

June 24, 2020

Project Plan Amendment Tax Incremental District No. 14 Walker Manufacturing Site



Organizational Joint Review Board Meeting Held:	Scheduled for June 24, 2020
Public Hearing Held:	Scheduled for June 24, 2020
Approval by Planning Heritage & Design Commission:	Scheduled for June 24, 2020
Adoption by Common Council:	Scheduled for July 8, 2020
Approval by the Joint Review Board:	TBD

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SECTION 1:

Executive Summary

Description of District

Tax Incremental District (“TID”) No. 14 (“District”) is a blighted area district created by the City on January 17, 2006. The district was created to eliminate blight and to pay costs related to redevelopment of the former Walker Manufacturing site. The District has largely sat idle after the originally proposed redevelopment project, Pointe Blue, failed to move forward in the wake of the 2008 great recession. The District’s Project Plan (“Plan”) was previously amended on June 1, 2010 to modify the categories and locations of Project Costs expected to be undertaken, and to reduce the total estimated costs. The Plan was also amended on December 4, 2018 to permit the District to transfer excess tax increment to Tax Incremental District No. 21, although the City has not yet transferred tax increment to that district. The District is also a recipient of excess increment from Tax Incremental District No. 2.

Amendment Purposes

The purpose of this Plan Amendment is to allow excess revenues to be transferred to Tax Incremental District No. 25 (“TID No. 25”, or the “Recipient District”) as permitted under Wis. Stat. § 66.1105(6)(f)2. TID No. 25 is a new district that will be created concurrently with this Amendment to pay costs associated with redevelopment and development of properties located within the Horlick Historic District. The Plan Amendment meets the following criteria necessary to allow for the transfer of excess revenue:

1. The District and the Recipient District lie within the same overlapping taxing jurisdictions.
2. The District is within its expenditure period, which expires January 17, 2028.
3. The District has enough revenue to pay for all current Project Costs and has enough excess revenue to pay for eligible project costs of the Recipient District.
4. TID No. 25 will be created as a district in need of rehabilitation or conservation which qualifies it as an eligible recipient of excess revenue.

Expected Termination of District

The District's expenditure period ends on January 17, 2028. Barring any new redevelopment projects that may be proposed within the District, the City expects to close the District not later than this date. The City may also seek to further amend the District in the future in the event other projects within the City require supplements to their revenue. Any such additional amendments would need to be put in place by the same January 17, 2028 date.

Summary of Findings

As required by Wis. Stat. § 66.1105, and as documented in this Plan Amendment and the exhibits contained and referenced herein, the following findings are made:

1. That “but for” this Plan Amendment the City’s economic development objectives for TID No. 25 will not be achieved. In evaluating the appropriateness of this Plan Amendment, the Joint Review Board must consider “(w)hether the development expected in the tax incremental district would occur without the use of tax incremental financing” customarily referred to as the “but for” test. Since the purpose of this Amendment is solely to allow for transfer of excess tax increment to TID No. 25, this test cannot be applied in the conventional way. The Joint Review Board has previously concluded, in the case of the District and the Recipient District, that the “but for” test was met. The Recipient District is not likely to recover its project costs without the transfer of tax increments from the District. Since all taxing jurisdictions will ultimately share in the benefit of the redevelopment projects and increased tax base within the Recipient District, it is appropriate for all taxing jurisdictions to share in the costs to implement them. Accordingly, the City finds that it is reasonable to conclude the “but for” test continues to be satisfied with respect to this Plan Amendment.
2. The economic benefits of amending the District’s Plan, as measured by increased employment, business and personal income, and property value, are enough to compensate for the cost of the improvements. The District is generating enough tax increment to recover all Project Costs incurred to date and is generating excess tax increment that allows for it to become a donor. Providing for transfer of excess increment to the Recipient District is expected to add to the tax base and generate positive secondary impacts in the community such as increased opportunities for employment, personal income and business income related to the construction and operation of the TID No. 25 project, and provision of affordable and market rate housing opportunities for City residents.

3. The benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions. Given that it is unlikely the Recipient District will achieve all of the objectives for its project plan without the use of tax incremental financing, and since the District is expected to generate additional economic benefits that are more than sufficient to compensate for the additional costs to be incurred, the City concludes that the overall additional benefit to be realized within the Recipient District outweighs the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions. As required by Wis. Stat. § 66.1105(4)(i)4., a calculation of the share of projected tax increments estimated to be paid by the owners of property in the overlying taxing jurisdictions has been prepared and can be found in this Plan Amendment.
4. That at the time the District was created, not less than 50% by area of the real property within the District was a blighted area within the meaning of Wis. Stat. § Section 66.1105(2)(ae)1.
5. The District is a blighted area district based on the identification and classification of the property included within it, and the findings made in the resolution creating the District.
6. Prior and future Project Costs of the District relate directly to promoting the elimination of blight consistent with the purpose for which the District was created.
7. Improvements to be made in the District are likely to significantly enhance the value of substantially all of the other real property in the District.
8. The limitation as the percentage of equalized taxable property value that can be located within tax incremental districts does not apply to this Plan Amendment as no territory will be added to the District.
9. The City estimates that less than 35% of the territory within the District will be devoted to retail business at the end of the District's maximum expenditure period, pursuant to Wis. Stat. § 66.1105(5)(b).
10. The Plan for the District, as amended, is feasible and is in conformity with the Master Plan of the City.

SECTION 2: District Boundary Map



SECTION 3:

Map Showing Existing Uses and Conditions

The scope of this Plan Amendment makes no changes to the map depicting existing uses and conditions of real property within the District as included in the original District Project Plan approved on January 17, 2006. That map is hereby incorporated by reference.

SECTION 4:

Equalized Value Test

No territory will be added to the District. Demonstration of compliance with the equalized value test is therefore not required for this Plan Amendment.

SECTION 5:

Statement Listing the Kind, Number and Location of All Proposed Public Works or Improvements Within the District

The Statement of Kind, Number and Location of Proposed Public Works and Other Projects set forth in the original District Project Plan approved on January 17, 2006, and as modified in the Plan Amendment approved on June 1, 2010 remain unchanged and are hereby incorporated by reference.

SECTION 6:

Map Showing Proposed Improvements and Uses

The scope of this Plan Amendment makes no changes to the map depicting proposed improvements and uses within the District as included in the original District Project Plan approved on January 17, 2006. That map is hereby incorporated by reference.

SECTION 7:

Detailed List of Estimated Project Costs

The Detailed List of Project Costs set forth in the original District Project Plan approved on January 17, 2006, and as modified in the Plan Amendment approved on June 1, 2010 remain unchanged and are hereby incorporated by reference. While not considered to be a Project Cost, this Plan Amendment provides authority for the District to transfer excess revenue to TID No. 25.

SECTION 8:

Economic Feasibility Study, Description of the Methods of Financing Estimated Project Costs and the Time When Related Costs or Monetary Obligations are to be Incurred

This Section includes a forecast of past and projected future valuations within the District, the associated tax increment collections, anticipated transfers to the Recipient District and other districts, and a projected cash flow demonstrating that this Plan Amendment is economically feasible.

Key Assumptions

As of January 1, 2019, the District had an incremental value of \$91,700 as shown on Table 1. Assuming the City's current equalized TID Interim tax rate of \$28.35 per thousand of equalized value, and no economic appreciation, depreciation, or additional development, the District is expected to generate approximately \$39,000 in tax increment through the end of its maximum life in 2033 as shown in Table 2. The District's primary source of revenue has been transfers of increment from Tax Incremental District No. 2.

City of Racine, Wisconsin

Tax Increment District #14

Development Assumptions

Construction Year		Actual ¹	Projected	Annual Total	Construction Year	
13	2018	91,700		91,700	2018	13
14	2019			0	2019	14
15	2020			0	2020	15
16	2021			0	2021	16
17	2022			0	2022	17
18	2023			0	2023	18
19	2024			0	2024	19
20	2025			0	2025	20
21	2026			0	2026	21
22	2027			0	2027	22
23	2028			0	2028	23
24	2029			0	2029	24
25	2030			0	2030	25
26	2031			0	2031	26
Totals		91,700	0	91,700		

Notes:

¹Actual valuation change per Wis. Dept. of Revenue. Figure shown for construction year 2018 reflects total incremental value generated from date of TID creation through 1-1-2019.

Table 1 – Development Assumptions

City of Racine, Wisconsin

Tax Increment District #14

Tax Increment Projection Worksheet

Type of District	Rehabilitation	Base Value	4,103,200
District Creation Date	January 17, 2006	Appreciation Factor	1.00%
Valuation Date	Jan 1, 2006	Base Tax Rate	\$28.35
Max Life (Years)	27	Rate Adjustment Factor	
Expenditure Period/Termination	22 1/17/2028		
Revenue Periods/Final Year	26 2033		
Extension Eligibility/Years	Yes 6		
Eligible Recipient District	Yes		

	Construction Year	Value Added ₁	Valuation Year	Inflation Increment	Total Increment	Revenue Year	Tax Rate	Tax Increment
13	2018	91,700	2019	0	91,700	2020	\$28.35	2,600
14	2019	0	2020	917	92,617	2021	\$28.35	2,626
15	2020	0	2021	926	93,543	2022	\$28.35	2,652
16	2021	0	2022	935	94,479	2023	\$28.35	2,679
17	2022	0	2023	945	95,423	2024	\$28.35	2,706
18	2023	0	2024	954	96,378	2025	\$28.35	2,733
19	2024	0	2025	964	97,341	2026	\$28.35	2,760
20	2025	0	2026	973	98,315	2027	\$28.35	2,788
21	2026	0	2027	983	99,298	2028	\$28.35	2,815
22	2027	0	2028	993	100,291	2029	\$28.35	2,844
23	2028	0	2029	1,003	101,294	2030	\$28.35	2,872
24	2029	0	2030	1,013	102,307	2031	\$28.35	2,901
25	2030	0	2031	1,023	103,330	2032	\$28.35	2,930
26	2031	0	2032	1,033	104,363	2033	\$28.35	2,959
Totals		91,700		12,663		Future Value of Increment		38,864

Notes:

¹Figure shown for construction year 2018 reflects total incremental value generated from date of TID creation through 1-1-2019.

Table 2 – Tax Increment Projection Worksheet

Financing and Implementation

The District's expenditure period ends January 17, 2028. Barring any new redevelopment projects that may be proposed within the District, the City does not currently anticipate making additional Project Cost expenditures other than annual administrative expense. The City does plan to make the following transfers of excess revenue to authorized recipient districts, which are not limited by the expenditure period:

1. Projected transfers to Tax Incremental District No. 21 of \$725,000 per year for four years (2021 – 2024) totaling to \$2.9 million. Tax Incremental District No. 21 was created in 2018 to facilitate redevelopment on the former WE Energies coal to gas plant site located at 233 Lake Avenue.
2. A transfer of \$3,150,000 to TID No. 25 to be made following approval of this Plan Amendment. TID No. 25 is a new district that will be created concurrently with this Amendment to pay costs associated with redevelopment and development of properties located within the Horlick Historic District.

The District's expenditure period ends on January 17, 2028. Barring any new redevelopment projects that may be proposed within the District, the City expects to close the District not later than this date. The City may also seek to further amend the District in the future in the event other projects within the City require supplements to their revenue. Any such additional amendments would need to be put in place by the same January 17, 2028 date.

An updated projection of District cashflows incorporating the planned transfers and remaining Project Cost expenditures is included as **Table 3**.

City of Racine, Wisconsin

Tax Increment District #14

Cash Flow Projection

Year	Projected Revenues			Expenditures				Balances		Year
	Tax Increments	Transfer from TID No. 2	Total Revenues	Transfer to TID No. 21 (233 Lake)	Transfer to TID No. 25 (Horlick)	Admin.	Total Expenditures	Annual	Cumulative ¹	
2019									8,128,699	2019
2020	2,600	718,000	720,600		3,150,000	5,000	3,155,000	(2,434,400)	5,694,299	2020
2021	2,626	718,000	720,626	725,000		5,000	730,000	(9,374)	5,684,925	2021
2022	2,652		2,652	725,000		5,000	730,000	(727,348)	4,957,577	2022
2023	2,679		2,679	725,000		5,000	730,000	(727,321)	4,230,256	2023
2024	2,706		2,706	725,000		5,000	730,000	(727,294)	3,502,962	2024
2025	2,733		2,733			5,000	5,000	(2,267)	3,500,695	2025
2026	2,760		2,760			5,000	5,000	(2,240)	3,498,455	2026
2027	2,788		2,788			5,000	5,000	(2,212)	3,496,242	2027
2028	2,815		2,815			25,000	25,000	(22,185)	3,474,058	2028
2029	2,844		2,844				0	2,844	3,476,901	2029
2030	2,872		2,872				0	2,872	3,479,773	2030
2031	2,901		2,901				0	2,901	3,482,674	2031
2032	2,930		2,930				0	2,930	3,485,604	2032
2033	2,959		2,959				0	2,959	3,488,563	2033
Total	38,864	1,436,000	1,474,864	2,900,000	3,150,000	65,000	6,115,000			Total

Projected TID Closure

Notes:

¹Additional potential projects within the City may require further amendments to the District to permit transfer of excess tax increment. Such amendments can be approved up to the date that the District's expenditure period terminates, which is January 17, 2028.

Table 3 - Cash Flow

SECTION 9:

Annexed Property

A tax incremental district cannot include annexed territory unless at least three years have elapsed since the annexation, or certain other requirements are met. No territory is being added to the District as part of this Plan Amendment.

SECTION 10:

Estimate of Property to Be Devoted to Retail Business

Pursuant to Wis. Stat. § 66.1105(5)(b), the City estimates that less than 35% of the territory within the District will be devoted to retail business at the end of the District's maximum expenditure period.

SECTION 11:

Proposed Changes of Zoning Ordinances, Master Plan, Map, Building Codes and City Ordinances

As the scope of this Plan Amendment is limited to the transfer of excess revenue to TID No. 25, there are no zoning ordinance, Master Plan, Map, building code or ordinance changes required.

SECTION 12:

Statement of the Proposed Method for the Relocation of any Persons to be Displaced

Should the continued implementation of District's Plan and Plan Amendments require relocation of individuals or business operations, relocations will be handled in compliance with Wis. Stat. Chapter 32 and Wis. Admin. Code ADM 92.

SECTION 13:

How Amendment of the Tax Incremental District Promotes the Orderly Development of the City

This Plan Amendment promotes the orderly development of the City by providing funds to TID No. 25 for the purpose of rehabilitating and conserving property, providing necessary infrastructure improvements, and providing appropriate financial incentives for private development projects. Development of new uses in TID No. 25 will add to the tax base and will generate positive secondary impacts in the community such as increased opportunities for employment, personal income and business income related to the construction and operation of the TID No. 25 project, and provision of affordable and market rate housing opportunities for City residents.

SECTION 14:

List of Estimated Non-Project Costs

Non-project costs are public works projects which only partly benefit the District. Costs incurred that do not benefit the District may not be paid with tax increments. Examples of non-project costs are:

- A public improvement made within the District that also benefits property outside the District. That portion of the total Project Costs allocable to properties outside of the District would be a non-project cost.
- A public improvement made outside the District that only partially benefits property within the District. That portion of the total Project Costs allocable to properties outside of the District would be a non-project cost.
- Projects undertaken within the District as part of the implementation of this Project Plan, the costs of which are paid fully or in part by impact fees, grants, special assessments, or revenues other than tax increments.

No improvements to be made within the District will benefit property outside the District. Furthermore, there will be no improvements made outside the District that will only partially benefit the District.

SECTION 15:
Legal Opinion Advising Whether the Plan
Amendment is Complete and Complies with Wis.
Stat. § 66.1105(4)(f)

Legal Opinion Found on Following Page.

[Insert Signed Legal Opinion]

SAMPLE

Dear Mayor:

As City Attorney for the City of Racine, I have reviewed the Project Plan Amendment and, in my opinion, have determined that it is complete and complies with Wisconsin Statutes Section 66.1105(4)(f).

Sincerely,

Attorney Scott Letteney

City of Racine

SECTION 16:

Calculation of the Share of Projected Tax Increments Estimated to be Paid by the Owners of Property in the Overlying Taxing Jurisdictions

The following projection is provided to meet the requirements of Wis. Stat. § 66.1105(4)(i)4. Apportionment of future incremental taxes assumes same ratio as the 2018 Statement of Taxes.

Racine Unified					Gateway Technical	Total	Revenue Year
Revenue Year	Racine County	School District	City of Racine	College			
2020	283	830	1,420	67	2,600	2020	
2021	286	839	1,434	67	2,626	2021	
2022	288	847	1,449	68	2,652	2022	
2023	291	855	1,463	69	2,679	2023	
2024	294	864	1,478	70	2,706	2024	
2025	297	873	1,493	70	2,733	2025	
2026	300	881	1,508	71	2,760	2026	
2027	303	890	1,523	72	2,788	2027	
2028	306	899	1,538	72	2,815	2028	
2029	309	908	1,553	73	2,844	2029	
2030	312	917	1,569	74	2,872	2030	
2031	315	926	1,584	75	2,901	2031	
2032	319	936	1,600	75	2,930	2032	
2033	322	945	1,616	76	2,959	2033	
Total	4,226	12,411	21,228	998	38,864		