

**CITY OF ROCK ISLAND**  
**CITY COUNCIL STUDY SESSION**  
**FEBRUARY 1, 2023 – 6:15 p.m.**

2/1/23 – Minutes

**CALL TO ORDER**

Mayor Thoms asked Deputy City Clerk Josh Adams to call the roll.

**ROLL CALL**

Present: Alderpersons Randy Hurt, Judith Gilbert, Dylan Parker, Mark Poulos, Bill Healy, and Mayor Mike Thoms.

Absent: Alderpersons Moses Robinson and Jenni Swanson.

Staff: City Manager Todd Thompson, City Attorney Dave Morrison, Deputy City Clerk Josh Adams, and other City staff.

**PUBLIC COMMENT**

Mayor Thoms asked if there was anyone in the audience or virtually that wished to comment. No one volunteered to speak.

**BEST BUILDING TOUR DISCUSSION**

Mr. Chris Ales introduced himself to Council, proposing a partnership with the City to redevelop the Best Building in the downtown. His partners include Jim Bergman and Brian Fritz. He said there is a variety of possible incentives, including Illinois Housing Development Authority (IHDA) money through the American Rescue Plan Act (ARPA), and potentially \$1 million in assistance from the City. He said timing is critical, as there is a state historic tax credit with a competitive application that could be the last before the program expires. He discussed the proposed plan for the building, including the creation of 44 apartments with rents of \$625 and \$775. He noted there is an affordable housing tax credit which carries a requirement that the project would be subject to income restrictions, or 60% of the area median income. Mr. Ales said the first floor would house tenant storage, a resident community center, and the potential for a community service facility. Issues involving the building have been identified and discussed with the City's Fire Department and Building Inspections.

Alderperson Hurt asked Mr. Ales to break down what was expected for each funding source. Mr. Ales said \$6.6 million would be through the affordable housing tax credit, \$3.8 million from the state historic

tax credits, \$2.7 million in IHDA ARPA funds, \$1.6 million in permanent bank financing, and potentially \$1 million from the City. City Manager Thompson asked if the sale was dependent upon approval of those various credits. Mr. Ales replied affirmatively. Mayor Thoms asked Mr. Ales to discuss the steps involved in the potential City ownership for a time. Mr. Ales said the building would be transferred to the City subject to the existing debt. There would then be an agreement in which the developers would assume the debt upon transfer of possession of the building. The lien and the building would be the collateral.

Aldersperson Poulos asked about liability while the City is in possession of the building, as it relates to workers or anyone near it. City Attorney Morrison said insurance would be necessary to cover trespassers, visitors, or passers-by. He noted there is an assumption that anyone working on the project would need to be covered by worker's compensation insurance as part of any agreement. Mayor Thoms said while the City owns it, no work would be done. Mr. Ales confirmed that was the case. Aldersperson Healy asked if water was currently on in the building. Mr. Ales did not think so due to the current temperatures inside. Aldersperson Healy expressed concern about City ownership with the potential for fires. Mr. Ales said attorneys could come up with language that sufficiently indemnifies the City.

Mr. Ales noted that the affordable housing tax credit carries a 30-year commitment to income restrictions on a property. He added that the income limit for such housing is published and adjusted annually. Aldersperson Hurt asked about the percentage of residents in the downtown area that are income-qualified. Community and Economic Development (CED) Director Miles Brainard stated those numbers are tied to the census tracts, and there is no tract that accurately covers the downtown geography. However, most of the City's census tracts are low-to-moderate income. Aldersperson Gilbert asked how many buildings in the downtown currently qualify as income-based properties. Mr. Brainard said he did send Council a housing study from 2022 that does list currently known properties. Aldersperson Gilbert said that does not include Spencer Towers. Mayor Thoms noted that Rock Island Economic Growth Corporation owns some buildings that are mixed-income properties. Mr. Brainard said the challenge for staff is the variety of housing types utilizing a variety of programs.

Aldersperson Healy asked what the Downtown Steering Committee has said about this project. Mr. Brainard said their views are mixed, as there are pros and cons to the various developments, and the long-term impact to the area is difficult to determine. He added that staff's views are similar, but the least desirable option would be to leave a building vacant. Any option to put a building into productive use should be considered. He noted that there is a large demand within the City for both affordable and market-rate housing options.

Aldersperson Hurt asked if the financing numbers discussed by Mr. Ales were concrete or estimated numbers. Mr. Ales said his group would follow the rules for the various agencies and they have a solid idea of what most of the numbers will be, including specific rent and operating expenses. Aldersperson Hurt asked where the funding would come from if it was discovered that there were deeper issues with the property. Mr. Ales said they know there are unforeseen conditions, and have a contingency built into their budget. If that contingency is exhausted, any extra funding would need to be from the developer as part of a guarantee with the tax credit investor. Aldersperson Hurt asked why funding was being requested of the City, and if there were other funding options. Mr. Ales said the project would not support more than \$1.6 million of conventional debt, and there are other options, but they are

considered undesirable. He added the hope was for a public-private partnership with the State of Illinois and the City, and explained other available funding options.

Alderson Healy asked Mr. Ales why market-rate housing was not pursued. Mr. Ales said his group could not make those numbers work. Mr. Thompson said the goal was to develop conceptual support for the project moving forward and answer additional questions, and noted any agreement would require time and due diligence. Alderson Hurt said he likes the project, but Council needs to decide what percentages of various housing they wish to have in the City. Alderson Healy said he had concerns regarding the City holding the property, the timeframe to approve the requested \$1 million, and where those funds would be sourced within the City. Mayor Thoms noted the possibility of including tax rebates as part of any development agreement. Mr. Ales clarified that the money requested would not be an upfront cost, and they would only be entitled to them if the terms of the agreement were met.

Alderson Gilbert asked how many units in the proposed project would be one, two, or three bedrooms. Mr. Ales said there would be 29 two or three bedroom units and 15 one bedroom units. Alderson Gilbert asked what would happen if the City took possession of the building during the tax credit application process, but the developers were unable to secure the full financing package. Mr. Ales said the attorneys could provide language in that regard which would assuage concerns. He noted that he worked with the current building owner Mark Roemer recently to replace windows, and stated he could not imagine the structure being used for anything other than housing.

Mayor Thoms said the current \$5 million debt on the building has been an issue for years, and is a consideration for anyone wishing to purchase it. Mr. Ales said the project proposal addresses the concerns of all involved parties, and meets the requirements for available funding. Alderson Poulos asked when the rehabilitation project would begin and end. Mr. Ales said they would start in about a year pending approval of the proposed credits and financing, and construction in earnest would begin immediately following that, finishing at the end of 2024, with the start of leasing to tenants in the Spring of 2025. Alderson Gilbert asked how much the City paid Mr. Roemer out of the Tax Increment Financing (TIF) district. Economic Development Manager Tarah Sipes stated the amount was \$1,420,000 to be paid in four disbursements, two of which have occurred. She noted that \$75,000 for installation of new sidewalks on three sides of the building was also offered in the agreement, as well as \$100,000 towards restoration of the Chief Black Hawk mural on the north face of the building. Total cash paid to Mr. Roemer has been \$710,000. Ms. Sipes said the proposal received ten years prior is different than the one being received by Mr. Ales and his partners, as is the offer from the City.

Alderson Gilbert asked Mr. Ales if there were state and federal historic tax credits. Mr. Ales confirmed there were, and noted that deadlines were the driving force behind the discussion. He added the state historic tax credit would be competitive, and has a deadline. Having the City own the building for six months would help achieve an ancillary benefit of earning an additional point in that state program. Alderson Gilbert asked if the low-income housing tax credit was an open program. Mr. Ales said there is the Section 42 program, and the 9 percent program would be competitive. Alderson Gilbert asked if the IHDA ARPA funding program was competitive. Mr. Ales said he would defer to Mr. Bergman, who has previously worked with IHDA, and is confident the group can access those funds.

Alderson Poulos asked what obligation the City had if the project moved forward. Mayor Thoms said it was no obligation other than time, and asked if Council felt that staff should spend time getting

answers to additional questions. Alderperson Poulos expressed concern that other projects would be put on hold to accommodate this one. Mr. Brainard said CED staff has already debated the merits of the project internally for nearly a year, and the building's condition and status has had a significant and detrimental impact on the area and the City's image for a decade. If Council wished to move forward, staff would consider this a priority project. Alderperson Poulos said he would feel comfortable with that if it was not an obligation or commitment on the City's part at this time.

Alderperson Gilbert asked if the ownership entity would be for or non-profit. Mr. Ales said it would be for profit as an LLC or limited partnership with a 99.9 percent partner, who would be an investor purchasing the historic tax credits. He noted this is a standard in the industry. Alderperson Gilbert asked if he was aware of the City's new Special Service Area (SSA) tax. Mr. Ales replied affirmatively. Alderperson Parker said he appreciated Mr. Ales spending the time with staff and his effort on the project. Alderperson Hurt noted he felt comfortable with the project. Alderperson Gilbert said she wants more detailed data regarding housing in the downtown beyond census tract data. Mayor Thoms asked her if she was fine with staff continuing to work on the project details. Alderperson Healy said he wanted market-rate housing, but also did not want a mothball project. Mr. Ales said it would make his group's job easier if this project was set for market-rate housing, but they did not want to do that, thus the time spent on the project.

## **MOTION TO ADJOURN**

### **MOTION:**

Alderperson Parker moved to adjourn; Alderperson Poulos seconded.

### **VOTE:**

Motion passed on a 5-0-2 roll call vote. Aye: Parker, Poulos, Healy, Hurt, and Gilbert. Nay: None. Absent: Robinson and Swanson.

The meeting adjourned at 7:06 p.m.



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Josh Adams, Deputy City Clerk

