

Date: December 6, 2005

Subject: North 20th/West Brown Streets TIF Feasibility Study

From: *S. B. Friedman & Company*

To: James Sayers, City of Milwaukee Department of City Development

Based on information provided by Legacy Redevelopment Corporation, Williams Development Corporation, Irgens Development Partners, and the City of Milwaukee's Department of City Development ("DCD"), *S. B. Friedman & Company* ("*SBFCo*") has prepared this Tax Increment Financing (TIF) feasibility study for the proposed North 20th/West Brown Streets Tax Increment District (TID).

Project Description

Legacy Redevelopment Corporation, Williams Development Corporation, and Irgens Development Partners have proposed to redevelop the area roughly bounded by N. 20th Street on the east, W. Fond du Lac and W. North Avenue on the north, N. 24th Street on the west, and W. Brown Street on the south, in the City of Milwaukee. The area is currently composed of vacant land, single-family homes and institutional users such as the Holy Mount Carmel Missionary and Brown Street Academy.

The City of Milwaukee has experienced recent success in the Fond du Lac and North area of the City in facilitating market-rate infill single-family detached residential development using TIF assistance for acquisition, site preparation, and other items. Initially, the CityHomes development in 1997 added about 80 new units located generally to the south of the proposed TID area. At the outset, these units generally sold for less than \$100,000, substantially less than construction cost. However, substantial price appreciation has been realized, both in later phases of new units, as well as resales. The ongoing Lindsay Heights project has continued this initial success, realizing price points from the mid-\$100,000s to over \$200,000. The North 20th/West Brown Streets Redevelopment Plan represents an attempt to build on and replicate this progress.

In the proposed TID area, local infrastructure is in poor condition, with curbs, sidewalks and streetlights missing in some street segments. Most sewer and water lines in the area are in need of replacement, and some soil and environmental deficiencies are anticipated. The redevelopment plan calls for the construction of up to 75 single-family homes on 40' by 120' lots. Each home would contain approximately 1,700 square feet of living space, plus a full basement and detached garage. Approximately ten homes are anticipated to be sold at below-market prices, using federal HOME subsidies to directly reduce the purchase price by about \$50,000 each. In addition, the plan may include the construction of 34 apartments for independent seniors, which would be operated by a non-profit organization affiliated with Holy

Mount Carmel Missionary, as well as the possible redevelopment of commercial space along North Avenue.

To accomplish this, the development team has asked to purchase vacant land from the City of Milwaukee at a price of \$2,000 per parcel. The City is also being asked to repair curbs and streets in the area, upgrade utilities, and acquire additional parcels for redevelopment using TID funds. DCD staff also contemplates using funds for site acquisition, demolition, and loans/grants for rehab of existing properties in the district. The cost of these improvements is estimated to be \$2.95 million. After improving the site, performing environmental remediation, establishing design guidelines, and marketing the properties, the development team plans to sell lots to private builders for construction. The development team hopes to commence lot sales in spring 2006.

Mirroring the most successful phases of the prior redevelopments in this area, development activity is intended to sequentially focus on a series of concentrated sub-areas within the TID, starting with the southern portion. Infrastructure conditions in this sub-area are superior to those to the north, allowing lot sales to commence relatively soon after the creation of the TID.

Study Approach

In order to assess the likelihood that incremental tax revenues from the North 20th/West Brown Streets TID would be sufficient to repay the \$2.95 million in assistance requested by the development team, *SBFCo* reviewed the following:

- Current assessments within the proposed TID
- Assessment data for surrounding neighborhoods and recent developments deemed analogous, including a Northwest Side subdivision, City Homes and Lindsay Heights
- Price points and absorption rates for the Lindsay Heights and City Homes developments
- Pro-formas provided by the developer

Based on this research and discussions with DCD, *SBFCo* developed assumptions regarding the base assessed value of the TID at the time of TIF creation, average per-unit sale price, absorption rates and growth in assessed valuation in the project area. Using this information, *SBFCo* then projected the incremental tax revenues to be collected in the TID over a 27-year period, the statutory life of this type of TID under Wisconsin law. Finally, using standard bonding assumptions provided by the Comptroller's office for prior assignments, *SBFCo* projected the amortization of a general obligation (G.O.) bond, to be used as financing for improvements in the project area. The results of this analysis are outlined below, with projection details and supplementary information provided in the appendices.

Incremental Property Tax Revenues

ASSUMPTIONS AND METHODOLOGY

In order to determine whether the requested public improvements can be financed by tax increment generated in the TID, *SBFCo* projected incremental property tax revenues to be generated by the North 20th/West Brown Streets redevelopment program over 27 years. To accomplish this, *SBFCo* made the following key assumptions:

- **Base Assessed Value:** The total assessed value of parcels in the proposed North 20th/West Brown Streets TID was \$2,051,400 in 2005. The value of these parcels increased about 9.6% from 2004 to 2005. Given this rate of growth, *SBFCo* assumed that the total assessed value of parcels in the TID would be \$2,247,924 in 2006, reflecting the same rate of change as occurred in 2005-2006. This is assumed to be the base value of the district if it is created in 2006.
- **Phase-In of New Assessments:** The City of Milwaukee assesses properties annually based on the conditions found on the property on January 1st. Partially completed projects are assessed based on construction progress as of that date. Given that lots will be sold to builders at various points in the year, and that individual builders are likely to construct at different paces, significant variations in individual assessment levels are anticipated in the year immediately following lot sale. To account for this, *SBFCo* assumed for the purposes of this analysis that assessed value would generally average 50% of home sale price for the calendar year immediately following lot sale, and would reach full assessment the following year. This assumption is consistent with experience at City Homes and Lindsay Heights, based on a review of assessment information for these projects and discussions with DCD staff. The exception to this global assumption is value arising from lots sold in 2006. To account for the fact that these lot sales are likely to occur late in 2006, *SBFCo* assumed that only an average of 25% of the ultimate value of these units would be assessed in 2007.
- **Tax Rates:** *SBFCo* reviewed tax rate trends for the City of Milwaukee between 1984 and 2004, and noted a consistent decline over both the short and long term. From 1999 to 2004, the compound annual rate of decline was 1.62% per year. For our projections of incremental tax revenues, it was assumed that tax rates would continue to decline at this rate through 2020, at which point they would hold constant at 2.0% (See Appendix Table A-1 at the end of this memo).
- **Inflation of Un-Redeveloped TID Parcels:** A sampling of properties within the proposed TID boundary indicated widespread increases of about 25% in assessed value between 2004 and 2005 for existing single-family homes. A review of assessment data for the years 2003 through 2005 for a group of sample properties within the broader Midtown neighborhood showed average compound annual growth of 23% per year. Based on this trend data and the rationale that the redevelopment within the TID would positively affect surrounding parcels, it was assumed that parcels not slated for redevelopment within the TID would still increase in assessed value over the life of the

district. However, because the typical values of existing single family homes in the area are generally low (under \$30,000), this rate of growth is likely to become slower on a percentage basis as properties become more valuable. Therefore, *SBFCo* assumed for the purposes of this analysis that these sites would appreciate at a rate of 2.5% per year for all years beyond 2006. This assumption roughly reflects typical change in Consumer Price Index, but appears conservative based on historical property value trend data.

- **Inflation of Redeveloped TID Parcels.** The rate of increase in assessed value for new single-family homes constructed pursuant to the redevelopment plan was determined through an analysis of assessment data for the CityHomes and Lindsay Heights projects. This was further supplemented by a review of historical assessments for a sample of single-family detached homes in the Heritage Meadows development on the Northwest Side of Milwaukee, which was viewed as an analogous indicator of assessed value trends for new single-family detached construction within the City. Assessed values for Lindsay Heights properties that appeared to be fully assessed increased at an annual rate of about 13% from 2003 to 2005, while assessments at CityHomes increased by about 18% over the same period. Assessed value for completed single-family homes at Heritage Meadows increased at about 7% per year between 2002 and 2005, while a smaller group of these properties appreciated at about 6% per year between 2000 and 2005. Appendix Table A-2 at the end of this memo summarizes this data.

Despite the higher observed rates described above, *SBFCo* assumed a more conservative assessment growth rate of 3.50% for completed new single-family homes within the North 20th/West Brown Streets TID. This reflects the potential that over the longer term, prevailing appreciation rates for single-family homes will slow in response to rising interest rates or other market factors. It also accounts for the likelihood that the relatively rapid appreciation observed in the Lindsay Heights and CityHomes neighborhoods in recent years has been at least partially caused by values catching up to and ultimately starting to exceed construction/replacement costs as a “critical mass” of new development is put in place.

- **Development Schedule:** While initial development plans call for lot sales to begin in the spring of 2006, *SBFCo* assumed that lot sales would commence in June 2006 to allow for potential logistical issues in project startup.
- **Sale Price:** *SBFCo*'s sale price assumptions for the new units in the North 20th/West Brown Streets redevelopment are based information provided by the developer, and validated based on a review of sale price data from CityHomes and Lindsay Heights. These projects are located in close proximity to North 20th/West Brown Streets, and contain homes of similar size and quality. Sale prices at Lindsay Heights have ranged from \$95,000 per home in 1998 to \$234,000 in 2004, with prices trending upwards as the project has progressed. Properties in the City Homes development, while initially selling for less than \$100,000, have recently been resold for \$170,000-180,000. This data suggests that new homes in this area are now selling at price levels sufficient to cover the cost of construction. Based on these trends, the developer's assumption that the average

sale price for homes in the North 20th/West Brown Streets redevelopment project would be \$175,000 appears reasonable.

- **Number of Units:** While the original development plan provides for 75 homes in the North 20th/West Brown Streets redevelopment area, the ultimate project size may be impacted by the logistics and costs of property acquisition. Based on discussions with DCD, *SBFCo* assumed the completion of 60 homes for the purposes of this analysis to allow for these issues.
- **HOME Subsidies:** The developer plans to sell ten homes in the North 20th/West Brown Streets project at below-market prices by utilizing federal HOME subsidies. These subsidies would average \$50,000 per home, and would be provided to the buyer at the time of sale. As a condition of the program, the deeds for these properties would be restricted to prevent resale of the homes at market prices for five years. Through discussions with the City of Milwaukee Assessor's Office, it was determined that these deed-restricted properties would be assessed at a lower rate during the term of the deed restriction, to reflect the reduced sale value of the units. Therefore, *SBFCo* assumed that that 10 of the 60 homes in the project would be assessed at \$125,000 for the first five years of the TID, and would revert to full assessment in the sixth year.
- **Absorption Rate:** The developer's pro forma assumes absorption of 3 units per month. To validate this assumption, *SBFCo* conducted a review of data for CityHomes and Lindsay Heights. In both developments, the average absorption rate for homes was approximately 2 units per month in years when the projects were fully active and development activity was concentrated in relatively compact sub-areas of the respective project boundaries. *SBFCo* therefore assumes absorption of 2.0 units per month for the purposes of these projections.

Discussions with Legacy Bank further substantiate demand for new homes in the project area. Legacy indicates that approximately 30 buyers with incomes commensurate with the projected sales prices are already pre-qualified for mortgages on new homes within the North 20th/West Brown Streets project. Further, the bank has received inquiries from 8 to 10 families per month for the past year regarding new homes within the project.

- **Commercial Properties and Senior Housing:** For the purposes of this study it was assumed that the commercial properties along North Avenue would not be redeveloped in a manner producing incremental taxes during the life of the TID. It was also assumed that the senior housing component planned for the intersection of 22nd Street and Garfield Avenue would provide no tax increment, as it will likely be tax-exempt.

TAX INCREMENT PROJECTIONS

Given these assumptions, total undiscounted tax collections for the TID over 27 years are projected to be about \$7.5 million, yielding a net present value of about \$3.4 million in 2006 dollars (discounted at five percent). Under this scenario, incremental tax revenues of \$255,340

are projected in 2013, the first anticipated year of full assessment for all 60 units. (See Table 1 on the following page.)

BOND AMORTIZATION

Based on the stream of incremental property tax revenues described in the prior section and shown in Table 1, *SBFCo* projected the amortization of a General Obligation (G.O.)-backed TID bond to cover \$2.95 million cost in proposed improvements. Bonding assumptions were developed based on discussions with the Office of the City Comptroller related to other TID projects in Milwaukee. Key assumptions include issuance costs of 1% of bond principal, an annual bond interest rate of 4.5%, an earnings rate of 3.25% on any unused capitalized interest reserves, and no debt coverage requirement. The projection includes an increased bond principal amount equal to 10% of bond proceeds; this reflects an interest charge on any revenue shortfalls in years where incremental property tax revenues are not sufficient to pay the full projected debt service. This is consistent with *SBFCo*'s understanding of the standard practices of the City of Milwaukee's Comptroller's Office.

Based on these assumptions, the projected revenue stream of the North 20th/West Brown Streets TID allows for full amortization of debt in year 22 of the TID (2027). The total bond issuance under this scenario is estimated at about \$3.3 million to reflect the cost of improvements, plus issuance costs and capitalized interest (See Table 2 on the page immediately following Table 1).

City of Milwaukee: North 20th/West Brown Streets TIF Feasibility

Table 1: Incremental Property Tax Revenue Projections

2005 Assessed Value of Lloyd-Garfield Parcels	\$ 2,051,400
2006 Extrapolated Value of Lloyd-Garfield Parcels	\$ 2,247,924
Net Tax Rate, 2005 (less state credit)	2.54%
Assumed Assessment Ratio	100.00%
Annual Inflation Rate, Detached Homes	3.50%
Tax Collection Rate	97.00%

Year of TID	Assessment Date	Projected Site EAV	Cumulative New AV	Total Value of TID Parcels	Incremental AV Above Base AV	Tax Rate	Tax Revenues Collected (Jan. 31) @ 97%
0	2005	\$ 2,051,400	\$ -	\$ 2,051,400	\$ -	2.54%	\$ -
1	2006	\$ 2,247,924	\$ -	\$ 2,247,924	\$ -	2.50%	\$ -
2	2007	\$ 2,195,689	\$ 487,500	\$ 2,683,189	\$ 435,265	2.46%	\$ -
3	2008	\$ 2,060,048	\$ 3,579,563	\$ 5,639,611	\$ 3,391,687	2.42%	\$ 10,396
4	2009	\$ 1,932,528	\$ 8,217,347	\$ 10,149,876	\$ 7,901,951	2.38%	\$ 79,698
5	2010	\$ 1,980,842	\$ 10,429,954	\$ 12,410,796	\$ 10,162,872	2.34%	\$ 182,673
6	2011	\$ 2,030,363	\$ 10,795,003	\$ 12,825,365	\$ 10,577,441	2.31%	\$ 231,135
7	2012	\$ 2,081,122	\$ 11,766,671	\$ 13,847,793	\$ 11,599,869	2.27%	\$ 236,667
8	2013	\$ 2,133,150	\$ 12,178,504	\$ 14,311,654	\$ 12,063,730	2.23%	\$ 255,340
9	2014	\$ 2,186,478	\$ 12,604,752	\$ 14,791,231	\$ 12,543,306	2.20%	\$ 261,249
10	2015	\$ 2,241,140	\$ 13,045,918	\$ 15,287,059	\$ 13,039,135	2.16%	\$ 267,235
11	2016	\$ 2,297,169	\$ 13,502,526	\$ 15,799,695	\$ 13,551,770	2.13%	\$ 273,300
12	2017	\$ 2,354,598	\$ 13,975,114	\$ 16,329,712	\$ 14,081,788	2.09%	\$ 279,444
13	2018	\$ 2,413,463	\$ 14,464,243	\$ 16,877,706	\$ 14,629,782	2.06%	\$ 285,670
14	2019	\$ 2,473,800	\$ 14,970,491	\$ 17,444,291	\$ 15,196,367	2.02%	\$ 291,980
15	2020	\$ 2,535,645	\$ 15,494,459	\$ 18,030,103	\$ 15,782,179	2.00%	\$ 298,375
16	2021	\$ 2,599,036	\$ 16,036,765	\$ 18,635,801	\$ 16,387,876	2.00%	\$ 306,174
17	2022	\$ 2,664,012	\$ 16,598,052	\$ 19,262,063	\$ 17,014,139	2.00%	\$ 317,925
18	2023	\$ 2,730,612	\$ 17,178,983	\$ 19,909,595	\$ 17,661,671	2.00%	\$ 330,074
19	2024	\$ 2,798,877	\$ 17,780,248	\$ 20,579,125	\$ 18,331,201	2.00%	\$ 342,636
20	2025	\$ 2,868,849	\$ 18,402,556	\$ 21,271,406	\$ 19,023,481	2.00%	\$ 355,625
21	2026	\$ 2,940,570	\$ 19,046,646	\$ 21,987,216	\$ 19,739,292	2.00%	\$ 369,056
22	2027	\$ 3,014,085	\$ 19,713,278	\$ 22,727,363	\$ 20,479,439	2.00%	\$ 382,942
23	2028	\$ 3,089,437	\$ 20,403,243	\$ 23,492,680	\$ 21,244,756	2.00%	\$ 397,301
24	2029	\$ 3,166,673	\$ 21,117,357	\$ 24,284,029	\$ 22,036,105	2.00%	\$ 412,148
25	2030	\$ 3,245,840	\$ 21,856,464	\$ 25,102,304	\$ 22,854,380	2.00%	\$ 427,500
26	2031	\$ 3,326,986	\$ 22,621,440	\$ 25,948,426	\$ 23,700,502	2.00%	\$ 443,375
27	2032	\$ 3,410,160	\$ 23,413,191	\$ 26,823,351	\$ 24,575,427	2.00%	\$ 459,790
Total Proceeds, 2006-2035							\$ 7,497,710
Net Present Value (2006) @ 5.00%							\$ 3,401,886

Source: S. B. Friedman & Company, City of Milwaukee

City of Milwaukee- North 20th/West Brown Streets TIF Feasibility

Table 2: Bond Amortization

Issuance Date	6/1/2006	Cap Int Year	Principal	Cap Int. Reserve	Reinv.	Interest Pmt	Ending Bal	Earnings
Interest Rate	4.50%	1	\$ 3,258,830	\$ 295,000	3.25%	\$ 85,544	\$ 209,456	\$ 9,588
Reinvestment Rate	3.25%	2	\$ 3,258,830	\$ 209,456	3.25%	\$ 146,647	\$ 62,808	\$ 6,807
Net Proceeds to Project	\$ 2,950,000	3	\$ 3,258,830	\$ 62,808	3.25%	\$ 62,808	\$ -	\$ 2,041
Cap Interest Required	\$ 295,000	4	\$ 3,332,272	\$ -	3.25%	\$ -	\$ -	\$ -
Less Earnings on Cap Interest	(18,436)	5	\$ 3,402,526	\$ -	3.25%	\$ -	\$ -	\$ -
Issuance Costs- Professional Fees Allowance	\$ -	6	\$ 3,372,966	\$ -	3.25%	\$ -	\$ -	\$ -
Issuance Costs- Additional 1.0% of Bond Amount	\$ 32,266	7	\$ 3,293,615	\$ -	3.25%	\$ -	\$ -	\$ -
Total Bond Proceeds	\$ 3,258,830	8	\$ 3,205,160	\$ -	3.25%	\$ -	\$ -	\$ -
Assumed Debt Coverage Requirement	1.0	9	\$ 3,094,053	\$ -	3.25%	\$ -	\$ -	\$ -

Year of TID	Calendar Year	Annual Inc. Tax Revenues Collected (Jan. 31) @ 97%	Cumulative Tax Increment At 97% Coll.	Beginning Principal Balance	Interest Due	Increment Available for P&I	Cap Int Yr	Cap Interest Payment	Total P&I Payment	Principal Reduction	Annual Surplus/Coverage	Cumulative Reserves
0	2005	\$ -	\$ -	\$ -	\$ -	\$ -	N	\$ -	\$ -	\$ -	\$ -	\$ -
1	2006	\$ -	\$ -	\$ 3,258,830	\$ 85,544	\$ -	Y	\$ 85,544	\$ 85,544	\$ -	\$ -	\$ -
2	2007	\$ -	\$ -	\$ 3,258,830	\$ 146,647	\$ -	Y	\$ 146,647	\$ 146,647	\$ -	\$ -	\$ -
3	2008	\$ 10,396	\$ 10,396	\$ 3,258,830	\$ 146,647	\$ 10,396	Y	\$ 62,808	\$ 73,205	\$ (73,443)	\$ -	\$ -
4	2009	\$ 79,698	\$ 90,095	\$ 3,332,272	\$ 149,952	\$ 79,698	Y	\$ -	\$ 79,698	\$ (70,254)	\$ -	\$ -
5	2010	\$ 182,673	\$ 272,768	\$ 3,402,526	\$ 153,114	\$ 182,673	N	\$ -	\$ 182,673	\$ 29,560	\$ -	\$ -
6	2011	\$ 231,135	\$ 503,903	\$ 3,372,966	\$ 151,783	\$ 231,135	N	\$ -	\$ 231,135	\$ 79,352	\$ -	\$ -
7	2012	\$ 236,667	\$ 740,570	\$ 3,293,615	\$ 148,213	\$ 236,667	N	\$ -	\$ 236,667	\$ 88,455	\$ -	\$ -
8	2013	\$ 255,340	\$ 995,910	\$ 3,205,160	\$ 144,232	\$ 255,340	N	\$ -	\$ 255,340	\$ 111,108	\$ -	\$ -
9	2014	\$ 261,249	\$ 1,257,160	\$ 3,094,053	\$ 139,232	\$ 261,249	N	\$ -	\$ 261,249	\$ 122,017	\$ -	\$ -
10	2015	\$ 267,235	\$ 1,524,395	\$ 2,972,036	\$ 133,742	\$ 267,235	N	\$ -	\$ 267,235	\$ 133,494	\$ -	\$ -
11	2016	\$ 273,300	\$ 1,797,695	\$ 2,838,542	\$ 127,734	\$ 273,300	N	\$ -	\$ 273,300	\$ 145,565	\$ -	\$ -
12	2017	\$ 279,444	\$ 2,077,138	\$ 2,692,977	\$ 121,184	\$ 279,444	N	\$ -	\$ 279,444	\$ 158,260	\$ -	\$ -
13	2018	\$ 285,670	\$ 2,362,808	\$ 2,534,717	\$ 114,062	\$ 285,670	N	\$ -	\$ 285,670	\$ 171,608	\$ -	\$ -
14	2019	\$ 291,980	\$ 2,654,788	\$ 2,363,109	\$ 106,340	\$ 291,980	N	\$ -	\$ 291,980	\$ 185,640	\$ -	\$ -
15	2020	\$ 298,375	\$ 2,953,163	\$ 2,177,470	\$ 97,986	\$ 298,375	N	\$ -	\$ 298,375	\$ 200,389	\$ -	\$ -
16	2021	\$ 306,174	\$ 3,259,337	\$ 1,977,081	\$ 88,969	\$ 306,174	N	\$ -	\$ 306,174	\$ 217,206	\$ -	\$ -
17	2022	\$ 317,925	\$ 3,577,262	\$ 1,759,875	\$ 79,194	\$ 317,925	N	\$ -	\$ 317,925	\$ 238,730	\$ -	\$ -
18	2023	\$ 330,074	\$ 3,907,336	\$ 1,521,145	\$ 68,452	\$ 330,074	N	\$ -	\$ 330,074	\$ 261,623	\$ -	\$ -
19	2024	\$ 342,636	\$ 4,249,972	\$ 1,259,522	\$ 56,678	\$ 342,636	N	\$ -	\$ 342,636	\$ 285,958	\$ -	\$ -
20	2025	\$ 355,625	\$ 4,605,598	\$ 973,564	\$ 43,810	\$ 355,625	N	\$ -	\$ 355,625	\$ 311,815	\$ -	\$ -
21	2026	\$ 369,056	\$ 4,974,653	\$ 661,749	\$ 29,779	\$ 369,056	N	\$ -	\$ 369,056	\$ 339,277	\$ -	\$ -
22	2027	\$ 382,942	\$ 5,357,596	\$ 322,472	\$ 14,511	\$ 382,942	N	\$ -	\$ 336,983	\$ 322,472	\$ 45,959	\$ 45,959
23	2028	\$ 397,301	\$ 5,754,897	\$ -	\$ -	\$ 397,301	N	\$ -	\$ -	\$ -	\$ 397,301	\$ 443,260
24	2029	\$ 412,148	\$ 6,167,045	\$ -	\$ -	\$ 412,148	N	\$ -	\$ -	\$ -	\$ 412,148	\$ 855,408
25	2030	\$ 427,500	\$ 6,594,545	\$ -	\$ -	\$ 427,500	N	\$ -	\$ -	\$ -	\$ 427,500	\$ 1,282,909
26	2031	\$ 443,375	\$ 7,037,920	\$ -	\$ -	\$ 443,375	N	\$ -	\$ -	\$ -	\$ 443,375	\$ 1,726,284
27	2032	\$ 459,790	\$ 7,497,710	\$ -	\$ -	\$ 459,790	N	\$ -	\$ -	\$ -	\$ 459,790	\$ 2,186,073
TOTALS		\$ 7,497,710	\$ 7,497,710		\$ 2,347,807				\$ 5,606,637	\$ 3,258,830	\$ 2,186,073	

Source: S. B. Friedman & Company

Conclusions

Under *SBFCo*'s assumptions as described in this memo, the required public improvements for the North 20th/West Brown Streets Redevelopment Plan can be supported by the proposed TID under a City G.O. bonding scenario. These assumptions reflect essentially "status quo" conditions, and do not account for any continued price appreciation or increased demand that may result from continuation of the market momentum already observed in the CityHomes and Lindsay Heights areas.

City of Milwaukee: North 20th/West Brown Streets 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
								Compound Annual Rate of Change		
								5-Year	-1.62%	
								10-Year	-3.43%	
								15-Year	-2.66%	
								20-Year	-1.28%	

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

City of Milwaukee- North 20th/West Brown Streets TIF Feasibility

Table A-2: Inflation Assumptions

Midtown	
Change in Assessed Value, 2003-2004	17.10%
Change in Assessed Value, 2004-2005	27.77%
Compound Annual Growth Rate, 2003-2005	23%

Source: City of Milwaukee Assessor and *S. B. Friedman & Company*

CityHomes	
Change in Assessed Value, 2004-2005	26.19%
Change in Assessed Value, 2003-2004	10.07%
Compound Annual Growth Rate, 2003-2005	18%

Source: DCD and *S. B. Friedman & Company*

Lindsay Heights	
Change in Assessed Value, 2003-2004	7.34%
Change in Assessed Value, 2004-2005	14.74%
Compound Annual Growth Rate, 2003-2005	13%

Source: DCD and *S. B. Friedman & Company*

Heritage Meadows	
Compound Annual Growth Rate, Assessed Value 2000-2005	6.14%
Compound Annual Growth Rate, Assessed Value 2002-2005	6.87%

Source: DCD and *S. B. Friedman & Company*

City of Milwaukee: North 20th/West Brown Streets TIF Feasibility
Table A-3: EAV Additions from New Development

Total Number of Homes	60
Sales/Month	2
Number of HOME-Assisted Sales	10
Sales Begin	6/1/2006
Average Home Sale	\$175,000
Average Price of HOME-Assisted Sales	\$125,000

Year	Lot Sales	Phasing	New Value [1] [2]	Annual Inflation	Cumulative Value
6/1/2006	14	23.33%	\$ -	3.50%	\$ -
1/1/2007	24	40.00%	\$ 487,500	3.50%	\$ 487,500
1/1/2008	22	36.67%	\$ 3,075,000	3.50%	\$ 3,579,563
1/1/2009	-	0.00%	\$ 4,512,500	3.50%	\$ 8,217,347
1/1/2010	-	0.00%	\$ 1,925,000	3.50%	\$ 10,429,954
1/1/2011	-	0.00%	\$ -	3.50%	\$ 10,795,003
1/1/2012	-	0.00%	\$ 593,843	3.50%	\$ 11,766,671
1/1/2013	-	0.00%	\$ -	3.50%	\$ 12,178,504
1/1/2014	-	0.00%	\$ -	3.50%	\$ 12,604,752
1/1/2015	-	0.00%	\$ -	3.50%	\$ 13,045,918
1/1/2016	-	0.00%	\$ -	3.50%	\$ 13,502,526
1/1/2017	-	0.00%	\$ -	3.50%	\$ 13,975,114
1/1/2018	-	0.00%	\$ -	3.50%	\$ 14,464,243
1/1/2019	-	0.00%	\$ -	3.50%	\$ 14,970,491
1/1/2020	-	0.00%	\$ -	3.50%	\$ 15,494,459
1/1/2021	-	0.00%	\$ -	3.50%	\$ 16,036,765
1/1/2022	-	0.00%	\$ -	3.50%	\$ 16,598,052
1/1/2023	-	0.00%	\$ -	3.50%	\$ 17,178,983
1/1/2024	-	0.00%	\$ -	3.50%	\$ 17,780,248
1/1/2025	-	0.00%	\$ -	3.50%	\$ 18,402,556
1/1/2026	-	0.00%	\$ -	3.50%	\$ 19,046,646
1/1/2027	-	0.00%	\$ -	3.50%	\$ 19,713,278
1/1/2028	-	0.00%	\$ -	3.50%	\$ 20,403,243
1/1/2029	-	0.00%	\$ -	3.50%	\$ 21,117,357
1/1/2030	-	0.00%	\$ -	3.50%	\$ 21,856,464
1/1/2031	-	0.00%	\$ -	3.50%	\$ 22,621,440
1/1/2032	-	0.00%	\$ -	3.50%	\$ 23,413,191

Source: *S.B. Friedman & Company*

[1] It is assumed that on average 50% of value will be assessed within one year of lot sale, and 100% after two years.

[2] It is assumed that homes receiving HOME subsidies will be assessed at \$125,000 for five years and full market value thereafter.