

*****ATTACHMENTS*****

CITY OF SHEBOYGAN

REQUEST FOR JOINT REVIEW BOARD CONSIDERATION

ITEM DESCRIPTION: 2.4 Review and discuss project plan amendment for Tax Increment District (TID) No. 13.

REPORT PREPARED BY: Chad Pelishek, Director of Planning and Development

REPORT DATE: March 30, 2017

MEETING DATE: April 4, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS: The City of Sheboygan created TID 13 in October 2005 to provide senior housing development incentives to Landmark Square development. A year or so ago, the former Sheboygan Senior Nursing Facility vacated their property for new facility in the Town of Sheboygan. Jos Schmitt and Sons Construction purchased the property and be renovating the building into dorm-style residential units. This is a project plan amendment only, no boundary changes. The Project Plan amendment will provide a development incentive to The Founder’s Club, LLC and share excess revenue with TID 16.

STAFF COMMENTS:

The Founders Club project will provide much needed housing for interns and co—op students working in our factories and resorts. Prior to be purchased by Jos Schmitt and Sons this property was tax exempt. The proposed project will put the property back on the tax rolls. City staff has worked very hard to develop an incentive that works for both the City and the Developer and recommends approval of the Project Plan.

Secondly, the development incentive for Landmark Square development will be paid off in 2017 and The Founder’s Club proposed development incentive will be paid off in 2019, leaving approximately \$370,000 in excess increment. Sharing the increment with TID 16, , the downtown Sheboygan TID makes sense due to the development incentives that were provided to secure the downtown market rate apartment developments.

ACTION REQUESTED:

Motion to approve the Project Plan Amendment for Tax Incremental District 13 to provide a development incentive to The Founder’s Club, LLC. and share excess increment with TID 16.

ATTACHMENTS:

- I. TID 13 Project Plan Amendment No. 1

CITY OF SHEBOYGAN, WISCONSIN

Tax Incremental District 13

PROJECT PLAN AMENDMENT No. 1



Joint Review Board Organizational Meeting Held: April 4, 2017

Public Hearing Held: April 11, 2017

Adopted by Plan Commission: April 11, 2017

Adopted by City Council: May 1, 2017

Anticipated Approval from Joint Review Board: May 8, 2017

May 2017

Tax Incremental District 13,
Amendment No. 1

City of Sheboygan Officials

Common Council

| | |
|---------------------|----------------|
| Michael Vandersteen | Mayor |
| Mary Lynne Donohue | Council Member |
| John Belanger | Council Member |
| Todd Wolf | Council Member |
| Scott Lewandoske | Council Member |
| Tammy Rabe | Council Member |
| Michael Damrow | Council Member |
| Job Hou-seye | Council Member |
| Rosemarie Trester | Council Member |
| Bill Thiel | Council Member |
| Julie Kath | Council Member |
| Mark Hermann | Council Member |
| Bryan Bitters | Council Member |
| Susan Lessard | Council Member |
| Joseph Heidemann | Council Member |
| James Bohren | Council Member |
| Roman Draughon | Council Member |

City Staff

| | |
|-------------------|------------------------------------|
| Darrell Hofland | City Administrator |
| Chad Pelishek | Director of Planning & Development |
| Steven Sokolowski | Manager of Planning & Zoning |
| Charles Adams | City Attorney |
| Susan Richards | City Clerk |
| Nancy Buss | Finance Director |

PROJECT PLAN AMENDMENT
TAX INCREMENTAL DISTRICT 13
AMENDMENT ONE
THE FOUNDERS CLUB AND TID REVENUE SHARING

Introduction

The City of Sheboygan (City) proposes to amend Tax Incremental District (TID) 13 to provide a development incentive to The Founders Club, LLC and to share excess increment with TID 16. The City created TID 13 to provide development incentives for a senior housing project known as Landmark Square. TID 13 was certified by the Wisconsin Department of Revenue on January 1, 2006 with a certified base value of \$294,400. To date, no project plan or territory amendments have been filed for this TID.

With this amendment to TID 13, the City proposes to complete two items; new development incentive and sharing of excess revenue. The Founder's Club, LLC has purchased the former Sheboygan Senior Community property which is located in the boundaries of TID 13. The developer is renovating the former nursing home into dorm-style housing units for local employers to house interns and co-op employees on a temporary basis. Phase 1 of the project to create housing for approximately 150 occupants is complete. Phase 2 of the project to create housing for approximately 100 more occupants has requested a development incentive as gap financing to bridge the amount the lender is providing and the amount that developer is contributing towards the project.

Development incentives were provided to the Landmark Square project which began in 2007. The development incentive provided for this project will be complete as of September, 2017. The result of this will leave approximately \$394,216 in excess increment in the district. The City anticipates that by 2019, the district will have approximately \$374,000 in excess increment that could be shared with TID 14 and/or TID 16.

Authorizing the donor district to share increments with the recipient district will provide additional resources needed to assist the recipient district in accomplishing the economic development goals set forth in its Project Plan. Without this assistance, it is unlikely this will happen, or will happen within the timeframe, or at the levels projected. The application of the donor district's surplus increment, as permitted by Wisconsin Statutes, promotes the overall economic development of the City to the benefit of all overlapping taxing jurisdictions.

Summary of Findings

As required by s.66.1105 Wis. Stats and as documented in the Project Plan Amendment and the exhibits contained and referenced herein, the following findings are made:

1. That “but for” amendment of TID 13 Project Plan, the new development associated with The Founders Club, LLC. and the donor district assisting another district will not advance the City’s economic development goals in this Project Plan: 1) would not occur; or 2) would not occur in the manner, at the values, or within the timeframe desired by the City. In making this determination, the City has considered the following information:

- In order to make the accommodate plans to redevelop the former Sheboygan Senior Community Center (Phase 2), the City will need to induce redevelopment by offering incentives. Due to the extensive investment needed in this property, the City has determined that redevelopment would not occur solely as a result of private investment. Accordingly, the City finds that absent the use of TIF, redevelopment of the Founders Club Phase 2 would like not occur.
- Current and projected tax increment collections for the recipient district will be insufficient to pay for project costs already incurred and/or the additional projects that need to be completed in TID 16 to achieve the objectives of its Project Plan.
- **That “but for” amendment of TID 13 Project Plan, the economic development objectives will not be achieved.** In evaluating the appropriateness of the proposed amendment, the Joint Review Board must consider “whether the development expected in the tax incremental district would occur without the use of tax incremental financing. The purpose of this amendment is provide incentive to type of development not currently in the market and will be meet the City goals as it relates to the economic development initiatives and additional housing opportunities located in our downtown district.

2. The boundaries of the District are not being amended. The former Sheboygan Senior Community Center is located in the original TID boundaries as established in 2006.

3. Based upon the findings as stated above, and the original findings as stated in the Creation Resolution the District remains a blighted area within the meaning of Section 66.1105(2)(a)1. of Wis. Stats.

Listing of Kind, Number and Location of Proposed Improvements

Cash Grant (Development Incentives). The City may enter into agreements with property owners, lessees, or developers of land located within the District for the purpose of sharing costs to encourage the desired kind of improvements and assure tax base is generated sufficient to recover project costs. No cash grants will be provided until the City executes a development agreement with the recipient of the cash grant. Any payments of cash grants made by the City are eligible Project Costs.

Donor District. This amendment provides the authority of the Donor District to allocate surplus increments with the Recipient District. No other additional projects costs are involved, and the statement of kind, number and location of proposed public works and other projects as documented in the original Project Plan documents remains in effect.

Map Showing Existing Uses & Conditions. The map provided below shows the originally approved boundaries of the district. This amendment does not change the boundaries of the district. It is provided for reference.



Equalized Value Test

No additional territory will be added to the District. Demonstration of compliance with the equalized value test is not required for the Amendment.

Map Showing Proposed Improvements and Uses

There will be no change to District boundaries, nor any changes to the proposed improvements or uses within the District as result of this amendment. A copy of this map showing the boundaries of the TID can be found on the prior page.

Detailed List of Project Costs

1. This amendment provides for upfront forgivable development incentives in the amount of \$390,000 to be provided to The Founder's Club as part of the former Sheboygan Senior Community Center redevelopment project per a Developer's Agreement between the City of Sheboygan and The Founders Club approved by the Common Council on March 6, 2017.
2. This amendment also provides the authority for the Donor District (TID 13) to allocate surplus increments with the Recipient District (TID 14 and/or 16).

Economic Feasibility Study

This project plan amendment allows for tax increments from the proposed \$2,600,000 in new valuation to be used to forgive up to \$390,000 of costs associated with The Founder's Club proposed project. The estimated repayment of this forgivable period is six years.

This project plan amendment also allows the Donor District(s) to allocate positive tax increments to the Recipient District(s). The authority for this amendment is Wisconsin Stats. 66.1105(6)(f) which provides for the allocation of increments providing that the following are true:

- The Donor District(s), the positive tax increments of which are to be allocated, and the Recipient District have the same overlying taxing jurisdictions.
- The allocation of tax increments is approved by the Joint Review Board.
- The Donor District(s) is able to demonstrate, based on the positive tax increments that are currently generated, that it has sufficient revenues to pay for all project costs that have been incurred under the Project Plan for that District and sufficient surplus revenues to pay for some of eligible costs of the Recipient District(s).

- The Recipient District(s) was created upon a finding that not less than 50 percent, by area, of the real property within the District is blighted or in need of rehabilitation, or the project costs in the District are used to create, provide, or rehabilitate low-cost housing or to remediate environmental contamination.

The Exhibits following this section demonstrate that the Donor District(s) will be generating sufficient tax increments in six years after all debt is paid off, and the surplus tax increments remain that can be allocated to pay some of the project costs of the Recipient District(s). Accordingly, the statutory criteria under which this amendment can be approved are met.

Tax Increment for TID 13

| Budget Year | Equalized Value of Site | Base Value | Value Increment | Tax Increment | Development Incentive | City Share | Excess Increment |
|-------------|-------------------------|------------|-----------------|---------------|-----------------------|------------|------------------|
| 2008 | 297,300 | 294,400 | 2,900 | 72 | | 72 | |
| 2009 | 8,963,700 | 294,400 | 8,669,300 | 217,070 | 195,363 | 21,707 | |
| 2010 | 9,390,700 | 294,400 | 9,096,300 | 348,242 | 313,418 | 34,824 | |
| 2011 | 13,264,400 | 294,400 | 12,970,000 | 343,741 | 309,367 | 34,374 | |
| 2012 | 9,775,200 | 294,400 | 9,480,800 | 257,294 | 231,564 | 25,730 | |
| 2013 | 9,259,500 | 294,400 | 8,965,100 | 246,624 | 221,962 | 24,662 | |
| 2014 | 9,246,200 | 294,400 | 8,951,800 | 251,299 | 226,169 | 25,130 | |
| 2015 | 11,722,600 | 294,400 | 11,428,200 | 316,569 | 284,912 | 31,657 | |
| 2016 | 11,021,500 | 294,400 | 10,727,100 | 298,044 | 268,240 | 29,804 | |
| 2017 | 11,238,400 | 294,400 | 10,944,000 | 292,614 | 263,353 | 29,261 | |
| 2018 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | 287,254 | 39,422 | 67,540 |
| 2019 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | 101,602 | | 292,614 |
| 2020 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | 101,602 | | 292,614 |
| 2021 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | 85,194 | | 309,022 |
| 2022 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | | | 394,216 |
| 2023 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | | | 394,216 |
| 2024 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | | | 394,216 |
| 2025 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | | | 394,216 |
| 2026 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | | | 394,216 |
| 2027 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | | | 394,216 |
| 2028 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | | | 394,216 |
| 2029 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | | | 394,216 |
| 2030 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | | | 394,216 |
| 2031 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | | | 394,216 |
| 2032 | 15,038,400 | 294,400 | 14,744,000 | 394,216 | | | 394,216 |

Development Assumptions for TID 16 Project Plan

| Year | Cumulative Value Increment | Inflation Increment | Development Construction | Development Construction Increment | Annual Value Increment | Tax Rate | Tax Increment Income |
|--|----------------------------|---------------------|--------------------------|------------------------------------|------------------------|----------|----------------------|
| 2017 | | - | 10,700,000 | - | - | 0.02698 | - |
| 2018 | 10,700,000 | 436,000 | 11,100,000 | 10,700,000 | 11,136,000 | 0.02698 | 300,449 |
| 2019 | 21,800,000 | 436,000 | - | 11,100,000 | 11,536,000 | 0.02698 | 599,927 |
| 2020 | 21,800,000 | 486,000 | 2,500,000 | - | 486,000 | 0.02698 | 601,276 |
| 2021 | 24,300,000 | 486,000 | - | 2,500,000 | 2,986,000 | 0.02698 | 668,726 |
| 2022 | 24,300,000 | 486,000 | - | - | 486,000 | 0.02698 | 668,726 |
| 2023 | 24,300,000 | 556,000 | 3,500,000 | - | 556,000 | 0.02698 | 670,615 |
| 2024 | 27,800,000 | 556,000 | - | 3,500,000 | 4,056,000 | 0.02698 | 765,045 |
| 2025 | 27,800,000 | 556,000 | - | - | 556,000 | 0.02698 | 765,045 |
| 2026 | 27,800,000 | 556,000 | - | - | 556,000 | 0.02698 | 765,045 |
| 2027 | 27,800,000 | 556,000 | - | - | 556,000 | 0.02698 | 765,045 |
| 2028 | 27,800,000 | 556,000 | - | - | 556,000 | 0.02698 | 765,045 |
| 2029 | 27,800,000 | 556,000 | - | - | 556,000 | 0.02698 | 765,045 |
| 2030 | 27,800,000 | 556,000 | - | - | 556,000 | 0.02698 | 765,045 |
| 2031 | 27,800,000 | 556,000 | - | - | 556,000 | 0.02698 | 765,045 |
| 2032 | 27,800,000 | 556,000 | - | - | 556,000 | 0.02698 | 765,045 |
| 2033 | 27,800,000 | 556,000 | - | - | 556,000 | 0.02698 | 765,045 |
| 2034 | 27,800,000 | 556,000 | - | - | 556,000 | 0.02698 | 765,045 |
| 2035 | 27,800,000 | 698,000 | - | - | 556,000 | 0.02698 | 768,876 |
| 2036 | 27,800,000 | 698,000 | - | - | 698,000 | 0.02698 | 768,876 |
| 2037 | 27,800,000 | 698,000 | - | - | 698,000 | 0.02698 | 768,876 |
| 2038 | 27,800,000 | 698,000 | - | - | 698,000 | 0.02698 | 768,876 |
| 2039 | 27,800,000 | 698,000 | - | - | 698,000 | 0.02698 | 768,876 |
| 2040 | 27,800,000 | 698,000 | - | - | 698,000 | 0.02698 | 768,876 |
| 2041 | 27,800,000 | 698,000 | - | - | 698,000 | 0.02698 | 768,876 |
| 2042 | 27,800,000 | 698,000 | - | - | 698,000 | 0.02698 | 768,876 |
| 2043 | 27,800,000 | 698,000 | - | - | 698,000 | 0.02698 | 768,876 |
| Base Value - 2014 Assessed Value | | | | | \$21,331,000 | | \$ 18,845,098 |
| Assumptions: 2% annual inflation of assessed values | | | | | | | |
| Tax Increments determine value increment during construction | | | | | | | |
| Analysis assumes the TIF expires at the end of the 27 year period (2043) | | | | | | | |
| Annual interest on debt - 3% | | | | | | | |

TID 16 Cash Flow Performa

| Year | Increment | Advances | Total Revenues | Debt | Admin | Incentives | Total Expenses | Repay Advance | Shortfall |
|------|--------------|-----------|----------------|--------------|-------------|-------------|----------------|---------------|-------------|
| 2016 | | | | | | | | | |
| 2017 | - | 710,000 | 710,000 | 3,022 | - | | | | |
| 2018 | 300,449 | | 300,449 | 86,641 | 50,000 | | 136,641 | 163,808 | - |
| 2019 | 599,927 | | 599,927 | 1,136,956 | 50,000 | | 1,186,956 | | (587,029) |
| 2020 | 601,276 | | 601,276 | 1,130,606 | 50,000 | | 1,180,606 | | (579,330) |
| 2021 | 668,726 | | 668,726 | 1,113,438 | 50,000 | 200,000 | 1,163,438 | | (494,712) |
| 2022 | 668,726 | | 668,726 | 1,105,106 | 50,000 | 200,000 | 1,155,106 | | (486,380) |
| 2023 | 670,615 | | 670,615 | 1,090,829 | 50,000 | 200,000 | 1,140,829 | | (470,214) |
| 2024 | 765,045 | | 765,045 | 1,080,449 | 50,000 | 200,000 | 1,130,449 | | (365,404) |
| 2025 | 765,045 | | 765,045 | 1,069,049 | 50,000 | 200,000 | 1,119,049 | | (354,004) |
| 2026 | 765,045 | | 765,045 | 1,062,028 | 50,000 | 200,000 | 1,112,028 | | (346,983) |
| 2027 | 765,045 | | 765,045 | 544,000 | 50,000 | 200,000 | 594,000 | 171,045 | - |
| 2028 | 765,045 | | 765,045 | 532,000 | 50,000 | 225,000 | 582,000 | 183,045 | - |
| 2029 | 765,045 | | 765,045 | 520,000 | 50,000 | 125,000 | 570,000 | 195,045 | - |
| 2030 | 765,045 | | 765,045 | 508,000 | 50,000 | 125,000 | 558,000 | 207,045 | - |
| 2031 | 765,045 | | 765,045 | 496,000 | 50,000 | 125,000 | 546,000 | - | 219,045 |
| 2032 | 765,045 | | 765,045 | 484,000 | 50,000 | 125,000 | 534,000 | | 231,045 |
| 2033 | 765,045 | | 765,045 | 472,000 | 50,000 | 125,000 | 522,000 | | 243,045 |
| 2034 | 765,045 | | 765,045 | 460,000 | 50,000 | 125,000 | 510,000 | | 255,045 |
| 2035 | 768,876 | | 768,876 | 448,000 | 50,000 | 125,000 | 498,000 | | 270,876 |
| 2036 | 768,876 | | 768,876 | 436,000 | 50,000 | | 486,000 | | 282,876 |
| 2037 | 768,876 | | 768,876 | 424,000 | 50,000 | | 474,000 | | 294,876 |
| 2038 | 768,876 | | 768,876 | 412,000 | 50,000 | | 462,000 | | 306,876 |
| 2039 | 768,876 | | 768,876 | - | 50,000 | | 50,000 | | 718,876 |
| 2040 | 768,876 | | 768,876 | - | 50,000 | | 50,000 | | 718,876 |
| 2041 | 768,876 | | 768,876 | - | 50,000 | | 50,000 | | 718,876 |
| 2042 | 768,876 | | 768,876 | - | 50,000 | | 50,000 | | 718,876 |
| 2043 | 768,876 | | 768,876 | - | 50,000 | | 50,000 | | 718,876 |
| | \$18,845,098 | \$710,000 | \$19,555,098 | \$14,614,124 | \$1,300,000 | \$2,500,000 | \$15,911,102 | \$919,988 | \$2,014,008 |

Annexed Property

No territory will be added or subtracted from the District as a result of the amendment.

Proposed Changes in Zoning Ordinances

The City does not anticipate the need to change any of its zoning ordinances in conjunction with the implementation of this Project Plan amendment.

Proposed Changes in Master Plan, Map, Building Codes and City of Sheboygan Ordinances.

Due to the former Sheboygan Senior Community Center being an existing building that is being renovated into dorm-style residential units, no effect on the City's Master Plan is anticipated. Actually this project will be consistent with the Master Plan by bringing more people to live downtown and provide a positive economic benefit to the City's goal through the master planning processes to encourage more people to live and work downtown.

Relocation

It is not anticipated there will be a need to relocate persons or businesses in conjunction with this Amendment.

Orderly Development and/or Redevelopment of the City of Sheboygan

This Project Plan Amendment will have no impact on the viability of the original District Project Plan as it relates to the orderly development and/or redevelopment of the City.

A List of Estimated Non-Project Costs

The City does not expect to incur any non-Project Costs in the implementation of this Project Plan Amendment.