

October 31, 2018 (3rd Draft)

Tax Incremental District No. 14 Project Plan Amendment



Organizational Joint Review Board Meeting Held:	Scheduled for November 14, 2018
Public Hearing Held:	Scheduled for November 14, 2018
Consideration for Adoption by Plan Commission:	Scheduled for November 14, 2018
Consideration for Adoption by Common Council:	Scheduled for December 4, 2018
Consideration for Approval by the Joint Review Board:	TBD

Tax Incremental District No. 14 Project Plan Amendment

City of Racine Officials

Common Council

Cory Mason	Mayor
Jeff Coe	Council Member
Mollie Jones	Council Member
John Tate II	Council Member
Tracey Larrin	Council Member
Steve Smetana	Council Member
Sandy Weidner	Council Member
Raymond DeHahn	Council President
Q.A. Shakoor, II	Council Member
Terrence McCarthy	Council Member
Carrie Glenn	Council Member
Mary Land	Council Member
Henry Perez	Council Member
James Morgenroth	Council Member
Jason Meekma	Council Member
Melissa Lemke	Council Member

City Staff

James Palenick	City Administrator
Amy Connolly, AICP	Director of City Development
Janice Johnson-Martin	City Clerk
Scott Letteney	City Attorney

Joint Review Board

David Brown	City Representative
Jonathan Delagrave	Racine County
Gary Flynn	Gateway Technical College District
Brian O' Connell	Racine Unified School District
James Palenick	Public Member

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SECTION 1: Executive Summary

Description of District

Tax Incremental District (“TID”) No. 14 (“District”) is a blighted area district created by the City on January 17, 2006. The district was created to eliminate blight and to pay costs related to redevelopment of the former Walker Manufacturing site. The District has largely sat idle after the originally proposed redevelopment project, Pointe Blue, failed to move forward in the wake of the 2008 great recession. A new redevelopment project proposed by Royal Capital, Harborside, consists of a mix of market rate apartments and retail and commercial space and is expected to create approximately \$28.7 million in incremental value by 2021 with construction beginning in 2019. The District’s Project Plan was previously amended on June 1, 2010 to modify the categories and locations of Project Costs expected to be undertaken, and to reduce the total estimated costs. The District is also a recipient of shared increment from Tax Incremental District No. 2.

Amendment Purpose

The purpose of this Plan Amendment is to allow excess revenues to be transferred to Tax Incremental District No. 21 (“TID No. 21”, or the “Recipient District”) as permitted under Wis. Stat. § 66.1105(6)(f)2. TID No. 21 is a new district that will be created concurrently with this Amendment and will include property located at 233 Lake Avenue. The Plan Amendment meets the following criteria necessary to allow for the transfer of excess revenue:

1. The District and the Recipient District lie within the same overlapping taxing jurisdictions.
2. The District is within its expenditure period, which expires January 17, 2028.
3. The District has sufficient revenue to pay for all current Project Costs and has sufficient excess revenue to pay for eligible project costs of the Recipient District.
4. The Recipient District will be created as a blighted area district which qualifies it as an eligible recipient of excess revenue.

Estimated Allocation of Increment

Under this Plan Amendment, the City would transfer approximately \$2.9 million in excess revenue to TID No. 21.

Expected Termination of District

Based on the anticipated incentives to be paid to the developer of the currently proposed project, the City would expect to keep the District open through the end of its maximum allowable life on January 17, 2033, providing for a final collection of tax increment in budget year 2033.

Summary of Findings

As required by Wis. Stat. § 66.1105, and as documented in this Plan Amendment and the exhibits contained and referenced herein, the following findings are made:

1. **That “but for” this Plan Amendment the City’s economic development objectives for TID No. 21 will not be achieved.** In evaluating the appropriateness of this Plan Amendment, the Joint Review Board must consider “(w)hether the development expected in the tax incremental district would occur without the use of tax incremental financing” customarily referred to as the “but for” test. Since the purpose of this amendment is solely to allow for transfer of excess tax increment to TID No. 21 this test cannot be applied in the conventional way. The Joint Review Board has previously concluded, in the case of the District and the Recipient District, that the “but for” test was met. The Recipient District is not likely to recover its project costs without the transfer of tax increments from the District. Since all taxing jurisdictions will ultimately share in the benefit of the redevelopment projects and increased tax base within the Recipient District, it is appropriate for all taxing jurisdictions to continue to share in the costs to implement them. Accordingly, the City finds that it is reasonable to conclude the “but for” test continues to be satisfied with respect to this Plan Amendment.
2. **The economic benefits of amending the District, as measured by increased employment, business and personal income, and property value, are sufficient to compensate for the cost of the improvements.** The District is generating sufficient tax increment to recover all Project Costs incurred to date and is generating excess tax increment that allows for it to become a donor. Providing for transfer of excess increment to the Recipient District is expected to provide increased employment, business and personal income and increased property value within the Recipient District that will exceed the cost of the related expenditures and improvements.
3. **The benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions.** Given that it is not likely that the Recipient Districts will achieve all of the objectives for its Project Plan without the continued use of tax incremental financing, and since the District is expected to generate additional economic benefits that are more than sufficient to compensate for the additional costs to be incurred, the City concludes that the overall additional benefit to be realized within the Recipient District outweighs the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions. It is further concluded that since the “but for” test is satisfied, there would, in fact, be no foregone tax increment to be paid.
4. The boundaries of the District are not being amended. At the time of creation, not less than 50%, by area, of the real property within the District was a blighted area within the meaning of Wis. Stat. § Section 66.1105(2)(ae)1.
5. The District is a blighted area district based on the identification and classification of the property included within it, and the findings made in the resolution creating the District.
6. Prior and future Project Costs of the District relate directly to promoting the elimination of blight consistent with the purpose for which the District was created.
7. The improvements of such area are likely to enhance significantly the value of substantially all of the other real property in the District.
8. The City estimates that less than 35% of the territory within the District will be devoted to retail business at the end of the District’s maximum expenditure period, pursuant to Wis. Stat. §66.1105(5)(b).

9. The Project Plan for the District, as amended, is feasible, and is in conformity with the Master Plan of the City.

SECTION 2: Type and General Description of District

Created by the City on January 17, 2006, the District was formed to eliminate blight and to pay costs related to redevelopment of the former Walker Manufacturing site. The District has largely sat idle after the originally proposed redevelopment project, Pointe Blue, failed to move forward in the wake of the 2008 great recession. A new redevelopment project proposed by Royal Capital, Harborside, consists of a mix of market rate apartments and retail and commercial space and is expected to create approximately \$28.7 million in incremental value by 2021 with construction beginning in 2019. The District's Project Plan was previously amended on June 1, 2010 to modify the categories and locations of Project Costs expected to be undertaken, and to reduce the total estimated costs. The District is also a recipient of shared increment from Tax Incremental District No. 2.

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SECTION 3: District Boundary Map



SECTION 4: Map Showing Existing Uses and Conditions

The scope of this Plan Amendment makes no changes to the map depicting existing uses and conditions of real property within the District as included in the original District Project Plan approved on January 17, 2006. That map is hereby incorporated by reference.

SECTION 5: Equalized Value Test

No territory will be added to the District. Demonstration of compliance with the equalized value test is therefore not required for this Plan Amendment.

SECTION 6: Statement of Kind, Number and Location of Proposed Public Works and Other Projects

The Statement of Kind, Number and Location of Proposed Public Works and Other Projects set forth in the Plan Amendment approved on June 1, 2010 remains unchanged.

SECTION 7: Map Showing Proposed Improvements and Uses

The scope of this Plan Amendment makes no changes to the map depicting proposed improvements and uses within the District as included in the original District Project Plan approved on January 17, 2006. That map is hereby incorporated by reference.

SECTION 8: Detailed List of Project Costs

The Detailed List of Project Costs set forth in the Plan Amendment approved on June 1, 2010 remains unchanged. While not considered to be a Project Cost, this Plan Amendment also provides authority for the District to transfer excess revenue to the Recipient District.

SECTION 9:

Economic Feasibility Study, Financing Methods, and the Time When Costs or Monetary Obligations Related are to be Incurred

This Section includes a forecast of past and projected future valuations within the District, the associated tax increment collections, a summary of how Project Costs would be financed, anticipated transfers to the Recipient Districts and a projected cash flow demonstrating that this Plan Amendment is economically feasible.

Key Assumptions

The City expects that the proposed Royal Capital Harborside redevelopment project will generate approximately \$28.7 million in tax incremental value by 2021 as shown on **Table 1**. Assuming the City's current equalized TID Interim tax rate of \$31.29 per thousand of equalized value, and no economic appreciation or depreciation, the District is expected to generate approximately \$10.8 million in tax increment collections through its remaining life as shown in **Table 2**.

City of Racine, Wisconsin
Tax Increment District # 14 (Harborside)
Development Assumptions

Construction Year		Actual ¹	Phase I - III ²		Annual Total	Construction Year	
10	2015	225,400			225,400	2015	10
11	2016	(44,500)			(44,500)	2016	11
12	2017	(126,700)			(126,700)	2017	12
13	2018				0	2018	13
14	2019		5,743,000		5,743,000	2019	14
15	2020		17,230,000		17,230,000	2020	15
16	2021		5,744,000		5,744,000	2021	16
17	2022				0	2022	17
18	2023				0	2023	18
19	2024				0	2024	19
20	2025				0	2025	20
21	2026				0	2026	21
22	2027				0	2027	22
23	2028				0	2028	23
24	2029				0	2029	24
25	2030				0	2030	25
26	2031				0	2031	26
Totals		54,200	28,717,000	0	28,771,200		

Notes:

¹Actual valuation change per Wis. Dept. of Revenue. Figure shown for construction year 2015 reflects total incremental value generated from date of TID creation through 1-1-2016.

²Assumptions as to valuation and timing taken from Harborside term sheet dated July 27, 2018

Table 1 – Development Assumptions

City of Racine, Wisconsin

Tax Increment District # 14 (Harborside)

Tax Increment Projection Worksheet

Type of District	Blighted Area	Base Value	4,103,200
District Creation Date	January 17, 2006	Appreciation Factor	0.00%
Valuation Date	Jan 1, 2006	Base Tax Rate	\$31.29
Max Life (Years)	27	Rate Adjustment Factor	
Expenditure Period/Termination	22 1/17/2028		
Revenue Periods/Final Year	26 2033		
Extension Eligibility/Years	Yes 6	Tax Exempt Discount Rate	0.00%
Recipient District	Yes	Taxable Discount Rate	0.00%

Construction	Year	Value Added	Valuation Year	Inflation Increment	Total Increment	Revenue Year	Tax Rate ¹	Tax Increment
10	2015	225,400	2016	0	225,400	2017	\$31.61	7,125
11	2016	-44,500	2017	0	180,900	2018	\$31.29	5,660
12	2017	-126,700	2018	0	54,200	2019	\$31.29	1,696
13	2018	0	2019	0	54,200	2020	\$31.29	1,696
14	2019	5,743,000	2020	0	5,797,200	2021	\$31.29	181,383
15	2020	17,230,000	2021	0	23,027,200	2022	\$31.29	720,474
16	2021	5,744,000	2022	0	28,771,200	2023	\$31.29	900,192
17	2022	0	2023	0	28,771,200	2024	\$31.29	900,192
18	2023	0	2024	0	28,771,200	2025	\$31.29	900,192
19	2024	0	2025	0	28,771,200	2026	\$31.29	900,192
20	2025	0	2026	0	28,771,200	2027	\$31.29	900,192
21	2026	0	2027	0	28,771,200	2028	\$31.29	900,192
22	2027	0	2028	0	28,771,200	2029	\$31.29	900,192
23	2028	0	2029	0	28,771,200	2030	\$31.29	900,192
24	2029	0	2030	0	28,771,200	2031	\$31.29	900,192
25	2030	0	2031	0	28,771,200	2032	\$31.29	900,192
26	2031	0	2032	0	28,771,200	2033	\$31.29	900,192
Totals		28,771,200		0		Future Value of Increment		10,820,149

Notes:

¹Tax rate shown for 2018 revenue year is actual rate per DOR Form PC-202 (Tax Increment Collection Worksheet)

Table 2 – Tax Increment Projection Worksheet

Financing and Implementation

As identified in **Table 3** the source of funds for the proposed transfer of excess revenue to the Recipient District will be funds transferred to the District from Tax Incremental District No. 2 under an existing allocation amendment. While not related to this Plan Amendment, the cash flow exhibit also identifies the incremental taxes the City projects that it will collect in the future, which along with proceeds of long term debt, and transfers from Tax Incremental District No. 2 and the Intergovernmental Revenue Fund will provide sufficient funds to pay the projected cost of development incentives and capital improvements related to the Harborside redevelopment project. Any incentive payments made will be based on demonstrated need for assistance and subject to approval of a development agreement with the recipient.

City of Racine, Wisconsin

Tax Increment District # 14 (Harborside)

Cash Flow Projection¹

Year	Projected Revenues							Expenditures										Balances			Year	
	Tax Increments	Interest Earnings/ (Cost)	Exempt Computer Aid	Transfer from TID No. 2	from IG Revenue Fund	Proceeds of Long Term Debt	Total Revenues	G.O. Bond 1,685,000 06/01/19			Develop. Incentive ³	Capital Imp. ⁴	Transfer to TID No. 21	Prof. Services	Finance Related Expense ⁵	DOR Fees	Admin.	Total Expenditures	Annual	Cumulative		Principal Outstanding
								Dated Date Prin (6/1)	Est. Rate ²	Interest												
2017	7,125	58,925	79	782,778			848,907							12,217		150	3,515	15,882	833,025	6,470,279		2017
2018	5,660			782,778			788,438						725,000			150	3,620	728,770	59,668	6,529,947		2018
2019	1,696			782,778		1,685,000	2,469,474			26,240		8,096,572	725,000		68,663	150	3,729	8,920,354	(6,450,880)	79,067	1,685,000	2019
2020	1,696			782,778			784,474			52,481			725,000			150	3,841	781,471	3,002	82,069	1,685,000	2020
2021	181,383			782,778			964,161			52,481	90%	161,718	725,000			150	3,956	943,305	20,856	102,925	1,685,000	2021
2022	720,474						720,474	120,000	2.390%	51,047	90%	646,901				150	4,075	822,172	(101,698)	1,227	1,565,000	2022
2023	900,192				79,687		979,879	120,000	2.500%	48,113	90%	808,647				150	4,197	981,106	(1,227)	0	1,445,000	2023
2024	900,192				82,915		983,107	125,000	2.600%	44,988	90%	808,647				150	4,323	983,107	0	0	1,320,000	2024
2025	900,192				84,632		984,825	130,000	2.750%	41,575	90%	808,647				150	4,453	984,825	0	0	1,190,000	2025
2026	900,192				86,021		986,213	135,000	2.900%	37,830	90%	808,647				150	4,586	986,213	0	0	1,055,000	2026
2027	900,192				82,142		982,335	135,000	3.050%	33,814	90%	808,647				150	4,724	982,335	0	0	920,000	2027
2028	900,192				82,985		983,177	140,000	3.200%	29,515	90%	808,647				150	4,866	983,177	0	0	780,000	2028
2029	900,192				83,499		983,691	145,000	3.300%	24,883	90%	808,647				150	5,012	983,691	0	0	635,000	2029
2030	900,192				83,706		983,899	150,000	3.400%	19,940	90%	808,647				150	5,162	983,899	0	0	485,000	2030
2031	900,192				83,599		983,791	155,000	3.500%	14,678	90%	808,647				150	5,317	983,791	0	0	330,000	2031
2032	900,192				83,166		983,358	160,000	3.600%	9,085	90%	808,647				150	5,476	983,358	0	0	170,000	2032
2033	900,192				106,708		1,006,900	170,000	3.650%	3,103	90%	808,647				150	25,000	1,006,899	0	0	0	2033
Total	10,820,149	58,925	79	3,913,890	939,060	1,685,000	17,417,103	1,685,000		489,769		9,703,735	8,096,572	2,900,000	12,217	68,663	2,550	95,851	23,054,356			Total

Notes:

Projected TID Closure

¹Revenues, expenditures and fund balance shown for 2017 are actual. (Source - DOR Form PE-300 and City provided financial statements.)

²Assumes August 6, 2018 Village of Shorewood (Aa2) reoffering yields plus 1/2%.

³Proposed incentive terms per Harborside term sheet dated July 27, 2018.

⁴Includes roads and sidewalks, and 50% of shared costs (mobilization, erosion control and soft costs).

⁵Includes municipal advisor, bond counsel, disclosure counsel, rating agency and paying agent fees, and underwriting discount @ 1.25%.

Table 3 – Cash Flow

SECTION 10: Annexed Property

A tax incremental district cannot include annexed territory unless at least three years have elapsed since the annexation, or certain other requirements are met. No territory is being added to the District as part of this Plan Amendment

SECTION 11: Proposed Zoning Ordinance Changes

As the scope of this Plan Amendment is limited to the transfer of excess revenue to TID No. 21, there are no zoning ordinance changes required.

SECTION 12: Proposed Changes in Master Plan, Map, Building Codes and Ordinances

As the scope of this Plan Amendment is limited to the transfer of excess revenue to TID No. 21, there are no Master Plan, Map, building code or ordinance changes required.

SECTION 13: Relocation

As the scope of this Plan Amendment is limited to the transfer of excess revenue to TID No. 21, there is no relocation involved.

SECTION 14: Orderly Development of the City

This Plan Amendment promotes the orderly development of the City by creating redevelopment opportunities through provision of necessary public infrastructure improvements and appropriate financial incentives for private development projects within the Recipient District. Through use of tax increment financing, the City can attract new investment that results in increased tax base. Development will occur in an orderly fashion in accordance with approved plans so that the Projects will be compatible with adjacent land uses. Development of new uses in the Recipient District will add to the tax base and will generate positive secondary impacts in the community such as increased employment opportunities, housing and lodging, event space, parking facilities and increased direct and indirect spending within the local economy.

SECTION 15:

List of Estimated Non-Project Costs

Non-Project Costs are public works projects which only partly benefit the District. Costs incurred that do not benefit the District may not be paid with tax increments. Examples of non-project costs are:

- A public improvement made within the District that also benefits property outside the District. That portion of the total Project Costs allocable to properties outside of the District would be a non-project cost.
- A public improvement made outside the District that only partially benefits property within the District. That portion of the total Project Costs allocable to properties outside of the District would be a non-project cost.
- Projects undertaken within the District as part of the implementation of this Project Plan, the costs of which are paid fully or in part by impact fees, grants, special assessments, or revenues other than tax increments.

No improvements to be made within the District will benefit property outside the District. Furthermore, there will be no improvements made outside the District that will only partially benefit the District.

SECTION 16:
Opinion of Attorney for the City of Racine Advising
Whether the Plan is Complete and Complies with
Wisconsin Statutes 66.1105

December 4, 2018

SAMPLE

Mayor Cory Mason
City of Racine
730 Washington Avenue
Racine, Wisconsin 53403

RE: City of Racine, Wisconsin Tax Incremental District No. 14 Amendment

Dear Mayor Mason:

As City Attorney for the City of Racine, I have reviewed the Project Plan and, in my opinion, have determined that it is complete and complies with Wisconsin Statutes Section 66.1105(4)(f).

Sincerely,

Attorney Scott Letteney
City of Racine

SECTION 17: Calculation of the Share of Projected Tax Increments Estimated to be Paid by the Owners of Property in the Overlying Taxing Jurisdictions

Estimated Portion of Taxes That Owners of Taxable Property in Each Taxing Jurisdiction Overlying District Would Pay by Jurisdiction ¹							
Statement of Taxes Data Year:		2017		Percentage			
Racine County		11,201,594		10.87%			
Gateway Technical College		2,599,919		2.52%			
City of Racine		57,219,711		55.50%			
Racine Unified School District		32,072,349		31.11%			
Total		103,093,573					
Revenue Year	Racine County	City of Racine	Racine Unified School District	Gateway Technical College	Total	Revenue Year	
2017	774	3,955	2,217	180	7,125	2017	
2018	615	3,141	1,761	143	5,660	2018	
2019	184	941	528	43	1,696	2019	
2020	184	941	528	43	1,696	2020	
2021	19,708	100,672	56,428	4,574	181,383	2021	
2022	78,283	399,883	224,139	18,170	720,474	2022	
2023	97,810	499,631	280,049	22,702	900,192	2023	
2024	97,810	499,631	280,049	22,702	900,192	2024	
2025	97,810	499,631	280,049	22,702	900,192	2025	
2026	97,810	499,631	280,049	22,702	900,192	2026	
2027	97,810	499,631	280,049	22,702	900,192	2027	
2028	97,810	499,631	280,049	22,702	900,192	2028	
2029	97,810	499,631	280,049	22,702	900,192	2029	
2030	97,810	499,631	280,049	22,702	900,192	2030	
2031	97,810	499,631	280,049	22,702	900,192	2031	
2032	97,810	499,631	280,049	22,702	900,192	2032	
2033	97,810	499,631	280,049	22,702	900,192	2033	
		1,175,659	6,005,474	3,366,142	272,874	10,820,149	

Notes:

¹The projection shown above is provided to meet the requirements of Wis. Stat. § 66.1105(4)(i)4.