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MEMORANDUM

TO: Community and Economic Development Committee (CEDC)

FROM: Matt Rehbein, Economic Development Specialist
Karen Harkness, Director of Community & Economic Development

DATE: October 26, 2022

RE: Request Approval of the First Amendment to the Development Agreement
between the City of Appleton and URBANE 115, LLC in TIF #11

The Appleton City Council approved a Development Agreement (DA) with Merge, LLC (Developer) in August 2021, which was subsequently assigned to URBANE 115, LLC on September 16, 2022. Attached is the first amendment to this DA. These amended terms are in response to the changing environments of interest rates and construction costs rising, supply chain challenges, and labor shortages.

The scope of this development has not changed since the original DA; however, the current financial environment has significantly changed, resulting in a greater gap between the cost to develop and estimated value of the completed project. Groundbreaking occurred in summer 2022; without this increased TIF support, work could be stopped and the project would be jeopardized.

The Developer and Assessor estimate the assessed value of the project once completed to be approximately \$8,050,000. Developer requests a Pay-As-You-Go TIF support at 20% (\$1,610,000). Based on the analysis of current value of the property, projected value of the property, and review of proposed expenses, TIF District #11 would invest the lesser of twenty percent (20%) or \$1,610,000 of the Tax Increment Value as of January 1, 2025, plus interest thereon to support the construction work for URBANE 115, LLC. The interest rate on the contribution shall be the lesser of 1) the interest rate paid by the Developer to the primary lender for the Project, as evidenced by the note indicating the loan amount; or, 2) 6.0%.

Staff Recommendation:

The First Amendment to the Development Agreement between the City of Appleton and URBANE 115, LLC **BE APPROVED**.