



CITY OF WAUKESHA

Administration

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Committee: Finance	Date: 9/29/2020
Common Council Item Number: 20-1195	Date: 10/6/2020
Submitted By: Jennifer Andrews, Community Development Director	City Administrator Approval: Kevin Lahner, City Administrator KL
Finance Department Review: Bridget Souffrant, Finance Director bms	City Attorney's Office Review: Brian Running, City Attorney jmg
Subject: Review and approve a term sheet outlining the potential TIF assistance for the development of 78 units of senior housing and 24 townhomes on vacant land on the west side of Delafield Street, across from City Hall.	

Details:
 Horizon Development is proposing a residential development project located on vacant land on the west side of Delafield Street, across from City Hall. These properties are known as tax parcels WAKC1305460, WAKC1306990 and WAKC1305461. The development includes the construction of 78 units of senior housing and 24 townhomes.

The properties were most occupied by a long vacant strip mall and an auto repair facility. This property was acquired by the City in 2018. The City razed the buildings and did some environmental remediation of the properties. The City, in conjunction with Colliers International, released an RFP in Spring of 2019. Three responses were received and the Redevelopment Authority and the Common Council selected Horizon Development and Luther Group as the development partners for this site.

This project will be in Tax Incremental Finance District Number 30, which is a rehabilitation/conservation district. That district has been approved by the Plan Commission (August 26, 2020), Common Council (September 15, 2020) and the Joint Review Board (September 22, 2020).

The developer is requesting a City contribution of \$4,315,222. This would include \$500,000 in upfront funding, which would only be payable at the time of occupancy, and \$3,815,222 as pay-as-you-go (PAYGO) financing. This PAYGO would reimburse the developer as tax increment is generated from the project. This reimbursement would consist of the tax increment generated by the district, less 5% of the increment revenue and they City's debt service and administration expenses related to the Tax Incremental Finance District. If the developer is paid the \$3,815,222 prior to 2040, the City may choose to close the district at that time. Ehlers, the City's 3rd party financial consultant, has reviewed the proforma for this project and has confirmed the financial gap in the project. This analysis has shown that "but for" TIF assistance this project would not be constructed.

The draft term sheet is attached. 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 full development agreement between the City and Developers.

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. successful creation of a new TIF district. 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 20 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 Common Council approve the term sheet.