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City of Racine, Wisconsin
COMMON COUNCIL

AGENDA BRIEFING MEMORADUM (ABM)

COMMITTEE: Finance and Personnel **LEGISLATION ITEM #:** 645-17

AGENDA DATE: July 10, 2017

DEPARTMENT:

Prepared By: Amy Connolly, Director of City Development

Reviewed By:

SUBJECT:

Communication from the Director of City Development requesting to appear before the Finance and Personnel Committee to discuss additional funding and recommended changes to the City's White Box program.

EXECUTIVE SUMMARY:

City staff requests an additional \$150,000 in White Box funding from the Intergovernmental Revenue Fund for the 2017 Fiscal Year for a total of \$250,000. Staff requests the Finance and Personnel Committee also consider the following policy changes for the White Box Program:

- Combine the line item for Façade grants and White Box grants into one funding line item that could be allocated for either Facades grant or White Box grant applications.
 - Create a "sunset" on the White Box Program for the end of FY 2019 to incentivize vacant property-owners to take more immediate action to rehabilitate and lease vacant spaces.
 - Consider allowing a property owner of a building with more than one distinct, vacant retail spaces to obtain more than one "White Box" grants.
-

30 **BACKGROUND & ANALYSIS:**

31 The City’s new “White Box” program to rehabilitate vacant first floor spaces was launched in
 32 early April 2017 and has exceeded all expectations in terms of building-owner interest and in
 33 receipt of completed applications. The White Box Program is targeted to the currently vacant,
 34 first-floor interiors of commercial buildings older than 50 years for the purpose of bringing these
 35 older commercial spaces into conformity with modern building code requirements, such as
 36 plumbing, electrical, Americans with Disabilities Act, and HVAC requirements. The goals of the
 37 program is to incentivize older, first floor commercial spaces into active, code conforming “white
 38 boxes” for lease or use by retail and restaurant tenants.

39
 40 As of July 6, the City Development Department has received five completed application. The Downtown
 41 Area Design Review Committee (DADRC) reviewed \$91,545 of grants and the RDA has awarded \$71,545
 42 in White Box Incentives out of a total \$100,000 in allocated program funds. The difference between the
 43 DADRC review amount and the RDA award amount is one application for \$20,000 that received a review
 44 at the DADRC, but has not appeared before RDA for final approval.

45 Currently there are two incomplete and pending applications requesting additional funding of \$40,000
 46 awaiting at City Hall. We are aware of an additional two applications that may be submitted in the next
 47 60 days.

48 **Below is a chart showing the White Box grants allocated to date:**

Applicant	Address	Completed Application Returned	DADRC Meeting	RDA Meeting	Amount Awarded
Jim Fox	209 Sixth Street	3/31/2017	4/13/2017	4/24/2017	18,000
Tad Ballantyne	408 Main St.	4/21/2017	5/11/2017	5/11/2017	20,000
Carl Kump	420 Main Street	4/19/2017	5/11/2017	5/11/2017	16,945
Andy Meyer	314 Sixth St.	5/2/2017	6/1/2017	6/1/2017	16,600
Jim Spangenberg	3221 Washington Ave	6/15/2017	7/6/2017	Pending	20,000
TOTAL					\$91,545
Scott Monroe	1028 Douglas Avenue	6/16/2017	Pending	Pending	

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 50 The majority of the White Box grants were awarded to Downtown property owners, but one grantee is
 51 located in the West Racine Commercial District.
 52 City staff is asking the Finance and Personnel Committee to consider recommending four discrete policy
 53 changes to the White Box program. The requests include:

54 1. Consider allocating an additional \$150,000 in White Box funding from the Intergovernmental
 55 Revenue Fund for the 2017 Fiscal Year for a total of \$250,000.

FY 2017 Budgeted White Box Program Funding	\$100,000
<i>+ Requested additional funding</i>	<i>\$150,000</i>
Proposed Total White Box Funding FY 2017	\$250,000
- Awarded FY 2017 White Box Grants	91,545
Proposed Available White Box Funding Remaining in FY 2017	\$158,455

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 57 We are asking for an extra amount of White Box Funding due to the success of the program
 58 within in the first three months. City staff observes that there is a large demand and that the
 59 program has piqued the interest of many property owners who might otherwise not consider
 60 rehabilitating their vacant first floor properties. In fact, we are seeing that our program is
 61 encouraging people to purchase downtown properties and renovating the first floor storefronts
 62 for occupancy.

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 64
 65 2. Consider combining the line item for Façade grants and White Box grants into one funding
 66 “pot” that could be allocated for either Facades grant or White Box grant applications.

FY 2017 Budgeted White Box Program Funding	\$100,000
FY 2017 Façade Grant Program Funding	\$150,000
<i>+ Requested additional funding</i>	<i>\$150,000</i>
Proposed Total Funding Available in FY 2017	\$400,000
- Awarded FY 2017 White Box Grants	91,545
- Awarded FY 2017 Façade Grants	50,000
Proposed Available Funding Remaining in FY 2017	\$258,455

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 68 Another way to further supplement the existing funding for the White Box program would be to
 69 combine the allocations for the White Box Program and the Façade Program into one line item
 70 and have the program funded on a “first-come, first-serve basis.” The advantage to combining
 71 line items is that you can allocate a set amount of money to all building-owner type incentives
 72 and allow the market to dictate which type of grant the owners prefer to use over the course of
 73 a year. As you can see, while very popular, the Façade Grant program is typically well under the
 74 \$150,000 funding allocation.

75 In 2017, the City has allocated five Façade Grants for a total of \$50,000.

Address	Façade Grant Amount
300 – 6th Street	\$10,000
408 Main Street	\$10,000
403 Sixth Street	\$10,000
1028 Douglas Avenue	\$10,000
1207 N. Main Street	\$10,000
Total	\$50,000

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Façade Grant Program 2012-2016

Year	Address		Total Project Proposed \$	Request Amount \$	Grant Amount \$	Funds Paid	Total GRANTS PAID by YEAR
2012	301	Sixth St.					
2012	1200	N. Main St.	28,000.00	10,000.00	7,687.50	7,687.50	
2012	610	Sixth St.	31,000.00	10,000.00	10,000.00	10,000.00	
2012	201 -600	Sixth & Main	9,000.00	9,000.00	4,967.56	4,967.56	
2012	237	Main St.	15,200.00	7,600.00	4,216.00	4,216.00	
2013	220	State St.	40,000.00	20,000.00	19,562.49	19,562.49	46,433.55
2013	1401	N.Main St.	20,000.00	10,000.00	10,000	10,000.00	
2013	3806	Douglas Ave.	220,000.00	10,000.00	10,000.00	10,000.00	
2013	1730	State St.	65,000.00	20,000.00	20,000.00	20,000.00	40,000.00
2014	402	Main St.	7,100.00	3,500	2,250.21	2,250.21	
2014	522	Sixth St.	22,000.00	10,000	10,000	10,000.00	12,250.21
2015	220	Sixth St.	45,000.00	10,000	0		
2015	1824	Charles St.	14,656.00	10,000	7,162	7,161.69	
2015	209	Sixth St.	18,000.00	9,000	8,580	8,579.74	
2015	205-209	Sixth Str.	20,000.00	10,000	0		15,741.43
2016	244-246	Main St.	40,000	20,000	20,000	20,000.00	
2016	1318	Douglas Ave.	75,000	20,000	20,000		
2016	201	Sixth St.	10,000	4763.93	\$4,764	4,763.93	
2016	612	Sixth St.	30,000	\$10,000	\$10,000	3,350.47	
2016	500	Sixth St.	155,000	\$20,000	\$10,000	10,000.00	
2016	407	Main St.	21,130	\$10,000	\$10,000	10,000.00	
2016	1028	Douglas Ave.	12,000	\$10,000	\$10,000		48,114.40

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3. Create a "sunset" on the White Box Program for the end of FY 2019 to incentivize vacant property-owners to take more immediate action to rehabilitate and lease vacant spaces.

81 City staff recommends that we consider having a "sunset" of the White Box program, wherein we would
 82 formally end the program at the end of the third year of funding. We believe that the program should
 83 have a limited time so that we encourage property owners with vacant first floor storefronts to take
 84 action immediately to make their storefront more leasable.

85 Property owners with vacant first floors could either renovate their properties while the incentive is
 86 available or sell their property to someone, using the White Box program as an incentive for selling. The
 87 hope is that a well-funded program with a sunset clause will create a dramatic impact over the next
 88 three years in reducing vacancies in downtown and neighborhood commercial districts.

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94 **4. Consider allowing a property owner of a building with more than one distinct, vacant retail**
95 **space to obtain up to two “White Box” grants.**

96 Consider the case of the former Red Cross Drug Co. building located in the 300 block of 6th Street:



97
98 The building contains four distinct retail storefronts and interior spaces, each with a separate entrance
99 and walls between the spaces. The property owner is allowed one White Box grant this year per our
100 current White Box Guidelines and we have discouraged property owners with several “units” from
101 applying for a White Box grant for each unit.

102 The language with the policy reads: *“If a retail or commercial business is applying for the grant, only one*
103 *white box grant will be awarded per business. If the property owner is applying for a grant, only one*
104 *white box grant may be awarded within a calendar year. “*

105
106 Staff suggests the following change to the White Box Guidelines:

107 *“Generally, one White Box grant should be issued per property. If a retail or commercial business is*
108 *applying for the grant, only one white box grant will be awarded per business. If the property owner is*
109 *applying for a grant, the RDA may consider awarding more than one White Box grant if the additional*
110 *awards are used to rehabilitate existing, distinct commercial spaces with demising walls and separate*
111 *entrances to be used by separate businesses.”*

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114 **BUDGETARY IMPACT:**

115 Depending on the recommendation of the committee, the budgetary impact to the City’s
116 Intergovernmental Revenue Fund could range between \$0-\$150,000.

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121 **RECOMMENDED ACTION:**

122 To discuss and recommend the following changes to the White Box Program:

- 123 **1.** An increase of \$150,000 in White Box funding from the Intergovernmental Revenue Fund for the
124 2017 Fiscal Year for a total of \$250,000.
- 125 **2.** Combining the line item for Façade grants and White Box grants into one line item for either
126 Facades grant or White Box grant applications.
- 127 **3.** Create a “sunset” on the White Box Program for the end of FY 2019 to incentivize vacant
128 property-owners to take more immediate action to rehabilitate and lease vacant spaces.
- 129 **4.** Consider allowing a property owner of a building with more than one distinct, vacant retail
130 spaces to obtain more than one White Box Grant.

131 **ATTACHMENT(S):**

- 132 1. White Box Guidelines



White Box Program Guidelines

Redevelopment Authority of the City of Racine

The City of Racine White Box program is designed to encourage the redevelopment of older commercial buildings as vibrant, retail commercial spaces within traditional neighborhood districts and downtown. The City recognizes that many buildings may be non-compliant with modern building codes and that the cost of these improvements often fall to new entrepreneurs looking to establish small businesses.

The White Box Program is targeted to the currently vacant, first-floor interiors of commercial buildings older than 50 years for the purpose of bringing these older commercial spaces into conformity with modern building code requirements, such as plumbing, electrical, Americans with Disabilities Act, and HVAC requirements. The goals of the program is to incentivize older, first floor commercial spaces into active, code conforming “white boxes” for lease or use by retail and restaurant tenants.

The program will make available a new business development incentive to commercial building owners and developers. The incentive will offer reimburseable grant funds up to \$10 per square foot with a maximum of \$20,000. The grant may not exceed 50% of the total white box project costs. The grant may be paired with the City’s Commercial Building Façade Grant Program, but there may be restrictions on using these programs in combination.

Eligibility Requirements

1. All work being done must be for a currently vacant, commercially-zoned building on property located within the program boundaries (see program map).
2. The program is available to business owners and property owners for work performed on the interior of currently vacant first floor spaces with an active street presence along an arterial/trunk street.
3. Grant funds cannot be used to correct outstanding code violations, for property damage by collision, acts of nature or occurrences covered by insurance.
4. Only work begun after approval by the Downtown Area Design Review Committee (DADRC) and the Racine Redevelopment Authority (RDA) will be eligible for grant funds.
5. All work must comply with the City of Racine Building Department Code requirements and all relevant permits and inspections are required.
6. If a retail or commercial business is applying for the grant, only one white box grant will be awarded per business. If the property owner is applying for a grant, only one white box grant may be awarded within a calendar year.
7. If there is a competitive award process, funding for retail and restaurant commercial spaces is preferred over office uses.

Ineligible Properties:

1. Improvements for tax exempt properties
2. Work begun or materials purchased before grant approval
3. Properties in litigation, condemnation or receivership
4. Properties that have outstanding taxes, fees, penalties, or delinquencies with federal, state or local governments
5. Properties found to be in violation of alcohol or soda licenses or any Racine license
6. Properties not currently vacant or commercially-zoned or on arterial/trunk streets
7. Buildings less than 50 years old

Eligible expenses include:

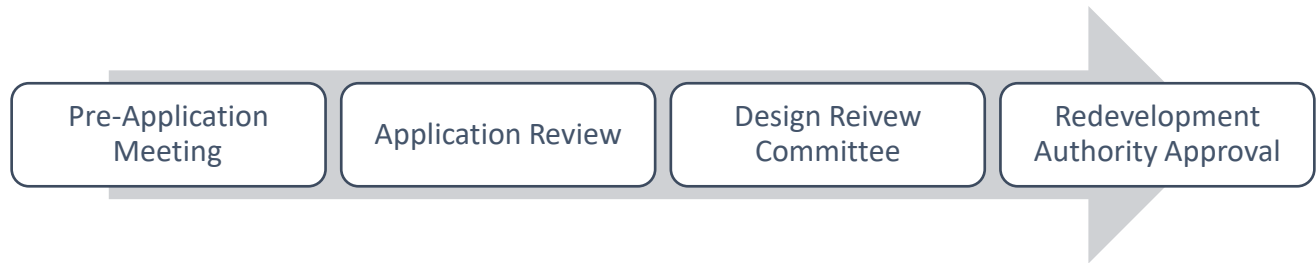
1. Interior plumbing, electrical or HVAC improvements that results in compliance with current building code
2. Repairing or replacing drywall, plaster walls, floors or ceilings
3. Repairing or construction of required bathrooms
4. Repairs or construction required under the Americans with Disabilities Act

Ineligible costs include purchase or installation of:

1. Personal property
2. Security systems
3. Kitchen equipment
4. Windows, doors, or stairways
5. Signage, lighting, paint or wallpaper
6. Any improvement to correct outstanding code violations
7. Property damage due to collision, acts of nature or occurrences covered by insurance
8. Any work started before the approval of the grant or materials purchased prior to the grant
9. Any exterior improvements
10. Building permits, government approvals and taxes
11. Payment of fines, forfeitures or inspection fees

Grant will not reimburse for labor if self-contracted. Material cost and labor costs of employees are eligible, if the number of hours worked, rate of pay, and employee social security numbers are provided.

Application Review & Process



1. **PRE-APPLICATION MEETING:** We recommend that potential applicants contact the Chief Building Inspector(262/636-9161) to evaluate their eligibility for the program. Please note that applications must be received and reviewed by the Downtown Area Design Review Committee (DADRC) and approved by the RDA before any work begins. Grants will not be awarded to projects that are under construction or completed.

Depending on the building, proposed use, size of building, building components, etc. it may be necessary for multiple City inspectors to inspect the building or space to provide a complete overview. The Chief Building Official and inspectors will assess the building and provide a Summary of Findings Report (SFR). The SFR will identify the major impediments that may be necessary to address before occupancy of the building or space.

The White Box Inspection is not intended to identify every detail or every code requirement. The intent is to identify significant deficiencies within the first floor commercial space (based on the applicant’s proposed use) that will add a significant cost to their plan to occupy the space. It may still be necessary for the applicant to obtain the services of a architectural or engineering professional to prepare plans and specifications for their project.

2. **APPLICATION REVIEW:** Chief Building Inspector will determine if the application package that is submitted is sufficiently complete to review, and will submit to Downtown Area Design Review Committee (DADRC). The DADRC meets once a month. The application package must be submitted at least two weeks before a committee meeting to allow proper review and preparation for committee review.
3. **DESIGN REVIEW COMMITTEE:** The application package will be reviewed by the DADRC to determine whether the project should receive an award and determine the amount of the award. In making the determination, the committee will consider the following factors and may give priority to projects that meet the following criteria:
 - Is the first floor space vacant? Has the vacancy been a result of code compliance?
 - Is the project contribute to the establishment of a new retail business or restaurant within an established business district in the City?
 - Will the project positively contribute to the city’s redevelopment effort in the neighborhood?

- Will the project ameliorate a blighting influence?
- Will the project substantially leverage more investments than the required matching amount of the grant?
- Will the grant result in an improvement that, otherwise, would not be made?
- Does the project comply with the City of Racine building code requirements?

4. RDA APPROVAL: The Redevelopment Authority of the City of Racine (RDA) will make the final determination for funding, based upon the recommendation of the DADRC. The RDA will approve the White Box Program Grant Incentive Agreement, which is a contract between the RDA and the Contractor that stipulates the terms of the grant incentive agreement.

Required Materials for Applications

Application packages must include enough documentation to illustrate the visual impact of the project and its costs. Failure to provide a complete application package will delay the review process. The items submitted should include:

- a. Completed, signed, and dated application form.
- b. Specific details of proposed improvements (intended use of funds).
- c. Current photos of existing conditions of property interior.
- d. Scaled floor plans.
- e. Building permit applications, if required.
- f. Samples of materials to be used.
- g. Written consent from property owner giving permission to conduct building improvements, if applicant is not property owner (attached to application).
- h. For improvements, two competitive proposals from licensed and bonded contractors are required. These proposals should give detailed information about the work to be done, the costs, the projected completion schedule. Any contractor that has submitted a competitive and detailed estimate may be used. Contractors cannot be changed unless new proposals have been submitted and approved.
- i. Property owners or business owners who is the contracting business and intent to perform work on their own properties must furnish at least one proposal other than their own.
- j. Property owners or business owners may also perform work on their own buildings; however, they will not be reimbursed for labor costs when acting as a contractor and/or installing materials. However, material costs may be reimbursable. If project is self-contracted and labor costs are requested for employees of the contractor, include hours worked, rate of pay, and employee social security numbers on a separate sheet of paper, sealed within an envelope (may also require pay stubs, timesheets, contracts, and other documentation).

- k. Prior to the signing of the White Box Program Grant Incentive Agreement, the Contractor will have to provide proof of required insurance to the Chief Building Inspector.

Insurance must be obtained and maintained during the project period:

- I. General Liability - One million dollars (\$1,000,000) per occurrence (\$2,000,000 general aggregate if applicable) for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the project/location (with the ISO CG 2503, or ISO CG 2504, or insurer's equivalent endorsement provided to the RDA) or the general aggregate including product-completed operations aggregate limit shall be twice the required occurrence limit.
- II. Workers Compensation - Contractor shall cover or insure under the applicable Wisconsin labor laws relating to worker's compensation insurance, all of their employees in accordance with the law in the State of Wisconsin. The Contractor shall provide statutory coverage for work related injuries and employer's liability insurance with limits of \$1,000,000 each accident, \$1,000,000 disease policy limit, and \$1,000,000 disease each employee.

Award Reimbursement

1. Reimbursement is up to \$10 per sq/ft of first floor commercial space. The total reimbursement is limited to no more than 50% of qualified eligible expenses, not to exceed a maximum of \$20,000.
2. The City of Racine reserves the right to refuse reimbursements in whole in or part for that that:
 - Does not conform to the program of guidelines.
 - Does not conform to the proposals submitted in the application and authorized by the DADRC or the RDA.
 - Are not commensurate with the workmanship and cost customary to the industry.
 - Are not completed within 120 days from the date of award. The City will not reserve funds and any approval not completed or significantly progressing may be cancelled. Request for extensions will be considered only if made in writing with at least 50% completion of the approved project demonstrated.
 - If the finished project does not conform to the application as it was submitted and approved.
 - If the project takes longer than one year to complete.
 - For work that is not commensurate with the workmanship and cost customary to the industry.

Required Materials for Reimbursement

Reimbursement can be expected in approximately three (3) to six (6) weeks after all of the following documentation has been submitted:

- Copies of all paid invoices, canceled checks, and/or bank statements for all of the work covered by grant. These must equal at least the required matching amount. The invoices must be marked paid, signed, and dated by the contractors.
- Lien waivers from all contractors/subcontractors. Lien waivers cannot be substituted for canceled checks or bank statements.
- Color photographs of completed project.