

October 31, 2018 (2nd Draft)

Tax Incremental District No. 18 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. 18

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. 18 (“District”) is a blighted area district created by the City on September 16, 2014. The district was created to eliminate blight and facilitate a private redevelopment project as part of implementation of the RootWorks 2014 Strategic Plan. After encountering various difficulties, the original developer abandoned its plans for the redevelopment project. Currently referred to as the Water Street Redevelopment Area, the City has razed the two old Case buildings and assorted outbuildings between Water Street and the Root River. The City’s immediate objective is to reposition the District for successful future redevelopment by resetting its base value. In conjunction with the base value reset, the City will remove three parcels from the District which will benefit the City and other taxing jurisdictions by providing access to the tax revenues expected to be generated from near-term redevelopment that does not require District financial assistance. The City may seek an additional amendment to the Project Plan in 2019 pending discussions with potential developers and a determination as to whether the scope of potential tax incremental financing support remains consistent with the original District Project Plan.

Amendment Purposes

The purpose of this Plan Amendment is two-fold:

1. To reset the base value of the District as permitted under Wis. Stat. § 66.1105(5)(h).
2. To subtract territory from the District, specifically parcels 03578002 (1229 Sixth Street), 03578001 (1230 Sixth Street) and a portion of parcel 0354200 (526 Marquette St.).

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: 1) the City’s economic development objectives for the District will not be achieved; and 2) additional potential development within the District may not occur in the manner, at the values, or within the timeframe desired by the City.** 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. As discussed in this Plan Amendment, the first \$7.2 million in additional valuation gain within the District will be negated without a reset of the District’s base value. But for the base reset, and given the District’s current deficit fund balance position, the City will be unlikely be able to make the requisite investments needed to facilitate redevelopment within the District. Since the City would require that any projects receiving incentives demonstrate the necessity for them, the “but for” test would also be satisfied in that respect.
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.** Permitting the base reset will allow the City to make the investments needed to promote redevelopment within the District. By applying the “but for” test to individual redevelopment projects and assessing their impact on the economic feasibility of the District, the City will manage expenditures so that increased property value will exceed the cost of the related

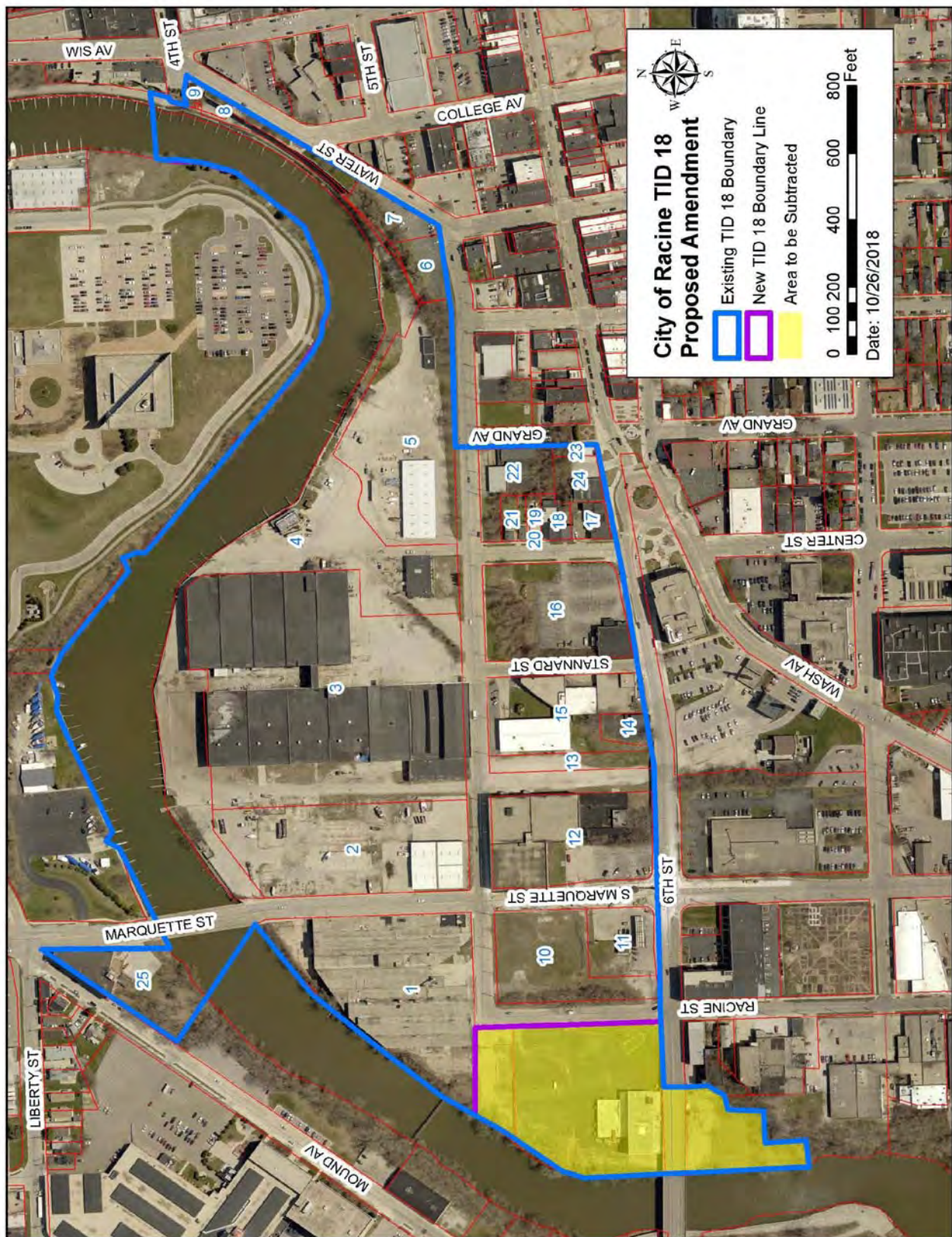
expenditures and improvements. The City also expects that the redevelopment that will occur will provide increased employment, business and personal income.

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 District will achieve the objectives of 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 benefits to be realized within the District outweigh 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. Not less than 50%, by area, of the real property within the District is 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 September 16, 2014, the district was created to eliminate blight and facilitate a private redevelopment project as part of implementation of the RootWorks 2014 Strategic Plan. After encountering various difficulties, the original developer abandoned its plans for the redevelopment project. Currently referred to as the Water Street Redevelopment Area, the City has razed the two old Case buildings and assorted outbuildings between Water Street and the Root River. The City's immediate objective is to reposition the District for successful future redevelopment by resetting its base value. In conjunction with the base value reset, the City will remove three parcels from the District which will benefit the City and other taxing jurisdictions by providing access to the tax revenues expected to be generated from near-term redevelopment that does not require District financial assistance. The City may seek an additional amendment to the Project Plan in 2019 pending discussions with potential developers and a determination as to whether the scope of potential tax incremental financing support remains consistent with the original District Project Plan.

SECTION 3: District Boundary Map & Identification of Parcels to be Subtracted



SECTION 4:

Identification of Parcels to be Subtracted

As part of this Plan Amendment, the City is removing the parcels identified in the table below from the District effective January 1, 2018. (The two whole parcels, and the portion of parcel 03542000 to be removed will be combined as a single tax key parcel prior to approval of this Plan Amendment.) Subtraction of these parcels will benefit the City and other taxing jurisdictions by providing access to the tax revenues expected to be generated from near-term redevelopment that does not require District financial assistance.

Parcel ID	Property Address	Assessed Value (Base Year)	Assessed Value (Jan. 1, 2018)
03578002	1229 Sixth Street	0	0
03578001	1230 Sixth Street	0	0
03542000 (Part of)	526 Marquette Street	770,000	0
Total		770,000	0

SECTION 5:

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 September 16, 2014. That map is hereby incorporated by reference.

SECTION 6: Equalized Value Test

No territory will be added to the District. Demonstration of compliance with the 12% equalized value test is therefore not required for this Plan Amendment. However, to qualify for a reset of the District's base value, the District's valuation for the preceding two valuation years must be at least 10% less than its original base value. The following table demonstrates that for January 1, 2017, and January 1, 2018, the valuation of the District was more than 10% less than its original base value. Based on the anticipated date of Council approval of this Plan Amendment, the base value would be reestablished at the District's current valuation of \$3,045,500.

TID Base Redetermination Worksheet				
Municipality name		<input type="text" value="Racine"/>		
Co-muni code		<input type="text"/>		
TID number		<input type="text" value="18"/>		
Current Base Value		<input type="text" value="10,250,100"/>		
Year		TID Equalized Value	Change	Decline
1	2017	7,162,200	(3,087,900)	-30.13%
2	2018	3,045,500	(7,204,600)	-70.29%

Instructions *(will not print)*

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 7: 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 September 16, 2014 remains unchanged.

SECTION 8: 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 September 16, 2014. That map is hereby incorporated by reference.

SECTION 9: Detailed List of Project Costs

The Detailed List of Project Costs set forth in the original District Project Plan approved on September 16, 2014 remains unchanged.

SECTION 10: Economic Feasibility Study, Financing Methods, and the Time When Costs or Monetary Obligations Related are to be Incurred

The District had a negative fund balance of \$5,160,190 as of December 31, 2017. The concurrently proposed amendment to the Project Plan of Tax Incremental District No. 12 to permit it to allocate excess revenues to the District is projected to provide just over \$3,000,000 in transferred revenue through 2033 to assist in recovering some of the cost of prior District expenditures. The City expects that future redevelopment within the District will provide a sufficient increase in incremental value to allow the District to recover the balance of past Project Costs. At present, the types, locations and potential valuations of redevelopment projects are being evaluated along with the related expenditures that may be necessary to achieve those valuations. The City may seek an additional amendment to the Project Plan in 2019 pending discussions with potential developers and a determination as to whether the scope of potential tax incremental financing support remains consistent with the original District Project Plan. Pending development of a more detailed plan for the continued implementation of the District's Project Plan, it is important that the City take the actions needed to reset the base value of the District so that future valuation gains resulting from redevelopment are fully captured as incremental value. Absent the base reset, the first \$7.2 million in additional valuation growth will be negated by the District's current decremental value.

To illustrate the beneficial impact of the proposed base value reset, **Table 1** projects the tax increment collections through the remaining life of the District assuming a base value reset, a constant tax rate and a redevelopment project valued at \$10,000,000 built out over four years (2022 – 2025). **Table 2** includes the same assumptions, but excludes the base value reset.

Projected Tax Incremental Collection WITH Base Value Reset

Budget Year	Change in Value	Base Reset	Incremental Value	Tax Rate	Projected Tax Increment
2017 Actual	-1,774,600		-1,774,600	31.61	\$ -
2018 Actual	-1,313,300		-3,087,900	31.29	\$ -
2019 Actual	-4,116,700		-7,204,600	31.29	\$ -
2020	0		-7,204,600	31.29	\$ -
2021	0	7,204,600	0	31.29	\$ -
2022	2,500,000		2,500,000	31.29	\$ 78,220
2023	2,500,000		5,000,000	31.29	\$ 156,440
2024	2,500,000		7,500,000	31.29	\$ 234,660
2025	2,500,000		10,000,000	31.29	\$ 312,880
2026	0		10,000,000	31.29	\$ 312,880
2027	0		10,000,000	31.29	\$ 312,880
2028	0		10,000,000	31.29	\$ 312,880
2029	0		10,000,000	31.29	\$ 312,880
2030	0		10,000,000	31.29	\$ 312,880
2031	0		10,000,000	31.29	\$ 312,880
2032	0		10,000,000	31.29	\$ 312,880
2033	0		10,000,000	31.29	\$ 312,880
2034	0		10,000,000	31.29	\$ 312,880
2035	0		10,000,000	31.29	\$ 312,880
2036	0		10,000,000	31.29	\$ 312,880
2037	0		10,000,000	31.29	\$ 312,880
2038	0		10,000,000	31.29	\$ 312,880
2039	0		10,000,000	31.29	\$ 312,880
2040	0		10,000,000	31.29	\$ 312,880
2041	0		10,000,000	31.29	\$ 312,880
2042	0		10,000,000	31.29	\$ 312,880
Total					\$ 6,101,154

Projected Tax Incremental Collection WITHOUT Base Value Reset

Budget Year	Change in Value	Base Reset	Incremental Value	Tax Rate	Projected Tax Increment
2017 Actual	-1,774,600		-1,774,600	31.61	\$ -
2018 Actual	-1,313,300		-3,087,900	31.29	\$ -
2019 Actual	-4,116,700		-7,204,600	31.29	\$ -
2020	0		-7,204,600	31.29	\$ -
2021	0		-7,204,600	31.29	\$ -
2022	2,500,000		-4,704,600	31.29	\$ -
2023	2,500,000		-2,204,600	31.29	\$ -
2024	2,500,000		295,400	31.29	\$ 9,242
2025	2,500,000		2,795,400	31.29	\$ 87,462
2026	0		2,795,400	31.29	\$ 87,462
2027	0		2,795,400	31.29	\$ 87,462
2028	0		2,795,400	31.29	\$ 87,462
2029	0		2,795,400	31.29	\$ 87,462
2030	0		2,795,400	31.29	\$ 87,462
2031	0		2,795,400	31.29	\$ 87,462
2032	0		2,795,400	31.29	\$ 87,462
2033	0		2,795,400	31.29	\$ 87,462
2034	0		2,795,400	31.29	\$ 87,462
2035	0		2,795,400	31.29	\$ 87,462
2036	0		2,795,400	31.29	\$ 87,462
2037	0		2,795,400	31.29	\$ 87,462
2038	0		2,795,400	31.29	\$ 87,462
2039	0		2,795,400	31.29	\$ 87,462
2040	0		2,795,400	31.29	\$ 87,462
2041	0		2,795,400	31.29	\$ 87,462
2042	0		2,795,400	31.29	\$ 87,462
Total					\$ 1,583,565

PROJECTED NET BENEFIT OF BASE RESET **\$ 4,517,588**

Table 1

Table 2

As identified in the tables, as reset of the District's base value would provide a net gain of \$4,517,588 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 remaining 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 and expects all project costs to be paid by the year 2039, within 90% of the District's remaining life.

SECTION 11: 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 12: Proposed Zoning Ordinance Changes

The proposed Plan Amendment is in general conformance with the City's current zoning ordinances. Individual properties may require rezoning at the time of development.

SECTION 13: Proposed Changes in Master Plan, Map, Building Codes and Ordinances

The proposed Plan Amendment is in general conformance with the City's Comprehensive Plan. Development within the District will be required to conform to State Building Codes and will be subject to the City's permitting and inspection procedures. The proposed Plan conforms to all relevant State and local ordinances, plans, and codes. No changes to the existing regulations are proposed or needed.

SECTION 14: Relocation

Should implementation of this Plan Amendment require relocation of individuals or business operations, relocations will be handled in compliance with Wis. Stat. Chapter 32 and Wis. Admin. Code ADM 92.

SECTION 15: Orderly Development of the City

This original District Project Plan 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 District and the Recipient Districts. 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 District and Recipient Districts will add to the tax base and will generate positive secondary impacts in the community such as increased employment opportunities, housing, parking facilities and increased direct and indirect spending within the local economy. This Plan Amendment does not impact the original District Project Plan regarding orderly development of the City.

SECTION 16: 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 17:
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. 18 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 18:

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

The scope of this Plan Amendment makes no changes to the calculations prepared and included in the original District Project Plan approved on September 16, 2014. Those calculations are hereby incorporated by reference