



CITY OF WAUKESHA

Administration

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Committee: Plan Commission	Date: 1/22/2020
Common Council Item Number: ID#19-1733	Date: 1/22/2020
Submitted By: Maria Pandazi, City 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: Hold a public hearing and act on Plan Commission Resolution Number 19-1733, approving the proposed boundaries and project plan for Tax Incremental District Number 27, a Blight district located at the northwest corner of W. Saint Paul Avenue and W. Sunset Drive.	

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 15 years. Tenants began leaving the center in the mid-2000s with the loss of Banner Crafts and several smaller tenants. Larger tenants followed suit with Sentry Liquor closing in 2010, True Value Hardware in 2011 and the stand-alone Denny's Restaurant in 2016. None of the spaces were ever reoccupied after these businesses left and remain vacant to date. The Sentry grocery store will close this month. Contributing to the vacancies is the blighted condition of the of both the buildings and the site infrastructure, including driveways and parking areas. The shopping center property went into foreclosure in 2014 and was concluded in 2015, and was in receivership until 2016, when the current owner purchased it. The property has steadily declined in value since 2009 when it was assessed at \$4.9 million dollars. The current assessment is \$2.73 million, a loss of over \$2.1 million dollars over the past decade.

The developers are requesting Tax Incremental Financing (TIF) to make the redevelopment project financially feasible due to the removal of blighted 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. Their review has confirmed "but for" the use of Tax Incremental Financing this property would not redevelop. 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 plan is included with this cover sheet and TID 27 Project Plan. 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.

If the Plan Commission approves the resolution adopting the TID 27 Project Plan, the next step would be moving on to the Common Council for a creation resolution, then on to the Joint Review Board for approval.

Options & Alternatives:

The Plan Commission can make any changes to the resolution they feel necessary.

Financial Remarks: 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 Plan Commission adopt Resolution 19-1733, approving the proposed boundaries and project plan for Tax Incremental District Number 27