

FINANCE COMMITTEE
FEBRUARY 11, 2019 AT 7:21 P.M.
POLICE DEPARTMENT – 933 MICHIGAN AVENUE

PRESENT: Ald. Phillips, Slowinski, Shorr, Morrow, and Johnson

ALSO

PRESENT: C/T Ladick; City Attorney Beveridge; Clerk Piotrowski; Director Schrader, Ostrowski, Lemke, Beduhn; Fire Chief Finn; Asst. Chief Rottier; Deputy C/T Freeberg; Ald. Kneebone, McComb, Dugan, Jennings, and Nebel; Brandi Makuski; Brian Beaulieu; Joy Hannemann; Brent Dahlstrom

ITEM #1 – PRESENTATION ON TAX INCREMENTAL FINANCING (TIF).

C/T Ladick gave a brief presentation on the concept of TIF, and that it is an important to grow the property tax base, since we are heavily reliant on property taxes to fund local government services. He showed a comparison of growth due to new construction for municipalities in Portage County that use TIF, versus municipalities that do not. The results showed that municipalities that use TIF have higher growth.

Ald. Nebel expressed concerns related to housing, and questioned if TIF is used to construct apartment buildings, if that will create housing challenges due to oversupply.

C/T Ladick responded that while the presentation wasn't focused on a specific development agreement, or type of development, housing quality is an important topic. He noted that TIF also can help address housing concerns, and a valuable component is the ability to extend a district for a year at closing, and use the increment for housing.

ITEM #2 – CAPITAL REALLOCATION REQUEST – TRANSIT.

Ald. Shorr questioned why reallocation requests need to come to the committee. He stated that he considers that to be good management and good stewards of the City money, so why would that need approval.

Director Lemke stated that these are items that were budgeted in the capital budget and money is allocated for each item. This is the surplus left over from two Transit line items and they are requesting to spend it on something other than what it was allocated for. They allocated \$445,000 for local share of Transit buses and \$50,000 for cameras and other related equipment. These projects are near completion and they will have a surplus of \$50,822. They would like to use this surplus towards an HVAC issue they are having at the Central Transportation Department.

Motion made by Ald. Johnson, seconded by Ald. Shorr, to approve the transfer of the unexpended capital dollars from the buses and cameras, and reallocate them to the HVAC project, as described in the packet.

Ayes: All Nays: None Motion carried.

ITEM #3 – CAPITAL REALLOCATION REQUEST – DEPARTMENT OF PUBLIC WORKS.

Motion made by Ald. Slowinski, seconded by Ald. Johnson, to approve the capital reallocation request from the Department of Public Works to use the remaining 2017 and 2018 capital dollars that were allocated towards streets building upgrades towards replacing the air handling unit located on the parks end of the streets garage.

Ayes: All Nays: None Motion carried.

ITEM #4 – FUNDING FOR ENERGY EFFICIENCY PROJECTS.

C/T Ladick stated there was a goal set, in the long-term capital plan from several years ago, to spend at least \$50,000 per year on energy efficiency projects. Unfortunately, the capital budgets have been tight, making it difficult to get that money put in for that purpose. He has been trying to find other ways to fund it and has found that from 2018, there was \$31,130 left in the building maintenance capital line item. He suggested that the \$31,130 be used towards energy efficiencies. He stated he would ask the departments to look for what could be done with the money, such as LED lighting, HVAC upgrades, etc. and then use that money to fund the projects. The staff, in various departments, have worked quite a bit with Focus on Energy with a lot of success and they would make a good partner in helping to evaluate facilities and identify the easiest improvements to make. They have also assisted us in getting rebates.

Ald. Johnson stated she thinks this is a good idea and questioned if we have ever had an energy audit done. She stated that by doing the audit, it would give a baseline so that we would know where the best return on investment would be.

C/T Ladick stated that the Fire Department did an LED upgrade and the Chief did monitor the impact. He also stated Director Schrader also used them for items with the Willett Arena.

Chief Finn stated in the Fire Department, between the new windows, LED lights, timers, green hinges, etc. their energy bills have dropped by about 30%.

Director Schrader stated that at the Willett Arena over the past 15 years, WPS told him that they would have had a 40-45% increase in the cost of utilities at that building without the efficiency improvements. He stated with the new refrigeration system, they will see a decrease in the range of 40-45%. LED lighting is also being done and will reduce the cost.

Ald. Shorr stated that he and Ald. McComb have been working closely with the Mayor in similar lines as part of their Green Tier Legacy Communities effort and they are working on developing a system of spreadsheets to capture these things.

Motion made by Ald. Johnson, seconded by Ald. Morrow, to approve a standing policy that would allocate remaining funds from the capital budget building maintenance account to energy efficiencies as outlined in the memo.

Ayes: All

Nays: None

Motion carried.

ITEM #5 – DEVELOPMENT AGREEMENT RELATING TO THE PROPERTY AT 1017 THIRD STREET (PARCEL ID 281240832200301).

Director Ostrowski stated this is regarding development on the former Lullabye site, which is on the north edge of our downtown between the denser downtown and the single family neighborhood to the north. This development would have two four-story buildings on the southern edge of the site, mixed use with commercial storefronts on the first floor and residential on floors 2, 3 and 4. There would be a residential building on the northwest side of the site and then 11 townhomes bordering the north. The Development Agreement states that the developer would agree to construct phase 1, starting no later than December 31, 2019, which would include the two four-story mixed use buildings. Phase 1 would need to be completed by September 30, 2021 and the remaining would be done in phase 2, which would need to be completed by December 31, 2022. The developer would need to guarantee a minimum of value of \$20 million by January 1, 2022 and a minimum value of \$25 million by the beginning of 2023. The value would need to be held at the \$25 million for the term of the agreement to receive all the incentives that are being proposed. The City's obligation would be to provide a \$3 million incentive upfront, which would be provided after the development is completed for phase 1. If those buildings do not hit \$20 million for the first phase, the incentive would be prorated based off a percentage. The second part of the incentive is if the development reaches \$25 million by the time frame indicated, they would receive 100% of the excess increment back to them through 2041. The increment would be minus the debt service we would need to cover the incentive payment for the upfront incentive. The Redevelopment

Authority's obligation would be to sell the land to them for \$1. He went on to state that the downtown core is assessed at just over a million dollars per acre and as it moves to the north transition area, the value drops significantly due to a tax-exempt entity and a lot of parking lots. He stated that as we shift to 1017 Third Street, with the proposed development, we would be looking at a \$6.3 million per acre value, which would far surpass anything we have in that area.

Ald. Morrow questioned if the release of the \$3 million depends on occupancy of both the retail and the residential. Director Ostrowski replied that it is when phase 1 of the buildings are complete and ready to be occupied. It does not have to be fully occupied, but rather when they have signed off for a final building inspection by the Inspection Department.

Ald. Slowinski questioned if potential vacancy affects the value. Director Ostrowski replied that they are paying the upfront incentive in one lump sum. If the buildings came in at \$10 million, they would only get \$1.5 million.

City Attorney Beveridge stated when talking property assessments, there are a couple different approaches to value. If you had a long-standing building, you could look at what is called an income approach and you would be able to see the rent that the building is generating. With new commercial construction, you are looking at the cost that went into building it. Ald. Slowinski stated he is concerned over the value dropping, and any risk, once we give them the lump sum incentive.

C/T Ladick stated that regarding the risk of an assessment change, first of all they would have to hit the \$20 million in value to get the \$3 million. The amount of value that we need to cover the debt service payment for that is \$11,425,000. If the assessment would drop by \$5 million, we would still be covered on the debt service, so we do have some cushion there. If the value would drop, the pay-as-you-go incentive would be less.

City Attorney Beveridge stated that in section 4.1 sub 6, there is a secondary level of protection also as the developer is guaranteeing an amount of revenue that would be generated based on a valuation of that amount and if it were to drop below that, they would have to make that up with a differential payment.

Ald. Slowinski stated that this property has been sitting empty for a long time and he thinks it is an awesome development. He believes this will continue to move the downtown in a positive direction.

Motion made by Ald. Slowinski, seconded by Ald. Shorr, to approve the development agreement relating to the project at 1017 Third Street.

Mary Ann Laszewski, 1209 Wisconsin Street, stated she is opposed to the development because she is afraid this could leave a lot of current rentals vacant, which she feels would decrease property values. She also stated that she feels that there is not enough parking for this big of a development and feels that it is going to cause problems.

Ayes: All Nays: None Motion carried.

ITEM #6 – APPROVAL OF CLAIMS PAID.

Motion made by Ald. Morrow, seconded by Ald. Johnson, to approve the claims paid in the amount of \$11,683,933.42.

The claims were discussed.

Ayes: All Nays: None Motion carried.

ITEM #7 – ADJOURN INTO CLOSED SESSION (APPROXIMATELY 8:00 P.M.) PURSUANT TO WISCONSIN STATUTES 19.85(1)(E) (DELIBERATING OR NEGOTIATING THE PURCHASING OF PUBLIC PROPERTIES, THE

INVESTING OF PUBLIC FUNDS, OR CONDUCTING OTHER SPECIFIED PUBLIC PROPERTIES, THE INVESTING OF PUBLIC FUNDS, OR CONDUCTING OTHER SPECIFIED PUBLIC BUSINESS, WHENEVER COMPETITIVE OR BARGAINING REASONS REQUIRE A CLOSED SESSION) AND WISCONSIN STATUTES 19.85(1)(G) (CONFERRING WITH LEGAL COUNSEL FOR GOVERNMENTAL BODY WHO IS RENDERING ORAL OR WRITTEN ADVICE CONCERNING STRATEGY TO BE ADOPTED BY THE BODY WITH RESPECT TO LITIGATION IN WHICH IS OR IS LIKELY TO COME INVOLVED) ON THE FOLLOWING: A. NEGOTIATING THE TERMS OF A DEVELOPMENT AGREEMENT RELATING TO A POSSIBLE PROJECT IN TIF 9. B. CONSIDERATION OF LEGAL OPTIONS FOR NON-PERFORMANCE OF CONTRACT – ARTITECTS GROUP LIMITED-EDGEWATER MANOR ARCHITECTURAL DESIGN SERVICES. C. CONSIDERATION OF LEGAL OPTIONS FOR NON-PAYMENT OF CONTRACTUALLY-OBLIGATED PAYMENT IN LIEU OF TAXES (PILOT)-CLAM LAKE/IMPACT 7/JOHN SLABY VILLA.

Motion made by Ald. Slowinski, seconded by Ald. Johnson, to adjourn into closed session at 8:27 P.M.

Roll Call: Ayes: Ald. Phillips, Slowinski, Morrow, Shorr, and Johnson
Motion carried.

Nays: None

Adjournment at 9:06 P.M.