



CITY OF WAUKESHA

Administration

201 Delafield Street, Waukesha, WI 53188
 Tel: 262.524.3701 fax: 262.524.3899
 www.ci.waukesha.wi.us

Committee: N/A	Date: 10/15/2019
Common Council Item Number: 19-1389	Date: 10/8/2019
Submitted By: Jeff Fortin, Senior Planner	City Administrator Approval: Kevin Lahner, City Administrator
Finance Department Review: Rich Abbott, Finance Director RA	City Attorney's Office Review: Brian Running, City Attorney
Subject: Review and approve a term sheet outlining the potential TIF assistance for the redevelopment of 13.42 acres of land located at 2250-2360 W. St. Paul Ave.	

Details:

VJS Development Group, LLC and Somerstone LLC are proposing a redevelopment project that includes a mix of medical/office, multi-family residential, and commercial uses at the northwest corner of W. Sunset Drive and St. Paul Avenue (Fox Run shopping center). The 13.42 acre site has seen decline over the past 10 years with numerous vacancies including the entire north multi-tenant building and the restaurant space formerly occupied by Denny's.

The developers are requesting Tax Incremental Financing (TIF) to make the redevelopment project financially feasible due to the removal of buildings and parking lots, environmental cleanup, and utility work. City staff has worked with Ehlers & Associates to review the developers' proforma to verify there is a financial gap in the project. Due to the extraordinary costs related to site preparation, the developer is requesting an estimated \$3.7 million grant payment as tax increment is generated from the project (PAYGO). The City Contribution shall vary pro-rata depending on the completed value and date of completion. For example, if the increment value were to exceed the estimated \$32,340,379, the PAYGO amount could increase or if the value ends up below that amount the PAYGO would decrease. The details on the pro rata structure will need to be worked out during the TID creation process and be included in the final development agreement. The City would pay our administration costs, retain 5% of the increment, and pay debt service prior to providing the developer any grant payments.

A conceptual site layout is included with the term sheet. The residential development would be at the northwest corner of the site, the medical office building would be at the southeast corner of the site near the corner of W. Sunset Drive and St. Paul Avenue. The Chase Bank would remain, and the former Denny's site would be redeveloped as a retail site. The use of the lands north of the medical office building has not been determined. It could be additional retail or office, or a second phase of the multi-family residential component.

The draft term sheet is attached. Approval of the term sheet does not create any legally binding financial obligations for this project, it merely sets forth economic terms that the City and Developer might be willing to enter into for the redevelopment of this property. If approved by the Common Council, staff will begin the process to create a Tax Incremental District and draft a full development agreement between the City and Developers.



Options & Alternatives:

1. Approve the term sheet, which would allow staff to start the process of creating the Tax Incremental District and development agreement.
2. Deny the term sheet and the project would not move forward.

Financial Remarks: The assistance is contingent on the successful creation of a new TIF district. Once the district is successfully created the City would be paid back through tax increment or PILOT payments made by the developer. It is expected the TIF would have a life of about 10 years. During the life of the TID the City would continue to receive tax revenue on the base value of the district. Once the district is closed the City will receive increased tax revenue based on the new value.

Staff Recommendation: Staff recommends the Common Council approve the term sheet.