

Administration

To: Finance Committee, CC: Mayor McFarland

From: Mason Becker, Strategic Initiatives and Development Coordinator

Date: October 21, 2024

Subject: Development Agreement for Lumin Terrace (Horizon)

Background

Recall that on April 22, 2024, the Finance Committee approved the term sheets for the Southwest Neighborhood project. Whereas one term sheet covered the Rock River Ridge single-family and twin-family projects, another covered the terms for a multifamily project (at the time referenced as “Riverside Apartments” – see attachments). This meeting’s agenda item covers a Development Agreement between the City and Horizon, the developer of this multifamily project. The project has since been named “Lumin Terrace”.

It should be noted that this development will include 92 new rental apartment units, which will help address the City’s need for more housing. This development is part of the City’s broader redevelopment effort of the former Bethesda property, in cooperation with the Greater Watertown Community Health Foundation.

Budget Goal

Promotes and fosters innovative approaches for community development and growth

Financial Impact

The overall Development Agreement represents slightly reduced TIF incentives than those previously approved in the term sheet. A few key points:

- There is a reduction in total units from 96 to 92 in order to meet zoning requirements.
- Reduction in the total TIF request by the developer from \$2.433M to \$2.031M.
- There is an increase in the potential maximum interest rate on TIF payments from 6.75% to 7%, but still with the condition that the actual rate will be the rate of the developer’s bank loan or 7%, whichever is less.
- An increase in TIF annual payment percentage of increment from 90% to 95%, but with a cap of \$220,000 if the increment exceeds \$260,000.

- The City will receive a total of \$50,000 for TID creation costs from the first 3 years of increment over and above the percentage split.

The TIF agreement is a PAYGO (“pay as you go”) agreement, which places most of the financial risk on the developer. TIF assistance provided is based on the promised increment generated. Vandewalle & Associates and the City Attorney have both reviewed this agreement. Bringing previously tax-exempt property back on the tax rolls will also have long-term financial benefits to the City and fellow taxing jurisdictions.

Recommendation

It is recommended that the Finance Committee approve the Development Agreement and move forward to the Common Council for final approval. It should be noted that final approval of TID #9 will take place at the Joint Review Board meeting on November 8. If the creation of TID #9 is not approved, this Development Agreement will not take effect.