

PROJECT PLAN

TAX INCREMENTAL DISTRICT NO. 62

CITY OF MILWAUKEE

(DRS Power & Control Technologies Project)

Public Hearing Held: November 17, 2005

Redevelopment Authority Adopted : November 17, 2005

Common Council Adopted:

Joint Review Board Approval:

I. DESCRIPTION OF PROJECT

A. Introduction

Section 66.1105(4)(d), Wis. Stats. Requires the "preparation and adoption of a project plan for each tax incremental district." This Project Plan is submitted in accordance with this statutory requirement.

B. District Boundaries & Compliance with Statutory Eligibility Criteria

Tax Incremental District No. 62, City of Milwaukee (the " District") consists of a single 22.7 acre site located at 4265 N.30th Street. (Tax Key No. 246-9998-110-5). The District is shown on Map 1, "Boundary and Existing Land Use," and described in Exhibit 4, "Boundary Description."

The District is presently zoned IH (Industrial Heavy). The 600,000 s.f. manufacturing building on the property is owned and operated by DRS Power & Control Technologies, Inc.. DRS is a supplier of defense technology systems to the U.S. military and intelligence agencies, major aerospace and defense contractors and international military forces. Nationally, DRS employs 5700 and has other facilities in New Jersey, Connecticut, California, Texas, Florida, Ohio, Pennsylvania, Massachusetts, and Colorado. The company is traded on the NYSE (symbol:DRS) and reported annual revenue of \$1.3 billion.

In Milwaukee, DRS designs and manufactures power generation, conversion, and distribution equipment for ship propulsion systems for the U.S. Navy and for industrial applications. DRS employs 370 people at this location, principally engineers, engineering technicians, and skilled assemblers. Average wages for unionized manufacturing and testing positions at this site is \$19/hr. Technical and administrative staff averages \$34/hr.

The DRS facility was constructed in 1956 as a dual use facility for Cutler-Hammer, Inc. and is currently outdated and inefficient, particularly with respect to HVAC systems, engineering spaces, shop layout and overall utilization. Of the 600,000 s.f., DRS is currently using only 350,000 s.f. Also, of the 600,000 s.f., 165,000 s.f. is located in the basement and cannot be used efficiently for manufacturing.

Given the condition of the facility, the District satisfies the requirements of Wis. Stats. Sec 66.1105(4)(gm)(4)(a) as being a "in need of rehabilitation and conservation work, as defined in Sec. 66.1337 (2m)(b)."

Over the last seven years, the assessment of improvements in the District has always exceeded the land assessment. Accordingly, the District is not "vacant" property, as provided in Sec. 66.1105(4)(gm)(1).

C. Project Plan Goals and Objectives

Goals and objectives for the District are:

1. To modernize the DRS facility in the District for high-technology manufacturing and assembly use, plus related design and engineering functions. Modernization consists of facility infrastructure repair and replacement including window replacement, roof repair and replacement, upgrades and replacement of HVAC , electrical and fire protection systems.
2. The project will enhance the company's lean manufacturing processes, and expand its power conversion testing and research laboratory. The new facility will be capable of testing a complete set of Navy power systems, creating a power conversion center of excellence in Milwaukee.
3. To generate space for additional manufacturing uses. Since DRS will occupy 343,000 s.f. of the upgraded facility, 249,000 s.f. will be available for lease to other business.
4. To increase employment opportunities, particularly jobs that provide family supporting wages. DRS anticipates adding 80 new positions at its Milwaukee facility.
5. To increase the property tax base of the community.
6. To upgrade the condition of the surrounding residential and commercial neighborhoods. This Project Plan includes funding for forgivable loans to neighboring property owners for exterior repairs. Standards will be those used in TID 44 (Lindsay Heights) and TID 59 (Bronzeville).

D. Existing Land Uses and Conditions in the District

As discussed above, the District contains a 600,000 s.f. heavy manufacturing plant, situated on 22 acres. Approximately 350,000 s.f. of this area is utilized by DRS, including 165,000 s.f. of basement space used for storage and maintenance.

The site is located at the intersection of W. Roosevelt Ave. and N. 30th Street, in the 30th St. Industrial Corridor. Major adjacent business include Aldrich Chemical, Eaton Corp. and the former sites of Citation/ Interstate Foundry and Tower Automotive. The investment by DRS is viewed as the start of a revitalization of these sites which may include the expansion of this District or the creation of complementary districts.

Key to the long term revitalization of the District and the surrounding area will be the upgrade of the residential and commercial areas nearby. The current condition of this area is viewed as a major deterrent to recruiting professional and technical personnel to this location, particularly to DRS and Eaton.

A preliminary budget for the upgrade of the facility is shown in Exhibit 2. Total estimated renovation costs are \$11.3 million.

I. PROJECT PLAN PROPOSALS

A. The following is a description of the kind, number, and location of all proposed Public Works or Improvements within the District:

1. In order to remain competitive and achieve the efficiencies required in a high-technology manufacturing business, DRS set out to achieve a 30% reduction in building-related operating expenses. Hence, the emphasis is on upgrading HVAC systems, window replacement, fire protection systems, etc. One key upgrade, for example, is to air-condition the entire production area. To assist in funding this upgrade, the City is proposing to provide a Forgivable Loan to the project in the amount of \$1.5 million. The terms of the Loan are set forth in Exhibit 3, and generally provide that DRS shall maintain employment at the facility at not less than 450 for a period of ten years. Should employment at DRS be less than 450 in any given year, DRS will make a payment to the City for that year. The payment will be applied to amortize the Project Cost of the TID, reducing the term of the District. All expenditures in the District will occur at 4265 N. 30th Street, Milwaukee, WI.
2. In addition to funding the DRS project, the District Project Plan provides \$150,000 for a Residential Assistance Program for exterior repairs and upgrades to nearby homes and apartment buildings. In order to implement this stage of the Project Plan, the District boundary will have to be expanded. The general terms of these grants are also included in Exhibit 3 and are expected to mirror the grant terms in TID 44 (Lindsay Heights) and TID 59 (Bronzeville).

B. The following is an estimate of the project costs to be implemented as part of this Project Plan.

TASK	ESTIMATED COST
City grant to Redevelopment Authority for Loan to DRS.	\$ 1,500,000
City grant to RACM and NIDC for Residential Assistance Program	150,000
Project Administrative Costs	50,000
NET PROJECT CAPITAL COSTS	\$ 1,700,000
Estimated Interest Costs	1,522,000
TOTAL TID PROJECT COSTS	\$ 3,222,000

The costs included in this subsection, without limitation hereof because of enumeration, are claimed as eligible Project Costs as defined under Wis. Stats. Sec. 66.1105(2)(f) and may be incurred directly by the City, or by the Redevelopment Authority of the City pursuant to a grant or cooperation agreement with the City, pursuant to Wis. Stats. Sec.66.1105(2)(f)(1)(h).

C. Project financing and timetable for expenditures:

All expenditures are expected to be incurred in 2006 – 2010

The City expects to issue general obligation bonds to finance the Project Costs.

D. List of Estimated Non-Project Costs:

Estimated costs of redeveloping the DRS project are shown in Exhibit 2.

E. Proposed Method of Relocating any Persons to be Displaced:

No persons or businesses are to be displaced.

F. Statement Indicating How District Creation Promotes Orderly Development:

The Project Plan for the District anticipates the redevelopment of a 600,000 s.f., out-dated manufacturing facility. Total investment is estimated at approximately \$11,500,000. DRS expects to add 80 positions at this location, bringing total employment to 450 in three years following project completion. The project, therefore, adds employment opportunities to the community as well as tax base.

G. Proposed changes of zoning ordinances, master plan, if any, map, building codes and city ordinances:

The zoning for the District is currently IH (Industrial Heavy). The zoning is not planned to be changed.

APPENDIX

List of Exhibits

Map 1: Map of Boundary and Existing Land Use

Map 2: Map of Site and Structure Condition

Map 3: Map of proposed improvements

Exhibit 1: Parcel listing and calculation of percent “blighted” and “vacant.”

Exhibit 2: Project budget

Exhibit 3: Terms of Loans & Grants

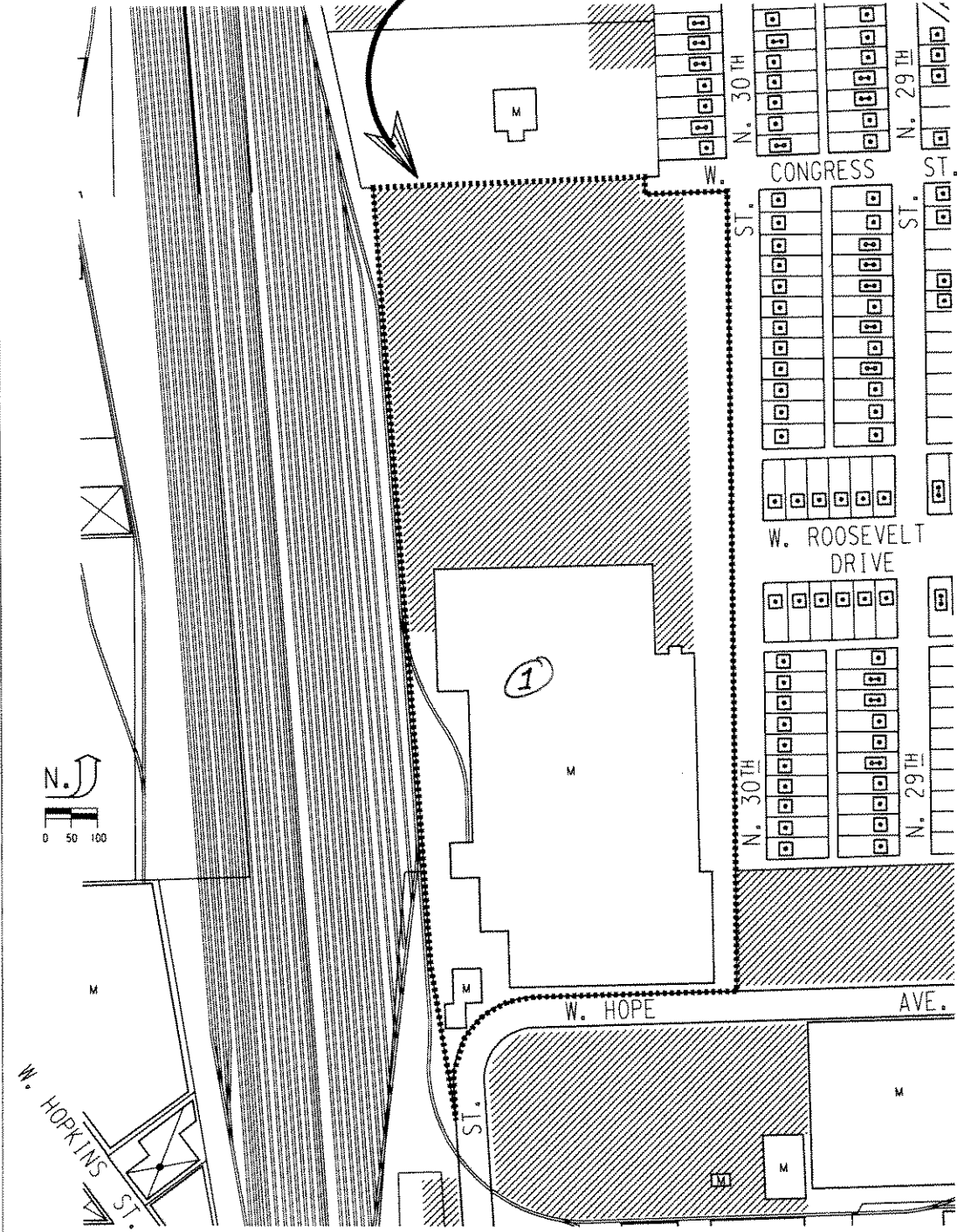
Exhibit 4: Economic Feasibility Study

Exhibit 5: Metes and Bounds description of District boundary.

Exhibit 6: City Attorney’s opinion.

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TID BOUNDARY



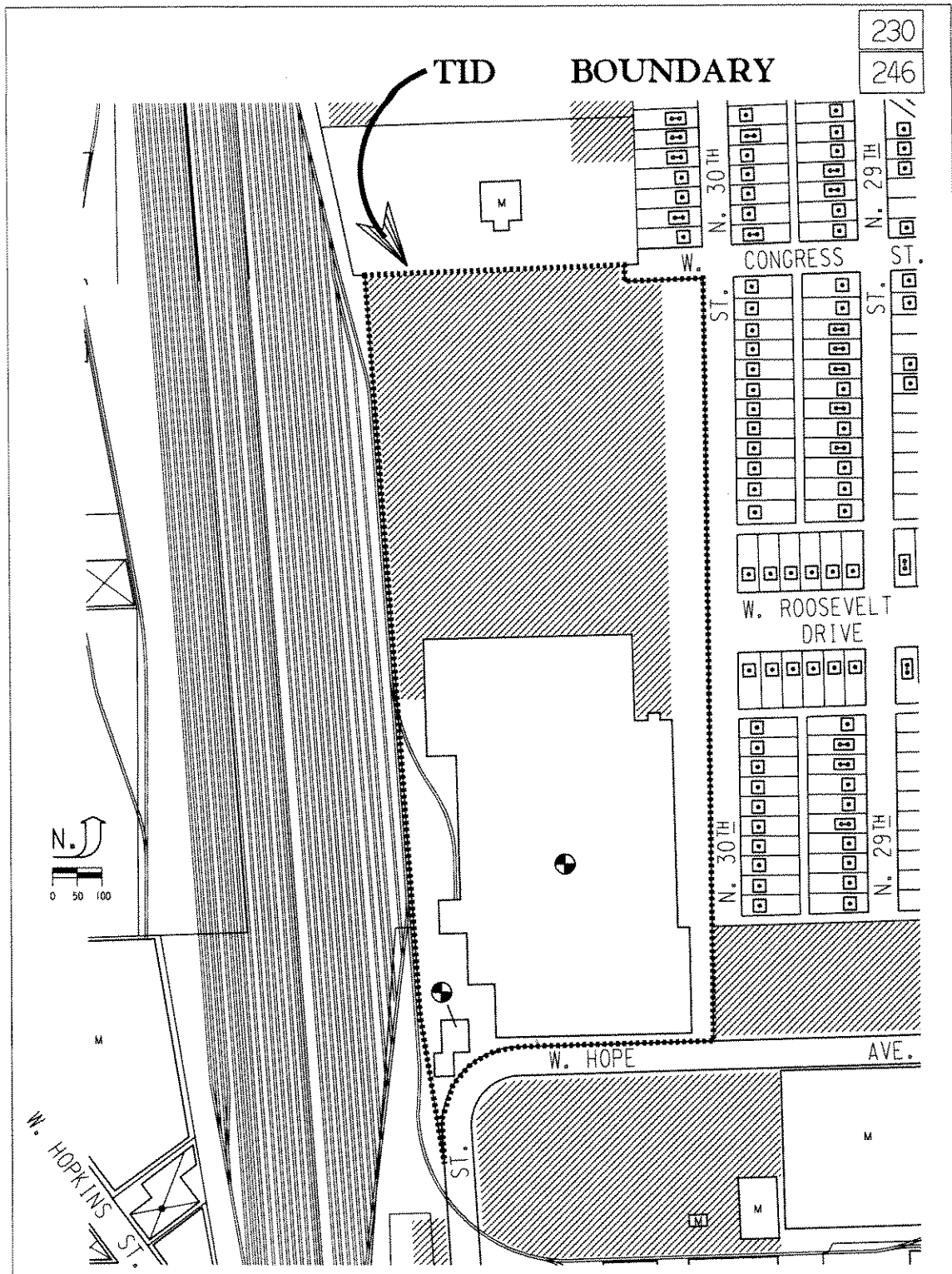
5. EXISTING LAND USE

MAP NO. **DRS**
Power & Control Technologies
1 **TID - 62**
BOUNDARY AND
EXISTING LAND USE

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- LEGEND**
- PROJECT BOUNDARY
 - CHURCH
 - HOTEL / MOTEL
 - ROOMING HOUSE
 - POLICE STATION
 - FIRE STATION
 - HOSPITAL
 - CONDOMINIUM
 - UTILITY COMPANY
 - STORAGE TANK
 - PARK
 - PUBLIC SCHOOL
 - PLAYGROUND
 - PARKING LOT
 - PARKING STRUCTURE
 - SINGLE OR DUPLEX RESIDENTIAL
 - MULTI-FAMILY RESIDENTIAL
 - MIXED COMMERCIAL / RESIDENTIAL
 - COMMERCIAL OR LOCAL BUSINESS
 - OFFICE / PROFESSIONAL SERVICES
 - MIXED COMMERCIAL
 - SKILLED CARE FACILITY
 - VACANT PARCEL
 - NON - PUBLIC EDUCATION
 - PUBLIC BUILDING
 - MANUFACTURING AND WAREHOUSING
 - ACCESSORY BUILDING
 - CEMETERY
 - TENNIS COURT
 - BASKETBALL COURT
 - DORMITORY

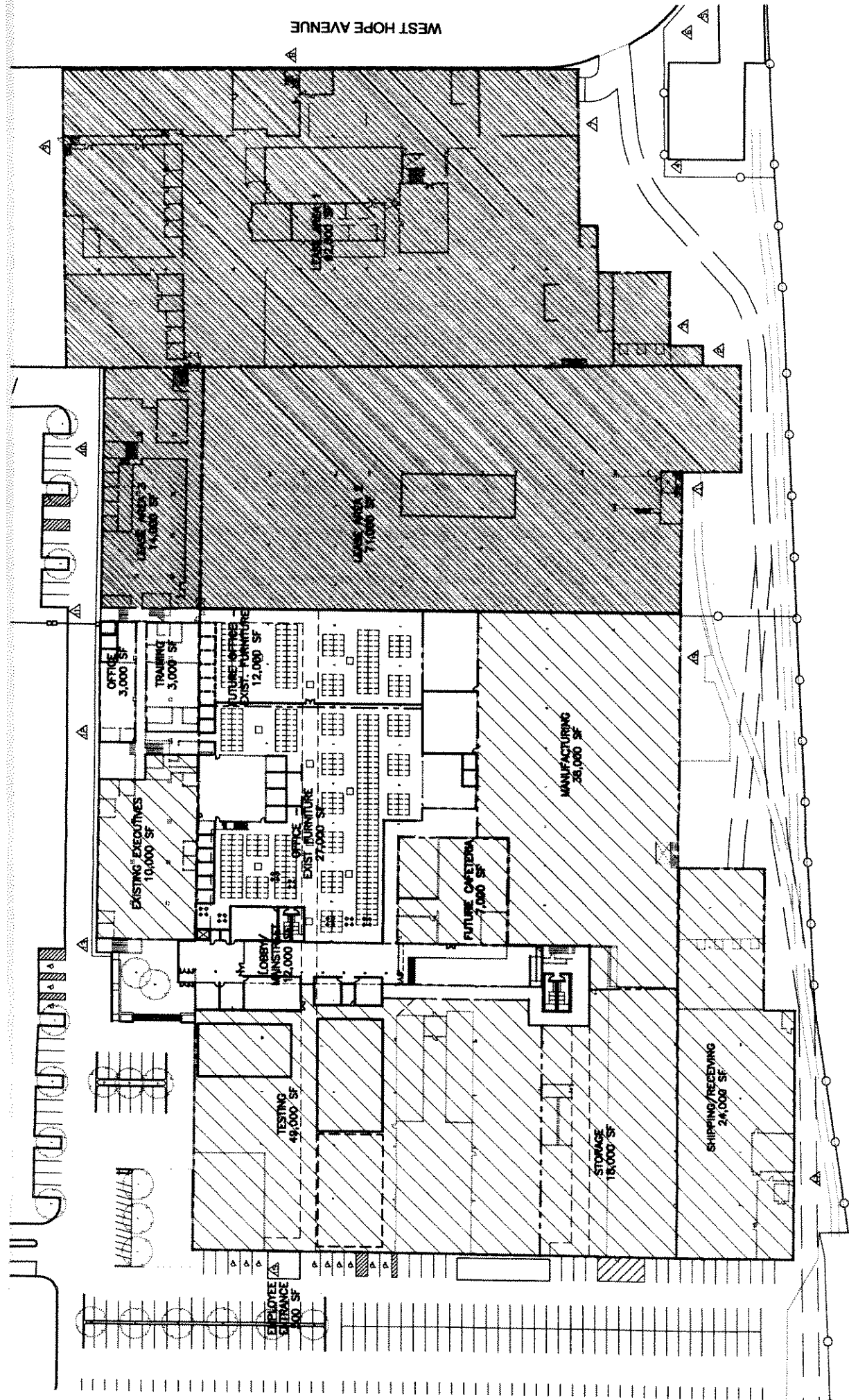


6. STRUCTURE CONDITION

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MAP NO. 2	DRS Power & Control Technologies TID - 62
	STRUCTURE CONDITION
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- LEGEND**
- STANDARD
 - ⊕ MINOR DEFICIENCY
 - ⊗ MAJOR DEFICIENCY
 - SUBSTANDARD



MAP 3 PROPOSED IMPROVEMENTS

1 FIRST FLOOR BLOCK DIAGRAM
1/8" = 1'-0"

Exhibit 1: Listing of Properties in the District.

PARCEL	TAXKEY	OWNER NAME	Address high	dir	STREET	ST	Land \$	Assess Val Improvement \$	Assess Val Total \$	Parcel Lot Area S.F.	Vacant S.F. Land Val > Repl Cost Improv.	In Need of Conservation & Rehab.
1	24699981105	DRS POWER & CONTROL TECH.	4235	N	30TH	ST	550,400	2,091,700	2,642,100	990,119	0	990,119
									Total %	990,119	0%	990,119 100%

EXHIBIT 2
PROJECT BUDGET



**DRS Technologies
Building Renovation
Milwaukee, WI
220.355 s.f.
Budget Cost Breakdown
November 3, 2005**

EXHIBIT 2

CSI #	Description	Budget By Area										Budget by Priority						
		General Requirements	Sitework	Buildings Package	New Office Construction	Existing Office Finish Upgrades	Escalator, Office HVAC & Fire Protection	Main Street & Courtyard	Manufacturing	Ship/Rec. Storage & Queen Hoisting	Evaluate Asgmt Testing	Utility Upgrade & Meter Separation	Relocate Pedestrian Intersection Chamber	Reworks Stock Lab.	Required Upgrades	Consolidation	Emergency Conservation Measures	Total Cost
900	Pre-Construction Services	36,533													13,157	26,458	2,241	36,533
1030	General Contracting	418,218													190,554	14,484	2,241	418,218
1230	Builders Risk Insurance (By Owner)	2,657													2,657	14,484	2,241	21,613
1410	Permit Allowance	5,000													5,000	11,200	1,600	20,000
1500	Equipment	11,820													26,201	40,769	5,823	72,793
1700	Crane Up	3,155													11,613	26,197	5,246	43,056
2000	Subcontract Allowance	100,000													100,000	34,100	41,200	175,300
2200	Structural Excavation & Backfill	6,377													7,027	8,970	16,597	41,200
2204	Structural Excavation & Backfill	16,597													293,638	293,638	293,638	587,276
2510	Asphalt Pavement	59,480													24,046	131,827	155,873	291,673
2520	Site Concrete	96,393													17,538	17,538	17,538	113,931
2540	Curbs & Gutters	17,538													150,389	150,389	150,389	167,927
2600	Grout and Joints	15,500													4,424	4,424	4,424	19,924
3010	Formwork	15,500													4,424	4,424	4,424	19,924
3300	Cast in Place Concrete	48,516													49,226	46,289	51,239	105,515
4200	Masonry	10,845													33,216	33,216	33,216	44,061
4500	Masonry Restoration/Finishing	50,000													50,000	50,000	50,000	100,000
5100	Structural Steel	69,250													44,250	79,054	119,304	188,558
5200	Metal Fabrication	4,500													15,500	50,855	66,355	81,855
6000	Millwork and Casework	65,000													65,000	65,000	65,000	130,000
6400	Millwork	20,225													20,225	20,225	20,225	40,450
7100	Paint	95,775													95,775	95,775	95,775	191,550
7200	Interior Finishes	10,845													95,436	5,442	95,436	191,550
7300	Lighting	7,900													7,900	7,900	7,900	15,800
8100	Metal Doors and Frames	101,735													19,880	18,065	233,189	253,069
8200	Windows and Sillings	232,158													12,115	206,330	218,445	436,890
8300	Metal Sills and Lintels	1,215													83,877	55,977	139,854	195,831
9000	Acoustical Treatments	68,689													122,340	122,340	122,340	244,680
9050	Resilient Flooring and Carpet	3,700													2,700	259,833	262,533	525,066
9200	Special Flooring	114,880													128,411	128,411	128,411	256,822
9300	Special Finishes	17,538													36,105	36,105	36,105	72,210
10000	General Signage	23,714													18,945	18,945	18,945	42,859
10100	Chalkboard Board	15,500													4,460	4,460	4,460	9,920
10200	Fire Extinguishers & Cabinets	1,653													15,826	15,826	15,826	31,652
10800	Traffic Accessories	15,826													6,000	6,000	6,000	12,000
11150	Handing Control Equipment	6,500													34,800	34,800	34,800	71,600
11200	Handing Deck Equipment	191,132													191,132	191,132	191,132	382,264
11300	Mobile Office Equipment	3,256													3,256	3,256	3,256	6,512
12070	Entry Mats	51,000													51,000	51,000	51,000	102,000
14000	Elevators	6,850													117,500	117,500	117,500	235,000
14600	Hoists and Cranes	324													476,856	476,856	476,856	953,712
15100	Fire Protection	63,000													63,000	63,000	63,000	126,000
15300	HVAC Systems	2,500													53,473	53,473	53,473	106,946
15500	HVAC Systems Ventilation	440													201,851	201,851	201,851	403,702
15525	Building Management System	855													316,306	316,306	316,306	632,612
16000	Electrical	80,400													66,125	66,125	66,125	146,525
16300	Drain/Com	85,000													85,000	85,000	85,000	170,000
16900	Security System	19,917													19,917	19,917	19,917	39,834
71000	Utility Service and Consumption (By Owner)	514,603													3,281,264	5,479,246	6,265,153	12,025,103
Subtotal	General, Civil and Structural Direct Fees & Contingencies (Milwaukee, WI)	24,446													355,860	23,472	5,314	384,646
Subtotal	General, Civil and Structural Indirect Fees & Contingencies (Milwaukee, WI)	47,101													186,443	308,019	46,546	540,569
Subtotal	Liability Insurance	23,733													26,426	27,142	41,015	94,614
Subtotal	Construction Management Fee	19,917													134,301	222,173	33,574	390,048
TOTAL		588,666													3,971,477	6,560,964	992,827	11,524,268

Address: Add \$ 187,695 Add \$ 834,648

1.) Extend Main Street Roof Back to County and
2.) Convert South End Basement to Parking

EXHIBIT 3

LOAN TERMS FOR DRS PROJECT

Draft Term Sheet

DRS, Inc. Project

Draft Term Sheet

DRS, Inc. Project

- Borrower: DRS, Inc.
- Lender: Redevelopment Authority of the City of Milwaukee (RACM)
- Loan Amount: \$1,500,000
- Interest Rate: 3%
- Term: 10 years
- Payment: \$175,850 per year, commencing _____, 2009 and payable annually thru 2018. If the Minimum Employment Requirement is achieved before 2009, Borrower shall have the option of commencing payments at that time for the ensuing ten-year Term.
- Use of Funds: Renovation of Grantee's facility at 4265 N. 30th Street, Milwaukee, WI (the "Facility") at estimated cost of \$11.5 million (the "Project").
- Disbursing: Loan to be disbursed pro-rata with Grantee's other funding for project. All funding sources must be in hand, or committed prior to initial disbursement by RACM.
- Minimum Employment Requirement: Borrower shall maintain employment, at the Facility, of not less than 450 full-time equivalent positions, including full-time contractor positions, for a period of 10 years commencing December 31, 2008.
- Loan Forgiveness: Payments shall be forgiven in each year Borrower achieves the above Employment Requirement. If Borrower does not meet the Minimum Employment Requirement, based on the average quarterly employment of each year, Borrower shall pay to RACM a prorated Payment based on the actual number of employees at the Facility.
- Due on Sale: Should the Project be sold, Borrower shall make a payment equal to \$175,850 times the difference between the number of whole years since the initial disbursement of Loan funds was made, and 10.
- Due on Tax Exemption: If any portion of the Facility is determined to be exempt from real estate property taxes, Borrower shall make a payment equal to \$175,850 times the difference between the number of whole years since the initial disbursement of Loan funds was made, and 10. For

example, if the exemption is made in the sixth year from initial disbursement, the payment will be $(10-6) * \$175,850 = \$703,200$). Alternatively, the Borrower may elect to make a Payment In Lieu of Taxes on the Facility.

- Emerging Business Enterprise: Borrower shall use its best efforts to utilize Emerging Business Enterprises, as that term is defined in Ordinance 360 of the Milwaukee Code of Ordinances, for 18% of the construction and renovation cost of the Project.

GRANT TERMS FOR RESIDENTIAL ASSISTANCE.

Residential Assistance Program:

This program will provide Forgivable loans for residential new construction and rehabilitation in the District. The program will be managed by the Neighborhood Improvement Development Corp. (NIDC).

Loans for new residential construction shall be made in accordance with the following criteria:

- Eligibility: Buyers who will build, own and occupy the property for 5 years are eligible. Buyers must submit evidence of financing at the time of application.
- Income: There will be no income restrictions, but buyers will have to verify their income for reporting purposes.
- Type of Construction: One and two family owner-occupied residential new construction; Building plan must be pre-approved by the Dept. of City Development's Urban Design Division; Tax-exempt properties are not eligible; Mixed-use properties are not eligible.
- Loan Terms: Loans are for up to \$10,000; Term is 5 years; One loan per property; Loans are 0% forgivable at 20% per year. Families who previously built in the District are not eligible.

Loans for residential rehabilitation are do be made under the following criteria:

- Eligibility: Owners who occupy their property and rental property owners are eligible.
- Income: There will be no income restrictions, but owner-occupants and tenants will be required to verify their income, for reporting purposes.
- Taxes, Insurance, Mortgages, and other Restrictions: All owners must be current with their property taxes, mortgages, and have homeowner's insurance when they apply. Landlords must be current on their property taxes, and have a good building inspector record on all properties located in the city.
- Types of Buildings Eligible: Residential property (owner-occupied and rental) is eligible. The building must be over 25 years old, and 1 to 4 units. Tax-exempt buildings are not eligible. Mixed-use properties are eligible if there are 1 0 4 residential units. All residential units in mixed-use buildings must be occupied when the rehab is done.
- Loan Terms: Same as above
- Investor Owners: Landlord Training is a required condition of obtaining a loan. There are rent controls; landlords are restricted to no more than 5% rent increases per year, starting when the rehab work is completed. Landlords must

match the loan dollar-for-dollar with their own funds. If the owner lives within 3 blocks of a rental property, there are no matching fund requirements.

- Assumptions and Subordinations: Loans are assumable only if the home is sold to an owner-occupant. Subordinations are allowed for owner-occupants who are refinancing. Subordinations for equity loans are acceptable. Subordinations are not allowed for investor-owners.
- Forgiveness: For owner-occupants, the loan will be forgiven if the owner lives in the home for five years. For investor-owners, as long as there are no unresolved complaints about rents and the taxes on the building are current, the loan will be forgiven in five years after the rehab is done.
- Eligible Rehabilitation Work: The purpose of the loan is to make permanent exterior repairs that will benefit the homeowner and the neighborhood. Loan funds may be used only for correcting code violations on: Roof replacement, chimney repairs, gutters and downspouts, door replacement, window replacement, porch replacement, siding and cladding, exterior painting, front yard service walks and steps, permanent front yard landscaping
- What is not eligible: Loans are not intended for general remodeling or home improvements. Applicants needing more comprehensive work should be referred to other programs such as Home Rehab, NIP, or WHEDA. Also not eligible are interior repairs, minor repairs, garages, parking pads, patios, decks, fencing, rear yard landscaping, and the like.

EXHIBIT 4

ECONOMIC FEASIBILITY STUDY FOR: DRS POWER & CONTROL TECHNOLOGIES PROJECT

Background:

The City of Milwaukee is proposing to assist DRS Power & Control Technologies, Inc. to renovate its 600,000 s.f. manufacturing facility at 4265 N. 30th Street. The description of the project, the renovation budget and the terms of the assistance proposed, are set forth in the Project Plan for proposed TID No. 62. In addition, the City proposes to provide a certain amount of grant assistance to nearby property owners, as a means to correct code violations and make exterior improvements to residential properties.

The DRS project will result in a 6% reduction in total product cost, according to the company. The firm's ultimate goal is to reduce costs by 30%.

The project is expected to result in a:

- 25% reduction in electrical and water consumption
- 53% reduction in natural gas consumption
- 40% reduction in maintenance services

Offsetting these savings are expected increases in:

- Property taxes
- Depreciation (although a non-cash charge, this factors into product pricing)

DRS plans to contract its facility to 343,000 s.f. in order to improve its efficiencies:

- 233,000 s.f. will be upgraded, including:
 - 24,000 s.f. shipping area: lighting, wall insulation
 - 82,000 s.f. office area: lighting, HVAC, remodel; 42,000 s.f. new const.
 - 49,000 s.f. testing area: lighting, HVAC; consolidation
 - 38,000 s.f. manufacturing: lighting, HVAC, flooring, sprinkler
 - 40,000 s.f. cafeteria, training, lobby, other: lighting, HVAC
- 110,000 s.f. of basement storage and maintenance space will remain as is.

In addition to interior upgrades, DRS plans improvements to the building envelope (roof, window replacement, insulation, etc.) and the parking area.

The remaining 257,000 s.f. will be made available for lease. The leased area includes 55,000 s.f. of basement space which can be converted to parking for future tenants.

As set forth in Exhibit 2, total renovation and consolidation cost is estimated at \$11.5 million.

As an incentive to DRS to proceed with the project, the City is proposing a Forgivable Loan on terms set forth in Exhibit 3. This Loan amount is proposed to be recaptured through future incremental tax revenue derived from the DRS upgrade to its space, and from the leased space made available in the facility.

Similarly, the Wisconsin Dept. of Commerce has committed to assist the project with a \$2 million forgivable loan through its Major Economic Development Fund, and up to \$500,000 through the Focus on Energy Program for the cost differential of energy-efficiency technology.

The balance of the \$11.5 million will be financed by DRS, possibly with the aid of New Markets Tax Credits.

Current Property Valuation:

The current valuation of the DRS facility is:

- Land : \$ 550,400 [\$24,200 per acre]
- Improvements : 2,091,700 [\$3.50 /s.f. overall; or, \$4.80/s.f. for first floor & Second floor of 435,000 s.f.]
- Total : \$ 2,642,100

This represents the Base Value of the proposed District. This value has remained substantially unchanged since DRS acquired the facility. As stated previously, the facility is nearly 40 years old. While adequately maintained, the Wis. Dept. of Revenue assigns a 50% functional obsolescence factor to the property when valuing it for tax purposes.

Anticipated Future Value of Leaseable Space:

As stated above, 257,000 s.f of space in the facility will be made available for lease. This includes 202,000, s.f of first floor manufacturing or warehouse space, plus second floor office; and, 55,000 s.f. of basement space.

Comparable space in the area, for buildings of similar age and size have “asking rents” from \$2.00 to \$2.50 / s.f., NNN, according to the Business Journal’s Commercial Real Estate Quarterly dated September 23, 2005.

For the purposes of valuing this area, we believe a \$2.25 rent is appropriate for the first floor manufacturing and associated office space (202,000 s.f.); and, \$1.00 / s.f. is appropriate for the basement space (55,000 s.f.).

Value for this space is estimated as follows:

Gross Revenue:	
Manufacturing / Office	: \$454,000
Basement	55,000
Total	\$509,000
Less: Owner's Expenses	51,000 (10%)
Vacancy	127,000 (25%)
Net Operating Income	331,000
Value	\$3,009,000 (11% cap rate)

We expect this space to be leased over three years beginning in 2008.

Anticipated Future Value of DRS Occupied Space:

DRS plans to spend \$11.5 million on upgrades to 233,000 s.f., or almost \$50 per s.f..

A typical manufacturing building usually contains 5% to 10% office space. This facility, as shown above, contains 35% office space. If the training and cafeteria space is included, the space allocated to non-manufacturing and testing, rises to over 50%. In addition, DRS's area, exclusive of the 110,000 s.f. of storage space, is expected to be air conditioned – a requirement of the high-tech testing and assembly work performed by DRS.

As planned, the facility is unique and would not generally be expected to command a value, for property assessment purposes, equal to the entire cost of renovation.

There is a sample of high-tech assembly buildings in the City that are somewhat comparable to the renovated DRS facility, i.e. having significant air handling infrastructure, clean rooms, etc. That sample is summarized below:

Address	Owner	Bldg. Assessment	Bldg. S.F.	Assess. / S.F.	Age
8200 W. Tower	GE Healthcare	\$6,973,900	297,360	\$23	1984
9000 W. Dean	HUF North America	\$3,375,500	95,753	\$35	2000
8901 W. Tower	Paper Machinery	\$3,336,100	106,552	\$31	1990
9909 W. Dean	Xymox Technologies	\$1,932,200	62,000	\$31	2000
7025 W. Marcia	3M Touch Systems	\$3,515,700	88,760	\$39	2000
Subject:					
4265 N. 30th	DRS Power & Control	\$2,117,800	435,000	\$5	1956

In addition to being significantly newer, all of these facilities are located in modern business parks on the City's northwest side, with more immediate access to freeways.

The sample suggests that current building assessments (excl. land) for such facilities are in the range of \$30 / s.f.. Due to the age and accessibility of the DRS facility, we believe a 20% reduction in assessed value would be appropriate. This suggests that the renovated portion of the facility will have a value for tax purposes of \$24 / s.f. – still, over four times its current value.

Forecast of Tax Increment Revenue:

The attached table forecasts property value in the District given the above assumptions as to Leased Space and to space occupied by DRS. The DRS space, now valued at \$5 /s.f. is increased to \$24/ s.f., resulting in a value of \$6 million by 2009. The Leased Space, which comes on line that same year is estimated to be absorbed over three years, achieving a value of \$3 million by 2011. Thereafter, values grow moderately as is typical of manufacturing properties in the area.

Based on this cash flow, the District is able to support a total borrowing of \$1,700,000 at current interest rates. To the extent personal property is added to real property values, borrowing capacity may be increased. However, almost all significant manufacturing assets are now exempt from property taxes, including machinery and equipment, testing equipment, computers, software, etc.

As shown in the forecast of cash flow for the District, the City will recover its costs over the, nearly, maximum recovery period of 25 years. As such the District is nominally feasible.

As stated earlier in the Project Plan, it is expected that the boundary of this District will be expanded to enable grants to be made for residential renovation in the neighborhood. Depending on the rate of appreciation in the residential area, this growing tax base could increase the borrowing capacity of the District, increasing the available funding not only for residential improvements but for subsequent assistance to DRS, as needed.

FORECAST OF PROJECT CASH FLOW: DRS POWER & CONTROL TECHNOLOGIES, INC.

Switch	Switch, above 0/1.	Assumptions: DRS Space: Upgrades & Ren. S.F. Work Deferred S.F. Escal. After 2012.	DRS Upgrade S.F. 233,000	Project Value		Leased S.F. 257,000	Other Parcels	District Value	Inc. Value Over Base Of: \$ 2,642,000	Tax Rate	Tax Increment Revenue	Debt Balance \$ 1,700,000	Interest @ 4.25%	Less Tax Inc. Rev.	Ending Balance
				DRS Bsm't. S.F. 110,000	DRS Value										
			0												
			1	1,717,000	925,000	925,000		2,642,000	2,600%		1,700,000	72,250			1,772,250
			2	2,159,700	925,000	925,000	3,084,700	3,320,250	2,516%		1,772,250	75,321			1,847,571
			3	5,037,250	925,000	925,000	5,962,250	4,427,000	2,476%	11,140	1,926,092	78,522			1,926,092
			4	6,144,000	1,003,581	2,007,121	7,147,581	4,505,561	2,436%	82,199	1,996,811	81,859	11,140		1,996,811
			5	6,144,000	3,010,682	3,010,682	8,154,682	5,509,121	2,396%	109,736	1,996,811	84,864	82,199		1,996,811
			6	6,144,000	3,010,682	3,010,682	9,164,682	6,512,682	2,357%	132,065	1,974,719	83,926	132,065		1,974,719
			7	6,144,000	3,025,735	3,025,735	9,200,455	6,566,455	2,282%	151,036	1,854,968	81,862	151,036		1,854,968
			8	6,174,720	3,040,864	3,040,864	9,246,458	6,604,458	2,245%	149,634	1,782,799	75,769	149,634		1,782,799
			9	6,206,594	3,056,068	3,056,068	9,292,660	6,650,660	2,208%	148,242	1,708,935	72,630	148,242		1,708,935
			10	6,236,622	3,071,349	3,071,349	9,339,153	6,697,153	2,172%	146,862	1,633,322	69,416	146,862		1,633,322
			11	6,266,805	3,086,705	3,086,705	9,385,849	6,743,849	2,137%	145,482	1,555,877	66,125	145,482		1,555,877
			12	6,296,144	3,102,139	3,102,139	9,432,778	6,790,778	2,103%	144,133	1,476,510	62,752	144,133		1,476,510
			13	6,362,933	3,117,650	3,117,650	9,479,942	6,837,942	2,069%	142,785	1,395,120	59,293	142,785		1,395,120
			14	6,384,104	3,133,238	3,133,238	9,527,342	6,885,342	2,000%	141,447	1,311,637	55,745	141,447		1,311,637
			15	6,426,075	3,148,904	3,148,904	9,574,979	6,932,979	2,000%	137,707	1,225,934	52,102	137,707		1,225,934
			16	6,458,205	3,164,648	3,164,648	9,622,853	6,980,853	2,000%	138,660	1,140,330	48,464	138,660		1,140,330
			17	6,490,496	3,180,472	3,180,472	9,670,968	7,028,968	2,000%	139,617	1,050,134	44,631	139,617		1,050,134
			18	6,522,948	3,196,374	3,196,374	9,719,323	7,077,323	2,000%	140,579	955,148	40,594	140,579		955,148
			19	6,555,563	3,212,356	3,212,356	9,767,919	7,125,919	2,000%	141,546	855,162	36,344	141,546		855,162
			20	6,586,341	3,228,418	3,228,418	9,816,759	7,174,759	2,000%	142,518	749,960	31,873	142,518		749,960
			21	6,621,283	3,244,560	3,244,560	9,865,843	7,223,843	2,000%	143,495	639,315	27,171	143,495		639,315
			22	6,654,389	3,260,783	3,260,783	9,915,172	7,273,172	2,000%	144,477	522,991	22,227	144,477		522,991
			23	6,687,561	3,277,087	3,277,087	9,964,748	7,322,748	2,000%	145,463	409,741	17,031	145,463		409,741
			24	6,721,099	3,293,472	3,293,472	10,014,571	7,372,571	2,000%	146,455	272,309	11,573	146,455		272,309
			25	6,754,705	3,309,939	3,309,939	10,064,644	7,422,644	2,000%	147,451	137,427	5,841	147,451		137,427
			26	6,788,478	3,326,489	3,326,489	10,114,967	7,472,967	2,000%	148,453					
			27												
				156,241,635	71,957,805	71,957,805							1,522,019		

EXHIBIT 4
METES AND BOUNDS DESCRIPTION
OF DISTRICT

EXHIBIT 5

CITY ATTORNEY OPINION