

**A RESOLUTION TO ADOPT A PREFERRED FINANCING MODEL FOR THE DEVELOPMENT, FINANCING, AND CONSTRUCTION OF AN EVENT CENTER ON THE RDA-OWNED PROPERTY AT 233 LAKE ST., AND TO AUTHORIZE AND DIRECT CITY STAFF TO PURSUE CERTAIN PARTNERSHIP ENGAGEMENT EFFORTS REQUIRED TO FURTHER DEVELOP THE FINANCING MODEL AND RECRUITMENT OF A PRIVATE, FULL-SERVICE HOTEL**

**WHEREAS**, The City of Racine (the City), as represented by its elected Board of Aldermen serving as the Committee of the Whole, and the Redevelopment Authority (RDA) of the City of Racine (the RDA), as represented by its Members, were jointly presented with the detailed results of the “due-diligence” Phase I process for an event center and hotel project;

**WHEREAS**, this Phase I, due-diligence process, commissioned City staff and consultants to recommend conceptual programming, conceptual architectural and site design, construction cost estimates based upon the conceptual architectural plans, operating pro-formas, and possible financing models, for an event center and full-service hotel proposed for construction on the RDA-owned property at 233 Lake St.;

**WHEREAS**, the programing, architectural, operating, and financing models were presented to the City and the RDA on both June 20, 2017 and June 27, 2017;

**WHEREAS**, the goals of the recommended financing model were to: 1.) use new revenues resulting from the event center and hotel to help capitalize the project : 2.) share reserves from other economic development funding sources with a similar focus and mission (tax increment districts & intergovernmental funds): and, 3.) minimize the overall possible burden to Racine City property tax-payers;

**WHEREAS**, the recommended financing model is designed to rely on several revenue sources to pay for both the up-front and amortized debt service costs of the event center;

**WHEREAS**, in order to commit to financing the design, construction, and operation of the proposed event center, the RDA and the City, must agree upon and adopt the financing model while also establishing what steps must be next taken;

**WHEREAS**, it is now incumbent upon the RDA and City to clearly identify and articulate the components and parameters the financing model should contain, and to provide clear authorization and direction to City Staff on how to proceed prior to any future or final action on approving the financing of the design and construction of the event center and hotel project.

**NOW, THEREFORE, BE IT RESOLVED**, That the Common Council of the City of Racine and Members of the Redevelopment Authority of the City of Racine hereby adopts and endorses a single, “optimal” financing

model (the Model) for the possible payment of both the up-front and amortized debt service costs of a proposed event center and hotel project to be constructed on RDA-owned property at 233 Lake St. in Downtown Racine;

**BE IT FURTHER RESOLVED**, Said endorsement and adoption is limited to the following components, methodologies, and features:

- 1.) Total Master Project Budget (Construction, Site Improvements, and Contingency) for the event center and hotel project shall not exceed \$55,000,000.
- 2.) Within the Master Project Budget, Site Improvements (all construction exterior to the building envelope) shall not exceed \$3,500,000, and shall be funded by incremental tax revenues lawfully collected and shared from T.I.D. #'s 9, 12, 13, & 14.
- 3.) Any established "owners contingency" within the Master Project Budget shall not exceed \$2,500,000 and shall be funded from Intergovernmental Fund balance reserves not otherwise budgeted.
- 4.) Existing available Fund Balance Reserves, collectively held in T.I.D #'s 9, 11, 12, 13 & 14 shall be shared, in an amount not-to-exceed \$10,700,000 to pay up-front capital costs for the design and construction of the event center, as well as possible costs of debt issuance and to limit the overall long-term indebtedness on the event center
- 5.) Total long-term indebtedness of the event center shall not exceed a principal sum of \$39,500,000.
- 6.) The total long-term indebtedness on the event center (including all principal and interest) shall be amortized over a period not to exceed thirty (30) years and shall be structured such as to avoid any unfavorable impact on the City's credit standing or ability to concurrently finance or bond for needed, prioritized public infrastructure or public safety facilities or structures.
- 7.) The sources of repayment for the total long-term indebtedness shall include:
  - The capture of 100% of the new, incremental property taxes paid on an approximate-150-room, full-service, destination hotel (the hotel), integrally-attached to the event center (privately-financed and owned) as captured for the lawful-maximum 27 years through a new Tax Increment District (T.I.D.) to be set up to encompass the 233 Lake St. site. (*Targeted to produce approximately \$294,000 per year*).
  - The capture and use of 100% of the new hotel occupancy taxes paid on room rentals at the hotel for a period not to exceed thirty (30) years as agreed to by an agreement with Real Racine for said capture and use. (*Targeted to produce approximately \$301,000 per year.*)
  - The dedication of 100% of all cell tower carrier lease payments generated from any and all lease agreements with carriers placing antennae array on the hotel roof. (*Targeted to produce at least \$30,000 per year.*)

- The dedication of a major portion of the exterior building “Naming Rights” for the event center for a period not to exceed thirty (30) years. (*Targeted to produce \$285,000 per-year, while still dedicating approximately \$50,000 per-year for operational expense support.*)
- The dedication of a negotiated \$3,000 per-game-played capital contribution from an anchor tenant USHL Hockey franchisee, to be in addition to the negotiated per-game operational lease payment, for a period not to exceed thirty (30) years. (*Targeted to produce approximately \$90,000 per year.*)
- The imposition and dedication of a capital “ticket surcharge” charged against each event ticket sold at the event center, for a period not to exceed thirty (30) years, at a rate of \$.75 per hockey game ticket, and \$1.00 per all non-hockey event tickets. (*Targeted to produce approximately \$127,500 per year.*)
- The dedication and use of not to exceed \$800,000 per year in City Intergovernmental revenue funds for each of the seventeen fiscal years 2017 through 2033. (*Targeted to produce approximately \$800,000 per year.*)
- The agreement to provide dedicated funding commitment(s) from one or more governmental sources other than the City, or from private-sector or non-profit, or foundation sources, in a cumulative amount totaling or exceeding approximately \$365,000 per-year, for a period not to exceed thirty (30) years. (*Targeted to produce approximately \$365,000 per-year.*)
- The agreement by the City of Racine to provide a yearly contribution, from its available debt service property tax levy in an amount sufficient to cover any “short-falls” to yearly debt service payment requirements not otherwise provided by the cumulative revenues from the sources herein before identified, for a period not to exceed thirty (30) years. (*Targeted to require approximately \$365,000 per-year.*)

**BE IT FURTHER RESOLVED**, That, working in combination with the RDA, City Staff shall be authorized and directed to implement the financial model measured by the following milestone achievements:

- 1.) The Development of an agreement with a private-sector developer to finance and construct an approximate-150-room, destination, full-service hotel, integrally constructed with the EVENT CENTER on the 233 Lake St. site, contingent on the RDA and City committing to finance and construct the EVENT CENTER as proposed.
- 2.) The Development of work and agreements to develop a new tax increment district designed to capture the incremental property taxes produced by the hotel.
- 3.) The Development of the preliminary work and agreements to assure that Real Racine and the City may use 100% of the hotel occupancy taxes produced by the hotel and that the occupancy taxes will be dedicated to the long-term indebtedness of the event center.

- 4.) The solicitation and development of one or more contingent offers to purchase exterior building naming rights for a proposed term or terms of not less than five (5) years at a per-year net value approximating \$334,000 exclusive of commissions.
- 5.) The development of an agreement with an anchor tenant, USHL Minor League hockey franchisee, who agrees to lease terms including but not limited to: approximate gross per-game operational lease payments of \$4,000; net per-game capital lease payments of \$3,000; capital ticket surcharges of not less than \$.75 per ticket sold; and a lease term of not less than twenty (20) years.
- 6.) The development of a Capital Improvement Plan showing the impact on expected capital plans by dedicating \$800,000 of intergovernmental funds for long-term indebtedness payments on the event center;
- 7.) The solicitation and contingent agreement(s) to provide dedicated funding commitment(s) from one or more governmental sources other than the City, or from private-sector or non-profit, or foundation sources, in a cumulative amount totaling at or near \$365,000 per-year, for a period of (30) years, or alternative financial commitments under different terms with similar or equal total effect.
- 8.) The immediate creation and staffing support for an Advisory Committee to the Mayor, whose membership shall be selected from among community leaders, business leaders, representatives of one or more other jurisdictions, the RDA, DRC, Real Racine, citizens, or other interested parties. This Committee shall serve to provide input, evaluation and feedback on event center and hotel project financing, programming, architectural designs, and construction.

**BE IT FINALLY RESOLVED**, that upon satisfactory completion of the milestone achievements listed above in #1-8, The Common Council and the Redevelopment Authority declares their joint intent to thereafter promptly schedule public and legally noticed meetings to vote to approve the financing, design, and construction of the event center and hotel project in keeping with the financing model described herein.