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Updated Economic Feasibility Report
Tax Increment District No. 70

PROPOSED 731-5 N. WATER STREET REDEVELOPMENT PROJECT

Prepared for:

Redevelopment Authority of the
City of Milwaukee

S. B. Friedman & Company
Real Estate Advisors and Development Consultants

City of Milwaukee
TID #70/North Water Street Project

Economic Feasibility Study Update

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1. Project Description and Study Approach

Project Description

Compass Properties ("the Developer") is proposing the renovation of the 731 and 735 North Water Street properties ("the Project"), located directly on the Milwaukee River between Wisconsin Avenue and Mason Street. These two properties make up the Tax Increment Finance District ("TID") #70, which was created in 2007. The 731 North Water Street Building ("731 Building") will include a Gold's Gym, office space, and ground-floor retail. The partially occupied 735 North Water Street Building ("735 Building") contains only office space. Together, these two buildings will include the following program components at completion of the proposed core program of renovation activity ("Core Program") and a possible subsequent phase ("Additional Program"):

Table 1: Development Program Summary

Project Component (Area)	731 Building	735 Building	Project Total
CORE PROGRAM			
Office	8,400	293,000	301,400
Gold's Gym	38,000		38,000
Retail	3,500		3,500
Valet Parking Area (Spaces)	5		5
ADDITIONAL PROGRAM			
Office	7,842		7,842
Total Development Area	**57,742**	**293,000**	**350,742**

Source: Compass Properties

Construction costs for the 731 Building are estimated at $9.3 million, and construction costs for the 735 Building are estimated at $6.4 million, for a total construction budget of $15.7 million. These costs include both additions to the Project program and general rehab work:

Program Additions:
- 6th Floor office space in 731 Building
- Gold's Gym in 731 Building
- Retail space in 731 Building
- Valet parking area in 731 Building
- Skywalk construction in 731 Building
- Mezzanine-level office space in 735 Building

General Rehab Components:
- Demolition and asbestos abatement in 731 Building
- Sustainability and life safety in both 731 and 735 Buildings
- Riverwalk repairs in both 731 and 735 Buildings
- Tenant improvements necessary to facilitate lease-up of the vacant portion of the 735 Building

In addition to these Core Program elements, the Developer indicates that the 7th floor of the 731 Building will be built out to a “grey box” condition, with the ultimate intention of converting it to either commercial or residential space. This final conversion (the Additional Program) may be undertaken by one or more third party developers.

Proposed Assistance

The City of Milwaukee (“City”) is contemplating TID expenditures of **$3.236 million**, including project assistance of $1.5 million in gap financing, $1,554,000 to renovate the adjacent Riverwalk, and an additional $182,000 in City contingencies and administrative costs. This assistance was initially negotiated in 2007 at the time of initial TID creation. However, the Developer’s proposed redevelopment program has changed, principally with respect to the 731 Building. The purpose of this Economic Feasibility Analysis is to determine whether the current development program can support this proposed level of TID expenditures as originally contemplated.

Additional detail on the proposed City assistance parameters is included in the “Projected Amortization of TID Debt” section in Chapter 3.

SBFCo reviewed and considered the following key factors affecting the TID feasibility of the proposed project:

- Assessment techniques and assumptions likely to be used as a basis for property taxation, based on key informant interviews with the City of Milwaukee Assessor’s Office
- Real property assessment data from the City Assessor’s Office on the two taxkeys within TID 70
- Real property assessment data for other comparable properties elsewhere in Milwaukee to validate the potential assessed valuation of the project
- Potential bonding assumptions as provided by DCD and the Office of the City Comptroller to be used in evaluating financing capacity

2. Need for Financial Assistance

SBFCo conducted a high-level comparison between the Project as currently proposed and the original 2007 proposal to assess any major changes that might affect the need for City financial assistance. The major issues affecting economic feasibility are as follows:

- The aggregate amount of proposed Core Program investment by the Developer appears similar to the prior iteration of the redevelopment program ($16.2 million in combined hard renovation costs for the 731 and 735 Buildings as compared to $17.5 million in the prior 2007 iteration). **Table 2** on the following page shows the Developer's budget for the Core Program.

- The major proposed revenue-generating improvements in the 731 Building are now commercial space (Gold's Gym) and ancillary spec commercial space as opposed to higher-value residential condominium units.

- Instead of constructing revenue-generating parking on-site, the Developer is now proposing to add valet service. This service would use 5 newly constructed staging spaces on-site, and place vehicles in rented spaces in area garages. The Developer anticipates operating this service on a breakeven basis, where the markup over area parking rental rates charged to patrons would be sufficient to cover the costs of providing the service.

- The Developer appears to have leased a net total of 22,000 additional square feet of the existing office space in the 735 Building over the 2006 initial occupancy of about 171,000 square feet, for a current total of 193,000 square feet of occupancy. The pro formas used to analyze the proposed project in 2007 assumed that the 735 Building would reach stabilized occupancy at about 260,000 square feet in 2010. The Project therefore has lagged substantially behind pro forma with respect to occupancies. Further, due to current economic conditions, it will likely require several years for the Project to reach stabilized occupancy, and stabilization may occur at a lower level than the 90% assumed in 2007.

Based on these factors, it appears that the City's original rationale for providing financial assistance of $1.5 million in gap financing and $1,554,000 in Riverwalk reconstruction to the project remains valid in light of the Developer's current proposal and the economic conditions experienced by the Project since the original creation of the TID and negotiation of the TID assistance package.

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Table 2: Developer Proposed Budget: Core Program

	Development Costs		
USES	**731 Building**	**735 Building**	**Total**
Hard Costs			
Demolition and Abatement	$ 1,402,972		$ 1,402,972
Skywalk Connection	$ 320,255		$ 320,255
Sustainability and Life Safety	$ 1,689,450	$ 1,013,555	$ 2,703,005
Construction/Conversion/Tenant Build Out	$ 4,165,725	$ 2,171,000	$ 6,336,725
Façade Renovation	$ 918,855	$ 2,840,540	$ 3,759,395
Riverwalk Renovation	$ 800,000	$ 754,000	$ 1,554,000
Total Hard Costs	**$ 9,297,257**	**$ 6,779,095**	**$ 16,076,352**
Soft Costs			
Architecture and Engineering	$ 307,618	$ 85,739	$ 393,357
Sales/Leasing/Marketing	$ 109,258	$ 190,742	$ 300,000
Holding Costs/Interest During Construction	$ 86,748	$ 63,252	$ 150,000
Taxes During Construction	$ 104,097	$ 75,903	$ 180,000
Capitalized Interest Estimate	$ 187,954	$ 137,046	$ 325,000
City Fees	$ 104,097	$ 75,903	$ 180,000
Lease Up/Carry	$ 72,839	$ 127,161	$ 200,000
Contingency	$ 753,093	$ 549,117	$ 1,302,210
Total Soft Costs	**$ 1,725,703**	**$ 1,304,864**	**$ 3,030,567**
Developer Overhead/Project Management	**$ 464,863**	**$ 338,955**	**$ 803,818**
TOTAL USES	**$ 11,487,823**	**$ 8,422,913**	**$ 19,910,737**

Source: Compass Properties

3. Incremental Property Tax Revenues

In order to evaluate the time frame of repayment for the proposed $3.236 million City TID contribution, *SBFCo* projected future incremental real property tax revenues to be generated by the Project. These projected revenues were then used to estimate the time frame for amortization of the associated TID-supported issuances of City bonds.

TID Projection Assumptions and Methodology

Table 3 on the following page shows *SBFCo*'s projections of incremental real property taxes for TID 70. These projections indicate total undiscounted tax collections of about **$6.8 million** between 2010 and 2034. This represents a substantial reduction from the original projection of $13.7 million at the time the TID was initially created. The reduction appears to be primarily attributable to:

- Slower than anticipated leaseup of the 735 Building; and
- Replacement of for-sale residential condominium space in the 731 Building (valued at $325/sf in the 2007 projections) with commercial space with projected assessed value of $100-124 per square foot)

The key assumptions and methods used to develop these projections are described below.

For the purposes of this analysis, *SBFCo* disregarded personal property, which has remained relatively constant since the creation of the TID. The enclosed projections use the 2007 Base Real Property Value of $12 million in place at the time the TID was created.

Sources of TID Revenue

The different components of the projected TID revenue stream are described below.

- **731 North Water Street Building.** The 731 Building occupies one taxkey. It is currently vacant and is anticipated to generate incremental revenue through increased tax revenues from the proposed renovation and occupancy by Gold's Gym, new office, and ground-floor retail tenants.
- **735 North Water Street Building.** The 735 Building occupies one taxkey and is anticipated to continue to generate increment through its existing office use, which is currently 65% occupied. Build-out of additional space on the mezzanine level, the addition of valet parking service, general building life safety upgrades, and the addition of a gym amenity in the 731 Building are expected to increase the building's occupancy level and therefore result in additional TID revenues.

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Table 3: Total Projected Real Property Value and Incremental Revenue

Inputs and Assumptions:

2007 Base Real Property Value of TID	$ 12,000,000
2007 Base Real Property Value of 735 N. Water St.	$ 11,000,000
2007 Base Real Property Value of 731 N. Water St.	$ 1,000,000
2009 Net Tax Rate	2.598%
Tax Levy Rate: 10 yr compound rate of decline	1.62%
Annual Inflation Rate	1.50%

TID Year	Assmt Year	Inflation Factor	**Incremental Revenue: 735 N. Water**	**Incremental Revenue: 731 N. Water**	**Total TID Incremental Revenue**
1	2007		$ -	$ -	$ -
2	2008		$ -	$ -	$ -
3	2009	1.00	$ 14,568	$ -	$ 14,568
4	2010	1.02	$ 12,029	$ -	$ 12,029
5	2011	1.03	$ 16,229	$ 383	$ 16,612
6	2012	1.05	$ 42,275	$ 113,795	$ 156,070
7	2013	1.06	$ 68,185	$ 119,028	$ 187,213
8	2014	1.08	$ 93,961	$ 124,241	$ 218,202
9	2015	1.09	$ 119,603	$ 124,422	$ 244,026
10	2016	1.11	$ 123,319	$ 151,791	$ 275,110
11	2017	1.13	$ 126,967	$ 151,921	$ 278,888
12	2018	1.14	$ 130,547	$ 152,046	$ 282,593
13	2019	1.16	$ 134,061	$ 152,165	$ 286,226
14	2020	1.18	$ 137,511	$ 152,278	$ 289,788
15	2021	1.20	$ 140,896	$ 152,386	$ 293,282
16	2022	1.21	$ 144,219	$ 152,488	$ 296,707
17	2023	1.23	$ 147,480	$ 152,585	$ 300,065
18	2024	1.25	$ 150,680	$ 152,677	$ 303,356
19	2025	1.27	$ 153,820	$ 152,763	$ 306,583
20	2026	1.29	$ 156,901	$ 152,845	$ 309,746
21	2027	1.31	$ 162,556	$ 155,438	$ 317,994
22	2028	1.33	$ 168,296	$ 158,069	$ 326,366
23	2029	1.35	$ 174,122	$ 160,741	$ 334,863
24	2030	1.37	$ 180,036	$ 163,452	$ 343,487
25	2031	1.39	$ 186,038	$ 166,204	$ 352,241
26	2032	1.41	$ 192,130	$ 168,997	$ 361,127
27	2033	1.43	$ 198,313	$ 171,832	$ 370,145
	2034		$ 204,590	$ 174,710	$ 379,299
Total Proceeds, 2010-2034			**$ 3,364,762**	**$ 3,477,255**	**$ 6,842,017**

Core Program Phasing

The Milwaukee Assessor's Office conducts annual real property assessments that are effective January 1 of each year. The January 1 assessment reflects the status of the real property at that time. **Table A-1** in the appendix of this report illustrates the phasing assumptions used to project TID revenues and calculate amortization.

- **Gold's Gym in 731 Building:** Construction is estimated to be completed by October 1, 2010, with Gold's Gym taking occupancy in November, 2010. Therefore, it is likely to stabilize at its full value by January 1, 2011.

- **6th Floor Office Space in 731 Building:** Construction is estimated to be completed in September of 2011. *SBFCo* does not expect this space to be fully leased until the office space in the 735 Building reaches a stabilized occupancy rate of 85% in 2014. Based on conversations with the Milwaukee Assessor, we project that between 2010 and 2014 the office space in the 731 Building will be partially assessed at approximately 35% of its anticipated stabilized value. By January 1, 2015 the space is expected to fully stabilize.

- **Retail in 731 Building:** Construction is estimated to be completed in September of 2011. *SBFCo* assumed that the 3,500 square foot retail space will be leased up over a two-year period and will reach stabilized occupancy by January 1, 2013. Therefore, in 2012 we assumed a partial assessment that reflects 50% of the occupancy and full assessment in 2013.

- **Office Space in 735 Building:** The life safety upgrades are projected to be completed in September, 2010, while the Skywalk and improvements to lobby and common areas are expected to be completed in January, 2011. The Developer expects these various improvements to increase the marketability of the property and expects to increase the overall office occupancy from the current 66% to an ultimate stabilized level of 85%. We project that this future lease-up will take place over four years, with the first new value recognized in 2011. We assume that the property will stabilize by January 1, 2014. We are currently working with the Developer to obtain additional rent roll and lease prospect information to further refine and back up these assumptions.

Additional Program Components Included in TID Projections

As described in Chapter 1, the Developer indicates that the 7th floor of the 731 Building will be brought to a development-ready "grey box" conditions as part of the Core Program of investment. Depending on market conditions and opportunities, the Developer may elect to build these spaces out as leasable commercial area (most likely office) or sell them to third parties as commercial or residential condos. Based on *SBFCo's* experience with the Milwaukee City Assessor's assessment practices, we believe that leased commercial space would result in the lowest incremental property tax revenue stream, while residential condo would result in the highest.

The Additional Program space is included in the TID projections as follows:

- It is assumed to be built out as leased office space (the lowest value land use category if the spaces are improved)

- The taxable value from this office conversion is added to the projections in 2015, the same year that the 6th floor office space is added, and after full stabilization of the 735 building is assumed. This limits the amount of office absorption assumed in any given year to 16,000 square feet or less.

Other Key Assumptions

- **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* used the 2009 tax rate of 2.598% ($25.98 per $1,000 of value) and a subsequent annual decline in rate of 1.62%, the compound annual rate of decline for the past 10 years. This decline is assumed to continue through 2025, beyond which point the rate is assumed to remain level at 2%.

- **Valuation Approach**. The following assumptions and methodologies were used to project future real property valuations for the purposes of estimating TID revenue:

  - <u>Gold’s Gym Valuation:</u> *SBFCo* consulted with the Milwaukee Assessor’s Office, which indicated it would likely use an income-based method to value the property. Because the Developer is not charging Gold’s Gym rent for the first 18 months of its occupancy, the Assessor’s Office would likely calculate a pro-rated “effective rent,” which is the total rent Gold’s Gym will pay over the course of its occupancy, divided by the full lease term. The Assessor’s Office indicated that it would apply this effective rent to its property valuation and suggested using a vacancy rate of 13%, a reserves/replacement rate of 10%, and a cap rate of 9.5%. In turn, these calculations yield an anticipated real property value of approximately $124 per square foot. To benchmark this value, *SBFCo* worked with a local subcontractor, American Design, to identify comparable gym properties in the City and Milwaukee County and collect assessment data for these comparable properties. This research yielded a range in assessed values from $65 to $144 per square foot. This observed range appears reasonably consistent with the valuation reached through the income approach.

  - <u>Retail Valuation:</u> Consistent with assumptions used in prior downtown Milwaukee TID projections, *SBFCo* assumed a real property value of $111 per square foot for other retail space within the Project.

  - <u>731 6th and 7th Floor Office Valuation:</u> The Milwaukee Assessor’s Office indicated that it would currently value the unfinished leasable space in the 731 Building (after completion of asbestos abatement) at approximately $35 per square foot. *SBFCo* assumed the average of these two values, $35 per square foot, for this office space until it is anticipated to be leased and occupied in 2015, per the phasing assumptions described above. When the space is built-out and stabilized, the Assessor's Office indicated that it would expect an annual gross rent of $18 per square foot and expenses of approximately $7 per square foot. The Assessor's Office also suggested using a 7.0% base cap rate, and *SBFCo* added an approximate average property tax rate of 2.3% to generate a "tax-loaded cap rate." In turn, these calculations yield an anticipated office space valuation of approximately $98 per square foot.

- Valet Staging Area Valuation: The Assessor's Office indicated that it would likely value the valet staging area at $15,000 per space, based on comparable parking areas in downtown Milwaukee.

- 735 Office Valuation: The property was 65% occupied at the time of the 2009 assessment of $11,463,000. Our projections assume that the proposed building renovations and the increased amenity package in terms of new retail and gym space will eventually allow the developer to achieve a stabilized occupancy rate of 85%. This higher occupancy rate would then correspond to a real property value increase to approximately $14,990,100, or $51 per square foot.

- **Real Property Value Growth.** *SBFCo's* projections assume 1.5% annual growth in real property assessments for all properties included in the TID projection.

Projected Amortization of TID Debt

SBFCo evaluated the time frame over which the total requested TID funding could be amortized using the available sources of funds. The original deal structure negotiated between the City and Developer calls for the gap financing components ($1.5 million) to be front-funded by the Developer, and the Riverwalk portions funded by the City on a reimbursement basis upon their completion using the City's traditional TID bonding mechanism. Under this structure, TID revenues are to be allocated on a parity basis between the City and the Developer to amortize their respective up-front financings. The Developer is entitled to interest on the Developer-funded portion based on the City's cost of funds for similar financings.

Because of the change in development program, the lags in leaseup of the 735 Building described in Chapter 2, and the replacement of the highest value space (condos) in the program with commercial development, the total TID revenues currently projected are less than those originally anticipated in 2007. As a result, overall TID capacity is projected to be less than when the District was originally adopted.

In response to this issue, the City has restructured its proposed TID participation as follows:

- City-funded portions of the TID costs will be amortized with the first TID revenues until they are 100% repaid.

- After full amortization of City TID expenditures, the Developer-financed TID costs may be amortized with any remaining TID revenues. These costs will continue to be amortized at the City's cost of funds for similar financings.

The above structure provides the City with additional protection in the event that TID revenues fall below projected levels. **Table 4** on the following page shows *SBFCo's* projections of the amortization of the proposed $3.26 million in aggregate TID expenditures. Based on the revised TID amortization structure described above, the table indicates which entity (City or Developer) is the predominant recipient of the TID revenues in each amortization year.

SBFCo used the following key assumptions to evaluate amortization of the City-funded TID costs:

- **Bond Interest Rates.** *SBFCo* assumed an interest rate of 4.5% on the bonds, reflective of the City of Milwaukee's approximate cost of funds frequently used for TID feasibility analysis.

- **Term, Target Debt Service, and Carry Costs.** Reflecting discussions with the Office of the City Comptroller, the projections assume two years of interest-only payments, followed by fifteen years of level principal and interest payments. The interest-only payments in the first two years of the financing are equal to the size of the assumed capitalized interest reserve, less available fund balances at the time of issuance.

  For the fifteen level payment years following the interest-only period, a "TID Annual Debt Service Target" is defined. This amount is equal to the annual level-payment debt service on a 15-year amortization of the total bond issue. In each of the 15 amortization years, this Annual Debt Service Target is compared to the available Repayment Sources. Any shortfalls relative to this target are accrued and carry a 4% annual interest charge until they are repaid. Any surpluses versus the target are used to pay down the accumulated shortfalls.

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

For the Developer-funded portion, *SBFCo* assumed:

- An interest rate of 4.5% (matching the assumed rate for City bonds)

- Negative amortization in years where insufficient TID revenues are available to pay the annual interest due

- No issuance costs

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Table 4: Projected Amortization Schedule

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

	Assumed Year	Amount	Plus Issuance Costs	Capitalized Interest	Total Issuance
City Bonding	2011	$ 1,736,000	$ 17,360	$ 194,818	$ 1,948,178
Developer Financing	2010	$ 1,500,000	$ -	$ -	$ 1,500,000

			Repayment of City Bonds						Repayment of Developer Contribution				
TID Year	Calendar Year	Projected Incremental Property Taxes	Up-Front Financing of TID	TID Annual Debt Service Target Payments	Annual Surplus/ (Shortfall)	Cumulative Fund Balance	Interest Earnings/ (Carry Cost) on Cuml. Balance	City Contribution Fully Amortized/ Prepaid	TID Revenue Available to Service Developer Financing	Annual Interest Due	Principal Paid or (Accrued)	Developer Financing-Outstanding Balance	Developer Contribution Fully Amortized
1	2007	$ -	$ -		$ -	$ -	$ -						
2	2008	$ -	$ -		$ -	$ -	$ -						
3	2009	$ 14,568	$ -		$ 14,568	$ 14,568	$ -						
4	2010	$ 12,029	$ -		$ 12,029	$ 26,597	$ 583					$ 1,500,000	NO
5	2011	$ 16,612	$ 1,948,178		$ 16,612	$ 43,792	$ 1,064			$ 67,500	$ (67,500)	$ 1,567,500	NO
6	2012	$ 156,070	$ -		$ 156,070	$ 200,925	$ 1,752			$ 70,538	$ (70,538)	$ 1,635,000	NO
7	2013	$ 187,213	$ -		$ 187,213	$ 389,890	$ 8,037			$ 73,575	$ (73,575)	$ 1,705,538	NO
8	2014	$ 218,202	$ -	$ (181,402)	$ 36,799	$ 434,727	$ 15,596	NO	$ -	$ 76,749	$ (76,749)	$ 1,779,113	NO
9	2015	$ 244,026	$ -	$ (181,402)	$ 62,623	$ 512,945	$ 17,389	NO	$ -	$ 80,060	$ (80,060)	$ 1,855,862	NO
10	2016	$ 275,110	$ -	$ (181,402)	$ 93,708	$ 624,042	$ 20,518	NO	$ -	$ 83,514	$ (83,514)	$ 1,935,922	NO
11	2017	$ 278,888	$ -	$ (181,402)	$ 97,485	$ 742,045	$ 24,962	NO	$ -	$ 87,116	$ (87,116)	$ 2,019,436	NO
12	2018	$ 282,593	$ -	$ (181,402)	$ 101,190	$ 868,197	$ 29,682	NO	$ -	$ 90,875	$ (90,875)	$ 2,106,552	NO
13	2019	$ 286,226	$ -	$ (181,402)	$ 104,824	$ 1,002,703	$ 34,728	NO	$ -	$ 94,795	$ (94,795)	$ 2,197,427	NO
14	2020	$ 289,788	$ -	$ (181,402)	$ 108,386	$ 1,145,817	$ 40,108	NO	$ -	$ 98,884	$ (98,884)	$ 2,292,221	NO
15	2021	$ 293,282	$ -	$ (181,402)	$ 111,879	$ 1,297,804	$ 45,833	YES	$ 274,688	$ 103,150	$ 171,538	$ 2,391,106	NO
16	2022	$ 296,707	$ -	$ (181,402)	$ 115,304	$ 1,458,941	$ 51,912	YES	$ 296,707	$ 107,600	$ 189,107	$ 2,219,568	NO
17	2023	$ 300,065	$ -	$ (181,402)	$ 118,662	$ 1,629,516	$ 58,358	YES	$ 300,065	$ 99,881	$ 200,184	$ 2,030,461	NO
18	2024	$ 303,356	$ -	$ (181,402)	$ 121,954	$ 1,809,828	$ 65,181	YES	$ 303,356	$ 91,371	$ 211,986	$ 1,830,277	NO
19	2025	$ 306,583	$ -	$ (181,402)	$ 125,181	$ 2,000,189	$ 72,393	YES	$ 306,583	$ 82,362	$ 224,221	$ 1,618,291	NO
20	2026	$ 309,746	$ -	$ (181,402)	$ 128,344	$ 2,200,926	$ 80,008	YES	$ 309,746	$ 72,823	$ 236,923	$ 1,394,070	NO
21	2027	$ 317,994	$ -	$ (181,402)	$ 136,592	$ 2,417,526	$ 88,037	YES	$ 317,994	$ 62,733	$ 255,261	$ 1,157,147	NO
22	2028	$ 326,366	$ -	$ (181,402)	$ 144,963	$ 2,650,526	$ 96,701	YES	$ 326,366	$ 52,072	$ 274,294	$ 901,886	NO
23	2029	$ 334,863	$ -		$ 334,863	$ 3,082,090	$ 106,021	YES	$ 334,863	$ 40,585	$ 294,278	$ 627,592	NO
24	2030	$ 343,487	$ -		$ 343,487	$ 3,531,599	$ 123,284	YES	$ 343,487	$ 28,242	$ 315,246	$ 333,314	NO
25	2031	$ 352,241	$ -		$ 352,241	$ 4,007,124	$ 141,264	YES	$ 352,241	$ 14,999	$ 18,069	$ 18,069	NO
26	2032	$ 361,127	$ -		$ 361,127	$ 4,509,515	$ 160,285	YES	$ 361,127	$ 813	$ -	$ -	YES
27	2033	$ 370,145	$ -		$ 370,145	$ 5,039,945	$ 180,381	YES	$ 370,145	$ -	$ -	$ -	YES
	2034	$ 379,299	$ -		$ 379,299	$ 5,599,625	$ 201,598	YES	$ 379,299	$ -	$ -	$ -	YES
TOTALS		**$ 6,856,585**	**$ 1,948,178**	**$ (2,721,034)**	**$ 4,135,551**	**$ 5,599,625**	**$ 1,665,671**						

Based on these amortization assumptions and the underlying TID projections, *SBFCo* projects that the City's bonding amount of up to $1.74 million could be amortized by 2021, or TID Year 15. The Developer's $1.5 million financing of TID expenditures could be amortized by 2032, or TID Year 26.

In order to protect the City's proposed investment, *SBFCo* recommends that the City tie the funding of its Riverwalk contributions to substantial completion of the Core Program, particularly completion and occupancy of the Gold's Gym space. This would ensure that significant improvements have been made to the taxable real property in the TID, and thus increase the likelihood that TID revenues will be available to amortize any City TID expenditures.

APPENDIX 1: Project Phasing Detail

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Table A-1: Assumed Phase-In of New Value

	Total Square Footage/Spaces	Construction Completion	Partial Assessment Year	Full Assessment Year	Partial Assessment Percentage	Full Assessment Percentage	Partial Assessment Value	Full Assessment Value	Number of Years for Future Lease-Up	Phasing of Value [1] [2]					
										2010	2011	2012	2013	2014	2015
CORE PROGRAM															
731 N. Water															
Valet Staging Area	5	October 2010	2011	2011	100%	100%	$ 75,000	$ 75,000	1	$ -	$ 75,000	$ -	$ -	$ -	$ -
Gold's Gym	38,000	October 2010	2011	2011	100%	100%	$ 4,719,851	$ 4,719,851	1	$ -	$ 4,719,851	$ -	$ -	$ -	$ -
Floor 1 Retail	3,500	September 2011	2012	2013	50%	100%	$ 194,250	$ 388,500	2	$ -	$ -	$ 194,250	$ 194,250	$ -	$ -
Floor 6 Office	8,400	September 2011	2011	2015	35%	100%	$ 294,000	$ 840,000	5	$ -	$ 294,000	$ -	$ -	$ -	$ 546,000
735 N. Water															
Office	11,463,000	2012	2009	2014	65%	85%	$ 11,000,000	$ 14,384,615	4	$ -	$ 846,154	$ 846,154	$ 846,154	$ 846,154	$ -
ADDITIONAL PROGRAM															
731 N. Water															
Floor 7 Office	7,842	September 2011	2011	2015	35%	100%	$ 274,470	$ 784,200	5	$ -	$ 274,470	$ -	$ -	$ -	$ 509,730

[1] Assumes no inflation during phase-in period

[2] Assessments are conducted on January 1 each year.