

City of Merrill
Meeting of Redevelopment Authority (RDA)

Wednesday, August 19th, 2020 at 8:00 a.m.
City Hall Common Council Chambers

RDA Present: Clyde Nelson, Tony Kusserow, Steve Sabatke, Lori Anderson-Malm, Val Mindak, Derek Woellner (via phone), and Sheila Polak (whom arrived at 8:05 a.m.)

Others: Alderperson Mark Weix, City Clerk Bill Heideman, City Administrator Dave Johnson, City Attorney Tom Hayden, Finance Director Kathy Unertl, Public Works Director/City Engineer Rod Akey, City Building Inspector/Zoning Administrator Darin Page, Bill Bialecki from Lincoln County Economic Development Corp. (LCEDC), Jeff Burns from Weinbrenner Shoe Company, Inc., several members of the public, and camera operator from Merrill Productions

Call to Order: Chair Nelson called the meeting to order at 8:00 a.m.

Consider approval of RDA meeting minutes from July 8th, 2020:

Motion (Kusserow/Sabatke) to approve the meeting minutes from July 8th. Carried.

Public Comment: None.

Update on potential restaurant development – Tax Increment District (TID) No. 3:

Due to the uncertainties related to COVID-19, the proposed family restaurant development north of Wal-Mart is no longer viable and will not happen. LCEDC's Bialecki reported that he continues discussions with potential restaurant developers.

Update on 1/1/2020 Equalized Valuations (Overall City and Tax Increment Districts) and 1/1/2020 Assessed Valuations of 2019 TID Developments:

Unertl highlighted the 1/1/2020 Equalized Valuations provided by the Wisconsin Department of Revenue (DOR). Merrill has had four years of growth. Overall community tax base growth since 2013 has been almost 25%. There is faster tax base growth occurring within Tax Increment Districts (TIDs). The City's Net New Construction percentage would have been higher than 1.0% if both Golden Harvest and Nelson's Powerhouse had been completed as of 1/1st.

For 2020, there was almost \$3.25 million increase in TID No. 3; there was over \$3.3 million increase in TID No. 7 (with Wisconsin DOR manufacturing reassessment of former mill property); and over \$1.1 million increase in TID No. 11 with completion of Phase 2 of Rock Ridge Apartments.

Update on 1/1/2020 Equalized Valuations (Overall City and Tax Increment Districts) and 1/1/2020 Assessed Valuations of 2019 TID Developments - Continued:

As for specific TID developments, Unertl highlighted TID No. 11 Rock Ridge Apartments. Total Assessment Valuation has gone from \$65,000 as of 1/1/2016 to \$4,125,100 as of 1/1/2020. Property taxes have increased from \$2,747 in 12/2016 to projected \$125,000 in 12/2020.

Although it has taken longer timeframe, the former mobile home frontage on State Highway 64 was assessed at \$491,600 as of 1/1/2015. With partial valuations on Nelson's Powerhouse and Golden Harvest and full valuations on Park City Brickner's Park City, LLC, the assessed valuation total was \$1,949,240 as of 1/1/2020. Corresponding property taxes were \$13,243 in 12/2015 and are projected at about \$63,220 as of 12/2020. There will be full assessed valuations as of 1/1/2021 and additional future tax increment generated.

Unertl also provided information on assessments and property tax for 3201 E. Main St. (Dollar Store development). There has now been increase of \$545,890 in assessed valuation and projected \$17,314 increase in property taxes for this private-sector redevelopment project.

The successful rapid increase in City TID equalization tax base represents almost 12.0% of the City's total equalized valuation. The maximum allowed by the State of Wisconsin is 12.0%. Unertl emphasized that the City by this time in 2021 would likely be above this limit which could limit potential creation of new TIDs (such as to facilitate Lincoln County Hwy G Industrial/Business Park development). Representatives from Ehlers & Associates, the City's independent financial consultant, are reviewing potential future TID-related options.

Presentation on and discussion of potential options for single-family home development on former Kientz parcel (Tax Increment District No. 11):

Bialecki advised that the Wausau developer potentially interested in building single-family homes in Merrill thought the meeting was at 8:00 p.m. (evening). The developer will provide background proposal and would come to the next RDA meeting.

Ryan Ott expressed concern with proposed changes to the Development Agreement with Ryan Ott Development and Construction, LLC. for the one single-family home that RDA Commissioners had authorized at the May 6th RDA meeting. These legal agreement concerns were discussed in Closed Session.

Update on and discussion of potential redevelopment options for former Hurd Windows & Doors parcels 2020 (Tax Increment District No. 8):

Unertl distributed assessed valuation history of the about 28 acre site from 2000 through 2020. The highest assessed valuation was in 2003 at \$3,750,200. Lowest valuation was \$786,800 in 2012 and 2013. Although the assessed valuation has rebounded to about \$1.4 million level the last five years, Unertl emphasized that there is potential for substantial valuation increase if the property was redeveloped for manufacturing.

Johnson reported that there are potentially three interested businesses in redevelopment of the property that is owned and now back under the legal control of Merrill Area Development Corp. (MADC). Weinbrenner Shoe Company, Inc. is requesting consideration of potential \$300,000 TID cash development incentive.

Update on and discussion of potential redevelopment options for former Hurd Windows & Doors parcels 2020 (Tax Increment District No. 8) - Continued:

Weinbrenner Shoe Company, Inc. is interested in the buildings for expansion of their manufacturing and warehousing. Weinbrenner President Jeff Burns emphasized that the company has been in Merrill since 1936 and is committed to the community. Due to Federal CARES Payroll Protection Program (PPP) loan, Weinbrenner would first be fiscally able to purchase the property this Fall.

Update on and discussion of potential redevelopment options for former Hurd Windows & Doors parcels 2020 (Tax Increment District No. 8) - Continued:

Weinbrenner management has identified potential \$3 million in improvements to the buildings, including about \$1 million for roof replacement. Timing of roof replacement would be about May/June 2021 and then additional building improvements and relocation of equipment and employees by Fall 2021. The existing Polk Street manufacturing facility would continue to be used. A potential interested purchaser for the Taylor Street warehouse facility has already been identified. There is potential for hiring 25 to 30 additional employees.

RDA Commissioners had further consideration of the TID development incentive request in Closed Session.

Next RDA meeting: Wednesday, September 2nd at 8:00 a.m.

Unertl advised that she is requesting joint RDA and Committee of Whole meeting for later September so that Ehlers & Associates representative would be able to present fiscal overview of Merrill's Tax Increment Districts (TIDs) and discuss potential future options. That would likely be a 6:00 p.m. meeting timeframe with date to-be-determined.

Chair Nelson read the following:

The RDA may convene in closed session per Wis. Stats. Sec. 19.85(1)(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 to consider:

- a. Consider approval of closed session RDA meeting minutes from June 17th
- b. Consider potential negotiation terms for cash development incentive(s) to facilitate single-family home development on former Kienitz Parcel in Tax Increment District (TID) No. 11
- c. Consider potential negotiation terms for cash development incentive(s) to facilitate manufacturing relocation into vacant buildings located in Tax Increment District (TIDs) No. 8

Motion (Sabatke/Mindak) to move into closed session. Carried 6-0 on roll call vote at about 8:48 a.m. At some point during the meeting, Woellner's phone connection ended and City Administrator Johnson was unable to reestablish voice communication in response to Woellner's texts.

Nelson advised that the June 17th Closed Session minutes will be provided for consideration at a future RDA meeting after Unertl completes preparation.

Ryan Ott requested that an option of first refusal for up to three (3) lots be restored to the draft development agreement. RDA Commissioner consensus to allow option for up to three lots on the former Kienitz development parcel. First home would be constructed on Lot 1 of the Certified Survey Map (CSM).

Unertl reported that construction of only one single-family home on West St. Paul St. would not facilitate TID No. 11 cash flow for paving West St. Paul St. or extension of Superior St. utility and new street infrastructure.

Mindak questioned liability considerations in the draft development agreement. Unertl noted that basic provisions include in Section 3.02 – Liability. RDA Commissioners requested City staff to further review provisions related to liability (including if only partially built); specific requirement for timely payment of property taxes; and compliance with City exterior maintenance ordinance code requirements.

Mindak showed copy of City of Milton, WI's Tax Incremental Financing Policy and Application and requested that City staff consider pulling together various City of Merrill policies in comparable document. City Administrator Johnson will take the lead on this document project. Key items include what City of Merrill policy is; what is eligible for TIF funding; and what potential decision criteria are used.

As to former Hurd Windows & Doors vacant buildings (Tax Increment District No. 8), RDA Commissioners discussed the \$300,000 TIF funding request and how to potentially structure (i.e. cash development incentive grant and/or potential forgivable loan). Formal action would be considered at a future RDA meeting if Weinbrenner Shoe Company, Inc. successfully negotiated purchase of the property and buildings from Merrill Area Development Corp. (MADC).

Mindak had to leave the RDA meeting about 9:30 a.m. due to work commitment.

Adjournment: (Kuesserow/Polak) to adjourn at 9:40 a.m. Carried.

Minutes prepared by RDA Secretary Kathy Unertl