City of Mequon

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

ECONOMIC DEVELOPMENT BOARD
Tuesday, September 28, 2021
8:00 AM
Christine Nuernberg Hall
Mequon City Hall
11333 N Cedarburg Road

AGENDA

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

2) **Approval of Meeting Minutes from July 27, 2021**
Action requested: review and approve.

3) **Port Washington Road Redevelopment**

4) **Guest Speaker: Mark Flaherty, Managing Partner, Jackson Street Holdings LLC., a leading hotel development, renovation, and management company.**

5) **Staff Updates**

6) **Announcements**
The next meeting is Tuesday, October 26, 2021, at 8:00 a.m.

7) **Adjourn**

Dated: September 17, 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.

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ECONOMIC DEVELOPMENT BOARD
Tuesday, July 27, 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 Tracy Johnson
Board Member Michael Kramer
Board Member Jeff McLean
Board Member Bruce Sipiora
Board Member Andrew Petzold **-- Absent**

2) Approval of Meeting Minutes from June 29, 2021

It was suggested that the amount of equity that the applicant of the RLF put up should be included. It was requested that the bank that provided the loan be checked to ensure it is the correct bank.

Action
Ald. Parrish made a motion to approve the meeting minutes from June 29, 2021.
Mr. McClean seconded the motion.
A voice vote was taken; vote passed (8-0)

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

3) Port Washington Road Redevelopment

Asst. Dir. Zader stated that a memo, map and spreadsheet are included in the Board packet along with the draft policy for TIF 4 and TIF 5. He explained that based on discussion at the May meeting he put together criteria for review. The draft policy has some track changes that are meant to illicit feedback from the Board.

He stated there are 4 tiers of incentives:

1. Current Fast-Track Formula – no change.
2. High Priority Sites – as shown on the map.
    - Desired uses in the district and a combination of different incentives that can be used; traditional cash grant to developer, Fast Track pay as you go or a loan.
    - Incentive cap of 20-30% of project cost. Board needs to decide on this.
3. Projects that would not meet the Fast-Track Formula that are outside the high priority sites; mainly for minor improvements:
    - Façade improvements
    - Site work (example: Steins)
4. Public Improvement – the Board needs to determine what part of the available funds should be used.

Staff needs the Board to provide feedback and to decide what incentives to offer as the Board will ultimately need support from the Council before moving forward.

Asst. Dir. Zader reviewed the targeted high priority sites as the Board has previously identified the two entrances into the city and that they believe there are better uses for these sites:

- US Bank site to the north and the north side of the Pavilions
- South end of Port Washington Road – 3 sites (Port Zedler Motel, Park Place multi-tenant building and multi-tenant building with the day care).
- A few other sites: Ferrante's, Sobelman's, Good Year – these sites are relatively small where optional incentives may be helpful for redevelopment or assemblage.

The Board discussed various sites, the priority sites and the opportunity for assemblage. There was feedback that most of the properties in this corridor need redevelopment, site or building improvements and not demolition; thus, new incentives should fit this scenario. Staff asked the Board for feedback on criteria that should be included in new incentives.

There was general discussion and questions by the Board.

Member Gannon stated he believes that a review of the criteria for the Fast-Track Formula is an appropriate next step as well as to determine whether there could be some reductions or increases in the current formula. He also believes that assemblage should be a priority factor. He added that beautification efforts should be a separate item as there may be other areas in the community that are also in need of these efforts.

4) Staff Updates

Dir. Tollefson gave an update on current projects:

- A few subdivisions final plats have been approved.
- Copps Industries in the Business Park is moving forward. They received an industrial revenue fund as a part of their project.
- Staff is receiving a lot of inquiries about additional redevelopment in Town Center for underutilized properties; generally, the loop around Weston and Buntrock.

5) Announcements

The next meeting is September 28, 2021, at 8:00 a.m. in person at City Hall.

6) Adjourn

<u>Action</u>
Chairman Carr made a motion to adjourn the meeting.
Mr. Gannon seconded the motion.
A voice vote was taken; vote passed (8-0)

Respectfully Submitted,

Kim Tollefson
Director of Community Development

City of Mequon

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

TO: **Economic Development Board**
FROM: **Jac Zader, Assistant Director Community Development**
DATE: **September 28, 2021**
SUBJECT: **Port Washington Road Redevelopment**

Background
At the July 27th meeting, staff presented to the Board a draft incentive policy for the Board to review and provide comment on. The policy included four different types of incentives that could be used to spur redevelopment of the Port Washington Road corridor. While there was discussion of the different incentive options, staff did not receive clear direction from the Board on how to move forward. Staff is providing the policy and memo from July in the current packet in advance of the meeting to give the Board additional time to review the document and reach out to staff prior to the meeting if needed to formulate recommendations. This should result in a detailed discussion of what parts of the policy, if any, the Board would like to recommend to the Common Council for review.

The Common Council and staff are preparing for strategic planning on an organization wide basis. The collaborative discussions will kick off in January of 2022. Efforts by the Economic Development to develop and recommend modifications for the Port Washington Road corridor now are important to preparing for the strategic planning and the implementation of such.

END OF MEMO

Attachments:
July 27, 2021 Memo (DOC)
High Priority Sites - 3 (PDF)
TIF incentive contribution (XLSX)
TIF Guidelines Mequon v2 (DOCX)

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www.ci.mequon.wi.us **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.

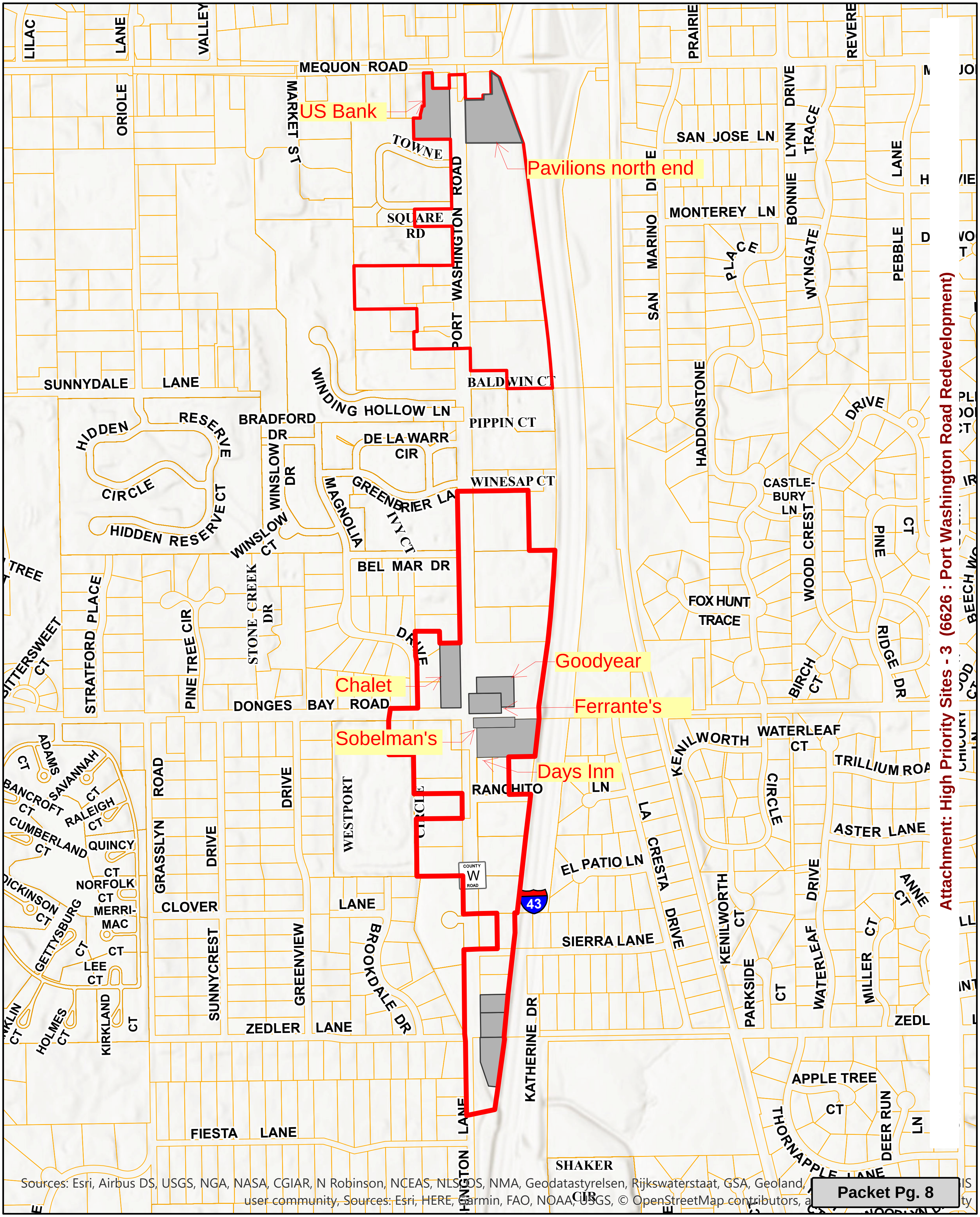
Next Steps

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



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. Variations from these guidelines may be considered for projects that are providing extraordinary benefits to the community in terms of tax base, job creation or retention or other clear advantage to the local economy.

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 project 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. The City Council with a recommendation of the Economic Development Board may choose to deviate from these guidelines if appropriate for project of special economic or community interest.

III. Primary Objectives

A. To implement a high-profile proactive approach to local economic development through public/private partnerships.
B. To facilitate the redevelopment and revitalization of the Port Washington Road Corridor.
C. To assist City in implementing its overall economic development goals.

IV. Project Evaluation Criteria

The following criteria will be used in evaluating request for TIF assistance. Other factors may be considered as well on a project-by-project basis.

- Does the proposed project conform to existing plans and land use regulations?
- Does the proposed project help to implement the City's overall economic development strategy?
- Does the proposed project increase the City's tax base?
- Is the City's assistance needed in order to make the project feasible?

- Will the cost of the proposed development incentives exceed the projected tax increments generated by the project over the life of the TIF District?
- Will the developer guarantee that tax increments will be available for all TIF costs that are actually incurred?
- Would the proposed project assist in achieving other policy goals established by the City Council?
- Does the project meet an identified need to target need of the city?
- Will the project enhance or improve the profitability and/or marketability of existing businesses in the area?

V. Financing

The City may consider any or all of the following financing approaches depending on the nature of the project.

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 provide 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.

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.

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 generally 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.

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?

D. Tier 4 Incentive
The Board may consider use existing or future unallocated increment for the planning and implementation of public improvements along Port Washington Road including but not limited to 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 $$.

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.

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.