

ECONOMIC DEVELOPMENT COMMITTEE

Date and Time: Tuesday, March 6, 2018 @ 5:15 pm., Council Chambers

Economic Development Members Present: Neal (C), Rasmussen, Gehin, Wagner & Peckham.

Others Present: Schock, Mielke, Stratz, Lindman & Plaisance.

Other Council Members Present: Abitz, Gisselman & Smith

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 Chairperson Neal at 5:15 pm.

Approval of Minutes from 02/06/18.

Motion by Peckham, second by Wagner to approve all minutes. Motion passed 4-0 (Gehin was not present at this time.)

Discussion and Possible Action on the Property Disposition Application Received for the Property at 2408 Gowen Street.

Stratz reported that the department received an application from Habitat for Humanity including a proposed purchase price of \$1,000 and site and building plan. Stratz added that Habitat for Humanity is interested in doing more projects with the City and that the construction will start in May. This program incorporates high school students from DC Everest and Mosinee, in which they will assist in the build and Schuette Movers will move the home to the property.

Wagner asked if Habitat for Humanity was a non-profit, 501c3 organization and proposed to amend the price of the property for the city to give the property away. Bill Scholfield, the Habitat for Humanity representative, extended appreciation of that proposal and explained that he wanted to make sure they went through the correct process. He explains that currently the property is not on the tax roll and they would be putting it back on. They are hoping to add more buildings in the City of Wausau in the future. Wagner thinks it's amazing to get these kids in this trade and Berland Meyer said that prior to 2008 they built several houses with Wausau East and this house, though with different high schools, will be the 66th home built in the area. Peckham inquired where the \$1,000 comes from and when it gets paid where it goes back to. Stratz explained that it goes into the program income account to reimburse the demo cost and that she is fine with the amended proposal decision because it's making the property taxable.

Motion by Wagner, second by Peckham to amend and approve the proposal made to donate the 2408 Gowen Street property to Habitat for Humanity. Motion passed 4-0.

Discussion and Possible Action on the Commercial Rehabilitation Application Received for the Property at 614 North Third Street.

Stratz described the application that came in for the Terradea LLC Salon at 614 3rd Street. The owner currently rents the building next door and wants to buy this space. She explained that the original quote that came in stated the loan amount requested as \$65,000 but they found some other issues in the building, so are amending their proposal to \$75,000 and \$1,000 of soft costs, for a total of \$76,000. These costs would include new roof, painting and windows but they would keep the historical look to the building.

Wagner reiterated that this was a loan through the city and asked if the Main Street facade program was no longer. Stratz explained that program was gone. Neal asked the owners what they planned to do with the upstairs space and they replied that they would like to renovate it into a high end apartment in the future.

Motion made by Peckham, second by Wagner to amend the total amount requested to \$76,000 and approve. Motion passed 4-0.

Update on Construction Permits.

Schock explained that the department is constantly adding and sharing this information throughout the year. The new numbers from 2017 should be coming out later this year and they will include on the dashboard. Based on the final numbers of construction permits this was a record year and going back to discussion about debt and investments of the city, this shows where the money is going and is laying foundations for the communities' project volume. 2015 and 2016 summaries are also shown and explains that this report is very broad based and shows not only commercial permits, but also homes.

These numbers do not include proposed projects, only actual projects that that in beginning or in the construction stage.

Wagner asked what happened in 2015 with the residential permits compared to 2016 & 2017. Schock explained that the department started new software after 2015 and there are more categories broken out, that he can see, but will confirm and get an explanation from Bill Hebert in the Inspections Department. Rasmussen also stated that there was a Residential Rental permit during 2015 and some of 2016 but was then stopped due to State actions. Smith asked Schock about the number of permits in TID districts and Schock answered with an approximate 20% but would send Smith clarification on this.

**Gehin joined the meeting at 5:32 pm.

Discussion and Possible Action on the WEDC Site Certification and Subsequent Event Scheduled for March 29, 2018.

Schock explains that this site certification is given by the state which improves and testifies the marketability of the sites in the Business Campus. This would be the first certified site in Marathon County and proves the time invested in building out the Business Campus. There are 18 other sites throughout the state that are certified. The certification is approaching completion after going through testing, planning and site work for wetlands, utilities and the grade of the properties. The event will be at the Business Campus at 10 am on Thursday, March 29th where they will announce the certification. Schock makes the committee aware that there will be a pass-through cost which will depend on the amount of contracted work and analysis time and the funds will come out of the TIF and marketing accounts.

Rasmussen asked to have an agenda and quorum released, as there will be state attendance.

No action taken.

Update on the February 2018 Downtown Idea Exchange Article: “Planning, Investment and Incentives Help Fill the Housing Gap.”

Schock presented the SAVO article at last month’s meeting and thought he would present this new article.

No action taken.

Update and Discussion on Current Projects:

Schock wanted to keep the committee updated on current projects and keep things open and transparent.

- Riverlife – Schock stated that everyone is aware of the recent articles about Franz and Sharkey, Quantum Ventures. They will both be attending the Finance Committee meeting on March 13 to answer questions from both the public and the committee and also report on current leases committed. Schock explains that this is an ongoing property and the city is a gap financier whereas the city chooses the developer, not the investor. The city holds a signed agreement with the developer and everything is going well with that. We look at the entire team and how they are working together on the project, not just one part of the team. The work that is being done currently is a \$1 million foundation project and the developer is meeting the development agreement standards. The city’s protection is in the very clear developer’s agreement and they are signing with a primary lender in which the process is tied to planning and construction draws with the vendors. The primary lender and the city agree to pay off contractors to a specific level in the agreement and our money is injected into paying the contractors off after the standards are met and the projects stands on its own merit.

Smith asked how Quantum Ventures fits in the agreement and Schock explained that we have received a commitment letter from the lender working toward a funded loan and at that point they must provide documentation. The \$370,000 that was given to Franz and the vendors, not the developers, is for engineers, testing, etc. and Quantum Ventures will not receive money until they show what they’ve done.

Rasmussen believes that the department should have a level of review and research process and should possibly add more steps to do deeper background checks. She and the Finance Committee will gladly welcome Franz and Sharkey to the meeting and they will have to prove that they can deliver on this project. She also explains that the claw backs in the agreement have specifics and benchmarks that they need to meet. Neal tells the committee that he has visited the construction site multiple times and has talked to the supervisor on site and there has been nothing but positive comments. Neal also asked Schock about the level of tenancy Riverlife is at currently and Schock explained that the project is very marketable and that is why it has been successful thus far. The momentum of the project and the letters

of commitment and intent have been continuously coming in. Schock and Neal then explained that if they do not find a primary lender a new developer would come in and continue the work, we just need to continue to fulfill our end of the agreement.

Smith's biggest concern about the issues that have arose is the funding and what if it dries up. The original RFP that went out only received two proposals back and what developer would take over if it came to this. Neal thinks that this is an attractive project to any developer because the project is on track and will remain that way. Schock agreed and said that 60-70 percent of the space has been leased and the city will always want to be in this type of position. Rasmussen adds that regardless of their only being two proposals, the final choice they made was due to past experience. The money distributed to Mudrovich Architects and Ayres & Associates was included in the development agreement and it was money worth spending. Wagner questions that "we" now own the things we have paid for; plans, environmental testing and cement and is happy that the process is moving along and will keep moving forward. Gehin agrees and is pleased to see ongoing activity and states that the contract cannot be broken without any flaws. Schock assures that they are being very careful with this project and it is being followed very closely. They have a weekly team meeting with all facets of the project and they are constantly asking for updates. If there is something that goes wrong the committee will be the first to know and reiterates that this is a very key time and that all questions are very important.

Public Comments:

Joanne Leonard at 923 Maple Hill Road, Wausau is worried about the issues that have suddenly surfaced and speaks about the January 9th meeting and that the committee should have went back to the drawing board then. She is wondering who is performing the due diligence on the principals of these projects. She states that she would like the committee to open their eyes and see what is going on. Schock reassured Leonard that the contracts and agreements were tight and she rebutted with the fact that the taxpayer's money has been used thus far.

Doug Diny at 708 Fulton Street, Wausau voices his concern with the specifics pointed out at this meeting and the process that was talked about at the February 6th meeting, and now being discussed again at the March 13th meeting. Diny's question to Schock was, how much money has Quantum Ventures raised for this project and Schock replied that there is a commitment letter and we are waiting for the loan to close with the primary lender. Schock states that these are all valid questions, but that doesn't excuse that they have to reach their benchmarks as stated in the development agreement. Diny then asked the committee why none of these concerns were asked of Franz earlier in the process, thinking that he would have fessed up to the issues that have now arose. Schock then explained that this development agreement was signed with the developer and the due diligence had already taken place. The department is investigating a process in which to include answers to these issues. He also states that on March 13th, at the Finance Committee meeting, the community needs to ask more questions and feel more comfortable with this situation. The department is concerned with the issues that have arisen but they have been meeting their thresholds and the project is more than just one entity, its many facets.

Neal explains the sensitivity to these negative optics and wants to see better perception of the public's trust. We, the committee, are concerned about this and want to address this through the public at the March 13th meeting where we can receive a direct response from Franz & Sharkey. Rasmussen believes that the entire group of committees can grow and learn from this situation and the development agreements have been retooled to include specific claw back structures and benchmarks. She believes that the vetting should be done by the development team's process, not the committee, before it's a signed agreement and that it's a crucial balancing act.

- Westside Battery/Urban Bistro – Continued process on this site. The final structure is being completed and they have secured financing and their plans. Additional ground testing had to be done and the schedule of the close is the next step. Schock has discussed with them the payment in lieu of taxes for 2017 and the amendment of the purchase price. This information will come to a future committee meeting.
- Sears – The department has continued discussions about the future of this project. They are meeting with the WEDC about the redevelopment and planning of this building and site. At the next CISM meeting they will discuss corridor planning and possible changes on the surrounding streets and interior plans in which a consultant will start working on after this meeting.

Wagner asked if the staff has reached back out to HOM Furniture and Schock assured Wagner that they have and that they are still interested. Peckham then asked about the movie theatre option and Schock also assured him that there was ongoing discussions with them but no timeline given. Wagner believes that the best outcome would be a movie theatre in the Younkers space and HOM Furniture in the Sears building. Smith then asked if they'd be interested in leasing the building, but on the other hand thinks that the Sears building should go back on the tax roll as soon as possible and Schock explained that they want to own, not lease so Sears would be the only available building for them. Rasmussen looks back at when the committee talked about de-malling the mall and thinks they should look at the original street plans. An occupancy flip may need to happen. Schock agrees and thinks creating on-street parking and other

improvements made to make the area more marketable for the users. Mall owners will be part of this entire process and to determine the strategy everyone will need to be as responsive as they can.

- Wausau Chemical – An agreement is to be signed in the coming weeks.
- Great Lakes Cheese – Construction continues and currently they are working on the major structural steel component.
- Savo Supply/Atrium Lofts – They are on their final steps of this great renovation. The units are completely fit out and the building looks great. They will have a soft opening and an open house once leasing has started and the construction wraps up. There was also a gazebo installed. Not only has this been a successful partnership, the department and committee are proud of this project and the needed development of workforce housing.
- Scannell Properties – There has been an approved term sheet and there have been ongoing discussions with developers.
- Brownstones – These townhomes being built on 3rd Street have had great progress with construction. As they continue to move forward with the \$4 million dollar project they will have discussions on Phase 2. Schock believes it is a great infill of urban fabric and Neal agrees that it has and will be transformative to the neighborhood.
- Liberty Mutual – This project is pending with much discussion and they have continued their lease in the current hospital owned building.
- Urban West – This project has been moving forward significantly at 12th Ave. and Merrill Ave. The frame work is being constructed now. Schock is pleased that this is the first of urban formatted housing and will include the urban amenities with a modern style which doesn't exist in our market currently. Rasmussen agrees and praises that the city had no funding involved in the project and that the new sale and development got rid of a bad landlord.

Public Comments:

Doug Diny at 708 Fulton Street, Wausau asked if the County approved the Hwy O reconstruction and Schock answered yes. Diny also explained his concern about the saturation of housing with all of the developments happening currently. Schock answered saying that the studies have shown that this area was lacking in a variety of housing, both for rent and for sale. The developers are confident in the market and the actual letters of intent are driving the developers. The city wants to make sure we are competitive with peer cities and notice that their projects are also being supported by TIF money. Neal agrees that believes this is a city of the future and that developers see this also, and are focused on the growth potential. Rasmussen states that we are trying to attract business and development in the area, but we also need to attract the workforce, a place for them to live (rent or own) and then have something for them to do outside of work. She believes this is a well-rounded approach and marketing strategy, and that we have had great strides within the past two years.

No action taken.

Special Instructions or Directives to Staff:

Wagner asked for an updated discussion on the 72nd housing project. Schock replied that there is a meeting scheduled this week for revised plans and that they will continue their discussion and he will update at the next ED meeting.

Wagner also asked that they get a value of all building permits and what buildings are adding taxes to properties and in what parts of the community. He also requested an update on the larger projects going on in the city, even if they are not being funded through the city.

Neal wanted to thank the CD/ED department for doing the research and giving updates on these current projects.

Motion by Gehin, second by Peckham to adjourn the meeting. Motion passed 5-0.

Adjournment Time: 6:46 p.m.