



MINUTES OF AN OFFICIAL MEETING:

Regular / Special Meeting: Community Development Authority (CDA)

Date and Time: Tuesday, January 24, 2023 at 4:15 pm

Location: Brookfield City Hall, 2000 N. Calhoun Rd., Council Chambers

Members Present: Mayor Steve Ponto – Chairman, David Christianson- Alderman, Michael Faber, Gordon Rozmus, John Kersey, David Raysich (via remote)

Members Excused: Greg Bauer

Others Present: Robert Scott – Director of Finance & Administration, Dan Ertl – Director of Community Development, Richard VanDerWal – Planning Administrator, Emily Zandt – Associate Planner, Aaron Gruen & Debra Jeans – Gruen Gruen + Associates (via remote), Alderman Carnell, Alderman Mellone, Alderman Anderson

Mayor Ponto noted a quorum present and called the Community Development Authority to order at 4:17 pm.

1. Minutes of the May 24, 2022 Community Development Authority Meeting
Motion by Member Faber, second by Member Kersey to approve the minutes of the May 24, 2022 Community Development Authority meeting. Motion carried 6 - 0.

2. New Business

- a. Staff Report and presentation by applicant: Review and Consideration of a request of The Heimat Group, 5150 N. Port Washington Road, Suite 115, Glendale, WI 53217 for City financial assistance via the creation of an Environmental Remediation Tax Increment District (ERTID) for a redevelopment project including environmental remediation and public improvements located at the southeast corner of Capitol Drive and Lilly Road – or 13925 W. Capitol Drive and 3950 Lilly Road. A copy of Statement of Need from the applicant and a copy of a Draft ERTID Project Plan will be distributed.

Director Ertl reviewed the highlights of the staff report. He noted that this a request for a “Pay As You Go” form of tax increment district, which reduces risk for the City by requiring the applicant to secure a majority of the funding for the project. The new tax value that is projected to be created if the project moves forward is \$18m. The City anticipates reimbursing the developer through a TID for project costs within the district equaling approximately \$3.5m and the City would contribute \$490,000 toward public improvements, which is included in the project cost list. The length of the TID is estimated to be 18 years. The proposed project is consistent with the goals and objectives of the 2050 Comprehensive Plan and the Lilly Road and Capital Drive Neighborhood Plan. The proposal meets many of the public policy guidelines established by the CDA including the clean-up and reuse of environmentally contaminated sites for economic development purposes and private interest seeking public financing support,

usually via TIF, as a means to close funding gaps. Several project metrics including jobs, equalized assessed value, the equity investment by applicant. Director Ertl concluded by reading the staff recommendation aloud: “Staff recommends the Community Development Authority recommends, in the form of the attached **Resolution**, to the Plan Commission, the Common Council and the Joint Review Board to support a “Pay As You Go” ERTID allocation via reimbursement made to Heimet/Wheel and Sprocket in an amount of **\$3,524,163** and for the City to finance **\$490,000** of public improvements associated with the ERTID for the Project as described in the above report and Draft Project Plan for TID No. 9.”

Noel Kegel, President of Wheel and Sprocket, provided background on the project and emphasized the commitment of the business to the community and its residents for decades to come.

Joseph Lak, Jr. spoke on behalf of The Heimat Group, highlighting the challenges of the site that spurred the request for a Tax Increment District. These included the identification of the site as a brownfield, existing flooding issues, and the proposed public infrastructure improvements.

Member Kersey asked for clarification on the ownership of the property.

Alderman Christianson noted the controversy of the project is not related to the Wheel and Sprocket business itself, but to the impact of the apartment complex with the three and four-story building proposed as a part of the project. Alderman Christianson noted that there were two public hearings and two Neighborhood Information Meetings that were well attended. Discussions were had regarding the relationship of the listed project costs to the environmental remediation itself. Director Ertl stated that the DNR confirmed all project costs listed are eligible under the Environmental Remediation Tax Increment District.

Alderman Christianson inquired about why the investment group acquired the Aamco property so far in advance of bringing the development proposal before the City. Mr. Lak stated that the business moved to another location in the City. Since the project was originally submitted, the development team has had to make several revisions to the building design. The existing Wheel & Sprocket parcel is L-shaped, which would pose challenges for redevelopment. The addition of the Aamco parcel provides more flexibility for redevelopment. Director Ertl added that the excavation of the sanitary sewer that runs through the property would not be permitted without opening the case with the DNR and that the DNR provided a letter approving the proposed environmental remediation plan created by Sigma.

Member Faber asked about the storm water solution for the project. Mr. Lak pointed to the Building Information page of the plans set. Green space on the site will be increased which will allow greater onsite collection. Director Ertl commented that the property owner is required to address water quality, not quantity as the site is grandfathered and is actually increasing pervious surfaces. Mr. Lak stated that the most contaminated soils will be removed from the site and the cleanest soils will remain. Details of the environmental remediation plan will worked out by Sigma’s Environmental Engineers as the project continues to move forward.

- b. *Presentation of a Summary of Financial Feasibility Analysis of and Recommendations about TID Assistance for the Revised Proposed Wheel & Sprocket Redevelopment in Brookfield, Wisconsin, January 13, 2023 prepared by Gruen Gruen + Associates for the City of Brookfield- Aaron Gruen.*

Director Ertl introduced Aaron Gruen and Debra Jeans from Gruen Gruen + Associates. Aaron Gruen reviewed the purpose of the Summary of Financial Feasibility Analysis, reasons for

requested assistance, the primary findings, and recommendation regarding the ETID as outlined below:

Purpose: Evaluate the financial feasibility of the proposed development program with- and without- Tax Incremental Financing District (“TID”) assistance.

Reasons for Requested Assistance:

- From Developer- environmental remediation; infrastructure (e.g., sewer line) and have eligible costs
- Other reasons include land purchase costs and building development costs in relation to rents

Primary Findings:

- Total costs more than the redevelopment project can support
- The redevelopment will not support a market rate return on equity investment without TID assistance
- Rents would need to be approximately 13 percent to 20 percent higher for a 15% return assuming a 10-year holding period and a 5.5% to 6% capitalization rate
- Redevelopment would eliminate substandard commercial properties and generate increased real estate taxes over the long-term
- To meet request, developer would receive annual property tax increment of approximately \$254,000 annually for a total of \$3,524,163
- Discounted at an annual rate of 15%, in present value the forecast property tax increment over approximately 15 years totals approximately \$1,219,000.

Recommendation:

- Accept the TID incentive request of \$3,524,163 on a Pay As Go basis.
- Do not provide TID incentives upfront-- only after the development of the project is completed.

Member Faber asked if Mr. Gruen believes the cost of constructions and remediation included in the proposal are reasonable. Mr. Gruen stated that the City has experts available to review the environmental remediation costs and there is no reason to believe that the applicant would have increased those costs. Other costs were compared to other similar projects and some revisions were made to the explanations and some of the numbers, but nothing leapt out as outrageous or over the top. Mr. Gruen stated that the rent estimates were conservative, but the sensitivity analysis showed that rents would need to be 13-20% higher for the developers to reach a 15% market return. Even if rents turn out to be higher, there is not likely potential for extraordinary windfall. Rents in many markets are starting to moderate, so a major increase in rent is unlikely.

Director Ertl commented on the validity of the Environmental Cost estimates. He stated that the final agreement will be a “cost not to exceed” and the developer will need to provide actual invoices for cost reimbursements related to the remediation. Member Faber commented that he thought the estimated costs could be on the lower side.

Member Kersey commented that the assessed value looked low. Mr. Gruen commented that if the actual assessed value is higher, the tax increment district would be able to close sooner, which would be advantageous for the City.

Member Kersey verified that the plan includes a component to reduce the current assessed value of the property from about \$2.5 million to \$1. Director Ertl explained that this is a unique component of the Wisconsin State Statutes only applicable to environmental remediation TIFs in an effort to cleanup sites more quickly. This will be made very transparent when this item goes before the Joint Review Board. Director Scott explained that because of the way the school funding formula works, it will not have much impact on actual dollars in their bank account. It is mostly irrelevant to the School District. Waukesha County Technical College (WCTC) receives very little in the way of property taxes. Compared to the County's entire value, Director Scott suspects that the amount of lost from this one property will not have a major impact on the County's annual revenue.

Member Kersey inquired about if the property is sold in the next few years or before the property is redeveloped. Director Ertl stated that from the City's perspective, the Development Agreement runs with the land, heirs and assigns.

Alderman Christianson confirmed the projected duration of the district is 18-20 years. He asked Gruen if that duration is a reasonable time frame for a City to wait for tax increment on a development like this. Mr. Gruen stated that in other states it is frequently a minimum of 23 years. The City is not advancing any funds so there is little risk for the City. Right now, the tax income is very little compared to the projected assessed value of \$18 million. Mr. Lak stated that Heimat Group plans to be a part of this project long term.

Member Faber discussed the potential for time discrepancies in terms of Department of Revenue Valuation and the actual tax bill. Member Faber stated that how this will be addressed needs to be spelled out in the Developers Agreement.

- c. CDA recommendation: Resolution creating Environmental Remediation Tax Increment District (ERTID) No.9 for a redevelopment project including environmental remediation and public improvements located at the southeast corner of Capitol Drive and Lilly Road, - 13925 W Capitol Drive and 3950 Lilly Road for the assistance of \$3,524,163 for environmental remediation and public improvements in the form of a Pay Go ERTID and \$490,000 in City contributions towards public improvements.**(XXXX Creation of ERTID ultimately requires Common Council approval XXXX)**

Member Faber commented that he is impressed the project meets the goals of the Neighborhood and 2050 Comprehensive Plans. Mr. Faber believes that this site will not redevelop without assistance and supports the creation of the ERTID.

Alderman Christianson stated he does not agree that this is in the best interest of the City. Apartments are a great concern for the residents of Brookfield. Christianson said he supports finding a way to amend the neighborhood plan to avoid more apartments along Capitol Drive and he does not agree with using Tax Incremental Financing for apartment complexes. Alderman Christianson stated he stands in opposition to this proposal.

Member Rozmus said he believes this proposal is an upgrade to this commercial site and has benefits for the community. He is concerned about the fundamentals of the TIF District being sifted out as well as the length of the TIF District. Member Rozmus commented on the amount of diligence that will be required on the part of staff and the elected officials to complete this project.

Member Kersey commented on the large investment this is in the community for this site. He stated he supports the TID, especially a Pay As You Go.

Member Raysich stated he believes this project is driven by the Aamco Station and the remediation required on the site. He does not believe an office or retail building project would make a difference on the site. The best way to accomplish the project is to add apartments to the site. Mr. Raysich supports the creation of the Tax Increment District.

Member Faber asked Alderman Christianson what type of project he would support on this site with the use of ERTID dollars. Alderman Christianson did not respond.

Mayor Ponto commented that the original plan with 5 stories raised issues with nearby residents and that the developer has been innovative in terms of reducing the building height. Mayor Ponto noted how bad this site is and how deeply he wants this site to be improved. Wheel and Sprocket has been a great contributor to the community and he would like to see them stay for at least another generation. He thinks the Pay As You Go TIF Is worth the City pursuing and is in favor of it.

Motion by Member Kersey, second by Member Rozmus to approve the Resolution recommending to the Plan Commission, the Common Council, and the Joint Review Board support of a "Pay As You Go" ERTID allocation via reimbursement made to Heimat/Wheel and Sprocket in an amount of \$3,524,163 and for the City to finance \$490,000 of public improvements associated with the ERTID for the project as described in the staff report and the Draft Project Plan for TID No. 9. Motion carried 5-1 with Alderman Christianson voting no. Resolution No. 1-2023*.

3. Adjournment

Motion by Member Kersey, second by Member Rozmus to adjourn the meeting at 5:40 pm. Motion carried 6 - 0.

Respectfully Submitted:

Emily Zandt

Community Development/Associate Planner