



To: City of Racine Common Council

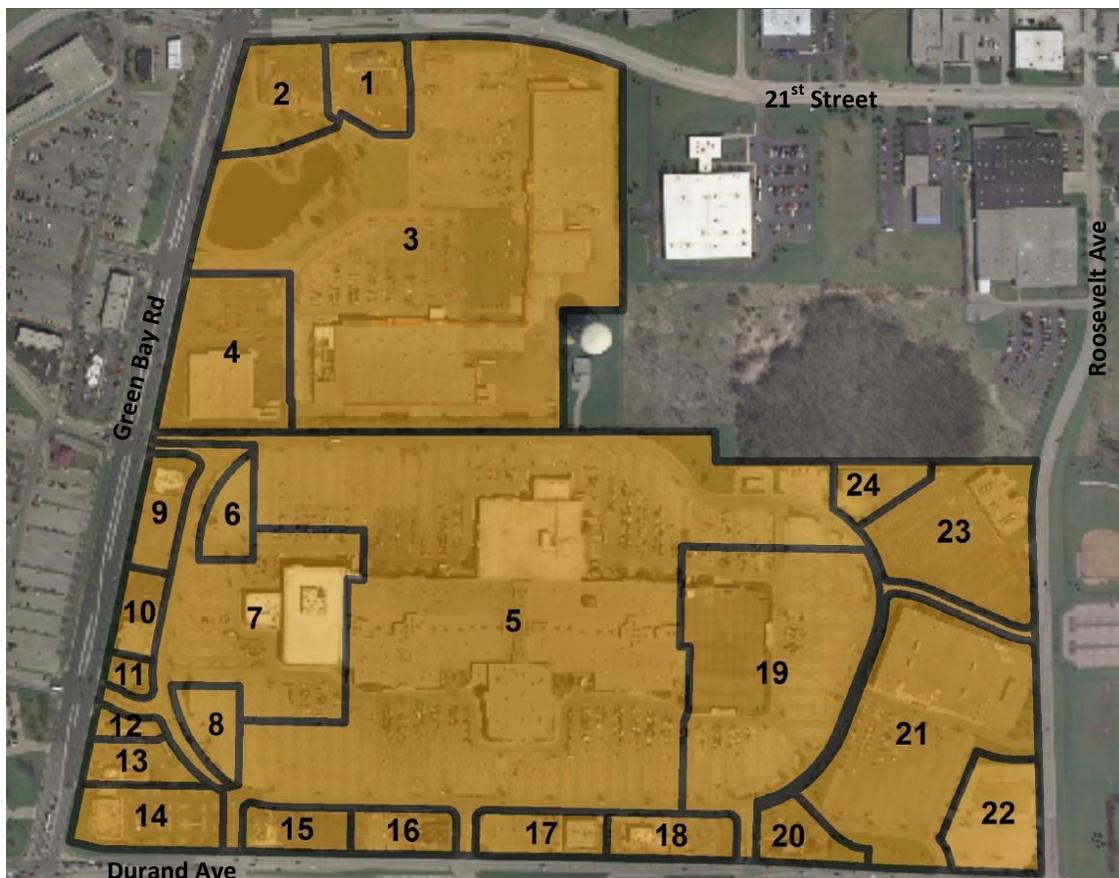
From: Jordan Brown, Racine County Economic Development Corporation (RCEDC)

Date: March 15, 2017

RE: Tax Increment District (TID) No. 20 (Regency Mall)

Introduction

The City of Racine, like many communities, is witnessing changes to the health and quality of its retail properties. This memorandum was prepared to provide background on the current conditions of the City of Racine's largest commercial area (surrounding Regency Mall), the opportunity to reposition the area for reinvestment and growth, and plans to create Tax Increment District (TID) No. 20 to assist in improving the corridor. The target area for TID No. 20 includes 24 parcels and totals approximately 133.9 acres. The area includes Regency Mall, the mall outlots, Target, and High Ridge Center, which includes the Home Depot and Toys R Us.



Background

The City of Racine's largest commercial hub is centered at Green Bay Road and Durand Avenue. The area is anchored by the Regency Mall, which opened in 1981 as a major shopping destination for Racine County. Throughout the years the mall has had many anchor tenants including Boston Store, Target, J.C. Penney and Sears as well as an adjacent cinema. The Regency Mall is the 5th largest shopping center in Southeast Wisconsin. It is only smaller than Mayfair Mall, Southridge Mall, Brookfield Square, and Bayshore Town Center. The 76-acre property consists of 463,342 SF gross leasable area.

Other shopping and restaurant destinations in the Racine Retail Corridor include Target, Home Depot, Toys R Us, Kmart, Dick's Sporting Goods (Mt. Pleasant), Michaels (Mt. Pleasant), Barnes and Noble (Mt. Pleasant), Hobby Lobby, Applebees, Starbucks, Olive Garden, and others.

While the corridor benefits from a strong cluster of nationally-branded retailers, the area faces challenges. The retail market place has become more competitive with more consumers buying online and alternative destinations within Southeast Wisconsin attracting Racine shoppers. Oak Creek and Kenosha are increasingly attracting Racine residents who prefer to shop at newer shopping centers with more brand variety. As a result of conditions, a number of stores have left or have announced closings (JC Penney, Kmart, and Sears) in the Racine Corridor and sales volumes from some of the remaining stores are eroding.

Regency Mall's position as anchor amplifies the challenges in the area. Currently, the mall has a vacancy rate of 60%. In addition, with the sale of the Mall by CBL in 2016, the assessed value of the mall will fall significantly from \$22 million in 2016 to \$10 million (sale price) in 2017.

Limited property reinvestment, increasing vacancy, and eroding tax base is a significant cause for concern. Without an intervention, the retail cluster could continue to erode and leave the area with more vacant properties. However, the community can help to turn the tide. With the recent purchase of Regency Mall by Hull Property Group, the City and the area property owners have an opportunity to come together and reposition the area as a vibrant retail destination.

Repositioning Area

The Racine Retail Corridor is experiencing significant leakage of shoppers leaving the community for alternative destinations and shopping online. While it may be difficult to overcome all the trends affecting consumer retail behavior, the over 248,000 people and 95,000 households living within a 20 minute drive time of Green Bay Rd and Durand Avenue are a valuable and attractive demographic that existing and future retail operations are interested in serving.

The vision for the corridor can be shifted from one of disinvestment to one of investment. One element of that shift is orchestrating a sense of place. A coherent look in the Racine Retail Corridor can stabilize the sales and tax base of the node, making it a more attractive place for shoppers. Hull Property Group, LLC proposes to work with the neighboring property owners in the corridor to create a Business Improvement District (BID). The proposed BID would work to promote the area through events and improvements to the area.

In addition, Hull Property Group is developing plans to redevelop and invest in Regency Mall. The goal is to stabilize and transform the property to stop valuable tenants from leaving and attract new nationally branded tenants. The Hull Property Group's portfolio includes 28 small market malls containing 12.3M SF. The company has a long track record of acquisition and redevelopment of distressed enclosed mall properties in secondary and tertiary markets that have been mismanaged and fallen out of favor. In

over 25 years the Hull Group has never sold a mall and has a reputation as the “go to” developer for stabilization, transformation, and repositioning of distressed enclosed regional malls.

An example of Hull Property Group’s success in mall redevelopment can be seen in the Danville Mall in Danville, VA. The Hull Property Group purchased the Danville Mall in 2012 as a distressed property. Since then they have carried out their programmatic approach to perform large-scale interior and exterior renovations which resulted in a first class shopping experience. The improvements include installing new carpeting and lighting throughout the property, permanently covering vacancies, and landscaping the exterior to open up sightlines and enhance visibility. The Hull Group invested \$6.2 M to stabilize, transform and reposition the property. These renovation efforts attracted national retailers including Dunham’s Sports, Rue21, Justice, and Rack Room Shoes.

The improvements to the Danville Mall have encouraged adjacent property owners to invest within the retail corridor, benefiting the Danville community through increased ad valorem and sales taxes. The Hull Property Group continues to invest in improvements to the property including the development of a three tenant building anchored by Chipotle Restaurant on a small outparcel.

TID Creation

To facilitate investment in the area, the City of Racine is proposing formation of TID No. 20. The primary purpose of the TID is to provide the necessary incentives and public infrastructure improvements needed to encourage economic development and increase property values. The Project Plan for the Creation of Tax Incremental District No. 20 (Regency Mall) estimates total project expenditures of \$15.7 million in several phases through the TID’s 22-year expenditure period.

Adoption of the TID plan and formation of the TID will set the base value for all properties in the TID. Any additional tax increment value across all taxing jurisdictions (Racine County, Racine Unified School District, Gateway Technical College and City of Racine) would be available to make identified expenditures in the TID plan including incentives and public improvements. Any incentive provided would require a developer agreement between the developer and the City that includes agreed upon milestones and metrics to receive incentive assistance. All developer agreements are approved by the City of Racine Common Council.

Renovations:

