

Village of Elm Grove Committee of the Whole Joint Finance Meeting Minutes

11/1. Committee of the Whole Call to Order

The meeting was called to order at 6:01PM.

Roll Call:

PRESIDENT PALMER
TRUSTEE KRESSIN
TRUSTEE DOMASZEK
TRUSTEE CORNELL
TRUSTEE G. HAAS
TRUSTEE MICHALSKI
TRUSTEE SAYAS
MEMBER KENDLER, FINANCE MEMBER
MEMBER B. HAAS, FINANCE MEMBER
MEMBER SCHRUBBE, FINANCE MEMBER
DAVID DEANGELIS, VILLAGE MANAGER
MONICA HUGHES, FINANCE DIRECTOR
HECTOR DE LA MORA, VILLAGE ATTORNEY
TOM HARRIGAN, ZONING ADMINISTRATOR
MICHELLE LUEDTKE, VILLAGE CLERK
TODD DAVIS and FRANK ROMAN, EHLERS MUNICIPAL ADVISORS

President Palmer spoke about what happens at Committee of the Whole meetings. No action, discussion only. We do not have any public comment section for this meeting. Public Comments will be at a future meeting. Everyone received a set of materials in a book. Members of the public are welcomed to view the information at their leisure. Feel free to ask staff questions. The principal topic for the night is the TIF request. The development agreement is also included because they are interrelated. The development agreement is a guaranty of actions to the village. There is also an opportunity for a closed session item in case we need it. Negotiations may not be a public item. The point of engaging Ehlers is that projects like this get complex. The applicant is asking for funding assistance. We will entertain requests as we have done in the past. The goal is to meet the purpose of the law. Could this project take place without a TIF? Does the development agreement coincide with what has been going on in the market place? How conservative is the analysis? Our goal in directing them is to minimize risk to tax payers.

Ehlers Municipal Advisors are presenting. They started with the TIF request and TID cash flows. They want to make sure there is enough revenue to make this a successful project. They will review the “but-for” question during the second half of the presentation. Mr. Davis referred to TIF document #3 – this would be a blighted area district with a 27-year life. Anything that happens after the first of the year based on this projection would be added value to the TID. Three homes are to be built each year over a - year build out. Assuming the value of the homes (not land value) would be \$640,000 each. It could develop more rapidly, but they wanted to have a conservative base line. Mr. Davis indicated this did not include the land value which was approximately \$160,000 per lot.

It was noted that the developer would likely be Miller Marriott.

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Mr. Davis continued on the second page of the analysis which shows the 27-year horizon. There is a 2-year delay which is meaningful when you look at the cash flows. Ehlers assumed a tax rate of 17.88 with a 2.25% value increase per year per the developer. The final page is the cash flow that shows tax increments coming in. It also shows capitalized interest in the first year. It also shows monies borrowed in order to pay interest on the debt issued for the water. On the expenditure side, we would issue the 3.565k GO bond sized on the water system project. The 2nd is the taxable GO Bond. Mr. Davis wanted to mention the incentive. The bond size is larger than the actual estimated amount. There is capitalized interest on the front end. There are issuance and underwriting costs as well. The village's debt service gets paid first in all portions of this analysis. The developer MRO of \$9.8M – a term used for a contractual payment made by the village to the developer. From the tax increment, the payback on the MRO is based on 15-years. If the homes are built more quickly or are worth more money the timing would change. At a certain point, we would likely be able to redeem the villages bonds earlier.

Finance Member Kendler asked about the developer agreement and if the developer is ever paid back. Mr. David said if the \$41M value is not reached, the developer makes up the difference. There is no provision for a payback. They also won't receive any MRO payments because the village is paid first. In the analysis, the \$230 amount was used based on the Village Assessor's estimate.

Trustee Domaszek wanted to go over an example year. They went over year 10 in 2031 with the assumption that all homes were built. The next slide shows 2033 at \$1.5M coming in. \$205,000 principal on the water and then interest on the water. \$330,000 goes to pay the debt service which is the upfront payment to the developer. With interest there. Mr. Davis indicated that after we pay the debt service minus admin expenses, the \$815,000 goes to pay off the MRO. Trustee Domaszek asked when the village takes in any actual revenue. Mr. Davis pointed to 2041. After this timeframe, the amount will go into the general fund.

It was noted there are two bonds because of the timing of the items. It was also mentioned if there was any increase above what it noted on the analysis, it would flow down to the MRO column because the other two are fixed and the village obligations come first. The analysis does not breakdown overpayments and how the village can address them. The tax rate is constant at 17.88 because the economy goes up and down.

Mr. Roman reiterated the village getting paid first, when payments are being made, and economics of the debt and equity. This includes bringing the water main all the way through the downtown area just west of the railroad tracks.

It was noted that no additional hookup fees have been factored in. There have been no decisions on how the village will propose to charge users to hookup to the water. Everything from zero to the full cost of the project. There is also an increase in assessed value to those who choose to hook up. Because this is a conservative valuation, there was no addition of increased value and therefore increased taxes in other buildings within the proposed TIF district.

Finance Member Kendler asked if their taxes change if they are in the district. Manager DeAngelis indicated they pay the same unless their value increases while they are in the district. Their increase then goes to pay off the debt.

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President Palmer wanted to clarify again that this analysis is conservative. The things you are raising would increase assessed values of the properties who benefit from the development. If you ask the assessor what the new value would be, we would be shooting darts in the dark. There is value to be had, but we are not sure what the calculation is.

Finance Member Kendler asked if this would allow us to retire the debt earlier. President Palmer and Finance Director Hughes indicated you would not be able to use it for anything else.

President Palmer indicated we have a final version of a Wauwatosa water document which already has the approval from the Milwaukee water communities. No one in the village was interested in Brookfield water at any time which is why they did not pursue Brookfield.

Mr. Roman went on with the analysis and the worth of the project. Environmental abatement was also discussed and can be found in the Concord portion of the analysis.

Trustee Haas asked about the underground parking. He has concerns about subsidizing this. Trustee Sayas agreed. President Palmer and Trustee Haas spoke in length about the underground parking being included. Trustee Haas ultimately asked if we don't give Mandel the \$11M, will the Mandel project go away. Mr. Davis confirmed that no investor would complete this project if it does not meet the developer minimums.

Mr. Davis continued on page two and page three of the TIF documents. He went over original request and the current request. On page four, he went over the values and returns. He went over cash-on-cash and the rate of return. There are two different metrics. The "but for" without the TIF assistant. The cash-on-cash would be less than the market would accept. The rate of return is less than 10% which is less than an investor would accept.

Trustee Kressin asked about the assessed level and if they came from out assessor or the developer. Mr. Davis indicated he worked with the assessor on market comparables in the area for the single family homes and apartments. Trustee Kressin asked if anyone compared this to other projects and if the total cost per unit is in the range. Mr. Davis confirmed. Trustee Kressin asked if this included things like abatement and other items. Mr. Davis stated that all was part of the mix.

It was noted that there was an extra charge for the underground parking spots. Pet fees were also discussed. Additional items will be reviewed on Wednesday.

Trustee Domaszek asked about the possibility of doing less units. Mr. Davis talked about the number of units to build before it becomes less effective. Trustee Domaszek asked what the minimum number of units would work. Mr. Davis was not sure. Concord would need to run new numbers.

Trustee Haas asked about the development agreement and if it was in accordance with their analysis. Both members from Ehlers confirmed.

It was noted that there was no breakdown of the detail about the underground parking. It was also stated that changing the underground parking would not change the amount Mandel was asking for. The Village would be responsible for the restoration after the Wauwatosa water connection construction comes through. President Palmer indicated we build it, we inspect it, Wauwatosa inspects

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it, and then they take it over. They are getting all new infrastructure and customers and don't have to pay for anything. We are surrounded by utilities already and don't need to build a new one.

It was noted the contract between Mandel and the School Sisters was for the land only. Once acquired, the single family lots would be split and sold to the single family developer only after the utilities have been added.

President Palmer asked if anyone had anything else. It was noted another meeting would be held on Wednesday evening at 7:00PM to go over the second half of the packet information. Bring questions.

4. Closed Session – the Committee of the Whole Joint Finance meeting did not go into a closed session.

5. Open Session – n/a

6. Other Business – None.

7. Adjournment - There was no further business.

MOTION BY PRESIDENT PALMER, SECOND BY TRUSTEE DOMASZEK, TO ADJOURN THE MEETING.

ALL IN FAVOR. MOTION CARRIED.

The meeting adjourned at 8:54PM.

Minutes transcribed by: Michelle Luedtke

Minutes Approved on: 11/22/2021