



CITY OF WAUWATOSA
BUDGET AND FINANCE COMMITTEE
MINUTES • SEPTEMBER 24, 2013

Regular Meeting**Committee Room #1****8:00 PM**

7725 West North Avenue, Wauwatosa, WI 53213

PRESENT: Alds. Wilson, Donegan, Dubinski, Tilleson, Birschel, Organ, Ewerdt, Hanson - 8

ALSO PRESENT: J. Ruggini, Fin. Dir.; J. Archambo, City Admin.; M. Huot, Springsted; P. Aiello, Mandel Group; B. Mandel, Mandel Group; J. Wojcehowicz, Water Supt.; B. Aldana, HR Dir.; D. McBride, Ald.; J. Roznowski, Ald.; A. Kesner, City Atty.; B. Pantuso, Ald.; J. Moldenhauer, Ald.; K. Causier, Ald.; K. Ehley, Mayor

Ald. Wilson as Chair called the meeting to order at 8:00 p.m.

BUDGET AND FINANCE COMMITTEE ITEMS

1. Memo from the Water Superintendent requesting approval of a second lease amendment with Sprint Spectrum Realty Company L. P. at Glenview Water Tower

The Committee reviewed two memos from the Water Superintendent requesting approval of lease amendments with Sprint Spectrum Realty Company L. P. at Glenview Water Tower and at Feerick Water Tower.

Mr. Wojcehowicz stated that he would address items one and two concurrently. He explained that Sprint is expanding its 4g network and the two new agreements will extend through 2044.

He noted that new revenue created by these lease extensions will exceed \$4 million.

There were no comments or questions from the gallery.

Moved by Ald. Donegan, seconded by Ald. Ewerdt to recommend approval of the proposed lease amendment at Glenview Water Tower with Sprint Spectrum Realty Company L.P. - Ayes: 8

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS] Next: 10/1/2013 7:30 PM
TO:	Common Council
MOVER:	Peter Donegan, Alderman
SECONDER:	Brian Ewerdt, Alderman
AYES:	Donegan, Wilson, Dubinski, Hanson, Organ, Tilleson, Ewerdt, Birschel

2. Memo from the Water Superintendent requesting approval of a lease amendment with Sprint Spectrum Realty Company L.P. at Feerick Water Tower

This item was discussed and voted on concurrently with item one.

Moved by Ald. Donegan, seconded by Ald. Ewerdt to recommend approval of the proposed lease amendment at Feerick Water Tower with Sprint Spectrum Realty Company L.P. - Ayes: 8

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS] Next: 10/1/2013 7:30 PM
TO:	Common Council
MOVER:	Peter Donegan, Alderman
SECONDER:	Brian Ewerdt, Alderman
AYES:	Donegan, Wilson, Dubinski, Hanson, Organ, Tilleson, Ewerdt, Birschel

3. Memo from the Water Superintendent requesting approval of a lease amendment with Verizon Wireless at Glenview Water Tower

The Committee reviewed two memos from the Water Superintendent requesting approval of lease amendments with Verizon Wireless at Glenview Water Tower and at Burleigh Water Tower.

Mr. Wojcehowicz presented items three and four concurrently. He noted that the new revenue created by these extended lease agreements will equal \$5.94 million. He noted that Wauwatosa has the fifth highest Verizon Wireless contract in the state.

There were no comments or questions from the gallery.

Ald. Wilson noted that this lease extension expires in 2050 and inquired how long the water towers are expected to maintain.

Mr. Wojcehowicz explained that the water towers will last approximately 100 years.

Moved by Ald. Wilson, seconded by Ald. Donegan
to recommend approval of the proposed lease
amendment at Glenview Water Tower
with Verizon Wireless - Ayes: 8

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS] Next: 10/1/2013 7:30 PM
TO:	Common Council
MOVER:	Craig Wilson, Alderman
SECONDER:	Peter Donegan, Alderman
AYES:	Donegan, Wilson, Dubinski, Hanson, Organ, Tilleson, Ewerdt, Birschel

4. Memo from the Water Superintendent requesting approval of a lease amendment with Verizon Wireless at Burleigh Water Tower

This item was discussed and voted on concurrently with item three.

Moved by Ald. Wilson, seconded by Ald. Donegan
to recommend approval of the proposed lease
amendment at Burleigh Water Tower with
Verizon Wireless - Ayes: 8

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS] Next: 10/1/2013 7:30 PM
TO:	Common Council
MOVER:	Craig Wilson, Alderman
SECONDER:	Peter Donegan, Alderman
AYES:	Donegan, Wilson, Dubinski, Hanson, Organ, Tilleson, Ewerdt, Birschel

5. Memo from the Assistant City Attorney/HR Director requesting approval of an administrative agreement and stop loss contract for health insurance

The Committee reviewed a memo from the Assistant City Attorney/HR Director requesting approval of an administrative agreement with United Healthcare and a stop loss contract with ING.

Ms. Aldana explained that she is requesting Committee approval for two contracts, a contract for stop loss insurance with ING and a claims administrative fee contract with United Healthcare.

Ms. Aldana explained that the City contracts stop loss coverage for the self-insured health plan on an annual basis. She explained that stop loss, or excess insurance, provides a cap on the City's liability for both specific and aggregate liability. She noted that the City has historically set the specific limit at \$75,000 and the aggregate limit at 125% of the expected claims.

Ms. Aldana explained that the City requested proposals through a competitive Request for Proposal process. She noted that the rates are based on an enrollment of 494 employees and exclude the Medicare population. She explained that there were four competitive quotes and ING proposed the best premium rate. She recommended that the Committee approve the stop loss contract with ING for an estimated annual contract of \$903,309.00. She noted that this contract is \$144,574.00 less than the stop loss amount currently listed in the 2014 Executive Budget and ING will be a new carrier for City. She noted that the current carrier is Symetra.

Ms. Aldana explained that the City contracts with United Healthcare (UHC) for claims administration on an annual basis. In addition to the claims administration, the City is able to take advantage of cost-savings programs offered through UHC. She noted that the City has contracted with UHC for several years and UHC has maintained discounts in the 45% range. She recommended that the Committee approve the administrative fee contract with United Healthcare for an estimated annual contract of \$324,050. She noted that the administrative fees with United Healthcare have increased by 2% over 2013. She noted that the increase is competitive in the market.

There were no questions or comments from the gallery.

Ald. Wilson asked for clarification regarding the post-65 group funding change.

Ms. Aldana explained that the expenses of the post-65 group have exceeded premiums over the past few years. She noted that the GASB 45 included a \$10 million increase that was almost entirely due to the losses incurred by the post-65 group. The City reviewed options and decided to fully insure the post-65 group to remove the risk from the City. She noted that the contract is not yet signed, but the benefits for post-65 members are expected to improve and their costs will reduce. She explained that private companies offer better deals to the post-65 group.

Ald. Wilson asked if there was disproportionate coverage.

Ms. Aldana explained that there was not.

Ald. Donegan inquired if the two contracts presented include the post-65 group.

Ms. Aldana explained that they are included through the end of the year, but the rate depends on the number of

employees, not the type of employee.

Ald. Donegan remarked that it is surprising that the City would switch stop loss carriers for such a small cost variance.

Ms. Aldana explained that bids were only accepted from companies that met certain thresholds.

Ald. Donegan asked if the administration contract was put out for bid.

Ms. Aldana stated that the claims administration contract was not put out for bid and explained that switching the carrier for claims administration would have a much more dramatic impact on the health insurance program.

Moved by Ald. Donegan , seconded by Ald. Wilson
to recommend approval of the stop loss contract
with ING and the administrative fee contract with UHC - Ayes: 8

RESULT:	RECOMMENDED FOR APPROVAL [UNANIMOUS] Next: 10/1/2013 7:30 PM
TO:	Common Council
MOVER:	Peter Donegan, Alderman
SECONDER:	Craig Wilson, Alderman
AYES:	Donegan, Wilson, Dubinski, Hanson, Organ, Tilleson, Ewerdt, Birschel

6. *Memo from the Finance Director on behalf of the Development Team presenting an analysis of the Mandel Group Tax Incremental Financing assistance request for a Residential Development at the Eschweiler site

Mr. Ruggini explained that the memo presented by the City was created by the Finance Director, Administrator and City Attorney. He explained that the memo describes the impact of the proposed development on the entire tax increment district (TID). He noted that Springsted and the Mandel Group will also provide presentations regarding the project and associated tax increment financing (TIF) request.

Mr. Ruggini explained that the Mandel Group (the Developer) submitted a request for TIF assistance to construct a 192 rental unit (219,156 gross square feet) development at and around the site of the current Eschweiller buildings within TIF 6 - UWM Innovation. He noted that this project also lays in TIF 2 in an overlay of the two TIFs. He explained that the Developer's proposal includes two scenarios and the first scenario depends on the successful fundraising for the establishment of the Forest Exploration Charter School.

Mr. Ruggini explained that the Developer requested TIF assistance of \$2.5 million based on their latest proforma, which was provided to the City and analyzed by Springsted. Springsted's analysis identified several extraordinary costs including underground parking, land costs, and building rehabilitation. Mr. Ruggini explained that City Staff recommend using the TIF assistance for underground parking. He explained that this use is compliant with the Campus' green space requirements, consistent with past practice, and an allowable cost in the existing project plan.

Mr. Ruggini explained that Springsted's analysis also found that the Developer met the but for test. Their analysis indicated that the Developer has maximized their debt and expect a level of return that suggests no additional equity could be attracted to the project. In addition, a subcontractor found that the construction costs are reasonable, with a focus on the historical preservation costs, and the project is maximizing income by proposing the highest rents per square foot in Wauwatosa. After analyzing the proforma, Springsted found that the project as proposed would not move forward but for TIF assistance and the City is confident in these findings.

Mr. Ruggini then described the City's review of the request. Assuming property value based on comparable residential properties, the Mandel project would have a total property value of \$20,160,000 and would result in \$457,632 of annual property tax increment revenue. Assuming \$2.5 million in assistance is provided by issuing debt at 4.0%, the project would contribute \$6.6 million towards the TIF and the pay back for the investment would be 6.65 years. He explained that the timeline for construction is two years, but the timeline will likely decrease once the project begins. The projected value indicates that the investment of \$2.5 million would result in \$6.63 of property value for every dollar invested. He explained that the TIF assistance covers 12.4% of the projected costs of the development. He noted that if the TIF was left open for its entire life, the TIF would create \$12.9 million in funding capacity and thus provides a net benefit to TIF 6.

Mr. Ruggini explained that it is important to consider the TIF's ability to pay the Discovery Parkway infrastructure debt service because it is a cost that is necessary for all TIF 6 development. He explained that the increment from the land, Accelerator building, ABB and the hotel with no utilization of TIF 2 funds only cover 89% of the Discovery Parkway debt service. He explained that it is his responsibility to ensure the City has a good debt coverage ratio. He explained that if no development occurs at the Eschweiler site overlay, TIF 6 will have to pay back the \$5 million loaned from TIF 2.

Mr. Ruggini explained that the Mandel project provides a net benefit to the TIF and also enables utilization of TIF 2 proceeds. He noted that the Mandel project lies within the geographic overlap of TIF 6 and TIF 2, and this location allows TIF 2 to partially fund the Discovery Parkway debt. In this scenario, the debt coverage would equal 187% and the amortization of the debt could be reduced to 10 years, resulting in interest savings.

Mr. Ruggini stated that Staff recommends moving this project ahead as proposed because it meets the but for test and puts TIF 6 in a very strong financial position. In addition, it puts the City in a good position for future development.

Ms. Mikaela R. Huot, Springsted, Inc., presented the analysis completed by Springsted of the Developer's proforma and request for TIF assistance. She explained that the analysis was performed to determine if the proposed project is feasible and if the request for financial assistance is necessary for the project to proceed. She explained that the analysis also seeks to determine what is driving the financial gap and why tax increment financing assistance is necessary.

Ms. Huot explained that Springsted determined that the land cost, building rehabilitation, and green space requirements associated with the Developer's project reached the level of extraordinary cost.

Ms. Huot explained that the Developer proposed two scenarios. She noted that Scenario 1A includes new residential construction, complete preservation of the Eschweiler buildings and the establishment of a charter school, the Forest Exploration Center (FEC). She noted the Scenario 2A includes new residential construction, the walled garden concept, partial preservation of the Administration building, and does not include the FEC.

Ms. Huot explained Springsted's feasibility analysis. Springsted reviewed financial materials submitted by the Developer. The feasibility analysis included a review of 15-year cash flow of operating proformas and a review of sources and uses of funds. Springsted also tested the cost and revenue assumptions of the Developer's proposal.

Ms. Huot explained that the financial gap in both scenarios is \$2.5 million. She noted that the projected rents are on the high side for current City units and some project costs have increased. She noted that the Developer raised additional equity resulting in lower returns. She explained that the project is limited to costs that can be financed by debt due to projected value upon completion, creating a "value gap" and financing limitations. She stated that the Developer indicated that minimum returns are necessary for equity investors to consider the project.

Ms. Huot explained that the financial gap could be closed by one or more of the following: reduction of total project costs, increased projected market value of project for increased debt financing, or a decrease in desired

returns

Ms. Huot presented an updated development project cost chart for Scenario 1A. She explained that the total estimated cost of this scenario is \$42.3 million and the funding sources include a conventional mortgage, a TIF request, investor equity, and a developer deferred overhead and fee.

Ms. Huot presented an updated development project cost chart for Scenario 2A. She explained that the total estimated cost of this scenario is \$43.3 million, higher than the first scenario due to the walled garden concept, and the funding sources include a conventional mortgage, a TIF request, investor equity, and a developer deferred overhead and fee.

Ms. Huot explained that the Developer's request for TIF assistance is for \$2.5 million for site development costs or underground parking. She noted that City Staff have recommended using the assistance for underground parking.

Ms. Huot explained that the Developer has requested upfront TIF assistance and she noted that the pay-as-you-go option often results in additional interest expense.

Ms. Huot summarized Springsted's tax increment analysis. Springsted determined that the completed building value would be approximately \$20.16 million and the total projected tax increment would equal \$9.7 million.

Ms. Huot summarized Springsted's financial feasibility and Developer return analysis. She explained that Developer provided financial information representing that City assistance is necessary and the Developer stated that assistance is necessary. She noted that the City could make a but-for finding based on the Developer's position, but the City must determine the appropriate level of assistance. She explained that the City has previously used TIF assistance to finance extraordinary project costs, so the assistance level is dictated by those extraordinary costs.

Ms. Huot noted that Springsted reviewed the project proformas, with and without TIF assistance. Springsted also reviewed the projected sources and uses of funds as well as projected revenues and operating expenses. Springsted tested and calculated the project's internal rate of return by estimating the rate of return based on a 15 year sale.

Ms. Huot explained that Springsted reviewed both the rate of return on equity and the internal rate of return for the project. She noted that the Developer's proformas fell above the market standard and fell within the reasonable rates of return.

Ms. Huot explained that the "with assistance" scenario assumes that the project receives upfront tax increment assistance.

Ms. Huot explained that the "without assistance" scenario assumes that the same project would be financed without assistance and the gap would be closed with additional equity and/or bank financing. She explained that this scenario was deemed not feasible due to the inability of the Developer to attract additional equity or bank financing.

In conclusion, Ms. Huot explained that upfront public assistance was requested to close the identified upfront financing gap for the Developer's proposed project. She noted that the Developer indicated the project would not proceed without public participation. She explained that Springsted reviewed their financial information and verified that need.

Mr. Phil Aiello, Mandel Group, thanked the Committee for allowing the Mandel Group to present their TIF application for their development proposal. He thanked Barry Mandel, CEO of Mandel Group, Tom Chapman, Tom Gaertner, Peggy Rosenswig, Executive Committee members of the FEC Board, Tom Lucjak, member of FEC Board, Kurt Stang, UWM Real Estate Foundation, Dan Goldberg, University Lab School Director, and Elizabeth Meyer, FEC fundraising team, for their presence and support.

Mr. Aiello explained that the Mandel Group has worked with many stakeholders while developing this project since 2011. He noted that the development is a true collaboration and has received approval from the Historical Preservation Committee, Plan Commission, Community Development Committee, and Common Council. He explained that the proposed project is located on the Eschweiler site in UW-Milwaukee Innovation Campus. He noted that this 75 acre campus is a growing, collaborative development and an important economic development engine for southeastern Wisconsin. He shared a video defining the goals of Innovation Campus and its future positive impact on the community.

Mr. Aiello explained that Innovation Campus will elevate UW-Milwaukee (UWM) to one of the finest research universities in the nation, spur economic development innovation, create one of the largest biomedical research programs in the country, produce thousands of jobs, and transform the region. He noted that Innovation Campus is not just the way to build Milwaukee, it is the way to build Wauwatosa. He explained that UWM has already taken many steps towards reaching the goals of Innovation Campus.

Mr. Aiello explained that two scenarios were presented in the Mandel Group proposal. He explained that Plan A (Scenario 1A) includes the preservation of all Eschweiler buildings, the formation of the Forest Exploration Center (FEC), and the construction of 192 apartments surrounding them. He explained that Plan B (Scenario 2A) would only be pursued if the FEC, or another compatible use entity, can not secure financing to restore the Administration building and stabilize the other Eschweiler buildings within 12 months after residential construction begins. He noted that these two scenarios are presented to allow the development to move forward, but the Mandel Group is still working shoulder to shoulder with the FEC on design and construction coordination.

Mr. Aiello remarked that Plan A certainly hits a home run for historic preservation, but Plan B hits a double for historic preservation by preserving the most prominent Eschweiler building and creating assets that Wauwatosa residents, Innovation Campus employees, and surrounding communities can enjoy.

Mr. Aiello explained that the Mandel Group has requested \$2.5 million in TIF assistance for both scenarios due to the work scope and costs of both scenarios. He explained that the cost of restoring the three non-Administration Eschweiler buildings is covered by the FEC in Plan A. He explained that Mandel Group is responsible for the walled garden costs in Plan B, but these additional costs are offset by the anticipated higher rents for the additional residential amenities created in Plan B. He noted that approving both plans will create certainty for Mandel Group investors and allow the residential development to proceed. He explained that approval will remove the Eschweiler building liability by preserving the buildings, or preserving, converting, or removing the buildings. He explained that lenders and equity investors have indicated that this certainty is required to garner investment interest.

Mr. Aiello summarized the development timeline of the project. He noted that the project idea began in 2011. Mandel Group researched the project, rehabilitation costs, and financing alternatives in 2011. He explained that the 9% loan from housing tax credits and historic tax credits were the only tools powerful enough to cover the \$6.5 million in financing costs. He explained that the Mandel Group had difficulty related to Wisconsin Housing and Economic Development Authority (WHEDA) cost per unit requirements. WHEDA ultimately determined that the tax allocation could not be awarded for a project that only created 41 affordable housing apartments. He explained that the Mandel Group worked in 2012 to form a plan and was set to pursue modern residential buildings with the walled garden feature in August 2012. He noted that the FEC took up Barry Mandel's offer to purchase the Eschweiler buildings and the Mandel Group paused to allow the FEC to begin their fundraising and organizing process. He explained that a 2013 Springsted analysis of rehabilitation costs for all Eschweiler buildings indicated that there was a \$6.5 to \$7.5 million financing gap. He noted that in response to the community, the design of the residential development shifted in 2013 from a modern approach to a traditional design that complements, but does not mimic, the Eschweiler buildings.

Mr. Aiello noted that the FEC has taken several steps to pursue its school charter and achieve its fundraising goals in 2013. They engaged their architect and contractor through an extensive RFP process, lobbied the State legislation to enact legislation to allow UWM to authorize the school, held a major fundraising event in June,

prepared and implemented their summer school program, submitted the second phase of their charter authorization to UWM, and held ongoing discussions with the Wauwatosa School District.

Mr. Aiello explained that the Historic Preservation Committee unanimously approved the project's Certificate of Appropriateness and approved the project plan and materials in 2013. He noted that the Mandel Group collaborated with the HPC and community members. He explained that these collaborative efforts included wider corridors between buildings, heights of buildings, seed mixes and layouts, and relocation of trees. He explained that the Mandel Group presented updated scenario analysis to the Committee of the Whole in July 2013 and received plan approval from the Plan Commission, Community Development Committee, and Common Council. He explained that the Mandel Group then submitted its TIF application to the City and is now presenting its case for assistance to the Budget and Finance Committee.

Mr. Aiello explained that if the TIF application is approved, the Mandel Group anticipates groundbreaking for the new apartments and the Administration building in the first quarter of 2014, opening the Administration building portion of the FEC in September 2014, finalizing construction of the apartments in the spring of 2015, and opening the FEC in all buildings in September 2015.

Mr. Aiello explained that the Mandel Group has collaborated with Wauwatosa Committees and Commissions, and has responded to the needs of the community while forming this development plan. He noted that a collaborative plan results in a better development for everyone involved. He explained that community engagement resulted in a plan that provides an opportunity to preserve all Eschweiler buildings, includes new buildings that fit the architectural style of Wauwatosa, is more sensitive to the butterfly habitat, preserves more trees, and effectively balances historic preservation, environmental protection, and economic development.

Mr. Aiello noted that the development plan speaks to the values of Wauwatosa, but each value comes with an associated cost. He explained that there are costs associated with the preservation of green space, the proximity to a butterfly habitat, historic preservation, and the proximity to Wauwatosa's historic district.

Mr. Aiello explained that the preservation of the Eschweiler buildings is impacted by several cost factors. There is a high cost of rehabilitation and minimal revenue-producing square footage. He noted that several Developers have considered and passed on developments at this site due to cost.

Mr. Aiello explained that the project would not require TIF assistance if none of existing buildings were preserved, and it easy to draw the conclusion that the TIF assistance is for the rehabilitation of the Administration building. However, he explained that Wauwatosa's value of open space and the resulting underground parking is the extraordinary cost covered by the TIF assistance. He explained that the project would not require TIF assistance if the Administration building was preserved and surface parking replaced the underground parking. He noted that historic preservation is not the reason for this TIF request, the underground parking is an extraordinary cost that makes the project eligible for TIF assistance.

Mr. Aiello explained that the project is supported by a strong network of diverse organizations and investors. He noted that there are challenges that these plans must overcome. The FEC must fundraise enough money to rehabilitate the Eschweiler buildings and work with the Wauwatosa School District to establish a mutually beneficial agreement. He explained that any plan that considers preserving the Eschweiler buildings will have similar challenges, but not all will have the support network of the FEC. He noted that the Administration preservation plan will require demonstration of due diligence and approval from the Wisconsin Historical Society, but any such plan that considers removing or modifying the Eschweiler buildings would face the same challenge.

Mr. Aiello explained that the project has been thoroughly vetted by the community and the City through the historic preservation and planned unit development processes. He noted that the economic value of this development is more than the Developer can bear. He explained that the values present in the development plan contribute to the financing gap and the TIF assistance is not a cost to the taxpayers, but an investment. He explained that the \$2.5 million in TIF assistance will create both tangible and intangible benefits for the City of Wauwatosa. He noted that the Mandel Group has minimized their TIF request by maximizing rents and

carefully considering construction costs. He explained that the \$2.5 million TIF will secure the financial health of the City's \$12.7 million investment in Discovery Parkway infrastructure, create \$20 million in property tax base, afford UWM the ability to reduce its obligation to Milwaukee County, continue Innovation Campus development momentum, provide an opportunity to preserve the Eschweiler buildings, create a high quality residential community, and support a plan that reflects the values of Wauwatosa stakeholders.

Mr. Bill Otto, 7720 Mary Ellen Place, spoke in support of the Mandel Group project and praised the City for providing TIF assistance as an economic development strategy. He noted that the Mandel Group is vested in Wauwatosa and sensitive to the unique needs of Wauwatosa. He encouraged the City to approve this project.

Mr. Geoff Mykleby, 8700 Watertown Plank Road, explained that he is a dentist in Wauwatosa and has two offices in Wauwatosa, one adjacent to Innovation Campus. He spoke in support of the Mandel Group project and expressed strong support for the development at Innovation Campus.

Mr. Jim Haertel, 2022 North 117th Street, spoke in favor of the Mandel Group project. He explained that he is on the board that helped save the historic buildings on the Pabst Brewery campus. He urged that the TIF assistance funding allows the Mandel Group to preserve the historic Eschweiler buildings and he praised the Mandel Group for committing to the project.

Ms. Betsey Caron, 1761 Church Street, spoke in favor of the Mandel Group project. She explained that she is on the Historic Preservation Commission. She noted that investment will create value and then people will come. She explained that the Historic Preservation Commission unanimously approved Mandel Group's project plans. She stated that the Mandel Group collaborated with the Historic Preservation Commission and presented plans that both provide value to Wauwatosa, attract more people to Wauwatosa and help create a sense of place.

Mr. Charlie Mitchell, 7525 Oakhill Avenue, spoke in favor of the Mandel Group project. He explained that he is the current chairman of the Historic Preservation Commission and he strongly supports the proposed project.

Ms. Janel Ruzicka, 2127 North 74th Street, spoke in favor of the Mandel Group project on behalf of the Wauwatosa Historical Society Board of Directors. She read an excerpt of a support letter from the Board of Directors and she asked the Committee to approve the proposed project.

Mr. Mark Hogan, 2510 North 90th Street, spoke in favor of the Mandel Group TIF assistance request. He noted that Wauwatosa has limited space for development and the project will expand the tax base. He praised the Mandel Group for presenting a proposal that will include historic preservation.

Ms. Arline Hayes, 7237 West Lloyd Street, spoke in favor of the Mandel Group project. She noted that the preservation of the Eschweiler buildings is a wonderful thing and urged the Committee to approve the Mandel Group project.

Ms. Beth Saworski, 1633 North 69th Street, spoke in favor of the Mandel Group project. She noted that public support is behind the preservation of the Eschweiler buildings and the Mandel Group has collaborated to present a plan that the public supports.

Ms. Barb Agnew, 2276 North 63rd Street, spoke in favor of the Mandel Group project. She asked the Council to support the TIF request and specifically promoted the scenario 1A option including the FEC.

Mr. Tom Lucjak, 6003 North Kent, Whitefishbay, WI, spoke in favor of the Mandel Group project. He noted that the FEC will be a great asset for the citizens of Wauwatosa.

Mr. Tom Gaertner, 6829 Terrace Court, spoke in favor of the Mandel Group project on behalf of the FEC. He explained that the FEC's mission is to provide dynamic experiences to teach visitors and students about sustainable forestry. He asked the Committee to approve the Mandel Group TIF request. He noted that the proposed plans give the FEC time to continue their fundraising and the residential development increases the City's tax base.

Mr. Danny Goldberg, 4902 West Kinnickinnic River Parkway, Milwaukee, WI, spoke in favor of the Mandel Group project on behalf of the University Laboratory School, the charter school working with the FEC. He described the academic program and collaborative goals of the FEC.

Mr. Tom Chapman, 4525 North Larkin Street, spoke in favor of the Mandel Group project and TIF request. He asked the Committee to approve the project and associated TIF request.

Ms. Pat Luedtke, 6220 Upper Parkway North, spoke in favor of the Mandel Group project. She stated that the project both preserves and creates. She stated that the project is an opportunity the City should not pass up.

Mr. John Kissinger, 1829 North 68th Street, spoke in favor of the Mandel Group project. He stated that this project is a generational opportunity for Wauwatosa. He asked the Committee to approve the project and the TIF request.

Ms. Jody Lowe, 6274 Upper Parkway North, spoke in favor of the Mandel Group project. As a member of the Plan Commission, she commented that the project is great for the City, but also gives the FEC opportunity to fundraise. She noted that the FEC will be a great addition to Wauwatosa.

Mr. Bob Simi, 2545 North 81st Street, spoke in favor of the Mandel Group project. He stated that the project requires TIF assistance, but the investment is small considering the project's scope and positive impact. He commented that the City Staff have reviewed the request and have recommended approval. He noted that this is significant and their advice should be given the weight it deserves.

Ald. McBride spoke in favor of the Mandel Group project. He commented that the project has been fully vetted by the community and the City. He noted that the \$2.5 million investment will result in \$20.16 million in property tax value. He stated that the City knows everything there is to know about this project and it is time to move forward. He noted that if the proposed projects are not approved, the buildings will surely be demolished, and the Wisconsin Historical Society will take legal action against the City, which would put a hold on the Mandel Group's residential development. He explained that the project approval would eliminate all of the known risk. He urged that the \$2.5 million TIF will allow the Mandel Group development to proceed, give the FEC time to fundraise, and improve the City's debt coverage. He noted that these plans will also show the Wisconsin Historical Society that the City has attempted all avenues to preserve the Eschweiler buildings. He urged the Committee to approve this request and take this last step to push the ball over the goal line. He urged that the TIF investment will eliminate all known risk and return \$9.7 million into the tax district.

Mr. Gaertner quoted Vince Lombardi and said "We never lost a game, the clock ran out on us." He urged the Committee to approve the Mandel Group plans.

Ald. Wilson called a break until 10:35 p.m.

Ald. Wilson remarked that the Committee would discuss this item freely to ensure that all questions are addressed and he noted that the item is marked for closed session, so the Committee may choose to convene into closed session if discussion warrants.

Ald. Donegan remarked that he does not have a position regarding the proposals presented and stated that he would like to clarify more details regarding the development project. He noted that the Committee must ensure that the public understands the issues and factors that impact this decision. He disagreed with Ald. McBride's statement that everything is known about this project and explained that he has questions of clarification and facts regarding the development plans. He remarked that he will be at peace with any Council decision on this item as long as all the facts are known and they have time to deliberate. He noted that the decision requires a weighing of values and an assessment of risk. He remarked that he is confident that the Council will make the right decision. He begged his fellow Committee members to not make a motion on this project tonight. He

noted that Mr. Archambo remarked that this item is the most complex issue that he has seen vetted by the Council process. He noted that the item sat at the HPC for the majority of a year and it is reasonable for the Budget and Finance Committee to review this item for at least a few meetings. He remarked that the TIF application was received on September 20, 2013 even though the need was known more than a year ago. He urged the Committee to not feel pressured to vote and noted that Mr. Aiello is aware of the need for deliberation on this topic.

Ald. Donegan remarked that many people seem to think that TIFs don't cost any money, but they don't understand what they mean when they say it doesn't. He stated that an investment is a financial transaction where you spend money to make money, and you spend that money only when you have to. He stated that TIFs are fundamentally unfair and he asked Mr. Ruggini and Mr. Archambo to confirm an example. He explained that some developers successfully create new development without any assistance and continue to pay taxes, and those that request and receive TIF assistance do not have to pay taxes. He urged that TIFs are fundamentally unfair and they are wasteful if they are not necessary. He noted that the City cannot afford to waste money especially when basic services are at stake. He explained that TIFs must be necessary and they must be an investment that creates actual returns.

Ald. Donegan noted that many people have lobbied for this project because they claim it will create jobs. He remarked that the City has already invested in Innovation Campus by supporting ABB and the development of Discovery Parkway. He noted that there are costs associated with this investment and asked Mr. Ruggini for the total amount of annual tax increments for the current UWM Innovation Campus developments.

Mr. Ruggini explained that the current developments account for \$1.4 million in tax increment and will close in seventeen years.

Ald. Donegan remarked that \$1.4 million per year for seventeen years is the cost of providing TIF assistance for those projects.

Mr. Ruggini explained that the \$1.4 tax increment would not have existed without the TIF assistance for development projects.

Ald. Donegan noted that the costs for those projects were appropriate, but he noted there are costs of TIF assistance and he stated it is not free.

Ald. Donegan remarked that he has gaps in knowledge regarding the plans that were not addressed by the Mandel Group in the current presentation. He asked Mr. Aiello for clarification regarding the 3A scenario presented on July 16, 2013 to the Committee of the Whole. He explained that he does not intend to offend anyone present, but noted it is his responsibility to uncover all facts. He asked if demolishing all of the Eschweiler buildings would increase the number of units to 240, thereby increasing the City's tax base, and if that plan would require TIF assistance.

Mr. Aiello explained that the 3A Scenario was presented at the City's request and included estimated numbers to demonstrate the maximum number of units that could fit on that site if the Eschweiler buildings were not there. He confirmed that looking from a purely economic standpoint, demolishing all of the Eschweiler buildings would not require a TIF and could possibly increase the number of units, but he commented that there are other nuances that may limit the number of units. He urged that he would not support a plan that demolished the Eschweiler buildings.

Ald. Donegan noted that TIF 6 is set to close in seventeen years with the \$2.5 million for this project. He asked Mr. Ruggini when the TIF would close without the \$2.5 million for this project.

Mr. Ruggini explained that TIF 6 is set to close in fifteen years, assuming no additional development, and the tax increment variance between those two years is approximately \$2.8 million.

Ald. Donegan commented that the cost of providing the \$2.5 million TIF assistance now would equate to \$2.8

million in lost revenue fifteen years from now. He commented that the residential development will not pay taxes to support the City or schools for seventeen years, but there will be residents living there and using City services during that time.

Ald. Donegan asked for clarification on the legal exposure the City faces related to the Eschweiler buildings. He asked what level of threat or risk of injunction the City will face if the Eschweiler buildings are demolished. He agreed with Ald. McBride that this is probably the last chance for the Eschweiler buildings.

Mr. Kesner explained that Milwaukee County failed to retain the preservation easement when they sold the land to the UWM Real Estate Foundation. He explained that the Wisconsin Historical Society has the power to seek an injunction to stop any construction that may harm these historic buildings, but the injunction would be against the current owner, not the City.

Ald. Donegan asked if any citizen may sue the City or if the Wisconsin Historical Society is the only actor authorized to seek an injunction.

Mr. Kesner noted that there may be attorneys or private citizens that believe they have the right to sue, and anyone who believes they can sue, may sue.

Ald. McBride explained that private citizens may eventually lose the fight over standing, but it could take years to make that decision. The City may win the legal battle, but lose due to the delay a court case would cause.

Mr. Kesner explained that injunctions are often used to prevent irreversible harm and in this scenario, an early injunction is probable and would last throughout the litigation process regardless if it had merit.

Ald. Donegan noted that the Mandel Group would like these plans approved, so that they can provide certainty to investors and know what the disposition of these buildings will be. He asked Mr. Aiello whether scenario 2A is a certainty.

Mr. Aiello explained that the Wisconsin Historical Society must approve that option, so it is not a certainty. He explained that the Mandel Group would not advance their design and development until the Wisconsin Historical Society approves the plan. He explained that any plan the attempts to modify the Eschweiler buildings would have that uncertainty and any plan that tries to preserve the Eschweiler buildings would face financing challenges.

Ald. Donegan asked what would be the Mandel Group's next step if the TIF application is approved.

Mr. Aiello explained that the Mandel Group would meet with the Wisconsin Historical Society to go through a certificate of appropriateness type of process.

Ald. Donegan asked what would be the Mandel Group's next step if the TIF application is denied.

Mr. Aiello explained that the Mandel Group would evaluate whether or not they want to be part of the development at that point. He confirmed that if they remained part of the development, they would meet with the Wisconsin Historical Society.

Mr. Mandel remarked that the Mandel Group has walked away from other developments that require taking down historic buildings.

Mr. Aiello noted that if the TIF is denied, the Mandel Group may also wait to see if the FEC could raise the funds to preserve the buildings and avoid exploring demolition.

Ald. Donegan inquired what the Mandel Group would do if the Wisconsin Historical Society approved Scenario 1A and did not approve 2B.

Mr. Mandel stated that the Mandel Group would have to evaluate whether they would spend more time on the development and assess whether the FEC could fundraise, and also review the interest rate market. He commented that as interest rates rise, the development, even without any preservation costs, may require financial subsidy.

Mr. Aiello noted that the Mandel Group would also have to review legal action and decide whether or not to pursue any legal action.

Mr. Mandel stated that he believes the rigor of Wauwatosa's review of the development plan will not be any greater than the rigor of the Wisconsin Historical Society review. He noted that the Springsted analysis also supports the extraordinary costs of the project.

Ald. McBride commented that the approval of both plans would give the FEC time to fundraise and allow the Mandel Group to begin construction on the residential development. He explained that the two plan approach proves that the City and Developer tried all avenues to preserve the Eschweiler buildings. He noted that the risk of Plan B denial is greatly mitigated by the efforts to achieve Plan A. He noted that presenting only Plan B would be a risk, but presenting both mitigates the risk of Plan B denial.

Ald. Donegan noted that many supporters lobby for this plan based on the creation of the FEC. He inquired if the FEC is a guarantee.

Mr. Gaertner stated there is no guarantee, but noted that the \$2.5 million TIF assistance provides the FEC time to continue their capital campaign.

Mr. Aiello noted that Plan B, the walled garden plan, would be implemented only if the FEC failed to fundraise enough money.

Ald. Donegan noted that the FEC was not mentioned in the Staff recommendation. He asked Mr. Ruggini and Mr. Archambo if they have any evidence of the charter school quality and asked if it is worth the \$2.5 million investment.

Mr. Kesner explained that TIF assistance is not to fund a charter school. The \$2.5 million in TIF assistance does not depend on the FEC.

Mr. Ruggini commented that the school should be viewed as a byproduct of the TIF, not the reason for the TIF.

Mr. Archambo explained the City does not have any evidence of the charter school quality.

Ald. Donegan commented that many constituents support the plan based solely on the creation of the FEC and there is no guarantee it will exist, or meet expectations.

Ald. Donegan noted that City Staff stated that the TIF assistance is for underground parking and he remarked that it would be more accurate to say it is for the preservation of the Eschweiler buildings.

Mr. Ruggini explained that under the proposal submitted, there were three extraordinary costs including underground parking, land costs, and building rehabilitation. He noted that City Staff recommended using the TIF assistance for structure parking for a number of reasons and the extraordinary cost is based on the financing gap of the project.

Ald. Donegan asked when is the deadline to utilize the TIF surplus caused by the overlap of TIF 2 and TIF 6.

Mr. Ruggini explained that the deadline would be March 2015.

Ald. Donegan remarked that the City would need a development plan approved by March 2015 to utilize this surplus.

Mr. Ruggini explained that there are some nuances, but it would be in the City's best interest to not exercise the options available to extend that deadline.

Ald. Birschel asked if it is a guarantee that all of the Eschweilers will be preserved and saved.

Mr. Aiello stated that it is not a guarantee that all the buildings will be saved.

Ald. Birschel noted that the project could be completed without TIF assistance if surface parking replaced the underground parking. He asked if the underground parking is the reason for the TIF assistance.

Mr. Ruggini confirmed that underground parking is one of the three extraordinary costs that were identified in the TIF application. He noted that using the TIF assistance for underground parking is suggested by the City because it is the most straightforward and makes the most sense for this increment. He explained that there are other extraordinary costs, but that is the cost that the City recommends applying the TIF assistance.

Ald. Birschel noted that the same project could be accomplished without a TIF and he expressed support for the FEC. He commented this project is complex and he wished the FEC luck in their fundraising endeavors.

Ald. Hanson asked if the Mandel Group would have the authority to demolish all of the Eschweiler buildings if the FEC fails to fundraise the necessary amount of funds.

Mr. Kesner explained that the agreement allows the Mandel Group to work towards both proposed projects. He explained it is not that simple, but the decision will be left to their processes. He explained that the Mandel Group will not have to come back for another approval from the City.

Ald. Hanson asked if any other entity has the authority to grant the Mandel Group this permission.

Mr. Kesner explained that the Common Council and the Historic Preservation Committee both approved the Planned Unit Development, which included both plans. He explained that the HPC reviewed the plans and also gave the certificate of appropriateness.

Ald. Hanson asked how the \$2.5 million TIF assistance is for underground parking and how it relates to the opening of the FEC in the Administration building.

Mr. Kesner explained that the two scenarios are more complex than just the FEC versus the walled gardens. Both plans include the residential development, underground parking, and the purchase of land from UWM. He explained that the City has previously provided TIF assistance for underground parking.

Ald. Hanson remarked that his constituents support this development for the preservation of the Eschweiler buildings. He commented that the public is unaware of the risk and he is not comfortable voting on this item.

Ald. Ewerdt commented that in theory, the Committee could approve only Plan A, but he noted that this limitation would probably hinder the Mandel Group's overall plan. He noted that the TIF assistance is attributed to underground parking and commented that this is not completely upfront. He noted that the land purchase is considered an extraordinary cost by the City and Springsted's analysis. He asked Mr. Aiello if the \$4 million land cost is firm to purchase the parcel of land from the UWM Real Estate Foundation.

Mr. Aiello confirmed that the \$4 million purchase price is firm.

Ald. McBride commented that a reduction in the purchase price would hinder UWM Real Estate Foundation's ability to pay back Milwaukee County and lowering the land price may result in the County owning the land

again.

Ald. Ewerdt remarked that dealing with the County should be UWM's problem. He agreed with Ald. Donegan's statement that TIFs are unfair and commented that the FEC would be a tax exempt entity. He remarked that this tax exempt entity would not add to the City's tax base.

Mr. Kesner explained that the FEC portion of the development will be tax exempt, but it is not included in the property value calculations. He noted that a large section of the entire Innovation Campus development will be tax exempt based on the agreement between the County and UWM.

Mr. Archambo explained that no additional value is assumed for the tax exempt portion of this project.

Mr. Ruggini explained that both the school and walled gardens have no property value, so it would be impossible to challenge the assessed value in the future.

Ald. Ewerdt commented that he does not understand the use of TIF assistance for underground parking and he remarked that he views the TIF assistance as funding for the preservation of the Eschweilers.

Ald. Dubinski noted that the Mandel Group development has been in the works for three years and if they walked away for some reason, another project may not come to fruition for another three years. He commented that another development approval process would take as long as the pay back period of the proposed \$2.5 million TIF. He commented that this TIF allows for the creation of new development and increases Wauwatosa's tax base with new property value. He stated that he is prepared to vote on this item and he urged that the project should be moved forward to ensure the project is not lost.

Ald. Organ thanked the Mandel Group, the FEC, and the members of the public for sharing their perspectives. She commented that she is optimistic about the mixed use development proposed by the Mandel Group, but she is concerned regarding the changes made since the April 2010 presentation by the Mandel Group. She noted that the presentation in 2010 indicated that 200,000 square feet was the maximum density possible and now the development is up to 220,000 square feet. She noted that she will not oppose the TIF request, but she is wary of the changes made to the development plan. She commented that she is unsure whether this plan will come to fruition. She stated that she was ready to vote, but will support holding the item if others would like time to review the TIF request and ask more questions.

Ald. Birschel commented that the Committee will have to go into closed session to discuss spending public funds.

Ald. Organ asked why the Committee would have to go into closed session.

Mr. Kesner explained that there may be questions related to negotiation strategies and why City Staff have come to these conclusions.

Ald. Wilson noted there is no motion to go into closed session.

Moved by Ald. Birschel, seconded by Ald. Donegan
to hold the item until the next Budget and Finance
Committee on October 8, 2013 - Ayes: 8

Ald. Tilleson suggested a friendly amendment to the motion to meet prior to Common Council on October 1, 2013. He noted that half of the Committee is prepared to vote on the item.

Ald. Birschel said he would accept that friendly amendment.

Ald. Donegan asked why a two week hold is an issue and he commented that he prefers two weeks.

Ald. Tilleson removed his friendly amendment.

Ald. Wilson commented that he is ready to take a vote on the item, but he noted that there are a number of questions that should be asked in closed session to ensure that the Committee and Council make the most practical decision.

RESULT:	HELD
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7. Vouchers

Moved by Ald. Hanson, seconded by Ald. Organ
that each and every voucher be allowed and paid - Ayes: 7
Present: 1 (Donegan)

The meeting adjourned at 11:47 p.m.

RESULT:	APPROVED [7 TO 0]
AYES:	Wilson, Dubinski, Hanson, Organ, Tilleson, Ewerdt, Birschel
ABSTAIN:	Donegan

Carla A. Ledesma, CMC, City Clerk