

CITY OF WAUKESHA

TAX INCREMENTAL FINANCE DISTRICT 25

HSA COMMERCIAL

July 2015



TAX INCREMENTAL FINANCE DISTRICT 25

HSA COMMERCIAL

STATEMENT OF KIND, NUMBER AND LOCATION OF PROPOSED PROJECTS

Tax Incremental District No. 25 in the City of Waukesha is an industrial district. The property in the district is determined suitable for manufacturing uses and is zoned for industrial development. The City of Waukesha creates the district for the purpose of spurring additional industrial development in the district, adding employment to the City and broadening the property tax base to relieve the tax burden of residents and homeowners. It is recognized that incentives may be necessary to spur industrial growth in the district. Development incentives will be available to projects that meet the goals of the district and would not happen but for tax incremental financing.

HSA Commercial is proposing a complete redevelopment of the site located at 901 Northview Rd. The site is currently a vacant bowling alley and has been vacant since January 2015. Due to the configuration of the building and the age of the structure there is no viable reuse of the existing structure. HSA proposes razing the existing building, clearing the site, and constructing a 214,000 square foot industrial building. The building will accommodate multiple users or one large user. The redevelopment of this property to an industrial use is appropriate given its close proximity to the Waukesha County airport and the interstate highway. The existing infrastructure in the area will accommodate the industrial uses.

TIF assistance makes this development in the City of Waukesha possible. Construction of this facility in Waukesha is much more costly than building a new facility on a green field in another location. But for TIF assistance this development would not occur in Waukesha. Proposed projects in the district include:

1. Demolition of an existing shuttered bowling alley;
2. City required architectural upgrades; site preparation;
3. Environmental testing;
4. Storm sewer upgrades on site;
5. Land acquisition.

These projects are TID expenses that will be paid partially or in full through developer incentives. Developer incentives will be structured as a \$1,150,000 cash grant paid to HSA during construction of the facility and an additional “pay as you go” (PAYGO) grant, meaning that as increment is realized in the district, reimbursement will be made to the developer up to \$1,650,000. The PAYGO pay outs will also be dependent on the number and salaries of the jobs held at the site. No cash grants or PAYGO grants will be provided without a signed development agreement.

ECONOMIC FEASIBILITY STUDY & CURRENT CONDITIONS

The economic feasibility study considers three major factors to determine the amount of tax increment that a tax increment district will generate to pay for projects in the district. These three factors are: 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 somewhat conservatively. For example, this report uses a 1% percent annual inflation rate for property values for the next 15 years. Also, the tax rate is calculated at a rate that does not increase but remains at the 2014 rate of \$21.39 per \$1,000 of equalized value even though the tax rate was as high as \$34.25 in 1992.

The addition of full and part time jobs resulting from the development within the district will be a great benefit to the economics of the community and aid in lowering the unemployment rate and increasing income levels. The additional tax base will assist the City with its budget and lessen the burden on the residential taxpayer.

The TIF proposed in this case is based on both a grant upfront and a **pay as you go** scenario. HSA will receive \$1,150,000 cash up front and as the tax increment from the project is realized the City will reimburse HSA up to \$1,650,000 to offset high development costs. This incentive structure puts some of the development risk on HSA. If the project does not result in the values or jobs anticipated HSA will not be reimbursed the total \$1,650,000. This developer incentive provides the City with the economic development tool needed to satisfy the financial gaps in proposed development plans to ensure the City captures the increased tax base and jobs available.

Industrial development on a parcel previously developed for other uses is much more costly than development on virgin land. An independent financial consultant reviewed the developer's proforma for the City of Waukesha to ensure that but for this assistance the project would not be feasible financially.

The City has considerable margin for new debt. See table below:

Equalized Valuation (2014) as certified by Wisconsin Department of Revenue	\$5,546,910,300
Legal Debt Percentage Allowed	5.00%
Legal Debt Limit	\$277,345,515
Direct Bonded Indebtedness**	\$128,975,000
Unused Margin of Indebtedness	\$148,370,515
Percent of Legal Debt Incurred	46.50%
Percentage of Legal Debt Available	53.50%
As of December 31, 2014	

PROJECTIONS & ASSUMPTIONS

At this time the City is not aware of any other future development that will occur in the district. This plan is only a guide for making future decisions on capitol outlays in that many factors could change that would affect the numbers projected in this section, either positively or negatively. Professional financial counseling will be obtained before additional money is borrowed for other projects. The City has no intentions of borrowing money or completing any improvements in this district until developer's agreements are executed that guarantee increment.

A cash flow proforma analysis demonstrating economic feasibility is set forth on the following page.

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PROJECT COSTS PAID BY INCREMENT

ADMINISTRATION

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

CAPITALIZATION AND INTEREST

The City will pay interest and capitalize on the money borrowed by the City for the cash grant.

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 Staff and Engineering Staff. Financial assistance, accounting, auditing and legal will be coordinated by Planning Staff with assistance from City Finance staff and consulting services.

DEVELOPMENT INCENTIVES AND CASH GRANTS

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

To determine the amount of developer incentives for each project proposed the following is taken into consideration:

- Can the increment generated from the project cover the debt service the City will incur as a result of the incentive? At this time the City anticipates a pay as you go TID where the developer is reimbursed for extraordinary costs incurred to redevelop the site.
- Will the district close in 15 years or less?
- Does the project create family supporting job opportunities?

The following table sets forth a detailed list of estimated project costs:

Project	Estimated Total Cost	Cost Paid by TIF	Interim Method of Financing	Time of Cost Incurrence
Planning, Legal and Consulting	\$ 125,000.00	\$ 125,000.00	G.O.B. / G.C.F.	Life of the District
Administration	\$ 60,000.00	\$ 60,000.00	G.O.B. / G.C.F.	Life of the District
Development Incentives & Cash Grants	\$ 2,800,000.00	\$ 2,800,000.00	G.O.B. / G.C.F.	2015-2035
Public Infrastructure			G.O.B. / G.C.F.	2015-2035
Total Project Costs	\$ 2,985,000.00	\$ 2,985,000.00		
Financing Costs and Interest	\$ 265,635.00	\$ 265,635.00	G.O.B. / G.C.F.	Life of the District
Capitalized Interest	\$ 51,229.00	\$ 51,229.00	G.O.B. / G.C.F.	2015-2035
Total Project Costs with Financing Costs and Interest	\$ 3,301,864.00	\$ 3,301,864.00		

METHODS OF FINANCING

The City of Waukesha anticipates issuing bonds to raise the \$1,150,000 for the up front grant portion of the development incentive to HSA. Please refer to above proforma for details regarding repayment schedule for the HSA TID incentive. City of Waukesha expenses for Planning, Legal, Consulting and Administration will be paid from increment first before the PAYGO developer incentive is repaid.

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

There are no changes anticipated for this TID in terms of the existing zoning, master plan, building code, map or other city ordinances. The proposed project will conform to each of these existing conditions. The property is currently zoned M-1 (Industrial).

NON-PROJECT COSTS

All costs relative 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 are no plans to displace persons or businesses, within the meaning of Section 32.19 Wis. Stats., by TIF projects as there are no planned projects that require people or businesses to be displaced. In the event that individuals or businesses are displaced by a project, the City will comply with State of Wisconsin relocation requirements set forth in Chapter 32, Wis. Stats.

CREATION OF THE DISTRICT PROMOTES ORDERLY DEVELOPMENT

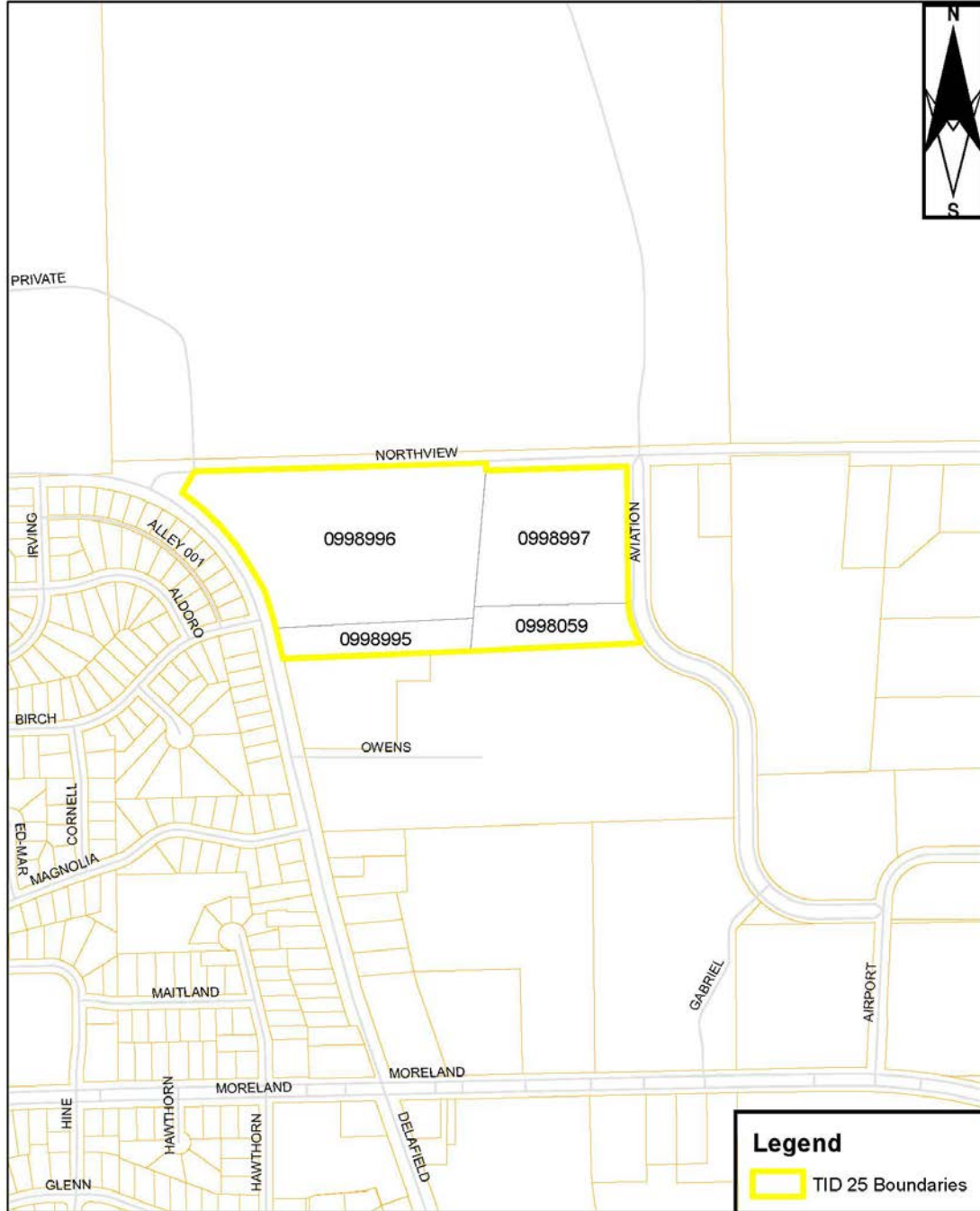
TIF is a financing tool created by the Wisconsin legislature in 1975 that allows a City to use taxes generated by new or improved properties in the defined district to pay for the public improvements which attract new development.

To attract private development and investment, a City might need to make certain incentives available. Often the anticipated tax benefits to the City are not great enough to justify the public expenditures. In these instances, the city must find some other means of financing the incentives, or some projects might never be built and some might be put off for many years. As a result, private investments do not occur, and the affected area remains undeveloped and a burden on the tax base of the City. TIF is a law designed to remedy this situation.

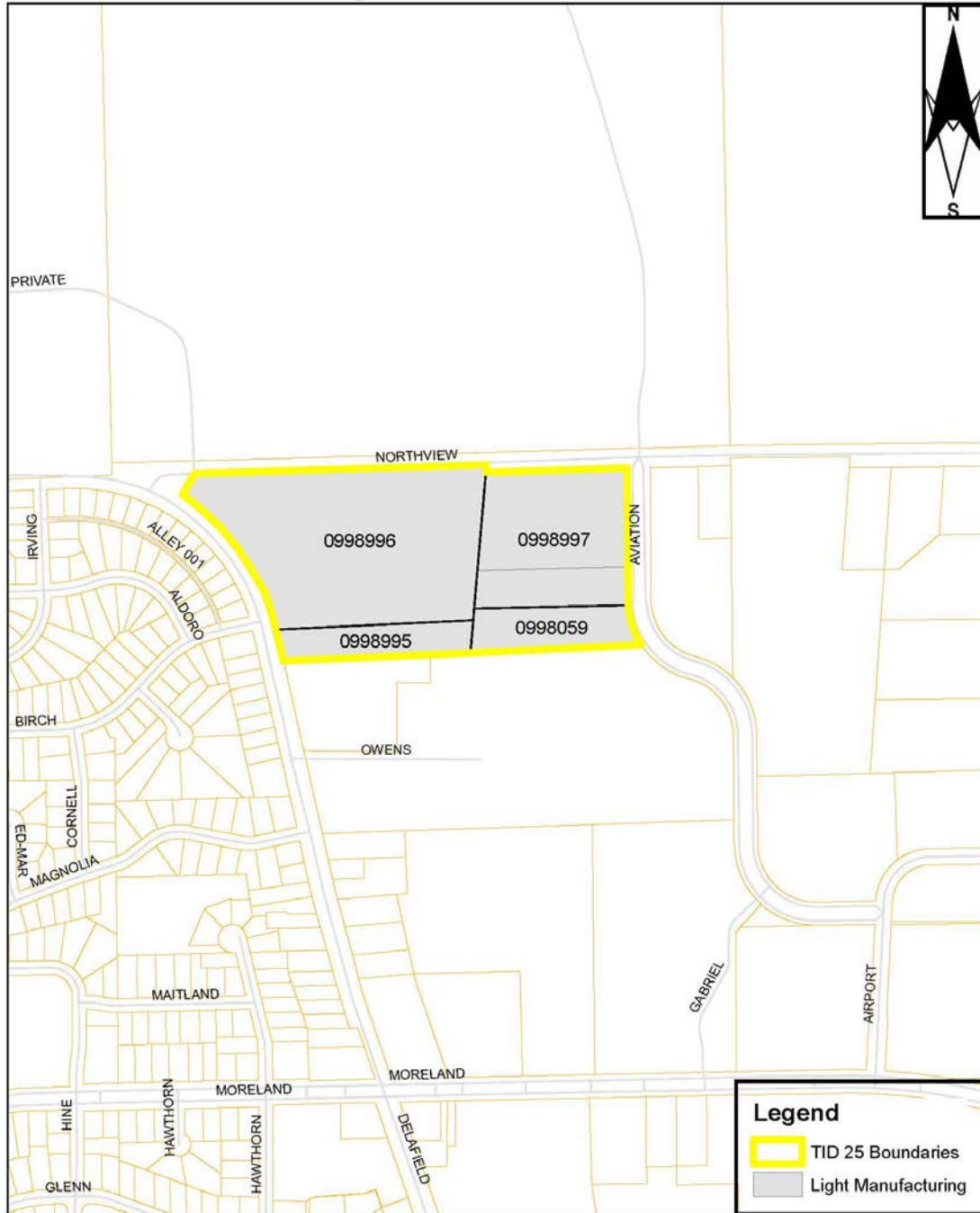
The law authorizes the City to declare a certain portion of its boundaries as a tax incremental district. The City then provides development incentives, within twenty years, which will attract new development to the district. Tax Incremental District No. 25 is created to encourage industrial development. As a matter of state policy, industrial development is encouraged to provide greater employment opportunities and to broaden the tax base to relieve the tax burden of residents and homeowners. Sec. 66.1101, Wis. Stats. The creation of TID 25 implements state policy. For this industrial development to occur, existing structures that have exceeded their useful life may need to be removed and the land redeveloped at great cost to the owner. The industrial development and/or facilities expansion on these properties will aid in the orderly promotion of increased employment and tax base in the district.

Tax incremental financing is the best tool that the City of Waukesha can utilize to pay development incentives and cash grants to promote industrial development. The incentives and grants can be used by developers to acquire the property, clear the property and build new facilities. Industrial development results in greater tax base for the city and increased employment opportunities for its residents.

TAX INCREMENTAL DISTRICT 25 - HSA Boundaries and Taxkeys

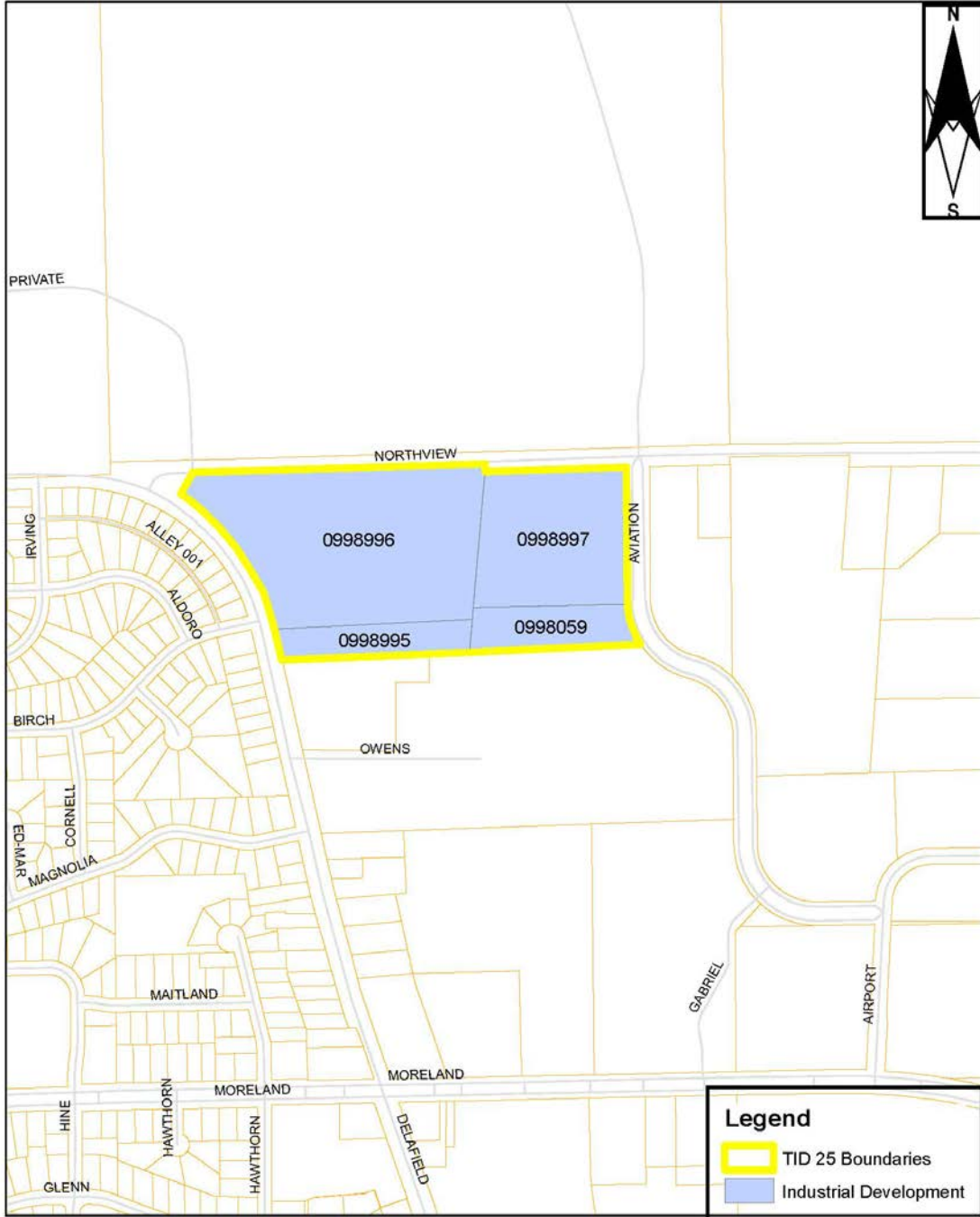


TAX INCREMENTAL DISTRICT 25 - HSA Existing Uses and Conditions

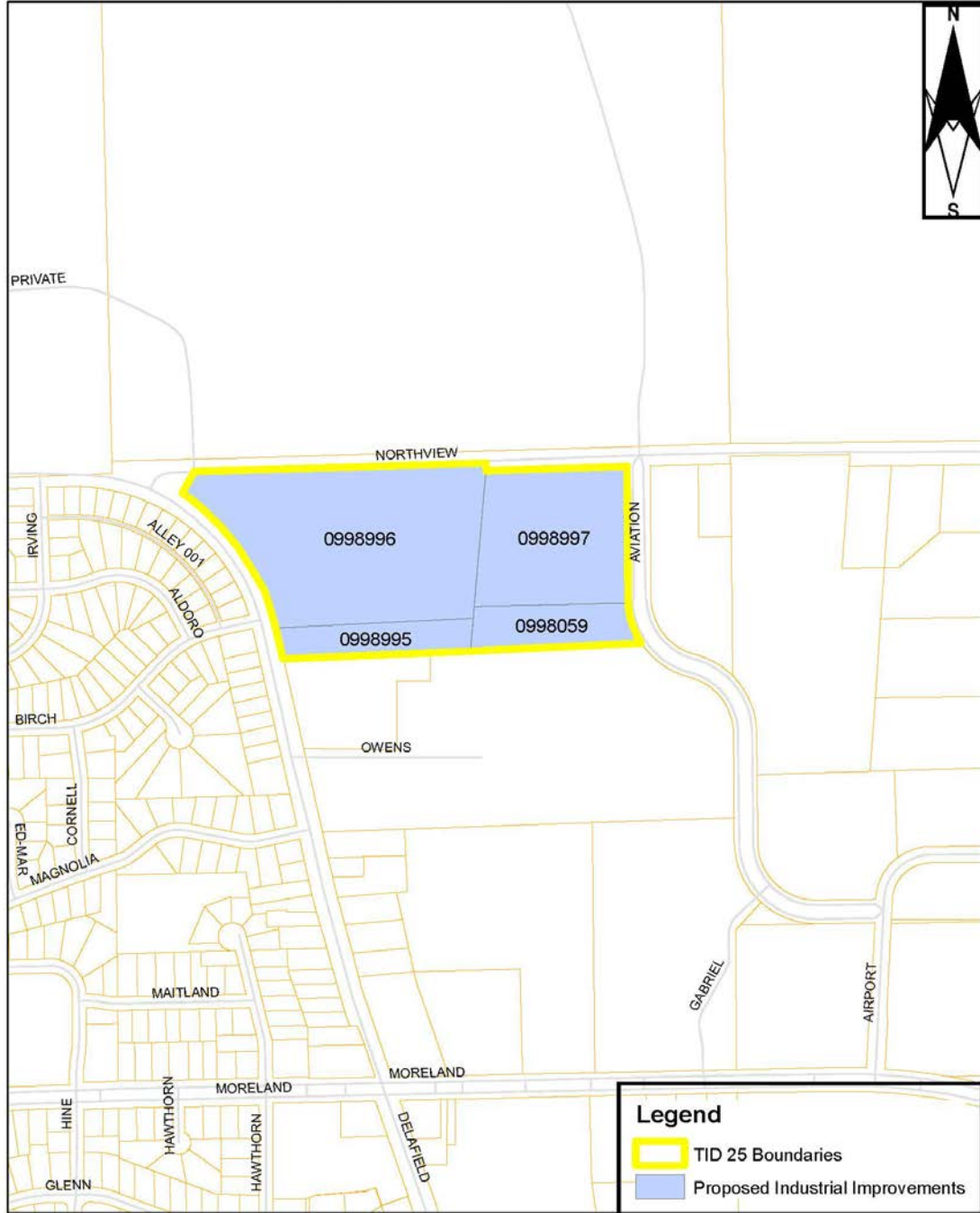


PROPOSED USES MAP

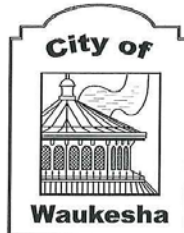
TAX INCREMENTAL DISTRICT 25 - HSA
Future Uses and Conditions



TAX INCREMENTAL DISTRICT 25 - HSA Proposed Improvements



ATTORNEY'S OPINION



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OPINION OF ATTORNEY FOR THE CITY OF WAUKESHA ADVISING
WHETHER THE PROJECT PLAN IS COMPLETE AND COMPLIES WITH
SECTION 66.1105, WISCONSIN STATUTES.

August 25, 2015

Shawn Reilly, Mayor
City of Waukesha
201 Delafield Street
Waukesha, WI 53188

Re: City of Waukesha, Tax Incremental District No. 25

Dear Mayor Reilly:

As City Attorney for the City of Waukesha, I have reviewed the project plan for Tax Incremental District No. 25, located in the City of Waukesha. In my opinion, the project plan is complete and complies with Section 66.1105(4) of the Wisconsin Statutes.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brian E. Running".

Brian E. Running
City Attorney

A handwritten signature in blue ink, appearing to read "Julie M. Gay".

Julie M. Gay
Assistant City Attorney

