



AGENDA BRIEFING MEMORADUM

AGENDA DATE:

September 23, 2024 –F & P

October 1, 2024-Common Council

SUBJECT: Communication sponsored by Mayor Mason seeking to amend the incentive agreement with J. Jeffers & Co. approved by Common Council on March 7, 2023 via resolution #0200-23 and enter into 3 separate incentive agreements with J. Jeffers & Co. for Phase IV of the Belle City Square (Horlick Historic District) Redevelopment at and near 2200 Northwestern Avenue.

PREPARED BY: Walt Williams-Director of City Development

REVIEWED BY:

EXECUTIVE SUMMARY:

On March 7, 2023, via resolution #0200-23 the Common Council approved the execution of a single incentive agreement for the Phase IV development at the Belle City Square (Horlick Historic District) site. The original agreement included three components of the Phase IV development, specifically referred to as R-1-Phase IV residential, C1-Commerical Phase IV and C2-Commerical Phase IV. Due to the requirements of the private financing, J Jeffers is requesting that the original one agreement be split into three separate agreements, and that certain modifications be made to the agreements.

PROJECT BACKGROUND:

As part of a phased area-wide redevelopment proposal, J. Jeffers and Co. of Milwaukee, WI has purchased numerous properties in the area of the former Horlick Malted Milk Factory along Northwestern Avenue and Summit Avenue since 2018. Specifically, the developer purchased both 2100 Northwestern Avenue and 2200 Northwestern Avenue on June 19, 2018 as part of “Phase 1 and Phase 2” of the Horlick Historic District. Construction has completed at 2100 Northwestern Avenue, and all 60 units have been occupied by tenants. Construction is also complete on 2200 Northwestern building, comprised of 86 units which is all tenant occupied. Phase 3 of the project includes the construction of 2 new multi- family market rate buildings (167 units) located at 2220 Northwestern Avenue. Those units are complete and currently being rented.

Phase IV of the development will include both residential and commercial buildings as follows:

- (R-1) Residential Historic Rehab-22 Townhomes and new Construction Residential: 100 market rate units.
- (C-1) Historic Rehab Commercial-Complete
- (C-2) Historic Rehab Commercial

Phase IV provides an estimated stabilized tax valuation of \$35,000,000 and over \$25M of tax increment. It will also provide about \$25M of NET NEW CONSTRUCTION giving us new additional capacity in our operational levy.

Developer Responsibilities:

1. Development of: (i) Phase 4, (ii) Commercial Phase 1; and (iii) Commercial Phase 2; together with the site infrastructure improvements necessary to serve each Phase of the Project.
2. The Developer shall provide evidence of fully committed debt and equity financing necessary to complete each Phase of the Project prior to commencement of construction of the applicable Phase.
3. The Developer will provide at least 15% of the total development costs for each Phase in the form of private financing and equity.
4. The Developer has paid loan origination fee of \$25,000 to the City.
5. Comply with all aspects of the Racine Works Ordinance
6. The Developer will incorporate the “Leadership in Energy and Environmental Design” (LEED) related energy efficiency improvements detailed in exhibits to the agreement. Developer will prequalify LEED plans before commencement of construction of each applicable Phase of the Project.
7. The Developer intends to commence construction of each Phase of the Project on the following schedule: (i) construction of Phase 4 Residential shall commence no later than September 1, 2025; (ii) construction of Commercial Phase 1 is complete; and (iii) construction of Commercial Phase 2 shall commence no later than July 2025.
8. The developer agrees to minimum assessed property values for each agreement.
9. The developer agrees that all fees and taxes will be paid to current
10. The developer agrees to a PILOT (payment in lieu of tax).

City Responsibilities:**Phase IV Residential**

- Utility Grant-\$1M-Has already been paid to developer under original authorization.
- Support WEDC Grant up to \$250,000.-Already complete
- Developer Funded TID (Pay Go)-90% of increment generated not to exceed \$16M
- 3 Year Bridge Loan will be issued to developer-\$8M. The Developer will pay (BCPL Rate + 25 basis) the City 5.75% APR interest paid monthly.
 - Note: \$3.3M of this loan has already been disbursed to the developer in accordance with the original agreement as approved by Common Council on March 7, 2023.
 - Note: The original agreement called for a \$9M loan, so this request reduces the amount of the loan we will provide to developer.
- Bridge loan will be issued to developer on a construction draw basis.

Phase IV Commercial-C-1

- Utility Grant-\$500,000-Has already been paid to developer under original authorization.
- Developer Funded TID (Pay Go)-90% of increment generated not to exceed \$8.85M

Phase IV Commercial-C-2

- Utility Grant-\$500,000
- Developer Funded TID (Pay Go)-90% of increment generated not to exceed \$3.7M

FISCAL NOTE:

The remaining Utility grants to be paid for C-2 of \$500,000 will come from the City Utility surcharge fund. (40101 52420 Redevelopment Assistance). Bridge loan to the developer will be funded by a City borrowing from the Board of Commissioners of Public Lands. All Pay Go incentives will be paid from the tax increment district #25 (Org 40025) if funds are available.