

October 31, 2018 (3rd Draft)

Tax Incremental District No. 12 Project Plan Amendment



Organizational Joint Review Board Meeting Held:	Scheduled for November 14, 2018
Public Hearing Held:	Scheduled for November 14, 2018
Consideration for Adoption by Plan Commission:	Scheduled for November 14, 2018
Consideration for Adoption by Common Council:	Scheduled for December 4, 2018
Consideration for Approval by the Joint Review Board:	TBD

Tax Incremental District No. 12 Project Plan Amendment

City of Racine Officials

Common Council

Cory Mason	Mayor
Jeff Coe	Council Member
Mollie Jones	Council Member
John Tate II	Council Member
Tracey Larrin	Council Member
Steve Smetana	Council Member
Sandy Weidner	Council Member
Raymond DeHahn	Council President
Q.A. Shakoor, II	Council Member
Terrence McCarthy	Council Member
Carrie Glenn	Council Member
Mary Land	Council Member
Henry Perez	Council Member
James Morgenroth	Council Member
Jason Meekma	Council Member
Melissa Lemke	Council Member

City Staff

James Palenick	City Administrator
Amy Connolly, AICP	Director of City Development
Janice Johnson-Martin	City Clerk
Scott Letteney	City Attorney

Joint Review Board

David Brown	City Representative
Jonathan Delagrave	Racine County
Gary Flynn	Gateway Technical College District
Brian O'Connell	Racine Unified School District
James Palenick	Public Member

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SECTION 1:

Executive Summary

Description of District

Tax Incremental District (“TID”) No. 12 (“District”) is a blighted area district created by the City on October 18, 2005. The district was created to eliminate blight and to pay costs related to redevelopment of the former Badger Uniforms building located at 720 S. Marquette Street. The redevelopment project, Riverbend Lofts condominiums, was completed in 2006. The District has an incremental valuation of \$5.6 million and has recovered all previously incurred Project Costs.

Amendment Purpose

The purpose of this Amendment is to allow excess revenues to be transferred to Tax Incremental District No. 18 (“TID No. 18”, or the “Recipient District”) as permitted under Wis. Stat. § 66.1105(6)(f)2. TID No. 18 is the Water Street redevelopment area, and former location of the proposed Machinery Row redevelopment project. 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 October 18, 2027.
3. The District has sufficient revenue to pay for all current Project Costs and has sufficient excess revenue to pay for eligible project costs of the Recipient District.
4. The Recipient District is a blighted area district which qualifies it as an eligible recipient of excess revenue.

Estimated Allocation of Increment

Under this Plan Amendment, the City would transfer to TID No. 18 any available excess revenue collected through the TID’s closure in 2033, estimated at just over \$3 million.

Expected Termination of District

To meet the anticipated needs within TID No. 18, the City would expect to keep the District open through the end of its maximum allowable life on October 18, 2032, providing for a final collection of tax increment in budget year 2033.

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. 18 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. 18 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 continue 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, as measured by increased employment, business and personal income, and property value, are sufficient to compensate for the cost of the improvements.** The District is generating sufficient 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 provide increased employment, business and personal income and increased property value within the Recipient District that will exceed the cost of the related expenditures and improvements.
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 not likely that the Recipient Districts will achieve all of the objectives for its Project Plan without the continued 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. It is further concluded that since the “but for” test is satisfied, there would, in fact, be no foregone tax increment to be paid.
4. The boundaries of the District are not being amended. At the time of creation, 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. The improvements of such area are likely to enhance significantly the value of substantially all of the other real property in the District.
8. 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).

9. The Project Plan for the District, as amended, is feasible, and is in conformity with the Master Plan of the City.

SECTION 2: Type and General Description of District

Created by the City on October 18, 2005 as a blighted area district, the District was created to pay costs related to redevelopment of the former Badger Uniforms building located at 720 S. Marquette Street. The redevelopment project, Riverbend Lofts condominiums, was completed in 2006. The District has an incremental valuation of \$5.6 million and has recovered all previously incurred Project Costs.

SECTION 3:
District Boundary Map



SECTION 4: 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 October 18, 2005. That map is hereby incorporated by reference.

SECTION 5: 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 6: Statement of Kind, Number and Location of Proposed Public Works and Other Projects

The Statement of Kind, Number and Location of Proposed Public Works and Other Projects set forth in the original District Project Plan approved on October 18, 2005 remains unchanged.

SECTION 7: 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 October 18, 2005. That map is hereby incorporated by reference.

SECTION 8: Detailed List of Project Costs

The Detailed List of Project Costs set forth in the original District Project Plan approved on October 18, 2005 remains unchanged. While not considered to be a Project Cost, this Plan Amendment also provides authority for the District to transfer excess revenue to the Recipient Districts.

SECTION 9: Economic Feasibility Study, Financing Methods, and the Time When Costs or Monetary Obligations Related 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 a projected cash flow demonstrating that this Plan Amendment is economically feasible.

Key Assumptions

Previous investment in Project Costs within the District have generated \$5,604,900 in incremental value as of January 1, 2018 as shown on **Table 1**. Assuming the City’s current equalized TID Interim tax rate of \$31.29 per thousand of equalized value, and no economic appreciation or depreciation, the District is expected to generate approximately \$175,000 in tax increment collections per year through 2033 as shown in **Table 2**.

City of Racine, Wisconsin									
Tax Increment District # 12 (Riverbend Lofts)									
Development Assumptions									
Construction Year		Actual ¹			Annual Total			Construction Year	
10	2015	5,155,600			5,155,600	2015	10		
11	2016	310,200			310,200	2016	11		
12	2017	139,100			139,100	2017	12		
13	2018				0	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		5,604,900	0	0	5,604,900				

Notes:
¹Actual valuation change per Wis. Dept. of Revenue. Figure shown for construction year 2015 reflects total incremental value generated from date of TID creation through 1-1-2016.

Table 1 – Development Assumptions

City of Racine, Wisconsin

Tax Increment District # 12 (Riverbend Lofts)

Tax Increment Projection Worksheet

Type of District	Blighted Area		Base Value	378,000
District Creation Date	October 18, 2005		Appreciation Factor	0.00%
Valuation Date	Jan 1,	2006	Base Tax Rate	\$31.29
Max Life (Years)	27		Rate Adjustment Factor	
Expenditure Period/Termination	22	10/18/2027	Tax Exempt Discount Rate	0.00%
Revenue Periods/Final Year	26	2033	Taxable Discount Rate	0.00%
Extension Eligibility/Years	Yes	6		
Recipient District	Yes			

Construction Year	Value Added	Valuation Year	Inflation Increment	Total Increment	Revenue Year	Tax Rate ¹	Tax Increment	
10	2015	5,155,600	2016	0	5,155,600	2017	\$31.61	162,965
11	2016	310,200	2017	0	5,465,800	2018	\$31.29	171,014
12	2017	139,100	2018	0	5,604,900	2019	\$31.29	175,366
13	2018	0	2019	0	5,604,900	2020	\$31.29	175,366
14	2019	0	2020	0	5,604,900	2021	\$31.29	175,366
15	2020	0	2021	0	5,604,900	2022	\$31.29	175,366
16	2021	0	2022	0	5,604,900	2023	\$31.29	175,366
17	2022	0	2023	0	5,604,900	2024	\$31.29	175,366
18	2023	0	2024	0	5,604,900	2025	\$31.29	175,366
19	2024	0	2025	0	5,604,900	2026	\$31.29	175,366
20	2025	0	2026	0	5,604,900	2027	\$31.29	175,366
21	2026	0	2027	0	5,604,900	2028	\$31.29	175,366
22	2027	0	2028	0	5,604,900	2029	\$31.29	175,366
23	2028	0	2029	0	5,604,900	2030	\$31.29	175,366
24	2029	0	2030	0	5,604,900	2031	\$31.29	175,366
25	2030	0	2031	0	5,604,900	2032	\$31.29	175,366
26	2031	0	2032	0	5,604,900	2033	\$31.29	175,366
Totals	5,604,900		0			Future Value of Increment	2,964,468	

Notes:

¹Tax rate shown for 2018 revenue year is actual rate per DOR Form PC-202 (Tax Increment Collection Worksheet)

Table 2 – Tax Increment Projection Worksheet

Financing and Implementation

The cash flow included as **Table 3** reflects the transfer of all future excess to the Recipient District.

City of Racine, Wisconsin Tax Increment District # 12 (Riverbend Lofts) Cash Flow Projection ¹												
Year	Projected Revenues				Expenditures					Balances		
	Tax Increments	Interest Earnings/ (Cost)	Total Revenues	Transfer to TID No. 18	Capital Expenditures	DOR Fees	Admin.	Total Expenditures	Annual	Cumulative	Principal Outstanding	Year
2017	162,965	2,769	165,734		630	150	401	1,181	164,553	271,646		2017
2018	171,014		171,014	442,097		150	413	442,660	(271,646)	0		2018
2019	175,366		175,366	174,791		150	425	175,366	0	0		2019
2020	175,366		175,366	174,778		150	438	175,366	0	0		2020
2021	175,366		175,366	174,765		150	451	175,366	0	0		2021
2022	175,366		175,366	174,751		150	465	175,366	0	0		2022
2023	175,366		175,366	174,737		150	479	175,366	0	0		2023
2024	175,366		175,366	174,723		150	493	175,366	0	0		2024
2025	175,366		175,366	174,708		150	508	175,366	0	0		2025
2026	175,366		175,366	174,693		150	523	175,366	0	0		2026
2027	175,366		175,366	174,677		150	539	175,366	0	0		2027
2028	175,366		175,366	174,661		150	555	175,366	0	0		2028
2029	175,366		175,366	174,644		150	572	175,366	0	0		2029
2030	175,366		175,366	174,627		150	589	175,366	0	0		2030
2031	175,366		175,366	174,609		150	607	175,366	0	0		2031
2032	175,366		175,366	174,591		150	625	175,366	0	0		2032
2033	175,366		175,366	150,216		150	25,000	175,366	0	0		2033
Total	2,964,468	2,769	2,967,237	3,038,067	630	2,550	33,083	3,074,330				Total
Projected TID Closure												
Notes: ¹ Revenues, expenditures and fund balance shown for 2017 are actual. (Source - DOR Form PE-300 and City provided financial statements.)												

Table 3 – Cash Flow

SECTION 10: 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 11: Proposed Zoning Ordinance Changes

As the scope of this Plan Amendment is limited to the transfer of excess revenue to TID No. 18, there are no zoning ordinance changes required.

SECTION 12: Proposed Changes in Master Plan, Map, Building Codes and Ordinances

As the scope of this Plan Amendment is limited to the transfer of excess revenue to TID No. 18, there are no Master Plan, Map, building code or ordinance changes required.

SECTION 13: Relocation

As the scope of this Plan Amendment is limited to the transfer of excess revenue to TID No. 18, there is no relocation involved.

SECTION 14: Orderly Development of the City

This Plan Amendment promotes the orderly development of the City by creating redevelopment opportunities through provision of necessary public infrastructure improvements and appropriate financial incentives for private development projects within the Recipient District. Through use of tax increment financing, the City can attract new investment that results in increased tax base. Development will occur in an orderly fashion in accordance with approved plans so that the Projects will be compatible with adjacent land uses. Development of new uses in the Recipient District will add to the tax base and will generate positive secondary impacts in the community such as increased employment opportunities, housing, commercial and retail space, parking facilities and increased direct and indirect spending within the local economy.

SECTION 15: 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 16:
Opinion of Attorney for the City of Racine Advising
Whether the Plan is Complete and Complies with
Wisconsin Statutes 66.1105

December 4, 2018

SAMPLE

Mayor Cory Mason
City of Racine
730 Washington Avenue
Racine, Wisconsin 53403

RE: City of Racine, Wisconsin Tax Incremental District No. 12 Amendment

Dear Mayor Mason:

As City Attorney for the City of Racine, I have reviewed the Project Plan 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 17:
**Calculation of the Share of Projected Tax Increments
 Estimated to be Paid by the Owners of Property in the
 Overlying Taxing Jurisdictions**

Estimated Portion of Taxes That Owners of Taxable Property in Each Taxing Jurisdiction Overlying District Would Pay by Jurisdiction ¹							
Statement of Taxes Data Year:		2017		Percentage			
Racine County		11,201,594		10.87%			
Gateway Technical College		2,599,919		2.52%			
City of Racine		57,219,711		55.50%			
Racine Unified School District		32,072,349		31.11%			
Total		103,093,573					
Revenue Year	Racine County	City of Racine	Racine Unified School District	Gateway Technical College	Total	Revenue Year	
2017	17,707	90,450	50,698	4,110	162,965	2017	
2018	18,581	94,917	53,202	4,313	171,014	2018	
2019	19,054	97,333	54,556	4,423	175,366	2019	
2020	19,054	97,333	54,556	4,423	175,366	2020	
2021	19,054	97,333	54,556	4,423	175,366	2021	
2022	19,054	97,333	54,556	4,423	175,366	2022	
2023	19,054	97,333	54,556	4,423	175,366	2023	
2024	19,054	97,333	54,556	4,423	175,366	2024	
2025	19,054	97,333	54,556	4,423	175,366	2025	
2026	19,054	97,333	54,556	4,423	175,366	2026	
2027	19,054	97,333	54,556	4,423	175,366	2027	
2028	19,054	97,333	54,556	4,423	175,366	2028	
2029	19,054	97,333	54,556	4,423	175,366	2029	
2030	19,054	97,333	54,556	4,423	175,366	2030	
2031	19,054	97,333	54,556	4,423	175,366	2031	
2032	19,054	97,333	54,556	4,423	175,366	2032	
2033	19,054	97,333	54,556	4,423	175,366	2033	
	322,103	1,645,359	922,244	74,761	2,964,468		

Notes:
¹The projection shown above is provided to meet the requirements of Wis. Stat. § 66.1105(4)(i)4.