

Introduction

The City of Menasha has experienced significant growth and development in the past several years. The face of downtown Menasha has been dramatically transformed, commercial areas throughout the city are being developed and redeveloped, residential subdivisions continue to be built, and attention has been given to maintaining and growing the manufacturing base. The City must continue to move forward with its community and economic development efforts.

Purpose of Study

The City of Menasha has played a key role in the redevelopment of its downtown and Midway Road Corridor, including the Midway Business Park. Even though many of these projects have utilized Tax Increment financing, the indebtedness created by these projects falls under the city debt capacity. The question becomes whether the City of Menasha would benefit from forming either a Redevelopment Authority or a Community Development Authority to assume debt in support of development and redevelopment efforts.

This analysis will present a report on the purpose of these two entities, their authority, the steps needed to create them, which would be more advantageous to create for the city, and, most importantly, their ability to assume debt from ongoing community projects.

Also considered in this analysis is a list of future potential development and redevelopment projects, as envisioned by City of Menasha administrative staff, that will affect future budget and debt considerations.

Advantages of Forming a Redevelopment Authority/Community Development Authority

Based on interviews with the Cities of Kenosha, Racine, and Neenah, the following thoughts were expressed regarding the advantages of a Redevelopment Authority (RA):

- **Development Advocacy:** A 7-member Redevelopment Authority can be an “advocate” for a redevelopment project. Because it can focus its attention on a specific project, it has the time to thoroughly research every aspect of a project and be able to build a strong case for whatever needs to be done to make the project happen. All decisions for land acquisitions still must obtain City approvals, but a Redevelopment Authority is typically well prepared to answer aldermens’ questions.
- **Economic Development Resource:** One community interviewed stated that their Community Development Authority was a phenomenal resource group to the city because of the background and expertise of the volunteer members.
- **Flexibility:** A Redevelopment Authority can meet more frequently or call special meetings to speed the process of negotiating to purchase land, or make other redevelopment project

decisions, in comparison to the normal city government review and approval process to accomplish the same task.

- **Legal Protection:** A Redevelopment Authority is a separate body and, therefore, can sue and be sued. Disgruntled people, then, cannot sue the City for projects owned and operated by a Redevelopment Authority, which takes all risk away from the City.
- **Bonding without Impact on City Debt Limit:** A Redevelopment Authority can issue Redevelopment bonds separate from and, having no impact on the city debt-bonding limit. The type of bond issued by a Redevelopment Authority can be a double tax-exempt bond, which typically has a lower rate as compared to a General Obligation Bond. A Redevelopment Authority can also take out a 30-year bond. Without creating a Redevelopment Authority, the city may have to turn away viable development projects, or postpone public improvements, so as not to exceed its debt limit.
- **Work Load Relief:** A Redevelopment Authority would be able to relieve the burden of carrying out the mundane and time-consuming work of redevelopment projects. The Common Council is still involved in the review and approval of Redevelopment District creation and approval of land acquisitions, but other decisions would be made by the Authority without Council review.

Disadvantages of Forming a Redevelopment Authority/Community Development Authority?

Public confusion may occur regarding redevelopment responsibilities of the Plan Commission, Common Council, Menasha Action Council, the Redevelopment Authority, or City staff and elected officials.

How does the Menasha Plan Commission and Common Council Interact with a Redevelopment Authority

A Redevelopment Authority essentially acts on behalf of the Common Council, with the specific function of accomplishing the goals and intentions of a Redevelopment Plan.

The Plan Commission and a Redevelopment Authority would work together to prepare a Redevelopment Plan, consistent with State legislation, with input from City Aldermen. The Redevelopment Plan then goes through a public hearing process, and the Plan Commission makes a recommendation to the Common Council. The Common Council then considers the plan. The Redevelopment Plan must be approved by a two-thirds vote of the Common Council to become effective.

Once the Redevelopment Plan is approved, the Redevelopment Authority could begin implementation of the plan. However, the Redevelopment Authority must come back to the Plan Commission and Common Council to authorize the purchase, mortgage, or sale of any property within a Redevelopment District. The Redevelopment Authority must also come back to the city if the Authority wants to recommend any amendment to a Redevelopment Plan.

No new construction may be authorized by any agency, boards or commissions in the city within a Redevelopment District without the authorization of the Common Council. This would include new construction, substantial remodeling or conversion or rebuilding, and enlargement or extension of existing buildings with major structural improvements.

How does the Menasha Action Council (MAC) Fit in With a Redevelopment Authority

The Menasha Action Council has been effective in initiating many positive economic developments in the City of Menasha. The Menasha Action Council, formed in 1985, was started by a group of community activists who wanted to become involved in the redevelopment of Downtown Menasha. The MAC has since become a proponent of economic development projects throughout the entire City, with involvement in the City's Business Park south of Midway Road.

The Menasha Action Council is financially supported by the City of Menasha, Menasha Utilities, and private donations from city businesses and individuals. The members who make up MAC are all volunteer, and is organized with a 13-member Board of Directors and a 5-member Executive Committee, which makes recommendations to the Board.

MAC works with a private consultant that makes contacts and inquiries and sets up meeting agendas. The Menasha Action Council does not have the power to purchase and sell land for redevelopment purposes. MAC is a non-profit 501-C-4 corporation.

The question that may be asked is, will the Redevelopment Authority have the same goals and functions that are now carried out by the Menasha Action Council? The answer to that question is no, for the following reasons:

- The MAC has become a city-wide interest group that performs a unique function of mobilizing forces and making economic development happen. This group will only enhance and assist a Redevelopment Authority. It is suggested that at least one member of the MAC Executive Committee also be one of the seven-members of the Redevelopment Authority, so that communication between the two entities occurs.
- If a Redevelopment Authority is formed, its major focus will be in downtown and surrounding residential neighborhood revitalization efforts. This focus is only appropriate, and would not compete with the more broadly based function of MAC.
- MAC has established itself as a viable and effective community group that has built numerous relationships with the business community. Eliminating MAC would sever those connections that have developed over the last 20 years.

Recommendations

Based on the findings of this analysis, it is recommended that the City of Menasha create a Redevelopment Authority to finance existing and future redevelopment projects in the City of Menasha. This is recommended over a Community Development Authority because the City already has a functioning Housing Authority. If, however, the City determines that the present Housing Authority be absorbed into an overall redevelopment agency, then a Community Development Authority should be the best alternative.

It is also recommended that an appointed Redevelopment Authority (or Community Development Authority) take the following steps to transfer the General Obligation bonding from the City to the Authority in the form of lease bonding:

1. Create a Redevelopment District in Downtown Menasha that would include all of the potential redevelopment sites.
2. Make a determination of blight for existing and future redevelopment sites in the downtown area.
3. City debt from "Marina Place" in TID #7 should be reissued as Redevelopment Bonds.
4. Financing the "Headwaters Condominium" Project in TID #8, and projects being considered in TID #9, could be issued under a Redevelopment Authority as TIF Bonds.

Forms of Authorities

Wisconsin State Statutes identify two forms of authorities that would deal with the development and redevelopment of city property. They are the Redevelopment Authority and the Community Development Authority, which are described in detail in the following section of this analysis.

Redevelopment Authority

Applicability: A Redevelopment Authority is a good choice if the City already has a Housing Authority. A Redevelopment Authority can be involved in any redevelopment project within the city limits.

Purpose: A Redevelopment Authority is typically created for the express purpose of “carrying out blight elimination, slum clearance and urban renewal programs and projects.” This authority was established as an effective and efficient means for preventing and eliminating blighted areas in the city and preventing the recurrence of blighted areas. Bonds issued by Redevelopment Authorities do not count against City debt limit, have double tax exemption, and are attractive to investors.

How Created: A Redevelopment Authority could be created by a resolution of the Menasha Common Council by a two-thirds vote of its members present. Upon adoption of a resolution to create a Redevelopment Authority, the Mayor would appoint seven residents of the city (with a preference for expertise in finance and management), which would need to be confirmed by four-fifths of the Common Council.

Duties, Responsibilities, and Authority: A Redevelopment Authority has the authority to carry out blight elimination, slum clearance and urban renewal projects in the city. It may appoint an executive director. All employees may participate in the same pension system, health and life insurance programs provided for City employees and are eligible for any other benefits provided to City employees.

The Authority's major powers include:

1. Prepare redevelopment plans and urban renewal plans
2. Undertake and carry out redevelopment and urban renewal projects within the city.
3. Enter into any contracts necessary to effectuate the purposes of the Authority.
4. It can, by acquisition, lease, or eminent domain, obtain property and make any improvements to it that are necessary or incidental to a redevelopment or urban renewal project; hold, improve, clear or prepare for redevelopment or urban renewal any of the property; sell, lease, subdivide, retain or make available the property for the City's use; mortgage, encumber or dispose of any of the property or any interest in the property; any other similar land transactions as necessary to carry out the prevention and elimination of slums and blight.
5. Borrow money and issue bonds, execute notes, debentures and other forms of indebtedness and apply for and accept advances, loans, grant contributions, and any other form of financial assistance from the city in which it functions, from the federal government, the state, county or other public body, or from any sources, public or private for the purpose of urban renewal.

6. Issue bonds issued under the Redevelopment authority are not an indebtedness with the meaning of any constitutional or statutory debt limitation or restriction of the city, and are not subject to any other law or charter relating to the authorization, issuance or sale of bonds.
7. Incurred debt or obligation of the authority is not the debt or obligation of the City other than the redevelopment authority itself.
8. Establish a procedure for preservation of the authority's records.

Community Development Authority

Applicability: A Community Development Authority (CDA) is a more all-encompassing authority. If a CDA is created, it would take over any Housing Authority projects. The Housing Authority could be abandoned because a CDA would have the authority to oversee both commercial and housing redevelopment projects. A Community Development Authority has the same bonding authority that a Redevelopment Authority has.

Purpose: Community Development Authorities are independent public bodies that can be created by Wisconsin cities (per WISTAT 66.1335) to undertake redevelopment and blight elimination and housing projects. The purpose of a CDA (according to the statutes) is to carry out blight elimination, slum clearance, urban renewal programs or projects, and housing developments.

The CDA's powers are limited to those areas of the community that have been found to be blighted according to the definition of blight as found in section 66.1333 of the State Statutes. The Menasha Common Council would need to designate a blighted area by a two-thirds vote of its membership.

How Created: A Community Development Authority could be created by a resolution of the Menasha Common Council approved by a two-thirds vote of its members present. Upon adoption of a resolution to create a Community Development Authority, the Mayor would appoint seven residents of the city, who would need to be confirmed by a simple majority of the Common Council.

Duties, Responsibilities, and Authority: A Community Development Authority is a separate body for the purpose of carrying out blight elimination, slum clearance, urban renewal programs and other projects, including housing projects. The authority's major powers include:

1. The resolution creating this authority may also authorize the authority to act as the agent of the City in planning and carrying out community development programs and activities approved by the Mayor and Common Council under the Federal Housing and Community Development Act of 1974, and as agent to perform all acts, except the development of a general plan for the city.
2. The Community Development Authority has all powers duties and functions established for Housing and Redevelopment Authorities.

Existing housing and redevelopment authorities can be terminated and replaced by a Community Development Authority by adoption of an ordinance or resolution that would create a CDA.

Can City Debt be Transferred To an Authority

In order for City debt in existing projects to be transferred to a Community Development Authority or Redevelopment Authority, (1) a blight determination would need to be made, (2) the property needs to be included in a redevelopment district, and (3) the property would also need to be listed in a redevelopment plan as an eligible project.

Another possibility is that a property carrying debt could be determined as a blighted area under the "spot blight" procedure.

Based on discussions with the City Bonding Council, recent TIF district project indebtedness can be refinanced as Redevelopment Bonds, assuming the necessary steps as outlined above have been taken. However, older projects that are still being carried by the City of Menasha would be more difficult to justify because it would be hard to define relatively new structures as being blighted.

"Lease" Bonding Methodology

A municipality which has created a redevelopment authority or community development authority (an "Authority") may finance certain redevelopment projects by having the Authority issue lease revenue bonds pursuant to Section 66.1333 of the Wisconsin Statutes. This mechanism allows the municipality to finance, through the Authority, infrastructure improvements, including streets, sewers, and utilities in designated redevelopment project areas.

Interest on such bonds can qualify for tax-exemption under both federal and state tax law, and such bonds do not count against the municipality's constitutional debt limit. However, the bonds generally do count against the municipality's \$10,000,000 "bank-qualified" limit.

In such financing, the Authority gains control of municipal assets within the redevelopment area and immediately leases the assets back to the municipality. As described below, the assets controlled by the Authority and leased back to the municipality are normally public rights-of-way and other property that is to remain in governmental ownership. The Authority issues lease revenue bonds, and applies the proceeds of the bonds to undertake the public improvements in the redevelopment area. The lease payments to be received from the municipality are pledged as the primary security for the bonds. The lease payments are subject to annual appropriation by the municipality's governing body. When the projects being financed are tax increment projects, tax increment revenues can be the primary source of money for the municipality to make the lease payments.

The following is a brief summary of the procedure involved in such financing and some of the issues that must be considered in connection with any Authority lease revenue bond financing. This list will vary from financing to financing, and additional items may be required, depending on the factual situation of the particular financing under consideration.

Preconditions to Financing by Authority

Redevelopment Proceedings: The property on which the projects are being financed must be included in a designated redevelopment project area, and the projects being financed must be listed in the approved redevelopment plan for the redevelopment area, which was duly created and adopted pursuant to the procedures set forth in Section 66.1333. Alternatively, the property may be designated blighted pursuant to the "spot blight" procedure set forth in Section 66.1333.

Tax Incremental Proceedings: If the municipality wishes to pay for the project costs out of tax increment revenues, the projects to be financed must be included in the project plan for the tax incremental district.

Allocation of Projects to Taxable and Tax-Exempt Financing: The municipality should assemble a list of the projects which are to be financed and, with the assistance of its financial advisor and bond counsel, allocate them to taxable and tax-exempt issues. Agreements with developers that call for guarantees of tax increment revenues or certain similar security arrangements may make the projects ineligible for tax-exempt financing.

Property Transfer

On the date of closing on the bonds, the municipality grants to the Authority certain portions of the property on which improvements are to be financed.

Property Transferred: The transferred property typically consists of the public rights-of-way (i.e., streets, roads), other properties to remain in public ownership (such as green space or detention ponds), and any public improvements (such as water and sewer mains) to be constructed in the redevelopment area. Various real estate transaction matters (title transfer, recording, etc.) must be taken care of in connection with the transfer.

Preparation of Recordable Legal Description: The municipality will need to prepare a recordable legal description (i.e., metes and bounds or certified survey map) for the property to be transferred.

The Lease

The property is then simultaneously leased back to the municipality. The following are highlights of the lease procedure and substance that must be considered:

Lease Procedure:

1. Authority must hold public hearing on the lease preceded by a Class 2 Notice publication (two weeks prior to the public hearing). A form of the notice to be published will be prepared by bond counsel.
2. Authority's approval of lease
3. Preparation of report on the lease to the Common Council
4. Common Council approval of lease
5. Execution and recording of lease

Substance of Lease:

1. Fair market value of lease payments
2. Use in accordance with Redevelopment Plan

3. Rental payments subject to "quiet enjoyment" and annual appropriation
4. 100% debt service coverage on bonds
5. Designation of and assignment of, rents to trustee, if any
6. Municipality to retain all responsibility for construction and maintenance of projects

Issuance of Lease Revenue Bonds

Purpose: The lease revenue bonds are issued by the Authority to finance redevelopment and blight elimination projects located in a designated redevelopment project area or on designated blighted property. These could include public infrastructure improvements, such as streets, sewers, utilities, and more specific redevelopment projects, such as rehabilitation of buildings.

Security: The security for the lease revenue bonds is the rental payments to be received by the Authority from the municipality under the lease. If the municipality plans to make any contributions to the Authority (i.e., to replenish a reserve fund for the bonds or to assist with a particular project), this intention can be formalized in a contribution and cooperation agreement in order to provide additional security and marketability for the bonds.

Documents Required: The Authority issues the lease revenue bonds under Section 66.1333 and 66.1335 of the Wisconsin Statutes. As in any bond financing, the Authority must adopt a resolution authorizing the issuance of the bonds and approving the lease and cooperation agreement, along with the usual closing documents and opinions. If the bonds are to be sold at public sale, a notice of the sale must be published in the official newspaper of the municipality as a Class 2 Notice. Additionally, the lease, cooperation agreement (if any), and issuance of the bonds must be approved by a separate resolution adopted by the Common Council. A bond counsel typically prepares these documents.

Actions Required: In summary, assuming that the Redevelopment Area and Tax Incremental District have been validly created, the following additional actions are generally necessary for the issuance of the lease revenue bonds:

1. Public Hearing. The Authority must hold a public hearing on the proposed lease, preceded by two weeks' published notice.
2. Authority Resolution. The Authority must adopt a resolution approving:
 - a. Purchase of project property from municipality
 - b. Lease of property back to municipality
 - c. Cooperation agreement (if any)
 - d. Issuance of lease revenue bonds
3. Council Resolution. The Council must adopt a resolution approving:
 - a. Sale of project property to Authority
 - b. Lease of property from the Authority
 - c. Cooperation agreement (if any)
 - d. Bond issue

Existing TIF Districts

Over the last 24 years, the City of Menasha has created nine TIF districts, as illustrated in the following 3 maps (see Maps 1, 2, and 3 on following pages). The major purpose of each of the TIF districts are as follows:

TID #1 was created to financially support the development of the downtown Marina and Harbor Place.

TID #2 was created to support the Lakeside Commons housing project on Main Street.

TID #3 was created to build the River Place Office Building on Main Street

TID #4 was created to develop the Riverview Plaza.

TID #5 was created to develop the Midway Business Park

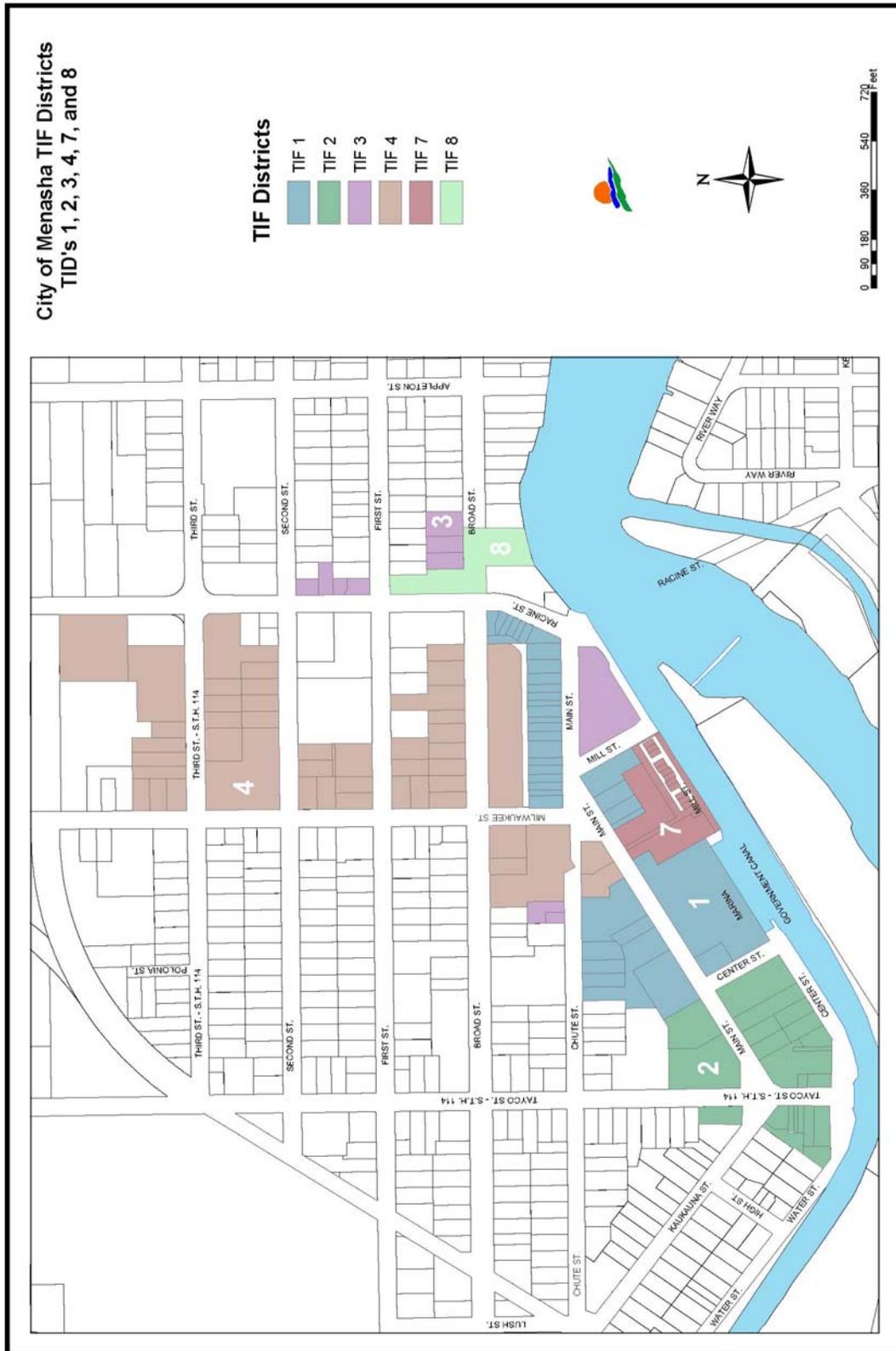
TID #6 was created to support northside office and commercial projects on Midway Road and Parkside Drive.

TID #7 was created to support Marina Place condominium/apartment project

TID #8 was created in the 500 block of Broad Street to support the recently approved condominium project

TID #9 was created to develop a mixed-use project east of Oneida Street, generally north of Manitowoc Road and south of Midway Road

Map 1: TIF Districts 1,2,3,4,7, & 8 (Downtown Area)



Map 2: TIF Districts 5 & 6 (Midway Road Area)



Map 3: TIF District 9



Bond Transfer from City to Redevelopment Authority for Existing Projects

The indebtedness of the existing TIDs and their debt amount is illustrated in Table 1, as of December 31, 2003, with the exception of the amounts shown for TID #8 and #9, which were created in 2004.

Table 1
Menasha TID District Debt History

TID #	Original Debt	Outstanding Debt	Potential Debt Transfer
1 & 2	\$3,965,000	\$775,000	
3	\$780,000	\$780,000	
3	\$150,000	\$150,000	
Subtotal	\$930,000	\$930,000	
4	\$460,000	\$360,000	
4	\$1,305,000	\$1,305,000	
Subtotal	\$1,765,000	\$1,665,000	
5	\$55,000	\$55,000	
5	\$695,000	\$695,000	
5	\$1,390,000	\$1,390,000	
5	\$575,000	\$575,000	
5*	\$550,000	\$550,000	
Subtotal	\$2,715,000	\$2,715,000	
6	\$1,300,000	\$1,300,000	
6	\$1,015,000	\$1,015,000	
6	\$200,000	\$200,000	
6	\$570,000	\$570,000	
6	\$1,160,000	\$1,160,000	
Subtotal	\$4,245,000	\$4,245,000	
7	\$1,330,000		\$1,330,000***
8**	\$735,000		\$735,000***
9**	\$700,000		\$700,000***
Subtotal	\$2,765,000		\$2,765,000***

*Additional amount is proposed for property acquisition in TID #5

**Proposed 2004 borrowing to be brought up in December

If a Redevelopment Authority were formed and the City transferred TID project debt to a Redevelopment Authority, the following documentation would need to be prepared:

1. Existing projects would need to justify "blight conditions"
2. Existing projects would need to be included in a Redevelopment District
3. Public improvements would need to be described in a Redevelopment Plan

***Once the above three steps are accomplished the City's Bond Council would need to verify that sufficient documentation has been given to justify the transfer of City TID debt to Redevelopment Authority bonds.

Existing Projects That Could be Under the Control of a Redevelopment Authority

Even though these projects have already been funded under general obligation bonds, it may be possible to transfer their debt load over to a redevelopment bond and be placed under the authority of a Redevelopment District.

Marina Place

Located in TIF District #7, "Marina Place" began in 2003 with the removal of the First National Bank-Fox Cities on Main Street and the former Elk's Club on Mill Street. This project will include 12 townhouse condominiums and 41 apartment units, with most having a view of the river or marina. Underground and above-ground parking will be available. The river units will have direct access to a pedestrian walkway that abuts the water, with permanent seasonal docking facilities available.



Marina Place looking South from Main St.



Townhouse on Waterfront

This project, completed in September, 2004, is expected to have a value of about \$6-million. Approximately \$1.2-million was advanced from TID #7 to fund street and utility relocation and development assistance. An additional \$550,000 from TID #7 is being used for the renovation of the rear facades of buildings facing the new development and for the construction of an elevated walkway connecting the parking structure to the main street buildings.



Back of Townhouse



Parking Ramp looking from Main Street

An additional 1.2 million dollars was applied from TID #6 to construct the parking structure and surface parking between the Townhouse as pictured above and the Main Street buildings.

Future Projects that could be Under the Control of A Redevelopment Authority

Projects that are on the horizon that have been considered as possible redevelopment sites, both in the downtown area and in other locations within the city limits, are listed under this heading. If a Redevelopment Authority were created, these projects could become eligible if they are found to be "blighted" and identified as a project in a redevelopment plan.

1. "Headwaters Condominiums" Project



Office Building at 515 Broad Street

This project, being proposed by Gary Laeyendecker, involves an empty office building fronting Broad Street with water frontage, just east of Racine Street, as pictured above. The buildings would be removed and replaced with an upscale \$2.4-Million condominium project along the Fox River. The project is envisioned to have 12 units in a 3-story structure. The units would contain about 1,800 sq. ft each, and would have underground parking.

To make this project financially feasible for the developer, the City has created TID #8 to generate a financial incentive, pursuant to a development agreement, and will be advancing \$675,000 of TIF dollars to write-down site acquisition and development costs.

2. Gunderson Cleaners/Becher Electric

Gunderson Cleaners and Becher Electric Company are two businesses on Main Street that are located on two prime waterfront sites, given the nearby river frontage and marina.



Becher Electric Company at 121 Main Street



Gunderson Cleaners at 41 Main Street

3. Tayco Street Redevelopment Project

The storefronts on Tayco Street would benefit from façade restoration and uniform signage. Demolition of dilapidated structures on this block would also benefit the appearance of this major thoroughfare.



Tayco Street, looking south from Main Street

4. Gilbert Papers Manufacturing Plant

The Gilbert Papers manufacturing facility fronting the south side of the Fox River has been empty for nearly two years. The site itself has a substantial amount of waterfront property, but is occupied by an antiquated industrial building that has few redeeming qualities. Nonetheless, in order to encourage redevelopment, financial incentives will need to be offered.



Gilbert Papers, looking south



Gilbert Papers, Looking East

Stadmueller & Associates has shown interest in preparing an adaptive reuse study of the Gilbert Papers property. The purpose of the study would be to determine land use options and make zoning recommendations on how the buildings and grounds could be used.

5. Brighton Drive Neighborhood

The greatest asset the City of Menasha has an abundance of water frontage on Lake Winnebago and the Fox River. Small converted cottages that are now year-round homes on Brighton Drive occupy a good share of lake frontage within the City of Menasha.



Although some of the homes are well kept, some homes are not. In addition, some of the land away from the water frontage is underutilized. If a Redevelopment Authority were formed, such an entity could begin to purchase and assemble a redevelopment site for a high-end housing project that would add substantial value to the City's tax base, and more fully utilize vacant land close to the water.

6. West Broad Street Neighborhood

This west side neighborhood also has properties that front water (Little Lake Butte Des Morts). A number of homes in this neighborhood should be demolished or renovated.



This is another neighborhood where a Redevelopment Authority could assemble properties for redevelopment purposes.

A number of businesses and other industrial uses are mixed into this residential neighborhood, especially along Water and Main Streets. These industrial uses should eventually be phased out and relocated to a business park or other commercial or industrial zoned property.



7. Business Park at STH 10 and Plank Road

The City of Menasha owns approximately 40 acres of land on the northeast corner of STH 10 and Plank Road. This property could become an ideal location for “low-impact” businesses or office type uses. Redevelopment bonding with payback from a TIF District would be a good financing method to develop this underutilized (blighted) property.

An area along Manitowoc Road will become the location of a regional detention facility. The remainder of the property will be marketed for business uses in 2005.



Looking north from STH 10



Looking northeast along Manitowoc Road