

City of Milwaukee
TID #48/Proposed Moderne Project

Economic Feasibility Study

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1. Project Description and Study Approach

The site of the proposed Moderne project (“Project”) is located at the intersection of North Old World Street and Juneau Avenue, immediately west of the Milwaukee River. The site is located within the existing Park East Tax Increment District (TID) 48, which was created in 2002. As proposed, the 30-story high-rise Moderne Building contains a mix of apartment units, condominium units, and retail space. The proposed program includes:

- **Apartments**—213,000 square feet for 203 for-rent units.
- **Condominiums**—32,100 square feet for 14 for-sale units.
- **Retail**—7,230 square feet of street-level retail.
- **Structured Parking**—A total of 204 spaces, with 181 allocated for apartments and 23 for condominiums.

A total City TID contribution to the project of up to **\$9.3 million** is proposed for gap financing, including up to \$6 million in Completion Loan funds and the balance in Mezzanine Loan funds. Additional detail on the proposed City assistance parameters is included in the “Proposed TID Contribution” section in Chapter 2.

Study Approach

In addition to reviewing the developer’s overall pro forma for the Moderne project, *SBFCo*, in conjunction with construction consultants The Concord Group (“Concord”), reviewed and considered the following key factors affecting the TID feasibility of the proposed project:

- Construction cost budget and supplemental information provided by Rinka Chung (the architect) and Findorff (the contractor) on behalf of the developer
- Key financing assumptions embedded in the Developer’s pro formas through review of industry sources
- Assessment techniques and assumptions likely to be used as a basis for property taxation, based on key informant interviews with the City of Milwaukee Assessor’s Office
- Real property assessment data from the City Assessor’s Office on existing properties within TID 48
- Real property assessment data for other comparable properties elsewhere in Milwaukee to validate the potential assessed valuation of the project
- Potential bonding assumptions as provided by DCD and the Office of the City Comptroller to be used in evaluating financing capacity

2. Need for Financial Assistance

Pursuant to our engagement with the City of Milwaukee, *SBFCo* reviewed key assumptions included in the developer's pro forma for the Moderne project, as well as the resulting implications on the need for TID assistance.

Project Costs, Revenues, and Financing Parameters

SBFCo, with the assistance of Concord, reviewed costs, revenues, and financing structure/parameters included in the developer's proposed project budget.

The Project is anticipated to be financed in large part with the HUD 221(d)(4) loan guarantee program. In this program, HUD provides the project senior lenders for rental apartment projects with a financial guarantee, provided the project is underwritten within HUD standards, which include certain requirements as to maximum loan size, required reserves, and mortgage insurance payments. The 221(d)(4) loan is anticipated to fund up to 75% of project costs, depending on the final interest rate at which the loan is locked.

As part of the HUD underwriting parameters, the Developer provided a rental apartment market study developed by Moegenburg Research to validate rent, occupancy, and absorption assumptions in the project pro forma. This market study appears to meet the HUD underwriting requirements for the 221(d)(4) program. While *SBFCo* did not independently recreate or validate the Moegenburg data, the analysis and conclusions in the study appear generally reasonable.

SBFCo's review yielded the following key observations regarding costs and revenues:

- **Construction Costs.** Total construction costs are estimated at \$43.3 million, which includes 3.63% for Developer contingency. Based on HUD requirements as to the level of design required to file an application for the 221(d)(4) program, the design is relatively well-developed as compared to typical TID-assisted projects at this stage in the municipal review and approval process. Concord reviewed construction cost estimates provided by Findorff in light of the schematic-level design information available at this stage in the proposed project. Concord has indicated to *SBFCo* that the developer's estimated costs are reasonable given the proposed program and project specifications and the level of design specificity that was available at the time their review was performed. The total construction costs were estimated at approximately \$46 million at the time of the review. In subsequent design and estimate refinements, Findorff has indicated that they are confident they can achieve a Guaranteed Maximum Price contract at a level equivalent to the hard costs shown in the Developer's pro forma. Per a recent update from Findorff and the project architects, this will likely be accomplished through "hard bids" of various materials and subcontracts within the overall project, as well as removal of design contingencies as the architectural drawings get closer to 100% completion. A summary of Concord's review is provided as Appendix 1 of this report, along with a supplemental update from Concord regarding the cost reductions occurring after Concord's initial review.

- **Soft Costs.** Soft costs, including architecture, engineering, and HUD-required reserves comprise approximately 17% of Total Development Costs, excluding land and developer fee. This is in line with *SBFCo*'s observed parameters for soft costs in urban mixed-use redevelopment projects.
- **Developer Fee.** The total overhead and fee proposed for the project is approximately \$2.1 million, or 3.7% of Total Development Cost. While *SBFCo* has observed values ranging from 3-4% in analogous projects, the long period of development for this project (beginning in 2006) and the extensive changes the project has undergone in response to evolving market conditions have caused the Developer to bear increased overhead. Per the Term Sheet, the portion of Developer Fees that may be paid out during construction is limited to \$700,000, plus \$175,000 to cover internal overhead during the construction period. The balance of the fee would be deferred and payable as a rebate against interest paid on City loans if the Project hits certain completion/performance benchmarks. With the exception of \$200,000 that may be paid with the first construction draw, the un-deferred portion of the Developer Fee may be paid no faster than pro rata with construction progress as measured by disbursements against the project budget for hard costs.
- **Lease Revenues.** The projected revenue stream for the Moderne project is derived from the rent schedules for apartment units, apartment parking spaces, and retail space, as well as condominium sales. Once the project reaches stabilization in 2013, the annual gross income is projected at approximately \$5 million from apartments, \$350,000 from rentable apartment parking spaces, and \$160,000 from the retail space. Apartment rents are projected to be at the high end of the observed spectrum in Downtown Milwaukee at approximately \$1.94 per square foot at stabilization.
- **Condo Sales.** Based on the fact that four of the 14 condo units are currently reserved with 5% deposits from buyers, the Project is anticipated to receive revenue from condo sales when these units are delivered during the project's first year of operation, which is projected to begin in September of 2011. Condo sales proceeds are projected at a relatively gradual pace, assuming approximately a 4+ year sellout period for all remaining units, starting at the commencement of construction. Condo pricing is assumed at approximately \$408 per square foot- at the relatively high end of the Milwaukee spectrum. While the condominium market is extremely challenged at the present time, these challenges are mitigated by the small number of units, the slow projected sellout pace, and the fact that the units will be located on the upper-most three floors of the 30-story tower, offering attractive views.
- **Operating Expenses.** The Developer intends to lease the retail space on a net basis, with pass-throughs of real estate taxes, common-area maintenance and other typical expenses to the tenants. Projected operating expenses for the apartment component of the project are projected at 38% of rental revenues, which is in the typical range for newly constructed apartment projects based on reviews of benchmark sources such as IREM surveys and discussions with apartment developers.

Financing Structure

The proposed financing for the Project includes four key funding components:

- **HUD 221(d)4 Debt.** This is a senior loan on the rental residential, retail, and associated parking components of the project, disbursed during construction and remaining in place for 40 years after completion. Interest is fixed for the entire 40+ year period, and is anticipated to be based on a spread of 275 basis points over the yield on 10-year Treasuries at the time the rate is locked. At current market rates, this loan would fund at about 6.1%. To some extent, the interest rate also affects the maximum size of this loan. *SBFCo* ran the pro forma analysis for this feasibility study based on a 6.15% interest rate on the senior loan. Based on HUD sizing formulas, the loan would be approximately \$41.4 million at this interest rate.
- **Developer Equity.** For the purposes of evaluating equity returns, the developer's total equity basis for the Moderne project is estimated at \$4.53 million, comprised of:
 - Cash expended for land acquisition
 - Cash expended for pre-development costs
 - A condominium unit that was used to buy out a prior owner/equity investor in the project in 2008
 - \$700,000 in deferred Developer Fees

The amount of this equity contribution will be finalized based on the size of the HUD 221(d)4 loan, but is under no circumstances anticipated to be less than \$3.83 million in cash, plus deferred Developer Fee.

- **City Completion Loan.** Approximately \$6 million of the City's loans to the Project would be provided in the form of an interim loan disbursed during construction and remaining in place for no more than 4 years. This loan would have a subordinate position to the HUD 221(d)4 loan with respect to the apartment/retail component of the Project, but a first lien on the condominium portion. It would be repaid after the Mezzanine Loan described below. The rate would be set equal to the HUD 221(d)4 loan, and interest would accrue until such time as the Developer can repay this loan.
- **City Mezzanine Loan.** Approximately \$3.3 million of the City's loans would be provided as a Mezzanine Loan priced at typical rates for this type of capital—between 14 and 15% interest. This loan would be funded earlier in the construction process, and therefore bear a closer resemblance to equity. Like the Completion Loan, this would have a 4-year term, a subordinate position with respect to the apartments/retail, and a senior position on the condominiums. Because of the higher rate associated with this loan, it would be repayable prior to the Completion Loan.

Projected Developer Returns

In order to evaluate the need for assistance, *SFBCo* calculated:

- **Equity Returns** expressed as an internal rate of return (IRR) with the proposed level and structure of TID assistance. This calculation is based on the developer's estimated cash equivalent equity contribution (described in "Equity Component" above), annual net cash flow after expenses and debt service, and the income from an assumed hypothetical sale of the property in Year 11.
- **Returns on Cost** in terms of overall unleveraged IRR. This calculation is based on a comparison between annual project income before debt service and total project cost net of public improvements, grants, and interest costs.

Tables 1 through 3 on the following pages show the Sources and Uses of Funds, projected operating revenues and expenses, and the resulting projected cash flows and returns. Table A-1 in the appendix of this report shows monthly detail on projected disbursement and repayment of loan proceeds.

RETURNS ON EQUITY

SFBCo's return calculation yields a projected leveraged IRR on equity of about 19%. This return is within the observed pro forma level for speculative real estate development projects. Additionally, the returns to equity are somewhat more delayed than on a typical project due to the need to fully retire the City's loans before any distributions can be made to investors. This is an important component of equity investor expectations. The Term Sheet also contains a profit-sharing provision as follows: during the term of the City loans, upon sale or refinance of the project and/or sale of any condominium units over and above the 14 units currently planned, the Developer shall provide to the City sufficient information to calculate the project annual IRR on equity. If, upon the sale or refinance event, this return exceeds 20%, the City will share in 50% of net sale/refinance proceeds over and above the level necessary to achieve this 20% threshold.

RETURNS ON COST

SFBCo also projected IRR on total project cost (or "unleveraged IRR") based on the initial unleveraged total project cost less public assistance (defined as total project costs less the Mezzanine and Completion Loans) and projected project income before debt service. This calculation yielded an unleveraged IRR projection of 9.0%. *SFBCo* benchmarked these returns to national data on apartment projects from PriceWaterhouseCoopers/Korpacz Investor Survey for the Fourth Quarter of 2008. The Korpacz survey indicates a market average for multi-family apartments of about 8.3% and an observed market range of 6% to 10.5%. Because this index is primarily composed of purchases of existing cash-flowing assets, as opposed to proposed development projects, it is appropriate that the Moderne project would have a somewhat higher projected return on cost. This suggests that the current City TID contribution is sized to allow the Moderne project to achieve returns that are within reasonable market parameters.

**City of Milwaukee
Moderne Loan Analysis**

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Table 1: Sources and Uses of Funds

USES			
Land			
Contributed Land Value		\$	835,000
LL Interest Carry & PP Taxes		\$	88,096
Total Land		\$	923,096
Hard Costs			
Construction GMP		\$	41,738,040
Developer Contingency	3.63%	\$	1,513,815
Total Hard Costs	SF	398,602	\$ 43,251,855
Soft Costs			
Predev Legal, Arch, Eng, Acctg		\$	677,367
Predevelopment Marketing		\$	222,921
Equity Investor Buyout		\$	155,322
City Approvals, Permits, Cons.		\$	55,000
Appraisal / Market Study		\$	11,500
Sales Center Overhead		\$	67,333
Sales Center Construction		\$	400,000
Leasing Center Costs		\$	148,000
Marketing & Advertising		\$	37,500
Travel & Entertainment		\$	15,000
Architect & Engineering		\$	440,000
Legal		\$	75,000
Accounting		\$	75,000
Insurance		\$	75,000
FF&E		\$	35,000
Superintendent		\$	150,000
EBE Consultant		\$	75,000
Common Area on Unsold Units		\$	20,000
Construction Loan Interest Reserve		\$	2,752,271
B&C Broker Fee		\$	670,000
Cost Certification Audit Fee		\$	12,500
Title & Recording		\$	20,000
Capmark Loan Fee (1%)	1% of HUD Loan	\$	414,106
FHA Mortgage Insurance Premium	0.9% of HUD Loan	\$	372,696
HUD Application Fee	0.3% of HUD Loan	\$	124,232
HUD Inspection Fee (.5%)	0.5% of HUD Loan	\$	207,053
Soft Cost Contingency		\$	10,000
Working Capital Escrow	2% of HUD Loan	\$	828,212
Initial Operating Deficit		\$	856,342
Total Soft Costs		\$	9,002,355
Developer Fees and Overhead			
Developer Fee		\$	1,400,000
B&C Consulting Fee		\$	130,000
Start-Up Expenses		\$	189,905
Rick Barrett Supervision & Over.		\$	170,000
Development Office Overhead/Staff		\$	175,000
Total Developer Fees and Overhead		\$	2,064,905
TOTAL DEVELOPMENT COSTS		\$	55,242,211
SOURCES			
Equity Contribution #1 (2006/7)		\$	589,905
Equity Contribution #2 (2008)		\$	725,322
Equity Contribution #3 (2009 Through Construction Start)		\$	2,516,361
Deferred Developer Fee		\$	700,000
City Mezzanine Loan		\$	3,300,000
City Completion Loan		\$	6,000,000
Capmark/HUD Senior Loan		\$	41,410,623
TOTAL SOURCES		\$	55,242,211

Source: Milwaukee Moderne, LLC and S. B. Friedman & Company

City of Milwaukee- Moderne Loan Analysis

Table 2: Operating Income Calculation

	GLA	Monthly Rent				Total Annual Rent
		Units/Spaces	per Unit/Space/Sq. Ft.	Annual Rent per Unit/Space/Sq. Ft.		
Apartments	212,987	203	\$ 2,037.00	\$ 24,444.00	\$ 4,962,132.00	
Parking	74,798	181	\$ 150.00	\$ 1,800.00	\$ 325,800.00	
Restaurant	5,240	N/A	\$ 1.92	\$ 23.00	\$ 120,520.00	
Spa	1,990	N/A	\$ 1.58	\$ 19.00	\$ 37,810.00	
TOTAL	295,015				\$ 5,446,262.00	

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Revenue Growth			0.0%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Expense Growth			0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Occupancy:												
Apartments		66%	94%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Parking		76%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Restaurant		90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Spa		90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Rental Revenue												
Apartments	\$ 2,037.00	\$ 3,275,007	\$ 4,664,404	\$ 4,846,018	\$ 4,981,707	\$ 5,121,194	\$ 5,264,588	\$ 5,411,996	\$ 5,563,532	\$ 5,719,311	\$ 5,879,452	\$ 6,044,076
Parking	\$ 150.00	\$ 247,608	\$ 309,510	\$ 318,176	\$ 327,085	\$ 336,244	\$ 345,658	\$ 355,337	\$ 365,286	\$ 375,514	\$ 386,029	\$ 396,838
Restaurant	\$ 1.92	\$ 108,468	\$ 108,468	\$ 111,505	\$ 114,627	\$ 117,837	\$ 121,136	\$ 124,528	\$ 128,015	\$ 131,599	\$ 135,284	\$ 139,072
Spa	\$ 1.58	\$ 34,029	\$ 34,029	\$ 34,982	\$ 35,961	\$ 36,968	\$ 38,003	\$ 39,067	\$ 40,161	\$ 41,286	\$ 42,442	\$ 43,630
Total Rental Revenue		\$ 3,665,112	\$ 5,116,411	\$ 5,310,681	\$ 5,459,380	\$ 5,612,243	\$ 5,769,386	\$ 5,930,929	\$ 6,096,995	\$ 6,267,710	\$ 6,443,206	\$ 6,623,616
Operating Expenses												
Apartments	\$ 361.33	\$ (580,933)	\$ (1,089,567)	\$ (1,123,182)	\$ (1,145,645)	\$ (1,168,558)	\$ (1,191,930)	\$ (1,215,768)	\$ (1,240,083)	\$ (1,264,885)	\$ (1,290,183)	\$ (1,315,987)
Parking	\$ 13.77	\$ (22,738)	\$ (28,422)	\$ (28,991)	\$ (29,571)	\$ (30,162)	\$ (30,765)	\$ (31,381)	\$ (32,008)	\$ (32,648)	\$ (33,301)	\$ (33,967)
Fixed Expenses												
Apartments	\$ 26.43	\$ (64,380)	\$ (64,380)	\$ (65,668)	\$ (66,981)	\$ (68,321)	\$ (69,687)	\$ (71,081)	\$ (72,502)	\$ (73,952)	\$ (75,431)	\$ (76,940)
Parking	\$ 22.11	\$ (48,016)	\$ (48,016)	\$ (48,977)	\$ (49,956)	\$ (50,955)	\$ (51,975)	\$ (53,014)	\$ (54,074)	\$ (55,156)	\$ (56,259)	\$ (57,384)
Total Expenses		\$ (716,068)	\$ (1,230,386)	\$ (1,266,817)	\$ (1,292,153)	\$ (1,317,996)	\$ (1,344,356)	\$ (1,371,243)	\$ (1,398,668)	\$ (1,426,642)	\$ (1,455,174)	\$ (1,484,278)
Annual Real Estate Taxes												
Apartments	\$ 3,651.61	\$ (489,243)	\$ (696,800)	\$ (718,297)	\$ (732,663)	\$ (747,316)	\$ (762,263)	\$ (777,508)	\$ (793,058)	\$ (808,919)	\$ (825,098)	\$ (841,599)
Total Annual Real Estate Taxes		\$ (489,243)	\$ (696,800)	\$ (718,297)	\$ (732,663)	\$ (747,316)	\$ (762,263)	\$ (777,508)	\$ (793,058)	\$ (808,919)	\$ (825,098)	\$ (841,599)
Net Operating Income (NOI)		\$ 2,459,801.74	\$ 3,189,225	\$ 3,325,567	\$ 3,434,564	\$ 3,546,930	\$ 3,662,767	\$ 3,782,177	\$ 3,905,268	\$ 4,032,150	\$ 4,162,934	\$ 4,297,739
Less Reserves												
Cash Flow After Reserves		\$ 2,459,802	\$ 3,189,225	\$ 3,325,567	\$ 3,434,564	\$ 3,546,930	\$ 3,662,767	\$ 3,782,177	\$ 3,905,268	\$ 4,032,150	\$ 4,162,934	\$ 4,297,739

Source: Milwaukee Moderne, LLC and S. B. Friedman & Company

City of Milwaukee- Moderne Loan Analysis
Cash Flow and Returns Analysis

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	-2	-1	Year 0	Const Yr 1	Const Yr 2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
SOURCES																
Condo Sales Proceeds				\$ -	\$ -	\$ 7,348,860	\$ 3,946,920	\$ 929,070								\$ 12,224,850
NOI (less Reserves)						\$ 2,459,802	\$ 3,189,225	\$ 3,325,567	\$ 3,434,564	\$ 3,546,930	\$ 3,662,767	\$ 3,782,177	\$ 3,905,268	\$ 4,032,150	\$ 4,162,934	\$ 35,501,385
Payout of Operating Shortfall Reserve						\$ 856,342										\$ 856,342
Reversion															\$ 52,110,082	\$ 52,110,082
TOTAL				\$ -	\$ -	\$ 10,665,004	\$ 7,136,145	\$ 4,254,637	\$ 3,434,564	\$ 3,546,930	\$ 3,662,767	\$ 3,782,177	\$ 3,905,268	\$ 4,032,150	\$ 56,273,016	\$ 100,692,659
USES																
Debt Service- Senior Loan	\$ 40,314,111					\$ 2,899,651	\$ 2,899,651	\$ 2,899,651	\$ 2,899,651	\$ 2,899,651	\$ 2,899,651	\$ 2,899,651	\$ 2,899,651	\$ 2,899,651	\$ 2,899,651	\$ 28,996,513
Mortgage Insurance Premium	0.45%					\$ 186,348	\$ 186,348	\$ 186,348	\$ 186,348	\$ 186,348	\$ 186,348	\$ 186,348	\$ 186,348	\$ 186,348	\$ 186,348	\$ 186,348
Interest Payment Incl Mortgage Insurance Premium	6.15%					\$ 2,480,245	\$ 2,465,495	\$ 2,449,812	\$ 2,433,136	\$ 2,415,405	\$ 2,396,552	\$ 2,376,505	\$ 2,355,190	\$ 2,332,526	\$ 2,308,427	\$ 23,084,277
Principal Payment	40					\$ 233,058	\$ 247,808	\$ 263,491	\$ 280,167	\$ 297,898	\$ 316,752	\$ 336,798	\$ 358,113	\$ 380,778	\$ 404,876	\$ 3,194,370
Prepayment															\$ 37,194,370	\$ 37,194,370
Repayment- City Mezz Loan	\$ 3,300,000			\$ -	\$ -	\$ 4,390,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,390,741
Interest Payment	15.00%					\$ 1,090,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal Payment						\$ 3,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Accrual						\$ 983,437	\$ 107,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Balance						\$ 4,283,437	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repayment- City Base Loan	\$ 6,000,000			\$ -	\$ -	\$ 3,374,611	\$ 3,128,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,503,247
Interest Payment	6.15%					\$ 397,362	\$ 105,885	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal Payment						\$ 2,977,249	\$ 3,022,751	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Accrual						\$ 165,393	\$ 231,969	\$ 105,885	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Balance						\$ 6,165,393	\$ 3,022,751	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Interest Abatement to Pay Deferred Developer Fee (Contingent)							\$ (700,000)									
Distributable Cash				\$ -	\$ -	\$ (0)	\$ 1,807,857	\$ 1,354,986	\$ 534,913	\$ 647,279	\$ 763,116	\$ 882,526	\$ 1,005,617	\$ 1,132,498	\$ 1,167,995	\$ 24,307,787
TOTAL				\$ -	\$ -	\$ (0)	\$ 1,807,857	\$ 1,354,986	\$ 534,913	\$ 647,279	\$ 763,116	\$ 882,526	\$ 1,005,617	\$ 1,132,498	\$ 1,167,995	\$ 24,307,787
Annual Debt Coverage						0.85	1.10	1.15	1.18	1.22	1.26	1.30	1.35	1.39	1.44	
Leveraged Cash Flow																
Equity Contributions	\$ (589,905)	\$ (725,322)	\$ (1,372,217)	\$ (1,494,144)	\$ (350,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,531,588)
Equity Distributions						\$ (0)	\$ 1,807,857	\$ 1,354,986	\$ 534,913	\$ 647,279	\$ 763,116	\$ 882,526	\$ 1,005,617	\$ 1,132,498	\$ 1,167,995	\$ 24,307,787
TOTAL	\$ (589,905)	\$ (725,322)	\$ (1,372,217)	\$ (1,494,144)	\$ (350,000)	\$ (0)	\$ 1,807,857	\$ 1,354,986	\$ 534,913	\$ 647,279	\$ 763,116	\$ 882,526	\$ 1,005,617	\$ 1,132,498	\$ 1,167,995	\$ 19,776,199
Annual Cash-on-Cash Return						0.0%	39.9%	29.9%	11.8%	14.3%	16.8%	19.5%	22.2%	25.0%		
Leveraged IRR						19.0%										
Unleveraged Cash Flow (Excluding Condos)																
NOI						\$ 2,459,802	\$ 3,189,225	\$ 3,325,567	\$ 3,434,564	\$ 3,546,930	\$ 3,662,767	\$ 3,782,177	\$ 3,905,268	\$ 4,032,150	\$ 4,162,934	\$ 35,501,385
Reversion Proceeds						\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,110,082
Total Project Costs						\$ (55,242,211)										\$ (55,242,211)
Less Portion Attributable to Condo (85% of sales proceeds)						\$ 11,173,250										\$ 11,173,250
Total Project Costs						\$ (44,068,961)										\$ (44,068,961)
TOTAL						\$ (44,068,961)	\$ 2,459,802	\$ 3,189,225	\$ 3,325,567	\$ 3,434,564	\$ 3,546,930	\$ 3,662,767	\$ 3,782,177	\$ 3,905,268	\$ 4,032,150	\$ 56,273,016
Annual Yield on Cost						5.6%	7.2%	7.5%	7.8%	8.0%	8.3%	8.6%	8.9%	9.1%	9.4%	
Unleveraged IRR						9.0%										

Source: Milwaukee Moderne, LLC and S. B. Friedman & Company

HUD Loan Sizing	
Net Income @ Stabilization	\$ 2,973,451
Interest Rate	6.15%
Mortgage Insurance Rate	0.45%
Term	40
Initial Curtail Rate	0.5781%
Sum of Rates	7.1804%
Net Income Divided by Sum of Rates	\$ 41,410,623

Reversion Calculations	
11th Year NOI	\$ 4,297,739
Terminal Cap Rate	8.0%
Terminal Value	\$ 53,721,734
Cost of Sale @	3.0%
Net Reversion Proceeds	\$ 52,110,082

3. Incremental Property Tax Revenues

In order to evaluate the time frame of repayment for the proposed \$9.3 million City TID contribution, *SBFCo* projected future incremental property tax revenues to be generated by the proposed Moderne project, as well as the balance of TID 48. These projected revenues were then used to estimate the time frame for amortization of the associated TID-supported issuances of City bonds.

TID Projection Assumptions and Methodology

Table 4 on the following page shows *SBFCo*'s projections of incremental property taxes for TID 48. These projections indicate total undiscounted tax collections of about **\$47 million** between 2009 and 2029, including existing TID 48 fund balances as of year end 2008. Of this total, the Moderne is anticipated to produce about \$17 million in undiscounted tax revenue. The key assumptions and methods used to develop these projections are described below.

Sources of TID Revenue

TID 48 includes a total of 139 taxkeys, comprised of non-redevelopment parcels, the new Moderne project, and three existing projects. These different components of the projected TID revenue stream are described below.

- **Non-redevelopment parcels.** TID 48 includes taxkeys for which no redevelopment is assumed to occur for the purposes of this study. *SBFCo*'s projections include tax increment only from the inflationary growth in these parcels' property values, not from any new development. If any of these parcels are redeveloped in the future, there is additional potential for the TID to realize greater revenues than those included in this feasibility report.
- **Moderne.** The proposed Moderne occupies one taxkey and will generate tax increment through its three uses: 203 for-rent apartments, 14 for-sale condominiums, and approximately 7,200 square feet of retail. The Moderne Project will generate additional revenue for the TID through repayment of the Mezzanine and Completion loans.
- **North End.** The North End is a 5-phase mixed use development occupying one taxkey. *SBFCo*'s projections include only Phase 1, which is comprised of 83 for-rent apartments and 12,000 square feet of retail. It is likely that additional development will occur within this project in the future, potentially generating additional revenues for the TID beyond those reflected in this report.
- **The Aloft.** The Aloft, which occupies one taxkey, is a seven-story, 160-room hotel with approximately 5,000 square feet of ground-floor retail.

City of Milwaukee

Park East TID

Table 4: TID Revenue Projections

Inflationary Increment and All Increment due to Redevelopment Projects							Summary: Tax Incremental Revenue due to Redevelopment Projects					Total Park East TID Incremental Revenue [6]
Calculations: Tax Incremental Revenue due to Inflation												
TID Year [1]	Assmt Year	Frozen Base Value (Less project parcels) [2]	Actual/Inflated Value [3]	Incremental Value [4]	Tax Rate	Incremental Revenue: Non-Project Parcel Inflation Only [5]	The Flatiron	The North End (Phase 1)	The Moderne	The Aloft	Total Incremental Revenue: Redevelopment	
4	2005	\$ 43,110,400										
5	2006	\$ 43,110,400										
6	2007	\$ 43,110,400	\$ 54,839,800	\$ 11,729,400	2.31%							\$ 253,791
7	2008	\$ 43,110,400	\$ 62,743,600	\$ 19,633,200	2.40%	\$ 271,301	7,464	\$ 53,100		\$ 14,794	\$ 75,358	\$ 346,659
8	2009	\$ 43,110,400	\$ 66,059,900	\$ 22,949,500	2.51%	\$ 471,786	91,953	\$ 30,847		\$ 15,370	\$ 138,170	\$ 609,956
9	2010	\$ 43,110,400	\$ 67,381,098	\$ 24,270,698	2.46%	\$ 574,885	133,331	\$ 33,407		\$ 13,354	\$ 180,092	\$ 754,977
10	2011	\$ 43,110,400	\$ 68,728,720	\$ 25,618,320	2.42%	\$ 598,132	190,771	\$ 74,764		\$ 239,314	\$ 504,849	\$ 1,102,980
11	2012	\$ 43,110,400	\$ 70,103,294	\$ 26,992,894	2.39%	\$ 621,115	195,399	\$ 201,967		\$ 254,426	\$ 651,792	\$ 1,272,907
12	2013	\$ 43,110,400	\$ 71,505,360	\$ 28,394,960	2.35%	\$ 643,840	196,122	\$ 220,441	\$ 584,350	\$ 255,592	\$ 1,256,505	\$ 1,900,344
13	2014	\$ 43,110,400	\$ 72,935,467	\$ 29,825,067	2.31%	\$ 666,310	196,846	\$ 221,776	\$ 864,588	\$ 256,757	\$ 1,539,968	\$ 2,206,278
14	2015	\$ 43,110,400	\$ 74,394,177	\$ 31,283,777	2.27%	\$ 688,531	197,572	\$ 223,106	\$ 976,038	\$ 257,922	\$ 1,654,639	\$ 2,343,169
15	2016	\$ 43,110,400	\$ 75,882,060	\$ 32,771,660	2.23%	\$ 710,506	198,300	\$ 224,432	\$ 1,007,280	\$ 259,087	\$ 1,689,099	\$ 2,399,605
16	2017	\$ 43,110,400	\$ 77,399,702	\$ 34,289,302	2.20%	\$ 732,241	199,030	\$ 225,754	\$ 1,010,925	\$ 260,251	\$ 1,695,960	\$ 2,428,201
17	2018	\$ 43,110,400	\$ 78,947,696	\$ 35,837,296	2.16%	\$ 753,739	199,762	\$ 227,071	\$ 1,014,581	\$ 261,415	\$ 1,702,829	\$ 2,456,568
18	2019	\$ 43,110,400	\$ 80,526,649	\$ 37,416,249	2.13%	\$ 775,005	200,496	\$ 228,384	\$ 1,018,248	\$ 262,579	\$ 1,709,706	\$ 2,484,711
19	2020	\$ 43,110,400	\$ 82,137,182	\$ 39,026,782	2.09%	\$ 796,042	201,231	\$ 229,693	\$ 1,021,925	\$ 263,743	\$ 1,716,592	\$ 2,512,634
20	2021	\$ 43,110,400	\$ 83,779,926	\$ 40,669,526	2.06%	\$ 816,856	201,969	\$ 230,999	\$ 1,025,612	\$ 264,906	\$ 1,723,486	\$ 2,540,342
21	2022	\$ 43,110,400	\$ 85,455,525	\$ 42,345,125	2.03%	\$ 837,450	202,708	\$ 232,301	\$ 1,029,310	\$ 266,070	\$ 1,730,389	\$ 2,567,839
22	2023	\$ 43,110,400	\$ 87,164,635	\$ 44,054,235	2.00%	\$ 857,827	203,450	\$ 233,599	\$ 1,033,019	\$ 267,234	\$ 1,737,302	\$ 2,595,129
23	2024	\$ 43,110,400	\$ 88,907,928	\$ 45,797,528	2.00%	\$ 881,085	204,912	\$ 235,721	\$ 1,040,390	\$ 269,343	\$ 1,750,366	\$ 2,631,451
24	2025	\$ 43,110,400	\$ 90,686,086	\$ 47,575,686	2.00%	\$ 915,951	209,047	\$ 240,920	\$ 1,061,327	\$ 274,966	\$ 1,786,260	\$ 2,702,210
25	2026	\$ 43,110,400	\$ 92,499,808	\$ 49,389,408	2.00%	\$ 951,514	213,264	\$ 246,223	\$ 1,082,682	\$ 280,702	\$ 1,822,871	\$ 2,774,385
26	2027	\$ 43,110,400	\$ 94,349,804	\$ 51,239,404	2.00%	\$ 987,788	217,566	\$ 251,632	\$ 1,104,465	\$ 286,552	\$ 1,860,214	\$ 2,848,002
27	2028	\$ 43,110,400	\$ 96,236,800	\$ 53,126,400	2.00%	\$ 1,024,788	221,954	\$ 257,149	\$ 1,126,684	\$ 292,519	\$ 1,898,305	\$ 2,923,093
	2029					\$ 1,062,528	226,429	\$ 262,776	\$ 1,149,346	\$ 298,605	\$ 1,937,157	\$ 2,999,685
Total Proceeds, 2008 - 2029 (Not Discounted)						\$ 16,639,217	\$ 4,109,578	\$ 4,386,060	\$ 17,150,769	\$ 5,115,500	\$ 30,761,907	\$ 47,654,915

Note: These projections are based on estimates, assumptions, and other information developed from research of the market, knowledge of the industry, and meetings during which we obtained certain information. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, actual results during the period covered by our analysis will necessarily vary from those shown here and the variations may be material.

Actual values are shown in italics.

[1] The Park East TID was formed in 2002 and is scheduled to terminate in 2029.

[2] Frozen Base Value is equal to the amended 2005 district-wide base value less the frozen 2000 assessed value of project parcels.

[3] Actual/Inflated Value is equal to the 2009 district-wide assessed value less the 2009 project parcel assessed values, per City of Milwaukee Assessor's Office.

[4] Incremental Value is equal to Actual/Inflated Value less Frozen Base Value.

[5] Incremental Revenue is equal to Incremental Value multiplied by the Tax Rate. The value show pertains to district-wide inflationary increment only and excludes project parcel values.

[6] Total Park East TID Incremental Revenue is equal to inflationary district-wide increment plus redevelopment increment from project parcels. Actual values are shown for 2006 and 2007, per City of Milwaukee.

- **The Flatiron.** The Flatiron is a condominium project, with 25 condominiums already constructed and fully assessed. An additional 13 condominiums have not yet been assessed.

Other Key Assumptions

Table A-2 in the appendix of this report illustrates the phasing assumptions used to project TID revenues and calculate amortization.

- **Timing of Assessments.** Schedule information from the developer indicates that the building is anticipated to begin lease-up in May of 2011, so the Moderne project is expected to be partially assessed in 2012. Following full lease-up of the apartment and retail components and sell-out of the condominiums, full assessment of the project is assumed to occur in 2015.
- **Tax Rate.** Our analysis considered historical trends in the overall City of Milwaukee property tax rate over the past 5, 10, 15, and 20-year periods. The tax rate has trended downward over all of these analysis periods at compound annual rates ranging from about 1.4% (20-year history) to 3.6% (10-year history). For our analysis, *SBFCo* assumed a 2009 tax rate equal to the Assessor's estimate of 2.505% (\$25.05 per \$1,000 of value) and a subsequent annual decline in rate of 1.62%, the compound annual rate of decline for the past 10 years. This decline is assumed to continue through 2023, beyond which point the rate is assumed to remain level at 2%.
- **Valuation Approach.** The following assumptions and methodologies were used to project future property valuations for the purposes of estimating TID revenue:
 - **Apartment Valuation:** *SBFCo* held discussions with the City Assessor's Office to review the potential valuation methodology and result for the Moderne apartments. The Assessor's office indicated it would likely take an income approach to valuation of the property, but might base its value on prevailing area rents, as opposed to specific operating results from the property. Specifically, the Assessor suggested rents of \$1.65 per square foot might be used. This income then might be translated into building value using assumptions such as operating expenses (excluding property tax) equal to 35% of revenues, a 5% vacancy rate, and a cap rate of between 6% and 7%. *SBFCo* assumed a 6.5% cap rate, and added 2.3% to reflect the approximate average property tax rate the Project might experience over the bulk of the TID projection period to result in a "tax-loaded cap rate." In turn, these calculations yield an anticipated building valuation of approximately \$139 per square foot, or about \$146,000 per unit. Assessor data on building square footages for other Downtown apartment projects is limited, so *SBFCo* reviewed data on valuation per unit to benchmark the above assumption. This value falls toward the upper end of observed ranges, but below the highest observed values of \$165/unit for the Franklin at East Pointe. Given the Moderne's higher pro forma rents of \$1.94 per square foot per

month as compared to the Franklin's current values in the \$1.50 range, the \$139/sf Moderne valuation assumption appears reasonable.

- Condominiums: Although the Moderne pro forma assumes sales prices of \$408 per square foot, *SBFCo* assumed a valuation of \$350 per square foot to be conservative and to account for the possibility of price concessions. For the Flatiron project, *SBFCo* used actual assessed values for the units that appear to be fully assessed as of 2009, and projected values for the balance of the units.
 - Retail: Consistent with assumptions used in prior Park East TID projections, *SBFCo* assumed a value of \$111 per square foot for retail space.
 - Hotel: For the Aloft project, *SBFCo* used prior TID projections prepared at the time of the March 2008 TID Funding increase. We are not aware of any changes to the project program or schedule that would materially impact these prior projections.
 - Parking Structure Valuation: Although the parking portion of the Moderne project will be leased separately from the apartments and would itself generate additional net operating income, *SBFCo* did not attribute additional TID value to this component. This reflects the fact that available apartment tax comparables frequently do not have separate taxkeys from their associated parking. Therefore, the stated apartment valuation above includes any additional value that may be attributed to parking.
- **Property Value Growth.** *SBFCo*'s projections assume 2% annual growth in real property assessments for all properties included in the TID projection.

Projected Amortization of TID Debt

SBFCo evaluated the time frame over which the total requested Park East TID funding could be amortized using the available sources of funds. This analysis is presented in **Table 5**.

Per schedules provided by the City of Milwaukee, \$17.55 million of bonding has been attributed to TID 48 to date. The amortization schedule for these bonds was incorporated into this overall analysis. In addition to the \$17.55 million bonded to date, the total Park East TID funding amount includes the following additions:

- Park East Authorized and Expended but Not Yet Bonded: The total Park East expenditures equals the \$19.96 million authorized in 2005 plus the \$1.25 million spending increase authorized in 2008, and an approved \$29,232 inflationary increase in 2009 to dockwall costs funded from TID proceeds. Of this \$21.24 million, almost all funds have been authorized and expended. However, *SBFCo* only had access to actual debt service on issued bonds for \$17.55 million of these proceeds to date. The amount that has been authorized but not yet included in bonding schedules is **\$3,686,392**. This amount is assumed to be bonded in 2009 for the purposes of this feasibility analysis.

- Public Park: An estimated \$750,000 cost for the City to construct a public park anticipated on Block 18 of the Park East planning area is assumed to be bonded in 2010.
- Moderne Mezzanine Loan Principal and Administrative Costs: For timing purposes, the total \$950,000 allotted for Park East administration costs was divided into two equal components, so \$475,000 was added to each principal loan amount for bonding. Together, the Mezzanine loan principal amount and administrative costs total **\$3,775,000**. This amount is assumed to be bonded in 2010.
- Moderne Completion Loan Principal and Administrative Costs: The Completion loan principal amount and associated administrative costs total **\$6,475,000**. This amount is assumed to be bonded in 2011, based on the projected draw-down of funds for this portion of the City's loans to the Project.

METHODOLOGY

These projections replicate the issuance of one or more bonds to support the TIF subsidy, and are based on the following key assumptions:

- **Bond Interest Rates.** *SBFCo* assumed an interest rate of 4.5% on the bonds, reflective of the City of Milwaukee's approximate cost of funds frequently used for TID feasibility analysis.
- **Term, Target Debt Service, and Carry Costs.** Reflecting discussions with the Office of the City Comptroller, the projections assume two years of interest-only payments, followed by fifteen years of level principal and interest payments. The interest-only payments in the first two years of the financing are equal to the size of the assumed capitalized interest reserve, less available fund balances at the time of issuance.

For the fifteen 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 15-year amortization of the total bond issue. In each of the 15 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 4% annual interest charge until they are repaid. Any surpluses versus the target are used to pay down the accumulated shortfalls.

- **Issuance Costs.** *SBFCo* assumed an issuance cost of 1.00%.

City of Milwaukee
Park East TID
Table 5: Bonding Capacity Analysis

Bonding Assumptions

Interest Rate on Bonds	4.50%
Cost of Funds (Local Government Investment Pool)	4.00%
Issuance Costs @	1.0%
Capitalized Interest Allowance @	10.0%
Assumed Level P&I Payments	15

Tally of Additional Expenditures to be Included in the District

\$ 19,962,894	Park East Authorized Funding Amount- May 2005 Amendment
\$ 1,250,202	Principal Amount Authorized per 3/28/08 Funding Increase
\$ 29,232	2009 RSMears Adjustment to Aloft Dockwall Costs
\$ 21,242,328	Subtotal- Authorized TID Costs Prior to This Increase
\$ 17,555,936	Amount already bonded
\$ 3,686,392	Park East Authorized & Expended but Not Yet Bonded
\$ 21,242,328	Subtotal- Authorized TID Costs Prior to This Increase

New Expenditures

\$ 750,000	Public Park on Block 18
\$ 3,775,000	Principal Amount Proposed for Mezzanine Loan to Moderne Project + Admin Costs
\$ 6,475,000	Principal Amount Proposed for Completion Loan to Moderne Project + Admin Costs
\$ 11,000,000	Subtotal New Expenditures
\$ 32,242,328	Total Minimum Bonding Authorized (existing and new obligations)
(17,555,936)	Less Principal Amount of Funds Bonded to Date
\$ 14,686,392	Projected Additional Bonding in This Run

Funding Structure of New Bonds

	Assumed Year	Amount	Plus Issuance Costs	Capitalized Interest	Total Issuance
PE Authorized but Not Bonded	2009	\$ 3,686,392	\$ 36,864	\$ 413,695	\$ 4,136,951
Public Park	2010	\$ 750,000	\$ 7,500	\$ 84,167	\$ 841,667
Mezz Loan Bonding Amt.	2010	\$ 3,775,000	\$ 37,750	\$ 423,639	\$ 4,236,389
Completion Loan Bonding Amt.	2011	\$ 6,475,000	\$ 64,750	\$ 726,639	\$ 7,266,389
TOTAL		\$ 14,686,392			\$ 16,481,395

TID Year	Calendar Year	Projected Incremental Property Taxes	Moderne Debt Service Payments	Existing Debt Service Obligations	Available Funds to Service New Debt	Total New Debt Issued	Total New Debt Service	TID Payoff Analysis				
								Annual Surplus/ (Shortfall)	Cumulative Fund Balance	Interest Earnings/ (Carry Cost) on Cuml. Balance	TID Debt Retired	TID Able to Repay Princ. Balance
8	2009	\$ 609,956		\$ (1,400,327)	\$ (790,371)	\$ 4,136,951	\$ -	\$ (790,371)	\$ (790,371)	\$ (31,615)	NO	NO
9	2010	\$ 754,977		\$ (1,391,873)	\$ (636,896)	\$ 5,078,056	\$ -	\$ (636,896)	\$ (1,458,882)	\$ (58,355)	NO	NO
10	2011	\$ 1,102,980	\$ 7,251,471	\$ (1,382,525)	\$ 6,971,926	\$ 7,266,389	\$ -	\$ 6,971,926	\$ 5,454,689	\$ 218,188	NO	NO
11	2012	\$ 1,272,907	\$ 146,626	\$ (1,380,989)	\$ 38,544	\$ -	\$ (385,207)	\$ (346,663)	\$ 5,326,213	\$ 213,049	NO	NO
12	2013	\$ 1,900,344	\$ 2,795,892	\$ (1,382,512)	\$ 3,313,724	\$ -	\$ (858,044)	\$ 2,455,679	\$ 7,994,941	\$ 319,798	NO	NO
13	2014	\$ 2,206,278		\$ (1,366,313)	\$ 839,964	\$ -	\$ (1,534,645)	\$ (694,681)	\$ 7,620,058	\$ 304,802	NO	NO
14	2015	\$ 2,343,169		\$ (1,575,650)	\$ 767,520	\$ -	\$ (1,534,645)	\$ (767,126)	\$ 7,157,734	\$ 286,309	NO	NO
15	2016	\$ 2,399,605		\$ (1,936,288)	\$ 463,317	\$ -	\$ (1,534,645)	\$ (1,071,329)	\$ 6,372,715	\$ 254,909	NO	NO
16	2017	\$ 2,428,201		\$ (1,997,419)	\$ 430,782	\$ -	\$ (1,534,645)	\$ (1,103,863)	\$ 5,523,761	\$ 220,950	NO	NO
17	2018	\$ 2,456,568		\$ (2,357,801)	\$ 98,767	\$ -	\$ (1,534,645)	\$ (1,435,878)	\$ 4,308,833	\$ 172,353	NO	NO
18	2019	\$ 2,484,711		\$ (1,997,020)	\$ 487,691	\$ -	\$ (1,534,645)	\$ (1,046,955)	\$ 3,434,231	\$ 137,369	NO	NO
19	2020	\$ 2,512,634		\$ (1,972,968)	\$ 539,666	\$ -	\$ (1,534,645)	\$ (994,979)	\$ 2,576,621	\$ 103,065	NO	NO
20	2021	\$ 2,540,342		\$ (1,823,315)	\$ 717,027	\$ -	\$ (1,534,645)	\$ (817,619)	\$ 1,862,067	\$ 74,483	NO	NO
21	2022	\$ 2,567,839		\$ (1,490,112)	\$ 1,077,727	\$ -	\$ (1,534,645)	\$ (456,918)	\$ 1,479,632	\$ 59,185	NO	NO
22	2023	\$ 2,595,129		\$ (219,274)	\$ 2,375,854	\$ -	\$ (1,534,645)	\$ 841,209	\$ 2,380,026	\$ 95,201	NO	NO
23	2024	\$ 2,631,451		\$ (26,066)	\$ 2,605,385	\$ -	\$ (1,534,645)	\$ 1,070,739	\$ 3,545,966	\$ 141,839	NO	NO
24	2025	\$ 2,702,210			\$ 2,702,210	\$ -	\$ (1,534,645)	\$ 1,167,565	\$ 4,855,369	\$ 194,215	NO	YES
25	2026	\$ 2,774,385			\$ 2,774,385	\$ -	\$ (1,534,645)	\$ 1,239,739	\$ 6,289,323	\$ 251,573	NO	YES
26	2027	\$ 2,848,002			\$ 2,848,002	\$ -	\$ (1,149,438)	\$ 1,698,564	\$ 8,239,461	\$ 329,578	NO	YES
27	2028	\$ 2,923,093			\$ 2,923,093	\$ -	\$ (676,601)	\$ 2,246,492	\$ 10,815,531	\$ 432,621	NO	YES
28	2029	\$ 2,999,685			\$ 2,999,685	\$ -	\$ -	\$ 2,999,685	\$ 14,247,837	\$ 569,913	YES	YES
TOTALS		\$ 47,054,466	\$ 10,193,989	\$ (23,700,453)	\$ 33,548,002	\$ 16,481,395	\$ (23,019,682)	\$ 10,528,320	\$ 14,247,837	\$ 4,289,430		

Note: These projections are based on estimates, assumptions, and other information developed from research of the market, knowledge of the industry, and meetings during which we obtained certain information. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, actual results during the period covered by our analysis will necessarily vary from those shown here and the variations may be material.

Based on these amortization assumptions and the underlying TID projection assumptions, *SBFCo* projects that the proposed new Park East TID bonded amount, including costs associated with the Moderne, the dockwall, and the public park, can be amortized by 2025 in the 24th year of the TID. It should be noted that the City of Milwaukee has the ability to regulate the expenditure of the public park cost included in this projection. Further, no additional Park East sites other than the Moderne and those already under development are factored into this analysis, offering additional potential for the TID to realize substantially greater revenues than those included in this feasibility report.

Appendix 1: Construction Cost Review Summary



The Concord Group

Construction Consultants

161 North Clark Street
Suite 2050
Chicago, IL 60601
tel 312.424.0250
fax 312.424.0252

September 3, 2009

Tony Q. Smith, AICP
Practice Leader
S. B. Friedman & Company
221 N. LaSalle, Suite 820
Chicago, IL 60601

RE: Moderne – Updated Construction Cost Review

Dear Mr. Smith:

We have reviewed the updated construction budget prepared by Findorff. This document indicates that Findorff have been working with the architect to refine the design and reduce the estimated construction costs. Along with additional accepted cost savings from alternatives, Findorff also expect to see cost savings when they hard bid selected trades. As the design nears completion, design/estimating contingency is also being reduced.

Based on the information above as supplied by Findorff we believe that the target cost is achievable given the current market conditions and the aggressive bidding environment that currently exists.

Please do not hesitate to contact me if you have any questions.

Sincerely,
The Concord Group

Eamon Ryan
Vice President



The Concord Group

Construction Consultants

ESTIMATE REVIEW COMMENTS

FOR

THE MODERNE SCHEMATIC DESIGN ESTIMATE
(Revision 06112009)

Prepared For:
S. B. Friedman
221 North LaSalle Street
Suite 820
Chicago, IL 60601

Prepared By:
The Concord Group
161 North Clark Street
Suite 2050
Chicago, IL 60601

Date Prepared:
June 19, 2009

OVERVIEW

For the initial review we undertook the following:

- (1) Reviewed Findorff's Schematic Design Estimate (Revision 06112009) provided to us by S. B. Friedman & Company.
- (2) Reviewed the schematic design drawings and associated schematic design narrative to understand the scope of the project.
- (3) Performed take-off of some major project components, such as exterior envelope, structural concrete suspended slabs and interior finishes and major components of MEP systems. These quantities were then priced to reflect current market conditions and a comparative estimate was developed and compared with the Findorff estimate. (See attached estimate and comparison)
- (4) Compared cost/SF and unit costs with pricing for recent projects of similar scope.

COMMENTS

In summary, the following are our comments and recommendations based on our initial review of the documents:

- (1) In general the overall cost of \$115/sqft is reasonable and is in line with similar projects recently completed in Milwaukee.
- (2) General conditions based on 11.52% of estimated total construction costs appear very high for a project of this nature and scope. A percentage of 5% to 6% would, in our opinion, be more appropriate. (It's possible that Findorff has included design contingency in this number, as there is no line item in the estimate that shows what contingency is being carried).
- (3) There are no costs allocated in the estimate for incoming domestic water, sewer, and steam for heating.
- (4) The overall cost for drywall partitions and interior doors, frames and hardware appears high and should be verified.

- (5) The overall cost of the plumbing system at \$3.90/sf seems low considering that this would include a number of plumbing risers (domestic, waste/vent, storm) and piping in the units, deck drains and drainage piping in the parking deck, water heaters, domestic boosters and other miscellaneous equipment and specialties. This cost should be verified.
- (6) The overall cost for HVAC seems high, based on the type of system described in the narrative and should be verified.
- (7) The allowances in the estimate for millwork at the condos seem high and should be verified.
- (8) The lump sum cost for the 3 passenger elevators and 1 freight elevator seems low.

RECOMMENDATIONS

- (1) Request a detailed breakdown of the contractor's general conditions to allow for a more detailed review.
- (2) Request that design contingency be broken out as a separate line item.
- (3) Request a response to our comments (2) through (10) above. Where items are to be verified, a more detailed breakdown should be provided.



Description	Quantity	Unit	Unit Cost	Subtotal	Total
G BUILDING SITEWORK					
Roadways					
Garage ramp	500	SF	8	\$4,000	
Concrete paving, 9" colored	500	SF	10	\$5,000	
Curb & gutter	300	LF	25	\$7,500	
Planter curb	80	LF	40	\$3,200	
Subtotal					\$19,700
Pedestrian Paving					
Concrete sidewalk, 5"	1,500	SF	5	\$7,500	
Concrete sidewalk, 5" colored	2,500	SF	8	\$20,000	
Miscellaneous paving etc.	1	LS	2,500	\$2,500	
Subtotal					\$30,000
Site Development					
Exterior Signage	1	LS	10,000	\$10,000	
Subtotal					\$10,000
G TOTAL: BUILDING SITEWORK					\$59,700
A STRUCTURE					
Standard Foundation					
Mat Foundation, 6'-10" deep	3,531	CY	215	\$759,069	
Subtotal					\$759,069
Special Foundations					
Earth retention	7,650	SF	36	\$275,400	
Dewatering allowance	1	LS	60,000	\$60,000	
Underpinning allowance	1	LS	30,000	\$30,000	
Subtotal					\$365,400
Slab-on-Grade					
Slab-on-grade on compacted fill	13,950	SF	5.0	\$69,750	
Subtotal					\$69,750
Basement Excavation					
Excavation & haulaway	6,200	CY	22	\$136,400	
Subtotal					\$136,400
Basement Walls					
Basement Walls	307	CY	650	\$199,550	
Foundation waterproofing	5,522	SF	4	\$22,088	
Subtotal					\$221,638
TOTAL: STRUCTURE					\$1,552,257
B SHELL					
Elevator/Stair Walls					
Elevator/Stair Walls	2,777	CY	425	\$1,180,225	
Subtotal					\$1,180,225
Floor Construction					
Post-tensioned concrete slab	384,652	SF	10	\$3,846,520	
Concrete columns	398,602	SF	3	\$1,195,806	
Concrete beams	398,602	SF	2.50	\$996,505	
Miscellaneous structural steel	398,602	SF	0.50	\$199,301	
Miscellaneous metals	1	LS	25,000	\$25,000	
Roof structure including penetrations, flashing etc.	11,954	SF	15	\$179,310	
Firestopping	30	EA	4,000	\$120,000	
Subtotal					\$6,562,442



Description	Quantity	Unit	Unit Cost	Subtotal	Total
Exterior Walls					
Stone-veneer facing	3,270	SF	35	\$114,450	
Ribbed metal panel cladding w/integral louvers	2,273	SF	38	\$86,374	
Metal panel system	5,468	SF	32	\$174,976	
Pre-cast concrete panels	69,892	SF	36	\$2,516,112	
Balcony railings	2,086	LF	125	\$260,750	
Miscellaneous caulking and sealants	398,602	SF	1	\$398,602	
Subtotal					\$3,551,264
Exterior Windows					
Aluminum curtainwall	3,585	SF	65	\$233,025	
Aluminum curtain wall system, curved/segmented	16,139	SF	90	\$1,452,510	
Aluminum windows	68,382	SF	55	\$3,761,010	
Aluminum storefront	7,741	SF	35	\$270,935	
Window wall mechanical screening	2,257	SF	38	\$85,766	
Subtotal					\$5,803,246
Exterior Doors					
Aluminum doors (glazed) with frames	12	EA	3,000	\$36,000	
Revolving entrance	1	LS	30,000	\$30,000	
Overhead Doors	5	EA	3,000	\$15,000	
Subtotal					\$81,000
Roofing					
Roofing including penetrations, flashing etc.	11,954	SF	16	\$191,264	
Subtotal					\$191,264
B TOTAL: SHELL					\$17,369,441
C INTERIORS					
Partitions					
Partitions, CMU	3,438	SF	14	\$48,132	
Partitions, corridor	100,206	SF	6.50	\$651,339	
Partitions, typical	226,980	SF	5	\$1,134,900	
Miscellaneous wood blocking	398,602	SF	1	\$398,602	
Subtotal					\$2,232,973
Interior Doors/Glazing					
Apartment entrance door, frame & hardware	171	EA	850	\$145,350	
Condo entrance door, frame & hardware	43	EA	950	\$40,850	
Interior door, frame & hardware	738	EA	550	\$405,900	
Miscellaneous door, frame & hardware	54	EA	800	\$43,200	
Cloest doors - apartments	127	EA	250	\$31,750	
Miscellaneous interior glazing	1	LS	50,000	\$50,000	
Subtotal					\$717,050
Specialties					
Toilet accessories - apartment/flex units	203	EA	200	\$40,600	
Toilet accessories - condos	14	EA	400	\$5,600	
Mailboxes	1	LS	10,000	\$10,000	
Closet systems	14	EA	2,000	\$28,000	
Subtotal					\$84,200
Stairs					
Metal Stairs with railings per 2 flights & 1 landing	61	EA	6,000	\$366,000	
Concrete cast-in-place stairs at parking lots	6	EA	2,500	\$15,000	
Subtotal					\$381,000



Description	Quantity	Unit	Unit Cost	Subtotal	Total
Wall Finishes					
Paint gypboard partitions	654,372	SF	0.80	\$523,498	
Paint concrete/masonry partitions	149,958	SF	0.90	\$134,962	
Paint exposed ceiling	97,517	SF	1	\$97,517	
Subtotal					\$755,977
Floor Finishes					
Concrete sealer	97,517	SF	1	\$97,517	
Ceramic Tile - apartments/flex units	19,560	SF	10	\$195,600	
Ceramic Tile - condos	5,500	SF	12	\$66,000	
Ceramic Tile - common areas	3,500	SF	10	\$35,000	
Carpet - apartment/flex units	175,875	SF	3.50	\$615,563	
Carpet - condos	59,050	SF	4	\$236,200	
Carpet - common areas	23,500	SF	4	\$94,000	
Wood flooring with acoustical mat	14,500	SF	14	\$203,000	
Subtotal					\$1,542,880
Ceiling Finishes					
Gypboard ceiling	290,035	SF	5	\$1,305,158	
Acoustical ceiling	25,000	SF	3.85	\$96,250	
Decorative ceiling	1	LS	10,000	\$10,000	
Subtotal					\$1,411,408
C TOTAL: INTERIORS					\$7,125,487
D SERVICES					
Conveying					
Geared traction service freight elevators, 4000 lbs, 31 stops, 200 fpm, Class A	1	EA	426,000	\$426,000	
Geared traction public passenger elevators, 2500 lbs, 20 stops, 200 fpm	2	EA	315,000	\$630,000	
Geared traction public passenger elevators, 2500 lbs, 31 stops, 200 fpm	1	EA	449,000	\$449,000	
Subtotal					\$1,505,000
Plumbing					
Plumbing Equipment and Specialties:					
Heat exchangers, steam/hot water	1	LS	15,000	\$15,000	
Domesitc boosters	3	EA	25,000	\$75,000	
HW circulating pumps	1	LS	8,000	\$8,000	
Elevator sump pump	1	EA	1,500	\$1,500	
Allowance for sump pumps	1	LS	15,000	\$15,000	
Cleanouts, floor, trench drains	1	LS	75,000	\$75,000	
Pipe Including Fittings, Valves, and Supports:					
Allowance for domestic, sanitary, vent, storm piping & insulation including pipe & valve tagging, system testing and balancing	1	LS	1,490,000	\$1,490,000	
Subtotal					\$1,679,500



Description	Quantity	Unit	Unit Cost	Subtotal	Total
Plumbing Fixtures					
Water closets, residential tank-type	304	EA	750	\$228,000	
Lavatories, integral vanity (fixture by others), faucet, hookup	313	EA	700	\$219,100	
Showers	97	EA	1,000	\$97,000	
Tub/shower combination	184	EA	1,400	\$257,600	
Jacuzzi/whirlpool fixture	11	EA	5,500	\$60,500	
Kitchen sinks, stainless steel	220	EA	900	\$198,000	
Bar sinks, stainless steel	31	EA	850	\$26,350	
Washer/dryer box & hookup	220	EA	250	\$55,000	
Dishwasher connections	220	EA	200	\$44,000	
Mop basin (Level 1)	1	EA	1,600	\$1,600	
Subtotal					\$1,187,150
HVAC					
Apartments/Condominiums:					
Level 8:					
Fancoil unit, 4-pipe, 1.5 tons	6	EA	2,500	\$15,000	
Distribution ductwork and grilles (per unit)	6	EA	800	\$4,800	
Toilet exhaust fan w/exhaust duct and cap	6	EA	300	\$1,800	
Fancoil unit, 4-pipe, corridor & elevator lobby	1	EA	4,000	\$4,000	
Ductwork and insulation, corridor & elevator lobby	1	EA	4,200	\$4,200	
Level 9 - 19:					
Fancoil unit, 4-pipe, 1.5 tons	121	EA	2,500	\$302,500	
Distribution ductwork and grilles (per unit)	121	EA	800	\$96,800	
Toilet exhaust fan w/exhaust duct and cap	121	EA	300	\$36,300	
Fancoil unit, 4-pipe, corridor & elevator lobby	11	EA	4,000	\$44,000	
Ductwork and insulation, corridor & elevator lobby	11	EA	4,200	\$46,200	
Levels 20 - 23:					
Fancoil unit, 4-pipe, 1.5 tons	44	EA	2,500	\$110,000	
Distribution ductwork and grilles (per unit)	44	EA	800	\$35,200	
Toilet exhaust fan w/exhaust duct and cap					Central exhaust
Electric baseboard	1,200	LF	40	\$48,000	
Levels 24 - 28:					
Fancoil unit, 4-pipe, 1.5 tons	50	EA	2,500	\$125,000	
Distribution ductwork and grilles (per unit)	50	EA	800	\$40,000	
Toilet exhaust fan w/exhaust duct and cap					Central exhaust
Electric baseboard	1,500	LF	40	\$60,000	
Level 29:					
Fancoil unit, 4-pipe, 1.5 tons	6	EA	2,500	\$15,000	
Distribution ductwork and grilles (per unit)	6	EA	800	\$4,800	
Toilet exhaust fan w/exhaust duct and cap					Central exhaust
Electric baseboard	300	LF	40	\$12,000	
Level 30:					
Fancoil unit, 4-pipe, 1.5 tons	6	EA	2,500	\$15,000	
Distribution ductwork and grilles (per unit)	6	EA	800	\$4,800	
Toilet exhaust fan w/exhaust duct and cap					Central exhaust
Electric baseboard	300	LF	40	\$12,000	
Central Heating & Cooling Plant:					
Heat exchangers, steam/hot water	3	EA	10,000	\$30,000	
HW pumps, primary	3	EA	6,000	\$18,000	
HW pumps, secondary	2	EA	10,000	\$20,000	
Hydronic pump specialties	1	LS	45,000	\$45,000	
Chillers, centrifugal, 450 tons total (2 @225 tons ea.)	2	EA	95,000	\$190,000	
HW pumps, primary	2	EA	6,000	\$12,000	
HW pumps, secondary	2	EA	10,000	\$20,000	
Hydronic pump specialties	1	LS	45,000	\$45,000	
Cooling tower	1	EA	60,000	\$60,000	
CT sump	1	LS	20,000	\$20,000	
Condenser water pumps	2	EA	15,000	\$30,000	
Hydronic pump specialties - CT pumps	1	LS	35,000	\$35,000	
Unit heaters	1	LS	6,000	\$6,000	



Description	Quantity	Unit	Unit Cost	Subtotal	Total
Centralized Ventilation Systems:					
Level 8:					
AHU, fitness center, w/ductwork	1	LS	22,000	\$22,000	
Exhaust system - fitness center	1	LS	5,000	\$5,000	
Level 20-23:					
Toilet exhaust fan	4	EA	1,200	\$4,800	
Exhaust ductwork (per floor)	4	EA	4,000	\$16,000	
Level 24-28:					
Toilet exhaust fan	5	EA	1,200	\$6,000	
Exhaust ductwork (per floor)	5	EA	4,000	\$20,000	
Level 29:					
Toilet exhaust fan	1	EA	1,200	\$1,200	
Exhaust ductwork (per floor)	1	EA	4,000	\$4,000	
Level 30:					
Toilet exhaust fan	1	EA	1,200	\$1,200	
Exhaust ductwork (per floor)	1	EA	4,000	\$4,000	
Lower/Parking Levels:					
Level B1:					
MAU, gas-fired, 6800 cfm	1	EA	14,000	\$14,000	
OA duct to MAU	1	LS	2,000	\$2,000	
Exhaust fan, inline	1	EA	2,500	\$2,500	
OA, EA louvers	2	EA	2,000	\$4,000	
CO detection	1	LS	3,000	\$3,000	
Electrical, generator room exhaust fan, 25,000 cfm	2	EA	18,000	\$36,000	
Exhaust ductwork, electrical room	1	LS	8,000	\$8,000	
Level 1:					
Unit heaters, gas-fired, w/flue and gas connections	4	EA	2,800	\$11,200	
Hydronic unit heaters (temp. heat - retail spaces)	1	LS	8,000	\$8,000	
AHU - Apartment, condo lobby	1	EA	7,000	\$7,000	
OA louver to AHU	1	EA	2,000	\$2,000	
Ducted distribution	1	LS	2,000	\$2,000	
Levels 2 thru 7:					
MAU, gas-fired, 6800 cfm	7	EA	14,000	\$98,000	
OA duct to MAU	7	EA	1,500	\$10,500	
Exhaust fan, inline	7	EA	2,500	\$17,500	
OA, EA louvers	14	EA	2,000	\$28,000	
CO detection	1	LS	20,000	\$20,000	
Roof:					
Unit heaters	1	EA	2,000	\$2,000	
OA, EA louvers	1	LS	7,000	\$7,000	
Misc.:					
Unit heaters - gas-fired, elevator equipment room	1	EA	3,500	\$3,500	
Cabinet unit heaters, stairs	1	LS	90,000	\$90,000	
Piping:					
Allowance for steam, condensate, CHW, HW, cooling tower, gas, and misc. piping throughout building	1	LS	800,000	\$800,000	
Controls - Central Equipment:					
Heat exchangers, steam/hot water	3	EA	5,500	\$16,500	
HW pumps, primary	3	EA	1,200	\$3,600	
HW pumps, secondary	2	EA	3,000	\$6,000	
Chillers, centrifugal, 450 tons total (2 @225 tons ea.)	2	EA	1,200	\$2,400	
HW pumps, primary	2	EA	1,200	\$2,400	
HW pumps, secondary	2	EA	3,000	\$6,000	
Cooling tower	1	EA	5,000	\$5,000	
Condenser water pumps	2	EA	1,200	\$2,400	
AHU, fitness center, w/ductwork	1	EA	2,000	\$2,000	
Exhaust system - fitness center	1	LS	2,000	\$2,000	
Toilet exhaust fans - floor 20-30	11	EA	2,500	\$27,500	
Makeup/exhaust air unit - floors 20-30 - 8800 cfm, CHW, HW coil	1	EA	5,000	\$5,000	



Description	Quantity	Unit	Unit Cost	Subtotal	Total
Stairway pressurization fans, 30,000 cfm, inline, w/VFD	2	EA	5,000	\$10,000	
Split AC units - elevator equipment room	1	EA	3,500	\$3,500	
Recirculating fan w/charcoal filter - trash room	23	EA	2,200	\$50,600	
Miscellaneous points & devices	1	LS	20,000	\$20,000	
Engineer's station	1	EA	15,000	\$15,000	
Engineering, testing, and training	1	EA	25,000	\$25,000	
Tagging, Test & Balance, and Commissioning:					
Air balancing	1	LS	15,000	\$15,000	
Pipe and valve tagging	1	LS	25,000	\$25,000	
Pipe testing and balancing	1	LS	40,000	\$40,000	
System commissioning	1	LS	50,000	\$50,000	
Subtotal					\$3,163,700
Fire Protection					
Sprinkler systems	398,602	SF	1.50	\$597,903	
Subtotal					\$597,903
Electrical					
Electrical systems	398,602	SF	9.25	\$3,687,069	
Subtotal					\$3,687,069
D TOTAL: SERVICES					\$11,820,322
E EQUIPMENT & FURNISHINGS					
Miscellaneous equipment:					
Appliances - aptmets/flex units	203	EA	2,500	\$507,500	
Appliances - condos	5	EA	15,000	\$75,000	
Appliances - condos	1	EA	20,000	\$20,000	
Appliances - condos	8	EA	25,000	\$200,000	
Trash chute	427	LF	125	\$53,375	
Fireplaces	14	EA	7,500	\$105,000	
Subtotal					\$960,875
Fixed Furnishings					
Apartments/Flex units:					
Countertops	1,716	LF	65	\$111,540	
Base cabinet with countertops	2,555	LF	200	\$511,000	
Wall cabinets	1,183	LF	125	\$147,875	
Shelving & pole	2,776	LF	15	\$41,640	
Bathroom countertop & vanities	203	EA	500	\$101,500	
Condos:					
Countertops	248	LF	125	\$31,000	
Base cabinet with countertops	324	LF	350	\$113,400	
Wall cabinets	164	LF	300	\$49,200	
Shelving & pole	480	LF	25	\$12,000	
Bathroom countertop & vanities	28	EA	1,000	\$28,000	
Bathroom countertop & vanities, double	9	EA	2,000	\$18,000	
Miscellaneous millwork	398,602	SF	1.50	\$597,903	
Subtotal					\$1,763,058
E TOTAL: EQUIPMENT & FURNISHINGS					\$2,723,933

The Moderne
Base Building
Comparison

SD Estimate
June 19, 2009

TRADE SECTION	CONCORD	FINDORFF TOTALS			SUBTOTALS					
		COST	DEVIATION		COST	DEVIATION				
		\$	\$	%	\$	\$	%			
BUILDING SITEWORK	59,700	59,058	(642)	-1.09%						
Site Improvement	19,700				18,413	(1,287)	-6.99%			
Pedestrian Paving	30,000				30,645	645	2.10%			
Site Development	10,000				10,000	0	0.00%			
STRUCTURE	1,552,257	1,547,576	(4,681)	-0.30%						
Standard Foundation	759,069				742,561	(16,508)	-2.22%			
Special Foundations	365,400				372,995	7,595	2.04%			
Slab on Grade	69,750				42,104	(27,646)	-65.66%			
Basement Excavation	136,400				167,000	30,600	18.32%			
Basement walls	221,638				222,916	1,278	0.57%			
SHELL	17,369,441	17,078,840	(290,601)	-1.70%						
Elevator/Stair Walls	1,180,225				0	(1,180,225)				
Floor Construction	6,562,442				6,912,291	349,849	5.06%			
Exterior Walls	3,551,264				3,316,107	(235,157)	-7.09%			
Exterior Windows	5,803,246				6,549,463	746,217	11.39%			
Exterior Doors	81,000				65,452	(15,548)	-23.75%			
Roofing	191,264				235,527	44,263	18.79%			
INTERIORS	7,125,487	8,510,033	1,384,546	16.27%						
Partitions	2,232,973				3,473,768	1,240,795	35.72%			
Interior Doors	717,050				1,217,449	500,399	41.10%			
Specialties	84,200				76,966	(7,234)	-9.40%			
Stairs	381,000				290,000	(91,000)	-31.38%			
Wall Finishes	755,977				743,200	(12,777)	-1.72%			
Floor Finishes	1,542,880				1,476,338	(66,542)	-4.51%			
Ceiling Finishes	1,411,408				1,232,312	(179,096)	-14.53%			
SERVICES	11,820,322	10,121,366	(1,698,956)	-16.79%						
Conveying	1,505,000				1,200,000	(305,000)	-25.42%			
Plumbing	1,679,500				1,275,800	(403,700)	-31.64%			
Plumbing Fixtures	1,187,150				279,776	(907,374)	-324.32%			
HVAC	3,163,700				3,564,300	400,600	11.24%			
Fire Protection	597,903				550,400	(47,503)	-8.63%			
Electrical	3,687,069				3,251,090	(435,979)	-13.41%			
EQUIPMENT & FURNISHINGS	2,723,933	3,322,550	598,617	18.02%						
Miscellaneous Equipment	960,875				906,023	(54,852)	-6.05%			
Fixed Furnishings	1,763,058				2,416,527	653,469	27.04%			
SUBTOTAL	\$40,651,140	\$40,639,423	(\$11,717)	-0.03%	\$40,639,423	(\$665,186)	-0.03%			
General Conditions / Insurance	2,439,068	4,682,692	2,243,624	47.91%	4,682,692	2,243,624	47.91%			
Contractor's Fees	1,077,255	816,501	(260,754)	-31.94%	816,501	(260,754)	-31.94%			
Design Contingency	2,208,373	0	(2,208,373)		0	(2,208,373)				
TOTAL ESTIMATED CONSTRUCTION COSTS	\$46,375,836	\$46,138,616	(\$237,220)	-0.51%	\$46,138,616	(\$890,689)	-0.51%			

Appendix 2: TID Projection and Pro Forma Detail

City of Milwaukee- Moderne Loan Analysis
Table A-1: Loan Draws and Repayment
During Construction

	Pre-Const	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	
Hard Costs Spent		1.7%	3.2%	3.8%	3.3%	4.2%	5.8%	5.6%	5.6%	7.9%	7.9%	7.9%	7.7%	4.9%	5.6%	3.5%	3.5%	3.5%	3.4%	
Soft Costs Spent		94.4%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.6%	0.1%	0.1%	0.1%	0.1%	0.1%	
Developer Fee Paid		1.7%	3.2%	3.8%	3.3%	4.2%	5.8%	5.6%	5.6%	7.9%	7.9%	7.9%	7.7%	4.9%	5.6%	3.5%	3.5%	3.5%	3.4%	
USES																				
Land and Predev Costs	\$ 2,612,444	\$ 2,612,444																		
Hard Costs	\$ 43,251,855	\$ 722,483	\$ 1,369,403	\$ 1,629,085	\$ 1,416,577	\$ 1,817,961	\$ 2,502,716	\$ 2,422,626	\$ 2,423,154	\$ 3,422,716	\$ 3,422,716	\$ 3,422,716	\$ 3,320,701	\$ 2,115,541	\$ 2,405,396	\$ 1,507,909	\$ 1,507,970	\$ 1,493,548	\$ 1,460,039	
Soft Costs	\$ 4,975,641	\$ 4,698,029	\$ 3,725	\$ 3,725	\$ 3,725	\$ 3,725	\$ 3,725	\$ 3,725	\$ 3,725	\$ 3,725	\$ 3,725	\$ 3,725	\$ 3,725	\$ 31,039	\$ 3,725	\$ 3,725	\$ 3,725	\$ 3,725	\$ 3,725	
Construction Interest	\$ 2,424,955	\$ -	\$ 5,066	\$ 10,520	\$ 19,081	\$ 26,578	\$ 36,205	\$ 49,448	\$ 62,343	\$ 75,306	\$ 93,543	\$ 111,873	\$ 130,298	\$ 143,018	\$ 150,467	\$ 162,673	\$ 171,382	\$ 180,136	\$ 188,860	
Developer Fee (Un-Deferred)	\$ 700,000	\$ 11,693	\$ 22,163	\$ 26,366	\$ 22,926	\$ 29,422	\$ 40,505	\$ 39,208	\$ 39,217	\$ 55,394	\$ 55,394	\$ 55,394	\$ 53,743	\$ 34,239	\$ 38,930	\$ 24,404	\$ 24,405	\$ 24,172	\$ 23,630	
TOTAL	\$ 53,964,896	\$ 2,612,444	\$ 5,432,205	\$ 1,400,356	\$ 1,669,695	\$ 1,462,309	\$ 1,877,686	\$ 2,583,149	\$ 2,515,008	\$ 2,528,438	\$ 3,557,140	\$ 3,575,377	\$ 3,593,708	\$ 3,508,467	\$ 2,323,837	\$ 1,698,711	\$ 1,707,482	\$ 1,701,580	\$ 1,676,253	
COMMITTED SOURCES AT CLOSING																				
Equity	\$ 3,756,588	\$ 2,612,444	\$ 1,144,144	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City Mezz	\$ 3,300,000	\$ 3,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City Base	\$ 6,000,000	\$ -	\$ 336,416	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,027,483	\$ 870,918	\$ 217,729	\$ -	\$ -	\$ -	\$ -	
NOI During Construction	\$ 594,196	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,447	
Senior Debt	\$ 41,410,623	\$ 988,061	\$ 1,063,941	\$ 1,669,695	\$ 1,462,309	\$ 1,877,686	\$ 2,583,149	\$ 2,515,008	\$ 2,528,438	\$ 3,557,140	\$ 3,575,377	\$ 3,593,708	\$ 2,480,984	\$ 1,452,919	\$ 2,380,787	\$ 1,698,711	\$ 1,707,482	\$ 1,701,580	\$ 1,581,806	
TOTAL	\$ 55,061,408	\$ 2,612,444	\$ 5,432,205	\$ 1,400,356	\$ 1,669,695	\$ 1,462,309	\$ 1,877,686	\$ 2,583,149	\$ 2,515,008	\$ 2,528,438	\$ 3,557,140	\$ 3,575,377	\$ 3,593,708	\$ 3,508,467	\$ 2,323,837	\$ 1,698,711	\$ 1,707,482	\$ 1,701,580	\$ 1,676,253	
		TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	
REPAYMENT SOURCES																				
NOI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Condo Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Repayment Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
LOAN REPAYMENT																				
City Mezz 100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City Base 0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Equity Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
INTERIM INTEREST																				
City Mezz Balance	15.00%	\$ -	\$ 3,300,000	\$ 3,341,244	\$ 3,383,003	\$ 3,425,284	\$ 3,468,093	\$ 3,511,438	\$ 3,555,324	\$ 3,599,759	\$ 3,644,749	\$ 3,690,301	\$ 3,736,423	\$ 3,783,121	\$ 3,830,403	\$ 3,878,276	\$ 3,926,747	\$ 3,975,823	\$ 4,025,514	\$ 4,075,825
Accruing Interest		\$ -	\$ -	\$ 41,243.7	\$ 41,759.1	\$ 42,281.1	\$ 42,809.5	\$ 43,344.5	\$ 43,886.2	\$ 44,434.7	\$ 44,990.1	\$ 45,552.4	\$ 46,121.7	\$ 46,698.1	\$ 47,281.8	\$ 47,872.7	\$ 48,471.0	\$ 49,076.8	\$ 49,690.2	\$ 50,311.2
City Base Balance		\$ -	\$ 336,416	\$ 338,140	\$ 339,874	\$ 341,616	\$ 343,368	\$ 345,128	\$ 346,898	\$ 348,676	\$ 350,464	\$ 352,261	\$ 354,067	\$ 355,881	\$ 357,704	\$ 359,536	\$ 361,377	\$ 363,227	\$ 365,085	\$ 366,952
Accruing Interest	6.15%	\$ -	\$ -	\$ 1,724.8	\$ 1,733.6	\$ 1,742.5	\$ 1,751.4	\$ 1,760.4	\$ 1,769.4	\$ 1,778.5	\$ 1,787.6	\$ 1,796.8	\$ 1,806.0	\$ 1,815.1	\$ 1,824.3	\$ 1,833.5	\$ 1,842.7	\$ 1,851.9	\$ 1,861.1	\$ 1,870.3
Senior Debt Balance		\$ -	\$ 988,061	\$ 2,052,002	\$ 3,721,597	\$ 5,184,006	\$ 7,061,691	\$ 9,644,841	\$ 12,159,848	\$ 14,688,286	\$ 18,245,426	\$ 21,820,804	\$ 25,414,512	\$ 27,895,496	\$ 29,348,415	\$ 31,729,202	\$ 33,427,913	\$ 35,135,395	\$ 36,836,975	\$ 38,418,781
Pmt of Capitalized Interest	6.15%	\$ -	\$ 5,065.7	\$ 10,520.4	\$ 19,080.8	\$ 26,578.0	\$ 36,204.7	\$ 49,448.3	\$ 62,342.5	\$ 75,305.6	\$ 93,542.8	\$ 111,873.4	\$ 130,298.1	\$ 143,017.9	\$ 150,466.9	\$ 162,673.0	\$ 171,382.1	\$ 180,136.2	\$ 188,860.1	

Source: Milwaukee Moderne, LLC and S. B. Friedman & Company

City of Milwaukee- Moderne Loan Analysis
Table A-1: Loan Draws and Repayment
During Construction

	COMPLETION				YEAR 1												YEAR 2							
	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	
Hard Costs Spent	3.2%	3.2%	2.9%	2.0%																				
Soft Costs Spent	0.1%	0.1%	0.1%	3.5%																				
Developer Fee Paid	3.2%	3.2%	2.9%	2.0%																				
USES																								
Land and Predev Costs	\$ 2,612,444																							
Hard Costs	\$ 43,251,855	\$ 1,394,125	\$ 1,371,735	\$ 1,253,475	\$ 849,265																			
Soft Costs	\$ 4,975,641	\$ 3,725	\$ 3,725	\$ 3,725	\$ 175,807																			
Construction Interest	\$ 2,424,955	\$ 196,970	\$ 201,311	\$ 204,339	\$ 205,539																			
Developer Fee (Un-Deferred)	\$ 700,000	\$ 22,563	\$ 22,201	\$ 20,287	\$ 13,745																			
TOTAL	\$ 53,964,896	\$ 1,617,382	\$ 1,598,971	\$ 1,481,825	\$ 1,244,356																			
COMMITTED SOURCES AT CLOSING																								
Equity	\$ 3,756,588	\$ -	\$ -	\$ -	\$ -																			
City Mezz	\$ 3,300,000	\$ -	\$ -	\$ -	\$ -																			
City Base	\$ 6,000,000	\$ 664,107	\$ 889,924	\$ 1,117,045	\$ 876,378																			
NOI During Construction	\$ 594,196	\$ 106,543	\$ 118,461	\$ 130,706	\$ 144,040																			
Senior Debt	\$ 41,410,623	\$ 846,732	\$ 590,586	\$ 234,074	\$ 223,938																			
TOTAL	\$ 55,061,408	\$ 1,617,382	\$ 1,598,971	\$ 1,481,825	\$ 1,244,356																			
		TRUE	TRUE	TRUE	TRUE																			
REPAYMENT SOURCES																								
NOI						\$ 34,707.70	\$ 34,707.70	\$ 34,707.70	\$ 34,707.70	\$ 34,707.70	\$ 34,707.70	\$ 34,707.70	\$ 34,707.70	\$ 34,707.70	\$ 34,707.70	\$ 34,707.70	\$ 34,707.70	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131
Condo Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,112,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236,220	\$ -	\$ -	\$ -	\$ 236,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,325,000
Total Repayment Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,708	\$ 7,147,348	\$ 34,708	\$ 34,708	\$ 34,708	\$ 34,708	\$ 34,708	\$ 34,708	\$ 270,928	\$ 34,708	\$ 34,708	\$ 34,708	\$ 260,351	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 2,349,131
LOAN REPAYMENT																								
City Mezz 100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,708	\$ 4,356,034	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Base 0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,791,314	\$ 34,708	\$ 34,708	\$ 34,708	\$ 34,708	\$ 34,708	\$ 34,708	\$ 270,928	\$ 34,708	\$ 34,708	\$ 34,708	\$ 260,351	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 2,349,131
Equity Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,708	\$ 7,147,348	\$ 34,708	\$ 34,708	\$ 34,708	\$ 34,708	\$ 34,708	\$ 34,708	\$ 270,928	\$ 34,708	\$ 34,708	\$ 34,708	\$ 260,351	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 2,349,131
INTERIM INTEREST																								
City Mezz Balance	15.00%	\$ 4,126,765	\$ 4,178,341	\$ 4,230,563	\$ 4,283,437	\$ 4,302,264	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accruing Interest		\$ 50,940.0	\$ 51,576.7	\$ 52,221.3	\$ 52,873.9	\$ 53,534.7	\$ 53,770.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Base Balance		\$ 3,217,430	\$ 4,123,849	\$ 5,262,037	\$ 6,165,393	\$ 6,197,003	\$ 3,437,460	\$ 3,420,376	\$ 3,403,205	\$ 3,385,945	\$ 3,368,597	\$ 3,351,159	\$ 3,333,633	\$ 3,079,796	\$ 3,060,879	\$ 3,041,864	\$ 3,022,751	\$ 2,777,898	\$ 2,768,009	\$ 2,758,069	\$ 2,748,078	\$ 2,738,036	\$ 2,727,943	\$ 392,797
Accruing Interest	6.15%	\$ 13,023.9	\$ 15,495.5	\$ 21,142.6	\$ 26,978.0	\$ 31,609.5	\$ 31,771.5	\$ 17,623.6	\$ 17,536.0	\$ 17,447.9	\$ 17,359.5	\$ 17,270.5	\$ 17,181.1	\$ 17,091.3	\$ 15,789.9	\$ 15,692.9	\$ 15,595.4	\$ 15,497.4	\$ 14,242.0	\$ 14,191.3	\$ 14,140.4	\$ 14,089.2	\$ 14,037.7	\$ 13,985.9
Senior Debt Balance		\$ 39,265,513	\$ 39,856,099	\$ 40,090,173	\$ 40,314,111																			
Pmt of Capitalized Interest	6.15%	\$ 196,969.9	\$ 201,311.0	\$ 204,338.9	\$ 205,539.0																			

Source: Milwaukee Moderne, LLC and S. B. Friedman & Company

City of Milwaukee- Moderne Loan Analysis
Table A-1: Loan Draws and Repayment
During Construction

		Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	
Hard Costs Spent																			
Soft Costs Spent																			
Developer Fee Paid																			
USES																			
Land and Predev Costs	\$																		
Hard Costs	\$	2,612,444																	
Soft Costs	\$	43,251,855																	
Construction Interest	\$	4,975,641																	
Developer Fee (Un-Deferred)	\$	2,424,955																	
TOTAL	\$	700,000																	
	\$	53,964,896																	
COMMITTED SOURCES AT CLOSING																			
Equity	\$	3,756,588																	
City Mezz	\$	3,300,000																	
City Base	\$	6,000,000																	
NOI During Construction	\$	594,196																	
Senior Debt	\$	41,410,623																	
TOTAL	\$	55,061,408																	
REPAYMENT SOURCES																			
NOI	\$	24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131.12	\$ 24,131.12	\$ 24,131.12	\$ 24,131.12	\$ 24,131.12	\$ 24,131.12	\$ 24,131.12	\$ 24,131.12	\$ 24,131.12	\$ 24,131.12	\$ 24,131.12	\$ 24,131.12	\$ 24,131.12
Condo Sales	\$	-	\$ -	\$ -	\$ 837,000	\$ 548,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 929,070	\$ -	\$ -	\$ -	\$ -
Total Repayment Sources	\$	-	\$ 24,131	\$ 24,131	\$ 861,131	\$ 572,831	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 953,201	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131
LOAN REPAYMENT																			
City Mezz 100%	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Base 0%	\$	-	\$ 24,131	\$ 24,131	\$ 350,236	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity Distribution	\$	-	\$ -	\$ -	\$ 510,895	\$ 572,831	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 953,201	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131
TOTAL	\$	-	\$ 24,131	\$ 24,131	\$ 861,131	\$ 572,831	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131	\$ 953,201	\$ 24,131	\$ 24,131	\$ 24,131	\$ 24,131
INTERIM INTEREST																			
City Mezz Balance	15.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Mezz Accruing Interest		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Base Balance		\$ 370,680	\$ 348,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Base Accruing Interest	6.15%	\$ 2,013.8	\$ 1,900.4	\$ 1,786.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Senior Debt Balance	6.15%																		

Source: Milwaukee Moderne, LLC and S. B. Friedman & Company

