

MINUTES
REDEVELOPMENT AUTHORITY OF THE CITY OF GREEN BAY
Tuesday, November 12, 2013
City Hall, Room 604
1:30 p.m.

MEMBERS PRESENT: Harry Maier, Chair; Gary Delveaux, Vice-Chair; Jim Blumreich, Joe Moore, Melanie Parma, Matt Schueller, Tom Weber

LIAISON REPRESENTATIVES: Jeff Mirkes, Christopher Naumann

OTHERS PRESENT: Rob Strong, Cheryl Renier-Wigg, Andy Rosendahl, Krista Baeten, Dawn Foeller, Greg Flisram, Tony Wachewicz, Mayor Schmitt, Brad Rupiper, Jim Kratowicz, Brent Weycker, Paul Belschner, Noel Halvorsen, Jeff Johnson, media, other interested parties

APPROVAL OF AGENDA:

Approval of the agenda for the November 12, 2013, meeting of the Redevelopment Authority.

A motion was made by T. Weber and seconded by J. Blumreich to approve the agenda for the November 12, 2013, meeting of the Redevelopment Authority. Motion carried.

APPROVAL OF MINUTES:

Approval of the minutes from the October 8, 2013, regular meeting and November 5, 2013, special meeting of the Redevelopment Authority.

A motion was made by J. Moore and seconded by G. Delveaux to approve the minutes from the October 8, 2013, regular meeting and November 5, 2013, special meeting of the Redevelopment Authority. Motion carried.

COMMUNICATIONS:

None.

PUBLIC HEARING:

1. Public Hearing relating to proposed lease between the Authority and the City of Green Bay with respect to the lease of real property relating to the expansion of the KI Convention Center.

A motion was made by T. Weber and seconded by G. Delveaux to open the meeting for discussion. Motion carried.

R. Strong asked three times if there was anyone present who wished to speak on the proposed lease between the Authority and the City of Green Bay relating to the expansion of the KI Convention Center.

D. Foeller stated the bonds will be sold next Monday and brought to the Authority at a special meeting next Tuesday.

R. Strong stated that he and the Chair will sign a report that will be provided to legal counsel for the bonds indicating that the hearing was held and the intention is to lease the property to the City. The City will then make the lease payments, which will cover the debt.

A motion was made by J. Moore and seconded by T. Weber to close the hearing and return to regular order of business. Motion carried.

OLD BUSINESS:

None.

NEW BUSINESS:

2. Review and approval of development agreement with Broadway Automotive for property located at 1106 S. Military Avenue.

G. Flisram stated that discussions have been ongoing for over a year with Broadway Automotive regarding renovations of the Military Avenue dealership. They were initially considering an alternative location, but through the discussion process they have put together a draft development agreement that has them staying at their location on Military Avenue and making an approximately \$9.6 million investment, which includes a new 17,500 square foot showroom and extensive remodeling of existing buildings. The development agreement was reviewed and includes a \$400,000 TIF grant that would be based upon additional tax increment of \$4,000,000 producing a minimum of \$90,000 in annual tax revenue to the City. The \$400,000 of TIF would be paid on a prorated basis. Construction would begin April 2014 with completion by April 2015.

J. Blumreich questioned the \$9.6 million investment versus the \$8.9 million investment that is referenced in the draft agreement. G. Flisram stated the \$8.9 million was an initial estimate of the construction value, which is old language in the agreement. Once the numbers were refined the construction costs came in at \$9.6 million. D. Foeller clarified that even though \$9.6 million is invested it doesn't necessarily translate into that amount of additional assessed value.

H. Maier questioned the life of the TIF. D. Foeller indicated approximately 25 years, but would provide confirmation.

G. Delveaux questioned if the \$400,000 in assistance would be paid directly to the developer. G. Flisram indicated yes, that the \$400,000 is direct developer subsidy paid out on a prorated basis.

T. Weber questioned the wording of a TIF grant as opposed to TIF financing. D. Foeller stated it is relatively the same and there will be a calculation that she does on an annual basis to make sure they fulfill their obligation and if the obligation is not fulfilled they would have to make payment in addition to their regular taxes. G. Flisram clarified that he used the term of grant to distinguish a front-loaded TIF versus a pay-as-you-go TIF.

A motion was made by T. Weber and seconded by M. Schueller to open the meeting for discussion. Motion carried.

B. Rupiper provided an overview of the renovation plans. They anticipate an increase in number of associates employed as well as number of customers visiting their facilities. They are not expanding their property and will be working within the existing property. A few years ago they purchased the Ponderosa property, which has since been torn down. The entire project should be completed within 12 to 16 months.

A motion was made by J. Moore and seconded by M. Parma to return to regular order of business. Motion carried.

J. Moore questioned a language discrepancy between Section I (Proposed Project Scope), Subsection C and Section II (Financing) Subsection A. He questioned which number is correct.

G. Flisram explained that the draft document went through a number of alterations. The unnecessary language under Section I, Subsection C will be removed.

A motion was made by G. Delveaux and seconded by J. Moore to approve the development agreement with Broadway Automotive. Motion carried.

3. Review and possible action on term sheet with DDL, LLC for redevelopment of 300 block of North Broadway as part of the Larsen Green redevelopment.

R. Strong stated that a team has been working with the partnership of Smet Construction and Titledown Brewing to look at redevelopment of the property in the 300 block of North Broadway, referred to as buildings A - F. Images were presented of the plans for the property. The Plan Commission and City Council have approved the necessary zoning to move forward. Negotiations have been ongoing with the developer and a draft term sheet is included in the packet, which includes TIF assistance. An updated term sheet was distributed and the changes were reviewed. There are two phases to the project. Phase I includes buildings A, B, and E for use by Titledown for brewing, bottling, and distributing beer. Phase II includes the remaining portions of buildings A, B, and E and includes a banquet facility and finishing the building by filling it with office and retail tenants. The TIF assistance is separated into Phase I and Phase II with requirements at each phase. Titledown would occupy the first level, along with an addition on the back, and the second and third levels, as well as street frontage on Broadway, are available for future development. Buildings C and D will also be purchased and looked at as Phase III for possible housing in the future. That phase would come back for consideration in the future. The development cost is approximately \$5.5 million for the total project with an estimated assessed value close to \$3.5 million, which comes to an approximate \$3 million increment increase. With the completion of Phase II, the value could go as high as \$6.5 million. The timetable for Phase I anticipates completion by August 1, 2014.

R. Strong indicated that the Historic Tax Credit bill has been approved by the Senate and goes on to the Governor for signature. That will make a 20% tax credit available to this developer and any other developer of historic buildings. There are two options available to the developer for TIF assistance. At the developer's option, the City will provide \$500,000 of funding for property acquisition, parking lot improvements and other project related costs as deemed appropriate by the RDA or match historic property tax credits at 50% of the total credit, plus the cost of addressing the environmental remediation costs not to exceed \$500,000. The assistance is based on the property having an approximate \$3 million value.

G. Flisram noted that an idle site grant has been applied for through the WEAC to cover environmental costs.

Further discussion occurred regarding the historic tax credits. Mayor Schmitt indicated that the City wants to make sure that developers pursue all options.

R. Strong clarified that the City's maximum financing obligation for Phase I is \$500,000. For Phase II, the developer indicated a gap of \$750,000. It was determined that the City could only support \$500,000 through the TIF. To help with the \$250,000 gap, the developer requested to look at future TIF revenues from Phase II and to use the benefit from those taxes in the future to work with an investor to front the \$250,000. The developer has the option to come back and ask for up to 50% as a pay-as-you-go TIF payment. With this, the City's risk is removed. If no

increment is created, there is no cost to the City. The developer must show evidence of a funding gap. The Developer Guarantee in Item 5 was changed to the developer guaranteeing the taxes on \$3,492,000 of increment in Phase I.

Upon completion of the term sheet review, R. Strong indicated that if the terms are acceptable to the Authority, the term sheet will be sent to the City Council for consideration.

Regarding the Phase II pay-as-you-go payment for up to 10 years or upon receiving a total of \$250,000, T. Weber questioned if there was a start date outlined for the start of the 10 year period. Upon discussion it was recommended that the Phase I construction completion date of August 1, 2014 be the start date for the 10 year period.

A motion was made by G. Delveaux and seconded by J. Blumreich to open the meeting for discussion. Motion carried.

B. Weycker discussed the project and partnership with Smet Construction and their desire to see good things happen in the area. All the brewing operations from Titledown will be moved to the new location. They will be getting a new brewing system double in size of the current system. They are excited about the project and ready to move forward.

A motion was made by G. Delveaux and seconded by M. Parma to return to regular order of business. Motion carried.

J. Moore questioned how this project affects the \$3.6 million that the City is already backing on this project. R. Strong explained there are two outstanding debts - roughly \$500,000 that is a Note from the bank directly to On Broadway and \$3 million that the City guaranteed. J. Moore questioned the possibility of the City being liable for the \$3 million plus the \$750,000 in TIF for this project. R. Strong stated the City would only support the \$3 million. This project will stand by itself. If the City assumes the \$3 million on the loan, J. Moore questioned what is left in that area that the City has control over. R. Strong indicated that the City would take over everything north of Kellogg and a strip of property along Donald Driver Way.

C. Naumann stated he is very excited about the project and saving an historic building has always been a priority.

M. Parma commented on the historic tax credits and the possibility of strengthening that by requiring a show of due diligence in trying to obtain the credits before providing the City funding. G. Flisram stated that there is enough benefit in going after the tax credits given the overall scope of the project.

J. Moore stated that this project increases the value of Larsen Green and questioned if there have been any inquiries from businesses. C. Naumann stated that the project scope will have more clarity now that it is moving forward. There have been inquiries on the site and how the project impacts values.

A motion was made by G. Delveaux and seconded by J. Moore to approve the term sheet with DDL, LLC with an amendment under TIF Assistance for Phase II that the pay-as-you-go payment to Developer shall expire on August 1, 2024 or upon the Developer receiving a cumulative total of \$250,000, whichever occurs first. Motion carried.

A motion was made by J. Moore and seconded by G. Delveaux to suspend the rules and take Item 6 out of order. Motion carried.

6. Review and action on request from NeighborWorks Green Bay to assume the outstanding obligation of NHS of Green Bay LLC and forgive the loan issued to this project.

R. Strong stated that approximately 12-13 years ago, Neighborhood Housing Services of Green Bay came to the RDA and requested \$300,000 of HOME funds for a housing project. The RDA approved a grant of \$300,000. They later were seeking housing tax credits to do a larger project and asked if the \$300,000 could be applied to the larger project. In order to be competitive in the tax credit proposal, they could not have the \$300,000 cash equity and needed to have it in the form of the loan. The RDA set up the \$300,000 as a loan with deferred payments. The RDA set up a 30 year note with a 6.77% interest rate. The end of the tax credit obligation is approaching and NeighborWorks is now in a position where they can take these properties back. They would like to convert the \$300,000 back into the grant as was originally intended. It is believed that the intent was for Neighborhood Housing Services to come back and have the RDA forgive the debt.

J. Moore questioned how the properties improved by the HOME funds would become part of the NeighborWorks Green Bay portfolio. It was clarified that the properties are rentals.

A motion was made by T. Weber and seconded by J. Blumreich to open the meeting for discussion. Motion carried.

N. Halvorsen indicated it was approximately 18 years ago that the grant was converted into a loan. NeighborWorks Green Bay owns 1% of the properties and 99% is owned by investors getting the tax credits. In exchange for the credits, investors gave additional money to help fix up the properties. He would like to return the status of the funds back to the original grant. NeighborWorks Green Bay will be assuming all of the exit costs of the investors and would also assume this obligation. They are requesting that the Authority allow NeighborWorks Green Bay to assume the outstanding obligation of NHS of Green Bay, LLC and forgive the debt once the transfer of ownership is complete. The properties have been fixed up and it has been almost 20 years so there is some need for capital improvements. They would refinance the existing bank debt on the homes and needed capital improvements and continue to operate the homes consistent with the HOME program's intent.

T. Weber questioned if the Authority would be asked to support that debt in any way. N. Halvorsen stated no. He further stated that they have an obligation due to the tax credits to operate the properties under the current structure for another 15 years. There is a 30-year compliance requirement associated with the tax credits.

K. Baeten explained that the intent was always to be a \$300,000 grant. It was noted that the meetings minutes from when the \$300,000 was awarded indicate that it was a grant.

J. Moore questioned if there were any other costs to the Authority besides the \$300,000. R. Strong stated there were no other costs.

M. Schueller questioned why the grant was for \$300,000, but converted to two loans for \$365,000. N. Halvorsen stated there were additional units that came into the project at the end and raised the overall cost. An additional \$65,000 of HOME funds was requested to supplement the project.

A motion was made by G. Delveaux and seconded by J. Blumreich to return to regular order of business. Motion carried.

A motion was made by T. Weber and seconded by M. Parma to approve the request from NeighborWorks Green Bay to assume the outstanding obligation of NHS of Green Bay LLC and forgive the loan issued to this project with the condition that no additional City assistance be provided for these properties. Motion carried.

7. Review and award the Request for Proposals for 2013 HOME Downpayment Closing Cost Assistance to NeighborWorks Green Bay in the amount of \$50,000.00.

K. Baeten stated that as part of the Annual Action Plan, \$50,000 was allocated for a Downpayment/Closing Cost Assistance Program. A RFP was sent out and one proposal was received, from NeighborWorks Green Bay. It has been reviewed by staff and the proposal is consistent with the program they have been running for the City for the past 10+ years. Staff recommends awarding the proposal to NeighborWorks Green Bay.

A motion was made by G. Delveaux and seconded by J. Blumreich to award the RFP for 2013 HOME Downpayment Closing Cost Assistance to NeighborWorks Green Bay in the amount of \$50,000.00. Motion carried.

4. Request to purchase 1429 Day Street for \$39,000 using Community Development Block Grant Impact Funding.

C. Renier-Wigg stated that the Olde North neighborhood is one of the impact neighborhoods. The property owner of 1429 Day Street approached staff about purchasing it. It is a good opportunity to remove this property and replace it with a new Habitat for Humanity home build. There is another vacant lot kitty-corner from this property on Grove Street that Habitat is interested in. In addition, Habitat was sold the vacant lot across from this property and there is now a Habitat house on that property. It is a good project to clean up the block.

J. Moore questioned if the City would be accountable for the cost of tearing it down. C. Renier-Wigg stated yes, that the cost is \$39,000 for the purchase plus the demolition cost as well as some relocation costs for the current tenant. All costs will be covered through CDGB funds.

A motion was made by J. Moore and seconded by M. Parma to approve the request to purchase 1429 Day Street for \$39,000 using Community Development Block Grant Impact Funding. Motion carried.

5. Review and action on request from Habitat for Humanity to acquire 1429 Day Street and 824 Grove Street for new single family homes.

C. Renier-Wigg stated that the request from Habitat for Humanity is to purchase the lots for \$1 each for future home builds.

J. Moore requested to stipulate in the agreement with Habitat that the home at 824 Grove Street not be built until 2015. C. Renier-Wigg stated that the homes will be built at the same time so the stipulation will apply to both homes.

A motion was made by J. Moore and seconded by T. Weber to approve the request from Habitat for Humanity to purchase 1429 Day Street and 824 Grove Street for \$1 each for construction of new single family homes to be built in 2015. Motion carried.

8. Review and award the Request for Proposals for 2013 CDBG Fair Housing Services to Metropolitan Milwaukee Fair Housing Council (MMFHC) in the amount of \$10,000.00.

A motion was made by J. Blumreich and seconded by G. Delveaux to award the RFP for 2013 CDBG Fair Housing Services to Metropolitan Milwaukee Fair Housing Council (MMFHC) in the amount of \$10,000.00. Motion carried.

9. Review and action on communication dated October 30, 2013 from U.S. Department of Housing and Urban Development regarding stalled HOME project and reimbursement of HOME funds.

R. Strong explained that \$265,000 in CDBG funds was provided to create rental housing in the Flats on the Fox development and \$235,000 of HOME funds was provided for condos in what is now the Watermark development, two of which would be affordable condos. The money was used for the purchase of the property and the condos were never built. After five years, HUD will demand that the HOME funds be refunded to the HOME program. He is requesting to use TIF 5 to reimburse HUD \$235,000. The funds will be placed back into the HOME account and will be available for HOME projects. Final approval will be required from the City.

T. Weber questioned why this wasn't brought up during various discussions with the developer of the Watermark so the Authority could put pressure on the developer to follow through with their agreement. R. Strong stated that he sat down with the developer and told him he needed to create the two affordable units. The developer did not have the where-with-all to get it done. He noted that the original letter from HUD was received in February and staff has been working with HUD to get an extension in the hopes that condos could still be developed. He argued that this was one project, but HUD's attorneys disagreed. The original project was broken into two projects later, and he suggested committing more funds to the Flats on the Fox project and increasing the number of units that would meet the HOME requirements. HUD did not agree.

Discussion followed regarding the developer being in default on their agreement. T. Wachewicz stated that the concerns being expressed are things that are being worked through.

J. Blumreich questioned if this would be an eligible expenditure for the TIF. R. Strong stated that the purchase of the property for \$235,000 kicked off the construction of the CityDeck and we would be reimbursing the CityDeck costs.

A motion was made by G. Delveaux and seconded by J. Blumreich to authorize reimbursement of \$235,000 to the U.S. Department of Housing and Urban Development using TIF 5 funds. Motion carried with J. Moore voting nay.

R. Strong stated that this action will go to the City Council for approval as they oversee the TIF funds.

Upon discussion, it was the consensus to place an item on the December agenda to discuss the Watermark development agreement.

BILLS:

10. Acceptance of financial report and check register as provided.

A motion was made by J. Moore and seconded by G. Delveaux to approve the financial report and check register as provided. Motion carried.

INFORMATIONAL:

11. Director's Report

R. Strong provided the following updates:

- The Packer's Heritage Trail will have two additional monuments added on November 23, following the Holiday Parade.
- The Mayor's Beautification Committee recognized the Packer's Heritage Trail and the Glass Nickel development.
- A special RDA meeting is scheduled for Tuesday, November 19 at 1:30 p.m. to award the KI Convention Center bonds, which will go to the Council at their meeting that night.

12. Project Updates

The following updates were provided:

- T. Wall and Dermond will both be here next week for project updates.
- The closing for the Coaches Corner property should occur no later than Friday. The formal relocation process has begun.
- A Whitney Park Townhomes update was provided.
- An update on Platten Place was provided.
- The Historic Tax Credits bill was passed and will help both the Hotel Northland and Schauer & Schumacher projects.
- New Leaf Market is ready to work towards the development agreement.

Chair ruled for adjournment at 3:09 p.m.