



City of Waukesha
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Committee: City Council	Date:
Common Council Item Number: Mandel term sheet ID#25-00556	Date: 2025-04-04
Submitted By: Jennifer Andrews	City Administrator Approval: Anthony W. Brown
Finance Department Review: Jennifer Andrews	City Attorney's Office Review: Brian Running
Subject: Review and act on a term sheet outlining TIF assistance to Mandel Group related to the proposed project at 130, 200 and 318 Delafield St.	

<p>Details:</p> <p>On November 19, 2024, the Council approved redevelopment plans for City owned property at 130 Delafield St. The project is proposed to be a multi-family residential community with 219 market-rate apartment units. The redevelopment includes two (2) buildings along with associated underground parking and other tenant amenities. The developer is guaranteeing an assessed value at completion of \$43,800,000.</p> <p>The developer has communicated with City staff that without TIF assistance the project will not be financially feasible, and they would not be able to move forward with the project. The developer is experiencing elevated material and labor costs that cause the project to have a financial gap. The staff has worked with the City's financial advisor to thoroughly review the project proforma and verify that a financial gap exists within the project and that without TIF assistance the project will not move ahead.</p> <p>The City has previously worked with 2 other developers to redevelop the property it owns across from City Hall. In the past the Council has approved TIF assistance for each of those projects as they faced similar difficulties making their projects financially feasible. Ultimately, even with TIF assistance, those projects didn't move forward as costs continued to rise. Redevelopment projects often encounter additional costs that cause them to not be financially feasible. Costs like demolition, higher purchase price because the land has an existing building and additional site preparation costs can substantially increase the cost of a project. In addition, the cost of labor and materials have continued to increase rapidly in the last few years.</p> <p>The term sheet before the Council layouts out the broad terms of the assistance. If approved, a detailed development agreement will be drafted clearly defining all the City and developer obligations. That final agreement will also come back to the Council for approval. The term sheet is very similar to the one approved for the Bridgewalk Apartments on St. Paul with the exception of the assistance amounts. Mandel was also the developer on that project and has met or exceeded all their obligations to the City.</p>
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The assistance would include a \$6,000,000 payment when a certificate of occupancy is issued for the buildings. Additional assistance would be provided in the form of a pay as you go TIF incentive. This incentive would be paid until the year 2047 or a total of \$5,359,220 is reached. These payments would be made from the tax increment generated by the project after the City's debt service and administration costs are accounted for. At closing, Mandel will pay the City a purchase price of \$2,587,000, as outlined in the accepted offer to purchase.

The project is expected to be completed by June of 2028. Projections show final payments made in 2047. The term sheet is not legally binding but provides an opportunity to ensure that both the developer and the Common Council are aligned before entering final negotiations.

Options & Alternatives:

Approve the term sheet and authorize staff to negotiate a final development agreement.
Reject the term sheet and seek a new development partner.

Financial Remarks:

This property is located in TID 29. TID 29 will be responsible for the expenses related to these incentives.

Executive Recommendation:

Approve the term sheet and authorize the staff to negotiate a final development agreement.