CITY OF STOUGHTON
FINANCE DEPARTMENT
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Date: January 7, 2021

To: Finance Committee

From: Jamin Friedl

Subject: 51 West Development and Possible TIF District Creation

At the September 14, 2020 Plan Commission meeting, RHD Properties, LLC ("developer") submitted a concept plan for a 68.15 acre mixed-use neighborhood in the northwest limits of the City of Stoughton – just south of Rutland-Dunn Town Line Road and split by USH 51.

As discussions with the developer have progressed, it has been brought to their attention that the City of Stoughton will request certain on-site and off-site infrastructure requirements the developer had not originally accounted for. Because of these unforeseen costs and existing market conditions, the developer is forecasting a $2.5 million deficiency in the overall project budget. In an effort to earn a reasonable rate of return on this project, the developer is asking the City to consider the creation of a new Mixed-Use TIF District ("TID"). A Mixed-Use TID is a TID with a combination of residential, commercial, and industrial uses. Mixed-Use TIDs can only include lands proposed for newly platted residential use if they do not exceed 35 percent, by area, of the real property in the TID and the residential development meets other qualifications.

The creation of this TID will require the development of a project plan, which the developer currently believes could include potential Municipal Revenue Obligation (MRO) requests as follows:

- $1,135,000 for off-site improvements and utility extensions
- $1,365,000 for storm water management
- $1,500,000 for affordable housing initiatives – At the City's discretion

City staff is planning to present this information to the City Council at the January 26, 2021 meeting to determine whether or not the City of Stoughton is interested in / has the appetite for pursuing the creation of a new TID to accommodate the proposed 51 West Development. The ultimate goal of this discussion is to receive direction from the Finance Committee in terms of what information the members feel should be included in the January 26, 2021 Council packet to aid in the decision making process.

The January 26th decision will be the first of many meetings relating to this topic, and this is not the official request for TIF assistance by the developer. The development has several steps remaining that may affect the final funding request and the City may identify additional projects it wants to include in the plan as well. The intent of this discussion and the discussion to be held at the January 26th Council meeting is to gauge whether or not this is something the City Council will support prior to investing a significant amount of time and resources into the planning phase of the TID creation.

The documents listed below are included in the packet to aid in this discussion:

- Developer materials summarizing potential TIF request
- RHD Properties' Letter of Intent, which provides a summary of the overall project and how it falls within the City of Stoughton's Comprehensive Plan
- Project Concept Plan
- Department of Revenue TIF Manual – Please focus on the following sections
    - Section II. A. TID Creation – Pages 14 – 17
    - Section III. D. JRB Document Review – Pages 25 – 26
    - Section III. E. JRB Decision Criteria – Page 26
    - Section V. A But For Requirement – Pages 31 – 32
    - Section V. B Risk Factors to Recognize – Pages 33 – 35
- City of Stoughton TIF Policy
    - Is the project authorized by the Project Plan for the TIF District?
    - Does the project serve one or more of the City's general goals for the use of TIF?
    - Is Tax Incremental Financing feasible, in that the TIF District will support the level of TIF investment?
    - Is the amount of Tax Increment Financing requested reasonably necessary to make the project financially viable?
    - Should a development agreement be required, and what terms should be included in the agreement?
    - Is more process (such as additional public hearings or a referendum) appropriate?
    - Will the potential developer's equity in the project exceed 10%?
    - Will the ratio of equity to assistance be at least equal (1* Equity = or > Assistance Requested)?
    - Such other factors as either the Finance Committee or the City Council deem appropriate.