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City of Racine, Wisconsin
COMMON COUNCIL

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AGENDA BRIEFING MEMORADUM (ABM)

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COMMITTEE: Finance & Personnel **LEGISLATION ITEM #:** 0849-19

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AGENDA DATE: July 22, 2019 Finance & Personnel Committee
August 6, 2019 Common Council

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DEPARTMENT:

Prepared By: James M. (Jim) Palenick, City Administrator

Reviewed By: Cory Mason, Mayor

SUBJECT: A request to approve the Developer Incentive Agreement between the City of Racine and Inspired Real Estate Developers, LLC for the Tannery at the Edge of The River Project at 1230 Sixth Street.

EXECUTIVE SUMMARY: Inspired Real Estate Developers LLC plan to construct a three-phase, residential development project at 1230 Sixth street, primarily North of the 6th street bridge and adjacent to the City's Water Street Redevelopment area. The project to consist of a Phase I with 52 residential units in the redeveloped and expanded (additional floor) former Gospel Lighthouse building, along with 77 residential units in new 7-level (two-level parking, 5-level residential) building at corner of 6th St. and Racine St., for a total of 129 units. Phase II, to be located North of Phase I and North of the 6th Street Bridge, will consist of 180 residential units in new 7-level (two-level parking, 5-level residential) building, with a total of 180 total units. Phase III, to be located South of the 6th St. Bridge, will be a combination of new riverfront Townhomes along with residential units within redeveloped existing structures, with the number of units yet to be determined. The Developer guarantees a private sector investment of a minimum \$20 Million in Phase I and, in turn, the City proposes to provide the following incentives to assist the project:

- City will pay the complete costs associated with the design, construction , and inspection of the relocation of a 39" sanitary sewer transmission main which currently runs under the desired location for the new 7-level residential building proposed for Phase I. The cost to be

32 provide for from the City's Sanitary Sewer surcharge fund and not-to-exceed \$1,500,000 (
33 included in the approved 2019 CIP Budget).

- 34 • City to pay any otherwise-necessary Residential Equivalent Connection (REC) Fee charges for
35 water service to any and all phases of the project, using Intergovernmental funds (IG). (only
36 Phase III will require the actual payment of an estimated \$10,000 based on historic credits).
- 37 • City to provide up to 50% of the costs associated with the relocation and undergrounding of
38 WE Energies electric facilities on-site; not-to-exceed \$400,000.
- 39 • City to waive Building Fees in an amount equal to \$2,000 for each \$Million of investment up to
40 a maximum waiver of \$60,000.
- 41 • City to convey the vacated portion of Water Street Right-of-way northerly adjacent to the
42 Developers property in exchange for the Developer conveying to the City the necessary
43 easement to construct public-access river-walk along the complete Root River frontage of the
44 Developers property.

46 **BACKGROUND & ANALYSIS:** Developer is prepared to design and construct the sanitary sewer
47 relocation; work with WE Energies to complete the electric transmission and facilities relocation and
48 undergrounding; apply for and receive the proper zoning and planning approvals and entitlements;
49 and, facilitate the ROW exchange, as soon as the Incentive agreement is approved. The City will
50 reimburse the Developer for the costs as indicated as the work proceeds and invoices for actual work
51 completed is received. This entire property was removed from the Water Street Tax Increment
52 Improvement District when T.I.D. #18 was recently amended. This was done because this project will
53 not receive any Tax increment incentive payments and will instead pay the full 100% property Tax
54 rate assessed by the City. Infrastructure construction should begin in Fall, 2019 followed by new
55 project construction in Spring 2020. Redevelopment work on the former Gospel Lighthouse building
56 could begin in late 2019. All three phase could add over 300 units of market-rate housing to
57 downtown with private sector investment exceeding \$40 Million.

59 **BUDGETARY IMPACT:** The \$1,500,000 for the sanitary sewer relocation is already budgeted for in the
60 approved 2019 CIP Budget. The \$400,000 in IG funds is easily accommodated within the IG Funds
61 budget and will be partially to fully repaid through the City receiving 50% of the Developers electric
62 hook-up credits (paid out in the first 5 years following construction, and as units come on board) to a
63 maximum of the entire \$400,000. Upon completion, the new project will be taxed at a full 100% tax
64 rate based on assessed value with no TID capture AND ALL City property taxes accruing to the city's
65 General Fund as net new construction. (at a 16.07 mil rate, \$20 Million in new assessed value would
66 bring in \$321,400 a year in new tax revenue)

68 **OPTIONS/ALTERNATIVES:**

- 69 1.) To recommend and approve of the Developer Incentive Agreement between the City of Racine
70 and Inspired Real Estate Developers, LLC for the Tannery at the Edge of The River Project at

71 **1230 Sixth Street and to authorize the Mayor and City Clerk to execute the Agreement on the**
72 **city's behalf.**

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74 **2.) To recommend deferral or denial of action on the Developer Incentive Agreement between the**
75 **City of Racine and Inspired Real Estate Developers, LLC for the Tannery at the Edge of The River**
76 **Project at 1230 Sixth Street.**

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78 **RECOMMENDED ACTION:**

79 **To recommend and approve of the Developer Incentive Agreement between the City of Racine and**
80 **Inspired Real Estate Developers, LLC for the Tannery at the Edge of The River Project at 1230 Sixth**
81 **Street and to authorize the Mayor and City Clerk to execute the Agreement on the City's behalf.**

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83 **ATTACHMENT(S):**

84 **Developer Incentive Agreement for Tannery at the Edge of the river (with Attachments).**