



City of Racine

City Hall
730 Washington Ave.
Racine, WI 53403
www.cityofracine.org

Meeting Minutes - Draft

Redevelopment Authority of the City of Racine

Thursday, December 5, 2019

6:00 PM

City Hall, Room 303

Call To Order

Chairman Adamski called the meeting to order at 6:00 p.m.

PRESENT: 7 - Adamski, Nicholson, Crimmings, Anderson, DeMatthew, Mason and Jung

Approval of Minutes for the November 14, 2019 Meeting.

A motion was made by Crimmings, seconded by Jung, to approve the minutes of the November 14th meeting. The motion PASSED by a Voice Vote.

[1335-19](#)

Subject: A request by Cary Manske, representing Mt. Royal Property Management, for review and approval of a White Box Grant for the property at 300 Main Street.

Attachments: [300 Main Street WB Estimates & Submittal](#)

Interim Executive Director Matthew Sadowski explained the request. He stated there was not a quorum at the Downtown Area Design Review Commission meeting, however, they did review the request. Sadowski explained the bids received for the project. He stated the building is on the corner of 3rd and Main streets.

Cary Manske, Mt. Royal Property Management, spoke regarding the request. She explained that the building needs a lot of work and is very run down. She stated they are excited to be fixing up the building as it is an old building with deferred maintenance.

In response to Adamski, Mankse stated the existing wall will be removed to make the front of the space bigger.

In response to Crimmings, Interim Executive Director Sadowski stated white box applications will be accepted through December 31, 2019.

A motion was made by Crimmings, seconded by Mason, to approve the white box grant request for 300 Main Street in an amount up to \$20,000.00 or 50 percent of the project costs, whichever is less. The motion PASSED by a Voice Vote.

[1341-19](#)

Subject: A request to approve the Developer Incentive Agreement between the City of Racine and The Main Attraction, LLC, for the Redevelopment of an 80-unit Boutique Hotel, restaurant, roof-top bar, café, banquet facility and meeting rooms, in and on the former "Zahn's Department Store" property at 500 Main street along Monument Square.

Recommendation of the Redevelopment Authority on 12-05-19:

That the Developer Incentive Agreement between the City of Racine and The Main Attraction, LLC, for the Redevelopment of an 80-unit Boutique Hotel, restaurant, roof-top bar, café, banquet facility and meeting rooms, in and on the former “Zahn’s Department Store” property at 500 Main street along Monument Square be approved and that the Mayor and City Clerk be authorized to execute the Agreement on behalf of the City of Racine. Further, that the Redevelopment Authority deems the use of TID Reserve Funds and IG Funds to be in keeping with adopted City policies and ordinances and in furtherance of the City's plans for economic development.

Recommendation of the Finance & Personnel Committee on

12-09-19: That the Developer Incentive Agreement between the City of Racine and The Main Attraction, LLC, for the Redevelopment of an 80-unit Boutique Hotel, restaurant, roof-top bar, café, banquet facility and meeting rooms, in and on the former “Zahn’s Department Store” property at 500 Main street along Monument Square be approved and that the Mayor and City Clerk be authorized to execute the Agreement on behalf of the City of Racine. Further, that the use of TID Reserve Funds and IG Funds are inkeeping with adopted City policies and ordinances and in furtherance of the City's plans for economic development.

Fiscal Note: The City will provide total cash incentives from T.I.D. #9 Reserves totaling: \$2,895,000. The City will further provide a rebate of 25% of all Room Taxes produced by the Project (allowed for under Real Racine contract) for the 10-year period of 2021-2030, not-to-exceed \$614,000 total. The City will take out a Loan from BCPL for between \$3,500,000 and \$4,000,000 on behalf of the Developer and City will receive approximately 125 basis points higher in interest on the debt from the developer (approx.. 5.00%) than City will repay to BCPL (approx. 3.75%) so that City should gain approx. \$26,000 - \$32,500/year in revenue for the General Fund. The total Principal debt will be determined based upon the following: If the Developer acquires up to \$9,300,000 in Principal construction financing the City Loan will be \$4,000,000. Then, for each \$100,000 more in principal construction financing (to a maximum \$10,000,000) added by the Developer, the City loan principal debt will decrease by \$71,450. There will be no T.I.D. for this project - meaning that the project, following completion, ramp-up, and stabilization, should produce approximately \$185,000 per year in new property taxes to the City. The City will also generate ongoing parking revenues from Development that will likely exceed \$50,000/year. Cost to the City of Paying the Water Utility for the 43 “waived” REC Fees is

\$21,500 (43 x \$500) which is budgeted for in the 2020 I.G. Fund Budget.

Attachments: [CITY OF RACINE ABM -500 Main Incentive Agreement](#)
 [500 Main Incentive Agreement - 12.13.19](#)
 [500 Main Exhibit B](#)
 [500 Main Exhibit C](#)
 [#1341-19 Resolution](#)

City Administrator Jim Palenick introduced the request and stated that he was very pleased to be bringing this opportunity to the Authority. He stated the 500 Main Street building, commonly known as the former Zahn's Department store, has been vacant for 38 years. He stated the city has been working with developer Christopher Adams and Dominion Properties for some time now and explained that the proposal for the building which includes an addition onto the building to produce a boutique hotel, a café bar, and a banquet facility that will serve 180 people. He stated there will also be a rooftop bar on the fifth level. Palenick explained that the goal is to have the project as a LEED (Leadership in Energy and Environmental Design) platinum property.

Palenick explained that the total investment will be north of \$27 million. He stated the developer has a complex stack of financing and explained the incentives being proposed. Palenick explained that roughly \$1,950,000 will be used from TID No. 9 reserves for site improvements and roughly \$950,000 will be used from TID No. 9 reserves for the banquet facilities.

Palenick explained that under the agreement with Real Racine, there is a provision that would allow room taxes from new hotels to be used to support hotel projects. He stated a rebate of 25 percent of all room taxes produced by the project for the ten-year period of 2021-2030 will be provided to the project. He stated the cost will not exceed \$614,000.

Palenick explained other incentives for the project include taking out a loan from the BCPL (Board of Commissioners of Public Lands) between \$3,500,000 – \$4,000,000 with an interest rate of 3.75 percent and a repayment interest rate from the developer of approximately 5 percent to the city; waiving any REC fees for the project, estimated REC fees would be \$21,500 and the funds would come from the Intergovernmental Revenue Sharing Fund; leasing parking facilities such as 441 Lake Avenue property for valet (there are 34 underground spaces and 6 public surface spaces available), 11 spaces at 512 Wisconsin Avenue, and 60 spaces at the McMynn parking ramp - angled parking would be removed in Monument Square to accommodate the project.

Palenick stated that the project will pay 100 percent property taxes from day 1; the project is expected to generate \$185,000 per year in new property taxes. He stated the project is economically good for the city and the request will go to the Finance and Personnel Committee and the Common Council for approval. Palenick stated the developers hope to start full scale construction in May 2020.

In response to Adamski, Palenick stated there are TID reserves committed to the Hovde project, the Sheridan project, and the @North Beach project. He stated we have accounted for all projects.

DeMatthew expressed concern with hearing that the project has been in the works for a

long time, seeing something dropped in the paper, and then being asked to sign something that they have not yet seen.

Palenick explained the process regarding meeting with developers. He stated conversation with developers often include what is available (historic tax credits, TID money, etc.). He stated processes are worked through and oftentimes it falls apart along the way. He stated sometimes projects come back, however, there would not be a point to bring it to the RDA unless the project is going to work.

DeMatthew suggested giving the RDA a heads up so that there is an idea that something is going on.

Mason explained that the property is not owned by the RDA. He stated one of the roles of the RDA is to review the use of the Intergovernmental Revenue Sharing Fund to make sure the proposed project is a good return on investment; he stated the RDA does not approve TID funding. Mason stated that all deals take a lot of time to negotiate and it would put the city at a disadvantage negotiations were attempted throughout the approval process. He stated that the project still has to go through the Finance and Personnel Committee and the Common Council for approval.

Crimmings stated the last project approved by the RDA was a little different discussion. He stated he agrees that the RDA should not become a rubber stamp, however, in fairness a lot of things have to be done behind closed doors before you get to a certain point.

Interim Executive Director Sadowski stated this is not the end of the approval process. He explained that the project will still need to go to the Planning Commission for design and historic review. He stated it is a balancing act determining when to announce a project.

Discussion after the motion:

Crimmings asked regarding parking and the potential of running out of parking downtown; he stated the project will build excitement for residents to come downtown until they cannot park.

Palenick stated the city has an abundance of ramp parking which allows us to do some of these projects. He stated technology will be utilized that will allow a better way of helping people find parking. Palenick briefly mentioned the Parking Study done through the Toole Group that looked at the downtown in terms of parking and traffic. He stated some of the suggestions that came out of the study were regarding certain one-way streets, having protected bike lanes, removal of stop lights, etc. He stated the city will be submitting a grant for Lake Avenue to have it rebuilt.

Crimmings stated he hopes the RDA can receive updates regarding projects such as Hovde, Sheridan, etc. He asked how often does one developer request the same treatment as another.

Palenick explained the market has to prove that you can make investment without subsidies.

In response to DeMatthew, Panelick stated that the parking meters will be removed from just the area that comprises the former Zahn's property. He responded that

managing and modifying the events held on Monument Square will be worked through.

In response to Nicholson, Palenick stated \$21,500 from the IG Funds will go towards the REC fees for the project.

Nicholson asked about the median income of the 70 jobs to be provided.

Palenick stated 65-70 jobs would be provided and many would be hospitality jobs around \$15.00/hour. He stated some of the jobs such as the marketing manager and banquet manager may pay more.

DeMatthew asked if the developer had a number of boutique or other hotels.

Palenick stated the developer hired Charlestowne Hotels to manage the facility. He stated Charlestowne has hotels all across the country including two in Wisconsin and has 50 boutique hotels.

Adamski asked for a quick highlight regarding the project as it relates to the Racine Works program.

Palenick stated there is a detailed part of the incentive agreement explaining how they will meet the requirement of the Racine Works program. He stated some work hours would be exempt if appropriate to the LEED program.

Mason stated the project hits the value that the city is working towards regarding sustainable jobs, smart cities, etc. He stated the firm, which is from Milwaukee, will find creative solutions and would even do training with a pre-apprenticeship program.

Palenick explained one of the things they want to do is hire lower income into the construction jobs which will pay around \$30.00 an hour.

In response to DeMatthew, Palenick explained that the lower ground on the site plan is all preexisting. No sub surface except for geothermal wells and slab on grade.

In response to Crimmings, Palenick stated the addition will remain.

Mason stated the work that was done to put a new roof on the building when it was proposed for the imaginariam saved the building.

In response to Adamski, Palenick clarified that the developers are seeking Platinum LEED Certification, however, the agreement states they have to meet Gold.

Palenick gave a brief update regarding the following projects: 233 Lake Avenue, the Sheraton Hotel, @ North Beach, and the former Porters site.

A motion was made by Crimmings, seconded by Mason, to recommend approval of the request. The motion PASSED by a Voice Vote.

Administrative Business

Update on the asbestos removal at 1520-1536 Clark Street, the Ajax Property.

Matt Rejc, Manager of Neighborhood Services, stated the asbestos removal is close to

being completed. He stated that we received the authority to use the grant funds for the project and will be closing on the property very soon.

Adjournment

There being no further business the meeting adjourned at 6:53 p.m.