

June 11, 2021

Mr. Dave DeAngelis
Village Manager
Village of Elm Grove
13600 Juneau Boulevard
Elm Grove, WI 53122

SENT VIA EMAIL

Re: School Sisters of Elm Grove Redevelopment TIF Request

Dear Dave,

Mandel Group Properties LLC (“MGP LLC”) is proposing to redevelop the School Sisters of Notre Dame (“SSND”) property located at 13105 Watertown Plank Road into a mixed-use development that includes approximately 237 multifamily apartments and 22 single-family homes. The rezoning of the 25 acres associated with the apartments and single-family homes to Planned Development Overlay is underway. In addition to the rezoning, MGP LLC is requesting the Village and/or its Community Development Authority (“CDA”) to consider two options for Tax Increment Financing (“TIF”): 1) \$11,500,000 upfront funding or 2) \$5,500,000 upfront funding and a 62.5%/27.5% sharing of tax increment between MGP LLC and the Village/CDA.

The TIF helps offset the extraordinary costs associated with redeveloping the site including the installation of private roads, sewers, and water mains, in addition to the rehabilitation of Notre Dame and Maria Halls. With an assessed value projected at approximately \$70,000,000 for the apartments and single-family homes, the property taxes collected from a property which is currently off the tax rolls will pay for the TIF in its entirety without burden on current residents of the Village.

The TIF will also allow the Village to utilize the excess taxes (i.e. taxes from the development that are not used on the private development) to build infrastructure for the downtown area, including the installation of a water main in portions of Watertown Plank Road.

Project Overview

The redevelopment of the SSND property into multifamily apartments and single-family homes will serve multiple segments of the residential market. As homeowners age and no longer desire to contend with the maintenance and responsibilities associated with home ownership, apartment living becomes an attractive option. Village residents are currently forced to move to neighboring communities as the luxury-apartment market does not exist in Elm Grove. The redevelopment of SSND will provide an option for residents to remain in the community in which they have resided for years.

The demand for single-family homes is high in Elm Grove as the Village is land-locked, affording few opportunities for new single-family homes to be built within its borders. The addition of 22 single-family homes will meet the demand for homes in the area without over-saturating the

market. These single-family homes will be priced in a manner that attracts both empty nesters and young families with children.

TIF Request

MGP LLC is requesting the Village and CDA to consider two options for the TIF: 1) \$11,500,000 upfront funding or 2) \$5,500,000 upfront funding and a 62.5%/27.5% sharing of tax increment between MGP LLC and the Village/CDA capped at a specific number of years mutually agreed upon by the Village and MGP LLC. Projected cash flows for each option are provided on Exhibit A.

Since the Village's or CDA's cost of funds are much lower than MGP LLC's cost of funds, the benefit to the Village is larger under option 1 where the Village or CDA provides the funds upfront. The projected tax increment to the Village after payment of municipal revenue bonds or other monetary obligations to cover the investment in SSND is approximately \$8,500,000 in option 1 and \$4,500,000 in option 2.

Please note that the construction market has experienced significant cost increases recently and continues to experience rising costs as labor and materials have become scarce. As such, the request may need to be modified in the future to the extent construction costs deviate from the assumptions in our pro forma.

TIF Benefits

The School Sisters of Notre Dame have a rich history in Elm Grove, intertwined with the Village's founding. Unfortunately, it is no longer economically viable for the Sisters to carry out their mission with the expenses of this property or other major campuses in their Central Pacific Province. As such, the redevelopment of the SSND property is inevitable. The TIF helps prevent this site from sitting fallow and falling into disrepair or neglect. In addition, the Village benefits from nearly 25 acres being put onto the tax rolls.

The TIF also sets the Village up for long-term viability by utilizing excess tax increment to bring Lake Michigan water from the City of Wauwatosa into the downtown area. In addition to the immediate benefits of high-quality water to residents of the Village, the municipal water will allow for the growth of businesses in the downtown area. The utilization of well water restricts the development of current businesses and the recruiting of new businesses to the area. The creation of a walkable community immediately adjacent to downtown Elm Grove will contribute to this rejuvenation as well.

The development plan is consistent with the Downtown Master Plan as it fills the demand for market-rate housing, particularly for larger apartments for empty nesters, and contributes to a walkable, vibrant downtown setting.

TIF-Related Costs

The redevelopment of the SSND property requires the developer to incur significant costs not typically associated with a similar development. These costs are summarized below and exceed the amount of the TIF request.

Description	Amount
Historic Buildings Rehabilitation (Incremental)	\$3,500,000
Underground Parking	7,500,000
Demolition and Abatement	1,400,000
Utilities (Stormwater, Sanitary, Water)	2,400,000
Earthwork Associated with Utilities	300,000
Total	\$15,100,000

Many of these costs would be incurred by any type of development on the property but in most if not all cases would be prohibitive. The income-producing nature of a multifamily development allows some of these costs, but not all, to be supported by the development. The ongoing maintenance costs of the historic buildings also are supported by the operational revenue of the apartments.

We respectfully submit this TIF request for your consideration and look forward to working through the details with the Village. I would be pleased to coordinate a meeting with the Village and its consultants to discuss further. In the meantime, please contact me with any questions.

Sincerely,



Phillip Aiello
Chief Operating Officer

cc: Neil Palmer
Tom Harrigan