



CITY OF WAUKESHA

Administration

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Committee: Finance	Date: 1/4/2022
Common Council Item Number: 21-3266	Date: 1/4/2022
Submitted By: Jennifer Andrews, Community Development Director	City Administrator Approval: Kevin Lahner, City Administrator KL
Finance Department Review: Bridget Souffrant, Finance Director BS	City Attorney's Office Review: Brian Running, City Attorney BR
Subject: Review and act on a Development Agreement outlining the 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:
 At the November 16, 2021 meeting, the Common Council approved a Term Sheet for TIF assistance for a proposed development by General Capital and Joseph Property Development for the area in the vicinity of St. Paul Avenue, Brehm Street, Barstow Street, Bank Street, on the north side of the Fox River in Downtown Waukesha. The development consists of three (3) buildings containing 192 apartment units and first floor commercial space in one of the buildings. It will be done in three phases with the first building commencing construction in 2022 and the second and third buildings in 2023. The project will be completed by the end of 2024.

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 funding going to roads/utilities, grading, property acquisition, and riverfront improvements. Additionally, these properties have environmental contamination that will need to be remediated, adding further development costs. The properties have a long history of uses that have contributed to this including a former Wisconsin Electric Manufactured Gas Plant, several rail lines, and industrial uses.

While TID 26 was not created as a Blight TID, the properties being redeveloped would have qualified it as one. The Rehabilitation/Conservation TID requirements are very similar to those of a Blight TID, with the only difference being that with a Blight TID, the City would have to go through the statutory process of a blight determination for the properties. Blight districts are typically used when a municipality may want to use eminent domain to acquire the properties. In this case the property owners are selling the properties to be redeveloped so there was no need to go through the lengthy blight determination process.

The City's total proposed contribution would be \$7,400,000, the same amount proposed in the Term Sheet. The structure of the upfront contribution has been changed slightly since the approval of the Term Sheet but the dollar amount of \$2,650,000 is the same. The upfront contribution would include a \$1,650,000 forgivable loan to the developer, with the loan being forgiven upon occupancy of both buildings in Phase 2. The remaining \$1,000,000



would be structured as a City purchase of the future park parcel (Outlot 1). The developer will be extending utilities to serve the future park development, as well as grading and capping the site.

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.

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 in three phased payments as milestones are reached, also using increment from the development. The City's debt service costs related to both the public improvements and the upfront contribution as well as the City's administration costs would be paid before increment is assigned to the developer's MRO payment.

Also contained within the Development agreement is a minimum taxable value guarantee of \$31,000,000 which shall remain in effect during the life of the district plus an additional 7 years after the Municipal Revenue Obligation ends. Additionally, the agreement contains a prohibition on seeking or transferring the development to a tax-exempt entity unless a Payment in Lieu of Taxes (PILOT) agreement is in place. The agreement also contains certain look-back provisions including construction cost verification and Internal Rate of Return (IRR) verification.

Options & Alternatives:

1. Approve the Development Agreement as proposed
2. Deny the Development Agreement 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.