City of Racine, Wisconsin

COMMON COUNCIL

AGENDA BRIEFING MEMORADUM (ABM)

COMMITTEE: Finance & Personnel LEGISLATION ITEM #: _____

AGENDA DATE: Special Meeting of Finance & Personnel: _____
September 3, 2029 Common Council

DEPARTMENT:

Prepared By: James M. (Jim) Palenick

Reviewed By: Cory Mason, Mayor

SUBJECT:

A Request to approve the Amendment to the Tax Increment Financing Agreement; Promissory Note; and Vacant Land Offer to Purchase between the City of Racine and Racine Harborside, LLC for the @North Beach Project memorializing the City's commitment to cover the extraordinary costs of extending sanitary sewer infrastructure; amending certain incentives required to fulfill the project; and extending the closing date for land purchase.

EXECUTIVE SUMMARY:

An Agenda Briefing Memorandum (ABM) was prepared for Legislative Item #0906-19, detailing the City's need to amend the @North Beach Agreement in order to approve the City's commitment to use T.I.D. #14 Reserve Funds to pay for a regional extension to the sanitary sewer necessary to serve non-project, future development parcels to the south. Since that time, however, and due to escalating construction costs; a softening national economy; and various complications to the on-site remediation and infrastructure requirements; it has become necessary to further amend several of the Agreements tied to this (@North Beach) project in order to provide certain enhancements to the incentives needed to make the project successful, along with extending the closing date for Developer land purchase to October 25, 2019. Each of these changes are necessary to allow the project to continue and to still allow for a 2019 construction start.

BACKGROUND & ANALYSIS:

Specifically, the Amendments now included and agreed to by the parties are as follows:

1. **The City will use up to $595,000 in T.I.D. #14 Reserve Funds to cover the actual extraordinary costs of extending sanitary sewer infrastructure to serve non-project future development parcels to the south (per #0906-19)**
2. **The City will amend the sales price of the land from $3,250,864 to $2,250,864 by eliminating and foregoing the required $1,000,000 balloon payment required at the conclusion of the 14-year T.I.D. period.**
3. **The City will amend the developer-funded tax increment capture being returned to the developer from property taxes during the life of the T.I.D. from 90% to 95%.**
4. **The City will agree to assign to the developer any funds it may receive in the future from proceeds generated as a result of any special assessments, impact fees, or other charges it may impose for the connection to the sanitary sewer extended to the south.**
5. **The parties agree to extend the land closing date to October 25, 2019 in order to meet the time necessary to complete the agreements, as well as certain outstanding permit approvals, while still allowing for a 2019 ground-breaking.**

The Tax Increment Financing Agreement will be amended to include #1) $595,000 of extraordinary sanitary sewer costs; #3.) Developer T.I.D. capture from 90% to 95%; and #4). Assignment of possible sewer fee recapture.

The Promissory note will be amended to reflect #2.) the change in the land sale price and elimination of the $1M balloon payment.

And, the Vacant land Offer to Purchase document will be amended to #5.) alter the closing date to October 25, 2019.

BUDGETARY IMPACT:

The City will pay the added costs associated with the construction of the sanitary sewer system infrastructure extended southward at the actual costs of construction, but not to exceed $595,000. To cover these costs, there currently exists in excess of $600,000 in T.I.D. #14 reserves beyond committed parking incentives, so all of these costs will be paid by T.I.D. #14 captured revenues consistent with the T.I.D. plan and the existing Development agreement.

By providing the Developer 95% of the property tax increments captured during the life of the T.I.D. instead of 90%, it is estimated to (for the 12 years following stabilization) provide an added $42,520 per-year in tax capture return to the Developer, and an equal decrease to the T.I.D./City.

The amendment to the purchase price of the land will not alter the City's receipt of $160,776 per-year in land payments for each of the 14 years of the T.I.D., but it will eliminate the payment of the remaining $1,000,000 balloon payment previously required to be paid in 2034.

Finally, by assigning possible future recapture of sanitary sewer extension costs to the developer (should the City choose to impose connection, impact, or special assessment charges to future

developers) it does not obligate the city to any specific liability or payment; nor does it require the City to impose any future charges or fees; rather, it simply requires us to "assign" or rebate to this developer any such proceeds that the City might recover.

OPTIONS/ALTERNATIVES:

1.) **To recommend and approve of the Amendments to the Tax Increment Financing Agreement; Promissory Note; and Vacant Land Offer to Purchase (as presented and attached) between the City of Racine and Racine Harborside, LLC for the @North Beach Project memorializing the City's commitment to cover the extraordinary costs of extending sanitary sewer infrastructure; amending certain incentives required to fulfill the project; and extending the closing date for land purchase.**

2.) **To recommend deferral or denial of the Amendments to the Tax Increment Financing Agreement; Promissory Note; and Vacant Land Offer to Purchase (as presented and attached) between the City of Racine and Racine Harborside, LLC for the @North Beach Project memorializing the City's commitment to cover the extraordinary costs of extending sanitary sewer infrastructure; amending certain incentives required to fulfill the project; and extending the closing date for land purchase.**

RECOMMENDED ACTION:

To recommend and approve of the Amendments to the Tax Increment Financing Agreement; Promissory Note; and Vacant Land Offer to Purchase (as presented and attached) between the City of Racine and Racine Harborside, LLC for the @North Beach Project memorializing the City's commitment to cover the extraordinary costs of extending sanitary sewer infrastructure; amending certain incentives required to fulfill the project; and extending the closing date for land purchase

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ATTACHMENT(S):

1.) **ABM for #0906-19;**

2.) **Amended Tax Increment Financing Agreement**

3.) **Amended Promissory Note**

4.) **Amended Vacant land Offer to Purchase;**

All by and between The City of Racine and Racine Harborside, LLC