



1 City of Racine, Wisconsin
2 COMMON COUNCIL

3 AGENDA BRIEFING MEMORADUM (ABM)

4 COMMITTEE: Finance & Personnel LEGISLATION ITEM #:

5 AGENDA DATE: December 5, Redevelopment Authority Board
6 December 9, 2019 Finance & Personnel Committee
7 December 17, 2019 Common Council
8

9
10 DEPARTMENT:

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

12 Reviewed By: Cory Mason, Mayor
13

14 SUBJECT:

15 A request to approve the Developer Incentive Agreement between the City of Racine and The Main
16 Attraction, LLC, for the Redevelopment of an 80-unit Boutique Hotel, restaurant, roof-top bar, café,
17 banquet facility and meeting rooms, in and on the former "Zahn's Department Store" property at 500
18 Main street along Monument Square.
19

20 EXECUTIVE SUMMARY:

21 Christopher Adams, and his firm, Dominion Properties, purchased the former Zahn's department
22 Store building and property at 500 Main Street along Monument Square in order to redevelop it as a
23 destination boutique hotel. The City has been working with Adams and Dominion for over a year to
24 develop and agree on an Incentive Agreement which would minimize financial involvement and risk
25 on the part of the City while still assuring that this large-scale, complex investment could be
26 adequately financed and move forward with success. We believe we have now achieved that goal in
27 the form of the Incentive Agreement put forth for approval herewith.

28 Specifically the project proposes in excess of \$27 Million in total public and private investment in
29 completely rehabbing and expanding (new additional structure added within the vacant lot to the
30 South; along with an additional floor) the former Zahn's building into a destination, 79,900-square-

31 foot, boutique hotel which will contain 80 lodging rooms; a roof-top bar and observation plaza; a
32 sidewalk café/coffee bar; upscale restaurant, banquet facility and meeting rooms. The main entrance
33 to the Hotel will be in the front of the building along Monument Square and the entrance/exit access
34 to the Porte Cochere will come off 5th street. Parking for the facility, which will be in large part valet,
35 will be accommodated through the City Leasing (long-term) all of the underground (approx.. 34
36 spaces), along with 8 of the surface spaces available at 441 Lake Avenue; all of the 11-spaces available
37 at 512 Wisconsin Avenue; and 60 of the spaces within the McMynn ramp at 110 Seventh Street.

38 The Developer will commit to achieve a LEED Gold designation for the building along with fully
39 meeting the Racine Works Ordinance and providing electric vehicle charging infrastructure for
40 patrons.

41 The terms contained within the incentive Agreement are highlighted below under “background and
42 analysis”.

43

44 **BACKGROUND & ANALYSIS:**

45 Developer agrees to provide not less than 15% equity in the project and guarantees a minimum total
46 investment of \$25 Million.

47 City will provide Incentives to include:

- 48 • A \$1,950,000 site improvements incentive (funded from T.I.D. #9 Reserves), released following
49 the Developer closing on principal construction financing.
- 50 • A \$945,000 banquet facilities incentive (designed to support the inclusion of 2700 square feet
51 of banquet and pre-function space), also funded from T.I.D. #9 reserves, and to be released
52 following closing on principal construction financing and following construction of elevators
53 and stairways serving banquet space.
- 54 • An incentive for construction of a destination, public-access roof-top pavilion bar and
55 observation deck equal to 25% of all room tax revenues receipted yearly from the project for
56 the ten-year period 2021-2030 at a not-to-exceed total of \$608,000.
- 57 • A Loan to the project from the City, totaling between \$3,500,000, and \$4,000,000, which shall
58 be secured by a subordinated lien against the property, as well as personal guarantees against
59 the Development principals, as acquired by the City from the Board of Commissioners of
60 Public lands (BCPL) for the purposes of lending to the project, for an amortization term of
61 twenty (20) years and an expected rate of 3.75% interest. City to Loan back to Developer at
62 interest rate equal to Developers principal construction financing Note.
- 63 • City will waive and pay for any REC (residential Equivalent Connection) Fees needed for the
64 project and billed by the Racine water utility (est. 47; less 4 historic credits =43 Net REC's)
- 65 • City to provide long-term leases of parking facilities described in “executive summary” above,
66 at \$3 per-day per space for 441 Lake and the McMynn Ramp; and, the then-lowest-available
67 per-stall parking lease rates offered the general public for 512 Wisconsin.
- 68 • The removal of Angle-parking along monument square in front of property to allow for
69 sidewalk dining and patron drop-off.

- 70 • Developer’s right to work closely on any Monument Square, and/or Fifth or Wisconsin Street
71 re-design or reconfigurations so that public improvements complement and support project
72 access and design.

73 _____

74 **BUDGETARY IMPACT:**

75 The City will provide total cash incentives from T.I.D. #9 Reserves totaling: \$2,895,000

76 The City will further provide a rebate of 25% of all Room Taxes produced by the Project (allowed for
77 under Real Racine contract) for the 10-year period of 2021-2030, not-to-exceed \$614,000 total.

78 The City will take out a Loan from BCPL for between \$3,500,000 and \$4,000,000 on behalf of the
79 Developer and City will receive approximately 125 basis points higher in interest on the debt from the
80 developer (approx.. 5.00%) than City will repay to BCPL (approx.. 3.75%) so that City should gain
81 approx.. \$26,000 - \$32,500/year in revenue for the General Fund. The total Principal debt will be
82 determined based upon the following: If the Developer acquires up to \$9,300,000 in Principal
83 construction financing the City Loan will be \$4,000,000. Then, for each \$100,000 more in principal
84 construction financing (to a maximum \$10,000,000) added by the Developer, the City loan principal
85 debt will decrease by \$71,450.

86 There will be no T.I.D. for this project – meaning that the project, following completion, ramp-up and
87 stabilization, should produce approximately \$185,000 per year in new property taxes to the City.

88 City will also generate ongoing parking revenues from Development that will likely exceed
89 \$50,000/year.

90 Cost to the City of Paying the Water Utility for the 43 “waived” REC Fees is \$21,500 (43 x \$500) which
91 is budgeted for in the 2020 I.G. Fund Budget.

92 _____

93 **OPTIONS/ALTERNATIVES:**

94 1.) To recommend and approve of the Developer Incentive Agreement between the City of Racine
95 and The Main Attraction, LLC, for the Redevelopment of an 80-unit Boutique Hotel,
96 restaurant, roof-top bar, café, banquet facility and meeting rooms, in and on the former
97 “Zahn’s Department Store” property at 500 Main street along Monument Square.

98
99 2.) To recommend denial or deferral of action on the Developer Incentive Agreement between
100 the City of Racine and The Main Attraction, LLC, for the Redevelopment of an 80-unit Boutique
101 Hotel, restaurant, roof-top bar, café, banquet facility and meeting rooms, in and on the
102 former “Zahn’s Department Store” property at 500 Main street along Monument Square.

103 _____

104 **RECOMMENDED ACTION:**

105 To recommend and approve of the Developer Incentive Agreement between the City of Racine and
106 The Main Attraction, LLC, for the Redevelopment of an 80-unit Boutique Hotel, restaurant, roof-top

107 **bar, café, banquet facility and meeting rooms, in and on the former “Zahn’s Department Store”**
108 **property at 500 Main street along Monument Square**

109

110 **ATTACHMENT(S): Developer Incentive Agreement for the Redevelopment of the 500 Main Street**
111 **Property.**