

City agrees to negotiate incentives for developer

Written by KRISTYN HALBIG ZIEHM
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Port council will consider loan to subsidize downtown redevelopment project

Port Washington developer Gertjan van den Broek on Monday asked the Common Council to finance as much as 20% of his \$6 to \$7 million project to renovate the former M&I Bank and Harry's Restaurant buildings in downtown and create a multi-million-dollar retail and luxury residential development.

After a closed session that lasted more than an hour, aldermen agreed that the idea is worth exploring. They voted to apply for a \$250,000 State Trust Fund loan to help finance the renovations to the former bank building — the first phase of van den Broek's project.

Financing for the second phase of the project will be discussed later, officials said.

However, aldermen stressed that their action Monday does not commit the city to the loan, something they will only do if they can successfully negotiate terms with van den Broek.

Mayor Tom Mlada said Tuesday those terms will likely revolve around ways to mitigate any risk for taxpayers.

"We need to make sure we've got protections in place for the taxpayers," he said.

The city will likely find out if it would receive a Trust Fund Loan in about a month, City Administrator Mark Grams said. A final decision on the phase one incentives would come after that.

The city is considering a Trust Fund Loan rather than conventional municipal financing because it is a quicker, simpler process, Grams said. The interest rate would likely be a little higher than the city would otherwise get, but the cost of obtaining the funds is less.

Widely used in other communities, developer incentives are typically considered to be an investment by the community, which gets a return through the increased taxes on the project.

In Port's case, they were approved as part of the city's downtown tax incremental financing district several years ago as a way to help promote large-scale projects.

If approved, van den Broek's Harbour Lights Condominium project would be the first time Port used incentives to help fund a private project.

Ald. Mike Ehrlich said Tuesday that the benefits to downtown make this project one to consider for the incentive program. "I think it's worth exploring the options," he said. "I think it's a good project. It's significant and could jump start other investments downtown.

"We want to do everything we can within reason to work with the developer. But clearly the

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council won't just jump into something without reassurances. We have to be careful, because at the end of the day, we have to answer to the taxpayers. There's a lot of negotiating to do."

Ald. Paul Neumyer said he's not sure whether development incentives are the way to go, but he's willing to consider them.

"I still have a lot of unanswered questions if it's in the best interest of the taxpayers of the City of Port Washington," he said. "We're not committed to anything yet."

There is a lot of potential good that could result from the project, Mlada said, and that's one reason the council should consider the incentives.

"There's a lot to like about it," he said. "Long-term, you could be talking about a return of a sizeable increment (increase in the tax base)."

Even the strongest developer can fail, Mlada said, citing the case of Brookfield developer Vincent Kuttemperoor, whose plans to build a sprawling luxury development on the city's south side fell victim to the economic slowdown. Banks foreclosed on the hundreds of acres Kuttemperoor owned and are now trying to sell them.

Van den Broek, representing Renew Port Holdings 1 LLC, plans to renovate the two buildings and constructing a new structure between them. The buildings would house five commercial spaces and 13 residential units that feature rooftop terraces, balconies and underground parking accessed from a lake-side municipal parking lot.

The units range in price from \$239,000 to \$895,000 for two 2,750-square-foot penthouses that feature 18-foot ceilings and private rooftop gardens, van den Broek said.

A small park would also be created along Franklin Street in front of the new building.

Feasibility and market studies were used to refine the concept, van den Broek said, and led him to increase the size of the units, decrease the size of the lakeside decks and emphasize soundproofing between the units.

There is a demand for high-quality residential units in the city, van den Broek said, and for high-quality residential units along the lake throughout the region.

"The project is viable on paper," he told aldermen. "The feasibility is there. It works best as a public-private partnership."

Van den Broek asked the council to help fund each of the two phases of his project.

He requested \$250,000 be available in September to help finance the first phase — renovation of the former M&I Bank building. That work could begin this fall and be completed by spring.

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Van den Broek did not have a dollar figure for the subsidy needed for the second phase, saying that would depend on the project budget.

The total incentive, including the funding for phase one, would be 15% to 20% of the project cost, he said. The remainder of the financing would come from banks and other sources.

The city funding for phase two would be contingent on a number of items, including Renew Port Holdings' obtaining financing for the entire project, Plan commission approval and the completion of phase one, van den Broek said.

Van den Broek called the city funding critical to the project.

"It would show a very strong commitment for the next steps of the project," he said, and "take the project from paper to reality.

"The condo market is a tough market. Port Washington is also considered a tough market. This project would stand a better chance of success with TIF funding."

The city's funding would show a level of investment and commitment that could draw other investors to the project, he added.

An analysis by the city shows that the increased downtown tax base and the additional taxes generated by it would not only pay for the funds he's requesting but offer a net return for the city, van den Broek said.

In addition to adding \$6 million to the downtown tax base, he said, the development would add 10,000 square feet of commercial space and bring people to the central shopping district.

"We truly believe this mixed use development downtown, in this particular location, is going to be a catalyst for downtown development," van den Broek said.

Retail uses follow residential development, he said, and this will draw the residents needed to bring more shops downtown.

If the city only approves the \$250,000 to fund the renovations to the former bank, van den Broek said, he would move ahead with that work, creating both residential and retail space.

"Obviously we want it to be part of the bigger project, but I certainly don't intend for that building to sit vacant," he said, adding he already has several potential tenants for the commercial space in the former bank.