

MEMORANDUM

TO: Village Board, Plan Commission & David DeAngelis, Village Manager
 FROM: Todd Taves and Jonathan Schatz, Ehlers
 DATE: February 8, 2022
 SUBJECT: Revised Project Plan for Tax Incremental District No. 3

The attached Project Plan has been revised to reflect changes to the proposed methods of financing the Plan’s Project Costs. Specifically:

- The Developer will be required to finance that part of the water system that will serve the proposed SSND site multi-family development project (“Project”). The Village will no longer issue debt to pay this cost.
- Due to the additional cost Developer will incur to complete the Project, an increase in the amount of the TID Grant financed by the Village is required to achieve the same returns identified in our report summarizing application of the “but for” test.
- The Village will still finance that part of the water system that will extend beyond the Project, but this financing will be delayed to 2024 and is expected to be less than \$1 million dollars.

The table below reflects the changes in each Project Cost category as compared to the earlier version of the Project Plan adopted by the Plan Commission on December 6, 2021.

Cost Category	Prior Plan	Revised Plan
TID Grant (Village Financed)	5,950,000	8,466,000
Municipal Revenue Obligation (“Pay As You Go”)	9,800,000	9,800,000
Water System Infrastructure	3,381,845	865,845
Interest on LT Debt and Related Financing Expense	3,270,089	3,924,024
Administrative Costs	200,756	200,756
Total	22,602,690	23,256,625
Increase		653,934

Estimated Project Costs will increase by \$653,934. While the Village will finance less water system improvements, the amount of the Village financed TID Grant will increase due to the additional cost Developer will incur to complete the Project. Proceeds of the bonds that fund the TID Grant will be used by Developer to pay costs related to the Project but may not be used to fund the water system improvements they will now be required to pay for.

It is assumed that the TID grant will need to be financed with taxable debt. Since taxable debt carries a higher interest rate than tax-exempt debt, the increase in estimated Project Cost results from shifting costs from lower interest rate debt to higher interest rate debt.

Although total estimated Project Costs have increased, that increase is less than 3% over the prior figure. As such, the projected District closure year of 2041 is not impacted.

February 24, 2022

PROJECT PLAN

Village of Elm Grove, Wisconsin

Tax Incremental District No. 3



Prepared by:

Ehlers

N21W23350 Ridgeview Parkway West,

Suite 100

Waukesha, WI 53188

BUILDING COMMUNITIES. IT'S WHAT WE DO.

KEY DATES

Organizational Joint Review Board Meeting Held:	November 30, 2021
Public Hearings Held:	Dec. 6, 2021 and Feb. 24, 2022
Approval by Plan Commission:	Scheduled for Feb. 24, 2022
Adoption by Village Board:	TBD
Approval by the Joint Review Board:	TBD

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SECTION 1:

Executive Summary

DESCRIPTION OF DISTRICT

Tax Incremental District (“TID”) No. 3 (“District”) is a proposed Blighted Area District comprised of the School Sisters of Notre Dame property located on located on Watertown Plank Road and five adjacent parcels totaling to just under 40 acres. The District will be created to pay the costs of water system improvements, development incentives and other costs necessary to allow for redevelopment of the School Sisters property (“Project”) by the Mandel Group (“Developer”). The Project will include demolition of most of the existing structures, major renovation of the two historically significant buildings, commonly referred to as Notre Dame and Maria Halls, and construction of three 3 - story buildings with not more than two hundred thirty-seven (237) residential units. Twenty-one new single family lots will also be created as a result of the Project. While these future lots are included within the District, they are not part of the Project, and no costs will be incurred through the District related to the creation or subsequent development of those lots. In addition to the incremental property value that will be created, the Village expects the Project will provide increased opportunities for employment, personal income and business income related to the construction and operation of the Project, and provision of housing opportunities for Village residents.

AUTHORITY

The Village is creating the District under the provisions of Wis. Stat. § 66.1105.

ESTIMATED TOTAL PROJECT COST EXPENDITURES

The Village anticipates making total expenditures of approximately \$23.3 million (“Project Costs”) to undertake the projects listed in this Project Plan (“Plan”). Project Costs include an estimated \$866,000 for installation of water system improvements, \$8.47 million in Village financed development incentives, \$9.8 million in “pay as you go” development incentives funded via a Municipal Revenue Obligation (MRO), \$3.92 million for interest on long-term debt and related financing expenses, and \$200,000 for administrative costs over the life of the District. Development incentive figures noted are preliminary for purposes of establishing cash flow feasibility, with amounts and terms subject to change pending approval of a Development Agreement.

INCREMENTAL VALUATION

The Village projects that new land and improvements value of approximately \$54.5 million will result from the Project. Creation of this value will be made possible by the Project Costs made within the District. Development of the single family lots is projected to create an additional \$16.8 million in new land and improvements value. A table detailing assumptions as to the development timing and associated values is included in the Economic Feasibility Study located within this Plan.

EXPECTED TERMINATION OF DISTRICT

Based on the Economic Feasibility Study located within Section 9 of this Plan, the Village anticipates that the District will generate sufficient tax increment to pay all Project Costs within 18 of its allowable 27 years.

SUMMARY OF FINDINGS

As required by Wis. Stat. § 66.1105, and as documented in this Plan and the exhibits contained and referenced herein, the following findings are made:

1. That “but for” the creation of this District, the Project: 1) would not occur; or 2) would not occur in the manner, at the values, or within the timeframe desired by the Village. In reaching this determination, the Village has considered Ehlers’ review of the Project’s sources and uses, and cash flow proforma. The projected internal rate of return utilizing the standard commercial practice of assuming a sale of the asset after ten years is approximately 12%. Without provision of development incentives, the internal rate of return drops below 10%, which would not be sufficient to attract the necessary investment capital needed, and the Project would not proceed. The full Ehlers’ report titled “Project Pro Forma Review – Update Summary, Village of Elm Grove, School Sisters of Notre Dame – Proposed Tax increment District #3” dated November 2, 2021 is incorporated into this Plan as Exhibit A in support of this finding. Subsequent changes to the structure of the proposed incentives reflected in this Project Plan as compared to the prior version adopted by the Plan Commission on December 6, 2021 do not alter the conclusions of the report. The cost of water system improvements needed to serve the Project will now be paid by Developer and not financed by the Village. Due to this additional cost Developer will incur to complete the Project, an increase in the amount of the TID Grant financed by the Village is required to achieve the same returns identified in the report. Proceeds of the bonds that fund the TID Grant will be used by Developer to pay costs related to the Project but may not be used to fund the water system improvements they will now be required to fund.

2. **The economic benefits of the District, as measured by increased employment, business and personal income, and property value, are sufficient to compensate for the cost of the improvements.** In making this determination, the Village has considered that in addition to the incremental property value that will be created, the Project is expected to provide increased opportunities for employment, personal income and business income related to its construction and operation and will further provide housing opportunities for Village residents.
3. **The benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions.** As required by Wis. Stat. § 66.1105(4)(i)4., a calculation of the share of projected tax increments estimated to be paid by the owners of property in the overlying taxing jurisdictions has been prepared and can be found in this Plan. However, because the Project would not occur without the use of tax incremental financing, these tax increments would not be paid but for creation of the District. Accordingly, the Village finds that the benefits expected to be realized as set forth in this Plan outweigh the value of the tax increments to be invested in the Project.
4. Not less than 50% by area of the real property within the District is a blighted area as defined by Wis. Stat. § 66.1105(2)(ae)1.
5. Based on the foregoing finding, the District is designated as a blighted area district.
6. The Project Costs relate directly to the elimination of blight in the District, consistent with the purpose for which the District is created.
7. Improvements to be made in the District are likely to significantly enhance the value of substantially all of the other real property in the District.
8. The equalized value of taxable property in the District, plus the incremental value of all existing tax incremental districts within the Village does not exceed 12% of the total equalized value of taxable property within the Village.
9. The Village estimates that less than 35% of the territory within the District will be devoted to retail business at the end of the District's maximum expenditure period, pursuant to Wis. Stat. § 66.1105(5)(b).
10. That there are no parcels to be included within the District that were annexed by the Village within the preceding three-year period.
11. The Plan for the District is feasible and is in conformity with the Master Plan of the Village.

SECTION 2: Preliminary Map of Proposed District Boundary

Map Found on Following Page.



**TID #3
Preliminary Map**

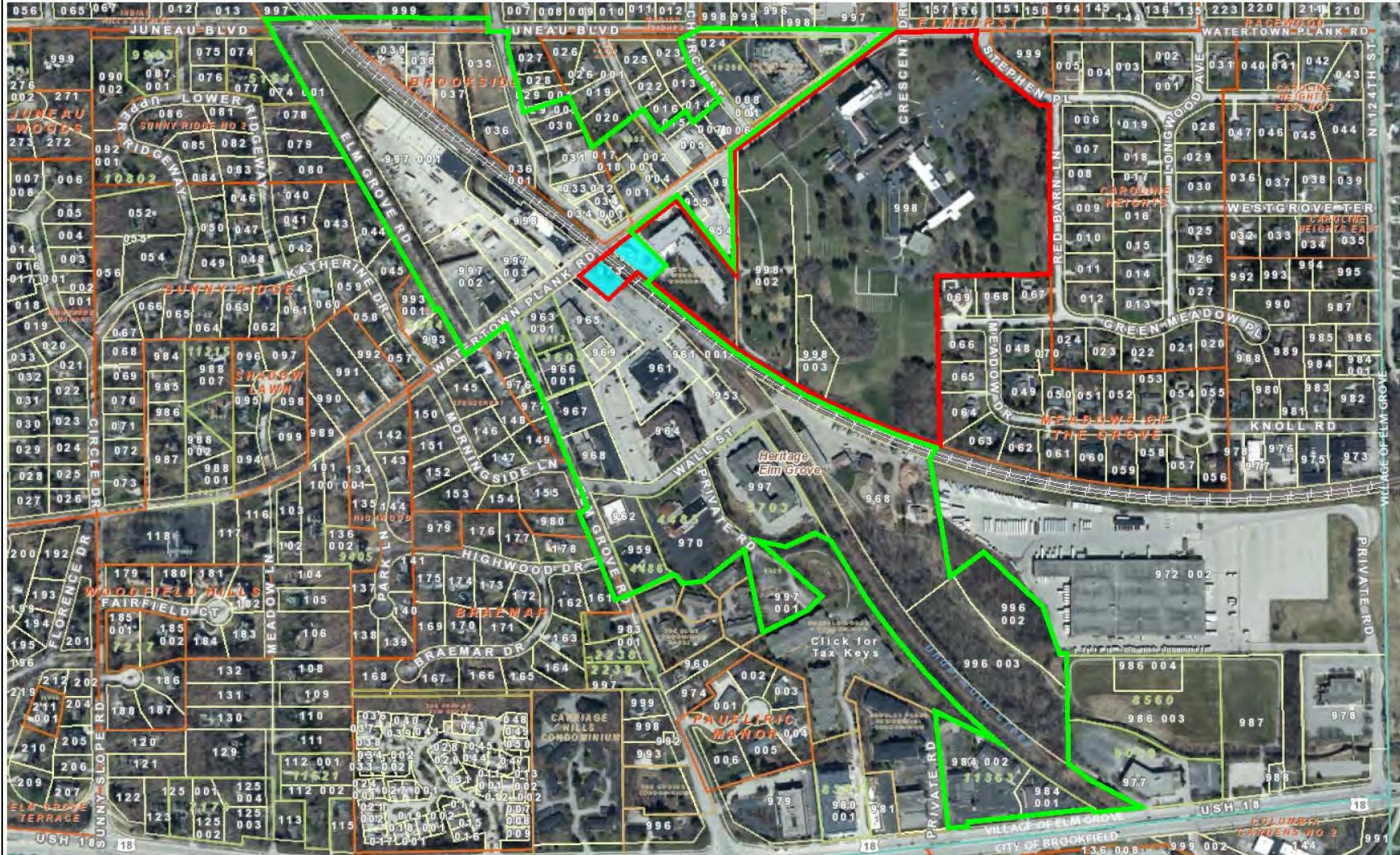
Legend

- TID #3 Boundary
- Parcels within TID #2



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Notes
Tax Incremental District #3 Map - Boundary in Red



TID #2 and TID #3 Boundary Map

Legend

- TID #2 Boundary
- TID #3 Boundary
- Parcels within TID #2 and TID #3 (Overlap)

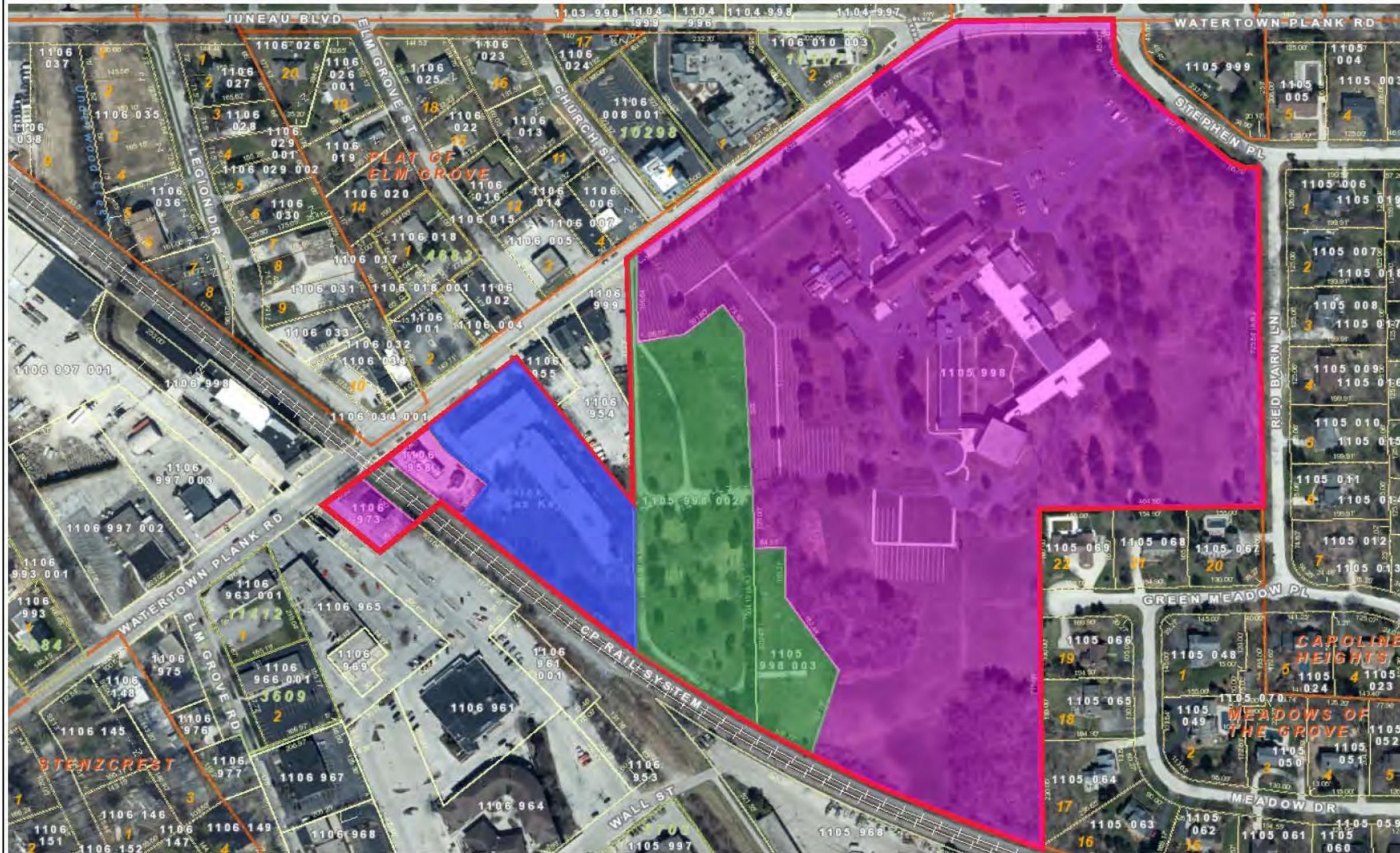
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Notes
Village of Elm Grove - TID #2 and TID #3

SECTION 3: Map Showing Existing Uses and Conditions

Map Found on Following Page.



**TID #3
Existing Uses and
Conditions Map**

- Legend**
- TID #3 Boundary
 - Blighted Areas within TID #3
 - Existing Cemetery Use
 - Existing Residential

Notes
Tax Incremental District #3 Map - Boundary in Red

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SECTION 4: Preliminary Parcel List and Analysis

The parcels identified in the following table within this section will become part of the District effective January 1, 2022. The figures listed under the “Current Value” column reflect assessed valuations as of January 1, 2021 converted to equalized value using the January 1, 2021 assessment ratio of 98.16%. Any increases in valuation occurring after January 1, 2022 will generate incremental value.

Parcel Number	Address	Current Value	Acres	Blighted Acres
EGV 1105998	13105 Watertown Plank Rd	550,146	30.46	30.46
EGV 1105998003	1260 Church St	0	1.08	0.00
EGV 1105998002	1260 Church St	0	4.38	0.00
EGV 1106958	13395 Watertown Plank Rd*	449,999	0.39	0.39
EGV 1106973	13405 Watertown Plank Rd*	211,297	0.33	0.33
Various (Condo)**	13335 Watertown Plank Rd	9,510,087	3.01	0.00
Total		10,721,529	39.65	31.18

Parcels denoted with a single asterisk (*) are in Tax Incremental District No. 2. The incremental value of these parcels as of January 1, 2022 will remain with Tax Incremental District No. 2 and will not diminish that district’s incremental value. The parcel located at 13335 Watertown Plank Rd denoted with the double asterisk (**) includes 51 condominium units. Detailed current valuation information for the condominium parcels is included with the full parcel list attached to this Plan as Exhibit B.

Parcels with conditions meeting the definition of blighted area as defined by Wis. Stat. § 66.1105(2)(ae) comprise 78.64% of the total District area. Specifically, parcels identified in this Plan as blighted include structures, buildings, or improvements, which by reason of dilapidation, deterioration, age, or obsolescence, are determined to be detrimental to the public health, safety, and welfare and substantially impair the sound growth of the Village.

Parcel	Blighting Conditions
EGV 1105998 13105 WATERTOWN PLANK RD SCHOOL SISTERS OF NOTRE DAME	Obsolete structures.

EGV 1106958 13395 WATERTOWN PLANK RD WLC REAL ESTATE LLC	Obsolete structure, environmental contamination.
EGV 1106973 13405 WATERTOWN PLANK RD BEANS BEANS LLC	Obsolete structure, environmental contamination.

SECTION 5:
Equalized Value Test

The following calculations demonstrate that the Village expects to be in compliance with Wis. Stat. § 66.1105(4)(gm)4.c., which requires that the equalized value of the taxable property in the proposed District, plus the value increment of all existing tax incremental districts, does not exceed 12% of the total equalized value of taxable property within the Village. The value of those parcels located within Tax Incremental District No. 2 that will be overlapped are not included in the base value of the District as that value is reflected within the total of existing incremental value.

Calculation of Village Equalized Value Limit

Village TID IN Equalized Value (Jan. 1, 2021)	\$ 1,299,350,800
TID Valuation Limit @ 12% of Above Value	\$ 155,922,096

Calculation of Value Subject to Limit

Estimated Base Value of New District	\$ 10,721,529
Less Estimated Overlapped Parcel Value	\$ (661,296)
Incremental Value of Existing Districts (Jan. 1, 2021)	\$ <u>36,985,500</u>
Total Value Subject to 12% Valuation Limit	\$ 43,368,325

The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the proposed District, totals \$43,368,825. This value is less than the maximum \$155,922,096 in equalized value that is permitted for the Village.

SECTION 6: Statement Listing the Kind, Number and Location of All Proposed Public Works or Improvements Within the District

Project Costs are any expenditure made, estimated to be made, or monetary obligations incurred or estimated to be incurred as outlined in this Plan. Project Costs will be diminished by any income, special assessments, or other revenues, including user fees or charges, other than tax increments, received or reasonably expected to be received in connection with the implementation of the Plan. If Project Costs incurred benefit territory outside the District, a proportionate share of the cost is not a Project Cost. Costs identified in this Plan are preliminary estimates made prior to design considerations and are subject to change after planning, design and construction is completed.

With all Project Costs, the costs of engineering, design, survey, inspection, materials, construction, restoring property to its original condition, apparatus necessary for public works, legal and other consultant fees, testing, environmental studies, permits, updating Village ordinances and plans, judgments or claims for damages and other expenses are included as Project Costs.

The following is a list of public works and other tax incremental financing eligible Project Costs that the Village expects to make, or may need to make, in conjunction with the implementation of the District's Plan. The map found in Section 7 of this Plan along with the Detailed List of Project Costs found in Section 8 provide additional information as to the kind, number, and location of potential Project Costs.

Property, Right-of-Way, and Easement Acquisition

Acquisition of Rights-of-Way

The Village may need to acquire property to allow for installation of water system improvements. Costs incurred by the Village to identify, negotiate, and acquire rights-of-way are eligible Project Costs.

Acquisition of Easements

The Village may need to acquire temporary or permanent easements to allow for installation of water system improvements. Costs incurred by the Village to identify, negotiate, and acquire easement rights are eligible Project Costs.

Relocation Costs

If relocation expenses are incurred in conjunction with the acquisition of property, those expenses are eligible Project Costs. These costs may include but are not limited to preparation of a relocation plan; allocations of staff time; legal fees; publication of notices; obtaining appraisals; and payment of relocation benefits as required by Wis. Stat. Chapter 32 and Wis. Admin. Code ADM 92.

Site Preparation Activities

Environmental Audits and Remediation

If it becomes necessary to evaluate any land or improvement within the District, any cost incurred by the Village related to environmental audits, testing, and remediation are eligible Project Costs.

Utilities

Water System Improvements

Eligible Project Costs include, but are not limited to, construction, alteration, rebuilding, or expansion of distribution mains; manholes and valves; hydrants; service laterals; pumping stations; and all related appurtenances. To the extent water system projects undertaken within the District provide direct benefit to land outside of the District, the Village will make an allocation of costs based on such benefit. Those costs corresponding to the benefit allocated to land within the District, and necessitated by the implementation of the Project Plan, are eligible Project Costs. Implementation of the Project Plan may also require that the Village construct, alter, rebuild, or expand water system infrastructure located outside of the District. That portion of the costs of water system projects undertaken outside the District which are necessitated by the implementation of the Project Plan are eligible Project Costs.

Community Development

Cash Grants (Development Incentives)

The Village may enter into agreements with property owners, lessees, or developers of land located within the District for sharing costs to encourage the desired kind of improvements and assure tax base is generated sufficient to recover Project Costs. No cash grants will be provided until the Village executes a developer agreement with the recipient of the cash grant. Any payments of cash grants made by the Village are eligible Project Costs.

Miscellaneous

Professional Service and Organizational Costs

The costs of professional services rendered, and other costs incurred, in relation to the creation, administration and termination of the District, and the undertaking of the projects contained within this Plan, are eligible Project Costs. Professional services include but are not limited to: architectural; environmental; planning; engineering; legal; audit; financial; and the costs of informing the public with respect to the creation of the District and the implementation of the Plan.

Administrative Costs

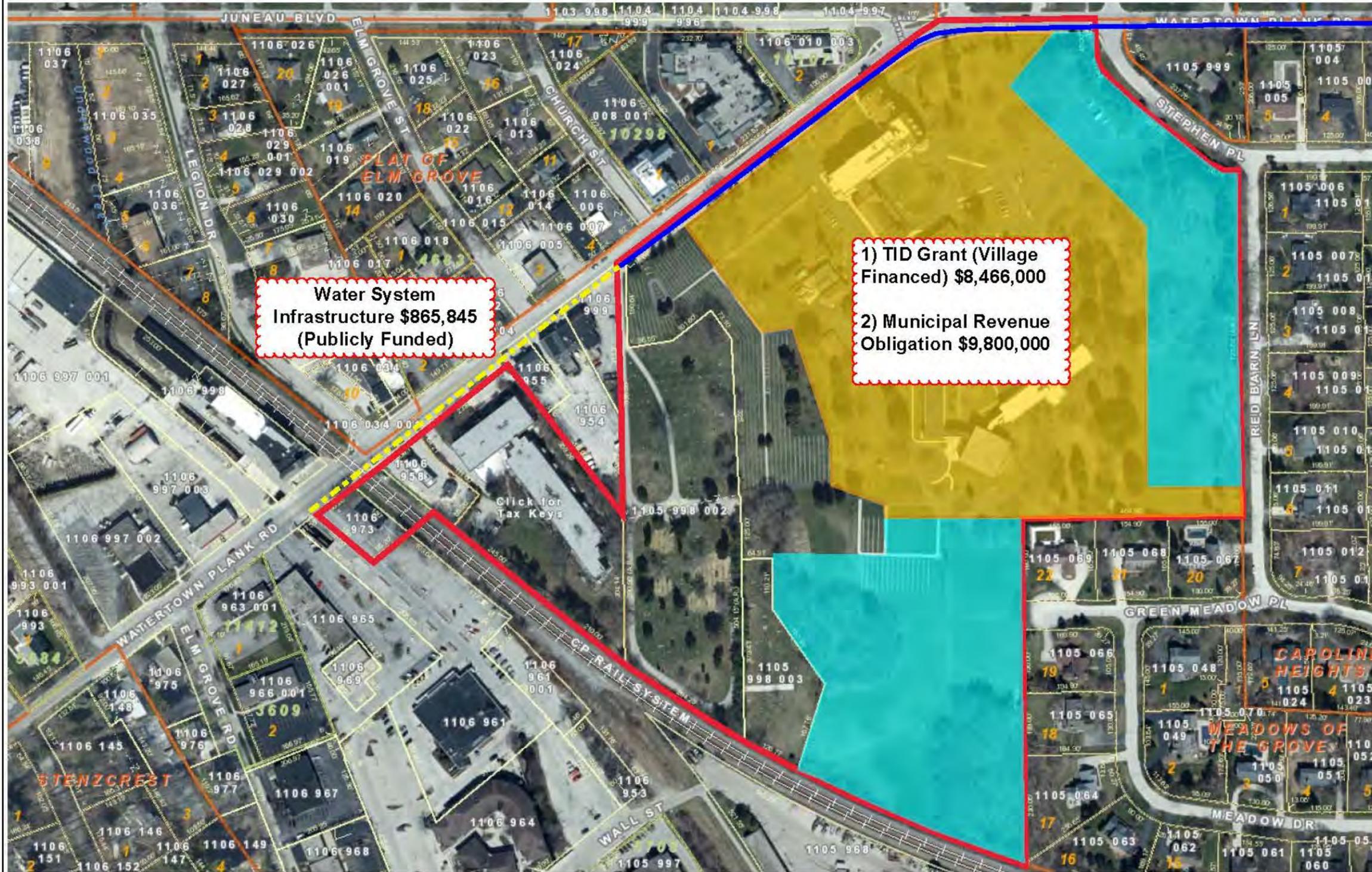
The Village may charge to the District as eligible Project Costs reasonable allocations of administrative costs, including, but not limited to, employee salaries. Costs allocated will bear a direct connection to the time spent by Village employees relating to the implementation of the Plan.

Financing Costs

Interest expense, debt issuance expenses, redemption premiums, and any other fees and costs incurred in conjunction with obtaining financing for projects undertaken under this Plan are eligible Project Costs.

SECTION 7: **Map Showing Proposed Improvements and Uses**

Map Found on Following Page



TID #3 Proposed Improvements Legend

- TID #3 Boundary
- Water Main Extension
- Water Main (Publicly Funded)
- *Proposed 21 Single-Family Lots
- Proposed 237 Unit Multi-Family Development

Notes

The Village expects to pay development incentives to qualifying development projects within the TID and will incur administrative and other professional service expenses in the implementation of the Project Plan.

*There will be no Project Costs associated with the proposed 21 single-family lots.

Notes

Tax Incremental District #3 Map - Boundary in Red



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SECTION 8: Detailed List of Estimated Project Costs

The following list identifies the Project Costs that the Village currently expects to incur in implementing the District’s Plan. All projects identified and related costs reflect the best estimates available as of the date of preparation of this Plan. All costs are preliminary estimates and may increase or decrease. Certain Project Costs listed may become unnecessary, and other Project Costs not currently identified may need to be made. (Section 6 details the general categories of eligible Project Costs). Changes in Project Cost totals or the types of Project Costs to be incurred will not require that this Plan be amended. For example, it may become necessary for the Village to further extend watermain to create a looped system, the timing and cost of which is presently undetermined, and which is not currently reflected in the estimated Project Cost totals. This Plan is not meant to be a budget nor an appropriation of funds for specific Project Costs, but a framework within which to manage Project Costs.

Village of Elm Grove, Wisconsin Tax Increment District #3 Estimated Project List		
<u>Project Cost Category</u>	<u>Cost Estimate</u>	<u>Est. Timing</u>
Development Incentives ¹		
TID Grant (Village Financed)	8,466,000	2023
Municipal Revenue Obligation ("Pay As You Go")	9,800,000	2024 - 2039
Water System Infrastructure ²	865,845	2024
Interest on LT Debt and Related Financing Expense	3,924,024	2022 - 2043
Administrative Costs	200,756	2022 - 2050
Total	<u>23,256,625</u>	
Notes:		
¹ MRO and TID grant amounts are included for purposes of cash flow feasibility only. Any incentives provided to the Project are subject to approval of a Development Agreement and final terms may vary.		
² Cost estimate provided by Ruckert & Mielke, dated 7-8-2021.		

SECTION 9:

Economic Feasibility Study, Description of the Methods of Financing Estimated Project Costs and the Time When Related Costs or Monetary Obligations are to be Incurred

This Section includes a forecast of the valuation increases expected within the District, the associated tax increment collections, a summary of how Project Costs would be financed, and a projected cash flow demonstrating that the District is economically feasible.

Key Assumptions

The Project Costs the Village plans to make are expected to create \$71.3 million in incremental value by January 1, 2030. Estimated valuations and timing for construction of the Project and the single-family homes are included in **Table 1**. Assuming an equalized TID Interim tax rate of \$16.88 per thousand of equalized value, and an annual economic appreciation factor of 2.25%, the Project and the single-family homes would generate \$41,177,055 in incremental tax revenue over the 27-year term of the District as shown in **Table 2**.

Village of Elm Grove, Wisconsin

Tax Increment District #3

Development Assumptions

Construction Year	MF Land and Improvements ¹	Single Family Land ²	Single Family Improvements ³	Annual Total	Construction Year
1 2022	19,000,000			19,000,000	2022 1
2 2023	30,059,000	3,360,000	1,920,000	35,339,000	2023 2
3 2024	5,451,000		1,920,000	7,371,000	2024 3
4 2025			1,920,000	1,920,000	2025 4
5 2026			1,920,000	1,920,000	2026 5
6 2027			1,920,000	1,920,000	2027 6
7 2028			1,920,000	1,920,000	2028 7
8 2029			1,920,000	1,920,000	2029 8
9 2030				0	2030 9
10 2031				0	2031 10
11 2032				0	2032 11
12 2033				0	2033 12
13 2034				0	2034 13
14 2035				0	2035 14
15 2036				0	2036 15
16 2037				0	2037 16
17 2038				0	2038 17
18 2039				0	2039 18
19 2040				0	2040 19
20 2041				0	2041 20
21 2042				0	2042 21
22 2043				0	2043 22
23 2044				0	2044 23
24 2045				0	2045 24
25 2046				0	2046 25
26 2047				0	2047 26
27 2048				0	2048 27
Totals	<u>54,510,000</u>	<u>3,360,000</u>	<u>13,440,000</u>	<u>71,310,000</u>	

Notes:

¹Apartment value estimated at \$230,000/unit per Village assessor email dated October 8, 2021. Assumes a June 1, 2022 construction start with completion on December 1, 2023.

²Assumes improved land will have value of \$160,000 per lot upon sale to single family developer. (\$160,000 x 21 lots).

³Assumes new homes will have a value of \$640,000 (improvements only) with three lots built on each year from 2023 through 2029. (\$640,000 x 21 lots).

Table 1 - Development Assumptions

Village of Elm Grove, Wisconsin

Tax Increment District #3

Tax Increment Projection Worksheet

Type of District	Blighted Area		Base Value	10,721,529
District Creation Date	December 20, 2021		Appreciation Factor	2.25%
Valuation Date	Jan 1,	2022	Base Tax Rate	\$16.88
Max Life (Years)	27		Rate Adjustment Factor	0.00%
Expenditure Period/Termination	22	12/20/2043		
Revenue Periods/Final Year	27	2050		
Extension Eligibility/Years	Yes	3		
Eligible Recipient District	Yes			

Construction	Valuation	Inflation	Total	Revenue	Tax			
Year	Value Added	Year	Increment	Year	Rate ¹ Increment			
1	2022	19,000,000	2023	0	19,000,000	2024	\$16.88	320,720
2	2023	35,339,000	2024	427,500	54,766,500	2025	\$16.88	924,459
3	2024	7,371,000	2025	1,232,246	63,369,746	2026	\$16.88	1,069,681
4	2025	1,920,000	2026	1,425,819	66,715,566	2027	\$16.88	1,126,159
5	2026	1,920,000	2027	1,501,100	70,136,666	2028	\$16.88	1,183,907
6	2027	1,920,000	2028	1,578,075	73,634,741	2029	\$16.88	1,242,954
7	2028	1,920,000	2029	1,656,782	77,211,522	2030	\$16.88	1,303,330
8	2029	1,920,000	2030	1,737,259	80,868,782	2031	\$16.88	1,365,065
9	2030	0	2031	1,819,548	82,688,329	2032	\$16.88	1,395,779
10	2031	0	2032	1,860,487	84,548,817	2033	\$16.88	1,427,184
11	2032	0	2033	1,902,348	86,451,165	2034	\$16.88	1,459,296
12	2033	0	2034	1,945,151	88,396,316	2035	\$16.88	1,492,130
13	2034	0	2035	1,988,917	90,385,233	2036	\$16.88	1,525,703
14	2035	0	2036	2,033,668	92,418,901	2037	\$16.88	1,560,031
15	2036	0	2037	2,079,425	94,498,326	2038	\$16.88	1,595,132
16	2037	0	2038	2,126,212	96,624,539	2039	\$16.88	1,631,022
17	2038	0	2039	2,174,052	98,798,591	2040	\$16.88	1,667,720
18	2039	0	2040	2,222,968	101,021,559	2041	\$16.88	1,705,244
19	2040	0	2041	2,272,985	103,294,544	2042	\$16.88	1,743,612
20	2041	0	2042	2,324,127	105,618,671	2043	\$16.88	1,782,843
21	2042	0	2043	2,376,420	107,995,092	2044	\$16.88	1,822,957
22	2043	0	2044	2,429,890	110,424,981	2045	\$16.88	1,863,974
23	2044	0	2045	2,484,562	112,909,543	2046	\$16.88	1,905,913
24	2045	0	2046	2,540,465	115,450,008	2047	\$16.88	1,948,796
25	2046	0	2047	2,597,625	118,047,633	2048	\$16.88	1,992,644
26	2047	0	2048	2,656,072	120,703,705	2049	\$16.88	2,037,479
27	2048	0	2049	2,715,833	123,419,538	2050	\$16.88	2,083,322
Totals		71,310,000		52,109,538		Future Value of Increment		41,177,055

Notes:

¹Tax rate assumed for projections is actual 2021/22 equalized rate from DOR Form PC-202 (Tax Increment Collection Worksheet)

Table 2 – Tax Increment Projection Worksheet

Financing and Implementation

Following issuance of an occupancy permit for the Project the Village will provide the Developer with a \$8.46 million development incentive which it expects to finance with General Obligation debt. In addition to financing the development incentive the Village also expects to issue General Obligation debt to pay for \$866,000 in water system improvements extending beyond the Project. Water system improvements necessary to provide service to the Project, and to the single family lots will be paid for by the respective developers.

The Developer will be required to provide the Village an incremental valuation guarantee in the amount of \$41 million to ensure that the Village has sufficient revenues to pay its debt service obligations. If District valuations are less than that total, Developer guarantees that it will pay to the Village the difference between the actual real estate taxes paid for the Project, and the taxes that would have been paid had the Project's incremental value been \$41 million.

In addition to the development incentive and water system improvements to be financed by the Village, the Developer will be provided with a non-interest-bearing Municipal Revenue Obligation (MRO) in the amount of \$9.8 million. The MRO is payable solely from tax increments generated by the Project and the District, with payments subordinate to the Village debt issued to fund the \$8.46 million development incentive and the water system improvements.

The amount of the incentives noted is assumed for the purpose of establishing cash flow feasibility only with final amounts and terms subject to approval of a Development Agreement. Other Project Costs the Village expects to incur are interest on long-term debt which will be paid from annual District revenues. Costs related to issuance of Village debt will be included within and paid from the proceeds of the issuance. Annual administrative costs will be paid with advances from other funds prior to the availability of tax increment in 2024, with those advances to be repaid when revenues are available. Thereafter, administrative costs will be paid from the annual tax increment collection.

Based on the Project Cost expenditures as included within the cash flow exhibit (**Table 3**), the District is projected to accumulate sufficient funds by the year 2041 to pay off all Project cost liabilities and obligations. The projected closure is based on the various assumptions noted in this Plan and will vary dependent on actual Project Costs incurred and the actual amount of tax increments collected.

Village of Elm Grove, Wisconsin

Tax Increment District #3

Cash Flow Projection

Year	Projected Revenues			Projected Expenditures									Balances			Year			
	Tax Increments	Proceeds of LT Debt	Total Revenues	G.O. Water System Imp. Bond 925,000 Dated Date: 11/01/24 Prin (10/1) Est. Rate ¹ Interest			Taxable G.O. Community Dev. Bond 8,675,000 Dated Date: 11/01/24 Prin (10/1) Est. Rate ² Interest			Development Incentives ³ Revenue Obligation (MRO) TID Grant		Water System Improvements	Finance Related Expense	Admin.	Total Expenditures		Annual	Cumulative	TID #3 Debt Principal Outstanding
2022			0											15,500	15,500	(15,500)	(15,500)	0	2022
2023			0						0				5,000	5,000	(5,000)	(20,500)	0	2023	
2024	320,720	9,600,000	9,920,720						295,120	8,466,000	865,845	261,800	5,100	9,893,865	26,855	6,355	9,600,000	2024	
2025	924,459		924,459	35,000	1.700%	23,020	330,000	1.450%	247,046	290,545			5,202	930,814	(6,355)	(0)	9,235,000	2025	
2026	1,069,681		1,069,681	35,000	1.850%	24,518	335,000	1.650%	264,720	405,138			5,306	1,069,681	0	(0)	8,865,000	2026	
2027	1,126,159		1,126,159	35,000	2.000%	23,870	355,000	1.950%	259,193	447,684			5,412	1,126,159	0	(0)	8,475,000	2027	
2028	1,183,907		1,183,907	40,000	2.100%	23,170	370,000	2.200%	252,270	492,947			5,520	1,183,907	0	(0)	8,065,000	2028	
2029	1,242,954		1,242,954	40,000	2.200%	22,330	375,000	2.450%	244,130	555,864			5,631	1,242,954	0	(0)	7,650,000	2029	
2030	1,303,330		1,303,330	40,000	2.300%	21,450	395,000	2.650%	234,943	606,195			5,743	1,303,330	0	(0)	7,215,000	2030	
2031	1,365,065		1,365,065	40,000	2.500%	20,530	400,000	2.800%	224,475	674,202			5,858	1,365,065	0	(0)	6,775,000	2031	
2032	1,395,779		1,395,779	40,000	2.500%	19,530	405,000	2.900%	213,275	711,999			5,975	1,395,779	0	(0)	6,330,000	2032	
2033	1,427,184		1,427,184	45,000	2.500%	18,530	415,000	3.050%	201,530	741,029			6,095	1,427,184	0	(0)	5,870,000	2033	
2034	1,459,296		1,459,296	50,000	2.700%	17,405	430,000	3.050%	188,873	766,801			6,217	1,459,296	0	(0)	5,390,000	2034	
2035	1,492,130		1,492,130	50,000	2.700%	16,055	435,000	3.250%	175,758	808,976			6,341	1,492,130	0	(0)	4,905,000	2035	
2036	1,525,703		1,525,703	50,000	2.700%	14,705	450,000	3.250%	161,620	842,910			6,468	1,525,703	0	(0)	4,405,000	2036	
2037	1,560,031		1,560,031	50,000	3.000%	13,355	455,000	3.450%	146,995	888,084			6,597	1,560,031	0	(0)	3,900,000	2037	
2038	1,595,132		1,595,132	50,000	3.000%	11,855	480,000	3.450%	131,298	915,250			6,729	1,595,132	0	(0)	3,370,000	2038	
2039	1,631,022		1,631,022	50,000	3.000%	10,355	495,000	3.650%	114,738	357,258			6,864	1,034,214	596,808	596,808	2,825,000	2039	
2040	1,667,720		1,667,720	55,000	3.300%	8,855	500,000	3.650%	96,670				7,001	667,526	1,000,194	1,597,002	2,270,000	2040	
2041	1,705,244		1,705,244	55,000	3.300%	7,040	505,000	3.800%	78,420				7,141	652,601	1,052,643	2,649,645	1,710,000	2041	
2042	1,743,612		1,743,612	55,000	3.300%	5,225	510,000	3.800%	59,230				7,284	636,739	1,106,873	3,756,517	1,145,000	2042	
2043	1,782,843		1,782,843	55,000	3.100%	3,410	515,000	3.800%	39,850				7,430	620,690	1,162,153	4,918,671	575,000	2043	
2044	1,822,957		1,822,957	55,000	3.100%	1,705	520,000	3.900%	20,280				7,578	604,563	1,218,394	6,137,065	0	2044	
2045	1,863,974		1,863,974										7,730	7,730	1,856,244	7,993,308	0	2045	
2046	1,905,913		1,905,913										7,884	7,884	1,898,029	9,891,337	0	2046	
2047	1,948,796		1,948,796										8,042	8,042	1,940,754	11,832,091	0	2047	
2048	1,992,644		1,992,644										8,203	8,203	1,984,441	13,816,532	0	2048	
2049	2,037,479		2,037,479										8,367	8,367	2,029,111	15,845,643	0	2049	
2050	2,083,322		2,083,322										8,534	8,534	2,074,787	17,920,431	0	2050	
Total	41,177,055	9,600,000	50,777,055	925,000	306,912		8,675,000	3,355,311		9,800,000	8,466,000	865,845	261,800	200,756	32,856,625				Total

Notes:

¹ Assumed rates reflect a WI (AA- rated) sale on 9-7-2021 tax-exempt reoffering yields plus 1.25%.

² Assumed rates reflect a WI (AA- rated) sale on 10-18-2021 taxable reoffering yields plus 1.25%.

³ MRO and TID grant amounts are included for purposes of cash flow feasibility only. Any incentives provided to the Project are subject to approval of a Development Agreement and final terms may vary.

Projected TID Closure

Table 3 - Cash Flow

SECTION 10: Annexed Property

A tax incremental district cannot include annexed territory unless at least three years have elapsed since the annexation, or certain other requirements are met. None of the property within the proposed District boundary was annexed during the past three years.

SECTION 11: Estimate of Property to Be Devoted to Retail Business

Pursuant to Wis. Stat. § 66.1105(5)(b), the Village estimates that less than 35% of the territory within the District will be devoted to retail business at the end of the District's maximum expenditure period.

SECTION 12: Proposed Changes of Zoning Ordinances, Master Plan, Map, Building Codes and Village Ordinances

Zoning Ordinances

Implementation of the Plan will require that properties to be developed as multi-family and single-family residential be rezoned from their present institutional zoning to multi-family and single-family zoning.

Master (Comprehensive) Plan and Map

Implementation of the Plan will require that the Village's Comprehensive Plan be amended. Land use for the properties to be developed as multi-family and single-family residential will be identified in the Comprehensive Plan as designated for multi-family and single-family uses.

Building Codes and Ordinances

Development within the District will be required to conform to State Building Codes and will be subject to the Village's permitting and inspection procedures. The proposed Plan conforms to all relevant State and local ordinances, plans, and codes. No changes to the existing regulations are proposed or needed.

SECTION 13: Statement of the Proposed Method for the Relocation of any Persons to be Displaced

Should implementation of this Plan require relocation of individuals or business operations, relocations will be handled in compliance with Wis. Stat. Chapter 32 and Wis. Admin. Code ADM 92.

SECTION 14: How Creation of the Tax Incremental District Promotes the Orderly Development of the Village

Creation of the District and the implementation of the projects in its Plan will promote the orderly development of the Village by eliminating blighted areas, rehabilitating, and conserving property, and provision of necessary public infrastructure improvements and appropriate financial incentives for private development projects. Through use of tax increment financing, the Village can attract new investment that results in increased tax base. Development will occur in an orderly fashion in accordance with approved plans so that the Projects will be compatible with adjacent land uses. Development of new uses in the District will add to the tax base and will generate positive secondary impacts in the community such as increased opportunities for employment, personal income and business income related to the construction and operation of the Project, and provision of housing opportunities for Village residents.

SECTION 15:

List of Estimated Non-Project Costs

Non-project costs are public works projects which only partly benefit the District. Costs incurred that do not benefit the District may not be paid with tax increments. Examples of non-project costs are:

- A public improvement made within the District that also benefits property outside the District. That portion of the total Project Costs allocable to properties outside of the District would be a non-project cost.
- A public improvement made outside the District that only partially benefits property within the District. That portion of the total Project Costs allocable to properties outside of the District would be a non-project cost.
- Projects undertaken within the District as part of the implementation of this Project Plan, the costs of which are paid fully or in part by impact fees, grants, special assessments, or revenues other than tax increments.

Through the Project water system improvements will be installed outside of the District that will potentially benefit other properties. This benefit has not been quantified, nor has the Village determined whether or how other benefitting properties would be charged upon connection. **Therefore, no dollar estimate of Non-Project costs can yet be provided,** but to the extent the Village imposes special assessments, connection fees or other charges those revenues will be used to reduce Project Costs.

**SECTION 16:
Legal Opinion Advising Whether the Plan is Complete
and Complies with Wis. Stat. § 66.1105(4)(f)**

Legal Opinion Found on Following Page.

TAGLaw International Lawyers

Hector de la Mora
Direct Telephone
262-784-5418
hdelamora@vonbriesen.com

February 7, 2022

Neil H. Palmer, President
Village of Elm Grove
13600 Juneau Boulevard
Elm Grove, WI 53122

Re: Revised Project Plan for Tax Incremental District No. 3, Village of Elm Grove Dated
February 23, 2022

Dear President Palmer:

As required by Wisconsin Statute § 66.1105(4)(f), the Village of Elm Grove must include as part of the project plan for the creation of Tax Incremental District No. 3 ("TID #3") an opinion of an attorney retained by the Village advising whether the TID #3 Project Plan is complete and complies with Wisconsin Statute § 66.1105.

The Village has retained von Briesen & Roper, s.c. to provide legal services on an as needed basis, including for the purposes of providing a legal opinion for the TID #3 Project Plan. We have reviewed the project plan submitted by the Village and Ehlers & Associates, Inc. regarding the creation of TID #3. It is our opinion that the project plan is complete and complies with the provisions of Wisconsin Statute § 66.1105.

Sincerely,

von BRIESEN & ROPER, s.c.



Hector de la Mora

Hd:wwd

cc: David DeAngelis, Village Manager (via email)
Todd Taves, Ehlers & Associates, Inc. (via email: TTaves@ehlers-inc.com)

SECTION 17: Calculation of the Share of Projected Tax Increments Estimated to be Paid by the Owners of Property in the Overlying Taxing Jurisdictions

The following projection is provided to meet the requirements of Wis. Stat. § 66.1105(4)(i)4.

Revenue Year	Waukesha County	Village of Elm Grove	Elmbrook Schools	WCTC	Total	Revenue Year
2024	30,798	110,869	172,917	6,136	320,720	2024
2025	88,773	319,575	498,424	17,686	924,459	2025
2026	102,719	369,777	576,722	20,465	1,069,681	2026
2027	108,142	389,300	607,172	21,545	1,126,159	2027
2028	113,687	409,263	638,307	22,650	1,183,907	2028
2029	119,358	429,675	670,142	23,779	1,242,954	2029
2030	125,155	450,546	702,694	24,935	1,303,330	2030
2031	131,084	471,887	735,978	26,116	1,365,065	2031
2032	134,033	482,505	752,538	26,703	1,395,779	2032
2033	137,049	493,361	769,470	27,304	1,427,184	2033
2034	140,132	504,462	786,783	27,918	1,459,296	2034
2035	143,285	515,812	804,486	28,547	1,492,130	2035
2036	146,509	527,418	822,587	29,189	1,525,703	2036
2037	149,806	539,285	841,095	29,846	1,560,031	2037
2038	153,176	551,419	860,020	30,517	1,595,132	2038
2039	156,623	563,826	879,370	31,204	1,631,022	2039
2040	160,147	576,512	899,156	31,906	1,667,720	2040
2041	163,750	589,483	919,387	32,624	1,705,244	2041
2042	167,434	602,747	940,073	33,358	1,743,612	2042
2043	171,202	616,308	961,225	34,108	1,782,843	2043
2044	175,054	630,175	982,852	34,876	1,822,957	2044
2045	178,993	644,354	1,004,966	35,660	1,863,974	2045
2046	183,020	658,852	1,027,578	36,463	1,905,913	2046
2047	187,138	673,676	1,050,699	37,283	1,948,796	2047
2048	191,348	688,834	1,074,339	38,122	1,992,644	2048
2049	195,654	704,333	1,098,512	38,980	2,037,479	2049
2050	200,056	720,180	1,123,229	39,857	2,083,322	2050
Total	3,954,125	14,234,436	22,200,720	787,775	41,177,055	

2 November, 2021

PROJECT PRO FORMA REVIEW - UPDATE SUMMARY

Village of Elm Grove

School Sisters of Notre Dame - Proposed
Tax Increment District #3



Prepared by:

Ehlers
N21W23350 Ridgeview
Parkway West, Suite 100
Waukesha, WI 53188

Advisors:

Frank Roman
Economic Development Consultant
Todd Taves
Senior Municipal Advisor

BUILDING COMMUNITIES. IT'S WHAT WE DO.

2 November 2021

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

RE: TID 3 School Sisters of Notre Dame (the "Project")
Mandel Group - Developer
Project Update

Dear Dave,

Further to our several meetings with the Village, Ehlers, and Mandel, the following is a summary of the updated project proposal submitted by Mandel on 20 October, along with our recommendations thereto. These changes were due mostly to the higher assessed valuation than what was used in the developer's original analysis, changes to financing, timing of certain project milestones, and inclusion of the single-family home values in this analysis. The overall project (unit count and mix, number of homes, and infrastructure work) remain the same, though all components are now included under this analysis.

Several changes from our prior analysis include:

- Full cost of the water main extension - past the SSND Project and into the Village downtown - are included in the TIF cash flows. Also included herein are the incremental additions to value from the 21 single family home sales.
- Project cost increased by approximately \$700K for additional contingency and operating reserves, due to the upfront assistance now provided at occupancy of the apartments, rather than at construction commencement, as originally contemplated.
- Increase in upfront TIF request from \$5.5M to \$5.95M for higher property taxes/operating expenses, as the assessor estimate of \$230K/unit exceeds developer's initial model of \$210K/unit.
- Previously, developer had assumed a straight split of incremental tax revenue, and did not account for Village GO debt. Village debt obligations have priority over PAYGO TIF assistance, extending the term of the MRO assistance.
- Timing and treatment of land transactions between the School Sisters and several Mandel entities. In the prior analysis, we assumed Mandel was receiving a large sales price to reduce equity. After further discussions, it was clarified that the sales to the single-family developer would be mostly a pass-through of the price that Mandel would pay to the School Sisters, plus partial reimbursement for the infrastructure improvements benefitting those parcels. Otherwise, those unrecovered costs would likely cause a further increase in the developer's TIF ask.

- While not materially affecting the financial performance of the proposed structure, the Village has requested that Mandel provide a guaranty of minimum value for the apartments for the duration that the annual TIF assistance is provided.

Two assumptions from our prior evaluation are re-emphasized here:

- Mandel may sell the Project at an undetermined date, but likely be a longer term hold. Conventional real estate analysis assumes a sale after a 10 year investment period, which we have assumed in our investment return calculations. It is suggested that the developer is prohibited from selling the Project until all Village debt obligations are satisfied.
- Included in the return calculation is the sale of the remaining TIF payments to be provided to developer in the years after the Project itself is sold. The present value of those remaining payments is added to the Project sale price to determine the overall internal rate of return (IRR).

EHLERS SUMMARY CONCLUSION RE: "BUT FOR" TEST

The 'But For' test remains in effect after these updates: it is clear that the project would not be able to attract the appropriate investment capital without some level of TIF participation, and at the levels contemplated in this analysis, there would be no undue enrichment to the developer.

- The Project will incur certain extraordinary costs, adding significantly to the Project budget, including:
 - o demolition and environmental abatement,
 - o historic buildings renovation/refurbishment,
 - o structured underground parking, which more than doubles the cost of surface parking spaces
 - o significant utility and earthwork, including extending the water main.
- As noted in the Values/Returns section below, the developer/investor return metrics without such TIF assistance would cause the Project to be economically infeasible, and the Project would not be undertaken.

PROJECT BUDGET / OPERATIONS

Total project costs increased from \$97.4M to \$98.1M, to address additional contingency and operating reserves per discussion above.

Market rents for the large apartments remained at an average of \$1.92 per square foot, which were in line with market comparisons.

Real estate taxes were increased from the developer's original submittal, though were adjusted in the Ehlers prior analysis. These are based on an estimated assessed value of \$230K/unit, whereas Mandel's initial estimation was \$210K/unit. The expense ratio

remained in the same low 30% zone, which is within market ranges, and replacement reserves are more conservative than the normal reserves of \$250-300/unit.

TAX INCREMENT FINANCING STRUCTURE

The developer initially requested municipal TIF assistance of either a) \$11M to be provided as an up front advance, or b) \$5.5M provided up front, along with a developer-funded, or Pay As You Go (PAYGO) option, where the developer receives a portion of the annual property taxes they’ve paid in order to supplement the development costs. The latter scenario was pursued by the Village. The developer’s updated financial request, as *adjusted by Ehlers to account for the bond issues*, are summarized as follows:

Developer Request

Original Request	\$5.5M up front + 72.5% of property tax increment on PAYGO basis \$10.4M MRO
Current Request	\$5.95M up front + available increment after Village GO bond payments \$10.7M MRO
Original GO - Upfront	\$5.91M taxable GO bond for developer up front assistance
Current GO - Upfront	\$6.26M increased by contingency, higher property tax & operating expenses
Original GO - Water	\$2.425M tax-exempt bond to extend service to Project property line only
Current GO - Water	\$3.565M includes extension of water main past Project to Village downtown

Annual PAYGO incentive payments of the residual tax increment receipts - after debt service on the Village’s two bond issuances - would be made per a Municipal Revenue Obligation agreement (MRO) to provide a net present value utilizing a 5% discount rate. The amount of annual incremental value remained flat in the original analysis, but is currently being inflated by 2.25% annually to remain consistent with developer’s Project cash flows.

Furthermore, in this version, the incentive payments (up front or PAYGO) do not commence until the Project receives a certificate of occupancy, which is one year delayed from the prior request. In consideration of Mandel providing a minimum value guaranty, the Village will not require collecting two years debt service on the G.O. bonds.

Under the revised scenario, both bond issues pay off within 20 years; however, the tax-exempt (water main) bonds are projected to pay off in 2041, though the taxable (upfront assistance) bonds, issued a year later, are expected to be repaid by 2043. The developer MRO payment is expected to be satisfied within 17 years, or 2039.

Schedules indicating these calculations for development assumptions, tax increment projections, and TID cash flow results are attached.

Ehlers Adjusted Request

Other options for the PAYGO terms were evaluated, and in particular, structures for \$9.8M MRO (\$6.0M NPV), \$9.0M MRO (\$5.6M NPV) and \$7.5M MRO (\$4.89M NPV) were

analyzed. The \$9.8M MRO structure was deemed to be most appropriate, and is summarized as follows.

In either instance, the two bond issues were still satisfied within the same 20 year terms. The \$9.8M MRO, however, is satisfied within 16 years, or 2038, due to the lower notional amount. The TID cash flow for this structure is attached for comparison (development assumptions and tax increment projections remain the same as for the updated \$10.7M model).

VALUES / RETURNS

Under current ownership, the SSND property has been exempt from property taxes. Once the property is acquired in early 2022, it will become taxable. Apartment construction is expected to commence in Summer 2022 and be completed in Fall/Winter 2023; after reaching stabilized operations in 2024, the full \$54.5M apartment value will be in place. A 6.25% capitalization rate was used in this determination, which is in line with current market pricing.

The sale of the improved single family lots in 2023 will be recorded upon completion of infrastructure and takedown/sale of the parcels to the single-family developer. This transaction has been estimated amount of \$160K per lot, or \$3.36M, including reimbursement of a portion of the infrastructure and site work attributable to the single family homes, which roughly equals the amounts expended by the developer. It is anticipated that 3 homes will be developed and sold per year for 7 years, adding an additional \$640K in value per home over the land value (\$800K value all-in). Therefore, between the apartments and separate homes, the total incremental value expected to be produced is a very conservative \$71.3M.

There are generally two metrics used in evaluating income-producing properties: cash-on-cash (“COC”) and internal rate of return (“IRR”). COC is simply the annual cash flows to developer (after debt service) divided by equity in the Project, and is utilized for longer investment periods. The IRR accounts for the discounted time value of money, so it considers the initial equity investment, the annual cash flows, and the sales proceeds at the end of the holding (investment) period. Commercial practice is to evaluate a 10 year hold, which is used in this analysis to calculate the IRR. As noted earlier, Mandel indicated their likely investment period could be longer.

It is important to understand that the ownership structure in commercial projects such as this provides separate and distinct cash flows to the investors and the developer, often referred to as a waterfall. Generally, the investors are to receive a preferred return payment on their equity before *any* funds flow to the developer, usually around 7-8%. After that “pref” level has been reached, the additional annual cash flows and eventual sales proceeds run through the various calculations in the waterfall, and are split between investors and developer at a predetermined ratio, usually 50/50 or 60/40. The developer return will serve as compensation for conceptualizing and bringing the various disciplines of Project together, gaining necessary approvals, taking on construction, interest rate, and lease-up risk, and also providing any guarantees required by lenders or municipalities. Therefore, due to these subsequent divisions of cash flows, the investor IRR is frequently lower than that generated at the overall project level.

Generally, the expected COC at stabilization for similar projects is approximately 7-8%, and increases to a range of 8-12% over time. Under the developer's updated request for assistance, once permanent financing begins full amortization, the SSND project generates a COC of 8.06%, and reaches 12% in the last year of the initial 10 year term. The expected overall returns for IRR on multifamily developments are usually 12-18%. Per the developer's proposal, the adjusted IRR for the deemed sale of the Project at the end of Year 10, after payment of the mortgage loan and return of equity, is around 12.30% at the project level. This is on the lower end of the expected range noted above.

After numerous iterations, we found that the Ehlers adjusted scenario for \$9.8M MRO provided the necessary investor return, *yet reduced the Village's contribution to the Project by almost \$1M*. In this version, the COC remains the same as the incremental value and annual incentive payments are assumed to remain the same during the 10 year period. However, due to the shorter PAYGO payment stream and lower NPV, the overall IRR reduces to 12.29%, and achieves an investor return of exactly 12.0%, which is the developer's minimum target return to investors. Further scenarios considered a \$9.0M and \$7.5M MRO, however, that would only produce an investor IRR below 12%, which is lower than required to raise equity capital. Upon evaluating the alternate scenarios, it was determined that the \$9.8M MRO would be most applicable. These projections can be summarized below:

Developer Request	
<u>\$10.7M MRO (\$6.4M NPV)</u>	
COC high 10 yrs	12.03%
COC Avg 10 yrs	8.82%
Project IRR 10 yrs	12.30%
Investor IRR	12.17%
Future value MRO	\$10,700,000
MRO Expiry	2039
TOTAL NPV incl Upfront:	\$11,492,045

Ehlers Revision	
<u>\$9.8M MRO (\$6.0M NPV)</u>	
COC high 10 yrs	12.03%
COC Avg 10 yrs	8.82%
Project IRR 10 yrs	12.18%
Investor IRR	<u>12.0%</u>
Future value MRO	\$9,800,000
MRO Expiry	2037
TOTAL NPV incl Upfront:	\$11,111,374

Ehlers recommends the \$9.8M MRO structure should be considered, which would allow developer to raise the required amount of equity.

However, in either scenario, without the TIF assistance to this Project, the COC would be less than 7.8% at best, and the IRR would be lower than 10%; both metrics are at levels that would not attract investment capital, as noted for the 'but for' consideration.

We trust that the analysis provided will assist you to evaluate making the expenditures and providing TIF incentives as discussed herein. Please let us know if you have any questions or comments regarding the subject, and thank you for engaging us to assist you in this endeavor.

Respectfully,

Frank Roman
Economic Development Consultant

Todd Taves
Senior Municipal Advisor

Village of Elm Grove, Wisconsin

Tax Increment District #3

Base Property Information

Property Information						Assessment Information ¹				Equalized Value				
Parcel Number	Street Address	Owner	Acreage	Blighted Acres	Parcel Also Located In	Land	Imp	PP	Total	Equalized Value Ratio ²	Land	Imp	PP	Total
EGV1105998	13105 Watertown Plank Rd	School Sisters of Notre Dame	30.457	30.457		539,600	400		540,000	98.16%	549,738	408	0	550,146
EGV1105998002	Watertown Plank Rd	St Marys Congregation	1.077			0	0		0	98.16%	0	0	0	0
EGV1105998003	Not Assigned	St Marys Parish of the Visitation	4.381			0	0		0	98.16%	0	0	0	0
EGV1106958	13395 Watertown Plank Rd	Wlc Real Estate, LLC	0.391	0.391	TID 2	374,700	64,400	2,600	441,700	98.16%	381,740	65,610	2,649	449,999
EGV1106973	13405 Watertown Plank Rd	Beans Beans, LLC	0.331	0.331	TID 2	144,200	61,000	2,200	207,400	98.16%	146,909	62,146	2,241	211,297
Watertown Plank Road Condominium Units			3.011											
EGV1106957101	13335 Watertown Plank Rd Unit 101	James F. Schwiesow				47,500	122,900		170,400	98.16%	48,392	125,209	0	173,602
EGV1106957102	13335 Watertown Plank Rd Unit 102	Jose R. Galvan				47,500	110,200		157,700	98.16%	48,392	112,271	0	160,663
EGV1106957103	13335 Watertown Plank Rd Unit 103	Kathleen R. Crowley				47,500	139,100		186,600	98.16%	48,392	141,714	0	190,106
EGV1106957104	13335 Watertown Plank Rd Unit 104	Elm Grove Terrace Owners Assoc, Inc				47,500	122,900		170,400	98.16%	48,392	125,209	0	173,602
EGV1106957105	13335 Watertown Plank Rd Unit 105	Roy K & Marlene A Jernberg Trust				47,500	139,200		186,700	98.16%	48,392	141,815	0	190,208
EGV1106957106	13335 Watertown Plank Rd Unit 106	Erwin Strigenz				47,500	122,500		170,000	98.16%	48,392	124,802	0	173,194
EGV1106957107	13335 Watertown Plank Rd Unit 107	Karioris Trust				47,500	126,000		173,500	98.16%	48,392	128,367	0	176,760
EGV1106957108	13335 Watertown Plank Rd Unit 108	Anne U Tolan Living Trust				47,500	123,300		170,800	98.16%	48,392	125,617	0	174,009
EGV1106957109	13335 Watertown Plank Rd Unit 109	Teresa M. Mitchell				47,500	122,900		170,400	98.16%	48,392	125,209	0	173,602
EGV1106957110	13335 Watertown Plank Rd Unit 110	Laverne M Rossetti and Athena M Rossetti, Trustees of				47,500	122,900		170,400	98.16%	48,392	125,209	0	173,602
EGV1106957111	13335 Watertown Plank Rd Unit 111	Melissa A. Wahlen				47,500	138,500		186,000	98.16%	48,392	141,102	0	189,495
EGV1106957112	13335 Watertown Plank Rd Unit 112	Victoria Vastalo				47,500	116,400		163,900	98.16%	48,392	118,587	0	166,979
EGV1106957114	13335 Watertown Plank Rd Unit 114	Jerome G. Wegner				47,500	122,900		170,400	98.16%	48,392	125,209	0	173,602
EGV1106957115	13335 Watertown Plank Rd Unit 115	Joan C Uselmann Revocable Living Trust				47,500	125,400		172,900	98.16%	48,392	127,756	0	176,149
EGV1106957116	13335 Watertown Plank Rd Unit 116	Maureen O. Horkheimer				47,500	135,200		182,700	98.16%	48,392	137,740	0	186,133
EGV1106957117	13335 Watertown Plank Rd Unit 117	John C. Horter				47,500	135,200		182,700	98.16%	48,392	137,740	0	186,133
EGV1106957118	13335 Watertown Plank Rd Unit 118	David Herriges				47,500	170,700		218,200	98.16%	48,392	173,907	0	222,300
EGV1106957201	13335 Watertown Plank Rd Unit 201	Dennis A. Wallestad				47,500	122,900		170,400	98.16%	48,392	125,209	0	173,602
EGV1106957202	13335 Watertown Plank Rd Unit 202	Richard D. Niggemann				47,500	125,500		173,000	98.16%	48,392	127,858	0	176,250
EGV1106957203	13335 Watertown Plank Rd Unit 203	Paul Karas				47,500	122,900		170,400	98.16%	48,392	125,209	0	173,602
EGV1106957204	13335 Watertown Plank Rd Unit 204	Laurance J. Geldermann				47,500	146,600		194,100	98.16%	48,392	149,354	0	197,747
EGV1106957205	13335 Watertown Plank Rd Unit 205	Cathleen Fagan				47,500	138,900		186,400	98.16%	48,392	141,510	0	189,902
EGV1106957206	13335 Watertown Plank Rd Unit 206	Theodore J. Vanlankvelt				47,500	138,100		185,600	98.16%	48,392	140,695	0	189,087
EGV1106957207	13335 Watertown Plank Rd Unit 207	Maureen A. Ullrich				47,500	163,700		211,200	98.16%	48,392	166,776	0	215,168
EGV1106957208	13335 Watertown Plank Rd Unit 208	Fahed L. Raad				47,500	129,500		177,000	98.16%	48,392	131,933	0	180,326

Village of Elm Grove, Wisconsin

Tax Increment District #3

Base Property Information

Property Information						Assessment Information ¹				Equalized Value				
Parcel Number	Street Address	Owner	Acreage	Blighted Acres	Parcel Also Located In	Land	Imp	PP	Total	Equalized Value Ratio ²	Land	Imp	PP	Total
EGV1106957209	13335 Watertown Plank Rd Unit 209	Michelle Lee				47,500	145,200		192,700	98.16%	48,392	147,928	0	196,321
EGV1106957210	13335 Watertown Plank Rd Unit 210	Jean I. Schneider				47,500	122,900		170,400	98.16%	48,392	125,209	0	173,602
EGV1106957211	13335 Watertown Plank Rd Unit 211	Walsh Family Trust				47,500	135,200		182,700	98.16%	48,392	137,740	0	186,133
EGV1106957213	13335 Watertown Plank Rd Unit 212	Patricia Kusik				47,500	107,600		155,100	98.16%	48,392	109,622	0	158,014
EGV1106957214	13335 Watertown Plank Rd Unit 214	R James & C Anita Fagan Trust Dtd December 1, 2014				47,500	159,700		207,200	98.16%	48,392	162,701	0	211,093
EGV1106957215	13335 Watertown Plank Rd Unit 215	Joan Marie Strothmann Trust				47,500	155,400		202,900	98.16%	48,392	158,320	0	206,712
EGV1106957216	13335 Watertown Plank Rd Unit 216	William Schoenecke H. Joint				47,500	135,200		182,700	98.16%	48,392	137,740	0	186,133
EGV1106957217	13335 Watertown Plank Rd Unit 217	Norman R. Thoresen				47,500	138,500		186,000	98.16%	48,392	141,102	0	189,495
EGV1106957218	13335 Watertown Plank Rd Unit 218	Roger Kiekhofer				47,500	144,200		191,700	98.16%	48,392	146,909	0	195,302
EGV1106957301	13335 Watertown Plank Rd Unit 301	Terry L. Winter				47,500	126,000		173,500	98.16%	48,392	128,367	0	176,760
EGV1106957302	13335 Watertown Plank Rd Unit 302	Ted W. Groves				47,500	154,300		201,800	98.16%	48,392	157,199	0	205,592
EGV1106957303	13335 Watertown Plank Rd Unit 303	Virginia Moeller				47,500	122,900		170,400	98.16%	48,392	125,209	0	173,602
EGV1106957304	13335 Watertown Plank Rd Unit 304	Jane M. Wolfe				47,500	135,200		182,700	98.16%	48,392	137,740	0	186,133
EGV1106957305	13335 Watertown Plank Rd Unit 305	Dennis P. Nash				47,500	123,300		170,800	98.16%	48,392	125,617	0	174,009
EGV1106957306	13335 Watertown Plank Rd Unit 306	Constance Nolan				47,500	134,400		181,900	98.16%	48,392	136,925	0	185,318
EGV1106957307	13335 Watertown Plank Rd Unit 307	Paul R. Cain				47,500	138,500		186,000	98.16%	48,392	141,102	0	189,495
EGV1106957308	13335 Watertown Plank Rd Unit 308	Pamela S. Derosa				47,500	138,500		186,000	98.16%	48,392	141,102	0	189,495
EGV1106957309	13335 Watertown Plank Rd Unit 309	Eleanor M. Swentkofske				47,500	155,100		202,600	98.16%	48,392	158,014	0	206,407
EGV1106957310	13335 Watertown Plank Rd Unit 310	Martha Strigenz				47,500	149,700		197,200	98.16%	48,392	152,513	0	200,905
EGV1106957311	13335 Watertown Plank Rd Unit 311	Richard W. Granholm				47,500	129,300		176,800	98.16%	48,392	131,729	0	180,122
EGV1106957312	13335 Watertown Plank Rd Unit 312	Linda Jean Davidson				47,500	124,100		171,600	98.16%	48,392	126,432	0	174,824
EGV1106957314	13335 Watertown Plank Rd Unit 314	Stephen L and Mary Catherine Koenig, As Trustees of Th				47,500	148,100		195,600	98.16%	48,392	150,883	0	199,275
EGV1106957315	13335 Watertown Plank Rd Unit 315	Jeffrey B. Wisniewski				47,500	139,900		187,400	98.16%	48,392	142,529	0	190,921
EGV1106957316	13335 Watertown Plank Rd Unit 316	Gretchen Mcquestion				47,500	181,600		229,100	98.16%	48,392	185,012	0	233,405
EGV1106957317	13335 Watertown Plank Rd Unit 317	Gregory J. Vraney				47,500	149,100		196,600	98.16%	48,392	151,901	0	200,294
EGV1106957318	13335 Watertown Plank Rd Unit 318	Debra St George				47,500	134,000		181,500	98.16%	48,392	136,518	0	184,910
Total Acreage			39.65	31.18	78.64%	3,481,000	7,038,000	4,800	10,523,800	Est. Base Value	3,546,404	7,170,235	4,890	10,721,529

NOTES:

¹January 1, 2021 assessed value as listed in Waukesha County GIS viewer. Actual base value will be determined utilizing January 1, 2022 assessed values and ratio.

²January 1, 2021 equalization ratio as published by Wis. Dept. of Revenue.