

**Item 24-0269: Request to approve the Development Incentive Agreement with USV 222, LLC for improvements and redevelopment of the property located at 222 W. College Avenue (Tax Id #31-2-0257-00) in Tax Increment Financing District No. 11**  
**Community & Economic Development Committee**

Wed, Mar 20, 2024 6:00PM

**Alderson Denise Fenton (District 6) 01:20**

We have no public hearings or appearances, so we will move to the action items, and we are going to skip down to item 24-0269 the request to approve the development incentive agreement with USV 222 LLC for improvements and redevelopment of the property located at 222 West College Avenue tax ID number 31-2-257-00 in tax increment financing district number 11. Can I get a motion to get this on the table?

**Alderson Vaya Jones (District 10) 01:58**

Motion to approve.

**Alderson Israel Del Toro (District 4) 02:01**

Second.

**Alderson Denise Fenton (District 6) 02:01**

All right. We have a motion and a second. Director Homan, are you going—director two. All right. Director Homan, you have the floor.

**Director Kara Homan (Community And Economic Development) 02:14**

All right. So, we have been keeping this committee and Council up to speed and in closed session as we've been working through our negotiations with US venture. And we're pleased to say today that our negotiations have concluded. We're very excited about the win/win terms that we believe we are presenting to you today. And essentially what we're doing is recommending approval of a development incentive agreement between the city of Appleton and USV 222 LLC, which is a corporation that is affiliated with US Venture, to redevelop the historic 222 building on College Avenue and also provide some terms and conditions related to parcels which are primarily surface parking lots that are in the process of being acquired by US Venture.

**Director Kara Homan (Community And Economic Development) 03:10**

In a nutshell, what we are proposing to do is provide Pay As You Go TIF incentive, which is the typical method that we provide fiscal incentive for development deals. It's a method that mitigates the risk and is set up in a manner that when the increment that is established in the development agreement is achieved by the developer, taxes are collected, and then we pass through 90% of those taxes that are collected based on the increment. So, we're just paying back the money as we come in. The net present value of that incentive is approximately \$2.1 million in today's dollars, but because we're paying it over time, there is an interest rate that's applied, and that is typical of how we do these.

**Director Kara Homan (Community And Economic Development) 03:57**

In terms of some of the wins that come to the city we have—as we've done in past development agreements since my time and joining the city, we look at the policy documents that the City Council has adopted. So in this case, we looked at the college North neighborhood plan as well as the city's comprehensive plan and negotiated for terms related to the small lots which are the lots in Exhibit A that incentivize the development of those parcels to secure 650 parking permits in the city's parking utility, in particular green ramp, with additional terms

related to if development does not happen within five years, the properties would be transferred to the city or the Redevelopment Authority if we so choose at that time.

**Director Kara Homan (Community And Economic Development) 04:46**

There's also additional incentives for the developer to develop the large lots, which are the two lots closest to the 222 building and exhibit A and that is structured in a way where for each parking stall within those lots that's developed on a one for one basis, they earn the right to purchase and secure an additional parking permit, up to 200. Those lots in total have about 302 stalls combined. So, the 200 cap really incentivizes the development of about two thirds.

**Director Kara Homan (Community And Economic Development) 05:25**

The third major piece within the development agreement is that there's mutual termination of all prior development agreements as it relates to the bluff site.

**Director Kara Homan (Community And Economic Development) 05:36**

So that's a high-level overview of the development agreement. You've got the full details within your packet. We do have representatives of the developer—the development team—here if you have any questions or want to hear from them. We have James Fenlon who is the primary rep that we've been working with. So, staff's recommendation is to approve the development agreement as presented.

**Aldersperson Denise Fenton (District 6) 06:02**

Thank you. Anybody else from staff have any—okay. I'd just like to start it off with Director Homan, could you just clarify for some people listening who might not be familiar with the structure of a pay as you go TID agreement? And you know, when would the corporation start receiving the funds? Just kind of give it—explain the structure that a bit, if you would?

**Director Kara Homan (Community And Economic Development) 06:31**

Sure. So, the way that that's structured is the city really has no financial risk. The way it works is the developer commences the project, we issue a building permit, they commence construction, the project enters completion, and then it hits an assessed value through an assessment cycle. That then triggers a tax bill being created. After that assessment is based, those taxes are paid. Once those taxes are paid, at that point, our finance department runs the math and 90% of the increment that's brought in is then paid in an annual installment to the developer until the incentive is paid out.

**Aldersperson Denise Fenton (District 6) 07:19**

Thank you. So, I will open it to questions from—I saw Alder Croatt first. What mic do you have?

**Aldersperson Chris Croatt (District 14) 07:27**

Fourteen. Thank you, Chair. Thank you, Director Homan. You, you're—just a couple of questions. Your opening comment you made reference to a win/win; would you be able to elaborate on that comment? And then I think you already answered it with the no financial risk answer, but is—what is the risk for the city in this agreement, other than the financial component? And maybe start with the win/win part.

**Director Kara Homan (Community And Economic Development) 07:58**

Yeah, so there's more than one win for the city. So first and foremost, the win is getting a major corporate headquarters to our downtown and the employees and activity that that brings to our downtown—eating downtown, shopping downtown, adding vitality and livelihood. Nationwide, commercial real estate is trending in a different direction, so for us to be able to secure initially 650 employees working downtown is a huge win.

From a parking utility perspective, the ability to drive revenue to our parking utility and bring that additional revenue as well as additional utilization to an asset that we're already maintaining is a huge win. We have plenty of capacity to meet the needs of this development. And the other substantial win is the terms and conditions with regards to the surface lots. This is a means for us to work collaboratively with the developer and incentivize and ensure that there is clear steps taken to market and develop those lots that not only add activity to the neighborhood north of our downtown but also generate tax base.

**Alderson Chris Croatt (District 14) 09:25**

Great.

**Director Kara Homan (Community And Economic Development) 09:26**

And your second question remind me.

**Alderson Chris Croatt (District 14) 09:27**

Was about risk. But before you go on to that if I could just—so, thank you, I think I heard three wins in there. So, win/win/win. Is there any way to estimate the, I'll call it, economic impact of bringing a corporate headquarters to a downtown? I know sometimes when we do like a convention center or something significant, there's an estimate as to what kind of traffic that will be. I think it's important because it's a significant thing happening in our downtown and there will be increased restaurant patrons, obviously other things as well.

**Director Kara Homan (Community And Economic Development) 10:04**

Yeah. So, if the Council would wish, the Regional Planning Commission does have an economic modeling tool where you can plug in, here's how many employees are coming in this industry, and then they apply a multiplier and figure out how many dollars in terms of not—direct and indirect benefit might be generated. I don't have that information at my fingertips. But there is a way.

**Alderson Chris Croatt (District 14) 10:30**

Okay. And I wasn't looking for a number. I'm guessing that all the downtown businesses—and I know Jennifer's here from ADI—that are very excited about the possibility of increased traffic at their businesses and increased revenue. So, the last part of the question was just on risk. You had commented about the TIF being the way it's structured being limited or no risk. Probably never no risk, but any additional comments on risk for the city on this agreement as we look at approval?

**Director Kara Homan (Community And Economic Development) 10:58**

In terms of fiscal risk, we're not taking on any debt. We're not fronting any money up front. My estimation is there isn't a fiscal risk. Dani, I—do have anything to add about risk that may or may not come to the park and utility? I don't want to speak for DPW.

**Director Danielle Block (Department Of Public Works) 11:23**

Yeah, I think I would share a similar sentiment that minimal risk to the parking utility or no risk. I mean, this is a huge benefit to the parking utility in generating revenue to assist with maintaining an asset that the city already has.

**Alderson Chris Croatt (District 14) 11:39**

Great. Thank you both for your answers. And thank you Chair for the time.

**Alderson Denise Fenton (District 6) 11:43**

And I saw Alder Hartzheim. Are you on 13?

**Alderson Sheri Hartzheim (District 13) 11:46**

Thank you. Thank you, Chair, if I could please direct to the directors? Thank you. Director Homan, you said that we have plenty capacity in the green ramp, and obviously, Director Block as well. What percentage of the green ramp is 650 spots? Roughly?

**Director Kara Homan (Community And Economic Development) 12:08**

Defer to Dani, and I think she'll speak to utilization rates as well.

**Alderson Sheri Hartzheim (District 13) 12:14**

Thank you.

**Director Danielle Block (Department Of Public Works) 12:17**

So, in the most basic terms, the total number of stalls in the green ramp is 775. We look at utilization rate as a really important factor when we're issuing daily permits, monthly permits. The types of parking hours we would see with business usage are very different than those that would complement on a nighttime usage or nightlife usage.

**Director Danielle Block (Department Of Public Works) 12:43**

It's all about balance in the parking utilities. Not only do we look at the total number of permits sold, we check that that usage rate—daily usage rate—and you can tell if there's remote work situations or, you know, just different work schedules are peaks and valleys in the usage. So, we're confident that the green ramp has ample capacity for the 650 permits that are mentioned in here. And overall, the yellow, green, and red ramps have plenty of capacity for the additional 200 permits that are talked about within the DA as well.

**Alderson Sheri Hartzheim (District 13) 13:21**

Thank you. That's helpful because there were some questions in the general public about that well, we're maxing out on the green ramp and what other pieces of the city use the green ramp. So, there was some concern in that regard.

**Alderson Sheri Hartzheim (District 13) 13:33**

Director Homan, I know that you it was stated that the new value or the new expected value is \$29.3 million. Is that correct?

**Director Kara Homan (Community And Economic Development) 13:45**

Yes.

**Alderson Sheri Hartzheim (District 13) 13:45**

But news reports have said there's going to be \$40 million be put into this building. I know it's none of our business. But in a way, it's our business because we're investing in this with this TIF. Help me to explain why we would invest in something that is going to be worth less than what dollars are going to be put into it.

**Director Kara Homan (Community And Economic Development) 14:06**

Yeah, so in the simplest—I'll explain this in the simplest way. Commercial real estate has changed post pandemic in the way that assessed values are established by our city assessor—and I won't get into all the minutiae of it, but it's primarily based on comparable lease rates of equivalent Class A space. And because commercial demand has changed and isn't growing at the same pace as say residential or multifamily, the assessed value isn't as high as it may have been in the past.

**Director Kara Homan (Community And Economic Development) 14:49**

The other piece that's happened post pandemic is the cost of construction, in particular for commercial projects, has been inflated (and we've seen it with our own municipal projects) significantly. So, we are seeing situations where the cost to construct or remodel a project is here, but the assessed value is something lower.

**Aldersperson Sheri Hartzheim (District 13) 15:10**

Thank you. That's helpful as well. And then, well actually are two other questions. Referring to what Alder Croatt said about fiscal risk is obviously one of the risks that the city will have to take. Can you give me a little bit more on how this affects the other taxing entities? I mean, obviously, when we use—when this is in a TIF district, this affects the school districts, the county, etc. So, can you explain to me, like, the effects and (not necessarily to me, but to whoever's listening) the effects that this will have on those taxing entities as well?

**Director Kara Homan (Community And Economic Development) 15:48**

Sure. So, all of the taxing entities, which includes the school district, the technical college, as well as the county, continue to get the base value that they've always been getting.

**Aldersperson Sheri Hartzheim (District 13) 16:01**

Which is 12—at \$12 million at this point?

**Someone 16:06**

Correct.

**Aldersperson Sheri Hartzheim (District 13) 16:06**

\$12.9 or something of that sort? Okay.

**Director Kara Homan (Community And Economic Development) 16:08**

Correct.

**Aldersperson Sheri Hartzheim (District 13) 16:09**

Thank you.

**Director Kara Homan (Community And Economic Development) 16:10**

The incremental value stays within the TID until the TID expires. The city is cognizant that we want to—we don't want to leave open TID districts any longer than they need to because there is a benefit at the end of the TID as well for the city's general fund. But the way it works is the increment will pay, not just the developer incentive, but TID-wide we also pay for other public things such as our downtown street projects and other public works.

**Aldersperson Sheri Hartzheim (District 13) 16:43**

Thank you. And then lastly, I'm a bit concerned about the super loose language referring to "will be developed" with these lots. Can there be a—can we clarify, and maybe codify in some actual language in this agreement, what "will be developed" means?

**Director Kara Homan (Community And Economic Development) 17:10**

Are you speaking to the large lot or the small lot?

**Aldersperson Sheri Hartzheim (District 13) 17:12**

Well, I guess both, honestly.

**Director Kara Homan (Community And Economic Development) 17:14**

Okay. So, within the development agreement—I need to find that section. Bear with me.

**Aldersperson Sheri Hartzheim (District 13) 17:29**

One of the section states, "the developer will use their best efforts to actively market for sale." How do we monitor what the best efforts are? And what is—what are the definitions of whether the developer has satisfied that in terms of the agreement?

**Director Kara Homan (Community And Economic Development) 17:47**

Yeah. So, Attorney Behrens, do you want me to take—you take. It's a legal thing, so I'm going to defer to...

**Aldersperson Sheri Hartzheim (District 13) 17:55**

Excellent.

**Attorney Christopher Behrens 17:58**

So, some of this language—and understand that some of these things were negotiated. I'm not going to get into the details outside of closed session on those negotiations. But you have to understand too, we've got to allow the developer some flexibility. So as far as those large lots go, we have zoning codes, we have other things in place, that are going to dictate to the extent of what can be developed there. We can't really get more prescriptive than that.

**Attorney Christopher Behrens 18:29**

And this is also a bit unusual in that those parking lots are outside of the building itself being redeveloped. So, this is really an add on. And the developer was gracious enough to entertain discussion with us about those and how they would be developed. So, without saying more than I can, it was discussed, and there was some give and take.

**Attorney Christopher Behrens 18:56**

As far as the language with regard to best efforts for marketing those properties, it's kind of the same thing. Now remember, they do have some incentive to try to sell those on their own, because the agreement indicates that after five years, they will give them to the city. So really, if they can sell them and allow the, basically the commercial market to dictate in that situation, that's better for them. It's probably better for the city just to let the free market work. But there is that end of five years where it's going to come to us. So, I guess my point is, I don't think we need to get too prescriptive on how they need to market that property because there's already built in incentives.

**Aldersperson Sheri Hartzheim (District 13) 19:43**

Thank you. That makes sense. I appreciate that. Thank you, Chair.

**Aldersperson Denise Fenton (District 6) 19:48**

All right. Any other Alder? Alder Alfheim.

**Aldersperson Kristin Alfheim (District 11) 19:53**

Thank you, Chair. Just quickly. I hope we're all excited. Right? This has been a long time where—I love looking at the detail, but this is a big deal. It's a big deal for US Venture. It's a big deal for Appleton. It's a big deal for all of us. And I want to thank everybody for the patience in being involved.

**Aldersperson Kristin Alfheim (District 11) 20:09**

Also, I think three times now you've explained how the TIF works, but I think it's important that we talk about it. I think one of the headlines of the newspaper was "Appleton Get—Lures With \$2 Million". No, that's not the way it works. Those \$2 million don't exist. Without US Venture those dollars aren't there. So, these dollars don't even exist unless they come into town. It's such a big deal. And when we say there is really zero output from the city, it's true. We are not giving anything away that exists today. This is a wonderful win for our community, for our businesses downtown. It's truly a great day. I'm looking forward to it passing. Thank you.

**Aldersperson Denise Fenton (District 6) 20:56**

Alder Meltzer.

**Jennifer Stephany (Appleton Downtown Incorporated) 21:03**

Thank you. So, a question that I've been getting a lot from people is, I guess, what's called the "but for clause" that, you know, without—and it's in in the development agreement that "the project will not proceed without the financial assistance set forth" that this amount is necessary. Could I just get some more explanation about that for the public? Thank you.

**Aldersperson Denise Fenton (District 6) 21:29**

All right, Director Homan, do you want to address that?

**Director Kara Homan (Community And Economic Development) 21:34**

So as part of our TIF application, we require the any developer that applies for TIF incentives TIF incentives to submit a pro forma and a cash flow analysis so that we can document the various revenue streams, the capital outlay, and document that there is that gap.

**Aldersperson Denise Fenton (District 6) 21:54**

Did that answer your question, Alder Meltzer?

**Jennifer Stephany (Appleton Downtown Incorporated) 21:57**

So, is there a particular formula set by the state? Or how exactly is it determined?

**Director Kara Homan (Community And Economic Development) 22:05**

There is not a formula if you take a look at the Department of Revenue's TID manual, there is quite a bit of guidance as to how local units of government can make that determination.

**Aldersperson Vered Meltzer (District 2) 22:18**

Thank you.

**Aldersperson Denise Fenton (District 6) 22:20**

All right. Any other Alders present have questions, comments? So, this is a committee meeting. I don't have a sign-up sheet. So, or do any of the—you have it? Okay, thank you. It's all good. Okay, so I have James Fenlon on the list to speak. Can you just state your name and address for the for the record?

**James Fenlon (Director of Planning and Strategic Growth Management - US Venture) 22:53**

As stated by director Homan the investment will increase the assessed value of the building from around \$13 million today to nearly \$30 million in 2026. We anti—anticipate the cost of that redevelopment, approximately—or excuse me, the timeline, taking approximately 18 months to complete with a target to relocate all 650 of our headquarter-based employees in the 222 before the end of fiscal—er calendar year '25.



**James Fenlon (Director of Planning and Strategic Growth Management - US Venture) 22:53**

My name is James Fenlon. I'm the director of planning and strategic growth management at US venture. I'd like to thank you all for having us here this evening to discuss this imperative project. As you know, US Venture is aiming to invest north of \$40 million into the 222—or I should say "historic" 222 building in downtown Appleton. And we're equally excited to do so.

**James Fenlon (Director of Planning and Strategic Growth Management - US Venture) 23:46**

In addition, we intend to activate, as was discussed, another five acres through the seven parcels of the outlets both small and large. And we do not see them as being valuable to the downtown in relation to sitting as surface parking. We see—our company leadership throughout sees a tremendous value in the development of those lots, not only for the community but for US Venture as well.

**James Fenlon (Director of Planning and Strategic Growth Management - US Venture) 24:10**

A further benefit that was discussed is the utility parking and the stalls that have been discussed related to the development agreement. Some of the design drivers for 222 from our perspective really centered around US Venture's commitment to sustainability. And as we think about the stated office market and its state, we could find no better opportunity to invest in a standing structure today, one specifically with the history of 222 versus building new in today's economic environment.

**James Fenlon (Director of Planning and Strategic Growth Management - US Venture) 24:40**

We also view that the redevelopment of the 222 building in downtown Appleton will drive significant business for the for the members of the community and the businesses alike and will achieve this the preservation of what is a fairly iconic structure in the central business district of downtown Appleton.

**James Fenlon (Director of Planning and Strategic Growth Management - US Venture) 25:00**

For the committee, we'd like to thank the Chair and the members of the committee for having us here this evening. Other members of the Council, thank you, and to Mayor Woodford and the staff, they've been very helpful in driving this process, very pragmatic and effective at leading us to tonight's conclusion with the agreement, so we'd like to thank them for that. And I look forward to any other questions. Thank you.

**Aldersperson Denise Fenton (District 6) 25:24**

Thank you. And I have Mercedes Bereza? Did I pronounce that correctly?

**Mercedes Bereza (VP of Marketing - US Venture) 25:29**

Yes. I hadn't actually intended to speak but we just want to offer our sincerest gratitude for—to Mayor Woodford, his entire staff, for the Council. Really, this has been a collaborative effort from the beginning. This entire project has really benefited from a shared vision of what it would be like to have US Venture headquartered downtown. We truly believe that this is a situation of mutual benefit that really represents the optimal scenario for our company, for our team members, our customers, and for the city of Appleton. This is something that's truly a passion project for us as an organization, we believe in the vibrancy of Appleton, and we're excited to see the project come to life. So, thank you.

**Aldersperson Denise Fenton (District 6) 26:20**

And Ms. Stephany, I don't see you signed in. But would you like to speak?



**Jennifer Stephany (Appleton Downtown Incorporated) 26:30**

Thank you. I'm Jennifer Stephany. I'm the executive director with Appleton downtown Incorporated. We're located at 333 West College. This is a pivotal moment. It is definitely a win/win/win/win/win for downtown Appleton. We've long awaited the US Venture headquarters in downtown. We've seen tremendous increase in additional investment, knowing that this was coming. And so, to stand here tonight and to have this very important discussion about what this means to our community and what this means to boost economic impact within the downtown is really exciting for all of us.

**Jennifer Stephany (Appleton Downtown Incorporated) 27:10**

Certainly, the investment in the property alone brings added value to the district, to the business improvement district. But what happens kind of beyond those walls is what gets really exciting. And if we can calculate that figure that would be wonderful, and we would love to help make that happen for sure.

**Jennifer Stephany (Appleton Downtown Incorporated) 27:30**

We see downtown as that destination that helps to attract talent. And in this environment, as they've been talking about the state of office use within our nation, really, this is an opportunity for us to bring in-person employment into the district at a very high level and now set the presence of US Venture world headquarters in our district in the heart of our district really rings true to our efforts, the community's efforts, the city's efforts to be that destination for business, for visiting, and for living. So, we strongly encourage the support of this win/win/win/win/win agreement. And thank you for all the hard work and believing in the future of downtown Appleton. Thank you.

**Alderson Denise Fenton (District 6) 28:18**

Thank you. So, if I don't have anybody else in the public and other alders present, we'll move it to the committee. Anybody have any questions, comments on the committee? All right. Hearing none—thank you all for coming other alders and having your questions. Thank you, Director Block, for being here to help with the—so hearing no other questions, we'll go ahead and vote. All those in favor, please signify by saying aye.

**Aldersons Del Toro, Jones, Thyssen and Wolff 28:50**

Aye.

**Alderson Denise Fenton (District 6) 28:51**

Chair votes, aye. That passes five zero. Pending Council decision at that meeting, welcome to the neighborhood.