

June 24, 2020

# **Project Plan Amendment Tax Incremental District No. 9 Johnson Building**



Organizational Joint Review Board Meeting Held:	June 24, 2020
Public Hearing Held:	June 24, 2020
Approval by Planning Heritage & Design Commission:	June 24, 2020
Adoption by Common Council:	Scheduled for July 8, 2020
Approval by the Joint Review Board:	Scheduled for July 9, 2020

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## **SECTION 1:**

### **Executive Summary**

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#### **Description of District**

Tax Incremental District (“TID”) No. 9 (“District”) is a blighted area district created by the City on June 6, 2000. The district was created to pay costs related to rehabilitation of the Johnson Building at 555 Main Street which serves as the headquarters for Johnson Financial Group. Building renovations were completed in 2002. The District’s current incremental valuation of \$30.21 million is generating tax increment collections that are approximately \$350,000 greater than the amount needed to pay the District’s debt obligations which run through 2021.

In 2012, the District’s Project Plan (“Plan”) was amended to designate it as a donor district to Tax Incremental District’s No. 10, 11 and 15. At the time of the 2012 amendment, the Wisconsin Department of Revenue also extended the maximum life of the District from June 6, 2027 to April 14, 2036. This extension was provided due to the concurrent designation of Tax Incremental District No. 10 as distressed. The City made a final transfer of revenue to Tax Incremental District No. 15 in 2018 and has no plans to make any further transfers of funds to these three districts.

The District’s Plan was further amended in 2018 to designate it as a donor district to Tax Incremental District’s No. 17 and 21. The City is not currently forecasting any transfers to Tax Incremental District No. 17, the former Porter’s site, however this remains a potential redevelopment site. Projected transfers to Tax Incremental District No. 21 of \$400,000 per year for four years (2020 – 2023) totaling to \$1.6 million are planned. Tax Incremental District No. 21 was created in 2018 to facilitate redevelopment on the former WE Energies coal to gas plant site located at 233 Lake Avenue.

#### **Amendment Purposes**

The purpose of this Plan Amendment is two-fold:

1. To allow excess revenues to be transferred to Tax Incremental District No. 24 (“TID No. 24”, or the “Recipient District”) as permitted under Wis. Stat. § 66.1105(6)(f). TID No. 24 is a new district that will be created concurrently with this Amendment to pay costs associated with development of a 171-unit hotel and an expanded publicly owned convention center. The Plan Amendment meets the following criteria necessary to allow for the transfer of excess revenue:

- a. The District and the Recipient District lie within the same overlapping taxing jurisdictions.
  - b. The District is within its expenditure period, which expires June 6, 2022.
  - c. The District has enough revenue to pay for all current Project Costs and has enough excess revenue to pay for eligible project costs of the Recipient District.
  - d. TID No. 24 will be created as a district in need of rehabilitation or conservation which qualifies it as an eligible recipient of excess revenue.
2. To subtract territory from the District, specifically parcel 155-000 (441 Lake Avenue). This parcel is located within the proposed boundary of TID No. 24. Its removal is necessary as the City intends to reconfigure parcel boundaries within TID No. 24 following its creation which would cause TID No. 9 to longer consist of only whole parcels.

### **Expected Termination of District**

Based on the projected allocations of excess tax increments the City expects that the District will terminate in 2034. This date is an estimate. Termination could occur sooner or later dependent on the cash flow requirements of Tax Incremental Districts No. 17, 21 and 24. The District must close no later than 2036.

### **Summary of Findings**

As required by Wis. Stat. § 66.1105, and as documented in this Plan Amendment and the exhibits contained and referenced herein, the following findings are made:

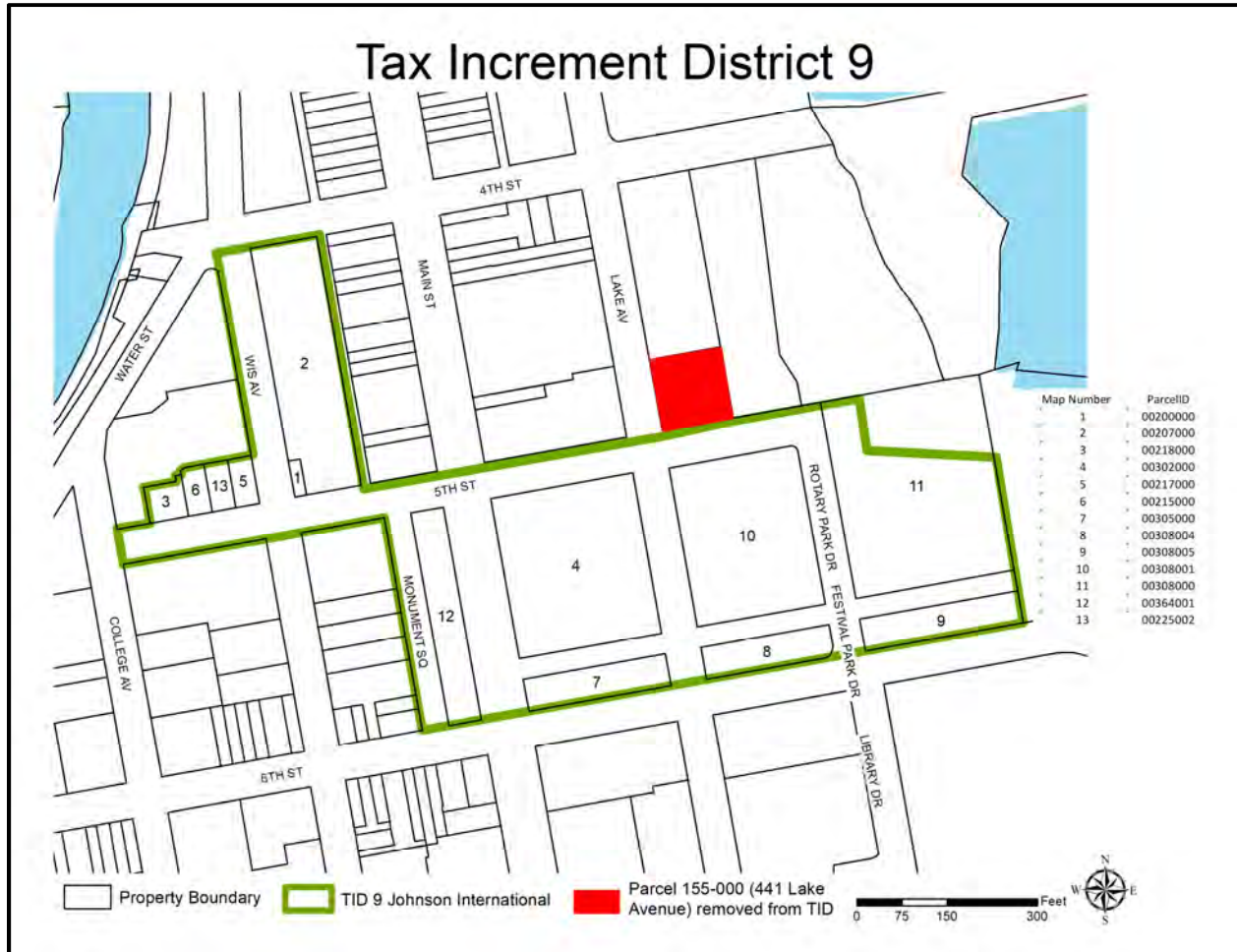
1. That “but for” this Plan Amendment the City’s economic development objectives for TID No. 24 will not be achieved. In evaluating the appropriateness of this Plan Amendment, the Joint Review Board must consider “(w)hether the development expected in the tax incremental district would occur without the use of tax incremental financing” customarily referred to as the “but for” test. Since the purpose of this Amendment is solely to allow for transfer of excess tax increment to TID No. 24 and to remove territory from the District, this test cannot be applied in the conventional way. The Joint Review Board has previously concluded, in the case of the District and the Recipient District, that the “but for” test was

met. The Recipient District is not likely to recover its project costs without the transfer of tax increments from the District. Since all taxing jurisdictions will ultimately share in the benefit of the redevelopment projects and increased tax base within the Recipient District, it is appropriate for all taxing jurisdictions to continue to share in the costs to implement them. Accordingly, the City finds that it is reasonable to conclude the “but for” test continues to be satisfied with respect to this Plan Amendment.

2. **The economic benefits of amending the District’s Plan, as measured by increased employment, business and personal income, and property value, are enough to compensate for the cost of the improvements.** The District is generating enough tax increment to recover all Project Costs incurred to date and is generating excess tax increment that allows for it to become a donor. Providing for transfer of excess increment to the Recipient District is expected to provide the following economic benefits in addition to an increase in property values:
  - a. The Developer may purchase materials and services from City businesses for the construction and operation of the Project, providing opportunity for employment, business and personal income.
  - b. The Project is expected to increase convention activity drawing additional attendees and tourists to the City. An increased level of tourism and convention activity will promote utilization and patronage of current and future hotels, restaurants and retail establishments in the downtown area providing opportunity for employment, business and personal income.
3. **The benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions.** Given that it is unlikely the Recipient District will achieve all of the objectives for its project plan without the use of tax incremental financing, and since the District is expected to generate additional economic benefits that are more than sufficient to compensate for the additional costs to be incurred, the City concludes that the overall additional benefit to be realized within the Recipient District outweighs the anticipated tax increments to be paid by the owners of property in the overlying taxing jurisdictions. As required by Wis. Stat. § 66.1105(4)(i)4., a calculation of the share of projected tax increments estimated to be paid by the owners of property in the overlying taxing jurisdictions has been prepared and can be found in this Plan Amendment.

4. That at the time the District was created, not less than 50% by area of the real property within the District was a blighted area within the meaning of Wis. Stat. § Section 66.1105(2)(ae)1.
5. The District is a blighted area district based on the identification and classification of the property included within it, and the findings made in the resolution creating the District.
6. Prior and future Project Costs of the District relate directly to promoting the elimination of blight consistent with the purpose for which the District was created.
7. Improvements to be made in the District are likely to significantly enhance the value of substantially all of the other real property in the District.
8. The limitation as the percentage of equalized taxable property value that can be located within tax incremental districts does not apply to this Plan Amendment as no territory will be added to the District.
9. The City estimates that less than 35% of the territory within the District will be devoted to retail business at the end of the District's maximum expenditure period, pursuant to Wis. Stat. § 66.1105(5)(b).
10. The Plan for the District, as amended, is feasible and is in conformity with the Master Plan of the City.

## SECTION 2: District Boundary Map & Identification of Parcels to be Subtracted



### **SECTION 3:**

## **Map Showing Existing Uses and Conditions**

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The scope of this Plan Amendment makes no changes to the map depicting existing uses and conditions of real property within the District as included in the original District Project Plan approved on June 6, 2000. That map is hereby incorporated by reference.

### **SECTION 4:**

## **Identification of Parcels to be Subtracted**

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The following parcel will be removed from the District as of January 1, 2020 for valuation purposes:

Parcel No.	Address	Owner	Assessed Value (Base Year)	Assessed Value (Jan. 1, 2020)
155-000	441 Lake Ave.	City of Racine	\$207,000	\$ 0
Total				\$ 0

This parcel is located within the proposed boundary of TID No. 24. Its removal is necessary as the City intends to reconfigure parcel boundaries within TID No. 24 following its creation which would cause TID No. 9 to longer consist of only whole parcels.

The parcel subtraction will reduce the District's base value by approximately \$207,000. Since the parcel is City owned and tax-exempt its removal will not reduce the District's incremental value. Rather, the incremental value will increase by the amount of the base value reduction. The original base value listed in the table reflects assessed value. The actual adjustment to the base value will be calculated by the Department of Revenue using equalized value and will therefore vary. The District's revised base value resulting from the removal of the listed parcel will first be reflected in the valuations certified for January 1, 2021.



## **SECTION 5:**

### **Equalized Value Test**

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No territory will be added to the District. Demonstration of compliance with the equalized value test is therefore not required for this Plan Amendment.

## **SECTION 6:**

### **Statement Listing the Kind, Number and Location of All Proposed Public Works or Improvements Within the District**

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The Statement of Kind, Number and Location of Proposed Public Works and Other Projects set forth in the original District Project Plan approved on June 6, 2000, and as modified in the Plan Amendment approved on December 4, 2018 remain unchanged and are hereby incorporated by reference.

## **SECTION 7:**

### **Map Showing Proposed Improvements and Uses**

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The scope of this Plan Amendment makes no changes to the map depicting proposed improvements and uses within the District as included in the original District Project Plan approved on June 6, 2000. That map is hereby incorporated by reference.

## **SECTION 8:**

### **Detailed List of Estimated Project Costs**

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The Detailed List of Project Costs set forth in the original District Project Plan approved on June 6, 2000, and as modified in the Plan Amendment approved on December 4, 2018 remain unchanged and are hereby incorporated by reference. While not considered to be a Project Cost, this Plan Amendment provides authority for the District to transfer excess revenue to TID No. 24.

## **SECTION 9: Economic Feasibility Study, Description of the Methods of Financing Estimated Project Costs and the Time When Related Costs or Monetary Obligations are to be Incurred**

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This Section includes a forecast of past and projected future valuations within the District, the associated tax increment collections, anticipated transfers to the Recipient District and other districts, and a projected cash flow demonstrating that this Plan Amendment is economically feasible.

### **Key Assumptions**

Previous investment in Project Costs within the District have generated \$30,209,600 in incremental value as of January 1, 2019 as shown on Table 1. Assuming the City's current equalized TID Interim tax rate of \$28.35 per thousand of equalized value, and no economic appreciation or depreciation, the District is expected to generate approximately \$857,000 in tax increment collections per year through 2036 as shown in Table 2.

# City of Racine, Wisconsin

## Tax Increment District # 9 (Johnson Building)

### Development Assumptions

Construction Year		Actual <sup>1&amp;2</sup>		Annual Total	Construction Year	
16	2015	28,777,900		28,777,900	2015	16
17	2016	160,200		160,200	2016	17
18	2017	485,800		485,800	2017	18
19	2018	785,700		785,700	2018	19
20	2019			0	2019	20
21	2020			0	2020	21
22	2021			0	2021	22
23	2022			0	2022	23
24	2023			0	2023	24
25	2024			0	2024	25
26	2025			0	2025	26
27	2026			0	2026	27
28	2027			0	2027	28
29	2028			0	2028	29
30	2029			0	2029	30
31	2030			0	2030	31
32	2031			0	2031	32
33	2032			0	2032	33
34	2033			0	2033	34
35	2034			0	2034	35
Totals		30,209,600	0	30,209,600		

**Notes:**

<sup>1</sup>Actual valuation change per Wis. Dept. of Revenue. Figure shown for construction year 2015 reflects total incremental value generated from date of TID creation through 1-1-2019.

<sup>2</sup>Due to its status as a donor to a distressed TID (TID No. 10), the maximum life of the District was extended to April 4, 2036.

**Table 1 – Development Assumptions**

# City of Racine, Wisconsin

## Tax Increment District # 9 (Johnson Building)

### Tax Increment Projection Worksheet

Type of District	Blighted Area	Base Value	877,600
District Creation Date	June 6, 2000	Appreciation Factor	0.00%
Valuation Date	Jan 1, 2000	Base Tax Rate	\$28.35
Max Life (Years) <sup>1</sup>	35	Rate Adjustment Factor	
Expenditure Period/Termination <sup>1</sup>	22 6/6/2022		
Revenue Periods/Final Year	35 2036		
Extension Eligibility/Years	Yes 7		
Recipient District	Yes		

Construction	Valuation	Inflation	Total	Revenue	Tax
Year	Value Added	Year	Increment	Year	Increment
19 2018	785,700	2019	0	2020	\$28.35
20 2019	0	2020	0	2021	\$28.35
21 2020	0	2021	0	2022	\$28.35
22 2021	0	2022	0	2023	\$28.35
23 2022	0	2023	0	2024	\$28.35
24 2023	0	2024	0	2025	\$28.35
25 2024	0	2025	0	2026	\$28.35
26 2025	0	2026	0	2027	\$28.35
27 2026	0	2027	0	2028	\$28.35
28 2027	0	2028	0	2029	\$28.35
29 2028	0	2029	0	2030	\$28.35
30 2029	0	2030	0	2031	\$28.35
31 2030	0	2031	0	2032	\$28.35
32 2031	0	2032	0	2033	\$28.35
33 2032	0	2033	0	2034	\$28.35
34 2033	0	2034	0	2035	\$28.35
35 2034	0	2035	0	2036	\$28.35
<b>Totals</b>	<b>785,700</b>	<b>0</b>	<b>Future Value of Increment</b>	<b>14,561,486</b>	

#### Notes:

<sup>1</sup>Due to its status as a donor to a distressed TID (TID No. 10), the maximum life of the District was extended to April 4, 2036.

<sup>2</sup>Tax rate shown for 2020 and preceding revenue years is actual rate per DOR Form PC-202 (Tax Increment Collection Worksheet)

**Table 2 - Tax Increment Projection Worksheet**

## **Financing and Implementation**

The District's expenditure period ends June 6, 2022. The City does not currently anticipate making additional Project Cost expenditures other than annual administrative expense and payment of a development incentive in 2020. The City anticipates making the following transfers of excess revenue to authorized recipient districts, which are not limited by the expenditure period:

1. Projected transfers to Tax Incremental District No. 21 of \$400,000 per year for four years (2020 – 2023) totaling to \$1.6 million. Tax Incremental District No. 21 was created in 2018 to facilitate redevelopment on the former WE Energies coal to gas plant site located at 233 Lake Avenue.
2. Projected transfers to TID No. 24 totaling to \$9.825 million over a fifteen-year period (2020 – 2034). TID No. 24 is a new district that will be created concurrently with this Amendment to pay costs associated with development of a 171-unit hotel and an expanded publicly owned convention center.

The District is also authorized to transfer excess revenue to Tax Incremental Districts No. 10, 11, 15 and 17. No further transfers to these districts are planned, however, Tax Incremental District No. 17 (former Porter's site) remains a potential redevelopment site.

Based on the current projected allocations of excess tax increments the City expects that the District will terminate in 2034. This date is an estimate. Termination could occur sooner or later dependent on the cash flow requirements of Tax Incremental Districts No. 17, 21 and 24. The District must close no later than 2036.

An updated projection of District cashflows incorporating the planned transfers and remaining Project Cost expenditures is included as **Table 3**.

City of Racine, Wisconsin

Tax Increment District # 9 (Johnson Building)

Cash Flow Projection

Year	Projected Revenues				Expenditures								Balances			Year	
	Tax Increments	Interest Earnings/ (Cost)	Exempt Computer Aid	Total Revenues	Debt Service	Transfer to TID No. 15	Transfer to TID No. 17	Transfer to TID No. 21	Transfer to TID No. 24	Development Incentives	DOR Fees	Admin.	Total Expenditures	Annual	Cumulative		Principal Outstanding
2019															5,301,877	950,000	2019
2020	856,558			856,558	503,000			400,000	700,000	2,895,000	150	0	4,498,150	(3,641,592)	1,660,285	485,000	2020
2021	856,558			856,558	504,400			400,000	700,000		150	0	1,604,550	(747,992)	912,293		2021
2022	856,558			856,558				400,000	700,000		150	0	1,100,150	(243,592)	668,701		2022
2023	856,558			856,558				400,000	625,000		150	0	1,025,150	(168,592)	500,109		2023
2024	856,558			856,558					700,000		150	0	700,150	156,408	656,517		2024
2025	856,558			856,558					700,000		150	0	700,150	156,408	812,925		2025
2026	856,558			856,558					700,000		150	0	700,150	156,408	969,333		2026
2027	856,558			856,558					700,000		150	0	700,150	156,408	1,125,741		2027
2028	856,558			856,558					700,000		150	0	700,150	156,408	1,282,149		2028
2029	856,558			856,558					700,000		150	0	700,150	156,408	1,438,557		2029
2030	856,558			856,558					700,000		150	0	700,150	156,408	1,594,965		2030
2031	856,558			856,558					700,000		150	0	700,150	156,408	1,751,373		2031
2032	856,558			856,558					700,000		150	0	700,150	156,408	1,907,781		2032
2033	856,558			856,558					700,000		150	0	700,150	156,408	2,064,189		2033
2034	856,558			856,558					100,000		150	25,000	125,150	731,408	2,795,597		2034
2035	856,558			856,558									0	856,558	3,652,155		2035
2036	856,558			856,558									0	856,558	4,508,713		2036
Total	15,466,900	65,307	190,491	15,722,698	1,505,200	34,897	0	1,600,000	9,825,000	2,895,000	2,400	33,013	15,895,510				Total

Notes:

Projected TID Closure

<sup>1</sup>Ending balance for 2019 per City Finance Dept. on 5-21-2020.

Table 3 - Cash Flow

## **SECTION 10:**

### **Annexed Property**

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A tax incremental district cannot include annexed territory unless at least three years have elapsed since the annexation, or certain other requirements are met. No territory is being added to the District as part of this Plan Amendment.

## **SECTION 11:**

### **Estimate of Property to Be Devoted to Retail Business**

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Pursuant to Wis. Stat. § 66.1105(5)(b), the City estimates that less than 35% of the territory within the District will be devoted to retail business at the end of the District's maximum expenditure period.

## **SECTION 12:**

### **Proposed Changes of Zoning Ordinances, Master Plan, Map, Building Codes and City Ordinances**

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As the scope of this Plan Amendment is limited to the transfer of excess revenue to TID No. 24, there are no zoning ordinance, Master Plan, Map, building code or ordinance changes required.

## **SECTION 13:**

### **Statement of the Proposed Method for the Relocation of any Persons to be Displaced**

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Should the continued implementation of District's Plan and Plan Amendments require relocation of individuals or business operations, relocations will be handled in compliance with Wis. Stat. Chapter 32 and Wis. Admin. Code ADM 92.

## **SECTION 14:**

### **How Amendment of the Tax Incremental District Promotes the Orderly Development of the City**

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This Plan Amendment promotes the orderly development of the City by providing funds to TID No. 24 for the purpose of rehabilitating and conserving property, providing necessary public infrastructure improvements, and providing appropriate financial incentives for private development projects. Development of new uses in TID No. 24 will add to the tax base and will generate positive secondary impacts in the community such as increased opportunities for employment, personal income and business income.

## **SECTION 15:**

### **List of Estimated Non-Project Costs**

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Non-project costs are public works projects which only partly benefit the District. Costs incurred that do not benefit the District may not be paid with tax increments. Examples of non-project costs are:

- A public improvement made within the District that also benefits property outside the District. That portion of the total Project Costs allocable to properties outside of the District would be a non-project cost.
- A public improvement made outside the District that only partially benefits property within the District. That portion of the total Project Costs allocable to properties outside of the District would be a non-project cost.
- Projects undertaken within the District as part of the implementation of this Project Plan, the costs of which are paid fully or in part by impact fees, grants, special assessments, or revenues other than tax increments.

No improvements to be made within the District will benefit property outside the District. Furthermore, there will be no improvements made outside the District that will only partially benefit the District.



**SECTION 16:**  
**Legal Opinion Advising Whether the Plan**  
**Amendment is Complete and Complies with Wis.**  
**Stat. § 66.1105(4)(f)**

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Legal Opinion Found on Following Page.

**Jennifer L. Williams**  
Deputy City Attorney

**Marisa L. Roubik**  
Assistant City Attorney

**Robin K. Zbikowski**  
Assistant City Attorney

**Nhu H. Arn**  
Assistant City Attorney

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**Scott R. Letteney**  
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Administrative Assistant

July 6, 2020

Mayor Cory Mason  
City of Racine  
730 Washington Avenue  
Racine, Wisconsin 53403

RE: City of Racine, Wisconsin, Tax Incremental District No. 9 Amendment

Mayor Mason:

As City Attorney for the City of Racine, I have reviewed the Project Plan for City of Racine, Wisconsin, Tax Incremental District No. 9 Amendment and, in my opinion, it is complete and complies with Wisconsin Statutes section 66.1105(4)(f). This opinion is provided pursuant to Wisconsin Statute section 66.1105(4)(f).

Sincerely,

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Scott R. Letteney  
City Attorney

Cc: Planning Manager Matt Sadowski

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730 Washington Avenue, Room 201  
Racine, Wisconsin 53403  
262-636-9115

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## SECTION 17:

### Calculation of the Share of Projected Tax Increments Estimated to be Paid by the Owners of Property in the Overlying Taxing Jurisdictions

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The following projection is provided to meet the requirements of Wis. Stat. § 66.1105(4)(i)4. Apportionment of future incremental taxes assumes same ratio as the 2018 Statement of Taxes.

Revenue Year	Racine Unified			Gateway Technical	Total	Revenue Year
	Racine County	School District	City of Racine	College		
2020	93,140	273,541	467,872	22,005	856,558	2020
2021	93,140	273,541	467,872	22,005	856,558	2021
2022	93,140	273,541	467,872	22,005	856,558	2022
2023	93,140	273,541	467,872	22,005	856,558	2023
2024	93,140	273,541	467,872	22,005	856,558	2024
2025	93,140	273,541	467,872	22,005	856,558	2025
2026	93,140	273,541	467,872	22,005	856,558	2026
2027	93,140	273,541	467,872	22,005	856,558	2027
2028	93,140	273,541	467,872	22,005	856,558	2028
2029	93,140	273,541	467,872	22,005	856,558	2029
2030	93,140	273,541	467,872	22,005	856,558	2030
2031	93,140	273,541	467,872	22,005	856,558	2031
2032	93,140	273,541	467,872	22,005	856,558	2032
2033	93,140	273,541	467,872	22,005	856,558	2033
2034	93,140	273,541	467,872	22,005	856,558	2034
2035	93,140	273,541	467,872	22,005	856,558	2035
2036	93,140	273,541	467,872	22,005	856,558	2036
<b>Total</b>	<b>1,583,377</b>	<b>4,650,200</b>	<b>7,953,826</b>	<b>374,084</b>	<b>14,561,486</b>	