



City of Racine, Wisconsin
AGENDA BRIEFING MEMORADUM

AGENDA DATE:

February 27, 2023 –F & P
March 7, 2023-Common Council

SUBJECT: Communication sponsored by Mayor Mason seeking approval to enter into an incentive agreement with J. Jeffers & Co. for Phase IV of the Belle City Square (Horlick Historic District) Redevelopment at and near 2200 Northwestern Avenue.

PREPARED BY: Kathleen Fischer Finance Director

REVIEWED BY: Paul Vornholt-City Administrator

EXECUTIVE SUMMARY:

In November of 2021 the Common Council authorized the previous phase of the development at the former Horlick Malt Milk Plan now referred to as Belle City Square. This project is a phased development that includes both residential development and commercial development. Phase IV of the development will begin by the end of July of 2023 and imagines more residential units as well as the rehabilitation of several commercial buildings on the site. At the completion of Phase IV the overall valuation of the properties will exceed \$100M.

PROJECT BACKGROUND:

As part of a phased area-wide redevelopment proposal, J. Jeffers and Co. of Milwaukee, WI has purchased numerous properties in the area of the former Horlick Malted Milk Factory along Northwestern Avenue and Summit Avenue since 2018. Specifically, the developer purchased both 2100 Northwestern Avenue and 2200 Northwestern Avenue on June 19, 2018 as part of “Phase 1 and Phase 2” of the Horlick Historic District. Construction has completed at 2100 Northwestern Avenue, and all 60 units have been occupied by tenants. Construction is also complete on 2200 Northwestern building, comprised of 86 units which is all tenant occupied. Phase 3 of the project includes the construction of 2 new multi-family market rate buildings (167 units) located at 2220 Northwestern Avenue. Those units are currently under construction and are expected to be completed by June of 2023.

Phase 4 of the development will include both residential and commercial buildings as follows:

- Residential Historic Rehab: 22 Townhomes (Commence May 2023)
- New Construction Residential: 100 market rate units (Commence March 2023)
- Phase C-1 Historic Rehab Commercial (Commence December 2023)
- Phase C-2 Historic Rehab Commercial (Commence December 2024)

Phase IV provides an estimated stabilized tax valuation of \$45,000,000 and over \$33M of tax increment. It will also provide about \$30M of NET NEW CONSTRUCTION giving us new additional capacity in our operational levy.

Developer Responsibilities:

1. Development of: (i) Phase 4, (ii) Commercial Phase 1; and (iii) Commercial Phase 2; together with the site infrastructure improvements necessary to serve each Phase of the Project.
2. The Developer shall provide evidence of fully committed debt and equity financing necessary to complete each Phase of the Project prior to commencement of construction of the applicable Phase
3. The Developer will provide at least 15% of the total development costs for each Phase in the form of private financing and equity.
4. The Developer shall pay a loan origination fee of \$25,000 to the City upon execution of the CONSTRUCTION BRIDGE LOAN Promissory note.
5. Comply with all aspects of the Racine Works Ordinance
6. The Developer will incorporate the “Leadership in Energy and Environmental Design” (LEED) related energy efficiency improvements detailed in exhibits to the agreement. Developer will prequalify LEED plans before commencement of construction of each applicable Phase of the Project.
7. The Developer intends to commence construction of each Phase of the Project on the following schedule: (i) construction of Phase 4 shall commence no later than July 31, 2023; (ii) construction of Commercial Phase 1 shall commence no later than December 31, 2023; and (iii) construction of Commercial Phase 2 shall commence no later than December 31, 2024.

City Responsibilities:

Phase IV Residential

- Utility Grant-\$1M
- Support WEDC Grant-\$500,000
- Developer Funded TID (Pay Go)-90% of increment generated not to exceed \$16M
- 1 Year Bridge Loan will be issued to developer-\$9M. Developer will pay the City 5.75% APR interest paid monthly.
- Bridge loan will be issued to developer on a construction draw basis.

Phase IV Commerical-C-1

- Utility Grant-\$500,000
- Developer Funded TID (Pay Go)-90% of increment generated not to exceed \$8.85M

Phase IV Commerical-C-2

- Utility Grant-\$500,000
- Developer Funded TID (Pay Go)-90% of increment generated not to exceed \$2.8M

FISCAL NOTE:

Utility grants of \$2M will come from the City Utility surcharge fund. Bridge loan will be funded partially by the City IG fund and partially by a loan from the Board of Commissioners of Public Lands.

