The Meeting of the Joint Review Board for Tax Incremental Financing (TIF) District #5 was called to order at 6:30 p.m. on Wednesday, January 9, 2019. It was noted that the meeting had been announced and a notice posted at City Hall.

Roll call was taken, with the following members present: Western Technical College representative Dan Hanson, La Crosse County Representative Brian Fukuda, City of Onalaska Administrator Eric Rindfleisch, Onalaska School District representative Mark Cassellius

Also Present: City of Onalaska Planning Manager Katie Aspenson, City of Onalaska Deputy Clerk JoAnn Marcon, Ehlers Senior Municipal Advisor Sean Lentz

Consideration and possible action on the following items:

<u>Item 2 – Consideration and appointment and/or reaffirmation of the Joint Review Board's public member</u>

Motion by Brian Fukuda, second by Dan Hanson, to nominate and appoint John Lyche as the citizen member on the Joint Review Board.

On voice vote, motion carried.

<u>Item 3 – Election and/or reaffirmation of Chairperson</u>

Motion by John Lyche, second by Brian Fukuda to nominate and elect Eric Rindfleisch as Chairperson of the Joint Review Board.

On voice vote, motion carried.

<u>Item 4 – Discuss responsibilities of the Joint Review Board</u>

Eric introduced Ehlers Senior Municipal Advisor Sean Lentz, who is serving as the City of Onalaska's consultant on the project.

Sean said the Joint Review Board plays an integral role in the creation or any action related to Tax Increment Districts, and he told board members State of Wisconsin law is asking them to represent their overlapping taxing jurisdiction in the creation of this Tax Increment District. Sean said board members also are asked to be "another layer of review" in ensuring that all of the steps required by law to create a Tax Increment District are followed. Sean said the purpose tonight's initial meeting is to review the draft project plan and take some of the necessary administrative steps to create the district. Sean said board members are being asked to examine the project plan, understand what it is attempting to do, examine the benefits and determine whether it meets the criteria for the creation of a district. Board members will be asked to listen to this evening's presentation and read the materials, and Sean said there will be a second meeting of the Joint Review Board if both the City of Onalaska Plan Commission and the City of Onalaska Common Council approve the creation of the district. Board members will be asked to make an active vote either for or against the district, which comes at the end of the process.

<u>Item 5 – Discuss and review project plan</u>

Sean noted board members had copies of the draft project plan in front of them this evening and told them he will be going over an executive summary. Sean referred to page 3 of the plan and said he will explain the logistics behind Tax Increment Financing Districts. Sean said when a Tax Increment District is being considered, one of the first steps a city takes is to examine the property it intends to put into the Tax Increment District. The property generally has a taxable value to it, and it is called the base value of the Tax Increment District. Sean noted the City of Onalaska currently owns all the property of the proposed district, and he said the base value would be zero. Sean referred to the chart on page 3 and noted it shows a base value of $500,000 as an example. Sean explained that a municipality does not capture the base value when a Tax Increment District is created. That value is frozen, and taxes on that value continue to go to all the taxing jurisdictions. Sean said the unique aspect of creating a Tax Increment District is that from the point of the district's creation until the time it is closed, any new value that comes from redevelopment, development, or inflation – anything above the base value – is categorized as increment value rather than base value. Sean said the unique aspect of increment value is all the taxes collected on increment value go to the city. This is for the duration of the district. Sean said the city may only spend these funds on certain items, and he noted taxes on the increment value (the school district's share, the county's share, the city's share, the technical college's share) are directed to a separate fund the city manages for that particular Tax Increment District.

Sean said, "Why would you, as taxing jurisdictions, agree to this? Right now you have a current value – in this case, zero. At the end of the life of the Tax Increment District, at that point the value that has been captured, the district closes and it flips out of being captured in the Tax Increment District, and it comes back and becomes part of the tax base for all the taxing jurisdictions long run. That's really the goal: to take something that seems to need a little extra kickstart to get development or growth and tax value, jobs, housing opportunities – whatever it might be. Take it from the current status it is, use this financing tool, and bring it something that is of more usefulness for everybody."

Sean referred to page 4 and highlighted the following project expenses that tax increment revenues are utilized to pay for:

- Public works and improvements
- Property acquisition or assembly costs
- Relocation costs

- Contribution to the Community Development Authority
- Prorated costs of utility infrastructure
- Cash grants or development incentives, which requires an agreement with the developer
- Environmental remediation
- Projects within ½ mile of the district

Sean said the remainder of the handout focuses on Tax Incremental Financing District No. 5, referring board members to the map on page 5 that shows a map of the location of the proposed district. Sean noted there are a number of categories of Tax Incremental Districts: industrial development, mixed-use development (residential, commercial, or industrial), rehabilitation districts, and blight elimination districts. Sean said, “In looking at the property that the city and the Plan Commission are proposing to put into this particular district, the blight elimination seemed to be the most appropriate fit. The city has done some internal work on defining that blight, and has a memo that I think can be shared related to that finding.” Sean said the primary purpose of this proposed district is to eliminate the blight on that particular site, and the strategy is through a combination of tax incentives and public improvements both within the district and within ½ mile of the district. The goal is to expand the tax base, create new housing options, and redevelop waterfront property. Sean said one of the required findings for the creation of a blight elimination district is that at least 50 percent of the property is blighted. Sean noted the city had applied this requirement to the entire property and said it exceeds the minimum 50-percent threshold. Sean said the types of expenditures from the broader list on page 4 most likely seen here include a cash grant, a redevelopment incentive in the form of a “pay as you go” incentive with a development agreement. Expenditures also include infrastructure improvements within the ½ mile area (lift station, waterfront improvements, parking ramp).

Sean said, “When a project is in the project plan, does that mean that the project is approved because it’s in the plan? Or does it mean that the amount of the particular project is locked in at that point? The answer is no. The plan is a framework for what the city is attempting to do, and to give everyone an idea they can react to. But the individual projects that the city chooses to charge to the Tax Increment District all have to go through the normal city process to be approved. The plan gives the city the ability to use tax increment financing to fund all or a portion of those expenses. But just by being in the plan doesn’t mean that the expense has been approved.”

Sean referred to page 6, which shows a very preliminary revenue forecast for Tax Incremental District No. 5, and he said this forecast assumes the district is run out over its entire term. Sean said, “With a value expectation, what we’re expecting to be constructed on the site at this time is what’s being called ‘Great River Residences,’ and the increase in taxable value that we’re projecting is, again, going from zero up to just under $10 million ($9,930,701). When that value is added – and for the purposes of this projection we’re showing the project being constructed in 2019, with completion in 2019 – it would be valued as of January 1, 2020. Tax increment revenues then would be available starting in 2021 going forward, and if the district ran out its entire life in 2047." Sean pointed out that at a current equalized tax rate 20.80 mils, it will generate $206,000 to $207,000 in tax revenue each year to pay for the aforementioned expenses.

Sean referred to page 7 and said based on the incoming revenue stream, "we're really looking at the project costs falling into two categories." One is specific to the Great River Residences project, and Sean said what is being shown on page 7 is an incentive of $1.65 million to assist getting the project to cash flow and a rate of return that advances the project at an interest rate of 7 percent. Sean noted those are terms that currently are being negotiated, and he said, "Based on some preliminary information from the developer, we've done some analysis on the need for tax increment financing. At this point in the plan, what we've done is included the requests that they have. What you can see at this point is that under the model, with the $206,000 coming in each year, to pay back the $1.65 million at an interest rate of 7 percent, it takes us out to 2033 using the lion's share of the increment every year. We're only holding back some for admin costs each year that the city would have in managing the district."

Sean noted the city is considering other expenditures; specifically, the lift station, waterfront improvements, and parking. Sean said what is envisioned here is the aforementioned projects likely will occur before arriving at year 10, and also probably will be interim funded in some way with the city. Sean said the tax increment revenue, after the tax incentive cost has been paid back, would then be fully available either to pay for those costs directly each year, or reimburse the city if upfront costs are necessary to finish those projects on a faster timeline than the available funding from the TIF. Sean said, "With this model we're looking at, if the city wanted to fund all or a portion of those additional infrastructure projects plus this incentive that is being negotiated through the development agreement, this would require the full term of the Tax Increment District. Some things that I think are yet to be discussed [include], are all those projects ultimately going to be financed with a portion or all of the TIF? What is the timing of those projects? That could have an impact on what the ultimate term of this district is. At this point, for a conservative model we've included everything in the model to be paid over the whole life of the district."

Eric asked Sean to contrast the pay as you go financing, asking him to explain who will assume the debt compared to traditional TIF financing.

Sean referred to the incentive section and said at this time he has entitled it "a municipal revenue obligation. Sean said, "What's envisioned that the city is considering here, on the end of the spectrum there are two types of financing for TIF projects." One is traditional financing, where Sean said the city issues its own debt, typically backed "by the full faith and credit of the city." Tax increment is then utilized to pay back the debt. Sean said there also is the "pay as you go" model, which is envisioned for the development incentive project being discussed, meaning the Great River Residences. Sean explained that in that model the city and the developer enter into an agreement in which the city said if tax increment revenue is created, the city will collect the tax revenue from the development. Then, per the development agreement, if the developer has done everything he/she said he/she would do, the city will appropriate those funds back to the developer up to a certain amount over a predetermined period of time. Sean said the "pay as you go model" likely is the preferred model "because in a worst-case scenario, if the increment is less than projected or in a super-worst scenario it doesn't get created at all, the city isn't out any dollars because your commitment is limited to what is created on the site. I think per the negotiations and where they sit right now, that model is the model that is intended to be used for the development incentive side of this overall tax increment plan."

Sean referred to page 8, which shows the preliminary timeline, and noted the following:

- **January 9:** The initial meeting of the Joint Review Board
- **January 22:** A public hearing will be held at the City of Onalaska Plan Commission meeting. The meeting agenda includes a resolution that is a recommendation to advance the plan to the City of Onalaska Common Council.
- **February 12:** The City of Onalaska Common Council would review the project plan, and it has the ability to approve the resolution to create the TID.
- **Within 45 days:** The Joint Review Board would be asked to review the transcript and ensure every step and the timelines have been followed. The board would need to vote on the creation of the district, which would be the final step in the process, along with submitting documentation to the Department of Revenue.

Sean asked board members when the final meeting could be held, noting normal practice would be to hold it at least one week after the Common Council takes action.

John asked, "Assuming there are modifications that are needed to the plan as proposed, where are those made?" John cited the example of a modification to the plan that does not fit the criteria and it is not caught at the Plan Commission level, and he asked if it may be modified by the Common Council.

Sean said yes.

John asked if it must then go back to the Plan Commission.

Sean said no and told John that while the Plan Commission will make a recommendation, "all of the power resides with the Council. They make the final decision of what the plan will entail." Sean told board members they will be informed of any changes that occur from this point and through the Plan Commission and Common Council process so that they will be able to see any changes that are made.

John asked if the Joint Review Board will have the opportunity to make any changes if board members see something the Plan Commission and the Common Council did not see.

Sean said yes and told John if board members wanted to discuss a particular issue either before or at the meeting, they have the ability to tell the Common Council they want the Council to examine a particular issue and share the information before the Joint Review Board votes. However, Sean said if the Common Council declines the request, Joint Review Board members would have to either vote yes or no at that point.

Eric referred to Section 12, which estimates zero percent new territory detailed to retail business, and he told Sean there is a small portion of the Grand River Residences that includes restaurants and perhaps retail. Eric asked if that matters at this point in time.

Katie said it had been left as retail in general even in the Planned Unit Development process the applicant is working through with this. Katie said it could be service, retail or restaurant, "so we left it retail as more of a general term, not specifying it has to be one or the other."

Eric noted it estimates zero percent of the territory.

Katie said she does not believe the exact amount is known at this time.

Eric said that number might be adjusted in the final plan.

Sean noted it is an estimate and said, "I think ultimately whatever you're most comfortable with that mirrors what you think is going to occur on the site, that's the number we want to have in there. Also, what is retail? That's what Katie and I were struggling with. Some of the numbers here are specific to TIF law. … This particular part of the plan is more general information for the state. … It's just what your best estimate is for the district."

Mark asked if it would be possible for board members to review the map.

Sean referred Mark to page 16 of the plan and said he believes it shows in context the proposed district.

Katie said the northern part of the boundary is Irvin Street, which is the southern end of the current Great River Landing. Katie noted it runs south along the western property line of the railroad, and it includes what is currently vacant land, the old City Shop, and outbuildings. It also includes land that has been vacated, meaning Hickory Street and Green Street between 1st Avenue South and Court Street South. Right-of-way between Irvin Street and Court Street South to State Trunk Highway 35 also is included, as is Hickory Street and Court Street South to STH 35. Katie noted the City of Onalaska owns all the land and said it essentially encompasses approximately 1½ blocks, if squared off.

Dan said he assumes the substation located along STH 35 is in the middle of the proposed district.

Katie said the substation, which is owned by Xcel Energy, is not part of the TIF District proposal. However, it is located within ½ mile of the TIF District proposal.

Dan asked if it would be costly to relocate the substation.

Katie acknowledged it would be costly to do so and said the city is speaking with Xcel Energy representatives about potentially relocating the substation.

Mark asked if there are underground utilities that will need to be relocated.

Katie said yes and told Mark the cost of doing so will need to be determined through the development agreement process.

Item 6 – Set next meeting date

JoAnn asked Sean if he knows how much time is needed between the time the notice for the next Joint Review Board meeting is published in the Courier Life and when the meeting is held.

Sean said there must be a minimum of five days before the meeting.

JoAnn noted the Courier Life only publishes on Fridays and said the notice would appear in the February 22 edition. This means Wednesday, February 27 is the earliest the next Joint Review Board meeting could be scheduled.

Eric said the Joint Review Board will meet again at 6:30 p.m. on Wednesday, February 27.

Adjournment

Motion by Brian, second by John, to adjourn at 7:04 p.m.

On voice vote, motion carried.

Recorded by:

Kirk Bey

Reviewed 1/11/19 by Katie Aspenson