

Exhibit 2

Economic Feasibility Report
Amendment No. 1 to
Tax Increment District No. 41

**PROPOSED MANPOWER HEADQUARTERS
REDEVELOPMENT PROJECT**

Prepared for:

Redevelopment Authority of the
City of Milwaukee

DRAFT

January 12, 2006

Redevelopment Authority of the City of Milwaukee
809 N. Broadway
Milwaukee, WI 53201

Attn: James Scherer

Pursuant to our agreement, *S. B. Friedman & Company*, in association with The Concord Group, has prepared this analysis of TIF feasibility for the proposed Manpower redevelopment project.

The scope of our engagement included reviewing the proposed project pro forma and application for TIF assistance. We also studied the level of need for City assistance, the incremental property tax revenues likely to result from the project as proposed, and the size of bond issue that TIF revenues from the project could support.

Our projections are based on estimates, assumptions and other information developed from our research, knowledge of the industry, and meetings with you and the developer during which certain information was obtained. Sources of information and bases of estimates and assumptions are cited in the report. We deem our sources of information to be reliable, but no guaranty can be offered as to the reliability of information obtained from others. 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 described in our report and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report or associated financial analyses 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, acts of war or terrorism, additional competitive developments, construction delays, cost overruns, labor availability and costs, interest rates and other market factors. However, we will be available to discuss the necessity for revision in view of these changes or market factors.

Our study did not ascertain the legal and regulatory requirements applicable to this project, including zoning, other state and local government regulations, permits and licenses. No effort was made to determine the possible effect on this project of present or future federal, state or local legislation, including any environmental or ecological matters. Further, we have not evaluated management's effectiveness, nor are we responsible for future marketing efforts, programming, and other management actions upon which actual results will depend.

S. B. Friedman & Company is not an accounting firm and has not followed the procedures established by the American Institute of Certified Public Accountants in connection with prospective

financial information.

Our report and prospective financial analysis are intended solely for your information, the Joint Review Board, and the City Council, and should not be relied upon for any other purposes. Otherwise, neither the report nor its contents, nor any reference to our Firm may be included or quoted in any offering circular or registration statement, prospectus, loan, or other agreement or document.

We appreciate the opportunity to have been of service to the City of Milwaukee.

Sincerely,

S. B. Friedman & Company



Stephen B. Friedman, AICP, CRE
President



Tony Q. Smith, AICP
Senior Project Manager

City of Milwaukee
Proposed Manpower Headquarters Project

TIF Feasibility Study

Transmittal Letter

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1. Project Description and Study Approach

Based on information provided by RiverBend Place, LLC (“developer”) and direction provided by the City of Milwaukee’s Department of City Development (DCD), *S. B. Friedman & Company (SBFCo)* has produced a TIF Feasibility Report for the proposed Manpower Headquarters project.

Project Description

The Manpower project is proposed on a site located within the Schlitz Park complex near the intersection of Second and Cherry Streets, immediately west of the Milwaukee River. The entirety of the development site is located within the existing Tax Increment District (TID) 41, which was created in 2001. The project as proposed consists of about 335,000 square feet of rentable office space and 1,270 structured parking spaces, as well as related riverwalk and public roadway improvements. The proposed program includes:

- **Manpower Building**—280,000 rentable square feet of newly constructed headquarters space, to be occupied for a 17-year minimum lease term by over 1,000 Manpower employees.
- **Parking Structure**—a 7-level garage of about 1,270 parking spaces to be owned by the Redevelopment Authority of the City of Milwaukee and used primarily by Manpower. This structure would also provide replacement parking for existing users of a surface lot currently located on the site.
- **North Powerhouse**—a separate existing structure located south of the Manpower building, to be historically rehabbed to contain about 55,000 square feet of office space. This facility may ultimately be leased to Time Warner, Inc., Manpower, or other tenants. The renovation of this structure is being required by Manpower as a condition of occupying the Headquarters building due to aesthetic considerations.

A total City TIF contribution to the project of up to **\$25.3 million** is proposed, including \$20.6 million for the construction of the public garage, riverwalk and road improvements, an additional \$1.7 million gap financing grant, and a \$3 million loan. Additional detail on the proposed City assistance parameters is included in the “Proposed TIF Contribution” section in Chapter 2.

Study Approach

In addition to reviewing the developer’s overall pro forma for the Manpower project, *SBFCo*, in conjunction with Concord Group, reviewed and considered the following key factors affecting the TIF feasibility of the proposed project:

- Construction cost budget and supplemental information provided by the Gilbane Company on behalf of the developer

- Key financing assumptions embedded in the developer's pro formas through review of industry sources and interviews with key informants
- 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 and personal property assessment data from the City Assessor's Office on existing properties within TID 41
- Real and personal 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

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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 Manpower project, as well as the resulting implications on the need for TIF assistance.

Project Costs, Revenues, and Financing Parameters

SBFCo, with the assistance of construction consultants The Concord Group ("Concord"), reviewed costs, revenues, and financing structure/parameters included in the developer's proposed project budget. This review yielded the following key observations:

- **Construction Costs.** The project cost budget includes approximately \$25 million to construct the core and shell of the Manpower building (about \$90 per square foot), plus an additional \$42 per square foot in tenant improvements allowances. Total project costs are estimated at about \$78 million (including parking structure and riverwalk) for the Manpower component and \$9.2 million for the North Powerhouse. The Concord Group reviewed construction cost estimates provided by Gilbane 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. A summary of Concord's review is provided as Appendix 1 of this report.
- **Revenues.** The projected revenue stream for the Manpower project is derived from the rent schedules included in the lease agreement between the developer and Manpower. The initial year net rent is approximately \$15.45 per square foot, with subsequent built-in increases. Anticipated initial net rents for the North Powerhouse are \$12.50 per square foot with annual escalations.
- **Financing Parameters.** *SBFCo* has evaluated the assumptions included in the project pro forma regarding private debt financing in the context of industry benchmarks and practices. The interest rate, loan term, and loan size assumptions used by the developer in the project pro forma appear to be in line with market parameters for a single-tenant project of this type and reasonably aggressive regarding the amount of supportable senior mortgage debt.

The project site is located in a New Markets Tax Credits (NMTC) eligible Census tract, and is of a type eligible for NMTC financing. For a range of reasons including scarcity of credits in the market and the cost and complexity of incorporating NMTC into the financing structure, this type of financing appears unlikely to be used. However, to account for this possibility, the current proposed terms of the City's assistance include reductions in the amount of City funding if NMTC are ultimately used.

- **Total Project Costs.** *SBFCo* reviewed various other costs in the project pro forma, including such typical soft cost items as architect fees, construction period interest, loan fees, and commissions. Based on our understanding of the project, these costs appear

reasonable and within market parameters. If the developer realizes any savings versus budgeted costs in delivering the overall project, 75% of this amount will be go toward reducing the City's overall maximum TIF contribution of \$25.3.

Equity Component

A portion of *SBFCo's* review focused on evaluating the developer's equity returns. This review included calculating the developer's equity contribution and comparing this initial outlay to the Net Cash Flow to be generated by the project. For the purposes of evaluating equity returns, the developer's total equity basis for the Manpower project is estimated at \$4.7 million, comprised of:

- \$1.5 million in contributed land value;
- \$1.4 million in equity-equivalent developer fee deferral; and
- \$1.8 million in cash

These contributions are discussed below. Additional developer equity is included in the North Powerhouse financing structure, which is discussed separately in the "Returns Analysis- North Powerhouse Project Component" section of this chapter.

- **Contribution of Developer-Controlled Land.** About 4 acres of land already owned by Schlitz Park are included in the project site, and will be contributed by the developer. The parcels underlying and surrounding the site of the Manpower building are valued at \$10 or \$20 per square foot (depending on location) for the purposes of estimating equity. These amounts appear reasonable and may be conservative in light of higher prevailing development land prices reported in the nearby Park East area. They yield an estimated developer land equity contribution of \$1.5 million for the purposes of analyzing returns.

It should be noted that the developer's contribution of the land underlying the proposed Redevelopment Authority-owned Parking Structure is not included in the overall calculation of equity basis described above.

- **Deferred Developer Fees.** A 100% deferral of the proposed developer fees of \$2.5 million for the Manpower building is proposed, with subsequent amortization from net project cash flows. To calculate the equivalent value of the \$2.5 million deferred developer fee for the Manpower project as a cash equity contribution, *SBFCo* discounted the total developer fee amount at the income tax rate that would likely apply to this fee income under a normal (i.e. non-fee-deferred) development scenario. The premise of this adjustment is that if the developer fee were collected in the form of cash during project construction, it would be subject to state and federal taxation as income. Based on this assumption, *SBFCo* deducted 42.9% (to reflect generalized allowances for federal and state income taxes of 35% and 7.9% respectively) from the \$2.5 million deferred developer fee for the purposes of converting it to cash-equity equivalent dollars. This calculation yields an equity-equivalent valuation of about \$1.4 million for the developer fees on the Manpower component.

- **Cash.** As a condition of the proposed City funding, the developer is required to place a minimum of \$1.5 million in cash equity into the project. The estimated total cash contribution is \$1.8 million, including an anticipated \$1.5 million to purchase about one acre of land, and the \$250,000 cost of purchasing an option on Treasury bills as a mechanism of protecting against future interest rate risk on the primary debt for the project. If the ultimate acquisition cost of the parcels not currently owned by Schlitz Park is less than the \$1,516,374 carried in the developer's December 5, 2005 pro forma, the current proposal calls for a dollar-for-dollar reduction in the amount of the City's TIF contribution.

This equity contribution, calculated in the manner described above, was evaluated against projected net cash flow as one component of *SBFCo's* returns analysis (see "Projected Developer Returns" section below). Projected returns on the North Powerhouse component are treated in a separate section of this chapter.

Proposed TIF Contribution

The currently proposed City TIF contribution includes a total of \$25.3 million to the project, comprised of the following elements:

- **\$20.6 Million in Public Improvements**, including the construction of the parking structure (on land contributed by the developer), riverwalk, and public access road, plus associated soft costs.
- **\$4.7 Million in Gap Financing**, primarily to offset non-revenue producing items included in the project, such as Manpower moving expenses, tenant buildout management services, lease transition costs, creating a reserve for future Tenant Improvements upgrades required in the proposed lease, and interest carry on the North Powerhouse component (see "Returns Analysis- North Powerhouse Project Component" section below). This gap financing is comprised of:
 - \$1.7 million in grant funding
 - \$3 million loan fully repayable loan at 3% interest beginning upon occupancy of the Manpower building. The debt service obligations on the part of the developer are as follows:
 - Deferred payments in years 1-3 with interest accrual;
 - Interest-only payments in years 4-5; and
 - Level payments beginning in Year 6 sized to fully retire the loan by Year 20.

While the City's proposed TIF contribution can be attributed to the components described above, the \$25.3 million total contribution amount was primarily determined based on overall projected returns on equity and cost, which are discussed in the following section.

Projected Developer Returns

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

- **Equity Returns** expressed as an annual cash on cash return and an internal rate of return (IRR) with the proposed level and structure of TIF 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 17 (matching the base lease term).
- **Returns on Cost** both in terms of annual yield on project cost and 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 and 2 on the following pages show the Sources and Uses of Funds underlying the projection and the resulting projected cash flows and returns. It should be noted that the equity return calculation for the Manpower component does not take into account any contingent payments the developer may need to make to the City out of net project cash flow pursuant to a debt service guarantee of \$4 million of the total TID principal amount. This guarantee, described further in the "Projected Amortization of TID Debt" section of Chapter 3, functions as a contingent liability to the project, and provides the City with an additional "backstop" for the primary repayment sources to ensure that TID debt is amortized.

RETURNS ON EQUITY

SFBCo's return calculation yields a projected IRR on equity of about 17.4% for the Manpower project component. This return appears to be reasonable and within market ranges, particularly in light of the fairly aggressive use of private debt anticipated and the developer's contingent obligation pursuant to the TID debt service guarantee. When combined with the projected equity returns on the North Powerhouse (described in the following section), the overall projected developer IRR on equity is further reduced to about 16.6%.

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 public garage, riverwalk and road components, the \$1.7 million grant, and anticipated construction period interest) and projected project income before debt service. This calculation yielded an unleveraged IRR projection of 8.1%. *SFBCo* benchmarked these returns to PriceWaterhouseCoopers/Korpacz Investor Survey for the Fourth Quarter of 2005. The Korpacz survey indicates a market average for Central Business District office about 8.7% and an observed market range of 7% to 10%. This suggests that the current City TIF contribution is sized to allow the Manpower project to achieve returns that are within, but towards the lower end of, market parameters.

City of Milwaukee- Manpower TIF Feasibility

Table 1: SBFCo Adjusted Sources and Uses of Funds- Manpower Component

Manpower Project (Private Component of Project)

USES		SOURCES	
Land			
Developer Contributed	\$ 1,548,148	Contributed Land (Owner Equity)	\$ 1,548,148
Cash Purchase	\$ 1,500,000	Owner Cash Equity	\$ 1,750,000
Total	\$ 3,048,148	Deferred Development Fee	\$ 2,500,000
		TIF Loan @ 3% 20 year Amortization	\$ 3,000,000
		TIF Grant	\$ 1,699,300
		First Mortgage	\$ 40,050,414
		First Mortgage -Technology	\$ 6,785,000
		Total	\$ 57,332,862
Hard Costs			
Building	\$ 36,542,088		
Technology FF&E	\$ 6,785,000		
Owner's Contingency	\$ 1,000,000	2.5%	of HC
Total	\$ 44,327,088		
Soft Costs			
A/E	\$ 1,850,000	3.6%	of HC
Tenant Space Planning	\$ 22,400		
Legal/Title	\$ 400,000		
Related Legal	\$ 150,000		
Loan Fees	\$ 351,266	0.75%	of Principal
Construction Interest	\$ 1,299,089		
Brokers Fees	\$ 1,200,000		
USI Consulting Fees	\$ 1,160,000		
Project Administration	\$ 200,000		
Option Fee	\$ 250,000		
Builders Risk Insurance	\$ 80,000		
Moving Allowance	\$ 560,000		
Property Taxes	\$ 70,000		
Appraisal Fees	\$ 15,000		
Present Value of Future TI allowances	\$ 1,872,000		
Holdover Premium Costs	\$ 600,000		
First Year Carry for Powerhouse	\$ 639,684		
Total	\$ 10,719,438		
Less Soft Cost Allocation for Garage and Riverwalk	\$ (3,261,812)	18.79%	of HC
Adjusted Total	\$ 7,457,626		
Developer Fee	\$ 2,500,000	4.05%	of HC with public improvements
GRAND TOTAL	\$ 57,332,862		

Public Improvements and

Parking Structure (Public Component)

Uses	
Garage Construction	\$ 15,406,050
Riverwalk and Public Road	\$ 1,952,138
Allocated Soft Costs	\$ 3,261,812
TOTAL	\$ 20,620,000
Sources	
TIF	\$ 20,600,000
King Drive BID Grant	\$ 20,000
TOTAL	\$ 20,620,000

Overall Sources and Uses

Uses	
Land	\$ 3,048,148
Manpower Bldg Hard Costs	\$ 44,327,088
Manpower Bldg Soft Costs	\$ 7,457,626
Developer Fee	\$ 2,500,000
Public Improvements Hard Costs	\$ 17,358,188
Public Improvements Soft Costs	\$ 3,261,812
TOTAL	\$ 77,952,862
Sources	
TIF Grants	\$ 22,299,300
TIF Loan	\$ 3,000,000
King Drive BID Grant	\$ 20,000
Deferred Developer Fee	\$ 2,500,000
Contributed Land	\$ 1,548,148
Cash Equity	\$ 1,750,000
Private Debt	\$ 46,835,414
TOTAL	\$ 77,952,862

HARD COST DETAIL			
<u>Manpower Building</u>			
Base, Core & Shell (Incl Site)		\$	24,782,088
Tenant Improvements			
	<u>Sq.ft</u>	<u>TI allowance</u>	
Total Bldg	280,000	\$42.00	11,760,000
Total Manpower Building Costs \$ 36,542,088			
<u>Parking Structure Costs</u>			
Cherry St Parking Structure		\$	14,967,090
Skywalk			397,864
Retail Portion in Parking Structure			41,096
Total Parking Structure \$ 15,406,050			
Total Hard Costs \$51,948,138			

LAND COST DETAIL	Acres	\$/SF- Purchased	\$/SF- Schlitz	% Schlitz Owned [1]	Contributed Land	Cash Purchase
1442 N COMMERCE	0.5217	34.45	20.00	29.0%	\$ 131,839	\$ 555,793
1450-1562 N COMMERCE	0.3628		20.00		316,071	
1430 N COMMERCE	1.1007		20.00		958,930	
TBW Cherry Street Lot	1.5573		-		-	
Commerce Power LLC(34/66)	0.9536	34.45	10.00	34.0%	141,308	944,207
Total					\$ 1,548,148	\$ 1,500,000

[1] Based on allocations in 1/7/05 developer pro forma

Source: Riverbend LLC and S. B. Friedman & Company

City of Milwaukee- Manpower TIF Feasibility

Table 2: Projected Cash Flows and Return on Equity- Manpower Component

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18 [1]		
REVENUE	Net Sq Ft																				
Multifloor	280,000	\$ 15.45	\$ 4,325,000	\$ 4,325,400	\$ 4,381,000	\$ 4,423,000	\$ 4,465,000	\$ 4,507,000	\$ 4,551,800	\$ 4,596,600	\$ 4,641,400	\$ 4,686,200	\$ 4,733,800	\$ 4,781,400	\$ 4,829,000	\$ 4,876,600	\$ 4,927,000	\$ 4,994,200	\$ 5,061,400	\$ 4,116,022	
Net Operating Cashflow			\$ 4,325,000	\$ 4,325,400	\$ 4,381,000	\$ 4,423,000	\$ 4,465,000	\$ 4,507,000	\$ 4,551,800	\$ 4,596,600	\$ 4,641,400	\$ 4,686,200	\$ 4,733,800	\$ 4,781,400	\$ 4,829,000	\$ 4,876,600	\$ 4,927,000	\$ 4,994,200	\$ 5,061,400	\$ 4,116,022	
Reversion Income	Terminal Cap of	8.50%																		\$ 48,423,790	
DEBT SERVICE																					
First Mortgage			\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	\$ 3,120,090	
Principal Reduction			\$ (721,803)	\$ (765,689)	\$ (812,242)	\$ (861,627)	\$ (914,014)	\$ (969,586)	\$ (1,028,537)	\$ (1,091,072)	\$ (1,157,409)	\$ (1,227,779)	\$ (1,302,428)	\$ (1,381,616)	\$ (1,465,618)	\$ (1,554,728)	\$ (1,649,255)	\$ (1,749,530)	\$ (1,855,901)	\$ (1,974,918)	
Outstanding Balance	\$ 40,050,414		\$39,328,611	\$38,562,922	\$37,750,680	\$36,889,053	\$35,975,039	\$35,005,454	\$33,976,917	\$32,885,846	\$31,728,437	\$30,500,658	\$29,198,230	\$27,816,614	\$26,350,996	\$24,796,268	\$23,147,013	\$21,397,483	\$19,541,582	\$17,582,790	
Technology Mortgage			\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	\$ 641,222	
Principal Reduction			\$ (238,796)	\$ (253,315)	\$ (268,717)	\$ (285,055)	\$ (302,386)	\$ (320,771)	\$ (340,274)	\$ (360,963)	\$ (382,909)	\$ (406,190)	\$ (430,886)	\$ (457,084)	\$ (484,875)	\$ (514,355)	\$ (545,628)	\$ (578,802)	\$ (613,993)	\$ (651,993)	
Outstanding Balance	\$ 6,785,000		\$ 6,546,204	\$ 6,292,889	\$ 6,024,172	\$ 5,739,117	\$ 5,436,731	\$ 5,115,960	\$ 4,775,686	\$ 4,414,724	\$ 4,031,815	\$ 3,625,625	\$ 3,194,738	\$ 2,737,654	\$ 2,252,779	\$ 1,738,424	\$ 1,192,796	\$ 613,993	\$	(0)	
Debt Coverage on Primary Debt			1.15	1.15	1.16	1.17	1.18	1.19	1.21	1.22	1.23	1.24	1.25	1.27	1.28	1.29	1.31	1.32	1.34	1.34	
TIF Debt Service			\$ -	\$ -	\$ -	\$ 98,345	\$ 98,345	\$ 274,602	\$ 274,602	\$ 274,602	\$ 274,602	\$ 274,602	\$ 274,602	\$ 274,602	\$ 274,602	\$ 274,602	\$ 274,602	\$ 274,602	\$ 274,602	\$ 274,602	\$ 274,602
Principal Accrual or (Reduction)			\$ 90,000	\$ 92,700	\$ 95,481	\$ -	\$ -	\$ (176,257)	\$ (181,544)	\$ (186,991)	\$ (192,600)	\$ (198,378)	\$ (204,330)	\$ (210,460)	\$ (216,773)	\$ (223,277)	\$ (229,975)	\$ (236,874)	\$ (243,980)	\$ (243,980)	\$ (243,980)
Outstanding Balance	\$ 3,000,000		\$ 3,090,000	\$ 3,182,700	\$ 3,278,181	\$ 3,278,181	\$ 3,278,181	\$ 3,101,924	\$ 2,920,380	\$ 2,733,390	\$ 2,540,789	\$ 2,342,411	\$ 2,138,081	\$ 1,927,622	\$ 1,710,848	\$ 1,487,572	\$ 1,257,597	\$ 1,020,723	\$ 776,742	\$	
Interest Only Year			Y	Y	Y	Y	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	
Non-Reimbursable Building Related Expenses			\$ 15,000	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	\$ 15,300	
Reserve for Landlord Responsible Items			\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	
NET CASH FLOW			\$ 492,688	\$ 492,788	\$ 548,388	\$ 492,043	\$ 534,043	\$ 399,786	\$ 444,586	\$ 489,386	\$ 534,186	\$ 578,986	\$ 626,586	\$ 674,186	\$ 721,786	\$ 769,386	\$ 819,786	\$ 886,986	\$ 886,986	\$ 29,059,652	
Cash Equivalent Equity Calculation																					
Deferred Dev Fee	\$ 2,500,000																				
Assumed Combined Tax Rate	42.9%																				
After-Tax Equivalent	\$ 1,427,500																				
Land and Cash Contributed	\$ 3,298,148																				
Equity Contribution	\$ 4,725,648																				
Equity Cash Flow			\$ (4,725,648)	\$ 492,688	\$ 492,788	\$ 548,388	\$ 492,043	\$ 534,043	\$ 399,786	\$ 444,586	\$ 489,386	\$ 534,186	\$ 578,986	\$ 626,586	\$ 674,186	\$ 721,786	\$ 769,386	\$ 819,786	\$ 886,986	\$ 29,059,652	
Annual Cash on Cash Return			10.4%	10.4%	11.6%	10.4%	11.3%	8.5%	9.4%	10.4%	11.3%	12.3%	13.3%	14.3%	15.3%	16.3%	17.3%	18.8%	18.8%	18.8%	
IRR on Equity			17.4%																		
Total Cost Cash Flow [2]			\$ (54,334,473)	\$ 4,325,000	\$ 4,325,400	\$ 4,381,000	\$ 4,423,000	\$ 4,465,000	\$ 4,507,000	\$ 4,551,800	\$ 4,596,600	\$ 4,641,400	\$ 4,686,200	\$ 4,733,800	\$ 4,781,400	\$ 4,829,000	\$ 4,876,600	\$ 4,927,000	\$ 4,994,200	\$ 5,061,400	
Annual Yield on Cost			8.0%	8.0%	8.1%	8.1%	8.2%	8.3%	8.4%	8.5%	8.5%	8.6%	8.7%	8.8%	8.9%	9.0%	9.1%	9.2%	9.2%	9.2%	
IRR on Total Cost (Unleveraged IRR)			8.1%																		

[1] Year 18 NOI estimated for forward capping purposes, and reflects a 1.5% rent increase over Year 17, less the developer's estimated TI amortization payment

Source: Riverbend, LLC and S. B. Friedman & Company

[2] Basis: Total Project Costs less \$20.6 million public improvements, \$1.7 million TIF Grant, and Construction Period Interest

Financing Sources Summary- Private Portion of Deal

Loan	Amount	Rate	Term
First Mortgage	\$ 40,050,414	6.080%	25
Technology Mortgage	\$ 6,785,000	6.080%	17
TIF Loan	\$ 3,000,000	3.0%	20
TIF Grant	\$ 1,699,300	N/A	N/A
Equity and Deferred Devel. Fee	\$ 5,798,148	N/A	N/A
Total	\$ 57,332,862		

Uses Summary- Private Portion of Deal

Land	\$ 3,048,148
Hard Costs	\$ 44,327,088
Soft Costs	\$ 7,457,626
Developer Fee	\$ 2,500,000
Total	\$ 57,332,862

Returns Analysis- North Powerhouse Project Component

No direct TIF assistance is contemplated to support the North Powerhouse project. However, this component is linked to the Manpower headquarters project in the following ways:

- Manpower is requiring the developer to undertake the North Powerhouse project as a condition of its lease on the headquarters building.
- The Manpower pro forma includes about \$640,000 of interest carry for the North Powerhouse to reflect the assumption that the Powerhouse will require up to one full year to be leased and occupied after construction completion due to market conditions for speculative office development. If the North Powerhouse project is occupied prior to the assumed time frame of one year from completion, 85% of the resulting interest carry savings will accrue to City in the form of a reduction in the TIF amount.

SBFCo analyzed developer returns from the North Powerhouse project by calculating developer IRR on cash equivalent equity and unleveraged IRR in a manner similar to that used for the Manpower project. The following key assumptions were made regarding the equity basis and net cash flows considered in this analysis:

- **Land Cost.** The land associated with the North Powerhouse project is currently owned by the developer. For purposes of calculating the developer's equity contribution, it is valued at the same \$20 per square foot level as portions of the Manpower site, resulting in an estimated land equity contribution of about \$800,000 for the North Powerhouse component.
- **Developer Fee.** The North Powerhouse developer fee of \$350,000 was adjusted in the same manner as that of the Manpower building to yield an estimated after-tax equity equivalent amount of \$200,000.
- **Historic Tax Credit Assumptions.** The project pro forma includes an assumption of Historic Tax Credit (HTC) value that can be generated by the proposed hard, soft, and Tenant Improvements costs to be incurred by the North Powerhouse project. This tax credit value is then discounted to reflect typical prices paid by tax credit investors for each dollar of tax relief. The developer estimates 90% cost eligibility for hard and TI costs and 50% eligibility for soft costs. Federal historic tax credit value is assumed to be 20% of this adjusted cost basis, and the resulting tax credit equity is valued at \$0.90 per \$1 of credit value for assumed investor purchase. These assumptions are typical for calculating equity value of HTCs, and yield anticipated total up-front value of about \$1.3 million, which is assumed to be contributed by an outside investor in exchange for the credit benefits.
- **Reversion.** *SBFCo's* return calculation assumes a hypothetical sale in Year 10 based on projected Year 11 NOI capitalized at 9.5%.

Based on the assumptions described above, *SBFCo* projects a developer IRR on cash-equivalent equity of about 11.9% for the North Powerhouse. This projected level of return is below-market, suggesting that this project component would be unlikely to be developed by a third party on a standalone basis. Projected unleveraged IRR for the North Powerhouse is about 6.5%, slightly below the low end of observed market ranges reported in the Korpacz Investor Survey.

These return calculations substantiate the need to include the allowance for the one-year interest carry within the City's TID contribution to achieve even below-market returns on the North Powerhouse.

The sources and uses summary and cash flow analysis underlying these projected returns are shown in Tables 3 and 4 on the following pages.

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City of Milwaukee- Manpower TIF Feasibility

Table 3: SBFCo Adjusted Source and Uses- North Powerhouse Component

USES		SOURCES	
Land			
Land	\$ 813,352	Owner's Equity (incl HTC)	\$ 2,083,159
Total	\$ 813,352	Deferred Development Fee	\$ 350,000
		First Mortgage	\$ 7,082,513
		Total Sources	\$ 9,515,673
Hard Costs			
Base, Core and Shell	\$ 4,839,609		
Tenant Improvements	\$ 1,918,700		
Owner's Contingency	\$ 250,000		
Total	\$ 7,008,309		
Soft Costs			
A/E	\$ 405,499		
Tenant Space Planning	incl with A/E		
Title	incl in Legal		
Related Legal(incl HTC Legal)	\$ 75,000		
Loan Fees	\$ 70,825		
Construction Interest	\$ 180,105		
Brokers Fees	\$ 187,582		
Project Administration	\$ 50,000		
Builders Risk Insurance	\$ 25,000		
Predevelopment Expenses	\$ 350,000		
Total	\$ 1,344,012		
Developer Fee	\$ 350,000	5.18% of Hard Costs	
TOTAL USES	\$ 9,515,673		

TAX CREDIT VALUATION ASSUMPTIONS

	Percent of Credit	Equity Value per \$1
HTC	20%	\$ 0.90

HISTORIC TAX CREDIT CALCULATIONS

	Total	% Eligible	Cost Basis	HTC Equity
Hard Costs	\$ 4,839,609	90%	\$ 4,355,648	\$ 784,017
Tenant Improvements	\$ 1,918,700	90%	\$ 1,726,830	\$ 310,829
Soft Costs	\$ 1,944,012	50%	\$ 972,006	\$ 174,961
Total	\$ 8,702,321		\$ 7,054,484	\$ 1,269,807

LAND COST DETAIL

	Acres	\$/Ft	Total Cost
Land (under & around bldg)	0.93	\$ 20	\$ 813,352
Total			\$ 813,352

HARD COST DETAIL

Base, Core & Shell			4,839,609
Tenant Improvements			
Total Bldg	<u>Sq ft</u>	<u>TI allowance</u>	
	54,820	\$35.00	1,918,700
Total Hard Costs			\$6,758,309

City of Milwaukee- Manpower TIF Feasibility

Table 4: Projected Cash Flows and Return on Equity- North Powerhouse Component

			0% Leased Year 1	2% ann. increase Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11 [2]
REVENUE	Sq Ft	Initial Rent											
Rent [1]	54,820	\$12.50	639,684	685,250	698,955	712,934	727,193	741,737	756,571	771,703	787,137	802,880	818,937
Less Vacancy Factor	10%			(68,525)	(69,896)	(71,293)	(72,719)	(74,174)	(75,657)	(77,170)	(78,714)	(80,288)	(81,894)
Operating Expenses	\$ 4.00	per foot year 1	(219,280)										
Interest Income from TI in escrow			140,689										
Net Operating Cashflow			\$ 561,093	\$ 616,725	\$ 629,060	\$ 641,641	\$ 654,474	\$ 667,563	\$ 680,914	\$ 694,533	\$ 708,423	\$ 722,592	\$ 737,043
Reversion Income [2]	Terminal Cap of	9.50%										\$ 7,758,352	
DEBT SERVICE	Term	Rate											
First Mortgage	25	6.5%	\$ 573,860	\$ 573,860	\$ 573,860	\$ 573,860	\$ 573,860	\$ 573,860	\$ 573,860	\$ 573,860	\$ 573,860	\$ 573,860	\$ 573,860
Principal Reduction			\$ (120,272)	\$ (128,089)	\$ (136,415)	\$ (145,282)	\$ (154,725)	\$ (164,782)	\$ (175,493)	\$ (186,900)	\$ (199,049)	\$ (211,987)	\$ (221,987)
Outstanding Balance		\$ 7,082,513	\$ 6,962,242	\$ 6,834,153	\$ 6,697,738	\$ 6,552,456	\$ 6,397,730	\$ 6,232,948	\$ 6,057,455	\$ 5,870,554	\$ 5,671,505	\$ 5,459,518	
Landlord Operating Expenses			\$ 8,000	\$ 8,160	\$ 8,323	\$ 8,490	\$ 8,659	\$ 8,833	\$ 9,009	\$ 9,189	\$ 9,373	\$ 9,561	
Reserve for Landlord Responsible Items		\$ 0.10		\$ 5,482	\$ 5,482	\$ 5,482	\$ 5,482	\$ 5,482	\$ 5,482	\$ 5,482	\$ 5,482	\$ 5,482	
Return to HTC Investor		1%	\$ 12,698	\$ 12,698	\$ 12,698	\$ 12,698	\$ 12,698	\$ 12,698	\$ 12,698	\$ 12,698	\$ 12,698	\$ 12,698	
Net Cash Flow			\$ (33,465)	\$ 16,525	\$ 28,696	\$ 41,111	\$ 53,774	\$ 66,690	\$ 92,563	\$ 106,001	\$ 119,708	\$ 2,432,523	
Cash Equivalent Equity Calculation													
Deferred Dev Fee	\$ 350,000												
Assumed Combined Tax Rate	42.9%												
After-Tax Equivalent	\$ 199,850												
Land Contribution	\$ 813,352												
Equity Contribution	\$ 1,013,202												
Equity Cash Flow		\$ (1,013,202)	\$ (33,465)	\$ 16,525	\$ 28,696	\$ 41,111	\$ 53,774	\$ 66,690	\$ 92,563	\$ 106,001	\$ 119,708	\$ 2,432,523	
Annual Cash on Cash Return			-3.30%	1.63%	2.83%	4.06%	5.31%	6.58%	9.14%	10.46%	11.81%		
IRR on Equity			11.9%										
Total Cost Cash Flow [3]		\$ (9,335,567)	\$ 639,684	\$ 685,250	\$ 698,955	\$ 712,934	\$ 727,193	\$ 741,737	\$ 756,571	\$ 771,703	\$ 787,137	\$ 8,561,232	
Annual Yield on Cost			6.85%	7.34%	7.49%	7.64%	7.79%	7.95%	8.10%	8.27%	8.43%		
IRR on Total Cost (Unleveraged IRR)			6.50%										

[1] Income in Year 1 reflects interest carry allowance for North Powerhouse in Manpower pro forma

[2] Year 11 NOI estimated for forward capping purposes, and reflects a 2% rent increase over Year 10

[3] Basis: Total Project Costs less anticipated construction period interest

Source: Riverbend, LLC and S. B. Friedman & Company

3. Incremental Property Tax Revenues

In order to evaluate the time frame of repayment for the proposed \$25.3 million up-front City TIF contribution, *SBFCo* projected future incremental property taxes revenues to be generated by the proposed Manpower project and within the rest of TID 41, as well as the resulting amortization of the associated bonds.

TIF Projection Assumptions and Methodology

Table 5 on the following page shows *SBFCo*'s projections of incremental property taxes. These projections indicate total undiscounted tax collections of about **\$36 million** between 2006 and 2027, including existing TID 41 fund balances as of year end 2005. Our methodology and key assumptions are described below:

- **Timing of Assessments.** The Manpower project is assumed to be 25% assessed by January 1 of 2007 based on anticipated construction progress. Schedule information from the developer indicates that the building is anticipated to be occupied in mid-2007. No value is assumed for the North Powerhouse in 2007. Full assessment for both project components is assumed to occur in 2008.
- **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 tax rate declining at 2.63%, the compound annual rate of decline for the past 5 years. This decline is assumed to continue through 2013, beyond which point the rate is assumed to remain level at 2%. Table A-1 in Appendix 2 shows this calculation.
- **Valuation Approach.** Based on discussions with the City Assessor's Office, it appears likely that the income approach to valuation would be used to estimate taxable value for the Manpower project. Therefore, our valuation estimates used the developer's projected gross rental income, less assumed reductions for vacancy and non-recoverable landlord operating expenses. Based on discussions with the Assessor, *SBFCo* used assumptions of 10% unrecoverable expenses and 3% vacancy for the Manpower building (reflective of a single-tenant building with a long-term lease), and 15% unrecoverable expenses and 10% vacancy for the North Powerhouse, reflective of a speculative office development. These adjusted net operating incomes were then capitalized at a direct cap rate of 9% from 2007 to 2009 for the Manpower building to reflect current market parameters, and a more conservative 10% cap rate throughout the remainder of the projection to account for market uncertainty. A cap rate of 10% was used for the North Powerhouse throughout the projections to reflect the greater risk associated with a speculative office building.

City of Milwaukee- Manpower TIF Feasibility

Table 5: Incremental Property Tax Revenue Projection

Inputs and Assumptions	
Base Value of TID	\$ 10,021,000
2005 Assessed Value of Non-Project Taxke	\$ 25,134,500
2005 Assessed Value of Project Taxkeys	\$ 966,400
Demolition Year	2006
Net Tax Rate, 2005 (Less State Credit)	2.452%
Assumed Assessment Ratio	100.00%
Annual Inflation Rate, Non-Project Taxkey:	2.00%
Tax Collection Rate	100.00%

Assessment Schedule	Manpower	North Powerhouse
2007 % of Value Assessed	25%	0%
2008 % of Value Assessed	100%	100%

Estimated Balance of TID Fund at Close of 2005 per Department of City Development

Year of TID	Assessment Year (Jan. 1) [1], [2]	Real Prop. AV Inflation: Existing Taxkeys [3]	Balance of TID 41 Excluding New Project Value					New Project Value [8]				Total Valuation and Taxes			
			Real Property AV Excluding Project Site [4]	Property AV- Site as Undeveloped [5]	Site AV Deductions Due to Redevelopment [6]	Personal Property Value [7]	Total Value-Balance of TID 41	Real Property Value-Manpower	Real Property Value-North Powerhouse	Personal Property Value	TOTAL New Value	Total TID 41 Value [9]	Incremental Above Base AV [10]	Tax Rate [11]	Tax Revenues Collected (Jan. 31) [12]
4	2004	2.0%	\$ 25,075,500	\$ 966,400	\$ -	\$ 53,975,700	\$ 80,017,600	\$ -	\$ -	\$ -	\$ -	\$ 80,017,600	\$ 69,996,600	2.61%	\$ -
5	2005	2.0%	\$ 25,134,500	\$ 966,400	\$ -	\$ 22,445,200	\$ 48,546,100	\$ -	\$ -	\$ -	\$ -	\$ 48,546,100	\$ 38,525,100	2.44%	\$ 130,602
6	2006	2.0%	\$ 25,637,190	\$ 985,728	\$ -	\$ 10,659,824	\$ 37,282,742	\$ -	\$ -	\$ -	\$ -	\$ 37,282,742	\$ 27,261,742	2.38%	\$ 940,398
7	2007	2.0%	\$ 26,149,934	\$ 1,005,443	\$ (1,005,443)	\$ 10,659,824	\$ 36,809,757	\$ 10,452,083	\$ -	\$ 2,845,970	\$ 13,298,053	\$ 50,107,811	\$ 40,086,811	2.31%	\$ 647,982
8	2008	2.0%	\$ 26,672,932	\$ 1,025,551	\$ (1,025,551)	\$ 10,659,824	\$ 37,332,756	\$ 41,808,333	\$ 5,139,375	\$ 5,691,940	\$ 52,639,648	\$ 89,972,404	\$ 79,951,404	2.25%	\$ 927,795
9	2009	2.0%	\$ 27,206,391	\$ 1,046,062	\$ (1,046,062)	\$ 10,659,824	\$ 37,866,215	\$ 42,349,667	\$ 5,242,163	\$ 5,691,940	\$ 53,283,769	\$ 91,149,984	\$ 81,128,984	2.19%	\$ 1,801,849
10	2010	2.0%	\$ 27,750,519	\$ 1,066,984	\$ (1,066,984)	\$ 10,659,824	\$ 38,410,342	\$ 38,480,100	\$ 5,347,006	\$ 5,691,940	\$ 49,519,046	\$ 87,929,388	\$ 77,908,388	2.14%	\$ 1,780,368
11	2011	2.0%	\$ 28,305,529	\$ 1,088,323	\$ (1,088,323)	\$ 10,659,824	\$ 38,965,353	\$ 38,845,500	\$ 5,453,946	\$ 5,691,940	\$ 49,991,386	\$ 88,956,739	\$ 78,935,739	2.08%	\$ 1,664,790
12	2012	2.0%	\$ 28,871,640	\$ 1,110,090	\$ (1,110,090)	\$ 10,659,824	\$ 39,531,463	\$ 39,210,900	\$ 5,563,025	\$ 5,691,940	\$ 50,465,865	\$ 89,997,328	\$ 79,976,328	2.03%	\$ 1,642,443
13	2013	2.0%	\$ 29,449,073	\$ 1,132,292	\$ (1,132,292)	\$ 10,659,824	\$ 40,108,896	\$ 39,600,660	\$ 5,674,285	\$ 5,691,940	\$ 50,966,885	\$ 91,075,781	\$ 81,054,781	2.00%	\$ 1,620,390
14	2014	2.0%	\$ 30,038,054	\$ 1,154,937	\$ (1,154,937)	\$ 10,659,824	\$ 40,697,878	\$ 39,990,420	\$ 5,787,771	\$ 5,691,940	\$ 51,470,131	\$ 92,168,009	\$ 82,147,009	2.00%	\$ 1,621,096
15	2015	2.0%	\$ 30,638,815	\$ 1,178,036	\$ (1,178,036)	\$ 10,659,824	\$ 41,298,639	\$ 40,380,180	\$ 5,903,526	\$ 5,691,940	\$ 51,975,646	\$ 93,274,285	\$ 83,253,285	2.00%	\$ 1,642,940
16	2016	2.0%	\$ 31,251,592	\$ 1,201,597	\$ (1,201,597)	\$ 10,659,824	\$ 41,911,415	\$ 40,769,940	\$ 6,021,597	\$ 5,691,940	\$ 52,483,477	\$ 94,394,892	\$ 84,373,892	2.00%	\$ 1,665,066
17	2017	2.0%	\$ 31,876,623	\$ 1,225,629	\$ (1,225,629)	\$ 10,659,824	\$ 42,536,447	\$ 41,184,060	\$ 6,142,029	\$ 5,691,940	\$ 53,018,029	\$ 95,554,476	\$ 85,533,476	2.00%	\$ 1,687,478
18	2018	2.0%	\$ 32,514,156	\$ 1,250,141	\$ (1,250,141)	\$ 10,659,824	\$ 43,173,979	\$ 41,598,180	\$ 6,264,869	\$ 5,691,940	\$ 53,554,989	\$ 96,728,969	\$ 86,707,969	2.00%	\$ 1,710,670
19	2019	2.0%	\$ 33,164,439	\$ 1,275,144	\$ (1,275,144)	\$ 10,659,824	\$ 43,824,262	\$ 42,012,300	\$ 6,390,167	\$ 5,691,940	\$ 54,094,407	\$ 97,918,669	\$ 87,897,669	2.00%	\$ 1,734,159
20	2020	2.0%	\$ 33,827,728	\$ 1,300,647	\$ (1,300,647)	\$ 10,659,824	\$ 44,487,551	\$ 42,426,420	\$ 6,517,970	\$ 5,691,940	\$ 54,636,330	\$ 99,123,881	\$ 89,102,881	2.00%	\$ 1,757,953
21	2021	2.0%	\$ 34,504,282	\$ 1,326,660	\$ (1,326,660)	\$ 10,659,824	\$ 45,164,106	\$ 42,864,900	\$ 6,648,330	\$ 5,691,940	\$ 55,205,170	\$ 100,369,275	\$ 90,348,275	2.00%	\$ 1,782,058
22	2022	2.0%	\$ 35,194,368	\$ 1,353,193	\$ (1,353,193)	\$ 10,659,824	\$ 45,854,191	\$ 43,449,540	\$ 6,715,292	\$ 5,691,940	\$ 55,856,772	\$ 101,710,963	\$ 91,689,963	2.00%	\$ 1,806,966
23	2023	2.0%	\$ 35,898,255	\$ 1,380,257	\$ (1,380,257)	\$ 10,659,824	\$ 46,558,079	\$ 44,034,180	\$ 6,782,928	\$ 5,691,940	\$ 56,509,048	\$ 103,067,127	\$ 93,046,127	2.00%	\$ 1,833,799
24	2024	2.0%	\$ 36,616,220	\$ 1,407,862	\$ (1,407,862)	\$ 10,659,824	\$ 47,276,044	\$ 44,477,694	\$ 6,851,246	\$ 5,691,940	\$ 57,020,880	\$ 104,296,924	\$ 94,275,924	2.00%	\$ 1,860,923
25	2025	2.0%	\$ 37,348,545	\$ 1,436,020	\$ (1,436,020)	\$ 10,659,824	\$ 48,008,368	\$ 44,925,675	\$ 6,920,252	\$ 5,691,940	\$ 57,537,867	\$ 105,546,236	\$ 95,525,236	2.00%	\$ 1,885,518
26	2026	2.0%	\$ 38,095,516	\$ 1,464,740	\$ (1,464,740)	\$ 10,659,824	\$ 48,755,339	\$ 45,378,168	\$ 6,989,953	\$ 5,691,940	\$ 58,060,061	\$ 106,815,401	\$ 96,794,401	2.00%	\$ 1,910,505
27	2027														\$ 1,935,888

Total Proceeds, 2005 - 2027 (Not Discounted)

\$ 35,991,633

Source: S. B. Friedman & Company

- [1] The TID was established in 2001 with a base year of 2000.
- [2] Properties in the City of Milwaukee are reassessed every year as of January 1.
- [3] 2% inflation is applied annually to the existing real property value of taxkeys in the TID. Growth in value for new income-generating development is based on projected NOI growth
- [4] Real property AV of non-project taxkeys (2004 & 2005 actual values), adjusted for inflation.
- [5] Real property AV of project taxkeys (2004 & 2005 actual values), adjusted for inflation.
- [6] Deductions resulting from demolition or replacement.
- [7] Anticipated personal property value of Time Warner property
- [8] Additions resulting from new development, based on anticipated income generation and personal property tax comparables.
- [9] Includes actual values for 2004 and 2005 and projected values thereafter.
- [10] Incremental AV over and above the 2000 base value of the TID.
- [11] Tax Rates beyond 2005 projected based on historical rates of decline
- [12] Tax revenues are assumed to be collected one year after the taxing year.

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 achieved during the period covered by our analysis will necessarily vary from those shown here and the variations may be material.

The resulting initial stabilized year assessed value of \$144 per square foot for the Manpower building, is in line with recent valuations reported by the Assessor for relatively new high-quality office space. The equivalent North Powerhouse projected value of \$99 per square foot is in line with a group of Class B office tax comparables evaluated by *SBFCo*. Table A-2 in Appendix 2 shows the projected real property valuation of the Manpower and North Powerhouse project components.

- **Parking Structure Valuation.** Based on a discussion with the City Assessor's Office, the Parking Structure was not assumed to directly generate value in *SBFCo*'s projections. In cases where a parking facility is dedicated to specific users as part of an office lease, a portion of the value estimated for the office space is typically allocated to the parking area. However, this value is deducted from that of the office building, and thus does not cause the total value of the office facility plus the parking structure to exceed the total value indicated by the lease income for the office space.
- **Property Value Growth- Remainder of TID 41.** *SBFCo*'s projections assume 2% annual growth in real property assessments for the existing properties within TID 41. Real property valuation for the Manpower and North Powerhouse building is assumed to grow at the pro forma rates of their respective rent increases. It should be noted that *SBFCo*'s projections do not assume any additional new development in TID 41 other than the Manpower/North Powerhouse project. Schlitz Park has announced plans to improve and re-tenant the Executive Building (currently occupied by Milwaukee County offices) and redevelop a Historic Brewhouse into 120,000 square feet of office and retail. The developer has also discussed various Manpower and Time Warner expansion options beyond the program assumed here. None of these occurrences are assumed in *SBFCo*'s projections, and each would likely increase total projected TID 41 property values beyond the inflation-only growth assumed here.
- **Personal Property Value.** According to the City Assessor, personal property accounted for about \$26.1 million in value, or approximately 50% of the total in the TID in 2005. This represents a significantly higher proportion than typically observed among office properties. The bulk of this current TID 41 personal property valuation is attributable to the Time Warner facility located immediately to the south of the proposed Manpower project. *SBFCo* used the following assumptions for projecting incremental property taxes:
 - Manpower and North Powerhouse Personal Property Value. The Manpower and North Powerhouse are assumed to generate a stabilized \$17 per rentable square foot in personal property value throughout the term of the projections. This value is the median per-foot value in 2005 for a group of downtown office building comparables provided by DCD.
 - Time Warner Personal Property Value. According to the Assessor's Office, cable converter boxes are likely to become exempt from personal property taxation in the near future. About \$4 million to \$5 million of the total Time Warner personal property value is anticipated to become tax exempt as a result of this change. To

reflect this, *SBFCo* assumed a \$5 million minimum reduction in future Time Warner personal property value beginning in the 2006 assessment year. In the two TID debt amortization scenarios described in the following section, *SBFCo* used different assumptions regarding this adjusted “current” Time Warner personal property value. Scenario 1 assumes that future Time Warner personal property value will remain constant at its current level, as adjusted for the converter box exemption described above. Scenario 2 assumes that it will stabilize at 50% of the current adjusted value. These scenarios attempt to account for uncertainties in projecting personal property value, which can decrease over time due to factors such as depreciation or increase due to reinvestment and/or inflationary growth in equipment costs. Appendix Tables A-3 and A-4 in Appendix 2 show personal property valuation under these scenarios.

Projected Amortization of TID Debt

SBFCo evaluated the time frame over which the total requested up-front TID funding could be amortized using the available sources of funds, which include incremental property taxes, debt service from the developer on the \$3 million loan component of the assistance, scheduled debt service payments from Business Improvement District 15 to TID 41 (to amortize up-front funding of public improvements not directly related to the Manpower project), and contingent payments from the developer under the TID debt service guarantee obligation.

METHODOLOGY

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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.** Based on input from DCD and the Office of the Comptroller, *SBFCo* assumed an interest rate of 5.1% on the bonds, reflective of blended taxable and tax-exempt debt issues.
- **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.** The Office of the Comptroller has provided an estimate of issuance costs, which was included in the total bond issue amount assumed in these projections.
- **Developer Guarantee Payment Calculation.** The proposed structure of the Developer Guarantee is such that, beginning in Year 3 of TID financing, an annual Guarantee Target TID Debt Service amount is defined. This target is separate and distinct from the TID Annual Debt Service Target described above. It is equal to the level principal and interest payment on an 18-year amortization of the overall debt issue at the blended Bond Interest Rate. If the combined Repayment Sources (annual incremental property taxes, BID 15 payments to TID 41, and developer debt service on the \$3 million loan) are less than the Guarantee Target TID Debt Service amount in any given year, the developer is responsible for covering shortfalls. However, this annual responsibility is capped at an amount equal to a level principal and interest payment on the Guarantee Amount of \$4 million at the blended Bond Interest Rate (18-year amortization schedule). At the assumed blended bond rate of 5.1%, the maximum annual developer guarantee payment is estimated at about \$345,000.

AMORTIZATION SCENARIOS

SBFCo evaluated TID amortization under two scenarios, which differ based on the assumption regarding future annual personal property value generated by the existing Time Warner property. These scenarios are shown in Tables 6 and 7 at the end of this section, and can be characterized as follows:

- **Scenario 1** assumes stabilized Time Warner personal property values equal to 50% of the current level, after adjustment for the anticipated cable box exemption discussed in “TIF Projections Assumptions and Methodology” above. Under this scenario, the TID debt is projected to be fully amortized in 2026, one year before the statutory limit. Given the somewhat greater uncertainty of personal property value as compared to real property, this appears to be an appropriately conservative underwriting standard for sizing the developer’s guarantee. With the \$4 million guarantee in place, Scenario 1 indicates that the proposed City contribution is supportable by the available sources of funds for repayment.
- **Scenario 2** assumes stabilized Time Warner personal property equal to 100% of current values after converter box exemption. Under this scenario, the TID is projected to be fully amortized in 2025, two years before the statutory limit. This scenario reflects an outcome that may be more likely—that Time Warner personal property values will remain roughly constant (or even increase with inflation or new investment) over time. A number of other potential events are anticipated to occur within the TID that could also cause accelerated amortization of TID debt, including:
 - Renovation/re-tenanting of the Executive Building, as planned by Schlitz Park. Replacement of the County offices with a private tenant would also likely introduce new taxable personal property value to TID 41.

- Development of the Historic Brewhouse into the 120,000 square foot office/retail complex planned by Schlitz Park.
- Expansion of Manpower and/or Time Warner facilities within the TID.

Based on the amortization scenarios discussed above and the underlying TIF projection assumptions, *SBFCo* projects that the proposed \$25.3 million City TIF contribution to the Manpower project can be amortized by 2025-2026, one to two years prior to the statutory limit.

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City of Milwaukee- Manpower TIF Feasibility
Projected Bond Amortization- Manpower TIF Subsidy of \$25.3 Million

Table 6: Scenario 1: Time Warner Personal Property Stabilized Average- 50% of Current Level

Issuance Year	2006
Interest Rate on Bonds [1]	5.1%
Cost of Funds- Local Gov't Investment Pool [1]	4.0%
Net Proceeds to Project	\$ 25,300,000
Projected Issuance Costs [1]	\$ 272,006
Cap Interest Allowance 2 Years	\$ 2,580,600
Less Projected Available Up-Front Cash [2]	\$ (1,071,000)
Net Cap Interest Allowance	\$ 1,509,600
Total Bond	\$ 27,081,606
P&I Payments under Comptroller's Bond Assumptions	
	15

Developer Guarantee Calculations	
\$ 4,000,000	Amount Guaranteed by Developer
18	P&I Payment Years Guaranteed
5.10%	Interest Rate
\$ 344,863	Max Annual Developer Payment

Cap Interest Reserve			
Year	Reserve	Payment	
2006	\$ 1,509,600	\$	(1,381,162)
2007	\$ 128,438	\$	(128,438)

[1] Source: Office of the City Comptroller

[2] Source: Department of City Development

Year of TID	Calendar Year	Repayment Sources			Developer Guarantee Calculation				TID Annual Debt Service Target [5]	Cap Interest Payment	TID Payoff Analysis		Interest Earnings/ (Carry Cost) on Cuml. Balance	TID Debt Retired
		Annual Inc. Tax Revenues Collected (Jan. 31)	Repayment from BID 15 [1]	Developer Debt Svc on \$3 MM Loan [2]	Guarantee Target TID Debt Svc [3]	Annual Surplus/ (Shortfall) Against Target [4]	Developer Guarantee Payment	Annual Surplus/ (Shortfall) vs. Target			Cumulative Surplus/ (Deficit) vs. Target			
5	2005	\$ 130,602		\$ -				\$ -	\$ -	\$ 130,602	\$ 130,602	\$ 5,224		
6	2006	\$ 940,398	\$ 43,246	\$ -	\$ -	\$ -	\$ -	\$ 1,381,162	\$ 1,381,162	\$ 983,644	\$ 1,119,470	\$ 44,779	NO	
7	2007	\$ 647,982	\$ 43,246	\$ -	\$ -	\$ -	\$ -	\$ 1,381,162	\$ 128,438	\$ (561,496)	\$ 602,753	\$ 24,110	NO	
8	2008	\$ 927,795	\$ 43,246	\$ -	\$ 2,334,864	\$ (1,363,822)	\$ 344,863	\$ 2,626,769	\$ -	\$ (1,310,865)	\$ (684,001)	\$ (27,360)	NO	
9	2009	\$ 1,801,849	\$ 43,246	\$ -	\$ 2,334,864	\$ (489,769)	\$ 344,863	\$ 2,626,769	\$ -	\$ (436,811)	\$ (1,148,173)	\$ (45,927)	NO	
10	2010	\$ 1,780,368	\$ 43,246	\$ 98,345	\$ 2,334,864	\$ (412,905)	\$ 344,863	\$ 2,626,769	\$ -	\$ (359,947)	\$ (1,554,047)	\$ (62,162)	NO	
11	2011	\$ 1,664,790	\$ 43,246	\$ 98,345	\$ 2,334,864	\$ (528,483)	\$ 344,863	\$ 2,626,769	\$ -	\$ (475,525)	\$ (2,091,733)	\$ (83,669)	NO	
12	2012	\$ 1,642,443	\$ 43,246	\$ 274,602	\$ 2,334,864	\$ (374,573)	\$ 344,863	\$ 2,626,769	\$ -	\$ (321,615)	\$ (2,497,018)	\$ (99,881)	NO	
13	2013	\$ 1,620,390	\$ 43,246	\$ 274,602	\$ 2,334,864	\$ (396,626)	\$ 344,863	\$ 2,626,769	\$ -	\$ (343,668)	\$ (2,940,566)	\$ (117,623)	NO	
14	2014	\$ 1,621,096	\$ 43,246	\$ 274,602	\$ 2,334,864	\$ (395,920)	\$ 344,863	\$ 2,626,769	\$ -	\$ (342,962)	\$ (3,401,151)	\$ (136,046)	NO	
15	2015	\$ 1,642,940	\$ 43,246	\$ 274,602	\$ 2,334,864	\$ (374,076)	\$ 344,863	\$ 2,626,769	\$ -	\$ (321,118)	\$ (3,858,315)	\$ (154,333)	NO	
16	2016	\$ 1,665,066	\$ 8,757	\$ 274,602	\$ 2,334,864	\$ (386,439)	\$ 344,863	\$ 2,626,769	\$ -	\$ (333,481)	\$ (4,346,129)	\$ (173,845)	NO	
17	2017	\$ 1,687,478	\$ -	\$ 274,602	\$ 2,334,864	\$ (372,784)	\$ 344,863	\$ 2,626,769	\$ -	\$ (319,826)	\$ (4,839,800)	\$ (193,592)	NO	
18	2018	\$ 1,710,670	\$ -	\$ 274,602	\$ 2,334,864	\$ (349,592)	\$ 344,863	\$ 2,626,769	\$ -	\$ (296,634)	\$ (5,330,027)	\$ (213,201)	NO	
19	2019	\$ 1,734,159	\$ -	\$ 274,602	\$ 2,334,864	\$ (326,102)	\$ 326,102	\$ 2,626,769	\$ -	\$ (291,906)	\$ (5,835,133)	\$ (233,405)	NO	
20	2020	\$ 1,757,953	\$ -	\$ 274,602	\$ 2,334,864	\$ (302,308)	\$ 302,308	\$ 2,626,769	\$ -	\$ (291,906)	\$ (6,360,444)	\$ (254,418)	NO	
21	2021	\$ 1,782,058	\$ -	\$ 274,602	\$ 2,334,864	\$ (278,204)	\$ 278,204	\$ 2,626,769	\$ -	\$ (291,906)	\$ (6,906,768)	\$ (276,271)	NO	
22	2022	\$ 1,806,966	\$ -	\$ 274,602	\$ 2,334,864	\$ (253,296)	\$ 253,296	\$ 2,626,769	\$ -	\$ (291,906)	\$ (7,474,944)	\$ (298,998)	NO	
23	2023	\$ 1,833,799	\$ -	\$ 274,602	\$ 2,334,864	\$ (226,463)	\$ 226,463	\$ -	\$ -	\$ 2,334,864	\$ (5,439,078)	\$ (217,563)	NO	
24	2024	\$ 1,860,923	\$ -	\$ 274,602	\$ 2,334,864	\$ (199,339)	\$ 199,339	\$ -	\$ -	\$ 2,334,864	\$ (3,321,777)	\$ (132,871)	NO	
25	2025	\$ 1,885,518	\$ -	\$ 274,602	\$ 2,334,864	\$ (174,743)	\$ 174,743	\$ -	\$ -	\$ 2,334,864	\$ (1,119,784)	\$ (44,791)	NO	
26	2026	\$ 1,910,505	\$ -	\$ 274,602	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,185,107	\$ 1,020,531	\$ 40,821	YES	
27	2027	\$ 1,935,888	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,935,888	\$ 2,997,241	\$ 119,890	YES	
TOTALS		\$ 35,991,633	\$ 441,217	\$ 4,315,721	\$ 35,991,633	\$ -	\$ 5,553,954	\$ -	\$ 5,648,262	\$ -	\$ -	\$ -		

Source: S. B. Friedman & Company

[1] Scheduled debt service payments from BID 15 to TID 41 to repay front funding of riverwalk improvements. Source: Department of City Development

[2] Scheduled debt service payments on loan component of total City TIF contribution

[3] Equivalent to annual level P&I payment at Bond Interest Rate for an 18-year amortization of the total Bond Issue. This amount is compared to the total Repayment Sources in each year to determine developer debt service obligation under guarantee

[4] Total Annual Repayment Sources Less the Guarantee Target TID Debt Service

[5] Target Annual P&I payment to be developed by the Comptroller's Office to determine whether the TID should be charged for interest carry

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 achieved during the period covered by our analysis will necessarily vary from those shown here and the variations may be material.

City of Milwaukee- Manpower TIF Feasibility
Projected Bond Amortization- Manpower TIF Subsidy of \$25.3 Million

Table 7: Scenario 2: Time Warner Personal Property Stabilized Average- 100% of Current Level

Issuance Year	2006
Interest Rate on Bonds [1]	5.1%
Cost of Funds- Local Gov't Investment Pool [1]	4.0%
Net Proceeds to Project	\$ 25,300,000
Projected Issuance Costs [1]	\$ 272,006
Cap Interest Allowance 2 Years	\$ 2,580,600
Less Projected Available Up-Front Cash [2]	\$ (1,071,000)
Net Cap Interest Allowance	\$ 1,509,600
Total Bond	\$ 27,081,606

Developer Guarantee Calculations	
\$ 4,000,000	Amount Guaranteed by Developer
18	P&I Payment Years Guaranteed
5.10%	Interest Rate
\$ 344,863	Max Annual Developer Payment

Cap Interest Reserve			
Year	Reserve	Payment	
2006	\$ 1,509,600	\$	(1,381,162)
2007	\$ 128,438	\$	(128,438)

[1] Source: Office of the City Comptroller

[2] Source: Department of City Development

Year of TID	Calendar Year	Repayment Sources			Developer Guarantee Calculation				TID Payoff Analysis				
		Annual Inc. Tax Revenues Collected (Jan. 31)	Repayment from BID 15 [1]	Developer Debt Svc on \$3 MM Loan [2]	Guarantee Target TID Debt Svc [3]	Annual Surplus/ (Shortfall) Against Target [4]	Developer Guarantee Payment	TID Annual Debt Service Target [5]	Cap Interest Payment	Annual Surplus/ (Shortfall) vs. Target	Cumulative Surplus/ (Deficit) vs. Target	Interest Earnings/ (Carry Cost) on Cuml. Balance	TID Debt Retired
5	2005	\$ 130,602	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,602	\$ 130,602	\$ 5,224	
6	2006	\$ 940,398	\$ 43,246	\$ -	\$ -	\$ -	\$ -	\$ 1,381,162	\$ 1,381,162	\$ 983,644	\$ 1,119,470	\$ 44,779	NO
7	2007	\$ 901,354	\$ 43,246	\$ -	\$ -	\$ -	\$ -	\$ 1,381,162	\$ 128,438	\$ (308,123)	\$ 856,125	\$ 34,245	NO
8	2008	\$ 1,174,513	\$ 43,246	\$ -	\$ 2,334,864	\$ (1,117,104)	\$ 344,863	\$ 2,626,769	\$ -	\$ (1,064,147)	\$ (173,776)	\$ (6,951)	NO
9	2009	\$ 2,042,087	\$ 43,246	\$ -	\$ 2,334,864	\$ (249,531)	\$ 292,777	\$ 2,626,769	\$ -	\$ (248,660)	\$ (429,387)	\$ (17,175)	NO
10	2010	\$ 2,014,296	\$ 43,246	\$ 98,345	\$ 2,334,864	\$ (178,976)	\$ 222,222	\$ 2,626,769	\$ -	\$ (248,660)	\$ (695,222)	\$ (27,809)	NO
11	2011	\$ 1,892,575	\$ 43,246	\$ 98,345	\$ 2,334,864	\$ (300,698)	\$ 343,944	\$ 2,626,769	\$ -	\$ (248,660)	\$ (971,690)	\$ (38,868)	NO
12	2012	\$ 1,864,246	\$ 43,246	\$ 274,602	\$ 2,334,864	\$ (152,770)	\$ 196,016	\$ 2,626,769	\$ -	\$ (248,660)	\$ (1,259,217)	\$ (50,369)	NO
13	2013	\$ 1,836,367	\$ 43,246	\$ 274,602	\$ 2,334,864	\$ (180,649)	\$ 223,895	\$ 2,626,769	\$ -	\$ (248,660)	\$ (1,558,246)	\$ (62,330)	NO
14	2014	\$ 1,834,292	\$ 43,246	\$ 274,602	\$ 2,334,864	\$ (182,724)	\$ 225,970	\$ 2,626,769	\$ -	\$ (248,660)	\$ (1,869,235)	\$ (74,769)	NO
15	2015	\$ 1,856,137	\$ 43,246	\$ 274,602	\$ 2,334,864	\$ (160,879)	\$ 204,125	\$ 2,626,769	\$ -	\$ (248,660)	\$ (2,192,664)	\$ (87,707)	NO
16	2016	\$ 1,878,262	\$ 8,757	\$ 274,602	\$ 2,334,864	\$ (173,243)	\$ 182,000	\$ 2,626,769	\$ -	\$ (283,149)	\$ (2,563,519)	\$ (102,541)	NO
17	2017	\$ 1,900,674	\$ -	\$ 274,602	\$ 2,334,864	\$ (159,588)	\$ 159,588	\$ 2,626,769	\$ -	\$ (291,906)	\$ (2,957,965)	\$ (118,319)	NO
18	2018	\$ 1,923,866	\$ -	\$ 274,602	\$ 2,334,864	\$ (136,396)	\$ 136,396	\$ 2,626,769	\$ -	\$ (291,906)	\$ (3,368,189)	\$ (134,728)	NO
19	2019	\$ 1,947,356	\$ -	\$ 274,602	\$ 2,334,864	\$ (112,906)	\$ 112,906	\$ 2,626,769	\$ -	\$ (291,906)	\$ (3,794,822)	\$ (151,793)	NO
20	2020	\$ 1,971,150	\$ -	\$ 274,602	\$ 2,334,864	\$ (89,112)	\$ 89,112	\$ 2,626,769	\$ -	\$ (291,906)	\$ (4,238,521)	\$ (169,541)	NO
21	2021	\$ 1,995,254	\$ -	\$ 274,602	\$ 2,334,864	\$ (65,008)	\$ 65,008	\$ 2,626,769	\$ -	\$ (291,906)	\$ (4,699,967)	\$ (187,999)	NO
22	2022	\$ 2,020,162	\$ -	\$ 274,602	\$ 2,334,864	\$ (40,100)	\$ 40,100	\$ 2,626,769	\$ -	\$ (291,906)	\$ (5,179,871)	\$ (207,195)	NO
23	2023	\$ 2,046,996	\$ -	\$ 274,602	\$ 2,334,864	\$ (13,266)	\$ 13,266	\$ -	\$ -	\$ 2,334,864	\$ (3,052,202)	\$ (122,088)	NO
24	2024	\$ 2,074,119	\$ -	\$ 274,602	\$ 2,334,864	\$ 13,857	\$ -	\$ -	\$ -	\$ 2,348,721	\$ (825,569)	\$ (33,023)	NO
25	2025	\$ 2,098,715	\$ -	\$ 274,602	\$ 2,334,864	\$ 38,453	\$ -	\$ -	\$ -	\$ 2,373,317	\$ 1,514,725	\$ 60,589	YES
26	2026	\$ 2,123,701	\$ -	\$ 274,602	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,398,303	\$ 3,973,617	\$ 158,945	YES
27	2027	\$ 2,149,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,149,084	\$ 6,281,646	\$ 251,266	YES
TOTALS		\$ 40,616,206	\$ 441,217	\$ 4,315,721			\$ 2,852,187			\$ 7,571,067			

Source: S. B. Friedman & Company

[1] Scheduled debt service payments from BID 15 to TID 41 to repay front funding of riverwalk improvements. Source: Department of City Development

[2] Scheduled debt service payments on loan component of total City TIF contribution

[3] Equivalent to annual level P&I payment at Bond Interest Rate for an 18-year amortization of the total Bond Issue. This amount is compared to the total Repayment Sources in each year to determine developer debt service obligation under guarantee

[4] Total Annual Repayment Sources Less the Guarantee Target TID Debt Service

[5] Target Annual P&I payment to be developed by the Comptroller's Office to determine whether the TID should be charged for interest carry

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 achieved during the period covered by our analysis will necessarily vary from those shown here and the variations may be material.

Appendix 1: Construction Cost Review Summary

DRAFT

memorandum

DATE: January 10, 2006

TO: Tony Smith
S. B. Friedman & Company, Inc.

FROM: Ed Stritch, CEO

RE: Manpower Corporate Headquarters Project

We have completed our review of the construction costs for the above referenced project and we have found these costs to be reasonable and competitive overall for the scope of work as represented on the site plan and as detailed in the cost estimates provided for each of the project components (i.e. office building, skywalk, parking structure, boiler house renovation and site development work).

The scope of our services on this project required us to review and comment on the construction costs submitted by the developer but not to prepare independent detailed cost estimates for comparative purposes.

To complete our assignment, we met with the Gilbane's project manager, Mr. Kevin Bredeson, and reviewed with him the scope of the project and the assumptions used to prepare their cost estimates. This process allowed us to confirm that Gilbane's assumptions used were reasonable and, for this level of design, accurately reflected the scope of work involved with this project.

Our estimates for each of the project components compared favorably with Gilbane's estimates, and were cumulatively 4.55% higher. This differential is within reasonable tolerances for a project in this stage of design.

If you have any questions or require any additional information, please contact me.

Appendix 2: TIF Projection Detail

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City of Milwaukee- Manpower TIF Feasibility

Table A-1: City Combined Net Tax Rate History

Assess Year	Budget Year	Assessment Ratio	City Rate (Inc. Sch. Bonds)	City School Rate	MATC Rate	MMSD Rate	County (Inc. State Forestry)	Gross Tax Rate	State Credit	Net (Less State Credit)
1984	1985	99.91%	12.10	14.18	1.65	3.51	5.51	36.95	3.52	33.43
1985	1986	99.27%	12.32	14.77	1.71	3.44	5.43	37.67	5.30	32.37
1986	1987	99.27%	13.01	16.54	1.71	3.25	5.71	40.22	5.95	34.27
1987	1988	96.69%	13.09	16.12	1.79	3.11	5.64	39.75	3.74	36.01
1988	1989	99.38%	12.88	17.31	1.74	3.04	5.62	40.59	3.47	37.12
1989	1990	95.31%	12.85	17.61	1.82	3.16	6.71	42.15	3.42	38.73
1990	1991	98.53%	12.76	17.78	2.01	3.05	5.99	41.59	3.24	38.35
1991	1992	96.67%	12.07	18.14	2.06	3.12	5.84	41.23	2.46	38.77
1992	1993	99.90%	11.95	18.00	2.00	2.99	5.68	40.62	2.24	38.38
1993	1994	96.39%	11.39	18.13	2.09	3.16	5.80	40.57	2.13	38.44
1994	1995	98.23%	10.86	16.99	2.04	3.07	5.62	38.58	1.92	36.66
1995	1996	94.87%	10.53	15.70	2.10	2.81	5.95	37.09	1.86	35.23
1996	1997	98.87%	10.24	12.00	2.01	1.72	5.92	31.89	2.46	29.43
1997	1998	96.40%	9.99	10.85	2.11	1.77	6.17	30.89	2.35	28.54
1998	1999	99.14%	9.71	10.97	2.01	1.72	5.92	30.33	2.04	28.29
1999	2000	93.28%	9.69	10.38	2.16	1.80	6.03	30.06	2.00	28.06
2000	2001	101.10%	10.49	9.87	2.00	1.68	5.66	29.70	1.69	28.01
2001	2002	93.37%	10.87	10.12	2.23	1.87	6.13	31.22	1.66	29.56
2002	2003	98.10%	10.15	9.34	2.05	1.74	5.40	28.68	1.43	27.25
2003	2004	97.07%	9.73	8.96	2.04	1.64	5.15	27.52	1.35	26.17
2004	2005	96.84%	9.19	9.40	2.00	1.59	4.91	27.09	1.23	25.86
2005	2006 [1]									24.52
								Compound Annual Rate of Change		
								5-Year		-2.63%
								10-Year		-3.56%
								15-Year		-2.94%
								20-Year		-1.38%

[1] Source: Comptroller's Office anticipated rate as reported by Milwaukee Journal Sentinel 11/23/05

Source: Milwaukee Assessor's Office and *S. B. Friedman & Company*

City of Milwaukee- Manpower TIF Feasibility

Table A-2: Manpower and North Powerhouse Office Buildings - New Taxable Value Summary

Phase-In Assessment Year 1

25%

Phase-In Assessment Year 2

100%

\$ 144 /RSF Year 1

\$ 94 /RSF Year 1

	TID Yr	Year	Manpower Office Building						North Powerhouse					
			Gross Income	10% Unrecoverable Expenses	3% Vacancy	1.01% Pre-Tax NOI	Cap Rate	Taxable Value	2.00% Gross Income	15% Unrecoverable Expenses	10% Vacancy	2.00% Pre-Tax NOI	Cap Rate	Taxable Value
Developer Pro Forma Income	7	2007	\$ 4,325,000	\$ 432,500	\$ 129,750	\$ 3,762,750	9%	\$ 10,452,083	\$ -	\$ -	\$ -	\$ -	10%	\$ -
	8	2008	\$ 4,325,000	\$ 432,500	\$ 129,750	\$ 3,762,750	9%	\$ 41,808,333	\$ 685,250	\$ 102,788	\$ 68,525	\$ 513,938	10%	\$ 5,139,375
	9	2009	\$ 4,381,000	\$ 438,100	\$ 131,430	\$ 3,811,470	9%	\$ 42,349,667	\$ 698,955	\$ 104,843	\$ 69,896	\$ 524,216	10%	\$ 5,242,163
	10	2010	\$ 4,423,000	\$ 442,300	\$ 132,690	\$ 3,848,010	10%	\$ 38,480,100	\$ 712,934	\$ 106,940	\$ 71,293	\$ 534,701	10%	\$ 5,347,006
	11	2011	\$ 4,465,000	\$ 446,500	\$ 133,950	\$ 3,884,550	10%	\$ 38,845,500	\$ 727,193	\$ 109,079	\$ 72,719	\$ 545,395	10%	\$ 5,453,946
	12	2012	\$ 4,507,000	\$ 450,700	\$ 135,210	\$ 3,921,090	10%	\$ 39,210,900	\$ 741,737	\$ 111,260	\$ 74,174	\$ 556,302	10%	\$ 5,563,025
	13	2013	\$ 4,551,800	\$ 455,180	\$ 136,554	\$ 3,960,066	10%	\$ 39,600,660	\$ 756,571	\$ 113,486	\$ 75,657	\$ 567,429	10%	\$ 5,674,285
	14	2014	\$ 4,596,600	\$ 459,660	\$ 137,898	\$ 3,999,042	10%	\$ 39,990,420	\$ 771,703	\$ 115,755	\$ 77,170	\$ 578,777	10%	\$ 5,787,771
	15	2015	\$ 4,641,400	\$ 464,140	\$ 139,242	\$ 4,038,018	10%	\$ 40,380,180	\$ 787,137	\$ 118,071	\$ 78,714	\$ 590,353	10%	\$ 5,903,526
	16	2016	\$ 4,686,200	\$ 468,620	\$ 140,586	\$ 4,076,994	10%	\$ 40,769,940	\$ 802,880	\$ 120,432	\$ 80,288	\$ 602,160	10%	\$ 6,021,597
	17	2017	\$ 4,733,800	\$ 473,380	\$ 142,014	\$ 4,118,406	10%	\$ 41,184,060	\$ 818,937	\$ 122,841	\$ 81,894	\$ 614,203	10%	\$ 6,142,029
	18	2018	\$ 4,781,400	\$ 478,140	\$ 143,442	\$ 4,159,818	10%	\$ 41,598,180	\$ 835,316	\$ 125,297	\$ 83,532	\$ 626,487	10%	\$ 6,264,869
19	2019	\$ 4,829,000	\$ 482,900	\$ 144,870	\$ 4,201,230	10%	\$ 42,012,300	\$ 852,022	\$ 127,803	\$ 85,202	\$ 639,017	10%	\$ 6,390,167	
20	2020	\$ 4,876,600	\$ 487,660	\$ 146,298	\$ 4,242,642	10%	\$ 42,426,420	\$ 869,063	\$ 130,359	\$ 86,906	\$ 651,797	10%	\$ 6,517,970	
21	2021	\$ 4,927,000	\$ 492,700	\$ 147,810	\$ 4,286,490	10%	\$ 42,864,900	\$ 886,444	\$ 132,967	\$ 88,644	\$ 664,833	10%	\$ 6,648,330	
Extrapolation	22	2022	\$ 4,994,200	\$ 499,420	\$ 149,826	\$ 4,344,954	10%	\$ 43,449,540				\$ 671,529	10%	\$ 6,715,292
	23	2023	\$ 5,061,400	\$ 506,140	\$ 151,842	\$ 4,403,418	10%	\$ 44,034,180				\$ 678,293	10%	\$ 6,782,928
	24	2024				\$ 4,447,769	10%	\$ 44,477,694				\$ 685,125	10%	\$ 6,851,246
	25	2025				\$ 4,492,567	10%	\$ 44,925,675				\$ 692,025	10%	\$ 6,920,252
	26	2026				\$ 4,537,817	10%	\$ 45,378,168				\$ 698,995	10%	\$ 6,989,953
	27	2027				\$ 4,583,522	10%	\$ 45,835,219				\$ 706,036	10%	\$ 7,060,357

[1] Source of Income and Expense information: Brewery Works Inc.

Source of Comps and other calculations: City Assessor's Office and S. B. Friedman & Company

City of Milwaukee- Manpower TIF Feasibility

Table A-3: Personal Property Value Estimate- Scenario 1: 50% Time Warner Stabilized Value Assumed

Personal Property Assumptions	Total
2004 Total PP Value in TID 41 per City Assessor [1]	\$ 31,780,000
2005 Total PP Value in TID 41 per City Assessor [1]	\$ 26,319,647
Likely Reduction in TID 41 PP Value due to Future Cable Converter Exemption [3]	\$ (5,000,000)
Adjusted TID 41 PP Value excluding Manpower bldg	\$ 21,319,647
Assumed Stabilized TW PP Value as % of Current	50%
Assumed Stabilized Time Warner PP Value	\$ 10,659,824
Stabilized Value PSF Assumption for Manpower and North Powerhouse	\$ 17.00
Total Square Footage- Time Warner Building	177,090
Newly Added Bldg SF- Manpower and PowerHouse	334,820

[1] Source: Milwaukee City Assessor

[2] Source: State Dept of Revenue and *S. B. Friedman & Co.*

[3] Source: Milwaukee City Assessor Personal Property Specialist

Year	% Online Ex. SF	% Online Manpower	Personal Property Value		Total Taxable PP Value [1]	Pers Prop as % of AV	Pers Prop Value/SF Time Warner	Pers Prop Value/SF Manpower
			Existing TID Properties	Manpower Project				
2004	100%	0%	\$ 53,975,700	\$ -	\$ 53,975,700			\$ -
2005	100%	0%	\$ 22,445,200	\$ -	\$ 22,445,200	86.0%	\$ 126.74	\$ -
2006	100%	0%	\$ 10,659,824	\$ -	\$ 10,659,824	41.6%	\$ 60.19	\$ -
2007	100%	50%	\$ 10,659,824	\$ 2,845,970	\$ 13,505,794	36.9%	\$ 60.19	\$ 8.50
2008	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	22.2%	\$ 60.19	\$ 17.00
2009	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	21.9%	\$ 60.19	\$ 17.00
2010	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	22.8%	\$ 60.19	\$ 17.00
2011	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	22.5%	\$ 60.19	\$ 17.00
2012	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	22.2%	\$ 60.19	\$ 17.00
2013	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	21.9%	\$ 60.19	\$ 17.00
2014	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	21.6%	\$ 60.19	\$ 17.00
2015	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	21.3%	\$ 60.19	\$ 17.00
2016	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	21.0%	\$ 60.19	\$ 17.00
2017	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	20.6%	\$ 60.19	\$ 17.00
2018	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	20.3%	\$ 60.19	\$ 17.00
2019	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	20.0%	\$ 60.19	\$ 17.00
2020	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	19.8%	\$ 60.19	\$ 17.00
2021	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	19.5%	\$ 60.19	\$ 17.00
2022	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	19.2%	\$ 60.19	\$ 17.00
2023	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	18.9%	\$ 60.19	\$ 17.00
2024	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	18.6%	\$ 60.19	\$ 17.00
2025	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	18.3%	\$ 60.19	\$ 17.00
2026	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	18.1%	\$ 60.19	\$ 17.00
2027	100%	100%	\$ 10,659,824	\$ 5,691,940	\$ 16,351,764	N/A	\$ 60.19	\$ 17.00
AVERAGES					\$ 15,963,677	22.3%	\$ 60.19	\$ 16.60

[1] Taxable Total Personal Property Value differs from City totals reported in Assumptions due to State estimating practices.

State values are adjusted to compensate for prior-year discrepancies

Source: Milwaukee Assessor's Office and *S. B. Friedman & Company*

City of Milwaukee- Manpower TIF Feasibility

Table A-4: Personal Property Value Estimate- Scenario 2: 100% Time Warner Stabilized Value Assumed

Personal Property Assumptions	Total
2004 Total PP Value in TID 41 per City Assessor [1]	\$ 31,780,000
2005 Total PP Value in TID 41 per City Assessor [1]	\$ 26,319,647
Likely Reduction in TID 41 PP Value due to Future Cable Converter Exemption [3]	\$ (5,000,000)
Adjusted TID 41 PP Value excluding Manpower bldg	\$ 21,319,647
Assumed Stabilized TW PP Value as % of Current	100%
Assumed Stabilized Time Warner PP Value	\$ 21,319,647
Stabilized Value PSF Assumption for Manpower and North Powerhouse	\$ 17.00
Total Square Footage- Time Warner Building	177,090
Newly Added Bldg SF- Manpower and PowerHouse	334,820

[1] Source: Milwaukee City Assessor

[2] Source: State Dept of Revenue and *S. B. Friedman & Co.*

[3] Source: Milwaukee City Assessor Personal Property Specialist

Year	% Online Ex. SF	% Online Manpower	Personal Property Value		Total Taxable PP Value [1]	Pers Prop as % of AV	Pers Prop Value/SF Time Warner	Pers Prop Value/SF Manpower
			Existing TID Properties	Manpower Project				
2004	100%	0%	\$ 53,975,700	\$ -	\$ 53,975,700			\$ -
2005	100%	0%	\$ 22,445,200	\$ -	\$ 22,445,200	86.0%	\$ 126.74	\$ -
2006	100%	0%	\$ 21,319,647	\$ -	\$ 21,319,647	83.2%	\$ 120.39	\$ -
2007	100%	50%	\$ 21,319,647	\$ 2,845,970	\$ 24,165,617	66.0%	\$ 120.39	\$ 8.50
2008	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	36.7%	\$ 120.39	\$ 17.00
2009	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	36.1%	\$ 120.39	\$ 17.00
2010	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	37.7%	\$ 120.39	\$ 17.00
2011	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	37.2%	\$ 120.39	\$ 17.00
2012	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	36.7%	\$ 120.39	\$ 17.00
2013	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	36.1%	\$ 120.39	\$ 17.00
2014	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	35.6%	\$ 120.39	\$ 17.00
2015	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	35.1%	\$ 120.39	\$ 17.00
2016	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	34.6%	\$ 120.39	\$ 17.00
2017	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	34.1%	\$ 120.39	\$ 17.00
2018	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	33.6%	\$ 120.39	\$ 17.00
2019	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	33.1%	\$ 120.39	\$ 17.00
2020	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	32.6%	\$ 120.39	\$ 17.00
2021	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	32.1%	\$ 120.39	\$ 17.00
2022	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	31.6%	\$ 120.39	\$ 17.00
2023	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	31.1%	\$ 120.39	\$ 17.00
2024	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	30.7%	\$ 120.39	\$ 17.00
2025	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	30.3%	\$ 120.39	\$ 17.00
2026	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	29.9%	\$ 120.39	\$ 17.00
2027	100%	100%	\$ 21,319,647	\$ 5,691,940	\$ 27,011,587	N/A	\$ 120.39	\$ 17.00
AVERAGES					\$ 26,623,500	37.8%	\$ 120.39	\$ 16.60

[1] Taxable Total Personal Property Value differs from City totals reported in Assumptions due to State estimating practices.

State values are adjusted to compensate for prior-year discrepancies

Source: Milwaukee Assessor's Office and *S. B. Friedman & Company*