



TO: Mayor Sorenson and Common Council Members
FROM: Casey Bradley
DATE: February 1, 2024
SUBJECT: Malibu Apartments, LLC. Development Agreement

This memorandum intends to provide background regarding the Malibu Apartments, LLC Development Agreement and Project at [1403-1435 S Seventh Street](#).

Background

City staff have been working with Malibu Apartments, LLC to provide a development on the site known as “Kite Beach”, parcel no. 59281318390. This site is also known as the “Former Optenberg Site”. In the early 2000’s, the City entered into a development agreement for the development of this property with a different developer. That project ultimately did not happen as, from my understanding, the site was recognized by the [DNR as a contaminated](#) site in 2005, BRRTS#s 02-60-544558 & 06-60-544036 and the contamination on the site prevented that development from occurring.

The link provided above also illustrates the activity on the site since 2005. You will note in the Actions and Documents section of the link provided above, Malibu Apartments, LLC has been in active discussions with the DNR on their proposed project. This Developer is also working with the County Planning and Conservation Department, through a state grant received by the county, on the site clean-up plan. We will continue to work with the developer on the site clean-up process to ensure this project is completed as planned.

Proposed Project

This project site is located in what will be proposed as a new Tax Incremental District (TID), TID 21. The developer is proposing a two-phase project for a total of 210 apartments as well as commercial space for a restaurant located on the beach. Per the [development agreement](#), the developer must begin the first phase on or before October 1, 2024, and the second phase on or before December 31, 2026.

The project will be a mix of studio (29), one-bedroom (70), one-bedroom plus den (12), two-bedroom (87), and three-bedroom (12) options for a total of 210 total units. Phase one of the project will have first-floor parking, and may include roughly 3,486 square feet of commercial space for a planned restaurant. Above the first-floor parking would be four floors of apartments. Phase two would be a smaller building with first-floor parking and the four floors of apartments above. These plans can be viewed as [Exhibit C](#) of the development agreement. The developer will maintain public beach access as part of their overall project plan with regard to the extensive parking updates shown in Exhibit C. The developer has guaranteed an assessed value of \$40,000,000 as is listed in Article 3.1 of the Development Agreement.

Casey Bradley
City Administrator

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Development Incentive

The proposed development agreement provides a pay-go incentive of 20% of the proposed development guarantee value, you can see this in 5.1 Municipal Revenue Obligation (a) \$8,000,000. This incentive will be paid over the life of the TID after the developer makes the site buildable and creates the development as proposed. We have worked with the developer to adjust the initial repayment schedule to be more aggressive in the first five years and then reduced back to normal levels until the incentive levels. The repayment schedule can be found in 5.1 Municipal Revenue Obligation (a)(a) and (b) of the attached development agreement. As written, we will reimburse 95% for years 2027-2031 and 75% each year thereafter until the 20% reimbursement has been reached or until the TID has been closed, whichever comes first.

City Responsibilities

City Administration and the Department of Public Works/Engineering will work with the developer to reconfigure the parking along South 7th St and Clara Avenue. This work will be minimal and will fit within our existing project on Clara Avenue already planned, and we plan to complete the work on Clara Avenue at the same time with minimal cost impacts. Depending on the final buildout of the site we may have some additional work along Georgia Ave. This can be found in 9.1 City Representations (c) of the development agreement.

Next Steps

The developer and City staff have reviewed this development agreement. The City's legal counsel drafted the agreement, and made all amendments to the agreement. We have reviewed this project on several occasions with all department heads as well as at our internal development meetings. Specifically, Police, Fire, and Transit have had an opportunity to review and provide input into this project.

This project and development agreement are now ready for final consideration by Council.

Casey Bradley
City Administrator

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