

## MEMORANDUM

TO: John Weidl – City Manager, City of Whitewater  
 Mason Becker, Economic Development Director, City of Whitewater

FROM: Schane Rudlang and Greg Johnson - Ehlers

DATE: December 18, 2025

SUBJECT: Financial Review – Stonehaven RLF (TID #11)

The City of Whitewater (“City”) has received a request for public assistance from Stonehaven Development (“Developer”) in the form of a Revolving Loan Fund (“RLF”) financed through Tax Increment Financing (“TIF”) for the construction of 14 single-family homes within Tax Increment District No. 11 (“Project”). This memorandum provides a summary of the financial review and recommendations regarding the proposed assistance structure.

### Project Background

The Project consists of 14 single-family homes to be constructed over a two-year period (2026–2027). The Developer’s stated objective is to deliver these homes at the lowest possible cost by eliminating financing fees and equity investor profit. Each home is targeted to sell for approximately \$330,000 and will feature a single-story layout with three bedrooms, two bathrooms, and a two-car garage, totaling 1,456 square feet. Basements will remain unfinished with poured concrete floors.

### Project Costs - Reimbursed

The costs associated with site acquisition and preparation for the Project are summarized below. The Developer anticipates incurring these expenses in 2026 and has requested reimbursement from the City upon submission of invoices during that year. This reimbursement would need to be funded by the City in advance, prior to the generation of any TIF revenue from the Project. The proposed budget does not include any fee waivers; all standard and customary development fees will apply.

Additionally, the cost estimates do not account for potential bedrock removal. While this is not expected to be necessary, if encountered, it could increase costs by approximately \$10,000 per home, or \$140,000 in total.

| COST                         | Amount         | Pct.         | Per Lot       |
|------------------------------|----------------|--------------|---------------|
| Private Land Acquisition     | 120,000        | 44.3%        | 8,571         |
| Survey                       | 4,200          | 1.6%         | 300           |
| CSM (3 Parcels)              | 1,700          | 0.6%         | 121           |
| Subdivision Plat (2 parcels) | 7,300          | 2.7%         | 521           |
| Due Diligence, Design        | 3,900          | 1.4%         | 279           |
| Delivery Services            | 1,200          | 0.4%         | 86            |
| Site Work                    | 49,500         | 18.3%        | 3,536         |
| Permit/City Fees             | 60,200         | 22.2%        | 4,300         |
| Water Services               | 19,800         | 7.3%         | 1,414         |
| <b>TOTAL</b>                 | <b>267,800</b> | <b>99.0%</b> | <b>19,129</b> |

### Revolving Loan Fund

In addition to reimbursing the Developer’s project costs of \$267,800, the Developer has requested that the City provide \$1.2 million in revolving loan funding for home construction at 0% interest. The RLF would be accessed by the Developer to construct four homes at a time. Upon the sale of each home, anticipated at approximately \$330,000, the net proceeds would be returned to the City’s RLF and made available for subsequent draws. This cycle would continue until all 14 homes are completed and sold.

To provide both the RLF and the reimbursement, the City would need to borrow \$1,467,800. Because these funds are not for public improvements, taxable financing is likely required. One potential option is a State Trust Fund Loan (“STFL”), which currently offers an interest rate of 5% for terms of five years or less, along with flexible payoff options and interest-only payments. Local bank financing is also an option. The STFL option is shown for illustration purposes.

Debt service would need to be supported by funds from TID #11 (or another source), as tax increment from the Project will not be sufficient in the near term. TID #11 currently has available funds, without additional development, to support these payments. Approximately \$231,108 is estimated to be required from TID #11 for this purpose. Based on current projections (see below), it may take until 2029 to complete construction and sell all homes.

| Revenue Year | Projected Revenues |                  |                          |                  | Expenditures   |       |                |                    | Balances |            |                         | Revenue Year |
|--------------|--------------------|------------------|--------------------------|------------------|--|-------|----------------|--------------------|----------|------------|-------------------------|--------------|
|              | Tax Increments     | Repayment of RLF | Existing TID #11 Revenue | Total Revenues   | State Trust Fund Loan<br>1,467,800<br>Dated Date: 03/15/26 |       |                | Total Expenditures | Annual   | Cumulative | Liabilities Outstanding |              |
| 2027         |                    |                  | 73,390                   | 73,390           |  |       | 73,390         | 73,390             | 0        | 0          | 1,467,800               | 2027         |
| 2028         | 28,825             | 600,000          | 44,565                   | 673,390          | 600,000  | 5.00% | 73,390         | 673,390            | (0)      | (0)        | 867,800                 | 2028         |
| 2029         | 58,565             | 600,000          |                          | 658,565          | 600,000  | 5.00% | 43,390         | 643,390            | 15,175   | 15,175     | 267,800                 | 2029         |
| 2030         | 78,981             |                  | 69,234                   | 148,215          | 150,000  | 5.00% | 13,390         | 163,390            | (15,175) | (0)        | 117,800                 | 2030         |
| 2031         | 79,771             |                  | 43,919                   | 123,690          | 117,800  | 5.00% | 5,890          | 123,690            | (0)      | (0)        | 0                       | 2031         |
| 2032         | 80,569             |                  |                          | 80,569           |  |       |                | 0                  | 80,569   | 80,568     | 0                       | 2032         |
| 2033         | 81,374             |                  |                          | 81,374           |  |       |                | 0                  | 81,374   | 161,943    | 0                       | 2033         |
| 2034         | 82,188             |                  |                          | 82,188           |  |       |                | 0                  | 82,188   | 244,131    | 0                       | 2034         |
| 2035         | 83,010             |                  |                          | 83,010           |  |       |                | 0                  | 83,010   | 327,141    | 0                       | 2035         |
| 2036         | 83,840             |                  |                          | 83,840           |  |       |                | 0                  | 83,840   | 410,981    | 0                       | 2036         |
| 2037         | 84,678             |                  |                          | 84,678           |  |       |                | 0                  | 84,678   | 495,659    | 0                       | 2037         |
| 2038         | 85,525             |                  |                          | 85,525           |  |       |                | 0                  | 85,525   | 581,185    | 0                       | 2038         |
| 2039         | 86,381             |                  |                          | 86,381           |  |       |                | 0                  | 86,381   | 667,565    | 0                       | 2039         |
| 2040         | 87,244             |                  |                          | 87,244           |  |       |                | 0                  | 87,244   | 754,809    | 0                       | 2040         |
| 2041         | 88,117             |                  |                          | 88,117           |  |       |                | 0                  | 88,117   | 842,926    | 0                       | 2041         |
| 2042         | 88,998             |                  |                          | 88,998           |  |       |                | 0                  | 88,998   | 931,924    | 0                       | 2042         |
| <b>Total</b> | <b>1,178,066</b>   | <b>1,200,000</b> | <b>231,108</b>           | <b>2,609,174</b> | <b>1,467,800</b>   |       | <b>209,450</b> | <b>1,677,250</b>   |          |            |                         | <b>Total</b> |

In this scenario, the debt would be paid off in 2031, and the TID increment from the Project would flow to the City. It is estimated that \$1,178,066 of TID increment would be generated by the project through 2042. The City would receive the net amount of \$931,924.

### Developer Fee and Realtor Fee

The Developer would charge a flat fee of \$20,000 per home, representing approximately 6.1% of the estimated sale price. In addition, the Developer's affiliated real estate company will serve as the listing agent and may also represent buyers. Realtor commissions, split between the seller's and buyer's agent, of 5% will apply, providing an additional revenue stream for the Developer. No developer or investor equity will be contributed to the Project.

### Risks and Obligations

The proposed arrangement for the Project is not a standard developer pay as you go TIF Note ("PAYGO"). In a PAYGO, the Developer takes the majority of the risk and expects TIF to provide gap financing to make a deal financeable. For this Project, the City has risks and obligations as outlined below:

- **Management of RLF:** Managing an RLF for 14 homes would take significantly more staff time than a traditional PAYGO.
- **Home Sale Timing:** If homes don't sell on the timing anticipated, the STFL could be outstanding longer/refinanced, requiring more assistance from TID #11.
- **Home Sale Price:** If the homes do not sell for the cost to construct the home, the RLF would receive incomplete repayment. The TID would then make up this difference. A reasonable buffer for inflation during the Project should be incorporated, increasing the maximum sale price of each home to \$350,000.
- **Cost Overruns:** Market factors could cause the cost of construction to exceed current estimates. This would make the homes more expensive to sell, potentially causing them to sit on the market longer, or needing to be sold for less than the construction cost. TID revenues would need to make up any shortfalls.

### Risk Mitigation

To minimize financial risk, the City should implement the following safeguards:

- **Developer Shortfall Payments:** Require the Developer to cover any shortfall if tax increment revenues are insufficient to meet debt service obligations.
- **Special Assessments:** Retain the option to levy assessments or special charges on properties to recover unpaid amounts.
- **Letter of Credit:** Require the Developer to provide a letter of credit, estimated at \$200,000, to cover potential shortfalls in home sale proceeds and interest on the STFL. The City may draw on this letter of credit if necessary.
- **Developer Fee Adjustment:** If homes sell for less than construction cost, the Developer has agreed to forgo its fee, providing an additional buffer for the RLF.

Additionally, the City should reserve the right to terminate the development agreement at any time, while allowing completion of homes already under construction. This provision enables early repayment of the RLF if costs escalate significantly or home sales lag.

### Summary

The City of Whitewater has established a goal of increasing the supply of single-family, owner-occupied homes. This development would advance that objective as an infill project requiring minimal municipal infrastructure improvements. The proposed approach reduces developer overhead, profit, and interest expense. While the arrangement introduces additional risk for the City, careful management of the Revolving Loan Fund and implementation of recommended mitigation strategies could provide a viable path to delivering more affordable single-family homes.