City of Mequon

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Mequon, WI 53092
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ECONOMIC DEVELOPMENT BOARD
Tuesday, July 27, 2021
8:00 AM
Virtual Meeting
Agenda

ELECTRONIC MEETING NOTICE: Pursuant to the current recommendation of the CDC limiting the size of public gatherings and the various federal and state orders implementing that recommendation, and to help protect our community from the Coronavirus (COVID-19) pandemic, this meeting will be held virtually through the GoToMeeting platform with each member accessing the meeting remotely. Citizens may join the meeting online or by phone. Please go to https://global.gotomeeting.com/join/156685141 to join the meeting online or call into the meeting by dialing 1.877.309.2073 and enter access 156-685-141

WRITTEN PUBLIC COMMENTS may be made in writing in advance of the meeting. Written comments should be directed to the Department of Community Development at least 2 hours prior to the meeting by email at DCD1@ci.mequon.wi.us addressed to the intended committee. Written public comment may also be deposited in the drop box at City Hall on 11333 N. Cedarburg Road, Mequon at least 2 hours prior to the meeting. Comments received timely will be forwarded to all members of the body for their consideration.

VERBAL PUBLIC COMMENTS will be accepted only from members of the public who register in advance. Registration shall be made by sending an email to Robin Buzzell at rbuzzell@ci.mequon.wi.us or by leaving a message at 262.236.2902 no later than 2 hours prior to the meeting.

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

2) **Approval of Meeting Minutes from June 29, 2021**
Action requested: review and approve.

3) **Port Washington Road Redevelopment**

4) **Staff Updates**

5) **Announcements**
The next meeting is Tuesday, September 28, 2021, at 8:00 a.m. and it will be in person.

6) **Adjourn**

Dated: July 23, 2021 **/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 p.m.

City of Mequon

See Agenda Packet for
Login and Complete Packet Details
Mequon, WI 53092
Phone:
Fax: 262-242-9655

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ECONOMIC DEVELOPMENT BOARD
Tuesday, June 29, 2021
8:00 AM
Virtual Meeting

Minutes

1) Call to Order, Roll Call

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

2) Approval of Meeting Minutes from May 25, 2021

Action
Mr. Kramer made a motion to approve the meeting minutes from May 25, 2021.
Mr. McClean seconded the motion.
A voice vote was taken; vote passed (6-0)

RESULT:	**Approved [Unanimous]**
MOVED BY:	Board Member, Kramer
SECONDED BY:	Board Member, McLean
AYES:	Carr, Parrish, Baka, Gannon, Kramer, McLean, Sipiora
ABSENT:	Engel, Johnson, Petzold

3) Revolving Loan Fund Application for Aleska Learning Center

1. **RESOLUTION 3857** A Resolution Approving a Revolving Loan Fund Application for Aleksa Learning Center, Located at 1415 Donges Bay Road, in the Amount of $100,000

Kathleen Cady-Schilling, Ozaukee County Economic Development Director, stated that the applicant, Julia Klimkovich, contacted her in April regarding her interest in purchasing and renovating the building at 1415 W. Donges Bay Road for a daycare; Aleksa Learning Center. Her mother, who has 30 years of experience in the daycare industry, will be the director and in charge of the daily operations. Julia will own the building and the business.

Ms. Cady-Schilling explained that both herself and Trish McEnerney, representative from BMO Harris Bank, reviewed the financials as well as the business plan and agrees that Ms. Klimkovich has a strong business plan to support her request for a $100,000 loan. The prime will be 1.75 with a 6-month deferral of principal. She has received a loan of $327,000 from First Citizens Bank but will also contribute her own equity and works full time for Sargento.

Ms. Klimkovich stated that she is very excited about this new business and believes it will be successful as there is a market for high-quality daycare in Mequon. Their program is focused on education and learning, and she believes her mother's experience, 20 years working in daycares in Ozaukee County, will help provide a wonderful daycare experience for local families. She explained that she plans to invest in technology to enhance the communication that parents can have with their children throughout the day. She requested some extended hours from the Planning Commission approval to provide some parent social network opportunities as well as a night for parents to have a date night. She will update the property's landscaping and will decorate the building to be a bright, fun and attractive place for children.

Director Kim Tollefson stated that the RLF is created based on adding new jobs to the city; a commitment of 5 new full-time positions must be created. On June 28, 2021, the Planning Commission did approve the business operations in the CUG, which is required for a daycare use. She commented that no other actions by the city are required as the necessary approvals have been achieved.

The Board asked the applicant about her pricing related to revenue stream. Ms. Klimkovich explained that she built her business plan based on a conservative figure of $280 per week per child. She believes that the market will allow for $290/week. She explained that typically these rates go up 3-5% annually. The fees are paid bi-weekly.

When questioned about loans received, Mrs. Cady-Schilling made a correction to page 11 to discard a sentence that states a loan from First Bank for a 5-year term was received. This was simply a clerical error, and that sentence was left over from a previous document.

There were questions from the Board about the history of the past few owners of this building and whether there is a market for another daycare in the community. Ms. Klimkovich stated that her market research shows that there is a market for this use and specifically that there are waiting lists for newborns. Ms. Cady-Schilling stated that when reviewing this application, Ms. McEnerney confirmed that on the bank business side there is a need for daycares in Mequon.

A Board member asked about the financials of the applicant and Ms. Cady-Schilling answered that the applicant has very strong personal financials, a very high credit score and plenty of personal assets that enabled her to receive the recommendation of approval to the EDB of the requested RLF. She is also maintaining her full-time job which provides a stable income.

There was discussion about the challenge of the ability to hire enough staff given the tight job market. It was commented that it may take longer to build the business to full operating status, but Ms. Klimkovich is stiving to be at full occupancy with 52 students and 12 teachers in two years. She plans to have an incentive program for her staff and to utilize local colleges to attract employees.

Ms. Klimkovich stated she will purchase the building for $385,000 and she will fix the roof after she closes on the property and will she need renovation funds for improvements on site.

Action
Mr. Gannon made a motion to recommend the approval of the requested RLF to the Common Council.
Mr. Kramer seconded the motion.
A voice vote was taken; vote passed (7-0)

RESULT:	**Approved [Unanimous]**
MOVED BY:	Board Member, Gannon
SECONDED BY:	Board Member, Kramer
AYES:	Carr, Parrish, Baka, Engel, Gannon, Kramer, McLean, Sipiora
ABSENT:	Johnson, Petzold

4) Staff Updates

Dir. Tollefson reminded the Board that last spring some of the RLF dollars were shifted to the Emergency Load Funds (ELF) for community businesses that were open to the public, smaller sized and affected by the closures due to the pandemic. Those loans had a maximum dollar amount of $15,000 and there were 20 recipients of the loan with most of them at the maximum loan amount. The payments were deferred until July of 2021, and all the loan recipients have received a courtesy notice that the loan payments are coming due in July. Three of the recipients have already paid back the loan in full and a fourth is expected sometime this week. Once these loans are paid back the funds will replenish the existing $270,000 in the RLF. She commented she believes it was a very successful program provided from the city.

Asst. Dir. Zader updated the Board on a few questions asked at the previous meeting regarding the I-43 project. He explained that the properties on the south end of Port Washington Road, the properties targeted by the Board as high priority, will not be impacted by the construction project.

He stated that he has found some traffic count studies for that corridor, but he is still looking for some projected traffic count studies based on the I-43 project changes.

Asst. Dir. Zader stated that he has been working to create a TIF policy for Port Washington Road that will highlight the targeted properties. He also has some developed some strategies for the properties outside of the Fast-Track Formula. This will be presented to the Board at the July meeting.

Ms. Tollefson stated the following items were approved at the Planning Commission meeting the previous evening:

- A 68-unit assisted living facility on Port Washington Road, just north of the eastside fire station.
- The White Rabbit Bar & Grill was approved for a new outdoor deck to expand seating.
- Life Storage received approval for their master sign plan.
- Last month the Common Council took action for Coops Industries, currently constructing a new building in the industrial park, as a recipient of an industry revenue bond.

5) Announcements

The next meeting is Tuesday, July 27, 2021, at 8:00 a.m. and this meeting will be virtual.

The Board will not meet in August but will meet again in September, which may be in person.

6) Adjourn

Action
Mr. Gannon made a motion to adjourn the meeting.
Mr. Sipiora seconded the motion.
A voice vote was taken; vote passed (7-0)

Respectfully Submitted,

Kim Tollefson
Director of Community Development

City of Mequon

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Office of Community Development

TO:	**Economic Development Board**
FROM:	**Jac Zader, Assistant Director Community Development**
DATE:	**July 27, 2021**
SUBJECT:	**Port Washington Road Redevelopment**

Background

At the May 25th meeting, staff presented to the Board a number of different options to help incentivize development along the Port Washington Road corridor. Based of the feedback from the Board, staff has created a draft incentive policy for the Board to review and provide comment on (see attached).

Analysis

The attached policy includes provides for four different types of incentives. The first incentive, shown as Tier 1, includes what is currently allowed under the fast-track formula. Projects that increase the improvement value by more than 1.5 million dollars are eligible to recoup costs associated with bringing the site back to a green land. The costs are paid back to the developer over a 15-year period. The request does not take into consideration the future use of the parcel and every parcel in both districts are allowed to utilize the formula provided they meet the valuation threshold.

For high priority sites as shown on the attached map, an incentive (Tier 2) may include traditional TIF financing or loans in addition to the fast-track formula. With traditional TIF financing, the incentives are typically paid by the city in the form of a cash incentive paid out to the developer. The total amount of incentive would be capped at a certain percentage of the project cost. While there is not an industry standard, staff has reviewed TIF incentive policies in other communities and believes that a 20-30% incentive cap is typical. Staff has provided a spreadsheet that shows the breakdown of what other incentives in the City have been as a percentage of project cost. The range of percentage of project costs is 2.34% to 18.84%. The 2.34% figure for The Reserve is somewhat of an outlier since they qualified for a much higher incentive but were limited by the overall monetary cap that was instituted for the district by the Common Council. Without including The Reserve, the average incentive is approximately 9%. For this alternative, the project still must comply with the “but for” test and show that the project will generate the increment needed to cover the cost of the incentive. The City’s financial consultant, Ehlers Inc., provides this type of review to the City.

A third type of incentive would allow for projects that do not comply with the fast-track formula to be eligible for an incentive based on improvements to the building or the site. This type of incentive would utilize a portion of the $700,000 in increment that has been generated in the two districts and any potential unallocated increment that is expected. The incentive takes the form of a matching cash grant at a percentage to be determined. Staff believes that there should also be a maximum incentive per project since there are limited funds available. As part of this incentive, criteria will be established to ensure what type of improvements qualify and that there is a visible impact on the Port Washington Road corridor.

The final tool to incentivize improvements along the Port Washington Road corridor would allow the Board to use a portion of existing or future unallocated increment for the planning and implementation of public improvements along Port Washington Road. These improvements would include professional market analysis or consultants for designing improvements such as landscaping, lighting, and signage. The Board would need to decide how much of the $700,000 of existing increment would be used for this effort. This incentive and Tier 3 listed above would be utilizing the same pot of money.

Next Steps

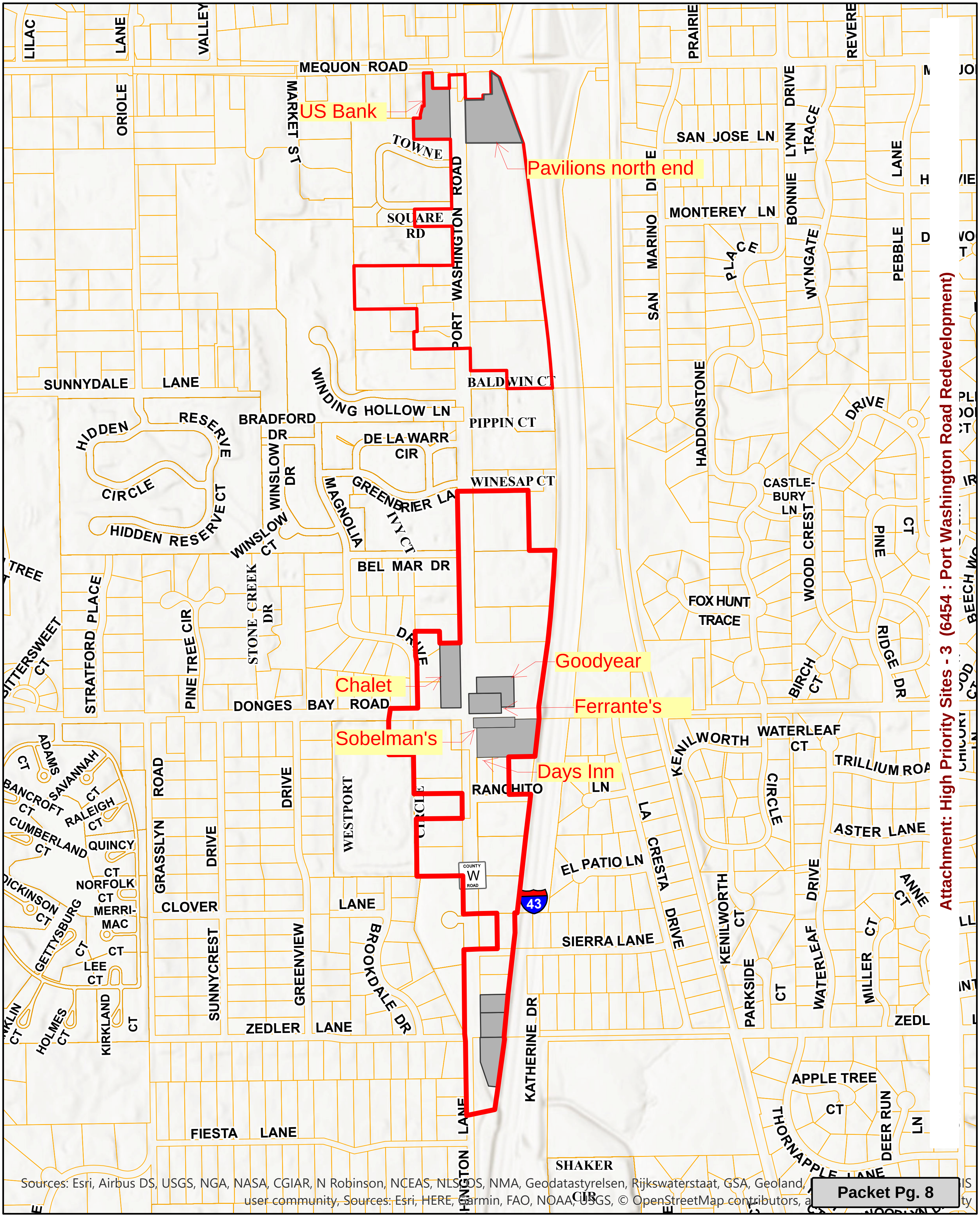
While the project plan gives the city the ability to use any of the tools listed above, any deviation from the fast-track formula would require approval of the Common Council. To avoid uncertainty in the process, staff believes adoption of an overall TIF Incentive Policy would provide clarity to the Board and to developers/stakeholders as well as streamline the process. Therefore, the Board, with staff assistance, will finalize standards for each type of incentive and eligibility criteria in September and provide a recommendation to the Common Council in October.

END OF MEMO

Attachments:
High Priority Sites - 3 (PDF)
TIF incentive contribution (XLSX)
TIF Guidelines Mequon (DOCX)

TIF 4 & 5 HIGH PRIORITY SITES

3.1.a



Attachment: High Priority Sites - 3 (6454 : Port Washington Road Redevelopment)

City of Mequon

TIF Incentive History

	Project Cost	Incentive	Percentage	Type
Outpost	$4,200,000	$328,000	7.81%	PAYGO
Artesa	$8,000,000	$646,000	8.08%	PAYGO
MTC1	$15,700,000	$1,800,000	11.46%	Direct Incentive
Reserve	$10,700,000	$250,000	2.34%	PAYGO
Foxtown	$50,000,000	$4,500,000	9.00%	PAYGO
Concord 39	$1,500,000	$283,000	18.87%	PAYGO
Concord 40	$2,000,000	$160,750	8.04%	PAYGO
Self Storage	$4,650,000	$462,000	9.94%	PAYGO
Spur 16	$28,000,000	$1,700,000	6.07%	Land cost

TIF Guidelines for TIF#4 and TIF#5

The following guidelines have been created by the Economic Development Board of the City of Mequon to help direct and evaluate requests for financial assistance in TIF districts #4 and #5. Modifications to these guidelines will require Economic Development Board and Common Council approval.

I. Purpose

The purpose of this policy is to provide guidance regarding the City of Mequon's use of Tax Increment Financing (TIF) in Districts #4 and #5.

II. Goal

The goal of the City of Mequon's use of Tax Increment Financing is to diversify its economic base through the retention and expansion of existing businesses, the redevelopment of the areas that are blighted or in need of redevelopment, the attraction of new commercial sites and employment centers and other projects of special community interest. These goals will help to establish new employment opportunities for our residents and expand our tax base. These guidelines are intended to provide general direction on the use of TIF funds.

III. Primary Objectives

A. Implement a proactive approach to local economic development through public/private partnerships.
B. Align financial programs/tools with new zoning regulation to facilitate the redevelopment and attract desired and marketable land uses revitalization of the Port Washington Road Corridor.
C. Acquisition and consolidation of small (define per TID) sites for comprehensive redevelopment opportunities
D. Enhance architectural and site design to improve the aesthetic quality of the commercial corridor.
E. Assist City in implementing its overall economic development goals.

IV. Project Evaluation Criteria

The following criteria shall be meet for consideration of TIF assistance.

- Project shall conform to existing plans and land use regulations.
- Project help to implement the City's overall economic development strategy.
- Proposed project shall increase the City's tax base.

- City's assistance shall be determined necessary in order to make the project feasible through a financial pro forma assessment by the City's financial consultant.
- Proposed development incentives shall not exceed the projected tax increments generated by the project over the life of the TIF District.
- Developer shall agree to guarantee that tax increments will be available for all TIF costs that are actually incurred subject to a Development Agreement.
- Proposed project shall assist in achieving other policy goals established by the City Council, including:
- Project meets an identified need to target need of the city. Including:
- Project shall enhance or improve the profitability and/or marketability of existing businesses in the area by:
- Project shall enhance or improve the aesthetics of the building and site conditions by achieving Building and Site Plan approval.

Commented [KT1]: Yet to be determined.

Commented [KT2]: Yet to be determined.

Commented [KT3]: Yet to be determined.

V. Financing

1.“Pay as you Go” TIF – The City will use the “pay as you go” TIF Districts as a method to help reduce the financial exposure of the City. Under this financing method the developer pays for the upfront costs of the project. The City would provide a Municipal Revenue Obligation (MRO) which establishes the criteria for payments to the developer from future tax increment to allow them to recoup a portion of their initial investment. The Fast-Track formula shall be used to determine the amount of incentive available for the project and all criteria must be met.

2.Traditional TIF Assistance – Traditional TIF assistance may take the form of City reimbursement for specific project costs, public infrastructure or economic incentive grants provided to a developer in return for meeting certain development criteria. If such assistance requires borrowing by the City, additional guarantees may be required of the applicant.

Commented [KT4]: Criteria yet to be determined

3.Combined Pay as you Go and Traditional Models – Some projects may be eligible for some upfront costs, with the remainder of the project being paid over time as taxes are paid on the new project.

4.Traditional Loan. The City may provide financing in the form of a loan at project start (e.g. after completion of the development agreement and within 60 days of receiving all necessary building permits). The terms of the loan (i.e. interest rate, amortization schedule, collateral) will be negotiated as part of the development agreement.

VI. TIF Incentive Criteria

All requests for TIF assistance will be required to demonstrate that the tax increment estimated to be generated by the project will be sufficient to payback any TIF assistance provided by the City (including applicable interest expenses) in support of the project. In order to meet the "but for" test, it must be demonstrated that the project would not take place at the desired level or timeframe without TIF assistance. Projects that would be likely to proceed without receiving TIF funds will g not be eligible for assistance.

A. Tier 1 Incentive

Projects not located in a high priority area, the fast-track formula shall be used to calculate the incentive. The incentive will utilize the Pay-As-You-Go (Developer Financed) structure with a maximum payment of 15 years or the life of the district which ever comes first. The project must create a minimum value of 1.5 million over the existing improvement value.

B. Tier 2 Incentive

Projects within a high priority area that include a desired use, the maximum amount of assistance shall not exceed 20-30% of the estimated total project costs, with the final percentage within each form of financing determined by the ED Board. The incentive may include a combination of Pay-As-You-Go (Developer Financed), Traditional TIF assistance (upfront cash incentives), or a Traditional Loan.

Commented [KT5]: Yet to be determined via new g

Commented [KT6]: Defined range yet to be deter l

C. Tier 3 Incentive

For projects that include minor site or building renovations that are not eligible under the fast-track formula, the City may provide assistance in the form of a cash grant or Pay-As-You-Go (Developer Financed) based on a % match of the cost of the project. The maximum incentive for a project may not exceed $$. Criteria?

Commented [KT7]: Yet to be determined

D. Tier 4 Incentive

The Board may consider using existing or future unallocated increment for the planning and implementation of public improvements along Port Washington Road including but not limited to studies, expert consultants, lighting, landscaping, signage, and public art. The amount of money used for these improvements will be based on the amount of existing and future unallocated increment not to exceed $$.

Commented [KT8]: Yet to be determined

VII. Developer Requirements

Guarantees: In order to receive direct TIF assistance, a developer must agree to provide guarantees to the city to cover any shortfall in costs not paid by increment. These may include construction guarantees, letters of credit, personal or corporate guarantees and/or minimum payment agreements.

Commented [KT9]: DA and other DA standards to listed and yet to be determined.

Financial Information: The business receiving the development incentives shall provide the City with sufficient financial information to document that the business is financially stable. Personal financial records will remain confidential subject to the requirements of the Wisconsin Open Records law.

VIII. High Priority Sites

High priority sites are those defined by the EDB as shown on the attached map.