

**CITY OF ROCK ISLAND
CITY COUNCIL STUDY SESSION
January 24, 2022 - 5:30 p.m.**

**City Council Chambers, City Hall, 3rd Floor
1528 Third Avenue, Rock Island, IL**

1/24/2022 - Minutes

CALL TO ORDER

Mayor Thoms called the meeting to order at 5:30 p.m. and welcomed everyone.

THIS MEETING WILL BE CONDUCTED BY AUDIO AND VIDEO CONFERENCE WITHOUT A PHYSICALLY PRESENT QUORUM OF THE ROCK ISLAND CITY COUNCIL DUE TO THE DISASTER DECLARATION ISSUED BY GOVERNOR PRITZKER.

ROLL CALL

Mayor Thoms asked City Clerk Samantha Gange to call the roll. Present: Alderpersons Jenni Swanson, Dylan Parker, Mark Poulos, Bill Healy, and Mayor Mike Thoms. Alderperson Moses Robinson was present via remote connection. Absent: Alderpersons Randy Hurt and Judith Gilbert. City Staff: Interim City Manager John Gripp, City Clerk Samantha Gange, and other City staff.

PUBLIC COMMENT

Mayor Thoms asked if anyone in the public wished to speak. No residents volunteered to speak in person or virtually.

CIRLF - UPDATED POLICIES AND PROCEDURES

Interim Community and Economic Development Director Miles Brainard gave background information on the Commercial and Industrial Loan Fund (CIRLF) program. He indicated CIRLF was originally seeded with HUD-CDBG (Community Development Block Grants) funds in 1984 as a self-sustaining economic development loan fund. It is designed to provide gap financing to businesses and is intended to support job creation in the City. He noted that because it was originally seeded with HUD funds it is subject to their regulations and reporting requirements forever. The goal of this update is to ensure compliance with HUD.

Mr. Brainard discussed the details of the CIRLF loan terms, which include no loan exceeding 30% of the total project costs, a two-to-one private-to-public funding ratio, interest rates prime plus one quarter percent, but no less than two percent, term lengths not to exceed ten years, and for equipment the term cannot be longer than five years. Eligibility requirements include applicant business must be located physically in Rock Island, the loan has to create job opportunities for income-qualified individuals, applicants cannot already have a CIRLF loan, business or project must be HUD CDBG eligible, and projects may include property acquisition, rehabilitation, equipment, and working capital.

Interested and qualified applicants can apply by completing and submitting an application to an economic development team member. Once the application is received, it is reviewed to ensure compliance with HUD and then gets sent to an external underwriter for further review. Once the application has been deemed as qualifying, it is submitted to the CIRLF committee for review and approval.

Mr. Brainard discussed the CIRLF committee, which is comprised of five members serving three year terms - one council member, one representative from a local lending institution, a CEO or CPA member, a Rock Island business owner, and a citizen with financial background. The committee is intended to have delegative authority from City Council by ordinance, but no such ordinance currently exists. One of the goals of updating the CIRLF policies and procedures is to also include a formal ordinance delegating this authority. He noted the CIRLF committee has been acting as this authority for many years, it just has not been formalized in an ordinance.

Mr. Brainard discussed the recommended next steps for the CIRLF program. City Council will need to approve the updated policies and procedures (HUD has already approved) as well as the ordinance delegating authority to the CIRLF committee. Once Council approves the changes, staff will work with the CIRLF committee to market the program in earnest and start accepting applications. Additionally, staff and the CIRLF committee will need to continue assessment of outstanding loans for repayment plans, collections, or write-offs.

Tarah Sipes, Economic Development Manager with the Community & Economic Development Department was present via remote connection and remarked she provided Mr. Gripp with the policies and procedures version that was approved by HUD as well as a copy of the revised application for Council review.

Aldersperson Swanson noted the members of the CIRLF committee listed on the website have expired terms. Ms. Sipes responded she would update the website. Mr. Brainard added that once Council approves the updated changes, they will update the entire CIRLF webpage.

Mayor Thoms remarked the Bi-State Regional Commission also has revolving loan programs and can be in addition to the City of Rock Island's CIRLF program.

Aldersperson Healy disclosed he received a CIRLF loan for his business and it is a wonderful program. He asked if there is a waiting list for this program or if they have a pipeline of potential applicants. Ms. Sipes responded they currently do not have a waiting list or a pipeline, however they have had people reach out and express interest. Once all of the approvals are received, the economic development team will roll out marketing for the program.

Aldersperson Robinson asked if we have individuals that have defaulted on a CIRLF loan and asked what the process and procedure is for those that default. Mr. Brainard responded they do have individuals that are in default and that staff is working on a spreadsheet with all of the information on the individuals who have not made payments in a long time. Additionally, staff are working on a strategy and plan to address those in default. Mayor Thoms noted there were issues in the past with not having the proper documentation such as personal guarantees and that these new policies and procedures will address those issues.

Aldersperson Parker remarked he appreciated everything staff has done with the CIRLF program, however, the Community & Economic Development department staff are not experts in finance and he was skeptical that in the long-term the updates to the CIRLF program would not lead to the desired outcome as demonstrated by the \$1.5 million in current CIRLF delinquencies. He asked if it would be more advantageous for the City to seek a public-private partnership with a banking institute as they have the knowledge and may be better equipped to operate the CIRLF

program. Mr. Brainard responded that the program is overseen by Ms. Sipes as well as the CIRLF committee, which is made up of finance experts. Alderperson Parker commented there is a difference between a volunteer CIRLF committee member and somebody whose job it is to work at a bank and run the program successfully. Ms. Sipes indicated that there is an external underwriter that is now in place that wasn't previously before. She added that the first stage involves the economic development team reviewing the application to ensure it makes sense from an economic development perspective as well as meets HUD guidelines. The next stage is sending the application to the third-party underwriter for review to ensure it makes financial sense. Once the underwriter provides their recommendation regarding the application and it is approved to move forward, it is sent to the CIRLF committee for further review. The borrower is required to give a presentation to the committee and then the committee makes a final decision on whether or not to approve the application and loan the money.

Alderperson Healy remarked he did not want to see a tool removed from the Community & Economic Development department. Alderperson Parker reiterated he would like to see a partnership and gave Bridges Investment and American Bank & Trust as examples of potential partners. He asked if this would be possible with HUD requirements. Ms. Sipes responded that it is possible, however they have already explored a partnership option and all of the issues with the administration of the program would not be resolved by having a partner. Mayor Thoms noted that with a partnership they would have less flexibility. Mr. Brainard remarked that for the sake of time, he would work with Ms. Sipes on preparing a memo for Council that provides more information and addresses these concerns.

Mayor Thoms noted they do have a relationship with American Bank & Trust and they are the ones that currently send payment reminders to the borrowers. Mr. Healy remarked with his CIRLF loan he pays American Bank & Trust and the relationship is with them.

Alderman Parker asked what is currently funding the CIRLF program. Mr. Brainard responded CBDG funds, but mostly the interest that is paid back into the program to make it revolving.

ILLINOIS QUAD CITIES REGIONAL LAND BANK

Mr. Brainard provided background information on the regional land bank. The City of Moline began the process by applying for a grant from the Illinois Housing Development Authority (IHDA) to do a feasibility study. The study revealed that a land bank in this region is feasible and the cities most interested in moving forward were Rock Island, Moline, and East Moline.

Mr. Brainard indicated the purpose of the land bank would be to address blighted properties that reduce property values, steer away good private investors, and weaken the community. Land banks are intergovernmental agencies that take vacant, abandoned, and tax delinquent properties and turn them into productive properties. Acquisitions often take place through foreclosure or tax auction, which eliminates liabilities, back taxes, and provides for a clear title.

Mr. Brainard noted the benefits of the land bank, which include: problem properties being sold to reliable developers and investors who pay taxes and keep properties from becoming blighted, the ability to outmaneuver tax auction profiteers who game the system, provide access to additional resources and development options not available to cities, and run programs that cities may not have the time or resources to run.

The land bank governance structure includes an established Intergovernmental Agreement (IGA) between participating cities, a board made of representatives from each City that set policies and objectives, and a Land Bank Manager who will be an employee of Moline but will answer to all cities and will oversee the day to day operations of the land bank. Mr. Brainard noted that

each City has veto power on actions within its own jurisdiction, which is very important as any activities in a given City don't move forward if that City does not want that activity to take place.

He provided a scenario that if the Land Bank Board is considering a project in Rock Island, but Rock Island does not want the project to move forward, the other cities will not be able to move it forward because each City has its own veto power and does not give up its authority to decide what happens within its own borders.

Mr. Brainard provided an example of an existing land bank in Northern Illinois. They have a land bank website that includes a tool for identifying properties that are for sale through tax auction as well as properties the land bank has purchased and is looking to put back into the community for productive use. At this time, Rock Island does not have the capacity or resources for this tool, but it would be possible with a land bank. One of the projects that the Northern Illinois Land Bank took on involved using the judicial deed process to acquire an abandoned house that was vacant for nearly a decade and blighting the neighborhood it was in. Through the judicial deed process, they were able to clear all of the back taxes and place the property on the market with a deed restriction. He noted the deed restriction is a very important component of this process as it stipulates that if a proper rehab is not done, the property would become possession of the land bank.

Next Mr. Brainard discussed the financial structure of the land bank. Participating communities will contribute towards startup costs based on population. Over a four to five year period, the objective of the land bank would be to self-sustain through property sale revenues, grants, and additional service fees for special projects. He noted that the City of Rock Island has a more specific ask than Moline and East Moline have with the large volume of vacant lots that we own.

Once the Board is established, Rock Island intends to negotiate an agreement for a specific service arrangement that for no additional cost, the City would like to use its share of the land bank manager's time devoted to helping market City-owned, residentially-zoned, vacant lots for sale.

The City of Rock Island's share for startup costs is \$36,571 in year one, but the City of Moline has agreed to front that cost and we pay it back at a later time. Options to pay the startup costs are to apply for IDHA's Land Bank Capacity Program for operations funding, find money in the existing budget and a mixture of funds, or American Rescue Plan Act funds. He noted that IDHA is pushing for land banks as they view it as an effective tool in furthering the good of communities. All cities included in the land bank as well as the land bank itself can apply for IDHA grant dollars and layer the funds together.

Mr. Brainard concluded his presentation and indicated that an IGA has been prepared and if Council is in favor of the land bank, it would be included for consideration at a February 2022 meeting. Once Council approves the agreement, they can apply for IDHA grant dollars to assist with paying the startup costs. He noted this is a collaborative effort with the goal of increasing the City's property tax revenue and value of properties.

Aldersperson Swanson asked if the City decides to move forward with the land bank does the sale of the property go to the land bank or to the City. Mr. Brainard responded that they could set it up that way, however as it currently stands the sale of any property would go to the respective City. Aldersperson Swanson asked if the City does not get the IDHA grant if they could allocate a certain percentage of property sales towards the start up costs. Mr. Brainard remarked he would be open to that idea.

Aldersperson Healy asked about the management aspect of the land bank and where the manager would be taking their salary from. K.J. Whitley, Community Development Program Manager with the City of Moline came to the podium to address Council. She indicated the manager will be an employee of Moline, but will report to the Land Bank Board. The salary for the land bank manager comes from each City and is based on population size as to how much

each City contributes. She noted that they are in the process of grading the salary range for the position. The portion that Rock Island is paying will go towards maintenance of the properties, the land bank manager's salary, and marketing. Mr. Brainard and Ms. Whitley indicated they did not have the budget available at the moment, but would share with City Council. Mr. Brainard added that the first year would have the highest costs as they get the program up and running, but each year after as the land bank receives revenue, the cost for each City should decrease over time.

Ms. Whitley remarked the City of Moline is allocating \$250,000 in American Rescue Plan Act (ARPA) funds for the land bank start up costs to ensure its success. She noted that this is an opportunity for collaboration between the cities and that Silvis and Rock Island County may also be interested in joining.

Mayor Thoms indicated he was in support of the land bank. He asked if the ARPA funds Moline is using is a loan and needs to be paid back or if it will be used for the land bank. Ms. Whitley responded that the startup money they are loaning the City of Rock Island would be paid back to Moline and repurposed for other uses.

Aldersperson Robinson asked if there were any concerns with the program. Mr. Brainard indicated the only concern would be the self-funding element and getting the land bank to the point of being self-sustaining. However, he noted that the City of Rock Island can withdraw from the program at any time.

Aldersperson Robinson asked if the land bank program is different from the rehab program the City currently has now. Mr. Brainard responded that it is different, but could be something the land bank could do as well. The land bank could also serve as the facilitator in setting up the rehab work.

Aldersperson Robinson asked if this not only includes the vacant lots, but also properties that are up for tax auction. Mr. Brainard responded affirmatively and added that there are plenty of other properties that are vacant or abandoned that the City does not own, but the land bank could address. He noted he can't quantify the total of all properties that are vacant or abandoned throughout the City.

Aldersperson Robinson asked how abandoned properties are identified. Mr. Brainard responded that they do have a foreclosed vacant and abandoned property registry. If someone has a property that falls into one of these categories, it can be forwarded to the inspections division who will look at the property and determine if it is eligible to be placed on the registry.

Aldersperson Parker remarked he is in favor of a land bank, however the City of Rock Island already has entities that do similar work such as Growth and DARI. He asked why wouldn't the cities enter into a service agreement with one of these entities. He noted for the sake of time, they could have this conversation later, but noted he felt this program is redundant.

Aldersperson Parker asked if any of the three cities have looked at financing the land bank program through real estate transfer funds. Mr. Brainard responded that they have not looked into this financing option.

Aldersperson Poulos remarked that the land bank is worth exploring further, however he expressed some concerns.

MOTION TO ADJOURN

MOTION:

Aldersperson Healy made a motion to adjourn; Aldersperson Swanson seconded.

VOTE:

Motion passed on a 5-0-1 roll call vote. Aye: Swanson, Parker, Poulos, Healy, and Robinson.
Nay: None. Absent: Hurt and Gilbert. The meeting adjourned at 6:40 p.m.

Samantha Gange

Samantha Gange, City Clerk