EHLERS
PUBLIC FINANCE ADVISORS

April 29, 2022

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Mayor Tim Swadley, City JRB Member

Sarah Ebert, Public JRB Member

Kate Ahlgren, Stoughton Area School District Interim District Administrator

Francis Sullivan, School Board President & JRB Member
Stoughton Area School District

RE: City of Stoughton

On behalf of the City of Stoughton, this letter is **to confirm the meeting of the Joint Review Board ("JRB") will be held on May 5, 2022 at 5:00 p.m.** The purpose of this meeting is for the JRB to consider approval of the resolution adopted by the Stoughton Common Council creating Tax Increment District No. 9 (the "District").

Please see the attached legal notice and/or agenda for the meeting location information.

To assist the JRB in its deliberation, the Planning Commission resolution and the Common Council resolution, along with the Project Plan, constitute the public record in this matter. **Signed copies of the resolutions, the final Project Plan, and the minutes from the organizational JRB meeting are included.**

Enclosed is a copy of the legal notice published for this meeting, an agenda for this meeting, as well as a proposed resolution for consideration by the JRB.

In considering whether to approve its Resolutions, the JRB, by state statute, is to consider the following:

A. Whether the development expected in the Tax Incremental District would occur without the use of tax incremental financing;

B. Whether the economic benefits of the Tax Incremental District, as measured by increased employment, business and personal income and property value, are sufficient to compensate for the cost of the improvements;

C. Whether the benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions.

To assist the JRB in its analysis of the enclosed information, we are providing the following brief narrative as it relates to each of the criteria outlined above.

1. That "but for" the creation of this District, the development projected to occur as detailed in this Plan: 1) would not occur; or 2) would not occur in the manner, at the values, or within the timeframe desired by the City. In reaching this determination, the City has considered the following:

   A review of the Project's sources and uses, and cash flow proforma was undertaken by the City to perform its due diligence regarding the "but for" test. The review examines the Project's projected return on investment to determine if the amount the Developer has requested is necessary to provide an acceptable return on investment and indicates that "but for" the incentives, the project would not likely proceed. The Project's projected return on investment is 0.51%. The Developer has requested that the City provide an incentive payment on a pay as you go basis with an estimated future value of $8,598,567. Projects of this type typically need to provide a return in the range of 10% to 18% to attract the necessary investment capital. Based on Ehlers review, with the provision of pay as you go incentives, in the amount requested, is necessary to provide a positive return on investment and indicates that "but for" the incentives, the project would not likely proceed.
   In addition, the City anticipates required infrastructure to be installed by the City. Absent the use of tax incremental financing, the City is unable to fully fund this program of infrastructure improvements.

2. The economic benefits of the District, as measured by increased employment, business and personal income, and property value, are sufficient to compensate for the cost of the improvements. In making this determination, the City has considered that the Developer is likely to purchase goods and services from local suppliers in construction of the Project, and induced effects of employee households spending locally for goods and services from retailers, restaurants and service companies.

   The expectation is that the Project will provide housing opportunities that may create employment opportunities to workers within the area of the TID or other parts of the City once the Project is fully operational.

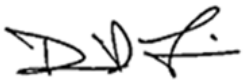
3. The benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions. As required by Wis. Stat. § 66.1105(4)(i)4., a calculation of the share of projected tax increments estimated to be paid by the owners of property in the overlying taxing jurisdictions has been prepared and can be found in this Plan. However, because the Project would not occur without the use of tax incremental financing, these tax increments would not be paid but for creation of the District. Accordingly, the City finds that the benefits expected to be realized as set forth in this Plan outweigh the value of the tax increments to be invested in the Project.

CONCLUSION

Based on the information contained in the Project Plan, the findings of the Planning Commission and the Common Council as provided for in their respective resolutions, the City therefore respectfully requests favorable consideration by the JRB.

Sincerely,

EHLERS



Dave Ferris, CPA
Senior Municipal Advisor

cc: Candee J. Christen, City Clerk
Rodney Scheel, Director of Planning & Development
Dave Ehlinger, Finance Director
Matthew P. Dregne, City Attorney
Jill Spilde, Executive Assistant, Madison Area Technical College
Erica Pickett, Director of Business Services, Stoughton Area School District
Cate Urbas, Assistant, Stoughton Area School District
Philip L. Cosson, Municipal Advisor, Ehlers
Paula Czaplewski, Senior Public Finance Analyst - TIF, Ehlers
Annie Mallon, Public Finance Analyst, Ehlers