

**VILLAGE OF PLEASANT PRAIRIE
COMMUNITY DEVELOPMENT AUTHORITY
Village Hall Auditorium
9915 39th Avenue
Pleasant Prairie, WI
September 5, 2007
4:30 p.m.**

A meeting of the Pleasant Prairie Community Development Authority was held on Wednesday, September 5, 2007. Meeting called to order at 4:30 p.m. Present were John Steinbrink, Mike Serpe, Larry Nelson, Gary Hutchins, Phil Godin, Kate Jerome and Tom Reiherzer. Also present were Mike Pollocoff, Executive Director; Vesna Savic, Deputy Village Clerk; and Kathy Goessl, Treasurer.

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. MINUTES OF MEETINGS - JULY 18, 2007**

REIHERZER MOVED TO APPROVE THE MINUTES OF THE JULY 18, 2007 CDA MEETING AS PRESENTED IN THEIR WRITTEN FORM; SECONDED BY SERPE; MOTION CARRIED 7-0.

- 4. PUBLIC HEARING - DISCUSS A BLIGHT DETERMINATION STUDY AND ADOPT RESOLUTION 07-01 FINDING AND DECLARING THE THREE PROPERTIES LOCATED ON THE SOUTHEAST CORNER OF 91ST STREET and 22nd AVENUE TO BE BLIGHTED.**

Mike Pollocoff:

Mr. Chairman, we had sent out the blight determination report that Jean and her staff prepared reflecting a number of things. It's a large study. The second two-thirds of the report is the phase 1 and phase 2 evaluation of the contamination of the site which was primarily dry cleaning chemicals that had contaminated the site and subsequently contaminated the groundwater in that area. The Community Development Authority is that municipal entity that has the authority to make a determination of blight. This is not like what we did on I-94 where we made a blight determination and then adopted a redevelopment plan to go in and acquire the properties and redevelop them.

In this instance what the Village is looking for is, one, making as a first step that initial determination the property blighted, does it meet the statutory requirements for blight that a property must meet, and if that is the case after the Authority hears from interested citizens and evaluates that information -- if you make that determination that it is blighted, then a resolution will be adopted which will be forwarded to the Village Board. The process has started already to create a tax increment district to not have the Village finance the improvement but to provide a vehicle whereby the developer, in this case Mr. Mills, would remediate the site, do the cleanup, and then develop condominiums on the site. The revenues from those condominiums would be a tax increment. The Village would agree to take those tax revenues from that condominium development and provide them to Mr. Mills to retire the debt that he incurred to remediate the

site. At the time the bonds are paid off then like any other TIF, the bonds would go to all the taxing entities that service the property. The Village wouldn't be issuing any of the bonds. The Village is in the process now to put a development agreement together to ensure the Village is held harmless from any financial exposure in this project and that the developer assumes all that liability.

That being said, for the determination of blight this is a three parcel area. It shows on your map as being on the corner of 22nd and 91st Street. The front parcel is where the strip mall is located and that's where the dry cleaning site once was. Two parcels behind that have been determined to be blighted or contaminated because there has been substantial filling of numerous things that have taken place on that property. The properties are characterized as a run-down neighborhood strip mall center developed in 1959 which is surrounded by smaller single family residential land uses, a private church, a school, institutional land use and environmental uses which would be the conservancy area farther to the south.

The retail center is an older, worn out, deteriorated building that has been the location of several fires, a target for vandalism and uncontrolled dumping. The buildings, due to significant water damage from leaking from a damaged roof, has significant mold growth and several other health, safety and welfare building and fire code violations. The site has a number of municipal code violations related to building maintenance, obsolete signage, broken and deteriorated parking lots, tall weeds and glass. The character and appearance and conditions in this area which is a blighted area as defined by Wisconsin Statute 66.1333(2m)(b) of the Wisconsin Statutes prevents and discourages development in the area. The properties, therefore, warrant a blight elimination pursuant to Wisconsin Statutes.

The Comprehensive Land Use Plan for this area as it exists right now shows that this area would be developed as a commercial use. Staff believes that the community has really given this parcel of land a long enough try as a commercial use site and it hasn't made it, it hasn't succeeded. And given one point in time Springbrook Road was a major access point into Kenosha, but over time that's not the case anymore. It's STH I-65 and 85th Street in particular that draw traffic from STH 32 to get to the City, so the traffic on Springbrook and 91st Street tends to be more residential getting from one area to the other. So the next best use would be the residential use. Multifamily condominium use is recommended because if we were to try to remediate the site and do it based on two or three single family lots there would be no way the project would be able to pay for itself. There are additional multifamily housing units that are in the City of Kenosha and the Village of Pleasant Prairie directly to the east along 91st Avenue.

The existing zoning district regulations within the study area there are currently no residential population residing within the project area. It's all commercial and vacant property. Current zoning of the parcels is B-1, Neighborhood Business, and single family residential with an urban land holding overlay. The proposed residential land uses for the property identify 28 residential condominium units as proposed which will provide for a total of 76 persons at full build out of the development based on 2.73 average persons per household in the Village.

For tax purposes in 2006 the assessed value for the real property within the study area is presently \$181,500. The Village's current aggregate assessment ratio is .96 resulting in an equalized

Community Development Authority
September 5, 2007

present value of \$189,100. As I indicated, we're proposing that the zoning ordinance be modified to accommodate multifamily zoning. It would be a PUD, Planned Unit Development. The type, number of improvements in additional public utilities, new public sanitary sewer and water site, utilities to support the new development will be required to be installed by the developer. Those would be on the site. No public land acquisition to support the new development will be required. There are no agricultural impacts involved with this. No relocation assistance, since we're not relocating anybody as part of this project, is required. And there will be no real estate acquisitions.

With that, if you want me to answer any questions or if you'd like to open up the hearing we could proceed from there.

John Steinbrink:

Anyone wishing to speak at this public hearing?

Augie Sheppler:

Augie Sheppler, 4201 104th Street. I'm not involved with the property itself. I talked to Mike Pollocoff, he was good enough to call me back on this, and I did talk to one of the Plan Commission members and this is a confusing thing. I'm not against cleaning up that property. But I'm afraid that you're going to set a precedent here. To me we had a private developer bought this property last year. He is the present owner. He is responsible by State law to clean up pollution. I know, I've been involved with it, still involved with it on my property in the City of Kenosha.

You have the Development Authority, the only thing you're going to do here is to declare it blighted. But we can pick a number of items, a number of places, if we want to go into the eminent domain situation here that we want to build this up for a better tax return. But in part of this my objection is that being a private individual he's using the resources of the State law and the Village of Pleasant Prairie for his personal gain. He's a gambler and a very successful gambler and I have no objection to him, but I do object to him using these facilities at the taxpayers' expense.

You have a meeting going on the 10th to change the zoning, create a TIF District, and I understand at the last Plan meeting you already did that. I wasn't around. But it almost sounds like this is a pre-planned development here. Now, real estate records show that he owns this last year already so why wasn't he committed to clean up already? Why should we take our resources to do that? With TIF District, I don't know how long it would be, how many years, but the taxpayers of the Village of Pleasant Prairie don't get any of the benefit out of getting the tax off that basic property.

Again, it's a tough situation. Yes, we want to clean it up. We certainly say good luck to the developer. However, I still think that should be private enterprise. Again, are we setting a precedent in something like this? I think it's something to consider. I had property and I don't know if he's going to look for State help or federal help on that, but I've got tetrachlorene on my

Community Development Authority
September 5, 2007

property and I can't find any help. The State wrote me a letter and says unless you're a dry cleaner you don't get any help. So I think it's his gamble and I don't see how we, Pleasant Prairie, should help the private individual. Thank you for listening to me.

John Steinbrink:

Thank you. Anyone else wishing to speak? Anyone else wishing to speak? Hearing none, I'll close the public hearing.

Mike Pollocoff:

Before we go to citizen comments we'll need to discuss this item and then there's the adoption of the resolution on Item 4 if you want to consider the resolution.

Mike Serpe:

Can we discuss Item 4 then?

Mike Pollocoff:

We've had the hearing and I've presented it. The next item would be whether or not, one, the Authority has any more questions and then make a decision as to whether or not the Authority would want to adopt Resolution 07-01 to determine that the property is, in fact, blighted.

Mike Serpe:

I have just a couple clarification questions if I could. As I understand TIF District, whatever the tax rate on that parcel is right now is what the Village, the schools and the County continue to collect if it's deemed a TIF after this point, is that correct?

Mike Pollocoff:

That's correct.

Mike Serpe:

So in other words if it stays as it is right now we will continue to collect the amount of taxes that are being paid on that parcel as it sits right now. As I understand it, Mr. Mills is fronting the money to have that cleaned up and he's paid back by the taxes that are generated off of the development that takes place on that parcel from now until maybe 20 years from now or until it's paid.

Mike Pollocoff:

Right.

Community Development Authority
September 5, 2007

Mike Serpe:

So there is no risk on the Village here.

Mike Pollocoff:

There is no risk, but right now the value of that is at \$181,000. If it's determined to be blighted and nothing proceeds the value will continue to go down so the taxes received by the community will continue to go down. If the development goes forward and it takes roughly \$715,000 to not to build the condos or put in the infrastructure but \$715,000 to remove the contamination so that you can start with a clean slate at that point that's what the TIF is going to pay for. So as the condominiums build up from 1 unit up to 28 units, the amount of taxes that are paid, that base value is going to get paid to everybody just like it was before, that all the taxing entities are held harmless, so they're not getting any less but they're not getting any more either. Then that pays off when it retires and we're estimated 17 to 20 years.

Mike Serpe:

And one other clarification if I may. Mr. Mills has undertaken this endeavor because we cannot locate or pin down the previous owners to have them come back and clean this up, is that correct?

Mike Pollocoff:

Correct.

Mike Serpe:

So Steve is doing this. If he doesn't do this and at some point in time it has to be done, that could come upon the Village to expend the dollars to get that clean?

Mike Pollocoff:

I don't think it will. I mean we don't have a liability, but we are the entity that has under State statutes the ability to use tools like blight determination and TIF. We could do what we did with the other property, we could determine it's blighted and buy it ourselves and then use taxpayer money to redo it or a TIF. This property was foreclosed on for a number of years and the bank wouldn't fully take it because the contamination was there. The County could have taken it for taxes for a number of years but they didn't want to take it because they didn't want to own the property with the contamination so this thing has been in limbo for probably a good three years before Mr. Mills took it on.

The Village has been fairly stringent in this. If you look at blight elimination and brown field projects that are taken on, a lot of communities are doing things like exactly what we're doing tonight but they're also paying an incentive to the developer to do the project, putting in a grant award to assist with the construction, not alone doing the remediation. So we're probably as far

as a brown field project goes this is a very conservative project as far as what the Village is willing to do on this. That's really where our financial abilities lay.

Right now the Village has a lot of things on its platter. We have one of the largest TIFs in the State in WisPark and Abbott and all of those things and that's really where a lot of our resources are focused. But that doesn't mean that the financial tool to get this done doesn't still exist. It just has to be the sole responsibility of the developer because we can't as a community afford to make contributions to get this thing done. It's going to be a cost he has to solely bear on his own. So if the condominium market absorption rate doesn't meet the targets that he hopes it will or we hope it will, he's going to have to make the spread. The Village can't be exposed on any of this. So what we're doing is putting this thing together so we can facilitate the cleanup and find a way for him to get paid back.

Mike Serpe:

One last question, Mike. Is there a major downside to this by adopting this?

Mike Pollocoff:

I was thinking about that and I guess there's a couple. I don't know that they're major but they're downsides you should think about. One is we go through the effort to determine this is blighted, we say it's blighted, and for whatever reason Mr. Mills says I can't do this and I'm not going to be able to complete it, we're both hurt at that point. He owns a blighted piece of property. We've got a blighted piece of property that is even harder to do something with. So you're telling somebody you've got a piece of property that's got environmental contamination and it's got an official designation of blight on it, try and do something with that. But then we are going to have people coming back saying, okay, Village you said it's blighted what am I going to do with it?

The other thing is a little more some of the financial nuance that I was initially more concerned about is that we want to make sure, and I don't think it's going to happen, but if amended TIF District #2 performs as well as we hope it does, it's going to start moving to the point where it's going to reach that cap of that 12 percent of our value. That happened with the first TIF. This is a relatively small TIF but we may want to do another TIF in other areas. And this does kind of close the opportunity for the Village to do TIFs in other areas if we decide to do it because we've got to stay under the 12 percent.

TIF District #2 is over \$200 million right now in value and growing and we haven't even hit the big strokes on it yet. The value is also growing, too. That's the one number I've been looking at. We don't have any plans for any future TIFs but I don't want to foreclose that for the future of the Village. That's to me the only other downside. Right now the site and the building itself is a downside to the Village. No one would want that in their neighborhood and I don't think the people in that area want it in their neighborhood either. We've given the private sector a significant amount of period of time to get that thing up and running and it just hasn't jumped to it. I guess we can continue to wait it out, but we're better off getting ahead of it now or waiting I really think that's the policy decision that the Village Board is going to end up making as they

Community Development Authority
September 5, 2007

deal with the prospects for the TIF. In my mind and in Jean's mind there is no doubt this is a blighted property. It clearly meets all the requirements.

John Steinbrink:

I'm going to back up a hair. We should still be on Item 4, public hearing and I moved ahead to citizens comments thinking that was the comment portion. I'm going to move back to the public hearing. The public hearing is still open or I'm going to open the public hearing. Augie, I'm sure you want your comments as part of the hearing record. Do you have anything else you wish to add to that? I called citizens' comments and you spoke under that. I want your comments as the public hearing record.

Augie Sheppler:

You asked about the downside. I think the downside is that for the 20 years or 25 years that would make it a TIF District there's no benefit to the taxpayers of the Village of Pleasant Prairie for the taxes. Am I wrong on that?

Mike Serpe:

Right now the taxes that are paid on that property right now that amount will continue to be paid until that TIF is paid off. So if it stays as it is right now that's the amount of taxes we're going to collect on that parcel.

Augie Sheppler:

But the money of the TIF goes back to the developer.

Mike Serpe:

Right, but the amount of tax that's on it right now will continue . . . but that's the incentive to create the TIF Districts to get this stuff cleaned up and developed.

Augie Sheppler:

But that's my downside.

Mike Pollocoff:

The question that you raise is the exact question that the State statutes require the Village Board and the Joint Review Board which is a representative of every taxing agency to ask and answer. That question is would this land develop on its own without the TIF? And, if it would, then we can't do the TIF because that comes right to what you're saying. If this land was to develop normally and you could put condos in there without the TIF improvements then the school district, the County, the Village we would all get those tax dollars and we would be entitled to them. But if the answer is , no, this isn't going to develop unless there's a TIF District to solve

Community Development Authority
September 5, 2007

that problem then that's the only way the TIF can proceed. The question you raise is the exact question the statutes raise. We're at the beginning steps here. As the Joint Review board and the Village Board review it they have to affirmatively answer yes to that, that if we don't do this that site won't develop.

Augie Sheppler:

It's a toughie. No question about it. I appreciate all the comments of the people I asked, but I still think it's private enterprise and we should not get involved in it. My opinion. Thank you again.

—:

Mike, what the Village is foregoing is just the tax rate on the \$180,000 value?

Mike Pollocoff:

That's what we do get. We'll be foregoing that increment.

—:

But the increment wouldn't have been there

Mike Pollocoff:

Right, that's what we forego. We're held harmless for what's there today.

Gary Hutchins:

I have a comment I guess. I know all we're doing is determining that the property is blighted which I think no doubt it is. The question would be, and I think this is the Board considering it, is there a limit or a ceiling on how much the cost could be once you get in there and start the cleanup and development?

Mike Pollocoff:

One of the steps is going to be a development agreement where we're going to establish a number of things. One is what the maximum exposure is. The project plan that the TIF statutes require we create sets forth the amount is that we're going to go to and that's \$715,000 right now. So that would be it. We couldn't give more increments above and beyond that unless the whole process started all over again and we amended the district so that's fixed as of the date the project plan would be adopted. Our direction to the developer is that we want to be out of this as fast as we can. We really wanted to be out sooner than 17 to 20 years. They have pretty firm estimates as far as construction.

Community Development Authority
September 5, 2007

The real estimate that's tough is what's going to be the value of these condominiums as they go forward over a 20 year period. What are they going to appreciate it at? Rocco has placed it at a real conservative number. They're not bad condominiums but they're not really high end condominiums either. They're condominiums that are in that \$180,000 range which fits that neighborhood, I think it's marketable, but they're not given the fact you only have 28 of them they're not going to generate a ton of tax revenue. So that value we've estimated is real conservative.

Kate Jerome:

I have a question. Is there any way that once this gets underway that the developer can back out?

Mike Pollocoff:

The Village in the development agreement is going to require performance, and if the developer backs out we're going to want to be held harmless on it. He's going to have to still pay the cost in there and then if he walks away from it we're going to have protections in the development agreement that we can have someone step in and finish the project.

Larry Nelson:

What is the time schedule you envision on this project?

John Steinbrink:

Steve, if you could come forward and give your name and address for the record.

Stephen Mills:

Steve Mills, 4011 80th Street, Kenosha. In reference to that we have a two year build out once we're up and operable. Again, there are only four buildings. They're seven-unit buildings. We built these on the north side of Kenosha and elsewhere. We believe it fits the neighborhood and that ultimately we'll be successful in selling them.

Larry Nelson:

With today's economy, are you still seeing good sales?

Stephen Mills:

Sales are flat, but yet as we look at the marketplace in '08 we're always kind of anticipating the future. To this gentleman's comment, yes, we are all somewhat gamblers in this business. I look at this as a calculated risk when I acquired the property. But we have some significant additional properties that are to the east of the subject property and to the south a farm. I guess I got tired of driving by this piece and wondering why it continued to be in that condition. I did a bit of research and found out that a bank had per se had a lis pendens in this foreclosing on it but they

Community Development Authority
September 5, 2007

never closed the foreclosure. I contacted the bank and I negotiated the buy, what was a very large amount of money that was owed against it for a very small amount understanding that there was a phase 1 and a phase 2 that told me what the problem was. Same way in talking with the County - they didn't want to foreclose upon it per se because of the fact they didn't want the blighted contaminated parcel.

I have not done a brown field redevelopment in the past. I have a gentleman here, though, who did the phase 1 and phase 2. He and I talked about it and said, okay, what can we do to remove this property from its present condition and do something with it because of our other interests that are around it. We came up basically with this plan which we think works. Is there risk? There is. I believe most of the risk is being taken by me and our group, my family, as opposed to the Village. We've worked in the Village before and we stand behind what we do and we're capable certainly of completing this. Basically you're not putting up the money, I am. All I'm doing is getting my own money back if we're successful. If we're not I guess I lose my money. I think it's a win/win for the Village and I don't think we're being given any special favors.

If you say, no, we aren't going to do this, what I have invested now is certainly a lot of time and some consulting fees, but the amount of money that I paid for the property is small. I did pay some real estate taxes or the County could have theoretically taken it back so I wanted to get this process started. I would have to walk away from the entity if we can't do this. I didn't create the problem so you get the problem back. That's about the best I can explain. Can I answer any other questions?

Larry Nelson:

Are you talking about breaking ground next year?

Stephen Mills:

It depends on this process in the cleanup of the site. But it would be our goal to be constructing the first of the buildings next year and it would be four buildings, kind of a build and fill kind of a situation. I'd be glad to answer any other questions. That's kind of how we became involved.

John Steinbrink:

Any other questions for Mr. Mills?

Phil Godin:

I move for adoption of Resolution 07-01.

Mike Serpe:

Second.

GODIN MOVED TO ADOPT RESOLUTION #07-01 FINDING AND DECLARING THE THREE PROPERTIES LOCATED ON THE SOUTHEAST CORNER OF 91ST STREET AND 22ND AVENUE TO BE BLIGHTED; SECONDED BY SERPE; MOTIONC ARRIED 7-0.

5. CITIZEN COMMENTS – None.

6. COMMISSION COMMENTS

7. NEW BUSINESS

A. Receive Supreme Court Order dismissing claims by C & S Management, Inc.

Mike Pollocoff:

Mr. President, we received correspondence and a copy of an order from the Supreme Court dismissing the case before the Supreme Court between the Village of Pleasant Prairie and C & S Management. They were appealing the Circuit Court's order on the relocation that we had offered to C & S for the bookstore. So I guess this one is done, done, done unless for some reason they want to go to the U.S. Supreme Court but I don't think that will happen. It's over.

8. ADJOURNMENT

REIHERZER MOVED TO ADJOURN THE MEETING; SECONDED BY NELSON; MOTION CARRIED 7-0 AND MEETING ADJOURNED AT 5:10 P.M.