



City of Racine, Wisconsin
AGENDA BRIEFING MEMORADUM

AGENDA DATE:	April 22 – Finance and Personnel Committee May 7, 2019 – Common Council
SUBJECT:	Items pertaining to the @NorthBeach Development at 1129 Michigan Blvd: 0430-19 Parking Facility Lease and Parking Facility Offer to Purchase and Addendum with Racine Harborside, LLC (Royal Capital Group) 0431-19 Condominium Declaration (for a parking facility) with Racine Harborside, LLC (Royal Capital Group) 0432-10 Escrow Agreement with Racine Harborside, LLC (Royal Capital Group)
PREPARED BY:	Amy Connolly, Director of City Development
SUMMARY:	<p>The remaining documents necessary to effectuate the sale and development of City-owned property at 1129 Michigan Blvd include:</p> <ol style="list-style-type: none">1. Parking facility lease;2. Parking Facility Offer to Purchase and Addendum;3. Condominium Declaration, and4. Escrow Agreement. <p>All of these document involve the City of Racine and its development partner, Racine Harborside, LLC (Royal Capital Group) and are necessary to implement the agree upon terms of the Incentive Agreement and the Developer’s Agreement.</p> <p>City staff, including the Director of City Development, the City Administrator, and the City Attorney (and their consulting counsel) have reviewed the documents and finds them to comply with the agreements that were formally approved by Common Council in December 2018 (Tax Increment Incentive Agreement) and April 2018 (Developer’s Agreement).</p> <p>The @NorthBeach Development includes:</p> <p>Phase I of 242 Market rate-apartment units in two buildings, a 4,400 s.f. restaurant and two structure parking condominium units supporting approximately 232 stall (parking units).</p> <p>Phase II would consist of 238 market rate apartments in three buildings, a 4,400 s.f. retail space, and ground level parking for 80 parking stalls (with an additional 38 angle stalls and 58 parallel stalls).</p>

PROJECT BACKGROUND & ANALYSIS:

1. Parking Lease

- The approved Incentive agreement specified that the Developer would construct two parking “units” (structures) as part of the @NorthBeach development for the City of Racine. These two parking units are under the two mixed use buildings to be constructed on the site.
- Once constructed, the City would purchase those parking units for a purchase price of \$6,496,000 (there are actually two payments – one at 50% completion and one at 100% completion) and the developer would convey deeds to the City (in the form of a condominium) at the completion of Phase I. The City of Racine is not buying the whole building, but only buying the parking unit condominiums.
- The developer would lease the parking units from the City for \$1/year during the life of the tax incremental district (expires in 2034) and the developer would have an option to purchase the parking units from the City for \$1 which may be exercised any time prior to the end of the life of the TID (again 2034)
- The parking lease includes the following terms:
 - a. Tenant is responsible for all costs, improvements, building permits
 - b. Rent is \$1/year due on or before January 31
 - c. Property will be tax-exempt while owned by the City of Racine
 - d. Tenant must comply with all federal, state, and local laws
 - e. Tenant is responsible for all maintenance and repairs of the parking units
 - f. Tenant is responsible for all structural repairs or capital costs
 - g. City will provide snowplowing services for the parking units
 - h. Tenant may make structural or non-structural alterations or installations to the parking units at their own expense
 - i. Tenant must indemnify and hold the City harmless from all liabilities, fines, suits, claims, demands, and actions and costs of any kind of nature arising from any default by the tenant, any damage to the property, any injury to a person, or any issues arising from the tenant’s operation of the parking unit
 - j. Tenant must hold liability insurance of specified amounts
 - k. Option to purchase is \$1 as long as it is optioned and conveyed during the term of this lease.

2. Parking Unit Offer to Purchase and Addendum

- This document is the City’s offer to purchase (City is buyer) the parking unit condominiums from Racine Harborside, LLC (seller).
- The purchase price is \$6,496,000 which represents an agreed upon not-to-exceed lump sum costs of constructing the parking units under the construction contract to be entered into between the Racine Harborside, LLC and CD Smith Construction.
- City agrees to pay the purchase price of the parking units in the following way: \$3,248,000 at 50% completion of the Parking Units (50% will be certified by City Engineer) and remaining \$3,248,000 on the closing date of the purchase (the end of Phase I).
- The sale is “as-is” and both parties agree not to use brokers or pay brokers fees

3. Condominium Declaration

- This condominium declaration is the method by which Racine Harborside, LLC agrees to split up the property at 1129 Michigan Blvd. and create the parking units and the residential/commercial units, as well as common areas.
- The documents also show how the two phases of the development are parceled out between Phase I and Phase II.
- This declaration spells out rules governing anyone who buys a unit in the development.
- If there are any obligation on unit owners, those obligations don't apply to the City of Racine while we own the parking units. The Racine Harborside, LLC will be responsible for all condominium requirements and rules.

4. Escrow Agreement

- This agreement lays out the documents due by both the City of Racine and Racine Harborside, LLC at the time of closing.
- The document holds the escrow agent harmless and basically says: at closing the money has to be in escrow and certain written approvals needed before the deed to the land can transfer. Technically, this is a form agreement from Chicago Title and there's not much the City or Racine Harborside, LLC can do to change the escrow requirements.

FISCAL NOTE:

These document fully implements the tax increment incentive agreement for @NorthBeach which was approved by Common Council in December, 2018. The documents do formally commit the City to a purchase price for the parking units in an amount of (exactly) \$6,496,000. This money will come the TID Reserve Accounts and the appropriate TID amendments have already been approved to effectuate the purchase price.