

Joel West, AICP - Presenter

- 36 years in municipal government and development (Wisconsin, Minnesota and Montana)
 - Osceola, WI
 - Northfield, MN
 - Worthington, MN
 - Baker, MT
 - Moorhead, MN
- Project Manager for a residential and commercial development company in the Minneapolis/St. Paul area for several years
- Currently, manage my own consulting firm serving municipal and private clients. Located in Osceola, WI.

Innovative Financing

To Build Market Rate Apartments
In Rural Areas

July 10, 2020

Why should public sector be involved in assisting the creation of market-rate housing?

- Continued unmet need for housing
- Limits employers in attracting employees
- Forces people to live farther from their workplace, long commute times
- People not as engaged in the community that they live in

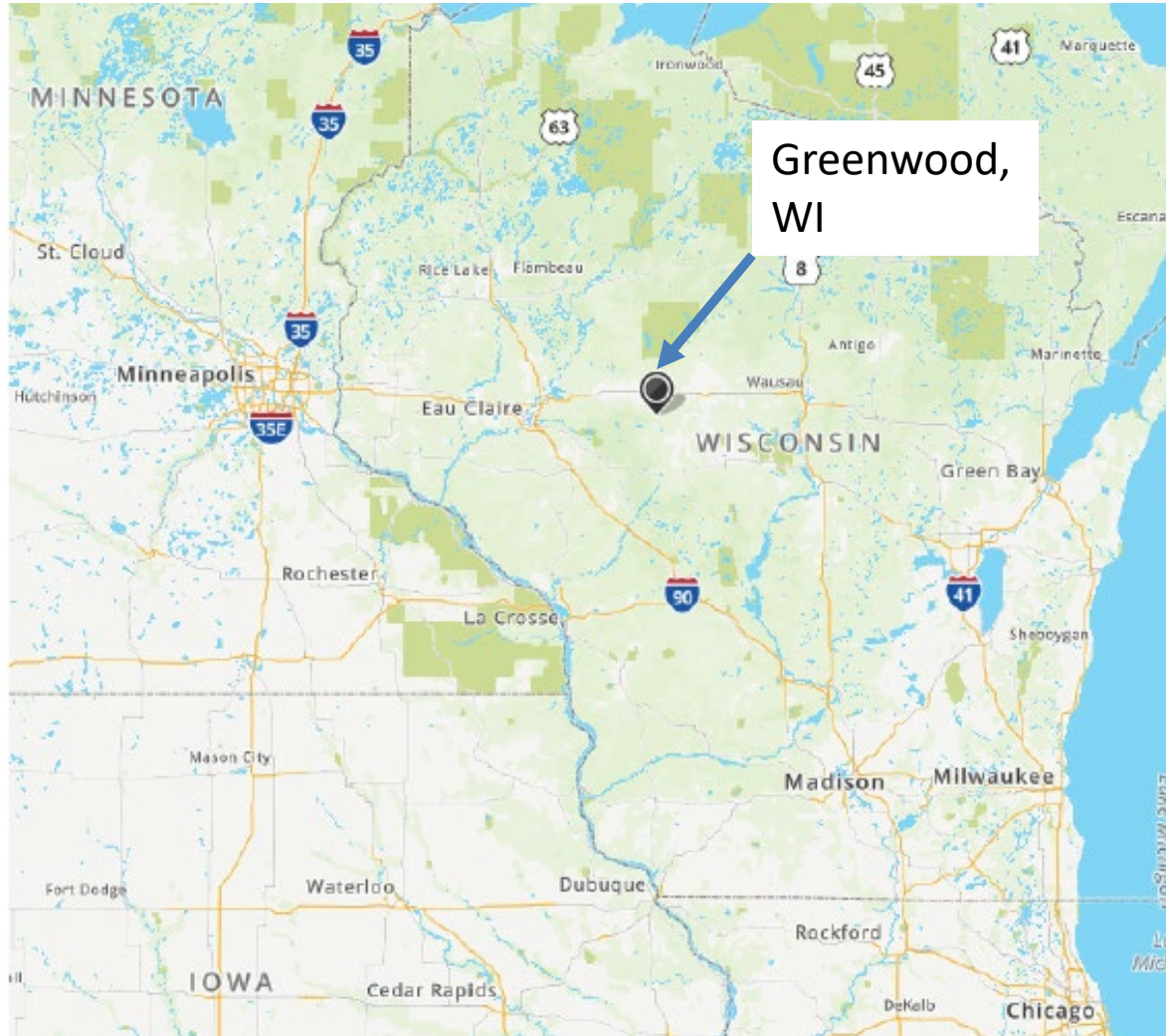
Criteria for Apartment Development to be Successful - WEDC

- Generate at least \$800 per month in rent
- Economy of Scale – Need a minimum of 49 units for developer to consider project feasible
- Building values are lower in rural areas meaning developers cannot borrow as much against the project
- Construction and borrowing costs are the same in rural and urban areas

Issues Affecting Apartment Development

- Shortfall of ongoing rental income; or
- Costs exceeding available financing
- Or Both

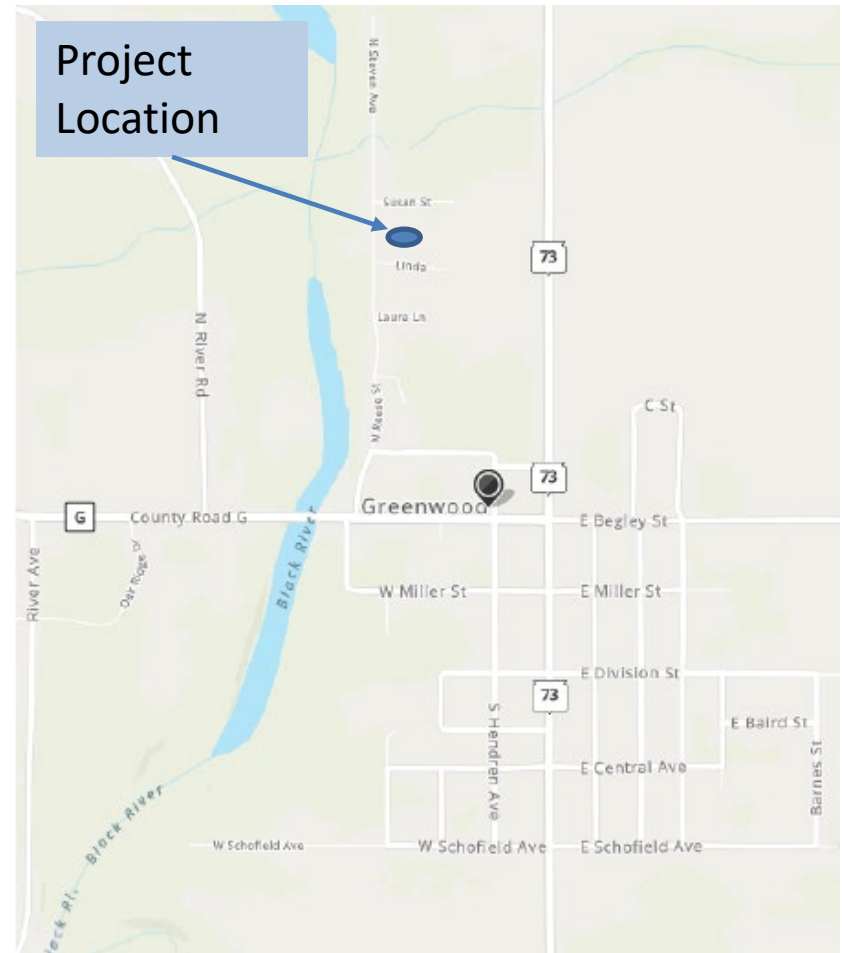
Greenwood, WI



Greenwood Demographics

2010 Census

- Located in Clark County (Population 34,690)
- Population 1,026
- 464 households
- Owner Occupied – 70%
- Renter Occupied – 30%



Greenwood, WI



Housing Issues

- Workers at area businesses cannot find housing
- Many want to rent for a time before deciding on their next option
- Others want to purchase a home, but want or, need time, to find a home or to contract to build one

Greenwood - Housing

2013-2017 Median Value of:	Owner-Occ. Units	Gross Rent
City of Greenwood	\$78,600	\$556
Clark County	\$117,400	\$602
State of Wisconsin	\$169,300	\$813

Source: U.S. Census, 2013-2017 American Community Survey 5-Year Estimates

According to the State of WI, \$800 per month in rent is needed to have a successful apartment project, which translates to a renter needing an income of \$32,000/year or \$15.38/hour.

Greenwood/Clark County

2017 WAGES

Occupation	Mean	Median
Bartenders	\$10.06	\$9.34
Bookkeeping/Accting/Audit Clerk	16.92	16.96
Cashiers	9.62	9.31
Nursing Assistants	14.15	14.05
Office Clerk, General	15.24	15.24
Physical Therapists	40.28	40.67
Secretary/Administrative Assistant	24.03	23.06
Stock Clerk/Order Fillers	13.56	11.77
Truck Drivers, Heavy/Tractor Trailer	20.90	20.71
Welder/Cutter/Solderer/Brazer	18.79	18.51

Source: Bureau of Labor Statistics, May 2017

Local Employers Facing Need for Employee Housing

- Grassland Cooperative
- Greenwood School District
- Memorial Medical Center, Neilsville, WI (15 miles)

At \$15.00/hour 30% of income for housing equates to \$780/month in rent and at \$20.00/hour it is 1,040/month in rent.

Development Concept

- Owners of Grassland Cooperative partnered with a development company to build apartments
- 16 to 32 units on vacant, undeveloped land within the City
- Opened dialog with the City to extend utilities and the need for financial assistance

Proposed Rent

- Starting pay at Co-op is \$14.00/hour
- At 30% of income, it equates to \$730/month rent
- This is average rent at the proposed development
- In order for the development to cash flow without assistance the rents required were calculated to be at least \$840/month

Potential City Assistance

- Only city assistance available is creation of a tax increment district
- State financing programs are designed to assist low and moderate income households
- Prospective employees at local businesses did not meet low and moderate income guidelines

Tax Increment Financing

Tax Increment is a financing method whereby the increased taxes from a parcel of land are captured by a municipality and used for the public purposes outlined in State Statute. In using tax increment a community is leveraging future tax dollars to make projects happen now.

What can tax increment funds be used to pay for:

- Public Infrastructure such as sewer, water, storm sewer and other utilities
- Public benefits such as affordable housing and blight removal
- Financing gaps in private development

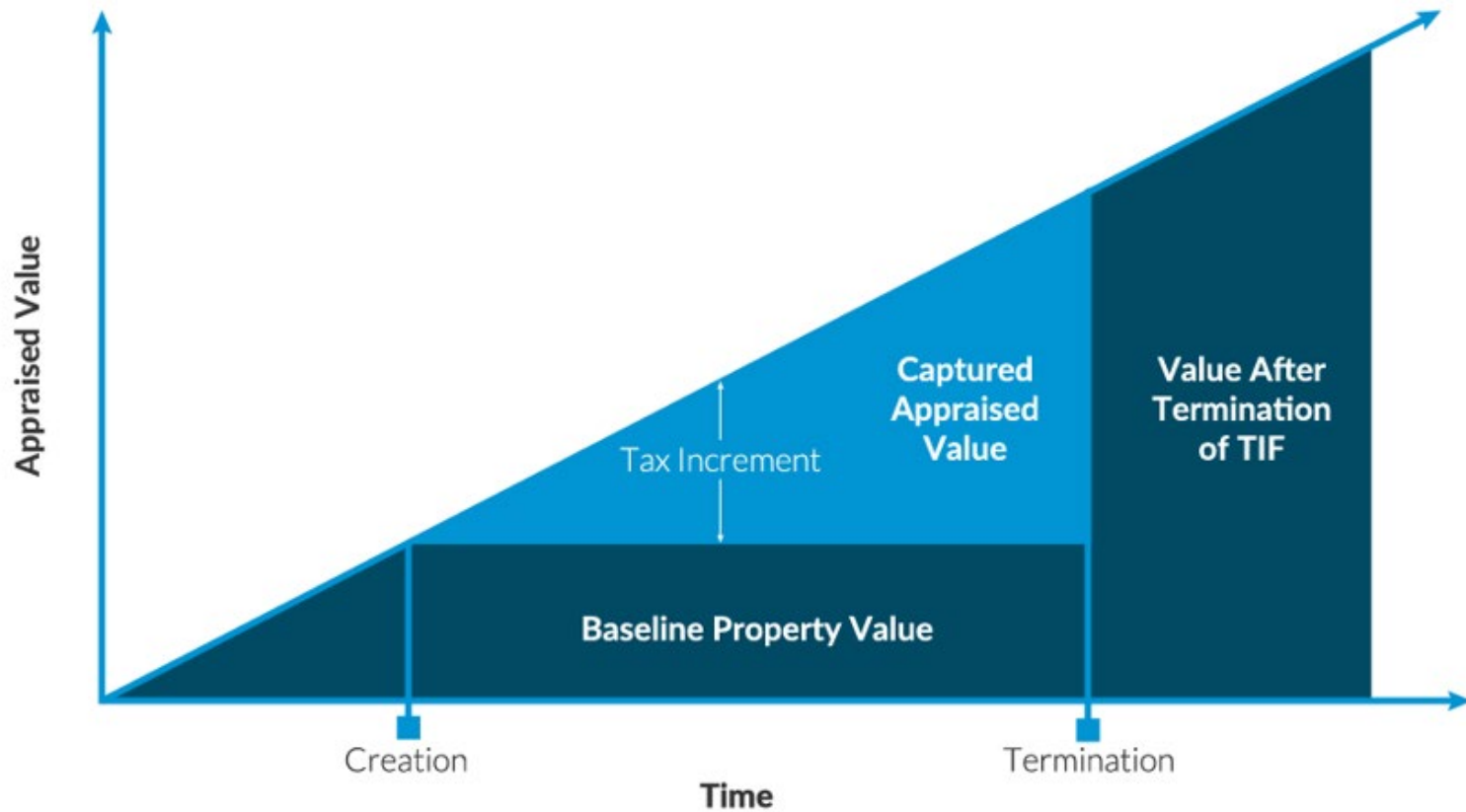
EXAMPLE

Vacant Property
Current Property
Taxes \$10,000 per
year

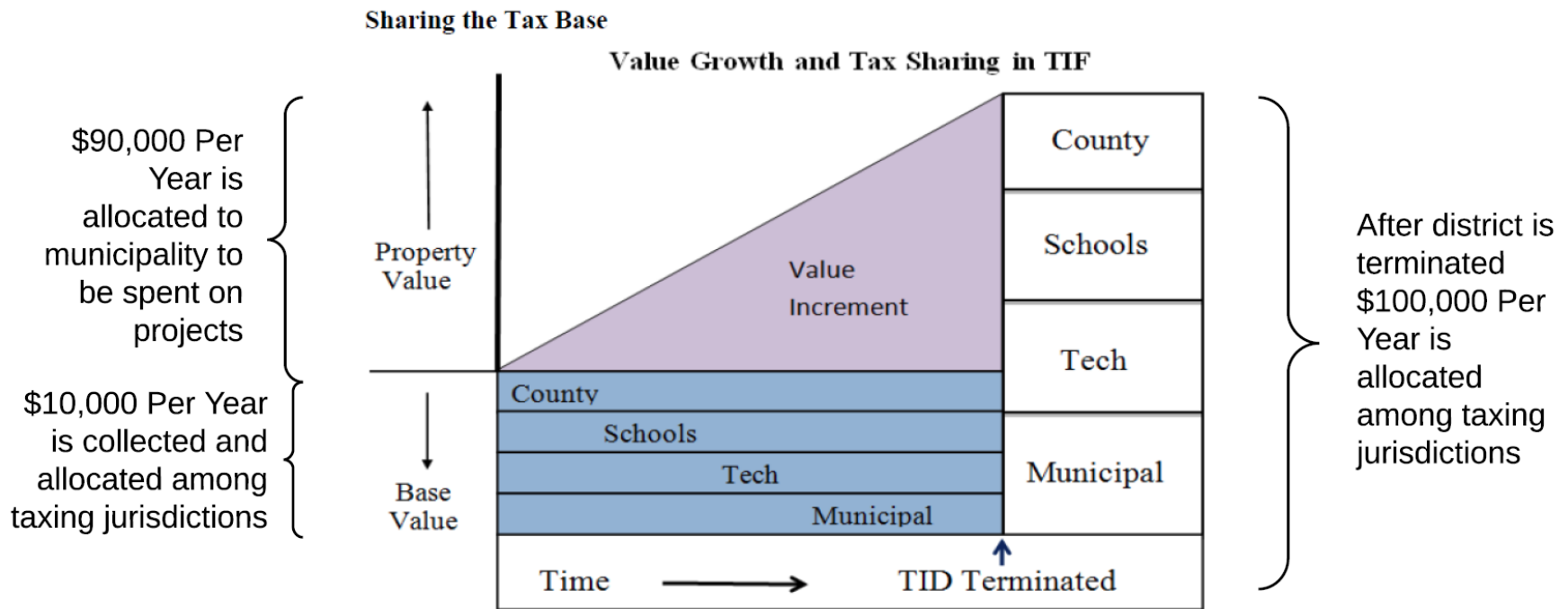
Property is
Redeveloped
New Taxes are
\$100,000 per year

- $\text{New Taxes} - \text{Original Taxes (Base Value)} = \text{Tax Increment}$
- $\$100,000 - \$10,000 = \$90,000$

Tax Increment



Tax Increment Financing



Tax Increment

- 49 States and the District of Columbia allow for some form of tax increment financing
- In Wisconsin, assisting housing can be accomplished as part of a mixed use district
- In Minnesota housing can be assisted within redevelopment and other districts, but the State also has a housing district classification

Development Proposal

- Proposal
 - 16-unit building - \$1.2 million in construction cost
 - Mostly 2 BR, one bath
 - or
 - 32-units (2 buildings) - \$2.4 million in construction cost
 - Extend street and utilities (Linda Blvd.) – Cost \$345,000
- Initial Request for Assistance
 - City extend street and utilities - \$345,000 (\$433,620 with interest)
 - \$297,200 incentive, 25% of the increased value of the property
 - Paid over a 15-year period at 5% interest – Future Value \$427,540

Public Risk Assessment

What if the
developer backs
out of the project?

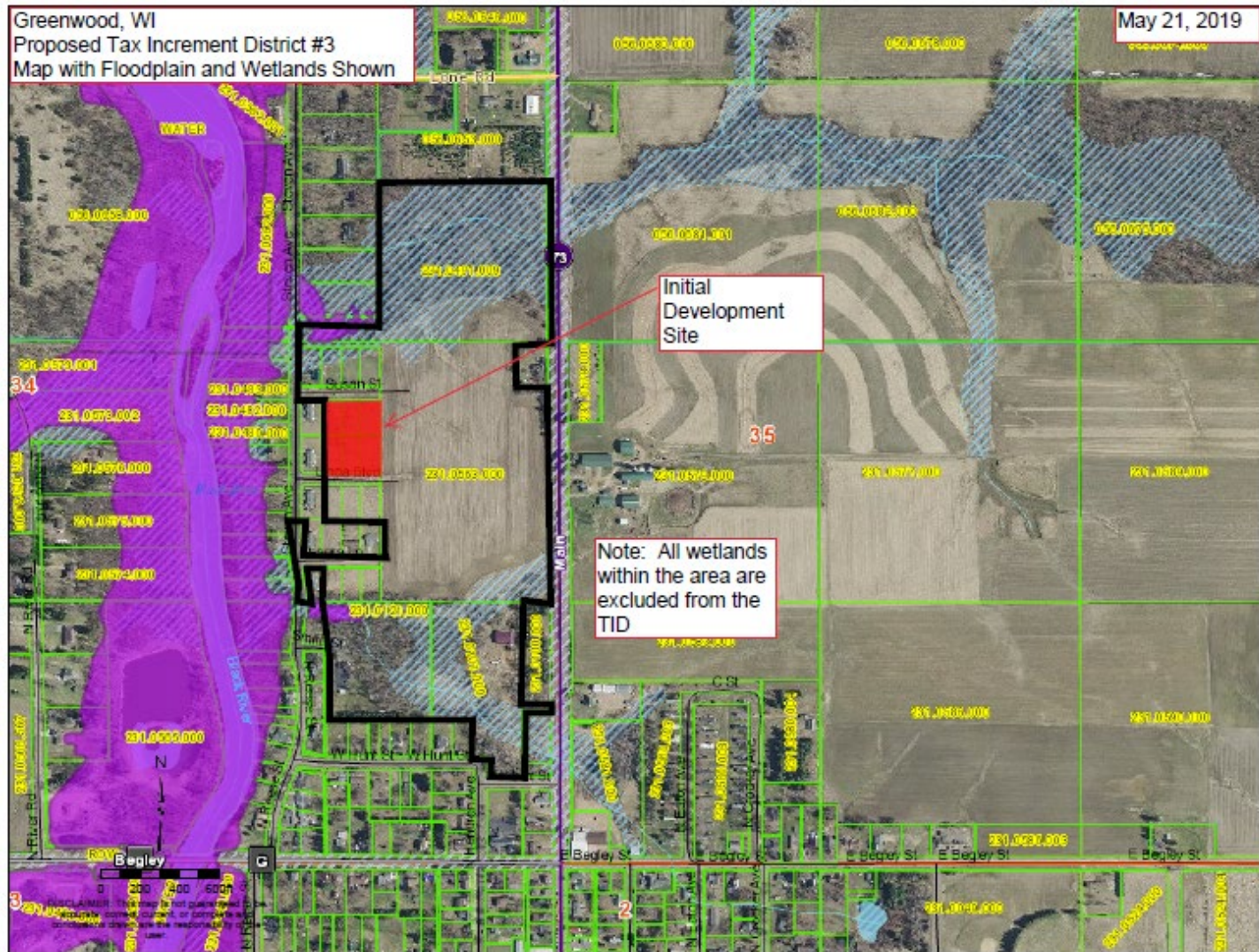
- Mitigation
 - Time the development agreement/start of the project and public improvements so that housing project is moving forward with installation of public improvements
 - Structure all or part of the tax increment as a Pay-As-You-Go or PayGo instead of an up front commitment by the City. This means the develop will need to wait for the taxes to be collected each year before receiving all or part of the financial benefit

Public Risk Assessment

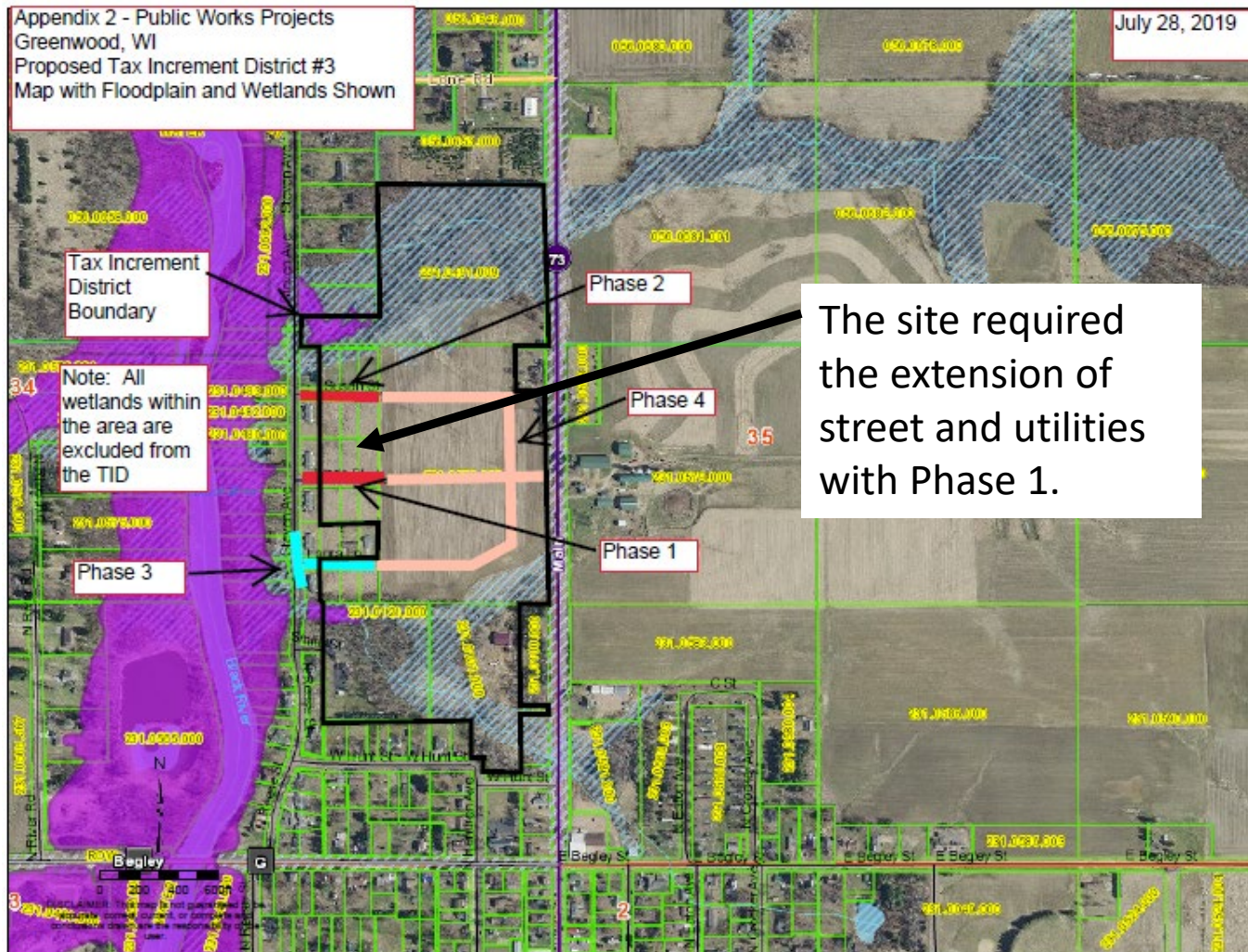
What if tax collections fail to equal the amounts anticipated, or are not paid.

- Mitigation
 - Be conservative in estimate tax increment collections
 - Plan for a reserve
 - Require an Assessment Agreement that set a minimum value on the property to guarantee a set amount of tax collection
 - Utilizing the PayGo method provides incentive for the developer to pay the taxes in order to receive his benefit

Greenwood, WI - Site



Greenwood Site - Utilities



Tax Increment – One Building

- Street extension will cost \$345,000 to install. Paid for with bonds with bond payments at \$24,090/year for total over 20 years of \$433,620
- If only one building is constructed there is only \$8,803/year or \$158,457 over 20 years in additional tax increment available to assist the development
- There is not sufficient cash flow to make the development feasible

Tax Increment – One Building

ONE 16-UNIT BUILDING POTENTIAL PROJECT ESTIMATE OF TAX INCREMENT COLLECTIONS											
NO.	YEAR TAX ASSESSED	TAX COLLECT YEAR	NO. OF BUILDNGS BUILT	ESTIMATED TAX INCREMENT	Less				95% OF Net Tax Increment	City Bond Payments (3)	Available for Pay GO
					Admin. Retainage 10.00%	Annual Net Tax Increment	95% OF Net Tax Increment	Cumulative Bond Reserve			
TID District Created	2019	2020	-	-	-	-	-	-	-	-	-
2	2020	2021	1 (2020)	11,541	1,154	10,387	9,868	519	9,868		
3	2021	2022		38,472	3,847	34,624	32,893	2,251	32,893	24,090	8,803
4	2022	2023		38,472	3,847	34,624	32,893	3,982	32,893	24,090	8,803
5	2023	2024		38,472	3,847	34,624	32,893	5,713	32,893	24,090	8,803
6	2024	2025		38,472	3,847	34,624	32,893	7,444	32,893	24,090	8,803
7	2025	2026		38,472	3,847	34,624	32,893	9,175	32,893	24,090	8,803
8	2026	2027		38,472	3,847	34,624	32,893	10,907	32,893	24,090	8,803
9	2027	2028		38,472	3,847	34,624	32,893	12,638	32,893	24,090	8,803
10	2028	2029		38,472	3,847	34,624	32,893	14,369	32,893	24,090	8,803
11	2029	2030		38,472	3,847	34,624	32,893	16,100	32,893	24,090	8,803
12	2030	2031		38,472	3,847	34,624	32,893	17,832	32,893	24,090	8,803
13	2031	2032		38,472	3,847	34,624	32,893	19,563	32,893	24,090	8,803
14	2032	2033		38,472	3,847	34,624	32,893	21,294	32,893	24,090	8,803
15	2033	2034		38,472	3,847	34,624	32,893	23,025	32,893	24,090	8,803
16	2034	2035		38,472	3,847	34,624	32,893	24,756	32,893	24,090	8,803
17	2035	2036		38,472	3,847	34,624	32,893	26,488	32,893	24,090	8,803
18	2036	2037		38,472	3,847	34,624	32,893	28,219	32,893	24,090	8,803
19	2037	2038		38,472	3,847	34,624	32,893	29,950	32,893	24,090	8,803
20	2038	2039		38,472	3,847	34,624	32,893	31,681	32,893	24,090	8,803

City's Proposal

Counter Proposal

- 16-unit building would not generate enough tax increment to install street and utilities and provide needed incentive
- Either 32-units constructed initially or two 16-units buildings, one constructed initially and another within three years would create sufficient tax increment
- Sign Assessment Agreement that each building is valued at \$1.2 million

Proposed Assistance

- City extends street and utilities for \$345,000 (\$433,620 with interest) – Uses \$24,090/year in tax increment to repay bonds
- City provides excess tax increment to the developer over the 20-year life of the district (PayGo)
 - Minimizes risk to the City
 - Encourages developer to construct the units sooner
 - \$41,553/year in tax increment payments with two buildings

Two Buildings – Constructed at Different Times

- Street extension will cost \$345,000 to install. Paid for with bonds with bond payments at \$24,090/year for total over 20 years of \$433,620
- If one building is constructed initially and the second within three years, tax increment will stabilize at \$41,553 for 14 years with a total of \$591,676 over 20 years of tax increment available to assist the development
- There is sufficient cash flow to make the development feasible
- The Internal rate of Return is 6.1% and a customary minimum for a real estate project is 15%

Tax Increment – Two Buildings Constructed at Different Times

TWO 16-UNIT BUILDINGS - BUILT AT DIFFERENT TIMES													
POTENTIAL PROJECT													
ESTIMATE OF TAX INCREMENT COLLECTIONS													
NO.	YEAR ASSESSED	TAX COLLECT YEAR	NO. OF BUILDINGS BUILT	TAX INCREMENT VALUE	ESTIMATED TAX INCREMENT	Less Admin. Retainage 10.00%	Annual Net Tax Increment	95% OF Net Tax Increment	Cumulative Bond Reserve	95% OF Net Tax Increment	Recovery of City TID Organizational Costs	Estimated City Bond Payments (3)	Estimated Available for PayGO
TID District Created	2019	2020	-	-	-	-	-	-	-	-	-	-	-
2	2020	2021	-	-	-	-	-	-	-	-	-	-	-
3	2021	2022	1 (2020)	1,200,000	38,388	3,839	34,549	32,822	1,727	32,822	8,732	24,090	(0)
4	2022	2023		1,200,000	38,388	3,839	34,549	32,822	3,455	32,822	8,732	24,090	(0)
5	2023	2024	1 (2023)	1,200,000	38,388	3,839	34,549	32,822	5,182	32,822	7,536	24,090	1,196
6	2024	2025		2,400,000	76,776	7,678	69,098	65,643	8,637	65,643		24,090	41,553
7	2025	2026		2,400,000	76,776	7,678	69,098	65,643	12,092	65,643		24,090	41,553
8	2026	2027		2,400,000	76,776	7,678	69,098	65,643	15,547	65,643		24,090	41,553
9	2027	2028		2,400,000	76,776	7,678	69,098	65,643	19,002	65,643		24,090	41,553
10	2028	2029		2,400,000	76,776	7,678	69,098	65,643	22,457	65,643		24,090	41,553
11	2029	2030		2,400,000	76,776	7,678	69,098	65,643	25,912	65,643		24,090	41,553
12	2030	2031		2,400,000	76,776	7,678	69,098	65,643	29,367	65,643		24,090	41,553
13	2031	2032		2,400,000	76,776	7,678	69,098	65,643	32,822	65,643		24,090	41,553
14	2032	2033		2,400,000	76,776	7,678	69,098	65,643	36,277	65,643		24,090	41,553
15	2033	2034		2,400,000	76,776	7,678	69,098	65,643	39,732	65,643		24,090	41,553
16	2034	2035		2,400,000	76,776	7,678	69,098	65,643	43,187	65,643		24,090	41,553
17	2035	2036		2,400,000	76,776	7,678	69,098	65,643	46,641	65,643		24,090	41,553
18	2036	2037		2,400,000	76,776	7,678	69,098	65,643	50,096	65,643		24,090	41,553
19	2037	2038		2,400,000	76,776	7,678	69,098	65,643	53,551	65,643		24,090	41,553
20	2038	2039		2,400,000	76,776	7,678	69,098	65,643	57,006	65,643		24,090	41,553

Development Example #2

23-Aug-2019

ANALYSIS OF DEVELOPER PRO-FORMA CONSTRUCTION OF 2 16-UNIT BUILDINGS - ONE IN 2020 AND THE SECOND IN 2023

DEVELOPER CASH FLOW #2 GREENWOOD, WI

Annual Cash Flow

Year Ending Year	2019 1	Jul-20 2	2021 3	2022 4	2023 5	2024 6	2025 7	2038 20		
	Construction				Construction						
Revenue											
Net Operating Income	-	-	8,616	68,645	70,784	145,933	150,388		217,330		
Plus Pay-As-You-Go Tax Increment		-	-	-	1,196	8,732	41,533		41,533	591,390	Total Pay-As-You-Go TIF
Net Operating Income with Incentive Payments	-	-	8,616	68,645	71,980	154,665	191,921		258,863		
Debt Service											
Loan 1			7,142	85,706	85,706	171,411	171,411		171,411		
Total Debt Service	-	-	7,142	85,706	85,706	171,411	171,411		171,411		
Before Tax Cash Flow	(293,603)	-	1,474	(17,061)	(13,726)	(16,746)	20,510		87,452	6.1%	Internal Rate of return

Internal Rate of Return

$$\text{IRR} = 22\%$$



What is Internal Rate of Return (IRR)?

The internal rate of return (IRR) is a metric used in capital budgeting to estimate the profitability of potential investments. The internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero. IRR calculations rely on the same formula as NPV does.

Tax Increment – Two Buildings Constructed Simultaneously

- Street extension will cost \$345,000 to install. Paid for with bonds with bond payments at \$24,090/year for total over 20 years of \$433,620
- If one building is constructed initially and the second with three years will stabilize at \$41,553 for 15 years with a total of \$722,963 over 20 years of tax increment available to assist the development
- There is sufficient cash flow to make the development feasible
- The Internal rate of Return is 8.3% and a customary minimum for a real estate project is 15%

Tax Increment – Two Buildings Constructed Simultaneously

TWO UNITS CONSTRUCTED AT THE SAME TIME													
POTENTIAL PROJECT													
ESTIMATE OF TAX INCREMENT COLLECTIONS													
NO.	YEAR TAX ASSESSED	TAX COLLECT YEAR	NO. OF BUILDINGS BUILT	TAX INCREMENT VALUE	ESTIMATED TAX INCREMENT	Less Admin. Retainage 10.00%	Annual Net Tax Increment	95% OF Net Tax Increment	Cumulative Bond Reserve	95% OF Net Tax Increment	Recovery of City TID Organizational Costs	Estimated City Bond Payments (3)	Estimated Available for PayGO
TID District Created	2019	2020	-	-	-	-	-	-	-	-	-	-	-
2	2020	2021	-	-	-	-	-	-	-	-	-	-	-
3	2021	2022	2 (2020)	2,400,000	76,776	7,678	69,098	65,643	3,455	65,643	9,868	24,090	31,685
4	2022	2023		2,400,000	76,776	7,678	69,098	65,643	6,910	65,643	8,803	24,090	32,750
5	2023	2024		2,400,000	76,776	7,678	69,098	65,643	10,365	65,643	6,329	24,090	35,224
6	2024	2025		2,400,000	76,776	7,678	69,098	65,643	13,820	65,643		24,090	41,553
7	2025	2026		2,400,000	76,776	7,678	69,098	65,643	17,275	65,643		24,090	41,553
8	2026	2027		2,400,000	76,776	7,678	69,098	65,643	20,730	65,643		24,090	41,553
9	2027	2028		2,400,000	76,776	7,678	69,098	65,643	24,184	65,643		24,090	41,553
10	2028	2029		2,400,000	76,776	7,678	69,098	65,643	27,639	65,643		24,090	41,553
11	2029	2030		2,400,000	76,776	7,678	69,098	65,643	31,094	65,643		24,090	41,553
12	2030	2031		2,400,000	76,776	7,678	69,098	65,643	34,549	65,643		24,090	41,553
13	2031	2032		2,400,000	76,776	7,678	69,098	65,643	38,004	65,643		24,090	41,553
14	2032	2033		2,400,000	76,776	7,678	69,098	65,643	41,459	65,643		24,090	41,553
15	2033	2034		2,400,000	76,776	7,678	69,098	65,643	44,914	65,643		24,090	41,553
16	2034	2035		2,400,000	76,776	7,678	69,098	65,643	48,369	65,643		24,090	41,553
17	2035	2036		2,400,000	76,776	7,678	69,098	65,643	51,824	65,643		24,090	41,553
18	2036	2037		2,400,000	76,776	7,678	69,098	65,643	55,279	65,643		24,090	41,553
19	2037	2038		2,400,000	76,776	7,678	69,098	65,643	58,734	65,643		24,090	41,553
20	2038	2039		2,400,000	76,776	7,678	69,098	65,643	62,189	65,643		24,090	41,553

Development Example #3

12-Sep-2019 ANALYSIS OF DEVELOPER PRO-FORMA AND ESTIMATED TAX INCREMENT INCENTIVE CONSTRUCTION OF 2 16-UNIT BUILDINGS IN 2020											
DEVELOPER CASH FLOW #3 GREENWOOD, WI											
Annual Cash Flow											
Year Ending Year	2019 1	Jul-20 2	2021 3	2022 4	2023 5	2024 6	2025 7	2038 20		
Construction											
Revenue											
Net Operating Income	-	-	17,231	137,290	141,568	145,933	150,388		217,330		
Plus Pay-As-You-Go Tax Increment Incentive			31,685	32,750	35,224	41,553	41,553		41,533	722,754	Total Pay-As-You-Go TIF
Net Operating Income with Incentive Payments	-	-	48,916	170,040	176,792	187,486	191,941		258,863		
Debt Service											
Loan 1	-	-	14,284	171,411	171,411	171,411	171,411		171,411		
Total Debt Service	-	-	14,284	171,411	171,411	171,411	171,411		171,411		
Before Tax Cash Flow	(293,603)	-	34,632	(1,371)	5,381	16,075	20,530		87,452	8.3%	Internal Rate of Return

Final Deal Structure

Development Agreement

- Either 32-units constructed initially or two 16-units buildings, one constructed initially and another within three years would create sufficient tax increment
- Sign Assessment Agreement that each building is valued at \$1.2 million
- If the developer backs out of the agreement, the developer must repay the City its costs to create the tax increment district and prepare plans and specifications for extending the street and utilities

Rationale

- It is the developer's option to construct the project in two phases or one, but in order to receive the level of tax increment to meet their acceptable IRR, they must undertake the second building within 3 years
- City extends street and utilities for \$345,000 (\$433,620 with interest) – Uses \$24,090/year in tax increment to repay bonds. The City was willing to undertake this as an upfront cost and repay a bond (loan), but since the first building is to be constructed simultaneously with the street and utility extension there will be sufficient increment to repay this bond
- If developer backs out after one building the has sufficient increment to repay the bonds.

Tax Increment – One Building

ONE 16-UNIT BUILDING POTENTIAL PROJECT ESTIMATE OF TAX INCREMENT COLLECTIONS											
NO.	YEAR TAX ASSESSED	TAX COLLECT YEAR	NO. OF BUILDNGS BUILT	ESTIMATED TAX INCREMENT	Less				95% OF Net Tax Increment	City Bond Payments (3)	Available for Pay GO
					Admin. Retainage 10.00%	Annual Net Tax Increment	95% OF Net Tax Increment	Cumulative Bond Reserve			
TID District Created	2019	2020	-	-	-	-	-	-	-	-	-
2	2020	2021	1 (2020)	11,541	1,154	10,387	9,868	519	9,868		
3	2021	2022		38,472	3,847	34,624	32,893	2,251	32,893	24,090	8,803
4	2022	2023		38,472	3,847	34,624	32,893	3,982	32,893	24,090	8,803
5	2023	2024		38,472	3,847	34,624	32,893	5,713	32,893	24,090	8,803
6	2024	2025		38,472	3,847	34,624	32,893	7,444	32,893	24,090	8,803
7	2025	2026		38,472	3,847	34,624	32,893	9,175	32,893	24,090	8,803
8	2026	2027		38,472	3,847	34,624	32,893	10,907	32,893	24,090	8,803
9	2027	2028		38,472	3,847	34,624	32,893	12,638	32,893	24,090	8,803
10	2028	2029		38,472	3,847	34,624	32,893	14,369	32,893	24,090	8,803
11	2029	2030		38,472	3,847	34,624	32,893	16,100	32,893	24,090	8,803
12	2030	2031		38,472	3,847	34,624	32,893	17,832	32,893	24,090	8,803
13	2031	2032		38,472	3,847	34,624	32,893	19,563	32,893	24,090	8,803
14	2032	2033		38,472	3,847	34,624	32,893	21,294	32,893	24,090	8,803
15	2033	2034		38,472	3,847	34,624	32,893	23,025	32,893	24,090	8,803
16	2034	2035		38,472	3,847	34,624	32,893	24,756	32,893	24,090	8,803
17	2035	2036		38,472	3,847	34,624	32,893	26,488	32,893	24,090	8,803
18	2036	2037		38,472	3,847	34,624	32,893	28,219	32,893	24,090	8,803
19	2037	2038		38,472	3,847	34,624	32,893	29,950	32,893	24,090	8,803
20	2038	2039		38,472	3,847	34,624	32,893	31,681	32,893	24,090	8,803

Why Undertake the Development?

- Housing needed in the community
- Government and Employers see the need
- Local companies were willing to invest with the developer and accept a lower IRR
- City willing to use tax increment for utility improvements and incentive

Osceola, WI Demographics

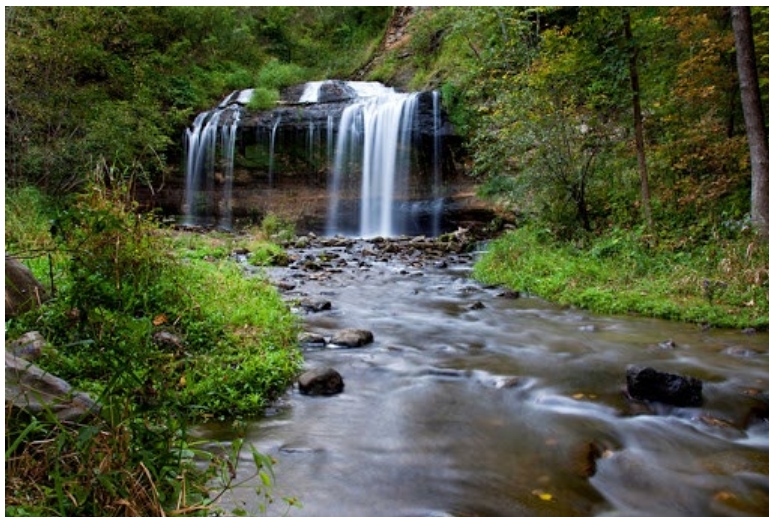
2010 Census

- Located in Polk County (Population 44,205)
- Population 2,568
- 1,142 households
- Owner Occupied – 56%
- Renter Occupied – 44%

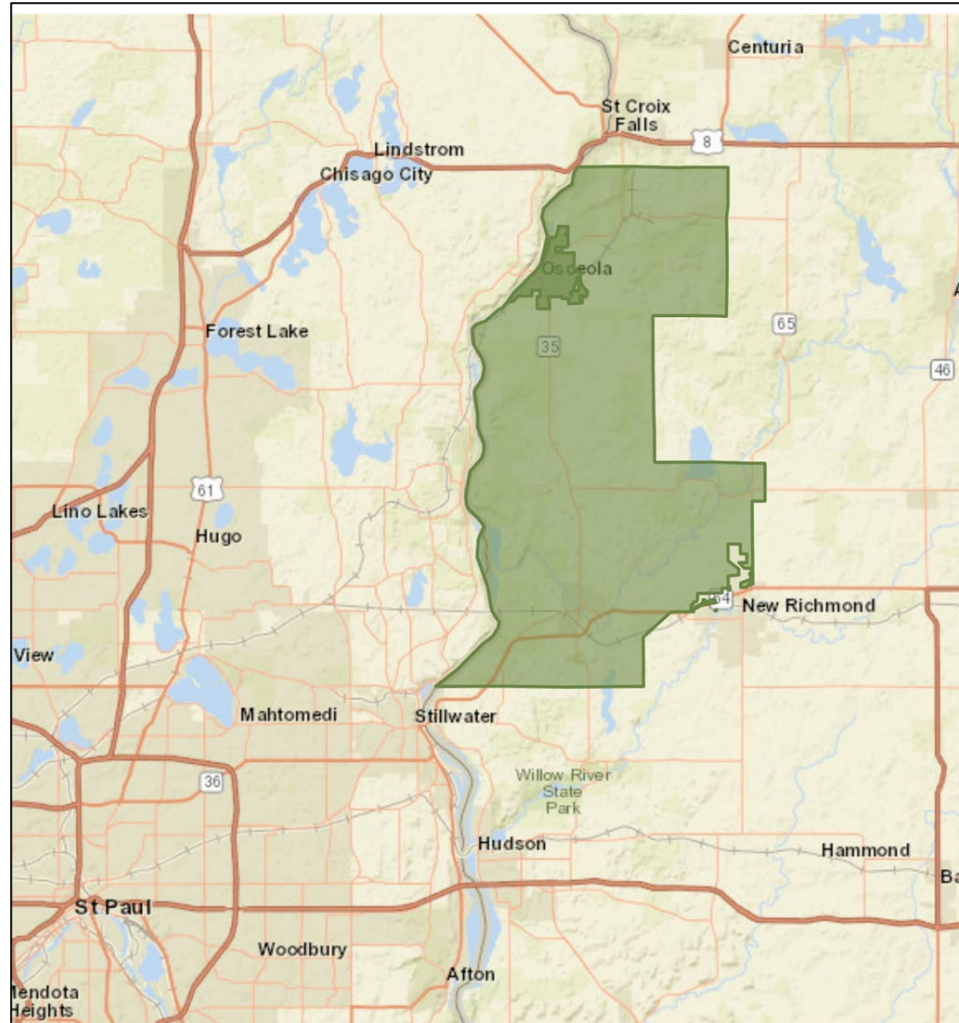
Wisconsin



Osceola, WI



Primary Market Area



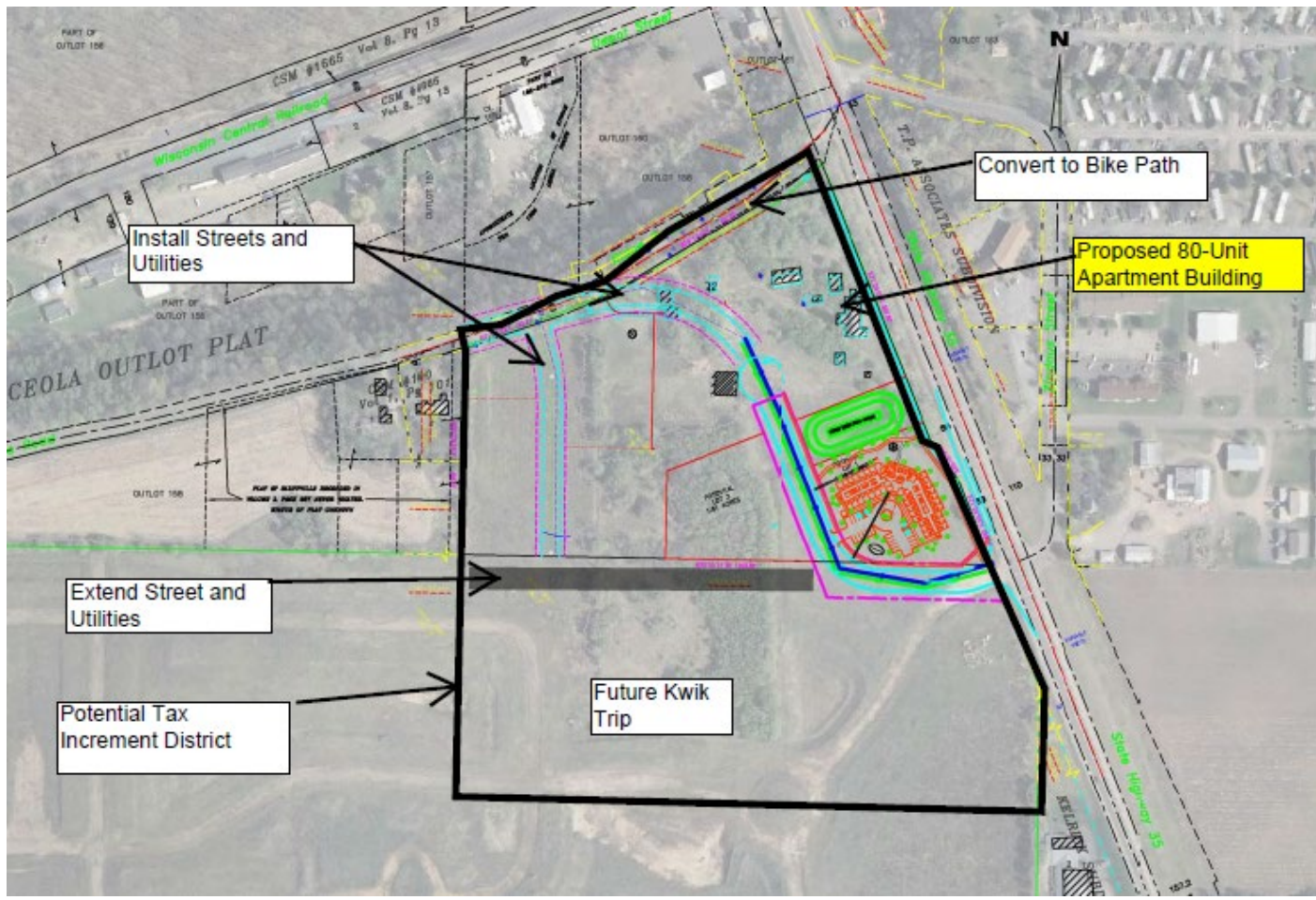
Summary of Market Analysis

	Number of Households				
	Age <25	Age 25 to 34	Age 35 to 44	Age 45 to 64	Age 65 & Over
Demand From Household Growth					
Projected Income-Qualified Household Growth 2019 - 2024 ¹	22	254	130	311	462
(times) Proportion estimated to be renting their housing ²	x 78%	x 27%	x 23%	x 14%	x 16%
(equals) Demand For Rental Housing, 2019 - 2024	= 17	= 69	= 30	= 44	= 74
Demand From Existing Households					
Estimated number of renter households in 2019	129	328	360	477	242
(times) Estimated % Turnover between 2019 & 2024	x 96%	x 98%	x 60%	x 71%	x 27%
(equals) Total Existing Households Projected to Turnover	= 124	= 321	= 216	= 339	= 65
(times) Percent of Households Income Qualified ²	x 59%	x 78%	x 84%	x 81%	x 60%
(equals) Total Number of Income-Qualified Households	= 73	= 251	= 181	= 274	= 39
(times) Estimated % Desiring New Rental Housing ³	x 15%	x 25%	x 25%	x 15%	x 15%
(equals) Demand From Existing Households	= 11	= 63	= 45	= 41	= 6
Total Demand From Household Growth and Existing Households	28	131	75	85	80
Demand Summary					
Total Market Area Demand for Rental Housing in PMA	=				335
(plus) Demand from outside PMA (25%)	+				112
(equals) Potential demand for rental housing in the PMA (2019 to 2024)	=				447
(minus) Pending rental units in the PMA at equilibrium	-				0
(equals) Excess demand for rental housing in the PMA (2019 to 2024)	=				447
(times) Percent capturable on Site					25%
(equals) Total Demand Capturable on Site (units)	=				112

Development Concept

- Owners existing apartments in Osceola of Grassland Cooperative partnered with a development company to build apartments
- 80 units on vacant, developed land within the Village
- Opened dialog with the City on the need for financial assistance

Osceola, WI – Potential Apartment Development



Development Proposal

- Proposal
 - 80-unit building - \$8.02 million in construction cost
 - No street or utility extensions required
 - Buy land from the Village
 - Estimated rents at \$1,100/month
- Potential Request for Assistance
 - \$1.4 million to eliminate funding gap
 - Allows for a return on investment
 - May be up front financing or PayGo or a combination of

Osceola/Polk County

Income Characteristic	Village of Osceola	Polk County
Median Household Income	\$48,125	\$53,551
Per Capita Income	\$24,709	\$27,993
% Households Below Poverty Level	4.7%	9.9%

MEDIAN HOUSEHOLD INCOME BY OWNER/RENTER	
2018	
Osceola	
Village	
Owner Income	\$55,625
Renter Income	\$33,438

Owner/Renter Income

TABLE 1						
ESTIMATED MEDIAN HOUSEHOLD INCOMES						
OWNER/RENTER						
OSCEOLA VILLAGE, WI						
	American Community Survey Estimate					Maxfield Research
	2015	2016	2017	2018	2019	
Owner	\$61,250	\$55,000	\$53,409	\$55,265	\$56,650	
Renter	\$31,181	\$33,047	\$37,296	\$33,438	\$35,000	
Sources: US Census Bureau: American Community Survey						

30% of a \$35,000 per year (\$16.83/hr) income equal a monthly rent of \$875/month

Starting pay for a number of companies ranges from \$18 to \$20 per hour

Project Funding

Equity	802,479
Est. Loan 20 Years @ 5%	5,805,994
Total Developer Funds	6,608,473
<hr/>	
Building Construction	7,200,000
Land	500,000
Civil Engineering Fees	67,410
Architect Fees	200,000
Village Fees	40,375
Tax Increment Plan	17,000
Total	8,024,785
Funding Gap	(1,416,313)
<hr/>	
Estimated Tax Increment	2,900,000

Osceola Apartment Project

POTENTIAL PROJECT ESTIMATE OF TAX INCREMENT COLLECTIONS														
0														
NO.	CONSTR. YEAR	YEAR TAX ASSESSED	TAX COLLECT YEAR	NO. OF BUILDINGS BUILT	TAX INCREMENT VALUE	ESTIMATED TAX INCREMENT	Less Admin. Retainage 10.00%	Annual Net Tax Increment	95% OF Net Tax Increment	Cumulative Bond Reserve	95% OF Net Tax Increment	Recovery of City TID Organizational Costs	Estimated City Bond Payments (3)	Estimated Available for PayGO
TID District Created		2020	2021	-	-	-	-	-	-	-	-	-	-	-
2	2020	2021	2022	-	-	-	-	-	-	-	-	-	-	-
3	2021	2022	2023	1 (2020)	8,874,056	218,710	21,871	196,839	186,997	9,842	186,997	20,000	24,090	142,907
4	2022	2023	2024		8,874,056	218,710	21,871	196,839	186,997	19,684	186,997	-	24,090	162,907
5	2023	2024	2025		8,874,056	218,710	21,871	196,839	186,997	29,526	186,997	-	24,090	162,907
6	2024	2025	2026		8,874,056	218,710	21,871	196,839	186,997	39,368	186,997	-	24,090	162,907
7	2025	2026	2027		8,874,056	218,710	21,871	196,839	186,997	49,210	186,997	-	24,090	162,907
8	2026	2027	2028		8,874,056	218,710	21,871	196,839	186,997	59,052	186,997	-	24,090	162,907
9	2027	2028	2029		8,874,056	218,710	21,871	196,839	186,997	68,894	186,997	-	24,090	162,907
10	2028	2029	2030		8,874,056	218,710	21,871	196,839	186,997	78,736	186,997	-	24,090	162,907
11	2029	2030	2031		8,874,056	218,710	21,871	196,839	186,997	88,578	186,997	-	24,090	162,907
12	2030	2031	2032		8,874,056	218,710	21,871	196,839	186,997	98,419	186,997	-	24,090	162,907
13	2031	2032	2033		8,874,056	218,710	21,871	196,839	186,997	108,261	186,997	-	24,090	162,907
14	2032	2033	2034		8,874,056	218,710	21,871	196,839	186,997	118,103	186,997	-	24,090	162,907
15	2033	2034	2035		8,874,056	218,710	21,871	196,839	186,997	127,945	186,997	-	24,090	162,907
16	2034	2035	2036		8,874,056	218,710	21,871	196,839	186,997	137,787	186,997	-	24,090	162,907
17	2035	2036	2037		8,874,056	218,710	21,871	196,839	186,997	147,629	186,997	-	24,090	162,907
18	2036	2037	2038		8,874,056	218,710	21,871	196,839	186,997	157,471	186,997	-	24,090	162,907
19	2037	2038	2039		8,874,056	218,710	21,871	196,839	186,997	167,313	186,997	-	24,090	162,907
20	2038	2039	2040		8,874,056	218,710	21,871	196,839	186,997	177,155	186,997	-	24,090	162,907
21	2039	2040	2041		8,874,056	218,710	21,871	196,839	186,997	186,997	186,997	-	24,090	162,907
22	2040	2041	2042		8,874,056	218,710	21,871	196,839	186,997	196,839	186,997	-	24,090	162,907
23	2041	2042	2043		8,874,056	218,710	21,871	196,839	186,997	206,681	186,997	-	24,090	162,907
24	2042	2043	2044		8,874,056	218,710	21,871	196,839	186,997	216,523	186,997	-	24,090	162,907
25	2043	2044	2045		8,874,056	218,710	21,871	196,839	186,997	226,365	186,997	-	24,090	162,907
26	2044	2045	2046		8,874,056	218,710	21,871	196,839	186,997	236,207	186,997	-	24,090	162,907
27	2045	2046	2047		8,874,056	218,710	21,871	196,839	186,997	246,049	186,997	-	24,090	162,907

Project Details

- No street or utility connection required
- Tax increment will stabilize at \$162,907 for 14 years with a total of \$2,900,000 over 20 years to assist the development
- There is sufficient cash flow to make the development feasible
- The Internal rate of Return is 14% and a customary minimum for a real estate project is 15%

Observations

- Current pandemic with more people working from home and planning to continue to work from home has prompted discussion about creating more 3BR units
- May affect how the building is wired for Internet access
- Local employers are interested in leasing units for yearly interns or transient workers

Contact Information

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