

October 31, 2018 (3rd Draft)

Tax Incremental District No. 17 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. 17 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

Table of Contents

EXECUTIVE SUMMARY.....	4
EQUALIZED VALUE DROP COMPLIANCE TEST	4
MAP OF CURRENT DISTRICT BOUNDARY	5
FINANCIAL ANALYSIS	6
OPINION OF ATTORNEY FOR THE CITY OF RACINE ADVISING WHETHER THE PLAN IS COMPLETE AND COMPLIES WITH WISCONSIN STATUTES 66.1105	12

SECTION 1: Executive Summary

Description of District

Tax Incremental District (“TID”) No. 17 (“District”) is a district in need of rehabilitation or conservation created by the City on March 20, 2012. The district was created to provide incentives and to pay other costs related to a proposed mixed-use rehabilitation of the former Porter’s furniture store buildings. The project did not proceed, and in 2014 the existing buildings within the District were razed. Because of the demolition, the District’s valuation is now approximately \$1 million less than its base value. The City is currently in negotiation with a developer for construction of a mixed-use building with 120 apartments (96 market rate), 9,780 sq. ft. of retail space and a 176-space internal parking structure. (“Project”).

Amendment Purpose

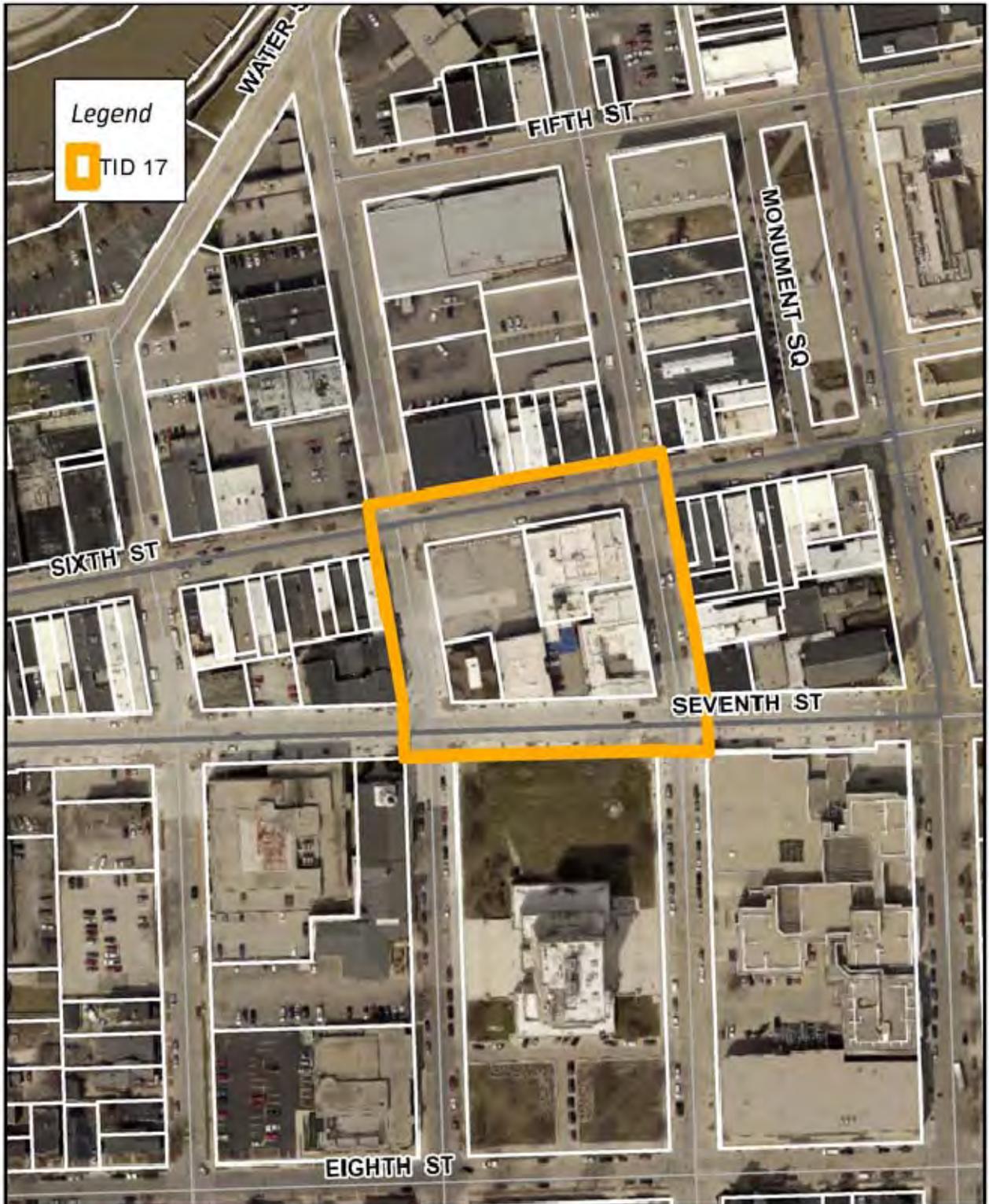
The purpose of this Amendment is to reset the base value of the District as permitted under Wis. Stat. § 66.1105(5)(h).

SECTION 2: Equalized Value Drop Compliance Test

The following table demonstrates that for the preceding two years (January 1, 2017, and January 1, 2018) the valuation of the District was more than 10% less than its original base value. The District therefore qualifies for a reset of its base value. Based on the anticipated date of Council approval of this amendment, the base value would be reestablished at the District’s current valuation of \$364,900.

TID Base Redetermination Worksheet				
Municipality name		Racine		
Co-muni code				
TID number		17		
Current Base Value		1,324,600		
	Year	TID Equalized Value	Change	Decline
1	2017	366,100	(958,500)	-72.36%
2	2018	364,900	(959,700)	-72.45%
Instructions <i>(will not print)</i>				
1. Base Value: Enter the current base value for the TID See TID Statement of Changes				
2. Year Column: Enter the two most recent years				
3. TID Equalized Value Column: Enter the equalized value of the TID (from the TID Statement of Changes) for the listed years				
4. Change and Decline Columns: These cells contain formulas that calculate the change amounts and decline percentages				

SECTION 3: Map of Current District Boundary



SECTION 4: Financial Analysis

This Section includes a forecast of the valuation increases expected within the District, the associated tax increment collections, a summary of how Project Costs would be financed, and a projected cash flow assuming a reset of the District's base value. An analysis is also provided that calculates the cash flow impact with no reset of base value.

Key Assumptions

The Project Costs the City plans to make are expected to create \$10,000,000 in incremental value by 2022. Estimated valuations and timing for the Project are included in **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 Project would generate \$5,498,485 in incremental tax revenue over the remaining life of the District as shown in **Table 2**.

City of Racine, Wisconsin									
Tax Increment District # 17 (Porter's Site)									
Development Assumptions									
Construction Year		Actual ¹	Base Value Reset ²	Mixed Use Redev. Proj. ³		Annual Total	Construction Year		
4	2015	(962,100)				(962,100)	2015	4	
5	2016	3,600				3,600	2016	5	
6	2017	(1,200)				(1,200)	2017	6	
7	2018					0	2018	7	
8	2019		959,700	738,000		1,697,700	2019	8	
9	2020			4,262,000		4,262,000	2020	9	
10	2021			5,000,000		5,000,000	2021	10	
11	2022					0	2022	11	
12	2023					0	2023	12	
13	2024					0	2024	13	
14	2025					0	2025	14	
15	2026					0	2026	15	
16	2027					0	2027	16	
17	2028					0	2028	17	
18	2029					0	2029	18	
19	2030					0	2030	19	
20	2031					0	2031	20	
21	2032					0	2032	21	
22	2033					0	2033	22	
23	2034					0	2034	23	
24	2035					0	2035	24	
25	2036					0	2036	25	
26	2037					0	2037	26	
Totals		(959,700)	959,700	10,000,000	0	10,000,000			

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.
²Base value will be reset to the actual value as of January 1, 2019, first reflected when January 1, 2020 values are certified in August of 2020.
³Assumptions as to valuations levels and timing taken from draft Poters Site Redevelopment term sheet dated September 21, 2018.

Table 1

City of Racine, Wisconsin

Tax Increment District # 17 (Porter's Site)

Tax Increment Projection Worksheet

Type of District	Rehabilitation	Base Value	1,324,600
District Creation Date	March 20, 2012	Appreciation Factor	0.00%
Valuation Date	Jan 1, 2012	Base Tax Rate	\$31.29
Max Life (Years)	27	Rate Adjustment Factor	
Expenditure Period/Termination	22 3/20/2034	Tax Exempt Discount Rate	
Revenue Periods/Final Year	26 2039	Taxable Discount Rate	1.50%
Extension Eligibility/Years	Yes 6		
Recipient District	Yes		

Construction Year	Value Added	Valuation Year	Inflation Increment	Total Increment	Revenue Year	Tax Rate ¹	Tax Increment
4 2015	-962,100	2016	0	-962,100	2017	\$31.61	0
5 2016	3,600	2017	0	-958,500	2018	\$31.29	0
6 2017	-1,200	2018	0	-959,700	2019	\$31.29	0
7 2018	0	2019	0	-959,700	2020	\$31.29	0
8 2019	1,697,700	2020	0	738,000	2021	\$31.29	23,091
9 2020	4,262,000	2021	0	5,000,000	2022	\$31.29	156,440
10 2021	5,000,000	2022	0	10,000,000	2023	\$31.29	312,880
11 2022	0	2023	0	10,000,000	2024	\$31.29	312,880
12 2023	0	2024	0	10,000,000	2025	\$31.29	312,880
13 2024	0	2025	0	10,000,000	2026	\$31.29	312,880
14 2025	0	2026	0	10,000,000	2027	\$31.29	312,880
15 2026	0	2027	0	10,000,000	2028	\$31.29	312,880
16 2027	0	2028	0	10,000,000	2029	\$31.29	312,880
17 2028	0	2029	0	10,000,000	2030	\$31.29	312,880
18 2029	0	2030	0	10,000,000	2031	\$31.29	312,880
19 2030	0	2031	0	10,000,000	2032	\$31.29	312,880
20 2031	0	2032	0	10,000,000	2033	\$31.29	312,880
21 2032	0	2033	0	10,000,000	2034	\$31.29	312,880
22 2033	0	2034	0	10,000,000	2035	\$31.29	312,880
23 2034	0	2035	0	10,000,000	2036	\$31.29	312,880
24 2035	0	2036	0	10,000,000	2037	\$31.29	312,880
25 2036	0	2037	0	10,000,000	2038	\$31.29	312,880
26 2037	0	2038	0	10,000,000	2039	\$31.29	312,880
Totals	10,000,000		0		Future Value of Increment		5,498,485

Notes:

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

Table 2

Financing and Implementation

Subject to approval of a Development Agreement, the City expects to provide development incentives to the Project as follows:

1. The City will pay to the Developer a total of \$2,816,000 to construct, own and operate a 176-space parking structure which will provide parking for apartment units and retail space to be developed. The incentive will be cash funded from excess revenue transferred to the District from Tax Incremental District No. 9.
2. On a pay as you go basis, the City will provide an incentive to the Project consisting of a payment equal to 90% of the actual tax increment collected for the first twelve years. The development incentive payment is projected to be \$2,977,494 based on the current tax rate. The incentive would be limited to no more than \$3 million under the proposed terms of the development agreement.

In addition to the incentives detailed above, the City expects to incur approximately \$330,000 in administrative expenses over the life of the District related to implementation of the Plan. These expenses will be paid in cash from a portion of the tax increment generated by the Project.

The City does not anticipate issuing debt in conjunction with the implementation of the Plan.

Based on assumed incentive payment schedules as included within the cash flow exhibit (**Table 3**), the District is projected to accumulate sufficient funds by the year 2032 to pay off all Project related liabilities and obligations. The projected early closure is based on the various assumptions noted in this Plan and will vary dependent on actual Project Costs incurred and the actual amount of tax increments collected.

City of Racine, Wisconsin

Tax Increment District # 17 (Porter's Site)

Cash Flow Projection¹

Year	Projected Revenues			Expenditures					Balances			Year	
	Tax Increments	Transfer from TID No. 9	Total Revenues	Parking Garage Incentive ²	Phase I Development Incentive ²	Interest & Fiscal Charges	DOR Fees	Admin.	Total Expenditures	Annual	Cumulative		Principal Outstanding
2017	0		0			293	150		443	(443)	(26,851)		2017
2018	0		0				150		150	(150)	(27,001)		2018
2019	0	2,816,000	2,816,000	2,816,000			150		2,816,150	(150)	(27,151)		2019
2020	0		0				150		150	(150)	(27,301)		2020
2021	23,091		23,091		20,781		150	2,159	23,091	0	(27,301)		2021
2022	156,440		156,440		140,796		150	15,494	156,440	0	(27,301)		2022
2023	312,880		312,880		281,592		150	31,138	312,880	0	(27,301)		2023
2024	312,880		312,880		281,592		150	31,138	312,880	0	(27,301)		2024
2025	312,880		312,880		281,592		150	31,138	312,880	0	(27,301)		2025
2026	312,880		312,880		281,592		150	31,138	312,880	0	(27,301)		2026
2027	312,880		312,880		281,592		150	31,138	312,880	0	(27,301)		2027
2028	312,880		312,880		281,592		150	31,138	312,880	0	(27,301)		2028
2029	312,880		312,880		281,592		150	31,138	312,880	0	(27,301)		2029
2030	312,880		312,880		281,592		150	31,138	312,880	0	(27,301)		2030
2031	312,880		312,880		281,592		150	31,138	312,880	0	(27,301)		2031
2032	312,880		312,880		281,592		150	3,837	285,579	27,301	(0)		2032
2033	312,880		312,880						0	312,880	312,880		2033
2034	312,880		312,880						0	312,880	625,759		2034
2035	312,880		312,880						0	312,880	938,639		2035
2036	312,880		312,880						0	312,880	1,251,519		2036
2037	312,880		312,880						0	312,880	1,564,398		2037
2038	312,880		312,880						0	312,880	1,877,278		2038
2039	312,880		312,880						0	312,880	2,190,158		2039
Total	5,498,655	2,816,000	8,314,655	2,816,000	2,977,494	1,109	2,850	327,044	6,124,497				Total

Notes:

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

²Proposed incentive terms per draft Poters Site Redevelopment term sheet dated September 21, 2018.

Projected TID Closure

Table 3

To illustrate the beneficial impact of the proposed base value reset, **Table 4** projects the tax increment collections through the remaining life of the District assuming a base value reset, and the assumptions related to the Project included in Tables 1 through 3. **Table 5** includes the same assumptions, but excludes the base value reset.

Projected Tax Incremental Collection WITH Base Value Reset						Projected Tax Incremental Collection WITHOUT Base Value Reset					
Budget Year	Change in Value	Base Reset	Incremental Value	Tax Rate	Projected Tax Increment	Budget Year	Change in Value	Base Reset	Incremental Value	Tax Rate	Projected Tax Increment
2017 Actual	-962,100		-962,100	31.61	\$ -	2017 Actual	-962,100		-962,100	31.61	\$ -
2018 Actual	3,600		-958,500	31.29	\$ -	2018 Actual	3,600		-958,500	31.29	\$ -
2019 Actual	-1,200		-959,700	31.29	\$ -	2019 Actual	-1,200		-959,700	31.29	\$ -
2020	0		-959,700	31.29	\$ -	2020	0		-959,700	31.29	\$ -
2021	738,000	959,700	738,000	31.29	\$ 23,091	2021	738,000		-221,700	31.29	\$ -
2022	4,262,000		5,000,000	31.29	\$ 156,440	2022	4,262,000		4,040,300	31.29	\$ 126,413
2023	5,000,000		10,000,000	31.29	\$ 312,880	2023	5,000,000		9,040,300	31.29	\$ 282,853
2024	0		10,000,000	31.29	\$ 312,880	2024	0		9,040,300	31.29	\$ 282,853
2025	0		10,000,000	31.29	\$ 312,880	2025	0		9,040,300	31.29	\$ 282,853
2026	0		10,000,000	31.29	\$ 312,880	2026	0		9,040,300	31.29	\$ 282,853
2027	0		10,000,000	31.29	\$ 312,880	2027	0		9,040,300	31.29	\$ 282,853
2028	0		10,000,000	31.29	\$ 312,880	2028	0		9,040,300	31.29	\$ 282,853
2029	0		10,000,000	31.29	\$ 312,880	2029	0		9,040,300	31.29	\$ 282,853
2030	0		10,000,000	31.29	\$ 312,880	2030	0		9,040,300	31.29	\$ 282,853
2031	0		10,000,000	31.29	\$ 312,880	2031	0		9,040,300	31.29	\$ 282,853
2032	0		10,000,000	31.29	\$ 312,880	2032	0		9,040,300	31.29	\$ 282,853
2033	0		10,000,000	31.29	\$ 312,880	2033	0		9,040,300	31.29	\$ 282,853
2034	0		10,000,000	31.29	\$ 312,880	2034	0		9,040,300	31.29	\$ 282,853
2035	0		10,000,000	31.29	\$ 312,880	2035	0		9,040,300	31.29	\$ 282,853
2036	0		10,000,000	31.29	\$ 312,880	2036	0		9,040,300	31.29	\$ 282,853
2037	0		10,000,000	31.29	\$ 312,880	2037	0		9,040,300	31.29	\$ 282,853
2038	0		10,000,000	31.29	\$ 312,880	2038	0		9,040,300	31.29	\$ 282,853
2039	0		10,000,000	31.29	\$ 312,880	2039	0		9,040,300	31.29	\$ 282,853
Total					\$ 5,498,485	Total					\$ 4,934,907

PROJECTED NET BENEFIT OF BASE RESET **\$ 563,578**

Table 4

Table 5

As identified in the tables, as reset of the District's base value would provide a net gain of \$563,578 in tax increment collections over the remaining life of the District, which will provide additional capability to make and recover project costs.

Statement on Expenditure Option Selected

Wis. Stat. § 66.1005(5)(i) requires that the City select one of the following conditions that will apply to the District as a requirement to qualify for the base reset.

Option #3 (sec. 66.1105(5)(i)3.)	Option #4 (sec. 66.1105(5)(i)4.)	Option #5 (sec. 66.1105(5)(i)5.)
<ul style="list-style-type: none">• At least 51% of the public infrastructures improvements value must be financed by a private developer or entity• Development agreement is required to receive cash grants which will solely repay the developer or entity for public infrastructure costs	<ul style="list-style-type: none">• All project costs are expected to be paid within 90% of the TID's maximum life	<ul style="list-style-type: none">• Expenditures may be made only within the first half of the TID's maximum life• JRB can unanimously approve additional expenditure(s) but not beyond the original expenditure period

The City has elected Option #4 based on the cash flow projection shown on Table 3 which projects that the District will recover all project costs by 2032 which is less than 90% of the District's remaining life.

SECTION 5:
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. 17 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