	\$257,052	\$55,394	
2026	\$10,196,019	\$6,311,471					\$4,420,700	\$16,507,490	\$12,086,790	\$257,052		\$0	\$265,909	\$321,303	
2027	\$10,450,920	\$6,469,258					\$4,420,700	\$16,920,177	\$12,489,477	\$265,909		\$0	\$274,989	\$596,292	
2028	\$10,712,193	\$6,630,989					\$4,420,700	\$17,343,182	\$12,922,482	\$274,989		\$0			

(1) Base Value (as of January 1, 2005) of Sentry site is \$939,700; base value of London Square is \$3,481,000.
(2) Tax rate of \$22/\$1,000
(3) Value for London Square through 2007 based on actual assessment. Annual property value increase of 2.5% thereafter. Annual property value increase of 2.5% for single family beginning in 2012 (complete build out of subdivision).
(4) 2 years capitalized interest @5%/year, followed by 18 year level payments, 4.5%.