



CITY OF MANITOWOC

WISCONSIN, USA

www.manitowoc.org

TIF Project Incentive Discussion 1000 River Point Drive

Date of Finance Meeting: July 13, 2021

Applicant: Allie Family Companies

Project Description: The developer is acquiring 1.6 acres of property at 1000 River Point Drive (Part of Parcels 000-168-040, 000-173-000, 000-173-100, 000-173-160) from the City with the goal of constructing a large multi-family project. The preliminary concept plans previously provided have been updated to include a 6 story building with 87 dwelling units, up from 5 stories and 81 units, ranging from 1 to 3 bedrooms. Other amenities would include indoor and underground parking, outdoor community balcony, outdoor community patio, community room, and fitness center. Total project costs have been further refined and are estimated at just over \$18,000,000, up from \$14,300,000. Based upon the increased costs the developer is working to keep the expected financing gap around the \$2,800,000 last projected.

Request: In January, the Council approved a term sheet outlining the negotiated TIF incentive. The approved incentive included a City investment of \$2,800,000 in a Tax Incremental Financing cash grant. Of the \$2,800,000, \$1,400,000 is upfront and likely to be paid out in 2022 and \$1,400,000 is pay-go to be paid out over 19 years starting in 2023. At the \$2,800,000 amount, the incentive is now approximately 16% of the total investment and approximately 33% of the expected final assessed value of \$8,500,000.

Based upon further cost increases, the expected total investment is now over \$18,000,000. The refined investment costs are well beyond the preliminary costs originally identified of \$12,000,000 and the updated cost at the time the term sheet was approved of \$14,300,000. However, the developer is not requesting additional incentives from the City at this time. Instead the developer is requesting a modification of the payment schedule on the pay-go portion of the incentive. Rather than 19 payments estimated at \$75,000 totaling the \$1,400,000, the incentive would be paid out in 15 payments estimated at 10 years at \$120,000 and 5 years at \$40,000. The purpose of the request is to help free up cash flow in the critical early years of the project.

As a reminder, the amount of the upfront incentive will be bonded for and paid out to the developer in 2022 and is tied to milestones of construction on the project. The payments for the pay-go portion of the incentive will start in 2023 after the project is creating tax increment. For the pay-go cash grant, the developer pays 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 ideally do not need to be borrowed to capitalize the grant.

All other aspects of the previously approved term sheet would remain the same. Attached is a recommended revised term sheet.

Conclusions and Recommendation: The redevelopment of River Point District is a priority project for the City. Inclusion of multi-story, market rate residential units remains a key component of the vision. The request to modify the payment schedule of the pay-go portion of the incentive versus a request for additional funding is a clear indication of the developer's commitment to see this project to completion. While the revised payment schedule will result in different impact on TIF District #22, the amount of increment available to put towards City infrastructure in River Point will not change. Attached are the projections for the term sheet as currently approved and for the proposed term sheet. While not ideal, staff supports the revised term sheet as a way to support the project without committing additional TIF funds to the project.

TERM SHEET
River North Apartments
1000 River Point Drive

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. Portions of Tax Parcels 000-168-040, 000-173-000, 000-173-100, and 000-173-160
 - b. 2020 Total Assessed Value: \$0

2. Potential Parties:
 - a. Allie Family Companies and River North LLC (Developer)
 - b. City of Manitowoc (City)

3. Development Description:
 - a. Construction of a new 6 story apartment building with ~~8187~~ dwelling units ranging from studios to 3 bedrooms. Other amenities would include indoor and underground parking, outdoor community balcony, outdoor community patio, community room, and fitness center
 - b. The total project cost is estimated at just over ~~\$14,300,000~~ \$18,000,000
 - c. Projected assessed value is \$8,500,000

4. Development Timetable:
 - a. Construction from Summer 2021 – Fall of 2022 (estimated)

5. City Assistance (subject to all required approvals and documentation):
 - a. Tax Incremental Financing
 - i. A \$2,800,000 (32.9%) cash grant based upon assessed value increase of at least \$8,500,000 upon project stabilization (estimated at the end of 2024).
 - ii. Upfront cash grant of \$1,400,000 will be paid in two installments. The first payment of 50% would be paid no earlier than January 15, 2022 upon proof of the project completing footing and foundation work. The second payment of 50% would be paid upon the issuance of a final occupancy permit for the development (likely in 2022).
 - iii. Pay-go cash grant of \$1,400,000 payable in no more than ~~19~~ 15 payments starting in 2023.
 - iv. Grant amount to be reduced or increased based upon performance on minimum assessed value to maintain incentive at 32.9% of assessed value. Increase/decrease to be accomplished via an adjustment to the ~~19~~ 15 payments which make up the pay-go cash portion of the incentive. If adjustments in the

amount are made, the incentive would still be paid in no more than ~~1915~~ payments starting in 2023. Total incentive is based upon the total of the upfront and pay-go payments only.

- v. 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.
- b. Sale of Property
 - i. Sale of 1.646 acres of property generally bounded by York Street on the North, River Point Drive on the South, and North 10th Street on the East at a cost of \$65,840 (\$40,000 per acre).
 - ii. Authorize staff to work with the developer on the sale of the property.
 - iii. Developer shall commence construction within 2 years from the date of the sale of the property.

6. Other Development Items:

- a. Non-compete Clause. An 18 month non-compete from other apartments being built at the River Point District. The non-compete would start at issuance of final occupancy for the project. The non-compete only applies to new apartments projects over 2 stories tall. I.e. town houses, garden style apartments and condos would not be included. Also excluding a market rate apartment project that does not utilize TIF dollars. The period of the non-compete applies to the issuance of final occupancy for other projects.
 - b. The City will continue to work towards closure on the site from the WDNR.
 - c. Consideration for overnight on-street parking allowed on York Street between N. 10th and N. 11th Streets.
 - d. The City will provide access to structural fill necessary to backfill the site.
7. 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

Allie Family Companies

Justin M. Nickels, Mayor

Alex Allie

Mackenzie Reed-Kadow, Clerk

Peter Allie

Date

Date

City of Manitowoc

Tax Increment Financing District 22

Cash Flow Proforma Analysis

Manitowoc Apartments

Requested subsidy = 2,800,000

| Assumptions | |
|--|--------------|
| Annual Inflation During Life of TID..... | 0.00% |
| Annual Deflation of Tax Rate During Life of TID..... | 0.50% |
| 2020 gross tax rate (per \$1000 equal. value)..... | \$22.63 |
| Amount of Bond Issue..... | \$ 1,400,000 |
| Interest Rate on Bonds..... | 2.50% |
| Expenditure Period Remaining | 24 |

| Example New Issue |
|---|
| Amount of New Borrowing: \$1,400,000 |

| Background Data | | | | | | Revenues | Expenditures | | | PAYGO | TID Status | | | |
|-----------------|------------------------|---------------------|------------------------|-------------------------|----------|--------------------|--------------------|------------------|----------------------------|--------------------|---------------------|-----------------------------|-----------------------------|------------------------|
| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) | | (K) | (L) | (M) | (N) |
| Val. Date | TIF District Valuation | Inflation Increment | Construction Increment | TIF Increment Over Base | Tax Rate | Tax Revenue | Principal | Interest | TID Incentive Pay-GO Total | | Annual Balance | Year End Cumulative Balance | Remaining Principal Balance | Cost Recovery |
| (January 1) | | | | | | | | | | | (December 31) | | | |
| 2019 | \$0 | | | | \$22.63 | | | | \$0 | | \$0 | \$0 | | |
| 2020 | \$0 | | | | \$22.52 | \$0 | | | \$0 | | \$0 | \$0 | | |
| 2021 | \$0 | | \$4,000,000 | \$4,000,000 | \$22.41 | \$0 | \$43,278 | \$35,000 | \$78,278 | | (\$78,278) | (\$78,278) | | |
| 2022 | \$4,000,000 | | \$4,500,000 | \$8,500,000 | \$22.29 | \$0 | \$44,360 | \$33,918 | \$78,278 | | (\$78,278) | (\$156,556) | | |
| 2023 | \$8,500,000 | | | \$8,500,000 | \$22.18 | \$89,174 | \$45,469 | \$32,809 | \$78,278 | 75,000 | (\$64,104) | (\$220,660) | | |
| 2024 | \$8,500,000 | | | \$8,500,000 | \$22.07 | \$188,547 | \$46,606 | \$31,672 | \$78,278 | 75,000 | \$35,270 | (\$185,390) | | |
| 2025 | \$8,500,000 | | | \$8,500,000 | \$21.96 | \$187,605 | \$47,771 | \$30,507 | \$78,278 | 75,000 | \$34,327 | (\$151,063) | | |
| 2026 | \$8,500,000 | | | \$8,500,000 | \$21.85 | \$186,667 | \$48,965 | \$29,313 | \$78,278 | 75,000 | \$33,389 | (\$117,675) | | |
| 2027 | \$8,500,000 | | | \$8,500,000 | \$21.74 | \$185,733 | \$50,189 | \$28,089 | \$78,278 | 75,000 | \$32,455 | (\$85,219) | | |
| 2028 | \$8,500,000 | | | \$8,500,000 | \$21.63 | \$184,805 | \$51,444 | \$26,834 | \$78,278 | 75,000 | \$31,527 | (\$53,692) | | |
| 2029 | \$8,500,000 | | | \$8,500,000 | \$21.52 | \$183,881 | \$52,730 | \$25,548 | \$78,278 | 75,000 | \$30,603 | (\$23,090) | | |
| 2030 | \$8,500,000 | | | \$8,500,000 | \$21.42 | \$182,961 | \$54,048 | \$24,230 | \$78,278 | 75,000 | \$29,683 | \$6,594 | | Expenditures Recovered |
| 2031 | \$8,500,000 | | | \$8,500,000 | \$21.31 | \$182,046 | \$55,399 | \$22,879 | \$78,278 | 75,000 | \$28,769 | \$35,362 | | Expenditures Recovered |
| 2032 | \$8,500,000 | | | \$8,500,000 | \$21.20 | \$181,136 | \$56,784 | \$21,494 | \$78,278 | 75,000 | \$27,858 | \$63,221 | | Expenditures Recovered |
| 2033 | \$8,500,000 | | | \$8,500,000 | \$21.10 | \$180,231 | \$58,204 | \$20,074 | \$78,278 | 75,000 | \$26,953 | \$90,173 | | Expenditures Recovered |
| 2034 | \$8,500,000 | | | \$8,500,000 | \$20.99 | \$179,329 | \$59,659 | \$18,619 | \$78,278 | 75,000 | \$26,051 | \$116,225 | | Expenditures Recovered |
| 2035 | \$8,500,000 | | | \$8,500,000 | \$20.89 | \$178,433 | \$61,151 | \$17,127 | \$78,278 | 75,000 | \$25,155 | \$141,379 | | Expenditures Recovered |
| 2036 | \$8,500,000 | | | \$8,500,000 | \$20.78 | \$177,541 | \$62,679 | \$15,599 | \$78,278 | 75,000 | \$24,263 | \$165,642 | | Expenditures Recovered |
| 2037 | \$8,500,000 | | | \$8,500,000 | \$20.68 | \$176,653 | \$64,246 | \$14,032 | \$78,278 | 75,000 | \$23,375 | \$189,017 | | Expenditures Recovered |
| 2038 | \$8,500,000 | | | \$8,500,000 | \$20.58 | \$175,770 | \$65,853 | \$12,425 | \$78,278 | 75,000 | \$22,492 | \$211,509 | | Expenditures Recovered |
| 2039 | \$8,500,000 | | | \$8,500,000 | \$20.47 | \$174,891 | \$67,499 | \$10,779 | \$78,278 | 75,000 | \$21,613 | \$233,122 | | Expenditures Recovered |
| 2040 | \$8,500,000 | | | \$8,500,000 | \$20.37 | \$174,016 | \$69,186 | \$9,092 | \$78,278 | 75,000 | \$20,738 | \$253,860 | | Expenditures Recovered |
| 2041 | \$8,500,000 | | | \$8,500,000 | \$20.27 | \$173,146 | \$70,916 | \$7,362 | \$78,278 | 50,000 | \$44,868 | \$298,728 | | Expenditures Recovered |
| 2042 | \$8,500,000 | | | \$8,500,000 | \$20.17 | \$172,281 | \$72,689 | \$5,589 | \$78,278 | | \$94,003 | \$392,731 | | Expenditures Recovered |
| 2043 | \$8,500,000 | | | \$8,500,000 | \$20.07 | \$171,419 | \$74,506 | \$3,772 | \$78,278 | | \$93,141 | \$485,872 | | Expenditures Recovered |
| 2044 | \$8,500,000 | | | \$8,500,000 | \$19.97 | \$170,562 | \$76,369 | \$1,909 | \$78,278 | | \$92,284 | \$578,156 | | Expenditures Recovered |
| 2045 | \$8,500,000 | | | \$8,500,000 | \$19.87 | \$169,709 | | | \$0 | | \$169,709 | \$747,865 | | Expenditures Recovered |
| 2046 | \$8,500,000 | | | \$8,500,000 | \$19.77 | \$168,861 | | | \$0 | | \$168,861 | \$916,726 | | Expenditures Recovered |
| 2047 | \$8,500,000 | | | \$8,500,000 | \$19.67 | \$168,016 | | | \$0 | | \$168,016 | \$1,084,743 | | Expenditures Recovered |
| 2048 | \$8,500,000 | | \$1 | \$8,500,001 | \$19.57 | \$167,176 | | | \$0 | | \$167,176 | \$1,251,919 | | Expenditures Recovered |
| \$0 | | | | | | \$4,530,590 | \$1,400,000 | \$478,671 | \$1,878,671 | \$1,400,000 | \$ 1,251,919 | | | |

2020 TID Inception

2042 Final year to incur costs (inception + 20yrs)

2048 Maximum legal life of TID (27 Years) 3 year extension possible with plan amendment and/or one year extension for housing programs

City of Manitowoc Tax Increment Financing District 22 Cash Flow Proforma Analysis Manitowoc Apartments

Requested subsidy = 2,800,000

| Assumptions | |
|--|--------------|
| Annual Inflation During Life of TID..... | 0.00% |
| Annual Deflation of Tax Rate During Life of TID..... | 0.50% |
| 2020 gross tax rate (per \$1000 equal. value)..... | \$22.63 |
| Amount of Bond Issue..... | \$ 1,400,000 |
| Interest Rate on Bonds..... | 2.50% |
| Expenditure Period Remaining | 24 |

| Example New Issue |
|---|
| Amount of New Borrowing: \$1,400,000 |

| Background Data | | | | | | Revenues | Expenditures | | | PAYGO | TID Status | | | |
|-----------------|------------------------|---------------------|------------------------|-------------------------|----------|--------------------|--------------------|------------------|----------------------------|--------------------|---------------------|-----------------------------|-----------------------------|------------------------|
| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) | | (K) | (L) | (M) | (N) |
| Val. Date | TIF District Valuation | Inflation Increment | Construction Increment | TIF Increment Over Base | Tax Rate | Tax Revenue | Principal | Interest | TID Incentive Pay-GO Total | | Annual Balance | Year End Cumulative Balance | Remaining Principal Balance | Cost Recovery |
| (January 1) | | | | | | | | | | | (December 31) | | | |
| 2019 | \$0 | | | | \$22.63 | | | | \$0 | | \$0 | \$0 | | |
| 2020 | \$0 | | | | \$22.52 | \$0 | | | \$0 | | \$0 | \$0 | | |
| 2021 | \$0 | | \$4,000,000 | \$4,000,000 | \$22.41 | \$0 | \$43,278 | \$35,000 | \$78,278 | | (\$78,278) | (\$78,278) | | |
| 2022 | \$4,000,000 | | \$4,500,000 | \$8,500,000 | \$22.29 | \$0 | \$44,360 | \$33,918 | \$78,278 | | (\$78,278) | (\$156,556) | | |
| 2023 | \$8,500,000 | | | \$8,500,000 | \$22.18 | \$89,174 | \$45,469 | \$32,809 | \$78,278 | 120,000 | (\$109,104) | (\$265,660) | | |
| 2024 | \$8,500,000 | | | \$8,500,000 | \$22.07 | \$188,547 | \$46,606 | \$31,672 | \$78,278 | 120,000 | (\$9,730) | (\$275,390) | | |
| 2025 | \$8,500,000 | | | \$8,500,000 | \$21.96 | \$187,605 | \$47,771 | \$30,507 | \$78,278 | 120,000 | (\$10,673) | (\$286,063) | | |
| 2026 | \$8,500,000 | | | \$8,500,000 | \$21.85 | \$186,667 | \$48,965 | \$29,313 | \$78,278 | 120,000 | (\$11,611) | (\$297,675) | | |
| 2027 | \$8,500,000 | | | \$8,500,000 | \$21.74 | \$185,733 | \$50,189 | \$28,089 | \$78,278 | 120,000 | (\$12,545) | (\$310,219) | | |
| 2028 | \$8,500,000 | | | \$8,500,000 | \$21.63 | \$184,805 | \$51,444 | \$26,834 | \$78,278 | 120,000 | (\$13,473) | (\$323,692) | | |
| 2029 | \$8,500,000 | | | \$8,500,000 | \$21.52 | \$183,881 | \$52,730 | \$25,548 | \$78,278 | 120,000 | (\$14,397) | (\$338,090) | | |
| 2030 | \$8,500,000 | | | \$8,500,000 | \$21.42 | \$182,961 | \$54,048 | \$24,230 | \$78,278 | 120,000 | (\$15,317) | (\$353,406) | | |
| 2031 | \$8,500,000 | | | \$8,500,000 | \$21.31 | \$182,046 | \$55,399 | \$22,879 | \$78,278 | 120,000 | (\$16,231) | (\$369,638) | | |
| 2032 | \$8,500,000 | | | \$8,500,000 | \$21.20 | \$181,136 | \$56,784 | \$21,494 | \$78,278 | 120,000 | (\$17,142) | (\$386,779) | | |
| 2033 | \$8,500,000 | | | \$8,500,000 | \$21.10 | \$180,231 | \$58,204 | \$20,074 | \$78,278 | 40,000 | \$61,953 | (\$324,827) | | |
| 2034 | \$8,500,000 | | | \$8,500,000 | \$20.99 | \$179,329 | \$59,659 | \$18,619 | \$78,278 | 40,000 | \$61,051 | (\$263,775) | | |
| 2035 | \$8,500,000 | | | \$8,500,000 | \$20.89 | \$178,433 | \$61,151 | \$17,127 | \$78,278 | 40,000 | \$60,155 | (\$203,621) | | |
| 2036 | \$8,500,000 | | | \$8,500,000 | \$20.78 | \$177,541 | \$62,679 | \$15,599 | \$78,278 | 40,000 | \$59,263 | (\$144,358) | | |
| 2037 | \$8,500,000 | | | \$8,500,000 | \$20.68 | \$176,653 | \$64,246 | \$14,032 | \$78,278 | 40,000 | \$58,375 | (\$85,983) | | |
| 2038 | \$8,500,000 | | | \$8,500,000 | \$20.58 | \$175,770 | \$65,853 | \$12,425 | \$78,278 | | \$97,492 | \$11,509 | | Expenditures Recovered |
| 2039 | \$8,500,000 | | | \$8,500,000 | \$20.47 | \$174,891 | \$67,499 | \$10,779 | \$78,278 | | \$96,613 | \$108,122 | | Expenditures Recovered |
| 2040 | \$8,500,000 | | | \$8,500,000 | \$20.37 | \$174,016 | \$69,186 | \$9,092 | \$78,278 | | \$95,738 | \$203,860 | | Expenditures Recovered |
| 2041 | \$8,500,000 | | | \$8,500,000 | \$20.27 | \$173,146 | \$70,916 | \$7,362 | \$78,278 | | \$94,868 | \$298,728 | | Expenditures Recovered |
| 2042 | \$8,500,000 | | | \$8,500,000 | \$20.17 | \$172,281 | \$72,689 | \$5,589 | \$78,278 | | \$94,003 | \$392,731 | | Expenditures Recovered |
| 2043 | \$8,500,000 | | | \$8,500,000 | \$20.07 | \$171,419 | \$74,506 | \$3,772 | \$78,278 | | \$93,141 | \$485,872 | | Expenditures Recovered |
| 2044 | \$8,500,000 | | | \$8,500,000 | \$19.97 | \$170,562 | \$76,369 | \$1,909 | \$78,278 | | \$92,284 | \$578,156 | | Expenditures Recovered |
| 2045 | \$8,500,000 | | | \$8,500,000 | \$19.87 | \$169,709 | | | \$0 | | \$169,709 | \$747,865 | | Expenditures Recovered |
| 2046 | \$8,500,000 | | | \$8,500,000 | \$19.77 | \$168,861 | | | \$0 | | \$168,861 | \$916,726 | | Expenditures Recovered |
| 2047 | \$8,500,000 | | | \$8,500,000 | \$19.67 | \$168,016 | | | \$0 | | \$168,016 | \$1,084,743 | | Expenditures Recovered |
| 2048 | \$8,500,000 | | \$1 | \$8,500,001 | \$19.57 | \$167,176 | | | \$0 | | \$167,176 | \$1,251,919 | | Expenditures Recovered |
| \$0 | | | | | | \$4,530,590 | \$1,400,000 | \$478,671 | \$1,878,671 | \$1,400,000 | \$ 1,251,919 | | | |

2020 TID Inception

2042 Final year to incur costs (inception + 20yrs)

2048 Maximum legal life of TID (27 Years) 3 year extension possible with plan amendment and/or one year extension for housing programs