

CITY OF RACINE, WISCONSIN

REDEVELOPMENT AUTHORITY RESOLUTION 18-40

A RESOLUTION RECOMMENDING THE USE OF CITY INTERGOVERNMENTAL SHARED REVENUE FUNDS FOR ECONOMIC DEVELOPMENT ASSISTANCE TO THE @ NORTH BEACH DEVELOPMENT AND RECOMMENDING APPROVAL OF THE INCENTIVE AGREEMENTS, AS PROPOSED.

WHEREAS, City staff presents an Incentive Agreement to provide financial assistance to the @ North Beach Development, proposed by Royal Capital Group, doing business as Racine Harborside, LLC, through a developer-funded Tax Increment Financing, Tax increment reserves, City Intergovernmental Shared Revenue Funds (IG Funds), sanitary sewer surcharge fund, and EPA Brownfield Revolving Loan funds;

WHEREAS, these proposed incentives will facilitate the development of a market-rate mixed use/residential development of approximately 500 residential units in two phases;

WHEREAS, Phase I of the development is estimated to exceed \$50,000,000 in private investment with similar levels of private investment planned for Phase II;

WHEREAS, the property is owned by the City of Racine and was acquired by the City from the Racine Water and Waste Water Utility in March, 1999 for the purposes of redevelopment. The City demolished buildings on the site and worked with the Wisconsin Department of Natural Resources (WDNR) to obtain site closure to industrial standards relating to Brownfields.

WHEREAS, the City of Racine began term sheet negotiations for the sale of the property and the incentives necessary for this site to receive private financing from a bank back in January, 2018. Since that time, staff and the developer have arrived at a set of agreements that allow the developer to achieve private financing of a significant residential development and proceed with developing construction plans for the site.

WHEREAS, the incentives that are proposed as part of the residential redevelopment include:

1. Tax Increment District (TID) "Developer Funded TID Incentive" from TID#14 – 90% of increment over 14 years.
2. City will finance the purchase price of the property over 14 years (\$3,250,864) with annual payment of \$160,726 coming to the City's general fund for the term of the promissory note and a balloon payment of \$1,000,000 due at the end of the term of the note.
3. Parking Facility incentive of \$6,496,000 to offset the costs of structured parking paid from TID #14 Reserves.
4. City Infrastructure Payment of up to \$1,049,112 from the City's Intergovernmental Revenue Sharing Fund, repaying the IG Fund with the 10% of tax increment coming back to the City (dedicated city street and sidewalks).
5. Sanitary Sewer Lift Station Upgrade (estimated at \$1,185,000) from the City's sanitary sewer surcharge fund to cover the full cost of a sanitary lift station upgrade to serve the neighborhood.
6. REC Fee incentive of up to \$58,000 for all phases to be paid from the City's Intergovernmental Revenue Funds.
7. City will assist the developer in receiving a City/EPA Brownfield Cleanup Revolving Loan from the City's established, EPA-funded BCRLF Loan fund.

WHEREAS, In order to receive the above incentives, the developer is obligated to the following:

- a. Developer agrees to a minimum investment of \$50,000,000 of private debt and equity in Phase I of the development.
- b. Developer must have evidence of fully committed private financing and developer equity of at least 15%.
- c. Developer must operate, manage, and maintain the parking facility.
- d. Developer must pay for all “Developer” infrastructure on site.
- e. Developer must create buildings that are LEED Certified, achieving high energy efficiency goals.
- f. Developer must comply with the Racine Works Ordinance, requiring that 20% of construction work hours must be completed by qualified and eligible low income City residents.

WHEREAS, City staff presents a review of the use of IG funds showing that the proposed incentive using IG funds will far exceed the project eligibility requirements set forth in City policy related to the use of IG funds;

WHEREAS, while IG funds require a minimum 1:5 ratio of IG funds to private investment, the ratio proposed by the developer is 1:26 (IG funds to private investment).

BE IT THEREFORE RESOLVED, that a proposed Incentive Agreement between the City of Racine and Racine Harborside, LLC for the property at 1129 Michigan Boulevard be recommended for approval by Common Council;

BE IT FURTHER RESOLVED, the RDA deems this use of City Intergovernmental Shared Revenue funds to be in keeping with adopted City policies and ordinances and in furtherance of the City’s plans for economic development.

Adopted on:

December 6, 2018

Seal

By a Vote of

For:	0
Against:	0
Abstain:	0

Attest:

Amy Connolly, Executive Director
Redevelopment Authority of the City of Racine