



PLANNING AND DEVELOPMENT

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To: Economic Development Commission
From: Planning and Development Staff
Date: July 22, 2021
Re: **5th Ward Residences Development Agreement Updates**

During legal review of the draft document, it has been determined that a couple of items will require further detail to clarify or update procedures used to carry out the terms of this agreement.

PILOT

The developer raised concern with how the PILOT is handled in the event it is collected where there is a deficiency in the guaranteed assessed value. Currently the process is maintained that the entire PILOT revenue is kept by the City. In this agreement, staff recommends changing the use of the PILOT to conform with the use of the increment created by this project. This means that if a PILOT is due, the developer will pay the PILOT to maintain compliance, and also make the tax obligation whole. Then the incentive will be calculated by using 85% of the tax increment, plus 85% of the PILOT for the grant payment.

This will secure the collateral that is needed for the developer to finance the TIF note. The bank provides a note based on the guarantee amount in the development agreement. This guaranteed amount equates to a cash flow that guarantees the note is repaid. The bank's collateral is a UCC filing on the cash from the guaranteed amount. A UCC filing is a legal notice filed with the secretary of state securing their interest. In essence, the bank does not want anyone to step in front of their collateral position.

Hagar Street Construction

Public bidding laws will be triggered for this agreement, as there will be a plan in place for the City to pay for the construction of Hagar Street. Our legal team is working on the language to add to the agreement for those requirements. Staff has met with Engineering and the developers so that all parties are on board with the timing. Engineering is working with the development team to finalize construction estimates for the street. The developer had provided a preliminary estimate of \$685,000. Changes are being made that will change this projection. The development team will have a better projection in time for the meeting today. The changes that will be factored in are removing a retention pond, adding street lighting, and also adding in project management fees.

Hagar Street Financing

At the June meeting, staff was directed to work with the developer and financial advisors to create plan for paying off the note that the developer will take out for financing the Hagar Street extension project. Staff is proposing that financing of the project be added to the terms of the development agreement as a note to the

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developer. Proposed terms of the note are 0% for the first 12 months, 3.5% for the next 36 months and increasing by .5% each 12 months following.

Staff recommends that the sources of funds to repay the note could be prioritized in this order:

1. Use available cash from TID 16 annually until paid in full. TID 16 currently has a cash balance of an annual projected cash flow of \$250,962.
2. Advance the City's 15% portion of 5th Ward Residences Development Agreement annually until paid in full.

The estimate for installing Hagar Street is currently \$685,000. Here is an example of how this would look with cash balances where they are at today:

2022 payment: \$250,962

2023 payment: \$277,266 (if city 15% is used)

2024 payment: \$156,772 + interest