ECONOMIC DEVELOPMENT COMMITTEE

Date and Time:	Wednesday, November 4, 2020 at 5:15 p.m., Council Chambers
Committee Members Present:	Tom Neal (c), Lisa Rasmussen, Sarah Watson, Becky McElhaney and Tom Kilian
Others Present:	MaryAnne Groat, Anne Jacobson, Brad Lenz, Katie Rosenberg, Sean Fitzgerald, Deb Ryan, Patrick Peckham, Lou Larson, Dave Eckmann, Michael Loy, Mary Thao, Gary Gisselman, Chris Norfleet and Patti Kaiser.

In accordance with Chapter 19, Wisc. Statutes, notice of this meeting was posted and sent to the Daily Herald in the proper manner.

The Economic Development Committee meeting was called to order by Neal at 5:15 p.m.

Agenda Item #1 Approval of the Minutes from 10/06/2020

Motion by Kilian, second by Rasmussen to approve the minutes. Motion passed 5-0.

Agenda Item #2 Discussion and possible action on the amendment to the Development Agreement with Wausau Opportunity Zone (WOZ) for the redevelopment of the Wausau Center Mall property.

Fitzgerald introduced City Finance Director Groat who explained the development agreement amendment as outlined in the packet. Mayor Rosenberg further explained the modified development agreement is an opportunity for the council to take ownership of the development as well as receive assurances the project will provide a guaranteed minimum tax revenue to the city in future years.

Eckmann from Wausau Area Chamber of Commerce addressed the overarching economic development strategy behind the mall redevelopment plan as a placemaking initiative to attract workforce talent to the region. Loy, the chair of the chamber's board of directors, explained the organization's economic development plan is geared toward marketing the community's assets to potential workforce recruits, and that the mall renovation proposal is an effort to highlight the community's vitality.

Rasmussen indicated Wausau has a good deal of recent development to celebrate and that its $200 million growth in property value since 2016 has been historic. She indicated sufficient due diligence has been done to modify the WOZ development agreement in a manner that reflects promises made by council members during their campaigns for office this past spring 2020.

Neal indicated it's necessary for the community to take a bold stance and move forward with development projects in this current economic environment.

Larson indicated he is unable to support the amended agreement because the city doesn't own the building and he doesn't support spending city money to build new roads in the downtown when he feels existing infrastructure in his district is outdated and in need of modernization.

Kilian asked about how the amount of the annual payment of $327,000 was conceived. He also asked about how the practice of using a disbursement agent was conceived. Groat responded she was not aware of the genesis behind the annual payment figure. Kilian cited a letter from the city's outside legal counsel identifying the 2018 tax bills for mall properties equaled approximately $327,000.

Eckmann explained the figure was intended to assist with operating shortfalls for the first part of 2020. Kilian said he believed there is some confusion the developer payment made to WOZ could be used to pay its property taxes. Eckmann responded the developer payment could be used for operating expenses, but has not been tapped into at this time.

Ryan suggested using the existing facility for other purposes and asked if WOZ had pursued other options for the existing structure. She said she would not support spending city money for its further development.

Rasmussen reiterated the city is unable to forgive property taxes, and explained tax increment financing can be used by the city as a funding mechanism for a variety of development expenses. She said no elements of this negotiation with WOZ were conducted in an illegal manner. She said if no modifications are made to the existing development agreement, the city would ultimately have no return on its investment on the mall property in future years.

Kilian asked Atty. Jacobson if it's an acceptable practice to reimburse property taxes with TIF funds. Jacobson referenced reversed TIF funding as an often-used and acceptable manner of providing support for developers. Kilian also suggested there had been no public analysis of the phase 1 environmental study conducted on the mall property.

Groat said she researched the 2018 tax bill for the mall property and identified $274,000 for the main facility itself, a $53,000 tax bill for the JC Penney property, and no tax bill for the Sears property because the city owned it during that year. Groat also noted those tax bills did not include any assessment for land value because the city had owned the land on which the mall was constructed.

Groat indicated in other past development agreements she takes the tax bill and establishes a percentage identified in the developer agreement, and that becomes the amount of the check written to the developer. Groat cited recent developer checks written to Great Lakes Cheese and Macndon as examples.

Rasmussen clarified the amendment under consideration is to make the existing agreement even better. Neal reiterated the amendment to the agreement is a grand improvement on behalf of the city. Kilian had asked the committee to go into closed session to consult with legal counsel. Atty. Jacobson said the matter could go into closed session if a majority of the committee acted upon a motion to do so.

Motion by Rasmussen, second by Watson to approve the amendment to the development agreement with Wausau Opportunity Zone (WOZ). Motion passed 4-1, with Kilian the dissenting vote.

Agenda Item #3 Discussion and possible action approving the project plan amendment 3 of Tax Incremental District #7 to serve as a donor district to Tax Incremental District #12.

Groat explained the tax increment finance district donor proposal as outlined in the packet. She said the measure is a financial strategy to reduce debt and reduce interest payments on city debt. Groat said the first year of exercising the option to use any additional increment would be in 2023 to assist with the budget allocation in that year.

Rasmussen clarified this process of approving a project plan amendment helps to mitigate taxpayer risk. She said it reserves the council's right in future years to have additional financing options.

Kilian asked the committee if they knew of any vote ever presented to the TIF joint review board that had not been rubber stamped. Rasmussen said the financial professionals who work for the county, schools and technical college district are thoughtful in their deliberations and would not necessarily provide the city with a rubber stamp.

McElhaney asked about how the funding process will be structured in the first two years before the donor TIF becomes available. Groat explained sources and uses of funds for 2021 would be $3.5 million in developer payments and $1.2 million in street and infrastructure costs all funded by borrowing. She said debt service payments made from the incremental tax revenues between 2023 and 2025 would cover about 80 percent of the debt, and the full debt would ultimately be retired by 2028.

Larson indicated the city debt has increased and asked how the city is able to take care of its roads when it has so much debt. Groat explained additional tax increment from TID #6 and TID #7 had been used to update various city infrastructure, citing Thomas Street, First Avenue, Cedar Street and the medical campus.

Kilian asked for the relationship between net new construction and levy limits in Wisconsin. Groat explained the process outlined in state statutes for calculating levy limits. Kilian then asked if the city could be at risk for having to raise taxes if it experiences large increases in net new construction over time. Groat answered that it wouldn't be likely to need to raise taxes because there is a 2 percent cap in place through state statute to not penalize municipalities for excessive growth in net new construction.

Motion by Rasmussen, second by Watson to approve the project plan amendment 3 of Tax Incremental District #7 to serve as the donor to TID #12. Motion passed 4-1, with Kilian the dissenting vote.

Updates – Given by Fitzgerald

• Wausau Center Mall Planning

Fitzgerald indicated both of the measures approved during this meeting would go to the city's Finance Committee on November 10, 2020, then to a public hearing at the Plan Commission on November 17, 2020, then on to a meeting of the Joint TIF Review Board, and then ultimately brought before the full city council for approval on November 24.

• Aedifix Builds proposal for the Riverlife area and for the Near North neighborhood.

Fitzgerald explained city staff is continuing to negotiate with the developer in an effort to bring a more refined proposal to the committee for consideration for its December 2020 meeting.

<u>Adjournment</u>

Motion by Kilian, second by Rasmussen to adjourn the meeting at 6:50 p.m. Motion passed 5-0.

Adjournment Time: 6:50 p.m.