

City of Manitowoc
Tax Incremental Financing Joint Review Board
2:00 PM - Tuesday, March 20th, 2018
Planning / Engineering Conference Room
Main Floor – City Hall

Meeting Summary

1. Call to Order

The meeting of the City of Manitowoc Tax Incremental Financing (TIF) Joint Review Board (JRB) was called to order by Chairman T. Reckelberg at 2:00 PM.

2. Roll Call was conducted. Meeting attendance is noted below.

3. Approval of the October 23, 2017 Minutes

Motion by K. Mischler, seconded by M. Maurer , to approve the October 23, 2017 meeting summary. Motion carried unanimously.

4. Discussion on Creation of TIF District No. 20 (Lakeside Foods) Project Plan and Boundary (PC 04-2018)

N. Sparacio introduced Denise Kitzerow, CFO of Lakeside Foods. N. Sparacio described the proposed TID 20 district location and the proposed expansion project by Lakeside Foods. K. Mischler asked for clarification of what is new and what is existing on the conceptual site plan. D. Kitzerow clarified the areas that are remodeling of existing versus expansion areas.

N. Sparacio further explained that the purpose of the proposed district is to support the Lakeside Foods project. The 118,000 sq. ft. expansion will create 40 jobs and cost \$42.5 million including construction and equipment. The City has agreed in a term sheet to provide TIF assistance as a pay-as-you-go cash grant of \$4.9 million in order to assist with the extraordinary costs of refrigerated and frozen manufacturing space that meets hygenic design requirements for food processing. Multiple locations were considered for this project including sites outside the City and outside the State of Wisconsin.

J. Lukas requested additional details on the proposed TIF assistance. N.

Sparacio stated that the amount of the cash grant is approximately 20% of the hard construction costs and explained how the pay-as-you-go structure would work. The proforma is based on an anticipated assessed value increase of \$18 million. K. Mischler asked how much of the annual incremental taxes get reimbursed to Lakeside Foods. N. Sparacio replied that the initial terms were set at 95% of annual incremental taxes paid to the district. The City will retain 5% to cover any other costs of the district. J. Lukas inquired on the reason for the length of the agreement at 15 years and what happens at the end of that period. N. Sparacio stated that 15 years is the statutory expenditure period for industrial TIDs, so the City prefers not to go beyond that with repayment obligations. If the 15 years is complete and the incremental value has not yet reached the grant amount of \$4.9 million, then the payment obligation still ends at that point. M. Maurer stated that this is similar to other TIF grants provided in the recent past.

K. Mischler asked whether this project would happen without the TIF assistance. N. Sparacio stated that the extraordinary construction costs and the competitive nature of siting business expansions meet the “but-for test.” Therefore, the project would not happen without the TIF assistance. In addition, these industrial-zoned lands have sat vacant for many years.

N. Sparacio further explained the purpose for the district boundary, which only includes parcels owned by Lakeside Foods. Other surrounding properties were considered, but there are no other known projects that are likely to significantly increase assessed value at this time. TID 20 could be amended in the future if needed.

N. Sparacio introduced several elements of the proposed project plan for TID 20 including the district type (industrial), the possible project expenditures, the district cash flow and proforma, and the City’s current TIF capacity under the “12% rule.” K. Mischler asked how the infrastructure projects would be paid for in total. N. Sparacio explained that the Project Plan shows the TIF district is supporting 25% of infrastructure costs with other sources, like the City budget, covering the other 75%. For modeling purposes, the Project Plan shows that the district will generate more incremental revenue than the anticipated project expenditures. The district proforma does not include any inflation increment and deflates the tax rate each year. The 12% test is still compliant, even when including the base value of the new downtown TIF district (TID 19). The City is also in the process of closing TIDs 11 and 13 which will create additional capacity.

N. Sparacio explained the upcoming process steps including Plan Commission

public hearing and action, Common Council action, and then returning to Joint Review Board for their decision. No action is needed at this time.

5. Updates on Other Potential TIF District Actions for 2018

N. Sparacio provided information on other TIF projects that the City is considering for 2018. Those activities include:

- Closing TID 11, a distressed district
- Closing TID 13 and directing the 2017 increment revenue for housing affordability and quality improvement programs
- Adding the parcels from TID 11 (after it is closed) back into TID 19
- Allocating some of the excess funds of TID 15 to TID 14
- Creating one or more new districts in the I-43 Tech Park

M. Maurer asked for details on how the housing affordability and quality improvement programs would work. N. Sparacio explained the one-year extension that is allowed by statute.

N. Sparacio provided updates on recent development agreements and noted that this will be a busy year with TIF projects.

J. Lukas asked for clarification with TIDs 11 and 13 closing out with a zero balance. N. Sparacio responded that these districts will be returning \$3.8 million and \$8.6 million of incremental growth onto the tax rolls respectively. It is not the City's goal to close out districts with a zero balance, but these particular funds are being used to meet a significant community need. J. Lukas stated that TIF districts should be closing with a positive balance.

K. Mischler stated that TID 14 has long been in need of assistance in order to meet its obligations. N. Sparacio agreed and noted that TID 14 funded some projects in the past that did not result in expanded tax base. This is not how the City wants to use TIF. The City is focused on TIF projects that expand tax base and create increment. It is not the City's goal to close districts with zero balance. J. Lukas stated that the Technical College had to resubmit its entire budget due to some challenged assessments and other issues.

K. Mischler asked for the status for TID 18. N. Sparacio stated that the decrement for this area (the former Elks Club and Mid-Cities Mall) has been resolved, and there is a \$5 million construction project in the works that is not receiving TIF assistance.

N. Sparacio then briefly reviewed the status of each existing TIF district.

6. Set Next Meeting for Consideration of TIF District No. 20 Creation

The next meeting date was set for Tuesday, April 24 at 2:00 PM.

7. Adjourn

T. Reckelberg adjourned the meeting at 2:40 PM.

Attendance

Members Present

Todd Reckelberg
Ken Mischler
Mark Maurer
John Lukas

Members Excused

Steve Corbeille

Staff Present

Nic Sparacio
Paul Braun
Tyler Caulum
Lisa Mueller

Others Present

Denise Kitzerwow
Peter Wills