

**Memorandum
Community and Economic Development**

To: Thomas Thomas, City Manager
Subject: **Millennia Housing Development TIF's**
Date: September 16, 2016



In furtherance of their September 12, 2016 Study Session presentation to City Council, Millennia Housing is formally requesting the City of Rock Island approve the creation of two (2) project specific TIF's to assist in the purchase and redevelopment of the Century Woods and Heather Ridge Apartment Complex's.

Millennia Housing intends to invest approximately 66 Million Dollars in the purchase and renovation of both Complexes's but needs the TIF district's established in order to secure financing for the projects.

Millennia Housing has agreed to pay the City's costs of hiring a TIF consultant as well as the City's yearly reporting expense for each TIF. Additionally, they've agreed to reset the established base with a 10% increase in year one and will add 2% more revenue in the subsequent years until the TIF's expire.

RECOMMENDATION:

It is the recommendation of the Community and Economic Development staff that Council approve Millennia Housing's request to establish two project specific TIF's (one for Century Woods and one for Heather Ridge), direct staff to hire a TIF consultant to begin the process of creating the TIF districts and create 2 development agreements with Millennia Housing one for each project, subject to minor attorney modifications, and authorize execution by the City Manager.

Submitted by: Bret Gardella, Economic Development Manager

Approved by: Thomas Thomas, City Manager



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September 15, 2016

VIA ELECTRONIC MAIL

Mayor Dennis E. Pauley
Members of City Council
City of Rock Island, Illinois
1528 Third Avenue
Rock Island, IL 61201

**Re: \$66 Million Proposed Investment in Rock Island
Redevelopment of Century Woods and Heather Ridge Apartments**

Dear Mayor Pauley and Members of City Council:

Thank you for the opportunity to introduce ourselves and our company, and thank you for considering our proposals to invest approximately \$66 million in Rock Island through the acquisition and rehabilitation of the Century Woods and Heather Ridge apartment communities—consisting of a total of 399 rental homes. Our goal is to significantly enhance and preserve the long-term affordability of these rental homes and to provide meaningful services and amenities to the residents who live there. We appreciate your time and thoughtful comments on our presentation, and we look forward to working with you, City staff, and members of the Rock Island community to make these proposed redevelopment projects a reality.

Below is some additional information in response to your comments and questions at the study session. If you have other comments or questions, or would like more information, please let us know.

- **No Financial Risk to City.** We would redevelop the Century Woods and Heather Ridge apartments at no cost to the City. We are willing to pay for the reasonable costs of the City's tax-increment financing ("TIF") consultant and the City's annual TIF reporting. Under our TIF proposals, the City and other taxing districts will receive ten percent (10%) more tax revenue from the properties in year one, and two percent (2%) more tax revenue from the properties in each subsequent year. We have already entered into a contract to purchase these properties, lined-up financing strategies, and prepared advanced architectural plans and designs – all at our own initiative, risk, and expense.

- **Local Labor.** As we mentioned during our presentation, we will work with your offices to identify and hire qualified local subcontractors and local material providers to work on these projects. Please share your referrals and suggestions at your earliest convenience. We look forward to collaborating with you and other members of the Rock Island community.
- **Maple Ridge Apartments.** We understand that another affordable housing development in the City, called Maple Ridge Apartments, is also in need of rehabilitation. We are happy to explore whether there may be opportunities to invest in the Maple Ridge Apartments. We would welcome the City's assistance in beginning the process of determining whether such an investment is feasible.
- **Other Taxing Districts.** We agree that it is important to address any concerns that other taxing districts may have about our TIF proposals for Century Woods and Heather Ridge. We understand that the school district already has stated that it will not oppose these TIF proposals, and we believe the other taxing districts will take the same position because the proposed TIFs will benefit the taxing districts by immediately increasing their revenues, without increasing their costs. Typically, taxing districts become concerned about tax-increment financing when it imposes an "unfunded mandate" upon them (for example, when a TIF district causes new people to move into an area, requiring taxing districts to provide more services without receiving more tax revenue). That is *not* the case here. Rather, under our TIF proposals, taxing districts will provide services to the same number of people but will receive significantly more property tax revenue. Century Woods and Heather Ridge are nearly 100 percent occupied, and none of the current residents will be displaced or replaced by our renovations and redevelopment work. Moreover, our proposed TIFs will immediately provide a ten percent (10%) increase in tax revenue to the taxing districts in year one, and a two percent (2%) increase in tax revenue in each subsequent year for the duration of the TIF. At the end of the TIF period, the taxing districts would benefit from the full reassessment of the property values. Therefore, it is in the best financial interest of the other taxing districts to support these proposed TIFs. If you believe it is appropriate and desirable, we would be happy to work with you and City staff to present the economic benefits of our TIF proposals to the taxing districts.

As discussed at the City Council study session, our contracts to purchase the Century Woods and Heather Ridge apartments require us to close on the acquisitions and financing by late December of 2016. Our proposed TIFs are a critical piece of our financial puzzle.

As you know, establishing TIF districts is a process that will take some time. The first step in that process is engaging a TIF consultant to prepare an eligibility study and redevelopment plan. We would greatly appreciate your assistance in getting that process started as quickly as possible.

Toward that end, we respectfully ask that you place a resolution on the agenda for the City Council's September 19, 2016 Meeting: (1) authorizing and directing City staff to begin the process for establishing the proposed TIF districts, and (2) approving and authorizing the execution of an agreement with Kane, McKenna, and Associates, Inc. (the City's TIF consultant).

If you would like more information in the meantime, or at any time, please let us know. Thank you again for considering support for these investments in redeveloping Century Woods and Heather Ridge apartments. We look forward to working with you and making these proposed redevelopments a reality.

Best regards,



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