



**CITY OF WAUKESHA**

**Administration**

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<b>Committee:</b> Finance	<b>Date:</b> 1/14/2020
<b>Common Council Item Number:</b> CC 20-0021	<b>Date:</b> 1/21/2020
<b>Submitted By:</b> Jennifer Andrews, Community Development Director	<b>City Administrator Approval:</b> Kevin Lahner, City Administrator KL
<b>Finance Department Review:</b> Rich Abbott, Finance Director RA	<b>City Attorney's Office Review:</b> Brian Running, City Attorney
<b>Subject:</b> Review and approve a term sheet outlining the potential TIF assistance for the development of approximately 30 acres of land located at the southeast corner of STH 59/Les Paul Parkway and Saylesville Road	

**Details:**

The developer, Parkway, LLC is proposing a mixed-use development project located at the southeast corner of STH 59/Les Paul Parkway and Saylesville Road that would include high-density residential and commercial. It is anticipated the construction of the multi-family portion of the development would commence in Fall of 2020 and would be completed by December of 2022. This property was annexed to the city and zoned commercial over 20 years ago. Since that time, it has never developed even though it has been purchased by different users and development groups over the years.

The residential portion of the development will consist of two or more three story buildings (see concept plan) with a total of approximately 170 dwelling units. The buildings will be designed to make use of the existing site topography and provide an attractive, prairie aesthetic to area, in keeping with the natural environment of the land. Similar to other residential communities by this developer, their goal is to create a destination community in which people may live and recreate. To that end, the community will have a strong amenity package including a clubhouse, pool, fitness center, hiking trails, playground, and other amenities designed to enhance resident experience.

Units will range in size from 550+ square foot efficiencies, 800+ square foot one-bedroom apartments to 1,480+ square foot three-bedroom units. These will be market rate units with the projected rents ranging from \$790 \$1,200 - \$1,650 per month Every unit will have a private balcony. Kitchens will have granite counter-tops and premium appliances. All units will feature a combination of faux wood floors, carpeted bedrooms, and ceramic tile in bathrooms. Abundant lighting, individualized unit entries, tastefully appointed hallways, and minimum ceiling heights of nine feet are standard. Operable windows and designer window coverings are to be installed throughout. Each unit will have individually controlled and individually monitored utilities.

The commercial aspect of the development envisions at least two commercial/retail outlot as shown on the concept plan. The outlot closest to Les Paul Parkway will likely be sold to a gas station/convenience store. The use of the other outlot has not been determined at this time but could be a restaurant user or smaller professional office.



The developers are requesting Tax Incremental Financing (TIF) to make the development project financially feasible. The financial gap in the proforma is the result of extensive infrastructure and utility costs associated with this project. The project requires the connection of River Valley Road from its current terminus to Les Paul Parkway, where it will align with the driveway to the north that serves Fire Station Number 3 and St. John Neumann Church. The cost of the road extension and utilities is estimated to be \$823,971. The modifications at Les Paul Parkway, which includes turn lanes, signal upgrades, utility modifications, and stormwater drainage facilities, is estimated to add another \$1,339,210 to the development costs. Additionally, the current site will need an estimated \$2,206,030 in site preparation and utility work. The property itself also has significant changes in grade. There is over a 30-foot change in elevation from the east side of the property to the west side of the property. The cost to regrade the property to make it suitable for development and avoid existing wetlands on the property is extremely high. Lastly the cost of construction for the type of units being built has gone up 9% since 2018. The shortage of labor and high cost of materials due to tariffs are the main drivers of this increase.

Due to the extraordinary costs related to the roadway extension/utilities, intersection improvements and extensive site preparation, and high per unit cost of construction the developer is requesting a City contribution of \$6,285,000 as tax increment is generated from the project (PAYGO). This reimbursement would consist of the tax increment generated by the district, less 10% of the increment revenue and administration expenses. If the developer is paid the \$6,825,000 prior to 2034, the City may choose to close the district at that time.

Ehlers, the City's 3<sup>rd</sup> 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 to create a Tax Incremental District and draft 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 Tax Incremental District and development agreement.
2. Deny the term sheet and the project would not move forward.

**Financial Remarks:** The assistance is contingent on the 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 14 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.