

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
Common Council

Wed, Mar 20, 2024 7:00PM

Mayor Jake Woodford 07:05

We come now to a time of public participation. At each meeting of the Common Council, the Council reserves 30 minutes for members of the public to express their views on items which appear on our agenda. We have seven people signed up to speak this evening. When I call your name, please approach the microphone and state your name and address for the record. We ask that you please keep your comments concise and to the point, and that you please take into consideration the comments that have been made by those who have spoken before you. And we ask that you keep your comments to five minutes or less, and we'll be keeping track of time.

Mayor Jake Woodford 07:38

We've got two topics that folks want to talk about, one related to the item from municipal services committee, the Rye flower box or Rye planter boxes. We'll take those comments first. And then the other folks who are here to comment would like to speak on the US Venture 222 develop development agreement.

[Cut]

Mayor Jake Woodford 20:04

All right. We'll move on now to comments related to US Venture 222 development agreement. First to speak Jennifer Stephany.

Jennifer Stephany (Appleton Downtown Incorporated) 20:21

Thank you, again. Jennifer Stephany. I'm the executive director with Appleton downtown incorporated at 333 West College Avenue. Whew. The excitement anticipation of US Venture headquarters in downtown Appleton has been a long time coming, and here we are at this pivotal moment of an opportunity to attract and retain 650 employees within our district.

Jennifer Stephany (Appleton Downtown Incorporated) 20:46

That growing talent attraction within the Fox Cities comes to life with this project. The impacts are vast, from the property value increase, to well beyond the building and with the economic impacts to the businesses within the downtown corridor. It goes way deeper than that, as we talk about talent attraction and about being a destination within the Fox Cities to bring in talent, to retain students from Lawrence University, and become an attraction for additional world headquarters in our downtown.

Jennifer Stephany (Appleton Downtown Incorporated) 21:26

The development agreement brings about an opportunity to further develop additional lots, and that brings, of course, additional property value increase as well and the opportunity for attracting potentially new small businesses. So again, the Win/Win/Win of this project is definitely exciting. We want to thank US Venture for their dedication and commitment and investment in downtown, and I want to thank each and every one of you for believing in the future of downtown and hopefully supporting this project. Thank you.

Mayor Jake Woodford 22:02

Next is James Fenlon. [Someone spoke off microphone presumably asking to change the speaker order.] That's fine.

Mercedes Bereza (VP of Marketing - US Venture) 22:15

Good evening, everyone. My purpose here today is primarily to express our gratitude.

Mayor Jake Woodford 22:21

Miss Bereza, would you please also state your affiliation for the record?

Mercedes Bereza (VP of Marketing - US Venture) 22:24

I apologize. I'm Mercedes Bereza, vice president of marketing of us venture, 425 Better Way, hopefully soon to be 222 College Avenue. Again, our purpose here today is really to express gratitude to the city, to the Council for having us tonight, for the mayor's office and Mayor staff.

Mercedes Bereza (VP of Marketing - US Venture) 22:43

From the very beginning of conceptualizing what this project might be, we have really benefited from a shared vision that the City of Appleton would be fundamentally enhanced by bringing of 650 team members to the downtown area. And it benefits us as a company as well. In a post COVID era, employers need to really offer team members a vibrant community where they truly want to live, work, and play if you want to encourage in-person work. And we can think of no better place than downtown Appleton. It truly was a natural decision for us as a company to locate at 222.

Mercedes Bereza (VP of Marketing - US Venture) 23:21

So, from the very beginning we've had that shared vision. This has been a collaborative effort, and we're truly grateful for all of the cooperation and support that we've received and we appreciate your consideration tonight. James will offer additional comments about details of the project.

Mayor Jake Woodford 23:37

James Fenlon.

James Fenlon (Director of Planning and Strategic Growth Management - US Venture) 23:44

Good evening. My name is James Fenlon. I'm the director of planning and strategic growth management with US Venture located at 425 Better Way. As you know us venture is intending to invest more than \$40 million into the 222—the historic 222 building in downtown Appleton. As discussed previously, this investment will increase the assessed value from just under \$13 million to nearly \$30 million by 2026. We anticipate that the construction schedule will take about 18 months and aim to have our 650 team members located at 222 by the end of calendar year 2025.

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

In addition, we intend to activate the other seven out lots as part of the agreement and—which totals approximately five acres in the north College Avenue neighborhood. A further benefit is the commitment from US Venture to the city's parking utility so that we can have adequate parking spaces for our associates.

James Fenlon (Director of Planning and Strategic Growth Management - US Venture) 24:44

Some of the design drivers for the 222 redevelopment project are rooted in US ventures commitment to sustainability. As Mercedes hinted, we can think of no better commitment to that effort to redevelop a underutilized office structure in downtown Appleton versus—and preparing it for an adaptive use—versus

building a new headquarters. We view the historic 222 district—er building—as a key component to the city of Appleton's downtown and central business district which aligns with our commitment to community and sustainability through the preservation of this facility.

James Fenlon (Director of Planning and Strategic Growth Management - US Venture) 25:18

Inside the office, we aim to create a world class facility for our 600 plus team members, which includes wellness and fitness opportunities for our associates. Further, we aim to create a community connected building, progressive and in a scalable environment that benefits the larger city of Appleton—City of Appleton and Fox Cities. We'd like to thank the Common Council for considering this matter. Like to especially thank Mayor Woodford and his team for being collaborative, pragmatic, and effective at helping us through this design or development process. Thank you.

Mayor Jake Woodford 25:55

All right, that concludes the list of members of the public who signed up to speak. Did anybody else arrive late missed the sign in and like to speak on an item that appears on the agenda? Seeing none, we'll close public participation.

[Cut]

Mayor Jake Woodford 52:48

All right, now to the item from Community and Economic Development. This is item 24-0269 request to approve the development incentive agreement with USV 222 LLC for improvements and redevelopment of the property located at 222 West College Avenue. We have a motion and a second to approve. We'll open the floor for discussion. Alder Doran.

Alderman Chad Doran (District 15) 53:28

Thank you. First of all, I just want to thank staff. I was on vacation last week, wasn't able to attend the Community and Economic Development Committee last week or this evening prior to our meeting. I had a number of questions that I sent to a couple different staff members late last night, and I understand the late hour at which those requests came in for information, but I just wanted to acknowledge and appreciate the staff for turning around and getting answers to those questions for me to help answer some of the questions I had about the development agreement.

Alderman Chad Doran (District 15) 54:12

And I guess I apologize if some of these things were discussed at either of those meetings, but I still had a couple of other questions, and I think one of the biggest sort of sticking points or concerns I still had was—is about the parking lots. And I'd like to hear from staff a little bit more about sort of the philosophy of where we came to about whether or not we decided or were pursuing negotiating purchasing those lots. I know Director Homan mentioned that, I think, the discuss—there was some discussion about the small lots but not about the large lots. I guess I'd like to hear a little bit more about that sort of philosophy from staff.

Mayor Jake Woodford 55:06

Thank you, Alder Doran. Given that your question pertains to negotiations, at this time, I'd entertain a motion to go into closed session which has been noticed on your agenda. We have a motion. Is there a second? We have a motion and a second to go into—oh, excuse me. Alder Hartzheim, would you please fully state the motion, the text of which is located on page six of your agenda under item S 24-0313. All right, thank you.

Aldersperson Sheri Hartzheim (District 13) 55:41

I would love nothing more. Actually, I would not. Thank you. I move that the Common Council goes into closed session according to state statute sections 19.851 sub 1 sub e for the purposes of deliberating or negotiating the purchase of public properties and the investing public funds regarding the US Venture development project and then reconvene into open session.

Mayor Jake Woodford 56:12

We have a motion and we do have a second. This will be a roll call vote. Clerk Lynch, please call the roll.

[Clerk Kami Lynch takes rollcall vote. All Alderspersons vote to enter closed session.]

Mayor Jake Woodford 56:52

The motion passes 15 to zero. So, the Common Council will now go into closed session. We'd ask all remaining members of the public to please step outside.

Mayor Jake Woodford 57:13

Good? All right. The Common Council will be just taking a brief recess before we get back underway. So, we are back in open session under a recess. We will reconvene in five minutes.

Mayor Jake Woodford 57:32

All right, we're gonna come back to order please. Bring it back to order here. All right. Thank you very much.

Mayor Jake Woodford 57:51

All right. We're back in open session on item 24-0269 for which we have a motion and a second to approve and we'll continue discussion. Questions or for clarification?

Mayor Jake Woodford 58:15

Oh, that says we're stuck in recess, but—all right. Well, that screen notwithstanding. Fixed it. Okay. It's off now. It's like. We're good? I'll try it again. All right, reboot. No. All right, we're just gonna turn that off. All right. It's like putting a tape—piece of tape over the check engine light. All right. So, we'll get going with discussion here. Alder Fenton.

Aldersperson Denise Fenton (District 6) 58:57

Thank you, Your Honor. Um, with apologies to Director Homan I'm going to ask that her the same question that I asked in the Community Economic Development Committee, and that's for folks in listening or watching or in attendance. Can you just explain briefly—may I direct to Director Homan? What—the technicalities of a pay as you go agreement and what that—what the city's responsible for there and what US venture is responsible for there.

Mayor Jake Woodford 59:31

Director Homan?

Director Kara Homan (Community And Economic Development) 59:33

Sure, so the way that a pay as you go TID incentive is structured is the development agreement obligates the developer to perform the development. Once the development is deemed complete and they achieve the incremental assessed value that's established in the agreement, the incremental revenue that's paid in when the taxes are collected after that point in time on an annual basis, we collect that, and then we pass through 90% of

that incremental revenue until the full incentive payment is paid out over time. So really, we're only paying money that is new money that we're bringing in, and we're passing through 90% of it.

Alderson Denise Fenton (District 6) 1:00:21

Thank you.

Mayor Jake Woodford 1:00:24

Alder Croatt.

Alderson Chris Croatt (District 14) 1:00:25

Thank you, Mayor. I'm going to do what Alder Fenton did and ask a couple questions that I asked at the committee level just so everyone gets the same response from Director Homan if I could.

Director Kara Homan (Community And Economic Development) 1:00:36

Please.

Alderson Chris Croatt (District 14) 1:00:36

And the first one was about risk to the city, the level of risk financially fiscally. And then the second one was around the economic impact of a project like this coming to our downtown and how we might be able to get a number to estimate what that impact could be.

Mayor Jake Woodford 1:00:56

Director Homan?

Director Kara Homan (Community And Economic Development) 1:00:58

Sure. So, the way the Pay As You Go TID incentive is structured is there is no financial risk to the city. And then in terms of the other provisions with regards to the parking passes, there's a huge upside in terms of the financial benefit to the parking utility. In addition, the provisions that incentivize the development of the surface lots also creates additional potential upside when those developments do occur, in the event that they're developed in a taxable manner.

Director Kara Homan (Community And Economic Development) 1:01:33

The other question was, with regards to the economic benefit for the community at large. There are ways to figure out above and beyond like the tax base that's created the type of economic model multiplier effect that might exist with the development of this nature. We would have the ability to work with the Regional Planning Commission. They have an economic modeling tool where you can take the number of employees and the industry code, and then they assign a multiplier to that and they can estimate what the economic benefit would be for businesses and other industries within the region.

Alderson Chris Croatt (District 14) 1:02:17

Oh, sorry. Thank you for that information. And I would be interested. I don't need that number to approve this tonight. But I would be interested in knowing that number, and I believe the executive director of Appleton downtown Incorporated expressed interest in learning that number as well. I don't think she's here anymore, though. So, thank you very much for that. I don't plan on speaking this on this again. I think this is a really big thing for downtown Appleton, and I would encourage us to approve this development agreement tonight.

Mayor Jake Woodford 1:02:48

Further discussion? Alder Fenton.

Alderson Denise Fenton (District 6) 1:02:52

Thank you, Your Honor. I wanted to let everybody have their questions—get their questions in. But I just wanted to, as I did in committee, to thank everybody from the city who was involved in this negotiation, everybody from US Venture, Attorney [Riffel?] for working as with the Council as his client in all of this. And I am going to enthusiastically vote for this development agreement, and I'm very excited, as I said earlier, to welcome US Venture to the neighborhood.

Mayor Jake Woodford 1:03:27

Alder Hartzheim.

Alderson Sheri Hartzheim (District 13) 1:03:28

I'm not sure if you saw my request.

Mayor Jake Woodford 1:03:30

I didn't. I'm sorry. So go ahead.

Alderson Sheri Hartzheim (District 13) 1:03:32

It's still pressed. So, I'm not sure if my computer's just not doing what it should be doing here. Thank you. I too am going to ask a question, if I may of Director Homan in regards to something that I asked during the earlier committee meeting. The—everyone is very concerned because the news report says \$40 million is being put into this building and then at the end, the assessed value will be \$29.3 million. I'm curious as to how that is worked out and why this is seeming as a good investment.

Mayor Jake Woodford 1:04:07

Director Homan.

Director Kara Homan (Community And Economic Development) 1:04:10

Sure, so the—as we all know, since the pandemic hit and supply chain and inflationary pressures, the cost to construct new facilities as well as renovate has escalated quite quickly. On top of that, the real estate market for commercial real estate, in particular those that are primarily office based, has really softened nationwide.

Director Kara Homan (Community And Economic Development) 1:04:37

The way that our city assessor sets the opinion of value in development agreements is not based on how much the project costs. It's based on the standard principles that go in two setting assessed values per the DOR. In most cases for commercial real estate, they're looking at what is the average—what are equivalent properties are renting for? And then how that translates into a project of this type.

Director Kara Homan (Community And Economic Development) 1:05:06

So, in terms of your other question, you know, if you have a situation where the opinion of assessed value ends up being less than the total cost of the project, there's still a huge upside to the city in terms of the economic multiplier benefits that Alder Croatt had inquired about. There's the benefits to the parking utility, and then there's the benefits to the additional tax revenue long term that would be generated for the city for the 222 parcel as well as for the future development of the current surface lots that they are pursuing as part of their purchase agreement.

Aldersperson Sheri Hartzheim (District 13) 1:05:42

Thank you for that. I think I speak for a lot of the general public, that we are going to have to, in our brains separate to this agreement from anything that has occurred prior to this agreement. And looking at it solely as an independent item, I believe there's a there's—the value outweighs the risks at this point. So, I would encourage the Council to agree to this as well. Thank you.

Aldersperson Chris Croatt (District 14) 1:06:12

Alder Doran.

Aldersperson Chad Doran (District 15) 1:06:14

Thank you. I'm—I guess I'm just wanting to go on record and state that I am a little disappointed that, in my mind, at least we have a viable alternative before us to look at for not having to do a TIF agreement on this project that we have not yet pursued in in looking at purchasing the combined parking lots from US Venture to offset the need to do a TIF agreement. And I think we're—I guess in my mind, it just lacks a little due diligence on our part to look at every avenue to avoid having to do that so that we're not seeing other taxing entities also having to take the hit during the life of this agreement for the additional increment that's created from this project.

Aldersperson Chad Doran (District 15) 1:07:08

This isn't a knock on the project itself. I think it's great for Appleton and downtown. It certainly brings benefits with us—with it for the city. But I think there is an avenue for us to still see this project potentially happen that hasn't been explored. And I'm at this point, I'm not able to in good conscience vote for the development agreement without looking at that option further.

Mayor Jake Woodford 1:07:37

Alder Alfheim.

Aldersperson Kristin Alfheim (District 11) 1:07:40

Thank you Chair. Comment and a question regarding the wish we didn't need to have a TID. I'm not sure how that's a negative. It's been brought up a couple times on the potential on the other tax entities, but there is no increase in value if this project doesn't happen. There is no money that they're missing out on. It doesn't exist without this development, and we have a great organization that's looking to put \$40 million into one of our landmark buildings. So, I in no way should I—do I believe this should be looked at as a negative. It is a wonderful use of a great building a great organization without spending a nickel. We are not taking any money out of the pockets of the other taxing entities. The money doesn't exist unless we have a great partner like US Venture to increase the value by investing \$40 million. So, I disagree with that argument. In addition, the idea of them putting in 40 million, is it not possible—and if I may direct to Director Homan. Um, is it not possible that the assessed value would go up sometime in the next 10 to 15 years above projections?

Mayor Jake Woodford 1:08:48

Director Homan.

Director Kara Homan (Community And Economic Development) 1:08:51

It could.

Aldersperson Kristin Alfheim (District 11) 1:08:52

And would that not be good for all parties included?

Director Kara Homan (Community And Economic Development) 1:08:56

Yes.

Aldersperson Kristin Alfheim (District 11) 1:08:56

Yes. So, it's not a downfall, right? The values may change, but they're gonna change forward. There is no change negative that causes a negative to us. It's a pay go. So, this is a win/win/win/win. There has been a tremendous amount of due diligence has been done. Tremendous. So, I applaud the efforts, and I thank the US venture, I thank the city, and I look forward to voting yes as fast as possible.

Mayor Jake Woodford 1:09:23

Alder van Zeeland.

Aldersperson Katie Van Zeeland (District 5) 1:09:25

Thank you, Chair. I just want to say I disagree with Alder Doran that this is—there is even a viable way forward in purchasing those properties because we don't have the money in the budget to outright purchase those properties. It's not in our capital plan. So, I disagree with the term "viable". I think that we have done our due diligence here. And I think something that hasn't really been brought up yet is the historic significance of this building, that this is a really important building to a lot of people in the city, and I'm excited to see that it's going to carry on. Thank you

Mayor Jake Woodford 1:10:04

All right, one speaker in the queue is Alder Wolff.

Aldersperson Nate Wolff (District 12) 1:10:08

Thank you chair just on Aldersperson van Zeeland's point, they also in the plans intend to keep it to make it look like—or follow the historical standpoint of the building, which is really nice too and a really nice touch. I'd like to thank staff and US Venture and everyone involved in the project. I think this is a win/win/win/win/win/win. Thank you.

Mayor Jake Woodford 1:10:36

Further discussion? Hearing none, we have a motion and a second to approve. Please cast your votes. Motion passes 14 to 1 with Alder Doran opposed. Item has been approved.