Forward Development Group

Moving Business Forward
161 Horizon Drive, Suite 101A
Verona, WI 53593
Ph 608.848.9050
Fax 608.848.9051
forwarddevgroup.com

Memorandum

To: Jamin Friedl – City of Stoughton

From: Ron Henshue

cc: Dave Jenkins, Dennis Steinkraus, Konner Kearney

Date: April 8, 2020

Re: Response to the Recommendation of the City Council Regarding the Prioritization of Payments From the TID

Forward Development Group (FDG), on behalf of Kettle Park West (KPW), has reviewed the Common Council's recommendation regarding the prioritization of payments from the Tax Increment District, as it relates to the additional borrowing as part of Phase II. In our review, we have identified two items that we would suggest be subject to additional discussion.

The purpose of this memo is to provide the Council with our input on these two issues. In its current form, the Phase II Pay Go financing cannot be financed and commitments made to investors in the Commercial Center phase are an issue. We will discuss each of these items in detail as well as provide information that will allow the Council to feel comfortable in changing the order.

Our recommendation is to change the prioritization as follows:

i) First, to the City for the payment of Administrative Costs.

ii) Second, for the payment of the Commercial Phase TIF Borrowing.

iii) Third, to the payment of the Commercial Phase MRO

iv) Fourth, Actual Tax Increment that remains after paying (i), (ii) and (iii) above shall be made available for payment of the Residential Phase MROs (in the order of issuance). For purposes of this Agreement, Actual Tax Increment that remains after paying (i), (ii) and (iii) above shall be referred to as "Available Tax Increment."

v) Fifth, to pay any City borrowing incurred to finance the construction of improvements to Oak Opening Drive and Deer Point Drive in the Town of Rutland.

vi) Sixth, Actual Tax Increment that remains after paying (i), (ii), (iii), (iv) and (v) above shall be allocated to the City to pay for the construction of the Jackson Street force main and the extension of a water main along S.T.H. 138.

vii) Finally, after the payments are made pursuant to subsections i. through vi. immediately above, any remaining Actual Tax Increment shall be used by the City at its discretion, including to pay the cost of constructing the intersection of S.T.H. 138 and Oak Opening Drive.

The two changes that have been made and were highlighted above are explained in more detail below:

Commercial Phase MRO – The $550,000 was the result of excess costs that were known at the time of entering into the Commercial Phase MRO. As a result of the City's concern with KPW's ability to create the increment to pay the Commercial TIF Borrowing, KPW agreed to fund the $550,000 of costs at that time thru raising additional capital. However, it was agreed that should additional increment be created that KPW would receive the $550,000 and consequently be in a position to retire the additional capital that was raised. The excess increment has been created and the capital that was raised is set to expire in August of 2020. This capital is costly and since the excess increment has been created, KPW needs to retire this capital. This is a separate issue from Phase II and should be treated as such.

Residential Phase MRO – The TIF request for Phase II relating to onsite costs is necessary to move this Phase forward. As discussed in the TIF presentations, the offsite costs can be managed such that cash is available within the TID to pay for those costs. In the order of payments presented, a discretionary item is being moved before the payment of the Pay Go Financing. KPW's lender is not willing to issue the required financing if a discretionary item moves ahead of their payment for the infrastructure on Phase II. We have assured the Bank in our loan application that adequate increment has already been created within the TID to pay all obligations that the TID has incurred including the Phase II Pay Go Financing. Therefore, to execute on the Pay Go Financing, the Bank needs to be assured that no party can make a discretionary decision that will affect their payment stream.

As indicated earlier, we believe the Council should be comfortable in making these changes based on what has been accomplished within the Commercial Phase of Kettle Park West. We have attached two Exhibits that highlight the affordability within the TID. The first attachment (Exhibit A) demonstrates that items i) to iv) in the payment order can be paid out of the increment that has already been created in the Commercial Phase. The City, KPW and the Bank can all be paid through the increment that has been created or is in process. Everyone should be pleased and excited about this fact. Essentially, no further

financial risk exists relating to the debt incurred or to be incurred within the TID and excess cash is also being generated.

The second attachment (Exhibit B) demonstrates that with the excess cash from the Commercial Phase and the increment being created within the Residential Phase of the project that all other public projects can be paid from excess cash. As emphasized, throughout the discussions regarding Kettle Park West's residential phase, the financial strength of the TID provides adequate cash such that through proper management, no more debt needs to be incurred beyond the Pay Go Financing for Phase 2.

We have provided our feedback to staff, during the review of the TIF agreement, and will make ourselves available to answer questions that the Council may have regarding the recommendation in this memo.

EXHIBIT A

Kettle Park West Phase 1 Affordability

TID #7 Projected Cash Flow / Fund Balance Summary

Date: 01-Apr-20
6-Apr-20 Revised to reflect base year value and tax increment revenue.

Tax Rate: **$2.26**
Base Year Value: $ 1,111,800

A - Ties to 12/31/19 Financials
B - Reflects Full Build Out

Year	Projected Assessed Value		Projected Tax Receipts		Other District and Project Costs		Transfer To Debt Fund	Phase 1 TIF Commitment	Developer Pay-Go P/I On-Site ($3.0M)	Projected Cash Balance	
2018	$ 24,048,300		$ -		$ (5,000)		$ -	$ -	$ -	$ 190,695	
2019	$ 25,308,200		$ 526,673		$ 54,187		$ (333,149)	$ -	$ -	$ 438,406	A
2020	$ 35,498,600		$ 546,394	A	$ (35,000)		$ (333,975)	$ (550,000)	$ -	$ 65,826	
2021	$ 44,578,600		$ 776,510		$ (5,000)		$ (334,725)	$ -	$ (372,001)	$ 130,610	
2022	$ 48,639,000		$ 981,552		$ (5,000)		$ (334,275)	$ -	$ (372,001)	$ 400,885	
2023	$ 50,118,000		$ 1,073,242		$ (5,000)		$ (332,600)	$ -	$ (372,001)	$ 764,526	
2024	$ 51,290,000		$ 1,106,640		$ (5,000)		$ (335,700)	$ -	$ (372,001)	$ 1,158,465	
2025	$ 51,980,000	B	$ 1,133,106		$ (5,000)		$ (333,575)	$ -	$ (372,001)	$ 1,580,995	
2026	$ 51,982,526		$ 1,148,687		$ (5,000)		$ (331,300)	$ -	$ (372,001)	$ 2,021,381	
2027	$ 51,982,526		$ 1,148,744		$ (5,000)		$ (332,525)	$ -	$ (372,001)	$ 2,460,599	
2028	$ 51,982,526		$ 1,148,744		$ (5,000)		$ (332,125)	$ -	$ (372,001)	$ 2,900,217	
2029	$ 51,982,526		$ 1,148,744		$ (5,000)		$ (336,225)	$ -	$ (372,001)	$ 3,335,735	
2030	$ 51,982,526		$ 1,148,744		$ (5,000)		$ (334,825)	$ -	$ (372,001)	$ 3,772,653	
2031	$ 51,982,526		$ 1,148,744		$ (5,000)		$ (334,525)	$ -	$ (372,001)	$ 4,209,871	
2032	$ 51,982,526		$ 1,148,744		$ (5,000)		$ (335,375)	$ -	$ (372,002)	$ 4,646,239	
2033	$ 51,982,526		$ 1,148,744		$ (5,000)		$ (335,725)	$ -	$ -	$ 5,454,259	
2034	$ 51,982,526		$ 1,148,744		$ (5,000)		$ (335,363)	$ -	$ -	$ 6,262,640	
2035	$ 51,982,526		$ 1,148,744		$ (5,000)		$ -	$ -	$ -	$ 7,406,385	
			$ 17,631,504		**$ (60,813)**		**$ (5,345,986)**	**$ (550,000)**	**$ (4,464,015)**	**$ 7,406,385**	

EXHIBIT B

Kettle Park West Phase 2 Affordability

TID #7 Projected Cash Flow // Fund Balance Summary

Date: 05-Feb-20
28-Feb-20
6-Apr-20

A - Reflects Full Build Out

Tax Rate: **$2.26**

Base Year Value: $ -

Year	Projected Assessed Value		Projected Tax Receipts	City Off-site ($3.8M) from Fund Bal.	Projected Cash Balance Phase II
2018	$ -		$ -	$ -	$ -
2019	$ -		$ -	$ -	$ -
2020	$ -		$ -	$ -	$ -
2021	$ 4,650,000		$ -	$ -	$ -
2022	$ 10,470,000		$ 105,005	$ -	$ 105,005
2023	$ 25,460,000		$ 236,430	$ (690,000)	$ (348,566)
2024	$ 35,845,000		$ 574,929	$ (661,250)	$ (434,887)
2025	$ 46,065,000		$ 809,439	$ (310,500)	$ 64,052
2026	$ 56,408,000		$ 1,040,223	$ (2,138,250)	$ (1,033,975)
2027	$ 64,755,000		$ 1,273,785	$ -	$ 239,810
2028	$ 70,215,000	A	$ 1,462,274	$ -	$ 1,702,084
2029	$ 70,215,000		$ 1,585,570	$ -	$ 3,287,654
2030	$ 70,215,000		$ 1,585,570	$ -	$ 4,873,223
2031	$ 70,215,000		$ 1,585,570	$ -	$ 6,458,793
2032	$ 70,215,000		$ 1,585,570	$ -	$ 8,044,363
2033	$ 70,215,000		$ 1,585,570	$ -	$ 9,629,932
2034	$ 70,215,000		$ 1,585,570	$ -	$ 11,215,502
2035	$ 70,215,000		$ 1,585,570	$ -	$ 12,801,072
			$ 16,601,072	**$ (3,800,000)**	**$ 12,801,072**

Note: Table does not include any projections for potential expenditures for listed Supplemental Projects.

EXHIBIT B

Kettle Park West Phase 1 and 2 Affordability
TID #7 Projected Cash Flow // Fund Balance Summary

Date: 05-Feb-20
28-Feb-20
6-Apr-20

Tax Rate: **$2.26**

Base Year Value: $ 1,111,800

Year	Projected Assessed Value	Projected Tax Receipts	Other District and Project Costs	Transfer To Debt Fund	Phase 1 TIF Commitment	Developer Pay-Go P/I On-Site ($3.0M)	City Off-site ($3.8M) from Fund Bal.	Projected Cash Balance Combined I and II
2018	$ 24,048,300	$ -	$ (5,000)	$ -	$ -	$ -	$ -	$ 190,695
2019	$ 25,308,200	$ 526,673	$ 54,187	$ (333,149)	$ -	$ -	$ -	$ 438,406.32
2020	$ 35,498,600	$ 546,394	$ (35,000)	$ (333,975)	$ (550,000)	$ -	$ -	$ 65,825.67
2021	$ 49,228,600	$ 776,510	$ (5,000)	$ (334,725)	$ -	$ (372,001)	$ -	$ 130,609.74
2022	$ 59,109,000	$ 1,086,556	$ (5,000)	$ (334,275)	$ -	$ (372,001)	$ -	$ 505,889.70
2023	$ 75,578,000	$ 1,309,672	$ (5,000)	$ (332,600)	$ -	$ (372,001)	$ (690,000)	$ 415,960.27
2024	$ 87,135,000	$ 1,681,569	$ (5,000)	$ (335,700)	$ -	$ (372,001)	$ (661,250)	$ 723,577.84
2025	$ 98,045,000	$ 1,942,545	$ (5,000)	$ (333,575)	$ -	$ (372,001)	$ (310,500)	$ 1,645,046.41
2026	$ 108,390,526	$ 2,188,910	$ (5,000)	$ (331,300)	$ -	$ (372,001)	$ (2,138,250)	$ 987,405.64
2027	$ 116,737,526	$ 2,422,529	$ (5,000)	$ (332,525)	$ -	$ (372,001)	$ -	$ 2,700,408.80
2028	$ 122,197,526	$ 2,611,018	$ (5,000)	$ (332,125)	$ -	$ (372,001)	$ -	$ 4,602,300.89
2029	$ 122,197,526	$ 2,734,314	$ (5,000)	$ (336,225)	$ -	$ (372,001)	$ -	$ 6,623,388.72
2030	$ 122,197,526	$ 2,734,314	$ (5,000)	$ (334,825)	$ -	$ (372,001)	$ -	$ 8,645,876.55
2031	$ 122,197,526	$ 2,734,314	$ (5,000)	$ (334,525)	$ -	$ (372,001)	$ -	$ 10,668,664.38
2032	$ 122,197,526	$ 2,734,314	$ (5,000)	$ (335,375)	$ -	$ (372,002)	$ -	$ 12,690,601.89
2033	$ 122,197,526	$ 2,734,314	$ (5,000)	$ (335,725)	$ -	$ -	$ -	$ 15,084,190.92
2034	$ 122,197,526	$ 2,734,314	$ (5,000)	$ (335,363)	$ -	$ -	$ -	$ 17,478,142.45
2035	$ 122,197,526	$ 2,734,314	$ (5,000)	$ -	$ -	$ -	$ -	$ 20,207,456.48
		$ 34,232,576	**$ (60,813)**	**$ (5,345,986)**	**$ (550,000)**	**$ (4,464,015)**	**$ (3,800,000)**	**$ 20,207,456**

Note: Table does not include any projections for potential expenditures for listed Supplemental Projects.