



# CITY OF MANITOWOC

WISCONSIN, USA

[www.manitowoc.org](http://www.manitowoc.org)



## TIF Project Report 939 South 8<sup>th</sup> Street

**Date of Finance Meeting:** June 2, 2020

**Applicant:** Brix Place LLC

**Project Description:** The applicant recently purchased the property at 939 South 8<sup>th</sup> Street (Parcel 000-238-081) with the goal of renovating the vacant structure into a mixture of commercial and residential spaces. No new additions or square footage is contemplated at this time. Plans for the renovations include a 5,000 square foot restaurant/bar on the 1<sup>st</sup> floor. The 2<sup>nd</sup> floor would be a combination of a 2,200 square foot lounge/coffee shop area and two 1,300 square foot apartments. The 3<sup>rd</sup> floor would be renovated at a future date. In addition to the interior renovations, the applicant intends to restore the exterior façade of the building. Renovation costs are estimated at the \$400,000 to \$500,000 level, with a total investment at the property of \$700,000 to \$800,000. Job creation is difficult to project, but the applicant estimates the creation of 3 full-time positions and 23 part time positions.

**Request:** The applicant is requesting a façade grant of \$50,000 (\$25,000 per façade) to assist in the exterior improvements. In addition, the applicant is requesting a City investment of \$100,000 in a pay-as-you-go Tax Incremental Financing cash grant. At \$150,000, the incentive would be 19% of the total investment and approximately 21% of the expected final assessed value of \$700,000. As a pay-go cash grant, Company would pay its real estate and personal property taxes each year, and the City would reimburse all or a portion of incremental taxes attributable to the project. This reduces the financial impact on the TIF district, as funds do not need to be borrowed to capitalize the grant. The financing gap identified in this project is related to extraordinary construction costs associated with the renovation of a historic building in a dense, urban location. Specifically, this includes:

- Restoration of exterior façade and replacement of the removed piedmont feature.
- Conversion of 2<sup>nd</sup> floor bar area to residential units
- Inclusion of higher-end interior finishes

**Existing Land Use and Assessed Value:** The project is located on a .27 acre parcel with a footprint of approximately 5,800 square feet and total square footage of 13,600 square feet. The parcel is currently assessed at \$368,700 in real estate value.

### TID Details and Status:

The subject property is located within the existing TIF District #19. The City created TID No. 19 to including this parcel with the following characteristics:

- Creation Year: 2017
- Creation Year Base Value: \$ 51,366,800
- Amendment #1 Year: 2018
- Amendment Year Base Value: \$58,414,600
- Expenditure Period Ends: 2039

## **Project Evaluation:**

### Eligibility

Wisconsin Statutes allow for grants to developers where a development agreement has been executed with the municipality. Such a development agreement would follow approval of the attached term sheet. The TID 19 Project Plan allows for cash grants to developers and funding of the façade program. All the potential project costs are eligible uses of TIF funds under the statute.

### Applicable TID Plan

TID 19 was established as a rehabilitation and conservation district. The Project Site is a vacant commercial facility that is being extensively renovated in order to prepare it for future mixed use. The leveraging of private investment into a historic property as represented by this proposed project is exactly the kind of public-private partnership that TIF is intended to support.

### Financing Gap and Need for TIF

TIF funds are only to be used where a project would not happen “but for” the assistance provided. In this case, staff have confirmed that this project would not happen in Manitowoc without the TIF assistance. Company has access to locations outside the State of Wisconsin that would not pose the same challenges identified in the extraordinary construction costs outlined above. The requested amount of TIF assistance represents a competitive proposal.

### Financial Analysis

#### Assumptions

- Tax rate: \$20.67 per \$1,000
- Tax rate deflation: 0.5% per year
- Inflation increment: 0%
- Assessed value of completed project: \$700,000 (\$300,000 increased value)
- Bond rate and repayment term: not applicable (pay-go agreement)

#### Proforma – Requested Scenario

- Total cost of borrowing: \$0
- Tax revenue over life of the TID: \$150,033
- Tax revenues reimbursed: \$100,000
- Year expenditures recovered: not applicable  
(but obligation met after 20 years of tax reimbursements)

**Conclusions and Recommendation:** The renovation of 939 South 8<sup>th</sup> Street represents a continuation of the reinvigoration of the downtown area. Due to the higher cost of renovating a historic property, this project would not be supported by the current economic conditions in the City of Manitowoc but for the provision of the requested TIF assistance. The Community Development Department recommends acceptance of the related Term Sheet. The related development agreement for this project would return to the Finance Committee before final approval of TIF assistance can be granted.



TERM SHEET  
Bartow Building Renovation  
939 South 8<sup>th</sup> Street

*The terms and conditions described in this agreement are part of a related development agreement between the parties, each element of which is consideration for the other elements and an integral aspect of the proposed agreements (defined below). This Term Sheet does not constitute an offer or a legally binding obligation of any party, or any other party in interest, nor does it constitute an offer of securities. The transactions contemplated by the Term Sheet are subject to conditions to be set forth in a definitive agreement, including without limitation a development agreement and other supporting documentation. Until publicly disclosed by the parties, this Term Sheet is strictly confidential and may not be shared by any party without the prior written consent of all parties unless otherwise required by Wisconsin law.*

1. Property Description
  - a. Tax Parcel 000-238-081
  - b. 2019 Total Assessed Value: \$368,700
  
2. Potential Parties:
  - a. Brix Place LLC (Developer), and assigns controlled by Developer
  - b. City of Manitowoc (City)
  
3. Development Description:
  - a. Renovation of the property in accordance with the façade improvement plans submitted for the City Façade Grant and interior building permit plans showing a 1<sup>st</sup> floor restaurant bar space, 2<sup>nd</sup> floor lounge/coffee shop, and two 2<sup>nd</sup> floor apartments.
  - b. The total project cost is \$800,000.
  - c. Projected assessed value is \$700,000
  
4. Development Timetable:
  - a. Construction from January – December of 2020.
  
5. City Assistance (subject to all required approvals and documentation):
  - a. Tax Incremental Financing
    - i. Up to \$100,000 cash grant based on a guaranteed assessed value increase of at least \$700,000 upon project stabilization.
    - ii. Uses of funds to include public or private utility or other infrastructure improvements, building construction, site preparation, architectural or engineering design fees, or other eligible building improvement related costs.
    - iii. Funds to be repaid to City if performance on minimum assessed value is not met.
  - b. Downtown Façade Grant
    - i. Up to \$50,000 cash grant based on \$25,000 per street façade.
    - ii. Uses of funds to include exterior renovations of the existing building.
  
6. Following Common Council authorization of this term sheet, a development agreement consistent with the terms and conditions herein shall be executed by the Mayor and Clerk subject to technical, legal changes.

**City of Manitowoc**

**Kemota Properties, LLC**

\_\_\_\_\_  
Justin M. Nickels, Mayor

\_\_\_\_\_  
Brandon Bartow

\_\_\_\_\_  
Deborah Neuser, Clerk

\_\_\_\_\_  
attest

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date