

**Casanova, Dan**

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**From:** Tony Smith [tony@friedmanco.com]  
**Sent:** Thursday, August 20, 2009 4:13 PM  
**To:** Casanova, Dan  
**Cc:** Claudine S. Emeott  
**Subject:** No-build scenario  
**Attachments:** Table 1-Projections.pdf; Table 2-Amortization.pdf

Dan,

We re-ran the Reed Street no-build scenario projections and amortization based on the following assumptions:

- 1) The assessor upgrades the land assessment of the RSY development taxkeys to \$8 psf, reflecting infrastructure improvements. This is not an assumption that we included in the feasibility study in an effort to be conservative. However, \$8/SF is the prevailing value of the parcels adjacent to Reed Street Yards that have infrastructure/access. We assumed this new value to apply only to the roughly 620,000 SF of land that would remain w/in the Reed Street parcels after the public improvements are complete and dedicated back to the City.
- 2) This additional land value appears in 2011
- 3) The TID can amortize in Year 25 (2033)
- 4) We also slowed down absorption of 234 Florida as compared to the current draft of the feasibility study. We are now assuming stabilized value in 2014 (as opposed to 2012), and a delayed phase-in of additional value starting in 2011, as opposed to 2010.

Under these assumptions the no-build TID scenario can support \$4.85 million in bonding.

I have attached PDFs of the revised projections and amortization tables for this no-build scenario with infrastructure improvements.

Thanks,

Tony

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8/21/2009

City of Milwaukee  
Reed Street Yards

Table 1: TID Projections with No Further Development; Projected Future Stabilization of Iron Horse in 2011 and 234 Florida Bldg in 2014

Inputs and Assumptions:  
 2009 Base Value of TID \$ 24,356,900  
 2009 Base Value of Iron Horse Hotel \$ 5,000,000  
 2009 Base Value of 234 Florida Building \$ 2,985,000  
 First Full Assessment Year for Iron Horse Hotel 2010  
 2009 Projected Net Tax Rate 2.51%  
 Tax Levy Rate: 10 yr compound rate of decline 1.62%  
 Annual Inflation Rate 1.50%  
 Tax Collection Rate 100.00%

TID Year	Assmt Year	Inflation Factor	Frozen Base Value (less Iron Horse and 234 Florida Taxkeys)	Actual/Inflated Value	Additional Value due to Infrastructure Improvements	Cumulative Infrastructure Additions Value	Incremental Value	Property Tax Rate	Tax Incremental Revenue due to Inflation of Non-Development Taxkeys and Infrastructure Improvements				Incremental Revenue: 234 Florida Building	Total TID Incremental Revenue
									Incremental Revenue: Non-Development Taxkeys Inflation Only	Incremental Revenue: Iron Horse Hotel	Incremental Revenue: 234 Florida Building	Total TID Incremental Revenue		
1	2009	1.00	\$ 16,371,900	\$ 16,371,900	\$ -	\$ -	\$ -	2.51%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	2010	1.02	\$ 16,371,900	\$ 16,617,479	\$ -	\$ -	\$ 245,578	2.46%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	2011	1.03	\$ 16,371,900	\$ 16,866,741	\$ 2,367,666	\$ 2,367,666	\$ 2,367,666	2.42%	\$ 6,052	\$ 63,460	\$ 1,103	\$ 70,615	\$ 70,615	\$ 70,615
4	2012	1.05	\$ 16,371,900	\$ 17,119,742	\$ -	\$ 2,403,120	\$ 3,150,962	2.39%	\$ 69,402	\$ 95,013	\$ 38,480	\$ 202,895	\$ 202,895	\$ 202,895
5	2013	1.06	\$ 16,371,900	\$ 17,376,538	\$ -	\$ 2,439,167	\$ 3,443,805	2.35%	\$ 75,160	\$ 96,666	\$ 75,198	\$ 247,024	\$ 247,024	\$ 247,024
6	2014	1.08	\$ 16,371,900	\$ 17,637,186	\$ -	\$ 2,475,754	\$ 3,741,040	2.31%	\$ 80,815	\$ 98,288	\$ 111,268	\$ 290,372	\$ 290,372	\$ 290,372
7	2015	1.09	\$ 16,371,900	\$ 17,901,744	\$ -	\$ 2,512,891	\$ 4,042,734	2.27%	\$ 86,370	\$ 99,879	\$ 146,701	\$ 332,949	\$ 332,949	\$ 332,949
8	2016	1.11	\$ 16,371,900	\$ 18,170,270	\$ -	\$ 2,550,584	\$ 4,348,954	2.23%	\$ 91,824	\$ 101,439	\$ 147,508	\$ 340,771	\$ 340,771	\$ 340,771
9	2017	1.13	\$ 16,371,900	\$ 18,442,824	\$ -	\$ 2,588,843	\$ 4,659,767	2.20%	\$ 97,180	\$ 102,970	\$ 148,298	\$ 348,448	\$ 348,448	\$ 348,448
10	2018	1.14	\$ 16,371,900	\$ 18,719,466	\$ -	\$ 2,627,675	\$ 4,975,242	2.16%	\$ 102,440	\$ 104,471	\$ 149,070	\$ 355,981	\$ 355,981	\$ 355,981
11	2019	1.16	\$ 16,371,900	\$ 19,000,258	\$ -	\$ 2,667,091	\$ 5,295,449	2.13%	\$ 107,605	\$ 105,944	\$ 149,825	\$ 363,374	\$ 363,374	\$ 363,374
12	2020	1.18	\$ 16,371,900	\$ 19,285,262	\$ -	\$ 2,707,097	\$ 5,620,459	2.09%	\$ 112,676	\$ 107,388	\$ 150,563	\$ 370,628	\$ 370,628	\$ 370,628
13	2021	1.20	\$ 16,371,900	\$ 19,574,541	\$ -	\$ 2,747,703	\$ 5,950,345	2.06%	\$ 117,656	\$ 108,805	\$ 151,285	\$ 377,745	\$ 377,745	\$ 377,745
14	2022	1.21	\$ 16,371,900	\$ 19,868,159	\$ -	\$ 2,788,919	\$ 6,285,178	2.03%	\$ 122,545	\$ 110,194	\$ 151,991	\$ 384,729	\$ 384,729	\$ 384,729
15	2023	1.23	\$ 16,371,900	\$ 20,166,182	\$ -	\$ 2,830,753	\$ 6,625,034	1.99%	\$ 127,345	\$ 111,555	\$ 152,681	\$ 391,581	\$ 391,581	\$ 391,581
16	2024	1.25	\$ 16,371,900	\$ 20,468,674	\$ -	\$ 2,873,214	\$ 6,969,988	2.00%	\$ 132,058	\$ 112,891	\$ 153,355	\$ 398,304	\$ 398,304	\$ 398,304
17	2025	1.27	\$ 16,371,900	\$ 20,775,704	\$ -	\$ 2,916,312	\$ 7,320,117	2.00%	\$ 139,400	\$ 116,079	\$ 156,547	\$ 412,026	\$ 412,026	\$ 412,026
18	2026	1.29	\$ 16,371,900	\$ 21,087,340	\$ -	\$ 2,960,057	\$ 7,675,497	2.00%	\$ 146,402	\$ 119,315	\$ 159,788	\$ 425,506	\$ 425,506	\$ 425,506
19	2027	1.31	\$ 16,371,900	\$ 21,403,650	\$ -	\$ 3,004,458	\$ 8,036,208	2.00%	\$ 153,510	\$ 122,600	\$ 163,077	\$ 439,188	\$ 439,188	\$ 439,188
20	2028	1.33	\$ 16,371,900	\$ 21,724,705	\$ -	\$ 3,049,525	\$ 8,402,330	2.00%	\$ 160,724	\$ 125,934	\$ 166,416	\$ 453,074	\$ 453,074	\$ 453,074
21	2029	1.35	\$ 16,371,900	\$ 22,050,575	\$ -	\$ 3,095,268	\$ 8,773,943	2.00%	\$ 168,047	\$ 129,318	\$ 169,805	\$ 467,170	\$ 467,170	\$ 467,170
22	2030	1.37	\$ 16,371,900	\$ 22,381,334	\$ -	\$ 3,141,697	\$ 9,151,131	2.00%	\$ 175,479	\$ 132,753	\$ 173,244	\$ 481,476	\$ 481,476	\$ 481,476
23	2031	1.39	\$ 16,371,900	\$ 22,717,054	\$ -	\$ 3,188,822	\$ 9,533,976	2.00%	\$ 183,023	\$ 136,239	\$ 176,736	\$ 495,997	\$ 495,997	\$ 495,997
24	2032	1.41	\$ 16,371,900	\$ 23,057,810	\$ -	\$ 3,236,654	\$ 9,922,564	2.00%	\$ 190,680	\$ 139,778	\$ 180,279	\$ 510,736	\$ 510,736	\$ 510,736
25	2033	1.43	\$ 16,371,900	\$ 23,403,677	\$ -	\$ 3,285,204	\$ 10,316,981	2.00%	\$ 198,451	\$ 143,369	\$ 183,876	\$ 525,697	\$ 525,697	\$ 525,697
26	2034	1.45	\$ 16,371,900	\$ 23,754,732	\$ -	\$ 3,334,482	\$ 10,717,314	2.00%	\$ 206,340	\$ 147,015	\$ 187,527	\$ 540,881	\$ 540,881	\$ 540,881
27	2035	1.47	\$ 16,371,900	\$ 24,111,053	\$ -	\$ 3,384,499	\$ 11,123,653	2.00%	\$ 214,346	\$ 150,715	\$ 191,232	\$ 556,293	\$ 556,293	\$ 556,293
2036									\$ 222,473	\$ 154,471	\$ 194,993	\$ 571,937	\$ 571,937	\$ 571,937
Total Proceeds, 2009-2036 (Not Discounted)										\$ 3,488,001	\$ 3,036,549	\$ 3,830,848	\$ 10,355,398	\$ 10,355,398

Collections for TID Year 27

City of Milwaukee  
 Reed Street Yards  
**TABLE 2: Bonding Capacity Analysis – TID With No Further Development; Projected Future Stabilization of Iron Horse in 2011 and 234 Florida Bldg in 2014**

Bonding	
Interest Rate on Bonds	4.50%
Cost of Funds (Local Government Investment Pool)	4.00%
Insurance Costs @	1.00%
Capitalized Interest Allowance @	10.00%
Assumed Level P&I Payments	15

Funding Structure		Assumed Year	Amount	Plus Insurance Costs	Capitalized Interest	Total Issuance	
Assumed Bonding	2011	\$	4,850,000	\$	48,500	\$	5,442,778

TID Year	Calendar Year	Projected Incremental Property Taxes	New Debt Service			TID Payoff Analysis					TID Debt Retired	TID Could Repay Outstanding Princ.	
			TID-Backed Bonds Issued	TID Annual Debt Service Target Payments	Principal Payment	Interest Payment	Principal Balance	Annual Surplus/ (Shortfall)	Cumulative Fund Balance	Interest Earnings/ (Curry Cost) on Cum. Balance			
1	2009	\$	-	\$	-			\$	-	\$	-	NO	NO
2	2010	\$	-	\$	-			\$	-	\$	-	NO	NO
3	2011	\$	70,615	\$	5,442,778			\$	70,615	\$	2,825	NO	NO
4	2012	\$	202,895	\$	-			\$	202,895	\$	11,053	NO	NO
5	2013	\$	247,024	\$	-			\$	259,774	\$	1,105	NO	NO
6	2014	\$	290,372	\$	-	\$	506,798	\$	244,925	\$	(187,707)	NO	NO
7	2015	\$	332,949	\$	-	\$	506,798	\$	(233,141)	\$	(173,848)	NO	NO
8	2016	\$	340,771	\$	-	\$	506,798	\$	(209,840)	\$	(166,026)	NO	NO
9	2017	\$	348,448	\$	-	\$	506,798	\$	(194,510)	\$	(158,350)	NO	NO
10	2018	\$	355,981	\$	-	\$	506,798	\$	(180,457)	\$	(150,817)	NO	NO
11	2019	\$	363,374	\$	-	\$	506,798	\$	(165,771)	\$	(143,424)	NO	NO
12	2020	\$	370,628	\$	-	\$	506,798	\$	(150,425)	\$	(136,170)	NO	NO
13	2021	\$	377,745	\$	-	\$	506,798	\$	(134,388)	\$	(129,052)	NO	NO
14	2022	\$	384,729	\$	-	\$	506,798	\$	(117,630)	\$	(122,069)	NO	NO
15	2023	\$	391,581	\$	-	\$	506,798	\$	(100,117)	\$	(115,217)	NO	NO
16	2024	\$	398,304	\$	-	\$	506,798	\$	(81,817)	\$	(108,494)	NO	NO
17	2025	\$	412,026	\$	-	\$	506,798	\$	(62,693)	\$	(94,771)	NO	NO
18	2026	\$	425,506	\$	-	\$	506,798	\$	(42,708)	\$	(81,292)	NO	NO
19	2027	\$	439,188	\$	-	\$	506,798	\$	(21,824)	\$	(67,610)	NO	NO
20	2028	\$	453,074	\$	-	\$	506,798	\$		\$	(53,074)	NO	NO
21	2029	\$	467,170	\$	-	\$	506,798	\$		\$	(40,476)	NO	NO
22	2030	\$	481,476	\$	-	\$	506,798	\$		\$	(30,997)	NO	NO
23	2031	\$	495,997	\$	-	\$	506,798	\$		\$	(24,476)	NO	NO
24	2032	\$	510,736	\$	-	\$	506,798	\$		\$	(17,736)	NO	NO
25	2033	\$	525,697	\$	-	\$	506,798	\$		\$	(10,697)	NO	NO
26	2034	\$	540,881	\$	-	\$	506,798	\$		\$	(3,293)	NO	NO
27	2035	\$	556,293	\$	-	\$	506,798	\$		\$	(5,293)	NO	NO
2036	2036	\$	571,937	\$	-	\$	506,798	\$		\$	(12,356)	NO	NO
<b>TOTALS</b>		\$	10,355,398	\$	5,442,778	\$	7,601,966	\$	(5,442,778)	\$	42,539,193	\$	(858,901)

Date: June 19, 2009  
To: Dan Casanova, City of Milwaukee  
From: S. B. Friedman & Company ("SBFCo")  
RE: Tax Increment Projections for Reed Street Yards

Per your request, enclosed is a preliminary estimate of Tax Increment District ("TID") bonding capacity that could be supported by the proposed Reed Street Yards TID under a "no further development scenario." The revenue projections derive from the estimated inflationary growth in TID parcel values, as well as the estimated value achieved by the Iron Horse Hotel and Pieper office building at stabilization. This memo summarizes the key findings of our analysis.

### ***Background***

It is our understanding that the City of Milwaukee (the "City") is considering implementing a TID to redevelop an area approximately one mile southwest of Downtown and directly across the Menomonee Canal from the new Harley Davidson Museum Campus. The City wishes to evaluate the potential to bond for public infrastructure improvements using TID financing.

S. B. Friedman & Company ("SBFCo") developed revenue projections for the parcels included in the proposed TID. In this scenario the Iron Horse Hotel and the Pieper office building are the only new programmatic developments in the TID, and because they are not yet fully stabilized, SBFCo expects these two properties to continue to produce additional new value. SBFCo expects the Iron Horse to stabilize by the end of 2011 and the Pieper office building, which is still undergoing renovation, to stabilize by 2012. The revenue projections for the other parcels are based on inflationary increment alone.

### ***Proposed Site***

Located southwest of Downtown Milwaukee, the proposed TID is bounded by 2<sup>nd</sup> Street to the east, Florida and Bruce Streets to the south, and the Menomonee Canal to the west and north. In its entirety the proposed TID includes 43 taxkeys.

### ***Incremental Property Tax Projections***

SBFCo projected incremental property tax revenues produced by the TID. These projections are based on the following key assumptions:

- Property value inflation rate is 1.5%.

- The projected 2009 property tax rate is 2.51%.
- The property tax rate is assumed to decline at a rate of 1.62% beginning in 2010 with a 2% floor. This reflects the 10-year compound rate of decline.
- The Iron Horse Hotel will continue to produce additional new value based on the assumptions below:
  - Hotels can take multiple years to reach a stabilized value. Per a conversation with the City Assessor's office, as of January 1, 2009, 13 of the 100 rooms were not ready for occupancy, and the restaurant was incomplete, so the Iron Horse has not yet been assessed at its full stabilized value.
  - The Hotel Metro, an analogous property, has a 2009 assessed value of \$87,300 per hotel room (a decline from approximately \$97,000 per room in 2008). *SBFCo* assumes the Iron Horse will stabilize at an equivalent value and projects a full stabilized value of \$8.73 million by 2011.
- The Pieper office building will continue to produce additional new value based on the assumptions below:
  - As of January 1, 2009, only 21,787 square feet of the building's total 109,727 square feet were built out. Of the built out space, only 1,929 square feet were occupied. Thus, the Pieper's 2009 assessed value of \$27 per square foot is substantially lower than it will be at stabilization.
  - As another office rehab in the Reed Street Yards area, the Tannery building located at 720 West Virginia is a comparable property with a 2009 assessed value of \$89 per square foot. *SBFCo* assumes the Pieper building will stabilize at an equivalent value and projects a full stabilized value of \$9.71 million by 2012.

According to these assumptions, the total undiscounted TID revenue between 2009 and 2036 is approximately **\$10.4 million**. Table 1 at the end of this memo shows the TID revenue projections.

Based on typical bonding parameters used in the past for City of Milwaukee projects, this TID revenue could support approximately **\$4.5 million** to fund up-front public improvements in the proposed TID while allowing for amortization of the TID by year 24. Table 2 at the end of this memo shows the full amortization schedule.

Feel free to call Tony Smith at 312-424-4254 with any questions.



City of Milwaukee  
 Reed Street Yards  
 TABLE 2: Bonding Capacity Analysis – TID With No Further Development Scenario; Projected Future Stabilization of Iron Horse and Pieper Bldg  
 DRAFT

Bonding	
Interest Rate on Bonds	4.50%
Cost of Funds (Local Government Investment Pool)	4.00%
Issuance Costs @	1.00%
Capitalized Interest Allowance @	10.00%
Assumed Level P&I Payments	15

Funding Structure		New Debt Service	
Assumed Year	Amount	TID Annual Debt Service Target Payments	Total Issuance
2010	\$ 4,500,000	\$ 505,000	\$ 5,050,000
Plus Issuance Costs	\$ 45,000		
Assumed Bonding	\$ 4,500,000		\$ 5,050,000

TID Year	Calendar Year	Projected Incremental Property Taxes	TID-Backed Bonds Issued	New Debt Service			TID Payoff Analysis				TID Could Repay Outstanding Principle
				TID Annual Debt Service Target Payments	Principal Payment	Interest Payment	Annual Surplus/ (Shortfall)	Cumulative Fund Balance	Interest Earnings/ (Carry Cost) on Cuml. Balance		
1	2009	\$ -	-				\$ -	\$ -	\$ -	\$ -	NO
2	2010	\$ -	5,050,000				\$ -	\$ -	\$ -	\$ -	NO
3	2011	\$ 122,549	-				\$ 122,549	\$ 122,549	\$ 4,902	\$ 4,902	NO
4	2012	\$ 212,090	-				\$ 212,090	\$ 339,541	\$ 13,582	\$ 13,582	NO
5	2013	\$ 288,040	-				\$ (182,184)	\$ 170,938	\$ 6,838	\$ 6,838	NO
6	2014	\$ 298,510	-	\$ 470,225	\$ (242,975)	\$ (227,250)	\$ (182,184)	\$ 170,938	\$ 6,838	\$ 6,838	NO
7	2015	\$ 308,788	-	\$ 470,225	\$ (253,909)	\$ (216,316)	\$ (171,715)	\$ 6,061	\$ 242	\$ 242	NO
8	2016	\$ 318,878	-	\$ 470,225	\$ (265,354)	\$ (204,890)	\$ (161,437)	\$ (155,133)	\$ (6,205)	\$ (6,205)	NO
9	2017	\$ 328,784	-	\$ 470,225	\$ (277,275)	\$ (192,950)	\$ (151,346)	\$ (312,685)	\$ (12,507)	\$ (12,507)	NO
10	2018	\$ 338,507	-	\$ 470,225	\$ (289,752)	\$ (180,473)	\$ (141,441)	\$ (466,633)	\$ (18,665)	\$ (18,665)	NO
11	2019	\$ 348,052	-	\$ 470,225	\$ (302,791)	\$ (167,434)	\$ (131,718)	\$ (617,016)	\$ (24,681)	\$ (24,681)	NO
12	2020	\$ 357,420	-	\$ 470,225	\$ (316,416)	\$ (153,808)	\$ (122,173)	\$ (763,870)	\$ (30,555)	\$ (30,555)	NO
13	2021	\$ 366,616	-	\$ 470,225	\$ (330,655)	\$ (139,570)	\$ (112,804)	\$ (907,229)	\$ (36,289)	\$ (36,289)	NO
14	2022	\$ 375,641	-	\$ 470,225	\$ (345,535)	\$ (124,690)	\$ (103,609)	\$ (1,047,127)	\$ (41,885)	\$ (41,885)	NO
15	2023	\$ 384,498	-	\$ 470,225	\$ (361,084)	\$ (109,141)	\$ (94,584)	\$ (1,183,597)	\$ (47,344)	\$ (47,344)	NO
16	2024	\$ 393,191	-	\$ 470,225	\$ (377,332)	\$ (92,892)	\$ (85,726)	\$ (1,316,667)	\$ (52,667)	\$ (52,667)	NO
17	2025	\$ 408,487	-	\$ 470,225	\$ (394,312)	\$ (75,912)	\$ (77,034)	\$ (1,446,567)	\$ (57,855)	\$ (57,855)	NO
18	2026	\$ 423,866	-	\$ 470,225	\$ (412,056)	\$ (58,168)	\$ (61,738)	\$ (1,565,960)	\$ (62,638)	\$ (62,638)	NO
19	2027	\$ 439,476	-	\$ 470,225	\$ (430,599)	\$ (39,626)	\$ (46,359)	\$ (1,674,957)	\$ (66,998)	\$ (66,998)	NO
20	2028	\$ 455,321	-	\$ 470,225	\$ (449,976)	\$ (20,249)	\$ (30,748)	\$ (1,772,703)	\$ (70,908)	\$ (70,908)	NO
21	2029	\$ 471,403	-	-	-	-	\$ 453,321	\$ (1,388,290)	\$ (55,532)	\$ (55,532)	NO
22	2030	\$ 487,726	-	-	-	-	\$ 471,403	\$ (972,419)	\$ (38,897)	\$ (38,897)	NO
23	2031	\$ 504,294	-	-	-	-	\$ 487,726	\$ (523,590)	\$ (20,944)	\$ (20,944)	NO
24	2032	\$ 521,111	-	-	-	-	\$ 504,294	\$ (40,239)	\$ (1,610)	\$ (1,610)	NO
25	2033	\$ 538,180	-	-	-	-	\$ 521,111	\$ 479,263	\$ 19,171	\$ 19,171	YES
26	2034	\$ 555,505	-	-	-	-	\$ 538,180	\$ 1,036,614	\$ 41,465	\$ 41,465	YES
27	2035	\$ 573,090	-	-	-	-	\$ 555,505	\$ 1,633,583	\$ 65,343	\$ 65,343	YES
2036	2036	\$ 590,939	-	-	-	-	\$ 573,090	\$ 2,272,017	\$ 90,881	\$ 90,881	YES
TOTALS		\$ 10,410,963	\$ 5,050,000	\$ 7,053,371			\$ 3,357,592	\$ 2,953,836	\$ 118,153	\$ 118,153	YES