CITY OF WATERTOWN

TAX INCREMENT FINANCING
DISTRICT # 5

AMENDMENT NO. 3

Public Hearing DRAFT
October 28, 2015

Prepared by:
VANDEWALLE & ASSOCIATES INC.
Madison . Milwaukee
Table of Contents

SECTION I. INTRODUCTION ........................................................................................................ 3
SECTION II. DESCRIPTION OF HOW TID #5 WILL PROMOTE THE ORDERLY
DEVELOPMENT OF THE CITY OF WATERTOWN .............................................. 3
SECTION III: TAX INCREMENT DISTRICT BOUNDARY DESCRIPTION AND
EQUALIZED VALUES ........................................................................................................ 3
SECTION IV. EXISTING USES AND CONDITIONS OF REAL PROPERTY ............. 3
SECTION V. PROPOSED PUBLIC WORKS AND ESTIMATED COSTS .................... 4
SECTION VI. SOURCES OF NON-TAX REVENUES ..................................................... 7
SECTION VII. ECONOMIC FEASIBILITY ANALYSIS ....................................................... 7
SECTION VIII. CONSISTENCY OF ACTIVITIES WITHIN TID #5 WITH THE CITY
ZONING ORDINANCE, MASTER PLAN AND OTHER DEVELOPMENT
ORDINANCES .................................................................................................................. 7
SECTION IX. STATEMENT ON RELOCATION ................................................................. 7

APPENDIX A JRB CORRESPONDENCE AND MEETING PROOFS OF PUBLICATION 8
APPENDIX B JOINT REVIEW BOARD MINUTES ...................................................... 8
APPENDIX C TAXING JURISDICTION CORRESPONDENCE .................................. 8
APPENDIX D PUBLIC HEARING PROOFS OF PUBLICATION ................................. 8
APPENDIX E PLAN COMMISSION PUBLIC HEARING MINUTES............................. 8
APPENDIX F COMMON COUNCIL MEETING MINUTES .......................................... 8
APPENDIX G COMMON COUNCIL RESOLUTION APPROVING PROJECT PLAN ...... 8
APPENDIX H TID #5 JOINT REVIEW BOARD FINAL INFORMATION &
RESOLUTION AMENDING TAX INCREMENT DISTRICT #5 ................................. 8
APPENDIX I CITY ATTORNEY OPINION .......................................................................... 8
SECTION I. INTRODUCTION
The City of Watertown is proposing to amend the Tax Incremental District (TID #5) Project Plan for the third time. Created in 2005 as a blighted District, the TID #5 boundary was amended twice in 2006 and 2011 in order to capture increment from new development near the downtown core, and to facilitate further private and public investments within the District and surrounding areas. This Amendment No. 3 does not involve a boundary amendment and proposes only to allow project expenditures within one-half mile of the existing District boundary, pursuant to Wis. Stat. § 66.1105(2)(f)1.n., with no overall increase in the previously authorized level of spending of $20,395,000.

As of January 1, 2015, the City had incurred approximately $7,407,927 in TIF-eligible costs, including interest, with $12,987,073 remaining for allocation prior to the District’s scheduled closure in 2032. Per the requirements of Wis. Stat. § 66.1105(4m)(d), “Before a city may make or incur an expenditure for project costs…for an area that is outside of a district's boundaries, the joint review board must approve the proposed expenditure.” This Amendment gives the City additional flexibility to offer development incentives and/or incur other project costs without the need to return to the JRB for approval of each individual project expenditure within the half-mile radius. The total level of spending outside of the District per this Amendment would be limited to $2 million, or less than 10% of the total level of authorized spending for the entire District.

SECTION II. DESCRIPTION OF HOW TID #5 WILL PROMOTE THE ORDERLY DEVELOPMENT OF THE CITY OF WATERTOWN
No change.

SECTION III: TAX_INCREMENT DISTRICT BOUNDARY DESCRIPTION AND EQUALIZED VALUES
No change.

SECTION IV. EXISTING USES AND CONDITIONS OF REAL PROPERTY
No change.
SECTION V. PROPOSED PUBLIC WORKS AND ESTIMATED COSTS

The original TID #5 Project Plan identified extensive project costs in revitalizing the riverfront area and downtown. Riverwalk improvements, redevelopment funding, along with transportation, parking and pedestrian/vehicular improvements were anticipated to be undertaken to spur additional private investment. Table 1 provides a list of all expenditures through the end of 2014.

The base value of the District in 2005 was $39,631,000. Since then, the District has added an additional $16,725,000, added dozens of senior and workforce housing units, extended the riverwalk, created public spaces, and eliminated blight. In addition, the City is actively pursuing plans to improve seawalls, create an active Town Square, develop a riverfront hotel, and improve the overall vitality of the riverfront and downtown consistent with the Watertown Riverfront/Downtown Redevelopment Initiative prepared in the fall of 2014 as well as the City of Watertown Riverfront Plan adopted in 2004.

The continuing redevelopment success along the river has played a significant role in enhancing the vitality of the entire downtown. Occupancy on the ground floors of buildings throughout the downtown remains high with a wide variety of businesses. This, in turn, is leading to increased demand for use of the upper floors for offices and residential units. In addition, the historic Schempf Building was recently sold after several years of being vacant, and the new owner has aggressive plans to renovate and reuse the building for a wide variety of uses. However, as is typical for these types of improvements, some level of financial assistance is needed to make them economically feasible for the property owners.

As stated in the original TID #5 Project Plan, “Long-term goals include increasing the vitality of existing businesses, encouraging more businesses to locate in the downtown in existing buildings and creating new retail space through the reuse of other buildings on side streets directly off of Main Street as well as the relocation of some historic properties to house appropriate service businesses.” Thus, while the boundaries of the District were limited to primarily just those properties along the river, the goal all along has been to enhance the vibrancy of the entire downtown. While much of the downtown also would qualify for inclusion in a TID, the City would prefer to keep as many properties as possible on the general tax rolls for the benefit of all overlying taxing jurisdictions. However, incentives and public improvements are needed to facilitate potential redevelopment projects in the area so the City is proposing to use revenues from TID #5 to assist in these efforts rather than to expand the District boundary or create an entirely new district.

Because the needs of individual redevelopment projects will vary and are hard to predict, this amendment will permit all of the same types of project costs approved for the District in the original Project Plan to occur with a half-mile of the District boundary (see Map 1). However, the focus of these projects will be on the downtown and, if needed, on other commercial and industrial properties that fall within the half-mile radius with the total level of spending outside of the District limited to only $2 million.
Map 1

City of Watertown
TID #5 Amendment #3

Map 1: Boundary

City Of Watertown
TID #5 Amendment No. 3

Public Hearing DRAFT

October 28, 2015
Table 1 Amended: Proposed Public Improvements and Expenditures to Date

<table>
<thead>
<tr>
<th>Project Description</th>
<th>TOTAL APPROVED EXP.</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>TOTAL EXP. TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Sea wall reconstruction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. 4400 LF x 12' ave height = 52800 SF x</td>
<td>$2,625,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$16,350</td>
<td>$74,395</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$90,745</td>
</tr>
<tr>
<td>2 Walking path - no sea wall 5600 LF x</td>
<td>$50,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$15,057</td>
<td>$40,783</td>
<td>$ -</td>
<td>$2,375</td>
<td>$3,785</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$2,497</td>
</tr>
<tr>
<td>3 Milwaukee St. bridge replacement</td>
<td>$200,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Milwaukee St. bridge enhancements</td>
<td>$300,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>4 Parking ramp(s) 300 stalls @ $15,000/stall</td>
<td>$5,000,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,187</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>5 Redevelopment Funding</td>
<td>$9,750,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$610,698</td>
<td>$5,139</td>
<td>$1,878</td>
<td>$4,384,337</td>
<td>$384,487</td>
<td>$37,079</td>
<td>$ -</td>
<td>$ -</td>
<td>$5,423,618</td>
</tr>
<tr>
<td>6 Pedestrian Bridge from Jefferson across</td>
<td>$500,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>7 Rail depot improvements</td>
<td>$500,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$45,544</td>
<td>$21,941</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>8 Miscellaneous Projects</td>
<td>$435,000</td>
<td>$ -</td>
<td>$7,433</td>
<td>$2,252</td>
<td>$1,968</td>
<td>$2,383</td>
<td>$406</td>
<td>$1,198</td>
<td>$4,677</td>
<td>$150</td>
<td>$150</td>
<td>$20,618</td>
</tr>
<tr>
<td>a. Administration, legal</td>
<td>$525,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$16,484</td>
<td>$3,086</td>
<td>$12,292</td>
<td>$ -</td>
<td>$ -</td>
<td>$33,864</td>
</tr>
<tr>
<td>b. Miscellaneous redevelopment funding</td>
<td>$510,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$18,650</td>
<td>$4,155</td>
<td>$680</td>
<td>$42,800</td>
<td>$265,111</td>
<td></td>
</tr>
<tr>
<td>c. Economic Development/PMT</td>
<td>$510,000</td>
<td>$25,123</td>
<td>$54,715</td>
<td>$54,410</td>
<td>$31,423</td>
<td>$31,637</td>
<td>$1,523</td>
<td>$18,650</td>
<td>$4,155</td>
<td>$680</td>
<td>$42,220</td>
<td>$265,111</td>
</tr>
<tr>
<td>9 Debt and Carrying Costs</td>
<td>$33,382</td>
<td>$33,382</td>
<td>$22,701</td>
<td>$34,747</td>
<td>$33,539</td>
<td>$250,635</td>
<td>$375,826</td>
<td>$352,552</td>
<td>$336,818</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,440,200</td>
</tr>
<tr>
<td>Total Annual Cost:</td>
<td>$20,395,000</td>
<td>$25,123</td>
<td>$77,204</td>
<td>$741,505</td>
<td>$77,582</td>
<td>$194,146</td>
<td>$4,464,016</td>
<td>$658,680</td>
<td>$434,025</td>
<td>$353,382</td>
<td>$382,264</td>
<td>$7,407,927</td>
</tr>
</tbody>
</table>

Footnotes:
All preliminary cost estimates provided by City of Watertown, and are shown in 2005 dollars. All costs are subject to inflation and refinement as more information becomes available. The City reserves the right to increase these costs to reflect inflationary increases and other uncontrollable circumstances between 2015 and the time of construction. The City also reserves the right to increase certain project costs to the extent others are reduced or not implemented, without amending the project plan.
SECTION VI. SOURCES OF NON-TAX REVENUES
No changes.

SECTION VII. ECONOMIC FEASIBILITY ANALYSIS
TID #5 currently brings in an annual increment of about $410,000 and has a total outstanding debt obligation of $6,940,695 including principal and interest. For the last several years, the increment has been insufficient to cover the annual debt service and other expenses of the District. Accordingly, in 2011 the JRB approved donations to TID #5 of surplus revenues of $1.2 million per year from TID #3. Although a need for the donations was projected through the end of the life of TID #3 (2018), the donations were approved for only five years with an understanding that the City would return to the JRB for approval of additional donations beyond the initial five-year period. Accordingly, an amendment to TID #3 is being proposed concurrently with this amendment to authorize a one-time donation of $5,000,000 from TID #3’s fund balance to TID #5. If approved, this donation would be more sufficient to cover TID #5’s outstanding debt obligations as well as provide approximately $3 million to assist with planned projects in the District as well as provide assistance to projects within a half-mile. This will ensure the continued success of revitalization efforts along the riverfront and in the downtown as well as permit TID #5 to close on or before its statutory termination date of 2032 with a positive fund balance.

SECTION VIII. CONSISTENCY OF ACTIVITIES WITHIN TID #5 WITH THE CITY ZONING ORDINANCE, MASTER PLAN AND OTHER DEVELOPMENT ORDINANCES
No change.

SECTION IX. STATEMENT ON RELOCATION
No change.
| APPENDIX A | JRB CORRESPONDENCE AND MEETING PROOFS OF PUBLICATION |
| APPENDIX B | JOINT REVIEW BOARD MINUTES |
| APPENDIX C | TAXING JURISDICTION CORRESPONDENCE |
| APPENDIX D | PUBLIC HEARING PROOFS OF PUBLICATION |
| APPENDIX E | PLAN COMMISSION PUBLIC HEARING MINUTES |
| APPENDIX F | COMMON COUNCIL MEETING MINUTES |
| APPENDIX G | COMMON COUNCIL RESOLUTION APPROVING THE PROJECT PLAN |
| APPENDIX H | TID #5 JOINT REVIEW BOARD FINAL INFORMATION & RESOLUTION AMENDING TAX INCREMENT DISTRICT #5 |
| APPENDIX I | CITY ATTORNEY OPINION |