



MEMORANDUM

TO: Community and Economic Development Committee (CEDC)

FROM: Karen Harkness, Director of Community & Economic Development

DATE: July 8, 2021

RE: Request Approval of the First Amendment to Zuelke Project Development Agreement

On December 19, 2017, the Council approved the original Development Agreement (attached) between Zuelke Building, LLC (Prior Developer) and the City of Appleton (COA) for the intended redevelopment of the historic Zuelke Building located at 103 W. College Avenue on Parcel #31-2-0070-00 in Tax Increment Financing District #11.

The Prior Developer and Zuelke Flats, LLC (Developer) entered into a purchase and sale agreement to convey 103 W. College Avenue for redevelopment as a mixed-use property comprised of residential and retail. The Developer and the COA have amended the original Development Agreement in order to retain tax rules that were in place with the December 2017 approval. See attached memo dated December 17, 2017 for details.

The Developer plans to redevelop approximately 750 sq. ft. of retail space on the first floor, along with the leasing office, business center, game room, dog wash and fitness center. Floors 2 - 12 would be 66 residential units comprised of studio and 2-bedroom apartments. Portions of the basement will become tenant and bicycle storage and a lounge for tenants.

The Developer will build a patio facing Houdini Plaza, which will be accessible to the public, but the primary use will be by the tenants. The Houdini Plaza Lease Agreement for this patio area is attached to the Amended Development Agreement as Schedule 2. This area was previously vacated and conveyed to the Prior Developer for ingress and egress to planned underground parking. Now, the Developer plans to use the close and convenient City-owned parking structures. The Developer has agreed to re-convey the vacated area to the City and, in exchange and to enhance the overall development, the City will enter a long term lease with the Developer. A copy of the lease is provided.

City staff is comfortable with this lease structure in recognition of the re-conveyance of land contiguous to Houdini Plaza; the area will not have a commercial sales use and will be available to the public.

Construction costs for the project is approximately \$17,608,000 and will create an anticipated assessed property value of not less than \$8,703,000. The base value of this site is \$1,922,100. The estimated increment created will be approximately \$6,780,900.

The COA TIF investment will be 90% of the property taxes paid on the incremental value created by the development for a period of 15 years beginning August 15, 2024 and ending on August 15, 2038.

I can be reached at Karen.Harkness@Appleton.org or 920-209-9520 for further assistance.

Staff Recommendation:

The First Amendment to the Zuelke Project Development Agreement between the City of Appleton and Zuelke Flats, LLC and associated Houdini Plaza Lease Agreement **BE APPROVED.**