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Department of Community Development

**Economic Development  
Board May 3<sup>rd</sup> 2016  
7:30 AM  
North Conference Room  
Mequon City Hall  
11333 N Cedarburg**

**Minutes**

**1. Call to Order, Roll Call.**

Members present: Tim Carr, Jim Baka, Gloria Rosenberg, Jon Safran, Mason Holbrook, Rick Shneyder, Alt. John Wirth, Alt. Connie Pukaite

Staff and City Representatives Present:

Kim Tollefson, Director of Community Development

Ms. Tollefson introduced new board member Jon Safran. All members introduced themselves.

**2. Approval of meeting minutes from March 23, 2016**

Ald. Wirth made a correction to the minutes on page 2 in which he clarified his intention of researching other economic development departments in neighboring suburbs to inquiry how they run their economic development staffing (not just their board).

Ald. Wirth made a motion to approve the meeting minutes from March 23, 2016.

Ms. Rosenberg seconded the motion.

***A voice vote was called. All voted aye (7-0)***

**3. TIF No.3: Town Center Incentive Request for “The Reserve” Redevelopment  
Site located at 6729-6835 W. Mequon Road.**

Ms. Tollefson introduced Robert Bach from P2 Development and Jim Mann from Ehlers. She stated that Mr. Bach is developing an 81-unit multi-family apartment complex south of Mequon Road to the rear of where Ivana’s Trunk was located in the Town Center (TC) zoning. This proposed development has been through all the necessary approvals from both Planning Commission and Common Council and has started construction on the site. Full valuation is expected by 2018, with a partial valuation in 2017. The incentive request was evaluated against the Fast Track Formula.

In this specific case the estimated project cost is \$10M and that is an improvement value beyond \$9.7M. The applicant would be eligible for about \$876,000 based on the Fast Track Formula, but when the Common Council approved the opportunity for incentives in the Fast Track Formula in Town Center, there was a total of only \$3M allocated for developer incentives. It is almost at full execution of those dollars, so \$250,000 is currently

available for this application. The payback period and the estimated annual tax revenue at \$250,000, it will be just under two years of a payback period.

Ms. Tollefson stated Jim Mann from Ehlers helps the City vet through the pro forma of the project and helps to ensure that the City is in compliance with the TID and looks out for the City's best financial health in the TID. In this particular case, there will be a substantial overall net benefit from the \$10M project coming into the TIF district. Ms. Tollefson reminded the board that like the other TIF incentives provided in TC, it is not suggested to provide 100% of return on that tax revenue each year, but rather to structure the payback period over 3 years and splitting the percentage. This is coming in about 48/52% split with a payback of 3 years. This allows the City to take some of those dollars in the first initial three years and fuel the TIF. Mr. Bach will receive around \$83,000 over those three years. Ms. Tollefson indicated that the estimated tax revenue would be about \$175,000.

Mr. Mann explained that they look at two components when evaluating:

1. Sunk Cost – this is the individual parcel's portion of the original TID expenses. Mr. Mann stated that this is a 2 acre site that represents about 1.75% of the total TID district (which is about \$85,000 of the original TID public improvements expenses that this project is supposed to cover). The development incentive request of the \$250,000 leaves a significant addition to the bottom line of the TID. This project cuts about 1/3 of that hole back out. This is very positive to the cash flow of the overall TID.

Mr. Mann answered Ald. Wirth that the Schaffer project is not yet included and once it comes through the TID will no longer be in the hole. If the Schaffer project does not go through there is about \$600,000 in the hole. There is a lot of time left and other projects could be included. He added that if the projects that are currently proposed all move forward (The Reserve, the Schaffer project, the Dermond project), then the TID close date could move forward. He said the things have turned the corner and they are moving in a positive direction for the TID.

Mr. Bach stated that they build projects and maintain ownership of them. They use very high quality products. They expect this project to be a premier apartment building in Ozaukee County. They are incorporating many amenities; indoor pool, large community center, 140 stall underground parking garage, 5,000 sq. ft. social gathering on the second floor deck with fire pit and areas to cook out. He stated that their market is young professionals and snow birds. The high end quality apartments include 10' ceilings, 8' doors and high end finishings.

Mr. Bach stated that the rents will be between \$1,350 - \$2,000.

- 15 - 1 bedrooms, smallest unit is 881 sq. ft
- 64- 2 bedroom units
- 12 - 3 bedroom units, largest is 1975 sq. ft.

Mr. Safran asked about the demand for apartments being realistic.

Mr. Bach stated that they have done two market surveys and the findings are that the demand goes beyond everything that has been approved for the TC area.

Ald. Wirth made a motion to approve the incentive request.

Mr. Baka seconded the motion.

***A voice vote was called. All voted Aye, vote passed 7-0***

Ms. Tollefson stated that a Town Center workshop for the Common Council is being planned and she will let the EDB know the date once it is confirmed. A portion of that workshop is an overall view and prospective of the TIF and the financial health of the TID.

She stated that even if ¾ of the projected potential value of the Schaffer project indicated was to deliver (about \$26.8M), the TID would be in the black. The final year of construction for the Schaffer project and full valuation is expected in 2019.

Part of the workshop conversation will focus on what some of the other potential goals or interests of the TID are if there is continued increment (Logeman Center, gateway features).

#### **4. Staff Updates**

Ms. Tollefson stated the following projects are on the agenda for Planning Commission and/or Common Council this month:

- Oriole Lane conservation subdivision. There will be some neighborhood protest. It is proposed to be 9 single family condominium conservation subdivision. It is a constrained site due to wetlands and specimen trees. The developer has gone through many revisions. They appear to be in compliance with the DNR at this time. They have preserved all 22 specimen trees.

Ald. Pukaite stated this is a great deal of controversy because this site is perceived as the last green space buffer between the neighborhood and commercial area and the neighboring residents are opposed.

- Ms. Tollefson is bringing to Public Welfare the City's partnership with Ozaukee HOME Consortium. It is a four county program in which the federal dollars are targeted towards home ownership opportunities.

Over the past 10-12 years there has been about \$12M of HUD dollars allocated to the program with about \$1M of that to Ozaukee County.

- Neumann Companies, Highlander Estates is seeking street tree and landscape plan approval for Phase I of their new subdivision.
- Cyclebar is seeking conditional use grant for a spin fitness studio at Mequon Pavilions.

Mr. Carr stated that the barber shop next door is upset about being put out of business.

- Town Center parking is being discussed and strategies are being worked on for some additional parking options. This is not an actionable item but is being discussed internally and with the developer and business owners.
  - The Schaffer project has had the environmental work done. The Development Agreement (DA) has been delivered. The City is the owner of the property and is requesting of the DNR that no further investigation is necessary. It is a matter of monitoring it now. Most of the contamination are soil management issues so now an action plan needs to be put into place on how to deal with those soils. The contaminated areas happen to align with the developer's concept plan where parking lots were intended.

Mr. Safran asked if the hotel is still a viable part of the plan.

Ms. Tollefson answered that is still included in the overall plan. Ms. Schaffer has been asked to show an alternative plan in the PUD and she has suggested that the alternative would be an additional apartment complex. The hotel is part of phase II. The PUD

approval will be crafted with standards that the hotel would need to meet to be implemented.

Mr. Carr stated that he feels there is demand in town that would support a hotel.

Ms. Tollefson stated that because the site was sold for \$1 it was made clear that there is no intention of further incentives being offered through the TIF or otherwise. This relates to the environmental work as well in that the developer is responsible for those costs. The public improvements will also be the developer's responsibility.

- The Logeman Center has the last tenant (the Historical Society) moving out. There are about two weeks of work still to do. There are many options and ideas of what will be done with this space and this will also be discussed at the TC workshop.

There was a causal discussion among the EDB members about big box businesses going into neighboring communities (Ikea going into Oak Creek, Walmart wanting to come to Mequon) and the preference from the residents of Mequon and the Common Council not to allow those types of businesses here.

Ms. Rosenberg suggested that the tenants of TC should have maps at their counters to give out as well as have a map shown when advertising.

## **5. Announcements**

Ms. Tollefson stated that there were two other incentives slated for today. One is OutPost; they will be asking for an amendment to their development agreement that granted the incentive to them. The request is for an additional \$30,000. They prefer to meet on May 31<sup>st</sup>.

The second one is in the business park with MLG.

This is on a 12 acre site with a local owner and local resident and would be a great asset to the business park.

**The next meeting is scheduled for either May 24<sup>th</sup> or May 31<sup>st</sup>.**

Mr. Baka made a motion to adjourn.  
Ms. Rosenberg seconded the motion.

The meeting adjourned 8:49 am.