Menasha

Memorandum

To: Common Council
From: Greg Keil, CDD
Date: July 1, 2015
RE: Acquisition of the RR Donnelley Ahnaip Street Property

In August of 2014 the Common Council adopted Resolution R-19-14 entitled *"A resolution declaring property to be blighted and authorizing the Redevelopment Authority to acquire and assist in the redevelopment of the property"* (see attached). Staff has been in communication with real estate personnel from RRD concerning the city/RDA interest in acquiring the property for redevelopment. We have reached a tentative understanding of the terms to be incorporated into a purchase agreement as described below:

- City to obtain an appraisal of the property in anticipation of acquisition. The acquisition will be pursued in a manner which will enable the city to obtain a municipal liability exemption for preexisting environmental contamination on the property (if any) The estimated cost of the appraisal is $2,500.
- City to obtain proposals for conducting an "All Appropriate Inquires" environmental assessment of the property. An environmental assessment done to this standard garners certain environmental liability protections for the city. RRD will engage the environmental consulting firm to prepare the environmental assessment. If RRD releases the results of the environmental assessment to the city, the city will be obliged to pay the cost of having the environmental assessment prepared. If RRD chooses not to release the assessment, it will be responsible for the cost. The cost of the environmental assessment is difficult to estimate because the nature and extent of soil sampling (if any) is unknown. I recommend the city cap its cost at $30,000, which would be sufficient to enable a moderate amount of sampling if deemed necessary.
- After considering the results of the environmental assessment, the city/RDA is to decide whether to proceed with the acquisition.
- If acquisition is pursued, RRD is to convey the property in an "as is" condition at nominal cost to the city/RDA.
- City/RDA is to be responsible for asbestos abatement and demolition at an estimated cost of $100,000 and $450,000, respectively. The city would need to borrow funds to finance these expenditures with the expectation that the cost would be recovered from the proceeds of a yet to be created TIF district.

As described in the attached memo dated July 17, 2014, there are many benefits to be realized by the city from the acquisition and redevelopment of this property. I am now requesting authorization from the Common Council to proceed with the preparation of a purchase agreement which would include the terms stated above (the purchase agreement will be brought back to the Common Council and RDA for approval). I am also requesting authorization to use Community Development Department budgeted funds for salary and benefits associated with the unfilled Principal Planner position from January 1, 2015 to May 31, 2015 to finance the cost of the appraisal and environmental assessment. These costs could likewise be recovered from future TIF increment.

A motion to authorize these undertakings may read as follows: *Motion to authorize staff to prepare a land purchase agreement for the RR Donnelley Ahnaip Street property and to authorize expenditure of Community Development budgeted funds in an amount not to exceed $32,500 for appraisal and environmental assessment of the property.*

COMMON COUNCIL
OF THE
CITY OF MENASHA, WISCONSIN

RESOLUTION
R –19– 14

A RESOLUTION DECLARING PROPERTY TO BE BLIGHTED AND AUTHORIZING THE REDEVELOPMENT AUTHORITY TO ACQUIRE AND ASSIST THE REDEVELOPMENT OF THE PROPERTY.

Introduced by Alderman Englebert.

WHEREAS, Section 66.133, Wisconsin Statutes, as amended (the "Act"), states that it is the policy of this state to protect and promote the health, safety and general welfare of the people of the state in which blighted areas exist by the elimination and preservation of such areas through the utilization of all means appropriate for that purpose, thereby encouraging well-planned, integrated, stable, safe and healthful neighborhoods, the provision of healthful homes, a decent living environment and adequate places for employment of the people of this state and its communities in such areas; and,

WHEREAS, this Common Council has heretofore created a Redevelopment Authority (the "Authority") to eliminate or prevent substandard, deteriorated, obsolete and blighted areas in the City of Menasha, Wisconsin (the "City"); and,

WHEREAS, the Act, as amended, authorizes the Authority to undertake certain activities within the City, for the purpose of carrying out redevelopment, blight elimination, blight prevention and urban renewal programs and projects as set forth in the Act, together with all powers necessary or incidental to effect adequate and comprehensive redevelopment, blight elimination, and urban renewal programs and projects; and,

WHEREAS, the properties in the City described in Exhibit A (Revised) attached hereto (the "Properties") have been proposed as the site for various public improvements and private development projects; and,

WHEREAS, blight elimination, slum clearance, and urban renewal and redevelopment projects on the Properties will protect and promote the health, safety and general welfare of citizens of the City; and,

WHEREAS, the Authority proposes to acquire or assist the private acquisition and development of the Properties and to carry out blight elimination and urban renewal projects on the Properties, including the installation and construction of public improvements on the Properties, and to subsequently transfer portions of the Properties to private developers; and,

WHEREAS, Section 5(c)1g. of the Act provides that the Authority may acquire blighted property without designating a redevelopment area or adopting a redevelopment plan if the Authority obtains advance approval of the Common Council by at least a two-thirds vote; and,

WHEREAS, on July 23, 2014 the Authority conducted a duly-noticed public hearing at which all interested parties were afforded a full opportunity to express their views respecting this preliminary determination of blight for the Properties; and,

WHEREAS, the Authority has made findings that (i) found the Properties to be a "blighted properties" within the meaning of Section 66.1333(2m)(bm), Wisconsin Statutes, and (ii) submitted a blight determination of the Properties for the purpose of carrying out blight elimination and urban renewal projects to this Common Council for approval; and,

WHEREAS, in accordance with the Act, this Common Council now finds it necessary and in the public interests that the Authority undertake activities to eliminate and prevent blight, obsolescence, and the deterioration of the Properties and to promote redevelopment and urban renewal on the Properties; and,

WHEREAS, this Common Council has studied the facts and circumstances relating to the Properties and the proposed acquisition of the Properties, consideration having been given, among other items, to the following matters: (i) the definition of "blighted property" contained in Section (2m)(bm) of the Act, (ii) the Report with respect to the existence of blight on the Properties in the context of the Act, (iii) the past and existing condition of, and the proposed uses of, the Properties and of similar properties, (iv) the goals and objectives of the proposed acquisition of the Properties, (v) visual inspections of the Properties and surrounding areas by various members of the Authority and by various staff of and consultants to the City, and (vi) reports and recommendations to the Common Council by the Authority and City staff members.

NOW THEREFORE, BE IT RESOLVED that the Common Council of the City of Menasha as follows:

1. The Common Council hereby finds, determines and declares that the Properties are blighted properties within the meaning of Section (2m)(bm) of the Act which substantially impair or arrest the sound growth of the community.

2. The Common Council finds that a comprehensive redevelopment plan is not necessary to determine the need for the acquisition of the Properties, the uses of the Properties after acquisition and the relation of the acquisition to other property redevelopment by the Authority.

Passed and approved this 4th day of August, 2014.

Donald Merkes, Mayor

Attest: Deborah A. Galeazzi

Deborah Galeazzi, City Clerk

EXHIBIT A
(Revised)

DESCRIPTION OF PROPERTIES

Determination of Blight

RR Donnelley and Vicinity
City of Menasha
Winnebago County, Wisconsin

Legend
Blighted
Not Blighted

Numbers Denote Parcel ID

Memorandum

To: Common Council
From: Greg Keil, CDD
Date: July 17, 2014
RE: Preliminary Determination of Blight - RR Donnelley Property and Vicinity - Ahnaip Street

The closure of the RR Donnelley printing facility on Ahnaip Street has presented an opportunity for the City of Menasha to acquire and redevelop the site and adjoining parcels. The Donnelley property consists of five parcels located both north and south of the Ahnaip Street right of way comprising about 7.2 acres. There are two other parcels, including the Lawson Canal, owned by Sonoco Products Company, and an adjacent parcel owned by the Neenah Menasha Water Power Company which occupy about 1.7 and 0.6 acres, respectively. The Redevelopment Authority of the City of Menasha has made a preliminary determination of blight as an initial step toward acquisition and redevelopment of these parcels.

To enable the acquisition and redevelopment of this property by the Redevelopment Authority, the Common Council must make certain findings and determinations as contained in the attached resolution relating to the determination of blight and authorization for the RDA to acquire the properties so designated. Upon approval of the resolution, the RDA will enter into negotiations with the property owners for acquisition. It is expected that these negotiations will deal with matters related to property appraisals, environmental assessments, land acquisition, site clearance and environmental remediation, if determined to be necessary. It is also expected that the RDA will engage private developers concerning the redevelopment and reuse of the property.

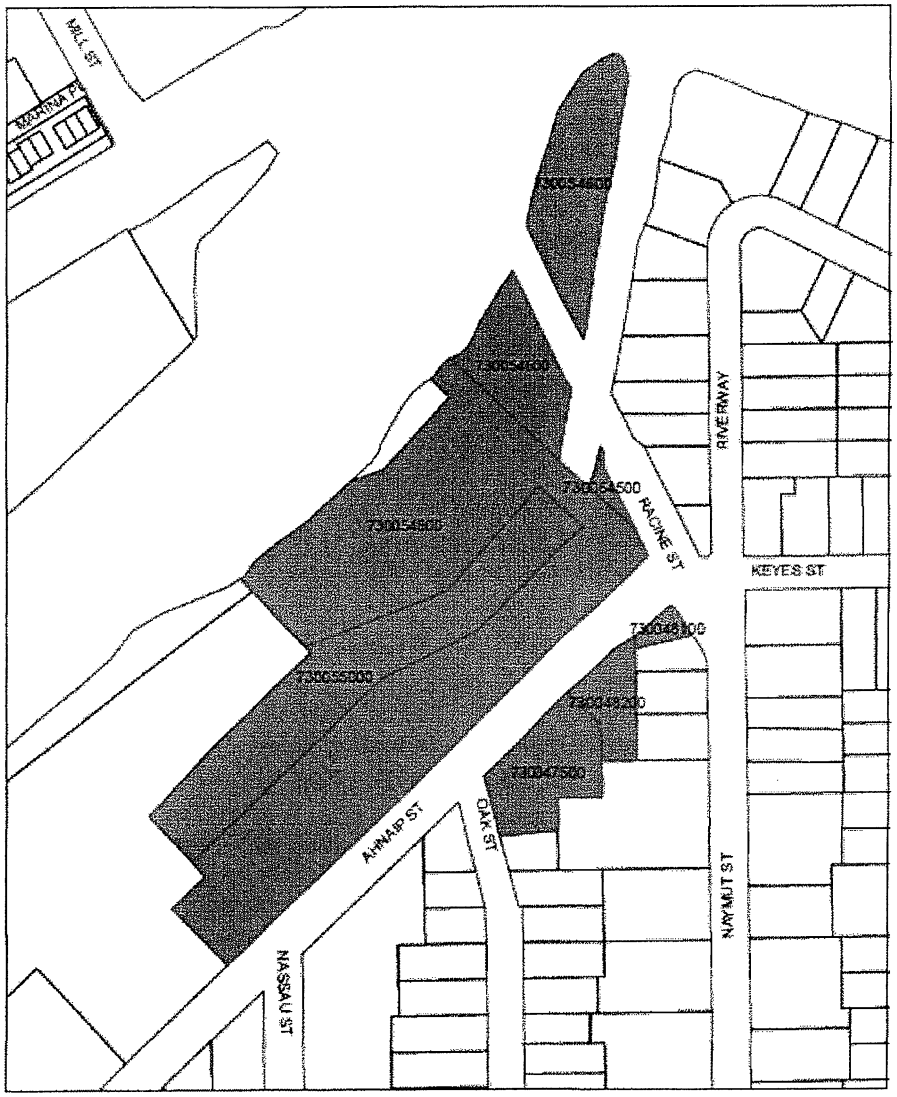
The Community Development staff recommends that the Common Council and RDA proceed with the acquisition of these properties for the following reasons:

1. In the two years since the printing operations have ceased RR Donnelley has not been able to find a viable purchaser for the property. As a manufacturing facility, this property is obsolete due to its location and the condition and configuration of buildings and site as a whole. Furthermore, the site and buildings are not conducive to conversion or rehabilitation into another use.
2. From 2008 to 2013 the value of the Donnelly property has declined nearly 65%, from $1,744,900 to $619,500. The buildings are minimally maintained, and further deterioration in building condition and value can be expected.
3. During that same time period, property values of the Winnebago County portion of the City of Menasha declined by $68.8 million, which is about 8%. This points to the need for the city to aggressively pursue policies and take actions to promote private investment and reinvestment in properties.
4. As exhibited throughout the Fox Cities communities, major redevelopment projects require public-private partnerships to make them economically viable, and often require the infusion of other resources from grant programs, etc. The City and/or RDA have access to grant resources that are unavailable to private entities.

EXHIBIT A

DESCRIPTION OF PROPERTIES

Determination of Blight



RR Donnelley and Vicinity
City of Menasha,
Winnebago County, Wisconsin

Legend

Blighted

Not Blighted

Numbers Denote Parcel ID

5. Ownership of the properties will give control of the redevelopment process to the RDA, and will enable the city to capture the increased value of the property as properties are sold. By way of comparison, the valuation of the Gilbert Site increased from $297,000 to $675,000 between 2013 and 2014, owing to the near completion of site clearance with the site now ready for reuse. Had the city owned the properties, it would have realized the gain in value through future lot sales, not the developer.
6. If acquired by a private developer, it is almost a foregone conclusion that the developer will be looking for assistance. To further the Gilbert example, the city has pledged $675,000 in accrued TIF increment to the developers to clear the site and make improvements. The city has also invested somewhere around $100,000 in planning and design work for the Gilbert Site and shoreline park over the past seven years.
7. Given its unparalleled location with respect to its orientation to the Fox River, Menasha dam, Lake Winnebago and the Lawson Canal, the Donnelley Site offers superb site amenities, and, upon completion of site clearance and restoration, has the capacity to support a development with values in excess of $10 million.
8. Investment of that magnitude will bring additional job and income opportunities to Menasha residents and will help stabilize the neighborhood and support other businesses in the downtown and elsewhere.

Upon authorization by the Common Council to proceed with the acquisition of the properties, the RDA will use due diligence to acquire the property with minimal risk to itself and the city. It is expected that the acquisitions will take place using "friendly condemnation", whereby the properties are taken through condemnation proceedings, but under terms that are mutually agreed to by the parties. This process enables the property to be taken by a municipal entity with an exemption from liability for any contamination present prior to its acquisition.

The environmental condition of the properties is presently unknown. The RDA will negotiate with the parties with respect to the performance of environmental assessments and will seek to protect itself and the city to the extent practicable from any unknown environmental liability. If environmental contamination is determined to be present, options for remediation will be considered based upon the availability of grant resources.

Land acquisition costs are unknown, although preliminary conversations with RR Donnelley suggest they will be minimal. Likewise, site clearance costs are unknown, but are likely to be in the range of $300,000 to $500,000. The split of cost between seller and buyer is to be negotiated by the RDA.

The financing of project costs will necessitate the creation of a tax increment finance district, with costs to be paid out of future TIF revenues. It is expected that initial costs would be financed from a city borrowing. Borrowed funds would be advanced to the RDA under a development agreement similar to what exists between the city and RDA for the Lake Park Villas development, and would be paid back to the city from TIF increment pledged to the RDA for repayment of the debt.

Despite there being unknowns, it is essential to move ahead with these processes at this time. Many steps need to be taken to achieve the goal of the Donnelley property being a premier development site and fulfilling its promise of a rich new tax base and job and income opportunities for our residents. We cannot anticipate all that will be required to make this happen, but it will require full participation in a cooperative effort among the RDA, Common Council and Plan Commission to move forward with the TIF creation and execution of agreements essential to the process.