



PLANNING & ZONING DEPARTMENT

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TO: Middleton Finance Committee
FROM: Abby Attoun, Director of Community Development
DATE: 3/30/17
RE: Downtown Plaza Investment

The benefits of a downtown plaza go beyond financial. It is impossible to quantify the many intangible benefits that come along with a public investment like a downtown plaza, and the sense of identity that it establishes for Middleton. While Roger Brooks found that for every \$1 invested in a public plaza, cities can expect to see \$8 in private investment, we believe a 1:3 multiplier is more conservative, and likely more accurate.

TIF district #3 has been incredibly successful. A majority of the tax increment financing (TIF) projects that we engage in are developer-financed TIF, which helps to support private business development. We think the plaza is a good opportunity to create a project that not only benefits private business development, but benefits all Middleton residents and visitors. This is exactly the type of project that was envisioned when a placeholder of \$3 million per year was included in the TIF #3 financial model for “other capital projects.” Refer to Finance Director Bill Burns’ memo for specifics about the TIF #3 financial model.

We know that good private investment follows good public investment. When the City reconstructed Terrace Avenue and built the Terrace Avenue Pavilion (TAP), reconstructed Parmenter Street from the roundabout south to University, and installed new brick pavers in the downtown, we undertook those projects without the expectation that there would be a direct return of tax increment to TIF district #3. We knew that good private investment would follow, and already we are seeing the benefits of that with the Middleton Center redevelopment project, the Middleton Station redevelopment project, other proposed downtown projects, as well as development interest and new business prospects up and down the Parmenter corridor.

As downtowns become more desirable, additional quality development is spurred. Many cities catalyze downtown redevelopment with an infusion of public investment in civic spaces. Middleton has already seen a significant amount of downtown investment based on sound decisions that have been made over the past few decades: to relocate Middleton Ford and Decar Manufacturing; to preserve and encourage investment in historic properties, including the former Pet Milk Building (now Valencia Condominiums); to establish housing downtown to support the downtown businesses; to encourage sidewalk cafes to enhance the downtown experience; to invest in streetscaping improvements in the downtown, and more. Refer to the attached map which shows the amount of investment that has taken place in downtown Middleton since TIF district #3 was opened in 1993.

We believe that the benefits of a downtown plaza should be looked at holistically, rather than on a site-by-site basis. However, we also know that there are many sites in downtown Middleton

that could benefit from additional private investment, including the body shop on Terrace Avenue and the post office site (keeping the retail outlet downtown). Our TIF consultants estimate that the post office site alone could see an additional \$15 million in investment (if this investment occurred in 2018, this would equate to an additional benefit to the TIF of about \$3.5 million, which would more than pay back the acquisition and development costs of the public plaza). Refer to the attached map which shows some of the properties that could benefit from additional investment.

In addition to additional property tax revenue, the plaza could serve to retain businesses in the downtown. Listen to the business owners who spoke. They see the benefit of the plaza in enhancing the downtown. On a sunny day, the seating at the outdoor cafes is full. The plaza could serve as “spillover” seating for these businesses. The plaza could also help retain the downtown boutiques, which have seen a significant amount of turnover in the past decade. It is not a foregone conclusion that Middleton Center will succeed. The developer has a lot of space to fill. We want Middleton Center to be successful, and we want the downtown retail to increase its success. This plaza will help guarantee that success. The plaza provides a continued investment and attraction in the downtown, long after the TIF district closes in 2030.

Regardless of whether these properties are used as a plaza or as a redevelopment site for a higher-density use, TIF - or some other public incentive - is likely to factor into the equation. The site has constraints with poor soils, demolition costs, and the narrow shape of the property which makes parking difficult. A developer would likely see developing the entire block would provide a better return on investment (ROI) and we strongly want to preserve the historically significant structures (the Weinburg Building and the Dufrenne Building) on the east end of that block, as well as the culturally-significant one (Village Green). The historic buildings and smaller buildings add charm and value to our downtown.

Our staff believes we should proceed with a TIF investment that benefits all of Middleton residents and visitors. Our recommendation is to proceed with using TIF #3 funding to acquire the properties.

In addition to the thoughts above, staff developed the following list of ideas to consider:

- While fundraising for acquisition costs is difficult, we see a real opportunity for private fundraising for development costs. Perhaps the City could offer naming rights for specific amenities within the plaza. Maybe this is a project with which the Middleton Area Public Lands Endowment (MAPLE) would be interested in getting involved.
- If the Finance Committee and Council are still uneasy about moving forward with acquiring the property due to the unknown development costs and the lack of committed private funding, one option could be to move forward with acquiring the property and if a certain level of private fundraising isn't reached by a certain date, the property could be sold to a private developer, possibly through a request for proposals (RFP) process.