

**CITY OF CEDARBURG
JOINT REVIEW BOARD
TAX INCREMENTAL DISTRICT NO. 5 CREATION
January 25, 2018**

A meeting of the Joint Review Board for the creation of TID No. 5 in the City of Cedarburg, Wisconsin, was held on Thursday, January 25, 2018 at 6:00 p.m. at City Hall, W63 N645 Washington Avenue, second floor Council Chambers

Roll Call: Present - Mayor Kip Kinzel, City Representative
Kathy Geracie, Ozaukee County Representative
Todd Bugnacki, School District Representative
Wilma Bonaparte, MATC Representative
Allan Lorge, Public Member

Also Present - Christy Mertes, City Administrator/Treasurer, Constance McHugh, City Clerk, Council Members Patricia Thome, Jack Arnett, Dick Dieffenbach, John Czarnecki, Rick Verhaalen, and Mike O’Keefe, Community Development Authority Members Joe Kassander and Eric Stelter, Todd Taves of Ehlers & Associates, Tony DeRosa of HSI Properties, Dave Barry of The Barry Company; interested citizens and news media

CALL TO ORDER

Mayor Kinzel called the meeting to order at 6:00 p.m.

APPOINTMENT OF JOINT REVIEW BOARD’S PUBLIC MEMBER

Ms. Geracie nominated Allan Lorge as the Joint Review Board’s public member. The motion was seconded by Mayor Kinzel.

Mayor Kinzel closed the nominations.

With Mayor Kinzel, Mr. Bugnacki, Ms. Bonaparte, and Ms. Geracie voting in favor of the appointment of Allan Lorge as the public member, Mr. Lorge was seated.

ELECTION OF CHAIRPERSON

Motion made by Ms. Geracie, seconded by Mr. Lorge, to appoint Mayor Kinzel as Chairperson. Motion carried unanimously.

REVIEW RESPONSIBILITIES OF JOINT REVIEW BOARD

Mr. Taves explained this is an organizational meeting of the Joint Review Board for the creation of Tax Incremental District (TID) No. 5. The Board has already accomplished two of its goals: 1) appointing a public member and 2) appointing a chairperson.

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Mr. Taves explained the Board must use the “but for” standard and come to the conclusion that “but for” tax incremental financing this Project would otherwise not happen. The decision to approve or deny creation of the District shall be based on the following criteria outlined in State Statutes:

- A. Whether development expected in the tax incremental district would occur without the use of tax incremental financing;
- B. Whether the economic benefits of the tax incremental district, as measured by the increased employment, business and personal income and property value, are sufficient to compensate for the cost of the improvements; and
- C. Whether the benefits of the proposal outweigh any loss, if it occurs, in the tax revenues of the overlying jurisdictions.

The Community Development Authority (CDA) will hold a public hearing on the Project Plan later this evening and take action on the matter. The Common Council will review the Project Plan at its meeting on February 12 and take action on a resolution regarding the Project Plan and the district boundaries. The Joint Review Board will need to reconvene after February 12 to further consider the Project Plan and approve or reject it. This meeting of the Joint Review Board is strictly organizational.

REVIEW AND DISCUSS PROJECT PLAN

Mr. Taves reviewed the Project Plan with the Board. TID No. 5 is a proposed 4.25 acre blighted area district to be created to facilitate redevelopment on five parcels owned by the St. Francis Borgia congregation consisting of a vacated school building site and church rectory, a surface parking lot and a vacant parcel. These parcels are located near the south end of Cedarburg’s Historic Downtown District located on both sides of Hamilton Road directly southeast of the Washington Avenue and Hamilton Road intersection. The redevelopment project consists of razing the St. Francis Borgia elementary school and church rectory followed by the necessary site preparation for the construction of two buildings supporting 60 high-end apartment units, a building with 9 townhome style units and a single-family home site by HSI Properties. It is estimated that 50% of the area is blighted as it contains structures that are functionally obsolete and are not suitable for use.

The City anticipates making total expenditures (Project Costs) of approximately \$1.98 million to undertake the projects listed in the Project Plan. The Project Costs include \$1.925 million in project incentive and assistance payments, and \$56,500 for administrative expenses over the life of the District. Other than administrative expenses incurred prior to the receipt of tax increments beginning in 2020, the City expects to pay all Project Costs on a “pay as you go” basis. The City will pay monies to the developer based on the tax increment that is created. There will be no borrowing on the part of the City.

The City projects that approximately \$8.4 million of value in improvements will be created no later than January 1, 2020 as a result of construction of the multi-family units and a single-family home.

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The total value of the project is expected to be \$8,740,000, with a total tax increment of \$4,466,366. While the TID can remain open for 27 years, it is expected to be repaid in 2032 and closed.

Ms. Geracie asked how much the taxing jurisdictions receive from property taxes paid by the owner of the site. City Administrator/Treasurer Mertes said the properties became taxable in 2017 and approximately \$16,000 in total taxes was received. Mr. Taves explained that all taxing jurisdictions will continue to receive taxes through the life of the TID based on the January 1, 2017 assessed value.

Tony DeRosa of HSI Properties provided a history of HSI, a history of the apartment proposal called Arabelle, and the reasons for requesting Tax Incremental Financing (TIF). He said HSI is a local company located in Brookfield with over 30 years of experience. The company takes a long term approach to development in that it builds and holds its projects. He said Arabelle is what people are looking for in the community and there is a demand for it based on the calls he has received. He said it fits in with the City's Comprehensive Land Use Plan and is labeled Smart Growth Area #11 in the Plan. He further said the property is blighted and the building is at the end of its useful life.

Mr. DeRosa explained that TIF is absolutely critical to the project, due to a reduction in the density of the project and design modifications required by the City. The additional requirements are what make Arabelle special but do come with a cost. The standards set meet the character of the community. In order to close the gap, rents have been raised and St. Francis Borgia lowered the purchase price by \$325,000. To further close the gap on economies and achieve a market rate of return of 6% to 7%, assistance is required. Without it, Mr. DeRosa explained, the project will not work. Financing for the project is contingent upon TIF.

Mr. DeRosa said there are two types of TIF: 1) City funded with borrowing, and 2) a developer funded approach with no borrowing on the part of the City. He said the second type of financing is performance based and taxpayers are not on the hook for money. The properties are currently assessed at \$875,000 and pay \$16,949 in taxes. This amount of taxes will continue to be paid over the life of the TID. A rebate will be received based on the increment created. It is estimated the assessed value of the project will be \$9.6 million when completed and will generate \$186,243 in taxes annually.

In addition to the taxes generated, Mr. DeRosa said there will be a \$3.1 million economic impact on downtown businesses over a 10 year period, \$340,000 in impact fees paid, \$2.94 million in tax revenue over the life of the TID, and a tax base of \$8.7 million.

Dave Barry of the Barry Company said his company was selected as the broker for the site by St. Francis Borgia. The property was listed about three years ago and it was determined, based on the functional obsolescence of the inside of the building, that the highest and best use of the site is a multi-family development. Nine offers were received, two for the single family lot and seven from developers proposing a multi-family development. The developer that was selected walked away from the project and HSI came on board. Mr. Barry said HSI has provided the most feasible project.

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Mr. DeRosa said if there is no project by HSI, all approvals granted by the City will be undone because they were contingent upon HSI as the developer. The current zoning of the site is institutional, which will not provide for a desirable development. He said there is no guarantee there will be something better on the site in the future with another developer.

SET NEXT MEETING DATE

The next meeting of the Joint Review Board will be Tuesday, February 27, 2018 at 6:30 p.m.

ADJOURNMENT

Motion made by Ms. Geracie, seconded by Mayor Kinzel, to adjourn at 6:53 p.m. Motion carried unanimously.

Constance K. McHugh, MMC/WCPC
City Clerk