



CITY OF WAUWATOSA

COMMITTEE OF THE WHOLE

MINUTES • JULY 16, 2013

Regular Meeting

Common Council Chambers

6:30 PM

7725 West North Avenue, Wauwatosa, WI 53213

PRESENT: Aids. Pantuso (7:20 p.m.), Roznowski, Tilleson, Walz-Chojnacki, Wilke, Wilson, Berdan, Birschel (6:48 p.m.), Causier, Donegan, Dubinski, Ewerdt, Hanson, McBride, Moldenhauer, Organ (6:55 p.m.) -16

ALSO PRESENT: Mr. Archambo, City Administrator; Mr. Kesner, City Attorney; Mr. Ruggini, Finance Director; Ms. Enders, Development Director; Ms. Ledesma, City Clerk

Common Council President McBride in the Chair called the meeting to order at 8 :00 p.m.

COMMITTEE OF THE WHOLE ITEMS

1. Presentation and update on residential development on the UW Innovation Campus

Phil Aiello, Senior Development Manager of The Mandel Group, gave an overview of the progress being made with respect to the residential component of this project. On June 19th, a PUD (Planned Unit Development) amendment was submitted to the city with an anticipated appearance on the July Plan Commission agenda. This has since been moved to the August 12 Plan Commission agenda.

The TIF (tax incremental financing) application was submitted on July 12th to the city and is now undergoing the review process by city staff and its consultant, Springsted, Inc.. It will ultimately be considered by the Budget and Finance Committee and the Common Council.

Mr. Aiello noted that the Historic Preservation Commission (on July 17th) will function as a design review board with respect to the PUD amendment. After its appearance on the Plan Commission agenda, the application will also be considered by the Community Development Committee and the Common Council.

The PUD amendment and TIF application are tentatively scheduled for the appropriate July 30th Council Committee meetings for information purposes. The reviews will actually occur at both of the September 10th Committee meetings. The two issues will go to Council on September 17.

Three sets of two plans each pertaining to residential development options will be presented at the meeting this evening: 1A, 1B, 2A, 2B, 3A and 3B.

1A calls for the complete preservation of the Eschweiler buildings and incorporates the Forest Exploration Center. A total of 192 dwelling units will be created. The power house will be demolished. The Historic Preservation Commission has approved this option. The Mandel Group would utilize part of the basement and the first floor of one of the Eschweilers. A TIF request of \$2,500,000 would be made. The initial tax base created would be \$20,000,000. Gross square footage would be 277,554.

1B, analyzed by Springsted, Inc., would create 168 new apartments and 41 apartments in the Eschweiler buildings, for a total of 209 units; two parking structures are added. All Eschweiler buildings would be preserved. The Historic Preservation Commission has not approved this option. A TIF request of \$7,500,000 would be made. The initial tax base created would be \$21,000,000. Gross square footage would be 240,272.

2A was reviewed by Springsted, Inc., also. It preserves the administration building, which would be used by non-profit organizations, and for conference space. A total of 192 apartments would be created; the engineering and power house will be razed. The dormitory and dairy buildings are converted to walled gardens. The

Historic Preservation Commission approved this option. A TIF request of \$2,500,000 would be made. The initial tax base created would be \$20,000,000. Gross square footage would be 237,543.

2B preserves the administration building. The Mandel Group would use the administration building. The dorm, dairy, engineering and power house buildings are razed. A total of 216 dwelling units would be created. A TIF request of \$1,600,000 would be made. The initial tax base created would be \$22,500,000. Gross square footage would be 264,924.

3A calls for the demolition of all the Eschweiler buildings, including the power house. A total of 240 apartments units are constructed. Space would need to be carved out for the leasing office since all the original buildings would be removed. No TIF application is made. The initial tax base created would be \$25,000,000. Gross square footage would be 278,718.

3B also demolishes all Eschweiler buildings and the power house, and creates a minimum of 185 apartments. No TIF application is made. The initial tax base created would be \$19,270,833. Space would need to be created for the leasing office. This option needs more study. Gross square footage would be 215,966.

Mr. Aiello stated that this overview attempted to highlight relevant preservation aspects of the options, the need (or not) for a TIF application, initial revenue generated, square footage information, and potential delays.

1A and 2A were approved by the Historic Preservation Commission (HPC) during the Certificate of Appropriateness process. The TIF requests associated with these proposals is \$2,500,000.

The Mandel Group would absorb the cost of razing and the cost of the walled gardens. A total of \$450,000 in annual property tax revenue would be generated by either option 1A or 2A. TIF pay-back would be in 6-8 years. The TIF would be guaranteed by The Mandel Group.

Mr. Aiello further stated that they support the Forest Exploration Center (FEC) and believe an agreement among the FEC, the Wauwatosa School District and UWM will be reached with respect to the establishment of a school on the site.

Mr. Aiello then addressed an issue concerning the 2A option as it pertains to the Wisconsin Historical Society (WHS). Since this option preserves only the administration building, there is a risk of an injunction being sought by the WHS. When the original land transfer was made between Milwaukee County and UWM Real Estate Foundation, it should have involved a conservation easement. This was not done, however. As a result, the WHS has indicated it will file an injunction to prevent the buildings' removal.

Mr. Aiello stated that if the TIF application and PUD amendment are approved, one of these options will be implemented.

He noted that the \$7,500,000 TIF request associated with 1B hurts TIF 6's chance for success. The risk of injunction is high with option 2B; further discussions must be held with the Department of Justice and the WHS to quantify that risk. The 2B option also decreases the amount of available green space. Both 3A and 3B have the highest burden of proof for approval by the WHS. Mr. Aiello stressed that the proposals presented have many options to consider - preserving buildings or razing them, the level (or not) of TIF financing, balancing the interests of varied stakeholders.

Mr. Aiello opined that 1A and 2A are the best approaches to consider to create residential development on Innovation Campus that will be added to the tax roll and ensure the success of TIF #6.

Mayor Ehley spoke briefly about the proposed charter school on the Campus, noting that it is proposed to be housed in the Eschweiler buildings. Nearly two years ago the FEC approached the School District about sponsoring a planning grant for a charter school. The District subsequently sponsored it. The FEC is fundraising to open the charter school, and a summer school program is in place to introduce the concept. Over time, the School District's perspective has changed somewhat and it chose not to be the chartering authority. It

is, however, still sponsoring the planning grant. UWM has been approached to be the chartering authority and the state budget contains funds for this. The Mayor stressed that she is encouraging the FEC, UWM, and the School District to work together so that public schools are not negatively impacted by this charter school initiative.

In response to a query by Ald. Moldenhauer about the 216 proposed units for 2B, Mr. Aiello stated that that figure is not definite. There may be room for a few more units, though there are some physical constraints with the property. No construction is proposed in the 'quad area' as increased density seems contrary to community sentiment.

Ald. Moldenhauer posed additional questions about the possible injunction risk. Mr. Kesner explained that the flaw in the original transaction (failure to include the preservation easement) was that Milwaukee County was supposed to retain the preservation easement to retain control over the ultimate use of the historic buildings. The WHS noticed this omission and may have the power to question the validity of the original transaction. The WHS may be willing to waive objections, though, if a preservation plan is in place for the Eschweiler buildings. The WHS's intentions, however, are not clear should a plan to raze some of the buildings advance. It may be advisable for Milwaukee County and the UWM Real Estate Foundation to correct the original transaction by putting the preservation easement in place, but it can be challenging to work with the County on property issues.

Mr. Kesner added that even if the easement were put into place, the County would have to use that easement to act on whether to preserve the buildings and employ a process similar to the City's HPC to do that. The problem is that the County lacks the mechanism to do this, in which case the WHS would act in its stead.

Ald. McBride opined that the possibility of an injunction could threaten the viability of the project in lenders' eyes. Mr. Kesner stated that the Department of Justice and the WHS have been asked for some certainty, though the City can never be 100% sure an injunction will not be filed.

Ald. Donegan suggested there could also be a high injunction risk with 1A, since the buildings' preservation depends on the success of the FEC's fund-raising efforts. If the injunction were to occur, and suit were to follow, would that not impede the development of Innovation Campus? More information on the injunction risk must be obtained.

Mr. Ruggini asked whether the FEC charter school could negatively impact School District enrollment, thereby affecting the District's funding.

Mayor Ehley stated that discussions have only begun among the interested parties. Her goal is that the Wauwatosa School District not be profoundly impacted. She hopes to see the School District become the chartering authority, and for a university lab school to be created. Economic development cannot occur at the expense of the District. She added that the FEC does not yet have firm chartering authority from UWM; neither does the School District have to agree to charter.

Ald. Organ observed that none of the scenarios presented seem to be within the square footage parameters of the original approval. Mr. Aiello concurred, stating that the minimum square footage needed was reported.

Mr. Kesner cautioned that no residential development has yet been approved. The initial Campus approval indicated at the time the intent to limit square footage to 200,000, but the residential development component required an amendment already. If the figures are over 200,000 square feet, another amendment will be required at another point in the approval process.

Ald. Organ stated that considerable discussion ensued at the time of original approval about maximum residential square footage. Council members were told then that 200,000 square feet of residential development was needed to save the Eschweilers. These scenarios all propose higher figures - up to over 278,000 square feet. Yet some of those larger square-foot scenarios do not save all of the buildings. And one scenario that would save all of the buildings would require TIF funding of \$7,500,000.

Mr. Kesner noted that the original proposal that occurred some years ago was not as accurate in the analysis of the residential component. The full cost of preservation was also not known at that time. These scenarios are based on more specific analysis and information that was unknown some years ago.

Mr. Aiello said the biggest change in the analysis occurred with the actual cost of redevelopment. An estimated \$8-11 million dollars in hard costs will be needed just for the construction itself. The Mandel Group is assuming the costs of land, soft costs, and interest costs on the residential side to aid in the preservation effort. This amounts to \$1.3 million and relieves the FEC of this amount.

Mr. Aiello urged the Committee to consider the density of 192 units on 8.5 acres; it is less than 23 units per acre. The Reserve and Serafino Square are 24-45 units per acre. The Enclave development has 33 units per acre. There is a considerable amount of green space associated with the Innovation Campus development - 12 acres for the butterfly habitat, for example.

In response to a query by Ald. Organ about the original cost of redevelopment, Mr. Aiello replied that they did not have hard figures some years ago, but never anticipated that the cost would be \$8-11 million dollars. They originally believed financing would be available through WHEDA tax credits. However, WHEDA ultimately decided the investment would be inappropriate for so few apartments.

Ald. Organ asked about 3B where all the Eschweiler buildings would be razed, even though the project was over 200,000 square feet (the figure originally thought to be needed to save them).

Mr. Aiello explained that this proposal includes only new apartments. The razing cost alone for all the Eschweilers may be \$1.5 million. There would be a need to create a location for a leasing office and residential amenities that were originally intended to be housed in the administration building. Mr. Aiello also added that The Mandel Group had not made the original 200,000 square foot figure argument.

Ald. Wilson opined that the project will not move forward until the issue of the injunction risk is settled.

Ald. Tilleson inquired about the status of the FEC's fund-raising effort. Mr. Aiello stated that nominal dollars have been raised from those closely associated with the project. Mr. Archambo received a communication from them that mentioned the uncertainty of the School District discussion, and the difficulty of raising money in light of issues surrounding TIF funding. The FEC has submitted a number of requests for millions of dollars and have requested funds from various foundations. They need to get some responses to these efforts to gauge their status. About \$2 million dollars needs to be raised in the first phase. They will have about 12 months to do so after The Mandel Group starts construction. There are funding sources to cover this first phase.

Mr. Aiello added that if the TIF funding is approved it will go towards the Mandel project. FEC is fund-raising to preserve the other buildings and for program-related costs.

Barry Mandel, The Mandel Group, stated that they are focusing on the injunction, as it affects decisions made going forward. He stressed that this development is an extraordinary opportunity that can satisfied diverse constituencies. He reiterated that The Mandel Group is willing to guarantee this \$2,500,000 TIF request with a 6-8-year pay-back period. This Campus, with its mixed uses that encourage living, working, and playing, is a rare opportunity.

Ald. McBride noted that the WHS is considering the injunction because once a building is razed, it is gone. However, where would the WHS find the funding to preserve these buildings?

There being no other comments, the meeting adjourned at 7:52 p.m.

Carla A. Ledesma, CMC, City Clerk

Eschweiler Development Scenario Summary
Preliminary Analysis
July 15, 2013

	1A FEC	1B PRESERVE ALL	2A ADMIN + WG	2B ADMIN + APARTMENT	3A DEMO + INCREASE SF	3B DEMO + DECREASE SF
Number of Apartments	192	209	192	216	240	185
Residential GSF (New Buildings)	219,156	171,201	219,156	246,537	278,718	215,966
Eschweiler GSF	58,398	69,071	18,387	18,387	-	-
Total GSF	277,554	240,272	237,543	264,924	278,718	215,966
Tax Incremental Financing Request	2,500,000	7,500,000	2,500,000	1,600,000	-	-
Approved by Historic Preservation Commission	Yes	Yes	Yes	No	No	No
Tax Base Created	20,000,000	21,000,000	20,000,000	22,500,000	25,000,000	19,270,833
Stabilized Annual Property Tax Revenue	454,000	476,700	454,000	510,750	567,500	437,448
Estimated TIF Payback Period (Principal Only)	6-8 Years	16-18 Years	6-8 Years	3-4 Years	N/A	N/A
Average Rent/SF	1.81	1.84	1.85	1.86	1.86	1.84
Administration Building Preservation	2,500,000	2,500,000	2,500,000	2,500,000	-	-
Resident Amenity Space Shell and Interior Studs	-	-	-	-	450,000	450,000
Walled Garden	-	-	750,000	-	-	-
Eschweiler Buildings Demolition	-	-	150,000	650,000	1,000,000	1,000,000
Total Extraordinary Costs	2,500,000	2,500,000	3,400,000	3,150,000	1,450,000	1,450,000
PERMANENT SOURCES OF FUNDS						
Conventional Mortgage	29,945,000	25,351,009	30,684,506	34,275,315	37,635,725	30,252,186
Tax Incremental Financing	2,500,000	7,500,000	2,500,000	1,600,000	-	-
Historic Tax Credits	-	2,462,709	-	-	-	-
Investor Equity	8,856,512	9,306,259	9,076,863	9,917,399	10,281,535	9,052,719
Developer Deferred Overhead and Fee	1,059,013	1,144,102	1,083,625	1,174,172	1,228,648	1,007,818
TOTAL SOURCES OF FUNDS	42,360,526	45,764,079	43,344,994	46,966,887	49,145,907	40,312,723
DEVELOPMENT COST PER UNIT	220,628	218,967	225,755	217,439	204,775	217,907
WISCONSIN HISTORICAL SOCIETY INJUNCTION (DELAY) RISK	NONE	NONE	MEDIUM TO HIGH	HIGH	VERY HIGH	VERY HIGH
TID #2 CLOSE-OUT DELAY RISK	NONE	NONE	MEDIUM TO HIGH	HIGH	VERY HIGH	VERY HIGH
ESCHWEILER BUILDINGS PRESERVED	ALL	ALL	ADMIN + WALLED GARDENS	ADMIN ONLY	NONE	NONE

SCENARIO 1A – COMPLETE ESCHWEILER PRESERVATION PLAN – FEC



SCENARIO 1B – COMPLETE ESCHWEILER PRESERVATION PLAN – APARTMENTS

NOTE: This area includes a new building despite the poor printing to the PDF file.



SUMMARY

- 168 New Apartments
- 41 Apartments in Eschweiler Buildings
- 209 Total Apartments
- All Four Eschweiler Buildings Preserved
- Powerhouse Building Preserved and Utilized for Amenities
- Two Parking Structures Added for Eschweiler Apartments

SCENARIO 2A – ADMINISTRATION PRESERVATION PLAN WITH WALLED GARDENS



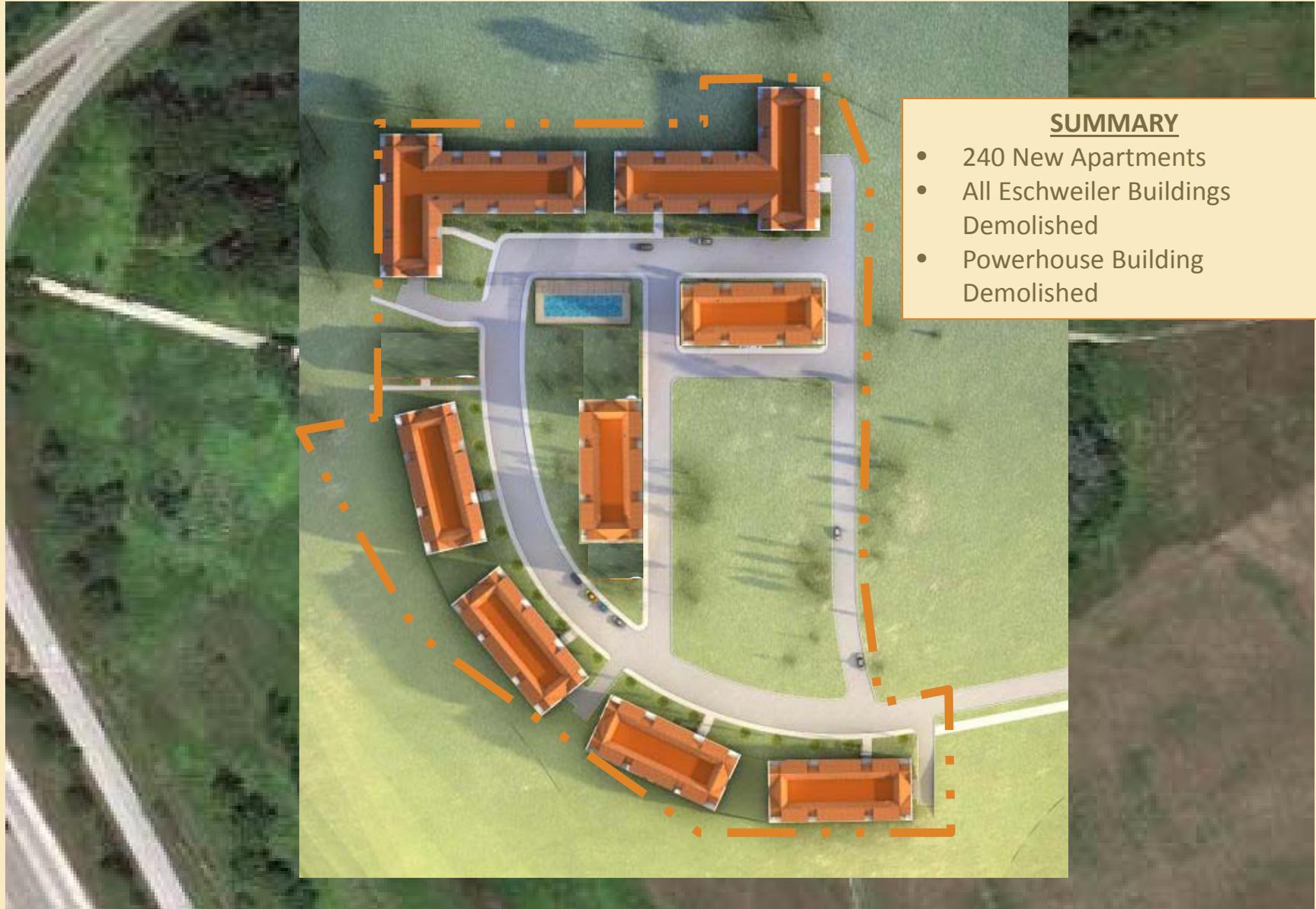
SUMMARY

- 192 New Apartments
- Administration Building Preserved and Utilized by Mandel Group and Non-Profit Organizations
- Dormitory and Dairy Buildings Converted to Walled Gardens
- Engineering Building Demolished
- Powerhouse Building Demolished

SCENARIO 2B – ADMINISTRATION PRESERVATION PLAN PLUS APARTMENT BUILDING



SCENARIO 3A – ALL ESCHWEILER BUILDINGS DEMOLISHED AND DENSITY INCREASED



SUMMARY

- 240 New Apartments
- All Eschweiler Buildings Demolished
- Powerhouse Building Demolished

SCENARIO 3B – ALL ESCHWEILER BUILDINGS DEMOLISHED AND DENSITY DECREASED

