

TID 62 - DRS Power & Technology
Periodic Report
12/31/08

District Created: 2005

Authorized expenditure (excluding interest): \$1,700,000

Authorizing resolution(s): File #050948

Maximum legal life: 2032

Base property value: \$5,329,800

Completion Status: Project began early 2008, estimated completion within one year.

Project description

DRS Power & Control Technologies, Inc. is located in the 30th Street Industrial Corridor sector of the city at 4265 N. 30th Street. The Company designs and manufactures power generation, conversion, and distribution equipment for ship propulsion systems for the US Navy and for industrial applications. DRS employs over 300 at this location, principally engineers, engineering technicians, and skilled assemblers. Average manufacturing and technical position wages, when the district was created, were \$19/ hr. and administrative staff salaries averaged \$34/hr.

The DRS facility was constructed in 1956, and became outdated and inefficient, particularly with respect to HVAC systems, engineering spaces, shop layout, and overall utilization.

To assist DRS in upgrading this facility, the TID will fund a forgivable loan in the amount of \$1.5 million toward total renovation costs of \$11.5 million. Payments on the loan will be forgiven if the company maintains employment at 450 during the life of the loan, through 2018. If employment falls below that amount, the loan forgiveness is reduced in proportion to the shortfall in employment.

The district also includes a residential renovation program for the adjacent neighborhood. These funds will provide \$10,000 loans for exterior improvements, with the loans being forgiven if the owner occupies the home for five years. To implement this program, the district's boundary was expanded, and will be managed by the Neighborhood Improvement Development Corporation (NIDC), which also manages a similar program in Lindsay Heights, TID 44.

DRS management did not finally authorize the Milwaukee project until March of 2007, and construction did not begin until early 2008. Completion is expected by mid-2009. Despite the delays, this project represents a significant advance for the 30th St. Industrial corridor program of the City. Employment is expected to grow as DRS obtains additional Navy contracts.

In 2008, DRS was acquired by Finmeccanica, an Italian aerospace company which is 34% owned by the Italian government and has 60,000 employees. The sale was viewed as boosting Finmeccanica's international role supplying defense and security systems, while increasing DRS's opportunities for securing large-scale projects globally.

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District incremental values have increased as follows:

Year	Incremental Value	Increase
2008	\$ (336,200)	-35%
2007	\$ (519,900)	

Expenditures - Life to Date (as of 12/31/08)

	Project Plan Budget	Appropriations	Encumbrances	Expenditures	Remaining
Administration	\$ 50,000	\$ 50,000	\$ -	\$ 10,220	\$ 39,780
Grant to Developer (DRS)	1,500,000	1,500,000	990,562	509,438	-
Grant to NIDC (Residential Assistance Program)	150,000	150,000	-	-	150,000
Capitalized Interest	170,000	-	-	-	-
Total	\$ 1,870,000	\$ 1,700,000	\$ 990,562	\$ 519,658	\$ 189,780

Revenue/Value Performance (as of 12/31/2008)

	Projected	Actual
Property value	\$ 5,962,250	\$ 4,993,600
Incremental value	\$ 3,320,250	\$ (336,200)
Incremental taxes	\$ 93,339	\$ -

Is the project within budget? Yes No If no, explain:

Is the project on schedule? Yes No If no, explain: Project was not authorized by DRS until March of 2007.

Identify any significant concerns that might affect budget or schedule of this project in the future: None.