City of Mequon

11333 N. Cedarburg Road
Mequon, WI 53092
Phone: 262-236-2903
Fax: 262-242-9655
www.ci.mequon.wi.us

ECONOMIC DEVELOPMENT BOARD
Thursday, February 24, 2022
8:00 AM
North Conference Room
Mequon City Hall
11333 N Cedarburg Road

AGENDA

1) **Call to Order, Roll Call**

2) **Approval of Meeting Minutes from January 18, 2022**
Action requested: review and approve.

3) **Revolving Loan Fund Application for Mind + Neurology**
Action requested: review and approve.

CLOSED SESSION
The EDB may go into closed session under Wis. Stat. § 19.85(1)(e) for the purpose of investing of public funds or conducting other specified public business, whenever competitive or bargaining reasons require a closed session, and may reconvene into open session to take whatever action it seems appropriate.

4) **Staff Updates**

5) **Announcements**
The next meeting is Tuesday, March 15, 2022, at 8:00 a.m.

6) **Adjourn**

Dated: February 22, 2022 **/s/ Tim Carr, Chairman**

Notice is hereby given that a quorum of other governmental bodies may be present at this meeting to present, discuss and / or gather information about a subject over which they have decision making responsibility, although they will not take formal action thereto at this meeting.

Any questions regarding this agenda may be directed to the Dept. of Community Development office at 262-236-2903, Monday through Friday, 8:00 a.m. – 4:30

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ECONOMIC DEVELOPMENT BOARD
Tuesday, January 18, 2022
8:00 AM
Christine Nuernberg Hall

Minutes

1) Call to Order, Roll Call

Present:
Chair Timothy Carr
Alderman Brian Parrish
Board Member James Baka
Board Member Dennis Engel
Board Member Tracy Johnson
Board Member Michael Kramer
Board Member Jeff McLean
Board Member Bruce Sipiora
Board Member Daniel Gannon **-- Absent**
Board Member Andrew Petzold **-- Absent**

Chairman Carr called the meeting to order at 8:00 a.m.

2) Approval of Meeting Minutes from November 16, 2021

Action
Board Member Baka made a motion to approve the November 16, 2021, meeting minutes.
Board Member McClean seconded the motion.
A voice vote taken; vote passed (7-0)

3) P2 Development Company, LLC application for a Town Center TID No. 3 Incentive

1. P2 Development Company, LLC application for a Town Center TID No. 3 Incentive for the properties located at 11040 & 11110-11112 N. Buntrock Avenue.

Dir. Tollefson stated that Bob Bach, RLF applicant, has received zoning approvals for the two parcels through the Common Council process for a town house development on Buntrock Avenue, immediately south of the Artesa apartment building. This includes the combination of two non-conforming sites, which are both underutilized and underperforming as well as non-conforming to the new zoning districts. The application requires building and site plan approval through the Planning Commission process, but it is preferred that a request for incentive happens prior to other approvals.

She explained that the Fast-Track Formula is being applied for in the Town Center district which requires that the new development value is above and beyond the current value by $3M or more. The Development Agreement ("DA") will be structed to ensure that it never drops below that threshold. The Fast-Track Formula intent is to reimburse the developer for demolition of the existing improvements on the property; any clean up that needs to be done on the site. Within the formula the reimbursement is for the base improvement value that is being removed, the cleanup and demolition of the property with the intent of getting it back to green field state. A 5% bonus is built into the formula as well.

At this time, the eligible estimated expenditures that can be made are just over $700,000. These are estimates and the DA also requires the developer to submit the final invoices, the final costs and to true those numbers up before any reimbursement of dollars. The project must be constructed, and taxes must be paid that first next year before any money is reimbursed. There is very little risk to the city to the incentive.

The new estimated value for the proposed project is approximately $6.7M and the 5% incentive built into the formula would be just over a total of $320,000 for a total of $1M reimbursement through the incentive process.

Typically, a split in the new tax increment has been negotiated in the Town Center. The reason that 100% is not offered in the Town Center is because the City borrowed about $7M when the TIF was first created and some of the funds need to be captured to pay down the debt. The splits are usually 60/40 or 70/30. Due to the timing of the TIF closing in 2028, there is not enough time left in the payment structure to be able to reimburse this developer for this project fully regardless of the split ratio.

Staff asked Ehlers to showcase the impacts of the project would be (packet page 2). The net result of offering an approval for the Fast Track incentive at a 60/40 split and forgoing the 5% incentive, show that the City would gain approximately $164,000 of increased capital to be able to use for public improvements in the neighborhood. Benefits of the project:

- Removal of two non-conforming uses and 5 non-conforming structures.
- Consolidating two under-performing lots.
- Tax revenue increase of 167% for the 2 combined parcels.
- Developer with receive about 35% of the eligible 100% of their reimbursement and the developer has agreed to forgo the 5% bonus incentive.

This request will go forward to the Common Council for review at their February 8th meeting.

The applicant, Bob Bach, stated that some elevated spots of contamination were found on the site along with some abandoned wells. All the buildings located on these parcels are currently vacant.

The subject of current occupancies of the existing apartment buildings in that area was discussed and Mr. Bach provided the following feedback:

- Artesa 97%
- The Reserve 98%
- The West House 98%
- Spur 16 similar occupancy

He explained there is demand for these housing developments. The range of the rents will be about $200 more than the apartment buildings due to the private attached garage, private front door and private patio.
Rental Rates:

- 2 Bedrooms $2,500 - $2,600
- 3 Bedrooms $2,700 - $2,800

He explained there will be many amenities included in the individual townhomes as well as a community room that will provide a large social gathering area, outside party deck with firepits and a gazebo, sauna and steam room, workout room and a game room. The residents will be allowed to use some of the amenities at The West House; like the swimming pool and social gatherings as it is directly west of this development. There will be a connecting walkway which will create a sense of a greater community. There will be some on street parking spaces along Buntrock Avenue as well as the sidewalk will be extended south in front of this development.

Staff explained that the Common Council made a change to the code not allowing any stacked housing and that every residential unit must have 1st floor access.

Mr. Bach explained that the incentive will help with some of the costs of the demolition and remediation of the site. He stated there is no risk to the TIF as they do not receive the incentive until the project is complete and they have paid taxes.

Staff recommends approval of the incentive request for $247,521 as the Planning Commission and the Common Council have approved the PUD. The developer still needs to get building and site plan approvals.

Ald. Parrish stated he is supportive of the approval of this incentive since no variances were requested, the Council approved the zoning request, the project is compliant with the code requirements and there is no financial risk to the city.

Motion
Board Member Johnson made a motion to approve the incentive request and forward the recommendation to the Common Council.
Board Member Baka seconded the motion.
A voice vote was taken; vote passed (7-1) (No: Sipiora)

4) 2022 Work Program

Dir. Tollefson stated that the 2022 Work Program was included in the board packet and is open for discussion. She reminded the Board that they had previously ranked the objectives to be accomplished.

She reported that it has been difficult to get a response regarding obtaining a Star Report from the hotel consultant that previously spoke to the Board. There was discussion of other methods of obtaining this report. The Board discussed their opinions about whether Mequon needs another hotel and if there is enough demand. The Board would like to be educated about the economic impacts of a possible new hotel in the community.

Regarding the beautification efforts along Port Washington Road, Asst. Dir. Zader stated that the Ad Hoc Design Committee is working on this issue and staff will soon issue an SOQ for a design consultant. The plan is to construct these efforts in the fall. Staff needs to work with Ozaukee County as they have jurisdiction there, and the Council needs to approve these efforts as well. There is a concern about the long-term maintenance of improvements as well as working with the mayor's adopt-a-median program. Both the EDB and Ad Hoc Committee has communicated that this is a priority item to achieve.

There is an internal committee of staff that is working to make improvements to the city website. Dir. Tollefson is hoping for some improvements to the EDB page to make it more user friendly.

The marketing brochure has been postponed until the TIF policy discussion is completed as well as the high priority sites identified, although they may not be identified in a proposed marketing piece. Dir. Tollefson stated that it will be a one-page snapshot of all incentives available.

Chairman Carr stated that EDB would like to host a fall event. One idea is to host developers to highlight the new incentives that will be available. He encouraged the Board to begin brainstorming about ideas for this event. The Board suggested that testimonials would be a great addition to an event.

There was some discussion about connecting with M7 and the Board suggested that a representative speak to the Board about what businesses are looking for when deciding where to establish their businesses.

5) Staff Updates

Dir. Tollefson stated that there are two new proposed residential subdivisions:

1. Residential neighborhood immediately west of the new Ascension building at Port Washington Road and Highland Road. There will be approximately 30 lots and there are exceptions needed there.
2. Miller Marriott is proposing a residential single-family development (including side-by-sides and duplexes) south of Donges Bay, west of Baehr Road. They had a consultation with the Council and the project received mixed review. The zoning needs to be changed from Industrial to Residential. The proposal has since been revised and is expected to be in front of the Planning Commission in the next month or so.

Asst. Dir. Zader stated that he met with Pointe Realty and they are proposing a residential development of 80-single family homes on 80-acres between Huntington Park, west of the Mequon Nature Preserve. They are currently outside the sewer boundary and would possibly request a sewer service amendment. He believes that development will be more controversial with the surrounding neighbors who want to keep that area vacant.

He stated there may be a RLF that comes forward, although there has not been an application yet. The business would be in one of the new buildings on Corporate Parkway.

Dir. Tollefson stated that the sign code is in a review process and many changes will be coming forward.

6) Announcements

The next meeting is Tuesday, February 22, 2022, at 8:00 a.m.

7) Adjourn

Motion
Board Member Baka made a motion to adjourn the meeting.
Board Member Engel seconded the motion.
A voice vote was taken; vote was passed (8-0)

The meeting concluded at 9:25 a.m.

Respectfully Submitted,

Kim Tollefson
Director of Community Development

City of Mequon

11333 N. Cedarburg Road
Mequon, WI 53092-1930
Phone: 262-242-3100
Fax: 262-242-9655

www.ci.mequon.wi.us **Office of Community Development**

TO: **Economic Development Board**
FROM: **Kim Tollefson, Director of Community Development**
DATE: **February 24, 2022**
SUBJECT: **Revolving Loan Fund Application for Mind + Neurology**

Background:
The City of Mequon is in receipt of an application by Mind+ Neurology for $100,000 from our Revolving Loan Fund (RLF). Please find attached a memo from Ozaukee County Economic Development Director, Kathleen Cady-Schilling dated February 4, 2022, which summarizes the proposal and analysis.

The request for the loan is to assist with the leasehold improvements. The new clinic will open in the Mequon Corporate Park at 12200 Corporate Parkway. The new business will create a minimum of 5 new full-time equivalent positions as part of the loan application.

The funding request was evaluated by Ozaukee County Economic Development and by an outside financial consultant working on behalf of the City. In addition to the new job creation, the loan approval is contingent upon the use of the owners' private equity and finalization of an approved $2.4M loan by Waukesha State Bank, a 10-year term and amortization, an interest rate of 1.67% and collateral.

Should the Board find the job creation valuable and find that the new business creates economic benefit, then staff recommends use of the RLF dollars.

Revolving Loan Fund Balance: The balance of the city's revolving loan fund is $405,000. These funds are administered by the Department of Commerce and Ozaukee County Economic Development. Action to approve the application by Mind+ Neurology will result in a fund balance of approximately $305,000.

Staff Recommendation:
Planning staff and the Ozaukee County Economic Development Director recommend **approval** of the RLF application, subject to final action by the Common Council with contingencies as recommended by OED and the City's financial consultant, as attached.

Economic Development Board Recommendation:
The Economic Development Board's recommendation will be forwarded to the Finance & Personnel Committee and Common Council for action on March 8, 2022.

A Resolution Approving a Revolving Loan Fund application for $100,000 for Mind+ Neurology, a medical clinic, located at 12200 Corporate Parkway

A. The City Economic Development Board recommended approval of the $100,000 revolving loan fund application for Mind+ Neurology, a medical clinic, located at 12200 Corporate Parkway at their meeting on February 22, 2022, in accordance with the recommendation of Ozaukee County Economic Development: and

B. The Finance & Personnel Committee and Common Council recommended approval of the loan at their meeting on March 3, 2022; and

C. The loan will create a minimum of 5 full-time equivalent jobs; and

D. The loan will be used to assist with leasehold improvements; and

BASED UPON THE FOREGOING RECITALS, IT IS RESOLVED by the Common Council of the City of Mequon, Wisconsin, that:

1. The $100,000 loan application for Mind+ Neurology is approved in accordance with the attached recommendation from Economic Development Board and Finance & Personnel Committee.

2. The Mayor, City Clerk, and other appropriate City staff are directed and authorized to sign and close the loan agreement subject to any clerical, technical and/or legal changes deemed necessary and appropriate by the City Attorney and the following conditions:

- That a $100,000 RLF loan is provided to Mind+ Neurology. The loan would be used the leasehold improvements for their new clinic at 12200 Corporate Parkway.
- That a loan of $2.4 million is provided to the Company by Waukesha State Bank.
- That the RLF loan is provided with a ten-year term and amortization and an interest rate of 1.67 percent.
- That the RLF loan have a six month deferral of principal payments.
- That the loan is secured with the collateral on all business assets and personal guarantees from Mr. Aaron Harr, Mr. Jacob Hart and Dr. Aaron Bubolz.
- That the Company creates at least 5 new full-time equivalent positions within 24 months of the closing on the RLF loan and that the new jobs are made available through the Ozaukee County Workforce Development Center.
- That the Company provides to the County, or its designee, on an annual basis, semi-annual financial statements that are certified by the borrower, annual financial statements that are compiled by a certified public accountant, and signed copies of the corporate Federal income tax return.

Attachments:
OED Memo 02.22.22 (DOCX)

OZAUKEE ECONOMIC DEVELOPMENT

MEMORANDUM

TO: Mequon Economic Development Board

FROM: Kathleen Cady Schilling, Executive Director
Ozaukee Economic Development

DATE: February 4, 2022

SUBJECT: REVOLVING LOAN FUND LOAN: Mind+ Neurology

The purpose of this memorandum is to provide a summary and staff analysis of the request from Mind+ Neurology for a Revolving Loan Fund (RLF) loan for leasehold improvements to open a new clinic in the Mequon Corporate Park. Mind+ Neurology's entire project is 2.65 million dollars and includes $850,000 in leasehold improvements, $200,000 in capital equipment and 1.6 million in working capital. The RLF portion of the loan would be utilized for the leasehold improvements. The business has requested a $100,000 loan.

Background

Mind+ Neurology will be a new clinic with a focus on offering comprehensive care for sufferers of headaches and migraines, including diagnosis, treatment, and continuous care plan management. A complete portfolio of care services, including treatment procedures, will be provided at the clinic as well as offering digital patient care for diagnosis, medication and care plan management for patients throughout Wisconsin and the United States.

The company will be lead by three members with complimentary skills. Aaron Hart will serve as the Chief Executive Officer. Mr. Hart comes GE Healthcare and his last position was as a Senior Project Director for GE Healthcare's Mural Solution. Dr. Aaron Bubolz will serve Chief Medical Officer and Physician. Dr. Bubolz has worked with Aurora in the Neurology field since 2016. Jacob Hart, RN, BSN, MBA will serve as the Chief Operating Officer. Mr. J. Hart is a Health Care Executive working with Aurora Health Care in Patient Care. Mr. Aaron Hart and Dr. Bubolz will each own a 40% share in the company and Mr. Jacob Hart will own 20% share.

The company feels that it has a competitive advantage as there are only five board certified neurologists in Wisconsin and four clinics focusing on headache and migraine management. Only two of these clinics are located in the Milwaukee area and Mind+ has some competitive advantages – one not being connected to any of the current health care systems, allowing them to attract patients from throughout the different systems and its utilization of the digital marketplace allowing them to expand their reach beyond Milwaukee.

The company will be executing its lease at the beginning of the second quarter with a planned opening in October of 2022. Patients will begin soon after. The company has provided the City with detailed financial projects breaking out their costs on a monthly basis. Due to the fact that patients will not be seen until the fourth quarter of 2022 and a significant amount of costs will be expended on the build-out of the space and purchase of equipment, it does show a loss in 2022. With a planned marketing campaign and the development of partnerships with area medical groups, 2023 shows a small profit with the company achieving significant profits by 2024.

The company will be hiring additional employees. Two additional FTEs will be hired for the management team, both a Director of Patient Acquisition and a Director of Revenue. Within two years, an additional 16 FTE and 16 PT employees will be hired to work directly with patient care.

Funding Request

The Company is requesting that the $100,000 RLF loan be provided with a term of ten years and an interest rate of 1.675 percent, with a six month deferral of principal to ease the original start-up costs. The company has received an approval for $2.4 million loan from Waukesha State Bank. Additionally, the owners will be putting in $150,000 in owner's equity into the project.

The collateral available to secure the loan would be a second GBSA on all business assets and personal guarantees from Mr. Aaron Hart, Mr. Jacob Hart and Dr. Bubolz.

The Company has agreed to create at least 5 new full-time equivalent jobs in exchange for the RLF loan (The company plans on hiring 18 new FTE positions and additional PT positions.). The company will use our partner, Forward Careers to promote these positions.

Per Mequon's requirements, OED had this loan reviewed secondarily by Trish McEnerney from BMO Harris. Ms. McEnerney provides this analysis to OED and the City of Mequon. Ms. McEnerney is recommending approval per her review, it reviewing the business plan, she felt that they had a strong competitive advantage due to the field of medicine. She thought that the financials looked solid and that the ability to take private insurance, plus the subscription model strengthens their application.

Contingencies

If the City approves the loan request, it is recommended that the following conditions accompany the approval:

1. That a $100,000 RLF loan is provided to Mind+ Neurology. The loan would be used the leasehold improvements for their new clinic at 12200 Corporate Parkway.

2. That a loan of $2.4 million is provided to the Company by Waukesha State Bank.

3. That the RLF loan is provided with a ten-year term and amortization and an interest rate of 1.67 percent.

4. That the RLF loan have a six month deferral of principal payments.

5. That the loan is secured with the collateral identified above.

6. That the Company creates at least 5 new full-time equivalent positions within 24 months of the closing on the RLF loan and that the new jobs are made available through the Ozaukee County Workforce Development Center.

7. That the Company provides to the County, or its designee, on an annual basis, semi-annual financial statements that are certified by the borrower, annual financial statements that are compiled by a certified public accountant, and signed copies of the corporate Federal income tax return.

* * *