



136 North Monroe Street
Waterloo, WI 53594
Phone: (920) 478-3025
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www.waterloowi.us

A MEETING OF THE WATERLOO COMMUNITY DEVELOPMENT AUTHORITY - AGENDA

Pursuant to Section 19.84 Wisconsin Statutes, notice is hereby given to the public and to the news media, that a public meeting will be held to consider the following:

Date: July 12, 2021
Time: 6:00 p.m.
Location: Municipal Building, 136 North Monroe Street (via remote phone conference for participants and public)

Remote Access Instructions

Join Zoom Meeting: <https://us02web.zoom.us/j/85834656121?pwd=WE54cm8vZTBEdEY3d3ZTaUx1ZjNuUT09>
Meeting ID: 858 3465 6121 Passcode: 596434

Join By Phone
+1 312 626 6799 US (Chicago)
Meeting ID: 858 3465 6121 Passcode: 596434

1. ROLL CALL AND CALL TO ORDER
2. CITIZEN INPUT
3. NEW BUSINESS
 - a. Request For Tax Incremental Financing Assistance, Acquisition Plan For Retail Businesses And Real Estate At 305 West Madison Street. NOTE: The Community Development Authority may convene in closed session under §19.85(e) Wis. Stat. "(e) Deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session." Upon the conclusion of a closed session, the body would reconvene in open session.
4. FUTURE AGENDA ITEMS AND ANNOUNCEMENTS
 - a. Regularly Schedule July 20th Meeting
 - b. Annual Calendar

5. ADJOURNMENT

Mo Hansen, Clerk/Treasurer

Community Development Authority: Soter, Petts, Kuhl, Weihert, Woods, O'Connell, Sharpe and School District Superintendent Brian Henning as non-voting School District liaison
Posted, Mailed and E-mailed: 07/02/2021

Please note: it is possible that members of and possibly a quorum of members of other governmental bodies of the municipality may attend the above meeting(s) to gather information. No action will be taken by any governmental body other than that specifically noticed. Also, upon reasonable notice, efforts will be made to accommodate the needs of disabled individuals through appropriate aids and services. For additional information or to request such services please contact the clerk's office at the above location.

Mo Hansen

From: Mo Hansen
Sent: Friday, July 09, 2021 12:59 PM
To: K&B Auto (kandbauto@hotmail.com); Craig Kettleson (ckettleson@madisonregion.org)
Cc: City of Waterloo, Mayor; HenningB@waterloo.k12.wi.us; Janae OConnell; Kait Sharpe; Kuhl Charles (alderatlargea@waterloowi.us); leeannwoods@icloud.com; michellesoter@gmail.com; Petts Jeanette (alder4-5@waterloowi.us); Rich Weihert (alderatlargeb@waterloowi.us)
Subject: Waterloo Community Development Authority follow-ups in advance of 7/12

Kevin & Craig,

Thank you for your work on a potential business and real estate acquisition involving the Neitzel Hardware & Auto Parts businesses, and the associated real estate.

To aid the Community Development Authority's Monday 7/12 meeting -- based on hearing from CDA members -- I am sharing ideas/questions formulated since our municipal building visit. Monday fast approaches. My expectations are not that responses will be provided prior to the meeting. Rather my intent is to present items (perhaps a partial list...) for all to contemplate in preparation for the meeting.

1. Please be aware of the [adopted City of Waterloo Tax Incremental Finance Policy](#).
2. What alternatives to a \$50,000 zero interest loan have been pursued?
 - a. What efforts have taken place to raise the needed \$50,000 in project equity?
 - b. Has a land contract with existing owner been raised?
 - c. What existing personal or company assets are obligated to this project?
3. With this request taxpayers become *a partner* in a business acquisition. How can you demonstrate financial viability to pay back a loan? What guarantees can you provide?
4. Can a performance based incentive rather than a day-1 upfront loan fit the deal you are putting together? Are incentives based on performance, or completion of components listed in a TIF agreement, and option?

Mo Hansen | Clerk/Treasurer | [City of Waterloo](#) | 920.478.3025

ACQUISITION PLAN FOR NEITZEL HARDWARE CITY OF WATERLOO

Talking Points

- Kevin has identified a potential lead lender who will finance all the current hardware and auto parts inventory (valued at \$400,000) plus provide a \$200,000 allowance for additional inventory to accommodate anticipated growth.
- The lender is also considering providing a line of credit totaling a minimum \$50,000 to address cash flow needs during the transition and help accommodate sales growth in early 2022.
- The lender is not willing to provide financing for real estate acquisition totaling \$100,000 to meet Mike Neitzel's total asking price of \$500,000 for the business.
- Kevin would like to long term split the businesses into the two separate business units at different locations. The preferred plan is to:
 - Build a new auto parts store on property adjacent to K&B Auto and move the hardware business unit out of the current location.
 - Expand the hardware store into the vacated space.
 - Kevin would also like to explore options for acquiring property behind the current hardware store (if it is available) to accommodate potential longer term expansion.
- Kevin is able to raise \$50,000 in equity to acquire the real estate, leaving a gap of \$50,000.
- A key question and discussion point for the meeting: Is the City willing to provide \$50,000 out of TIF funds to fill this gap?
 - This would allow Kevin to fill the gap without securing a second lender.
 - This simplifies the deal, particularly regarding shared collateral, and allows us to get to a quicker close.
 - Mike Neitzel has told Kevin he has a hard stop on August 31, 2021.
 - This would give us our best chance of accommodating Mike's timeline.



136 North Monroe Street, Waterloo, Wisconsin 53594-1198
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RESOLUTION #2011-14

Directing the City to Commence With the Statutory Process Creating a Tax Incremental District #2 and Amending the Project Plan for Tax Incremental District #1

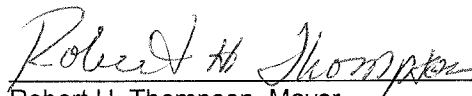
WHEREAS, Alderperson Cotting seeks to move forward on changes to tax incremental finance benefiting future tax incremental finance activity;

THEREFORE BE IT RESOLVED, that the City Council formally directs the following:

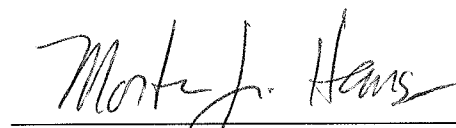
1. The Clerk/Treasurer is to engage the services of the City Attorney and the Ehler's & Associates to begin the statutory process for creating a second tax incremental finance district and to amend the project plan of the TID #1.
2. TID #2 is to be created and have the following characteristics:
 - Categorized as a blighted district to allow for revenue sharing between TID #1 and TID #2.
 - Consisting of boundaries roughly matching the Clerk/Treasurer outline presented to the Council on March 17, 2011.
 - Having a project plan focused on retaining and building downtown economic vitality.
3. The TID #1 project plan is to include the following:
 - A \$25,000 allocation of TID #1 revenue for the Garman/Knowlton Trailhead Facility Project.
 - Provisions for allocation TID #1 revenue for an Economic Development Director position as outlined in the Ehler's & Associates cash flow analysis dated 3/14/2011.
 - Restructuring the project plan to clearly define the maximum amount or revenue to be shared from TID #1 to TID #2.
4. The Council formally adopts the document titled: City of Waterloo Tax Increment Finance Policy (revision April 4, 2011).

Passed and adopted this 7th day of April, 2011.

CITY OF WATERLOO


Robert H. Thompson, Mayor

Attest:


Morton J. Hansen, Clerk/Treasurer

SPONSOR(S) – Alderperson Cotting

FISCAL NOTE – Engaging Ehler's & Associates and the City Attorney on the matter is estimated at \$5,000 with expenses coming from existing TID #1 funds.



136 North Monroe Street
Waterloo, WI 53594
Phone (920) 478-3025
E-mail (cityhall@waterloowi.us)

TO: COMMUNITY DEVELOPMENT AUTHORITY
FROM: CLERK/TREASURER
SUBJECT: KEVIN BAUMANN REQUEST FOR A \$50,000 LOAN TO SERVE AS GAP FINANCING FOR AN ACQUISITION PLAN FOR NEITZEL HARDWARE AND AUTO PARTS BUSINESSES AT 305 WEST MADISON STREET
DATE: JULY 2, 2021

THE ASK.

The applicant, Kevin Baumann (and any associated corporate entity he may create as part of this acquisition plan), requests a \$50,000 zero interest loan with a term not to exceed the life of tax incremental finance district #2.

The District's maximum life is July 21, 2038. To allow for these loaned dollars to have the potential to be further recycle/reused for another future district project, I recommend a loan with the following terms:

Loan Amount: \$50,000
Interest Rate: 0.00%
Term: Seven equal annual payments on or before a date of Baumann's choosing
Municipal Loan Position: Secondary to a primary lender

DOES THIS TYPE OF ASSISTANCE FIT WITHIN THE APPROVED PROJECT PLAN?

The approved project plan allows for developer cash grants within the district. In this case a zero interest loan is proposed. The request fits within the approve project plan.

THE RAMIFICATIONS FOR TAX INCREMENTAL FINANCE DISTRICT #2.

- This project is likely to NOT generate any new taxable property value. Please note: the original project plan anticipated \$3,860,000 in *expenses* over the district's lifetime – along with -- \$8,600,000 in *projected new tax base*. [Meaning: Every tax dollar invested is to generate \$2.23 in new taxable property value]
- There is **cash-on-hand to fund this request**. In a scenario whereby no new taxable property value is created this request uses dollars that otherwise would be intended to create new taxable property value.

CITY OF WATERLOO
BALANCE SHEET
MAY 31, 2021
412-TIF DISTRICT 2 FUND

ASSETS	
412-1100 TREASURER'S CASH	331,225.14
412-1000 DUE FROM AGENCY FUND TAXES	19,581.17
TOTAL ASSETS	350,806.31
LIABILITIES AND EQUITY	
LIABILITIES	
412-2600 DEFERRED REVENUE	19,581.17
TOTAL LIABILITIES	19,581.17
FUND EQUITY	
412-3400 FUND BALANCE	481,199.92
REVENUE OVER/UNDER (EXPENDITURES - YTD)	1 226,904.10
TOTAL FUND EQUITY	201,225.14
TOTAL LIABILITIES AND EQUITY	350,806.31

- The desired outcome is to retain and potentially grow a Waterloo anchor commercial business (hardware & auto parts retailer). If the hardware store closes, the likelihood of a similar retail establishment locating in Waterloo is minimal.
- This project creates a 2021 precedent for the next project seeking a similar public benefit. As I have in the past, I recommend aggressive support of all of those seeking to invest private dollars in Waterloo to build tax-base and family-supporting jobs.

BACKGROUND ABOUT TAX INCREMENTAL DISTRICT #2

The original approved project plan anticipated \$3,860,000 in expenses over the district's lifetime. As of 12/31/2020 expenditures total to \$2,030,058 with \$126,839 in 2020. Major expenses to date include:

- Water, sewer & roadway improvements to East Madison Street as part of the WisDOT STH 19 Reconstruction Project.
- Incentives to Hawthorn & Stone Inc. to demolish and redevelopment a twelve acre site formerly a 330,000 sq. ft. printing facility.
- Incentives to Rediscovered LLC for improvements to 575 West Madison Street and its 60,000 sq. ft. of office space.
- Incentives to Movin' Out and Monroe Street Apartments LLC for redevelopment of a 1.38 acre site converting it to a 3-story 60,156 sq. ft. residential facility.
- A downtown commercial façade grant program and interior build-out grant program which has leveraged private investment in maintaining/rehabilitation eight downtown commercial properties.

DISTRICT MAP.

This district was originally defined as the downtown and adjacent properties, **shown in green**. In 2013 the district was expanded to include the area **shown in red**.



ASSISTANCE FROM CRAIG KETTLESON.

Approximately 90 days ago, the City put Kevin Baumann in contact with Madison Region Economic Partnership Enterprise Development [Director Craig Kettleson](#) to aid Kevin in exploring his interest in acquiring the hardware and auto parts businesses located at 305 West Madison Street. In collaboration with Mike & Deb Neitzel, Craig has reviewed existing business records and generally has been consulting with Kevin Baumann to structure a deal whereby Baumann takes ownership of the businesses and real estate.

Craig served as a Waterloo municipal consultant in years past assisting local businesses (Jim's Cheese, Custom Plastics, Lannoy's Piggly Wiggly, Neitzel Hardware and others) with a direct one-on-one confidential business analysis relating to ownership transition, financing and similar business retention and growth matters.

CITY OF WATERLOO TAX INCREMENT FINANCE POLICY

PURPOSE

The purpose of this policy is to set forth the City's approach to the use of tax incremental financing (TIF) for private development. This policy will be used to process and review requests for tax incremental finance assistance. TIF supported projects must comply with applicable state statutes. The City of Waterloo is governed by the limitations established in Wisconsin Statutes 66.1105, the Wisconsin Tax Increment law.

CITY'S OBJECTIVES FOR USE OF TAX INCREMENTAL FINANCING

This program exists to achieve the following objectives, in no particular order:

1. Remove blight and/or encourage redevelopment in the commercial and industrial areas of the City in order to encourage high quality development or redevelopment and private investment.
2. To retain and/or increase the number and diversity of quality jobs (e.g. stable employment and/or attractive wages and benefits).
3. To encourage additional unsubsidized private development in the areas, either directly, or through secondary "spin-off" development.
4. To offset increased costs of redevelopment (e.g. contaminated site clean-up), over and above those costs that a developer would incur in normal urban or suburban development.
5. To achieve development on sites which would not be fully developed to the full potential envisioned by the Waterloo Comprehensive Plan without this assistance.
6. To increase and diversify the tax base of the City to ensure the ability of the City to provide adequate services for its residents while reducing reliance on the residential property tax base.
7. To meeting other uses of public policy, as adopted by the City Council from time to time, including the promotion of quality urban design, quality architectural design, mixed use new urbanism development consistent with the adopted comprehensive plan, energy conservation, protection and conservancy of green space, decreasing the capital and operating costs of local government, etc.

PROGRAM ELIGIBILITY CRITERIA

1. The project must be consistent with the City's Comprehensive Plan, zoning ordinances and other municipal ordinances.
2. The project must meet at least two of the City objectives listed above.
3. It must be demonstrated that the project would not be financially feasible "but for" the public assistance to be provided.
4. The developer must agree to provide guarantees to the City to cover any shortfalls in costs not paid by the increment, unless the project is a "pay as you go" agreement. These may include assessment agreements, letters of credit, personal or corporate guarantees and minimum payment agreements.
5. A minimum ratio of private development increment to tax increment expenditure of 3:1 is generally expected. At a minimum, the Net Present Value (NPV) of TID revenue should equal two times the amount of any redevelopment assistance requested.
6. For projects in Redevelopment Districts, preference will be given to those that constitute rehabilitation, and those that enhance overall value and appearance of the district as well as specific removal of undesirable situations.

PROJECT COSTS WHICH MAY QUALIFY FOR TAX INCREMENTAL FINANCING ASSISTANCE

1. Property acquisition

2. Land clearance
3. Relocation and demolition of structures
4. Site preparation
5. Soils correction, removal of hazardous wastes or remediation of site contamination
6. Installation of utilities, including fiber optics and digital technologies
7. Construction of public or private improvements
8. Administrative costs directly related to the identified parcels
9. Design fees
10. Surveys
11. Environmental studies
12. Relocation of building occupants
13. Special assessments and TIF application filing fee
14. Promotions and marketing
15. Other costs allowed by Wisconsin Statutes

TAX INCREMENT PROJECT EVALUATION PROCESS

The following four methods of analysis for all proposals will be used:

- A) Consideration of project meeting basic qualifications.
- B) Consideration of project meeting desired qualifications.
- C) Project meets "but-for" analysis and statutory qualifications.
- D) Project is deemed consistent with City adopted plans.

APPLICATION PROCESS

The City's tax increment financing program will be administered by the Waterloo Common Council with the assistance from the Plan Commission and the Community Development Authority as directed. The Waterloo Common Council will require a non-refundable application fee in the amount of \$200 for its processing of the application. The fee shall be payable to the City of Waterloo at the time of an application submittal. Fees and applications are accepted in the Clerk/Treasurer's office and are subject to change without notice.

Step 1

- Complete and submit a TID Application (application requirements found below) with supporting documents (Initial submittal may be in rough form for preliminary discussion purposes) to Clerk/Treasurer's office, 136 North Monroe Street, Waterloo, Wisconsin 53594
- Schedule a meeting with staff for initial review of the application.

Staff will work with applicant to develop the most appropriate TID application according to City adopted policies. Once a developer and/or staff believe the initial application is ready, the request is sent to the Common Council for review and comments. A resolution from the Council will approve, deny, or approve with stipulations the conceptual tax incremental district proposal. Stipulations found as part of conceptual approvals will usually relate to adopted policies and may or may not consist of the following: Further solidification of numbers (Appraisals, Letters of Intent, Developer Agreements, etc); Making the TID proposal payoff in a lower number of years; and/or higher ratio of Developer dollars to TID dollars, etc.

NOTE: The Common Council will determine what body (Plan Commission, CDA or Council) will be the future recommending authority for the proposal TID at the time of concept approval.

Step 2

- Complete and submit a Final TID Application with supporting documents.
- Schedule a meeting with staff for review of the application.

- Staff then begins the TID approval process by taking it to the recommended body and beginning the statutory TID process.
- Developer must comply with requirements of all approving bodies (Plan Commission, Community Development Authority, Common Council and Joint Review Board) throughout the process.

Application Requirements

- General Information including: date, project name, tax parcel numbers involved and the TID district number the project is affiliated with, if within an existing TID.
- Applicant information including: legal business name, title, company, address, phone and email contact purposes. Include a list of all owners, officers, directors, investors, members and/or partners. Also include information about all support firms working on the project (attorney, engineer, etc...).
- Project plan information including: project incentives that are to result from the TID. These incentives must in turn demonstrate that they will be paid back once completed by an increase in tax increment within the district. The project plan must outline the following:
 - Developer vision
 - How the project relates to the variables found in the City's adopted TIF policy.
 - Detailed outline of the TID incentive requests
 - Incentive requests/costs
 - Reasons why the incentives pass the "but for" test
 - Anticipated project costs
 - Base values (appraisals will be required to support base values)
 - Anticipated value added to TID as result of the project
 - A Pro Forma analysis for the life span of the project showing proposed annual property taxes paid, debt service on TIF loans and debt outstanding
 - Timeline
 - Project narrative, site plan, landscaping plan, grading plan and infrastructure plan
 - Job creation information