



APRIL 22, 2024

# City of Watertown

Finance Committee 5:30pm

Greater Watertown Community Health Foundation

*Neighborhood Plan Update*

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Section 1

# GWCHF Vision





# GWCHF

*Our Vision:*

Thriving communities where everyone has a fair and just opportunity to be as healthy as possible.

“Health equity means increasing opportunities for everyone to live the healthiest life possible, no matter who we are, where we live, or how much money we make.”

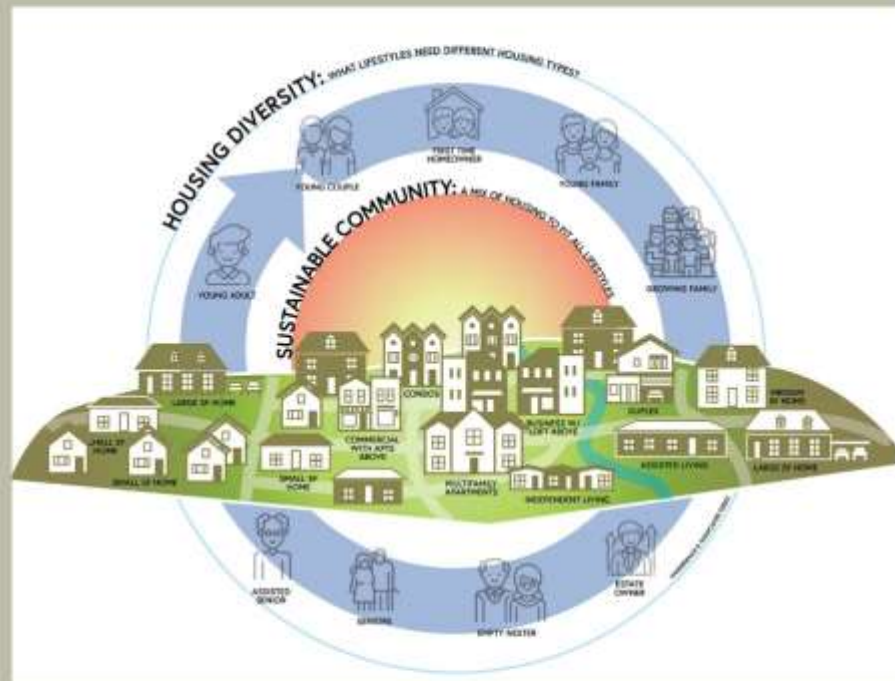
Robert Wood Johnson Foundation



# Development Plan

*Great Watertown Community Health Foundation's Vision four Housing.*

- Deliver diverse housing types to accommodate a variety of lifestyles, age groups, formats, and price points.
- Integrate public health and community character.
- Build a model for sustainable and positive environmental impacts by providing housing, parks, and community uses within walking distance.
- Blend multi-modal transportation options into design.
- Preserve environmental systems.



Section 2

# Development Plan & Site Layout



## *Previous* Development Option

As presented to City  
Staff in Dec 2023.

### Option (1)

ADOPTED PLAN

**Housing Choices** 100 rental apts, 20 for-sale townhomes, 24 for-sale twins, 39 for-sale singles

**Total New Roofs** 183

**Estimated Taxes** **\$783,000**

**Need from City** PayGo Blighted TID, Mixed Use TID for infrastructure installation

## Previous Layout

December 2023.

- Multiple east/west streets.
- Includes townhomes.
- No higher-value lots.



## Current Development Plan

March 2024.

*This plan:*

- creates highest tax increment.
- is Developers' preference, ie., no town homes.
- meets GWCHF's vision and goals.
- creates greatly needed housing options for citizens of Watertown.

## APARTMENTS, TWIN HOMES & SINGLE FAMILY HOMES

### Housing Options

- 96 rental apartments
- 18 for-sale twins
- 78 for-sale singles

Total New Roofs 192

Estimated Taxes **\$914,000 upon construction  
completion**

# UPDATED

## Site Layout

March 2024.



- Multiple higher-value lots.
- One east/west street.
- No townhomes.
- Highest tax increment.

## Multi-Family Development

- 96 units.
- Infrastructure thru developer financed TIF.
- 2025 anticipated construction start.



# Multi-Family Development

## Proforma

*But for* the City's infrastructure installation, the Multi-Family development would not be financially feasible.

### Riverside Apartments Development Information and Assumptions

April 4, 2024

#### BASIC PROJECT INFORMATION

Units	96
Type	Family Market Rate
Address	Hoffman Rd
City, State	Watertown, WI
Site Area (acres)	6.00
Building Gross Sq. Ft. (excluding parking)	119,994
Parking Spaces - Attached	32
Parking Spaces - Detached Garage	0
Parking Spaces - Surface	TBD

#### PROFORMA ASSUMPTIONS

Construction Hard Cost/SF	\$140.01
Total Development Cost/Unit	\$212,296
Operating Expenses (per unit per month)	\$587
Annual Rent Increase	3.00%
Annual Expense Increase	3.00%
Stabilized Vacancy	5.00%
Sales Price - Cap Rate	6.25%

#### FINANCING ASSUMPTIONS

Construction Loan Rate	8.000%
Construction Loan Term (Approx. Months)	30
Permanent Mortgage Rate	6.750%
Permanent Mortgage Amortization (years)	30
Permanent Mortgage Term (years)	7

#### INVESTMENT RETURNS

Cash on Cash (10 yr avg)	6.67%
IRR	11.16%

#### REVENUE ASSUMPTIONS

Unit Type	Qty	Sq. Ft.	Rent	Rent/SF
1 Bedroom - Lower	12	730	\$ 1,250	\$ 1.71
1 Bedroom - Upper	28	795	\$ 1,275	\$ 1.60
2 Bedroom - Lower	12	1,010	\$ 1,575	\$ 1.56
2 Bedroom - Upper	12	1,075	\$ 1,600	\$ 1.49
2 Bedroom - Lower - Garage	4	1,010	\$ 1,675	\$ 1.66
2 Bedroom - Upper - Garage	4	1,075	\$ 1,700	\$ 1.58
3 Bedroom - Lower - Garage	12	1,285	\$ 1,900	\$ 1.48
3 Bedroom - Upper - Garage	12	1,350	\$ 1,925	\$ 1.43

96

#### OTHER REVENUE ASSUMPTIONS

Type	Qty	Rate	Per Year
Parking / Storage	0	\$ -	\$ -
Pet move-in fee	0	\$ -	\$ -
Pet fees (per mo)	0	\$ -	\$ -
Amenity fee	0	\$ -	\$ -

#### CONSTRUCTION AND LEASE-UP SCHEDULE

Construction Begins	09/01/24
Construction Complete	09/01/25

## Twin Homes Development

- 18 units.
- Infrastructure thru GWCHF and municipal funding.
- 2025 anticipated construction start.





## Single Family Homes Development

- 78 units.
- Infrastructure thru GWCHF and municipal funding.
- 2025 anticipated construction start.



# Single Family Homes

## Proforma

*But for* the City's infrastructure installation, the Single Family Homes development would not be financially feasible.

	Full Cost	Percent	Discounted Lot	Percent	Difference
Final Sales Price	\$475,000		\$410,000		\$65,000
Commissions & Closing Costs	-\$16,625	-3.50%	-\$14,350	-3.50%	
Proceeds at Closing	\$458,375		\$395,650		
Home Construction Cost	-\$275,000	-57.90%	-\$275,000	-67.10%	
General Conditions on Site	-\$7,000	-150%	-\$7,000	-170%	
Lot Cost	-\$85,000	-17.90%	-\$30,000	-7.30%	-\$55,000
Interest Expense & Carrying Cost	-\$12,000	-2.50%	-\$8,000	-2.00%	
Harbor Homes OH per Home	-\$35,000	-7.40%	-\$35,000	-8.50%	
Profit	\$44,375	9.30%	\$32,000	9.90%	

Section 3

# Infrastructure

Phased Installation



# Infrastructure Phasing

Phased installation affords City  
time for budgeting.



# Infrastructure Costs

Projected.

	Phase 1	Phase 2	Phase 3	Total Project
Linear Feet	2316	1449	435	4200
Mass Grading and Water Management	\$ 1,348,230.00	\$ -	\$ -	\$ 1,348,230.00
Water and Sewer	\$ 1,200,685.20	\$ 726,772.80	\$ 250,582.00	\$ 2,178,040.00
Curb, Gutter, Road	\$ 511,325.00	\$ 320,425.00	\$ 87,050.00	\$ 918,800.00
Gas and Electric	\$ 137,800.00	\$ 85,800.00	\$ 31,200.00	\$ 254,800.00
Landscape, Professional Fee's and Contingency	\$ 828,298.04	\$ 209,439.56	\$ 67,526.40	\$ 1,105,264.00
Total	\$ 4,026,338.24	\$ 1,342,437.36	\$ 436,358.40	\$ 5,805,134.00

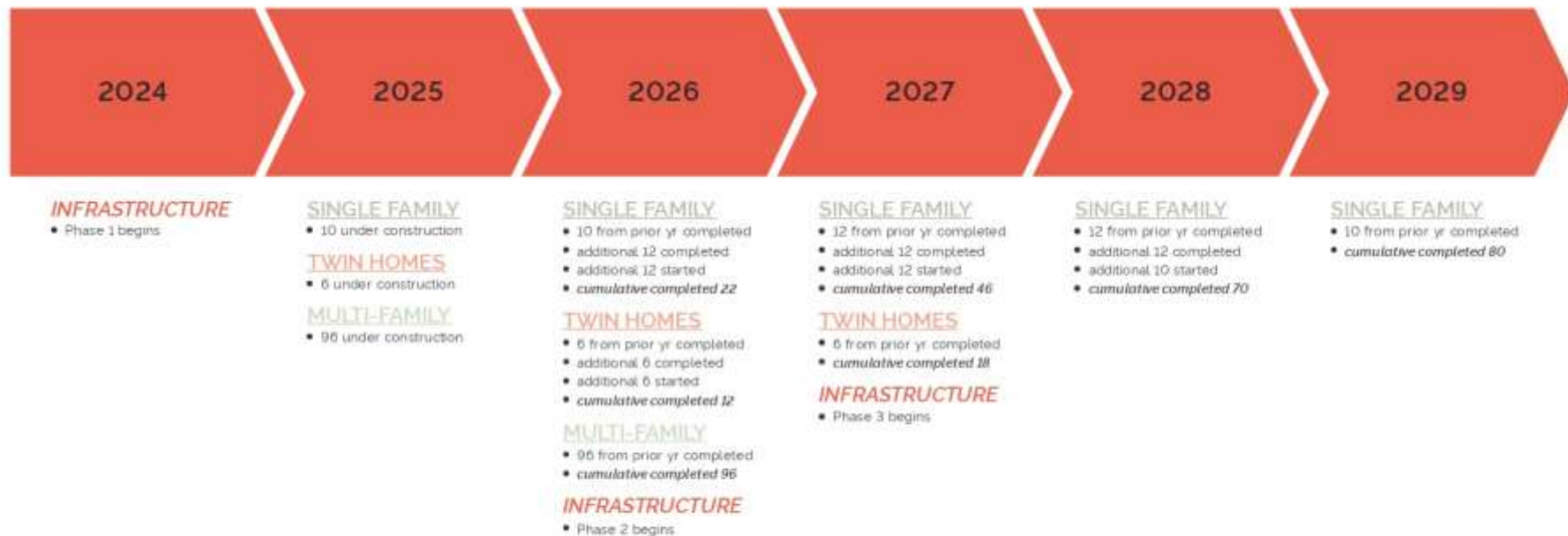
Section 4

# Construction Phasing



# Construction Phasing

## with Infrastructure Phasing



Section 5

# Term Sheets



# Term Sheet

## Riverside Apartments Development.

### City of Watertown – Riverside Apartments Development Developer Agreement Summary Term Sheet Draft: April 18, 2024

- A. Parties:** City of Watertown (the "City")  
Horizon Development Group, Inc. (the "Developer")
- B. Property:** Developer has an option to purchase a 7.7-acre site (the "Property") that is the northern portion of a larger 48.5-acre redevelopment site (the "Redevelopment Site") generally located at 700 Hoffman Drive in the City of Watertown (Jefferson County Tax Identification Number 291-0815-0814-001). The balance of the property is being planned for the development of a residential subdivision, which will be the subject of a different development agreement and is not a part of this Project.
- C. Project Description:** The project (the "Project") consists of 96 rental apartment units in five, 24-unit buildings to be constructed in a single phase as shown conceptually in Exhibit 1 (the "Concept Plan"). Each building will be two stories and contain approximately 24,000 square feet consisting of 10 one-bedroom/one-bathroom units, 8 two-bedroom/two-bathroom units, and 6 three-bedroom/two-bathroom units. Each unit will have a separate exterior entrance with no interior hallways or indoor common areas. Parking will consist of surface spaces as required by the applicable zoning district. Other site improvements will consist of sidewalks and landscaping. Construction is anticipated to be started by May 1, 2025, and completed by July 2026.
- Developer's total investment will be approximately \$20.38 million. To construct the Project, Developer shall provide approximately \$4.8 million in equity.
- D. Purpose:** This term sheet (the "Term Sheet") outlines the basic obligations and responsibilities of the Parties for developing the Property and completing the Project, which are to be incorporated into a formal development agreement (the "Development Agreement") between the Parties for the Project. This Term Sheet is not binding on either party but, instead, represents their intentions with respect to the content of a binding Development Agreement.
- E. Conditions Precedent:**
- Developer has secured a purchase option for the Property and has until May 1, 2025, to close on the sale.
  - The Property currently is exempt from real property taxes and has an assessed value of \$0.00.
  - In collaboration with the City, the Greater Watertown Community Health Foundation prepared the Watertown Southwest Side Conceptual Neighborhood Plan (the "Neighborhood Plan") encompassing the Property and surrounding area.
  - Developer has indicated interest in developing the Property consistent with the Neighborhood Plan and has provided the City with concept plans and financial information for construction of the Project.
  - The Property is classified as Riverside Mixed Use on the Future Land Use Map adopted as part of the Watertown Comprehensive Plan and is zoned PO (Planned Office & Institutional).
  - To implement the Project, the Property will need to be rezoned to PD (Planned Development) (the "Rezoning").
  - Prior to the creation of a Tax Incremental District (the "TID") that would include the Property, the Property will need to be formally subdivided (the "Plat") from the rest of the Redevelopment Site.

- Developer agrees to maintain the Property to compliance with all local, state, and federal laws and regulations.
  - Developer agrees to work in good faith in assessing the City with preparing Assessment and financial projections as necessary for the City to prepare a project plan consistent with Wis. Stats. § 66.1101 for the creation of a new TID that would include the Property and surrounding parcels, as well as with any applications for local loans and federal assistance and provide notice to the City, may wish to meet with developer within the TID and the City's obligations as described in Section 13.
- G. City Obligations:** The City will provide the following items of assistance to Developer in completing the Project:
- Prior to the execution of the Development Agreement, the City shall take all steps necessary to create a second-use TID consistent with Wis. Stats. § 66.1101 that includes the Property and include the Project as a use described herein as an eligible TID expense.
    - Developer acknowledges that the City's creation of a TID is predicated on the approval of money by the Wisconsin State Revenue Board (the "SRB") on an independent basis.
      - In the event the SRB does not approve the proposed TID, the Parties shall meet two times in either the City and Developer agree that any and all direct and indirect expenses incurred by either Party in pursuing the Project and the obligations of this Term Sheet shall be borne by each independently and neither Party shall seek reimbursement from the other for any such expenses or damages related thereto.
  - Upon completion of the entire Project, the City shall provide Developer with an executed Memorandum of Understanding (the "MOU") for 25.00 years. The MOU shall be paid with a percentage of the actual tax increment generated by the Project as shown in Exhibit 2 (the "Payment Schedule").
    - The MOU annual interest rate shall be the lesser of 1% or the best interest rate available for this purpose for the term mortgage.
    - Payments shall be made only with the increment from the Project and shall not constitute general obligation debt of the City. In the event the TID reaches the end of its existence, the City shall have no obligation to make any additional payments and the MOU shall be considered to be satisfied in whole.
    - The City reserves the right to pay off the MOU in full at any time to make accelerated payments.
    - The City agrees not to voluntarily terminate the TID prior to full completion of the MOU.
  - Terms of the Development Agreement shall include a "kick-back" provision that allows the City to re-evaluate the financial need for full amount of estimated annual payments under the MOU in the event the project is sold to a third party during the MOU payment period.
  - All of the above shall be contingent upon full satisfaction of all of Developer's Obligations as described in Section 7.
- H. Need for Assistance:** Developer is seeking assistance in connection with the Project financially, specifically while addressing a critical need for quality student housing in the community. Developer has stated that for the assistance to be provided by the City, including the use of Tax Incremental Financing, Developer would not be willing to meet in-kind with the Project.

Riverside Apartments Development Project Term Sheet  
April 18, 2024

Page 1

<p>1. The City shall provide the following items of assistance to Developer in completing the Project:</p> <p>a. Prior to the execution of the Development Agreement, the City shall take all steps necessary to create a second-use TID consistent with Wis. Stats. § 66.1101 that includes the Property and include the Project as a use described herein as an eligible TID expense.</p> <p>b. Developer acknowledges that the City's creation of a TID is predicated on the approval of money by the Wisconsin State Revenue Board (the "SRB") on an independent basis.</p> <p>c. In the event the SRB does not approve the proposed TID, the Parties shall meet two times in either the City and Developer agree that any and all direct and indirect expenses incurred by either Party in pursuing the Project and the obligations of this Term Sheet shall be borne by each independently and neither Party shall seek reimbursement from the other for any such expenses or damages related thereto.</p> <p>d. Upon completion of the entire Project, the City shall provide Developer with an executed Memorandum of Understanding (the "MOU") for 25.00 years. The MOU shall be paid with a percentage of the actual tax increment generated by the Project as shown in Exhibit 2 (the "Payment Schedule").</p> <p>e. The MOU annual interest rate shall be the lesser of 1% or the best interest rate available for this purpose for the term mortgage.</p> <p>f. Payments shall be made only with the increment from the Project and shall not constitute general obligation debt of the City. In the event the TID reaches the end of its existence, the City shall have no obligation to make any additional payments and the MOU shall be considered to be satisfied in whole.</p> <p>g. The City reserves the right to pay off the MOU in full at any time to make accelerated payments.</p> <p>h. The City agrees not to voluntarily terminate the TID prior to full completion of the MOU.</p>	<p>1. Developer shall provide the following items of assistance to the City in completing the Project:</p> <p>a. Developer shall work in good faith in assessing the City with preparing Assessment and financial projections as necessary for the City to prepare a project plan consistent with Wis. Stats. § 66.1101 for the creation of a new TID that would include the Property and surrounding parcels, as well as with any applications for local loans and federal assistance and provide notice to the City, may wish to meet with developer within the TID and the City's obligations as described in Section 13.</p> <p>b. Developer shall maintain the Property to compliance with all local, state, and federal laws and regulations.</p> <p>c. Developer shall work in good faith in assessing the City with preparing Assessment and financial projections as necessary for the City to prepare a project plan consistent with Wis. Stats. § 66.1101 for the creation of a new TID that would include the Property and surrounding parcels, as well as with any applications for local loans and federal assistance and provide notice to the City, may wish to meet with developer within the TID and the City's obligations as described in Section 13.</p> <p>d. Developer shall work in good faith in assessing the City with preparing Assessment and financial projections as necessary for the City to prepare a project plan consistent with Wis. Stats. § 66.1101 for the creation of a new TID that would include the Property and surrounding parcels, as well as with any applications for local loans and federal assistance and provide notice to the City, may wish to meet with developer within the TID and the City's obligations as described in Section 13.</p> <p>e. 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Stats. § 66.1101 for the creation of a new TID that would include the Property and surrounding parcels, as well as with any applications for local loans and federal assistance and provide notice to the City, may wish to meet with developer within the TID and the City's obligations as described in Section 13.</p> <p>g. Developer shall work in good faith in assessing the City with preparing Assessment and financial projections as necessary for the City to prepare a project plan consistent with Wis. Stats. § 66.1101 for the creation of a new TID that would include the Property and surrounding parcels, as well as with any applications for local loans and federal assistance and provide notice to the City, may wish to meet with developer within the TID and the City's obligations as described in Section 13.</p> <p>h. Developer shall work in good faith in assessing the City with preparing Assessment and financial projections as necessary for the City to prepare a project plan consistent with Wis. Stats. § 66.1101 for the creation of a new TID that would include the Property and surrounding parcels, as well as with any applications for local loans and federal assistance and provide notice to the City, may wish to meet with developer within the TID and the City's obligations as described in Section 13.</p>
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# Term Sheet

## Riverside Residential Subdivision Development

City of Watertown – Riverside Residential Subdivision Development  
Developer Agreement Summary Form Sheet  
Revised: April 18, 2024

**Parties:** City of Watertown (the "City")  
Greater Watertown Community Health Foundation (the "Foundation")

**8. Property:** Developer owns a 4.5-acre site generally located at 780 Highland Drive in the City of Watertown, Massachusetts. This Identification Number 291-0315-0414-0013. Developer intends to split the northern 1.77-acre portion of the site into a series of small residential plots, the "Acres", which will be the subject of a different development agreement and is not a part of this Project. The remaining 41.37 acres that are the subject of this Town Order (the "Property") will be further subdivided as described below.

**9. Purpose:** The term herein that the "Town Order" outlines the basic obligations and responsibilities of the Parties for developing the Project, and completing the Project, which are to be incorporated into a formal Development Agreement (the "Development Agreement") between the Parties for the Project. This Town Order is not binding on either party but, instead, represents their intentions with respect to the content of a binding Development Agreement.

**10. Project Description:** The project (the "Project") consists of 80 single family homes and 18 town homes for a total 98 units to be constructed over 7 phases (the "Phases") with supporting infrastructure consistent with the "Concept Development Plan" as shown on Exhibit 1. Developer is mapping with two building (the "Buildings") to construct the homes. Although performance by the Builders is required in order to be incorporated in the Development Agreement, the Builders are not a party to this Order, and Developer shall exercise all impacts with respect to the type, quality, and timing of unit construction to be performed by the Builders.

**11. Infrastructure for the Project generally:** provision of a plan of sidewalk, road, shoulders, easements, potable water line, sanitary sewer line, stormwater management facilities, electric service, natural gas service, and telecommunications service. It also consists of a public park, and walking path along the perimeter of the Property. Developer shall construct these 7 Phases over 7 years as shown on Exhibit 1 (the "Development Schedule"). The total cost is estimated to be \$15.8 million as shown on Exhibit 1 (the "Estimated Total Construction Cost").

**12. The 80 single family homes will be in size vary from 1,000 sq. ft. to 2,400 sq. ft. in one- and two-story configurations on lots of approximately 9,000 sq. ft. (the "Single Family Homes").** Approximately 24 different models will be offered with various options for each available to buyers. The Builder will offer the use of design and models to avoid a monotonous appearance. Typical floorplans and elevations are shown in Exhibit 4, and the Builder's estimated cost of construction for a typical unit including the cost of the lot, is provided in Exhibit 5 (the "Typical SF Construction Cost"). Further, the Builder shall construct and offer complete homes that meet the "Minimum Construction and Detail Standards" as shown on Exhibit 6. These homes built in 2025 shall have a base sale price of \$411,000 or less (the "Base SF Price").

a. Starting with those homes constructed in 2020 and then for each subsequent calendar year, the Base SF Price may be increased by the annual Shelter Index as measured by the U.S. Bureau of Labor Statistics for approval after similar rises to be determined in the Development Agreement without prior notice of the City provided that the Builder's profit is within policy, standard.

- [illegible]

Section 6

# Next Steps



# Next Steps

Key project milestones May - Aug 2024



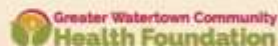


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## Building Strong Families and Thriving Communities

TOGETHER, WE HAVE A  
ONCE-IN-A-GENERATION  
OPPORTUNITY TO ENSURE  
A VIBRANT FUTURE  
FOR WATERTOWN



## City of Watertown -

*Thank you for your partnership and guidance as we collectively work to transform a vacant parcel, add significantly to the tax base, and make a truly positive impact on housing for the future of Watertown.*

*Greater Watertown Community Health Foundation*

*Tina Crave - President & CEO*

*Nate Peters - Chief Financial Officer*