



**CITY OF WAUKESHA**

**Administration**

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<b>Committee:</b> Finance	<b>Date:</b> 11/9/2021
<b>Common Council Item Number:</b> 21-3100	<b>Date:</b> 11/16/2021
<b>Submitted By:</b> Jennifer Andrews, Community Development Director	<b>City Administrator Approval:</b> Kevin Lahner, City Administrator KL
<b>Finance Department Review:</b> Bridget Souffrant, Finance Director <a href="#">Click here to enter text.</a>	<b>City Attorney's Office Review:</b> Brian Running, City Attorney BR
<b>Subject:</b> Review and act on a term sheet outlining the potential TIF assistance for the development of 192 units of multi-family housing with ground level commercial on vacant land in the vicinity of St. Paul Avenue, Brehm Street, Barstow Street, and Bank Street.	

**Details:**  
 General Capital and Joseph Property Development are proposing a three (3) building, 192 unit apartment development with first floor commercial space in one of the buildings. The redevelopment will occur on the vacant properties in the vicinity of St. Paul Avenue, Brehm Street, Barstow Street, Bank Street, on the north side of the Fox River in Downtown Waukesha.

Phase 1 will be the 66 unit building near the Fox River. This will have a mix of one and two bedroom units and will also contain a 2,000 square foot commercial space along Barstow Street. There will be also some two bedroom townhouse units that have direct access to the Riverwalk. This phase will also include the clubhouse area, which includes the tenant amenities for all three buildings. Phase Two will include the construction of two buildings along St. Paul Avenue. The buildings will likely have different construction start and end dates but will be under construction at roughly the same time. The west building (closest to Waukesha State Bank) will have 52 units and the east building along Brehm Street will have 66 units. Additionally, the developer will be donating a 0.26 acre parcel of land to the City of Waukesha for development of a small park connected to the Riverwalk. The anticipated value of the project is \$31 million dollars.

This proposed development is within the boundaries of Tax Incremental Finance District number 26, which is a Rehabilitation Conservation district created in 2019 to incentivize redevelopment of the long-vacant lands between St. Paul Avenue and the Fox River, west of Barstow Street. The project plan anticipated up to \$12,000,000 in development incentives within the district, along with additional spending on roads/utilities, property acquisition, environmental remediation, and riverfront improvements.

The City's proposed contribution would be \$7,590,000 and would include an upfront payment of \$2,840,000 which will be paid to the developer at property closing. Up to an additional \$4,750,000 would be paid to the developer in the form of a municipal revenue obligation (MRO), otherwise known as a pay-as-you-go incentive. This money would be in the form of annual payments to reimburse the developer. The payments would be from the annual



increment generated by the project, less the City's cost of debt service and 7% for administration. It is anticipated the district could close in 2039.

The term sheet also includes standard items that will need to be in the Development Agreement, including guaranteeing a minimum taxable value during the life of the district plus an additional 10 years after the district closes, prohibition on seeking or transferring the development to a tax-exempt entity unless a Payment in Lieu of Taxes (PILOT) agreement is in place, and provisions requiring certain look-back provisions including construction cost verification and Internal Rate of Return (IRR) verification. In addition, Bank and Brehm Streets need to be completely reconstructed. The developer would design and reconstruct the streets to City approved standards. The City would reimburse the developer for this work using funds from TID 26 that are generated by this project in the form of increment. The City's debt service costs related to the public improvements would be paid before increment is assigned to the developer's MRO payment.

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 of drafting a development agreement between the City and Developers which will also need to be reviewed and approved by the Finance Committee and Common Council.

**Options & Alternatives:**

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

**Financial Remarks:** The assistance is contingent on the execution of a Development Agreement between the City and Developer. It is expected the TIF could close in 2039. 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 Finance Committee approve the term sheet between the City and General Capital and Joseph Property Development.