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June 8, 2023

Memo

Resolution Regarding STI Holdings TIF Request

STI Holdings, Inc (STI) submitted a request (attachment to resolution) for $14.1 million in tax increment financing (TIF) assistance for a mixed-use development project with an expected value of $139 million on 182 acres. The anchor of the development and the first phase will be the construction of a headquarters facility for Stoughton Trailers on 7.9 acres with an estimated value of $7.1 million, employing 200 and scheduled for completion/occupancy in 2024. This is proposed to be followed by residential construction in 2025 – 2031 (577 units total), a 30-acre community park in 2026, and development of 27 acres of commercial lots in 2028 – 2031.

The applicant indicates TIF is needed due to the topography of the site requiring extraordinary stormwater retention measures as well as significant fill. The applicant cites other factors as contributing to a financing gap for this development including the contribution of 21 additional acres for a community park above and beyond the applicant's required parkland dedication arising from the housing component of the development.

TIF is a financing option that allows a municipality to fund infrastructure and other improvements, through property tax revenue on newly developed property. A municipality identifies an area, the Tax Incremental District (TID), as appropriate for a certain type of development. The municipality identifies projects to encourage and facilitate the desired development. Then as property values rise, the municipality uses the property tax paid on that development to pay for the projects. After the project costs are paid, the municipality closes the TID. The municipality, schools, county, and technical college can levy taxes on the value of the new development.

The applicant is claiming this site will not develop in a mix of uses and densities "but for" the use of TIF. The City Council has agreed that such a mix of uses and densities, including a community park, is desired by amending the city's Comprehensive Plan earlier this year to be consistent with the proposed general land uses.

It is the City's policy, as part of the process of reviewing a request for TIF assistance to have the City's financial advisor evaluate the request in terms of whether they are eligible TIF costs, whether they are reasonable and appropriate and whether they meet the "But For" test.

As the City's financial advisor is reviewing this TIF request, the applicant will be submitting a CSM for land division for a portion of this site that will be the Stoughton Trailers headquarters and road right-of-way. If development of the site requires TIF, then no construction may begin until the site is within a TIF district, so timing the TIF process to the construction schedule is critical. The Plan Commission is responsible for the planning process leading to the creation of a

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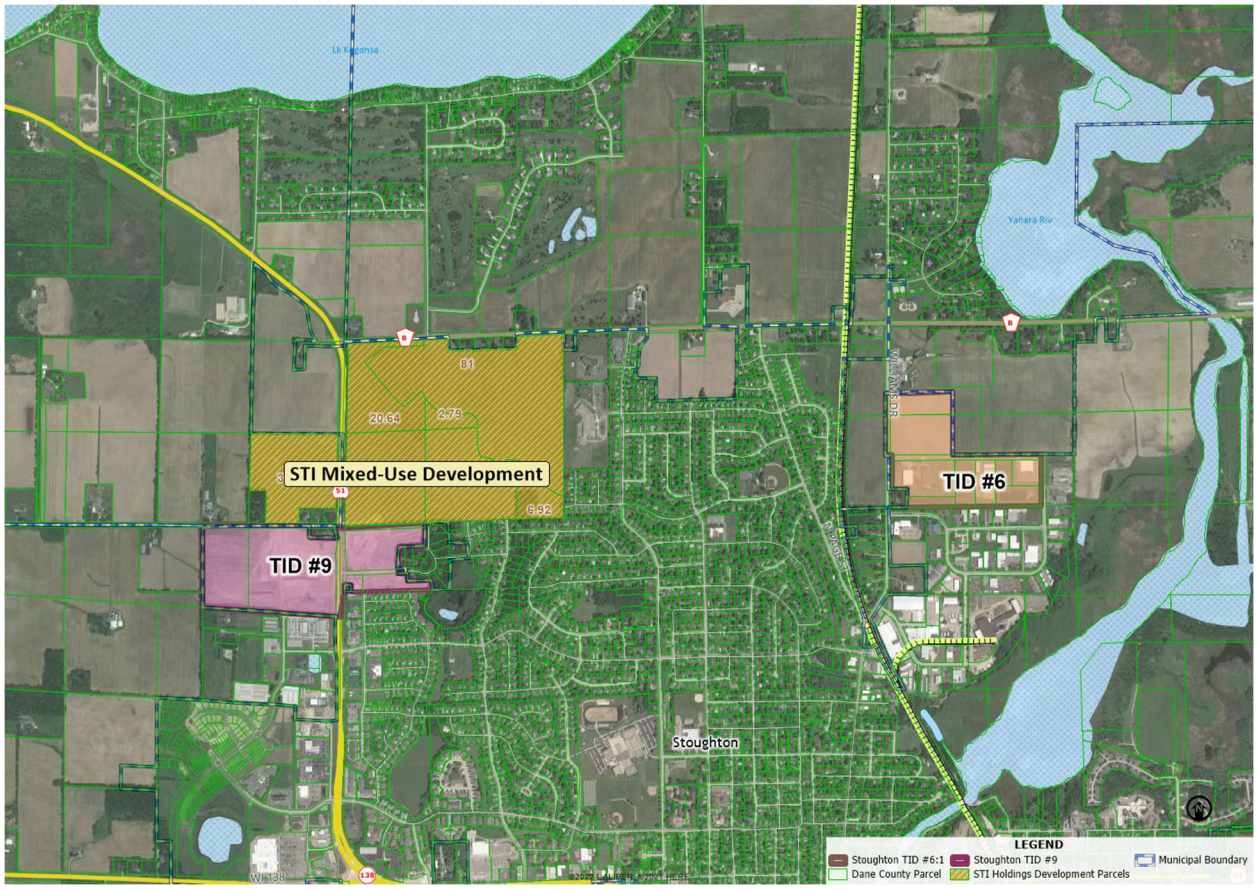
TIF district by the City Council. This resolution also authorizes Gary Becker to work with the Plan Commission to begin considering issues related to placing this site or a part of this site within the boundaries of a tax increment district as the CSM and other entitlements are being discussed. This will help facilitate the eventual creation or amendment of a TIF district should the City Council decide to make a TIF award following the financial advisor's review.