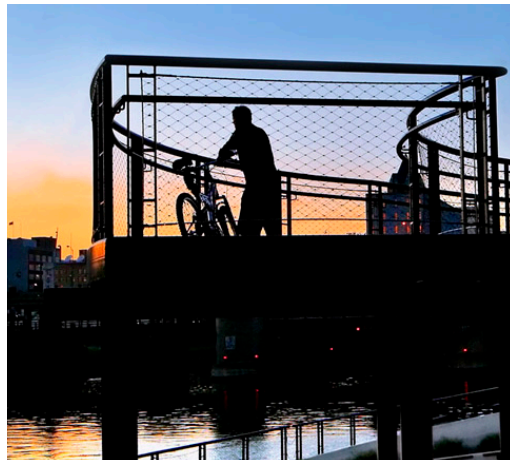




TANESAY
DEVELOPMENT



PROPOSAL

JOHN STREET REDEVELOPMENT

Two-Phase Residential Development along the Fox River in Appleton.

APPLETON, WISCONSIN

OCTOBER 9, 2015

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1. EXECUTIVE SUMMARY

PROVEN DEVELOPMENT TEAM EXECUTES CITY PLAN

This is a full price offer for the John Street Property. Tanesay Development proposes a two-phase project including 96 market-rate residential units with total build-out value of \$10 million. Rents will average \$984 per month, targeting residents with salaries in the \$40,000 range. The purchase price will be paid over the course of three years. Tanesay is seeking \$1 million in Tax Increment Financing (TIF) per \$5 million phase, or \$2 million in total TIF financing. This residential-only development will occupy just over 50% of the land, leaving at least the southern third for other City-designated uses. The phases will be located at the north end, adjacent to the John Street entrance. Tanesay will survey the site, and take title to only the residential portion. The City will maintain ownership of the green space / City-designated portion to the south. The City will design, bid, and build a road from the John Street entrance to access the southern portion, including water, sewer, and other utilities. This road and infrastructure work will lower the site costs and make this workforce housing offering feasible.

Tanesay Development is currently working on the RiverHeath project across the river from this site and is familiar with the City and the goals of the City of Appleton Comprehensive Plan 2010-2030. Tanesay understands how to integrate developments into neighborhoods, starting with community outreach and continuing with public access to the river. Tanesay has worked with the Wisconsin Department of Natural Resources and the Voluntary Pollution Liability Exemption (VPLE) Program. Tanesay understands how to tailor the development to fit the requirements of the closure, including soil management and cap maintenance during construction.

The development team will be the same group building RiverHeath. The apartments will be designed by Wisconsin architects Engberg Anderson, led by Mark Ernst, the award-winning designer for Milwaukee's Third-Ward Riverwalk. The general contractor will be CD Smith Construction, a family-owned contracting firm with its headquarters in Fond du Lac, Wisconsin. First Business Bank Appleton will provide the construction financing.

If the City accepts this offer, Tanesay will work with the City throughout the winter to draft a development agreement, prepare the design, and bid out the project. This work should be completed by March 2016. In April 2016, Tanesay and the City would execute the development agreement and close the sale. Tanesay would then begin Phase One construction, to be completed in April 2017. Tanesay will start Phase Two either summer 2017 or summer 2018, depending on absorption of Phase One.

Sincerely,

Mark Geall
Principal

2. DEVELOPMENT PLAN

TWO PHASE RESIDENTIAL, OPEN TO COMMUNITY, AMPLE GREEN SPACE

The redevelopment plan includes two similar residential phases. Phase One will be a 48 unit slab-on-grade structure with surface parking. Market rate rents will average \$984 per month. The intended target residents will have incomes between \$30,000 and \$50,000. There will be no additional charge for surface parking. Residents will pay their own utilities. Phase One will cost \$5,000,000. This includes site work, the building, and surface parking. See the attached maps for a preliminary site plan and renderings. Architects Engberg Anderson and CD Smith Construction will embrace green design and build principles, resulting in energy efficient apartments. This energy efficiency will also translate into lower utility bills for residents.

Phase Two will be similar to Phase One. Phase Two will be built when Phase One reaches full occupancy. If Phase One fills rapidly, Phase Two will begin in late summer 2017.

3. FINANCING

BANK FINANCING DEPENDENT ON TIF ASSISTANCE FROM THE CITY

First Business Bank will provide the \$4 million construction loan, guaranteed by Tanesay Development. The construction loan is contingent on \$1 million in TIF financing from the City per phase. Without the TIF assistance, First Business will not make the loan.

JOHN STREET SOURCES AND USES

Phase One Sources		Uses	
Construction Loan	\$4,000,000	Building Fixed Price GMP	\$5,000,000
TIF	\$1,000,000		
Totals	\$5,000,000	Totals	\$5,000,000

Loan to Cost 80%

Phase Two Sources		Uses	
Construction Loan	\$4,000,000	Building Fixed Price GMP	\$5,000,000
TIF	\$1,000,000		
Totals	\$5,000,000	Totals	\$5,000,000

Loan to Cost 80%

Total Development Increment	\$10,000,000
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SEE JOHN STREET INSERT (SECOND PDF ATTACHMENT)

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5. ORGANIZATIONAL STRUCTURE

TANESAY DEVELOPMENT AND BUILDING PARTNERS

Tanesay Development will guarantee and own 100% of the John Street project. Tanesay Development is 100% owned by Mark Geall. Engberg Anderson will draft the master plan and complete the building design. CD Smith Construction will perform cost estimating, value engineering, bidding, and construction.

6. REQUEST FOR CITY ASSISTANCE

PROJECT DEPENDENT ON TIF & ROAD ASSISTANCE

This project is seeking \$2 million in TIF assistance from the City, made in \$1 million payments at the First Business loan closing for each phase. The City has previously used developer-funded TIF agreements, shifting the risk to the developer. However, the cost of financing to the City is greater than if the City made the contribution up front. The reason for this added cost is that the City's borrowing cost is lower than a private party's borrowing cost. In effect, the City is paying more to borrow the funds by having the developer borrow them for the TIF assistance. First Business Bank is only interested in this project if the TIF contribution is made at closing.

Infrastructure costs are also challenging on a brownfield site. If the City intends to use the southern portion of the site for any purpose other than green space, it will need road access. This project will not be feasible without the City assistance building the access road. The City will also receive more favorable pricing building the road than the developer. The City would design, bid, build and complete the road and associated utility infrastructure in summer 2016.

In exchange for this assistance, the City will receive over \$10 million in taxable increment. Over time the project will generate over \$200,000 annual tax revenue. The City will receive back its full \$850,000 investment in the property. Another piece of the Comprehensive Plan will be in place, freeing City resources to focus on other parts of the revitalization. The City will be able to offer an affordable attractive living option for prospective residents who are deciding whether to move to the Fox Valley. The central business district will gain from having more residents living within walking distance of College Avenue, the river, and Lawrence University.



Rlverheath B4 | Appleton, Wisconsin

7. OFFERING PRICE

FULL PRICE (\$850,000) PAID OVER THREE YEARS

Tanesay Development will pay \$850,000 in three equal installments with the first due one year after closing. Assuming an April 2016 close, the first payment would be due April 2017. The second and third payments would be due April 2018 and April 2019. The costs associated with this brownfield development would not support an up-front purchase price.

8. TIMETABLE FOR COMPLETION

START SUMMER 2016, PROJECT COMPLETE BY 2019

The City and Tanesay would work together over the winter to draft the development agreement. The development team would complete the drawings, bid and award contracts in April 2016 at the time of the final closing, including signing the development agreement, closing on the First Business construction loan and the TIF assistance. Phase One would be completed by April 2017. The start of Phase Two would be dependent on how fast the apartments lease. If the apartments lease quickly, Phase Two will begin in Summer 2017, complete by Summer 2018. If absorption takes longer, Phase Two will begin in Summer 2018, complete by Summer 2019.

9. REASON FOR PROPOSAL

CONTINUED RIVERFRONT DEVELOPMENT

At peak occupancy with no unforeseen costs, this project stands to generate net proceeds of less than \$25,000 per year per phase. That assumes permanent financing costs will continue at 4%. Continued low borrowing costs are not a given. Why then take on the development risk of this project, including guarantees for the \$8 million construction loans? The answer is simply that we are very supportive of the City of Appleton and riverfront revitalization. The City of Appleton has been an indispensable partner with RiverHeath. The development team is already working together, and they have the capacity to take on another project. We look forward to seeing another piece of the Comprehensive Plan fall into place.

POTENTIAL SITE OPPORTUNITIES

Please open this spread to view the potential site opportunity sketches.



4. DEVELOPMENT EXPERIENCE

EXPERIENCED DEVELOPMENT TEAM CONTINUES RIVERFRONT WORK

Tanesay Development, CD Smith Construction, and Engberg Anderson look forward to working with the City of Appleton on continued riverfront revitalization. The John Street site is another piece in the redevelopment between Telulah Park and Lutz Park.



Riverheath

Appleton, Wisconsin

Aimed at providing Appleton with a vibrant, interconnected community environment, RiverHeath is a new development that will reclaim a dormant industrial waterfront site. The site, comprised of 15 acres along the Fox River at the heart of Appleton, is within walking distance of Lawrence University and College Avenue.

Status

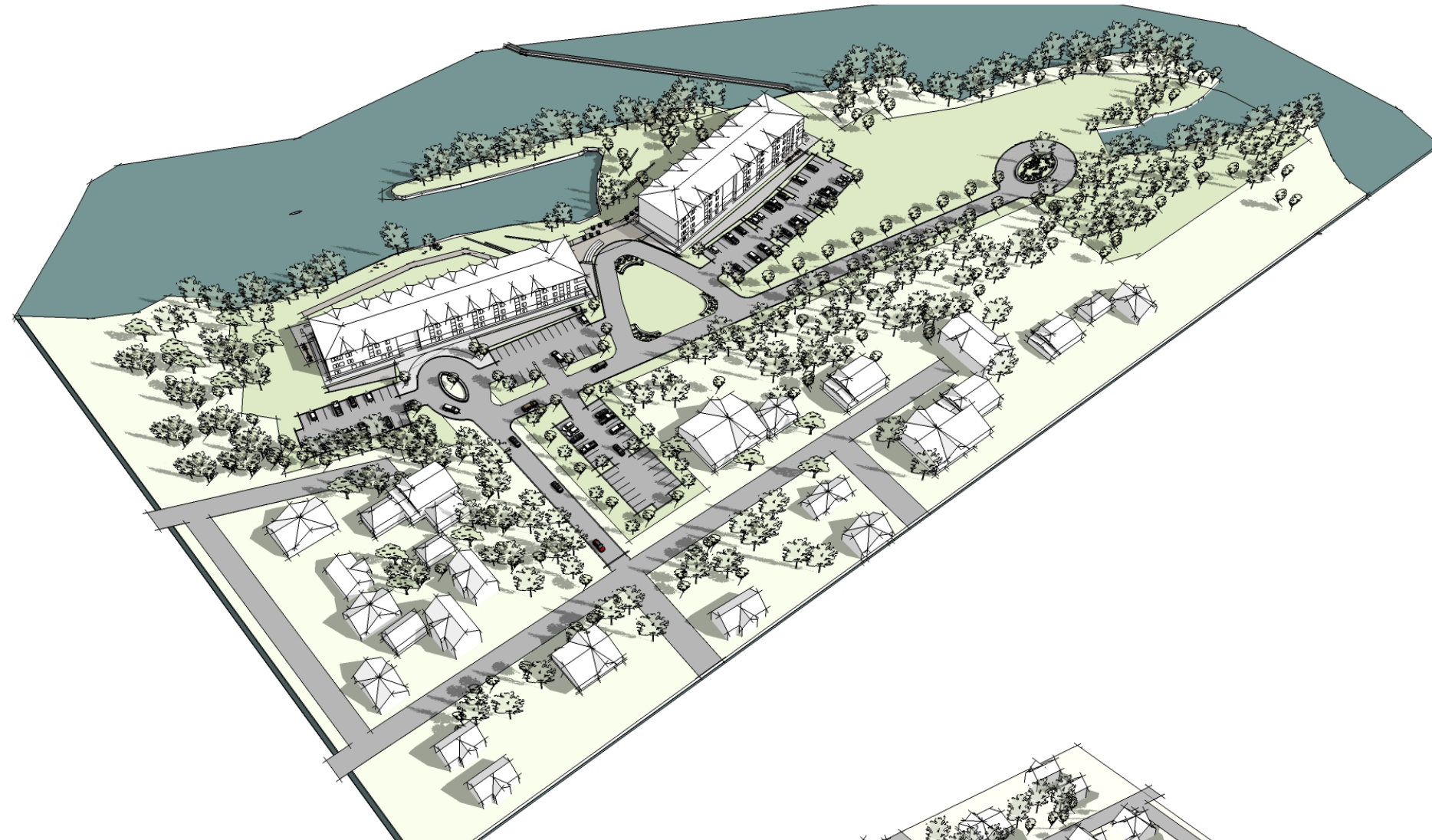
Completed 2009 | Master Plan
Completed 2013 | TownHomes
Completed 2014 | Building B4
In Progress | C1

Size

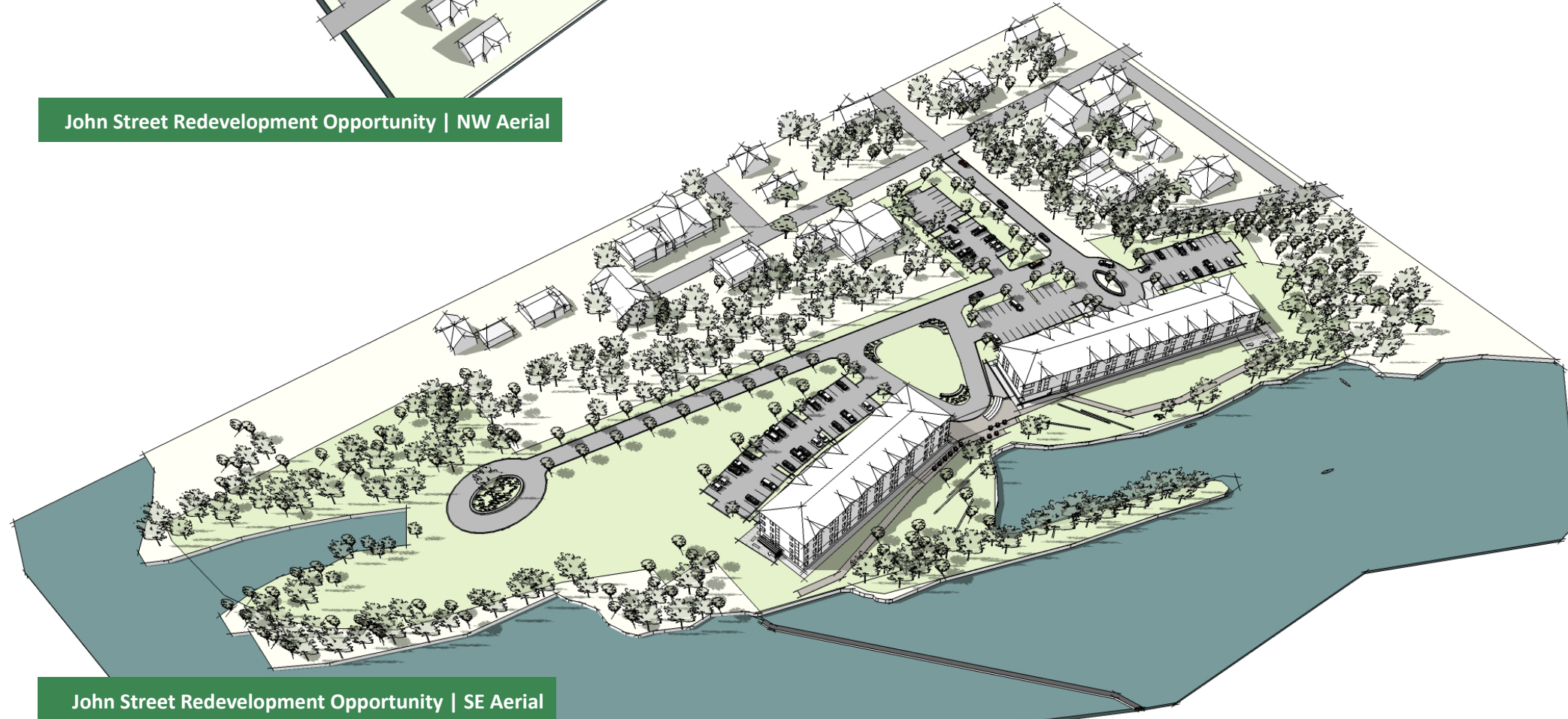
2,400 sf townhomes
70,000 sf B4

Construction Cost

\$25 million



John Street Redevelopment Opportunity | NW Aerial



John Street Redevelopment Opportunity | SE Aerial

