



**TO:** FINANCE AND ECONOMIC DEVELOPMENT COMMITTEE

**FROM:** MARYANNE GROAT

**DATE:** June 21, 2106

**SUBJECT:** FRANTZ DEVELOPMENT AND TID FINANCING

**PURPOSE:**

To consider the TID financing strategy for the Riverfront Redevelopment

**BACKGROUND INFORMATION**

The City created Tax Increment District Number Three in 1994 to facilitate redevelopment within the East Central Business District. The main objectives were to construct a hotel, office building, parking facilities, convention center and 4<sup>th</sup> mall retail anchor. Over the years the City has filed a number of project plan amendments to add territory and project costs including:

- Amendment 1 - 2000 – Riverfront Improvements and Pick N Save
- Amendment 2 - 2006 – RiverEdge Improvements, 3<sup>rd</sup> Street construction, Franklin School, 400 Block improvements
- Amendment 3 – 2010 – Kayak Course Improvements
- Amendment 4 – 2015 – Wausau Center Mall Redevelopment

In addition, the State of Wisconsin granted special legislation that extended the life of the district 10 years and provided an additional two plan amendments. This was critical because without the amendment the expenditure period would have ended 9/1/2016. The revised mandated termination date is 2031.

Frantz Community Investors will construct and invest in the Riverfront in a phased approach. Phase 1 consists of a commercial building, apartment complex and townhouse construction. On behalf of Frantz Community Investors, Baker Tilly computed the anticipated financing gap, expected increment and related developer incentives which are outlined below:

**Sources of Funds**

Increment \$ 5,329,344

**Uses of Funds**

Mixed Use Space:

Developer Incentive Loan - paid by increment	\$ 990,000
Developer Incentive Foundation Grant	250,000
Environmental Remediation	?

Apartment and Townhome Development:

Developer Incentive Loan - paid by increment	1,250,000
Developer Incentive Foundation Grant	250,000
Environmental Remediation	?

Street Project 2,300,000

Financing Costs 720,000

Total Uses of Funds \$ 5,760,000

Shortfall \$ (430,656)

Based upon the 15 year life of the district, the projections indicate that the increment generated from the project will fall short of the project costs. Baker Tilly made the recommendation that the City create a new Tax Increment District to finance these project costs.

The Common Council has at least three strategies to consider:

1. Fund through Tax Increment District Number Three – No project amendment is necessary. The shortfall for this specific project would be funded with other increment generated by the district.
2. Fund through the creation of a new Tax Increment District – Develop district boundaries, project costs, project plan, conduct public hearings and obtain Common Council and Joint Review Board support. If created prior to October 1, the new district value for the riverfront property would be zero due to City ownership. If created after October 1 the value will be based upon improvements constructed at 1/1/2017. A Tax Increment District that overlays an existing district effectively freezes growth in the existing district and all new growth goes to the new district. The new district would have a 27 year life.
3. Fund phase 1 through the existing Tax Increment District Three and reserve the opportunity to create a new tax increment district for future phases of the project.

Below is a review of items to consider when evaluating each strategy:

1. Existing TID 3
  - Administratively very easy and no project plan amendments are necessary.
  - The shortfall would be funded by other increment generated in the district.
2. Create a New Tax Increment District
  - Administratively more difficult due to creation of a new plan
  - Must obtain Joint Review Board and Council approval
  - Could expand the boundaries to include Wausau Chemical and Athletic Park neighborhood or other redevelopment areas.
  - Could include other infrastructure improvements within the project plan such as Street Reconstruction, Riverfront Park and Parking facility.

3. Consider new TID creation in the future

- Delay the decision on the district creation. This may provide time to gather more information on other pending development and redevelopment projects such as the Wausau Center Mall.

**FISCAL IMPACT**

If the Council chooses to finance the developer incentives the short term fiscal impact will be the same regardless of whether a new TID district is established. As indicated earlier the benefit of the new TID creation is the ability to collect increment for a longer period of time.

**Frantz Community Investors, LLC**  
**Wausau, Wisconsin**  
**Riverlife Phase I Apartment Building & Townhome Term Sheet**

Purpose	Financing from the City of Wausau to develop an apartment and townhome community in the Riverlife District. This landmark development will provide 52 market rent apartments and six townhomes on a previously industrial brownfield site.
Secured Loan	A \$1,250,000 loan for development costs associated with the construction of an apartment building and townhomes. The note will be secured by a second-mortgage on the apartment and townhome building structures.
Term	15-Years
Interest Rate	0% Interest
Repayment	Loan shall be repaid with incremental tax revenues generated from the project. All incremental tax revenues associated with the project shall be applied to the loan until it is paid in full. Repayment begins one year after completion of construction. Should the increment not fully repay the debt payment in a specific year, the developer is liable to the balance. Additional increment shall be paid forward. Loan is contingent on borrower meeting conditions set forth in the development agreement, which will include completing the project and ensuring ongoing operations.
Draw Schedule	TIF Loan shall be placed into a construction escrow with a local title company and disbursed no more frequently than monthly upon receipt of invoices for completed work or delivered materials, together with appropriate lien waivers for such work or materials.
Foundation Grant	Due to soil conditions on the site, a grant for the amount of \$250,000 shall be awarded to the developer at the start of construction for the purpose of constructing a secure foundation.

<b>Environmental Remediation</b>	The City shall be financially responsible for any preexisting environmental conditions on the project site and shall manage the environmental remediation with the Wisconsin Department of Natural Resources.
<b>Infrastructure Improvements</b>	The City shall construct, own, and maintain all infrastructure, including, roads, sewers, and other utilities needed for the project.
<b>Ground Lease Rent Abatement</b>	Upon execution of a development agreement, abatement of annual base ground rent to \$1 per year for five years. On the sixth year excess cash flows from the project will be paid as ground lease up to \$10,000 annually.

**Frantz Community Investors, LLC**  
**Wausau, Wisconsin**  
**Riverlife Phase I Mixed-Use Building Term Sheet**

Purpose	Financing from the City of Wausau to develop a mixed-use space in the Riverlife District. This landmark development will provide approximately 38,000 square feet of retail and office space on a previously industrial brownfield site.
Secured Loan	A \$990,000 loan for development costs associated with the construction of a mixed-use building. The note will be secured by a second-mortgage on the Mixed-Use building structure.
Term	15-Years
Interest Rate	0% Interest
Repayment	Loan shall be repaid with incremental tax revenues generated from the project. All incremental tax revenues associated with the project shall be applied to the loan until it is paid in full. Repayment begins one year after completion of construction. Should the increment not fully repay the debt payment in a specific year, the developer is liable to the balance. Additional increment shall be paid forward. Loan is contingent on borrower meeting conditions set forth in the development agreement, which will include completing the project and ensuring ongoing operations.
Draw Schedule	TIF Loan shall be placed into a construction escrow with a local title company and disbursed no more frequently than monthly upon receipt of invoices for completed work or delivered materials, together with appropriate lien waivers for such work or materials.
Foundation Grant	Due to soil conditions on the site, a grant for the amount of \$250,000 shall be awarded to the developer at the start of construction for the purpose of constructing a secure foundation.

Environmental Remediation	The City shall be financially responsible for any preexisting environmental conditions on the project site and shall manage the environmental remediation with the Wisconsin Department of Natural Resources.
Infrastructure Improvements	The City shall construct, own, and maintain all infrastructure, including, roads, sewers, and other utilities needed for the project.
Ground Lease Rent Abatement	Upon execution of a development agreement, abatement of annual base ground rent to \$1 per year for five years. On the sixth year excess cash flows from the project will be paid as ground lease up to \$10,000 annually.