

MEMORANDUM

TO: Mason Becker, City of Whitewater
 FROM: Schane Rudlang and Greg Johnson, Ehlers
 DATE: May 28, 2026
 SUBJECT: Summerset Marine - Financial Assistance Request

The City of Whitewater (“City”) is considering approval of a Development Agreement to support construction of a new manufacturing facility for Summerset Marine within Tax Increment District (“TID”) No. 10. The proposed project consists of a single-phase industrial development of approximately 150,000 square feet on City-owned property. The project represents a substantial private investment and is expected to expand the City’s industrial tax base. Upon completion, the project is anticipated to generate approximately \$15.0 million in new equalized taxable value within the TID. The proposed assistance is intended to support project feasibility through a combination of City land conveyance and a one-time tax increment-supported payment, subject to performance requirements related to minimum investment, taxable value, and job creation.

Sources and Uses of Funds

The developer has provided a preliminary project budget reflecting a total development cost of approximately \$21.8 million, or roughly \$145 per square foot. A detailed summary of project sources and uses is shown in the tables below.

SOURCES			
	Amount	Pct.	Per SF
Equity - Owner - Legal/Consulting paid by SMC	\$ 250,000	1.1%	\$ 2
Equity - Owner - App Fees/Contingency paid by SMC	\$ 25,000	0.1%	\$ 0
Equity - Owner - Caruss Group paid by SMC	\$ 297,000	1.4%	\$ 2
TIF Grant - \$2.5M TIF Borrowing from City	\$ 2,500,000	11.5%	\$ 17
In Kind Contributions - Land from City	\$ 946,000	4.3%	\$ 6
In Kind Contributions - Pond from City	\$ 667,000	3.1%	\$ 4
Grants - Utility Hookup Reimbursement from City	\$ 100,000	0.5%	\$ 1
First Mortgage - Loan	\$ 17,000,000	78.0%	\$ 113
TOTAL SOURCES	\$ 21,785,000	100%	\$ 145

EXPENSES			
	Amount	Pct.	Per SF
Land	\$ 946,000	4.3%	\$ 6
On-Site Work	\$ 667,000	3.1%	\$ 4
Building(s)	\$ 17,970,878	82.5%	\$ 120
Soft Costs	\$ 1,001,122	4.6%	\$ 7
Fees	\$ 125,000	0.6%	\$ 1
Financing Costs	\$ 1,075,000	4.9%	\$ 7
TOTAL USES	\$ 21,785,000	100%	\$ 145

As reflected in the tables above, project financing consists of private first mortgage financing, City assistance, and modest developer equity. The City participation is structured as gap financing and includes conveyance of City-owned land, certain site infrastructure improvements, in-kind contributions, a utility connection grant, and a \$2.5 million reimbursement funded through City borrowing. The reimbursement is structured as a one-time payment following issuance of a certificate of occupancy and is not a pay-as-you-go TIF arrangement. The City currently owns the project site and is not acquiring land as part of this transaction.

Financial Analysis

Because the facility will be owner-occupied and used exclusively by Summerset, with no traditional third-party lease in place, the financial analysis models the project as a hypothetical income-producing real estate investment. Under this framework, the project is analyzed as though it were financed by a third-party developer/owner using market-rate debt and equity and leased to an operating business at market rent. This approach allows us to evaluate whether the proposed sources and uses are supportable and whether the project would generate returns consistent with market expectations rather than above-market performance.

The annual operating proforma is driven primarily by rental revenue. According to CoStar, market industrial rents in this area range from approximately \$4.00 to \$8.00 per square foot. We modeled rents within this range and applied mortgage interest rates and terms considered typical in the current market to evaluate project performance using three financing metrics commonly used in real estate analysis.

1. Yield on Cost – Annual net operating income before debt service, divided by total project cost.
2. Cash on Cash – Annual cash flow after debt service, divided by the upfront private equity invested in the project.
3. Internal Rate of Return (“IRR”) – The annualized rate of return on invested equity, considering all project cash flows and assuming a sale in year 10.

For a project such as this, IRR is a standard benchmark. We modeled the high-range rent (\$8.00) and typical operating expenses. With those theoretical assumptions, the IRR would be 14.6%. Typical ranges for IRR for spec-industrial projects range from 10-20%.

Using the assumed rent, the project costs provided by Summerset, market-based mortgage assumptions, and the requested assistance, the project would not produce returns above market levels if analyzed as a traditional real estate investment. Based on this analysis, we conclude that the requested assistance is justified because the project does not appear to generate above-market returns and the proposed subsidy supports feasibility without indicating excessive private benefit.