

PROJECT PLAN
for
TAX INCREMENTAL DISTRICT NUMBER 13
CITY OF RACINE
(State & Main)

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:	December 28, 2005
Common Council, City of Racine:	January 17, 2006
Standing Joint Review Board:	January 27, 2006

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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 141 Main Street, a former brownfield property. The redevelopment project proposes the construction of a four-story mixed use building on the site that will include 23 condominium units on the fourth floor, 84 apartments on the first, second and third floors, and 17,000 square feet of ground floor retail space.

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 13 (TID 13) is composed of one parcel that is located in the northern part 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:

Begin at a point which is the intersection of the center line of Lake Avenue and the south line of State Street, travel thence; westerly along the south line of State Street to the west line of Main Street travel thence; northerly along said line to a point 63.5 feet north of the north line of Second Street, travel thence; easterly 359 feet more or less to a point 213.88 feet north of the north State Street travel thence; southerly to the point of beginning of this description. Said land being in the City of Racine, Racine County, Wisconsin.

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 1.3 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.

District is an overlay on two existing Tax Incremental Districts, TID No. 6 and TID No. 7. Maps 7 and 8 illustrate the location of this District within those existing 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 January 2005, the firm of Gorman & Company informed the City of Racine that it intended to construct a mixed commercial and residential development at the intersection of State Street and Main Street. The development was to be a catalytic development, consistent with the recently updated Downtown Plan. At that time, Gorman & Company alerted the city that financial assistance would be needed for the project. However, Gorman pursued sources of assistance from agencies other than the city and did obtain affordable housing tax credits for residents 55 years of age or older for part of the residential development.

Following further financial analysis, Gorman informed the city that the project was not feasible without additional financial assistance. The city began negotiations with Gorman that produced a termsheet for a development agreement under which the project can proceed. The city approved the development agreement termsheet on [date]. The city resolution and the termsheet are provided in Appendix A of this plan.

The termsheet provides for Gorman & Company to receive financial assistance in the form of “pay as you go” tax increment financing. The City of Racine through the Redevelopment Authority will pledge the tax increment resulting from the project to the development for a period of 20 years, and will issue a Municipal Revenue Obligation (MRO) contract to the Gorman & Company in the amount of \$1.8 million. Gorman & Company will use the MRO to secure private financing. These provisions are set out more completely in the termsheet.

The proposed \$1.8 million in financial assistance to Gorman & Company is 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. Financial assistance to the developer of up to \$1.8 million, but not more than that amount or the actual increment resulting from the project over the period of 20 – 22 years.
2. Reconstruction of portions of Main Street and State Street adjacent to the project to provide curb parking and pedestrian enhancements. Recently completed comparable work on the opposite legs of the State and Main intersection has cost approximately \$170,000.

2. "Detailed List of Estimated Project Costs"

Table 1 provides a detailed list of the estimated project costs.

Table 1
List of Estimated Project Costs¹

a.	Municipal Revenue Obligation.	\$1,800,000
b.	Street Improvements.	\$170,000
c.	Other: administrative, professional, organizational and legal.	\$30,000
	Total Estimated Project Costs, excluding financing.	\$2,000,000
d.	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. The estimates presented are subject to change as actual circumstances during the project execution period may require.

Schedule A Estimated Timing of Project Costs*

Year	Estimated Project Cost	Cumulative Total
2006	\$1,800,000**	\$1,800,000
2007	\$200,000	\$2,000,000

*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 2007-2028 for these costs and an estimated \$2,700 to close out the district

**This is the face value of the MRO to be issued to the developer in 2006. Increments will be paid out throughout the life of 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 increment financing and "non-project" costs that are covered through other sources of funds such as the developer's resources, or state or federal grants, or project income.

As previously noted, the MRO commits the stream of tax incremental

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.

revenues to the project and will secure a loan arranged by the developer. As a result, the City of Racine is not borrowing for the project and has no financing expenses related to the district.

Table 2
Project and Non-Project Costs

		Project Costs	Non-Project Costs	Total
a.	Private Development – four story mixed use building	NA	\$19,173,636	\$19,173,636
b.	Municipal Revenue Obligation.	\$1,800,000	NA	\$1,800,000
c.	Street Improvements.	\$170,000	NA	\$170,000
d.	Other: administrative, professional, organizational and legal	\$30,000	NA	\$30,000
	Total Estimated Project Costs, excluding financing	\$2,000,000	\$19,173,636	\$21,173,636
e.	Financing:	NA		NA

4. "Economic Feasibility Study"

Exhibit 2 charts the District's tax incremental revenue from 2007 through 2034, the district's maximum allowable lifespan under the TID Law. Increments are projected based on the schedule for construction and sales of units in the developer's proforma statement, dated September 2005. Unit values were reviewed and judged to reasonable by the Racine City Assessor. Conservative assumptions were applied to the forecast. In particular, a declining tax rate, to reflect state imposed expenditure restraint, was assumed.

Exhibit 2 forecasts that the TID will recover its costs by year 22, 2028, 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 B-4 "Central Business 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 114-506, *et seq.*, Racine Code of Ordinances.) The B-4 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, which has been granted for the ground floor units in this project.

The property is within the downtown design review area (Section 114-822, *et seq.*, RCO.). The design of the building has been reviewed and approved by the Downtown Area Design Review Commission.

Off-street parking is not required in the B-4 zoning district. (Section 114-1147, RCO.) However, there is ample space in the proposed building and on an adjacent surface lot for off-street parking.

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

8. "Proposed Method for Relocation"

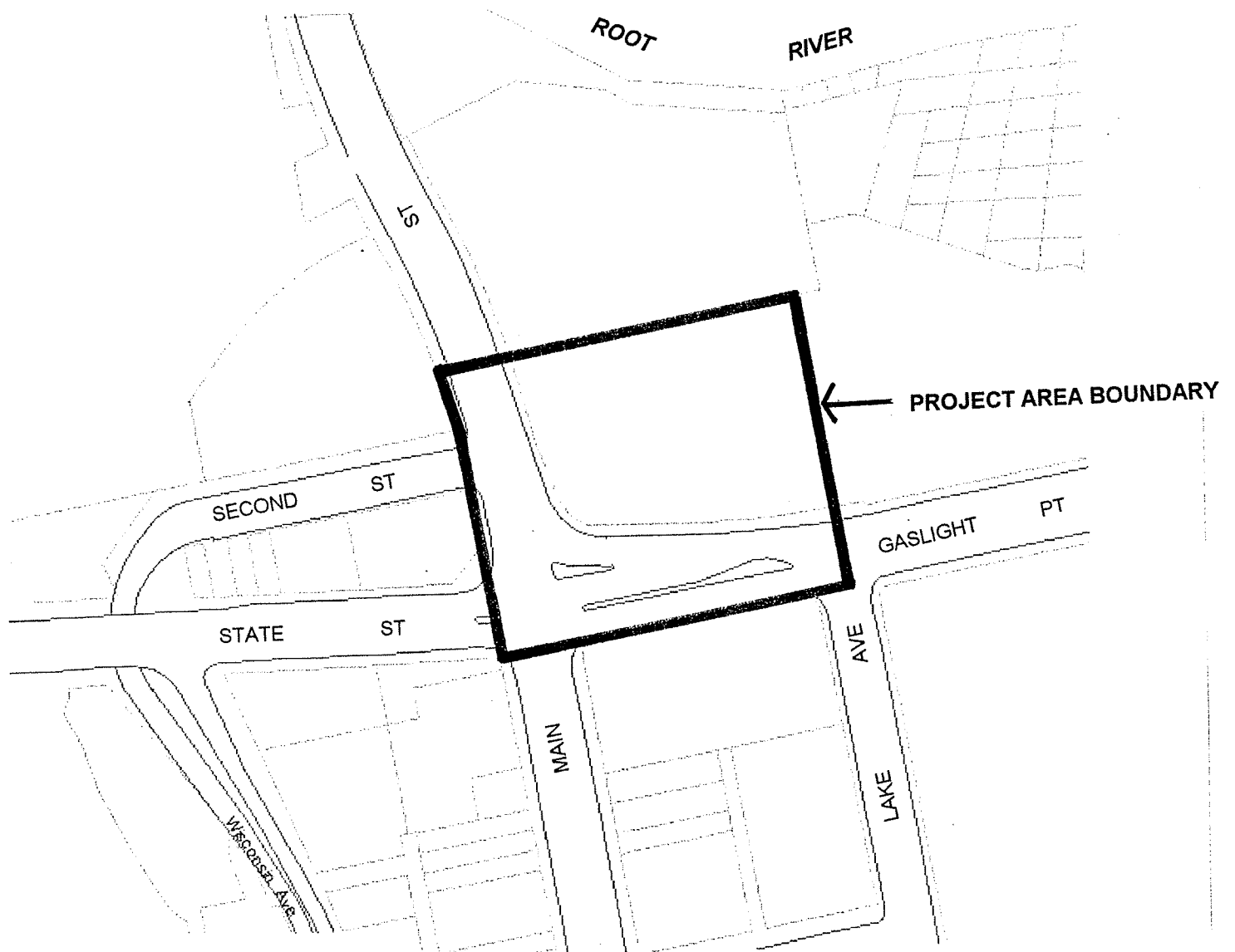
None of the property to be affected by this Plan is currently occupied. Therefore, no relocation is anticipated and no provision for relocation activities or expenditures for relocation payments is included. Should the acquisition of occupied property requiring relocation be necessary, the cost and method 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"

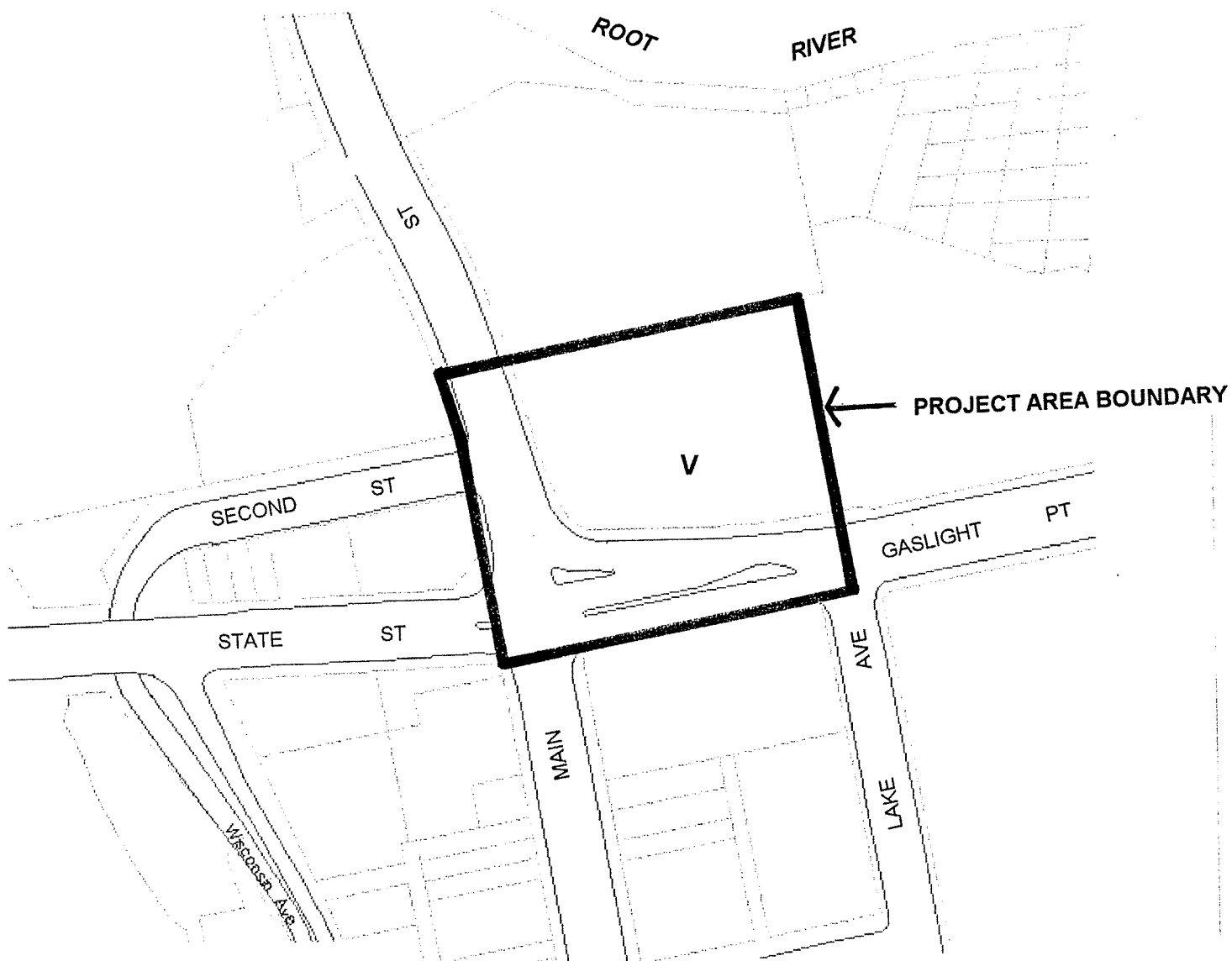
District creation is consistent with and will help implement the Downtown Plan, approved by the City Plan Commission on May 25, 2005 and adopted by the Common Council on June 7, 2005 as a component of Racine's Comprehensive Plan.

10. "Opinion of the City Attorney"

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

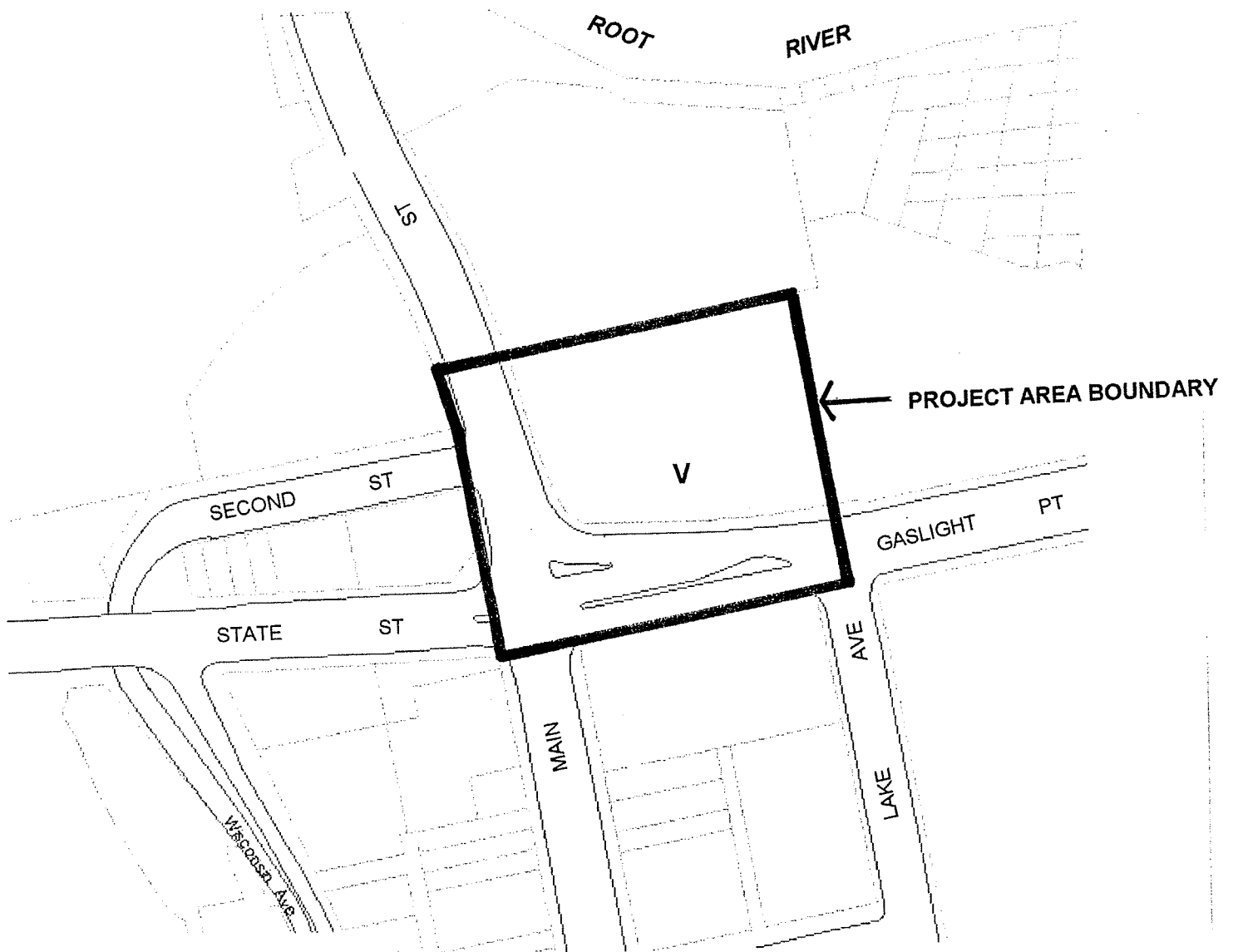


MAP 1. PROJECT BOUNDARY AREA



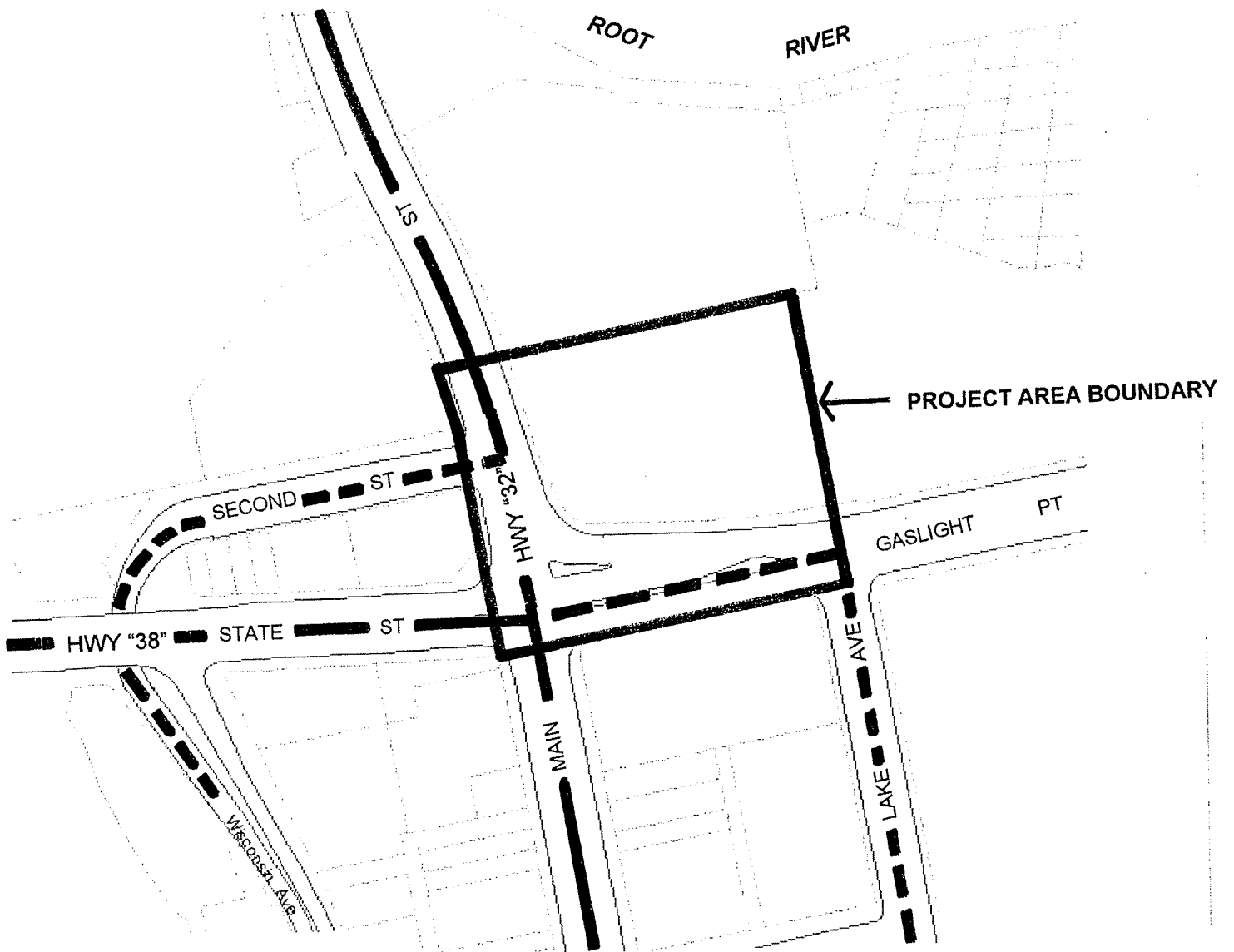
MAP 2. EXISTING LAND USE

LEGEND
V VACANT LAND



MAP 3. EXISTING CONDITIONS

LEGEND
V VACANT LAND

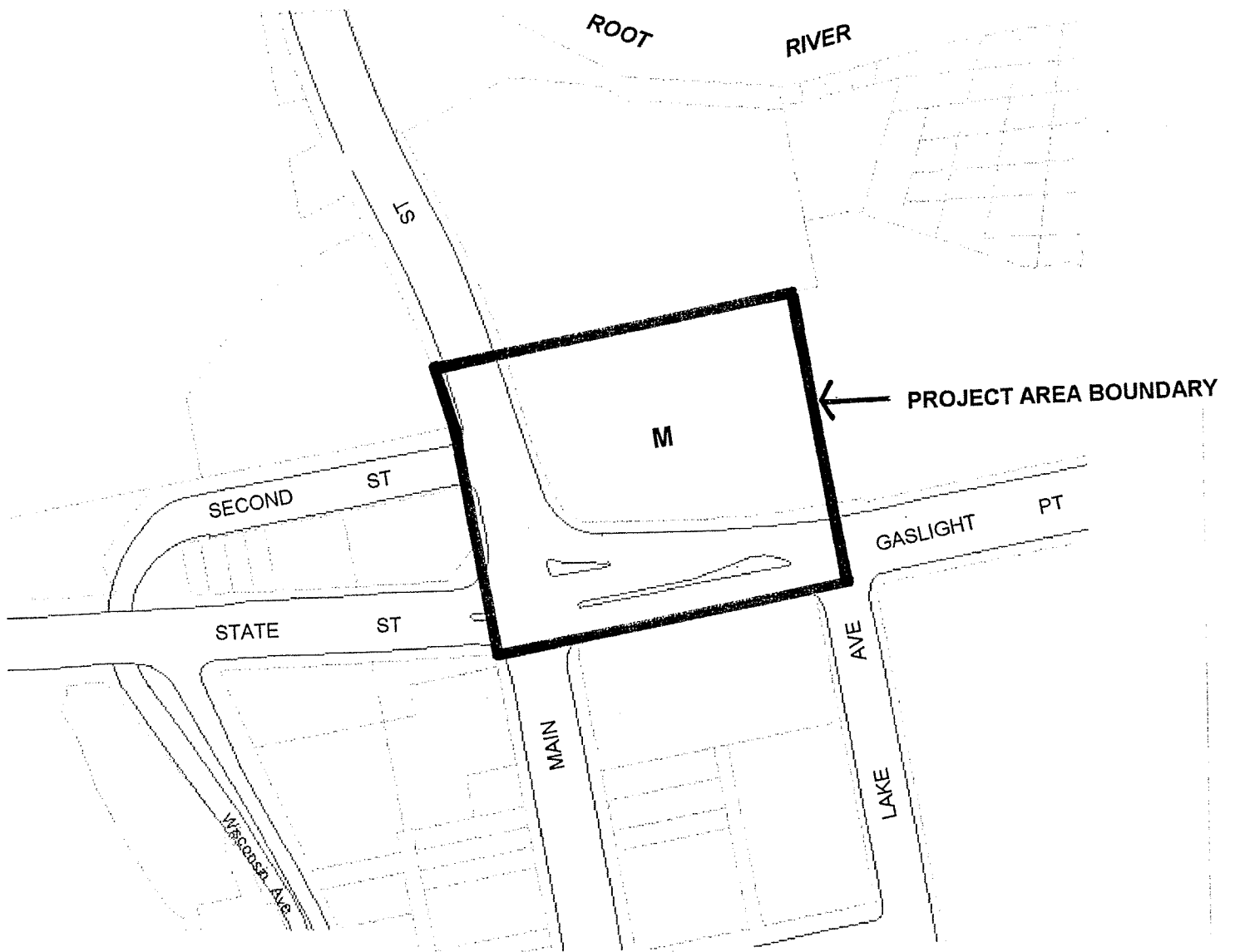


MAP 4. TRAFFIC CIRCULATION

LEGEND

STATE HIGHWAY & BUS ROUTE

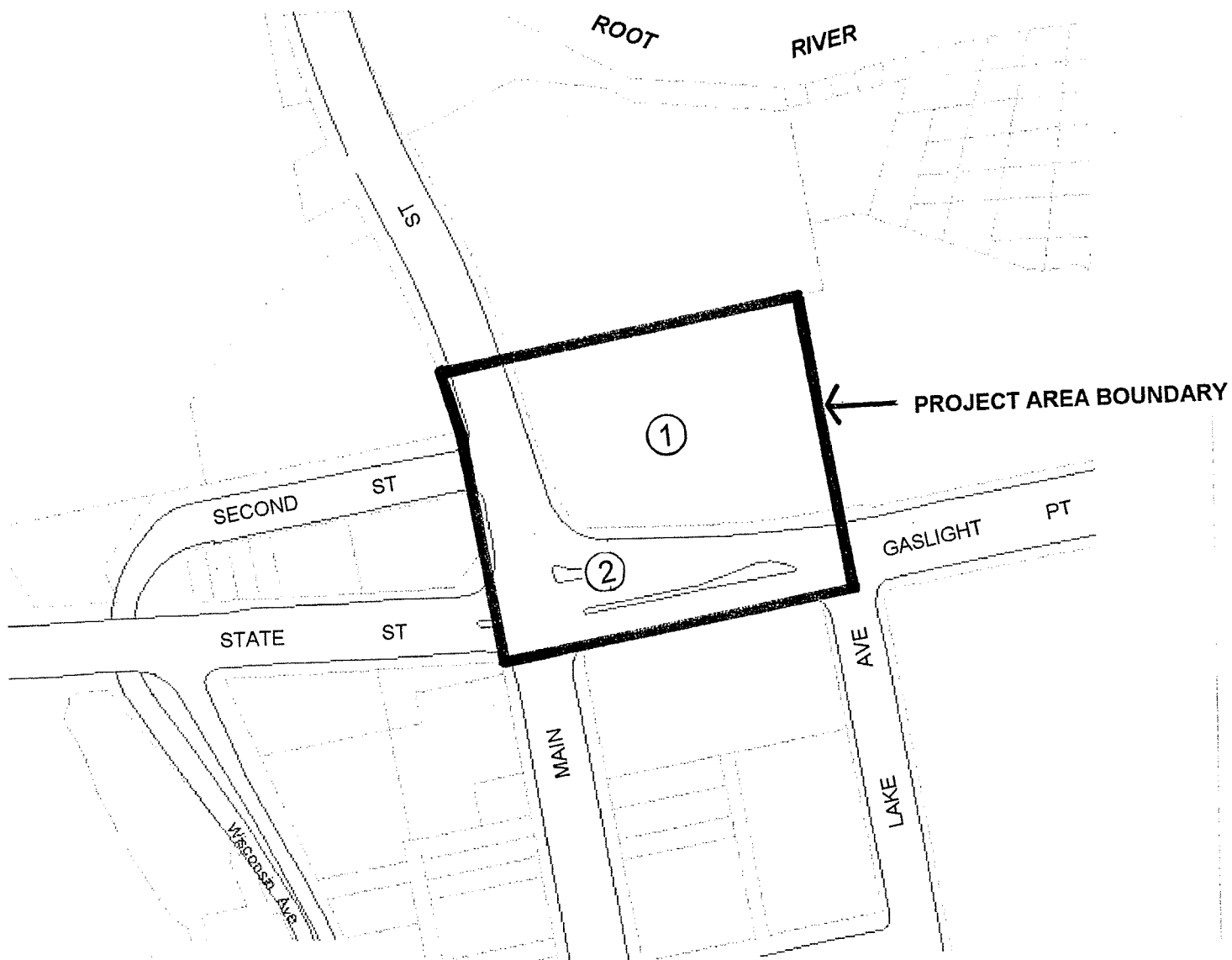
ARTERIAL



MAP 5. PROPOSED LAND USE

LEGEND

M MIXED USE DEVELOPMENT

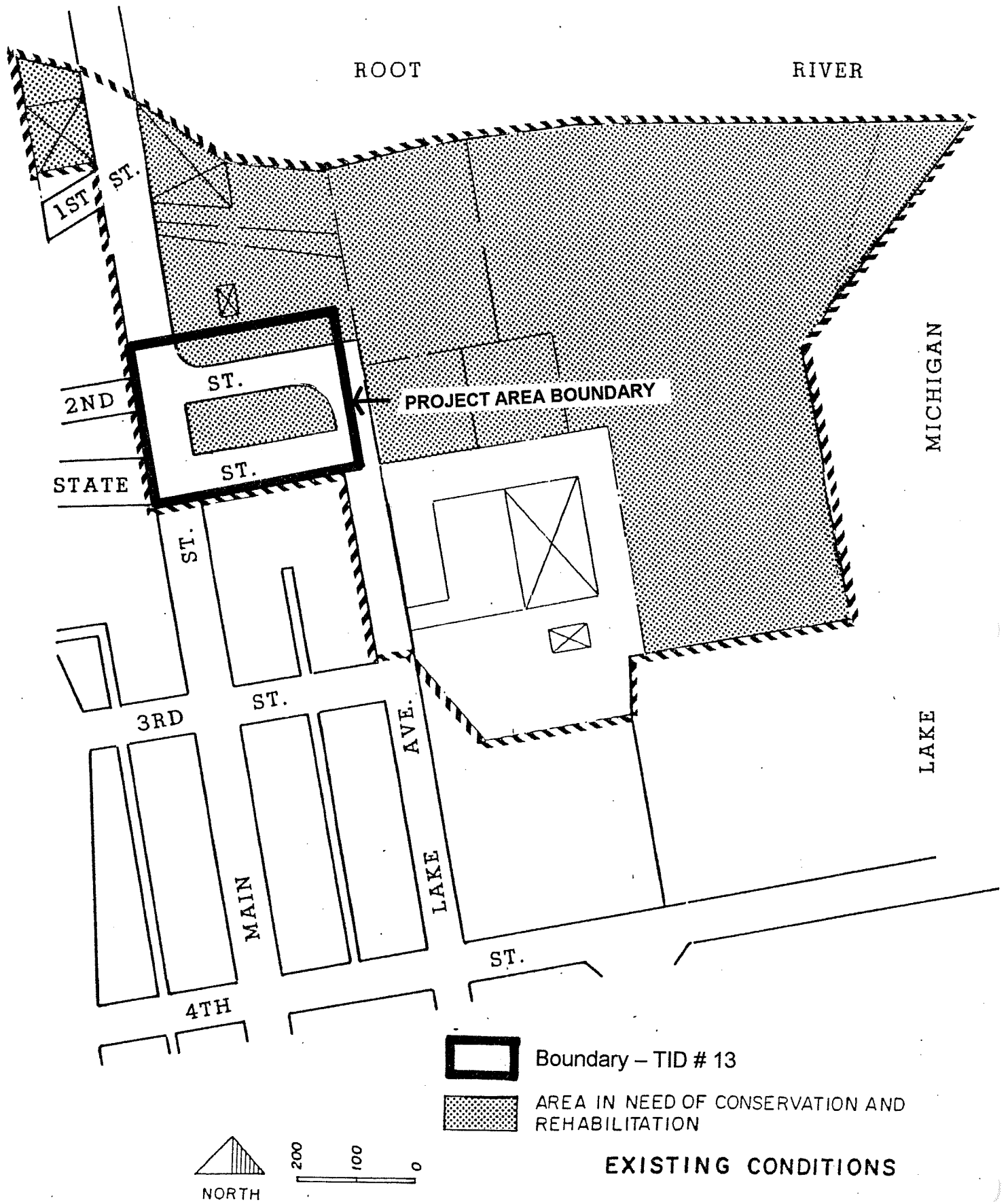


MAP 6. PROPOSED IMPROVEMENTS

legend

- ① Grant to developer
- ② Intersection modifications and pedestrian enhancements

Refer to section II.B. on pages 3-4 for the description of the improvements.



TAX INCREMENTAL DISTRICT NO. 7

MAP 8.

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 06-05 and Project Termsheet

EXHIBIT 1
TAX INCREMENT DISTRICT NO. 13
PROPERTY CHARACTERISTICS

Map #	Tax Parcel #	Address	Owner	Land Value	Improvements	Total	Acres	Vacant	Blight or Rehab
1	00021007	141 Main Street	Johnson Redevelopment Corp.	\$ 284,300	\$ -	\$ 284,300	1.30	1.30	1.30
Total:							1.30	1.30	1.30

Parcel is identified by tax parcel number on Map 1, Project Area Boundary, in this Exhibit.

Note: The current parcel is vacant. Until 2000, it was a part of a larger parcel that contained an office building and parking lots. Therefore, the current parcel has not been vacant for "an entire 7-year period immediately preceeding" the creation of the district, per sec. 66.1105 (4) (gm) 1., Wis. Stats.

The current parcel is also the site of groundwater and soil contamination. A part of the property is subject to a conditional closure letter from the Wis. Dept. of Natural Resource regarding benzene contamination.

Sources: Racine City Assessor, Racine Geographic Information System, Racine Department of City Development, December 2005

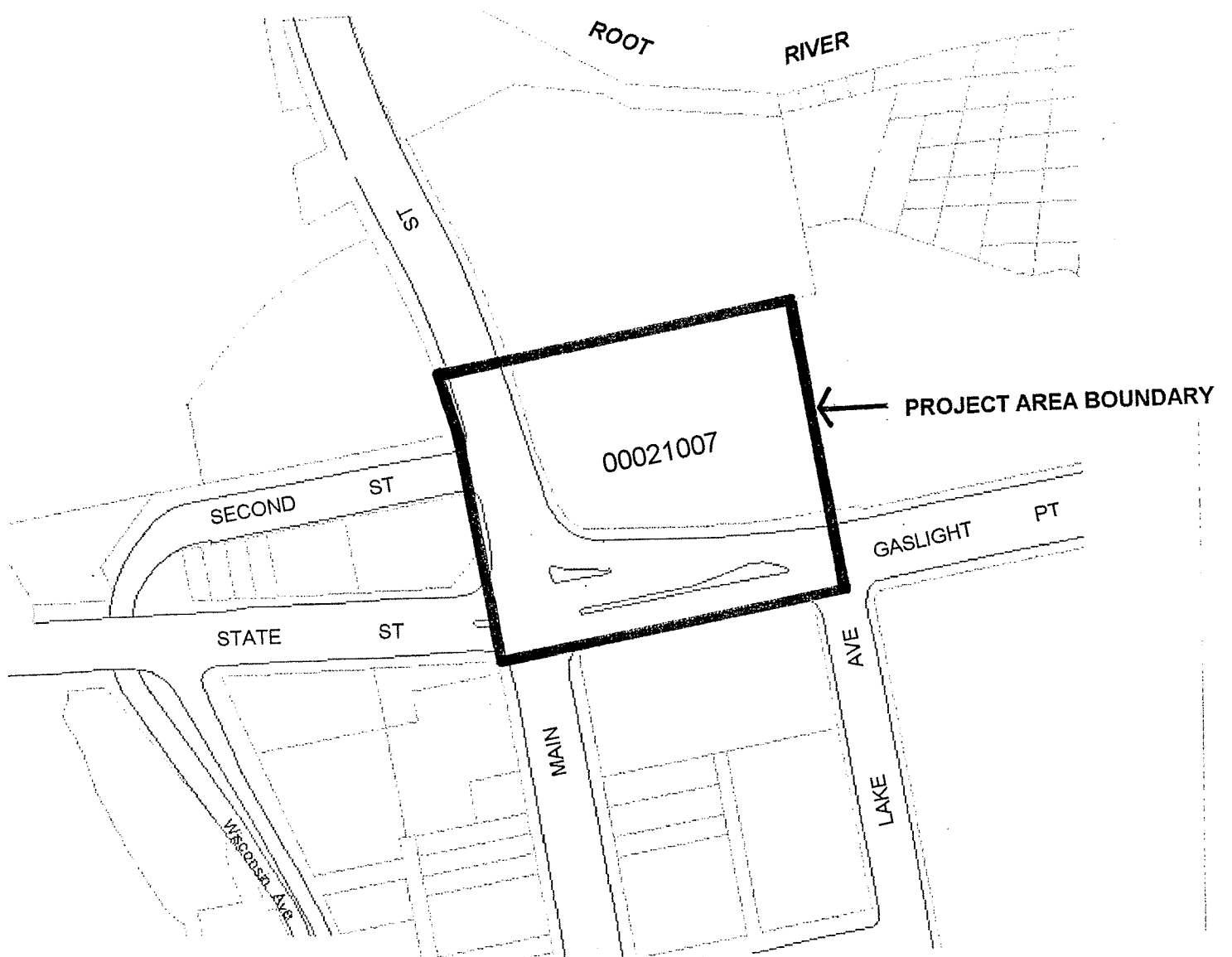


EXHIBIT 1

MAP 1. PROJECT BOUNDARY AREA

Legend

00021007 – Tax Parcel Number

City of Racine
Proposed Tax Increment District

Gorman & Co. Project @ State & Main
Development Valuation Assumptions ¹

Const. Year	23 Condo Units	84 Rental Units	6 Retail Units	Annual Total
2006	2,975,375	2,217,740	735,000	5,928,116
2007	991,792	739,247	245,000	1,976,039
2008				0
2009				0
2010				0
2011				0
2012				0
2013				0
2014				0
2015				0
2016				0
2017				0
2018				0
2019				0
2020				0
2021				0
2022				0
2023				0
2024				0
2025				0
TOTAL	3,967,167	2,956,987	980,000	7,904,154



EHLERS
& ASSOCIATES, INC.

NOTES:

¹ Development assumption numbers provided by Gorman Co. & City of Racine. 11/18/05.

² Represents estimated taxable increase in full value created by the Gorman Project.

City of Racine, WI

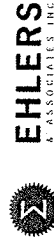
Gorman & Co. Project, State & Main

Scenario 1

Base Value ²	0	Inflation Factor	2.00%
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Tax Rate Adjustment Factor		See Worksheet
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Construction Year	Valuation Year	Revenue Year	Inflation Increment	Value Added	Valuation Increment	Tax Rate ¹	Tax Increment
1	2006	2007	0	5,928,116	5,928,116	21.73	128,844
2	2007	2008	118,562	1,976,039	8,022,716	21.20	170,094
3	2008	2009	160,454	0	8,183,171	20.69	169,269
4	2009	2010	163,663		8,346,834	20.18	168,474
5	2010	2011	166,937		8,513,771	19.70	167,709
6	2011	2012	170,275		8,684,046	19.23	166,974
7	2012	2013	173,681		8,857,727	18.77	166,267
8	2013	2014	177,155		9,034,882	18.33	165,587
9	2014	2015	180,698		9,215,579	17.90	164,935
10	2015	2016	184,312		9,399,891	17.48	164,310
11	2016	2017	187,998		9,587,889	17.07	163,711
12	2017	2018	191,758		9,779,646	16.68	163,138
13	2018	2019	195,593		9,975,239	16.30	162,590
14	2019	2020	199,505		10,174,744	15.93	162,066
15	2020	2021	203,495		10,378,239	15.57	161,567
16	2021	2022	207,565		10,585,804	15.22	161,091
17	2022	2023	211,716		10,797,520	14.88	160,639
18	2023	2024	215,950		11,013,470	14.55	160,209
19	2024	2025	220,269		11,233,740	14.23	159,802
20	2025	2026	224,675		11,458,414	13.91	159,416
21	2026	2027	229,168		11,687,583	13.61	159,052
22	2027	2028	233,752		11,921,334	13.31	158,708
23	2028	2029	238,427		12,159,761	13.03	158,386
24	2029	2030	243,195		12,402,956	12.75	158,083
25	2030	2031	248,059		12,651,015	12.47	157,800
26	2031	2032	253,020		12,904,036	12.21	157,537
27	2032	2033	258,081		13,162,116	0.00	0



Totals	7,904,154	4,196,261
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Net Present Value; Increment Through 2029 at 6.5%

\$1,905,480

Net Present Value; Increment Through 2033 at 6.5%

\$2,003,680

NOTES

¹ Tax rate used is projected 2007 levy rate for collection in 08 based upon PC 202 Worksheet Methodology after accounting for estimated Levy Limit Impacts.

² Base Value not yet provided by City. Needs to be completed prior to finalization.

City of Racine, SAMPLE , Pay As You Go Developer Bond Gorman Project (100% Allocation)

Subject to amendment once final assessment is known

Revenue Projection and Loan Repayment Assuming \$1,800,000 Principal

NOTE: PAYMENT OF THIS Municipal Revenue Obligation is strictly contingent upon TID increment being available from Development Site and in no way constitutes a general obligation of the City.

Basic Assumptions:

Base year
TID 1 Site Base Value
Appreciation factor
Initial tax rate (Dollars per thousand)
Tax rate increment
Interest rate on loan
Interest starting date
First Annual Loan payment date
Depreciated Value Due To Razing
Original loan principal
Ratcheting formula

2006
0
2.00%
22.53
Per Schedule
6.50%
01-Jan-08
01-Nov-08
0
1,800,000
none

Example

This financial forecast is based on preliminary estimates and assumptions that are subject to change. The forecast like all forecasts is based on predictions that are may not materialize as demonstrated. The forecast is useful when compared to others made consistently but with different assumptions.

Estimated Year of MRO Satisfaction

Acct Year	Tax Year	TID Current Value	Equalized Tax Rate	Tax Increment	Issuance Cost	Administration Cost	Loan Outstanding Principal	Accrued Interest	Interest Paid	Principal Paid	Total Principal & Interest
2007	2008	5,928,116	21.73	128,844	15,000	3,000	1,800,000	97,500	97,500	28,344	125,844
2008	2009	8,022,716	21.20	170,094	0	3,475	1,771,656	115,158	115,158	51,861	167,019
2009	2010	8,183,171	20.69	169,269	0	3,152	1,719,795	111,787	111,787	54,330	166,117
2010	2011	8,346,834	20.18	168,474	0	3,231	1,665,464	108,255	108,255	56,988	165,244
2011	2012	8,513,771	19.70	167,709	0	3,311	1,608,476	104,551	104,551	59,847	164,398
2012	2013	8,684,046	19.23	166,974	0	3,394	1,548,529	100,661	100,661	62,919	163,580
2013	2014	8,857,727	18.77	166,267	0	3,478	1,485,710	96,571	96,571	66,216	162,788
2014	2015	9,034,882	18.33	165,587	0	3,566	1,419,494	92,267	92,267	69,754	162,021
2015	2016	9,215,579	17.90	164,935	0	3,655	1,349,740	87,733	87,733	73,547	161,280
2016	2017	9,399,891	17.48	164,310	0	3,747	1,276,193	82,953	82,953	77,611	160,564
2017	2018	9,587,889	17.07	163,711	0	3,840	1,198,581	77,908	77,908	81,963	159,871
2018	2019	9,779,646	16.68	163,138	0	3,936	1,116,618	72,580	72,580	86,622	158,202
2019	2020	9,975,239	16.30	162,590	0	4,035	1,029,997	66,950	66,950	91,605	158,555
2020	2021	10,174,744	15.93	162,066	0	4,136	938,391	60,995	60,995	96,935	157,931
2021	2022	10,378,239	15.57	161,567	0	4,239	841,456	54,895	54,895	102,634	157,528
2022	2023	10,585,804	15.22	161,091	0	4,345	738,822	48,023	48,023	108,723	156,747
2023	2024	10,797,520	14.88	160,639	0	4,454	630,698	40,956	40,956	115,229	155,185
2024	2025	11,013,478	14.55	160,209	0	4,565	514,970	33,467	33,467	122,178	153,644
2025	2026	11,233,740	14.23	159,802	0	4,679	392,692	25,525	25,525	129,598	151,123
2026	2027	11,458,414	13.91	159,416	0	4,796	263,095	17,101	17,101	137,519	154,620
2027	2028	11,687,583	13.61	159,052	0	4,916	125,576	8,162	8,162	125,576	133,738
2028	2029	11,921,334	13.31	158,708	0	0	0	0	0	0	0
2029	2030	12,158,761	13.03	158,386	0	0	0	0	0	0	0
2030	2031	12,402,956	12.75	158,083	0	0	0	0	0	0	0
2031	2032	12,651,015	12.47	157,800	0	0	0	0	0	0	0
2032	2033	12,904,036	12.21	157,537	0	0	0	0	0	0	0
2033	2034	13,162,116	0.00	0	0	0	0	0	0	0	0
Totals				4,196,261	15,000	81,550			1,503,798	1,800,000	3,370,060
										3,176,222	

Total Payments to Developer

* Negative Amortization Added

NOTE: Actual amount of loan may be less but not more than amount identified above. Actual to be determined based upon actual verified costs. Also, amount of costs to be deducted from increment prior to payment of MRO is still to be determined. Figures used here are estimated only.

City of Racine, WI

Proposed District @ State & Main

Proposed Tax Increment District Cash Flow



EHLERS
& ASSOCIATES INC.

Year	Projected Tax Increment	Plus Interest Earnings on End Bal	Proposed PAYG Note to Developer Dated 1-1-08		\$200 K City Advance Dated 3-1-06		Cum. Balance of Adv	Annual TID Balance	Cumulative Balance
			Prin (11/1)	Int	Prin (2/1)	Rate	Int	Total	
2005						4.500%	0	0	200,000
2006						4.500%	9,000	9,000	209,000
2007						4.500%	9,405	9,405	218,405
2008	128,844		28,344	97,500		4.500%	9,405	9,405	228,233
2009	170,094		51,861	115,158		4.500%	9,828	9,828	238,504
2010	169,269		54,330	111,787		4.500%	10,270	10,270	249,236
2011	168,474		56,988	108,255		4.500%	10,733	10,733	260,452
2012	167,709		59,847	104,551		4.500%	11,216	11,216	272,172
2013	166,974		62,919	100,661		4.500%	11,720	11,720	284,420
2014	166,267		66,216	96,571		4.500%	12,248	12,248	297,219
2015	165,587		69,754	92,267		4.500%	12,799	12,799	310,594
2016	164,935		73,547	87,733		4.500%	13,375	13,375	324,571
2017	164,310		77,611	82,953		4.500%	13,977	13,977	339,176
2018	163,711		81,963	77,908		4.500%	14,606	14,606	354,439
2019	163,138		86,622	72,580		4.500%	15,263	15,263	370,389
2020	162,590		91,605	66,950		4.500%	15,950	15,950	387,056
2021	162,066		96,935	60,995		4.500%	16,668	16,668	404,474
2022	161,567		102,634	54,695		4.500%	17,418	17,418	422,675
2023	161,091		108,723	48,023		4.500%	18,201	18,201	441,696
2024	160,639		115,229	40,956		4.500%	19,020	19,020	461,572
2025	160,209		122,178	33,467		4.500%	19,876	19,876	482,343
2026	159,802		129,598	25,525		4.500%	20,771	20,771	504,048
2027	159,416		137,519	17,101		4.500%	21,705	21,705	526,730
2028	159,052		125,576	8,162		4.500%	22,682	22,682	550,433
2029	158,708		0	0	200,000	4.500%	23,703	23,703	574,136
2030	158,386				175,000	4.500%	15,769	15,769	589,905
2031	158,083				150,000	4.500%	8,604	8,604	608,509
2032	157,800				52,048	4.500%	2,241	2,241	630,750
2033	157,537								652,287
2034	0								678,824
Total	4,196,261	0	1,800,000	1,503,798	3,303,798		377,048	954,096	265,097



City of Racine, Wisconsin

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

Thomas J. Kienbaum
City Assessor

January 5, 2006

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

FROM: Thomas J. Kienbaum *TJK*
City Assessor

SUBJECT: Proposed Tax Incremental District No. 13

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 13 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

January 13, 2006

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

SUBJECT: Project Plan for Tax Incremental District Number 13, City of Racine
(141 Main Street)

Dear Mr. O'Connell:

I have reviewed the subject plan and find that it is complete and complies with Wis. Stat. section 66.1105.

Sincerely,

Daniel P. Wright
City Attorney

DPW/ld
/dpw/taxdistrict 13 141 main/

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

CITY OF RACINE, WISCONSIN

REDEVELOPMENT AUTHORITY RESOLUTION 06-05

WHEREAS, State at Main, LLC has requested that the City of Racine provide financial assistance for the redevelopment of 141 Main Street; and

WHEREAS, The Redevelopment Authority can assist the project by issuing a Municipal Revenue Obligation, pursuant to a development agreement with the City of Racine and State at Main, LLC; and

WHEREAS, The Executive Director has presented for approval a proposed termsheet for the development agreement based on the negotiations with State at Main, LLC and City representatives;

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 State at Main, LLC, and the City of Racine for the redevelopment of 141 Main Street (parcel identification no. 00021007), subject to the following:

- That the terms of the agreement are substantially the same as the terms presented to the Authority on January 12, 2006 in the proposed termsheet dated December 29, 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 contract, lease, option, mortgage, bond, and/or deed of sale pursuant to the agreement.

FURTHER RESOLVED, that the Authority recommends that the financial assistance to be provided to State at Main, LLC, under the agreement be provided from the Tax Increment District created for the redevelopment project.

Fiscal Note: TID 13 will provide \$1.8 million in financial assistance for this \$19 million development project.

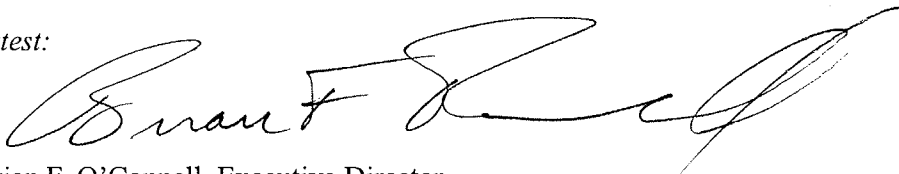
Adopted on: January 12, 2006

Seal

By a Vote of

For:	3
Against:	0
Abstain	1

Attest:



Brian F. O'Connell, Executive Director

City of Racine / Racine Redevelopment Authority (RDA)

State at Main Development Project

TERM SHEET

Draft 12/29/05

In order to promote the redevelopment of property that has been deemed to be blighted, the City and State at Main LLC, its successors or assigns (the Developer) have agreed (together, the Parties) in principal to the following terms for the development of approximately 1.31 acres of property (the Project) located at 141 Main Street. (See site plan attached.)

In general in exchange for the Developer's commitment to develop a mixed-use Project with approximately 107 residential dwelling units in one building – 84 apartments, 16,800 feet of commercial retail, and 23 condominium units – with a cumulative increase in taxable market value of over \$7,900,000 (less the current equalized value of the site) over two years, the City will agree to use its best efforts to create a Tax Increment District for the project site, and to provide the cash flow from the Tax Increment District to pay approximately \$1.8 million of eligible costs for the development utilizing Tax Increment Funds.

The Developer has agreed to raise its own capital prior to construction start for 100 percent of the costs of the project. The City agrees to provide the developer a Pay As You Go Municipal Revenue Obligation (MRO) in an amount not to exceed \$1.8 million, the payment of which will depend solely on the tax increment revenues generated from the project site that shall be subject to annual appropriation by the City Council. This will never constitute a general obligation of the City.

The following Terms are set forth as a general understanding of each party's obligations and shall serve as the basis for the preparation and execution of a Development Agreement:

Developer Obligations:

- 1.) Developer shall agree to develop the project site with approximately 107 dwelling units in one building as set forth on Exhibit A. Units shall be a mix of one- and two-bedroom apartment homes and one- and two-bedroom condominium homes in accordance with the detailed schedule of units and values set forth on Exhibit B. The Project will contain total taxable value not less than \$7.9 million and shall be installed according to a time table agreed to by the Parties.
- 2.) Developer shall raise 100 percent of the capital needed for both the public and private costs of completing the project.

- 3.) In consideration for the funding of all of the improvements, the Developer shall accept from the City/RDA its MRO in an amount not to exceed \$1.8 million. The Developer understands that the MRO is not a General Obligation of the City and shall be paid only from NET Tax Increment Revenues generated by the project site and shall be subject to annual appropriation by the City Council. Net Increment shall be defined as the gross annual increment less the actual costs of the City or RDA for legal, financial, engineering and administrative expenses. Failure to make payment on the MRO due to a shortfall in TID revenues shall not constitute a default on the part of the City/RDA. In the event that TID revenues are not sufficient to meet full payment of the principal or interest due on the MRO at the end of the Statutory life of the TID, no further payments shall be due from the City. In the event that there are "surplus" revenues above the amount required to pay the MRO, the City shall be entitled to use said revenues for any other statutorily eligible TID expense.
- 4.) Developer shall provide the City's Financial Advisor (Ehlers & Associates) with detailed project proformas in an Excel format to identify profitability in the form of Cash on Cash return, Internal Rate of Return (IRR), and development fee calculation for the project for the purpose of verifying a "land acquisition gap" in financing that must be bridged to achieve a reasonable return on the project. Detail provided by the Developer shall include detailed sources & uses of funds including but not limited to sources of Developer equity, borrowed funds & sales of land or condominium units.
- 5.) Once the Parties agree to reasonable Cash on Cash and IRR based upon estimates provided by the Developer, the Developer agrees to provide the City/RDA with a complete accounting for the project actual revenues and expenses at the end of each year through the end of the full project build out. In year 2007 or when the project site is fully built out, whichever occurs sooner, the City/RDA and its Financial Advisor shall at that point utilize the actual performance data of the project (revenues & expenses) to update the original project proforma. "Full project build out" for the retail portion of the project and the for-sale condominium units shall be achieved when such two phases of the project have been built out to white box specifications. If the return exceeds the amount initially agreed upon by more than ten percent, the Developer agrees to split such excess return 50/50 with the City/RDA via a cash payment at that time. Said payment to the City/RDA shall be used by the City/RDA to prepay that portion of the MRO as is possible thereby reducing the time that the TID would need to remain open.

City Obligations:

- 1.) City shall use its best efforts to create a Tax Increment District for the purpose of blight elimination which will include the lands identified on Exhibit C. The project plan shall include the following eligible estimated expenditures:

a. Land	\$500,000
b. Building	\$13,654,156
c. GC profit and overhead	\$864,023
d. Site work	\$859,484
e. Personal property	\$338,000
f. Landscaping	\$54,852
g. Soft costs	\$2,038,386
h. Financing fees	\$232,225
i. Reserves	\$307,169

TOTAL TID COSTS	\$18,848,295
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Verification of the net "gap" in project financing created based upon a reasonable estimated return on investment as determined by the City's financial advisor, Ehlers & Associates.

- 2.) The City or the RDA will issue to the Developer one or more Pay As You Go Municipal Revenue Obligations (MRO) in an aggregate principal amount not to exceed \$1.8 million. Interest on the MRO shall be at the rate of 6.5 percent. The MRO shall never be considered a General Obligation of the City. Its payment shall be made solely from the NET increment available from the Project site. Net Increment shall be defined as the gross annual increment less the actual costs of the City or RDA for legal, financial, engineering and administrative expenses. The final actual amount of the MROs shall be based upon verified costs or \$1.8 million, whichever is less.
- 3.) Interest on the MRO outstanding balance shall begin to accrue the later of (i) January 1, 2008, or (ii) January 1st of the year the first increment revenues are received from the new development. The need for capitalization of interest shall be determined based upon further discussion between City & Developer regarding timing of developer's borrowing & completion of taxable value.
- 4.) City/RDA shall expeditiously provide such information to Developer's lenders as needed for Developer to secure financing.
- 5.) City/RDA shall provide expeditious review of all municipally issued building permits and plan applications to assure timely completion of projects.

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 \$2,000,000.

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