



April 14, 2021

Project Plan

Tax Incremental District No. 26

500 Main St. Redevelopment



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|--|------------------------------|
| Organizational Joint Review Board Meeting Held: | Scheduled for April 14, 2021 |
| Public Hearing Held: | Scheduled for April 14, 2021 |
| Approval by Planning Heritage & Design Commission: | Scheduled for April 14, 2021 |
| Adoption by Common Council: | Scheduled for May 4, 2021 |
| Approval by the Joint Review Board: | TBD |

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SECTION 1:

Executive Summary

Description of District

Tax Incremental District (“TID”) No. 26 (“District”) is a proposed “In Need of Rehabilitation or Conservation” District that will include the City block bounded by Fifth Street to the north, Main Street and Monument Square to the east, Sixth Street to the south and Wisconsin Avenue to the west. In total, the District includes approximately 1.2 acres.

The District is being created to pay costs associated with the rehabilitation and conservation of the historic Zahn’s Department Store building located at 500 Main Street. Constructed in 1924 in the Chicago Commercial Style, the building is in the City’s Old Main Street Historic District and operated as a department store until 1981. Since that time, the building has remained vacant and underutilized. The Main Attraction, LLC (“Developer”), owner of the building and property, has proposed redevelopment of the structure for use as an 80-unit boutique hotel with a roof-top bar, premium coffee shop/café, meeting rooms and banquet facility (“Project”). The City expects that in addition to the incremental property value that will be created, the Project will result in increased employment opportunities, preservation of a notable historic structure, generation of room taxes, and other general economic activity related to the construction and operation of the Project. The City also anticipates that the Project may spur additional reinvestment and improvement of other properties in the District and surrounding area.

Authority

The City is creating the District under the provisions of Wis. Stat. § 66.1105.

Estimated Total Project Cost Expenditures

The City anticipates making total expenditures of approximately \$19.7 million (“Project Costs”) to undertake the projects listed in this Project Plan (“Plan”). Project Costs include an estimated \$8.0 million for development incentives, \$10.0 million for public infrastructure, \$325,000 for administrative expense, and \$1.38 million for interest on long-term debt. Of the \$8.0 million in total development incentives, \$5.5 million would be provided to the Project, with the balance included as a placeholder to provide opportunity for the City to facilitate additional redevelopment within the District or nearby areas. Any additional incentives provided would be contingent on demonstration of the economic necessity for the assistance.

Incremental Valuation

The City projects that rehabilitation of the Zahn's Department Store building and its conversion to use as a hotel will create \$20 million in incremental value by January 1, 2024. For purposes of the Plan, it is further assumed that \$7 million in incremental value will be created because of rehabilitation and redevelopment of other property within the District over the timeframe of 2024 through 2033. This additional value will support the undertaking of related Project Costs but is not necessary for the District to achieve its objectives for the initial Project. A table detailing assumption's as to the development timing and associated values is included in the Economic Feasibility Study located within this Plan.

Expected Termination of District

Based on the Economic Feasibility Study in this Plan, the City anticipates that the District will generate enough tax increment to pay all Project Costs within 21 of its allowable 27 years.

Summary of Findings

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

1. That “but for” the creation of this District, the development projected to occur as detailed in this Plan: 1) would not occur; or 2) would not occur in the manner, at the values, or within the timeframe desired by the City. Redevelopment of the site will require that the City utilize tax increment financing to overcome several financial and market obstacles:
 - a. The City's real property tax rate is significantly higher than the tax rates in adjacent suburban villages which increases the cost of operating a hotel within the City as compared to alternative suburban locations.
 - b. Those same suburban villages are also located closer to the interstate where competitive lodging properties typically look to locate.
 - c. Redevelopment of a nearly 100-year old existing structure involves substantial additional costs as compared to new construction such as increased labor costs due to construction logistics, custom materials, structural and other upgrades needed to comply with current building codes and abatement of hazardous building materials.

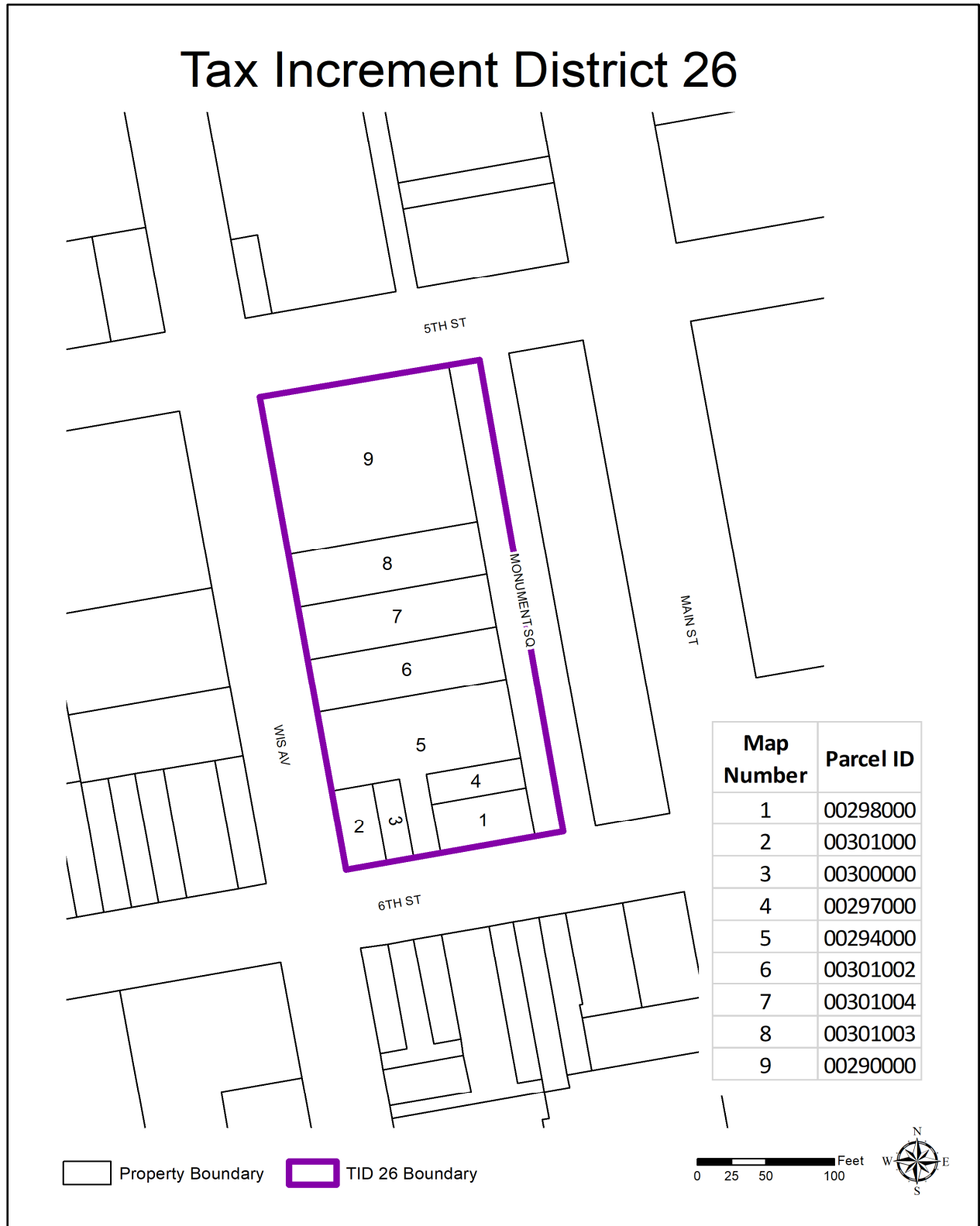
The City will need to provide financial incentives to the Developer to compensate for the tax rate differential, added operational costs, increased

construction costs related to the site conditions, and the competitive disadvantage posed by the distance from the interstate. “But for” the provision of financial incentives, the Project will not move forward or succeed.

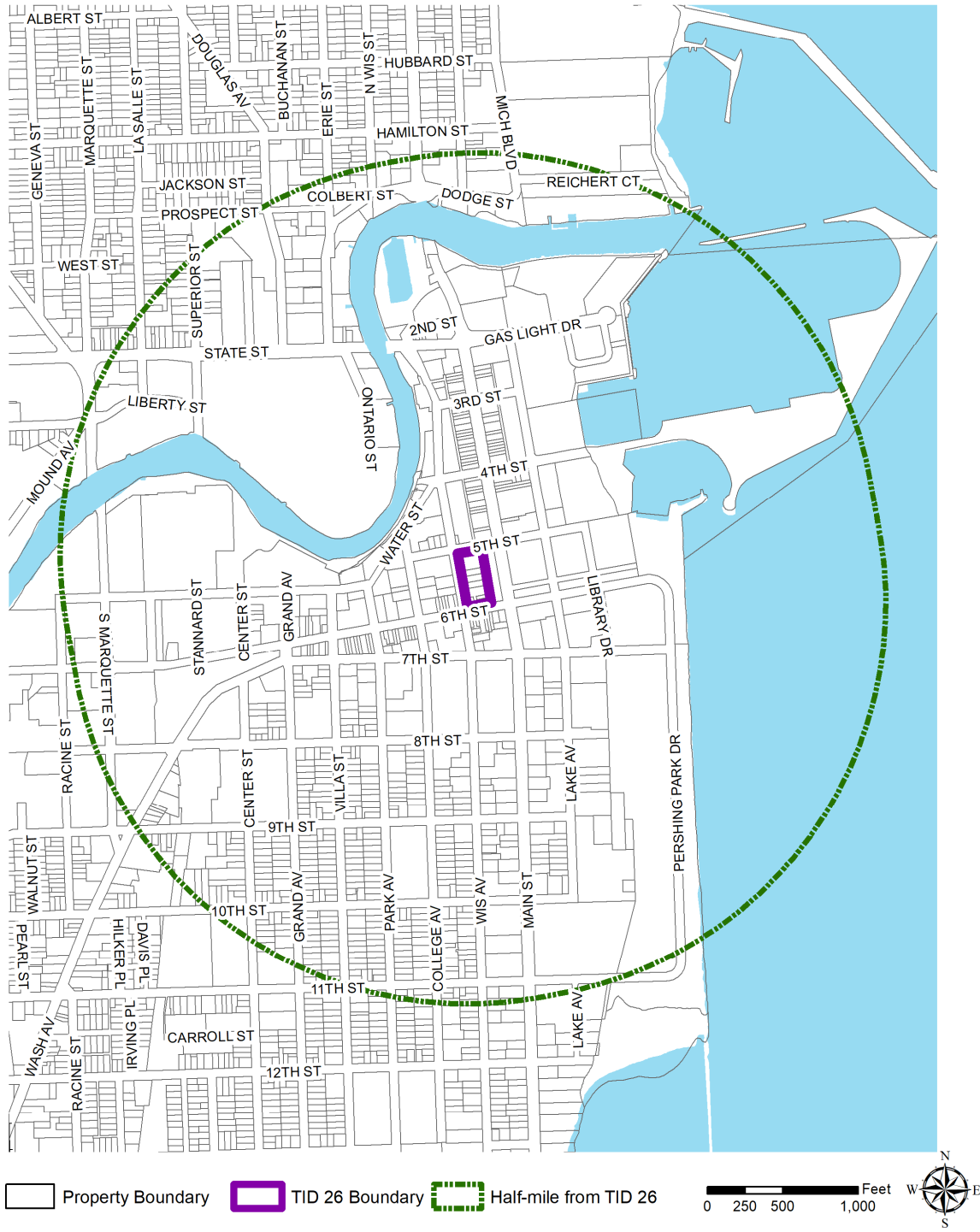
2. **The economic benefits of the District, as measured by increased employment, business and personal income, and property value, are enough to compensate for the cost of the improvements. In making this determination, the City has considered the following information:** That development of new uses in the District 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 related to the construction and operation of the Project, preservation of a notable historic structure, generation of room taxes. The City also anticipates that the Project may spur additional reinvestment and improvement of other properties in the District and the surrounding area.
3. **The benefits of the proposal outweigh 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. However, because the Project would not occur without the use of tax incremental financing, these tax increments would not be paid but for creation of the District. Accordingly, the City finds that the benefits expected to be realized as set forth in this Plan outweigh the value of the tax increments to be invested in the Project.
4. Not less than 50% by area of the real property within the District is in need of rehabilitation or conservation work as defined by Wis. Stat. § 66.1337(2m)(a).
5. Based on the foregoing finding, the District is designated as rehabilitation or conservation district.
6. The Project Costs relate directly to the rehabilitation or conservation of property and improvements in the District, consistent with the purpose for which the District is 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 equalized value of taxable property in the District, plus the incremental value of all existing tax incremental districts within the City does not exceed 12% of the total equalized value of taxable property within the City.
9. The City estimates that 75% 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. That there are no parcels to be included within the District that were annexed by the City within the preceding three-year period.
11. The Plan for the District is feasible and is in conformity with the Master Plan of the City.

SECTION 2: Preliminary Maps of Proposed District Boundary



Tax Increment District 26 - Half Mile Radius



SECTION 3: Maps Showing Existing Uses and Conditions



Tax Increment District 26 Existing Conditions



SECTION 4:

Preliminary Parcel List and Analysis

The District will include the parcels identified in the table beginning on this page. Valuations listed are equalized, and as of January 1, 2020. Actual District base value will be certified using January 1, 2021 valuations which are not yet available. Any increases in valuation occurring after January 1, 2021 will generate incremental value.

| Map Number | Parcel Number | Street Address | Current Value (Jan. 1, 2020) | Acres | In Need of Rehab. or Cons. Acres |
|---------------|-----------------|------------------|------------------------------|--------------|----------------------------------|
| 1 | 276000000298000 | 532 MAIN STREET | 165,938 | 0.060 | 0.060 |
| 2 | 276000000301000 | 220 SIXTH STREET | 161,790 | 0.041 | 0.041 |
| 3 | 276000000300000 | 218 SIXTH STREET | 146,233 | 0.028 | 0.028 |
| 4 | 276000000297000 | 530 MAIN STREET | 310,097 | 0.037 | 0.037 |
| 5 | 276000000294000 | 524 MAIN STREET | 450,108 | 0.220 | 0.220 |
| 6 | 276000000301002 | 520 MAIN STREET | 381,658 | 0.129 | 0.129 |
| 7 | 276000000301004 | 516 MAIN STREET | 392,029 | 0.129 | 0.129 |
| 8 | 276000000301003 | 512 MAIN STREET | 401,363 | 0.129 | 0.129 |
| 9 | 276000000290000 | 500 MAIN ST | 751,908 | 0.386 | 0.386 |
| Totals | | | 3,161,125 | 1.157 | 1.157 |

Parcels in need of rehabilitation or conservation work as defined by Wis. Stat. § 66.1337(2m)(a) comprise 100% of the total District area. The Project is an urban renewal project that includes undertakings and activities for the elimination, and for the prevention of the development or spread, of slums or blighted, deteriorated or deteriorating areas and may involve any work or undertaking for this purpose constituting a redevelopment project, or any rehabilitation or conservation work, or any combination of the undertaking or work. By undertaking the Project, the City expects to rehabilitate and conserve an important historic structure that will generate new economic opportunity in the downtown area, and which will further the City's efforts to eliminate and to prevent the development of slums or blighted, deteriorated, or deteriorating areas.

Specifically, the Project involves the following undertakings and activities:

1. Rehabilitation and conservation of the historic Zahn's Department Store building located at 500 Main Street which will be renovated for use as an 80-unit boutique hotel with a roof-top bar, premium coffee shop/café, meeting rooms and banquet facility, constituting the carrying out of plans for a program of voluntary or compulsory repair and rehabilitation of buildings.
2. Provision of funding for potential incentives to provide opportunities for additional redevelopment within the District, constituting the carrying out of plans for a program of voluntary or compulsory repair and rehabilitation of buildings.
3. Installation, construction, or reconstruction by the City of streets, utilities, and other infrastructure for carrying out the objectives of the urban renewal project.

SECTION 5:

Equalized Value Test

The following calculations demonstrate that the City expects to be in compliance with Wis. Stat. § 66.1105(4)(gm)4.c., which requires that the equalized value of the taxable property in the proposed District, plus the value increment of all existing tax incremental districts, does not exceed 12% of the total equalized value of taxable property within the City.

Calculation of City Equalized Value Limit

| | |
|--|------------------|
| City TID IN Equalized Value (Jan. 1, 2020) | \$ 3,977,875,700 |
| TID Valuation Limit @ 12% of Above Value | \$ 477,345,084 |

Calculation of Value Subject to Limit

| | |
|--|----------------------|
| Estimated Base Value of New District | \$ 3,161,125 |
| Incremental Value of Existing Districts (Jan. 1, 2020) | \$ <u>95,208,500</u> |
| Total Value Subject to 12% Valuation Limit | \$ 98,369,625 |

The equalized value of the increment of existing tax incremental districts within the City, plus the estimated base value of the District, totals \$98,369,625, which is 2.47% of the City's total equalized value. This value is less than the maximum of \$477,345,084 (12%) in equalized value that is permitted for the City.

SECTION 6:

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

Project Costs are any expenditure made, estimated to be made, or monetary obligations incurred or estimated to be incurred as outlined in this Plan. Project Costs will be diminished by any income, special assessments, or other revenues, including user fees or charges, other than tax increments, received or reasonably expected to be received in connection with the implementation of the Plan. If Project Costs incurred benefit territory outside the District, a proportionate share of the cost is not a Project Cost. Costs identified in this Plan are preliminary estimates made prior to design considerations and are subject to change after planning, design and construction is completed.

With all Project Costs, the costs of engineering, design, survey, inspection, materials, construction, restoring property to its original condition, apparatus necessary for public works, legal and other consultant fees, testing, environmental studies, permits, updating City ordinances and plans, judgments or claims for damages and other expenses are included as Project Costs.

The following is a list of public works and other tax incremental financing eligible Project Costs that the City expects to make, or may need to make, in conjunction with the implementation of the District's Plan. The map found in Section 7 of this Plan along with the Detailed List of Project Costs found in Section 8 provide additional information as to the kind, number, and location of potential Project Costs.

Property, Right-of-Way, and Easement Acquisition

Acquisition of Rights-of-Way

The City may need to acquire property to allow for installation of streets, driveways, sidewalks, utilities, stormwater management practices and other public infrastructure. Costs incurred by the City to identify, negotiate, and acquire rights-of-way are eligible Project Costs.

Acquisition of Easements

The City may need to acquire temporary or permanent easements to allow for installation and maintenance of streets, driveways, sidewalks, utilities, stormwater management practices and other public infrastructure. Costs

incurred by the City to identify, negotiate, and acquire easement rights are eligible Project Costs.

Site Preparation Activities

Environmental Audits and Remediation

If it becomes necessary to evaluate any land or improvement within the District, any cost incurred by the City related to environmental audits, testing, and remediation are eligible Project Costs.

Demolition

To make sites suitable for development, the City may incur costs related to demolition and removal of structures or other land improvements, to include abandonment of wells or other existing utility services.

Site Grading

Land within the District may require grading to make it suitable for development, to provide access, and to control stormwater runoff. The City may need to remove and dispose of excess material or bring in fill material to provide for proper site elevations. Expenses incurred by the City for site grading are eligible Project Costs.

Utilities

Sanitary Sewer System Improvements

To allow development to occur, the City may need to construct, alter, rebuild or expand sanitary sewer infrastructure within the District. Eligible Project Costs include, but are not limited to, construction, alteration, rebuilding or expansion of collection mains; manholes and cleanouts; service laterals; force mains; interceptor sewers; pumping stations; lift stations; wastewater treatment facilities; and all related appurtenances. To the extent sanitary sewer projects undertaken within the District provide direct benefit to land outside of the District, the City will make an allocation of costs based on such benefit. Those costs corresponding to the benefit allocated to land within the District, and necessitated by the implementation of the Project Plan, are eligible Project Costs. Implementation of the Project Plan may also require that the City construct, alter, rebuild, or expand sanitary sewer infrastructure located outside of the District. That portion of the costs of sanitary sewer system projects undertaken outside the District which are necessitated by the implementation of the Project Plan are eligible Project Costs.

Water System Improvements

To allow development to occur, the City may need to construct, alter, rebuild, or expand water system infrastructure within the District. Eligible Project Costs include, but are not limited to, construction, alteration, rebuilding or expansion of distribution mains; manholes and valves; hydrants; service laterals; pumping stations; wells; water treatment facilities; storage tanks and reservoirs; and all related appurtenances. To the extent water system projects undertaken within the District provide direct benefit to land outside of the District, the City will make an allocation of costs based on such benefit. Those costs corresponding to the benefit allocated to land within the District, and necessitated by the implementation of the Project Plan, are eligible Project Costs. Implementation of the Project Plan may also require that the City construct, alter, rebuild, or expand water system infrastructure located outside of the District. That portion of the costs of water system projects undertaken outside the District which are necessitated by the implementation of the Project Plan are eligible Project Costs.

Stormwater Management System Improvements

Development within the District will cause stormwater runoff. To manage this stormwater runoff, the City may need to construct, alter, rebuild, or expand stormwater management infrastructure within the District. Eligible Project Costs include, but are not limited to, construction, alteration, rebuilding or expansion of: stormwater collection mains; inlets, manholes and valves; service laterals; ditches; culvert pipes; box culverts; bridges; stabilization of stream and river banks; and infiltration, filtration and detention Best Management Practices (BMP's). To the extent stormwater management system projects undertaken within the District provide direct benefit to land outside of the District, the City will make an allocation of costs based on such benefit. Those costs corresponding to the benefit allocated to land within the District, and necessitated by the implementation of the Project Plan, are eligible Project Costs. Implementation of the Project Plan may also require that the City construct, alter, rebuild, or expand stormwater management infrastructure located outside of the District. That portion of the costs of stormwater management system projects undertaken outside the District which are necessitated by the implementation of the Project Plan are eligible Project Costs.

Electric Service

To create sites suitable for development, the City may incur costs to provide, relocate or upgrade electric services. Relocation may require abandonment and removal of existing poles or towers, installation of new poles or towers, or burying of overhead electric lines. Costs incurred by the City to undertake this work are eligible Project Costs.

Gas Service

To create sites suitable for development, the City may incur costs to provide, relocate or upgrade gas mains and services. Costs incurred by the City to undertake this work are eligible Project Costs.

Communications Infrastructure

To create sites suitable for development, the City may incur costs to provide, relocate or upgrade infrastructure required for voice and data communications, including, but not limited to telephone lines, cable lines and fiber optic cable. Costs incurred by the City to undertake this work are eligible Project Costs.

Streets and Streetscape

Street Improvements

To allow development to occur, the City may need to construct or reconstruct streets, highways, alleys, access drives and parking areas. Eligible Project Costs include, but are not limited to: excavation; removal or placement of fill; construction of road base; asphalt or concrete paving or repaving; installation of curb and gutter; installation of sidewalks and bicycle lanes; installation of culverts, box culverts and bridges; rail crossings and signals; utility relocation, to include burying overhead utility lines; street lighting; installation of traffic control signage and traffic signals; pavement marking; right-of-way restoration; installation of retaining walls; and installation of fences, berms, and landscaping.

Streetscaping and Landscaping

To attract development consistent with the objectives of this Plan, the City may install amenities to enhance development sites, rights-of-way, and other public spaces. These amenities include but are not limited to landscaping; lighting of streets, sidewalks, parking areas and public areas; installation of planters, benches, clocks, tree rings, trash receptacles and similar items; and installation of brick or other decorative walks, terraces and street crossings. These and any other similar amenities installed by the City are eligible Project Costs.

Community Development

Cash Grants (Development Incentives)

The City may enter into agreements with property owners, lessees, or developers of land located within the District for sharing costs to encourage the desired kind of improvements and assure tax base is generated sufficient to recover Project Costs. No cash grants will be provided until the City executes a developer agreement with the recipient of the cash grant. Any payments of cash grants made by the City are eligible Project Costs.

Miscellaneous

Projects Outside the Tax Increment District

Pursuant to Wis. Stat. § 66.1105(2)(f)1.n, the City may undertake projects within territory located within one-half mile of the boundary of the District provided that: 1) the project area is located within the City's corporate boundaries; and 2) the projects are approved by the Joint Review Board. The cost of projects completed outside the District pursuant to this section are eligible project costs and may include any project cost that would otherwise be eligible if undertaken within the District. **The City intends to make the following project cost expenditures outside the District:**

1. Rehabilitation of public infrastructure.
2. Payment of development incentives.

Professional Service and Organizational Costs

The costs of professional services rendered, and other costs incurred, in relation to the creation, administration and termination of the District, and the undertaking of the projects contained within this Plan, are eligible Project Costs. Professional services include but are not limited to architectural; environmental; planning; engineering; legal; audit; financial; and the costs of informing the public with respect to the creation of the District and the implementation of the Plan.

Administrative Costs

The City may charge to the District as eligible Project Costs reasonable allocations of administrative costs, including, but not limited to, employee salaries. Costs allocated will bear a direct connection to the time spent by City employees relating to the implementation of the Plan.

Financing Costs

Interest expense, debt issuance expenses, redemption premiums, and any other fees and costs incurred in conjunction with obtaining financing for projects undertaken under this Plan are eligible Project Costs.

SECTION 7:

Maps Showing Proposed Improvements and Uses

Improvements to be made within the District include rehabilitation of the former Zahn's Department Store structure for use as an 80-unit boutique hotel, potential redevelopment, or rehabilitation of other buildings in the District, and installation, construction, or reconstruction by the City of streets, utilities, and other infrastructure in the rights of way forming the boundaries of the District, and within ½ mile of its boundaries.

Tax Increment District 26 Future Conditions



Tax Increment District 26 Future Land Use



SECTION 8:

Detailed List of Estimated Project Costs

The following list identifies the Project Costs that the City currently expects to incur in implementing the District's Plan. All projects identified and related costs reflect the best estimates available as of the date of preparation of this Plan. All costs are preliminary estimates and may increase or decrease. Certain Project Costs listed may become unnecessary, and other Project Costs not currently identified may need to be made. (Section 6 details the general categories of eligible Project Costs). Changes in Project Cost totals or the types of Project Costs to be incurred will not require that this Plan be amended. This Plan is not meant to be a budget nor an appropriation of funds for specific Project Costs, but a framework within which to manage Project Costs.

| City of Racine | | |
|--|----------------|-------------------|
| Tax Increment District # 26 | | |
| Detailed List of Estimated Project Costs | | |
| Project Name/Type | Est. Timeframe | Est. Total |
| Development Incentives | | |
| Hotel Project Loan | 2021 | 5,500,000 |
| Other Incentives ¹ | 2026 - 2035 | 2,500,000 |
| Public Infrastructure ² | 2025 - 2043 | 10,000,000 |
| Administrative Cost | 2021 - 2049 | 325,000 |
| Interest on Long Term Debt | 2022 - 2028 | 1,381,534 |
| Total | | 19,706,534 |
| Notes: | | |
| ¹ Potential incentives for other redevelopment projects within the District, or within 1/2 mile of District. Amount shown is for the purpose of demonstrating economic feasibility only. Any provision of incentives will require confirmation of economic necessity. Incentives may be provided on a "pay as you go" basis, or through contributions to existing City programs for rehabilitation of property. | | |
| ² Potential public improvements consisting of, but not limited to street and utility improvements in the rights-of-way adjacent to the District and within 1/2 mile of the District. | | |

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

This Section includes a forecast of the valuation increases expected within the District, the associated tax increment collections, a summary of how Project Costs would be financed, and a projected cash flow demonstrating that the District is economically feasible.

Key Assumptions

The City projects that rehabilitation of the Zahn's Department Store building and its conversion to use as a hotel will create \$20 million in incremental value by January 1, 2024. For purposes of the Plan, it is further assumed that \$7 million in incremental value will be created because of rehabilitation and redevelopment of other property within the District over the timeframe of 2024 through 2033. This additional value will support the undertaking of related Project Costs but is not necessary for the District to achieve its objectives for the initial Project. These estimated valuations and timing are reflected in **Table 1**.

Assuming the City's current equalized TID Interim tax rate of \$28.18 per thousand of equalized value, and no economic appreciation or depreciation, the District is projected to collect 18.35 million in tax increments over its 27-year term (**Table 2**).

City of Racine

Tax Increment District # 26

Development Assumptions

| Construction Year | | 500 Main St. ¹ | Other Redev. ² | Annual Total | Construction Year | |
|-------------------|------|---------------------------|------------------------------|-------------------|-------------------|----|
| 1 | 2021 | 5,000,000 | | 5,000,000 | 2021 | 1 |
| 2 | 2022 | 5,000,000 | | 5,000,000 | 2022 | 2 |
| 3 | 2023 | 10,000,000 | | 10,000,000 | 2023 | 3 |
| 4 | 2024 | | 700,000 | 700,000 | 2024 | 4 |
| 5 | 2025 | | 700,000 | 700,000 | 2025 | 5 |
| 6 | 2026 | | 700,000 | 700,000 | 2026 | 6 |
| 7 | 2027 | | 700,000 | 700,000 | 2027 | 7 |
| 8 | 2028 | | 700,000 | 700,000 | 2028 | 8 |
| 9 | 2029 | | 700,000 | 700,000 | 2029 | 9 |
| 10 | 2030 | | 700,000 | 700,000 | 2030 | 10 |
| 11 | 2031 | | 700,000 | 700,000 | 2031 | 11 |
| 12 | 2032 | | 700,000 | 700,000 | 2032 | 12 |
| 13 | 2033 | | 700,000 | 700,000 | 2033 | 13 |
| 14 | 2034 | | | 0 | 2034 | 14 |
| 15 | 2035 | | | 0 | 2035 | 15 |
| 16 | 2036 | | | 0 | 2036 | 16 |
| 17 | 2037 | | | 0 | 2037 | 17 |
| 18 | 2038 | | | 0 | 2038 | 18 |
| 19 | 2039 | | | 0 | 2039 | 19 |
| 20 | 2040 | | | 0 | 2040 | 20 |
| 21 | 2041 | | | 0 | 2041 | 21 |
| 22 | 2042 | | | 0 | 2042 | 22 |
| 23 | 2043 | | | 0 | 2043 | 23 |
| 24 | 2044 | | | 0 | 2044 | 24 |
| 25 | 2045 | | | 0 | 2045 | 25 |
| 26 | 2046 | | | 0 | 2046 | 26 |
| 27 | 2047 | | | 0 | 2047 | 27 |
| Totals | | <u>20,000,000</u> | <u>7,000,000</u> | <u>27,000,000</u> | | |

Notes:

¹Estimated valuation and buildout taken from City analysis received 1-25-2021. Estimated valuation confirmed with City staff 2-15-2021.

²Per discussion with City staff on 3-11-2021 assumes \$10M in costs incurred by all other properties located in the District for renovations and rehabilitations assessed at approximately 70% of cost.

Table 1 - Development Assumptions

City of Racine

Tax Increment District # 26

Tax Increment Projection Worksheet

| | | | |
|--------------------------------|----------------|----------------------------|-----------|
| Type of District | Rehabilitation | Base Value | 3,161,125 |
| District Creation Date | May 4, 2021 | Appreciation Factor | 0.00% |
| Valuation Date | Jan 1, 2021 | Base Tax Rate ¹ | \$28.18 |
| Max Life (Years) | 27 | Rate Adjustment Factor | |
| Expenditure Period/Termination | 22 5/4/2043 | | |
| Revenue Periods/Final Year | 27 2049 | | |
| Extension Eligibility/Years | Yes 3 | | |
| Eligible Recipient District | Yes | | |

| | Construction | | Valuation | Inflation | Total | Revenue | | Tax |
|--------|--------------|-------------|-----------|-----------|---------------------------|---------|----------|------------|
| | Year | Value Added | Year | Increment | Increment | Year | Tax Rate | Increment |
| 1 | 2021 | 5,000,000 | 2022 | 0 | 5,000,000 | 2023 | \$28.18 | 140,883 |
| 2 | 2022 | 5,000,000 | 2023 | 0 | 10,000,000 | 2024 | \$28.18 | 281,767 |
| 3 | 2023 | 10,000,000 | 2024 | 0 | 20,000,000 | 2025 | \$28.18 | 563,533 |
| 4 | 2024 | 700,000 | 2025 | 0 | 20,700,000 | 2026 | \$28.18 | 583,257 |
| 5 | 2025 | 700,000 | 2026 | 0 | 21,400,000 | 2027 | \$28.18 | 602,981 |
| 6 | 2026 | 700,000 | 2027 | 0 | 22,100,000 | 2028 | \$28.18 | 622,704 |
| 7 | 2027 | 700,000 | 2028 | 0 | 22,800,000 | 2029 | \$28.18 | 642,428 |
| 8 | 2028 | 700,000 | 2029 | 0 | 23,500,000 | 2030 | \$28.18 | 662,152 |
| 9 | 2029 | 700,000 | 2030 | 0 | 24,200,000 | 2031 | \$28.18 | 681,875 |
| 10 | 2030 | 700,000 | 2031 | 0 | 24,900,000 | 2032 | \$28.18 | 701,599 |
| 11 | 2031 | 700,000 | 2032 | 0 | 25,600,000 | 2033 | \$28.18 | 721,323 |
| 12 | 2032 | 700,000 | 2033 | 0 | 26,300,000 | 2034 | \$28.18 | 741,046 |
| 13 | 2033 | 700,000 | 2034 | 0 | 27,000,000 | 2035 | \$28.18 | 760,770 |
| 14 | 2034 | 0 | 2035 | 0 | 27,000,000 | 2036 | \$28.18 | 760,770 |
| 15 | 2035 | 0 | 2036 | 0 | 27,000,000 | 2037 | \$28.18 | 760,770 |
| 16 | 2036 | 0 | 2037 | 0 | 27,000,000 | 2038 | \$28.18 | 760,770 |
| 17 | 2037 | 0 | 2038 | 0 | 27,000,000 | 2039 | \$28.18 | 760,770 |
| 18 | 2038 | 0 | 2039 | 0 | 27,000,000 | 2040 | \$28.18 | 760,770 |
| 19 | 2039 | 0 | 2040 | 0 | 27,000,000 | 2041 | \$28.18 | 760,770 |
| 20 | 2040 | 0 | 2041 | 0 | 27,000,000 | 2042 | \$28.18 | 760,770 |
| 21 | 2041 | 0 | 2042 | 0 | 27,000,000 | 2043 | \$28.18 | 760,770 |
| 22 | 2042 | 0 | 2043 | 0 | 27,000,000 | 2044 | \$28.18 | 760,770 |
| 23 | 2043 | 0 | 2044 | 0 | 27,000,000 | 2045 | \$28.18 | 760,770 |
| 24 | 2044 | 0 | 2045 | 0 | 27,000,000 | 2046 | \$28.18 | 760,770 |
| 25 | 2045 | 0 | 2046 | 0 | 27,000,000 | 2047 | \$28.18 | 760,770 |
| 26 | 2046 | 0 | 2047 | 0 | 27,000,000 | 2048 | \$28.18 | 760,770 |
| 27 | 2047 | 0 | 2048 | 0 | 27,000,000 | 2049 | \$28.18 | 760,770 |
| Totals | | 27,000,000 | | 0 | Future Value of Increment | | | 18,357,095 |

Notes:

¹Tax rate shown is actual 2020/21 TID Interim Rate from DOR Form PC-202 (Tax Increment Collection Worksheet).

Table 2 – Tax Increment Projection Worksheet

Financing and Implementation

The City will finance a \$5.5 million incentive for the Project in the form of a loan to the Developer. The Developer will be responsible for repayment of that loan. That loan is a non-project cost, however, in the event the Developer fails to repay some, or all the loan amount the loan balance remaining to include accrued interest is an eligible Project Cost.

If incentives are provided to other owners of property within the District, it is expected that they will be made on a “pay as you go” basis. The \$2.5 million shown in this Plan is included for forecasting purposes only. The City will evaluate the merits of providing further assistance based on demonstrated need.

Planning and administrative expense, along with any public improvement expenditures the City needs to make, will be paid from annual tax increment revenue. Estimated amounts shown for public improvements may take the form of cash outlay, or repayment/contribution towards debt service payments if financed.

Based on the Project Cost expenditures as included within the cash flow exhibit **(Table 3)**, the District is projected to accumulate enough funds by the year 2043 to pay off all Project cost liabilities and obligations. The projected closure is based on the various assumptions noted in this Plan and will vary dependent on actual Project Costs incurred and the actual amount of tax increments collected.

City of Racine

Tax Increment District # 26

Cash Flow Projection

| Year | Projected Revenues | | | | Expenditures | | | | | | | | Balances | | | Year |
|-------|--------------------|---|--------------------------|-------------------|---|--------|-----------|-------------------------------------|-----------|-------------|------------|-----------------------|------------|------------|--------------------------|-------|
| | Tax Increments | Hotel Project Loan Repayment ¹ | Proceeds from LT Debt | Total Revenues | State Trust Fund Loan ² 5,500,000 Dated Date: 05/10/21 | | | Development Incentives ³ | | Other Costs | | Total Expenditures | Annual | Cumulative | Principal Outstanding | |
| 2021 | | 77,917 | 5,500,000 | 5,577,917 | | | | 5,500,000 | 0 | | 25,000 | 5,525,000 | 52,917 | 52,917 | 5,500,000 | 2021 |
| 2022 | | 233,750 | | 233,750 | | | 186,247 | | 0 | | 15,000 | 201,247 | 32,503 | 85,420 | 5,500,000 | 2022 |
| 2023 | 140,883 | 292,065 | | 432,948 | 198,865 | 4.000% | 220,000 | | 0 | | 10,000 | 428,865 | 4,083 | 89,503 | 5,301,135 | 2023 |
| 2024 | 281,767 | 410,021 | | 691,788 | 206,239 | 4.000% | 212,626 | | 0 | | 10,000 | 428,865 | 262,922 | 352,425 | 5,094,895 | 2024 |
| 2025 | 563,533 | 412,674 | | 976,207 | 215,070 | 4.000% | 203,796 | | 0 | 350,000 | 10,000 | 778,865 | 197,342 | 549,767 | 4,879,826 | 2025 |
| 2026 | 583,257 | 412,674 | | 995,931 | 223,672 | 4.000% | 195,193 | | 250,000 | 350,000 | 10,000 | 1,028,865 | (32,934) | 516,832 | 4,656,153 | 2026 |
| 2027 | 602,981 | 412,674 | | 1,015,654 | 232,619 | 4.000% | 186,246 | | 250,000 | 350,000 | 10,000 | 1,028,865 | (13,211) | 503,621 | 4,423,534 | 2027 |
| 2028 | 622,704 | 4,966,607 | | 5,589,311 | 4,423,534 | 4.000% | 177,426 | | 250,000 | 500,000 | 10,000 | 5,360,960 | 228,351 | 731,972 | 0 | 2028 |
| 2029 | 642,428 | | | 642,428 | | 4.000% | | | 250,000 | 500,000 | 10,000 | 760,000 | (117,572) | 614,400 | 0 | 2029 |
| 2030 | 662,152 | | | 662,152 | | 4.000% | | | 250,000 | 500,000 | 10,000 | 760,000 | (97,848) | 516,552 | 0 | 2030 |
| 2031 | 681,875 | | | 681,875 | | 4.000% | | | 250,000 | 500,000 | 10,000 | 760,000 | (78,125) | 438,427 | 0 | 2031 |
| 2032 | 701,599 | | | 701,599 | | 4.000% | | | 250,000 | 500,000 | 10,000 | 760,000 | (58,401) | 380,026 | 0 | 2032 |
| 2033 | 721,323 | | | 721,323 | | 4.000% | | | 250,000 | 500,000 | 10,000 | 760,000 | (38,677) | 341,348 | 0 | 2033 |
| 2034 | 741,046 | | | 741,046 | | 4.000% | | | 250,000 | 500,000 | 10,000 | 760,000 | (18,954) | 322,394 | 0 | 2034 |
| 2035 | 760,770 | | | 760,770 | | 4.000% | | | 250,000 | 500,000 | 10,000 | 760,000 | 770 | 323,164 | 0 | 2035 |
| 2036 | 760,770 | | | 760,770 | | 4.000% | | | 0 | 600,000 | 10,000 | 610,000 | 150,770 | 473,934 | 0 | 2036 |
| 2037 | 760,770 | | | 760,770 | | 4.000% | | | 0 | 600,000 | 10,000 | 610,000 | 150,770 | 624,704 | 0 | 2037 |
| 2038 | 760,770 | | | 760,770 | | 4.000% | | | 0 | 600,000 | 10,000 | 610,000 | 150,770 | 775,474 | 0 | 2038 |
| 2039 | 760,770 | | | 760,770 | | 4.000% | | | 0 | 600,000 | 10,000 | 610,000 | 150,770 | 926,244 | 0 | 2039 |
| 2040 | 760,770 | | | 760,770 | | 4.000% | | | 0 | 600,000 | 10,000 | 610,000 | 150,770 | 1,077,014 | 0 | 2040 |
| 2041 | 760,770 | | | 760,770 | | 4.000% | | | 0 | 650,000 | 10,000 | 660,000 | 100,770 | 1,177,783 | 0 | 2041 |
| 2042 | 760,770 | | | 760,770 | | | | | 0 | 650,000 | 10,000 | 660,000 | 100,770 | 1,278,553 | 0 | 2042 |
| 2043 | 760,770 | | | 760,770 | | | | | 0 | 650,000 | 10,000 | 660,000 | 100,770 | 1,379,323 | 0 | 2043 |
| 2044 | 760,770 | | | 760,770 | | | | | | | 10,000 | 10,000 | 750,770 | 2,130,093 | 0 | 2044 |
| 2045 | 760,770 | | | 760,770 | | | | | | | 10,000 | 10,000 | 750,770 | 2,880,863 | 0 | 2045 |
| 2046 | 760,770 | | | 760,770 | | | | | | | 10,000 | 10,000 | 750,770 | 3,631,633 | 0 | 2046 |
| 2047 | 760,770 | | | 760,770 | | | | | | | 10,000 | 10,000 | 750,770 | 4,382,403 | 0 | 2047 |
| 2048 | 760,770 | | | 760,770 | | | | | | | 10,000 | 10,000 | 750,770 | 5,133,172 | 0 | 2048 |
| 2049 | 760,770 | | | 760,770 | | | | | | | 25,000 | 25,000 | 735,770 | 5,868,942 | 0 | 2049 |
| Total | 18,357,095 | 7,218,381 | 5,500,000 | 31,075,476 | 5,500,000 | | 1,381,534 | 6,881,534 | 5,500,000 | 2,500,000 | 10,000,000 | 325,000 | 25,206,534 | | | Total |

Notes:

¹Developer loan repayment schedule provided by City on 2-10-2021.

²Interest rate shown is current rate (as of 2-15-2021) for G.O. secured loans with terms of 11 - 20 years. Rates subject to change. Assumes loan will be amortized over a term of twenty years, and paid off on 3-15-2028.

³Potential incentives for other redevelopment projects within the District, or within 1/2 mile of District. Amount shown is for the purpose of demonstrating economic feasibility only. Any provision of incentives will require confirmation of economic necessity. Incentives may be provided on a "pay as you go" basis, or through contributions to existing City programs for rehabilitation of property.

⁴Potential public improvements consisting of, but not limited to street and utility improvements in the rights-of-way adjacent to the District and within 1/2 mile of the District.

Projected TID Closure

Table 3 - Cash Flow

SECTION 10:

Annexed Property

A tax incremental district cannot include annexed territory unless at least three years have elapsed since the annexation, or certain other requirements are met. None of the property within the proposed District boundary was annexed during the past three years.

SECTION 11:

Estimate of Property to Be Devoted to Retail Business

Pursuant to Wis. Stat. § 66.1105(5)(b), the City estimates that 75% 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

Zoning Ordinances

The proposed Plan is in general conformance with the City's current zoning ordinances. Individual properties may require rezoning or conditional use permit at the time of development.

Master (Comprehensive) Plan and Map

The proposed Plan is consistent with the City's Comprehensive Plan.

Building Codes and Ordinances

Development within the District will be required to conform to State Building Codes and will be subject to the City's permitting and inspection procedures. The proposed Plan conforms to all relevant State and local ordinances, plans, and codes. No changes to the existing regulations are proposed or needed.

SECTION 13:

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

Should implementation of this Plan 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 Creation of the Tax Incremental District Promotes the Orderly Development of the City

Creation of the District and the implementation of the projects in its Plan will promote the orderly development of the City by rehabilitating and conserving property, providing necessary infrastructure improvements, and providing appropriate financial incentives for private development projects. Through use of tax increment financing, the City can attract new investment that results in increased tax base and other economic benefits as noted in this Plan. Development will occur in an orderly fashion in accordance with approved plans so that the Projects will be compatible with adjacent land uses. Development of new uses in the District 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 related to the construction and operation of the Project, preservation of a notable historic structure, generation of room taxes. The City also anticipates that the Project may spur additional reinvestment and improvement of other properties in the District and the surrounding area.

SECTION 15:

List of Estimated Non-Project Costs

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.

The City will make a loan as a development incentive to Developer in the amount of \$5.5 million using borrowed funds. That loan is a non-project cost, however, in the event the Developer fails to repay some, or all the loan amount the loan balance remaining to include accrued interest is an eligible Project Cost.

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 is
Complete and Complies with Wis. Stat. §
66.1105(4)(f)

Legal Opinion Found on Following Page.

SAMPLE

Date

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

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. 26 and, in my opinion, it is complete and complies with Wisconsin Statutes Section 66.1105(4)(f).

Sincerely,

Scott R. Letteney
City Attorney

SECTION 17:

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

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 2020 Tax Increment Collection Worksheet.

| Revenue Year | Racine County | City of Racine | Racine Unified School District | Gateway Technical College | Total | Revenue Year |
|--------------|---------------|----------------|--------------------------------|---------------------------|------------|--------------|
| 2023 | 15,795 | 73,628 | 47,467 | 3,994 | 140,883 | 2023 |
| 2024 | 31,589 | 147,256 | 94,934 | 7,987 | 281,767 | 2024 |
| 2025 | 63,179 | 294,513 | 189,867 | 15,975 | 563,533 | 2025 |
| 2026 | 65,390 | 304,821 | 196,513 | 16,534 | 583,257 | 2026 |
| 2027 | 67,601 | 315,129 | 203,158 | 17,093 | 602,981 | 2027 |
| 2028 | 69,812 | 325,437 | 209,803 | 17,652 | 622,704 | 2028 |
| 2029 | 72,024 | 335,745 | 216,449 | 18,211 | 642,428 | 2029 |
| 2030 | 74,235 | 346,052 | 223,094 | 18,770 | 662,152 | 2030 |
| 2031 | 76,446 | 356,360 | 229,739 | 19,329 | 681,875 | 2031 |
| 2032 | 78,657 | 366,668 | 236,385 | 19,888 | 701,599 | 2032 |
| 2033 | 80,869 | 376,976 | 243,030 | 20,447 | 721,323 | 2033 |
| 2034 | 83,080 | 387,284 | 249,675 | 21,007 | 741,046 | 2034 |
| 2035 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2035 |
| 2036 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2036 |
| 2037 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2037 |
| 2038 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2038 |
| 2039 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2039 |
| 2040 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2040 |
| 2041 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2041 |
| 2042 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2042 |
| 2043 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2043 |
| 2044 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2044 |
| 2045 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2045 |
| 2046 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2046 |
| 2047 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2047 |
| 2048 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2048 |
| 2049 | 85,291 | 397,592 | 256,321 | 21,566 | 760,770 | 2049 |
| Total | 2,058,045 | 9,593,753 | 6,184,926 | 520,371 | 18,357,095 | |