



## Redevelopment Authority/Common Council

### AGENDA BRIEFING MEMORADUM

<b>AGENDA DATE:</b>	February 7, 2019 Redevelopment Authority
<b>SUBJECT:</b>	Approval of Use of Budgeted Intergovernmental Revenue Sharing Funds within the RDA 2019 Budget to provide a “waiver” of REC Fees for Gold Medal Medal
<b>PREPARED BY:</b>	Amy Connolly, Director of City Development & Jim Palenick, City Administrator
<b>SUMMARY:</b>	<p>City staff requests approval of the use of Intergovernmental Revenue Sharing Funds to support the waiving of Residential Equivalent Charge (water connection fees) for the Gold Medal Lofts development at for a total of \$27,000.</p>
<b>PROJECT BACKGROUND:</b>	<p>Gold Medal Lofts is a proposed 77 unit multiple family housing redevelopment within the historic “Gold Medal Furniture Building” at 1701 Packard Avenue. The development is a partnership between J. Jeffers and Company (Milwaukee) and Lutheran Social Services of Wisconsin. The development is financed through low income housing tax credits, historic preservation tax credits, CDBG and HOME loans from the City of Racine, and developer equity. The development will be mixed income, including a mix of market rate units and units at various “area median income” levels meeting HUD and WHEDA guidelines.</p> <p>This development fits the goals outlined in the Uptown Strategic Plan, the Great Uptown Neighborhood Revitalization Plan (NRSA) and meets overall housing development needs within the City of Racine. The development is not within a tax increment financing district and, therefore, is not eligible for TID assistance. The City of Racine is providing approximately \$1,540,000 in CDBG Loans (1% interest over 20 years) and a \$300,000 HOME loan to the development.</p> <p>The result of this renovation will be a substantial increase in the amount of property taxes generated through the investment, new residents in the neighborhood, and a significantly improved property within the City.</p> <p>As part of the conversion of this property from Industrial/storage uses to multiple family residential, there are substantial improvements in water and sewer services required. Additionally, the Racine Water Utility requires a \$500/unit “Residential Equivalent Charge” or “REC Fee” be charged when residential uses are added to the utility service. The expected REC fees for the 77 unit addition is \$27,000 (or 77 units x \$500 rec fee).</p>

The City of Racine and its RDA planned for the need to incentivize pioneering residential developments in the City by “waiving” the REC Fees. The RDA will pay the Racine Water Utility directly from its budget so that it is not a grant to the developer, but a direct payment to the Water Utility. The RDA budgeted \$50,000 in its 2019 budget for the waiving of REC fees for significant, pioneering, residential developments within the City.

#### **REVIEW OF INTERGOVERNMENT FUND USE:**

Section 46-266 of the City of Racine Ordinances provides for an Intergovernmental Revenue Sharing fund, which is created from revenue sharing contributions from wastewater customers of the Racine Area Intergovernmental Sanitary Sewer Service agreement (April, 2002). Eligibility of any project proposed to use Intergovernmental Revenue Sharing Funds (or, IG Funds) must be reviewed by the Redevelopment Authority and then recommended to Common Council, who ultimately administers the fund. The criteria for project eligibility is:

- 1. The project must be a capital project and associated costs and expenses where such project have private investment and result in taxable real estate development or job creation/retention, or are unique tax exempt projects that eliminate blight and result in tangible indirect increases in taxable real estate or job creation/retention.**

The Gold Medal Lofts will be an approximately \$18M rehabilitation project that will result in the addition of 77 mixed income rental apartments at 1701 Packard Avenue. The development will result in an historic building being saved and rehabilitated, the development will pay property taxes to the City (or agree to a payment in lieu of taxes), and the development will substantially eliminate blight and result in increase in taxable real estate. Most importantly, this development will provide new housing in the City of Racine in a neighborhood that needs significantly improved housing.

- 2. Project resulting in tax base creation shall have a minimum ratio of \$5 in net new tax base for every \$1 of public investment (where there is not a loan payback).**

The investment of \$27,000 of REC Fees (as proposed) is being matched with \$18M in investment coming from multiple sources (state, federal, City, and developer equity). The ROI far exceeds the 5:1 ratio required.

- 3. Commercial and industrial projects shall be eligible if the project creates a minimum of one full-time equivalent job for every \$50,000 of non-loan capital granted or one full-time equivalent job for every \$100,000 of loan capital provided.**

This is a residential project and, therefore, the commercial/industrial requirements do not apply.

**RECOMMENDED ACTION:**

City staff recommends that the Redevelopment Authority find that the use of Intergovernmental Revenue Shared Funds meets the project eligibility requirements set forth in City Policy.

Further, City staff recommends that the Redevelopment Authority approve using \$27,000 of the budgeted \$50,000 "Rec Fee Grant program" to waive the REC fees of Gold Medal Lofts.

**FISCAL NOTE:**

The proposed REC Fee "waiver" of \$27,000 is fully supported within the City's of Racine and the RDA's Budget within the Intergovernmental Revenue Fund Budget for 2019 (Allocation to the RDA) of \$50,000 for "REC Fee Grant Program."