

**LOAN OFFICER MEMORANDUM**

**TO:** Redevelopment Authority of the City of Racine  
**FROM:** Nhi Malinowski, RCEDC  
**DATE:** June 1, 2016  
**RE:** Veteran’s Housing Development Project

- The purpose of this memorandum is to request the RDA’s consideration for two BC RLF loans, to assist with the environmental cleanup of the property located at 1520 and 1536 Clark Street, Racine, WI.
- The Developer, Lutheran Social Services of Wisconsin and the Upper Michigan, Inc. (Lutheran) and Herman & Kittle Properties, Inc. (Herman Kittle) has proposed to completely renovate and redevelop this underutilized and deteriorating former manufacturing facility into 74 rental units with amenities, targeting veteran households.
- The two BC RLF loans, along with the BC RLF sub grant request (to follow at a later time) will assist with the environmental cleanup of the site. Other funding sources which have already been identified will assist with the renovation and redevelopment of the project.

<b>Loan Program</b>	<b>Company:</b>
Brownfields Clean Up – Revolving Loan Fund Program	A Veteran Housing Development Project
<b>Developer</b>	<ul style="list-style-type: none"> <li>• Lutheran Social Services of Wisconsin and the Upper Michigan, Inc.</li> <li>• Herman &amp; Kittle Properties, Inc.</li> </ul>
<b>Project Address</b>	1520 & 1536 Clark Street, Racine, WI.
<b>Business Description</b>	74 residential rental units targeted to Veteran households
<b>Project Description</b>	Environmental Remediation

**PROJECT SUMMARY**

<b>Borrowing Entity</b>	1520 Clark Street L.P.
<b>Guarantees</b>	<ul style="list-style-type: none"> <li>• City of Racine</li> <li>• Tax Incremental Financial Incentive from the TID #19 is source of repayment of the BC RLF funds</li> </ul>
<b>Brownfield Cleanup Cost*</b>	\$ 786,000
<i>*Brownfield cleanup cost associated with the BC RLF Loans only. Total site remediation cost may be higher to include demolition, rehab activities etc. Specific activities funded by these loans will be identified in closing documents for monitoring.</i>	
<b>Sources of Funding</b>	
<ul style="list-style-type: none"> <li>• <b>BC RLF – Hazardous Cleanup</b> \$ 397,500</li> <li>• <b>BC RLF – Petroleum Cleanup</b> \$ 182,500</li> <li>• <b>BC RLF - Sub Grant</b> \$ 75,000 (to be requested separately)</li> <li>• <b>Equity/WEDC Brownfield Grant*</b> \$ 131,000</li> </ul>	
<i>*Part of the WEDC Grant which is already secured, will be used to meet a minimum 20% equity match requirement</i>	
<b>RLF Term/Amortization</b>	10-year term following deferral period
<b>Repayment</b>	Principal payments deferred until December 31, 2022 for a 10-year term.
<b>RLF Rate</b>	1% interest will accrue during deferral period and be capitalized in the loan amount.
<b>RLF Collateral</b>	0%; however, payments will be made through the City of Racine TID #19 which will be secured with a mortgage.

<b>Strengths</b>
<ul style="list-style-type: none"> <li>• Guaranteed source of loan repayment through TID</li> <li>• Funding sources for redevelopment of site have all been identified. The City through its TID assistance will confirm these sources as secured.</li> <li>• Community Impact: The proposed project will remediate a brownfields site to meet a critical housing need, save our community's oldest industrial buildings, improve environmental conditions and is a critical part of implementation the Uptown Development Plan.</li> </ul>
<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Repayment of TIF assistance relies on developer completing project with tax increment realized. City staff will be evaluating developer and feasibility of repayment as part of TID assistance being provided.</li> </ul>

#### ELIGIBILITY

<b>Description</b>	<b>RLF Standards</b>	<b>Does project meet standards</b>
<b>Eligibility Determination from EPA for a Loan</b>	Entity meets definition of 'innocent landowner', 'bona fide prospective purchaser' or 'contiguous property owner	<b>Yes</b> , the applicant deemed eligible as a bona fide prospective purchaser
<b>Eligible Activity</b>	Cleanup to remove, mitigate or prevent the release or the threat of a release of hazardous materials and petroleum contamination	<b>Yes</b> , BC RLF activities include underground storage tank removal, contaminated soil removal and In-Situ soil remediation.

#### THE PROJECT

##### Site Location/Facility Description:

- 1520 and 1536 Clark Street, Racine, WI.
- The project site encompasses more than 3 acres, is located approximately 3,500 feet west of Lake Michigan, just west of Racine Street (Highway 32) and is located from the north side of 16<sup>th</sup> Street to the south side of 15<sup>th</sup> Street. It is currently occupied by a conglomeration of 19 mostly vacant and deteriorating buildings and additions that include some of Racine's and southeast Wisconsin's oldest industrial buildings.
- The proposed project plans to maintain much of the historic building envelope, demolish some ancillary building additions, and buildout the space into a 74-unit general occupancy/family housing development targeting veterans.
- The Phase I Environmental Site Assessment conducted in 2015 identified two recognized environmental conditions (RECs). The first REC is related to the site's extensive history of manufacturing and other industrial operations dating back to the 1880s. Activities conducted at the site included tool manufacturing, metal casting, machining, grinding, finishing, and painting. Soil and groundwater contamination is present throughout the property and above both industrial and non-industrial standards. The second REC is the presence of three underground storage tanks and two above ground tanks at the site. Due to the long history of ownership and occupants at the site conducting various industrial activities, no single source of contamination can be determined.
- The remediation activities for the site include:
  - Underground and Above ground Storage Tank Removal (use of Petroleum loan)
  - Contaminated soil disposal & In-Situ soil remediation (uses of Hazardous Substances Loan)

##### Site History:

- Prior to 1908 – occupied by companies that specialized in productions of parts for the carriage and automobile industries

- 1919 – Ajax Auto Parts relocated to the north end of the site, continued to manufacture jacks at the Ajax Plant
- 1965 – Walker Manufacturing occupied a portion of the building, the remainder of the space was leased to others, primarily for warehousing
- 1972 – Triple E Corp. , a metal stamping company, acquired Ajax Plant
- 1982 – Triple E Corp. sold the plant to machine shop operator Raymond K. Biddle
- The building has been largely vacant for several years, with small-scale auto repair activities remaining in the northeast section of the building until early 2015.

### **Site Map and Photos (see attached)**

#### **FINANCIAL ANALYSIS**

**N/A**

The BC RLF loan has a guaranteed repayment sources through the Racine Tax Increment District No. 19, therefore a financial analysis of Borrower was not completed. The City will be conducting its own financial analysis as part of the TID assistance being provided.

#### **COLLATERAL**

**N/A**

- Given the guaranteed loan repayment through TID #19 proceeds, no additional collateral is being required. The TID assistance is being secured with a mortgage.

#### **CONTINGENCIES**

- Development Agreement must be fully executed.
- City must confirm that all conditions precedent to its obligation to perform under the Development Agreement have been satisfied.
- Borrower must comply with the requirements of Wisconsin’s Voluntary Cleanup Program and agrees to complete the project in accordance with the Remedial Action Plan, the application, the project schedule and the project budget.
- Borrower shall obtain from WDNR and provide documentation of cleanup completion following completion of the project.
- BC RLF funds must be spent in accordance with the Brownfields Law.
- All BC RLF out of pocket costs for processing and closing are to be paid by the Borrower.
- Documentation acceptable to RCEDC guaranteeing repayment of loan from City of Racine through TID proceeds.
- Borrower will meet all requirements of the BC RLF program as required by its funding source EPA, including but not limited to Davis Bacon and other federal regulations.
- Borrower to provide required documentation for all draws from the BC RLF including but not necessarily limited to a written disbursement request with copies of invoices for each cost incurred.
- Borrower shall maintain complete documentation for all BC RLF project costs.
- Borrower to provide required 20% matching funds towards the eligible BC RLF project costs.
- Borrower shall execute all loans or grant documents required by RCEDC in connection with the loans and sub grant.

#### **SUMMARY AND RECOMMENDATIONS**

The 1520 & 1536 Clark Street site is a prime candidate for BC RLF assistance. The City views this development as a catalyst development within the Uptown Neighborhood Business Improvement District.

Redevelopment of brownfield properties in the City will lead to job creation, which will help to solve problems related to poverty, unemployment, environmental injustice, urban sprawl, and address the economic needs of businesses. An increase in the quality of life of the affected residents will result from the cleanup and reuse of the 1520 & 1536 Clark Street site which will meet the needs of affordable, quality housing for veteran households.

- Based upon the information reviewed, RCEDC staff supports this project and recommend approval of the two BC RLF loans.