January 7, 2021

Jamin Friedl
Director of Finance/Comptroller
City of Stoughton
207 S. Forrest St
Stoughton, WI 53589

Re: Tax Incremental Finance District Creation for 51 West Development

Dear Jamin:

The enclosed materials are offered for consideration by the City's Finance Committee and others in support of the following request: to create a Tax Incremental Finance District (hereinafter referred to as the "TID") coterminous with the proposed 51 West development. This request and the materials are provided on behalf of the developer, RHD Properties LLC (Robert Dvorak). The proposed development and TID include approximately 69 acres of land east and west of USH 51, south of Rutland Dunn Townline Road. A map of the proposed TID is attached.

A Tax Incremental District is proposed for the following reasons:

1) **Specific Costs Related to the Regional Sewer and Water Systems.**
The City has asked that the 51 West development cover the costs of on-site and off-site water lines that will serve the needs of all new development in this part of the City's growth area, including:
   a. The installation of water main (for looping purposes) through existing development in the Town of Rutland, under Oak Opening Dr. (estimated cost $475,000)
   b. The upsizing of new water main under Oak Opening Dr. through the 51 West development, to serve future development in the Town of Dunn. (estimated cost $150,000)

   In addition, this development and any future development to the north or west require the following infrastructure investments:
   a. The upsizing of existing sewer main under Roby Road, between Kings Lynn Rd. and Virgin Lake Dr. (estimated cost $250,000)
   b. The boring of water and sewer lines under USH 51 (estimated cost $200,000)

   Engineering costs for these projects will be about $60,000.
   Total costs in this category are $1,135,000.

2) **Stormwater Management Oversizing Costs.**
The land area required for stormwater management ponds on this site is extraordinary. A typical development needs about 4-8% of it's land for stormwater ponds. It was anticipated that roughly 12% of this site would be needed for ponds because the site drains to a closed basin. After soil tests and a full design of the stormwater management system the land area for ponds is about 13.3 acres, over 19% of the development. This outcome has a big impact on the balance between costs and revenues for the development. If 5 of those 13.3 acres were to be commercial space as originally anticipated, the resulting land value and return on the infrastructure investment would be roughly $2,000,000.

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3) **Affordable Housing Funding Support.**
We understand there is interest in the development of affordable housing in the City. Income-qualified housing requires some sort of subsidy. The most reliable path to successful project development for income-qualified rental housing includes a mix of Low Income Housing Tax Credits (LIHTC) and some sort of local funding through the municipality. The local funding improves the likelihood of a LIHTC award and also improves the ability to ensure a quality development.

This aspect of the TIF funding is not essential to the viability of the development, but RHD Properties LLC would like 51 West to be a balanced neighborhood with a mix of housing types and price points, and a local funding source for income-qualified housing would make that outcome more likely. *There is not any immediate or specific request for funding assistance; we are recommending this as something to be included in the TID project plan, so that the City has the option of offering such support.*

We also note that creating this TID is another opportunity for a one-year, affordable-housing TID extension at the time of TID closure. If you are seeking to build and sustain an affordable housing fund for use anywhere in the City, you will eventually have the option to utilize this TID for that purpose.

Included with this letter is a list of anticipated income through the sale of lots and anticipated costs for the project. Assuming a Developer's Fee of 7%, the total costs are about $14.1 million, or roughly $2.5 million more than anticipated income. The requested TIF assistance is the amount needed to close that gap, including $1,135,000 for underground infrastructure and $1,365,000 for stormwater management costs. This would be a developer-financed project, with the increment revenues to go to the developer as they come in, until the agreed-upon amount is reached.

Also included with this letter is a feasibility analysis of the proposed TID, to show how it would work. The first page of that analysis shows our projections regarding the amount and timing of development and how that translates into tax increment year by year. The second page shows the debt service schedule, with an assumption of $2.5M in borrowing (by the developer) in 2021, at 5% for 15 years. The third page shows the detail on our taxable value forecasts, by parcel. The fourth page checks the acreages to confirm that the residential parcels are within the 35% limit for a mixed use TID.

With these assumptions the TID would have positive cash flow in 2026 (See page 2). There would be a total TID project cost, with interest, of about $3.6M, representing 18% of the total $19.6M increment that could be collected during the life of the TID. If these assumptions hold true, the City will have the option to use this TID to support other needs in the area, such as storm water improvements from Virgin Lake to the Yahara River, intersection improvements and enhanced bike/ped connectivity and safety.

Sincerely,
MSA Professional Services, Inc.

Jason Valerius, AICP
Senior Planner

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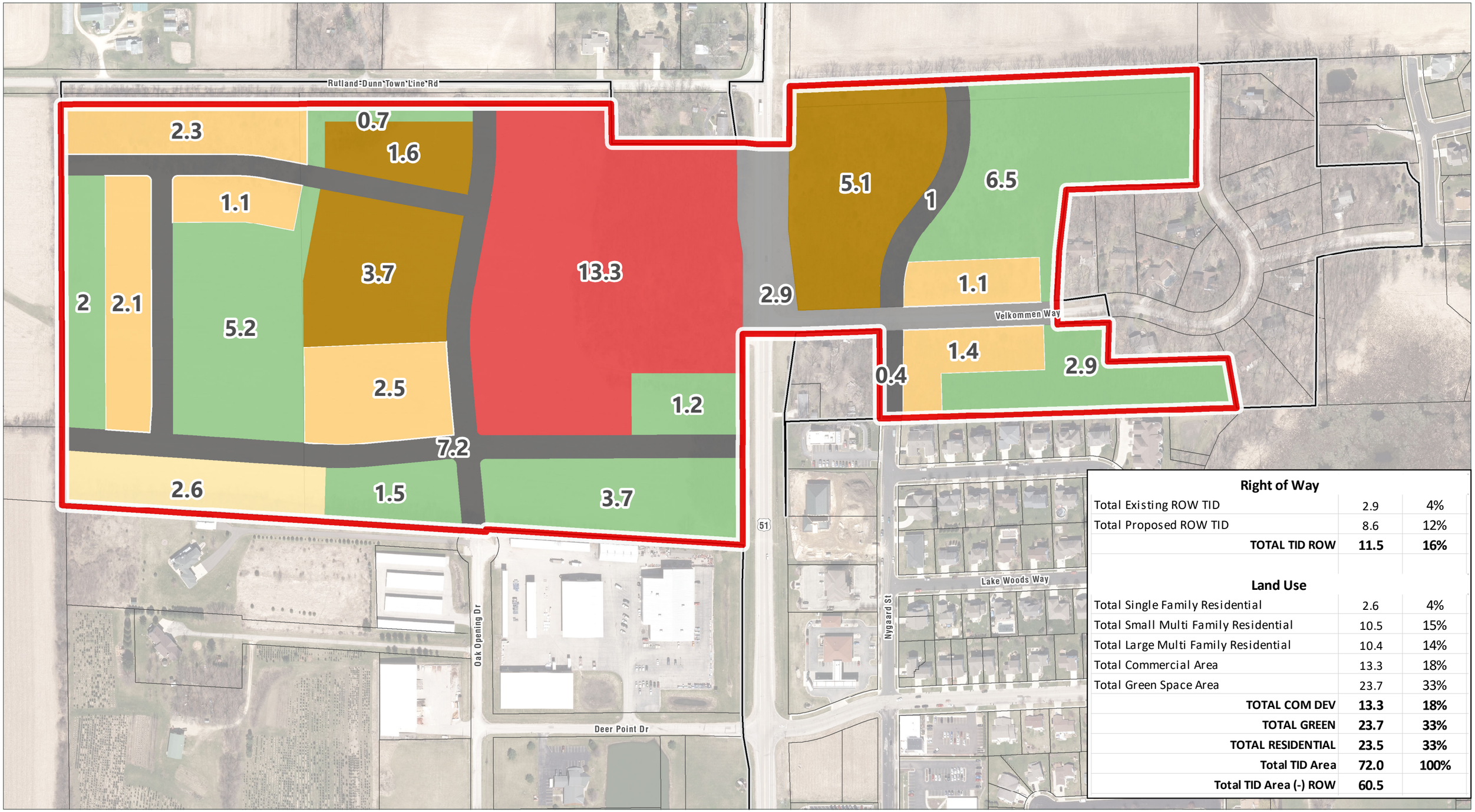


| Right of Way | | |
|---|---|---|
| Total Existing ROW TID | 2.9 | 4% |
| Total Proposed ROW TID | 8.6 | 12% |
| **TOTAL TID ROW** | **11.5** | **16%** |
| | | |
| **Land Use** | | |
| Total Single Family Residential | 2.6 | 4% |
| Total Small Multi Family Residential | 10.5 | 15% |
| Total Large Multi Family Residential | 10.4 | 14% |
| Total Commercial Area | 13.3 | 18% |
| Total Green Space Area | 23.7 | 33% |
| **TOTAL COM DEV** | **13.3** | **18%** |
| **TOTAL GREEN** | **23.7** | **33%** |
| **TOTAL RESIDENTIAL** | **23.5** | **33%** |
| **Total TID Area** | **72.0** | **100%** |
| **Total TID Area (-) ROW** | **60.5** | |

MSA

*Data From:*
*Dane County GIS (2018-05-10) - Parcels, Roadways, Urban Service Area*
*Land Use and Proposed Areas from "51 West Concept Plan" dated Sept 18, 2020*

0 250 500 Feet

Urban Service Area
Parcels
Proposed TID Boundary

**Development Type**
Green Space / Stormwater Area
Small Multi Family Dev
Single Family Dev

Proposed ROW
Existing ROW
Large Multi Family Dev
Proposed Commercial Dev

# HWY 51 DEVELOPMENT

## Proposed TID Boundary

CITY OF STOUGHTON
DANE COUNTY, WISCONSIN

Print Date: 1/7/2021

Printed By: smorrison, File: \\msa-ps.com\fs\Projects\19000s\19090s\19091\19091001\GIS\19091001_ProposedTIDBoundary_20210107.mxd

**51 West INCOME Projections***

**January 7, 2021**

| | | | |
|---|---|---|---|
| Lots 01 - 03 | 15 Duplex Units ($55,000 p/door) | | |
| | 30 @ $55,000 | | $1,650,000 |
| Lots 04, 05, 18 | 286 Units ($10,000 p/door) | | |
| | 286 @ $10,000 | | $2,860,000 |
| Lot 06 | 16 Units ($40,000 p/door) | | |
| | 16 @ $40,000 | | $640,000 |
| Lots 07 – 15 | 9 Residential Lots ($100,000 each) | | $900,000 |
| Lots 16 – 17 | 13.35 Acres X 43,560 Sq Ft = 581,526 Sq Ft | | |
| | 581,526 SF X $9.00 p/sq/ft | | $5,233,732 |
| Lots 19 – 27 | 9 Duplex Lots @ $117,000 each | | $1,053,000 |
| | | **SUBTOTAL** | **$12,336,732** |
| | | 6% Realtor Fee | -$740,204 |
| | | **NET** | **$11,596,528** |

*Based on 51 West Conceptual Development Plan Dated December 21, 2020

**51 West EXPENSE Projections**

**January 7, 2021**

| | | |
|---|---|---|
| Land Cost | Paid to Date | $1,290,000 |
| Engineering/TIA/TID Creation/Permitting (MSA/Strand) | | $550,000 |
| Park Fees /Fees In Lieu Of | | $470,000 |
| Paved Park Trails | | $260,000 |
| Roadway (road, sewer, water, storm sewer) | 6715' of Roadway @ $950 p/ft | $6,379,250 |
| Grading (full site, stormwater ponds; raise Velkommen Way) | | $445,000 |
| Intersections (2); 51 & Rutland Dunn | | $500,000 |
| Street Signs | | $3,500 |
| Gas/Electric | | $365,000 |
| Loan | 10 Yr AVE Balance $3,000,000 | |
| | @ 4.75% Holding Expense | $1,425,000 |
| Property Taxes | 10 Yr Holding/ Improvement Cost | |
| | (30,000 p/yr) | $300,000 |
| Title/Transfer/Recording Fees | | $70,000 |
| **51 West Subtotal Projections** | | **$12,057,750** |

**51 West Offsite and Upsize Infrastructure Expenses**

| | | |
|---|---|---|
| Roby Road | Upgrade Existing 8" Sanitary to 10" Sanitary (Kings Lynn to Virgin Lake) | $250,000 |
| Oak Opening (offsite) | New 10" Water Main (Dvorak Drive to KPW Development) | $475,000 |
| Oak Opening (onsite) | Upgrade 8' to 10" through 51 West, stub sanitary sewer to south | $150,000 |
| Sanitary/Water Main | Bore/Sleeve under Hwy 51 | $200,000 |
| Engineering | (MSA/Strand) | $60,000 |
| | **Water Main Oversize Sub Total** | **$1,135,000** |

| | |
|---|---|
| **Overall Project Expense Total** | **$13,192,750** |
| **7% Management Fee for Entire Project** | **$923,493** |
| **Total Project Expense 51 West** | **$14,116,243** |
| Difference (Income minus Expenses) | -$2,519,714 |

# Projected Tax Increment

| Year | Cumulative Value Increment | Inflation Increment | New Development | New Development Increment | Annual Value Increment | Tax Rate | Tax Increments |
|---|---|---|---|---|---|---|---|
| 2021 | $0 | $0 | | | $0 | $21.36 | $0 |
| 2022 | $0 | $0 | $18,066,613 | | $0 | $21.36 | $0 |
| 2023 | $0 | $0 | $13,259,298 | | $0 | $21.36 | $0 |
| 2024 | $0 | $0 | $1,113,363 | $18,066,613 | $18,066,613 | $21.36 | $385,903 |
| 2025 | $18,066,613 | $180,666 | $8,640,158 | $13,259,298 | $13,439,964 | $21.36 | $672,980 |
| 2026 | $31,506,577 | $315,066 | $3,460,074 | $1,113,363 | $1,428,429 | $21.36 | $703,492 |
| 2027 | $32,935,006 | $329,350 | $339,811 | $8,640,158 | $8,969,508 | $21.36 | $895,080 |
| 2028 | $41,904,514 | $419,045 | $402,739 | $3,460,074 | $3,879,119 | $21.36 | $977,938 |
| 2029 | $45,783,633 | $457,836 | $4,270,261 | $339,811 | $797,648 | $21.36 | $994,976 |
| 2030 | $46,581,280 | $465,813 | $339,811 | $402,739 | $868,552 | $21.36 | $1,013,528 |
| 2031 | $47,449,832 | $474,498 | $4,673,001 | $4,270,261 | $4,744,760 | $21.36 | $1,114,876 |
| 2032 | $52,194,592 | $521,946 | | $339,811 | $861,757 | $21.36 | $1,133,284 |
| 2033 | $53,056,349 | $530,563 | | $4,673,001 | $5,203,564 | $21.36 | $1,244,432 |
| 2034 | $58,259,913 | $582,599 | | | $582,599 | $21.36 | $1,256,876 |
| 2035 | $58,842,513 | $588,425 | | | $588,425 | $21.36 | $1,269,445 |
| 2036 | $59,430,938 | $594,309 | | | $594,309 | $21.36 | $1,282,139 |
| 2037 | $60,025,247 | $600,252 | | | $600,252 | $21.36 | $1,294,961 |
| 2038 | $60,625,500 | $606,255 | | | $606,255 | $21.36 | $1,307,910 |
| 2039 | $61,231,755 | $612,318 | | | $612,318 | $21.36 | $1,320,989 |
| 2040 | $61,844,072 | $618,441 | | | $618,441 | $21.36 | $1,334,199 |
| 2041 | $62,462,513 | $624,625 | | | $624,625 | $21.36 | $1,347,541 |
| | | $8,522,008 | $54,565,129 | $54,565,129 | | | $19,550,551 |

Last Year for Project Expenditures 2036

**Assumptions**

1. The total amount of new development construction over the life of the TID is $54,565,129.
2. The annual rate of inflation is assumed to be 1.00% over the life of the district.
3. The tax rate is assumed to increase by 0.00% over the life of the district (based on the 2019 tax rate $21.36).
4. Analysis assumes the TID expires at the end of the 20-year period without a 3-year extension.

# Projected Annual Performance

| Year | Tax Increment | Project Principal | Annual Debt Service | TID Planning & Admin | Total Expenditures | Annual Balance | Total Balance |
|---|---|---|---|---|---|---|---|
| 2021 | | $2,500,000 | $240,856 | $20,000 | $260,856 | ($260,856) | ($260,856) |
| 2022 | | | $240,856 | $5,000 | $245,856 | $245,856 | ($506,711) |
| 2023 | | | $240,856 | $5,000 | $245,856 | $245,856 | ($752,567) |
| 2024 | $385,903 | | $240,856 | $5,000 | $245,856 | $140,047 | ($612,520) |
| 2025 | $672,980 | | $240,856 | $5,000 | $245,856 | $427,125 | ($185,395) |
| 2026 | $703,492 | | $240,856 | $5,000 | $245,856 | $457,636 | $272,241 |
| 2027 | $895,080 | | $240,856 | $5,000 | $245,856 | $649,225 | $921,465 |
| 2028 | $977,938 | | $240,856 | $5,000 | $245,856 | $732,083 | $1,653,548 |
| 2029 | $994,976 | | $240,856 | $5,000 | $245,856 | $749,120 | $2,402,669 |
| 2030 | $1,013,528 | | $240,856 | $5,000 | $245,856 | $767,673 | $3,170,341 |
| 2031 | $1,114,876 | | $240,856 | $5,000 | $245,856 | $869,021 | $4,039,362 |
| 2032 | $1,133,284 | | $240,856 | $5,000 | $245,856 | $887,428 | $4,926,790 |
| 2033 | $1,244,432 | | $240,856 | $5,000 | $245,856 | $998,576 | $5,925,366 |
| 2034 | $1,256,876 | | $240,856 | $5,000 | $245,856 | $1,011,020 | $6,936,386 |
| 2035 | $1,269,445 | | $240,856 | $5,000 | $245,856 | $1,023,589 | $7,959,975 |
| 2036 | $1,282,139 | | | $5,000 | $5,000 | $1,277,139 | $9,237,115 |
| 2037 | $1,294,961 | | | $5,000 | $5,000 | $1,289,961 | $10,527,075 |
| 2038 | $1,307,910 | | | $5,000 | $5,000 | $1,302,910 | $11,829,986 |
| 2039 | $1,320,989 | | | $5,000 | $5,000 | $1,315,989 | $13,145,975 |
| 2040 | $1,334,199 | | | $5,000 | $5,000 | $1,329,199 | $14,475,174 |
| 2041 | $1,347,541 | | | $5,000 | $5,000 | $1,342,541 | $15,817,716 |
| | **$19,550,551** | **$2,500,000** | **$3,612,836** | **$120,000** | **$3,732,836** | | |

**18%** of Project Costs Verse Tax Increment

Last Year for Project Expenditures 2036

## Project Costs

| **Offsite/Upsize Improvements** | | **Stormwater Management** | |
|---|---|---|---|
| Principal | $1,135,000 | Principal | $1,365,000 |
| Interest | 5.00% | Interest | 5.00% |
| Term | 15 | Term | 15 |
| **TOTAL** | **$1,640,227** | **TOTAL** | **$1,972,608** |

# New Development Forecast

| Parcel Number | Type of Development | Unit Count | Land Use Class | Acres | Raw Value Added | Sensitivity Percentage | Estimated Growth in Value | Estimated Construction Year | Notes |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Condominiums | 12 | Residential | 2.26 | $3,930,450 | 100% | $3,930,450 | 2031 | Virgin Lake Comparison |
| 2 | Condominiums | 12 | Residential | 2.12 | $3,930,450 | 100% | $3,930,450 | 2029 | Virgin Lake Comparison |
| 3 | Condominiums | 6 | Residential | 1.06 | $1,965,225 | 100% | $1,965,225 | 2026 | Virgin Lake Comparison |
| 4 | MF Residential | 36 | Residential | 1.53 | $2,793,780 | 100% | $2,793,780 | 2022 | Developer Calculation |
| 5 | MF Residential | 90 | Residential | 3.75 | $6,984,450 | 100% | $6,984,450 | 2022 | Developer Calculation |
| 6 | MF Residential | 16 | Residential | 2.55 | $3,000,000 | 100% | $3,000,000 | 2022 | Developer Calculation |
| 7 | SF Residential | 1 | Residential | 0.34 | $462,015 | 100% | $462,015 | 2023 | Virgin Lake Comparison |
| 8 | SF Residential | 1 | Residential | 0.28 | $380,483 | 100% | $380,483 | 2023 | Virgin Lake Comparison |
| 9 | SF Residential | 1 | Residential | 0.28 | $380,483 | 100% | $380,483 | 2024 | Virgin Lake Comparison |
| 10 | SF Residential | 1 | Residential | 0.28 | $380,483 | 100% | $380,483 | 2024 | Virgin Lake Comparison |
| 11 | SF Residential | 1 | Residential | 0.28 | $380,483 | 100% | $380,483 | 2025 | Virgin Lake Comparison |
| 12 | SF Residential | 1 | Residential | 0.29 | $394,072 | 100% | $394,072 | 2025 | Virgin Lake Comparison |
| 13 | SF Residential | 1 | Residential | 0.28 | $380,483 | 100% | $380,483 | 2026 | Virgin Lake Comparison |
| 14 | SF Residential | 1 | Residential | 0.28 | $380,483 | 100% | $380,483 | 2026 | Virgin Lake Comparison |
| 15 | SF Residential | 1 | Residential | 0.29 | $394,072 | 100% | $394,072 | 2026 | Virgin Lake Comparison |
| 16 | Commercial (Hotel) | 1 | Commercial | 1.74 | $5,288,383 | 100% | $5,288,383 | 2022 | Developer Calculation |
| 17 | Commercial (Big Box & Strip) | 3 | Commercial | 11.61 | $15,051,584 | 50% | $7,525,792 | 2025 | Developer Calculation |
| 18 | MF Residential | 160 | Residential | 4.86 | $12,416,800 | 100% | $12,416,800 | 2023 | Developer Calculation |
| 19 | Duplex | 1 | Residential | 0.28 | $352,397 | 100% | $352,397 | 2024 | Nygaared/Jackson Area |
| 20 | Duplex | 1 | Residential | 0.27 | $339,811 | 100% | $339,811 | 2025 | Nygaared/Jackson Area |
| 21 | Duplex | 1 | Residential | 0.27 | $339,811 | 100% | $339,811 | 2026 | Nygaared/Jackson Area |
| 22 | Duplex | 1 | Residential | 0.27 | $339,811 | 100% | $339,811 | 2027 | Nygaared/Jackson Area |
| 23 | Duplex | 1 | Residential | 0.32 | $402,739 | 100% | $402,739 | 2028 | Nygaared/Jackson Area |
| 24 | Duplex | 1 | Residential | 0.27 | $339,811 | 100% | $339,811 | 2029 | Nygaared/Jackson Area |
| 25 | Duplex | 1 | Residential | 0.27 | $339,811 | 100% | $339,811 | 2030 | Nygaared/Jackson Area |
| 26 | Duplex | 1 | Residential | 0.27 | $339,811 | 100% | $339,811 | 2031 | Nygaared/Jackson Area |
| 27 | Duplex | 1 | Residential | 0.32 | $402,739 | 100% | $402,739 | 2031 | Nygaared/Jackson Area |
| O1 | Outlot | 0 | Outlot | 0.68 | $0 | 100% | $0 | 2021 | Included for acreage |
| O2 | Outlot | 0 | Outlot | 1.98 | $0 | 100% | $0 | 2021 | Included for acreage |
| O3 | Outlot | 0 | Outlot | 5.21 | $0 | 100% | $0 | 2021 | Included for acreage |
| O4 | Outlot | 0 | Outlot | 1.50 | $0 | 100% | $0 | 2021 | Included for acreage |
| O5 | Outlot | 0 | Outlot | 3.81 | $0 | 100% | $0 | 2021 | Included for acreage |
| O6 | Outlot | 0 | Outlot | 1.22 | $0 | 100% | $0 | 2021 | Included for acreage |
| O7 | Outlot | 0 | Outlot | 6.47 | $0 | 100% | $0 | 2021 | Included for acreage |
| O8 | Outlot | 0 | Outlot | 2.52 | $0 | 100% | $0 | 2021 | Included for acreage |
| ROW | Right-of-Way | 0 | Right-of-Way | 10.24 | $0 | 100% | $0 | 2021 | Included for acreage |
| **Total** | | **354** | | **70.3** | **$62,090,921** | **99%** | **$54,565,129** | | |

# Acreage Calculations

| Parcel Label | Acreage | Class | Proposed Use |
|---|---|---|---|
| 1 | 2.26 | Residential | Zero Entry Condos |
| 2 | 2.12 | Residential | Zero Entry Condos |
| 3 | 1.06 | Residential | Zero Entry Condos |
| 4 | 1.53 | Residential | MF Residential |
| 5 | 3.75 | Residential | MF Residential-3 Story |
| 6 | 2.55 | Residential | MF Residential |
| 7 | 0.34 | Residential | SF Residential |
| 8 | 0.28 | Residential | SF Residential |
| 9 | 0.28 | Residential | SF Residential |
| 10 | 0.28 | Residential | SF Residential |
| 11 | 0.28 | Residential | SF Residential |
| 12 | 0.29 | Residential | SF Residential |
| 13 | 0.28 | Residential | SF Residential |
| 14 | 0.28 | Residential | SF Residential |
| 15 | 0.29 | Residential | SF Residential |
| 16 | 1.74 | Commercial | Planned Business |
| 17 | 11.61 | Commercial | Commercial |
| 18 | 4.86 | Residential | MF Residential |
| 19 | 0.28 | Residential | Duplex |
| 20 | 0.27 | Residential | Duplex |
| 21 | 0.27 | Residential | Duplex |
| 22 | 0.27 | Residential | Duplex |
| 23 | 0.32 | Residential | Duplex |
| 24 | 0.27 | Residential | Duplex |
| 25 | 0.27 | Residential | Duplex |
| 26 | 0.27 | Residential | Duplex |
| 27 | 0.32 | Residential | Duplex |
| 28 | 33.63 | Public | Public Uses |
| **Total** | **70.25** | | **28** |

| | Sum of Acreage | % Acreage |
|---|---|---|
| Commercial | 13.35 | 19.00% |
| Public | 33.63 | 47.87% |
| Residential | 23.27 | 33.12% |
| **Grand Total** | **70.25** | **100.00%** |

Maximum Residential % 35%