

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

ZONING, NEIGHBORHOODS & DEVELOPMENT COMMITTEE

JANUARY 11, 2011

Item 1, File #100993

File Number 100993 is a resolution approving Amendment No. 1 to the Project Plan for Tax Incremental District No. 76 (27th & Howard) and authorizing expenditures for this project.

Background

1. On December 22, 2009, the Common Council adopted File No. 090563, a resolution creating Tax Incremental District No. 76 and approving the Project Plan for this TID. The district encompasses 7 properties totaling approximately 17 acres in the area bounded roughly by S. 27th Street on the west, W. Howard Avenue on the south and the southeast branch of the Kinnickinnic River on the north and east. The approved Project Plan called for funding the following activities in this area:
 - Renovation of the vacant, former Foster Pontiac dealership at 3636 S. 27th Street into a 27,000-square-foot retail development (the “Initial Phase” of the project).
 - Redevelopment of the trailer court at 3774 S. 27th Street into affordable housing. Assistance for redevelopment of the historic Wildenberg Hotel, which is located on the same site, could also be provided.
 - Redevelopment of the vacant auto dealership at 3804 S. 27th Street (formerly Southgate Ford) into retail space.
2. The developer/property owner of the Initial Phase, Foster Endeavor, LLC, did not proceed with the project because of an inability to obtain the necessary financing.
3. A new developer -- an LLC established by Frontline Real Estate Partners of Northbrook, IL -- has reached an agreement with the current property owner’s mortgage holder to purchase its mortgage and acquire the property.
4. The new developer has proposed a scaled-down retail development for the Foster Pontiac site. The new plan calls for 19,500 square feet of retail space in 4 buildings, including a 6,500-square-foot, stand-alone Buffalo Wild Wings restaurant (the 3 other buildings would contain 7,200, 4,300 and 1,500 square feet, respectively).

Discussion

1. This resolution approves Amendment No. 1 to Tax Incremental District No. 76. This Amendment:
 - Revises the Project Plan goals and objectives to reflect the changes in the plans for redevelopment of the Foster site.
 - Revises the description of the proposed public works and improvements to occur within the Initial Phase of the project to include demolition of the Foster Pontiac building, development of approximately 19,500 square feet of retail space on the cleared site, alterations to the median in S. 27th Street to create a left-turn lane into the site and creation of landscape buffers along the S. 27th Street and Kinnickinnic River edges of the site.
 - Revises the list of estimated project costs to include the following:

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| Landscape buffers (Initial Phase) | \$50,000 |
| Median cut/left-turn lane (27 th Street) | \$125,000 |
| Administrative costs | \$25,000 |
| Total Capital Costs | \$200,000 |
| Estimated interest cost | \$65,000 |
| Total Project Costs | \$265,000 |

- Indicates that all expenditures for the Foster project are expected to be incurred in 2011.
2. Total project cost, including site acquisition, building demolition and construction, is approximately \$3 million.
 3. This resolution also directs the City Comptroller to transfer \$200,000, plus capitalized interest for 2 years, to the parent TID account for the purpose of funding the work described in Amendment No. 1.
 4. In addition, this resolution directs the proper City officials to execute, on behalf of the City, a Cooperation Agreement with the Redevelopment Authority that would allow the Authority to provide the transferred funds to the developer, Frontline Real Estate Partners, LLC. The term sheet calls for the Redevelopment Authority to reimburse the developer for costs incurred in modifying the median in 27th Street and installing landscape buffers along the 27th Street and Kinnickinnic River edges of the site.
 5. The Redevelopment Authority held a public hearing on Amendment No. 1 to TID No. 76 on December 16, 2010, and recommended approval of the Amendment.

Fiscal Impact

1. This resolution authorizes the expenditure of \$200,000, plus capitalized interest, from the City's TID capital account for the purpose of funding the Initial Phase of the TID No. 76 Project Plan, as modified by Amendment No. 1. Any additional funding for future phases of the TID No. 76 project will require further Common Council approval.
2. The revised economic feasibility study for TID No. 76 -- reflecting Amendment No. 1 -- indicates that, based on receiving annual incremental taxes of \$53,000, the District's project costs could be recovered within a period of approximately 5 years -- well within the 27-year statutory limit for the life of a TID.

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 January 6, 2011

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