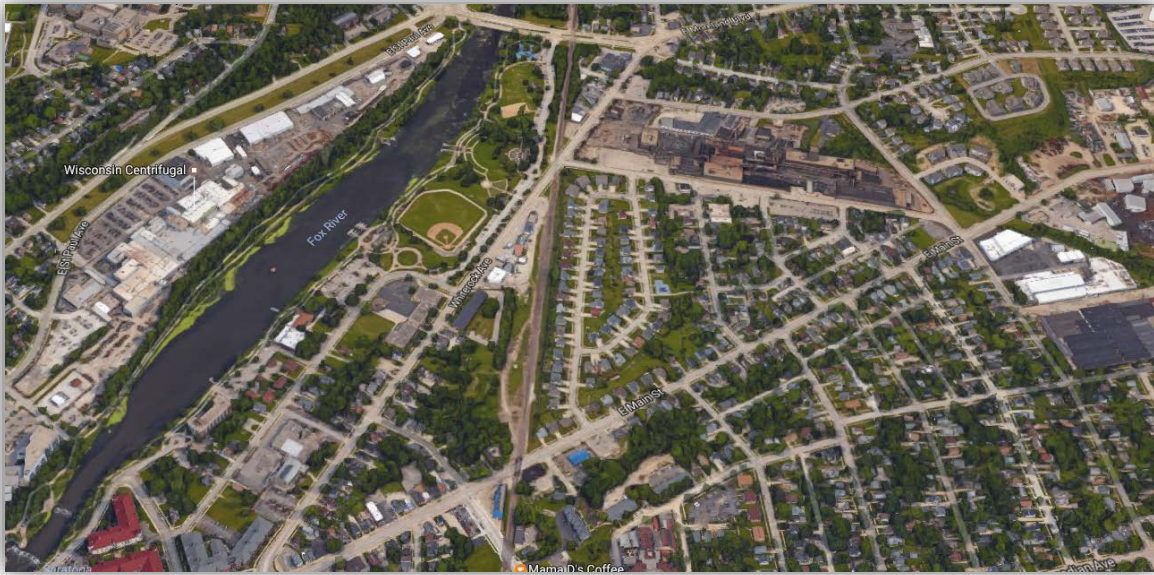


CITY OF WAUKESHA

TAX INCREMENTAL FINANCE DISTRICT 24

MAIN STREET & WHITE ROCK NEIGHBORHOOD REHABILITATION DISTRICT



March 2018

TAX INCREMENTAL FINANCE DISTRICT 24

MAIN STREET & WHITE ROCK AVENUE REHABILITATION

STATEMENT OF KIND, NUMBER AND LOCATION OF PROPOSED PROJECTS

Tax Incremental District No. 24 in the City of Waukesha is a proposed Rehabilitation TIF District located near East Main Street and White Rock Avenue in Waukesha's central city. This area is being proposed as a Rehabilitation TIF district because it has numerous buildings and infrastructure that are in various states of dilapidation and deterioration because of age or obsolescence. Additionally, some parcels within the proposed boundaries consist of lands upon which buildings and structures have been demolished or have a very high likelihood of environmental contamination, which substantially impairs the sound growth of the community. The proposed TIF district is also located in the Phoenix Heights Neighborhood Revitalization Strategy Areas (NRSA) due to the large percentage of low to moderate income households. The census tract in the district has a poverty level of 16.3% and an unemployment rate of 9.2% (ACS 2015). The average assessed value of a home in this district is \$118,757, 36% lower than the city-wide average assessed value for single family homes. The City of Waukesha is creating the district to enhance significantly the value of substantial real property in the district through various redevelopment and public improvement projects.

The district would be redeveloped with a mix of residential and mixed (residential and commercial) uses. The redevelopment of long-vacant, underutilized and dilapidated properties within the district will result in an increase in the property tax base to relieve the tax burden of residents and homeowners. Development incentives will be available for projects that meet the goals of the district and would not occur but for tax incremental financing.

TIF assistance is needed in some cases to make redevelopment within this area economically feasible. Infrastructure improvements, land acquisition and assembly, demolition, site preparation, and environmental remediation will result in costs that make redevelopment financially unfeasible for some projects. But for TIF assistance, this development would not occur in Waukesha.

Projects in the district include expenses related to residential and mixed-use redevelopment, and infrastructure improvements. These expenses will include:

1. Redevelopment of lands north of Main Street and east of Hartwell Avenue into a multi-family housing development.
2. Redevelopment of the property at the southwest corner of East Moreland Boulevard and Whiterock Avenue.
3. Redevelopment of other properties along Whiterock Avenue.
4. On- and off-site infrastructure improvements to storm water facilities, sewer facilities, water facilities, roads, lighting, and sidewalks.
5. Developer incentives.

6. Environmental testing.
7. Environmental remediation.
8. Land acquisition, relocation expenses, and assembly.
9. Streetscaping and placemaking.

These projects are TID expenses that will be paid partially or in full through positive tax increments and municipal bonding. It is anticipated that the expenses will be bonded and paid for at the time the cost is incurred, and recovered when increment is generated or by other revenue methods negotiated by the City. Before any developer incentive is given the City will have in place a signed development agreement outlining the terms of the assistance.

Projects above and beyond the projects listed may arise during the life of the district. The City will evaluate each project on its merits and determine whether it meets the “but for” TID test and is a statutorily-permitted expense. If the project furthers the goals and objectives of the district and meets the “but for” statutory test (for private developments) the City may provide TIF assistance to the project.

Proposed TID 24 overlies 49 parcels that are also in TID 11. A map showing the overlap is below. Although these parcels were in TID 11, they did not redevelop and are still in need of rehabilitation. The parcels have seen some modest increases in value since the creation of TID 11. That increment is still needed in TID 11 to pay for district expenses. At this time, there is a strong expectation that many of these parcels will be involved in redevelopment projects in the future. The expenditure period of TID 11 is nearing its end and it is anticipated that the incentives needed for the redevelopment projects may not all occur prior to the close of the expenditure period of TID 11, which is why they are included in TID 24. TID 11 is expected to close before TID 24.



ECONOMIC FEASIBILITY STUDY & CURRENT CONDITIONS

This economic feasibility study takes three major factors into account to determine the amount of tax increment that a district will generate to pay for projects in the district: private growth within the district, property value inflation rate, and overall tax rate before property tax credit. For this report, at least two of the three factors have been projected conservatively. For example, this report uses a 0% percent annual inflation rate for property values for the life of the district. Also, the tax rate does not increase, but remains at the 2017 rate of \$21.00 per \$1,000 of equalized value.

In this case, there are several extraordinary costs that would in themselves make projects financially infeasible within the district. Those costs include costs for site assembly, demolition and preparation, public improvements, potential environmental testing, and remediation.

There are additional costs expected in the district related to public infrastructure. Much of the public infrastructure in the districts is beyond its useful life and in need of replacement or upgrades.

In the event the base value of the district falls below the value at the inception of the TID, the City will seek to redetermine the base value of the district through the State of Wisconsin Department of Revenue. This redetermination would abide by all state statutes.

The City has considerable margin for new debt to accommodate any future borrowing. See the table below:

Equalized Valuation 2017	\$6,127,929,500
Legal Debt Percentage Allowed	5%
Legal Debt Limit	\$306,396,475
Direct Bonded Indebtedness	\$152,984,591
Unused Margin of Indebtedness	\$153,411,884
Percent of Legal Debt Incurred	49.93%
Percentage of Legal Debt Available	50.07%

(as of December 31, 2017)

PROJECTIONS & ASSUMPTIONS

At this time the City of Waukesha has not identified any additional projects beyond the ones listed earlier. This plan is only a guide for making future decisions on capital outlays, in that many factors could change that would affect the numbers projected in this section. Professional financial counseling will be used before money is borrowed. The City has no intentions of borrowing money or doing any improvements in this district until developer agreements are made that guarantee increment, or it is confirmed that there will be sufficient increment or other revenue generated to repay bonds for public infrastructure, incentives, acquisitions and other TIF-eligible expenses.

PRO FORMAS

The pro forma below represents the public improvement costs and construction project expected at the time of this project plan. Public improvements will only be done if the City is confident that there will be sufficient increment to recover the costs.

CITY OF WAUKESHA I1U # 24			I1U # 24-WHITE ROCK		
Assumptions			Type:		
2017 Tax Rate	20.99%	Rehabilitation	2018 Creation Year		
Inflation Rate	0.000000	2040 Final Year to Incur Costs	2045 Maximum Legal Life (27 years+ 1 year, depending on month of creation)		
Investment Rate	0.000000				
Background Data					
Fiscal Year	TIF District Valuation	Construction Increment	TIF Increment Over Base	Tax Rate	
	(January 1)				
	Base Value				
	\$9,491,500				
2018	9,491,500	1,350,000	-	21.00	
2019	10,841,500	5,760,000	1,350,000	21.00	
2020	16,601,500	4,000,000	7,110,000	21.00	
2021	20,601,500	4,000,000	11,110,000	21.00	
2022	24,601,500		15,110,000	21.00	
2023	24,601,500		15,110,000	21.00	
2024	24,601,500		15,110,000	21.00	
2025	24,601,500		15,110,000	21.00	
2026	24,601,500	5,000,000	20,110,000	21.00	
2027	29,601,500	5,000,000	25,110,000	21.00	
2028	34,601,500	5,000,000	30,110,000	21.00	
2029	39,601,500	5,000,000	35,110,000	21.00	
2030	44,601,500		40,110,000	21.00	
2031	44,601,500		45,110,000	21.00	
2032	44,601,500		50,110,000	21.00	
2033	44,601,500		55,110,000	21.00	
2034	44,601,500		60,110,000	21.00	
2035	44,601,500		65,110,000	21.00	
2036	44,601,500		70,110,000	21.00	
2037	44,601,500		75,110,000	21.00	
2038	44,601,500		80,110,000	21.00	
2039	44,601,500		85,110,000	21.00	
2040	44,601,500		90,110,000	21.00	
2041	44,601,500		95,110,000	21.00	
2042	44,601,500		100,110,000	21.00	
2043	44,601,500		105,110,000	21.00	
2044	44,601,500		110,110,000	21.00	
2045	44,601,500		115,110,000	21.00	
Informational Totals Only					
					7,264,997
Revenues					
	Total Tax Revenue	Total Revenues	Total GO Debt Principal	Total GO Debt Interest	Other Expenditures
					Combined Expenditures
2018	28,946	28,946	137,500	38,700	67,000
2019	149,289	149,289	137,500	35,469	16,938
2020	299,278	299,278	137,500	31,894	16,938
2021	317,266	317,266	137,500	28,044	16,938
2022	317,266	317,266	125,000	23,919	16,938
2023	317,266	317,266	87,200	19,981	16,938
2024	317,266	317,266	100,000	17,138	16,938
2025	317,266	317,266	237,500	71,213	16,938
2026	422,252	422,252	150,000	62,900	16,938
2027	527,237	527,237	250,000	57,425	16,938
2028	632,223	632,223	250,000	50,425	16,938
2029	737,208	737,208	200,000	42,925	16,938
2030	737,208	737,208	200,000	36,625	16,938
2031	737,208	737,208	200,000	30,125	16,938
2032	737,208	737,208	200,000	23,425	16,938
2033	737,208	737,208	200,000	16,938	16,938
2034	737,208	737,208	450,000	16,425	16,938
2035	737,208	737,208			483,363
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
			3,000,000	586,631	450,000
Expenditures					
	Total GO Debt Principal	Total GO Debt Interest	Other Expenditures	Combined Expenditures	
2018	1,250,000	(1,250,000)			
2019	(67,000)	(179,000)			
2020	(164,791)	(343,791)			
2021	(40,617)	(394,408)			
2022	46,947	(397,462)			
2023	134,785	(202,677)			
2024	51,410	(151,267)			
2025	67,847	(83,419)			
2026	3,191	(80,228)			
2027	(8,394)	(88,612)			
2028	47,414	(41,198)			
2029	2,875	(38,323)			
2030	314,860	276,357			
2031	177,346	453,883			
2032	183,646	637,528			
2033	190,146	827,674			
2034	196,846	1,024,520			
2035	203,846	1,228,365			
2036		1,228,365			
2037		1,228,365			
2038		1,228,365			
2039		1,228,365			
2040		1,228,365			
2041		1,228,365			
2042		1,228,365			
2043		1,228,365			
2044		1,228,365			
2045		1,228,365			
Other - Rev or (Exp)					
	Net Bond Proceeds	Capital Expenditures	PAYGO	Net Other	
2018	3,000,000	(3,000,000)	(2,000,000)		
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
	3,000,000	(3,000,000)	(2,000,000)		
TID Status					
Fiscal Year	Annual Cash Flow	Year End Cumulative Balance			
		(December 31)			
2018	(112,000)	(112,000)			
2019	(67,000)	(179,000)			
2020	(164,791)	(343,791)			
2021	(40,617)	(394,408)			
2022	46,947	(397,462)			
2023	134,785	(202,677)			
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2037		1,228,365			
2038		1,228,365			
2039		1,228,365			
2040		1,228,365			
2041		1,228,365			
2042		1,228,365			
2043		1,228,365			
2044		1,228,365			
2045		1,228,365			

[Summary E]

There are many potential opportunities for Development in this TID. This Cash Proforma illustrates possible phases of new development.

PROJECT COSTS PAID BY INCREMENT

ADMINISTRATION

Creation of the tax district, development of the project plan, coordination of the projects through completion, annual reporting to DOR, and over-all supervision of the district will be administered by the Planning and Finance Staff.

CAPITALIZATION AND INTEREST

To prevent a shortfall in debt service repayment in the early years when revenues are non-existent or small, bond issues may be capitalized. Interest will vary as to time of issue, length of issue, and interest rates.

PLANNING, LEGAL AND CONSULTING

Creation of the tax district, development of the project plan and development of the individual plans are the responsibility of the Planning, Finance, Engineering, and Administration Staff. Financial assistance, accounting, auditing, and legal will be coordinated by Finance Staff with assistance from City Planning staff and consulting services.

DEVELOPMENT INCENTIVES AND CASH GRANTS

The City may provide development incentives including cash grants to promote commercial and residential development and job creation in the district. Any party receiving a development incentive will be required to agree to a developer agreement outlining the terms and performance expected from the project.

When determining the amount of developer incentives for each project proposed the following will be taken into consideration:

- Can the increment generated from the project cover the debt service the City would incur because of the incentive?
- Will the project extend the life of the district?
- Does the project create family-supporting job opportunities?
- Does the project meet the “but for” test?
- Does the project further the goals and objectives of the project plan?
- Does the project significantly increase the assessed value of the property or serve as a catalyst for other redevelopment in the district and area.

INFRASTRUCTURE IMPROVEMENTS

There will likely be infrastructure improvements to this area, including storm water management systems, street reconstruction, lighting, streetscape amenities and placemaking, and utility upgrades and replacement.

Project	Estimated Total Cost	Cost Paid by TIF	Financing Method	Time Cost Incurred
<i>Planning, Legal and Consulting</i>	\$150,000.00	\$150,000.00	G.O.B.	Life of the District
<i>Administration</i>	\$300,000.00	\$300,000.00	G.O.B.	Life of the District
<i>Property Acquisition, Development Incentives and Cash Grants</i>	\$5,000,000.00	\$5,000,000.00	G.O.B.	2018-2040
<i>Public Infrastructure</i>	\$7,000,000.00	\$7,000,000.00	G.O.B.	2018-2040
Total Project Costs	\$12,450,000	\$12,450,000		
<i>Financing Costs and Interest</i>	\$1,500,000	\$1,500,000	G.O.B.	Life of the District
<i>Capitalized Interest</i>	\$160,000	\$160,000	G.O.B.	2018-2040
Total Project Costs with financing Costs and Interest	\$14,110,000.00	\$14,110,000.00		

ENVIRONMENTAL TESTING AND CLEANUP

There are sites within the district that likely will need environmental testing and cleanup, particularly sites near the railroad tracks and current or previous industrial sites.

G.O.B. = General Obligation Bonds

METHODS OF FINANCING

The City of Waukesha intends to issue bonds to finance the on- and off-site infrastructure projects and incentives in this district. Please refer to the included pro formas for details regarding repayment schedule for said bond.

Certain developer incentives will not require bonding if they are a “pay as you go” scenario. City of Waukesha expenses for Planning, Legal, Consulting and Administration will be paid first before the Developer incentive is repaid in that scenario. The City may also negotiate other revenue sources with developers that could be used to offset TIF costs.

PROPOSED ZONING, MASTER PLAN, BUILDING CODE, MAP AND CITY ORDINANCE CHANGES

In 2012 the City adopted the *Central City Master Plan* which encompasses Waukesha’s downtown as well as the surrounding neighborhoods including the neighborhood in which proposed TIF 24 is located. One of the sites within the TIF boundaries, the White Rock Site, was specifically identified as an excellent opportunity for residential infill development, scaled to fit the neighborhood.

There are a variety of zoning districts within the district boundaries:

- Rm-3, Multi-Family Residential
- Rm-3(PUD), Multi-Family Residential Planned Unit Development
- B-3, General Business District
- M-2, General Manufacturing
- I-1, Institutional
- P-1, Park District

Rezoning may occur on some parcels, and the City may use Planned Unit Development overlay zoning to allow for more flexibility in the layout, setbacks, and design given the unique challenges some of the sites within the district present. Rezoning may require a modification to the City's master plan. If changes to the City's master plan, building code, map or ordinances are made, they will comply with all applicable City and State requirements.

NON-PROJECT COSTS

All known costs related to the project have been included in the cost estimates previously referred to, therefore, there are no estimated non-project costs. Legal, planning, auditing, consulting, engineering and bonding costs are listed in the table of project costs.

RELOCATION FOR DISPLACED PERSONS OR BUSINESSES

There exists the potential that individuals or businesses may need to be relocated for some of the projects in the district. The City will follow State of Wisconsin relocation requirements.

CREATION OF THE DISTRICT PROMOTES ORDERLY DEVELOPMENT

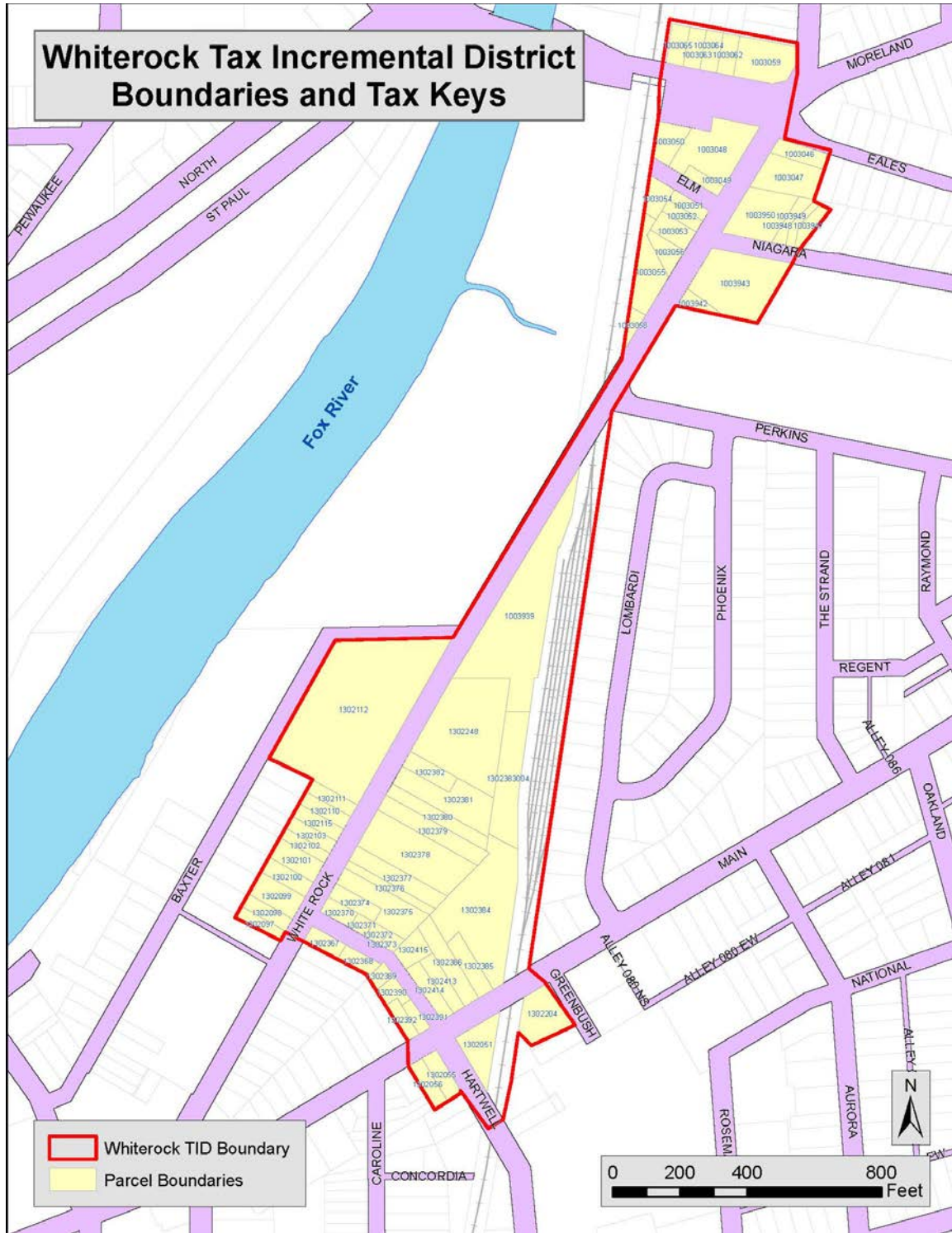
To attract private development, the City might need to make certain incentives available, but often, the anticipated tax benefits to the City are not great enough to justify the public expenditures. In these instances, the city has to find some other means of financing the incentives, meaning some might never occur, or might need to be put off for many years. As a result, private investments might not occur, and the affected area would remain underutilized or vacant and a burden on the tax base of the City. TIF was designed to remedy this situation. TIF is a financing tool created by the Wisconsin legislature in 1975 that allows a City to use taxes generated by new or improved properties in the defined district to pay for the public improvements and provide incentives which attract new development and improvements.

The law authorizes the City to declare a certain portion of its boundaries as a tax incremental district. The City then provides development incentives that will attract new development to the district. Tax Incremental District No. 24 is being created to encourage rehabilitation and redevelopment in an area of the City where several properties are in a blighted condition and some sites likely have environmental contamination issues. The public infrastructure and utility improvements will aid in the orderly promotion of new residential, commercial and mixed-use development in this area. Incentives for comprehensive redevelopment plans will also promote orderly development in the district. There is a large vacant parcel in the district as the result of a fire. This property is at a gateway to the downtown and the TIF will help ensure that the property is redeveloped in a matter that is orderly and best suits the immediate neighborhood. There are other vacant parcels in the district as well that have limited access and are irregular in shape. The incentives allow for greater flexibility in the development of these lands to ensure sound development.

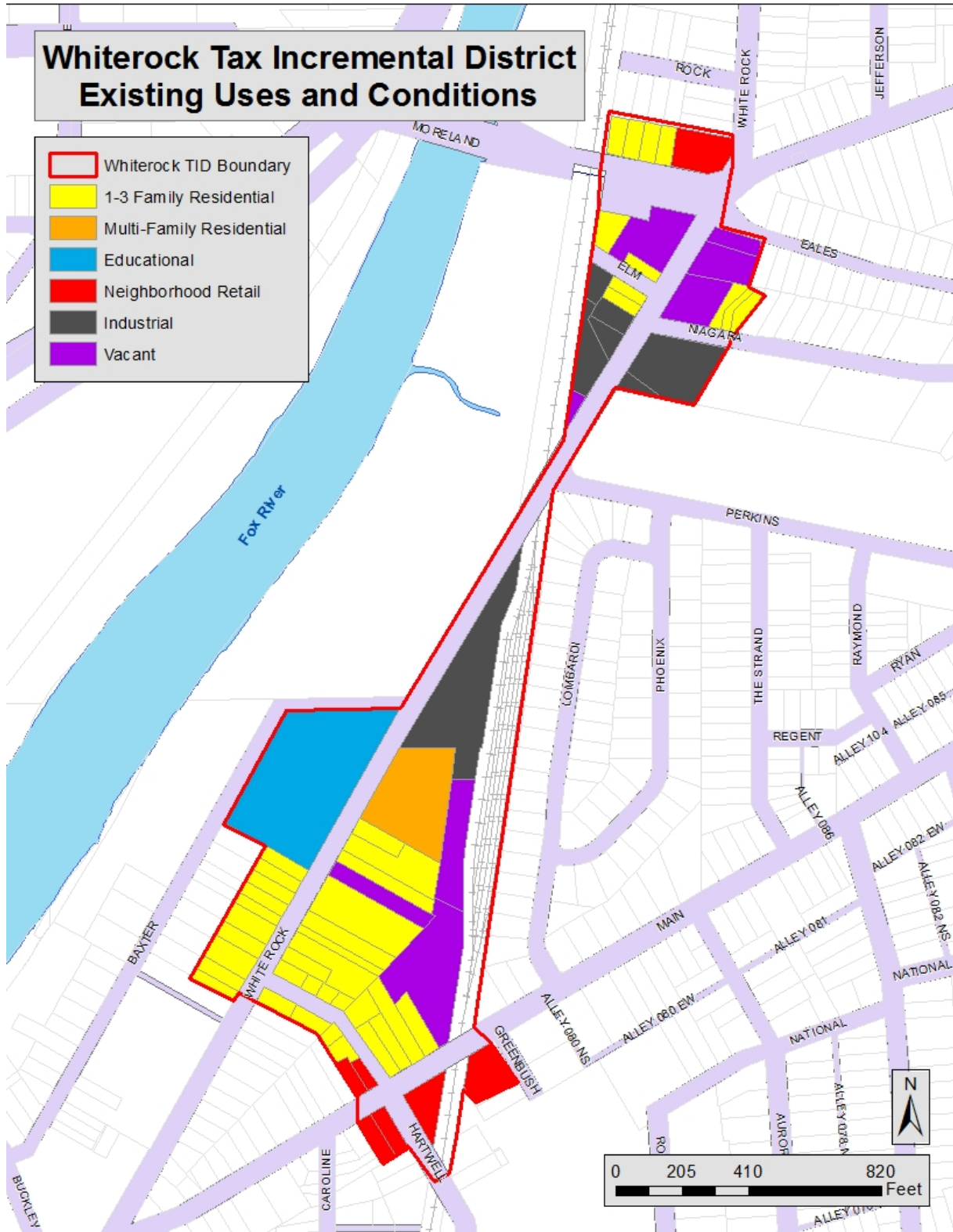
Tax incremental financing is the best tool that the City of Waukesha has to pay for infrastructure improvements, development incentives, and cash grants to promote residential, commercial and mixed-use development in underserved areas of the City. The public infrastructure improvements made in the district will correct existing deficiencies allowing for additional development to occur. This new development results in greater tax base for the city and increased employment opportunities

for its residents. At the time this district is created only 4.26% of the City's equalized value is located within Tax Incremental Districts. The creation of this district will minimally impact that percentage and not exceed the 12% statutory limitation.

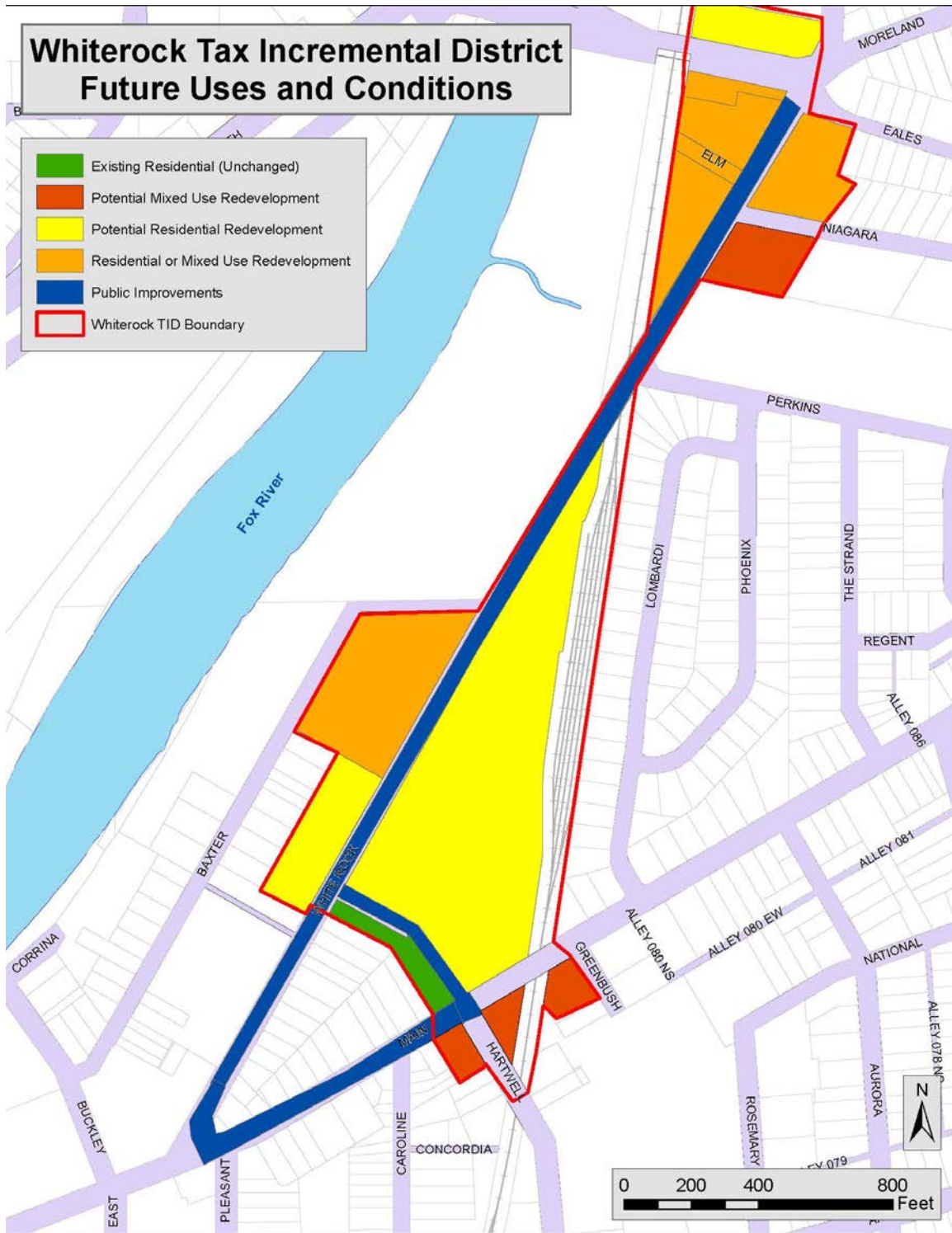
DISTRICT BOUNDARIES



EXISTING USES & CONDITIONS MAP



PROPOSED IMPROVEMENTS & USES MAP



ATTORNEY OPINION



Office of the City Attorney

City Hall, Suite 206
201 Delafield Street
Waukesha, Wisconsin 53188-3646
Telephone (262) 524-3520
Fax (262) 650-2569
Email attorneys@waukesha-wi.gov

Brian E. Running
City Attorney
Miles W.B. Eastman
Assistant City Attorney
Julie M. Gay
Assistant City Attorney
Anne Marie Iselin
Assistant City Attorney
Donna Hylarides Whalen
Assistant City Attorney
Rebecca L. Pipp
Legal Assistant

May 24, 2018

City of Waukesha Common Council
201 Delafield Street
Waukesha, Wisconsin 53188

City of Waukesha Plan Commission
201 Delafield Street
Waukesha, Wisconsin 53188

Re: Tax Incremental District 24 Project Plan

To the Members of the Common Council and Plan Commission:

I have reviewed the proposed Project Plan for Tax Incremental District 24 and all associated documents. It is my opinion that the Project Plan is complete and complies with Wisconsin Statutes §66.1105.

Sincerely,


Brian E. Running