

TAX INCREMENTAL DISTRICT NUMBER EIGHT

CITY OF WEST ALLIS

PROJECT PLAN

FORMER WEHR STEEL FOUNDRY



2154 S. 54th Street

**Prepared by:
Department of Development
City of West Allis**

For Public Hearing January 13, 2003

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I. Introduction

This document is the Project Plan (“Project Plan”) for Tax Incremental District Number Eight, City of West Allis (the “District”). The Project Plan has been prepared in conformance with the provisions of Wisconsin Statutes Section 66.1105 (the “Tax Increment Law”). The Project Plan is designed to promote industrial development with in the meaning of Wisconsin Statutes Section 66.1101.

The District consists of 13.25 acres of land formerly occupied by a steel foundry located at 2154 S. 54 Street. The site is bounded by S. 54th Street on west, W. Electric Avenue and Union Pacific Railroad on the south, and the West Allis, West Milwaukee city limits on the east. The District existing conditions fulfill the meaning of “blighted” as within the meaning of Section 66. 1333 (2m)(bm) of the Wisconsin Statues.

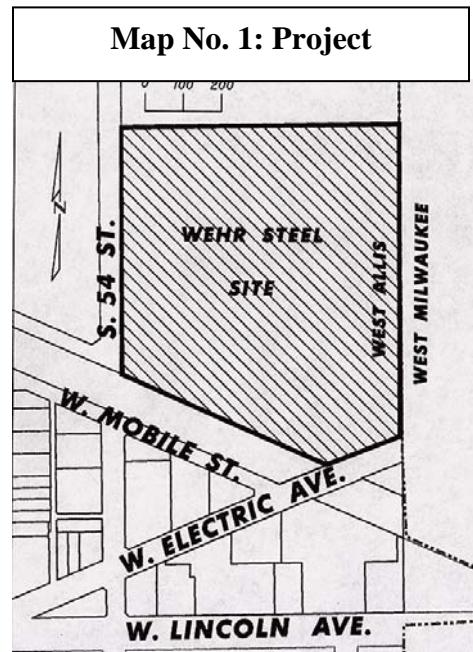
With respect to this finding of "blight," the statutory definition of blight includes a number of applicable provisions that clearly classify this site as blighted. Chief among these state, in part, that blighted property is: (1) any property which constitutes an economic liability in its present condition and use, or (2) any property which is a menace to public health in its present condition and use, or, and most importantly, (3) any property which is predominantly open and which otherwise substantially impairs or arrests the sound growth of the city and is a blighted property. and (4) economic obsolescence which is preventing renewal and economic growth of the neighborhood and community.

II. Statement of Project Area

The District is bounded on the **north** by an industrial property occupied by CD Baird, **east** by the City of West Allis-Village of Milwaukee city limits, on the **south** by the Pacific railroad and W. Electric Avenue, the **west** by S. 54 Street. A map of the District is shown below. A legal description is provided in Exhibit No. 1 – Description. The total area of the District 13.25 acres contained entirely within a property.

The District boundaries are coterminous the spot blight finding previously made by Community Development Authority and Common Council of the City of West in that the subject property was determined to be blighted within the meaning of Wis. Stats. §66.1333(2m)(bm)

reason, among other things, that a preliminary review of Wisconsin Department of Natural Resource files and City of West Allis Fire Department records indicate a



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substantial threat of environmental contamination on the property, including potential contaminant sources such as underground storage tanks, electrical transformers, process cleaning lines, maintenance facilities, oil quench pits, as well as, the former ponds and the foundry sand landfill. In addition, a former drum storage area along the north property boundary of the property adds to this threat. Also, footings and foundations not removed from the property when the buildings were demolished in 1991-92 create economic obsolescence and are a substantial impediment to redevelopment of the site for productive use. The fact that the site has not been marketed or otherwise developed since the demolition of the buildings on the site and remains vacant, is a source of blight in the immediate neighborhood and substantially arrests and impairs the sound growth of the community in that the property is not being used for any productive purpose. It is a classic Brownfield site as defined by the U.S. Environmental Protection Agency, that is "abandoned, idled, or under-used industrial and commercial facilities for expansion or redevelopment is complicated by real or perceived environmental contamination." EPA: The Brownfields Economic Redevelopment Initiative, September 1995, EPA/540/R-94/068.

III. Project Plan Goals and Objectives

The creation of the District promotes the orderly development of the City as follows:

Goals:

1. To reverse the below-average increase in tax base and to increase the economic vitality of the neighborhood by eliminating blighted, underutilized property and by encouraging new private/public development
2. To broaden the property tax base of the community.
3. To reposition this industrial area, created in the early 1900's, to be competitive in the 21st Century.
4. To directly serve to rehabilitate or conserve the area.
5. To eliminate blight and prevent the development and spread of blighted areas.
6. To remediate environmental contamination to a level necessary for development and for a clean and livable neighborhood.

Objectives:

1. Eliminate building remnants and building rubble, blighting influences and environmental deficiencies, which detract from the functional unity, aesthetic appearance, economic welfare and prevent the recurrence of blight and blighting conditions in the surrounding neighborhood and on the Former Wehr Steel Foundry site.

2. Eliminate underutilized land and environmentally hazardous conditions.
3. Divide land into parcels functionally adaptable with respect to shape and size for disposition and redevelopment in accordance with development needs and standards.
4. Remove deteriorated building remnants, materials, and building rubble for uses permitted in this Plan.
5. Provide for the orderly physical and economic growth of this parcel through planned and controlled redevelopment.
6. Foster redevelopment activities included in this project, which are consistent with uses permitted in this Plan, the sound needs and growth of the surrounding area, and the community as a whole.
7. Assure redevelopment incorporating architectural design, site planning, landscaping, signage, public art and amenity lighting, which are aesthetically pleasing and compatible with existing development in the area.
8. Foster economic development by providing facilities, which generate employment opportunities and/or new housing for city residents.
9. Provide economic development loans and/or grants to qualified redevelopers consistent with the goals and objectives of this Plan.
10. Provide project and site improvements, including the installation or relocation of the storm sewer that proceeds from east to west within the middle of the site, pedestrian ways, utilities, and other related improvements necessary for carrying out the objectives of this Plan.
11. Achieve private redevelopment, which will add to the tax base of the City of West Allis and stimulate business activity in this part of the city.

IV. Existing Land Uses and Conditions:

According to the Wisconsin Department of Natural Resources public access file and the records from the West Allis Building Inspections files, there are three major causes of blight in the project area — 1) the presence of an unlicensed landfill, 2) the presence of deteriorated and dilapidated structures and 3) the presence of environmental conditions.

1) Presence of an Unlicensed Landfill:

The former steel foundry utilized portions of the site as a landfill for foundry sand and slag. The site is the subject of a Final



Settlement Agreement and Stipulation between the State of Wisconsin and Venturedyne and Wehr Corporation, signed May 21, 1991.

2) Deteriorated and Dilapidated Structures: The property, formerly occupied by a steel foundry, can be characterized as an older manufacturing site with dilapidated foundations of razed industrial structures, warehouses, and garages. A portion of the site (roughly 50-60%) is currently covered with buildings. The property contains uncompleted demolition of below grade structures, rubble piles, and exposed and embedded rebar.

Since the razing of the structures in 1992, the property has violated numerous local and state building codes. The violations for conditions that were deemed unsafe and/or unsanitary by the City of West Allis include not being in a dust-free and/or erosion-free state, having building remnants and building rubble, and excessive and uncontrolled weed growth. It is these continuous and numerous code violations that match the State of Wisconsin's definition of a blighted area.

3) Presence of Environmental Concerns: The environmental conditions of the Wehr Steel site are based on the results from Phase I and II Environmental Site Assessments and WDNR files. The property's former use as a foundry and landfill has impacted the site.



Landfill materials are present across the site in thickness of 2 to 19.5 feet. Fill consists of silty sand or silty clay with varying amounts of foundry sand, slag, cinders, brick and /or concrete. These fill materials are regulated under NR500, Wisconsin Administrative Code. The site owners are also required to comply with the requirements of a Final Settlement Agreement and Stipulation of May 21, 1991 which includes requirements for capping, grading, and methane gas monitoring, as well as other procedural restrictions.

The Environmental Site Assessments also determined the presence of the soil and groundwater contaminants: The following contaminants were observed in soil samples, collected during the Phase II ESA exceeding the industrial direct contact or groundwater protection residual contaminant levels (RCLs):

Volatile Organic Compounds (VOCs)

- Benzene exceeded the RCL for groundwater protection at SB-20 S02, which was located in the area of the former melting furnace.
- Perchloroethylene (PCE) exceeded the RCL for groundwater protection at SB-7 S08 and SB-14 S03. SB-7 is located in the former pattern storage area. SB-14 is located in an area of former outside storage.

Semi-Volatile Organic Compounds (SVOCs)

- Sixteen of the 65 soil samples tested contained SVOCs above the RCLs based on the protection of groundwater or based on direct contact at industrial sites. Most of these exceedances were for PAHs, except n-nitroso-di-n-propylamine which was exceeded in only one soil sample.

Pesticides

- Aldrin and dieldrin exceeded the RCLs for the protection of groundwater in 7 out of 65 samples tested.

Polychlorinated Biphenyls (PCBs)

- PCBs were detected in 5 of the 65 soil samples tested and at 2 of these locations (SB-4 S04 and SB-26 S01) PCBs exceeded the RCL for direct contact. Detections were near the reported former PCB disposal trench (SB-34 S06), near the former transformer room (SB-19 S06), near a former pit area (SB-26 S01), in a former pond (SB-16 S08) and near a former outside storage area (SB-4 S04).

Metals

- Sixty-one out of the 65 soil samples tested for arsenic exceed the direct contact RCL of 1.6 mg/kg. Since background in southeastern Wisconsin is generally above that level, WDNR generally uses a value of 10 mg/kg as a guide to determine if further evaluation is necessary. Six of these samples exceeded 10 mg/kg.
- Chromium was detected in the soil at SB-31 S04 at 185 mg/kg, above the value that could theoretically exceed the TCLP concentration, but below the direct contact RCL.

The following contaminants were present in groundwater samples in concentrations that exceeded groundwater quality standards:

- Arsenic exceeded the PAL at SB-11 and SB-12. The standard for arsenic is a public health standard.
- Iron exceeded the ES at SB-4, SB-7, SB-11, SB-13 and SB-16 and the PAL at SB-3, SB-18 and SB-33. The standard for iron is a public welfare standard.
- Manganese exceeded the ES in each of the samples tested with concentrations ranging from 110 to 2,870 mg/l. The standard for manganese is public welfare standard.
- Sodium exceeded the site specific PAL in 10 of the 15 samples collected. Sodium is an indicator parameter that is regulated based on an increase over background concentration.

It is likely that the above described soil and groundwater quality exceedances can be effectively managed using appropriate engineering controls, natural attenuation and/or institutional controls, such as deed restrictions or deed notices. In WDNR's letter to the property owner dated April 3, 2003, WDNR advises the owner of responsibilities regarding the impacts documented in the STS II report, including restricting access and addressing the direct contact exposure pathways if the site is redeveloped in the future, citing acceptable methods such as excavation and capping and appropriate soil handling and disposal.

Other environmental issues discovered during the Phase II ESA that may affect the redevelopment of the site are:

- The results of landfill gas monitoring (methane, oxygen, CO₂ and H₂S) indicated only slightly elevated methane readings at a couple of the well locations (up to 12% of the LEL). There were two wells, however, where oxygen was extremely low and additional monitoring should be conducted to verify the methane and oxygen results. Landfill gas monitoring is also required as a condition of the Stipulation between the WDNR and the property owner (including subsequent site owners).
- A test pit conducted by STS near the southwest corner of the main plant (Building 1) encountered a 10-12 inch vertical pipe, with a floating product layer. This was determined by the site owner to be an old supply well. The WDNR required the property owner to investigate and abandon the well (see attached letters dated June 17, 2002 and July 9, 2002) which they believed to be a 1706-foot well installed in 1942. Further investigation of the well indicated that this well may be a different well, extending to an estimated depth of 98 to 120 feet. It appears that the 1706-foot well has yet to be properly abandoned. WDNR may hold the site owner or future site owner responsible for the proper abandonment of this well.
- Two manholes were observed near the southwest corner of the building, in the former compressor room. Due partially to the presence of liquid and debris in these manholes, their previous function could not be determined. Further exploration of these manholes may be necessary prior to redevelopment in this area.



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4) Economic Obsolescence: The property consists of building remnants and building rubble posing significant problems for redevelopment of the site. Further, the current state substantially deteriorates the condition of the neighborhood and prevents sound growth of the city.

CONCLUSION: The environmental hazards and the distressed state and disrepair of the property substantially impair and arrest the sound growth of the community, constitute an economic and social liability and is a menace to the public’s health, safety, and welfare in its present condition and use. Redevelopment of the property will provide future property tax relief to the families and businesses of West Allis.

In recognition of all the above, Department of Development recommends a finding be made site is therefore a blighted area the meaning of Section 66.1333(6)(b)(1) of the Wisconsin Statutes and in need elimination via an urban redevelopment project.



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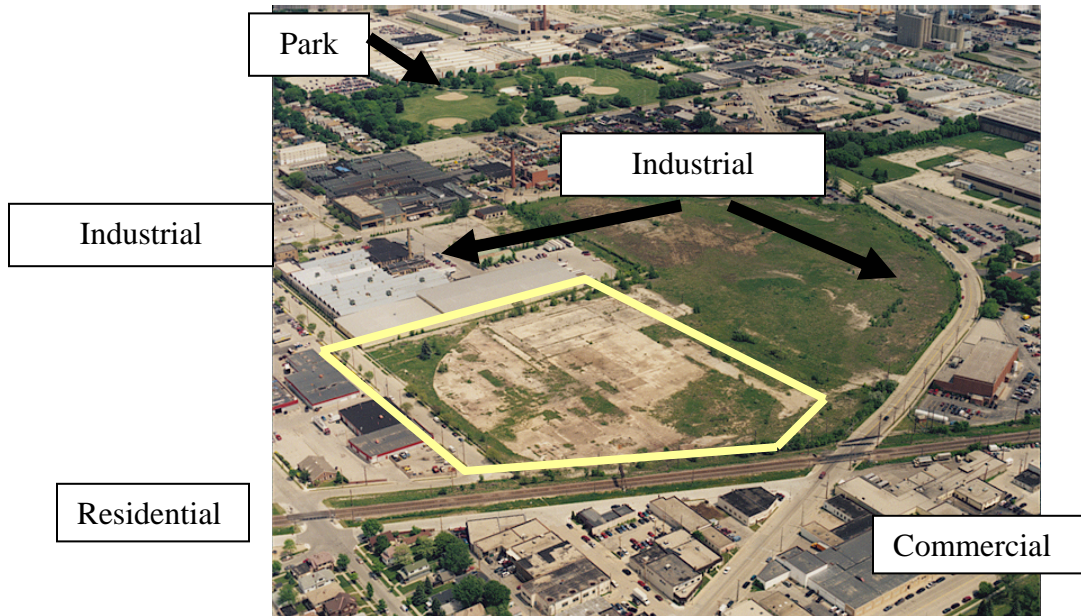
In general, a property can be considered blighted as evidenced by the blight that exists as a result of the environmentally hazardous conditions and deteriorated structures on the property, according to Wisconsin State Statute 66.1331 and 66.1333. Surrounding uses are shown in the pictures and maps below.

In 2003, the property’s Fair Market Value as determined by the City Assessor was \$930,461 for the land and \$0 for the improvements. The property paid \$24,754.25 in property taxes. If the site were redeveloped as a light industrial park the total taxable value generated by the property could exceed \$10.6 million and provide an additional (incremental) property tax relief in the area of \$258,400 per year.

**TABLE 1
PROJECTED PROPERTY TAX INCREMENT**

PROPERTY TAXES	LAND	IMPROVEMENTS	PERSONAL PROPERTY	TOTAL	PROPERTY TAXES
CURRENT	\$ 930,000	\$ 0	\$ 0	\$ 930,000	\$ 24,800
PROJECTED	<u>\$ 930,000</u>	<u>\$8,800,000</u>	<u>\$ 880,000</u>	<u>\$10,645,000</u>	<u>\$ 283,200</u>
TAX INCREMENT	\$ 0	\$8,800,000	\$ 880,000	\$ 9,680,000	\$ 258,400

Map No. 2: Existing Uses and Conditions



V. Proposed Changes in Project Area Land Uses

No changes are proposed to the zoning ordinance, master plan, building codes or city ordinances. The District will be redeveloped with light industrial uses, which meets the current zoning.

VI. Statements of Proposed Improvements

To prepare the District for development, the land will need to be cleared and environmental testing and clean-up will be conducted. Since the property is vacant, relocation under Chapter 32 of the Wisconsin Statutes will not apply.

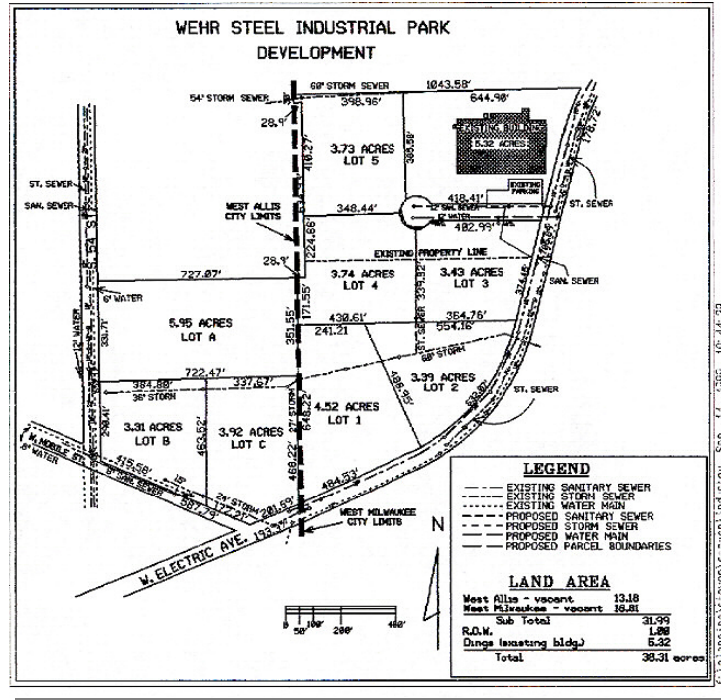
The district is accessible from S. 54 St. or access could be made available from W. Electric Avenue in order to facilitate development. The parcel would probably be divided into two and up to 3 parcels.

Proposed project improvement will consist of property acquisition, demolition of buildings remaining footings and foundation, geotechnical improvements (potential soil compaction), environmental remediation, utility & access improvements, to financing and administration costs. The proposed project improvements are more fully described in Exhibit No. 4 Estimated Redevelopment Costs.

The most sufficient proposed improvements will probably be demolition of buildings remaining footings and foundation, environmental remedial measures, and storm sewer reconstruction. A 36" storm sewer dating back to the 1900's will either need to be

reconstructed or relocated to allow for suitable development. The map below shows the location of the proposed improvements.

Map No. 3: Proposed Improvements



VII. Estimated Project Cost

The project costs are directly related to eliminating blight and directly serve to rehabilitate or conserve the area, consistent with the purpose for which the District was created.

The costs included in this section are without limitation, eligible project costs as defined under Section 66.1105 (2)(f) of the Wisconsin Statutes.

The City’s policy for the use of these funds is to assist major redevelopment projects, which will generate additional property taxes (increment). The maximum amount of City participation in any private redevelopment project will be based upon the expected property tax increment to be generated by the redevelopment projects for a period no longer than 23 years pursuant to the Tax Increment Law.

Proposed project costs include property acquisition, demolition, geotechnical improvements (potential soil compaction), environmental remediation, utility & access improvements, to financing and administration costs. The total project costs are more fully described in Exhibit No. 4 Estimated Redevelopment Costs.

Some or all of these costs may be contributions made under Section 66.333 (13) of the Wisconsin Statutes to the Community Development Authority in connection with its implementation of the Project Plan. The Common Council may make those contributions pursuant to a Cooperation Agreement entered into with the Authority.

There are no off-site improvements. Non-project costs are anticipated to be from the private developer of the property in amounts ranging from \$7 to \$10 million in total development cost.

VIII. Project Financing and Timetable for Expenditures

The project will be financed primarily through the sale of Taxable General Obligation (G.O.) Bonds, Tax Exempt G.O. Bonds, land sale proceeds, and federal and state grants such as Community Development Block Grant (CDBG) funds, Wisconsin Department of Commerce Brownfield Grants, Wisconsin Department of Natural Resources Site Assessment Grants.

Due to the substantially lower interest rate on G.O. bonds, the anticipated tax increment revenue would be more than adequate to cover the total debt service if the larger development (Industrial B, 38% land coverage) shown in Exhibit No. 3 Financial Condition Analysis and Exhibit No. 4 Estimated Redevelopment Costs

The bulk of the Project Plan cost will be incurred and the expenditures will be made by the year 2005.

It should further be noted that a number of structural engineers and geotechnical consultants will also be evaluating structural and soil bearing capacity site conditions throughout the project area. Due to the past uses of the site, the environmental/building/geotechnical costs may vary considerably.

Depending on the ultimate purchasers of each disposition parcels, there may be a need to install and/or relocate some public or private infrastructure such as sewer, water, roadway, gas, electric, etc., to more readily accommodate development.

IX. Tax Increment Projection and Economic Feasibility Analysis

The financial feasibility of the Project Plan is based upon the expected property tax increment to be generated.

The tax increment to be generated by the District is based upon the increases in real and/or personal property value and the building improvements/ additions during the life of the District. The cash flows set forth in Exhibit No. 3 Financial Condition Analysis and Exhibit No. 4 Estimated Redevelopment Costs indicates that the anticipated revenues exceed the projected estimated project cost. The Project Plan, therefore, has been determined to be economically feasible.

The City recognizes that a real potential exists that the environmental and site preparation costs may be considerably higher than currently projected. The City intends to recover these costs to the greatest extent possible through revenues generated by the District.

As a result of projected amount of debt to be issued to finance the project costs, the incremental revenue required to service the debt will necessitate that the District continue for between 7.6 to 11 years (maximum 23-year period allowed by state statutes).

X. Statement of Feasible Method Proposed for Relocation

The City and the Authority are authorized to make relocation payments to, or with respect to, persons (including families, business concerns and others) being displaced from the project for moving expenses and losses of property for which reimbursement or compensation is not otherwise made. Any persons being displaced during the course of the project relocated from properties within the area during the course of project execution, shall be afforded the opportunity to be relocated in available accommodations which are decent, safe, sanitary, and otherwise habitable and which are within their financial means, all in accordance with a Relocation Plan, prepared pursuant to Sections 32.19 and 32.25 to 32.27 and 66.1333(10) of the Wisconsin Statutes. and subsequently approved by the Wisconsin Department of Commerce. Since the property is currently vacant no relocation is anticipated at this time.

The Exhibits and Attachments are incorporated into the Project Plan for Tax Incremental District Number Eight, City of West Allis, Wisconsin, and by reference made a part thereof pursuant to Section 66.1105 of the Wisconsin Statutes.

APPENDIX OF EXHIBITS

Exhibits

Exhibit No. 1 – Legal Description

Exhibit No. 2 – Statement of Lands and Interest to be Acquired

Exhibit No. 3 – Financial Conditional Analysis

Exhibit No. 4 – Economic Feasibility Analysis

Attachments

Attachment No. 1 – Assessor’s Letter

Attachment No. 2 – Legal Opinion

Brownfields Constitute an Economic and Social Liability

- Promotes Urban Sprawl;**
- Disconnects Workers from Employment Centers**
- Opportunity Cost of Lost Property Tax Relief**



Exhibit No. 1 – Legal Description

Assessor's Plat No. 272 Lots 2 and 3 and South 25 ft of Lot 1, Block and vacant section adjoining on South, in the City of West Allis, County of Milwaukee and the State of Wisconsin.

Exhibit No. 2 – Statement of Lands and Interest to be Acquired

Only the property at 2154 S. 54 St will be purchased, tax key # 474-0005-001. The interest to be required for each property is the Fee.

Attachment No. 1 – Assessor’s Letter

DRAFT

John F. Stibal
Director
Department of Development
City of West Allis

RE: Project Plan for Tax Increment District Number Eight

Dear Mr. Stibal:

The percentage of taxable property in all the tax incremental districts compared with all taxable property in the City of West Allis for 2004 is:

TOTAL TIF VALUE	\$
TOTAL CITY OF WEST ALLIS	\$

Sincerely,

Charles F. Ruud
City Assessor

Attachment No. 2 – Legal Opinion

DRAFT

John F. Stibal
Director
Department of Development
City of West Allis

RE: Project Plan for Tax Increment District Number Eight

Dear Mr. Stibal:

Pursant to your request, we have determined the Project Plan for Tax Increment District Number Eight. Based upon that review, we are of the opinion that the Plan complies with all of the statutory requirements of Wis. States §66.1105(4)(f) and rendering this opinion in compliance with that statutory provision.

Yours very truly,

Scott Post
City Attorney