

# SUGAR CREEK ELEMENTARY SITE

Vision for Verona's Next Dynamic Community Hub



**Alexander**  
Company

## Thank You.

Thank you again for the opportunity to present our vision for the Sugar Creek site. With our team having extensive experience in both urban planning and successfully executing urban infill projects, we are confident our proposal includes the appropriate mix and scale of housing, retail, and community space. Unfortunately, a community meeting is not always the best format to communicate complex information, so we wanted to address several items we understand may require further clarification.

## Financing Gap, TIF, and Feasibility.

The initial request for proposal asked developers to provide sources and uses of funds along with financial viability of the project, which our team took very seriously and investigated each aspect. We did not want to assume that we would receive funding that is beyond our control (e.g. funding with competitive applications) but instead show that the project is viable on its face. To that end we calculated an overall **gap** in the financing of the project and a tax increment analysis to show that, absent any other forms of funding, the increment generated from this project alone could cover the financing gap. We have stated repeatedly that the \$8.8M gap in our financing is **not a TIF request**, just a way to demonstrate that the project is feasible as requested in the RFP. TIF is just one tool in the toolbox that we could potentially use to fill that gap.

Our companies have used dozens of sources of financing over the years and will endeavor to identify those sources that will fill the gap without adversely impacting the project. We have included some information in an addendum to try to demonstrate the differences between the proposals although it is difficult since the competing project's budget is incomplete. We will not know what the project will need, if anything, for TIF until we have worked with the community on scope and have exhausted other potential financing sources. An important point of distinction regarding the other proposal is that it lacks any depth in terms of outlining financial viability for the affordable component of the project, nor did it include a TIF request – although we understand they have since changed that to request \$2M in TIF.

## Acquisition.

We understand that the other proposal is offering a purchase price for the property, whereas we have assumed that we will acquire it for no consideration. On its face we can certainly see why this is attractive to the city; however, we would like to point out that the other proposal also assumes that the City uses most, if not all, of those funds to pay for public improvements and infrastructure. Essentially, those costs have been removed from sources and uses and replaced them with acquisition. This is a distinction without a difference. Similarly, we could revise our proposal to mimic this approach however, functionally it is simply a financial pass through. As stated above, we presented a complete financial picture in a manner that reflected the guidelines of the RFP and to demonstrate our proposal's long-term financial viability. We believe our method is more realistic and, most importantly, transparent.

## Mixed-Use Component.

There has been much discussion about the proposed commercial space and whether it is viable. People are changing the way they shop, no question, but there is still an overwhelming need for community-level establishments. These are NOT national fast-food chains, but rather the bakeries, restaurants, brewpubs, yoga studios, coffee shops and experiential services that help activate a walkable community. You have only to look at examples in Middleton, Sun Prairie, and Waunakee to see that it can work. We have no desire to build commercial space that will sit vacant and, as we have said, intend to view the retail as a loss leader. We will likely provide space at reduced rental rates of up to 30% from market, or as low as \$15 per square foot, to attract local businesses that are an asset to the community. We see this as an investment in this micro-community as well as an extension to the broader community. This accounts for the approximately \$750,000 of the gap identified in our sources and uses.

One point to note is that the other proposal has offered to sell a portion of the lot to Steve Brown Apartments so that we could build only the mixed-use portion of the project. That is not something we would entertain. As we have said, we look at the commercial space as a loss leader and investment to benefit the overall site activation – it just wouldn't make sense for us to make that investment independently from the rest of our vision for the site.

## Public/Private Partnership and Community Space.

Our team approached this project as a true public/private partnership, and it is imperative that we work with stakeholders to determine how to best use the space for the community's benefit. We maintain our strong commitment to flexibility and will work with the City to achieve their desired outcome with respect to the public components of the site. Alderperson Kemp mentioned his desire to pick different parts of each proposal, and we would like to express our willingness to make that happen. We applaud some suggestions the other proposal has brought to the table; however, none of these ideas are proprietary. We have a long history of working with and supporting non-profit organizations as well.

## Historic Adaptive Reuse.

The Alexander Company has more than 35 years of experience in historic preservation and adaptive reuse, with no shortage of industry awards supporting the success of those efforts. We know exactly what it takes to get a property listed on the National Register of Historic Places, and what it means. We have been through the historic renovation process with the National Park Service on more than one-hundred projects and have even acted as a consultant to the Secretary of the Interior regarding the Historic Tax Credit program. We know the pitfalls one can encounter in historic adaptive reuse projects, are undoubtedly one of the most experienced historic developers in the country and certainly able to tackle this important aspect of the project.

In short, our Steve Brown Apartments/Alexander Company Team is extremely excited about this project! We have engaged a team who not only understands the important links to fitting the site into a broader downtown movement but are also actual members of the Verona community and understand its needs. We have considered how the density and scale of the project relate to the surrounding neighborhoods and planned accordingly. We look at this project as more than just a housing development – it is a transformative investment in the City **to create an identity for a vibrant and walkable downtown Verona for all to enjoy**. We are experienced, flexible and want to work with the City to provide opportunities, not liabilities.

Please let us know if you have any other questions or need further clarification on anything.

Sincerely,

**Steve Brown Apartments**



Margaret Watson  
Chief Executive Officer

**The Alexander Company**



Joe Alexander  
President

# SUGAR CREEK ELEMENTARY SITE

Vision for Verona's Next Dynamic Community Hub

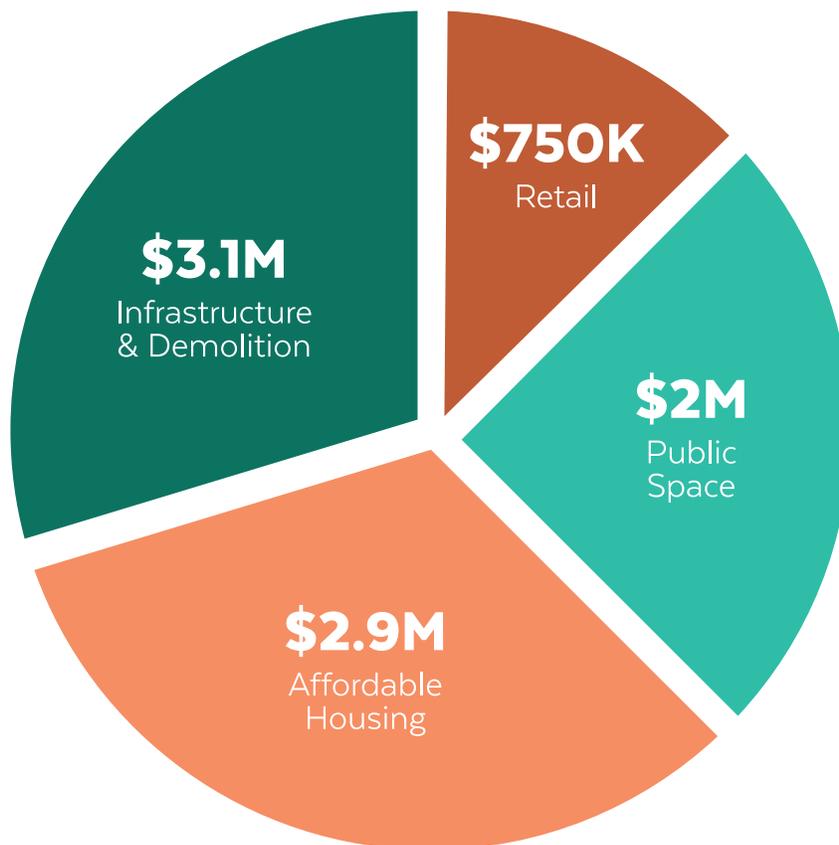


**Alexander**  
Company

## FINANCIAL GAP

Steve Brown Apartments / The Alexander Company

(Not a TIF Request)



### POTENTIAL GAP FILLING OPTIONS

- Affordable Housing Tax Credits (change to 9%)
- Pending legislation to increase 4% credit
- Community Development Block Grant Funds
- Subordinate Loan and Gap Programs
- Federal Home Loan Bank
- HOME Funds
- TIF

# SUGAR CREEK ELEMENTARY SITE

## ECONOMICS COMPARISON of Proposals in Consideration

Steve Brown Apartments/  
The Alexander Company  
Financial Gap

**\$8.8M**

**LESS**

Other Proposal  
TIF Request and  
Waived Impact Fees

**\$2.7M**

**EQUALS**

GAP  
Variance

**\$6.15M**

**LESS \$1.8M VARIANCE**



**\$1.6M Infrastructure  
Variance**

Ours: \$2.5M | Theirs: \$791k

**\$230K Public Space  
Variance**

Ours: \$2M | Theirs: \$1.77M

GAP Attributable to  
Private Development

**\$4.3M**

**POTENTIAL FUNDING  
ALTERNATIVES TO TIF:**

**+ \$2.95M** Pending 4% tax credit legislation or  
change to 9% tax credit application

**+ \$1.36M** Subordinate Loans/Grants, WHEDA,  
HOME, CDBG, County, and/or FHLB

**Why is there a variance?**

This is attributable to either a lesser  
scope or inaccurate budgeting.

**NOTE:** This comparison may be incomplete given the lack of financial viability information provided in the other proposal.