



Market Overview & Opportunity Analysis

Racine, Wisconsin

PREPARED FOR:

City of Racine, Wisconsin

MARCH 2017

TABLE OF CONTENTS

Background to the Assignment.....3

Summary of Findings, Conclusions, & Opportunities.....5

Market Fundamentals.....8

Residential Market Analysis & Recommendations.....20

Commercial Market Analysis & Recommendations.....47

BACKGROUND TO THE ASSIGNMENT

At the request of the City of Racine, Wisconsin, Residential Planning Partners, LLC investigated the City's residential and commercial markets, focusing on current market conditions and opportunities for future economic development. This report details the findings of our investigation and provides conclusions and recommendations regarding opportunities within the City.

The work included in this assignment is seen as an outgrowth of the City's many substantive planning efforts, including a 2012 project to identify and prioritize redevelopment and economic growth opportunity areas throughout the City. This effort culminated in the November 2012 **Racine Economic Development Project Opportunities Project Report**. It further builds on the **Ten Year Plan to Rebuild Racine**, which was adopted in 2009. These two efforts have been major impetuses behind advancements towards the stated mission of building Racine "into one of the top ten cities of its size in America in which to live, work, and prosper."

Building from these planning efforts, the City has made significant strides towards reducing crime, rebuilding troubled neighborhoods, combating homelessness, securing state and federal funding for critical programs and initiatives, and attracting new businesses, among other accomplishments. With these advancements, the City now looks towards a future of expanded opportunities and bold initiatives to further improve quality of life and prosperity for all its citizens.

The four primary strategic goals outlined within the Ten Year Plan address the assets, opportunities, and efforts instrumental in shaping the City's future and are briefly articulated as follows:

1. To leverage the City's many existing assets;
2. To blend new anchor facilities into the City's existing natural and built environments;
3. To focus the City's efforts for maximum effect;
4. To increase private investment from businesses, individuals, and other entities located outside the City and County.

The broad objective of this report is to assist the City in achieving these goals by identifying and assessing opportunities within its residential and commercial markets and, further, by providing strategic guidance to assist the City in pursuing these opportunities.

Data Sources

Current demographic and socio-economic estimates and five-year projections cited within this report are from Esri Business Analyst, provided by Esri, Inc. U.S. Census Bureau statistics cited are the most recent vintages available and are derived from the Decennial Census (for longer term population trend data) and from the 2011-2015 American Community Survey, Five-Year Estimates. Extensive field work and interviews with municipal officials, local real estate leasing and sales professionals, business owners, and other stakeholders provided both primary market data and rich contextual support for conclusions regarding market conditions and potentials within the investigative area. Additional information related to housing market trends was gleaned from CoStar and local apartment and for sale home listing services. Likewise, valuable information on commercial market trends was gleaned CoStar market reports and property listings. Sources for other secondary data analyzed are noted throughout the report.

In addition, this assignment began with a review of prior planning and market analysis undertaken by Racine as well as other organizations and institutions at the local, regional, and national levels. More than 20 such plans and reports were reviewed. Among these were *A Comprehensive Plan for the City of Racine: 2035* (2009); *Root River Corridor Redevelopment Plan* (2012); *Downtown Racine Arena and Event Center Market Analysis* (2016); *Racine Economic Development Project Opportunities Project Report* (2012); *City of Racine Downtown Plan* (2005); and *Uptown Neighborhood Strategic Development Plan* (2014). A familiarity with these reports will be helpful context for anyone reviewing this document.

Assumptions & Limiting Conditions

Primary data collection for this assignment took place in December of 2016 through February of 2017. Information analyzed herein was obtained from a variety of sources deemed reliable at the time, but is not guaranteed. The estimates, projections, recommendations, and opinions provided were based on the information analyzed. No liability is assumed for the accuracy of said information. Client agrees to indemnify and hold harmless Residential Planning Partners, LLC, its owners, independent contractors, agents, employees, and assigns, from all liabilities they may be subject to as a result of these services.

Absorption forecasts and estimates of market potential provided in this report are based on the assumption that the properties will be developed in accordance with the recommendations given, with high caliber design, features, and amenities, and that the units will be professionally and aggressively marketed to the appropriate target markets. They also assume that normal economic conditions will prevail during the marketing of the properties. Unforeseen economic downturns can impact the performance of even the best housing and commercial developments.

SUMMARY OF CONCLUSIONS & RECOMMENDATIONS

The City of Racine is a diverse community with a long and rich history. Established in 1848, the City quickly became a center for industry, manufacturing the wagons, carriages, and farming equipment that propelled the country's westward expansion. The City's strategic location on the western shore of Lake Michigan at the mouth of the Root River made it an important hub for manufacturing and shipping. In 1842, Jerome Case founded Racine Threshing Machine Works, which began manufacturing steam engines in 1886, becoming Case Manufacturing. Also in 1886, Samuel C. Johnson founded S.C. Johnson & Son, building a small flooring company into a global enterprise that is today one of the largest privately-held companies in the world.

Racine became, early in its history, a center for entrepreneurialism and innovation. In 1916, Arthur B. Modine patented a new radiator for tractors and founded Modine Manufacturing Company. Twenty-five years later, the company built the world's first vehicular wind tunnel in Racine. And in 1916, the former Racine Wagon & Carriage Company facility at 16th Street east of Memorial Drive became the country's first business incubator – still operating today as the Racine Arts & Business Center.

Today, Racine counts many assets in the natural, built, and socio-cultural environments that serve as focal points and amenities to residents and visitors alike. These include recreational assets largely associated with Lake Michigan, the Root River, and the City's system of walking and biking trails; cultural assets among the visual and performing arts as well as a striking collection of historic and architecturally significant homes and commercial buildings; and more intangible assets, such as the diversity of its people (see Demographic Profile below) and the purity of its drinking water. (In 2011, the U.S. Conference of Mayors chose Racine as the Winning City in its taste test of tap water from municipalities across the country.)

Yet Racine faces many challenges, including, most notably, 40+ years of population losses and the migration of wealth out of the city that have left many homes and commercial buildings vacant. By Census estimates, more than 21 percent of the City's population and 18 percent of its families have incomes below poverty level (compared to 13 percent of people and nine percent of families statewide). Areas of blight impact market potentials within many Racine neighborhoods. Deservedly or not, the reputation of Racine's schools has suffered over the years.

However, building on recent advancements, utilizing its many assets and resources, and reaching back to its entrepreneurial and innovative past, the City can set the stage for future development and continued re-emergence.

Summary of Residential Market Conclusions

Conditions within Racine's residential market can perhaps best be described as uneven. While many of the City's lower-income neighborhoods struggle with low housing values, high vacancy rates, and concentrations of foreclosures and other types of housing distress, other neighborhoods – particularly those along the lakefront and the City's periphery – are relatively stable.

Within the near term (i.e., one to three years), residential market opportunities within the City will be found primarily in expanding housing options and providing new housing types that could be attractive to both current and incoming residents while helping to restore balance to the localized market. More

specifically, our analysis of the localized market suggests that, within a near term planning context, absorption potentials for new market rate apartments amount to approximately 90 units annually. Adaptive reuse has been a successful development strategy in Racine, and given the City's large stock of vacant and/or underutilized industrial and commercial buildings, projects of this type (such as the proposed Machinery Row apartment development) could constitute many or all of these units.

Additionally, we find support for the development of a limited number of new urban-style for sale townhomes in Downtown and Downtown-adjacent neighborhoods. This housing product type currently has little representation in the City, yet could provide new vitality to the City core. In the near term, 6-12 units priced generally from \$200,000 to \$250,000 could likely be absorbed per year, with absorption and pricing potentials growing as the market strengthens.

Over the longer term, residential market opportunities within Racine are largely dependent upon the City's ability to attract new residents and grow its household base. Household growth over the longer term could spur private redevelopment of obsolete and/or substandard housing, providing additional housing choices and further helping to stabilize City neighborhoods.

Finally, further research and analysis should be conducted to determine the future availability and viability of the City's large stock of "other vacant" housing units (so defined by the U.S. Census Bureau, as they are not currently occupied but are not listed for rent or sale). A program to purchase distressed and underutilized units to be offered for rent could help to stabilize both the market as a whole and individual neighborhoods, acting as a natural outgrowth of the City and County's current neighborhood stabilization and tax-base renewal efforts. This program could be led by one or more investment entities in either a purely private manner or through a public-private partnership and could provide a valuable workforce housing option for households generally earning at the 80 to 120 percent Area Median Income (AMI) level.

[Summary of Commercial Market Conclusions](#)

Racine's retail/commercial market reflects the diversity of the City overall. A wide variety of shops, service businesses, restaurants, and entertainment options are available in commercial districts that span both large shopping centers and traditional downtown and neighborhood corridors. Promising new developments are reason for added optimism, including the recent purchase of and planned upgrades to Regency Mall, The Nash Bar & Grill located within the Indian Motorcycle of Racine dealership, and the exciting prospect of a new Downtown events center.

Yet each of Racine's four core commercial districts (i.e., Downtown, Uptown, West Racine, and the historic Douglas Avenue corridor) faces challenges. Vacancy rates are high in each district, and members of the brokerage community noted that a significant "shadow inventory" of underutilized or potentially available space adds to a large number of spaces that are actually vacant. Areas of blight and/or underutilized properties create an uncomfortable pedestrian environment in parts of Uptown and the Douglas Avenue corridor. And traffic calming is needed in general within each core district in order to create a better experience that encourages stopping and exploration and drives foot traffic. Our observations suggest that in large part the primary commercial thoroughfares running through the core districts are utilized as a means of "getting through" the districts rather than getting to them.

Our investigation suggests that over the near term little demand for new multi-tenant commercial space will emerge within any of the City's core commercial districts. However, this is in no way to imply that significant opportunities do not currently exist.

The City's residential and commercial markets are, to a very high degree, linked together. People move to a new location because they see opportunity there, and Racine must find new ways to market the opportunities that it offers. Chief among these are its large stocks of affordable housing and commercial space, as well as its many in-place programs offering support to new and growing businesses. We therefore recommend that Racine build on the strategy put forth in the Uptown Strategic Neighborhood Plan (and elsewhere) to create a new "Entrepreneurial Zone" with the potential to attract entrepreneurial investment from throughout the Chicago-Milwaukee corridor. New businesses – particularly those that market their goods and services on a regional or national level and therefore do not necessarily rely on existing foot traffic – will provide new jobs and new residents and serve as a critical foundation for additional economic growth.

Our research also suggests that Racine could greatly benefit from a branding and image-building campaign. This campaign should be focused both internally, to capitalize on recent advancements and help build civic pride, and externally, to overcome a regional lack of knowledge about Racine and what it has to offer. This work should be undertaken by a firm experienced in the highly specialized area of municipal marketing and brand building.

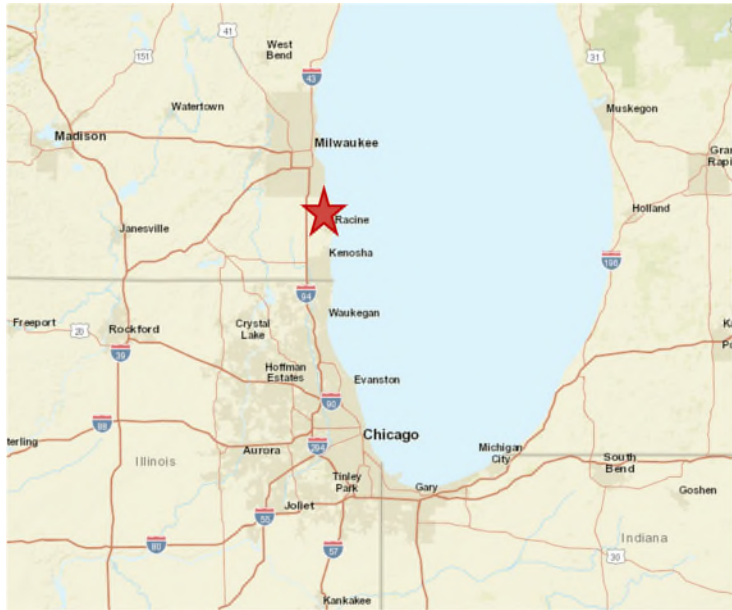
While Uptown could re-emerge as a powerful hub of entrepreneurial innovation, Downtown Racine has the opportunity to become a regional destination for dining, shopping, and entertainment. Near term opportunities include support for additional restaurants, pubs, and entertainment venues that could be greatly aided by the establishment of a better transportation connection between the recreational boating community and Downtown businesses. Additional convenience retail is also a category that would find support from Downtown employees, residents, and visitors. And, obviously, the completion of the Downtown events center would have a catalyzing effect, providing significant additional support for Downtown businesses by attracting thousands of new visitors each year.

Within West Racine, support exists for new restaurant uses, as well as specialty food purveyors, building off of the district's two existing Danish bakeries, as well as Wilson's Coffee & Tea. Market support will be found both within the surrounding neighborhoods and wider trade area. However, the closing of Nelson's Variety Store after 75+ years is a concern for the district, and the fate of this key commercial space (though it could serve a new business well) will likely set the tone for the future of the district.

The historic Douglas Avenue corridor faces significant challenges within its built environment due to the apparent conversion of many buildings to non-retail use and resulting damage to the pedestrian experience. However, the corridor could build on its heritage to become a unique destination for dining and shopping over time, led by neighborhood business owners and operators. We therefore recommend a City-led effort to identify barriers to entry for new businesses within the corridor, to mobilize existing resources to help overcome these barriers, and to identify and support potential business owners within the neighborhoods that align the corridor.

MARKET FUNDAMENTALS

The City of Racine is the county seat of Racine County and is located on the western edge of the County in Southeast Wisconsin. Racine lies within the sprawling Chicago-Milwaukee corridor, which stretches more than 100 miles along Lake Michigan's western coastline and is one of the most active hubs of business and industry in the country. Downtown Racine is approximately 30 miles from downtown Milwaukee and 77 miles from Chicago's Loop. Madison, the Wisconsin state capital, is 105 miles northwest of Racine. Kenosha, Wisconsin, a city of nearly 100,000, lies 11 miles south of Racine.



Racine encompasses numerous neighborhoods that are widely varied economically, demographically, and by land use. Unofficially, as many as 60 different neighborhood areas have been identified, though many of these could be considered sub-neighborhoods, and no official neighborhood designations exist (though a few correspond roughly to some of the 20 Census Tracts located either fully or partially within the City limits). Major generally recognized neighborhood areas include, among others, West Racine, Uptown, Towerview, Hickory Grove, Shorecrest, and Downtown Racine.

Access & Transportation

While not directly connected to a major freeway, Racine's western edge lies approximately five miles east of Interstate 94, which provides connectivity to the Milwaukee metropolitan area to the north and to the Chicago metropolitan area to the south. From Racine, I-94 is accessible via Northwest Avenue on the north side of the City as well as two state highways: SR-20 (Washington Avenue), and SR-11 (Durand Avenue). In addition, SR-31 (Green Bay Road) and SR-32 (Douglas Avenue, Racine Street, and Sheridan Road) are primary north-south routes that provide access to points along the Chicago-Milwaukee corridor.

Racine operates the Belle Urban Bus System, which provides local bus service on ten different routes throughout the City (though some routes offer limited or no service on weekends). The system operates a Downtown Transit Center at State and Silver Streets.

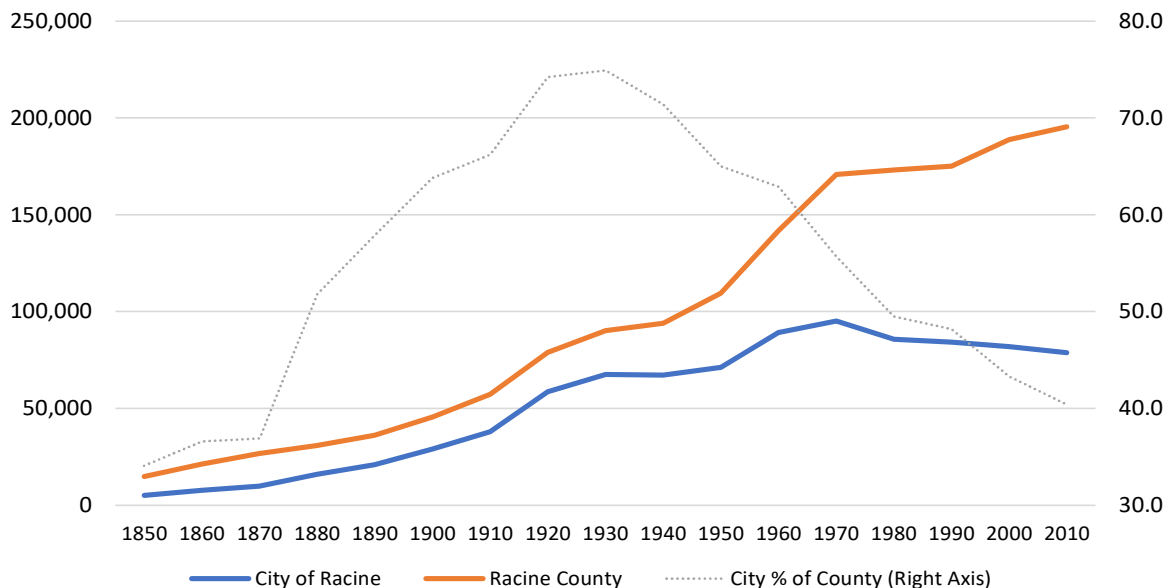
The City is not directly served by commuter rail. However, Amtrak's Hiawatha Line provides daily service to Chicago, Milwaukee, and points beyond from its Sturtevant Station, located just west of the City at Washington Avenue and Fancher Road. Additionally, the Chicago Regional Transit Authority's (RTA) Metra system provides daily commuter rail service via its Union Pacific/North Line from downtown Kenosha to the Chicago Loop. The City has recently expanded its existing bus service to the Kenosha Metra station with routes better coordinated with Metra service.

Racine is located within a reasonable distance of two major commercial airports, with Milwaukee's Mitchell International Airport located 30 minutes to the north and Chicago's O'Hare International Airport located 60 minutes to the south. In addition, Racine's own airport, John H. Batten Field, is available for private and corporate users.

Population & Household Trend

According to estimates from the demographics data provider Esri, Inc., the City of Racine is currently home to 78,006 people, making it the fifth largest city in Wisconsin. (Kenosha is fourth, with an estimated population of 100,608.) The City experienced its most rapid period of growth from 1850-1940, when it grew from a small lakeside settlement to a major manufacturing and shipping center for the Midwest. In the decades that followed, Racine continued to grow with the country's post-war thirst for its manufactured goods. The City's population peaked in 1970 at more than 95,000, but thereafter, with the decline of the manufacturing sector, began to shrink. By 2010, Racine had lost more than 17 percent of its population, equating to some 16,300 residents.

Population Trend, 1850-2010



Source: U.S. Census

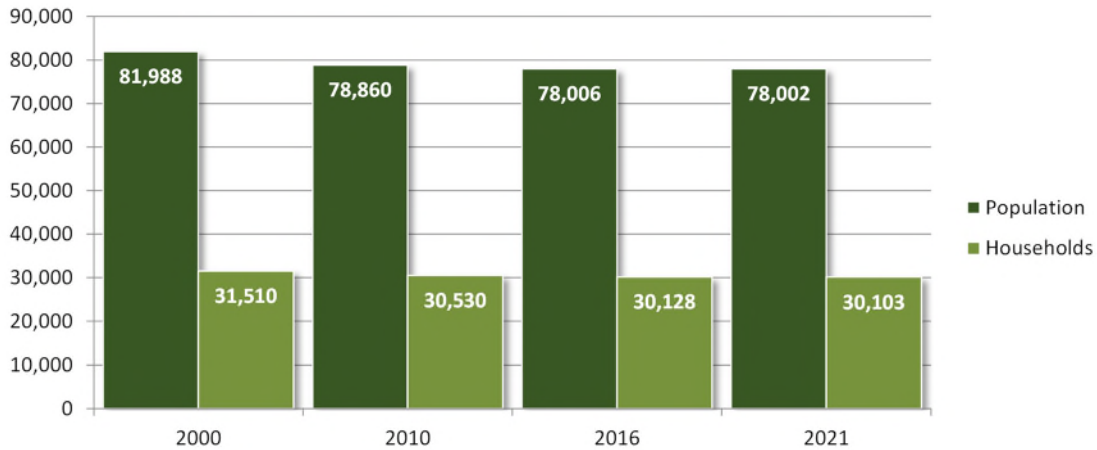
Many of the residents Racine lost moved outside the County in search of employment. Others, however, were motivated to relocate to suburban locations within the County to escape what were perceived (deservedly or not) as deteriorating conditions within the City, marked by increasing crime and blight. Even as population losses within the City continued to mount through the later decades of the 20th century and into the 2000s, the County-wide population grew, with municipalities aligning I-94 such as Mount Pleasant and Caledonia absorbing the bulk of this growth. The proportion of the county-wide population living in Racine began to sink as post-war development became more suburbanized, and continued population losses within the City only hastened this trend. In 1970, for example, Racine accounted for 55.7 percent of the county-wide population; by 2010, it accounted for just 40.4 percent.

Since the 2010 Census, Racine has lost an estimated 854 residents and 402 households, with the majority of this loss occurring during the post-recession recovery years. (By comparison, the City of Kenosha *added*

1,309 residents and 267 households during this time.) Over the next five years (i.e., between 2016 and 2021), population and household levels within the City are projected to hold essentially flat. It should be noted, however, that these projections anticipate a “normal” level of growth based primarily on past patterns and thus do not necessarily take into account the potential for shifting household preferences and unexpected stimuli – or disruptions – to the local and regional economies to impact localized household growth.

Population & Household Trend

City of Racine, WI



Source: U.S. Census Bureau; Esri, Inc. (2016 estimates, 2021 projections)

During this same timeframe, the County-wide population is projected to grow by 1,547 people, with the addition of 577 households – primarily within the current growth areas of Mount Pleasant and Caledonia. Also, for the purpose of comparison, the City of Kenosha is expected to add 1,299 residents and 367 households during this same timeframe.

Race & Ethnicity

Racine is a diverse community. While approximately 60 percent of residents identify as white alone, nearly 23 percent identify as black alone, and more than 13 percent identify as American Indian, Asian, or “some other race” alone. An additional 4.5 percent identify as more than one race. More than 23 percent of Racine’s residents identify as Hispanic (considered separate from race by the U.S. Census Bureau).

Racine is significantly more diverse than the County and state as a whole. For example, within Racine County as a whole, nearly 80 percent of residents identify as white alone, while throughout the state of Wisconsin, nearly 85 percent do so. Racine has significantly higher concentrations of black and Hispanic residents than the County and state, as well as a significantly higher concentration of people identifying as some other race alone.

Population by Race/Ethnicity

Selected Geographies

Race/ Ethnicity	City of Racine		Racine County		Wisconsin	
	No.	Percent of Tot.	No.	Percent of Tot.	No.	Percent of Tot.
White Alone	46,451	59.5	152,772	77.9	4,915,545	84.8
Black Alone	17,693	22.7	22,682	11.6	374,050	6.5
American Indian Alone	401	0.5	888	0.5	58,742	1.0
Asian Alone	694	0.9	2,487	1.3	159,525	2.8
Pacific Islander Alone	31	0.0	59	0.0	2,191	0.0
Some Other Race Alone	9,216	11.8	11,557	5.9	159,083	2.7
Two or More Races	3,519	4.5	5,687	2.9	126,292	2.2
Hispanic Origin (Any Race)	18,253	23.4	25,963	13.2	395,110	6.8
Total Population	78,006	--	196,132	--	5,795,428	--

Source: Esri, Inc. (2016 estimate)

Racine has also become more diverse in recent years. While the number of white residents has decreased by 4.6 percent since the 2010 Census and the number of black residents has decreased modestly, all other racial categories and Hispanics have seen significant increases on a percentage basis since 2010.

Change in Population by Race/Ethnicity

2010-2016

City of Racine, WI

Race/ Ethnicity	No.	Percent
White Alone	-2,261	-4.6
Black Alone	-106	-0.6
American Indian Alone	20	5.2
Asian Alone	91	15.1
Pacific Islander Alone	4	14.8
Some Other Race Alone	1,058	13.0
Two or More Races	339	10.7
Hispanic Origin (Any Race)	1,944	11.9

Source: U.S. Census Bureau and Esri, Inc. (2016 estimate)

Population Age Dynamics

Like many municipalities throughout the country, the City of Racine is aging. The current estimated median age of Racine residents stands at 34.3 years, 3.6 percent higher than the 2010 Census figure and indicative of the influence exerted by the aging of the Baby Boomers. (The current median age within the City is, however, significantly lower than that of Racine county, at 39.9 years, and the state of Wisconsin, at 39.3 years.) By 2016 estimates, 23.9 percent of Racine's residents are 55 years old or older. The median age is expected to increase to 34.8 years by 2021, when 25.5 percent of the City's residents will be 55 years old or older. As shown in the following table, by 2021, the City is projected to be home to nearly 1,250 more seniors between the ages of 65 and 74 than it is today.

Population by Age - City of Racine, WI

Age (Years)	2010		2016 ⁽¹⁾		2021 ⁽²⁾		Change (2016-2021)	
	Pop.	Percent of Tot.	Pop.	Percent of Tot.	Pop.	Percent of Tot.	Gain/ Loss	Percent
0-4	6,557	8.3	6,006	7.7	5,974	7.7	-32	-0.5
5-9	6,099	7.7	5,814	7.5	5,636	7.2	-178	-3.1
10-14	5,945	7.5	5,549	7.1	5,529	7.1	-20	-0.4
15-19	5,634	7.1	5,389	6.9	5,255	6.7	-134	-2.5
20-24	5,624	7.1	5,776	7.4	5,485	7.0	-291	-5.0
25-34	11,757	14.9	11,262	14.4	11,356	14.6	94	0.8
35-44	9,868	12.5	9,829	12.6	10,032	12.9	203	2.1
45-54	10,914	13.8	9,709	12.4	8,857	11.4	-852	-8.8
55-64	7,866	10.0	9,029	11.6	9,058	11.6	29	0.3
65-74	4,383	5.6	5,440	7.0	6,372	8.2	932	17.1
75-84	2,879	3.7	2,781	3.6	3,097	4.0	316	11.4
85+	1,334	1.7	1,421	1.8	1,352	1.7	-69	-4.9
Total	78,860	100.0	78,005	100.0	78,003	100.0	-2	0.0
Med. Age	33.1		34.3		34.8		---	

⁽¹⁾ Estimate

⁽²⁾ Projection

Source: U.S. Census Bureau and Esri, Inc. (2016 estimates, 2021 projections)

Meanwhile, the City is expected to see declines in children and adults younger than 25, as well as those age 45-54. As members of the Millennial generation age, however, residents in the 25-34 and 35-44 year old age cohorts are expected to increase. In 2021, residents age 25-34 – the primary target market for much rental housing – will represent 14.6 percent of the City’s population, while those age 35-44 – often an age associated with increased earning power and “move-up” housing decisions – will represent 12.9 percent of the population.

Household Income

According to current estimates from Esri, the median household income within the City of Racine stands at \$40,445. This is 25 percent lower than the County as a whole (at \$54,513) and 24 percent lower than the state of Wisconsin (at \$53,160). On a percentage basis, significantly more households within the City earn less than \$15,000 than in the County or state as a whole. By the most recent Census estimates, 21.6 percent of the City’s residents and 18.1 percent of families have incomes below the poverty line. This is significantly higher than Wisconsin as a whole, at 13.0 percent of residents and 8.6 percent of families. Moreover, at the other end of the income spectrum, the City has half the number of households (again, on a percentage basis) earning \$100,000 or more than do the County or state. However, within the \$50,000-\$75,000 income range, all three geographies are roughly equal.

Households by Income - Selected Geographies

Household Income	City of Racine		Racine County		Wisconsin	
	No.	%	No.	%	No.	%
<\$15,000	4,902	16.3	7,703	10.1	251,743	10.8
\$15,000 - \$24,999	4,139	13.7	7,570	10.0	244,869	10.5
\$25,000 - \$34,999	3,872	12.9	7,967	10.5	248,186	10.6
\$35,000 - \$49,999	4,829	16.0	10,893	14.3	339,185	14.5
\$50,000 - \$74,999	5,999	19.9	15,168	20.0	454,485	19.5
\$75,000 - \$99,999	3,065	10.2	10,335	13.6	313,898	13.5
\$100,000 - \$149,999	2,446	8.1	10,598	14.0	308,389	13.2
\$150,000 - \$199,999	526	1.7	3,238	4.3	94,747	4.1
\$200,000+	350	1.2	2,453	3.2	77,533	3.3
Median	\$40,445		\$54,513		\$53,160	

Source: Esri, Inc. (2016 estimate)

A more nuanced analysis of household income by housing tenure utilizing data from the American Community Survey reveals sharp income inequality between owner and renter households. As shown in the following table, median household income as of the 2015 ACS stood at \$57,955 for owner households and \$25,898 (55.3 percent lower) for renter households. (Note that estimates of median income from the ACS utilize averages for the 2011-2015 period, in 2015 dollars, and thus do not necessarily correspond to 2016 estimates from Esri.)

Households by Housing Tenure & Income City of Racine, WI

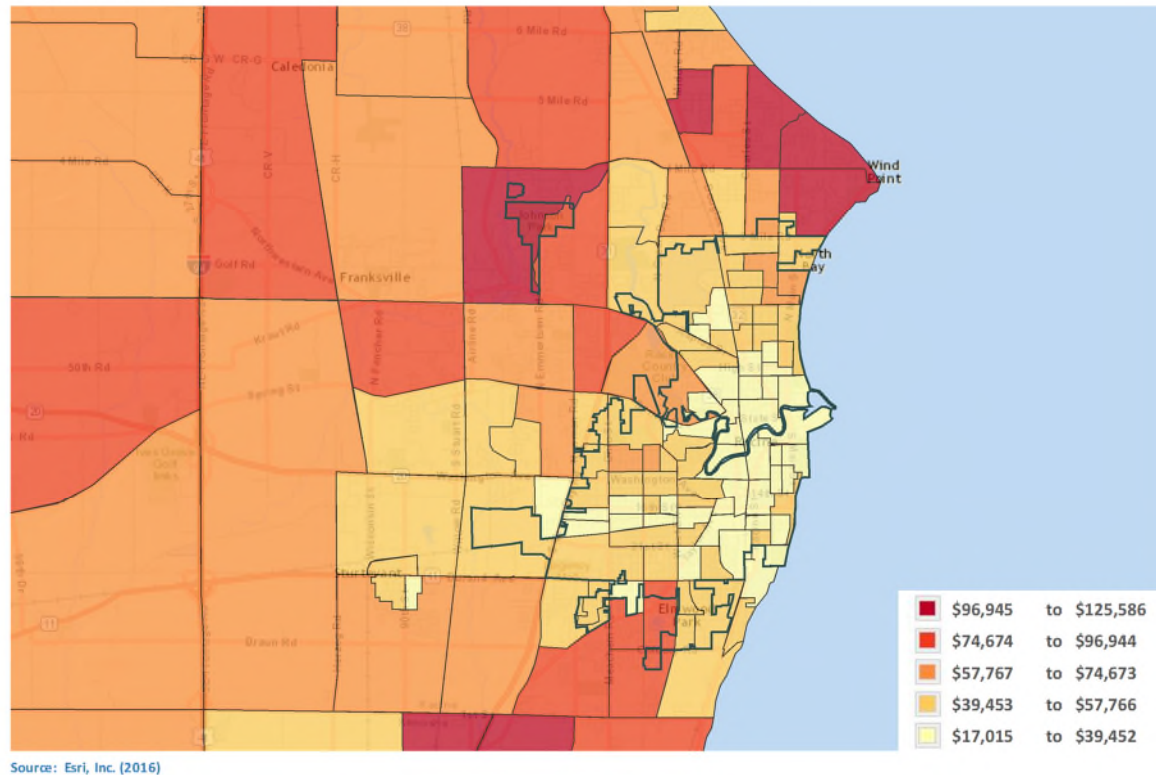
Income	Owner		Renter		Total	
	HH	%	HH	%	HH	%
Less than \$5,000	283	1.7	725	5.4	1,008	3.4
\$5,000 - \$9,999	389	2.4	1,382	10.3	1,771	5.9
\$10,000 - \$14,999	475	2.9	1,676	12.5	2,151	7.2
\$15,000 - \$19,999	717	4.3	1,240	9.3	1,957	6.6
\$20,000 - \$24,999	905	5.5	1,465	11.0	2,370	7.9
\$25,000 - \$34,999	1,494	9.1	2,231	16.7	3,725	12.5
\$35,000 - \$49,999	2,597	15.8	1,703	12.7	4,300	14.4
\$50,000 - \$74,999	4,358	26.4	1,749	13.1	6,107	20.5
\$75,000 - \$99,999	2,423	14.7	664	5.0	3,087	10.3
\$100,000 - \$149,999	2,069	12.5	419	3.1	2,488	8.3
\$150,000 or More	777	4.7	110	0.8	887	3.0
Total	16,487	100.0	13,364	100.0	29,851	100.0
Median	\$57,955		\$25,898		\$41,771	

Source: U.S. Census Bureau

As shown above, nearly 38 percent of renter households in Racine have incomes below \$20,000, compared to 11 percent for owner households. Still, 22 percent of renter households (equating to nearly 3,000 households) have income of \$50,000 or higher – a level generally supportive of new construction rental apartment product (not accounting for unit size or type).

Within Racine, as illustrated in the following map of household income strength by block group (the smallest reporting geography utilized by the Census Bureau), lower-income households are concentrated within the City's central and eastern portions, particularly within the neighborhoods surrounding Downtown, Uptown, and along the Douglas Avenue corridor. Areas of higher household income are found in particular concentration within the northern portion of the City – most notably in the Shorecrest neighborhood – as well as some west side neighborhoods

Median Household Income by Block Group
City of Racine, WI & Environs



Labor Market Trends

Data on labor market trends by industry sector are available from the U.S. Bureau of Labor Statistics (BLS) at the state and metropolitan area level. The City of Racine is the principal city included within the Racine, Wisconsin Metropolitan Statistical Area (MSA), which is contiguous with Racine County, so the metro area data correspond to the County.

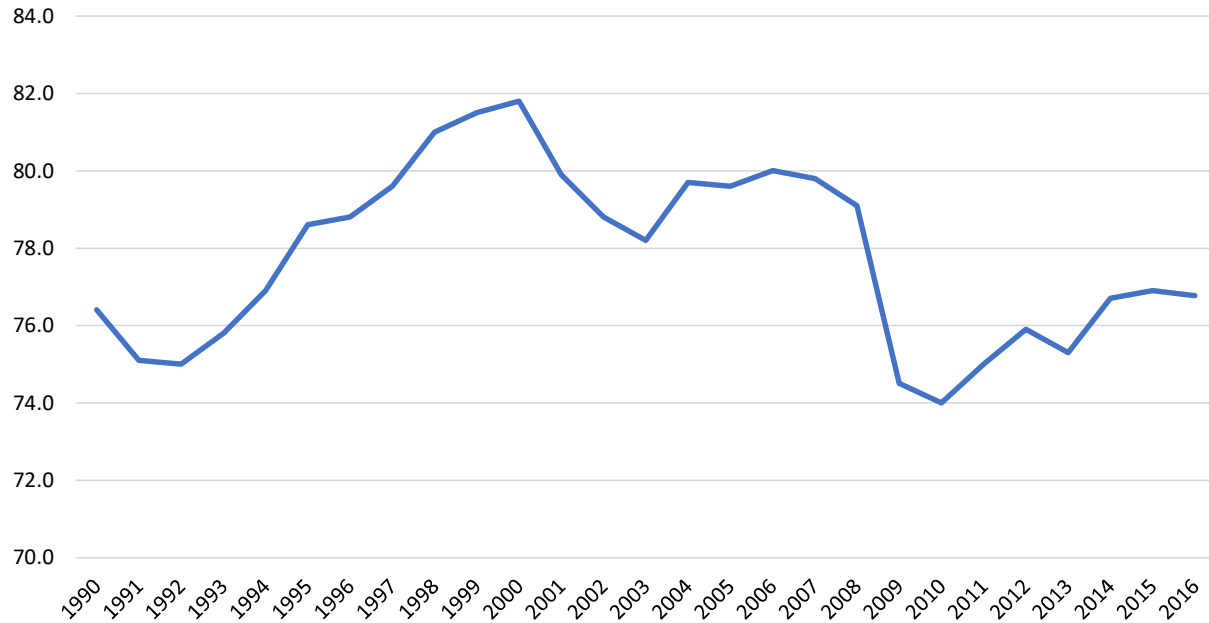
According to BLS data for the last 25 years, nonfarm employment within the County peaked in 2000 at approximately 82,000 jobs. In the mild recession that occurred in the early 2000s, County employment slipped, but began to recover after 2003, peaking at 80,000 in 2006. In the economic downturn that initiated the Great Recession, county-wide employment began to slip once again, followed by a steep dive between 2008 and 2009, when the County lost nearly 5,000 jobs.

The cyclical trough was reached in 2010, when employment levels stood at 74,000 jobs, with gains experienced each year thereafter until 2015. Preliminary annual data for 2016 suggest that employment held essentially unchanged from 2015 to 2016. Current employment within the County stands at 76,800

jobs, representing a gain of 3.7 percent compared to 2010 levels, but a loss of 6.2 percent compared to 2000 levels.

Total Nonfarm Employment (000s)

Racine County, WI



Source: Bureau of Labor Statistics

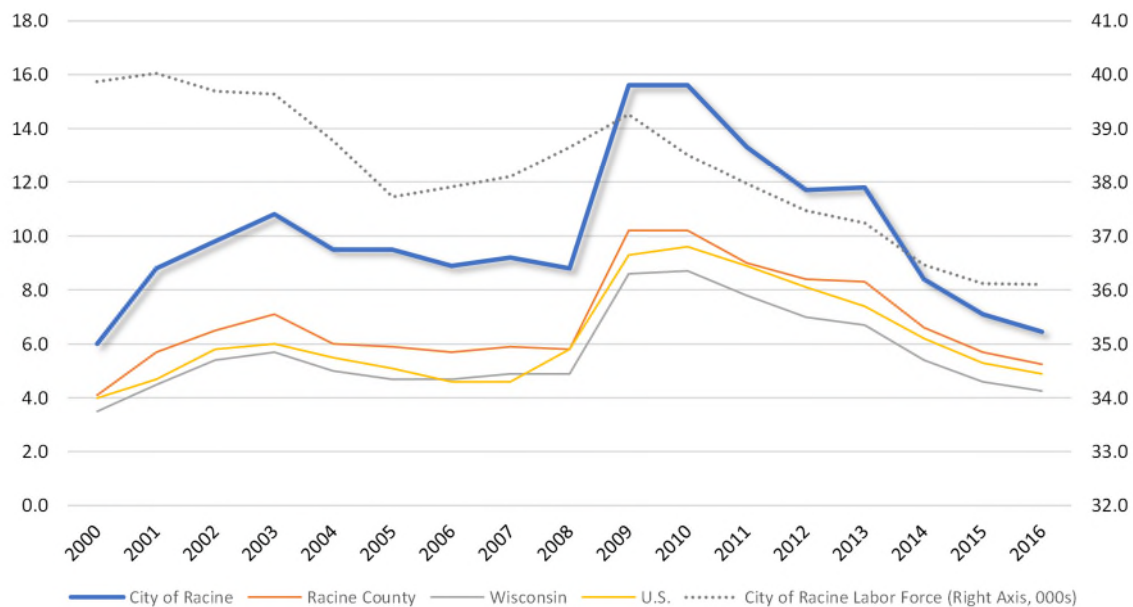
Unemployment

Unemployment within the City soared during the recession and its aftermath. While most areas of the country saw a rise in unemployment during this period, Racine fared much worse than the County, state, or country as a whole. For example, while County-wide unemployment reached 10.2 percent in 2009-2010, the City unemployment rate during this period stood 540 basis points higher, at 15.6 percent.

Unemployment within the City fell sharply after 2010; however, the strengthening economic recovery was only partially responsible. The less positive contributor to the decline was a shrinking labor force. After five years of growth beginning in 2005, the City's labor force peaked in 2009 at roughly 39,300. Thereafter, it began to shrink, falling to 38,000 by 2011, and continued to do so through the recovery years. While labor force losses moderated in 2016, with preliminary end-of-year numbers essentially flat to 2015, the City's labor force nevertheless shrank by nearly 3,200 workers from 2009-2016. This net loss reflects retirements as well as workers who left the City entirely and those who remained in the City but stopped looking for employment.

Unemployment Rate (Percent) & Labor Force Trend

City of Racine, WI and Selected Geographies



Source: Bureau of Labor Statistics

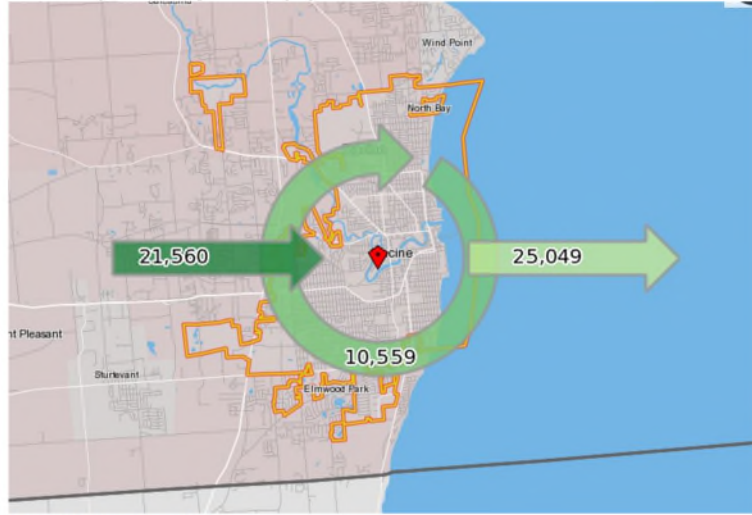
Moreover, the City's labor force has been shrinking more quickly than its adult population. In 2000, for example, the City's labor force equated to 68.4 percent of its population 18 year of age or older. By 2010, this number had declined to 67.7 percent. And by 2016 estimates, the number has declined even further, to 64.0 percent. No doubt this phenomenon is driven to a certain extent by older residents retiring and leaving the labor force. (As evidence, in 2016 the City had nearly 1,100 more residents age 65-74 than it had in 2010.) However, it signals that these retiring workers are not being replaced in kind. Add to this an unknown number of workers who left the City entirely and those who stayed but who have left the labor force due to an inability to find work, and the overall effect is that fewer people are participating robustly in the localized economy.

Where Workers Work

The Census Bureau tracks employment separately from the Bureau of Labor Statistics, making local area data available through its OnTheMap application. (Note that Census employment totals differ slightly from BLS totals due to differing vintages and collection methodologies.) According to Census estimates, in 2014 (the most recent vintage available through OnTheMap), there were 32,119 jobs within the City of Racine. Of these, 10,559 were held by people living in Racine, while 21,560 were held by people living outside the City. In addition, there were 25,049 jobs located outside Racine and held by residents of the City. (Note that these totals include both primary and secondary jobs.)

In order to gain a further understanding of employment dynamics within the City and surrounding areas, we analyzed Census data on place of employment and worker home locations. According to these data, nearly two-thirds of jobs located within the City are held by people who live within Racine County. Much smaller proportions are held by workers living in Kenosha and Milwaukee counties. However, these three counties together account for nearly 85 percent of workers working within the City. Notably, Racine draws only 2.4 percent of its workforce from Cook and Lake counties in northern Illinois.

Worker Inflow & Outflow – City of Racine, WI



Source: U.S. Census Bureau, OnTheMap

Place of Residence

Workers Working in City of Racine, WI

BY COUNTY			BY CITY		
County	No.	%	City	No.	%
Racine County, WI	20,294	63.2	Racine, WI	10,559	32.9
Kenosha County, WI	3,921	12.2	Mount Pleasant, WI	3,947	12.3
Milwaukee County, WI	2,917	9.1	Caledonia, WI	2,894	9.0
Waukesha County, WI	937	2.9	Kenosha, WI	2,595	8.1
Lake County, IL	451	1.4	Milwaukee, WI	1,231	3.8
Dane County, WI	337	1.0	Sturtevant, WI	613	1.9
Cook County, IL	316	1.0	Pleasant Prairie, WI	388	1.2
Walworth County, WI	231	0.7	West Allis, WI	356	1.1
Rock County, WI	215	0.7	Union Grove, WI	295	0.9
Jefferson County, WI	177	0.6	Wind Point, WI	265	0.8
All Other Counties	2,323	7.2	All Other Cities	8,976	27.9
Total	32,119	100.0	Total	32,119	100.0

Source: U.S. Census Bureau, OnTheMap (2014)

Meanwhile, by city, workers living in Racine hold nearly a third of the jobs located within the City. Workers living in the villages of Mount Pleasant and Caledonia together hold just over 22 percent, while those living in Kenosha hold just over eight percent.

Conversely, we analyzed Census employment data on the basis of where workers living within the City of Racine are employed. As shown in the following table, nearly half of workers living in Racine are employed within Racine County. Another 20 percent are employed in Milwaukee County, while 10 percent are employed in Kenosha County. Together, these three counties account for nearly 80 percent of the jobs held by people living in Racine.

By city of employment, nearly 30 percent of people who work in Racine also live in the City. Another 10.6 percent work in Milwaukee, while 15 percent work in either Mount Pleasant or Kenosha.

Place of Employment

Workers Living in the City of Racine, WI

BY COUNTY			BY CITY		
County	No.	%	City	No.	%
Racine County, WI	17,489	49.1	Racine, WI	10,559	29.7
Milwaukee County, WI	7,274	20.4	Milwaukee, WI	3,769	10.6
Kenosha County, WI	3,617	10.2	Mount Pleasant, WI	2,833	8.0
Waukesha County, WI	1,758	4.9	Kenosha, WI	2,505	7.0
Lake County, IL	937	2.6	Sturtevant, WI	1,448	4.1
Dane County, WI	753	2.1	Caledonia, WI	1,010	2.8
Cook County, IL	600	1.7	Wauwatosa, WI	792	2.2
Walworth County, WI	388	1.1	Pleasant Prairie, WI	669	1.9
Rock County, WI	229	0.6	Oak Creek, WI	633	1.8
Washington County, WI	170	0.5	Madison, WI	523	1.5
All Other Locations	2,393	6.7	All Other Cities	10,867	30.5
Total	35,608	100.0	Total	35,608	100.0

Source: U.S. Census Bureau, OnTheMap (2014)

Finally, we analyzed employment within both the City and County by NAICS Industry Sector. As shown in the following table, manufacturing remains the primary sector for both the City and the County as a whole.

Jobs by NAICS Industry Sector

City of Racine & Racine County

Household Income	City of Racine		Racine County	
	No.	%	No.	%
Agriculture, Forestry, Fishing and Hunting	4	0.0	138	0.2
Mining, Quarrying, and Oil and Gas Extraction	5	0.0	15	0.0
Utilities	0	0.0	147	0.2
Construction	640	2.0	2,304	3.2
Manufacturing	8,620	26.8	18,318	25.2
Wholesale Trade	628	2.0	3,361	4.6
Retail Trade	3,285	10.2	8,225	11.3
Transportation and Warehousing	544	1.7	1,991	2.7
Information	250	0.8	514	0.7
Finance and Insurance	800	2.5	2,064	2.8
Real Estate and Rental and Leasing	157	0.5	456	0.6
Professional, Scientific, and Technical Services	562	1.7	1,635	2.2
Management of Companies and Enterprises	176	0.5	478	0.7
Administration & Support, Waste Management and Remediation	2,016	6.3	4,439	6.1
Educational Services	2,574	8.0	4,791	6.6
Health Care and Social Assistance	5,968	18.6	11,530	15.8
Arts, Entertainment, and Recreation	585	1.8	1,027	1.4
Accommodation and Food Services	2,328	7.2	5,774	7.9
Other Services (excluding Public Administration)	814	2.5	1,978	2.7
Public Administration	2,163	6.7	3,638	5.0
Total	32,119	100.0	72,823	100.0

Source: U.S. Census, OnTheMap (2014)

More than 8,600 jobs within Racine are in the manufacturing sector, representing nearly 27 percent of all City employment. Likewise, the manufacturing sector county-wide represents more than 18,300 jobs, or one quarter of County employment.

Apart from manufacturing, health care and social assistance is a primary industry sector for the City, representing nearly 6,000 jobs, as is retail trade, representing nearly 3,300 jobs. While these sectors account for more than half of all jobs within the City, significant concentrations are found within four other sectors as well, resulting in a localized economy that may be more diverse than initial impressions would suggest. That said, however, employment in traditionally higher-paying industries is considerably weaker in Racine than in many other areas. For example, the number of jobs in the professional, scientific, and technical services sector in Racine is about half (on a percentage basis) of that for the state of Wisconsin as a whole. And the number of jobs in the management of companies and enterprises sector is about one-fifth that (again, on a percentage basis) of the state as a whole.

RESIDENTIAL MARKET OVERVIEW

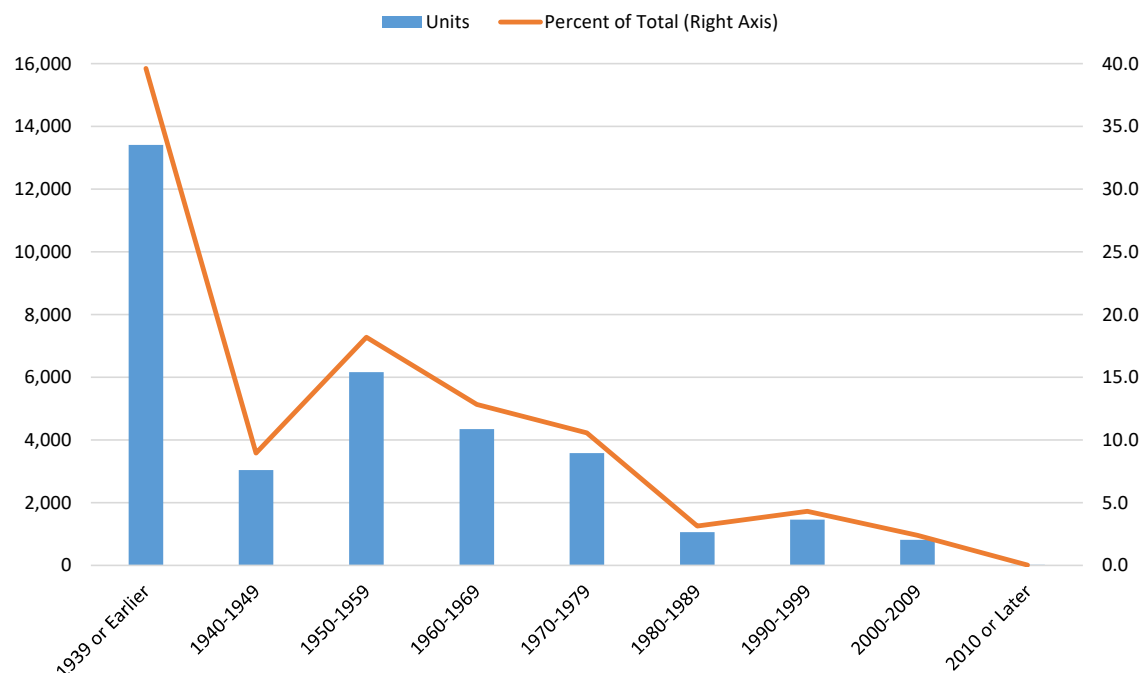
From stunning Victorian-era homes to post-war bungalows to lakefront condominiums and, most recently, loft apartments in renovated industrial buildings, Racine's housing stock encompasses a wide variety of housing types that reflect the diversity of its neighborhoods. Only recently, Racine was deemed the "most affordable" housing market in the world, based on housing values and area median income levels. However, significant challenges remain to be addressed within the area market, and post-recession new home development has largely bypassed the City. This section of our report provides an overview of the area housing market, addressing development trends, the character of the localized housing stock, conditions within both the localized rental and for-sale sectors, and areas of opportunity in both near and longer term planning contexts.

Residential Development Patterns

Racine's housing stock is relatively advanced in age. By Census estimates, nearly 40 percent of existing housing units were built prior to 1940, reflective of the City's late 19th to early 20th century expansion as a manufacturing and shipping powerhouse. The median age of housing units within the City is more than 65 years, and fewer than seven percent of existing units are less than 25 years old.

Housing Units by Year of Construction

City of Racine, WI



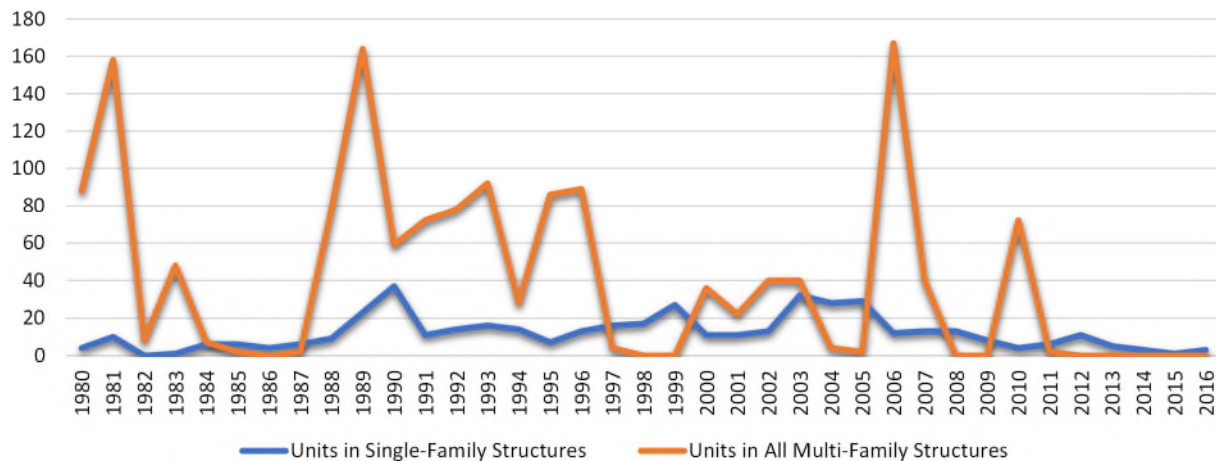
Source: U.S. Census Bureau

Further urbanization in the 1950s brought a surge in development, but in the following decades, as building sites became increasingly scarce in the land-locked City (which had chosen not to expand through annexation) and population losses mounted, construction of new homes declined significantly.

An analysis of long term construction trends as measured by permit issuances for new residential units shows that from 1980 onward the City experienced very low levels of single family building (which includes all detached and “single address” attached forms, such as townhomes and duplexes). Residential construction was, for the most part, led by multifamily redevelopment, which displayed a volatility typical of that sector. After a surge in condominium building – primarily along the lakefront – in the late 1980s and 1990s, multifamily building (this time largely as loft apartments in renovated industrial buildings) spiked again in the waning days of the housing boom, then dropped nearly to zero after 2010.

Residential Building Permit Issuances

City of Racine, WI



Source: U.S. Census Bureau

Single family construction, meanwhile, averaged just five units per year between 2009 and 2016 (many of these part of the City’s own neighborhood stabilization efforts), after averaging 18 units per year from 2000-2008.

Housing Type, Tenure, & Occupancy

The dominate form of housing within Racine is the detached single family home. As shown in the following table, detached single family homes encompass 61.5 percent of all occupied housing units within the City. The City has relatively few attached single family homes (primarily attached townhomes and side by side “single address” duplexes). However, among multifamily forms, the most dominant housing type is the two unit form (i.e., two attached units that share a common street address). In fact, more than 15 percent of multifamily units within the City are of this type – a strikingly high percentage. (By comparison, two-unit multifamily forms represent just 9.7 percent of units in neighboring Kenosha.) The vast majority of these units (more than 80 percent) are renter-occupied, suggesting that many single family homes have, through the years, been divided into multiple units. While this practice often provides much needed rental options, it can also have the effect of degrading an area’s housing stock over time and may signal further vulnerability of single family homes to subdivision.

Occupied Housing Units by Type

City of Racine, WI

Type of Structure	Total Units	Percent of Total
1-unit, detached	18,350	61.5
1-unit, attached	765	2.6
2 units	4,537	15.2
3-4 units	1,311	4.4
5-9 units	1,242	4.2
10-19 units	1,134	3.8
20-49 units	1,232	4.1
50 or more units	1,137	3.8
Mobile home	143	0.5
Total	29,851	100.0

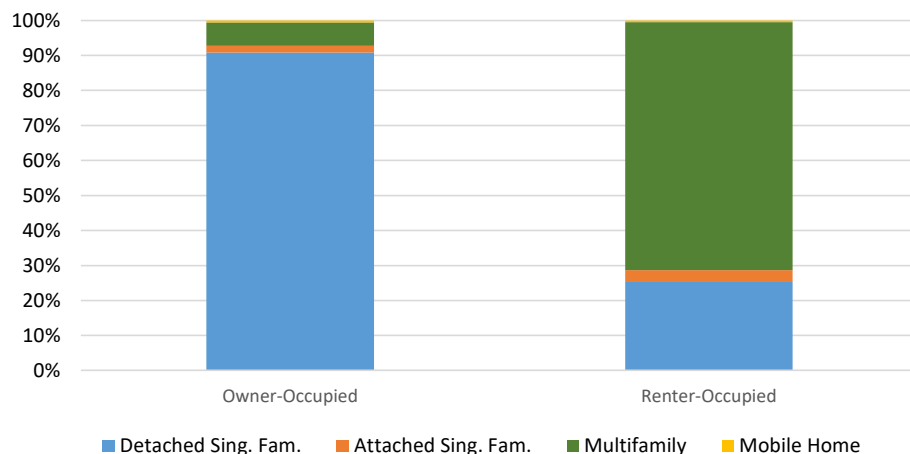
Source: U.S. Census Bureau

Other multifamily units are roughly equally distributed among buildings of varying scale, from 3-4 units to 50 or more units, with the majority of the largest-scale buildings located along the lakefront and in other Downtown and Downtown-adjacent areas.

The vast majority (nearly 90 percent) of Racine's homeowner households live in detached single family homes, while a relatively small proportion (less than seven percent) live in multifamily condominiums. Among renter households, nearly 71 percent live in multifamily apartments, while just over one quarter live in detached single family homes. Notably, more than 18 percent of Racine's occupied detached single family homes are utilized as rental homes. (This figure, it should be noted, is identical to that of Kenosha).

Tenure by Housing Type

City of Racine, WI



Source: U.S. Census Bureau

Housing Occupancy & Vacancy Characteristics

By Census Bureau estimates, there are a total of 33,874 housing units within the City of Racine. Of these, 29,851 were occupied as of 2015 ACS estimates. Among occupied housing units, 55.2 percent were owner-occupied, while 44.8 percent were renter occupied. On a percentage basis, Racine has significantly more renter households than the County as a whole (at 30.1 percent) and the state of Wisconsin (at 32.7 percent). However, the renter-occupancy rate within the City is roughly equal to that within the City of Kenosha, at 42.4 percent.

Housing Occupancy Characteristics

City of Racine, WI

Attribute	PMA
Total Housing Units	33,874
Occupied Housing Units	29,851
Owner-Occupied	16,487
Percent	55.2
Renter-Occupied	13,364
Percent	44.8
Vacant Housing Units	4,023
Vacancy Rate - Overall (%)	11.9
Homeowner Vacancy Rate (%)	1.2
Rental Vacancy Rate (%)	8.7

Source: U.S. Census Bureau

As of the 2015 ACS, the homeowner vacancy rate within the City stood at 1.2 percent, while the rental vacancy rate stood at 8.7 percent. These figures are considered moderately low for ownership units but high for renter units. (By comparison, in markets national-wide, ownership and rental vacancy rates of 1.5 percent and 7.4 percent, respectively, are considered balanced.) However, the housing vacancy rate *overall* is significantly higher than both these measures, at 11.9 percent – encompassing more than 4,000 units. The reason behind this apparent inconsistency is that, in its calculations of homeowner and rental vacancy rates, the Census Bureau does not include units that are recently rented or sold but unoccupied, vacant due to seasonal or occasional use, or for other reasons. Census Bureau guidance provides six primary reasons why a unit might be classified as “other vacant”:

- The unit is unoccupied and the owner does not want to rent or sell;
- The owner is using the unit for storage;
- The owner is elderly and living in a nursing home or with family;
- The unit is being held for settlement of an estate;
- The unit is being repaired or renovated;
- The unit is being foreclosed.

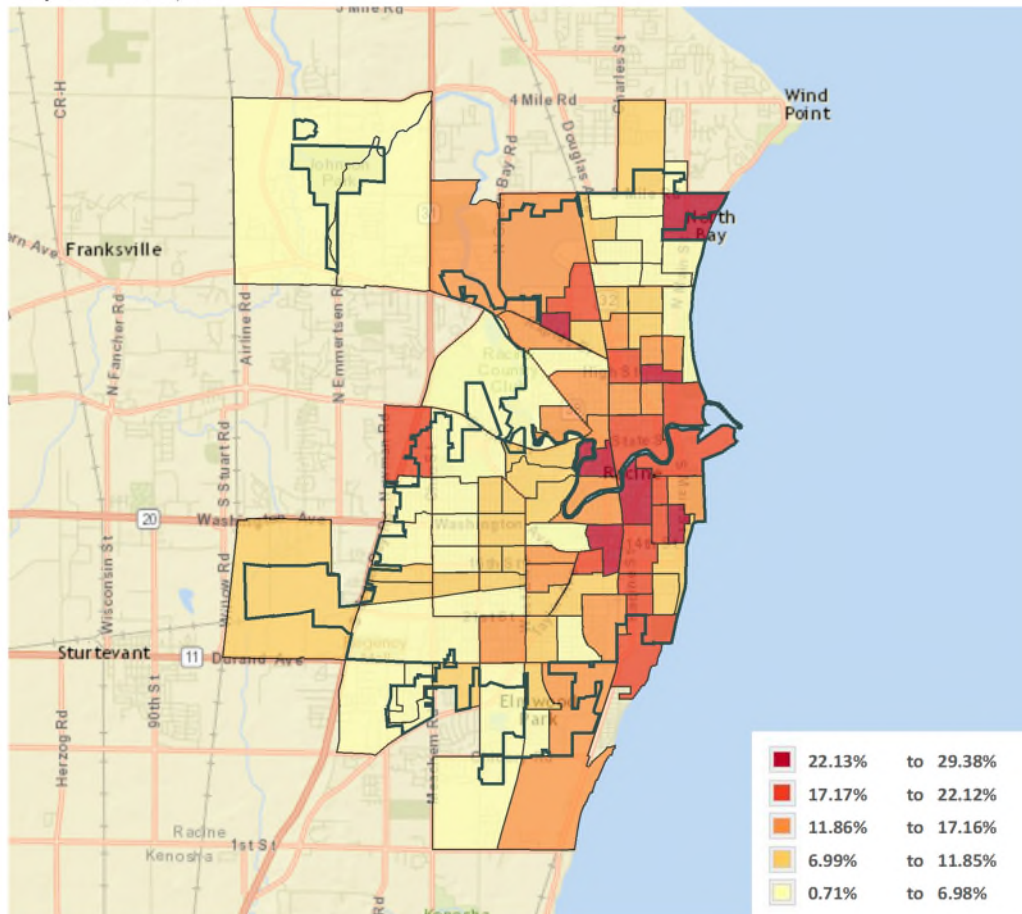
For Racine, the number of units that fall within the “other vacant” category is significant, at 2,030 units, amounting to 6.0 percent of the City’s housing stock overall. (By comparison, the proportion of “other vacant” units in Kenosha is 2.9 percent of all units, and the overall vacancy rate is 8.7 percent.) While further research – likely including a property-by-property survey – would be needed to ascertain with a

degree of certainty the reasons for the elevated number of “other vacant” units in Racine, it can be safely assumed that a significant number of these units are in some form of distress – either through outright abandonment, willful and/or financially-induced neglect, inappropriate use, or threat of imminent foreclosure. While not currently for sale or rent, these vacant units represent a threat to the localized market. First, they constitute a potential “shadow inventory” of homes that could undercut the strengthening for-sale market (see below). Second, the presence of obviously vacant homes – particularly when evidence of physical deterioration is present – tends to suppress home values within a neighborhood.

As shown in the following map of housing vacancies by block group, vacancies are found in concentration within many areas of the City core. In these areas, housing vacancy rates (utilizing 2016 estimates from Esri) often exceed 20 percent, with some approaching 30 percent.

Vacant Housing Units by Block Group

City of Racine, WI



Source: Esri, Inc. (2016)

Moving outward from the City core, vacancy rates generally decline, with many neighborhoods on the periphery of the City experiencing low to moderate levels of vacancy.

Where Residents Live

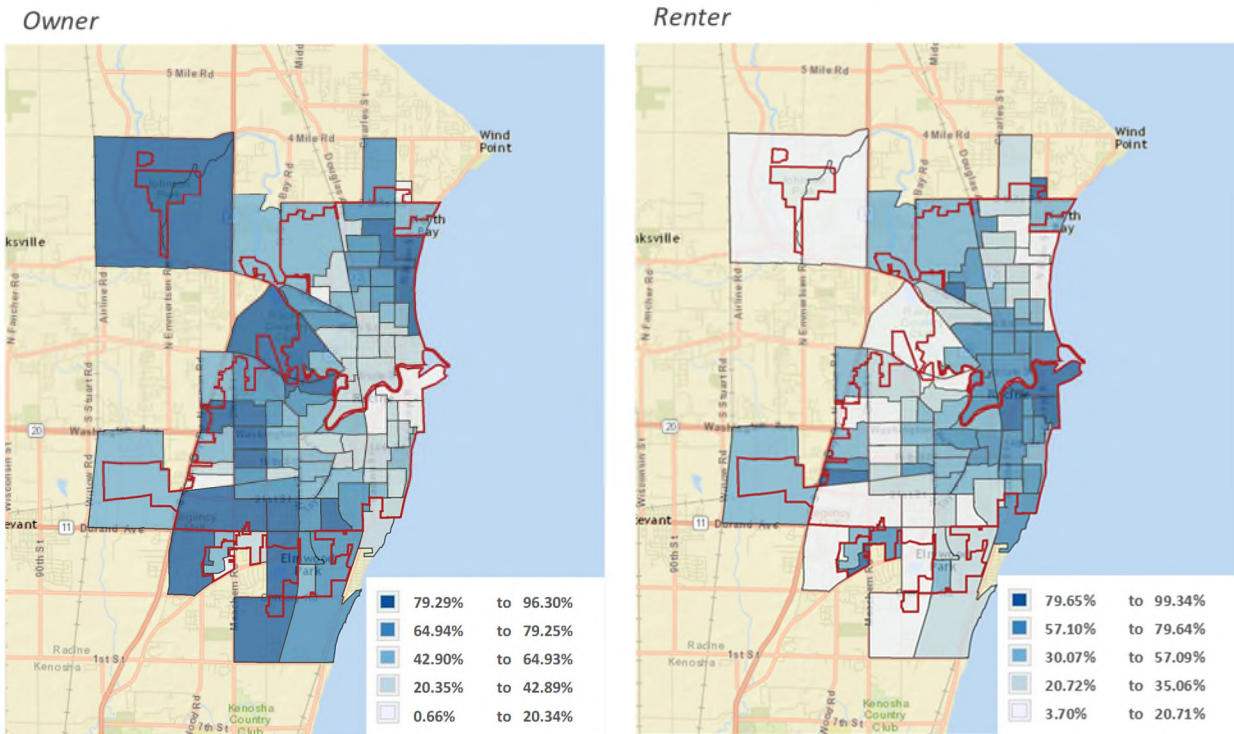
As shown in the following maps of occupied housing units by housing tenure and block group, as a percentage of all households, homeowners dominate the outer ring of the City on all three sides (i.e., north, west, and south). In fact, in many of these areas, homeowners represent 80 percent or more of all households – rising to 90 percent or more on the north side.

Conversely, concentrations of rental occupancy are found within the core of the City – specifically within Downtown, Midtown, and portions of Towerview. Here, renters generally represent 80 percent or more of all households.

In the neighborhoods immediately surrounding the City core, renter occupancy generally represents 60-70 percent of households, while housing tenure is more mixed within middle sections of the City.

Occupied Housing Units by Block Group

City of Racine, WI



Source: Esri, Inc. (2016)

Housing Values

According to 2016 estimates from Esri, the median value of owner-occupied homes in the City of Racine stands at \$124,674. This is 21 percent lower than the City of Kenosha (at \$158,585) and 32 percent lower than Racine County as a whole. When comparing Racine to Kenosha, Racine has more than twice as many owner-occupied homes (on a percentage basis) valued from \$50,000-\$100,000 than Kenosha, and less than half as many homes valued at \$200,000 or more. However, at the upper end of the scale, neither city has many homes valued at \$500,000 or more (1.1 percent for both cities). Moreover, while nearly 35 percent of owner-occupied homes county-wide are valued from \$200,000-\$400,000, just 10 percent in the City of Racine fall within this value range.

Owner-Occupied Housing Units by Value

City of Racine & Comparative Geographies

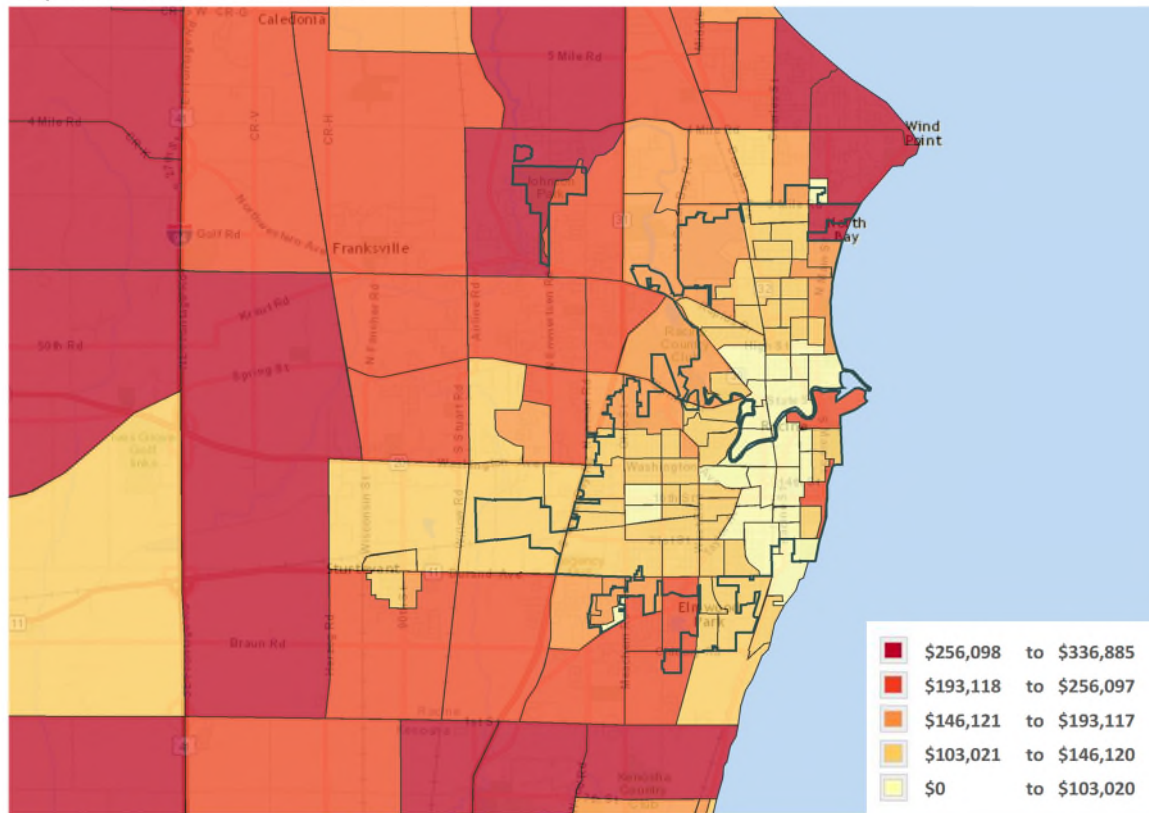
Value	City of Racine		City of Kenosha		Racine County	
	No.	%	No.	%	No.	%
<\$50,000	880	5.3	1,127	5.2	2,021	3.9
\$50,000-\$99,999	4,028	24.3	2,341	10.8	5,995	11.6
\$100,000-\$149,999	6,821	41.2	6,473	29.8	10,996	21.3
\$150,000-\$199,999	2,818	17.0	5,399	24.8	10,412	20.2
\$200,000-\$249,999	876	5.3	2,968	13.7	7,502	14.5
\$250,000-\$299,999	442	2.7	1,630	7.5	5,271	10.2
\$300,000-\$399,999	341	2.1	1,157	5.3	5,142	10.0
\$400,000-\$499,999	155	0.9	395	1.8	2,151	4.2
\$500,000-\$749,999	76	0.5	114	0.5	1,421	2.8
\$750,000-\$999,999	56	0.3	38	0.2	413	0.8
\$1,000,000+	55	0.3	94	0.4	297	0.6
Total	16,548	100.0	21,736	100.0	51,621	100.0
Median	\$124,674		\$158,585		\$182,647	

Source: Esri (2016 estimate)

As shown in the following map of median housing values by block group (based on Esri's 2016 estimates), the highest-value homes in the City are generally located within the Downtown area, where Racine's lakefront condominiums are located, and the middle portion of the Towerview neighborhood, home to many of the City's larger historic homes. More specifically, the estimated median value of owner-occupied homes within Downtown stands at \$229,167, while that of historic Towerview stands at \$222,115. The neighborhoods that surround these higher value areas generally exhibit much lower values, ranging from \$60,000-\$90,000. Elsewhere, most neighborhoods have median values ranging from \$110,000-\$140,000, except for northern neighborhoods aligning Lake Michigan and select areas within the western portion of the City, where median values range generally from \$150,000 to \$180,000.

Within areas outside of the City limits, median home values tend to be much higher, generally ranging from \$200,000 to \$300,000 throughout much of Mount Pleasant and Caledonia.

Median Housing Values by Block Group City of Racine, WI & Environs



Source: Esri, Inc. (2016)

Housing Costs

By ACS estimates, there are 10,947 owner households within the City of Racine with a mortgage (along with 5,540 with no mortgage). The Census aggregates housing costs for owner households as “selected monthly owner costs.” This category includes the cost of mortgage payments, real estate taxes, homeowner and other insurances, utilities, and other fees (including, if applicable, homeowner association assessments).

The median monthly owner cost for housing units with a mortgage in Racine, as of the 2015 ACS, stood at \$1,202 (in 2015 dollars). More than 44 percent of such households had monthly housing costs between \$1,000 and \$1,499, while nearly 18 percent had housing costs between \$1,500 and \$1,999. Only six percent of Racine’s owner households with a mortgage had monthly owner costs of \$2,000 or more, equating to 655 households.

Selected Monthly Owner Costs
Housing Units with a Mortgage
City of Racine, WI

Montly Cost	HH	%
Less than \$500	170	1.6
\$500-\$999	3,348	30.6
\$1,000-\$1,499	4,835	44.2
\$1,500-\$1,999	1,939	17.7
\$2,000-\$2,499	478	4.4
\$2,500-\$2,999	122	1.1
\$3,000 or More	55	0.5
Total	10,947 ⁽¹⁾	100.0
Median	\$1,202	

⁽¹⁾An additional 5,540 owner HH have no mortgage.

Source: U.S. Census Bureau

Similar to the selected monthly owner costs category, the Census provides information on housing costs for renters through the “gross rent” category. This category includes monthly contract rent paid and includes an estimate of monthly utilities, whether paid by the tenant, landlord, or another entity.

As of the 2015 ACS, the median gross rent paid by renter households in Racine stood at \$744 (in 2015 dollars). More than 81 percent of renter households within the City paid less than \$1,000 for gross rents. Still, 13.6 percent of renter households paid between \$1,000 and \$1,249 (equating to 1,756 households) and in total, 2,430 renter households paid \$1,000 or more in gross rent – a level considered supportive of the cost of new construction or substantial renovation for new units within the City.

Renter Households by Gross Rent
City of Racine, WI

Gross Rent ⁽¹⁾	HH	%
Less than \$500	1,999	15.4
\$500 - \$749	4,605	35.5
\$750 - \$999	3,921	30.3
\$1,000 - \$1,249	1,756	13.6
\$1,250 - \$1,499	407	3.1
\$1,500 - \$1,999	171	1.3
\$2,000 or More	96	0.7
Total	12,955 ⁽²⁾	100.0
Median	\$744	

⁽¹⁾In 2015 dollars.

⁽²⁾An additional 741 renter households pay no cash rent.

Source: U.S. Census Bureau

Housing Cost Balance

A standard measure of housing affordability – used widely by the Department of Housing and Urban Development (HUD) and other entities – is the “30 percent rule of thumb.” By this measure, a household that spends 30 percent or more of its income for housing (inclusive of selected monthly owner costs or gross rent as defined above) is considered “housing cost burdened” – a condition that may leave too little income left after housing to pay for other necessities. Housing cost burden is often further divided into “moderate burden” (30.0 percent to 49.9 percent of income spent on housing) and “severe burden” (50.0 percent or more of income spent on housing). Conversely, a household that spends less than 30.0 percent of income on housing is not considered housing cost burdened.

Within the City of Racine, according to ACS estimates, 72.7 percent of owner households and 45.5 percent of renter households pay less than 30 percent of their household income for housing costs and are thus not considered housing cost burdened. These levels are roughly in line with those for Racine County as a whole, at 75.1 percent and 49.5 percent for owner and renter households, respectively.

Within the City, however, nearly 4,500 owner households and 7,000 renter households do experience some level of housing cost burden. Specifically, 17.7 percent of owner households and 25.4 percent of renter households pay between 30 percent and 50 percent of their household income for housing costs and are thus considered moderately housing cost burdened. Moreover, 10.2 percent of owner households and 29.0 percent of renter households pay 50 percent or more of household income for housing costs and are considered severely housing cost burdened.

Monthly Gross Housing Cost as a Percent of Household Income
City of Racine, WI

Affordability Level	Owner		Renter	
	No.	%	No.	%
Less than 30.0% (no burden)	11,922	72.7	5,793	45.5
30.0 - 49.9% (moderate burden)	2,801	17.1	3,235	25.4
50.0% or more (severe burden)	1,675	10.2	3,694	29.0
Total⁽¹⁾	16,398	100.0	12,722	100.0

⁽¹⁾An additional 642 renter and 89 owner households were not computed.

Source: U.S. Census Bureau

Generally speaking, the prevalence of housing cost burden varies inversely to income level. Within the City, the majority of the roughly 13,000 households earning less than \$35,000 per year experience some level of housing cost burden. Moreover, approximately 82 of owners and 91 percent of renters earning less than \$20,000 per year experience housing cost burden. At the top end of the income spectrum (here, households earning \$75,000 or more per year), housing cost burden is relatively nonexistent in the City, with just 2.0 percent of owner households and 1.4 percent of renter households paying 30 percent or more of income on housing.

Housing Cost Burdened Households by Household Income & Tenure City of Racine, WI

Household Income	Owner		Renter	
	No.	% ⁽¹⁾	No.	% ⁽¹⁾
Less than \$20,000	1,457	82.1	4,253	90.8
\$20,000- \$34,999	1,339	55.8	2,276	63.3
\$35,000- \$49,999	808	31.1	325	19.4
\$50,000- \$74,999	767	17.6	61	3.5
\$75,000 or More	105	2.0	14	1.4
Total⁽²⁾	4,476	--	6,929	--

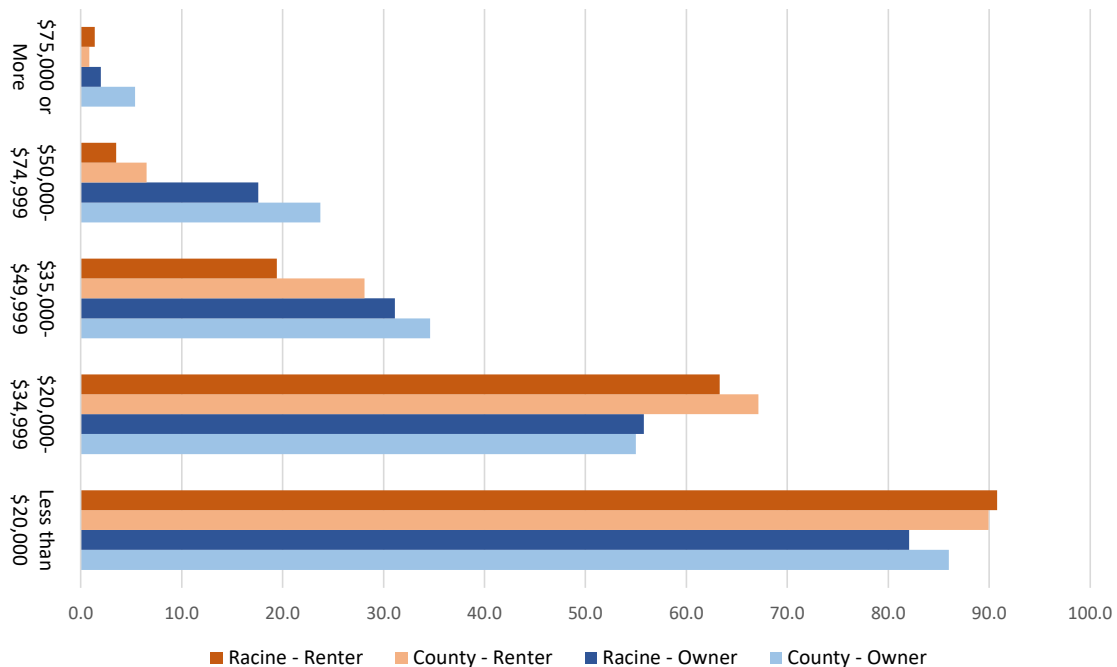
⁽¹⁾Indicates percent of all households within income and tenure category.

⁽²⁾An additional 642 renter and 89 owner households were not computed.

Source: U.S. Census Bureau

As shown in the following graph, when compared to the County as a whole, households within the City of Racine are less housing cost burdened for most income and tenure categories. The most significant differences are seen for renters in the \$35,000-\$49,999 income category and homeowners in the \$50,000-\$74,999 income category, where households in the City are significantly less housing cost burdened than the County as a whole. Thus, in general, middle income households in the City live more affordably (with respect to housing costs) than those in the County as a whole.

Percent of Households Paying 30% or More of Income for Housing by Tenure & Income Level City of Racine & Racine County



Source: U.S. Census Bureau & Residential Planning Partners, LLC

Housing balance, however, is a function of adequate housing supply at all affordability levels, and in this respect, Racine has an imbalance of households paying *far less* than what would normally be considered an affordable level. For example, two thirds of homeowners in Racine pay less than 20 percent of income for housing costs. And more than half of renters pay less than 20 percent of income for gross rent. This equates to nearly 8,000 owner households and more than 3,000 renter households. (Compare this to Wisconsin as a whole, where a much smaller proportion of households – namely, 50 percent of homeowners and 26 percent of renters – pay less than 20 percent for housing costs.) This suggests that while Racine may be an extremely affordable market for many, a significant number of these households – particularly with incomes of \$50,000 or more – may be willing and able to pay more for housing, if viable options were available.

Households Paying Less than 30 Percent of Income for Housing Costs

City of Racine, WI

Housing Cost Percent of Income	Owner		Renter	
	No.	%	No.	%
Less than 10.0 percent	2,104	17.6	471	8.1
10.0 to 14.9 percent	2,686	22.5	1,012	17.5
15.0 to 19.9 percent	3,189	26.7	1,547	26.7
20.0 to 24.9 percent	2,461	20.6	1,133	19.6
25.0 to 29.9 percent	1,482	12.4	1,630	28.1
Total⁽¹⁾	11,922	100.0	5,793	100.0

⁽¹⁾ An additional 642 renter and 89 owner households (citywide) were not computed.

Source: U.S. Census Bureau

Competitive Conditions: Rental Market

The market rate rental apartment market within the City of Racine consists primarily of older buildings, some dating to the later years of the 19th century, but most constructed during the middle portion of the 20th century that coincided with the City's peak in population. In fact, more than half of the apartment units that exist within the City today were built in the 1960s and 1970s. Comparatively little market rate apartment development took place from 1980 onward (amounting to fewer than 650 units) as the City's population began to decline.

The market data provider CoStar counts 148 multifamily apartment developments within its Racine market, encompassing 4,848 units. (Note that this includes a small number of developments that have Racine mailing addresses yet fall outside of the city limits. We have retained these developments within our scope of analysis for the sake of consistency in analyzing longer term market trend data.) The scale of developments market-wide ranges from three units to 341 units, though the vast majority contain fewer than 100 units, and more than a third contain fewer than ten units. The median apartment development size is 33 units, while the median year built (excluding developments for which a date of construction is not available) is 1964.

As shown in the following map, while a number of smaller apartment buildings are concentrated within Downtown, the Downtown-adjacent neighborhoods of Midtown and Towerview, and in Uptown, all of

As of January 1, 2017 there were 337 vacant rental apartments within the City, yielding a market-wide occupancy rate of 93.0 percent. This is a lower occupancy rate than both Kenosha, at 97.1 percent, and Racine County as a whole, at 95.3 percent. (By comparison, in most markets nation-wide a market rate apartment occupancy rate of 95-96 percent is considered balanced.)

Market Rate Rental Market Summary⁽¹⁾

City of Racine & Comparative Geographies

Attribute	City of Racine	City of Kenosha	Racine County
Avg. Unit Size (SF)	850	885	883
Avg. Asking Rent	\$707	\$849	\$723
Avg. Asking Rent/SF	\$0.83	\$0.96	\$0.82
Asking Rent Growth (%)			
One-year Annualized	2.3	4.8	3.2
Three-year Annualized	2.0	3.3	2.2
Five-year Annualized	1.5	2.7	1.8
Total Inventory Units	4,848	6,354	6,369
Occupied Units	4,511	6,172	6,071
Vacant Units	337	182	298
Occupancy Rate (%)	93.0	97.1	95.3

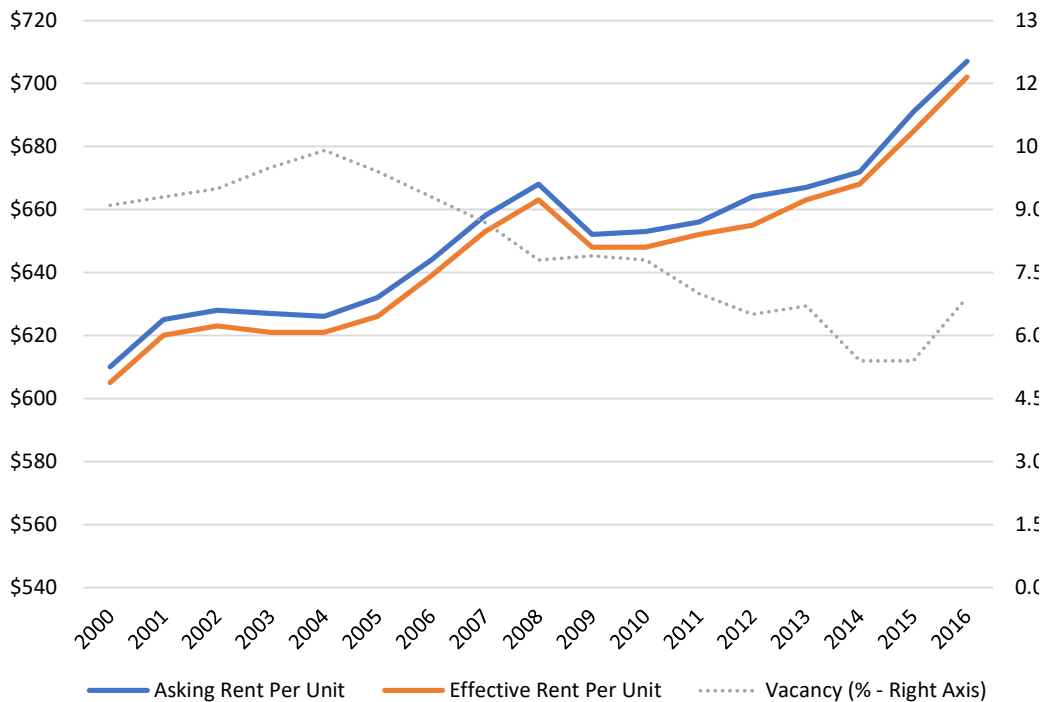
⁽¹⁾Data as of January 1, 2017

Source: CoStar & Residential Planning Partners, Inc.

Over the longer term, apartment vacancies within the City have fallen from a high near 10.5 percent reached in 2004. As vacancy rates have fallen, landlords have responded by increasing rents. However, a sharp increase in rents that began in 2015 and carried through to 2016 may be at least in part responsible for a 150-basis point increase in vacancies in 2016.

Market Rate Apartment Rent & Occupancy Trend

City of Racine, WI



Source: CoStar & Residential Planning Partners, LLC

Market High End

The high end of the rental apartment market in Racine consists of three mixed-income developments built by Gorman & Company beginning in the early 2000s as well as the rental units in the Riverbend Lofts building, originally developed as condominiums by now-defunct Harbor Development and now owned by Kendal Group.

Three of these developments – Mitchell Wagon Factory Lofts, Belle Harbor Lofts, and Riverbend Lofts – represent the adaptive reuse of older industrial and commercial buildings, while one – Harbor at State & Main – is a new construction mixed-use development. Harbor at State & Main and Belle Harbor Lofts are both located in the northern portion of Downtown aligning Main Street, while Mitchell Wagon Factory Lofts and Riverbend Lofts are located in the industrial section of adjacent Midtown. The three Gorman & Company developments each contain a mix of market rate and affordable units.

Unit sizes vary widely in the three adaptive reuse loft developments, ranging from less than 500 square feet for the smallest studio unit at Riverbend Lofts to nearly 3,000 square feet for the largest three-bedroom unit at Mitchell Wagon Factory Lofts. Thus, whole dollar rental rates vary widely as well. Generally speaking, however, they range from \$599-\$1,012 for studio units (offered only at Riverbend Lofts), \$760-\$960 for one-bedroom units, \$815-\$1,290 for two-bedroom units, and \$982-\$1,400 for three-bedroom units.

Recent occupancy rates at the four developments are reportedly balanced to tight, with seven units currently available across the group.

Rental Apartment Market High End

City of Racine, WI

Plan Type	Avg. Unit Size (SF)	Mo. Rent Range
Mitchell Wagon Factory Lofts - Gorman & Company (19 units)⁽¹⁾		
1-bedroom	1,300	\$910-\$960
2-bedroom	1,870	\$900-\$1,290
3-bedroom	2,850	\$1,200-\$1,400
Habor at State & Main - Gorman & Company (18 units)⁽¹⁾		
1-bedroom	714	\$760-\$835
2-bedroom	1,060	\$965-\$1,055
Belle Harbor Lofts - Gorman & Company (19 units)⁽¹⁾		
1-bedroom	651	\$700-\$770
2-bedroom	718	\$815-\$920
3-bedroom	1,155	\$1,025
Riverbend Lofts - Kendal Group (50 units)		
Studio	606	\$599 - \$1,012
1-bedroom	1,100	\$870-\$953
2-bedroom	1,491	\$982 - \$1,258

⁽¹⁾Includes only market rate units.

Source: Gorman & Company, CoStar, Residential Planning Partners, LLC

Single Family Home Rental Market

In addition to the conventional apartment rental market, there a number of single family homes, townhomes, and condominiums in Racine have been placed onto the rental market by their owners. While the precise number of these rental homes is unknown, it is likely to be quite large, as our analysis revealed that nearly 29 percent of rental units within the City consist of single family detached or attached homes— amounting to 3,830 units. These homes represent potential competitive substitutes for the City’s conventional market rate apartments.

While the majority of these homes are likely marketed through relatively informal means (such as “for rent” signs or word of mouth), a limited number are marketed through real estate listing websites. Our survey of the most prominent listing websites – realtor.com, Zillow, and Trulia – found 14 such homes currently listed as available.

Houses, Condominiums, & Townhomes for Rent

City of Racine, WI

Address	Type	Bed	Bath	Size (Sq. Ft.)	Rent	Rent Per Sq. Ft.
914 Albert St.	Condo	3	1.0	--	\$775	--
1624 Michigan Blvd.	House	3	1.0	1,747	\$1,195	\$0.68
922 Garfield St.	House	3	1.0	1,338	\$850	\$0.64
338 Merrie Ln.	House	3	1.0	1,288	\$1,495	\$1.16
145 Ohio St.	Townhome	3	1.5	1,240	\$975	\$0.79
3401 Spruce St.	House	3	1.5	1,141	\$1,025	\$0.90
2211 Ohio St.	House	3	1.5	1,092	\$995	\$0.91
439 South St.	House	3	1.0	1,033	\$1,195	\$1.16
4203 16th St.	House	3	1.5	1,003	\$1,100	\$1.10
217 Mertens Ave.	House	3	1.0	864	\$975	\$1.13
720 S. Marquette St. #407	Condo	2	2.0	1,730	\$1,300	\$0.75
900 Center St.	Townhome	2	1.0	969	\$650	\$0.67
1951 Thurston Ave.	House	2	1.0	924	\$925	\$1.00
1936 Grand Ave.	House	2	1.0	864	\$900	\$1.04
Average	--	--	--	1,172	\$1,025	\$0.88

Source: [realtor.com](#), [Zillow](#), [Trulia](#), & [Residential Planning Partners, LLC](#)

Ten of the homes feature three bedrooms, with the remaining four featuring two bedrooms. Home sizes range from 864 to 1,747 square feet and average 1,172 square feet across the group. Asking rents range from \$775 to \$1,300 and average \$1,025 across the group, or \$0.88 per square foot. As such, average asking rents for these homes stand 45 percent above conventional market rate apartments within the City on a whole dollar price, though only six percent higher on a rent-per-square foot basis.

Low-Income/Affordable Rental Market

Racine is home to a sizable stock of rental apartments serving individuals at lower income levels. These include developments offering rent subsidized units (typically through the federal government's Section 8 program) as well as those offering rent restricted units (typically financed through low income housing tax credits or some other form of public financing). These developments are designed to serve individuals and families earning, in general, between 30 percent and 60 percent of the area median income level, as determined by the HUD. Generally speaking, developments offering subsidized units serve the lowest income individuals and families, including those at "extremely low income" levels (30 percent of AMI).

According to current data from CoStar and the Wisconsin Housing and Economic Development Authority (WHEDA) there are 36 such developments operating within the City of Racine. In total, these developments encompass 2,438 units, though some developments include a number of market rate units as well as affordable units. In total, the City's 20 rent restricted developments encompass 1,337 units, while subsidized developments encompass 1,101 units.

The developments serve different target markets, including the elderly, families, and individuals with special needs (i.e., supportive housing, generally for those with disabilities and/or at risk of homelessness) – though a handful serving mixed populations are classified according to the majority tenant base. As shown in the following table, more than 62 percent of units within the City's affordable developments

serve the elderly either primarily or exclusively. Another 36 percent serve families, while just one development provides supportive housing to those with special needs.

Affordable Housing by Population Served

City of Racine, WI

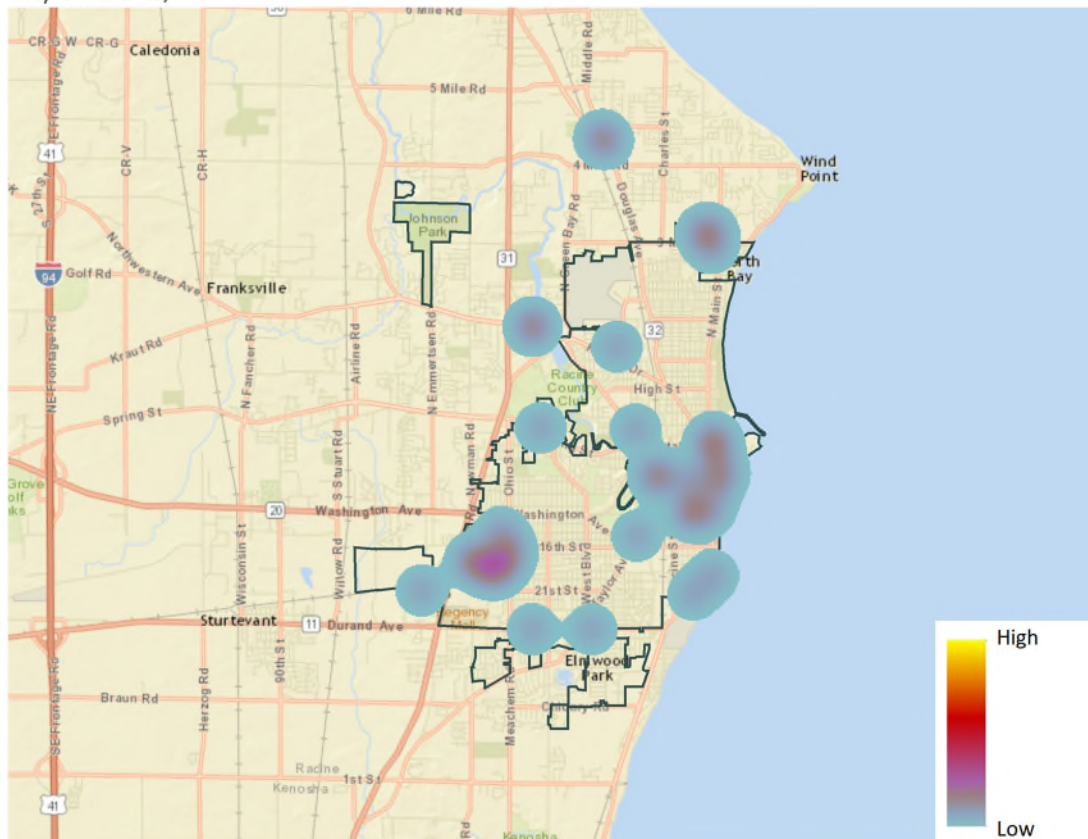
Target Market	No. of Dev.	Total Units	Percent of Total
Elderly	18	1,214	49.8
Majority Elderly	2	307	12.6
Family	9	524	21.5
Majority Family	6	359	14.7
Special Needs	1	34	1.4
Total	36	2,438	100.0

Source: CoStar, WHEDA, & RPP

In terms of location, the City's affordable developments are generally clustered in Downtown and Downtown-adjacent neighborhoods, as well as in the southwest portion of the City south of Washington Avenue and east of Green Bay Road. Other developments are scattered more generally throughout most portions of the City.

Heat Map of Affordable & Subsidized Rental Developments

City of Racine, WI



Source: CoStar, WHEDA, Esri, Inc., & Residential Planning Partners, LLC

Current occupancy rates among Racine’s affordable rental developments are balanced to high. Data from CoStar show occupancies among rent restricted and rent subsidized developments at 94.3 percent and 94.9 percent, respectively, with three-year averages ranging from 94-95 percent. In addition, WHEDA provides aggregate occupancy data for the developments it finances throughout Racine County. According to WHEDA, county-wide occupancies as of the end of the second quarter of 2016 (the latest data available) stood at 94.5 percent, with an average one year occupancy rate of 94.9 percent.

Competitive Conditions: For-Sale Market

By most primary measures, the Racine for-sale market has experienced a significant amount of strengthening over the last several quarters. For 2016 (January-November), 770 homes were sold through the local brokerage network, representing a 7.7 percent increase over the same period in 2015. This sales volume represented 29.7 percent of the county-wide total, which was not significantly different from the previous year. Meanwhile, the average inventory position (calculated as months of supply at the preceding 12-month sales pace) decreased from roughly six to four months.

The median list price of homes sold during the period was \$89,900, representing an 8.3 percent increase year-over-year. However, the median sale (i.e., closing) price, of \$85,200, represented an even larger increase – of 13.6 percent – over the previous year. Even with this large increase in sales price, the ratio of sale to list price increased from 90.4 to 94.8 percent year-over-year as strengthening market conditions and falling inventory levels allowed sellers to get more value out of their homes. Finally, the average days on market – a key measure of market strength representing the average amount of time required to sell a home – fell 15 percent, from 126 days to 107 days.

Summary Statistics - MLS-Listed Home Sales

City of Racine, WI

Attribute	2015 ⁽¹⁾	2016 ⁽¹⁾	Change (Percent)
Units Sold	715	770	7.7
Percent of County	30.1	29.7	--
Avg. Months Supply	6.4	4.5	-29.7
Median List Price	\$83,000	\$89,900	8.3
Median Sale Price	\$75,000	\$85,200	13.6
SP/LP (%)	90.4	94.8	--
Avg. Days on Market	126	107	-15.1

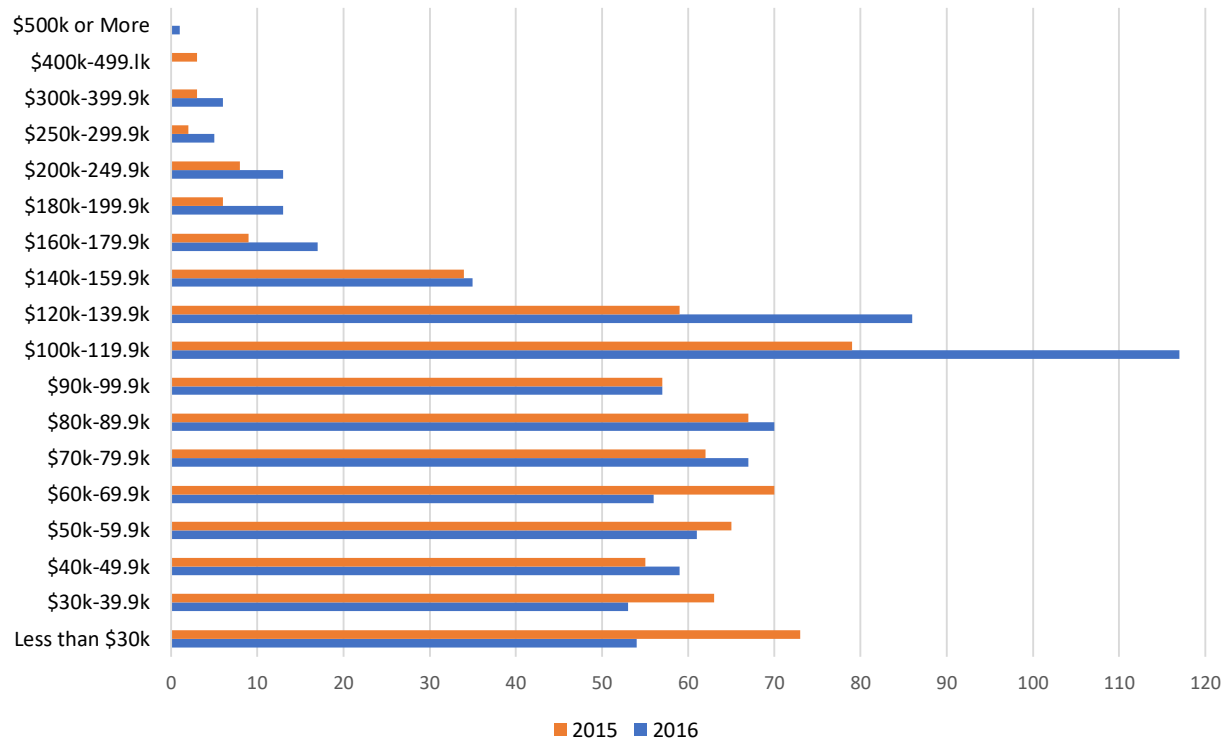
⁽¹⁾January-November.

Source: Southshore REALTORS® Association & WI REALTORS® Association

Sales increased most dramatically year over year in the \$100,000-\$140,000 pricing band. Specifically, sales of homes priced from \$100,000-\$119,999 rose from 79 in 2015 to 117 in 2016 – an increase of more than 48 percent – while sales of homes priced from \$120,000-\$139,999 rose from 59 to 86 – an increase of nearly 46 percent. Meanwhile, sales of homes priced below \$40,000 fell 21 percent, likely indicating that fewer sales of foreclosed and other distressed properties took place in 2016.

Home Sales by Price Range

City of Racine, WI



Source: Wisconsin REALTORS® Association

Current Inventory Conditions

The number of active listings at the time of data collection stood at 274, a 27.9 percent decrease from the same time the previous year. At the 2016 pace of sales, current listings equate to just 3.9 months of supply. (By comparison, for most markets, a six-month supply is considered balanced – that is, neither a buyer’s nor a seller’s market.) With inventory conditions this tight, further price strengthening is likely to occur.

Moreover, within many pricing bands, current supply conditions are even tighter. As shown in the following table, supply at the lowest pricing levels (i.e., below \$60,000) is extremely limited. Supply conditions within the \$100,000-\$140,000 price level are also tight – though this level represents more than 20 percent of current inventory.

Current For-Sale Inventory Conditions⁽¹⁾

City of Racine, WI

Price Range	Active Listings		Months Supply ⁽²⁾
	No.	%	
Less than \$29,000	7	2.6	1.4
\$30,000-39,999	11	4.0	2.3
40,000-49,999	15	5.5	2.8
50,000-59,999	20	7.3	3.6
60,000-69,999	22	8.0	4.3
70,000-79,999	34	12.4	5.6
80,000-89,999	36	13.1	5.7
90,000-99,999	27	9.9	5.2
100,000-119,999	36	13.1	3.4
120,000-139,999	21	7.7	2.7
140,000-159,999	20	7.3	6.3
160,000-179,999	8	2.9	5.2
180,000-199,999	2	0.7	1.7
200,000-249,999	8	2.9	6.8
250,000-299,999	2	0.7	4.4
300,000-399,999	2	0.7	3.7
400,000-499,999	0	0.0	N/A
\$500,000 or More	3	1.1	33.0
Total	274	100.0	3.9

⁽¹⁾ As of November 2016.

⁽²⁾ Based on 2016 sales pace.

Source: Southshore REALTORS® Association & RPP

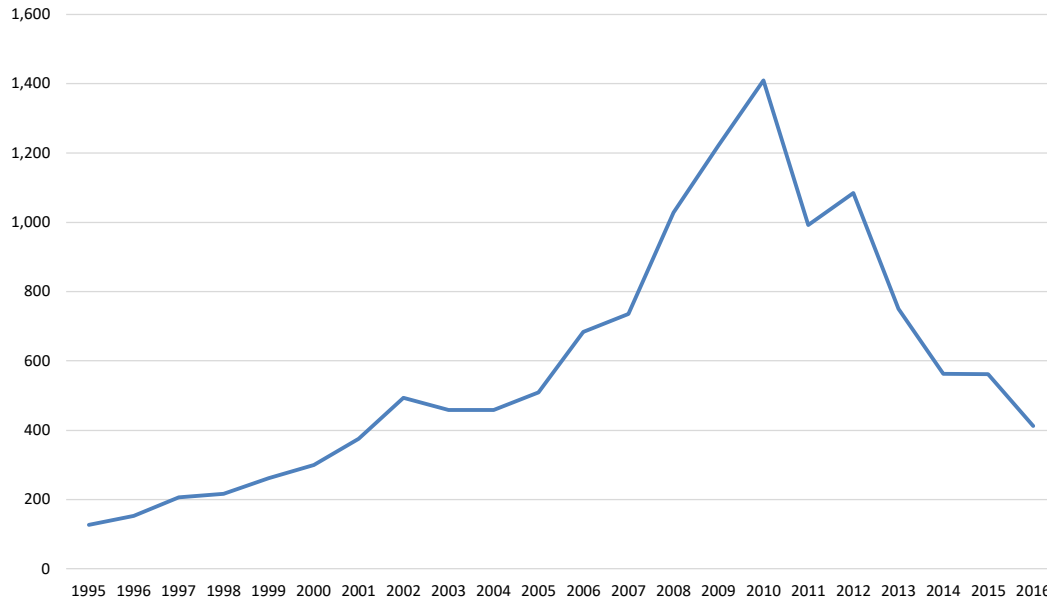
Foreclosure Activity

Analysis of foreclosure activity is an important ingredient to understanding housing markets, as heightened levels of foreclosures can suppress markets by generating neighborhood instability and dragging down home values.

We analyzed countywide data on foreclosure filings for the years between 1995 and 2016. As shown in the graph below, the County saw a sharp uptick in foreclosure filings during the housing market crisis and recession, peaking in 2010, when more than 1,400 filings were issued. Since that time, however, filing levels have moderated significantly. With just 412 filings countywide in 2016, foreclosure activity has returned to a level last seen in the early years of the new century.

Foreclosure Actions

Racine County, WI



Source: Matthew Schmus, GIS Specialist - Fiscal & Economic Research Center, UW Whitewater

However, further analysis of data from RealtyTrac shows that current foreclosure levels (measured as number of residential properties per foreclosure) are significantly higher within the Racine than within the County as a whole or within the City of Kenosha. Specifically, within the City there is one foreclosure per 818 residential properties, while this figure stands at one in 1,020 for the County as a whole and one in 1,286 within the City of Kenosha. It should further be noted that some areas of Racine have significantly more homes in foreclosure than others. Most notably, within the 53403 zip code, which includes much of the southeast portion of the City, one in 500 residential properties is in foreclosure. Meanwhile, within the 53406 zip code, which is largely in Mount Prospect but also includes the southwest portion of the City, just one in 1,607 homes is in foreclosure.

Foreclosure Summary

City of Racine & Selected Geographies

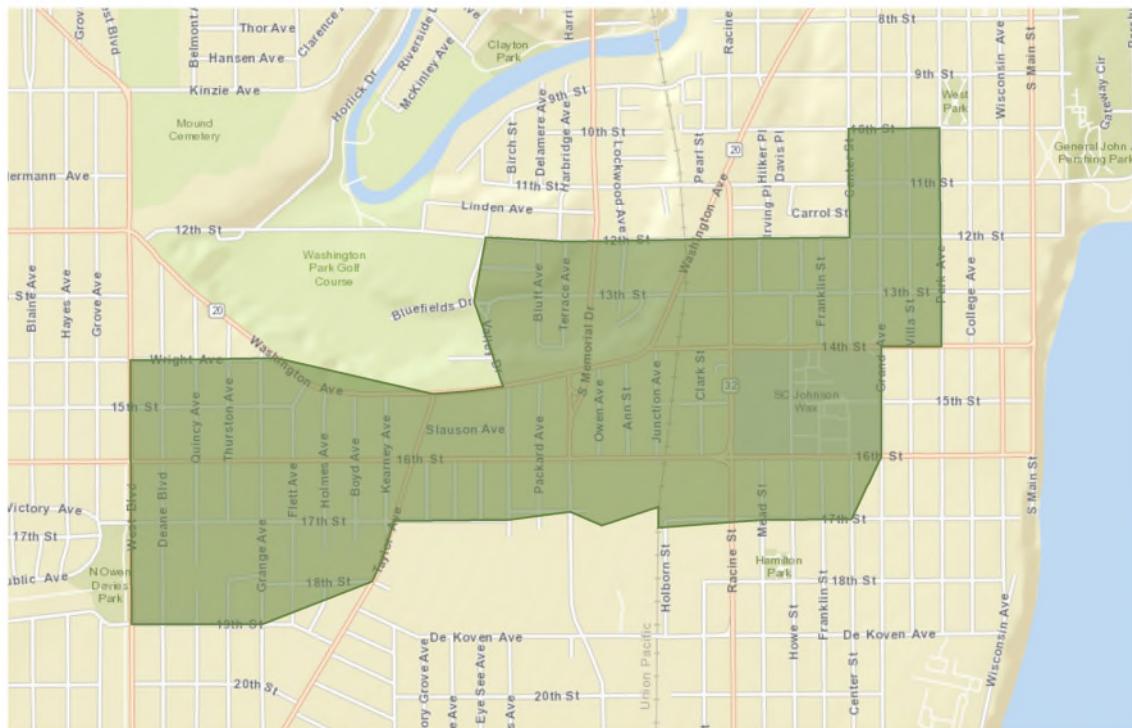
Zip Code/ Area	Properties Per Foreclosure
53405	500
53402	744
53403	936
53404	1,051
53406	1,607
Racine, City	818
Racine, County	1,020
Kenosha, City	1,286

Source: RealtyTrac

Uptown Housing Focus Area

As part of our work on this assignment, we conducted a special investigation of market conditions within portions of the Knapp, Slausondale, and Towerview neighborhoods in and around Uptown. These areas have been targeted by the 2016-2017 Tax-Base Renewal Program, a land banking partnership between the City and County that seeks to rejuvenate the regional tax base, raise property values, and improve livability in Racine neighborhoods. Through this program, the City seeks to acquire tax-delinquent properties in severely distressed areas, build or rehabilitate single family homes on the properties, and sell the homes to income-qualifying households. A broader goal of the program is to help stabilize the affected area, mitigate blight, and provide additional high-quality ownership housing options to area households.

Tax-Base Renewal Program Target Area
City of Racine, WI



Source: City of Racine, Esri Business Analyst & Residential Planning Partners, LLC

This program is largely an outgrowth of the Department of City Development's ongoing effort to build and rehabilitate single family housing throughout the City using a variety of funding mechanisms. From 2010-2016, the City has developed or rehabbed more than 25 homes under this effort. The 2016-2017 Tax-Base Renewal Program proposed the acquisition of ten properties within the target area, with the majority of these on Packard, Phillips, and Slauson avenues.

Our analysis of housing market fundamentals within the target area suggests that the area will continue to face many challenges. By Esri estimates, the current median household income within the area is just \$27,378. Nearly 60 percent of households earn less than \$35,000 per year, while 30 percent earn less than \$15,000. The area has been hard hit by household attrition, losing 254 households – or 12.1 percent

of the total household base – between 2000 and 2016. As a result, housing vacancies – particularly within the central portion of the target area – are some of the highest in the City, with overall vacancies across the target area growing from 10.9 percent in 2000 to an estimated 19.9 percent in 2016.

Market Fundamentals - Change over Time

Tax-Base Renewal Program Target Area

Attribute	2000 Census	2010 Census	2016 Estimate	Change 2000-2016 (Percent)
Population	6,060	5,797	5,615	-7.3
Households	2,095	1,917	1,841	-12.1
Housing Units	2,350	2,294	2,299	-2.2
Vacancy (%)	10.9	16.4	19.9	--

Source: U.S. Census and Esri, Inc. (2016 estimates)

The estimated median owner occupied housing value for the area stands at \$106,931 – 14.2 percent below that of the City as a whole. Home values are mixed throughout the area; however, our analysis of recent sales activity shows that the highest value homes (i.e., those that recently sold for \$100,000 or more) are found west of Taylor Avenue, while many of the lowest value sales (generally below \$20,000) are clustered to the east along 12th and 16th streets.

Demand for new housing within the target area is, for the time being, expected to be limited. However, Racine’s City-led neighborhood stabilization efforts, exemplified by the Tax-Base Renewal Program, are seen as critical to the future of the area. Absent this effort, further deterioration is likely to occur, as areas of blight further corrode neighborhood housing values and encourage additional household attrition. Stabilization efforts will help to build a foundation for the re-emergence of the target area by creating a safer, more comfortable and pleasing neighborhood environment. Particularly as Racine’s efforts to revitalize the Uptown commercial district take hold (see our Commercial Market Overview below) and household growth spurs housing demand, home values within the target area will strengthen and vacancy rates will shrink.

Residential Market Conclusions & Recommendations

Conditions within Racine’s residential market can perhaps best be described as uneven. While many of the City’s lower-income neighborhoods struggle with low housing values, high vacancy rates, and concentrations of foreclosures and other types of housing distress, other neighborhoods – particularly those along the lakefront and the City’s periphery – are relatively stable. Meanwhile, the for-sale market as a whole appears to be strengthening, with year-over-year sales volumes and median sale prices rising and marketing timeframes (i.e., days on market) falling. Moreover, current inventory levels are extremely low. While this may have a suppressive effect on sales volumes (as some who wish to buy will likely be unable to find viable options), it will, if continued, lead to a strengthening of home prices and increased demand for new housing.

Within the City’s rental apartment sector, average market rate rents have strengthened considerably since 2009; however, they currently stand at just \$707 – below those of the County as a whole and well below the City of Kenosha. However, this positioning may well be primarily a function of the age and character of the of the City’s rental unit stock, much of which is of older vintage and lacking in the features, finishes,

and building amenities that often come with newer development and serve to support higher rent potentials.

Meanwhile, new housing development has been essentially non-existent within the City since 2010. New home demand is supported first and foremost by household growth, and with years of declining population (combined with high housing vacancy rates in many areas), demand for new housing would, on the surface, appear to be minimal. However, other forms of market support are evident, and *opportunities do exist* for the successful introduction of new units within the City. These are detailed below, in both near and longer term planning contexts.

Near Term Residential Market Opportunities

Within the near term (i.e., one to three years), residential market opportunities within the City will be found primarily in expanding housing options and providing new housing types that could be attractive to both current and incoming residents and help to restore balance to the localized market.

Market Rate Apartments

First and foremost, as demonstrated in this report, newer apartment housing is lacking in Racine. In fact, the City's newer market rate apartment stock consists almost entirely of the market rate portions of Gorman & Company's Mitchell Wagon Lofts, Harbor at State and Main, and Belle Harbor Lofts developments, along with the "built-for-sale" units at Riverbend Lofts that have since been entered into the rental market. Together, these developments encompass just 106 market rate rental units.

Much of the remainder of Racine's rental apartment developments are of 1970s and 1980s vintage and, as noted above, lack much of the contemporary style and conveniences that are in demand by today's market. Thus, levels of latent demand for new apartments could be significant, if such units were developed in desirable locations and offered at viable price levels.

Our analysis of household income by tenure suggests that sufficient income support currently exists within the City for the introduction of new units. For example, more than one quarter of Racine's renter households (3,452 households) have incomes ranging from \$35,000 to \$75,000 – a level that (utilizing standard measures of affordability) is supportive of monthly gross rents of \$850 to \$1,875. Moreover, our analysis of housing affordability shows that nearly 4,200 renter households currently pay less than 25 percent of household income for housing costs, while more than 3,000 pay less than 20 percent, suggesting that many of these households could afford – and may be willing to pay for – higher end rental housing, if it were available.

On a more cautionary note, extreme care must be taken to not "out-build" the market. Thus, we conservatively estimate the income-qualified primary target market for new market rate rental housing in Racine to consist of approximately 3,000 households. The majority of these households can be expected to remain in place; however, we estimate (again, conservatively) that, on average, 20 percent will move each year, yielding a refined primary target market of 600 households. Estimating that new market rate apartment developments within the City could capture, on average, 15 percent of the target market each year (with the remainder moving to existing rental units, shifting to homeownership, or leaving the City entirely) results in a total annual absorption potential of approximately 90 units per year within a near term planning context.

Forecast of New Market Rate Apartment Absorption Potentials

City of Racine, WI

Attribute	Estimate
Income-Qualifying Households ⁽¹⁾	3,000
Mobility Rate (%)	20.0
Refined Primary Target Market	600
New Development Capture Potential (%)	15.0
Estimated Annual Absorption Potential (units)	90

⁽¹⁾ I.e., renter households earning roughly \$40k - \$65k per year.

Source: Residential Planning Partners, LLC

Given Racine's ample stock of vacant and/or underutilized industrial and other commercial buildings, adaptive reuse projects – such as the planned Machinery Row apartments – could encompass the majority (if not the entirety) of new units over the near term. As noted above, this forecast is considered a conservative estimate; it is based on market potentials arising primarily from Racine's *current* renter households. Household growth, if attainable, could drive market potentials higher.

For-Sale Townhomes

Also in a near term context, Racine has an opportunity to introduce a new for-sale housing type that currently has little representation within the City. Urban-style attached townhomes have proven their popularity in market areas throughout the Chicago-Milwaukee corridor and nationwide. They have the advantage of providing a lower-cost alternative to new single family construction while offering the space desired by many homeowners, including young families. In addition, they can be developed in small phases in concert with market demand, thus lowering the risk associated with larger development projects.

In the near term, support exists for the introduction of a limited number of well-placed townhomes in desirable locations, priced from approximately \$200,000 to \$250,000. At this pricing level, the units would be considered affordable to households earning roughly \$65,000 to \$85,000 per year. Downtown and Downtown-adjacent locations (including, potentially, a portion of the former Porter's Furniture site) would be optimal for these units, as they would lend residential vitality and support to local businesses. While market potentials would be limited initially, it is not unreasonable to anticipate that 6-12 units could comfortably be absorbed per year in a near term development scenario, with absorption and pricing potentials growing as the market strengthens.

Longer Term Residential Market Opportunities

Over the longer term, residential market opportunities within Racine are largely dependent upon the City's ability to attract new residents and grow its household base. As detailed previously in this report, Racine benefits from a remarkable set of assets in its natural, cultural, and built environments. Among these are, of course, its lakefront location, diversity, relative affordability, cultural resources, and proximity to both the Milwaukee and Chicago metropolitan areas. To the extent that the City can take advantage of these assets to attract newcomers, it will strengthen market potentials in both the new and existing housing sectors.

Further research and analysis should be conducted to determine the future availability and viability of the City's large stock of "other vacant" units. A program to purchase distressed and underutilized units to be offered for rent could help to stabilize both the market as a whole and individual neighborhoods, acting as a natural outgrowth of the City and County's current neighborhood stabilization and tax-base renewal efforts. This could be led by one or more investment entities in either a purely private manner or through a public-private partnership. A number of national and regional real estate companies have assembled large portfolios of single family rental units in other market areas, helping to clear distressed properties from the market, strengthen housing values, and act as a stabilizing force, particularly in high-foreclosure neighborhoods. Such a program could provide new workforce housing options to family households earning generally 80-120 percent AMI and serve as a stepping stone to homeownership.

Household growth over the longer term could also spur private redevelopment of obsolete and/or substandard housing, providing additional housing choices and further helping to stabilize City neighborhoods. Such redevelopment could clear land for the development of a wide variety of housing types – including single family homes, townhomes, and rental apartments – at a variety of price points.

Undoubtedly, Racine will face many challenges in its efforts to attract new residents, including lingering negative perceptions about the City that are largely the result of years of household attrition. Now is an optimal time, however, for Racine to undertake a concerted effort to raise its profile. Recent research suggests that in the coming years, thousands of aging Millennials will move away from high-priced urban core locations in search of new opportunities and space in which to raise families at affordable prices. Many will bring their "urban sensibilities" with them, craving walkable environments, cultural vitality and diversity, and urban-style amenities that are simply not available in many traditional suburban housing developments. Cast as a "Welcoming City," Racine can become home to many of these young families.

COMMERCIAL MARKET OVERVIEW

Racine's retail/commercial market reflects the diversity of the City overall. A wide variety of shops, service businesses, restaurants, and entertainment options are available in distinct commercial districts that span both large shopping centers and traditional downtown and neighborhood corridors.

Our work for this assignment included an analysis of Racine's commercial market at both the citywide and district level. Information was gleaned from a variety of sources, including primary market data from Esri Business Analyst and CoStar; our own field surveys of individual business districts; City and County governmental resources; and interviews and informal discussions conducted with a variety of stakeholders, including business owners and operators, brokers, developers, and residents at large.

Business Resources

A variety of resources are available to assist new and existing businesses in Racine, including the following:

- Twelve active Tax Increment Districts (TIDs) that encompass major portions of the City's core, including major portions of Downtown, Uptown, the Root River Corridor, and West Racine, among other areas;
- Three Business Improvement Districts (BIDs), covering Downtown, Uptown, and the Douglas Avenue Corridor and providing marketing, street beautification, and security coordination, among other services;
- A number of grant and loan programs to assist with business startup and expansion;
- Business education programs, mentorship, and technical assistance.

These resources are coordinated primarily through the Department of City Development, the Racine County Economic Development Corporation (RCEDC), and Business Lending Partners, the business finance division of RCEDC. In addition, Gateway Technical College is home to Launch Box, a community-based initiative that provides a variety of programs and services to aid startups and small businesses.

Primary Commercial Districts

Our analysis of Racine's commercial market included a special focus on four distinct shopping districts: Downtown, Uptown, West Racine, and the historic Douglas Avenue corridor, all located within the City's core area. These will be discussed in full detail below. However, several other commercial centers, corridors, and districts are also important within the localized market. Briefly, these include the following:


- *Durand Avenue and Green Bay Road (SR-11 and SR-31)*
– Located in the extreme southwest portion of the City, this commercial district is dominated by Regency Mall, located at 5400 Durand Avenue and, to a lesser degree, High Ridge Center, at 2213 S. Green Bay Road. Built in 1981, Regency Mall is a super regional mall with nearly 790,000 square feet of retail space. Tenants include a



variety of national, regional, and local businesses, with department store anchors that include Ross, Target (as a freestanding store adjacent to the mall), Burlington Coat Factory, and Boston

Store. The mall has underperformed for years, plagued by high vacancies, but was recently purchased by Hull Property Group, which has plans to update and upgrade the facility to foster a higher quality shopping experience. Currently, according to the most recent data from CoStar, 23 spaces are available, representing almost 11 percent of the facility.

High Ridge Center is a power center built in 1993 immediately north of Regency Mall, currently anchored by The Home Depot. This center has also experienced high vacancy rates, with nine spaces currently available, representing nearly 36 percent of the center. The center is owned by LNR Partners, LLC.

- *Durand Avenue east of Green Bay Road* – This primary traffic corridor stretches from Sheridan Road to Green Bay Road in southern Racine. Aligning it are a number of neighborhood centers and free-standing commercial buildings, many of 1950s and 1960s vintage, including the Badger Plaza and Elmwood Plaza centers. Commercial offerings along this corridor are primarily neighborhood-serving and include discount retailers, pharmacies, eating and drinking places, banking, and auto-related businesses.
- 
- *Washington Avenue east of Green Bay Road* – Commercial facilities align Washington Avenue from Ohio Street to Green Bay Road. Most are freestanding facilities; however, the Westgate Square neighborhood center, anchored by Shopko and Dollar Tree, is located at the southwest corner of Washington Avenue and Ohio Street. A significant concentration of retail – including national retailers Kohl’s and Walmart – also surrounds the intersection of Washington Avenue and Green Bay Road within the Mount Pleasant village limits.
 - *Douglas Avenue north of Goold Street* – While Douglas Avenue is more historic and local in nature between Hamilton Street and Goold Street, north of this are found a concentration of newer buildings in small strip centers and freestanding configurations. Numerous national brands are represented here, including Walgreens, AutoZone, ALDI, and several national fast food restaurants.
 - *Three Mile Road at Erie Street* – Finally, a small amount of commercial development aligns Three Mile Road at Erie Street. This includes Shorecrest Shopping Center, a neighborhood center at the southwest corner of the intersection, anchored by one of Racine’s three Piggly Wiggly grocery stores.

Primary Trade Area

While many individual businesses within Racine draw customers from outside the City and County, much of the City’s commercial market as it exists today is primarily locally serving, drawing from the consumer base within the eastern portion of Racine County.

The International Council of Shopping Centers (ICSC) defines a primary trade area as the geographic area from which a given business, facility, or district is likely to draw between 60 and 80 percent of its overall

Aggregate Income & Retail Spending

Racine, WI Primary Trade Area

Attribute	2016 (Estimate)
Households	47,657
Average Household Income	\$63,776
Gross Aggregate Income (billions)	\$3.04
Aggregate Retail Purchases (billions)	\$1.63
Retail Spending % of Gross Income	53.8

Source: Esri, Inc.

Esri further estimates that within the primary trade area in 2016 there were 778 retail businesses that together generated \$1.27 billion in retail sales. (Note that, while much of this total involved purchases made to consumers living within the trade area, a portion will have originated from outside of it.) Thus, the average business sales volume within the trade area stood at \$1,627,879. However, actual per-store sales volumes vary widely, with higher-volume store types – such as department and grocery stores – eclipsing smaller stores by a wide margin. Of note, within the trade area there are 47 grocery stores generating an average volume of approximately \$5 million. There are 12 department stores (many located within Regency Mall) generating an average of \$16.8 million each. This category includes both traditional department stores as well as large discount stores, such as Target and Walmart.

Finally, the trade area is home to 253 food service and drinking places, including 191 restaurants (inclusive of all service levels) and 55 bars and pubs. However, a significant portion of these establishments generate relatively small sales volumes.

Retail Sales by Category

Racine, WI Primary Trade Area

Category	Total Sales ⁽¹⁾	No. of Bus.	Avg. Sales/ Business
Motor Vehicle & Parts Dealers	\$125,108,402	55	\$2,274,698
Furniture & Home Furnishings Stores	\$35,050,603	35	\$1,001,446
Electronics & Appliance Stores	\$37,912,126	28	\$1,354,005
Bldg Materials, Garden Equip. & Supply Stores	\$69,653,320	38	\$1,832,982
Food & Beverage Stores	\$257,533,545	75	\$3,433,781
Grocery Stores	\$234,965,319	47	\$4,999,262
Specialty Food Stores	\$5,776,797	11	\$525,163
Beer, Wine & Liquor Stores	\$16,791,429	17	\$987,731
Health & Personal Care Stores	\$103,540,474	47	\$2,202,989
Gasoline Stations	\$81,719,881	34	\$2,403,526
Clothing & Clothing Accessories Stores	\$77,869,913	65	\$1,197,999
Sporting Goods, Hobby, Book & Music Stores	\$38,475,409	33	\$1,165,921
General Merchandise Stores	\$221,710,823	31	\$7,151,962
Department Stores Excluding Leased Depts.	\$201,861,531	12	\$16,821,794
Other General Merchandise Stores	\$19,849,292	20	\$992,465
Miscellaneous Store Retailers	\$44,159,656	73	\$604,927
Food Services & Drinking Places	\$136,429,561	253	\$539,247
Special Food Services	\$4,913,167	7	\$701,881
Drinking Places - Alcoholic Beverages	\$10,273,691	55	\$186,794
Restaurants/Other Eating Places	\$121,242,703	191	\$634,779
Nonstore Retailers	\$37,326,041	11	\$3,393,276
Total	\$1,266,489,754	778	\$1,627,879

⁽¹⁾ Estimate for 2016.

Source: Esri, Inc. & Residential Planning Partners, LLC

Commercial Real Estate Market

Within the City of Racine, CoStar lists 1,034 retail/commercial buildings (excluding office and industrial buildings) encompassing a total city-wide inventory of 9,497,266 square feet. The average building size stands at 9,185 square feet. While buildings in the Downtown area and other core shopping districts tend to be much smaller, this relatively big average building size is reflective of the large amount of space found in grocery, department, and other big box stores, primarily in the Regency Mall district and other peripheral shopping corridors described above.

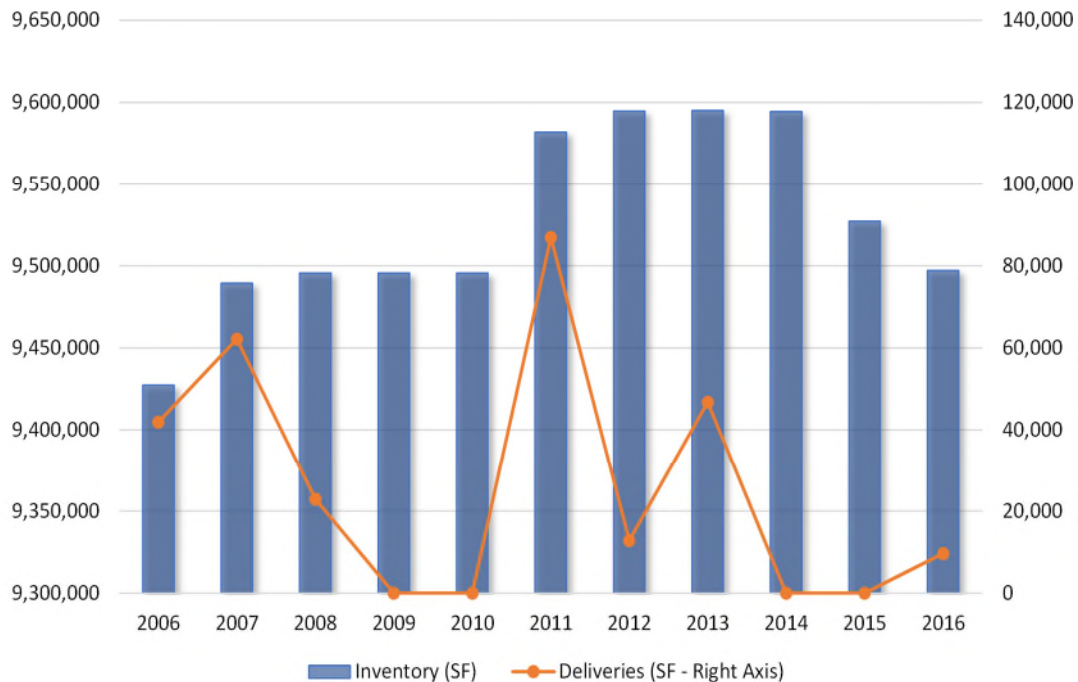
Summary of Current Commercial Space Inventory Conditions City of Racine, WI

Attribute	Number
Inventory (SF)	9,497,266
Buildings	1,034
Avg. Building Size (SF)	9,185
Deliveries (2016 - SF)	9,654
Buildings	2
Avg. Building Size (SF)	4,827

Source: CoStar

Between 2011 and 2013, more than 146,000 square feet of commercial space was delivered onto the Racine market in six larger-format buildings averaging 24,415 square feet each. After this period of relatively robust deliveries, however, the pace of commercial development has moderated significantly. Between 2014 and 2015, for instance, no new deliveries were made, and in 2016, just 9,654 square feet were delivered in two buildings averaging 4,827 square feet. Moreover, total commercial space within the City has actually fallen since 2014 as new deliveries failed to match the removal of older buildings from inventory. In total, between 2014 and 2016, the City lost more than 97,000 square feet of commercial space, or 1.0 percent of overall inventory.

Commercial Inventory Trend City of Racine, WI



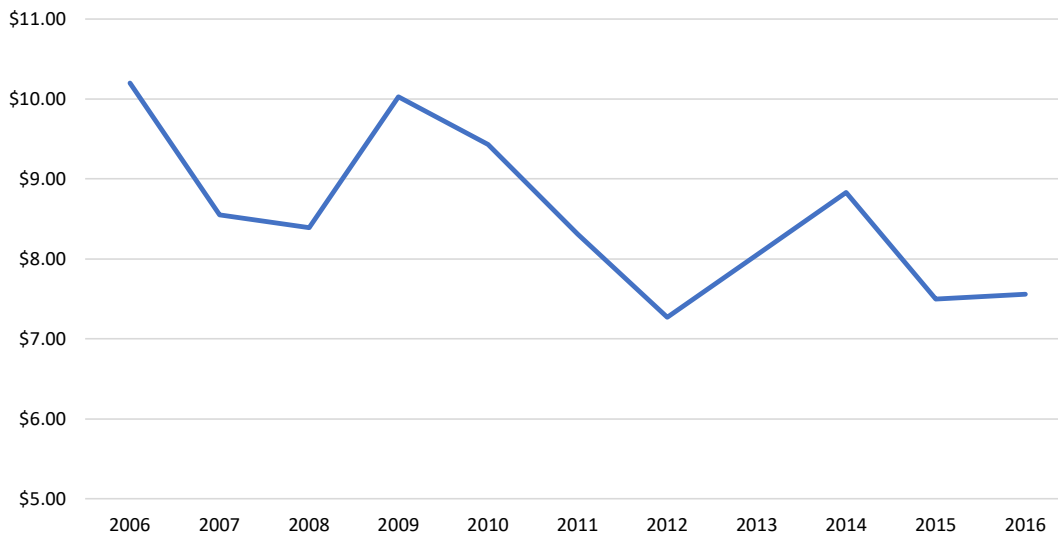
Source: CoStar & Residential Planning Partners, LLC

Rent & Occupancy Trends

City-wide direct rents (i.e., excluding subleases) for all lease types stood at \$7.56 per square foot per year as of the end of 2016. (By comparison, those in the City of Kenosha stood at \$10.11, or 33.7 percent higher.) Commercial rents within Racine have experienced significant volatility over the last ten years, but have trended generally downward, falling nearly 26 percent since 2006. Rents have also softened since the post-recession high of 2014; however, compared to the cyclical low of 2012, 2016 saw a 4.0 percent increase.

Commercial Rental Rate Trend

City of Racine, WI



Source: CoStar & Residential Planning Partners, LLC

As a useful market-to-market comparison, the City of Kenosha also saw considerable softening in its commercial real estate market from 2006-2016, with rents falling 32.9 percent overall. However, over the last year, Kenosha saw a 3.1 percent increase, while Racine experienced a relatively weak 0.8 percent increase. Moreover, on a three and five-year annualized basis, Kenosha experienced less market volatility than Racine, resulting in significantly less negative rent growth.

Commercial Rent Growth Comparison

Cities of Racine & Kenosha

Area	Annualized (Percent)		
	1-year	3-year	5-year
City of Racine	0.8	-4.6	-6.4
City of Kenosha	3.1	-0.7	-2.7

Source: CoStar & Residential Planning Partners, LLC

Accurate determinations of commercial space occupancy and availability within the City of Racine are difficult to determine. CoStar states that the city-wide commercial vacancy rate stands at 7.4 percent, while the availability rate stands at 9.7 percent. While both measures have moved downward, according to CoStar, since 2014 (from 8.8 percent for vacancies and 10.8 percent for availability), they stand

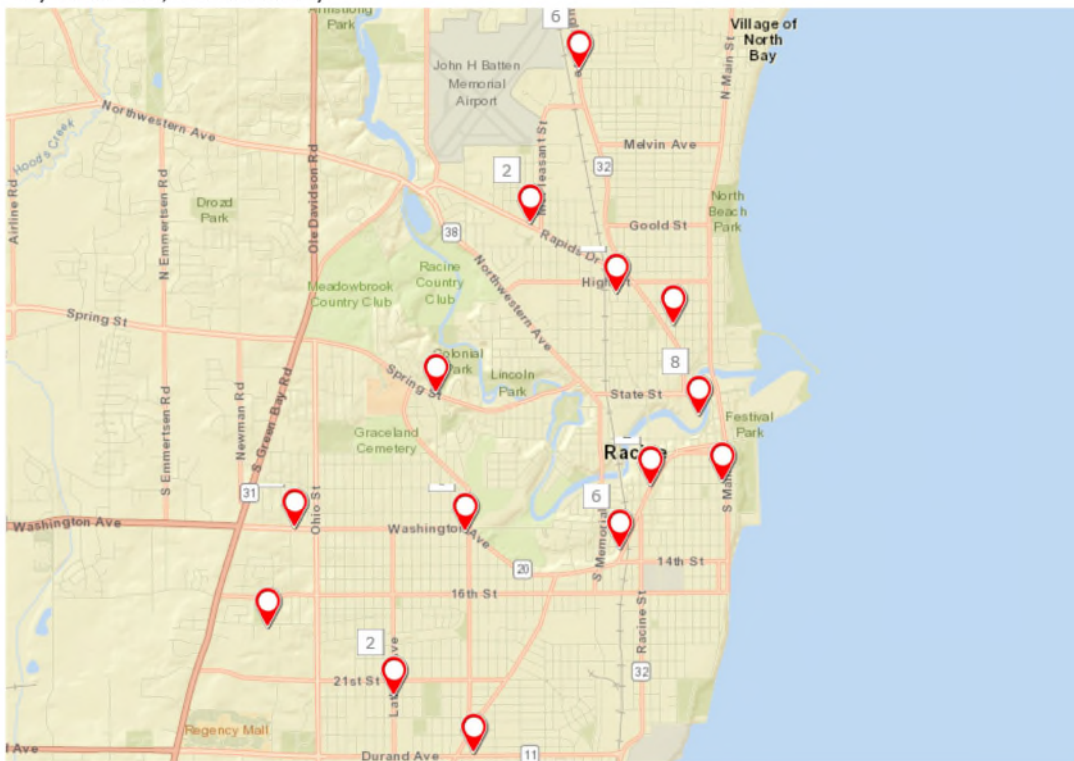
significantly higher when compared to pre-recession years. For example, in 2006, the reported city-wide vacancy rate was 3.9 percent, while the availability rate was 4.2 percent.

However, our field research, which included physical counts of vacant, available, and underutilized properties within our designated core focus districts (discussed below), suggests that the *actual* rates of vacancy and availability within the City are much higher. The primary reason for this is that a great deal of vacant commercial space is not currently on the market for lease or sale. Other space is available, but through informal means (i.e., not within the normal brokerage network, often with marketing consisting of a handmade sign). And still other spaces – primarily retail storefronts – are either partially vacant or used for storage only. (See below for current vacancy and availability information for the four core focus districts.)

Commercial Properties For Sale

In addition to commercial space available for lease, CoStar currently lists 43 commercial/retail buildings available for sale within the City of Racine. The majority of these are smaller buildings of under 10,000 square feet, primarily located on Washington and Douglas avenues. However, a few are larger in size, with two neighborhood centers (Washington Square and Rapids Drive) also listed.

Retail Properties for Sale
City of Racine, WI & Vicinity



Source: CoStar & Residential Planning Partners, LLC

The average asking price for the 43 properties is \$684,666 for 14,893 square feet of space, or \$45.97 per square foot. However, this is heavily influenced by the larger properties. The median asking price for the group is much lower, at \$250,000 for 6,650 square feet, or \$37.95 per square foot. Twenty-seven of the properties are priced at less than \$300,000, averaging \$181,074 for 5,715 square feet, or \$31.68 per

square foot. Twelve of these are located on Washington Avenue, while four are on Main Street and three are on Douglas Avenue.

As with our analysis of vacant and available rental spaces, the current inventory of commercial properties for sale or potentially for sale is likely under-reported by CoStar. Our field property surveys and interviews with local brokers and other real estate professionals suggest that many are either being informally offered for sale or would be potentially available should an offer be made. According to one broker interviewed, “up to 40 percent” of the local commercial inventory could potentially be available. Actual availability rates even half as high would signify a significant degree of instability in the localized commercial real estate market.

Core Retail Districts

Our work on this assignment included a special focus on four retail districts within the commercial core of Racine deemed priority areas by the City: Downtown, Uptown, West Racine, and the historic Douglas Avenue corridor. Each of these districts is unique, though all face challenges. Yet these districts represent some of the strongest opportunity areas for the City as it works towards its stated goals of leveraging its many existing assets to attract new businesses and, in general, increase private investment in the community.

This section of our report provides an overview of these core districts, beginning with narrative descriptions of existing conditions within the districts, followed by quantitative analyses of relevant commercial market metrics. Note that these sections, while purposefully narrative in order to supply a depth of detail difficult to achieve in bullet point form, are based on traditional SWOT (strengths, weaknesses, opportunities, and threats) analysis – where strengths and weaknesses are conditions intrinsic to the area studied and opportunities and threats are conditions originating outside of it.

Downtown

The most prominent of its primary retail districts, Downtown Racine is the locus of the City’s cultural and civic life. Generally speaking, the district stretches from the Root River south to Seventh Street, west to Marquette Street, and east to Lake Michigan. Sixth Street and Main Street are the primary retail corridors within the district; however, retail and other commercial facilities are also located on Wisconsin and College avenues, as well as along the lakefront.



The daytime population of Downtown Racine is strong, led by municipal employees, including those who work at Racine City Hall, the Racine County Circuit Court, and in other judicial and law enforcement branches. Downtown is home to the Racine Civic Centre, with its three popular venues – Festival Park, Festival Hall, and Memorial Hall – which host a variety of private and public events throughout the year. In addition, Downtown is the heart of lakefront-oriented recreational commerce, centered on and catalyzed by the 900-slip Reef Point Marina. Downtown Racine’s primary hotel, the Doubletree Harbourwalk, is located adjacent to the marina. Downtown is also home to the renowned Racine Art Museum, which holds the country’s largest collection of contemporary craft art.

Downtown retail is concentrated along Sixth and Main streets, where an eclectic collection of shops, boutiques, galleries and studios, restaurants, and bars are located. Downtown benefits from this

established retail/entertainment environment, while the Downtown Racine Corporation, managing the Downtown Business Improvement District (BID) works to further enhance the commercial environment through promotional activities, streetscape beautification, and enhanced security. Meanwhile, the Downtown commercial building stock is generally strong, consisting primarily of traditional and/or historic two and three-story buildings with ground floor retail and office and/or residential above.

Even so, Downtown faces challenges. Vacancies along both Main and Sixth streets are significant (see below) and include the majority of the retail space at the State and Main building. Built in 2006, this building has never achieved full occupancy, and is currently more than 80 percent vacant. Moreover, Chase Bank recently announced plans to close its branch at 500 Wisconsin Avenue, leaving the fate of that large freestanding building in question. Finally, while traffic along Main Street is relatively strong (at more than 10,000 vehicles per day), it is also quite brisk, discouraging casual stops for shopping and exploration.

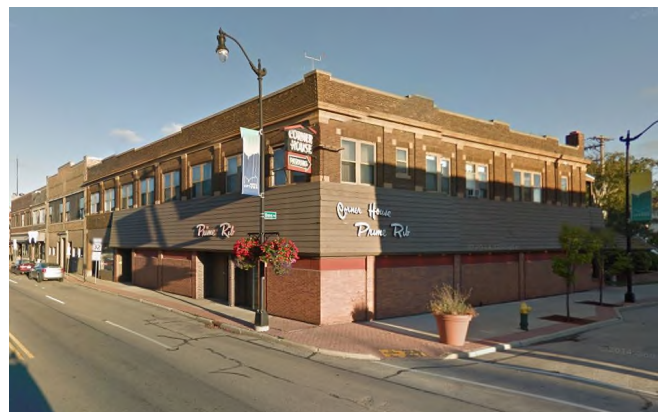
Nevertheless, many opportunities exist within the Downtown district. These include the new events center proposed for the currently vacant parcel at Lake Avenue and Gas Light Drive that could, according to a recent study, draw nearly 200,000 visitors Downtown each year. And while the vacant one acre site at the southwest corner of Washington Avenue and Sixth Street where the former Porter's of Racine furniture store once stood is unlikely to be redeveloped in full within the near term, a portion of it could, in the meantime, be activated as a public or quasi-public amenity to draw visitors Downtown – assuming an arrangement could be made with the current landowner. Moreover, recreational boaters utilizing Reef Point Marina facilities represent a significant (if seasonal) source of support for Downtown businesses. Finally, a strengthening of the residential market could, over time, provide support for a number of new residential units in and around Downtown that would also lend support to businesses.

While these opportunities are significant, efforts to grow the Downtown visitor base could be undermined if the events center project is cancelled – or, in a worse case, if the center is built in a competing municipality nearby, such as Kenosha. Moreover, competing marinas in Kenosha and other locations have the potential to draw boater traffic away from Racine. Finally, increasing congestion along arterial routes leading from Interstate 94 into Downtown Racine could increase the perception that the Downtown is difficult to get to and act as a deterrent to new and returning visitors.

Uptown

For the purpose of our analysis, we have defined the Uptown retail district as stretching generally from 10th Street south to 16th Street and from Phillips Avenue east to Racine Street. The primary retail corridor within the district is Washington Avenue, with secondary retail concentrations found along Junction Avenue and 16th Street.

The Uptown district is located in Racine's industrial heart and is surrounded by some of the City's most prominent manufacturers (and largest employers), including SC Johnson, Modine Manufacturing, and Twin Disc. The district is located less than one mile from the heart of Downtown and 0.75 miles from the lakefront (at the intersection of



Washington and Junction avenues). Traffic volumes are generally supportive of local retail, averaging approximately 13,500 vehicles per day at Washington and Junction avenue.

Existing retail within the Uptown district is primarily service and convenience-oriented, including medical offices, automotive service centers, and small grocery/liquor stores. However, a number of more prominent businesses do exist, including The Corner House restaurant (considered a Racine institution), the Racine Merchandise Mart antiques and home décor store, and Schmitt Music. Additionally, the district is bounded on the south side of 16th Street by the Racine Arts and Business Center. Founded in 1916 as the first business incubator in the country, this facility has been home to numerous successful businesses over the years and currently houses studios for over 60 artists plus art dealers and an art gallery. In addition, a number of manufacturers, merchandisers, service companies, and other businesses call the facility home.

The Uptown Business Improvement District provides support to the district through marketing and promotions as well as streetscape maintenance and improvements. In addition, four separate grant programs are available to help businesses locate or make improvements within the district. These grants are designated for façade improvements, signage, rent assistance, and permitting expenses.

Despite these assets and available resources, the Uptown retail district faces significant challenges. The surrounding neighborhood exhibits extremely high rates of housing vacancy, while housing values and incomes are some of the lowest in the City. Retail vacancy rates along Washington Avenue are extremely high, and much of the commercial building stock is in poor shape. And while traffic volumes along Washington Avenue are relatively high, the traffic barrels through the district at a speed that makes the pedestrian experience uncomfortable – an effect exacerbated by the manner in which Washington Avenue curves through the district. Moreover, areas of vacancy and blight discourage exploration of the district on foot.

Despite its challenges, opportunities do exist within the Uptown district. In addition to its proximity to significant employment concentrations that could potentially support district retail, the opportunity exists for Uptown to forge a closer relationship with the businesses and growing arts scene that are housed within the Racine Arts and Business Center. Moreover, the district is rooted in Racine's legacy of innovation, and its large stock of inexpensive commercial and industrial buildings are potentially suited to new entrepreneurial efforts of today.

Efforts to move the district forward will require ongoing support from the City and other entities, including financial support for new businesses as well as significant marketing, outreach, and recruitment campaigns. In the meantime, the state of the district remains fragile, and the loss of one or more of the key businesses currently operating there could have a cascading effect, leading to other business closures.

West Racine

West Racine is the smallest of the four core districts studied for this assignment, consisting generally of the three blocks of Washington Avenue located between West Boulevard and Blaine Avenue. The West Racine retail district consists of an eclectic mix of businesses located in generally well-maintained one and two-story buildings, interspersed with two large churches. West Racine is home to two of Racine's renown Danish bakeries, Bendtsen's Bakery and Larsen Bakery. Wilson's Coffee & Tea, another signature business, is a well-patronized hang-out for many locals and features coffees roasted on-site. Nelson's

Variety Store, located at the southwest corner of Washington and Hayes avenues, has been a prized local institution since 1940, but is unfortunately now in the process of closing its doors.

West Racine benefits from its proximity to the relatively stable neighborhoods to the north and west, where household incomes range generally between \$50,000 and \$75,000, housing ownership rates are high, and residential vacancy rates are much lower than those found within the core of the City. Walkability from the surrounding neighborhood to the district is good, and the district benefits from connectivity to the Root River Pathway and park system. The district is highly visible, with average daily traffic volumes approaching 14,000 vehicles on Washington Avenue, while its location one mile east of retail concentrations near Green Bay Road make it reasonably accessible from that busy shopping area.

Despite its advantages, West Racine does face challenges. To begin with, several vacancies currently exist within the district, and the closing of Nelson's Variety Store will leave a noticeable gap in the retail streetscape that could be detrimental to the shopping environment overall if the space cannot be filled in relatively short order by a business that compliments the district. Moreover, the DaVita Dialysis Center located at the northwest corner of Washington Avenue and West Boulevard, while representing a prominent new commercial development, encompasses an entire block while adding little to the retail environment of the district. Finally, as with the Uptown district, traffic speeds along Washington Avenue through West Racine are detrimental to the pedestrian environment, making both street parking and street crossing intimidating and potentially hazardous.



Yet West Racine has the opportunity to further strengthen its identity as a traditional neighborhood retail district. Additional dining options, in particular, could help bolster the district's prominence by drawing customers from both the surrounding neighborhoods and the wider area, as could specialty food retail, which would build off a current strength within the district. The district also has the opportunity to build on its Danish heritage with complimentary food, craft, or other stores that feature Danish and Scandinavian items.



Due to its compactness, the addition of new uses that are incompatible with the district's identity as a traditional shopping district, or which undermine the pedestrian environment, could be damaging to the district's appeal overall. Given its size and prominence, the fate of the Nelson's Variety Store space will, in large part, set the tone for the future of the district.

Historic Douglas Avenue Corridor

The fourth of our core focus districts is the historic Douglas Avenue corridor, here defined as the roughly one-mile stretch of Douglas Avenue between Goold Street and Hamilton Street. The corridor traverses one of the most heavily Hispanic areas of the City, with the population in the block groups aligning Douglas Avenue and immediately to the west ranging generally from 30-60 percent Hispanic. This heritage is reflected in many of the restaurants and other food-based businesses that align the corridor.

Apart from restaurants, current retail uses along the corridor skew heavily toward the service sector, including salons and auto maintenance and repair. At the north end of the corridor are two national retailers: Walgreens pharmacy and AutoZone automotive supply.

The district is located directly northwest of Downtown, and benefits from this proximity and traffic flowing from Main and State streets. Traffic volumes along the corridor average approximately 8,600 vehicles per day. The Douglas Avenue Business Improvement District provides marketing and promotional support as well as security coordination and has adopted an ambitious corridor improvement plan created in 2015.



Yet, in many ways the historic Douglas Avenue corridor faces the most challenges of the four districts analyzed for this report. Support for neighborhood-serving retail in the surrounding neighborhood is dampened by low income levels and high housing vacancy rates. Commercial vacancies along the corridor are high, and some commercial buildings are utilized merely as storage, while others appear to have been converted to residential use. Much of the building stock is in disrepair, and this combined with narrow sidewalks, high traffic speeds, and stretches of windowless ground floor space combine to create an extremely uncomfortable pedestrian experience.

Yet the corridor could build on its history and heritage to emerge as a prized destination, particularly for dining and shopping, such as the ethnic enclaves of Chicago, including the Pilsen neighborhood (Mexican), Argyle Street (Asian), and Devon Avenue (Indian), which draw visitors from throughout the city and beyond by offering a unique experience.

Doing this would likely require an enhancement of the pedestrian environment through continued streetscape improvements and traffic calming, as well as the reconversion of underutilized buildings and/or incompatible uses back to retail use as market support allowed.

New businesses that do form along the corridor are likely to be owned and operated by people living in the area. However, given the significant challenges the corridor faces, this is unlikely to happen without support from the City. One approach to stimulating new business formation could be for the City to create a business acceleration program for the corridor, led by someone tapped into the neighborhood. The first undertaking of this program could be a neighborhood outreach effort to identify and better understand the specific barriers to forming new, locally-based business along the corridor. With this understanding – and support in place to help overcome these barriers – the program could then turn its effort to identifying talented and motivated people within the community who could be brought into the economic ecosystem. Quite likely there are people within the City, some of whom may already be operating more informal home-based businesses, who would relish the opportunity to do so.

Given the significant challenges faced by the corridor, absent substantive efforts to reclaim the retail environment, further deterioration is likely to occur.

Current Retail Market Metrics: Priority Districts

The largest of the four priority retail districts is, not surprisingly, Downtown, which encompasses more than 650,000 square feet of retail space. (Note that this does not include office space, which encompasses another 801,000 square feet of Downtown building space.) West Racine is the smallest district, with 127,213 square feet of space. Together, the four priority districts encompass 1.5 million square feet of retail space, equating to roughly 15 percent of the citywide total. However, the 277 retail buildings within the four districts make up nearly 27 percent of the retail building inventory citywide. The average building size citywide is much larger than those of the priority districts due to the presence of large buildings in the Regency Mall area and the Durand Avenue and west Washington Avenue corridors. (The distinction between retail *building* and retail *space* should be kept in mind; most retail buildings – particularly within the priority districts – contain multiple spaces.)

Current Retail Market Summary

Retail District Priority Areas

Attribute	Downtown	Uptown	W. Racine	Douglas	Citywide
Total Retail Inv. (SF)⁽¹⁾	650,747	408,194	127,213	271,369	9,497,266
Inv. Buildings ⁽²⁾	111	79	28	59	1,034
Average Building Size (SF)	5,863	5,167	4,543	4,599	9,185
Average Rent (\$/SF/Yr.)	\$8.47	\$6.33	\$8.76	\$3.97	\$7.56
Vacant/Available Spaces	57	27	7	14⁽³⁾	--
For Lease	18	4	1	0	--
For Sale	6	4	1	2	--
For Lease or Sale	4	0	1	0	--
Other Vacant	24	18	4	10	--
Storage	5	1	0	2	--

⁽¹⁾ Does not include non-retail uses such as office or industrial.

⁽²⁾ Many buildings contain multiple spaces.

⁽³⁾ Does not include a number of spaces that appear to have been converted to residential or other use.

Source: CoStar & Residential Planning Partners, LLC

Average rents (on a per square foot per year basis) for the priority districts range from \$3.97 for the Douglas corridor to \$8.76 for West Racine. Both Downtown and West Racine exhibit average rental rates that are higher than the City as a whole, while those in Uptown and the Douglas Avenue corridor are 16.3 percent and 47.5 percent lower, respectively.

As part of our field work, we conducted a physical count of vacant and available spaces. Spaces were categorized as *for lease*, *for sale*, *for lease or sale*, *other vacant* (i.e., the space was observably vacant, but is not listed for lease or sale), or *storage* (i.e., the space is not vacant, but is not in retail use). The total number of vacant and available spaces ranged from seven in West Racine to 57 Downtown and encompassed 105 spaces overall. While a number of the spaces were being actively marketed for lease or sale, a significant number were not. The proportion of “other vacant” spaces compared to total vacant and/or available spaces was 42.1 percent in Downtown, 66.7 percent in Uptown, 57.1 percent in West Racine, and 71.4 percent in Douglas. This metric is seen as a key measure of district retail market health, as long term vacancies (particularly those that result from owner disinterest or even property abandonment) can weigh the localized market down in terms of both rent and absorption potentials.

Commercial Market Conclusions & Recommendations

In many ways, Racine possesses key markers of commercial market strength. Among these are a wide variety of existing businesses, the presence of numerous signature stores and restaurants, an attractive and walkable Downtown, distinct commercial districts, a growing arts and entertainment scene, and the proximity of several key employers.

Yet, 40-plus years of population losses and the outward migration of wealth have taken their toll on the City – particularly within its core commercial districts. A commercial infrastructure that was built on the strength of 95,000 residents now must get by with 78,000, and many of the neighborhoods that provide critical support to local businesses are plagued by vacant homes.

For the foreseeable future, national retailers who come to Racine are most likely to locate within established high-traffic areas on the periphery of the City that are already dominated by national brands – namely the Regency Mall district and the Washington Avenue corridor near Green Bay Road. The recent acquisition and planned renovation of Regency Mall is a notably positive development within Racine’s commercial market overall; yet these improvements will have little impact on the core business districts analyzed for this assignment. To the contrary, improvements to the mall and the continued growth of peripheral retail could have a negative impact on core district businesses, if such improvements further divert traffic from the City core.

Given persistently high vacancy rates (including those within the State and Main development, which has never, in its ten-year existence, been fully leased) and low rent potentials, the development of new commercial space is unlikely to occur in the near term in any of the four core districts analyzed for this assignment. The exception would be specialized development projects, such as the proposed Downtown events center. Generally speaking, however, demand for new conventional multi-tenant space does not currently exist within these districts.

This is not to say, however, that opportunities do not exist within Racine’s commercial core. To begin with, new business owners could be attracted to the availability and affordability of space within the core districts. Outdated buildings can be updated to be more attractive to businesses and to increase rent potentials. And existing assets can be leveraged to strengthen the appeal of the core districts for both business owners and consumers alike. As these things happen, the key market metrics analyzed here – namely district occupancy rates and rent potentials – will improve, in turn encouraging further investment in the City.

To help create the conditions that draw investment, incubate new business, and encourage growth within its core commercial districts, the City can take three critical steps:

- ***Strengthen the pedestrian experience.*** From a business operator’s perspective, the primary challenge for Racine’s core commercial districts is a lack of foot traffic. Our observations of vehicular traffic on the primary commercial thoroughfares of the districts (primarily Washington Avenue, Main Street, and Douglas Avenue) suggests that much of motorists’ attention is on *getting through* the districts, and not on the districts themselves. Current conditions – particularly in West Racine, Uptown, and on Douglas Avenue – discourage stopping and exploration. As mentioned in the narrative descriptions of the priority districts, each one faces, to a greater or lesser extent, impediments that negatively impact the pedestrian environment and/or deter

exploration. Thus, traffic calming and/or streetscape improvements are considered critical improvements.

- **Create better connections for boaters.** The 900-plus slip Reef Point Marina is one of Racine's primary resources, drawing boating traffic from around Lake Michigan. However, our interviews with Downtown merchants suggest that opportunity exists for the City to better capitalize on this critical in-place asset. Namely, the nearly half mile that separates the marina from Main Street is an impediment, discouraging boaters from disembarking and exploring Downtown. Thus, many boaters may be unaware of the shops, restaurants, and other businesses Downtown has to offer. A service such as a seasonal shopper shuttle, offered as a marina amenity, could help create a better connection for boaters, particularly if operated late enough into the evening to serve restaurant and bar patrons. With time, this service could be extended to other core commercial districts.
- **Build the Racine brand.** Our discussions with outsiders – and Chicagoans in particular – revealed a substantial lack of knowledge about Racine. Many who we spoke with had only a vague understanding of where Racine is located or knew that it is located on Lake Michigan. Others confused Racine with Kenosha or Pleasant Prairie. None had a good understanding of what Racine might offer for visitors. While this survey was certainly an informal one, it points to a general lack of awareness about Racine. However, lack of image here should not be confused with negative image, and almost universally from this group we heard a desire to know more about the City.

Given this challenge, we suggest a marketing and brand-building campaign, targeting Chicagoans in particular, to spread awareness about the City and to encourage daytrips, weekend getaways, and other types of visits. A secondary goal of such a program could be to strengthen Racine's image internally, capitalizing on recent advancements and other successes. Such a campaign should be created and managed by a firm experienced with municipal marketing and branding.

These measures are considered foundational to future economic development efforts in Racine. However, they are not in themselves panacea. For instance, while traffic calming and streetscape improvements can set the stage for a positive pedestrian experience, foot traffic will increase slowly and organically with the breadth and density of retail options for consumers. In short, interest drives exploration.

Thus, we recommend a creative – yet *market-driven* – economic development approach that builds incrementally on current strengths, resources, and other key assets. This broad approach is seen as the most realistic way for Racine to strengthen its core commercial districts, given the current challenges they face. Utilizing this approach, and based on our many observations and analyses of existing market conditions and consumer behaviors, we see near-term market support for several types of businesses in Racine's core commercial districts:

- **Restaurants and pubs.** Dining, nightlife, and entertainment are key to the future of Downtown. Already, a growing food and nightlife culture exists, and this received an added boost with the opening of The Nash Bar & Grill within the Indian Motorcycle Dealership. Additional restaurants, pubs, and entertainment venues can be supported and will help to build critical mass that will attract new interest and visitors, providing a boost to Racine's image overall. Though the completion of the new events center would be an obvious boon to Downtown restaurants and pubs, new establishments can find support in the current environment as well. And while Downtown is indisputably the heart of Racine's food scene, the West Racine district could also potentially support new restaurants, particularly a casual neighborhood-serving café. Finally, one or more new restaurants would be a welcome addition to the Douglas Avenue corridor, particularly those offering quick service and delivery options.



- **Specialty food stores.** According to Esri, residents of Racine spend an estimated \$9.1 million annually at specialty food stores, while annual specialty food sales within the City itself amount to just \$2.8 million, leaving an "opportunity gap" of \$6.2 million in sales that are currently being captured by businesses located outside of the City. The specialty food store category includes stores that typically purvey a limited assortment of higher-value foods when compared to staple food stores (e.g., conventional grocery stores). It may also include gourmet shops, bakeries, butchers, coffee and tea stores, health food stores, and ethnic markets. Our analysis suggests that one or more new specialty food stores would be supported in Racine's core commercial districts. West Racine, in particular, could draw support for such a store from both neighborhood residents and the wider trade area. Such a use would co-exist nicely with West Racine's existing specialty food purveyors, which include its two Danish bakeries as well as Wilson's Coffee & Tea.
- **Convenience retail.** Currently, convenience retail – a category that includes small markets offering goods for everyday needs – are most supported Downtown. Despite its relatively large daytime population, Downtown currently offers few options in this category. In addition to Downtown workers and residents, convenience retailers Downtown would receive support from visitors, including boaters.
- **Personal and professional services.** While not a goods-selling category, personal and professional services are an important component of many commercial districts. Examples include financial services offices, fitness studios, and beauty salons. Businesses of this type are generally supported where daytime and/or neighborhood traffic is strong and parking is convenient. For Racine's core commercial districts, these businesses would find the most support in Downtown or West Racine.
- **Non-traditional retailers.** Much has been made of the havoc that the rapid rise of internet commerce has wreaked on the traditional retail sector. Just as the rise of big box – or "category killer" – retailers damaged or destroyed many small specialty shops, internet giants have spelled doom for formidable big box players in many retail categories. However, we are now at a turning

point in the evolution of internet retail – a “second wave” that has seen not only a proliferation of smaller internet businesses, but also an acknowledgement that a “bricks and mortar” presence can be an important element of success. Since the success of these businesses rests with online sales, while the physical presence serves primarily as a showroom, and potentially as studio, workshop, or storage, many are not foot traffic-dependent in the way that traditional retailers are. Racine, with its large stock of affordable commercial buildings, is uniquely positioned to appeal to these businesses – and in particular, those newer businesses that are not location-dependent. An ideal place for businesses of this sort could potentially be the Uptown district in a new “Entrepreneurial Zone” (see below). An effort could be undertaken to identify existing businesses of this type in more costly locations of Milwaukee and Chicago and to promote the benefits of a Racine location.

Establishing an Uptown Entrepreneurial Zone

Racine has a unique opportunity to create an economic development tool that would not be possible for most cities its size. By many measures, entrepreneurialism is on the rise throughout the country, aided by digital technologies and fueled by a rise of “craft” culture that values unique, high-quality, and hand-made goods over mass production. We see evidence of this in the rapid rise of craft breweries and coffee roasters, custom furniture and apparel manufacturers and purveyors, vinyl record pressing, and locally-sourced food purveyors, among many other businesses that provide highly specialized goods and experiences. (One has only to consider, by way of example, the re-emergence of Shinola – a shoe polish brand from the early 20th century that was revived in 2011, recast as a luxury lifestyle company, selling handmade watches, bicycles, leather goods, and other high-value products.) In addition, many artists and individual craftspeople occupy this entrepreneurial space, selling their work online and in galleries across the country.

Given its stocks of both affordable homes and affordable commercial space, Racine is in an excellent position to capitalize on the emerging entrepreneurial culture. An effort to actively recruit such businesses could be codified in the establishment of an “Entrepreneurial Zone.” And there is no better place in the City of Racine to locate this zone than in Uptown. With its deep connection to Racine industry and innovation of the past as well as today and its large number of vacant commercial buildings and spaces, Uptown is uniquely suited to such an effort. Moreover, directly adjacent to the district, Racine already hosts a successful model for entrepreneurial incubation in the Racine Arts and Business Center. The Center is potentially a powerful centerpiece and catalyst for further entrepreneurial development in the Uptown district.

Like the non-traditional retail stores discussed above, ideal businesses for such a zone would be those that market their goods regionally or nationally and who need work and display space, but who would not rely primarily on existing traffic from the primary market area. Recruitment targets can be found throughout the Chicago-Milwaukee corridor, and could include both startup businesses and more established businesses that are interested in expansion. Development efforts could include outreach to existing business incubators as well as to regional industry groups and social media forums devoted to specific types of craft work. Existing loan and grant programs could provide important support and incentives to new and relocating businesses, and the City could consider a program akin to Detroit’s successful “Motor City Match” program (www.motorcitymatch.com) that “connects new and expanding

businesses with Detroit's quality real estate opportunities, providing them with funding and tools to fuel the city's entrepreneurial revolution."

This vision is consistent with that developed within the 2014 Uptown Neighborhood Strategic Development Plan; however, it is important to remember that changes to the district will come incrementally, and that major new outside investment is not likely to occur until a number of pioneering businesses bring new vitality, jobs, and economic strength to the area. Over time, the success of such a program would attract new residents to Racine, provide additional local jobs, increase the City's profile, and spur additional supportive retail development, such as brewpubs, cafés, service businesses, and new retail stores within the district.

