



## City of Racine, Wisconsin AGENDA BRIEFING MEMORADUM

**AGENDA DATE:**

May 9, 2022

**SUBJECT:**

Communication sponsored by Mayor Mason to extend and amend the contract created under Res. 0177-19 with the Racine Revitalization Partnership.

**PREPARED BY:**

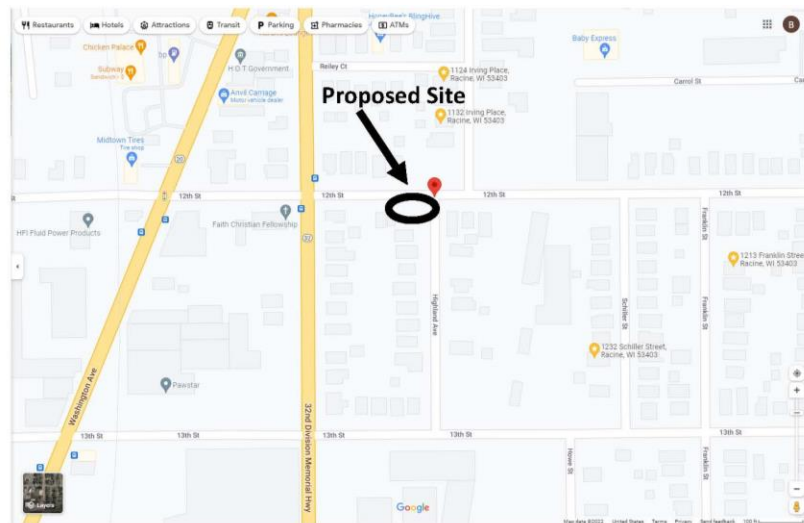
Matthew Rejc, Assistant Director of City Development

**EXECUTIVE SUMMARY:**

A request to extend and amend the contract which allows for the creation of a three-unit townhome development at the corner of Twelfth Street and Highland Ave. Staff recommends extending the contract such that it would expire June 30, 2024 and incorporate \$105,603.57 in program income from the sale of 1315 Grand Ave. for a total contract amount of \$465,603.54. All three units are to be sold to income-qualified households as homeowner-occupants.

**BACKGROUND & ANALYSIS:**

On December 28, 2018, RRP submitted an application for CDBG funds to be used for the creation of a three-unit townhome development at the corner of 12<sup>th</sup> and Highland Avenue. Common Council approved a loan of \$360,000 via resolution 0177-19. The Racine Revitalization Partnership was unable to begin construction due to difficulties associated with site ownership, and later by Covid construction cost increases and delays.



The Racine Revitalization Partnership will be required create three, two-bedroom units to be sold to income qualified households.

Due to the delay and the cost increases, Racine Revitalization Partnership is requesting an extension of the original contract to June 30, 2024 and an additional \$105,603.57 in CDBG funds, with a construction start date of no later than December 31, 2022. The additional funds were received by

the City of Racine from the sale of 1315 Grand Ave. developed by Racine Revitalization Partnership. The total contract amount would be \$465,603.57 of CDBG funds.

The developer is currently seeking contractor bids for the developments, and intends to begin construction this summer following commitment of all financing sources. RRP has sought gap financing from Forward Community Investments (FCI), a non-profit Community Development Financial Institution (CDFI) based in Madison. The City of Racine and FCI will comprise the vast majority of the financing for these developments, while the balance will be provided through RRP equity and volunteer labor.

RRP is a certified Community Housing Development Organization (CHDO) and Community Based Development Organization (CBDO), which provides the organization with additional flexibility for undertaking CDBG-funded activities. Among the advantages, RRP can use its status as a CBDO to use CDBG funds for new construction activities, which would otherwise be ineligible for CDBG funding.

**Staff Recommendation**

- Based on underwriting and program requirements, staff recommends authorizing up to \$105,603.57 in additional CDBG funds on top of the \$360,000 in CDBG revolving loan funds.
- Extending the contract term until June 30, 2024, with a construction initiation date of no later than December 31, 2022.

**BUDGETARY IMPACT:**

There are sufficient CDBG funds to fund the staff recommendation.

**RECOMMENDED ACTION:**

Staff recommends that The CDBG Advisory Board approve the contract extension until June 30, 2024 and add the additional program income \$105,603.57 for a total contract of \$465,603.57

Further, staff recommends that the Mayor and City Clerk be directed to amend the existing CDBG agreement with Racine Revitalization Partnership consistent with all applicable federal regulations.