



City of Racine, Wisconsin

COMMON COUNCIL AGENDA BRIEFING MEMORADUM (ABM)

COMMITTEE: Finance Committee

LEGISLATION ITEM #:

AGENDA DATE: August 29th, 2022 Common Council: September 6th, 2022

DEPARTMENT:

ABM Prepared by: Kathleen Fischer

Reviewed by: Paul Vornholt

SUBJECT:

Communication from Mayor Mason seeking approval to enter into a TIF Incentive Agreement with The Main Attraction, LLC, regarding the Verdant Hotel project at 500 Main Street.

EXECUTIVE SUMMARY:

The City created TID #26 in response to the construction of the Hotel Verdant, however, the development agreement did not allocate any proceeds from the increment created by the construction of the hotel. Since the original development agreement was signed there have been some significant unforeseen structural issues uncovered, which are resulting in unfunded costs. Our development partner describes them as follows:

Selective demolition of the interior and roof on the existing building at 500 Main Street uncovered a number of significant, previously unseen deficiencies and conditions throughout the building including, but not limited to, the following major items:

- *the absence of a structural topping slab on the roof which was shown on historic drawings of the property (estimated increase to budget: \$832,000)*
- *delaminated columns and beams which needed repair (estimated increase to the budget: \$67,000)*
- *requirement of additional beams to support precast structure (estimated increase to the budget: \$34,000)*
- *requirement of additional steel shoring to support existing structure during demolition and construction of new addition and spray-on fireproofing (estimated increase to the budget: \$80,000)*
- *required repairs at exterior window wood trim and lintels (estimated increase to the budget: \$225,000)*
- *requirement of additional waterproofing to address water infiltration on lower level (estimated increase to the budget: \$36,800)*

The items listed above, when added to additional design clarification and coordination issues already addressed and proposed, exceeded the hard cost contingency included in the project's budget. The project's design team to worked diligently to find workable solutions for the known issues, which resulted in an increase to the design fees/soft costs. Correcting the structural deficiencies, specifically the lack of the structural topping slab, is projected to add approximately eight weeks to the construction schedule. The delay in completion of the project will result in additional costs in several budget categories (interest, inspections and draw fees, etc.) adding to the increase to the project's overall budget.

The addition of the TID funds to the budget will allow the project to cover the known hard and soft costs referenced previously, cover increased costs in several line items due to supply chain issues, and allow for partial replenishment of the project's hard cost contingency to address any future clarification and coordination issues.

CITY INVESTMENT & BUDGETARY IMPACT:

The City will issue a municipal revenue obligation (MRO) in the amount of \$2,500,000 at around 5.5% annual interest. The obligation will be payable to the developer based on tax increment received within the TIF District #26. If increment is not produced payment will not be made to the developer. Total amount of "pay go" distribution under this agreement is expected to be \$3.3 million over a 10 year period. The District anticipates adequate funding for this arrangement.

RECOMMENDED ACTION:

To authorize and direct the Mayor and the City Clerk to enter into a TIF Incentive Agreement with the Main Attraction, LLC and execute any and all necessary documents associated with this agreement.
