

Redevelopment Authority (RDA)
of the City of Racine, Wisconsin

AGENDA BRIEFING MEMORADUM

AGENDA DATE:	June 1, 2017
SUBJECT:	Item # 514-17 Resolution 17-19 Authorizing the RDA Executive Director and Chairman to sign all documents, on behalf of the RDA, to enter into an option agreement for the property located at 1418, 1420 and 1422 Washington Avenue with the Racine Revitalization Partnership, of Racine Wisconsin for the purposes of redeveloping the property.
PREPARED BY:	Amy Connolly
EXECUTIVE SUMMARY:	<p>The Racine Revitalization Partnership (RRP) is a Community Housing Development Organization (CHDO) that was created for the purposes of revitalizing housing in neighborhoods. Ed Miller, Executive Director of the RRP, requests an option fee of \$100 and a purchase price of \$101 for the property at 1418-1422 Washington Avenue for the purposes of creating a mixed-use building that will be on the tax rolls. Term of the agreement proposed is approximately 6 months (June 1, 2017 to December 31, 2017.)</p>
BACKGROUND & ANALYSIS:	<p>The RDA purchased the property at 1418-1422 Washington Avenue in December 2007 for \$109,000 as part of the adopted Uptown Improvement Plan through RDA resolution 07-23. In 2009, the RDA began marketing the property through the “dollar building” program, but was unsuccessful in finding a qualified buyer.</p> <p>Over the time that the RDA has owned the property, funds were expended to preserve the façade of the building (2010), replace the roof (2016), remove snow, and maintain the property (heating and lighting). A conservative estimate of RDA expenses would likely exceed \$50,000 to date.</p> <p>The property is a two-story masonry building, constructed in approximately 1900, and has, 280 square feet of gross area. The building has 50 feet of frontage of Washington Avenue. Zoning for the property is B-2.</p> <p>The Racine Revitalization Partnership (RRP) is a Community Housing Development Organization (CHDO) that was created for the purposes of revitalizing housing in Racine’s neighborhoods. The organization is focused on the Uptown Neighborhoods and has an office in Uptown. The RRP is able to leverage additional monies from HUD because they are a CHDO that are otherwise unavailable to the City of Racine.</p> <p>One of the first priorities for the organization is to work together with the Uptown BID to improve the condition of buildings and housing in the Uptown Commercial District. The organization wishes to partner with organization such as the Great Lakes Conservation Corps to develop construction skills in young Racinians and involve the neighborhood in the development of the commercial district.</p>

The option to purchase provided for the RDA's consideration is nearly the same option agreement that was created for the 615 Marquette property and contains the following elements:

- Purchase price of \$101.
- Option fee of \$100 (to be credited to the RRP at purchase)
- Option period: June 1, 2017 through December 31, 2017
- RRP may conduct light demolition, tests, studies, and evaluations in order to help evaluate final construction costs, but must follow lead-safe regulations/methods
- City of Racine Department of City Development will conduct a Federal Environmental Review
- RDA will supply an ALTA survey as part of our predevelopment due diligence
- RRP proposes to spend up to \$37,900 of predevelopment expenses
- Closing costs: Will be determined through a future development agreement, which will be forthcoming this summer, once final construction costs are known.

Other than rental revenues, the RRP has preliminary funding sources for the project including: 1.) Private Bank Loan; 2.) HOME monies; 3.) CDBG Low Interest Loan for multiple-family; 4.) Reinvestment of TID 18 Operating subsidy to RRP; 5.) White Box grant program; 6.) Façade Grant program.

The property will be placed back onto the tax rolls after redevelopment, so that it may qualify for incentives, as proposed above. The RRP hopes to use rental income from the upstairs units and from the first floor commercial space to offset the majority of the costs of renovation and operations of the building. The expected revenues from the development (very small) will be used to fund continuing development opportunities for the RRP.

BUDGETARY IMPACT:

RDA purchased the property in December 2007 for \$109,000. The RDA expends approximately \$2,000 a year maintaining the property (grass, snow removal, security) and has expended approximately \$50,000 over the last ten years maintaining the building.

The option agreement would add \$1 to the RDA's budget in 2017. The RDA may incur attorney fees as part of this transaction, including drafting of the development agreement and the closing of the property. The RDA will also be asked to assist in funding the program through the White Box program and Façade Improvement programs, which are funding through the City's Intergovernmental Fund. The City's CDBG Small Multiple Family Loan pool will also be impacted with an application for funding.

The property would return to the tax rolls at the time of purchase, which may be before December 31, 2017.

RECOMMENDED ACTION:

Staff recommends that we enter into an option agreement with Racine Revitalization Partnership for 6 months. We suggest the following terms:

- Purchase price of \$101.
- Option fee of \$100 (to be credited to the RRP at purchase)
- Option period: June 1, 2017 through December 31, 2017
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