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Office of the Mayor



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Mayor Mason and Cardinal Capital Group Finalize Terms for Ajax *\$30 million development to add 141 new housing units in Racine's Uptown Neighborhood*

City of Racine – Today, Racine Mayor Cory Mason was joined by Alderman John Tate II and Erich Schwenker of Cardinal Capital Management, Inc. to announce that a development agreement has been reached for the Ajax project in Racine's Uptown neighborhood.

"I am really excited to see this project move forward. It takes an old, abandoned, industrial site and breathes new life into the Uptown neighborhood," **said Mayor Cory Mason**. "It is important that we create great spaces for everyone in our community to live and this project helps move us closer to accomplishing that goal."

"Choosing an old industrial site for a residential development can be challenging but we knew that if we could get it done it would be really transformational for Racine and the Uptown neighborhood," **said Erich Schwenker of Cardinal Capital Management, Inc.** "I appreciate the work of the City and the support we have received from the community as we put the agreement together. We look forward to everyone seeing the finished product in just over a year."

The project located at 1520 and 1536 Clark Street will include demolishing the existing, obsolete and dilapidated Industrial structures; remediating the environmental site contamination; and redeveloping the property as new, affordable and market rate, multi-family housing.

Specifically, Cardinal's plans call for the total investment of over \$30 Million in the on-site construction of two, 4-story apartment buildings, a market-rate development consisting of 87 apartments with 130 associated parking spaces [55 surface, 75 structured]; and an "affordable", Low-income-housing-tax-credit-funded, development consisting of 54 apartments with 75 associated parking spaces [39 surface, 36 structured]. Cardinal has also acquired the adjacent, former Pabst Pub building and will be retaining it and restoring it for use as site offices, community room, and space for the Racine Police Department to house a neighborhood-assigned, Community Police Officer or C.O.P. House.

"I am proud to have this transformation development coming to Uptown where quality, affordable housing is in dire need. I applaud the efforts of City administration and Cardinal Capital in bringing this project to fruition and I look forward to continuing to build a Racine where everyone has the opportunity to thrive," **said Alderman John Tate II**, who represent the district Ajax in located in.

Pending the proper City approvals, Cardinal Capital Management will acquire the property from the RDA for a sales price of \$9,999 for the "market-rate parcel", and \$1 for the "affordable parcel". The Pabst Pub was already acquired from a private owner previously.

Total development investment will exceed \$30 Million, with \$19.3 Million for the market-rate project and \$10.8 Million for the affordable units. The Developer will guarantee that post-construction and stabilization, the minimum additional property tax value (increment) assessment resulting from the project will total not less than \$12,000,000.

Key City incentives for the program:

- A \$1,000,000 site remediation and parking incentive (funded as \$500,000 from 2019 I.G. Funds and \$500,000 from 2020 I.G. Funds; with the RDA providing a short-term, interest-free loan of 50 \$400,000 to Cardinal in 2019 pending receipt of the 2020 I.G. allocation. Once in receipt of the 2020 allocation, Cardinal will then repay the \$400,000 in full and the City shall receive it as revenues to the FY2020 operating budget)
- A tax –increment, developer-funded, “pay-as-you-go” TID Development Incentive of not to exceed \$3,000,000 paid out as 90% of all tax increments attributable to the “market-rate portion” of the project for the 11-year period 2020 through 2031
- A \$900,000 loan, from the City to Cardinal, which shall be secured by a Cardinal Capital Corporate guaranty, as well as a subordinated lien against the property, as acquired by the City from The Board of Commissioners of Public lands for the purposes of lending to the project, for an amortization term of twenty (20) years and an expected rate of 4% (but to equal whatever rate is given by the BCPL to the City). Cardinal shall pay the debt service on this loan monthly.
- City to provide Cardinal a \$600,000, 20-year, 1% interest, Community Development Block Grant (CDBG) multi-family housing loan for the affordable project

The developer, Cardinal Capital Management, Inc. has agreed to provide:

- Project equity (non-debt financed investment) of at least 15%
- A commitment from the Wisconsin Housing and Economic Development Agency (WHEDA) for LIHTC tax credits in support of financing the affordable project component
- The \$12 million minimum increment guaranty to the increased property assessment beginning 2022 and continuing through the termination of the TID
- Minimum investment in “hard construction costs” of \$21 Million
- The commitment to adhere to all City Ordinances including “Racine Works” and its requirement to employ low-to-moderate income City residents
- The commitment to build to meet the “Enterprise Green Communities”, “Green Certification”; as well as the commitment to install electric vehicle charging infrastructure in not less than 3% of the on-site parking spaces
- The Lease, to the Racine Community Outpost, for \$10/month during the 11-year life of the TID, of space in the Restored Pabst Pub building for use by the Racine Police department to house a C.O.P. House

Demolition and remediation of the site is set to begin almost immediately pending approval. Construction is set to be complete no later than December 31st of 2020.

About the City of Racine

With a population of 78,000, **Racine, Wisconsin** is the fifth largest municipality in the state of Wisconsin. It is home to manufacturing businesses that enjoy world-wide reputations, SC Johnson, CNH Industrial, Twin Disc, Modine, and In-Sink-Erator among them. Racine is also home to diverse cultures, a thriving downtown, and world-class beaches along the shores of Lake Michigan.

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