

May 13, 2024

To: City of Whitewater Community Development Authority Members

From: Kristen Fish-Peterson

Re: Multifamily development proposal for Kowalski Property/Slate Development, Inc.

A proposal for 128 units of multifamily residential development has been brought forward. This development would consist of eight 16-unit, two story buildings, at the Moraine Parkway/Jakes Way locations.

I encourage the City of Whitewater and the CDA to support this development and its request for financial assistance from TID #11 for the following reasons:

Community Need/Demand for Multi-family housing

There is a documented demand for multi-family housing. The community is in need of more residential units and this development would work toward meeting that demand.

According to the recent rental housing study by Tracy Cross & Associates, the market has and will continue to grow in population and number of households over the next five years. Housing development has been constrained since 2009 when the Great Recession took development to a halt and exacerbated in 2020-2021 when COVID and supply chain issues compounded development challenges.

Fostered by a stable/growing economy, and on the heels of expected household growth, construction requirements for new rental housing in the Whitewater market are will average 175 units annually over the next five years.

The proposed development on the proposed site would be supported by the market and is projected to achieve 95% occupancy in just over 18 months, according to the study. These buildings are proposed to be constructed in phases, allowing the market to keep up with the supply more readily.

These units are not proposed to be student focused housing but meet other needs in the market.

RESIDENTIAL ABSORPTION POTENTIALS BY PRODUCT TYPE
-- WHITEWATER MARKET AREA --
2023 - 2028

Product Type	Annual	Total Through 2028
Total	400	2,000
For Sale	225	1,125
Single Family Detached	150	750
Townhome/Duplex/Condominium	75	375
For Rent	175	875

Source: Tracy Cross & Associates, Inc.

Development

The proposed development will have an overall investment in excess of \$31 million. It is estimated that the development will provide an assessed value of more than \$24 million. Due to supply chain challenges, higher costs of supplies, and higher interest rates, this development is not feasible without support from the City.

Construction would begin in the fall of 2024 and the first phase would be ready for occupancy by late 2025, with the first half (four) of the buildings, 64 units, completed in phase I.

With over \$12 million in new increment, subsequent tax payments would generate enough increment to support an annual payment back to the developer. The location of these apartments in TID #11 would meet a market need on that side of the community.

Community Benefits

The City of whitewater will benefit from this development in more ways than having a new inventory of multifamily housing to offer to residents, old and new.

1. The City will see the generation of new tax base. This project will generate over \$460,000 in increment annually by the final year of the project. If the City continues the program where a TID is allowed to remain one extra year to capture increment and invest in the Affordable Housing Fund, this project will contribute over \$460,000 alone, to that fund. That will equip the City with dollars to invest in more affordable housing in the future.
2. The amount of direct economic impact from this project is over \$31 million. That translates to indirect economic benefit of \$48 million. *
The amount of taxes and other revenue generated from this development for state and local governments is approximately \$ 3.1 million.*
This also equates to the creation of 146 jobs.*
3. According to a report by the Federal Reserve Bank of Minneapolis, for 100 units of market rate housing that is constructed, 70 units of affordable housing are made available through residents who move out of a more affordable unit and up into a market rate unit. This occurs over time, but the impact is still measurable.
4. The city owns parcels in that area, Walton is projected to add single-family lots and duplexes to that area and generally the addition of this development would help stabilize and perhaps even draw interest towards additional economic development in that area, which benefits residents, the neighborhood, and the community.

Incentive Request

The proposed development is requesting tax increment financing support from TID #11. The developer is not requesting assistance for infrastructure or land acquisition, so there is no upfront request. This development will essentially cover the cost of its own incentive with the increment it generates. **By offering the funds in pay-as-you-go fashion, the development will have a positive net cash flow within TID #11 from day one.**

The request is for 85% of increment generated for the first ten years, and 60% of increment for the remainder of the life of the district. The total incentive request of just over \$5 million will depend on the assessed value and future tax rate of the City. But at a value of \$5 million in overall request, the request is 16% of total construction costs, and just over 20% of assessed value.

This development would not happen without the support of the City. The high costs of construction and soft costs, plus the lending environment the economy is in (higher interest rates), make this project infeasible in today's economy without support from the City.

This is a solid investment by the City of Whitewater for this much needed housing type and style.

* <https://www.wisbuild.org/housing-impact-studies>