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City of Racine, Wisconsin  
**COMMON COUNCIL**

**AGENDA BRIEFING MEMORADUM (ABM)**

**COMMITTEE:** Finance & Personnel    **LEGISLATION ITEM #:**

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**AGENDA DATE:** November 11, 2019 Finance & Personnel Committee  
November 14, 2019 Redevelopment Authority Board  
November 19, 2019 Common Council

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**DEPARTMENT:**

Prepared By: James M. (Jim) Palenick, City Administrator

Reviewed By: Cory Mason, Mayor

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**SUBJECT:**

A request to approve the Developer Incentive Agreement between the City of Racine, Racine RDA, and Cardinal Capital Management, Inc., for the Redevelopment of 141 units of new multi-family housing on the RDA-owned, former Walker Manufacturing- Ajax industrial property at 1520 and 1536 Clark Street in Uptown.

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**EXECUTIVE SUMMARY:**

Cardinal Capital Management, Inc., has purchased the former Walker Manufacturing –Ajax Industrial property at 1520 and 1536 Clark Street in Uptown from the Redevelopment Authority for the purposes of demolishing the existing, obsolete and dilapidated Industrial structures; remediating the environmental site contamination; and redeveloping the property as new, affordable and market-rate, multi-family housing. Specifically, Cardinal’s plans call for the total investment of over \$30 Million in the on-site construction of two, 4-story apartment buildings (a market-rate development consisting of 87 apartments with 130 associated parking spaces [55 surface, 75 structured]; and an “affordable” [Low-income-housing-tax-credit-funded] development consisting of 54 apartments with 75 associated parking spaces [39 surface, 36 structured]. Cardinal has also acquired the adjacent, former Pabst Pub building and will be retaining it and restoring it for use as site offices, community room, and space for the Racine Police Department to house a neighborhood-assigned, Community Police Officer (C.O.P. House).

32 After working with the Developers for well over a year on plans that would ultimately allow the  
33 project to be financially feasible and move forward, the City and Cardinal have agreed to terms on an  
34 incentive Agreement which will serve the interests of both parties and allow this site to provide a  
35 huge, new economic boost to the Uptown area with 141 units of quality work-force and affordable  
36 Housing units. The terms contained within the Incentive Agreement are highlighted below under  
37 “background and analysis”.

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39 **BACKGROUND & ANALYSIS:**

40 Cardinal Capital Management is acquiring the property from the RDA for a sales price of \$9,999 for the  
41 “market-rate parcel”, and \$1 for the “affordable parcel”. The Pabst Pub was acquired from a private  
42 owner previously.

43 Total development investment will exceed \$30 Million, with \$19.3 Million for the market-rate project  
44 and \$10.8 Million for the affordable units. The Developer will guarantee that post-construction and  
45 stabilization, the minimum additional property tax value (increment) assessment resulting from the  
46 project will total not less than \$12,000,000.

47 City will provide incentives to include:

- 48 • A \$1,000,000 site remediation and parking incentive (funded as \$500,000 from 2019 I.G. Funds  
49 and \$500,000 from 2020 I.G. Funds; with the RDA providing a short-term, interest-free loan of  
50 \$400,000 to Cardinal in 2019 pending receipt of the 2020 I.G. allocation. Once in receipt of the  
51 2020 allocation, Cardinal will then repay the \$400,000 in full and the City shall receive it as  
52 revenues to the FY2020 operating budget).
- 53 • A tax –increment, developer-funded, “pay-as-you-go” TID Development Incentive of not to  
54 exceed \$3,000,000 paid out as 90% of all tax increments attributable to the “market-rate  
55 portion” of the project for the 11-year period 2020 through 2031.
- 56 • A \$900,000 loan, from the City to Cardinal, which shall be secured by a Cardinal Capital  
57 Corporate guaranty, as well as a subordinated lien against the property, as acquired by the  
58 City from The Board of Commissioners of Public lands for the purposes of lending to the  
59 project, for an amortization term of twenty (20) years and an expected rate of 4% (but to  
60 equal whatever rate is given by the BCPL to the City). Cardinal shall pay the debt service on  
61 this loan monthly.
- 62 • City to provide Cardinal a \$600,000, 20-year, 1% interest, Community Development Block  
63 Grant (CDBG) multi-family housing loan for the affordable project.
- 64 • City will make and fund any necessary upgrades to publicly-dedicated water transmission  
65 mains within Clark Street needed to serve the project. (est. \$275,000).
- 66 • City will waive and pay for any REC (Residential Equivalent Connection) Fees needed for the  
67 project and billed by the Racine Water Utility (est. 101 REC fees after credits x \$500 = \$50,500)
- 68 • City agrees to assist Cardinal in attempting to acquire additional grant funding or low interest  
69 loan funding to assist with or offset the cost of remediation and/or demolition.

70 Developer (Cardinal) has agreed to provide:

- 71 • Project equity (non-debt financed investment) of at least 15%.

- 72 • A commitment from the Wisconsin Housing and Economic Development Agency (WHEDA) for  
73 LIHTC tax credits in support of financing the affordable project component.
- 74 • The \$12Million minimum increment guaranty to the increased property assessment beginning  
75 2022 and continuing through the termination of the TID.
- 76 • Minimum investment in “hard construction costs” of \$21 Million.
- 77 • The commitment to adhere to all City Ordinances including “Racine Works” and its  
78 requirement to employ low-to-moderate income City residents.
- 79 • The commitment to build to meet the “Enterprise Green Communities”, “Green Certification”;  
80 as well as the commitment to install electric vehicle charging infrastructure in not less than 3%  
81 of the on-site parking spaces.
- 82 • The Lease, to the Racine Community Outpost, for \$10/month during the 11-year life of the  
83 TID, of space in the Restored Pabst Pub building for use by the Racine Police department to  
84 house a C.O.P. House.

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86 **BUDGETARY IMPACT:**

87 The FY2019 CIP Budget for the I. G. funds contained the first \$500,000 for the site remediation and  
88 parking incentive; and the FY2020 I.G. Budget contains the other \$500,000.

89 Under the 11-year TID, since it is pay-as-you-go, The Developer must first pay all taxes in order to have  
90 90% of said payments then returned as an incentive, leaving the remaining 10% for the TID to repay a  
91 portion of the \$1M in incentive. The estimate is that the Developer will receive \$2,900,961 in TID  
92 increment capture rebates; while the City is expected to get back an estimated \$322,324 during the  
93 11-year capture life of the TID.

94 The REC Fees are expected to cost \$50,500, which is budgeted in the FY2020 I.G. Funds Budget.

95 The cost of the water-line replacement In Clark Street is estimated at \$275,000 and will be paid by the  
96 Water utility Capital budget, as included in FY2020.

97 The BCPL Loan will cost the City nothing except staff time, since all repayment of debt service will be  
98 made by the Developer.

99 Following TID closure, the project is expected to produce at least \$184,500 in new yearly property  
100 taxes to the City.

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102 **OPTIONS/ALTERNATIVES:**

103 1.) To recommend and approve of the Developer Incentive Agreement between the City of  
104 Racine, Racine RDA, and Cardinal Capital Management, Inc., for the Redevelopment of 141  
105 units of new multi-family housing on the RDA-owned, former Walker Manufacturing- Ajax  
106 industrial property at 1520 and 1536 Clark Street in Uptown.

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108 2.) To recommend denial or deferral of action on the Developer Incentive Agreement between  
109 the City of Racine, Racine RDA, and Cardinal Capital Management, Inc., for the

110                    **Redevelopment of 141 units of new multi-family housing on the RDA-owned, former Walker**  
111                    **Manufacturing- Ajax industrial property at 1520 and 1536 Clark Street in Uptown.**

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113                    **RECOMMENDED ACTION:**

114                    **To recommend and approve of the Developer Incentive Agreement between the City of Racine, Racine**  
115                    **RDA, and Cardinal Capital Management, Inc., for the Redevelopment of 141 units of new multi-family**  
116                    **housing on the RDA-owned, former Walker Manufacturing- Ajax industrial property at 1520 and 1536**  
117                    **Clark Street in Uptown**

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119                    **ATTACHMENT(S):**

120                    **Developer Incentive Agreement for the Redevelopment of the Ajax Site.**