COMMUNITY DEVELOPMENT AUTHORITY

120 S. STEVENSON STREET
DEFOREST, WI 53532

Redevelopment Project – Frequently Asked Questions

1. I heard the Village is buying DeForest Liquor Mart, is that true?

   No. The Village is not buying DeForest Liquor Mart. The DeForest Community Development Authority is buying the property.

2. Wait. Who or what is a Community Development Authority?

   The Community Development Authority (CDA) is a government entity that is created by the municipality (in this case the Village of DeForest) for the purpose of undertaking community development programs, housing development, and redevelopment activities.

3. Got it. So, why is the CDA purchasing DeForest Liquor Mart?

   A General Plan for Redevelopment was approved by the Village of DeForest in 2023 that identified this corner of Main Street and Highway V as a suitable location for a "Gateway Building" to downtown DeForest. The Plan envisions a mixed-use building of high-quality design and materials that includes both residential apartments and commercial space. The CDA intends to construct such a building at this location that would include approximately 60 apartments and roughly 4,500 square feet of commercial space on the first floor.

4. Interesting. Where can I find this General Plan for Redevelopment?

   The General Plan for Redevelopment can be found on https://www.engagedeforest.com/adopted-village-plans.

5. So, I have to ask. Did the CDA just force out one of DeForest's oldest small businesses to do this project?

   No. CDA staff have been negotiating the purchase of this property with the owners since September of 2023. The property owners communicated that they were reaching the point where they were ready to move on. The timing was right for all involved.

6. This all makes sense. But how is the CDA going to build something like that on such a small property?

   In order to construct the building, the CDA will need to acquire at least one additional adjacent parcel. From November of 2023 through December 2024, the CDA has had intermittent contact with the property owner of the vacant car wash just south of DeForest Liquor Mart to discuss potentially purchasing that property. After promising conversations and some negotiation, the property owner stopped responding. In October of 2024, the CDA

passed a Resolution finding it necessary to exercise eminent domain to acquire the property. Since then, CDA staff have continued attempts to contact the property owner to negotiate the purchase of the property via mutual agreement. As of December 12, 2024, the property owner has not responded.

7. Hang on. What is eminent domain?

   Eminent domain is an authority granted to public government entities to acquire private property for public purposes regardless of the property owner's consent. The entity acquiring the property must pay the property owner fair compensation. Eminent domain is typically used to facilitate transportation or utility projects, but has also been used for parks, historic preservation, construction of public buildings and for the provision of affordable housing.

8. So, the CDA is purchasing someone's property without their consent? How can you justify that?

   The business that had previously operated the car wash at this site was administratively dissolved in 2020 and, as of December 2024, has not been reinstated. It is the understanding of the CDA that the car wash at this location has been out of operation and, essentially, abandoned since 2020. Using the eminent domain power is never something that a public entity takes lightly. This is why the CDA has proactively engaged the property owner to try to purchase the property in a typical fashion. The CDA has determined that it is in the public interest to acquire the property, redeveloping an abandoned site to provide additional housing for the community's seniors and workforce.

9. Seniors and workforce? Tell me more.

   Throughout 2024, the Village conducted a series of public engagement activities to better understand housing priorities in the community. Those activities included a series of focus groups, a community-wide housing survey, and a public workshop. Those activities resulted in a report that identified the following as some of the top priorities:

   - Increasing the stock of affordable rentals and single-family housing for workforce;
   - Promoting affordable home ownership for young families;
   - Providing assistance for seniors to make improvements for accessibility;
   - Providing more affordable housing options for seniors on fixed incomes; and
   - Increasing the variety of housing types in the community.

   While it's challenging for just one development to tackle all these priorities, the CDA's proposed project aims to address the need for housing affordability for seniors and rental affordability for the local workforce. Thirty-six of the apartments will be reserved for elderly residents who meet certain income qualifications, and the remaining units are intended to be affordable to those earning up to 60% of Dane County Median Income. For a single person household in Dane County in 2024, that means it is affordable for someone earning $59,920 annually.

10. Ok. But what does it mean for an apartment to be "affordable"?

For housing to be considered "affordable," the U.S. Department of Housing and Urban Development (HUD) says that the owner or renter of such housing should pay no more than 30% of their gross income on housing costs, including utilities. In the example of an individual earning $59,920 annually, affordable housing means paying no more than $1,498 per month on either your rent or mortgage and certain utilities.

11. Great. But who is paying for all this? Are the taxpayers footing the bill?

    No, DeForest taxpayers are not funding this project. Typically, a building project like this will have a number of different funding sources involved. Securing all those different sources also takes quite a bit of time and might not happen until just before construction on the project starts. In this case, the CDA is exploring the use of the following:

    - Investor equity through the Wisconsin Housing and Economic Development Authority's Housing Tax Credit Program (estimated at roughly 50% of project funds);
    - A convertible loan (estimated at roughly 20% of project funds);
    - A tax increment finance loan from the Village of DeForest (estimated at roughly 20% of project funds);
    - A workforce housing, low-interest loan (estimated at roughly 6% of project funds); and
    - A forgivable tax increment finance loan from the Village of DeForest (estimated at roughly 4% of project funds).

12. I thought you said this was a CDA project. Now you're saying the Village is funding it. What gives?

    The Village of DeForest entered into a Funding Agreement with the CDA setting forth the terms and conditions under which it would provide financial assistance for the project. The CDA has to meet its obligations with the development, which includes repayment of the potential loan with interest. The CDA anticipates that the loan would be repaid over the course of twenty years, with the potential for it to be repaid in 12 years with funds from the sale proceeds of other properties it owns.

13. You mentioned Tax Increment Finance. What is that? Is that the TIF thing?

    Tax Increment Finance (TIF) is a tool that municipalities use to fund public projects and to provide development incentives. The creation of a TIF District (or TID) is approved by all the taxing jurisdictions in the area (in this case: the Village of DeForest, DeForest Area School District, Madison Area Technical College, and Dane County). That TID covers a defined geographic boundary and is in existence for a set number of years. Property taxes generated by properties within that boundary are "frozen" at the time of district creation so that each of the taxing jurisdictions receives annual taxes in the amount they were in the year of creation until the district is no longer in existence. Any additional property taxes generated within the boundaries of the district after the creation date and until the end of the district's existence serves as "revenue" to the TID's special account in order to pay for projects and

fund development. Anything that revenue is used for has to be first set forth in a Project Plan for the TID and approved by the taxing jurisdictions.

The funding that the Village of DeForest is providing the CDA for this project is an allocation from Tax Increment District #6 (TID 6).

14. Sounds complicated, but I think I get it. Let's get back to the building itself. What else can you tell me about the project?

As of December 2024, the CDA is still in the planning process for the building. It is anticipated to be three stories in height, with underground parking and will have a commercial tenant on the first floor. CDA staff are having discussions with prospective tenants for the commercial space, but nothing has been finalized as of December.

The CDA also intends to manage the building itself. It has a track record of managing residential properties in the Village, with its Jefferson Square senior living property consistently being voted one of the best senior residences in the DeForest-Windsor area. The CDA intends to maintain a Tenant Selection Policy for the building, governing the criteria for eligible applicants.

As the CDA continues to develop a plan for the building, it intends to hold neighborhood meetings to gather input from nearby residents and the community at-large. Development takes time. The CDA hopes to go through the permitting and approval processes this winter and into late spring. Ideally, construction on the building could begin in the fall of 2025.