

CITY OF MILWAUKEE

**Amendment No. 1 of
East Michigan Tax Incremental District
(TID No. 82) Project Plan**

FINAL PLAN: April 21, 2017

CITY OF MILWAUKEE
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East Michigan Tax Incremental District
(TID No. 82) Project Plan

April 21, 2017

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In 2015, the City of Milwaukee (the “City”) created the East Michigan Tax Increment District (TID) No. 82 for the economic development purposes of improving Downtown connectivity and pedestrian access to the lakefront by providing two streetcar line segments, infrastructure development, and public amenities and improvements associated with The Couture development. TID No. 82 initially authorized \$49.55 million in expenditures based on the anticipated development and assessment of The Couture and the Milwaukee Streetcar project. Wisconsin Statute 66.1105 (4)(h)(1) permits the Redevelopment Authority of the City of Milwaukee (“RACM”), subject to the approval of the Common Council, to amend the project plan for a tax incremental financing district.

Amendment No. 1 to the Project Plan is based on updated information related to the timing and assessment of two projects in the TID: The Couture and 833 East. Since the initial adoption of the TID, the 833 East development has been completed and partially assessed, and the anticipated program and timing of The Couture development have changed. The Amendment updates the incremental revenue projections for the TID and will authorize an additional \$2.0 million in expenditures, resulting in total TID expenditures of \$51.55 million.

Amendments to the Project Plan:

The following amendments are made to the Project Plan. All other sections of the Plan remain unchanged.

Section I.C., paragraph 1, bullet 2 is deleted and restated, as follows:

- The Couture, located at 909 E. Michigan, is a planned 44-story mixed-use development comprised of approximately 312 market rate apartments, approximately 52,000 square feet of retail and restaurants, 1,019 private and public parking spaces, and substantial public components. The Couture, which will replace the former Milwaukee County (“County”) Downtown Transit Center, will provide an integrated multimodal transit hub, publicly accessible plazas and publicly accessible natural indoor/outdoor spaces, pedestrian bridges and a new lakefront stop for the proposed streetcar line.

Section I.C., paragraph 4 (Public Improvements Associated with The Couture) is amended by adding the following:

Sewer Main Relocation and Additional Public Infrastructure Work. Funding for relocation of a City sewer main running through The Couture site and additional public infrastructure that will be necessary.

Section II.A., paragraph 3 is amended by adding the following:

- **Relocation of City Sewer Main.** Reimbursement of Department of Public Works or The Couture developer for costs associated with the relocation of a City sewer main running through The Couture site.

Wisconsin Statute 66.1105 (2)(f) 1.n. permits that amendment to fund projects located outside, but within one half-mile of the district's boundary.

Section II.B., "Capital Costs" subsection is deleted and restated as follows:**Capital Costs**

The City shall fund an estimated \$50.65 million in the form of TID Project Costs for capital elements enumerated in further detail in Table A of this Plan.

Table A: TID Project Costs for Capital Elements

Segments of the Streetcar Lines	\$ 31,000,000
Couture Public Amenities	
Public Transportation Concourse	\$ 6,000,000
Visitor Walkways	\$ 3,100,000
Public Area Core/Common Space/Pedestrian & Bike Amenities	\$ 3,000,000
Public Pedestrian Visitor Plaza	\$ 2,200,000
Publicly Accessible Plazas and Natural Indoor/Outdoor Spaces	\$ 2,000,000
Public Access Stairs to Walkways	\$ 1,200,000
Subtotal Couture Public Amenities	\$ 17,500,000
Sewer Main Relocation and Additional Public Infrastructure Work	\$ 2,000,000
Street Repaving	\$ 150,000
Total Capital Costs	\$ 50,650,000

Source: City of Milwaukee

In the event that The Couture does not move forward for any reason, the funds designated in Table A for Couture Public Amenities will only be expended to the extent necessary to provide public access to the lakefront streetcar line and the lakefront and to provide related pedestrian and bicycle amenities connecting the various modes of public and private transportation within the District. Such expenditures shall be limited by the financing restrictions in Section II.C, below.

Section II.B., "Financing Costs" subsection is deleted and restated as follows:**Financing Costs**

Financing costs include estimated gross interest expenses on bonds or notes that may be issued to pay for public improvements and infrastructure costs and to repay the Department of Public Works or The Couture developer for costs associated with relocating the City sewer main and constructing public amenities in The Couture. Estimates of interest are based on interest rates as set forth in the Economic

Feasibility Analysis, attached as **Exhibit 5, “Feasibility Study.”** The Economic Feasibility Analysis assumed City of Milwaukee general obligation bonds will be issued. However, nothing in this Project Plan or the Economic Feasibility Analysis shall prohibit the City of Milwaukee from issuing promissory notes, using bonds issued by the Redevelopment Authority of the City of Milwaukee or using some other funding mechanism besides general obligation bonds.

Table B: Lists of Estimated Project Costs

Capital:	
Segments of the Streetcar Lines	\$31,000,000
Couture Development Public Improvement, Infrastructure and Amenities	\$17,500,000
Sewer Main Relocation and Additional Public Infrastructure Work	\$2,000,000
Street Repaving	\$150,000
Other:	
Workforce Training	\$400,000
Administrative, professional, organizational and legal	\$500,000
Total Estimated Project Costs (excluding financing)	\$51,550,000
Financing:	
Interest payments on municipal bonds [1]	\$15,800,000

[1] Interest is based on an assumed City cost of funds of 2.75% on bonds issued in 2017 and retired by the 19th year of the TID.

Section II.D. is deleted and restated as follows:

D. ECONOMIC FEASIBILITY STUDY

The Economic Feasibility Study for the District, titled *Amendment No 1 of East Michigan TID Economic Feasibility Study* and dated April 2017, is attached to this TID Project Plan as **Exhibit 5, “Economic Feasibility Study.”** The study establishes the dollar value of the TID Project Costs which, based on certain general assumptions and a reasonable margin of safety, can be financed with the revenues projected to be generated by the District.

Based upon the anticipated tax incremental revenue to be generated by the District, the District is financially feasible and is likely to be retired on or before Year 19 of the TID. Should incremental tax revenues be generated in excess of those currently anticipated, they will be used to offset costs of TID Project Plan implementation and retire the TID in a shorter timeframe.

Section II.J. is amended by adding the following:

Per Wisconsin Statute 66.1105 (5)(b) the percentage of territory within the District that will be devoted to retail business at the end of the maximum expenditure period is estimated by the City to be 10%.

Exhibit 5. Economic Feasibility Study

CITY OF MILWAUKEE

**Amendment No. 1 of
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(TID No. 82) Economic Feasibility Study**

FINAL REPORT: April 21, 2017

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Economic Feasibility Study

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1. Project Description and Study Approach

Based on information and direction provided by the Redevelopment Authority of the City of Milwaukee (“RACM”) on behalf of the City of Milwaukee (the “City”), *SB Friedman Development Advisors* (“*SB Friedman*”) has produced an updated economic feasibility study for the East Michigan Tax Incremental District (TID), also known as TID #82. This analysis incorporates updated information related to the timing and assessment of two projects in the TID: The Couture and 833 East. In 2014, *SB Friedman* conducted an initial feasibility study for the East Michigan TID, which authorized \$49.55 million in expenditures based on the anticipated development and assessment of those two projects.

Since the initial adoption of the TID, the 833 East development has been completed and partially assessed, and the anticipated program and timing of The Couture development have changed. The City therefore seeks to update the incremental revenue projections for the TID. The City also wishes to evaluate the potential for the TID to fund additional public infrastructure improvements. This updated feasibility study accounts for the most recent assessed values of 833 East, The Couture site, comparable office buildings, and residential projects most comparable to the proposed Couture development; integrates the City of Milwaukee’s estimated costs for infrastructure improvements in the TID; and updates construction, valuation and financing assumptions. The amended TID #82 would authorize a total of \$51.55 million in expenditures.

Context and Background

The East Michigan TID consists of two catalytic development projects on two parcels totaling 4.6 acres. The two projects include residential, office, retail and parking uses, as described below:

- **833 East.** In 2016, Irgens Partners, LLC completed 833 East, located at 833 East Michigan Street on the US Bank Center campus at the southeast corner of Cass Street and Michigan Street. It consists of approximately 343,000 square feet of rentable building area within an 18-story Class A, LEED-certified office building. On-site facilities include approximately 388 parking stalls, a 13,000-square-foot fitness center, a large multi-media conference center, and a 6,000-square-foot restaurant with seasonal outdoor space. In addition, 833 East has access to US Bank Center amenities, which include a cafeteria, coffee kiosk, gift shop, health clinic, hair salon, dry cleaner and vending room. 833 East is located on one taxkey: 396-0491-000.
- **The Couture.** The Couture is a proposed 44-story mixed-use development comprising market-rate apartments, retail, restaurants, public space, private and public parking spaces, and a multimodal transit hub including infrastructure for new streetcar service. The Couture is proposed for the southwest corner of Lincoln Memorial Drive and Michigan Street on the approximately 2.2-acre site that formerly held the Milwaukee County Downtown Transit. The developer, Barrett Lo Visionary Development, has obtained site control. Construction is scheduled to begin in 2017. It is located at 909 East Michigan Street on one taxkey: 392-1678-122 (taxkey 392-1678-121 prior to 2017).

The development program for the \$122.3 million proposed Couture project currently includes the following:

- 312 market-rate apartments ranging from 863 to 1,593 square feet;
- 52,163 square feet of retail and restaurant space;
- 1,019 private and public parking spaces to accommodate on-site commercial and residential uses as well as general area parking needs;
- A multimodal transit hub including a pedestrian street and transportation concourse that would serve as a major destination point for several modes of public transit, including Milwaukee County buses, Bublr bikes and the proposed Milwaukee streetcar line; and
- Publicly accessible plazas and natural indoor/outdoor spaces.

In total, The Couture is expected to include approximately 81,439 square feet of publicly-accessible space. The multimodal transportation hub will improve access to the lakefront and provide open public space for local residents, workers and tourists.

In conjunction with these two development projects, the City seeks to invest \$51.55 million in TID financing to fund two segments of the streetcar line, public infrastructure and public amenity improvements associated with The Couture, street repaving, workforce training, and associated administrative activities related to new construction within the TID.

Study Approach

SB Friedman reviewed and considered the following key factors affecting the feasibility of the amended TID:

- Final development program for 833 East, provided by the City;
- Phasing and timing information for construction of The Couture, provided by the City;
- Assessment techniques and assumptions likely to be used as a basis for property taxation, based on interviews with key personnel from the City's Assessor's Office;
- Real property assessment data from the Assessor's Office on existing properties within the TID;
- Real property assessment data for comparable properties elsewhere in downtown Milwaukee to validate the potential assessed valuation of The Couture and 833 East;
- Budget estimates for additional expenditures to be evaluated in this feasibility study amendment, provided by the City; and
- Potential bonding assumptions, as provided by the City's Comptroller, to be used in evaluating financing capacity.

2. Proposed TID Expenditures

Based on conversations with the City, incremental property tax revenues generated from the East Michigan TID are expected to be used to fund a total of \$51.55 million in improvements, including \$49.55 million in previously authorized expenditures and \$2.0 million in additional public improvements proposed under this amendment. Non-revenue generating public improvements and infrastructure costs associated with The Couture have increased by approximately \$2.0 million since the TID was created, due to the unanticipated costs of sewer main relocation and additional public infrastructure work. Detailed descriptions and estimated costs for the proposed TID expenditures are presented below.

- **\$31,000,000 for Streetcar Line Segments.** Construction of two segments of the Milwaukee Streetcar initial and lakefront lines, and the associated public infrastructure improvements, within a one half-mile radius of the TID boundary.
- **\$17,500,000 for Couture Public Amenities,** including:
 - **\$6,000,000 for Public Transportation Concourse.** The concourse will connect visitors to bus and rail transit, public walkways, parking, bike share and street side pickup.
 - **\$3,100,000 for Visitor Walkways.** The walkways will improve the pedestrian environment and lead visitors to area retail, downtown businesses, public transportation, nearby attractions and public lakefront pathways.
 - **\$3,000,000 for Public Area Core, Common Space and Pedestrian & Bike Amenities.** Improvements to public area core and common space will include public handicap access points to elevators, public parking, and public and private transit.
 - **\$2,200,000 for Public Pedestrian Visitor Plaza.** The visitor plaza will provide a welcoming public space for visitors.
 - **\$2,000,000 for Publicly-Accessible Plazas and Natural Indoor/Outdoor Spaces.** Plazas and public spaces will provide natural surfaces and an aesthetic environment for downtown office employees, residents and tourists.
 - **\$1,200,000 for Public Access Stairs to Walkways.** The public access stairways will improve mobility and connectivity needed for moving people through the intermodal transit hub.
- **\$2,000,000 for Public Infrastructure.** Relocation of a City sewer main running through The Couture site and additional public infrastructure work that will be necessary.
- **\$150,000 for Street Repaving.** Repaving of North Astor Street within a one half-mile radius of the TID boundary, from East Kilbourn Avenue to East State Street.
- **\$400,000 for Workforce Training.**
- **\$500,000 for Administration Costs.**

3. Need for Financial Assistance

Section 3: Need for Financial Assistance is unchanged from the original 2014 feasibility study.

4. Incremental Property Tax Revenues

SB Friedman projected incremental property tax revenues to evaluate the period in which the amended TID might reasonably be expected to generate sufficient cash flow to fully amortize the debt associated with proposed amended TID expenditures of \$51.55 million. The scope of this incremental revenue projection includes projected TID revenues resulting from the full assessment of the recently completed 833 East project and the new construction Couture project. The development phasing, assessment and bonding assumptions used to develop these amended projections and the results of the analysis are presented in this section.

TID Projection Assumptions and Methodology

Appendix 1 summarizes the key assumptions used to project TID revenues. These assumptions, as well as *SB Friedman's* methodology, are described below.

BASE VALUE OF TID

Under Wisconsin Department of Revenue guidelines, the base value of the TID is equal to the assessed value (AV) of the parcels as of January 1, 2015, which was \$5,474,100.

SOURCES OF TID REVENUE

The TID includes two taxkeys, one of which is the recently completed 833 East office tower and the other the proposed The Couture mixed-use residential and retail project. Incremental property tax revenues resulting from the increased value of these properties comprise the revenue stream for the TID. The development program for each project is presented in Section 1 of this report.

VALUATION ASSUMPTIONS

SB Friedman and its subconsultant American Design, Inc. researched comparable properties for the residential, office, retail and parking components of 833 East and The Couture, and interviewed the City's Assessor's Office to project the expected assessed value of each development. The valuation assumptions are based on currently available information about each development, and include the following:

833 East

The 833 East development includes Class A office space, parking and first-floor restaurant space. According to the Assessor's Office, the 2017 assessed value of 833 East is approximately \$71.15 million, which represents a partial assessment based on construction completion and partial occupancy as of January 1, 2017. Full value was therefore estimated based on comparable downtown properties.

- **Office.** Conversations with the Assessor's Office indicate that 833 East is likely to be most comparable in terms of full assessment to the Ernst and Young office building, which is located at 875 East Michigan Street adjacent to 833 East and currently commands the highest office rents and AV in downtown Milwaukee. *SB Friedman* estimated the value of the office

component of the Ernst and Young property by adjusting the 2016 assessment level to remove the parking component. Based on the comparable developments and conversations with the Assessor's Office regarding office valuation, the total stabilized assessed value of the office component of 833 East is estimated at approximately \$209 per gross square foot, or a total office AV of approximately \$71.7 million (2016 dollars).

- **Restaurant.** Based on the review of other new restaurant spaces in downtown Milwaukee, *SB Friedman* estimates that the first-floor, 6,000-square-foot restaurant at 833 East would be valued at approximately \$150 per rentable building square foot, or a retail AV of approximately \$900,000 (2016 dollars).
- **Parking.** *SB Friedman* estimates that the structured parking spaces associated with 833 East are likely to have similar AV to the parking components of office and residential buildings located downtown, including the Moderne and Cathedral Place. These parking spaces have an average 2016 AV of \$9,500 per space. *SB Friedman* has therefore estimated that parking associated with 833 East will be valued at \$9,500 per space, resulting in a stabilized AV of approximately \$3.7 million (2016 dollars).

Based on these assumptions, the total stabilized assessed value of 833 East is estimated to be approximately \$76.27 million (2016 dollars).

The Couture

The Couture includes apartments, retail and parking space. The Couture is assessed at \$1,109,700 in 2017, according to the Assessor's Office.

- **Apartments.** Conversations with the Assessor's Office indicate that The Couture apartments are likely to carry a similar assessed value per unit as the rental units of the newest, most comparable downtown residential buildings. Because units in The Couture will have unobstructed Lake Michigan views, its valuation is likely to be most similar to the Park Lafayette, which also has unobstructed lake views. The 2016 assessed value of the Park Lafayette was approximately \$200,000 per unit. Based on this AV, the total stabilized assessed value of the residential component of The Couture is estimated at approximately \$62.4 million (2016 dollars).
- **Retail.** Conversations with the Assessor's Office indicate that first-floor retail space is typically valued based on triple-net rents of \$15 to \$25 per square foot in downtown Milwaukee, which equates to \$50 to \$150 in assessed value per square foot. No anticipated tenant mix for the retail space in The Couture is currently available. Therefore, *SB Friedman* reviewed first-floor retail space in other mixed-use properties downtown, including Cathedral Place, 100 East Wisconsin and 1000 North Water. The weighted average AV per square foot for a mix of first-floor retail spaces in these properties was \$110 per square foot in 2016. The assessed value of the retail component of The Couture is therefore estimated to be approximately \$110 per square foot, or a total assessed value of \$5.7 million at stabilization (2016 dollars).
- **Parking.** *SB Friedman* used the same parking valuation assumptions for The Couture as for 833 East. The \$9,500 in AV per space results in stabilized parking value of \$9.7 million (2016 dollars) for The Couture.

Based on these assumptions, the projected stabilized value of The Couture property overall is estimated to be approximately \$77.8 million (2016 dollars).

PHASING AND TIMING OF ASSESSMENTS

- **833 East.** Construction at 833 East was completed in February 2016, and the development was approximately 75% occupied as of January 1, 2017, according to conversations with the Assessor's Office. The project is anticipated to reach stabilized occupancy in 2017. *SB Friedman's* projections therefore assume full stabilized valuation is achieved in 2018.
- **The Couture.** Based on information provided by the City, the developer aims to break ground for The Couture in December 2017, with construction completion occurring in June 2020. Based on the original construction and lease up schedule provided by Barrett Lo Visionary Development, *SB Friedman* estimates that the residential and retail components of The Couture will reach full stabilization by 2023. Initial AV of \$1,109,700 was recognized by the Assessor's Office in 2017. *SB Friedman* assumes additional value will be recognized based on construction progress in 2018 through 2021. Value related to occupancy of the property is assumed to be assessed starting in 2021 proportionately with lease-up of units and space until stabilized assessed value is reached in 2024.

OTHER TID ASSUMPTIONS

- **Tax Rate.** Using information provided by the City, *SB Friedman* used an assumed net property tax rate of 2.9% (\$29.00 per \$1,000 of value) for the entire life of the TID.
- **Equalization.** A Wisconsin Department of Revenue equalization factor of 100.0% is assumed for the full life of the TID for the purposes of calculating incremental revenue projections. This methodology was selected due to the unpredictability of the equalization.
- **Property Value Growth.** Based on information provided by the City, *SB Friedman* assumed 1.0% annual growth in assessments for all properties within the TID boundary. This assumption applies to increases in current assessed values used to estimate stabilized values for the two redevelopment projects, and to inflationary increases in value after the projects reach fully stabilized assessment levels.
- **Personal Property.** The potential assessed value of personal property within the TID has not been projected in this analysis.

Projected TID Revenues

Incremental revenues were projected over the 27-year statutory life of the TID, as presented in **Appendix 2**. The projection scenario accounts for incremental revenues generated by 833 East and The Couture. Based on the absorption, timing, phasing and other TID assumptions described above, a total of about \$121.3 million in undiscounted TID revenues are projected over the life of the TID in this scenario.

Projected Amortization of TID Debt

SB Friedman evaluated the timeframe over which bonds issued to fund the proposed \$51.55 million in TID public improvements and other project-related costs described in Section 2 of this report could be amortized using projected incremental real property tax revenues.

Based on information provided by the City, *SB Friedman* assumed that the \$51.55 million in TID expenditures would be funded with one TID-backed bond issuance of \$52,065,500 in 2017 through a Milwaukee Department of Public Works (DPW) contract and Couture Development Agreement. *SB Friedman* analyzed the projected TID revenues and the projected timeframe required to amortize the \$51.55 million in TID costs plus associated bond issuance costs.

METHODOLOGY

Key assumptions used in projecting the amended amortization of TID expenditures include the following:

- **Bond Interest Rates.** Based on information provided by the City, *SB Friedman* applied an interest rate of 2.75% on the bonds.
- **Term, Target Debt Service and Carry Costs.** The projections assume four years of interest-only payments, followed by 13 years of level principal and interest payments, based on current bonding assumptions provided by the City. For the 13 level payment years following the interest-only period, a “TID Annual Debt Service Target” is defined. This amount is equal to the annual level-payment debt service on a 13-year amortization of the total bond issue. In each of the 13 amortization years, this Annual Debt Service Target is compared to the available Repayment Sources. Any shortfalls relative to this target are accrued and carry a 0.76% annual interest charge until they are repaid. Any surpluses versus the target are used to pay down the accumulated shortfalls.
- **Issuance Costs.** *SB Friedman* assumed an issuance cost of 1.0% of the total bond principal amount, based on information provided by the City.

PROJECTED AMORTIZATION

Based on the TID projections for 833 East and The Couture and the amortization assumptions outlined above, *SB Friedman* projects full amortization of the \$51.55 million in TID expenditures plus capitalized interest and bond issuance costs by Year 19 of the TID, or tax year 2034. This calculation is illustrated in **Appendix 3**.

Appendix 1: TID Assumptions

Table 1: Bonding [1]	
Interest Rate on Bonds	2.75%
Cost of Funds (Local Government Investment Pool)	0.76%
Issuance Costs	1.0%
Interest-Only Payments	4
Assumed Level P&I Payments	13

[1] All bonding assumptions provided by City and Comptroller's office.

Table 2: Rates	
General Inflation	1.0%
Assumed Net Property Tax Rate [1]	2.9%
Tax Rate: Compounded Rate of Change [2]	0.00%
Tax Collection Rate [3]	100%

[1] City of Milwaukee.

[2] Assumes no change in tax rate and 1% growth in absolute tax revenue via 1% increase in AV.

[3] *SB Friedman* assumption.

Table 3: Project Costs

TID Project Costs - Capital Elements

Segments of the Streetcar Lines	\$ 31,000,000
Couture Public Amenities	
Public Transportation Concourse	\$ 6,000,000
Visitor Walkways	\$ 3,100,000
Public Area Core/Common Space/Pedestrian & Bike Amenities	\$ 3,000,000
Public Pedestrian Visitor Plaza	\$ 2,200,000
Publicly Accessible Plazas and Natural Indoor/Outdoor Spaces	\$ 2,000,000
Public Access Stairs to Walkways	\$ 1,200,000
Subtotal Couture Public Amenities	\$ 17,500,000
Sewer Main Relocation and Additional Public Infrastructure Work	\$ 2,000,000
Street Repaving	\$ 150,000
Total	\$ 50,650,000

TID Project Costs - Other

Administration Costs	\$ 500,000
Workforce Training	\$ 400,000
Total	\$ 900,000

Total TID Project Costs	\$ 51,550,000
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Source: City of Milwaukee

Table 4: The Couture Valuation

Valuation	
Base EAV 2015	\$0
2017 AV	\$1,109,700

Source: Assessor's Office.

Couture Development Program	
Site Size (SF)	96,130
Site Size (Acres)	2
Stories	44
Gross SF	735,300
Rentable Residential SF	302,754
Residential Units	312
Private Parking Spaces	614
Public Parking Spaces	405
Total Parking Spaces	1,019
Parking (sf)	380,383
Rentable Commercial SF	52,163

Source: City of Milwaukee, Assessor's Office, Barrett Lo Visionary Development.

Table 5: The Couture Projected AV per Gross Unit at Stabilization

Program	\$/Unit	Source
Parking (per space)	\$ 9,500	Downtown comparables, 2016 AV. American Design, <i>SB Friedman</i> .
Apartments (value per unit)	\$ 200,000	Downtown comparables, 2016 AV. American Design, Milwaukee Assessor's Office, <i>SB Friedman</i> .
Retail (SF)	\$ 110	Downtown comparables, 2016 AV. American Design, Milwaukee Assessor's Office, <i>SB Friedman</i> .

Table 6: The Couture Projected Total AV

Program	Unit	\$/Unit	Total Valuation	Stabilization
Parking (spaces)	1,019	\$9,500	\$9,680,500	
Total Apartments	312	\$200,000	\$62,400,000	93.6%
Retail (SF)	52,163	\$110	\$5,737,930	88.0%
Total			\$77,818,430	

Source: City of Milwaukee, American Design, Barrett Lo Visionary Development, SB Friedman.

Table 7: Couture Value Additions

Date	Construction		Apartments		Retail		Parking	Total AV	
	Cumulative Progress	Annual Addition	Cumulative Occupancy	\$ Addition	Cumulative Occupancy	\$ Addition	\$ Addition	New AV Recognized	Current/Projected AV
1/1/2017 2017	1.4%	1,109,700	0.0%	-	0.0%	-	-	1,109,700	1,109,700
1/1/2018 2018	3.8%	812,415	0.0%	-	0.0%	-	-	812,415	1,922,115
1/1/2019 2019	37.4%	16,995,545	0.0%	-	0.0%	-	-	16,995,545	18,917,660
1/1/2020 2020	68.2%	15,579,250	0.0%	-	0.0%	-	-	15,579,250	34,496,910
1/1/2021 2021	100.0%	16,085,069	15.4%	3,590,137	12.6%	287,809	3,388,175	23,351,191	57,848,101
1/1/2022 2022			61.5%	10,770,411	21.0%	191,902	-	10,962,313	68,810,413
1/1/2023 2023			93.6%	7,479,452	63.1%	959,378	-	8,438,830	77,249,244
1/1/2024 2024			93.6%	-	88.0%	569,186	-	569,186	77,818,430

Source: City of Milwaukee, Barrett Lo Visionary Development, *SB Friedman*.

Table 8: 833 E Michigan Valuation

Valuation	Assessment Year	Total	Source
833 E Michigan	2015 (Base)	\$ 5,474,100	City of Milwaukee, Assessor's Office.
	2016	\$ 54,000,000	Assessor's Office.
	2017	\$ 71,149,000	Assessor's Office.

833 E Michigan Development Program	Source
Office (SF), including 13,000 SF fitness club	343,000 Irgens, City of Milwaukee.
Parking spaces	388 Irgens, City of Milwaukee.
Restaurant (SF)	6,000 Irgens, City of Milwaukee.

Table 9: 833 East Projected AV at Stabilization (2016 \$)

Program	\$/Unit	Notes
Office (per SF)	\$209	Ernst & Young Building (adjusted for parking), 2016 AV.
Parking (per space)	\$9,500	Downtown comparables, 2016 AV.
Restaurant (per SF)	\$150	Downtown comparables, 2016 AV.

Source: *SB Friedman*, American Design, City of Milwaukee.

Table 10: 833 East Projected Total AV (2016 \$)

Program	Unit	\$/Unit	Total Valuation	Stabilization
Parking (spaces)	388	\$9,500	\$3,686,000	
Office (SF)	343,000	\$209	\$71,687,000	95%
Restaurant (SF)	6,000	\$150	\$900,000	100%
Total			\$76,273,000	

Source: SB Friedman, American Design, City of Milwaukee, Irgens Partners, LLC.

Table 11: 833 East Value Additions

Date	Year	Annual Addition	Cumulative Addition	New AV Recognized	Current/Projected AV
1/1/2015	2015				5,474,100
1/1/2016	2016	\$ 54,000,000	\$ 54,000,000	48,525,900	54,000,000
1/1/2017	2017	\$ 17,149,000	\$ 71,149,000	17,149,000	71,149,000
1/1/2018	2018	\$ 5,124,000	\$ 76,273,000	5,124,000	76,273,000

Source: City of Milwaukee, Irgens Partners, LLC, SB Friedman.

Appendix 2: TID Projections

Table 1: TID Projections

TID Year	Assmt Year	Inflation Factor	TID Projected Valuation			Incremental TID Value	Property Tax Rate	Gross TID Revenue
			Frozen Base Value	New AV	Total TID Value			
			Total	Total	Total	Total		Total
Base	2015		\$ 5,474,100	\$ -	\$ 5,474,100	\$ -	2.90%	
1	2016	1.00	\$ 5,474,100	\$ 48,525,900	\$ 54,000,000	\$ 48,525,900	2.90%	\$ -
2	2017	1.01	\$ 5,474,100	\$ 18,258,700	\$ 72,258,700	\$ 66,784,600	2.90%	\$ 1,407,251
3	2018	1.02	\$ 5,474,100	\$ 6,055,737	\$ 79,037,024	\$ 73,562,924	2.90%	\$ 1,936,753
4	2019	1.03	\$ 5,474,100	\$ 17,510,527	\$ 97,337,922	\$ 91,863,822	2.90%	\$ 2,133,325
5	2020	1.04	\$ 5,474,100	\$ 16,211,830	\$ 114,523,130	\$ 109,049,030	2.90%	\$ 2,664,051
6	2021	1.05	\$ 5,474,100	\$ 24,542,336	\$ 140,210,698	\$ 134,736,598	2.90%	\$ 3,162,422
7	2022	1.06	\$ 5,474,100	\$ 11,636,716	\$ 153,249,521	\$ 147,775,421	2.90%	\$ 3,907,361
8	2023	1.07	\$ 5,474,100	\$ 9,047,568	\$ 163,829,584	\$ 158,355,484	2.90%	\$ 4,285,487
9	2024	1.08	\$ 5,474,100	\$ 616,347	\$ 166,084,227	\$ 160,610,127	2.90%	\$ 4,592,309
10	2025	1.09	\$ 5,474,100	\$ -	\$ 167,745,069	\$ 162,270,969	2.90%	\$ 4,657,694
11	2026	1.10	\$ 5,474,100	\$ -	\$ 169,422,520	\$ 163,948,420	2.90%	\$ 4,705,858
12	2027	1.12	\$ 5,474,100	\$ -	\$ 171,116,745	\$ 165,642,645	2.90%	\$ 4,754,504
13	2028	1.13	\$ 5,474,100	\$ -	\$ 172,827,913	\$ 167,353,813	2.90%	\$ 4,803,637
14	2029	1.14	\$ 5,474,100	\$ -	\$ 174,556,192	\$ 169,082,092	2.90%	\$ 4,853,261
15	2030	1.15	\$ 5,474,100	\$ -	\$ 176,301,754	\$ 170,827,654	2.90%	\$ 4,903,381
16	2031	1.16	\$ 5,474,100	\$ -	\$ 178,064,771	\$ 172,590,671	2.90%	\$ 4,954,002
17	2032	1.17	\$ 5,474,100	\$ -	\$ 179,845,419	\$ 174,371,319	2.90%	\$ 5,005,129
18	2033	1.18	\$ 5,474,100	\$ -	\$ 181,643,873	\$ 176,169,773	2.90%	\$ 5,056,768
19	2034	1.20	\$ 5,474,100	\$ -	\$ 183,460,312	\$ 177,986,212	2.90%	\$ 5,108,923
20	2035	1.21	\$ 5,474,100	\$ -	\$ 185,294,915	\$ 179,820,815	2.90%	\$ 5,161,600
21	2036	1.22	\$ 5,474,100	\$ -	\$ 187,147,864	\$ 181,673,764	2.90%	\$ 5,214,804
22	2037	1.23	\$ 5,474,100	\$ -	\$ 189,019,343	\$ 183,545,243	2.90%	\$ 5,268,539
23	2038	1.24	\$ 5,474,100	\$ -	\$ 190,909,536	\$ 185,435,436	2.90%	\$ 5,322,812
24	2039	1.26	\$ 5,474,100	\$ -	\$ 192,818,632	\$ 187,344,532	2.90%	\$ 5,377,628
25	2040	1.27	\$ 5,474,100	\$ -	\$ 194,746,818	\$ 189,272,718	2.90%	\$ 5,432,991
26	2041	1.28	\$ 5,474,100	\$ -	\$ 196,694,286	\$ 191,220,186	2.90%	\$ 5,488,909
27	2042	1.30	\$ 5,474,100	\$ -	\$ 198,661,229	\$ 193,187,129	2.90%	\$ 5,545,385
--	2043	--						\$ 5,602,427
Total Proceeds, 2015-2043 (Not Discounted)								\$ 121,307,212

Source: SB Friedman

Appendix 3: Amortization

Table 1: Bonding Assumptions [1]	
Interest Rate on Bonds	2.75%
Cost of Funds (Local Government Investment Pool)	0.76%
Issuance Costs	1.0%
Interest-Only Payments	4
Assumed Level P&I Payments	13

[1] All bonding assumptions provided by City of Milwaukee and Comptroller's office.

Table 2: Funding Structure				
Assumed Bonding	Assumed Year	Amount	Plus Issuance Costs	Total Issuance
Proposed - Infrastructure/Public Costs	2017	\$ 51,550,000	\$ 515,500	\$ 52,065,500

Source: City of Milwaukee.

Table 3: Amortization

TID Year	Calendar Year	Projected Incremental Property Taxes	Debt Service				TID Payoff Analysis			
			Proposed - Infrastructure/Public Costs				Annual Surplus/ (Shortfall)	Cumulative Fund Balance	Interest Earnings/ (Carry Cost) on Cuml. Balance	TID Could Repay Outstanding Principal
			TID-Backed Bonds Issued	TID Annual Debt Service Target Payments	Interest Payment (Interest Only Period)	Principal Balance				
0	2015	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	NO
1	2016	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	NO
2	2017	\$ 1,407,251	\$ 52,065,500	\$ -		\$ 52,065,500	\$ 1,407,251	\$ 1,407,251	\$ 10,653	NO
3	2018	\$ 1,936,753	\$ -	\$ -	\$ 1,431,801	\$ 52,065,500	\$ 504,952	\$ 1,922,856	\$ 14,556	NO
4	2019	\$ 2,133,325	\$ -	\$ -	\$ 1,431,801	\$ 52,065,500	\$ 701,524	\$ 2,638,936	\$ 19,977	NO
5	2020	\$ 2,664,051	\$ -	\$ -	\$ 1,431,801	\$ 52,065,500	\$ 1,232,250	\$ 3,891,163	\$ 29,457	NO
6	2021	\$ 3,162,422	\$ -	\$ -	\$ 1,431,801	\$ 52,065,500	\$ 1,730,621	\$ 5,651,240	\$ 42,781	NO
7	2022	\$ 3,907,361	\$ -	\$ 4,817,752		\$ 48,679,549	\$ (910,391)	\$ 4,783,630	\$ 36,213	NO
8	2023	\$ 4,285,487	\$ -	\$ 4,817,752		\$ 45,200,485	\$ (532,265)	\$ 4,287,577	\$ 32,457	NO
9	2024	\$ 4,592,309	\$ -	\$ 4,817,752		\$ 41,625,746	\$ (225,443)	\$ 4,094,591	\$ 30,997	NO
10	2025	\$ 4,657,694	\$ -	\$ 4,817,752		\$ 37,952,702	\$ (160,058)	\$ 3,965,529	\$ 30,019	NO
11	2026	\$ 4,705,858	\$ -	\$ 4,817,752		\$ 34,178,649	\$ (111,894)	\$ 3,883,655	\$ 29,400	NO
12	2027	\$ 4,754,504	\$ -	\$ 4,817,752		\$ 30,300,809	\$ (63,248)	\$ 3,849,807	\$ 29,143	NO
13	2028	\$ 4,803,637	\$ -	\$ 4,817,752		\$ 26,316,329	\$ (14,115)	\$ 3,864,835	\$ 29,257	NO
14	2029	\$ 4,853,261	\$ -	\$ 4,817,752		\$ 22,222,276	\$ 35,508	\$ 3,929,600	\$ 29,748	NO
15	2030	\$ 4,903,381	\$ -	\$ 4,817,752		\$ 18,015,637	\$ 85,628	\$ 4,044,976	\$ 30,621	NO
16	2031	\$ 4,954,002	\$ -	\$ 4,817,752		\$ 13,693,315	\$ 136,250	\$ 4,211,847	\$ 31,884	NO
17	2032	\$ 5,005,129	\$ -	\$ 4,817,752		\$ 9,252,129	\$ 187,377	\$ 4,431,108	\$ 33,544	NO
18	2033	\$ 5,056,768	\$ -	\$ 4,817,752		\$ 4,688,810	\$ 239,016	\$ 4,703,668	\$ 35,607	YES
19	2034	\$ 5,108,923	\$ -	\$ 4,817,752		\$ -	\$ 291,171	\$ 5,030,447	\$ 38,081	YES
20	2035	\$ 5,161,600	\$ -	\$ -		\$ -	\$ 5,161,600	\$ 10,230,128	\$ 77,443	YES
21	2036	\$ 5,214,804	\$ -	\$ -		\$ -	\$ 5,214,804	\$ 15,522,375	\$ 117,506	YES
22	2037	\$ 5,268,539	\$ -	\$ -		\$ -	\$ 5,268,539	\$ 20,908,420	\$ 158,279	YES
23	2038	\$ 5,322,812	\$ -	\$ -		\$ -	\$ 5,322,812	\$ 26,389,511	\$ 199,772	YES
24	2039	\$ 5,377,628	\$ -	\$ -		\$ -	\$ 5,377,628	\$ 31,966,911	\$ 241,993	YES
25	2040	\$ 5,432,991	\$ -	\$ -		\$ -	\$ 5,432,991	\$ 37,641,895	\$ 284,953	YES
26	2041	\$ 5,488,909	\$ -	\$ -		\$ -	\$ 5,488,909	\$ 43,415,757	\$ 328,662	YES
27	2042	\$ 5,545,385	\$ -	\$ -		\$ -	\$ 5,545,385	\$ 49,289,805	\$ 373,129	YES
	2043	\$ 5,602,427	\$ -	\$ -		\$ -	\$ 5,602,427	\$ 55,265,361	\$ 418,365	YES
TOTALS		\$ 121,307,212	\$ 52,065,500	\$ 62,630,778	\$ 5,727,205	\$ -	\$ 52,949,228	\$ 55,265,361	\$ 2,734,497	

Source: SB Friedman.

Appendix 4: Limitations

Limitations of Engagement

Our report is based on estimates, assumptions, and other information developed from research of the market, knowledge of the industry, and meetings/teleconferences with the City during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the report. Assumptions regarding the potential bonding structure and amortization methodology were provided by the City. 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 shown here, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report 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, changes in assessment practices, changes in the TID statute, additional competitive developments, interest rates and other factors. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our report is intended solely for your information and that of the Common Council, for purposes of amending a Tax Incremental Financing district, and is not a recommendation to issue bonds or other securities. The report should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document intended for use in obtaining funds from individual investors. The report is not intended to constitute advice for the City to issue (or refrain from issuing) specific municipal securities.

We acknowledge that upon submission to the City the report may become a public document within the meaning of the Freedom of Information Act. Nothing in these limitations is intended to block the disclosure of the documents under such Act.