

CITY OF FOND DU LAC - Memorandum

Department of Community Development

Date: March 8, 2024

To: Joe Moore, City Manager

From: Dyann Benson, Community Development Director

Re: 183 South Main Street – City Investment & Development Agreement

The former Beernuts Bar/Brickle Building at 183 South Main Street has a proposed redevelopment into a mixed-use project with residential units and commercial space along the Main Street frontage. The developer is proposing four (4) residential units on the second floor and up to four (4) residential units on the first floor. The Main Street portion of the building would offer commercial space.

This historic building, constructed in 1880, has been underutilized for a number of years. The closure of the former Beernuts and the building going onto the market creates a unique opportunity to support reinvestment in the south end of Main Street. The additional residential units will not only add to a much-needed inventory of housing options within the community, but within the downtown.

The City Council has authorized the submittal of a Community Development Investment (CDI) grant through the Wisconsin Economic Development Corporation (WEDC) for \$250,000. The CDI grant program provides funding to projects that create a significant, positive impact in downtown areas. The City will be applying for a \$250,000 CDI grant, the maximum grant amount available under the program, to support the approximate \$1.4 million renovation.

The estimated cost of the renovation is \$1,4 million. The proposed renovation will restore the historic façade but will also include roofing, windows and significant upgrades to the plumbing, electrical and HVAC. This property is currently assessed at \$142,700. Given the proposed work scope of the renovation, the addition of residential units along with the commercial space, the estimated assessment could increase to \$800,000 to \$900,000. This is a significant increase in value for a building within the downtown. The increase in value will also enhance the BID assessment to support the work of the Downtown Fond du Lac Partnership.

The City is proposing to further facilitate this project through a \$200,000 forgivable loan. The funds would be secured through a subordinate mortgage (meaning behind the primary lender(s)). The loan would be forgiven based upon the following conditions: \$1000 per year for any professional or service type commercial tenant or \$2,000 for any experience based commercial tenant (restaurants, retails, activity based businesses). Up to \$6000 per year per residential unit could be forgiven as long as there were no extended vacancy periods.

Reinvestment in downtown properties poses a financial challenge due to the nature of these historic buildings; the uncertainty of what will be found once renovations start and the financial cost of capital for commercial projects. In addition, the size of these projects attract small-scale developers that often have higher costs of capital than large commercial developers that can leverage other equity.

The ratio of City investment to long term benefits to the overall tax base as well to the downtown demonstrates a worthy partnership. City staff supports the investment in the project and will be bringing a resolution authorizing a development agreement for this project to the March 28th City Council meeting.