

PROJECT PLAN
for
TAX INCREMENTAL DISTRICT NUMBER 12
CITY OF RACINE
(Riverbend Lofts and Town Homes -
718 South Marquette Street)

RIVER BEND
LOFTS

City Plan Commission
of the
City of Racine
Wisconsin

Prepared by
Department of City Development

in conformance with the provisions
of Section 66.1105, Wisconsin Statutes,
as amended.

APPROVALS:

City Plan Commission:	September 28, 2005
Common Council, City of Racine:	October 18, 2005
Standing Joint Review Board:	November 3, 2005

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I. DESCRIPTION OF PROJECT

A. Introduction

Wisconsin state law allows cities and villages to create Tax Increment Districts (TIDs) to provide financial assistance for new development and redevelopment. In TIDs the expense of public improvements and other redevelopment activities that are essential for the new development may be paid with the property taxes resulting from the new development. Over the years, Racine has created a number of TIDs. The City of Racine now proposes to use the Tax Increment Law to provide financing for the redevelopment of 718 South Marquette Street, a brownfield industrial property also known as the Thompson Building or the Badger Uniform Building. The redevelopment project proposes the conversion of the four-story loft building on the site into residential condominiums. Additional town homes will be constructed on the vacant portion of the site immediately south of the loft building.

Section 66.1105(4)(d), Wisconsin Statutes, requires the "preparation and adoption by the planning commission of a proposed project plan for each tax incremental district." This project plan is submitted in fulfillment of this requirement and the related provisions of section 66.1105, Wisconsin Statutes.

B. District Boundaries

Tax Incremental District Number 12 (TID 12) is composed of one parcel that is located on the western edge of Racine's downtown, near the Root River. The District is shown on Map No. 1, "Project Area Boundary," and described more precisely as follows:

The proposed district is bound by Sixth Street on the north, South Marquette Street on the east, Eighth Street on the south and Racine Street on the west; the district consists of one parcel described as: the west ½ of Bush's Subdivision of Block 50 School Section Lots 1 thru 12 except part dedicated for street purposes as described in Volume 1617 page 440 as recorded in the office of the Register of Deeds of Racine County.

As required by the TID Law, the area consists solely of whole units of property "as are assessed for general tax purposes and which are bounded on one or more sides by railroad rights-of-way, highways or rivers." Additional information regarding the property is provided in Exhibit 1, "Property Characteristics."

The District contains property totaling approximately 2.65 acres. The entire District is "blighted" and "in need of conservation and rehabilitation". Exhibit 1 illustrates how the property in the District meets the statutory criteria for Tax Incremental Districts.

II. PLAN PROPOSALS

A. Statutory Requirements

Section 66.1105(4)(f), Wisconsin Statutes, requires that a project plan for a Tax Incremental District as adopted by a planning commission and submitted to the local legislative body shall include:

"... a statement listing the kind, number and location of all proposed public works or improvements within the district or, to the extent provided in subsection (2)(f)1.k., outside the district, an economic feasibility study, a detailed list of estimated project costs, and a description of the methods of financing all estimated project costs and the time when the costs or monetary obligations related thereto are to be incurred. The plan shall also include a map showing existing uses and conditions of real property in the district; a map showing proposed improvements and uses in the district; proposed changes of zoning ordinances, master plan, if any, map, building codes and city ordinances; a list of estimated non-project costs; and a statement of a proposed method for the relocation of any persons to be displaced. The plan shall indicate how creation of the tax incremental district promotes the orderly development of the city."

The plan shall also include an opinion of the City Attorney or of any attorney retained by the City advising whether such plan is complete and complies with Section 66.1105(4)(f), Wisconsin Statutes.

B. Compliance with Statutory Requirements

The following statements, maps and exhibits are provided in compliance with the statutory requirements.

1. "Statement of the Kind, Number, and Location of All Proposed Public Works or Improvements."

a. In 2004, the Redevelopment Authority of the City of Racine was contacted by representatives of the estate of the recently deceased owner of the property. The estate needed to dispose of the property. While the space within the structures on the property was over 95% vacant and functionally obsolete, its redevelopment for non-industrial use was consistent with Racine's brownfields initiative and the Racine Downtown Plan. With the consent of the City of Racine, the Redevelopment Authority acquired the property in March 2004 to facilitate its redevelopment. The Authority solicited proposals from private developers for the redevelopment of the property. The proposal of Harvest Development LLC was accepted by the Authority on April 7, 2005. That proposal included the renovation of the existing loft building for 51 condominium units and the construction of 28 new town home units on the vacant portion of the site. Harvest Development LLC was provided with time to conduct environmental investigations and

other due-diligence and to arrange financing.

Following completion of its analyses, Harvest Development LLC informed the Authority that the project was not feasible without financial assistance. In particular, financial assistance was needed in addressing such environmental conditions as lead-based paint in proposed living areas, the demolition of one-story accessory buildings attached to the four-story structure, and exterior repairs to the four-story structure.

The Authority began negotiations with Harvest Development LLC that produced a termsheet for a development agreement under which the project can proceed. The Authority approved the development agreement termsheet on September 1, 2005. The Authority resolution and the termsheet are provided in Appendix A of this plan.

The termsheet provides for Harvest Development to receive financial assistance in the form of two grants, one for the exceptional costs of the redevelopment such as environmental remediation, another to off-set the purchase price of the property. In exchange, Harvest Development proceeds with the redevelopment, including obtaining financing for all other aspects of the redevelopment, and agrees to share with the Authority any profits that exceed a 20% gross profit margin. These provisions are set out more completely in the termsheet.

The proposed grants to Harvest Development LLC are to be provided from the City of Racine through the Redevelopment Authority pursuant to the provision of the Tax Increment Law in sec. 66.1105 (2) (f) 1. h., Wisconsin Statutes.

b. The number and location of the proposed public works and improvements are shown on Map No. 6, titled "Proposed Improvements", and are listed below:

1. A grant to the developer of up to \$632,000 (depending on actual costs) for extraordinary costs associated with the loft development (lead paint removal, asbestos removal, demolition of minor buildings on the site, etc.).
2. A grant to the developer of \$445,000, subject to conditions, to offset the purchase price of the northern portion of the property, which includes the four-story loft building.
3. A grant to the developer of \$55,000, subject to conditions, to offset the purchase price of the southern portion of the property.

2. "Detailed List of Estimated Project Costs"

Table 1 provides a detailed list of the estimated project costs. As noted above, the actual amount of the grant to the developer for exceptional expenses is an estimate. It is a "not to exceed" amount and may be reduced based on actual experience. Actual costs are subject to verification by the City of Racine and/or the Authority.

Table 1
List of Estimated Project Costs¹

a.	Grant for exceptional costs.	\$632,000
b.	Grant for purchase of northern portion of the site.	\$445,000
c.	Grant for purchase of southern portion of the site.	\$55,000
d.	Other: administrative, professional, organizational and legal.	\$65,000
	Total Estimated Project Costs, excluding financing.	\$1,197,000
g.	Financing.	NA

3. "Description of Timing and Methods of Financing"

a. Estimated Timing of Project and Financing Costs

The Summary of Project Costs (Schedule "A" below) identifies the year in which actual expenditures described in this plan are expected to be incurred. This schedule anticipates the time when costs will be incurred, not the time contracts or other obligations may be entered into. The estimates presented are subject to change as actual circumstances during the project execution period may require. However, all expenditures will be made prior to the year 2010, pursuant to the provisions of s. 66.1105(6)(am), Wisconsin Statutes.

Schedule A Estimated Timing of Project Costs*

Year	Estimated Project Cost	Cumulative Total
2007	\$697,000	\$697,000
2008	\$445,000	\$1,142,000
2009		\$1,142,000
2010	\$55,000	\$1,197,000

*The Tax Increment Law has accounting and reporting requirements for active TIDs. The city will charge to the district an estimated \$609/year in the period from 2007-2015 for these costs and an estimated \$2,700 to close out the district

b. Estimated Method of Financing Project Costs

Table 2 displays the funding sources for each of the proposed project costs listed in Table 1. It distinguishes between project costs that will be recovered through tax

¹ The City of Racine and Redevelopment Authority of the City of Racine reserve the right to make only those improvements and to undertake only those activities that are deemed economically feasible and appropriate during the course of project implementation and which are commensurate with positive growth in the tax increment.

increment financing and “non-project” costs that may be recovered through tax increment financing, or other sources of funds such as state or federal grants, or local funding, or project income.

The City of Racine receives payments pursuant to an intergovernmental revenue sharing agreement. These payments are placed in a segregated account and can only be used for development and redevelopment activity. The account has accumulated a balance of funds in recent years. It is intended that this TID will borrow the funds needed for the identified project costs from the segregated account and will repay the funds from the increments generated by the project. No interest will be paid on the funds borrowed from the segregated account in order to accelerate the close out of the TID.

Table 2
Project and Non-Project Costs

		Project Costs	Non-Project Costs	Total
a.	Grant for exceptional costs	\$632,000	(1)	\$632,000
b.	Grant for purchase of northern portion of the site.	\$445,000	(2)	\$445,000
c.	Grant for purchase of the southern portion of the site.	\$55,000	(2)	\$55,000
f.	Other: administrative, professional, organizational and legal	\$65,000		\$65,000
	Total Estimated Project Costs, excluding financing	\$1,197,100		\$1,197,000
g.	Financing:	NA		NA

Notes to Table 2:

- (1) If grants are received from state or federal agencies for environmental remediation, the cost to the TID will be reduced by the amount of the grant.
- (2) The termsheet provides for profit sharing on gross profit above a 20% threshold. If profit sharing is received during the life of the TID, profit sharing will be treated as income to the TID to accelerate its close out. Profit sharing received after close-out of the TID or in excess of amount needed for close-out will be retained by the Authority.

4. "Economic Feasibility Study"

Exhibit 2 charts the District's tax incremental revenue from 2007 through 2021. Increments are projected based on the schedule for construction and sales of units in the developer's proposal, dated March 16, 2005. Unit values were reviewed and judged to be reasonable by the Racine City Assessor. Conservative assumptions were applied to the forecast. In particular, unit sale prices were not increased for general inflation and a declining tax rate, to reflect state-imposed expenditure restraint, was assumed.

Exhibit 2 forecasts that the TID will recover its costs by year 9, 2015, and can be closed out at that time.

5. "Map Showing Existing Uses and Conditions"

Please refer to Map No. 2, "Existing Land Use," and Map No. 3, "Existing Conditions,".

6. "Map Showing Proposed Improvements"

Please refer to Map No. 5, "Proposed Land Use", and Map No. 6, "Proposed Improvements."

7. "Proposed Change of Zoning Ordinances, Master Plan, Building Codes and City Ordinances"

The property is currently zoned I-2 "General Industrial". The city will sponsor the rezoning of the property to B-5 "Central Service District" a very broad use district that is intended to accommodate both residential uses and other uses that are characteristic of the downtown area of the city. (Section 114-526, *et seq.*, Racine Code of Ordinances.) The B-5 district permits a wide range of uses by right, including residential units located above the first floor; residential use on the ground floor can be accommodated by a conditional use permit.

The property is within the downtown design review area (Section 114-822, *et seq.*, RCO.). Modifications to the exterior of the building, including signage, and site modifications will be reviewed by the Downtown Area Design Review Commission prior to building permits being issued.

Off-street parking is not required in the B-5 zoning district. (Section 114-1147, RCO.) However, there is ample space on-site for off-street parking.

The redevelopment is full consistent with the recommendations of the updated Downtown Plan.

8. "Proposed Method for Relocation"

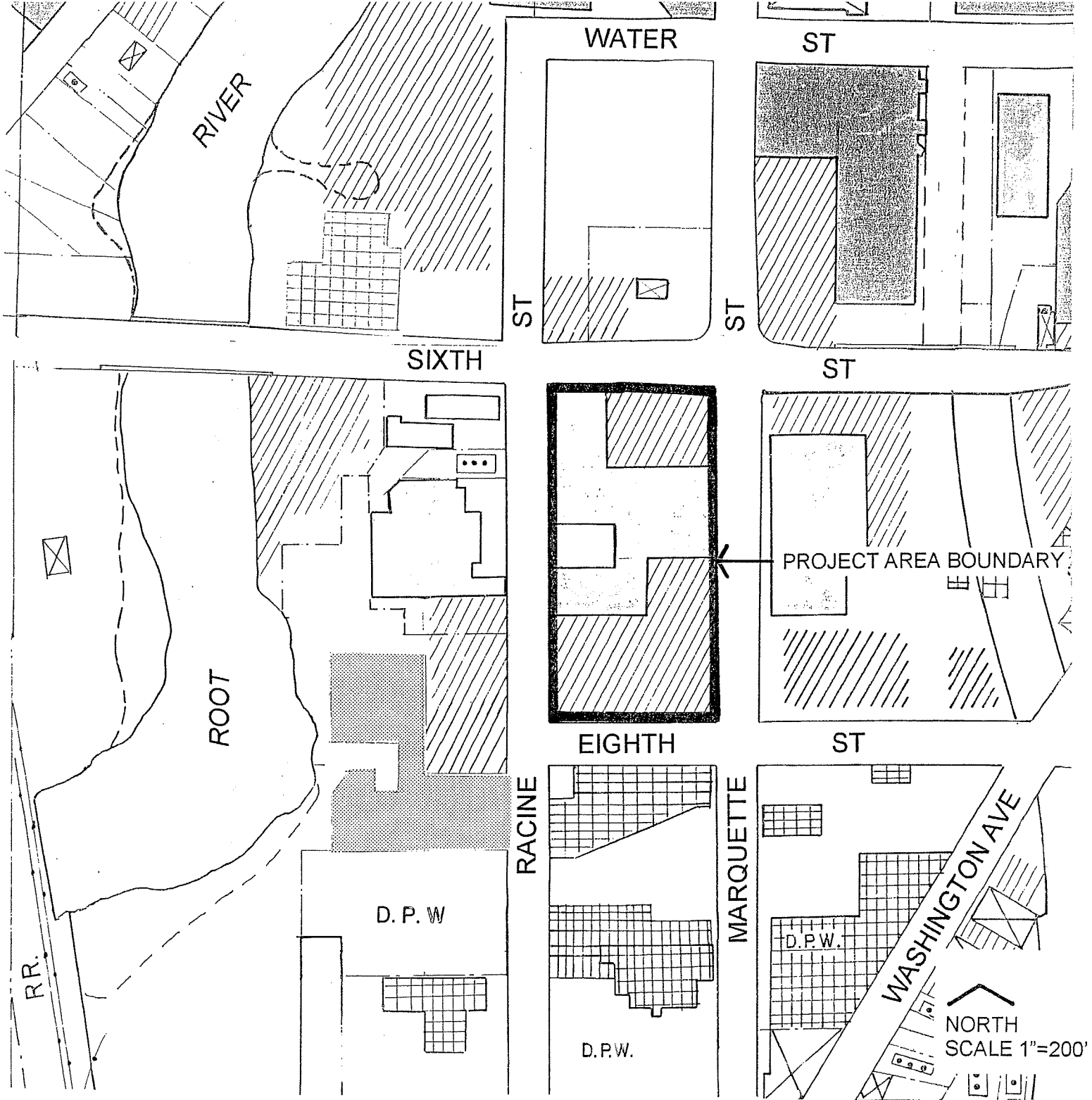
None of the property to be affected by this Plan is currently occupied. Therefore, no relocation is anticipated and no provision for relocation activities or expenditures for relocation payments is included. Should the acquisition of occupied property requiring relocation be necessary, the cost and method of relocation will be included in a revised Redevelopment Plan and associated Relocation Plan prepared pursuant to sec. 66.1333 and sec. 32.05, Wis. Stats. The costs of such activities will be eligible for reimbursement through tax increment revenues should such revenues be generated during the statutory life of the District.

9. "Statement Indicating How District Creation Promotes Orderly City Development"

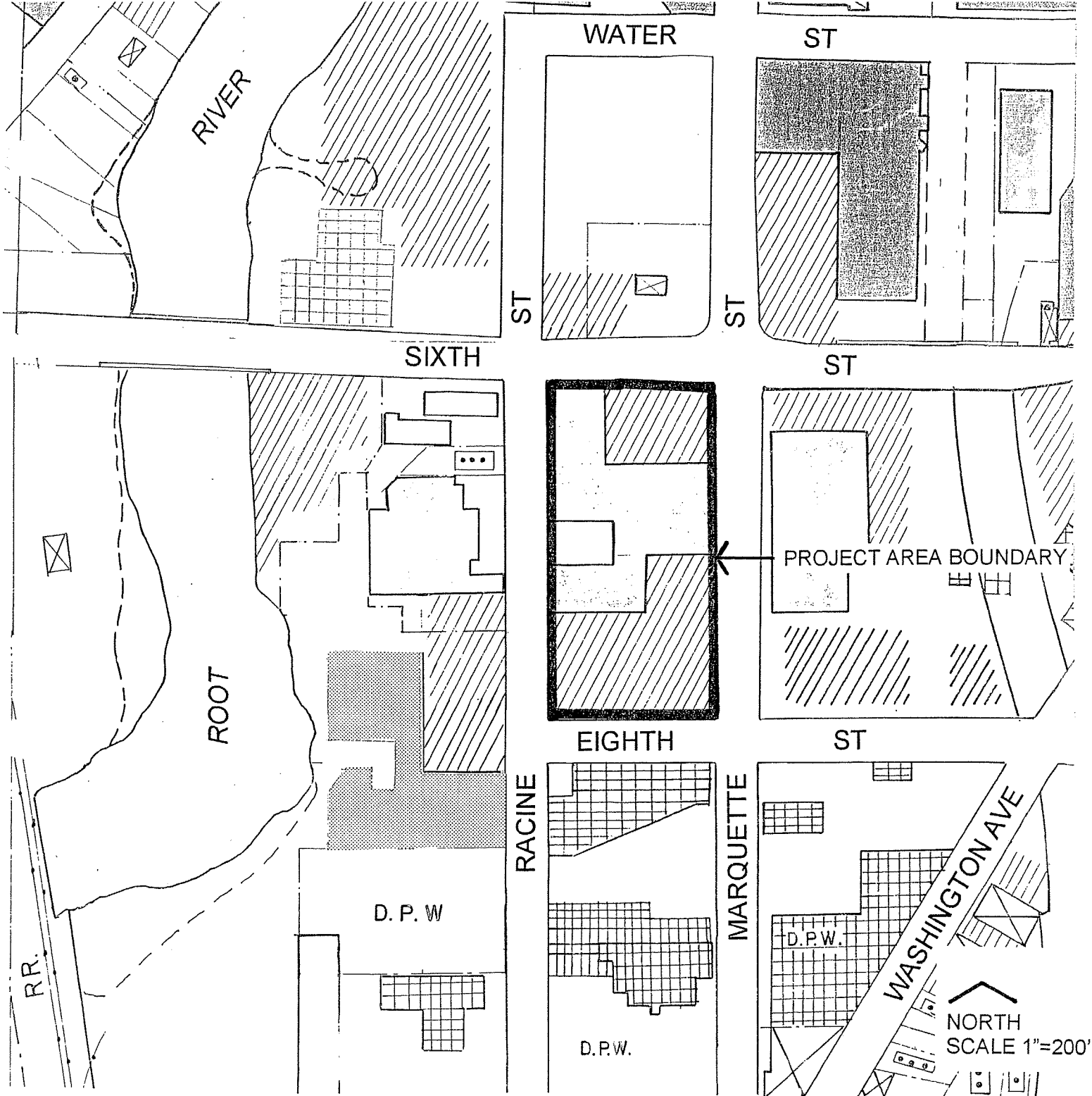
District creation is consistent with and will help implement the Downtown Plan, approved by the City Plan Commission on May 25, 2005 and adopted by the Common Council on June 7, 2005 as a component of Racine's Comprehensive Plan.

10. "Opinion of the City Attorney"

Please refer to the letter of the City Attorney in the Exhibits section.



MAP 1. PROJECT BOUNDARY AREA



MAP 2. EXISTING LAND USE

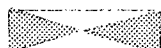
LEGEND



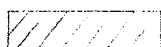
INSTITUTIONAL



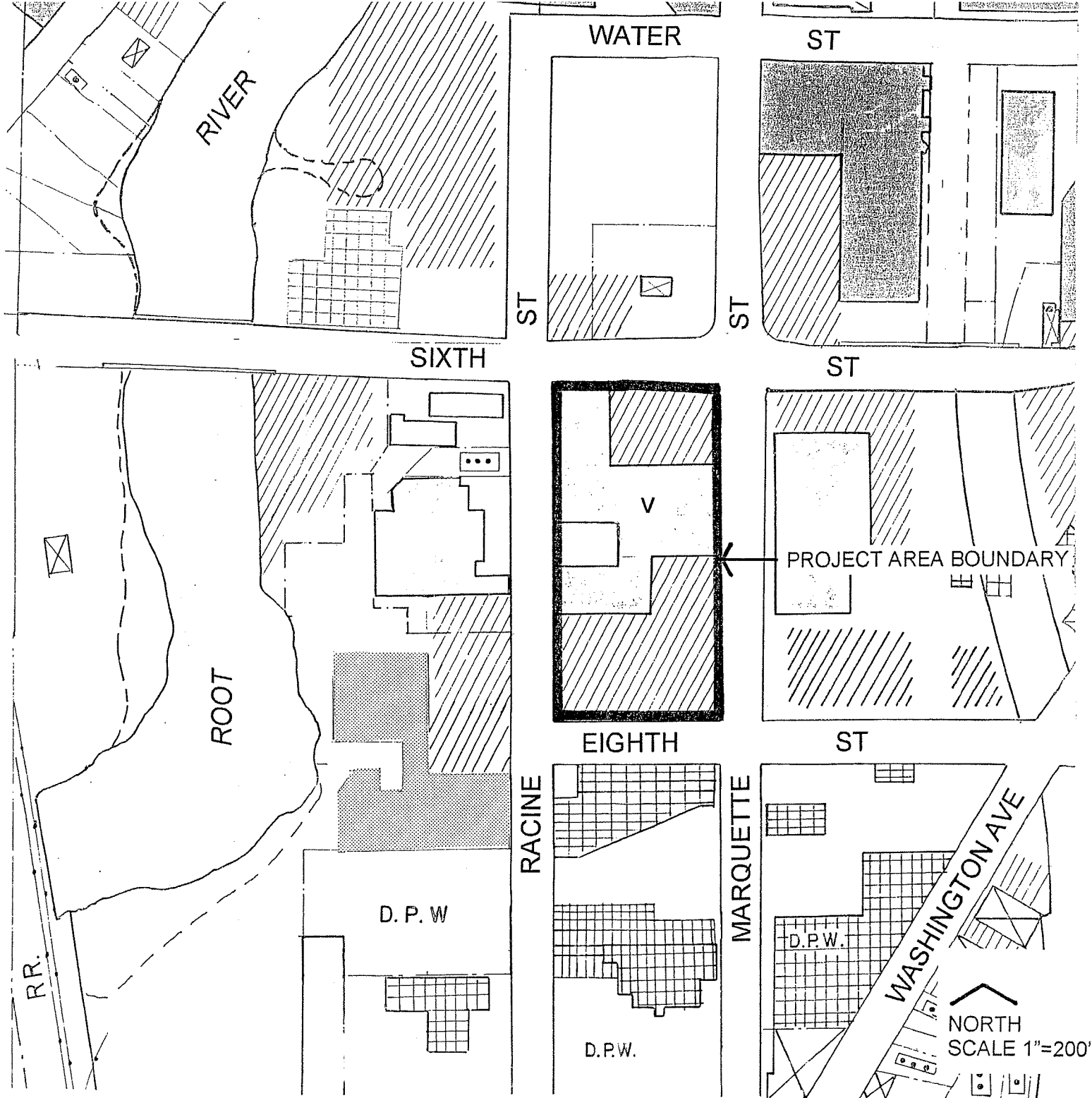
INDUSTRIAL



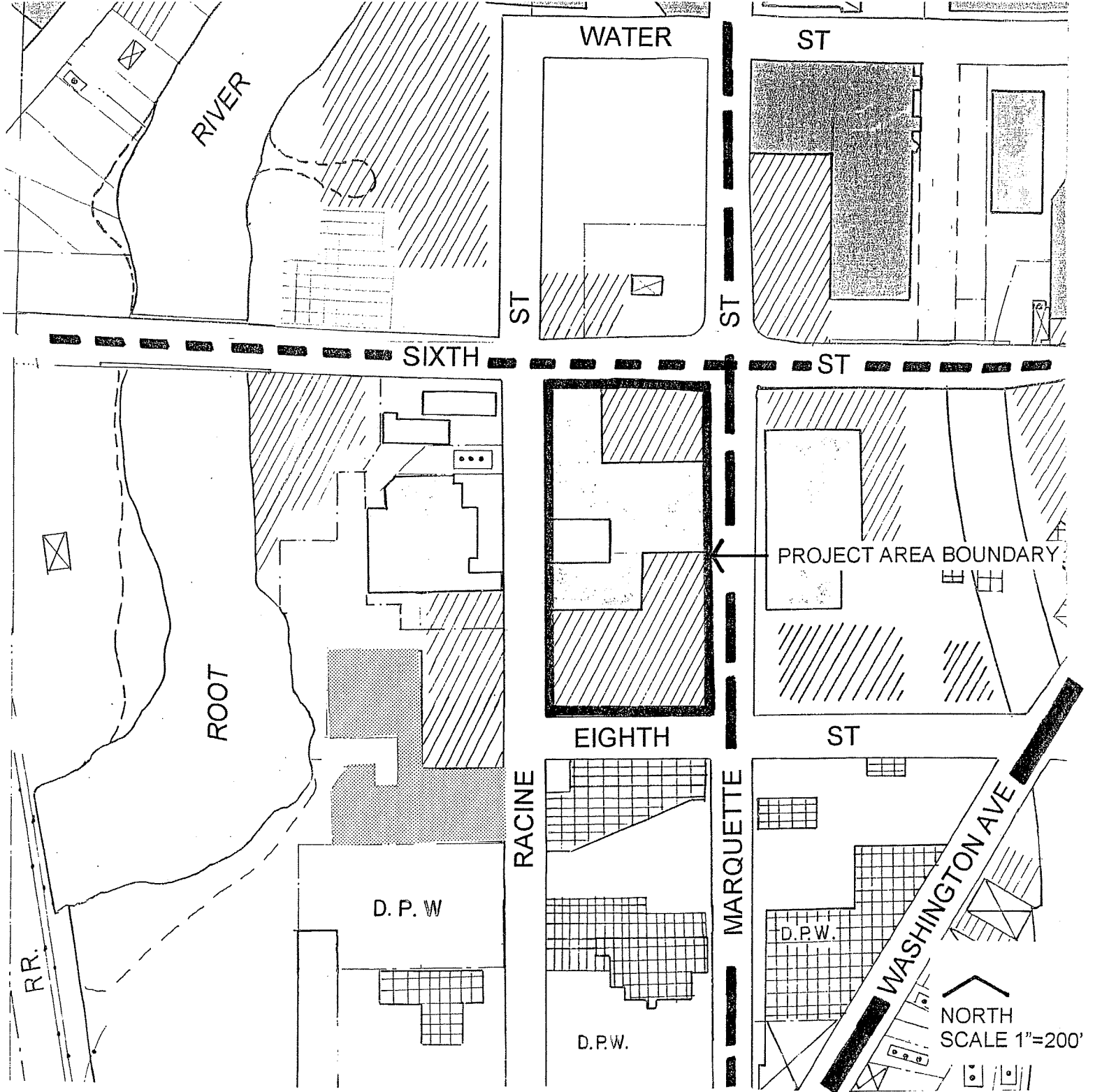
MANUFACTURING / WAREHOUSING



PARKING






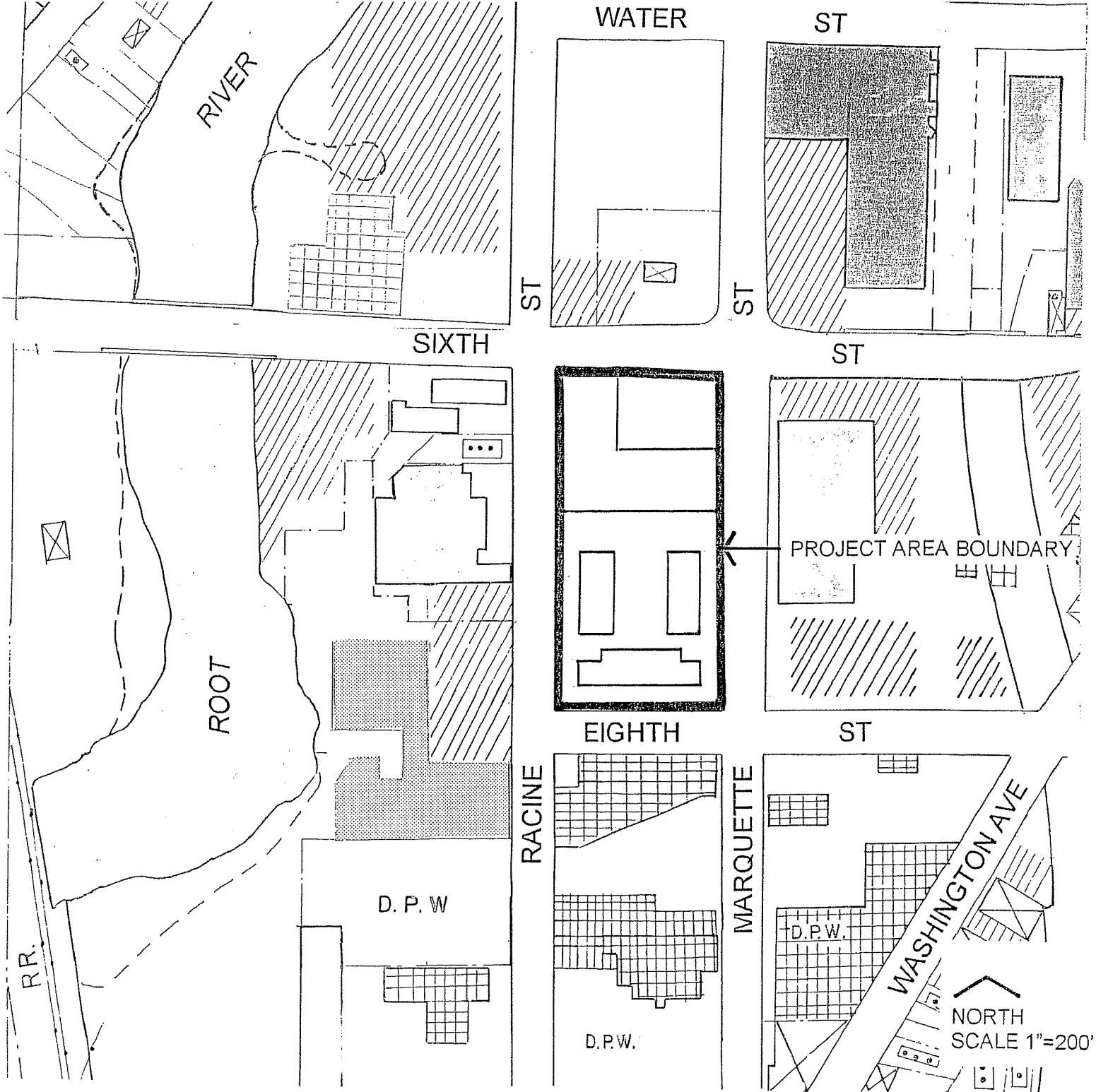
MAP 3. EXISTING CONDITIONS



MAP 4. TRAFFIC CIRCULATION

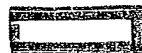
LEGEND

-  STATE HIGHWAY "20"
-  ARTERIAL
-  ARTERIAL & BUS ROUTE

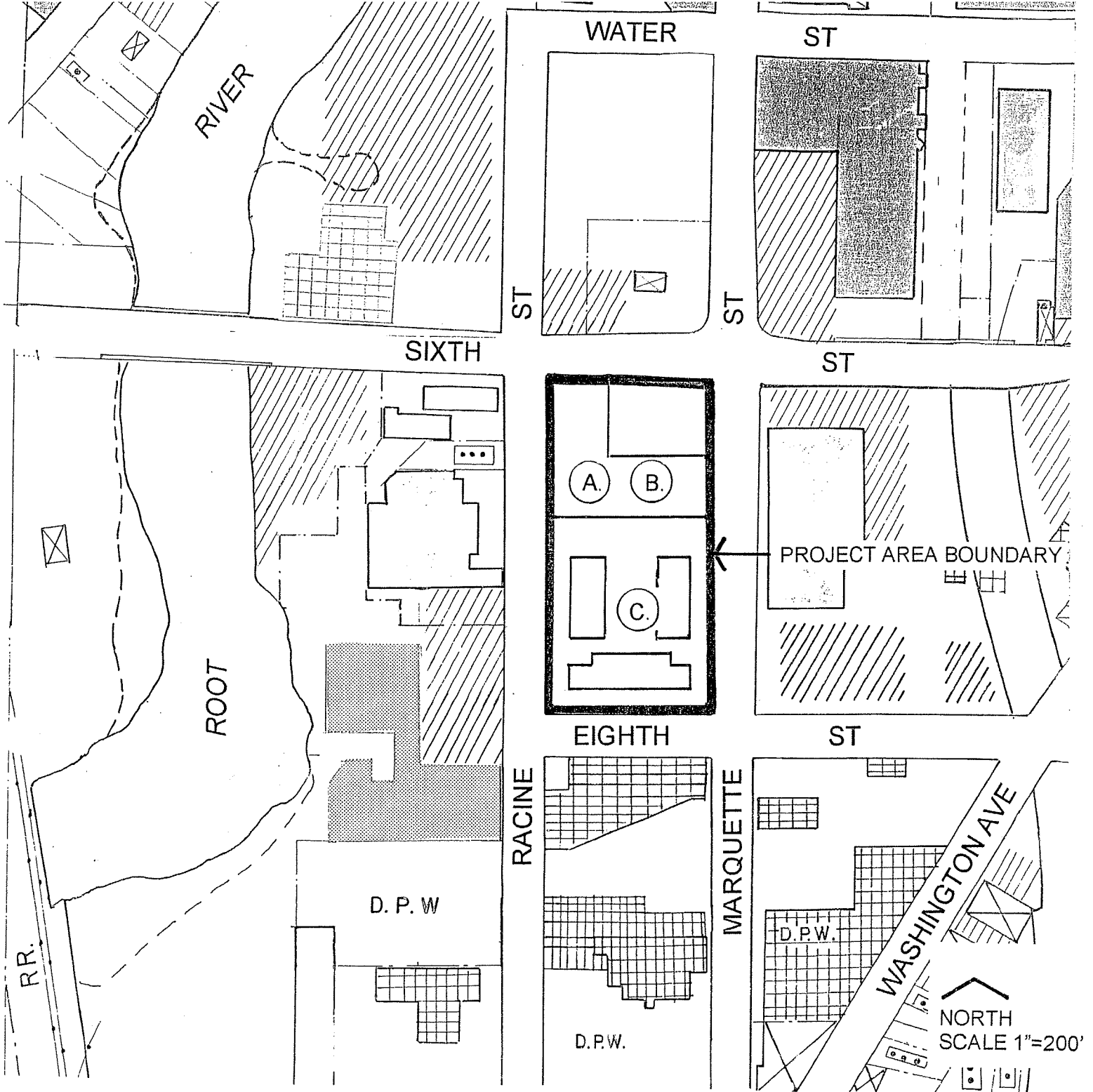


MAP 5. PROPOSED LAND USE

LEGEND



RESIDENTIAL

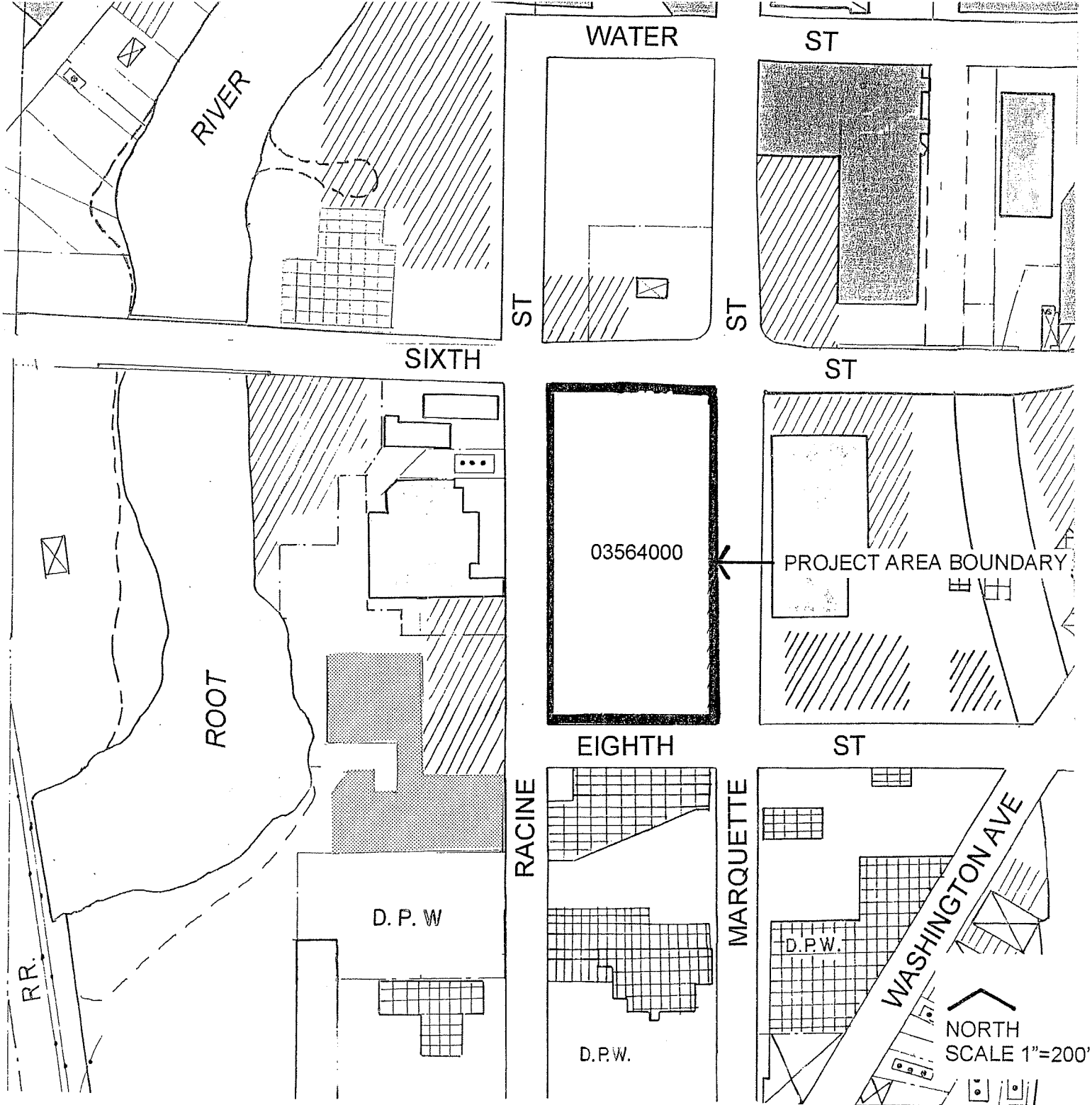


MAP 6. PROPOSED IMPROVEMENTS

LEGEND

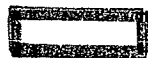
- A. Grant for exceptional costs.
- B. Grant for purchase of Northern part of site.
- C. Grant for purchase of Southern part of site.

Refer to section II. B. 1. on page 3 for the description of the improvements.



MAP 7. PROPERTY ACQUISITION

LEGEND



ACQUIRED

EXHIBITS

<u>Exhibit</u>	<u>Title</u>
Exhibit 1	Property Characteristics
Exhibit 2	Tax Increment Calculation
Attachment 1	City Assessor's Letter
Attachment 2	City Attorney's Letter
Appendix A	Redevelopment Authority Resolution 05-12 and Project Termsheet

Exhibit 1

Property Characteristics

Parcel number	Address	Owner	Land Value	Improvements	Total*	Acres	Vacant	Blight or Rehab	Acquisition
03564000	718 South Marquette Street	Redevelopment Authority of the City of Racine	\$100,000	\$278,000	\$378,000	2.65	-0-	2.65	Acquired by Redevelopment Authority

*2004 assessed value, prior to acquisition by Redevelopment Authority. Current value is tax-exempt.

Exhibit 2: Tax Increment Calculation - TID 12

year no.	year	value	rate	taxes	increment	cumulative	expense	net cume
1	2007	\$378,000	0.02253	\$8,516.34	\$0.00	\$0.00	\$697,000.00	-\$697,000.00
2	2008	\$378,000	0.02220	\$8,391.60	-\$124.74	-\$124.74	\$445,000.00	-\$1,142,124.74
3	2009	\$4,450,000	0.02188	\$97,366.00	\$88,849.66	\$88,724.92		-\$1,053,275.08
4	2010	\$4,450,000	0.02157	\$95,986.50	\$87,470.16	\$176,195.08	\$55,000.00	-\$1,020,804.92
5	2011	\$9,800,000	0.02126	\$208,348.00	\$199,831.66	\$376,026.74		-\$820,973.26
6	2012	\$9,800,000	0.02095	\$205,310.00	\$196,793.66	\$572,820.40		-\$624,179.60
7	2013	\$15,300,000	0.02065	\$315,945.00	\$307,428.66	\$880,249.06		-\$316,750.94
8	2014	\$15,300,000	0.02036	\$311,508.00	\$302,991.66	\$1,183,240.72		-\$13,759.28
9	2015	\$15,300,000	0.01978	\$307,071.00	\$298,554.66	\$1,481,795.38		\$284,795.38
10	2016	\$15,300,000	0.01949	\$302,634.00	\$294,117.66	\$1,775,913.04		\$578,913.04
11	2017	\$15,300,000	0.01921	\$298,197.00	\$289,680.66	\$2,065,593.70		\$868,593.70
12	2018	\$15,300,000	0.01894	\$293,913.00	\$285,396.66	\$2,350,990.36		\$1,153,990.36
13	2019	\$15,300,000	0.01867	\$289,782.00	\$281,265.66	\$2,632,256.02		\$1,435,256.02
14	2020	\$15,300,000	0.01840	\$285,651.00	\$277,134.66	\$2,909,390.68		\$1,712,390.68
15	2021	\$15,300,000	0.01840	\$281,520.00	\$273,003.66	\$3,182,394.34		\$1,985,394.34



City of Racine, Wisconsin

OFFICE OF CITY ASSESSOR
730 Washington Avenue
Racine, Wisconsin 53403
262-636-9119

Thomas J. Kienbaum
City Assessor

September 28, 2005

MEMO TO: Brian F. O'Connell
Director of City Development

FROM: Thomas J. Kienbaum *TJK*
City Assessor

SUBJECT: Proposed Tax Incremental District No. 12

I have reviewed the Wisconsin Department of Revenue TIF Limitation Report for 2005. The 2005 TIF increment is \$166,262,050 with a total current value of \$205,258,200. With the additional property from the proposed TIF 12 our City will meet the 12% test.

Office of the City Attorney

Daniel P. Wright
City Attorney



Guadalupe G. Villarreal
Deputy City Attorney

Scott Lewis
Assistant City Attorney

Stacey Salvo
Paralegal

October 10, 2005

MR BRIAN O'CONNELL
DIRECTOR OF CITY DEVELOPMENT
730 WASHINGTON AVENUE
RACINE WI 53403

SUBJECT: Project Plan for Proposed Tax Incremental District No. 12
(Riverbend Lofts and Town Homes – 718 South Marquette Street)

Dear Mr. O'Connell:

I reviewed the subject project plan and found the plan is complete and is in compliance with Wis. Stat. sec. 66.1105.

Sincerely,

A handwritten signature of Daniel P. Wright, consisting of a series of loops and a long horizontal stroke.

Daniel P. Wright
City Attorney

DPW/lid
/dpw/tid12 718smarquette/

City Hall
730 Washington Avenue, Room 201
Racine, Wisconsin 53403
262-636-9115
262-636-9570 FAX

CITY OF RACINE, WISCONSIN

REDEVELOPMENT AUTHORITY RESOLUTION 05-12

WHEREAS, On April 7, 2005, by Resolution 05-06, the Authority accepted the proposal of Harvest Development, LLC, for the redevelopment of 718 South Marquette Street and authorized and directed the Executive Director and City Attorney to negotiate a development agreement with Harvest Development, LLC, based on its proposal and the Authority's Request for Proposals; and

WHEREAS, The Executive Director has presented for approval a proposed termsheet for the development agreement based on the negotiations with Harvest Development, LLC.

NOW, THEREFORE, BE IT RESOLVED, by the Redevelopment Authority of the City of Racine, that its Chairperson and Executive Director are authorized to execute a development agreement and associated documents with Harvest Development, LLC, for the redevelopment of 718 S. Marquette Street (parcel identification no. 03564000), subject to the following:

- That the terms of the agreement are substantially the same as the terms presented to the Authority on September 1, 2005 in the proposed termsheet dated September 1, 2005;
- That the agreement includes such provisions as the Executive Director and City Attorney shall determine to be necessary and appropriate for such an agreement; and
- That the Common Council also approve the agreement and provide a source of funding sufficient for the development agreement.

FURTHER RESOLVED, that upon approval the agreement and the funding by the Common Council, the Chairperson, Executive Director and City Attorney are authorized and directed to proceed with the execution of the agreement without further action by the Authority, including finalizing specific terms of the agreement and execution of any lease, option, mortgage, and/or deed of sale pursuant to the agreement.

FURTHER RESOLVED, that the Authority recommends that the financial assistance to be provided to Harvest Development, LLC, under the agreement be provided from the Intergovernmental Revenue Sharing Account (Account No. 919) and that the funds provided from the account be reimbursed from a Tax Increment District created for the redevelopment project.

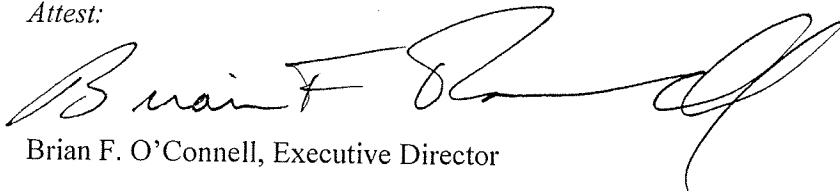
Adopted on: September 1, 2005

Seal

By a Vote of

For: 6
Against: 0

Attest:


Brian F. O'Connell, Executive Director

9-1-2005

Term Sheet
for
Development Agreement
for
718 Marquette Street

The Parties

Harvest Development, LLC (the "Developer"), the City of Racine Redevelopment Authority (the "Authority"), and the City of Racine (the "City"), individually called a "Party" and collectively called the "Parties" herein.

The Project

The Parties desire to accomplish the redevelopment of the Authority owned former industrial property at 718 South Marquette Street, Racine, Wisconsin, for owner-occupied housing, as described in Developer's proposal of March 16, 2005, as amended (the "Project"). The Project is intended to proceed in three stages.

The Property

The real estate that is subject to this Development is located at 718 South Marquette Street, described as Lots _____, Block _____, _____ Subdivision (the "Property"), and is to be divided into Parcel A, the northern portion, and Parcel B, the southern portion, for purposes of this Project. The Property is shown on Exhibit "A", attached hereto and incorporated herein by reference.

A. Stage 1 – Pre-sales Stage

Stage 1 will begin upon the commencement of a one year lease of the Property to Developer, and shall be complete when 20 units are pre-sold in Building "A", the four story loft building, or earlier at Developer's option. If Stage 1 is not complete within the lease term, anticipated to commence November 1, 2005, then the Development Agreement shall automatically terminate along with the lease.

Developer shall:

- a. Lease the Property from the Authority under lease with an exclusive Option to Purchase.
- b. Lease the property in as-is condition on a triple-net basis at a monthly rent of \$1,125.00, payable to Authority by the 10th day of each month for that month, with the first payment to be made upon execution of the lease. (The Property is currently exempt from real estate and personal property taxes.)

- c. Market the units in the building on Parcel "A" to prospective buyers.
- d. Complete planning and design, environmental testing, and preparation of construction specifications required for Stage 2 of the Project.
- e. Support the City/Authority in their applications for rezoning, environmental remediation and clean-up grants, and the establishment of a Tax Increment District.

The City and/or Authority shall:

- f. Lease the Property to Developer as described above and allow Developer to make reversible changes to the building to facilitate its marketing. Developer shall be allowed to install a trailer on the Property as a project/leasing office. Prior to installation or construction, Developer shall submit requests for changes to the building and requests relating to the location and appearance of the trailer to the Executive Director of the Authority for review and approval.
- g. Apply for and support the rezoning of the Property to a zoning classification consistent with Developer's proposal.
- h. Apply for grants to offset the cost of environmental remediation and clean-up needed for the Project.
- i. Initiate and support the creation of a Tax Increment District to assist in the financing of the Project. (Description of the TID financing provided under Stage 2.)

B. Stage 2 – Development of Building on Parcel "A"/Riverbend Lofts

Stage 2 will be complete upon substantial completion of the construction and sale of residential condominium units and supporting facilities and services in and for the building on Parcel "A". Stage 2 and Stage 3 may overlap.

Developer shall:

- a. Purchase the northern portion of the Property (Parcel A, see Exhibit "A") from the Authority for \$445,000.00 in a manner that would enable Developer to obtain a first mortgage loan for construction purposes. In consideration of Developer's commitments to the Project as required in the Development Agreement, the purchase price of the Property will be deferred until completion of Stage 2, and shall be fully offset by a grant from the TID to Developer upon completion of Stage 2. The Development Agreement will be recorded with the deed.
- b. Build out the building on Parcel "A" with a minimum of 51 units with a minimum average value of \$145,000.00, as described in Developer's proposal.

- c. Pay to the Authority, within three months after Stage 2 is completed, 50% of that portion of Developer's gross profit margin on the Project that exceeds 20%, if any. Developer shall promptly provide City and/or Authority or their designees with detailed proformas and supporting documentation to verify costs and revenues and profit margins.

City/Authority shall:

- d. Reimburse Developer for costs and expenses for remediation of environmental and/or infrastructure conditions that are impediments to accomplishing the Project in a grant equal to the amount of such costs and expenses, but not to exceed \$632,000. Eligible work shall include, but not be limited to, demolition, environmental remediation and clean-up, brick repair and roof repair. The grant will be provided on a reimbursable basis as costs are incurred by Developer. Developer shall provide to City/Authority copies of invoices for such work detailing the work done. The grant will be provided from the TID, but if grants are received by City and/or Authority for such eligible environmental or infrastructure costs, the grant from the TID shall be reduced by the same amount. Specifications and contractors for the grant funded work shall be provided to the Executive Director of the Authority for review and approval prior to the start of work. Developer shall provide the bids received for work to be performed under this provision to City/Authority for review.
- e. Sell the northern portion of the Property (Parcel A, see attached) to Developer for \$445,000.00 in a manner that would enable Developer to obtain a first mortgage loan for construction purposes. Conveyance shall be by Warranty Deed. In consideration of Developer's commitments to the Project as required by the Development Agreement, the purchase price of Parcel A will be deferred until completion of Stage 2 and shall be fully offset by a grant from the TID upon completion of Stage 2. The Development Agreement will be recorded with the deed.

C. Stage 3 – Development of Riverbend Townhomes

Stage 3 will commence at the same time Stage 2 commences, and shall continue through Project completion.

Developer may:

- f. Within two years following commencement of Stage 2 and Stage 3, exercise its Option to Purchase the southern portion of the Property (Parcel B, see Exhibit "A") from the Authority for \$55,000.00 in a manner that would enable Developer to obtain a first mortgage loan for construction purposes. In consideration of Developer's commitments to the Project as required by the Development Agreement, the purchase price of the Parcel B will be deferred and fully off-set by a grant from the TID upon completion of Stage 3. The Development Agreement will be recorded with the deed. During Stage 1 and Stage 2, Parcel B may be used for mobilization of equipment and storage of material without additional compensation to Authority. If Developer fails

to exercise its Option to Purchase Parcel 2, or fails to complete the purchase of Parcel 2 within the period required by the Option, then Developer shall, within 30 days after the end of the Option period, remove all Developer's and Developer's contractors equipment, materials and other personal property from Parcel B, and Developer shall leave Parcel B in a reasonably clean condition.

- g. Build out parcel B with a minimum of 28 town home units with a minimum average value of \$215,000.00, as described in Developer's proposal.
- h. Pay to the Authority, within three months after Stage 3 is completed, 50% of that portion of Developer's gross profit margin on the Project that exceeds 20%, if any. Developer shall provide City and/or Authority or their designees with detailed proformas and supporting documentation to verify costs and revenues and profit margins.

City/Authority shall:

- i. Sell the southern portion of the Property (Parcel B, see Exhibit A, attached) to Developer for \$55,000.00 in a manner that would enable Developer to obtain a first mortgage loan for construction purposes, if Developer exercises its Option to Purchase Parcel B. Conveyance shall be by Warranty Deed. In consideration of Developer's commitments to the Project as required by the Development Agreement, the purchase price of Parcel B will be deferred until completion of Stage 3 and fully offset by a grant from the TID upon completion of Stage 3. The Development Agreement will be recorded with the deed. During Stage 1 and Stage 2, the Authority will allow Developer to use Parcel B for mobilization of equipment and storage of material without additional compensation to the Authority.

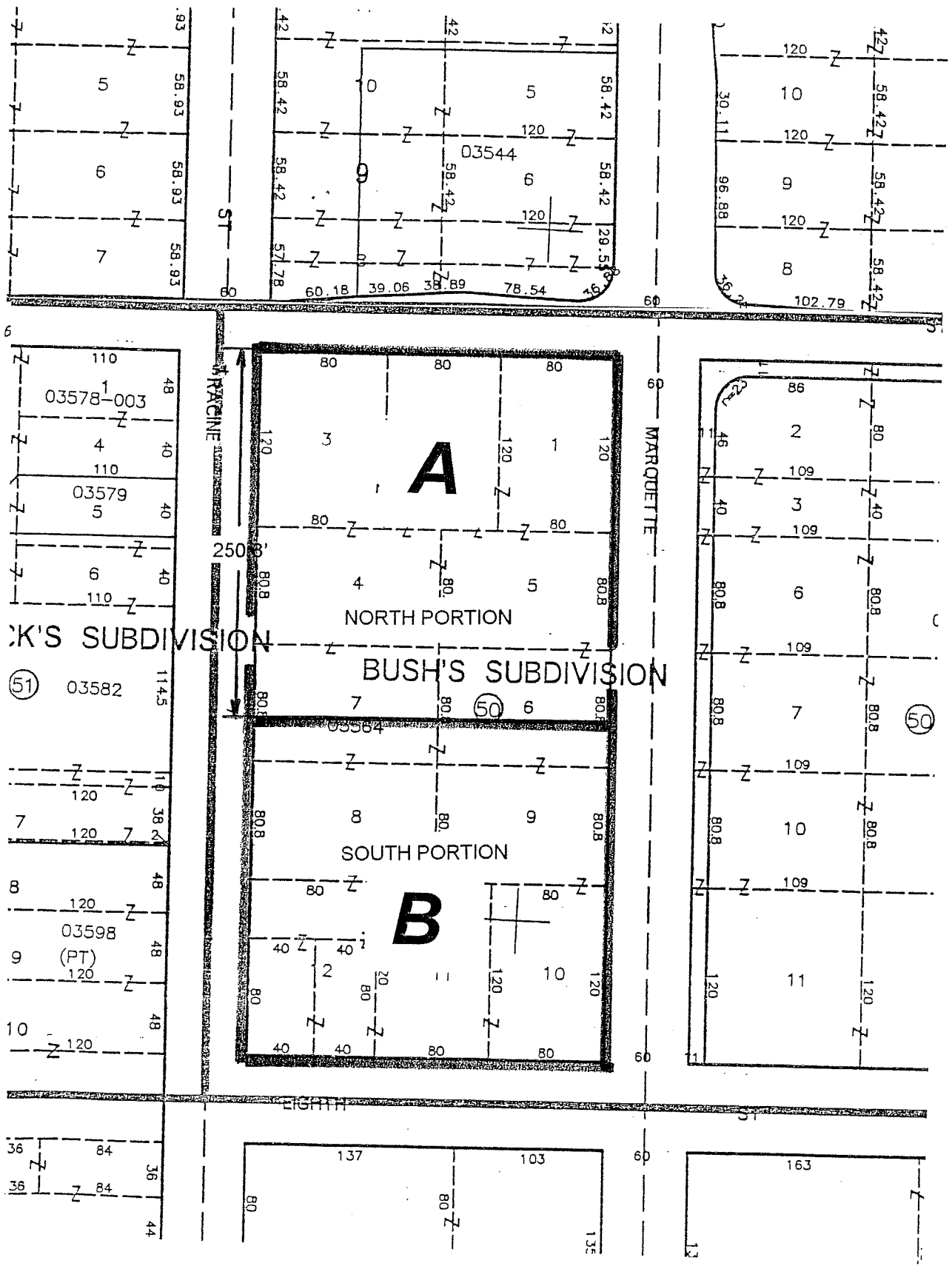


EXHIBIT "A"

10-18-05

RESOLUTION NO. 6731

By Alderman Spangenberg:

CREATE TAX INCREMENTAL DISTRICT NUMBER 12

WHEREAS, a public hearing was held before the City Plan Commission on September 28, 2005, for the proposed boundaries and project plan for Tax Increment District No. 12, and 20 days have elapsed since the date of hearing; and

WHEREAS, Wisconsin Statutes permit the Common Council to take final action on a tax increment financing district when at least 14 days have elapsed after the date of public hearing.

NOW, THEREFORE, BE IT RESOLVED, by the Common Council of the City of Racine, Wisconsin that:

1. The district shall be known as "Tax Increment District Number 12, City of Racine, Wisconsin"; and
2. The boundaries of the district, Sixth Street on the north, South Marquette Street on the east, Eighth Street on the south and Racine Street on the west, as recommended by the City Plan Commission and as fully described in the district project plan, are approved; and
3. The district shall be created as of January 1, 2006.
4. The project plan for the district is hereby approved.

FURTHER RESOLVED, that the Common Council finds that:

1. Not less than 50 percent by area of the real property without the district is blighted or in need of rehabilitation and or conservation work; and
2. The improvement of the area is likely to enhance significantly the value of substantially all other real property in the district and the project costs relate directly to eliminating blight or directly serve to rehabilitate or conserve the area; and

3. The equalized value of taxable property of the district plus the value increment of all existing districts does not exceed 12 percent of the total equalized value of taxable property within the city; and
4. The area is a blighted area and rehabilitation district.
5. The project plan for the district is feasible and in conformity with the master plan of the City of Racine.

FURTHER RESOLVED, that the Director of City Development is authorized and directed to submit the district project plan and supporting documentation to the Standing Joint Review Board for review and approval of the district by the Board.

FISCAL NOTE: Implementation of the Project Plan is estimated to cost \$1,197,000.

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RESOLUTION NO. 6732

By Alderman Spangenberg:

AGREEMENT WITH HARVEST DEVELOPMENT LLC FOR
718 SOUTH MARQUETTE STREET

WHEREAS, the City's Redevelopment Authority by Resolution No. 05-12 of September 1, 2005 recommended that the City and the Redevelopment Authority enter into an agreement with Harvest Development LLC of the prospective sale and redevelopment of 718 South Marquette Street; and

WHEREAS, the parties have negotiated terms for a development agreement, lease and potential sale of 718 Marquette Street.

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and City Clerk be authorized and directed to execute a development agreement and associated documents with Harvest Development, LLC and the Redevelopment Authority for the redevelopment of 718 South Marquette Street (parcel identification no. 03564000), subject to the terms of the agreement being substantially the same as the termsheet dated September 1, 2005 and presented to the Redevelopment Authority on September 1, 2005 and that is an appendix to the project plan for Tax Increment District No. Twelve, and that the agreement include such provisions as the Director of City Development and the City Attorney determine to be necessary and appropriate for such an agreement

FURTHER RESOLVED, that the Mayor and City Clerk be authorized and directed to execute the agreement without further action by the Council, including finalizing specific terms of the agreement and execution of any lease, option, mortgage, and/or deed of sale pursuant to the agreement.

FURTHER RESOLVED, that the financial assistance to be provided to Harvest Development LLC, under the agreement be provided from the Intergovernmental Sharing Account (Account No. 919) and that the funds provided from the account be reimbursed from a Tax Incremental District created for the redevelopment project.

FISCAL NOTE: There are sufficient funds in the Intergovernmental Sharing Account (Account No. 919).

A