



City of Racine, Wisconsin  
COMMON COUNCIL

**AGENDA BRIEFING MEMORADUM (ABM)**

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

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**AGENDA DATE:** July 22, 2019 Finance & Personnel Committee  
August 1, 2019 Redevelopment Authority  
August 6, 2019 Common Council

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**DEPARTMENT:**

**Prepared By:** James M. (Jim) Palenick, City Administrator  
Amy Connolly, Executive Director, RDA/Director of City Development

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**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, recommend approval of the use of Intergovernmental Shared Revenues Funds as part of the incentive package, and direct RDA staff to convey vacated portion of Water Street right of way to the developer in exchange for a public access river walk easement.

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**EXECUTIVE SUMMARY:** Inspired Real Estate Developers LLC plan to construct a three-phase, residential development project at 1230 Sixth street, primarily North of the 6<sup>th</sup> 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 6<sup>th</sup> St. and Racine St., for a total of 129 units. Phase II, to be located North of Phase I and North of the 6<sup>th</sup> 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 6<sup>th</sup> 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 provide for from the City's Sanitary Sewer surcharge fund and not-to-exceed \$1,500,000 (included in the approved 2019 CIP Budget).
- City to pay any otherwise-necessary Residential Equivalent Connection (REC) Fee charges for water service to any and all phases of the project, using Intergovernmental funds (IG). (only Phase III will require the actual payment of an estimated \$10,000 based on historic credits).
- City to provide up to 50% of the costs associated with the relocation and undergrounding of WE Energies electric facilities on-site; not-to-exceed \$400,000.
- City to waive Building Fees in an amount equal to \$2,000 for each \$Million of investment up to a maximum waiver of \$60,000.
- City to convey the vacated portion of Water Street Right-of-way northerly adjacent to the Developers property in exchange for the Developer conveying to the City the necessary easement to construct public-access river-walk along the complete Root River frontage of the Developers property.

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

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

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**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 proposed incentive agreement anticipates two uses of IG funds totally approximately \$410,000:

- a. Approximately \$10,000 for Residential Equivalent Connection (REC) Fee charges for water service to any and all phases of the project. We anticipate needing REC fees only for Phase III in an amount of \$10,000.
- b. 50% of the costs associated with the relocation and undergrounding of WE Energies electric facilities on-site; not-to-exceed \$400,000.

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 Tannery Project anticipates the development of approximately 129 units of new residential housing in Phase I and approximately 180 residential units in Phase II. The development will result in an historic building being saved and rehabilitated, and the new project will be taxed at a full 100% tax rate based on assessed value with no TID capture AND ALL City property taxes accruing to the city's General Fund as net new construction (at a 16.07 mil rate, \$20 Million in new assessed value would bring in \$321,400 a year in new tax revenue). The proposed development will substantially eliminate blight and result in increase in taxable real estate. Most importantly, this development will provide new, market rate apartment housing in the City of Racine near the City's downtown and within the Rootworks Planning area.

- 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 IG public investment of \$410,000 is being matched with \$20M in private investment in Phase I, alone. The ROI far exceeds the 5:1 ratio required. Total investment will likely exceed \$50M.

- 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.**

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

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113 **RECOMMENDED ACTION:**

- 114 1. To recommend and approve of the Developer Incentive Agreement between the City of Racine  
115 and Inspired Real Estate Developers, LLC for the Tannery at the Edge of The River Project at  
116 1230 Sixth Street and to authorize the Mayor and City Clerk to execute the Agreement on the  
117 City's behalf; and
- 118 2. To recommend approval of the use of Intergovernmental Shared Revenues Funds as part of the  
119 incentive package as meeting the criteria for project eligibility, and
- 120 3. To direct RDA staff and City Attorney to convey vacated portion of Water Street right of way,  
121 currently owned by the RDA, to the developer in exchange for a public access river walk  
122 easement to the City of Racine.

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124 **ATTACHMENT(S):**

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