



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

City of Racine, Wisconsin
COMMON COUNCIL

AGENDA BRIEFING MEMORADUM (ABM)

COMMITTEE: Finance & Personnel/Redevelopment Authority (RDA) LEGISLATION ITEM #: 0549-18

AGENDA DATE: Common Council Referral: June 5, 2018
Redevelopment Authority: June 7, 2018
Finance & Personnel Committee: June 11, 2018
Common Council: June 19, 2018

DEPARTMENT:

Prepared By: James M. "Jim" Palenick, City Administrator

Reviewed By: Corey Mason, Mayor

SUBJECT:

A Request from the City Administrator to seek approval for a Letter of Intent between the City of Racine as Purchaser, and Johnson Bank, as Seller for the fee simple acquisition of the property at 441 Lake Avenue, consisting of an underground parking structure, surface lot and canopy drive-through.

EXECUTIVE SUMMARY:

Representatives of Johnson Bank recently approached the City to propose a possible transfer of the property at 441 Lake Avenue (small drive-through bank with surface lot and underground parking structure) to the City, with much of the property value representing a donation. Johnson Bank has plans to phase-out the drive-through bank branch at this location and instead merely maintain the presence of an Automated Teller Machine (ATM/ITM). The City would get fee simple title to the property (2017 assessed fair market value: \$552,600) for a purchase price of approximately \$100,000, and would then also receive 1/10 of the total purchase price per-year, in the form of a lease payment, for each of ten years the City would lease the space for the ATM/ITM as well as use of the surface parking during week-day banking hours.

BACKGROUND & ANALYSIS:

31 Prior to conveyance, Johnson Bank would remove the existing small bank building on site and
32 reconstruct a portion of the canopy over a to-be-installed and remaining ATM/ITM. They would then
33 convey the 118'x118' surface lot and underground parking structure to the City following the
34 demolition/improvements. The City would get title to, and use of the remaining property consistent
35 with the Lease terms. The underground parking structure, which Johnson has been using for storage
36 would then be fully available to the City for parking or other uses in support of Festival Hall.

37 We would propose using Intergovernmental Revenue Funds (IG) to cover the purchase price since the
38 property is being acquired to support Downtown development/redevelopment in and around Festival
39 Hall and the Main Street/ Monument Square area.

40

41 **BUDGETARY IMPACT:**

42 Cost to the City for the property, which is currently assessed for tax purposes at a fair market value of
43 \$552,600, would be the appraised "land value", which is expected to not materially exceed \$100,000.
44 Funding for purchase will come from the City's Intergovernmental Revenue Fund (IG) which, following
45 the elimination of the 2018 budgeted expenditures (\$2,500,000) in support of the multi-purpose event
46 center, has more than adequate funding available. Because the property value exceeds 5-times the
47 purchase price, we feel that the IG policy guidelines for private investment at a 5:1 ratio is being met
48 by this use of IG funds.

49 **REVIEW OF INTERGOVERNMENT FUND USE:**

50

51 Section 46-266 of the City of Racine Ordinances provides for an Intergovernmental Revenue Sharing
52 fund, which is created from revenue sharing payments received from contributing parties
53 (jurisdictions) to the Racine Area Intergovernmental Sanitary Sewer Service agreement (April,
54 2002). Eligibility of any project proposed to use Intergovernmental Revenue Sharing Funds (or, IG
55 Funds) must be reviewed by the Redevelopment Authority and then recommended to Common
56 Council, for final approval and allocation. The criteria for project eligibility is:

57

- 58 1. The project must be a capital project and associated costs and expenses where such project
59 have private investment and result in taxable real estate development or job
60 creation/retention, or are unique tax exempt projects that eliminate blight and result in
61 tangible indirect increases in taxable real estate or job creation/retention.

62 *The purchase of this property is expected to support and assist with a unique tax-exempt project (the*
63 *ultimate redevelopment/expansion of Festival hall) which, in turn will result in tangible indirect*
64 *increases in taxable real estate (possible hotel or hotels).*

65

- 66 2. Project resulting in tax base creation shall have a minimum ratio of \$5 in net new tax base for
67 every \$1 of public investment (where there is not a loan payback).

68

69 *The project doesn't result in immediate tax base creation, but does support the use of I.G. Funds for a*
70 *property purchase where the property value exceeds 5-times the purchase price.*

71

72 **3. Commercial and industrial projects shall be eligible if the project creates a minimum of one**
73 **full-time equivalent job for every \$50,000 of non-loan capital granted or one full-time**
74 **equivalent job for every \$100,000 of loan capital provided.**

75 **This is an acquisition project designed to control land and provide needed proximate parking that will**
76 **ultimately support major redevelopment investment and job-creating project(s).**

77

78 **OPTIONS/ALTERNATIVES:**

79 **1.) To recommend approval of the purchase of the property at 441 Lake Avenue from Johnson**
80 **Bank consistent with the terms of the Letter of Intent attached. Further to direct City Staff to**
81 **execute and enter into the Letter of Intent and to prepare a final agreement for purchase and**
82 **conveyance of said property in fulfillment thereof.**

83 **2.) To recommend deferral or denial of action on the purchase of property at 441 Lake Avenue**
84 **from Johnson Bank consistent with the terms of the Letter of Intent attached.**

85

86 **RECOMMENDED ACTION:**

87 **To recommend approval of the purchase of the property at 441 Lake Avenue from Johnson Bank**
88 **consistent with the terms of the Letter of Intent attached. Further to direct City Staff to execute and**
89 **enter into the Letter of Intent and to prepare a final agreement for purchase and conveyance of said**
90 **property in fulfillment thereof.**

91

92 **ATTACHMENT(S):**

93 **1.) Letter of Intent for purchase of 441 Lake Avenue.**

94 **2.) April 16, 2018, Facility assessment from Carl Walker Associates.**