



## CITY OF WAUWATOSA

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### MINUTES COMMUNITY DEVELOPMENT AUTHORITY Thursday, July 30, 2015 – 12:00 P.M. Committee Room #1

PRESENT: Mr. Wick, Ms. Wakefield, Mr. Schulz, Ald. Tilleson.

EXCUSED: Ms. Eick, Ald. Byrne, Ms. Rettko

STAFF PRESENT: P. Enders, Development Director; A. Kesner, City Attorney; J. Archambo, City Administrator; T. Szudy, Principal Planner; J. Ruggini, Finance Director J. Ferguson, Assistant Planner; M. Citro, Business Services Specialist

OTHERS PRESENT: Mikaela Huot – Springsted  
Nicole Willoughby – Irgens  
Jackie Walsh - Irgens

1. Meeting called to order at: 12:03 p.m.

2. Public Hearing regarding the amended project plan and boundary for Tax Incremental District No.6. (See Public Hearing Notice published on July 16, 2015 & July 23, 2015.)

Jackie Walsh summarized the Meadowand Research & Technology Center project (layout, green space, parking structure). Mr. Wick asked if it was going to be a LEED building. Jackie Walsh said it would be. Ms. Wakefield asked what a LEED building is, Jackie Walsh summarized. **LEED**, or Leadership in Energy & Environmental Design, is a green building certification program that recognizes best-in-class building strategies and practices. To receive **LEED** certification, building projects satisfy prerequisites and earn points to achieve different levels of certification.

Mr. Schulz asked if Irgens owned the adjacent building. Jackie stated Irgens maintained ownership interests. Mr. Schulz asked if there were replacement tenants for Research Park. Jackie said yes, except for the 3<sup>rd</sup> building but there was an 11 month period to lease the space.

There was a brief discussion about the green space. Mr. Wick asked if the space was just for the new building or the whole park. Jackie said it was for the whole research park and would be advertised as such.

Al Wick inquired as to what percentage of space had been preleased. Jackie stated it was 43% leased from a single tenant. Mr. Wick asked if there were any other tenants aside from the anchor tenant. Jackie stated that there wasn't but that the anchor tenant may be expanding to take up 50% of available space.

3. Consideration of "Resolution Amending Boundary and Approving Amended Project Plan for Tax Incremental District No.6, City of Wauwatosa, Wisconsin."

Discussion of a summary of the background of the issue to date and the description of the modification of the proposed boundary amendment. Mr. Wick asked which building was in the original TIF. P. Enders stated it was Innovation Campus. Mr. Schulz inquired as to where the extra incremental value would go. J. Ruggini stated it would go to extra parking structures for future development.

Mikaela Huot summarized the project and financial feasibility. She mentioned that the Joint Review Board had reviewed this in the meeting previous to this and they would be scheduling a JRB meeting for August 24, 2015.

Mr. Wick asked if the deal was structured to give the city some flexibility. J. Ruggini said it was. Mr. Wick asked about the present value, J. Ruggini said they ignore present value, there is no interest payments just straight cash value.

Mr. Wick asked if there were any risks if the project doesn't turn out as predicted. J. Ruggini stated it was funded so the city only reimburses the developer, it does not pay them up front. So if there is less renters it means less money to the developer. A Kesner added that the assessment was based on full capacity rental so value would, at the start, be based on full rental. Mr. Ruggini stated that since it's a reimbursement and no anticipated city bonding the city's risk was significantly lowered. J. Ruggini added that the minimum 50% area of the district met blighted standards and the requirement of a TID.

Mr. Schulz asked if there was any city analysis of the "but-for" clause. J. Ruggini said they analyzed financial information from developers as to need. It was in a memo, not in the document. P. Enders asked if the board would like to see the memo. Mr. Wick said yes. Mr. Wick asked where the cost increases came from. A. Kesner stated it was based on the differential in added cost of a surface parking lot and a two story structure. Mr. Schulz asked what the financial assumptions were when calculating debt service. They were a 5% vacancy rate with 3% annualized operating expense increase. Mr. Schulz asked what the internal rate of return on equity was. A. Kesner stated he could provide that information but the details are confidential and not for public record. Mr. Schulz asked if the rate of return was comparable to other similar projects. J. Ruggini said it was reasonable in comparison and on the low-end of return rates.

Mr. Schulz stated he was struggling with the "but-for" clause and has a hard time seeing that the parcel is undevelopable without the 20% stake. Is it needed? P. Enders stated that they have been trying to develop that parcel for years with no interest. Odd parcel shape, high-density requirements. Mr. Schulz felt the interchange project would increase demand in the area in the future and that maybe it wasn't as relevant to look at how difficult the parcel was to develop in the past. A. Kesner added that they had agreed to also develop a 50,000sf building. Mr. Schulz added that there was no penalty for not doing so, only time-value loss. He would like to see a bigger penalty. The money goes to the developer whether it's built or not, the only impact it has is the time it takes them to get that money. J. Ruggi added that the internal rate of return was significantly lower on a 150,000sf building than a 100,000sf one. Mr. Schulz added that the building was largely shifting a tenant from another building in the park and that it was not necessarily adding new tenants. A. Kesner added that it was also about \*retention\* of that tenant in the park, not just adding new tenants.

Mikaela Huot summarize the term sheet and there was a general discussion of the terms.

Mr. Wick noted there were no public attendees so the public portion of the meeting was now closed.

Mr. Wick asked Ald. Tilleson to comment from the Common Council's perspective.

Mr. Tilleson stated that if there was a vote held on the initial project that it probably would have been unanimously rejected. Now that they had worked with Irgens to create this new agreement it was nearly unanimously approved by the Common Council. Ald Tilleson added that, in terms of additional penalties on the developer, even though there were few contractual penalties on the deal that the risk of Irgens negatively impacting their future developments by drawing more scrutiny on them if this project doesn't get developed as planned, while not contractual, would keep Irgens trying hard to make the project as

planned. Ald. Tilleson added that Mr. Schulz, in his questioning today had addressed many of the concerns the Common Council also had initially, that the concerns Mr. Schulz has are not unfounded but felt the deal was good enough to recommend approval on in the end. Mr. Schulz stated he had a problem with the idea that a big portion of what the city relies on is "relationship" based and not "contract" based. Mr. Wick asked if there were any scenarios where Mr. Schulz might change his view on the issue. Mr. Schulz stated he would like more numbers and contractual assurances. P. Enders stated that the staff, consultants, and common council believe this will be a successful plan. Mr. Schulz said he would like to see a penalty on the term sheet for not building the second building. J. Ruggini stated that it was on the original term sheet but that they couldn't come to terms with the lender.

Mr. Wick inquired as to how, at minimum, they get "but-for" analysis into resolution documents. P. Enders stated she will add specific language to the document before it goes back to the Joint Review Board.

MOTION by Ald. Tilleson for approval of resolution with recommended changes, SECOND by MS. Wakefield. MOTION CARRIED 3-1. Mr. Schulz Objects.

Mr. Wick requested that an agenda item be added to the next meeting for a general discussion of the TID process and CDA's role in it and in getting information sooner.

MOTION by Ms. Wakefield, SECOND by Mr. Schulz to adjourn. MOTION CARRIED 4-0

Meeting Adjourned 1:41 pm.

Mike Citro  
Business Services Specialist

\*The body may convene into closed session pursuant to Sec. 19.85(1)(e), Wis. Stats., for the purpose of deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session, and may reconvene into open session.