

**CITY OF CEDARBURG
JOINT REVIEW BOARD
TAX INCREMENTAL DISTRICT NO. 6 CREATION
April 27, 2020**

A meeting of the Joint Review Board for the creation of TID No. 6 in the City of Cedarburg, Wisconsin, was held on Monday, April 27, 2020 at 5:00 p.m. via zoom.

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

Also Present - City Administrator Mikko Hilvo, Amy Kletzien Deputy City Clerk,
 Council Members Patricia Thome and Jack Arnett, Director of
 Engineering and Public Works Tom Wiza, Todd Taves of Ehlers &
 Associates, Finance Director/Treasurer Christy Mertes; General
 Manager Dale Lythjohan, interested citizens and news media

CALL TO ORDER

Mayor O’Keefe called the meeting to order at 5:04 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 Wilma Bonaparte.

Mayor O’Keefe closed the nominations.

With Mayor O’Keefe, 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 O’Keefe 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. 6. The Board has already accomplished two of its goals: 1) appointing a public member and 2) appointing a chairperson.

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:

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- 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 May 11, 2020 meeting and take action on a resolution regarding the Project Plan and the District boundaries. The Joint Review Board will need to reconvene after May 11, 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. 6 is a proposed 59.21-acre business park to be created to pay the costs of public infrastructure and other expenditures needed to develop the land for use as a business park ("Project"). In addition to the incremental property value that will be created, the City expects the Project will result in creation or retention of jobs, increased demand for goods and services, and increased collections of income, payroll and sales taxes benefitting the local area, region and state. This is for a single parcel located on the south side of State Hwy. 60, for 49 developable acres and the reason it is being advanced at this time is because the City is discussing the project with a potential anchor tenant. The TID would have a 20-year maximum life.

He highlighted the costs and the primary expenditure is comprised of \$8.2 million, of the \$12.8 million, is for the physical infrastructure that would make the park serviceable.

Mr. Taves explained that pursuant to Wis. Stat. the City may undertake projects within territory located within one-half mile of the boundary of the District provided that: 1) the project area is located within the City's corporate boundaries; and 2) the projects are approved by the Joint Review Board. The cost of projects completed outside the District pursuant to this section are eligible project costs and may include any project cost that would otherwise be eligible if undertaken within the District. The City intends to make the following project cost expenditures outside the District:

- Development of the Project will require that certain improvements be made to STH 60, which is located adjacent to the northern boundary of the District.
- Development of the Project may also require that the City pay costs to install road improvements and to mitigate associated wetlands on property located immediately to the west of the District.

Mr. Taves stated that in terms of the "but for" the creation of this District, the development projected to occur as detailed in this Plan: 1) would not occur; or 2) would not occur in the manner,

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at the values, or within the timeframe desired by the City. In reaching this determination, the City has considered the substantial investment needed to provide the public infrastructure necessary to allow for development within the district. Absent the use of tax incremental financing, the City is unable to fully fund this program of infrastructure improvements. Furthermore, the City recognizes that most manufacturers prefer “shovel ready” sites when considering construction of facilities. It is therefore likely that the City’s manufacturing tax base will grow but for the use of tax incremental financing.

Mr. Lorge asked if some of the costs to extend sewer and water benefit properties outside of the district? Director Wiza explained that 12” sewer and water lines have been sized for the parcel and future lands may connect. The pressure at the current elevation must be boosted because of fire flow needs.

Mr. Lorge asked if there will be any cost sharing from the County or State on the improvements to Hwy. 60. Director Wiza said that the amount shown for Hwy. 60 road improvements are necessary and the State has not offered any shared funding.

Todd Taves continued to explain that this project is being driven by a potential tenant that expressed interest in construction of a 250,000 sq. ft building and 15 acres. While that may begin early, they made the assumption that it would not be completed until the 2022 construction year. The value added will be \$18.75 million and assumed \$75 per square foot as an initial valuation. The forecast assumption is that every two years thereafter there will be additional development within the park (10 acres in 2024 and then 5 acres in 2026, 2028 and 2030). There are 49 developable acres and they assumed 40 of the 49 would be developed. No assumptions are made as to the timing of sale or development of the final nine. The plan assumes that over a ten-year period a total of 562,500 sq. ft. of manufacturing property will be constructed within the District with initial land and improvements value of approximately \$42.19 million. Due to the depreciating nature of manufacturing property, the Plan assumes property values will decline by 2% annually, resulting in total incremental value of \$30.86 million at the end of the 20-year life of the District. Estimated valuations and timing for construction of the Project were outlined in a table. Assuming the City’s current equalized TID interim tax rate of \$19.08 per thousand of equalized value, the Project would generate \$11,394,550 in incremental tax revenue over the 20-year term of the District.

Mr. Taves explained the financing and implementation: The City expects to finance the cost of required public improvements with General Obligation debt. At the end of 2019, the City had \$18,524,050 in outstanding General Obligation debt principal, which was 25.85% of its limit. The City has \$53.14 million in remaining debt capacity; therefore, it can finance the public improvements in this manner.

Given that tax increments will be generated no sooner than the 2023 budget year, and more likely the 2024 budget year, the City expects to capitalize the first 36 months of interest due on the debt. Once the funds borrowed to pay interest are expended, the City will pay debt service from land sale revenue and tax increments collected.

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The project is expected to create a total of 49 developable acres. Of that total, the City expects to provide 15 acres at no cost to a prospective tenant as an incentive to build facilities within the project. Of the remaining 34 acres, the City anticipates selling 25 acres at an average price of \$75,000 per acre during the first ten years of the District's life. No assumptions are made as to the timing of sale or development of the final nine acres. Should tax increment or land sale revenue be insufficient to pay debt service, the City would be obligated to levy a tax to pay the full amount due, or to appropriate other funds for the payment.

Based on the Project Cost expenditures, the District is projected to accumulate enough funds by the year 2041 to pay off all Project cost liabilities and obligations. The projected closure is based on the various assumptions noted in the Plan and will very dependent on actual Project costs incurred and the actual amount of tax increments collected.

Mr. Lorge asked about the interest rate at 3.5% and stated that it was high. Todd Taves explained that the actual interest rate may be in the low 2% for 20 years at the time of borrowing.

Mayor O'Keefe asked if any additions were needed to include a percentage of residential. Todd Taves said no because this is an Industrial TID.

In answer to Mr. Bugnacki's question, Todd Taves explained that the project cost is approximately \$12.8 million.

Mr. Bugnacki asked if the water and sewer extension would benefit property to the west. Director Wiza explained that the Master Plan includes this extension and there is no added cost to serve this area. The cost at installation is same for 8" and 12" lines.

Mr. Bugnacki asked if lands to the west are planned residential and the lands to the east are planned industrial. Director Wiza explained that the use for land to the west is being discussed and the land to east is not planned for industrial.

Mayor O'Keefe explained that Baehmann's have an agreement with Newman homes to develop their property and land to the east are anticipated to be residential eventually. The addition of manufacturing and jobs to the area will inspire development.

Mr. Lorge asked if there is a potential need for an additional water tower with the added residential building.

General Manager Lythjohan explained that a proposed water tower was sited in early 2000 closer to Wauwatosa Road. Currently, none of these costs are included in the TIF; however, the utility will receive fees from the growth.

Mr. Bugnacki asked if the lot layout configuration could be adjusted for a larger business. Director Wiza explained that these are preliminary schematics and the final plan CSM can be changed to accommodate a larger business if there is interest.

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In answer to Mayor O'Keefe's question regarding the need for a lift station, Director Wiza explained that Sheboygan Road and Highland Road lift stations were both sized for future development and their original construction was not included in the TIF.

In answer to Mr. Lorge's question, Director Wiza explained that the City is working on two different possible easements to the property from the Sheboygan Road lift station.

Mayor O'Keefe explained that the proposed anchor tenant for the Business Park is not public information yet; however, they appear to be going ahead with their plan without any pause during this pandemic. He added that the plan is falling into place nicely, including the wetland issues that have been identified. The project will be very beneficial to the City and will increase the tax base.

Kurt Baehmann thanked the City for moving forward with their business park plans. The family has a long history with the City and their land, dating back to 2006 when they annexed into the City. He is looking forward to a fantastic development on their property that will add many benefits to the City.

SET NEXT MEETING DATE

The next meeting of the Joint Review Board will be Thursday, May 21, 2020 at 6:00 p.m.

ADJOURNMENT

Motion made by Mr. Bugnacki, seconded by Ms. Bonapart, to adjourn at 5:40 p.m. Motion carried unanimously.

Amy D. Kletzien, MMC/WCPC
Deputy City Clerk