



KETTLE



PARK



WEST

Stoughton
WISCONSIN



TIF

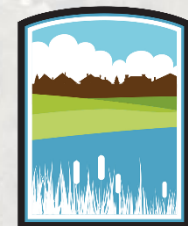
- **Economic development tool; since 1975**
- **Originally limited to “blight elimination”; use of TIF has expanded over the years**
- **Municipality uses new tax dollars to spur private development in a defined area.**
- **The greater the growth rate, the faster the TIF is repaid.**



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Basic Question

Is TIF is appropriate in this instance?



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In this instance

- **Desire for residential growth**
- **Need for improved infrastructure**
- **Implementation of approved plans**
- **Within a current TID**



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TID 7 Performance

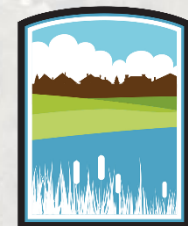
- **Generation of new tax increment?**
- **Cost of the project (was the \$4.427M used?)**
- **Any issues with quality of work? Accounting?**
- **Accuracy of the “but for” analysis?**



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Tonight's Meeting

- **Developer introduces application**
- **Preliminary staff comments**
- **Discuss procedures, policies & timeline for review**



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Overview

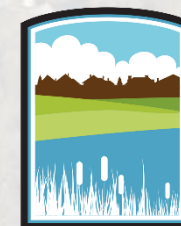
- **On-site: \$5,440,774**
 - **Water**
 - **Sanitary sewer**
 - **Storm sewer**
 - **Streets**
- **Off-site: \$5,740,862**
 - **Highway and town road upgrades**
 - **Storm water force main**
- **TOTAL: \$11,181,636**



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Overview

- **Total TIF expenditure from Phase I (actual) and Phase II (proposed):** **\$16.6M**
- **Total new tax base in KPW Phase II:** **\$50.8M**
- **New tax revenue from KPW Phase II:** **\$17.4M**
- **Total new tax base from TID 7:** **\$95.5M**
- **Total tax revenue from TID 7:** **\$35.4M**
- **Is it worth it? What are the risks? Opportunities?**



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Background

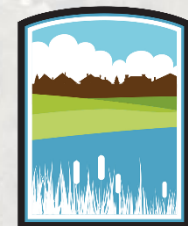
- **Planning began in 2009**
- **April 2013 Pre-Annexation Agreement**
- **51 x 138 Detailed Neighborhood Plan, adopted Spring 2012**
- **Council approved TID 7 in Fall 2014**
- **Project Plan – phased development**
- **TIF agreement for KPW Commercial Center – Spring 2015**



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Pre-Annexation

- **Annexation is consistent with the Comprehensive Plan**
- **Development of KPW is beneficial to City**
 - **Increase tax base**
 - **Provides land for growth**
 - **Promotes good planning**
- **“Mutual benefit”**
- **Development to occur in phases**
- **Anticipated use of TIF to finance infrastructure**



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Project Plan

- **“facilitate construction of multiple phases of mixed use development”**
- **“infrastructure improvements to the project site (on-site improvements) and significant roadway improvements (off-site improvements)”**
- **“finding has been made that the private development activities projected would ‘not otherwise occur without the use of tax incremental financing’”**



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TIF Procedures

- **Developer**
 - Submits application to Finance Director (Aug. 22, 2016)
- **Finance Director**
 - Reviews for completeness / eligibility
 - Confers with city's financial consultant (Sept-Nov)
 - Schedules the application for Finance Committee Review (Dec. 6th)
- **Finance Committee**
 - Reviews application & Finance Director's recommendations
 - Considers what additional meetings/hearings may be necessary
 - Makes recommendation to City Council
- **City Council – makes all final decisions**



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Project Plan Amendment

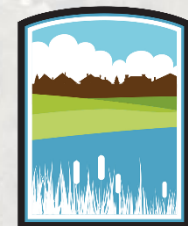
- **Prepare proposed amendment**
- **Provide notice to public and other taxing jurisdictions**
- **Plan Commission hearing**
- **Joint Review Board review**
- **City Council takes final action**



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City TIF Policy

- Just updated by the City Council in March
- Purpose is to guide the City's decision-making
- Articulates 7 general goals for use of TIF
- Requires review/report by Finance Director to Finance Committee, followed by Finance Committee's recommendation to the Council
- Provides a 7-part analysis for making a decision
- Notes that a referendum on TIF bonding is not mandatory
- City Council sets negotiating parameters



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7 Goals for TIF

1. **Redevelop underutilized lands; provide suitable site for development**
2. **Achieve/accelerate development on sites that otherwise wouldn't develop**
3. **Increase employment opportunities**
4. **Increase tax base for the city and other jurisdictions**
5. **Assist in implementing the Comprehensive Plan**
6. **Provide affordable housing opportunities**
7. **Encourage unsubsidized development in the City**



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7-part Analysis

1. Is the project authorized by the Project Plan?
2. Does the project serve one or more of the City's goals for TIF?
3. Is the requested amount of TIF feasible? (i.e. can it be supported by the TID?)
4. Is the TIF reasonably necessary to make the project financially viable? (i.e. "gap analysis?")
5. If the TIF is ultimately approved by the City Council, what issues should be covered in the TIF development agreement?
6. Is more process (such as additional hearings or a referendum) appropriate?
7. Any other factors the Finance Committee deems appropriate



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Key Financial Line Items

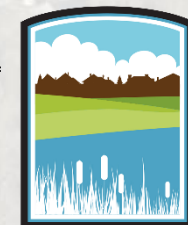
- **Sales – Revenue Lot Sales**
- **Cost of Sales**
 - Purchase of Land
 - Construction Costs
 - Other Costs (taxes, commissions, etc.)
- **Operating Costs**
- **Cash Gain (Loss)**



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KPW “but for” Test (Tab 4)

	Without TIF		With TIF	
Total Sales	\$ 9,103,418	100.0%	\$ 14,544,192	100.0%
Cost of Sales:				
Purchase of Land	\$ 4,107,708	45.1%	\$ 4,107,708	28.2%
Construction Costs -				
Public Construction Costs(Ex 7 & 8)	5,440,774	59.8%	5,440,774	37.4%
Private Construction Costs(Ex 7 & 8)	3,010,222	33.1%	3,010,222	20.7%
Other Costs (Fees, Taxes, etc.)	464,137	5.1%	464,137	3.2%
Total Cost of Sales	\$ 13,022,841	143.1%	\$ 13,022,841	89.5%
Operating Costs	\$ 1,101,010	12.1%	\$ 1,101,010	7.6%
Cash Gain(Loss)	\$ (5,020,433)	-55.1%	\$ 420,341	2.9%
Return on Investment	None (loss)		11.2%	



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Financial Benchmarks

- **Identify plausible financial relationships**
- **All industries have standard relationships**
- **Use relationships to analyze/compare data**
- **Develop conclusions based on the analysis**



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KPW vs Sample

	With TIF		Sample
Total Sales	\$ 14,544,192	100.0%	100.0%
Cost of Sales:			
Purchase of Land	\$ 4,107,708	28.2%	28.1%
Construction Costs -			
Public Construction Costs	5,440,774	37.4%	0.0%
Private Construction Costs	3,010,222	20.7%	36.7%
Other Costs (Fees, Taxes, etc.)	464,137	3.2%	7.7%
Total Cost of Sales	\$ 13,022,841	89.5%	72.6%
Operating Costs	\$ 1,101,010	7.6%	7.3%
Cash Gain(Loss)	\$ 420,341	2.9%	20.1%
Return on Investment	11.2%		85.6%



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Specific Analysis of Sales

Factors that can affect this relationship:

- useable land
- local market
- city demands
- etc.

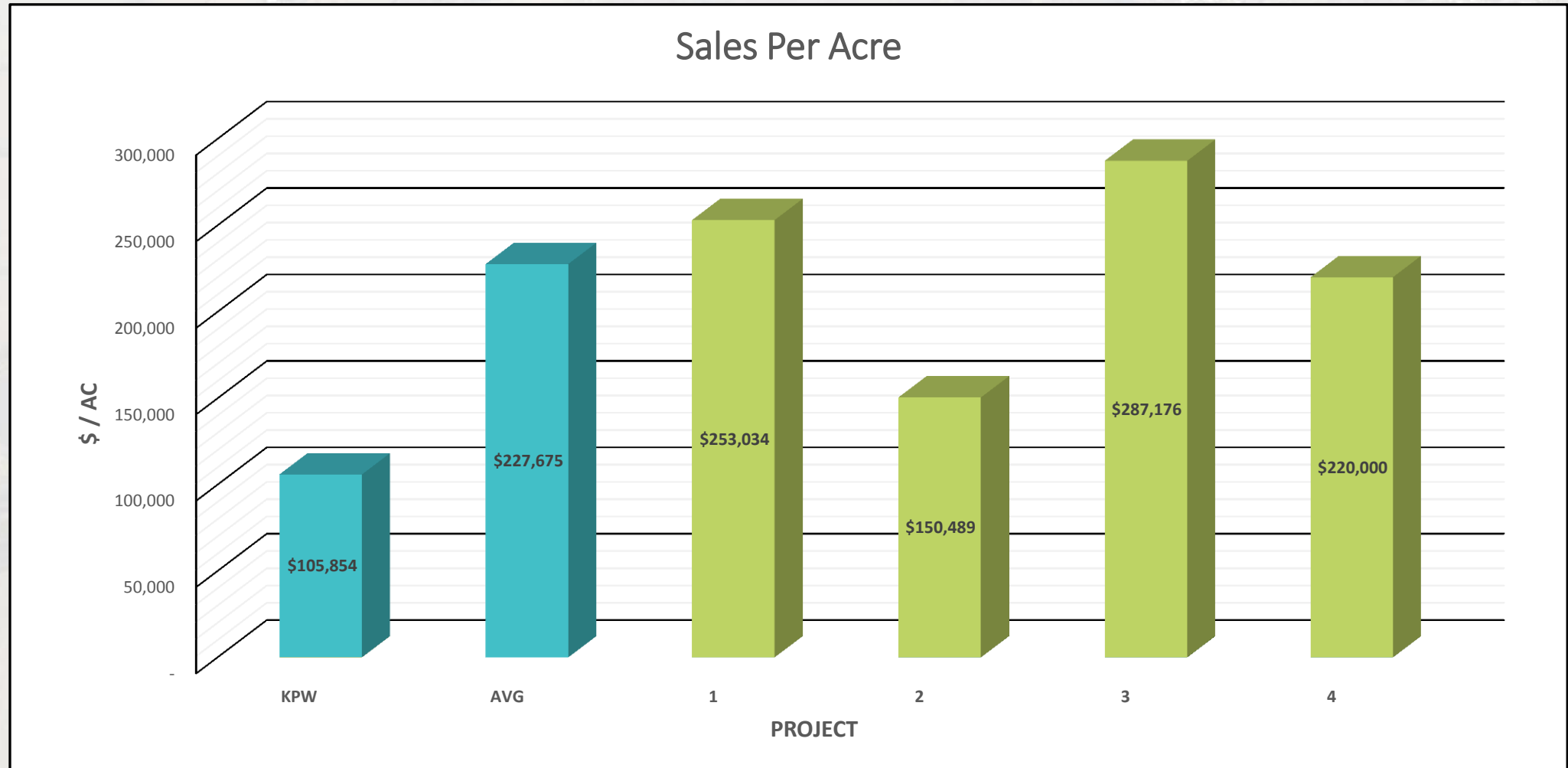
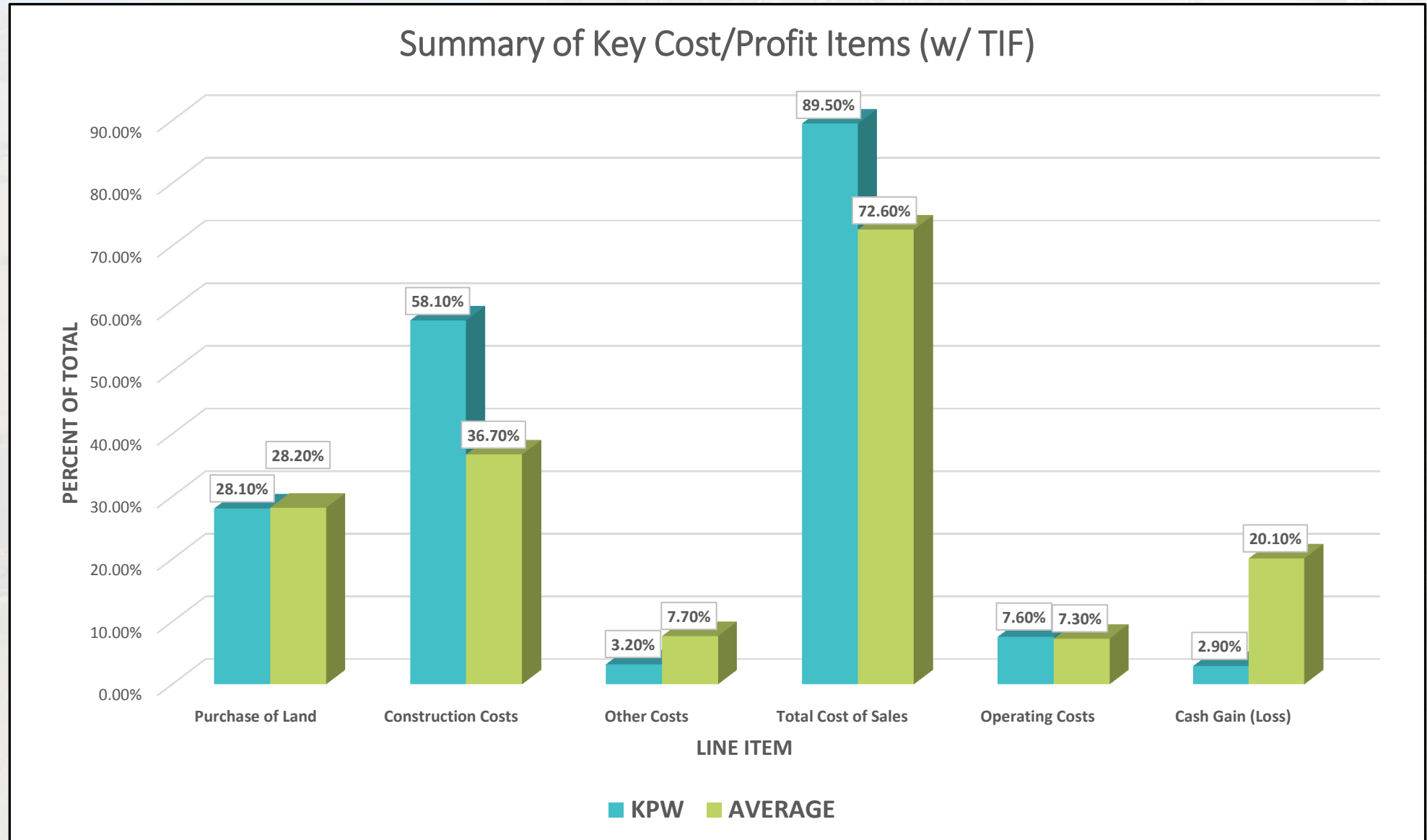


Chart of Key Financial Items

Construction costs are the only cost category that varies from the average.



What is Creating TIF Need?

- **Sales Shortfall**
 - Non useable acreage (60%+)
 - Local market
- **Construction Costs (within site-Ex 7&8)**
 - Volume of collector streets
 - Storm water basins
 - Park/Kettle grading
- **Construction Costs (off site-Ex 7&8)**
 - Hwy 51 and 138 intersections
 - Stormwater requirements



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Ex. 7 – Construction Costs

Summary of Costs

Developer Financed

On site (No TIF) \$ 3,010,322

On site (TIF) \$ 5,440,774

Total Dev. Financed \$ 8,450,996

City Financed \$ 5,740,862

Total TIF Needed \$11,181,636

Kettle Park West
Phase 2 Public Infrastructure Costs
Calendar Years 2017 thru 2020

Exhibit 7

Project Plan	Projected Cost	Year Financed	Amount
On Site Improvements			
(Developer Financed)			
Grading in Non-Public Portion	\$ 785,320	2017	\$ 1,505,111
		2018	1,505,111
Residential Streets	1,396,000	2019	
		2020	
Construction Contingency	827,199		
Other Soft Costs	501,708		
			\$ 3,010,322
Total Improvements (Developer Financed)	\$ 3,010,322		
On Site Improvements			
(TIF Funded - Developer Financed)			
C Jackson Street Extension	\$ 349,500	2017	\$ 2,880,057
		2018	1,657,692
D Oak Opening Drive	2,325,000	2019	903,025
		2020	
E Bio-Retention Facility Expansion	110,000		
			\$ 5,440,774
F Infiltration Basin Expansion	180,000		
G Grading of Pond/Parks/ROW	609,840		
Construction Contingency	536,151		
Total Construction Costs	\$ 4,110,491		
Non-Construction Costs (Developer Only)	822,096		
Total Developer Controlled Costs	\$ 4,932,589		
Stoughton Utilities	\$ 102,762		
City of Stoughton	205,525		
Other Utility Related Costs	100,000		
Total City Controlled Costs	\$ 408,287		
Origination Costs	\$ 99,898		
Total On-Site (TIF Funded-Developer Financed)	\$ 5,440,774		
Grand Total of Developer Financed Items	\$ 8,450,996		
Off Site Improvements			
(TIF Funded - City Financed)			
H Oak Opening Drive/Deer Point Drive	\$ 562,500	2017	\$ -
		2018	-
I Ruby/Deer Point - USH 51 Intersection	1,731,712	2019	3,202,366
		2020	2,538,406
J State Hwy 138/Oak Opening Drive Option 1 - Type B Intersection	1,914,344		
			\$ 5,740,862
K Force Main (Jackson St.)	533,750		
Watermain Extension - 5TH 138	249,748		
Stoughton Utilities	249,603		
City of Stoughton	249,603		
Other Utility Related Costs	249,603		
Total Off-Site (TIF Funded-City Financed)	\$ 5,740,862		
Total On Site and Off Site (TIF Funded)	\$ 11,181,636		
Grand Total of Construction Costs	\$ 14,191,858		\$ 14,191,858

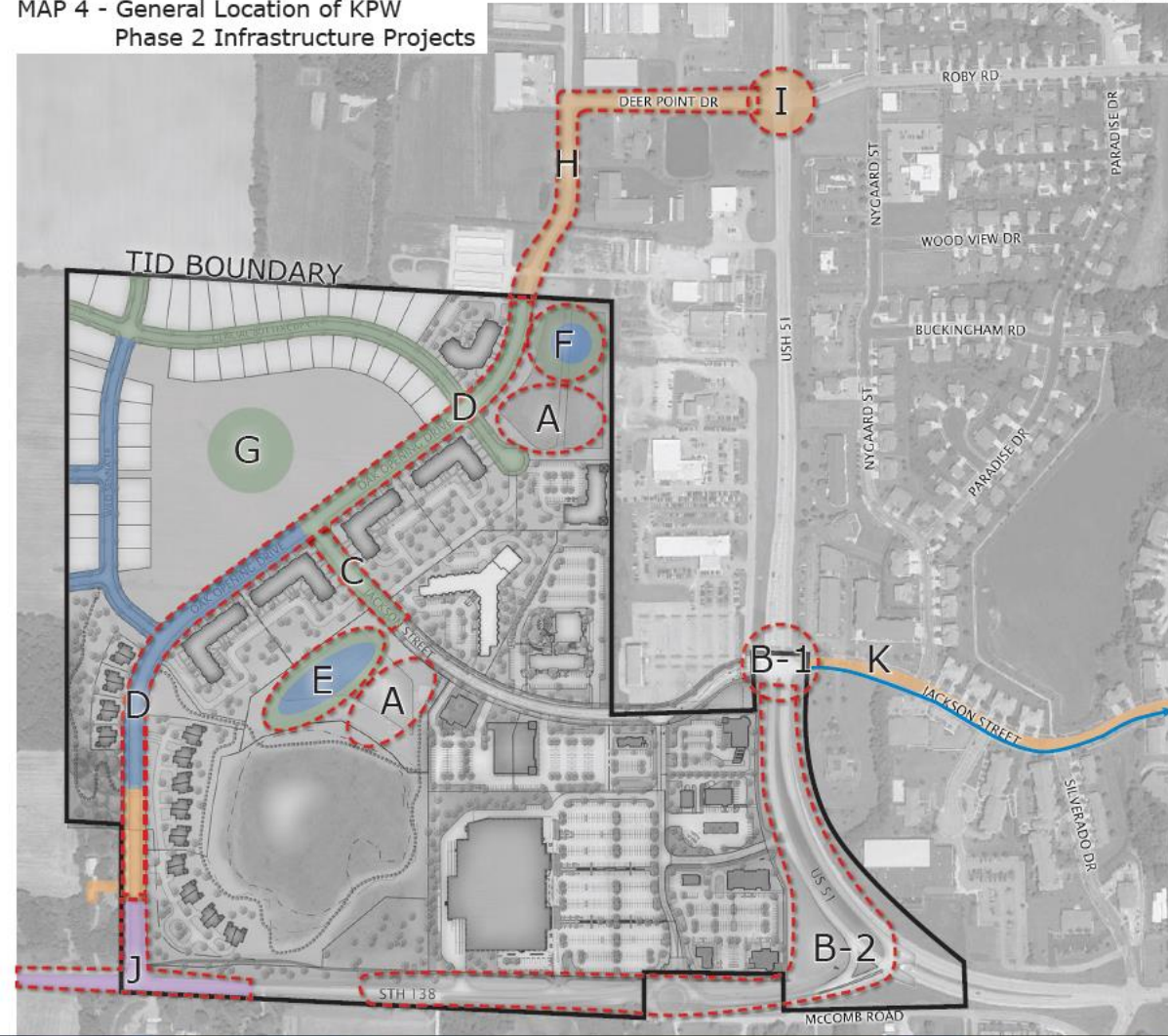
Exhibit 8 - Phasing

YEAR OF CONSTRUCTION

- 2017
- 2018
- 2019
- 2020

MAP 4 - General Location of KPW
Phase 2 Infrastructure Projects

EXHIBIT 8

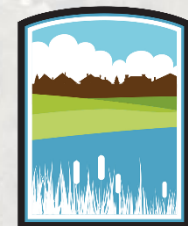


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Is It Affordable?

- **Tax increment created (Exhibit 10)**

-Commercial Center	\$44,699,501
-Phase 2	\$50,871,641
-Total	\$95,571,142
- **Taxes from increment exceed borrowing payments and costs**
- **TID projected to have excess cash**
- **Other growth/revenue opportunities**



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Timeline

Nov. 2016 – Feb. 2017

Discussion and negotiations with City

March 2017

Phase II TIF approval by the City Council

April 2017

Final City approvals for Phase B

May 2017

Start construction

May 2017 – Aug. 2017

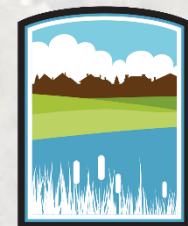
Grading and infrastructure completed

Aug. 2017

Building permits available

Spring 2018

Residential building start to be occupied



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Next Steps

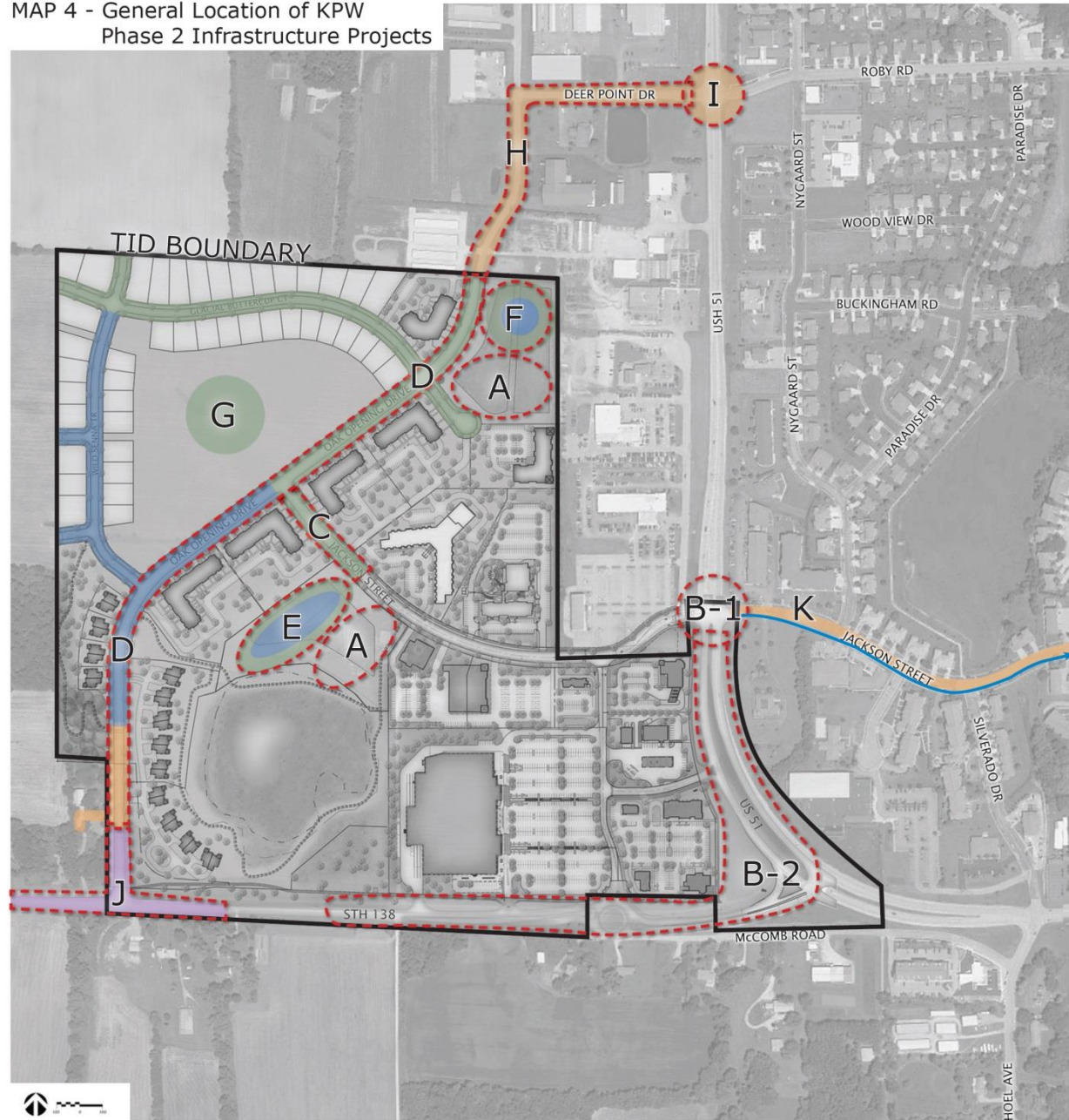
- 1. Listen to input from staff/consultant**
- 2. Identify other necessary documentation/
information**
- 3. Set schedule of meetings**
- 4. Establish parameters for negotiation of more
detailed terms**



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EXHIBIT 8

MAP 4 - General Location of KPW
Phase 2 Infrastructure Projects



PHASE 1 (KPW Commercial Center)

- A. Stormwater Management (First phase of water quality treatment and infiltration basins)
- B. Perimeter Highway Improvements
 - 1. USH 51 x Jackson Street Intersection Improvement (off-site)
 - 2. USH 51 and STH 138 widening (off-site)

PHASE 2 (KPW 2)

On-Site Infrastructure Projects

(Proposed Developer Obligation Debt TIF)

- C. Complete Jackson Street Extension
- D. Construct Oak Opening Drive
- E. Bio-Retention Facility Expansion (water quality treatment)
- F. Infiltration Basin Expansion
- G. Mass grading and site restoration of park site area

Off-Site Infrastructure Projects

(Proposed Conventional City Issued TIF)

- H. Reconstruct Oak Opening Drive/Deer Point Drive to USH 51
- I. Reconstruct Deer Point Drive (Roby Road) x USH 51 Intersection
- J. STH 138 x Oak Opening Drive Intersection
- K. Install Storm Sewer Force Main on Jackson Street

YEAR OF CONSTRUCTION

- 2017
- 2018
- 2019
- 2020



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