



City of Waukesha
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Committee: Finance	Date: 5/9/2023
Common Council Item Number: ID#23-6685	Date: 5/16/2023
Submitted By: Jennifer Andrews, Community Development Director	City Administrator Approval: Gina Kozlik, Interim City Administrator
Finance Department Review: Joe Ciurro, Finance Director	City Attorney's Office Review: Brian Running, City Attorney
Subject: Review and act on an Initial Resolution Regarding Industrial Development Revenue Bond Financing for 707 Executive Place Holdings LLC.	

Details:

The City of Waukesha has received an application for Industrial Revenue Bond (IRB) financing from 707 Executive Place Holdings, LLC to assist in financing the acquisition of property at 707 Executive Place, construction of a 48,000 square foot facility, and purchase of eligible manufacturing equipment. The bond amount is not to exceed \$3,000,000. The new facility will be operated by Sky High Marketing, Inc., who are currently located in Downtown Waukesha but have outgrown their space. Final site and architectural plans for this project were approved at the April 26, 2023 Plan Commission meeting.

Industrial Revenue Bonds are a financing mechanism that allows companies to use municipal bonds to finance projects. The City's role in approving these bonds only to act as a conduit or pass-through. By acting as the conduit issuer, the City can grant the Company a significant monetary benefit, at no cost to the City, because the Company will enjoy a lower interest rate as a result of using this bond structure.

The way IRB's work is a lending institution will directly purchase the bonds. The lender for the bonds will look solely to the Company for repayment and not to the City. The Company will be fully responsible for repaying the loan and must make the arrangements with the lender for the payment on the bonds. If the Company is not able to meet its payment obligations, the lender will realize on its collateral and enforce its rights against the Company. The City is not liable for payment of the bonds, nor do the bonds count against the City's borrowing capacity. In the event of the borrower defaulting on the loans, the City is not responsible for repayment, nor would that default have any effect on the City's credit or bond rating.

There is a two-step process for issuing Industrial Revenue Bonds. The Initial Resolution is the first step. Approval of the initial resolution is a non-binding preliminary approval required by Federal and State Law. What this does is assures that if and when bonds are issued, all eligible project costs incurred no more than 60 days prior to the date of the Initial Resolution may be included in the ultimate IRB financing. Failure to have a qualified resolution may result in disqualifying certain costs.

If Initial Resolution is approved by the Council, a public hearing will be scheduled on the proposal to issue the bonds. This will provide members of the public with the opportunity to speak for or against the bond issuance. After the public hearing, and assuming all of the terms are mutually agreeable, the Council may then approve the final resolution to issue the bonds.

Options & Alternatives:

1. Approve the initial resolution and the IRB process can move forward with a Public Hearing and Final Resolution.
2. Deny the initial resolution and the applicant will need to seek alternative funding sources for this project.

Financial Remarks: The Resolution would have no financial impact on the City. All costs incurred will be the responsibility of the applicant.

Staff Recommendation:

Staff recommends the Common Council approve the Initial Resolution Regarding Industrial Development Revenue Bond Financing for 707 Executive Place Holdings LLC.