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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.