

Memorandum

Community and Economic Development

To: Thomas Thomas, City Manager
Subject: 1st Street TIF District
Date: August 19, 2015



The proposed 1st Street TIF district will support the redevelopment of several parcels in a key industrial area on the City's northwest side. Specifically, designation of the TIF will allow the City to:

- Coordinate land assembly in order to provide sites for redevelopment;
- Establish a pattern of land-use activities that will increase efficiency and economic viability;
- Enhance area appearance through improvements to landscape, streetscape and signage;
- Provide infrastructure that supports subsequent redevelopment plans for the RPA; and
- Enter into redevelopment agreements in order to redevelop property and/or to induce new development to locate within the RPA.

To adopt the TIF, the following ordinances must be approved as three separate action items. They are as follows:

- An ordinance of the City of Rock Island, Rock Island County, Illinois, approving a tax increment redevelopment plan and redevelopment project for the 1st Street redevelopment project area.
- An ordinance of the City of Rock Island, Rock Island County, Illinois, designating the 1st Street redevelopment project area of said City redevelopment project area pursuant to the Tax Increment Allocation Redevelopment Act.
- An ordinance of the City of Rock Island, Rock Island County, Illinois, adopting tax increment allocation financing for the 1st Street redevelopment project area.

RECOMMENDATION:

The Community and Economic Development Department recommends the Council adopt Ordinance No. _____ (ordinance of the City of Rock Island, Rock Island County, Illinois, approving a tax increment redevelopment plan and redevelopment project for the 1st Street redevelopment project area) and authorize its execution by the City Manager.

The Community and Economic Development Department recommends the Council adopt Ordinance No. _____ (An ordinance of the City of Rock Island, Rock Island County, Illinois, designating the 1st Street redevelopment project area of said City redevelopment project area pursuant to the Tax Increment Allocation Redevelopment Act) and authorize its execution by the City Manager.

The Community and Economic Development Department recommends the Council adopt Ordinance No. _____ (An ordinance of the City of Rock Island, Rock Island County, Illinois, adopting tax increment allocation financing for the 1st Street redevelopment project area.) and authorize its execution by the City Manager.

Submitted by: Jeffery A. Eder, Assistant City Manager / CED Director

Approved by: Thomas Thomas, City Manager

CITY OF ROCK ISLAND

ORDINANCE NO. O-_____-2015

**AN ORDINANCE OF THE CITY OF ROCK ISLAND,
ROCK ISLAND COUNTY, ILLINOIS, APPROVING A TAX INCREMENT REDEVELOPMENT PLAN AND
REDEVELOPMENT PROJECT FOR
THE 1ST STREET
REDEVELOPMENT PROJECT AREA**

WHEREAS, it is desirable and in the best interest of the citizens of the City of Rock Island, Rock Island County, Illinois (the “City”), for the City to implement tax increment allocation financing pursuant to the Tax Increment Allocation Redevelopment Act, Division 74.4 of Article 11 of the Illinois Municipal Code, as amended (the “Act”), for a proposed redevelopment plan and redevelopment project (the “Plan and Project”) within the municipal boundaries of the City and within a proposed redevelopment project area (the “Area”) described in Section 1(a) of this Ordinance, which Area constitutes in the aggregate more than one and one-half acres; and

WHEREAS, pursuant to Section 11-74.4-5 of the Act, the Mayor and City Council of the City (the “Corporate Authorities”) called and conducted a public hearing relative to the Plan and Project and the designation of the Area as a redevelopment project area under the Act on July 13, 2015; and

WHEREAS, due notice with respect to such hearing was given pursuant to Section 11-74.4-5 of the Act, said notice being given to taxing districts and to the Illinois Department of Commerce and Economic Opportunity (f.k.a. Department of Commerce and Community Affairs of the State of Illinois) by certified mail on May 19, 2015, by publication on June 20, 2015 and June 27, 2015 and by certified mail to taxpayers within the Area on June 23, 2015; and

WHEREAS, on May 28, 2015, notice was provided by mail to all residential addresses that, after a good faith effort, the City determined were located within 750 feet of the Area; and

WHEREAS, the City did heretofore convene a Joint Review Board as required by and in all respects in compliance with the provisions of the Act; and

WHEREAS, the Joint Review Board met on June 12, 2015 to review the public record, planning documents and proposed ordinances approving the Plan and Project and consider whether the Plan and Project and Area satisfy the requirements of the Act; and

WHEREAS, on June 12, 2015, the Joint Review Board considered and approved a resolution recommending approval of the Plan and Project and the designation of the Area by the City; and

WHEREAS, the Plan and Project set forth the factors that caused the proposed Area to qualify as a “blighted area” and the Corporate Authorities have reviewed the information concerning such factors presented at the public hearing and have reviewed other studies and are generally informed of the conditions in the proposed Area that have caused the proposed Area to qualify as a “blighted area” as defined in the Act; and

WHEREAS, the Corporate Authorities have reviewed the conditions pertaining to lack of private investment in the proposed Area to determine whether private development would take place in the proposed Area as a whole without the adoption of the proposed Plan and Project; and

WHEREAS, the Corporate Authorities have reviewed the conditions pertaining to real property in the proposed Area to determine whether contiguous parcels of real property and

improvements thereon in the proposed Area would be substantially benefited by the redevelopment of the Area pursuant to the Plan and Project; and

WHEREAS, the Corporate Authorities have reviewed the proposed Plan and Project and also the existing comprehensive plan for development of the City as a whole to determine whether the proposed Plan and Project conforms to the comprehensive plan of the City.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Rock Island, Rock Island County, Illinois, as follows:

Section 1. **Findings.** That the Corporate Authorities hereby make the following findings:

a. The Area is legally described in Exhibit A attached hereto and incorporated herein as if set out in full by this reference. The general street location for the Area is described in Exhibit B attached hereto and incorporated herein as if set out in full by this reference. The map of the Area is depicted on Exhibit C attached hereto and incorporated herein as if set out in full by this reference.

b. Conditions exist which cause the Area to be subject to designation as a redevelopment project area under the Act and to be classified as a “blighted area” and as defined in the Act.

c. The proposed Area on the whole has not been subject to growth and development through investment by private enterprise and would not be reasonably anticipated to be developed without the adoption of the Plan and Project.

d. The Plan and Project conform to the comprehensive plan for the development of the City as a whole.

e. As set forth in the Plan and Project it is anticipated that the redevelopment of the Area will be completed within twenty-three (23) years after the Area is designated and that all obligations incurred to finance redevelopment project costs, if any, as defined in the Plan and Project shall be retired not later than December 31 of the year in which payment to the municipal treasurer is made with respect to ad valorem taxes levied in the 23rd calendar year after the year in which this Ordinance approving the Plan and Project is adopted by the Corporate Authorities.

f. The parcels of real property in the proposed Area are contiguous, and only those contiguous parcels of real property and improvements thereon that will be substantially benefited by the proposed redevelopment of the Area pursuant to the Plan and Project are included in the proposed Area.

g. The implementation of the Plan and Project will not result in the displacement of residents from 10 or more inhabited residential dwelling units.

h. The Area does not contain 75 or more inhabited residential dwelling units.

Section 2. Plan and Project Approved. That the Plan and Project, which were the subject matter of the public hearing held July 13, 2015 are hereby adopted and approved. A copy of the Plan and Project is set forth in Exhibit D attached hereto and incorporated herein as if set out in full by this reference.

Section 3. Invalidity of Any Section. That if any section, paragraph, or provision of this Ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, or provision shall not affect any of the remaining provisions of this Ordinance.

Section 4. Superseder and Effective Date. All ordinances, resolutions, motions, or orders in conflict herewith shall be, and the same hereby are, repealed to the extent of such conflict, and this Ordinance shall be in full force and effect immediately upon its passage and approval in the manner provided by law.

ADOPTED this 24th day of August, 2015, pursuant to a roll call vote as follows:

AYES: _____

NAYS: _____

ABSENT: _____

ABSTENTION: _____

APPROVED by me this 24th day of August, 2015.

Mayor

ATTESTED and filed in my office,
this 24th day of August, 2015.

City Clerk

EXHIBIT A
Legal Description

Part of Section 3, Township 17 North, Range 2 West of the 4th Principal Meridian and part of Section 34, Township 18 North, Range 2 West of the 4th Principal Meridian, in the City of Rock Island, County of Rock Island, State of Illinois, more particularly described as follows;

Beginning at the at the intersection of the southerly extension of the west right of way line of Mill Street and the south right of way line of 18th Avenue;

Thence northerly along said west right of way line and it's southerly extension, a distance of 808 feet, more or less to the south line of Lot 18 in Manufacturer's Addition;

Thence easterly along the southerly line of said Lot 18 and Lot 7 in Manufacturer's Addition and it's easterly projection, a distance of 487 feet, more or less to the westerly right of way line of an existing railroad;

Thence northerly along said westerly right of way line, a distance of 865 feet, more or less to the south right of way line of 13th Avenue;

Thence easterly along said south right of way line, a distance of 30 feet, more or less to said westerly right of way line of an existing railroad;

Thence northerly along said westerly right of way line, a distance of 1,152 feet, more or less to the southeasterly right of way line of 6th Avenue;

Thence northwesterly, a distance of 60 feet, more or less to the northwesterly right of way line of 6th Avenue;

Thence northeasterly, a distance of 720 feet, more or less to the southwestly right of way line of 2nd Street;

Thence southeasterly, a distance of 80 feet, more or less to the intersection of the southeasterly right of way line of 6th Avenue and the northeasterly right of way line of 2nd Street;

Thence easterly along the southeasterly right of way line of 6th Avenue, a distance of 123 feet, more or less to the westerly right of way line of the Rock Island Parkway a.k.a. Route 92;

Thence southerly along said westerly right of way line, a distance of 3,135 feet, more or less to the south right of way line of 18th Avenue;

Thence westerly along said southerly right of way line, a distance of 840 feet, more or less to the Point of Beginning.

The above described parcel contains approximately 57 acres.

EXHIBIT B

General Street Location

The proposed Redevelopment Project Area is generally described as a contiguous area the boundaries of which are 6th Avenue on the North, Illinois Route No. 92 (Rock Island Parkway) on the East, 18th Avenue on the South, and Mill Street and the Iowa Interstate Railroad on the West.

EXHIBIT C

Boundary Map

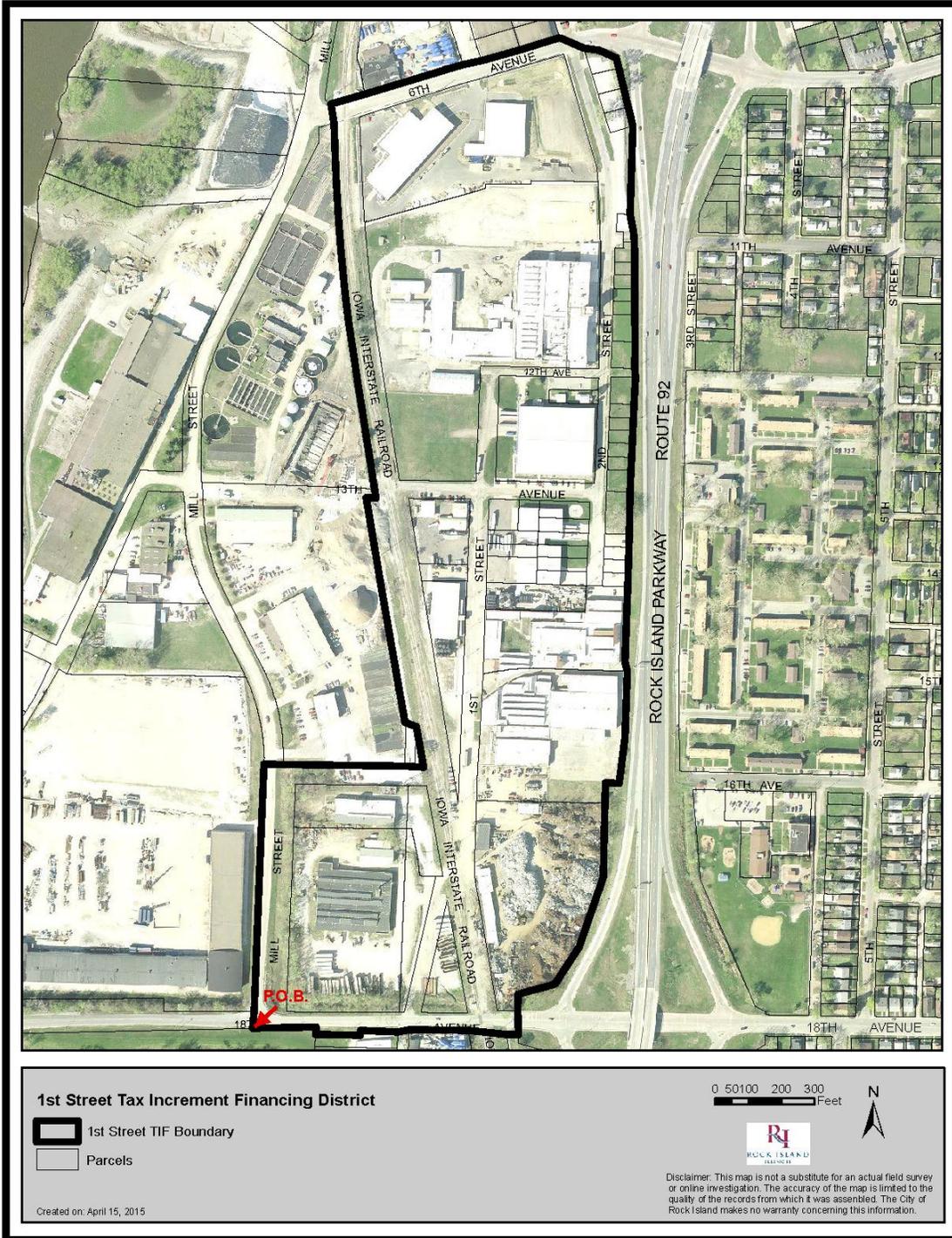


EXHIBIT D

Redevelopment Plan and Project

CITY OF ROCK ISLAND, ILLINOIS

**TAX INCREMENT FINANCING DISTRICT
REDEVELOPMENT PLAN**

1st STREET TAX INCREMENT FINANCING DISTRICT

“Redevelopment plan” means the comprehensive program of the municipality for development or redevelopment intended by the payment of redevelopment project costs to reduce or eliminate those conditions the existence of which qualified the redevelopment project area as a “blighted area” or “conservation area” or combination thereof or “industrial park conservation area,” and thereby to enhance the tax bases of the taxing districts which extend into the redevelopment project area as set forth in the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-3, et. seq., as amended.

Prepared by the City of Rock Island, Illinois

in conjunction with

Kane, McKenna and Associates, Inc.

August 2015

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I. INTRODUCTION

The City of Rock Island (the "City") is an established community located in Rock Island County, Illinois. Together with Moline and East Moline, Illinois and Davenport, Iowa, it is one of the four "Quad Cities" situated along the Mississippi River. The advantageous location puts it at the center of a sizable "trade area" that allows Rock Island businesses to draw from and potentially attract a large number of customers and businesses to the area.

In this report, the City proposes a Tax Increment Financing Redevelopment Plan (the "Plan") to assist an area in overcoming a number of redevelopment barriers. Kane, McKenna and Associates, Inc. (KMA) has been retained by the City of Rock Island to conduct an analysis of the potential qualification and designation of the area as a Tax Increment Financing ("TIF") District, and to assist the City in drafting this TIF Redevelopment Plan.

TIF Plan Requirements. The City is completing this Plan as required by the Tax Increment Allocation Redevelopment Act, (the "Act") 65 ILCS 5/11-74.4-3, et. seq., as amended. To establish a TIF District or Redevelopment Project Area ("RPA"), Illinois municipalities must adopt several documents, including a TIF Redevelopment Plan and Qualification Report.

The Act enables Illinois municipalities to establish TIF districts, either to eliminate the presence of blight or to prevent its onset. The Act finds that municipal TIF authority serves a public interest so as to: "promote and protect the health, safety, morals, and welfare of the public, that blighted conditions need to be eradicated and conservation measures instituted, and that redevelopment of such areas be undertaken; that to remove and alleviate adverse conditions it is necessary to encourage private investment and restore and enhance the tax base of the taxing districts in such areas by the development or redevelopment of project areas" (65 ILCS 5/11-74.4-2(b)).

By definition, a Tax Increment Financing District Redevelopment Plan means the comprehensive program of the municipality for development or redevelopment intended by the payment of redevelopment project costs to reduce or eliminate those conditions the existence of which qualify the redevelopment project area as a "blighted area," "conservation area" or combination thereof, or "industrial park conservation area," and thereby to enhance the tax bases of the taxing districts which extend into the redevelopment project area as set forth in the Tax Increment Allocation Redevelopment Act.

Community Background. The City of Rock Island was established in 1841 (after the original settlement of Stephenson was established, the community was renamed Rock Island in 1841), making it one of the oldest communities in Illinois. The City has a stable population. In 2013, the City had a population of 38,877, nearly unchanged from the 2000 and 2010 Census figures.

The unemployment rate has improved significantly. Rock Island County's current unemployment rate is 6.0 percent, per the Federal Reserve Bank of Chicago, approximately equal to the State of Illinois rate. Since the peak unemployment rate in January 2010, the county and state have experienced major improvements with the county outperforming the state over the past 4 ½ years until the state "caught up" in July 2014.

The City has a number of assets. Apart from a sizable trade area, it is located in close proximity to Chicago, Naperville, and Rockford with good transportation options to those cities. The City is approximately 180 miles west of Chicago, 155 miles west of Naperville, Illinois, and 135 miles southwest of Rockford, Illinois. Historically, the City has had a strong portfolio of transportation assets, including the very first rail road bridge over the Mississippi River. Today, its legacy of transportation "connectivity" continues, with modern transit connections including not only rail but multiple Interstate highways (I-80, I-88, I-74) as well as shipping along the Mississippi River.

In addition, Rock Island is served by high-quality K-12 and higher education institutions. Numerous public and private schools serve the area, while Augustana College and other colleges provide higher education and workforce training and act as a regional draw to the area. The main campuses of Western Illinois University and Northern Illinois University are located just 1½ hours away as well. Lastly, the City itself provides quality services under professional city management.

Despite the area's latent strengths, many parcels in the proposed TIF District are underutilized. The TIF District as a whole suffers from a variety of economic development impediments as identified in the TIF Act, such as obsolescence. In comparison to the balance of City taxable value, the TIF district property valuations have lagged behind the City's annual growth rates. The *Tax Increment Financing District Qualification Report* (Appendix 5) identifies other impediments to redevelopment.

The 1st Street TIF area has the potential for redevelopment of certain underutilized properties as well as other existing properties. Such redevelopment would build upon locational advantages and established commercial uses. As such, the City has identified a number of objectives for redevelopment, with tax increment financing acting as a tool to achieve them. Please refer to Section III of this report for additional information about the goals, objectives and activities to support redevelopment.

The TIF District. The Study Area is generally located along 1st Street, with tax parcels on both sides of the street. Most parcels are industrial in character, with the exception of a recently vacated, single-family home and two public works building situated on the northern border of the proposed TIF District (6th Avenue). Because of historically unplanned development, the area is intensively

developed with large structures situated on relatively small parcels (i.e., a large building footprint relative to the parcel size).

Overall, the RPA contains approximately fifty-nine (59) tax parcels and approximately nineteen (19) buildings.

The proposed TIF District suffers from a variety of economic development impediments, as identified in the TIF Act. For example, it suffers from obsolescence and lagging EAV. Overall, Section V of the *Tax Increment Financing District Qualification Report* (see Appendix 5) report identifies the following impediments to redevelopment:

- Inadequate Utilities
- Obsolescence
- Lagging EAV
- Deterioration
- Deleterious Layout
- Lack of Community Planning
- Excessive Coverage

On balance, the combination of these factors limits the opportunities for private reinvestment within and around the RPA. Such factors potentially suppress the value of future development and weaken the potential for business growth – limiting employment and contributing to the lack of sustained investment in the area.

Going forward, the RPA may be suitable for new development if there is coordination of uses and redevelopment activity by the City. Under this TIF Redevelopment Plan and as part of its comprehensive economic development planning, the City intends to attract and encourage industrial uses to locate, upgrade, expand and/or modernize their facilities within the City. Through the establishment of the RPA, the City would implement a program to redevelop key areas within the City through the provision of public improvements and the coordination of redevelopment activities. In so doing, the City would stabilize the area, extend benefits to the community, and assist affected taxing districts over the long run.

Rationale for Redevelopment Plan. The City recognizes the need for a strategy to revitalize properties and promote development within the boundaries of the RPA. The needed private investment may only be possible if a TIF District is adopted pursuant to the terms of the Act. Incremental property tax revenue generated by the development will play a decisive role in encouraging private development. Site conditions that may have precluded intensive private investment in the past will be eliminated. Ultimately, the implementation of the Plan will benefit both the City and surrounding taxing districts, by virtue of the expected expansion of the tax base.

The City does not anticipate that area as a whole would be developed in a coordinated manner without the adoption of the TIF Redevelopment Plan. The City, with the assistance of KMA, has therefore commissioned this Plan to use tax increment financing in order to address local needs and to meet redevelopment goals and objectives.

The adoption of this Plan makes possible the implementation of a comprehensive program for the economic redevelopment of the area. By means of public investment, the RPA will become a more viable area that will attract private investment. The public investment will lay the foundation for the redevelopment of the area with private capital. This in turn will set the stage for future industrial, commercial and mixed use development opportunities.

The designation of the area as an RPA will allow the City to pursue the following beneficial strategies:

- Coordinating land assembly in order to provide sites for redevelopment;
- Establishing a pattern of land-use activities that will increase efficiency and economic inter-relationships, especially as such uses complement adjacent current and/or future commercial opportunities and City redevelopment projects within the RPA and/or surrounding area;
- Enhancing area appearance through improvements to landscape, streetscape and signage;
- Providing infrastructure that supports subsequent redevelopment plans for the RPA; and
- Entering into redevelopment agreements in order to redevelop property and/or to induce new development to locate within the RPA.

Through this Plan, the City will serve as the central influence for the coordination and assembly of the assets and investments of the private sector and establish a unified, cooperative public-private redevelopment effort. Several benefits are expected to accrue to the area: entry of new businesses; new employment opportunities; and physical and aesthetic improvements. Ultimately, the implementation of the Plan will benefit (a) the City, (b) the taxing districts serving the RPA, (c) residents and property owners within the RPA, and (d) existing and new businesses.

City Findings. The City, through legislative actions as required by the Act, finds:

- That the RPA as a whole has not been subject to growth and development through investment by private enterprise;

- That in order to promote and protect the health, safety, and welfare of the public, certain conditions that have adversely affected redevelopment within the RPA need to be addressed, and that redevelopment of such areas must be undertaken;
- To alleviate the adverse conditions, it is necessary to encourage private investment and enhance the tax base of the taxing districts in such areas by the development or redevelopment of certain areas;
- That public/private partnerships are determined to be necessary in order to achieve development goals;
- That without the development focus and resources provided for under the Act and as set forth in this Plan, growth and development would not reasonably be expected to be achieved;
- That the use of incremental tax revenues derived from the tax rates of various taxing districts in the RPA for the payment of redevelopment project costs is of benefit to the taxing districts, because the taxing districts would not derive the benefits of an increased assessment base without addressing the coordination of redevelopment; and
- That the TIF Redevelopment Plan conforms to the Rock Island *Comprehensive Plan*, as detailed in Section III of this report.

It is further found, and certified by the City, in connection to the process required for the adoption of this Plan pursuant to the Act, that the projected redevelopment of the RPA would not result in the displacement of ten (10) inhabited residential units or more, and that the RPA contains fewer than seventy-five (75) inhabited residential units. Therefore, *this Plan does not include a Housing Impact Study.*

The redevelopment activities that will take place within the RPA will produce benefits that are reasonably distributed throughout the RPA. Redevelopment of the RPA area is tenable only if a portion of the improvements and other costs are funded by TIF.

Pursuant to the Act, the RPA includes only those contiguous parcels of real property and improvements thereon substantially benefited by the redevelopment project. Also pursuant to the Act, the area in the aggregate is more than 1½ acres. A boundary map of the RPA is included in Appendix 2 of this Plan.

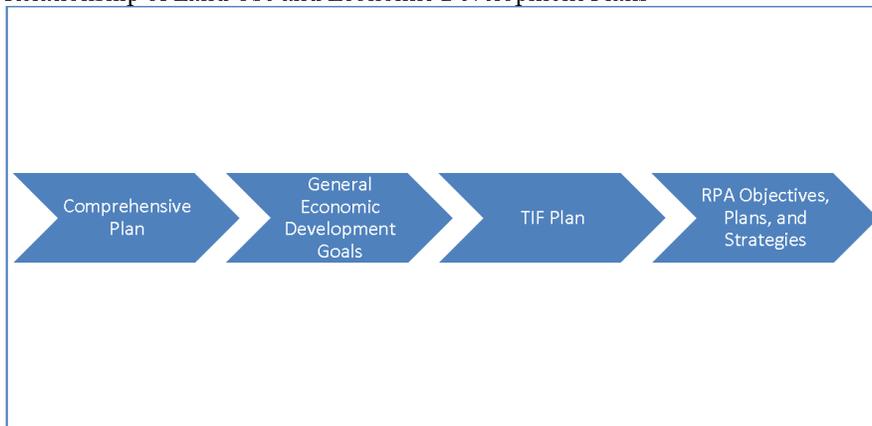
II. REDEVELOPMENT PROJECT AREA LEGAL DESCRIPTION

The Redevelopment Project Area legal description is attached in Appendix 1.

III. REDEVELOPMENT PROJECT AREA GOALS AND OBJECTIVES

The City has established a number of economic development goals, objectives, and strategies which would determine the kinds of activities to be undertaken within the 1st Street TIF District. These efforts would conform to and promote the achievement of land use objectives in the City's *Comprehensive Plan*.

Table 1
Relationship of Land Use and Economic Development Plans



As indicated in Table 1 above, the City's primary planning document is the *Comprehensive Plan* which describes the overall vision for the City and is the foundation for City initiatives such as the 1st Street TIF District. This overarching planning document determines future land uses and influences all other City planning effort such as the TIF planning process.

General Economic Development Goals of the City. Establishment of the 1st Street RPA supports the following City-wide objectives articulated in the *Comprehensive Plan* that would guide future economic development activities and influence the parameters of future redevelopment projects.

Table 2
 Components of *Comprehensive Plan* Applicable to 1st Street RPA

Policy Goals (Excerpts)
<ul style="list-style-type: none"> • Grow the local economy through the creation, expansion and growth of new and existing businesses
<ul style="list-style-type: none"> • Enhance economic competitiveness and increase the non-residential tax base
<ul style="list-style-type: none"> • Focus redevelopment within “Placemaking Areas” to enhance the vitality of those areas
<ul style="list-style-type: none"> • Clean up environmentally contaminated sites for economic re-use
<ul style="list-style-type: none"> • Enhance and beautify gateways along major corridors (e.g., IL-92)

Source: City of Rock Island *Comprehensive Plan*, 2014

Specific Objectives and Strategies for the RPA. The general goals for economic development cited above would be supported by specific objectives, strategies and performance measures that would “drive” the redevelopment activities undertaken within the RPA. For example, the *Comprehensive Plan* recommends a strategy to “strengthen connections to grow existing businesses and foster entrepreneurship.”

Additionally, the *Strategic Development Plan* identified a number of recommended actions or strategies that would be supported and potentially financed by TIF designation. A major component is the identification of the City’s West End, which incorporates the TIF District, as a priority for action. (See table below.)

Table 3
 Components of the *Strategic Development Plan* Applicable to 1st Street RPA

Component	Recommended Strategies(Excerpts)
West End Employment – An Intermodal Employment Center for the 21 st Century	<ul style="list-style-type: none"> • Capitalizing on its “unique multimodal and inter-modal assets,” the area would attract and grow businesses in key regional clusters • Taking advantage of local, regional and state programs, area businesses would reinvest in facilities and address environmental issues • Attract new businesses to sites that will have been assembled and cleaned up • Address visual blight •

Source: City of Rock Island *Strategic Development Plan*, 2014

TIF designation would allow the City to pursue the following objectives within the RPA:

- Reduce or eliminate blight or other negative factors present within the area;
- Coordinate redevelopment activities within the RPA in order to provide a positive marketplace signal to private investors;
- Accomplish redevelopment over a reasonable time period;
- Create an attractive overall appearance for the area; and
- Further the goals and objectives of the *Comprehensive Plan*.

Ultimately, the implementation of the Redevelopment Project would contribute to the economic development of the area and provide new employment opportunities for City residents.

The RPA-specific objectives would be fulfilled by the execution of certain strategies, including but not limited to the following:

- Facilitating the preparation of improved and vacant sites, while assisting private developers who would assemble suitable sites for modern development needs;
- Coordinating site preparation to provide additional land for new development, as appropriate;
- Fostering the replacement, repair, and/or improvement of infrastructure, including (as needed) sidewalks, streets, curbs, gutters and underground water and sanitary systems to facilitate the construction of new development within the RPA;
- Facilitating the provision of adequate on- and off-street parking within the RPA;
- Coordinating development in tandem with any transportation system upgrades to make the area more accessible; and/or
- Supporting improvements to address visual blight, including those identified in the *Strategic Development Plan*.

To track success in meeting RPA-specific objectives and strategies, the City may wish to consider establishing certain performance measures that would help the City monitor the projects to be undertaken within the RPA. The Government Finance Officers Association recommends that municipalities adopting TIF districts evaluate actual against projected performance (e.g., using metrics such as job creation or tax revenue generation). Table 4 identifies the types of performance measures the City may consider to track the performance of projects

within the RPA. (Section VI of this report discusses the types of projects that the City may pursue within the RPA, with the caveat that specific projects at this point are only conceptual in nature.)

Table 4
Examples of TIF Performance Measures

Measure	Examples
Input	Public investment (\$) Private investment (\$) Acres of land assembled for TIF
Output/Workload	Jobs created or retained Number of streetscaping fixtures installed Commercial space created (square feet)
Efficiency	Leverage ratio (private investment / public investment) Cost per square foot of commercial space Public subsidies per job created/retained
Effectiveness	% change in assessed value (AV) in TIF versus AV in rest of City % change in AV within TIF before and after TIF creation Municipal sales taxes before and after TIF creation
Risk	Debt coverage ratio Credit ratings of anchor tenants Tenant diversification (e.g., percent of total TIF EAV attributable to top 10 tenants in commercial development)

Source: *An Elected Official's Guide to Tax Increment Financing*, Government Finance Officers Association.

IV. EVIDENCE OF THE LACK OF DEVELOPMENT AND GROWTH; FISCAL IMPACT ON TAXING DISTRICTS

Evidence of the Lack of Development and Growth within the RPA. As documented in Appendix 5 of this Plan, the RPA has suffered from the lack of development and would qualify as a blighted area. In recent years, the area has not benefited from sustained public or private investment and/or development. Absent intervention by the City, properties within the RPA would not be likely to gain in value.

The RPA exhibits various conditions which, if not addressed by the City, would eventually result in blight. For example, structures and public improvements reflect lagging EAV and obsolescence. Vacancies have also affected the area's appearance and perception by potential investors. These various conditions discourage private sector investment in business enterprises.

Assessment of Fiscal Impact on Affected Taxing Districts. It is not anticipated that the implementation of this Plan will have a negative financial impact on the affected taxing districts. Instead, action taken by the City to stabilize and cause growth of its tax base through the implementation of this Plan will have a *positive impact* on the affected taxing districts by arresting the potential decline or lag in property values, as measured by assessed valuations (AV). In short, the establishment of a TIF district would protect other taxing districts from the potential downside risk of falling AV.

Should the City achieve success in attracting private investment which results in the need for documented increased services from any taxing districts, the City will consider the declaration of "surplus funds," as defined under the Act. Such funds which are neither expended nor obligated for TIF-related purposes can be used to assist affected taxing districts in paying the costs for increased services.

Any surplus Special Tax Allocation Funds (to the extent any surplus exists) will be shared in proportion to the various tax rates imposed by the taxing districts, including the City. Any such sharing would be undertaken after all TIF-eligible costs – either expended or incurred as an obligation by the City – have been duly accounted for through administration of the Special Tax Allocation Fund to be established by the City as provided by the Act.

An exception to the tax-sharing provision relates to the City's utilization of TIF funding to mitigate the impact of residential redevelopment upon school and library districts. In such cases, the City will provide funds to offset the costs incurred by eligible school and the library district in the manner prescribed by 65 ILCS Section 5/11-74.4.3(q)(7.5) of the Act. (Refer to Section VI of this Report, which describes allowable TIF project costs.)

V. QUALIFICATION FACTORS PRESENT IN THE RPA

Findings. The RPA was studied to determine its qualifications under the Tax Increment Allocation Redevelopment Act. It was determined that the area as a whole qualifies as a TIF district under the Act. Refer to the *TIF Qualification Report*, attached as Appendix 5 in this Plan.

Eligibility Survey. Representatives of KMA and City staff evaluated the RPA from January 2015 to the date of this Plan. Analysis was aided by certain reports obtained from the City, reports from City engineering consultants, on-site due diligence, and other sources. In KMA's evaluation, only information was recorded which would help assess the eligibility of the area as a TIF District.

VI. REDEVELOPMENT PROJECT

Redevelopment Plan and Project Objectives. As indicated in Section III of this Report, the City has established a planning process which guides economic development and land use activities throughout the City. Consistent with the established planning process, the City proposes to achieve economic development goals and objectives through the redevelopment of the 1st Street RPA, pursuit of projects within the RPA, and the promotion of private investment via public financing techniques (including but not limited to tax increment financing).

The project-specific objectives envisioned for the 1st Street RPA are as follows:

- 1) Implementing a plan that provides for the attraction of users to redevelop underutilized land and buildings that are available within the RPA.
- 2) Constructing public improvements which may include (if necessary):
 - Street and sidewalk improvements (including new street construction and widening of current streets; any street widening would conform with City standards for context-sensitive design);
 - Utility improvements (including, but not limited to, water, stormwater management, and sanitary sewer projects consisting of construction and rehabilitation);
 - Signalization, traffic control and lighting;
 - Off-street parking and public parking facilities; and
 - Landscaping and beautification.
- 3) Entering into Redevelopment Agreements with developers for qualified redevelopment projects, including (but not limited to) the provision of an interest rate subsidy as allowed under the Act.
- 4) Providing for site preparation, clearance, environmental remediation, and demolition, including grading and excavation, as provided for under the TIF Act.
- 5) Exploration and review of job training programs in coordination with any City, federal, state, and county programs.

Redevelopment Activities. Pursuant to the project objectives cited above, the City will implement a coordinated program of actions. These include, but are not limited to, acquisition, site preparation, clearance, demolition, provision of public infrastructure and related public improvements, and rehabilitation of structures, if necessary. Such activities conform to the provision of the TIF Act that define the scope of permissible redevelopment activities.

Site Preparation, Clearance, and Demolition

Property within the RPA may be acquired and improved through site clearance, excavation, environmental remediation or demolition prior to redevelopment. The land may also be graded and cleared prior to redevelopment.

Land Assembly

Certain properties in the RPA (or the entire RPA) may be acquired, assembled and reconfigured into appropriate redevelopment sites. It is expected that the City would facilitate private acquisition through reimbursement or write-down of related costs, including the acquisition of land needed for construction of public improvements. Relocation may also be required and the City would conform to the provisions of the Act.

Public Improvements

The City may, but is not required to, provide public improvements in the RPA to enhance the immediate area and support the Plan. Appropriate public improvements may include, but are not limited to:

- Improvements and/or construction of public utilities including extension of water mains as well as sanitary and storm sewer systems, detention facilities, roadways, and traffic-related improvements;
- Parking facilities (on grade and parking structures); and
- Beautification, identification markers, landscaping, lighting, signage of public right-of-ways, and other elements of a streetscaping program.

Rehabilitation

The City may provide for the rehabilitation of certain structures within the RPA in order to provide for the redevelopment of the area and conform to City code provisions. Improvements may include exterior and facade-related work as well as interior-related work.

Interest Rate Write-Down

The City may enter into agreements with for-profit or non-profit owners/developers whereby a portion of the interest cost for construction, renovation or rehabilitation projects are paid for out of the Special Tax Allocation fund of the RPA, in accordance with the Act.

Job Training

The City may assist facilities and enterprises located within the RPA in obtaining job training assistance. Job training and retraining programs currently available from or through other governments include, but are not limited to:

- Federal programs;
- State of Illinois programs;
- Applicable local vocational educational programs, including community college sponsored programs; and
- Other federal, state, county or non-profit programs that are currently available or will be developed and initiated over time.

School and Library District Costs

The City may provide for payment of school district and library district costs as provided for in the Act relating to residential components assisted through TIF funding.

General Land Use Plan. As noted in Section I of this report, the RPA currently contains primarily industrial and commercial uses. Existing land uses are shown in Appendix 3 attached hereto and made a part of this Plan. Appendix 4 designates intended land uses in the Redevelopment Project Area. Future land uses will conform to the Zoning Ordinance and the *Comprehensive Plan* as either may be amended from time to time.

Additional Design and Control Standards. The appropriate design standards (including any Planned Unit Developments) as set forth in the City’s Zoning Ordinance and/or *Comprehensive Plan* shall apply to the RPA.

Eligible Redevelopment Project Costs. Under the TIF statute, redevelopment project costs mean and include the sum total of all reasonable or necessary costs incurred or estimated to be incurred as well as any such costs incidental to the Plan. (Private investments, which supplement “Redevelopment Project Costs,” are expected to substantially exceed such redevelopment project costs.) Eligible costs permitted by the Act and pertaining to this Plan include:

- (1) *Professional Service Costs* – Costs of studies, surveys, development of plans, and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, financial, planning or other services, provided however that no charges for professional services may be based on a percentage of the tax increment collected; except that on and after November 1, 1999 (the effective date of Public Act 91-478), no contracts for professional services, excluding architectural and engineering services, may be entered into if the terms of the contract extend beyond a period of 3 years. After consultation with the municipality, each tax increment consultant or advisor to a municipality that plans to designate or has designated a redevelopment project area

shall inform the municipality in writing of any contracts that the consultant or advisor has entered into with entities or individuals that have received, or are receiving, payments financed by tax increment revenues produced by the redevelopment project area with respect to which the consultant or advisor has performed, or will be performing, service for the municipality. This requirement shall be satisfied by the consultant or advisor before the commencement of services for the municipality and thereafter whenever any other contracts with those individuals or entities are executed by the consultant or advisor;

- The cost of marketing sites within the redevelopment project area to prospective businesses, developers, and investors;
 - Annual administrative costs shall *not* include general overhead or administrative costs of the municipality that would still have been incurred by the municipality if the municipality had not designated a redevelopment project area or approved a redevelopment plan;
 - In addition, redevelopment project costs shall *not* include lobbying expenses;
- (2) *Property Assembly Costs* – Costs including but not limited to acquisition of land and other property (real or personal) or rights or interests therein, demolition of buildings, site preparation, site improvements that serve as an engineered barrier addressing ground level or below ground environmental contamination, including, but not limited to parking lots and other concrete or asphalt barriers, and the clearing and grading of land;
- (3) *Improvements to Public or Private Buildings* – Costs of rehabilitation, reconstruction, repair, or remodeling of existing public or private buildings, fixtures, and leasehold improvements; and the cost of replacing an existing public building if pursuant to the implementation of a redevelopment project the existing public building is to be demolished to use the site for private investment or devoted to a different use requiring private investment; including any direct or indirect costs relating to Green Globes¹ or LEED-certified construction elements or construction elements with an equivalent certification per the TIF Act;
- (4) *Public Works* – Costs of the construction of public works or improvements, including any direct or indirect costs relating to Green Globes or LEED certified construction elements or construction elements with an equivalent certification, except that on and after November 1, 1999, redevelopment project costs shall not include the cost of constructing a new municipal public building principally used to provide

¹ Green Globes is an environmental assessment and certification program for commercial buildings, operated by the Green Buildings Initiative.

offices, storage space, or conference facilities or vehicle storage, maintenance, or repair for administrative, public safety, or public works personnel and that is not intended to replace an existing public building as provided under paragraph (3) of subsection (q) of Section 11-74.4-3 unless either (i) the construction of the new municipal building implements a redevelopment project that was included in a redevelopment plan that was adopted by the municipality prior to November 1, 1999 or (ii) the municipality makes a reasonable determination in the redevelopment plan, supported by information that provides the basis for that determination, that the new municipal building is required to meet an increase in the need for public safety purposes anticipated to result from the implementation of the redevelopment plan;

- (5) *Job Training* – Costs of job training and retraining projects, including the cost of "welfare to work" programs implemented by businesses located within the redevelopment project area;
- (6) *Financing Costs* – Costs including but not limited to all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued hereunder including (a) interest accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for a period not exceeding 36 months thereafter and (b) reasonable reserves related thereto;
- (7) *Capital Costs* – To the extent the municipality by written agreement accepts and approves the same, all or a portion of a taxing district's capital costs resulting from the redevelopment project necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of the redevelopment plan and project;
- (8) *School-Related Costs* – For redevelopment project areas designated (or redevelopment project areas amended to add or increase the number of tax-increment-financing assisted housing units) on or after November 1, 1999, an elementary, secondary, or unit school district's increased costs attributable to assisted housing units located within the redevelopment project area for which the developer or redeveloper receives financial assistance through an agreement with the municipality or because the municipality incurs the cost of necessary infrastructure improvements within the boundaries of the assisted housing sites necessary for the completion of that housing as authorized by the Act, and which costs shall be paid by the municipality from the Special Tax Allocation Fund when the tax increment revenue is received as a result of the assisted housing units and shall be calculated annually.²

² The calculation is as follows: (A) for foundation districts, excluding any school district in a municipality with a population in excess of 1,000,000, by multiplying the district's increase in attendance resulting from the net increase in new students enrolled in that school district who reside in housing units within the redevelopment project area that have

Any school district seeking payment shall, after July 1 and before September 30 of each year, provide the municipality with reasonable evidence to support its claim for reimbursement before the municipality shall be required to approve or make the payment to the school district. If the school district fails to provide the information during this period in any year, it shall forfeit any claim to reimbursement for that year. School districts may adopt a resolution waiving the right to all or a portion of the reimbursement otherwise required by the Act. By acceptance of this reimbursement the school district waives the right to directly or indirectly set aside, modify, or contest in any manner the establishment of the redevelopment project area or projects;

Certain library district costs may also be paid as provided for in the Act.

- (9) *Relocation Costs* – To the extent that a municipality determines that relocation costs shall be paid or is required to make payment of relocation costs by federal or State law or in order to satisfy subparagraph (7) of subsection (n) of the Act;
- (10) *Payment in lieu of taxes*;
- (11) *Other Job Training* – Costs of job training, retraining, advanced vocational education or career education, including but not limited to courses in occupational, semi-technical or technical fields leading directly to employment, incurred by one or more taxing districts, provided that such costs (i) are related to the establishment and maintenance of

received financial assistance through an agreement with the municipality or because the municipality incurs the cost of necessary infrastructure improvements within the boundaries of the housing sites necessary for the completion of that housing as authorized by the Act since the designation of the redevelopment project area by the most recently available per capita tuition cost as defined in Section 10-20.12a of the School Code less any increase in general State aid as defined in Section 18-8.05 of the School Code attributable to these added new students subject to the following annual limitations: (i) for unit school districts with a district average 1995-96 Per Capita Tuition Charge of less than \$5,900, no more than 25% of the total amount of property tax increment revenue produced by those housing units that have received tax increment finance assistance under the Act; (ii) for elementary school districts with a district average 1995-96 Per Capita Tuition Charge of less than \$5,900, no more than 17% of the total amount of property tax increment revenue produced by those housing units that have received tax increment finance assistance under the Act; and (iii) for secondary school districts with a district average 1995-96 Per Capita Tuition Charge of less than \$5,900, no more than 8% of the total amount of property tax increment revenue produced by those housing units that have received tax increment finance assistance under the Act. (B) For alternate method districts, flat grant districts, and foundation districts with a district average 1995-96 Per Capita Tuition Charge equal to or more than \$5,900, excluding any school district with a population in excess of 1,000,000, by multiplying the district's increase in attendance resulting from the net increase in new students enrolled in that school district who reside in housing units within the redevelopment project area that have received financial assistance through an agreement with the municipality or because the municipality incurs the cost of necessary infrastructure improvements within the boundaries of the housing sites necessary for the completion of that housing as authorized by the Act since the designation of the redevelopment project area by the most recently available per capita tuition cost as defined in Section 10-20.12a of the School Code less any increase in general state aid as defined in Section 18-8.05 of the School Code attributable to these added new students subject to the following annual limitations: (i) for unit school districts, no more than 40% of the total amount of property tax increment revenue produced by those housing units that have received tax increment finance assistance under the Act; (ii) for elementary school districts, no more than 27% of the total amount of property tax increment revenue produced by those housing units that have received tax increment finance assistance under the Act; and (iii) for secondary school districts, no more than 13% of the total amount of property tax increment revenue produced by those housing units that have received tax increment finance assistance under the Act. (C) For any school district in a municipality with a population in excess of 1,000,000, additional provisions apply.

additional job training, advanced vocational education or career education programs for persons employed or to be employed by employers located in a redevelopment project area; and (ii) when incurred by a taxing district or taxing districts other than the municipality, are set forth in a written agreement by or among the municipality and the taxing district or taxing districts, which agreement describes the program to be undertaken, including but not limited to the number of employees to be trained, a description of the training and services to be provided, the number and type of positions available or to be available, itemized costs of the program and sources of funds to pay for the same, and the term of the agreement. Such costs include, specifically, the payment by community college districts of costs pursuant to Sections 3-37, 3-38, 3-40 and 3-40.1 of the Public Community College Act and by school districts of costs pursuant to Sections 10-22.20a and 10-23.3a of The School Code;

- (12) *Developer Interest Cost* – Interest cost incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project provided that:
- (A) Such costs are to be paid directly from the special tax allocation fund established pursuant to the Act;
 - (B) Such payments in any one year may not exceed 30% of the annual interest costs incurred by the redeveloper with regard to the redevelopment project during that year;
 - (C) If there are not sufficient funds available in the special tax allocation fund to make the payment then the amounts so due shall accrue and be payable when sufficient funds are available in the special tax allocation fund;
 - (D) The total of such interest payments paid pursuant to the Act may not exceed 30% of the total (i) cost paid or incurred by the redeveloper for the redevelopment project plus (ii) redevelopment project costs excluding any property assembly costs and any relocation costs incurred by a municipality pursuant to the Act;
 - (E) The cost limits set forth in subparagraphs (B) and (D) of paragraph shall be modified for the financing of rehabilitated or new housing units for low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act. The percentage of 75% shall be substituted for 30% in subparagraphs (B) and (D).
 - (F) Instead of the eligible costs provided by subparagraphs (B) and (D), as modified by this subparagraph, and notwithstanding any other provisions of the Act to the contrary, the municipality may pay from tax increment revenues up to 50% of the cost of construction of new housing units to be occupied by low-income households and very low-income households as defined in Section 3 of the Illinois Affordable Housing Act. The cost of construction of those units may be derived from the proceeds of bonds issued by the municipality under the Act or

other constitutional or statutory authority or from other sources of municipal revenue that may be reimbursed from tax increment revenues or the proceeds of bonds issued to finance the construction of that housing. The eligible costs provided under this subparagraph (F) shall be an eligible cost for the construction, renovation, and rehabilitation of all low and very low-income housing units, as defined in Section 3 of the Illinois Affordable Housing Act, within the redevelopment project area. If the low and very low-income units are part of a residential redevelopment project that includes units not affordable to low and very low-income households, only the low and very low-income units shall be eligible for benefits under subparagraph (F).³

The TIF Act prohibits certain costs. Unless explicitly stated herein the cost of construction of new privately-owned buildings shall not be an eligible redevelopment project cost. In addition, the statute prohibits costs related to retail development that results in the closing of nearby facilities of the same retailers. Specifically, none of the redevelopment project costs enumerated in the Act shall be eligible redevelopment project costs if those costs would provide direct financial support to a retail entity initiating operations in the redevelopment project area while terminating operations at another Illinois location within 10 miles of the redevelopment project area but outside the boundaries of the redevelopment project area municipality.⁴

No cost shall be a redevelopment project cost in a redevelopment project area if used to demolish, remove, or substantially modify a historic resource, after August 26, 2008, unless no prudent and feasible alternative exists. "Historic Resource" means (i) a place or structure that is included or eligible for inclusion on the National Register of Historic Places or (ii) a contributing structure in a district on the National Register of Historic Places. This restriction does not apply to a place or structure for which demolition, removal, or modification is subject to review by the preservation agency of a Certified Local Government designated as such by the National Park Service of the United States Department of the Interior.

³ The standards for maintaining the occupancy by low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act, of those units constructed with eligible costs made available under the provisions of this subparagraph (F) of paragraph (11) shall be established by guidelines adopted by the municipality. The responsibility for annually documenting the initial occupancy of the units by low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act, shall be that of the then current owner of the property. For ownership units, the guidelines will provide, at a minimum, for a reasonable recapture of funds, or other appropriate methods designed to preserve the original affordability of the ownership units. For rental units, the guidelines will provide, at a minimum, for the affordability of rent to low and very low-income households. As units become available, they shall be rented to income-eligible tenants. The municipality may modify these guidelines from time to time; the guidelines, however, shall be in effect for as long as tax increment revenue is being used to pay for costs associated with the units or for the retirement of bonds issued to finance the units or for the life of the redevelopment project area, whichever is later.

⁴ Termination means a closing of a retail operation that is directly related to the opening of the same operation or like retail entity owned or operated by more than 50% of the original ownership in a redevelopment project area, but it does not mean closing an operation for reasons beyond the control of the retail entity, as documented by the retail entity, subject to a reasonable finding by the municipality that the current location contained inadequate space, had become economically obsolete, or was no longer a viable location for the retailer or serviceman.

If a special service area has been established pursuant to the Special Service Area Tax Act or Special Service Area Tax Law, then any tax incremental revenues derived from the tax imposed pursuant to Special Service Area Tax Act or Special Service Area Tax Law may be used within the redevelopment project area for the purposes permitted by that Act or Law as well as the purposes permitted by the TIF Act.

Projected Redevelopment Project Costs. Estimated project costs are shown in Table 5 below. Adjustments to estimated line-item costs below are expected and may be made without amendment to the Redevelopment Plan. Each individual project cost will be reevaluated in light of the projected private development and resulting tax revenues as it is considered for public financing under the provisions of the Act.

As explained in the following sub-section, incremental property tax revenues from any contiguous RPA may be used to pay eligible costs for the 1st Street RPA.

Table 5
RPA Project Cost Estimates

Program Actions/Improvements	Estimated Costs
Land Acquisition and Relocation	\$2,000,000
Site Preparation, Including Environmental Remediation, Demolition, and Site Grading	\$1,500,000
Utility Improvements (Including Water, Storm, Sanitary Sewer, Service of Public Facilities, and Road Improvements)	\$2,500,000
Public Improvements/Facilities and Parking Structures	\$1,000,000
Rehabilitation of Existing Structures	\$2,500,000
Interest Costs Pursuant to the Act	\$250,000
Professional Service Costs (Including Planning, Legal, Engineering, Administrative, Annual Reporting, and Marketing)	\$50,000
Job Training	\$150,000
Statutory School and Library District Payments	\$50,000
TOTAL ESTIMATED TIF BUDGET	\$10,000,000

Notes:

- (1) All project cost estimates are in 2015 dollars. Costs may be adjusted for inflation per the TIF Act.
- (2) In addition to the costs identified in the exhibit above, any bonds issued to finance a phase of the Project may include an amount sufficient to pay (a) customary and reasonable charges associated with the issuance of such obligations, (b) interest on such bonds, and (c) capitalized interest and reasonably required reserves.
- (3) Adjustments to the estimated line-item costs above are expected. Adjustments may be made in line-items within the total, either increasing or decreasing line-items costs for redevelopment. Each individual project cost will be reevaluated in light of the projected private development and resulting tax revenues as it is considered for public financing under the provisions of the Act. The totals of the line-items set forth above are not intended to place a total limit on the described expenditures, as the specific items listed above are not intended to preclude payment of other eligible redevelopment project costs in connection the redevelopment of the RPA – provided the total amount of payment for eligible redevelopment project costs shall not exceed the overall budget amount outlined above.

Further, the projected cost of an individual line-item as set forth above is not intended to place a limit on the described line-item expenditure. Adjustments

may be made in line-items, either increasing or decreasing line-item costs for redevelopment. The specific items listed below are not intended to preclude payment of other eligible redevelopment project costs in connection with the redevelopment of the RPA, provided the *total amount* of payment for eligible redevelopment project costs (the “Total Estimated TIF Budget” in Exhibit 4) shall not exceed the amount set forth below, as adjusted pursuant to the Act.

Sources of Funds to Pay Redevelopment Project Costs. Funds necessary to pay for public improvements and other project costs eligible under the Act are to be derived principally from incremental property tax revenues, proceeds from municipal obligations to be retired primarily with such revenues, and interest earned on resources available but not immediately needed for the Plan. In addition, pursuant to the TIF Act and this Plan, the City may utilize net incremental property tax revenues received from other contiguous RPAs to pay eligible redevelopment project costs or obligations issued to pay such costs in contiguous project areas. This would include contiguous TIFs that the City may establish in the future. (Conversely, incremental revenues from the 1st Street TIF may be allocated to any contiguous TIF Districts.)

Redevelopment project costs as identified in Exhibit 4 specifically authorize those eligible costs set forth in the Act and do not address the preponderance of the costs to redevelop the area. The majority of development costs will be privately financed. TIF or other public sources are to be used, subject to approval by the City Council, only to leverage and commit private redevelopment activity.

The incremental tax revenues which will be used to pay debt service on the municipal obligations (if any) and to directly pay redevelopment project costs shall be the incremental increase in property taxes. The property tax increment would be attributable to the increase in the equalized assessed value of each taxable lot, block, tract or parcel of real property in the RPA – over and above the initial equalized assessed value of each such lot, block, tract or parcel in the RPA in the 2014 tax year for the RPA.

Among the other sources of funds which may be used to pay for redevelopment project costs and debt service on municipal obligations issued to finance project costs are the following: certain local sales or utility taxes, special service area taxes, the proceeds of property sales, certain land lease payments, certain Motor Fuel Tax revenues, certain state and federal grants or loans, certain investment income, and such other sources of funds and revenues as the City may from time to time deem appropriate.

Nature and Term of Obligations to Be Issued. The City may issue obligations secured by the Special Tax Allocation Fund established for the Redevelopment Project Area pursuant to the Act or such other funds as are available to the City by virtue of its power pursuant to the Illinois State Constitution.

Any and all obligations issued by the City pursuant to this Plan and the Act shall be retired not more than twenty-three (23) years from the date of adoption of the ordinance approving the RPA, or as such a later time permitted pursuant to the Act and to the extent such obligations are reliant upon the collection of incremental property tax revenues from the completion of the twenty-third year of the TIF, with taxes collected in the twenty-fourth year. However, the final maturity date of any obligations issued pursuant to the Act may not be later than twenty (20) years from their respective date of issuance.

One or more series of obligations may be issued from time to time in order to implement this Plan. The total principal and interest payable in any year on all obligations shall not exceed the amount available in that year or projected to be available in that year. The total principal and interest may be payable from tax increment revenues and from bond sinking funds, capitalized interest, debt service reserve funds, and all other sources of funds as may be provided by ordinance.

Certain revenues may be declared as surplus funds if not required for: principal and interest payments, required reserves, bond sinking funds, redevelopment project costs, early retirement of outstanding securities, or facilitating the economical issuance of additional bonds necessary to accomplish the Redevelopment Plan. Such surplus funds shall then become available for distribution annually to taxing districts overlapping the RPA in the manner provided by the Act.

Securities may be issued on either a taxable or tax-exempt basis, as general obligation or revenue bonds. Further, the securities may be offered on such terms as the City may determine, with or without the following features: capitalized interest; deferred principal retirement; interest rate limits (except as limited by law); and redemption provisions. Additionally, such securities may be issued with either fixed rate or floating interest rates.

Most Recent Equalized Assessed Valuation for the RPA. The most recent equalized assessed valuation for the RPA is based on the 2014 EAV, and is estimated to be approximately \$1,898,683.

Anticipated Equalized Assessed Valuation for the RPA. Upon completion of the anticipated private development of the RPA over a twenty-three (23) year period, it is estimated that the EAV of the property within the RPA would increase to approximately \$13,100,000 depending upon market conditions and the scope of the redevelopment projects.

VII. DESCRIPTION AND SCHEDULING OF REDEVELOPMENT PROJECT

Redevelopment Project. The City will implement a strategy with full consideration given to the availability of both public and private funding. It is anticipated that a phased redevelopment will be undertaken.

The Redevelopment Project will begin as soon as the private entities have obtained financing approvals for appropriate projects and such uses conform to City zoning and planning requirements, or if the City undertakes redevelopment activities pursuant to this Plan. Depending upon the scope of the development as well as the actual uses, the following activities may be undertaken by the City:

- Land Assembly and Relocation: Certain properties in the RPA may be acquired and assembled into an appropriate redevelopment site, with relocation costs undertaken as provided by the Act. It is expected that the City would facilitate private acquisition through reimbursement or write-down of related costs, including the acquisition of land needed for construction of public improvements.
- Demolition and Site Preparation: The existing improvements located within the RPA may have to be reconfigured or prepared to accommodate new uses or expansion plans. Demolition of certain parcels may be necessary for future projects. Additionally, the redevelopment plan contemplates site preparation, or other requirements including environmental remediation necessary to prepare the site for desired redevelopment projects.
- Rehabilitation: The City may assist in the rehabilitation of buildings or site improvements located within the RPA.
- Landscaping/Buffering/Streetscaping: The City may fund certain landscaping projects, which serve to beautify public properties or rights-of-way and provide buffering between land uses.
- Water, Sanitary Sewer, Storm Sewer and Other Utility Improvements: Certain utilities may be extended or re-routed to serve or accommodate the new development. Upgrading of existing utilities may be undertaken. The City may also undertake the provision/upgrade of necessary detention or retention ponds.
- Roadway/Street/Parking Improvements: The City may widen and/or vacate existing roads. Certain secondary streets/roads may be extended or constructed. Related curb, gutter, and paving improvements could also be constructed as needed. Parking facilities may be constructed that would be available to the public. Utility services may also be provided or relocated in order to accommodate redevelopment activities.

- Traffic Control/Signalization: Traffic control or signalization improvements that improve access to the RPA and enhance its redevelopment may be constructed.
- Public Safety-Related Infrastructure: Certain public safety improvements including, but not limited to, public signage, public facilities, and streetlights may be constructed or implemented.
- School District and Library District Costs: Provide for the payment of such costs pursuant to the requirements of the TIF Act.
- Interest Costs Coverage: The City may fund certain interest costs incurred by a developer for construction, renovation or rehabilitation of a redevelopment project. Such funding would be paid for out of annual tax increment revenue generated from the RPA as allowed under the Act.
- Professional Services: The City may fund necessary planning, legal, engineering, administrative and financing costs during project implementation. The City may reimburse itself from annual tax increment revenue if available.

Commitment to Fair Employment Practices and Affirmative Action.

As part of any Redevelopment Agreement entered into by the City and any private developers, both parties will agree to establish and implement an honorable, progressive, and goal-oriented affirmative action program that serves appropriate sectors of the City. The program will conform to the most recent City policies and plans.

With respect to the public/private development's internal operations, both entities will pursue employment practices which provide equal opportunity to all people regardless of sex, color, race or creed. Neither party will discriminate against any employee or applicant because of sex, marital status, national origin, age, or the presence of physical handicaps. These nondiscriminatory practices will apply to all areas of employment, including: hiring, upgrading and promotions, terminations, compensation, benefit programs, and education opportunities.

All those involved with employment activities will be responsible for conformance to this policy and compliance with applicable state and federal regulations.

The City and private developers will adopt a policy of equal employment opportunity and will include or require the inclusion of this statement in all contracts and subcontracts at any level. Additionally, any public/private entities will seek to ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites, and in all facilities at which all employees

are assigned to work. It shall be specifically ensured that all on-site supervisory personnel are aware of and carry out the obligation to maintain such a working environment, with specific attention to minority and/or female individuals.

Finally, the entities will utilize affirmative action to ensure that business opportunities are provided and that job applicants are employed and treated in a nondiscriminatory manner. Underlying this policy is the recognition by the entities that successful affirmative action programs are important to the continued growth and vitality of the community.

Completion of Redevelopment Project and Retirement of Obligations to Finance Redevelopment Costs. This Redevelopment Project and retirement of all obligations to finance redevelopment costs will be completed within twenty-three (23) years after the adoption of an ordinance designating the Redevelopment Project Area. The actual date for such completion and retirement of obligations shall not be later than December 31 of the year in which the payment to the municipal treasurer pursuant to the Act is to be made with respect to ad valorem taxes levied in the twenty-third calendar year after the ordinance approving the RPA is adopted.

VIII. PROVISIONS FOR AMENDING THE TIF PLAN AND PROJECT

This Plan may be amended pursuant to the provisions of the Act.

APPENDIX 1

Legal Description of Project Area

1st Street Tax Increment Financing District

Part of Section 3, Township 17 North, Range 2 West of the 4th Principal Meridian and part of Section 34, Township 18 North, Range 2 West of the 4th Principal Meridian, in the City of Rock Island, County of Rock Island, State of Illinois, more particularly described as follows;

Beginning at the at the intersection of the southerly extension of the west right of way line of Mill Street and the south right of way line of 18th Avenue;

Thence northerly along said west right of way line and it's southerly extension, a distance of 808 feet, more or less to the south line of Lot 18 in Manufacturer's Addition;

Thence easterly along the southerly line of said Lot 18 and Lot 7 in Manufacturer's Addition and it's easterly projection, a distance of 487 feet, more or less to the westerly right of way line of an existing railroad;

Thence northerly along said westerly right of way line, a distance of 865 feet, more or less to the south right of way line of 13th Avenue;

Thence easterly along said south right of way line, a distance of 30 feet, more or less to said westerly right of way line of an existing railroad;

Thence northerly along said westerly right of way line, a distance of 1,152 feet, more or less to the southeasterly right of way line of 6th Avenue;

Thence northwesterly, a distance of 60 feet, more or less to the northwesterly right of way line of 6th Avenue;

Thence northeasterly, a distance of 720 feet, more or less to the southwestly right of way line of 2nd Street;

Thence southeasterly, a distance of 80 feet, more or less to the intersection of the southeasterly right of way line of 6th Avenue and the northeasterly right of way line of 2nd Street;

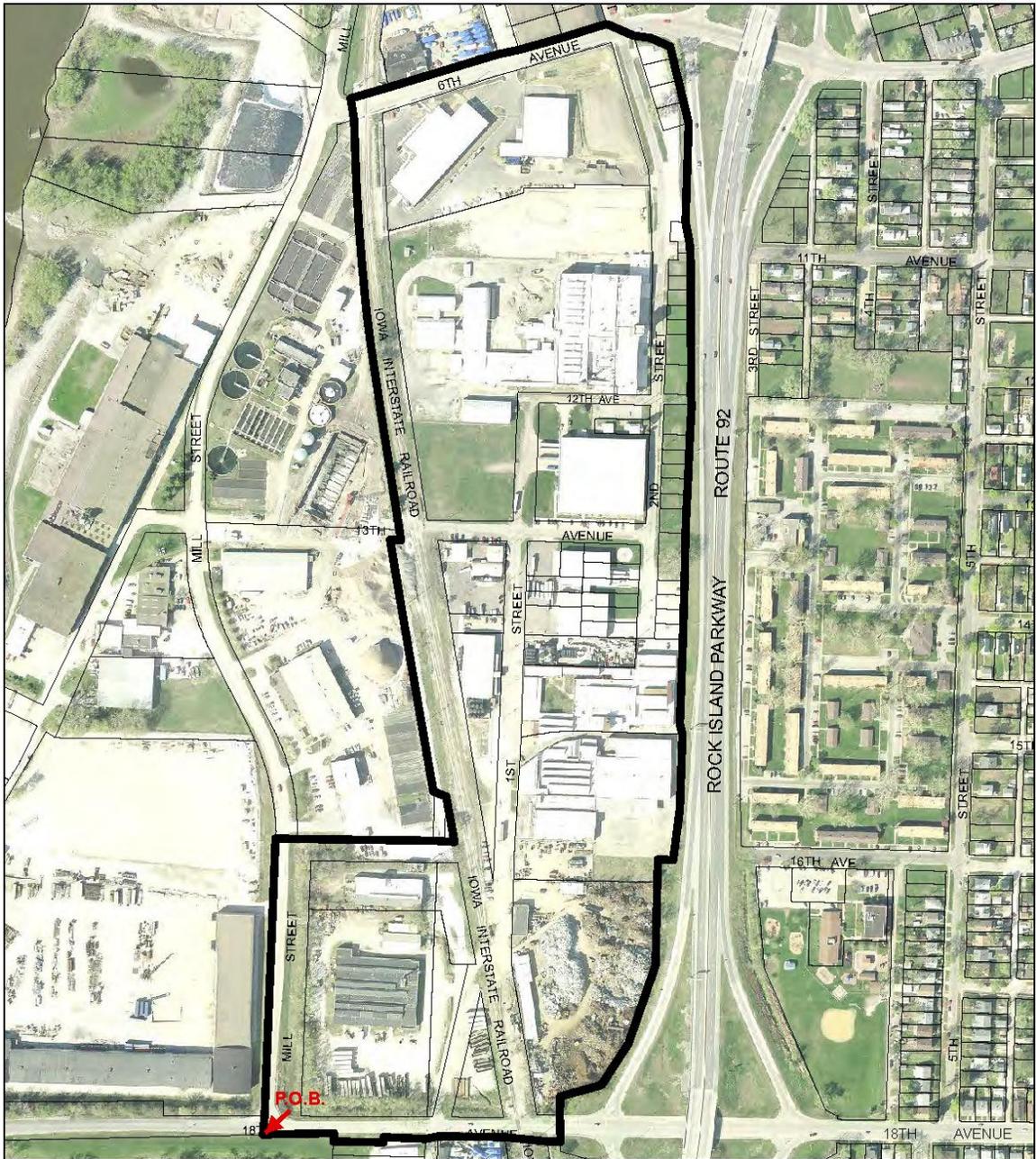
Thence easterly along the southeasterly right of way line of 6th Avenue, a distance of 123 feet, more or less to the westerly right of way line of the Rock Island Parkway a.k.a. Route 92;

Thence southerly along said westerly right of way line, a distance of 3,135 feet, more or less to the south right of way line of 18th Avenue;

Thence westerly along said southerly right of way line, a distance of 840 feet, more or less to the Point of Beginning.

The above described parcel contains 57 acres, more or less as shown by the attached Exhibit.

APPENDIX 2
Boundary Map of RPA



1st Street Tax Increment Financing District

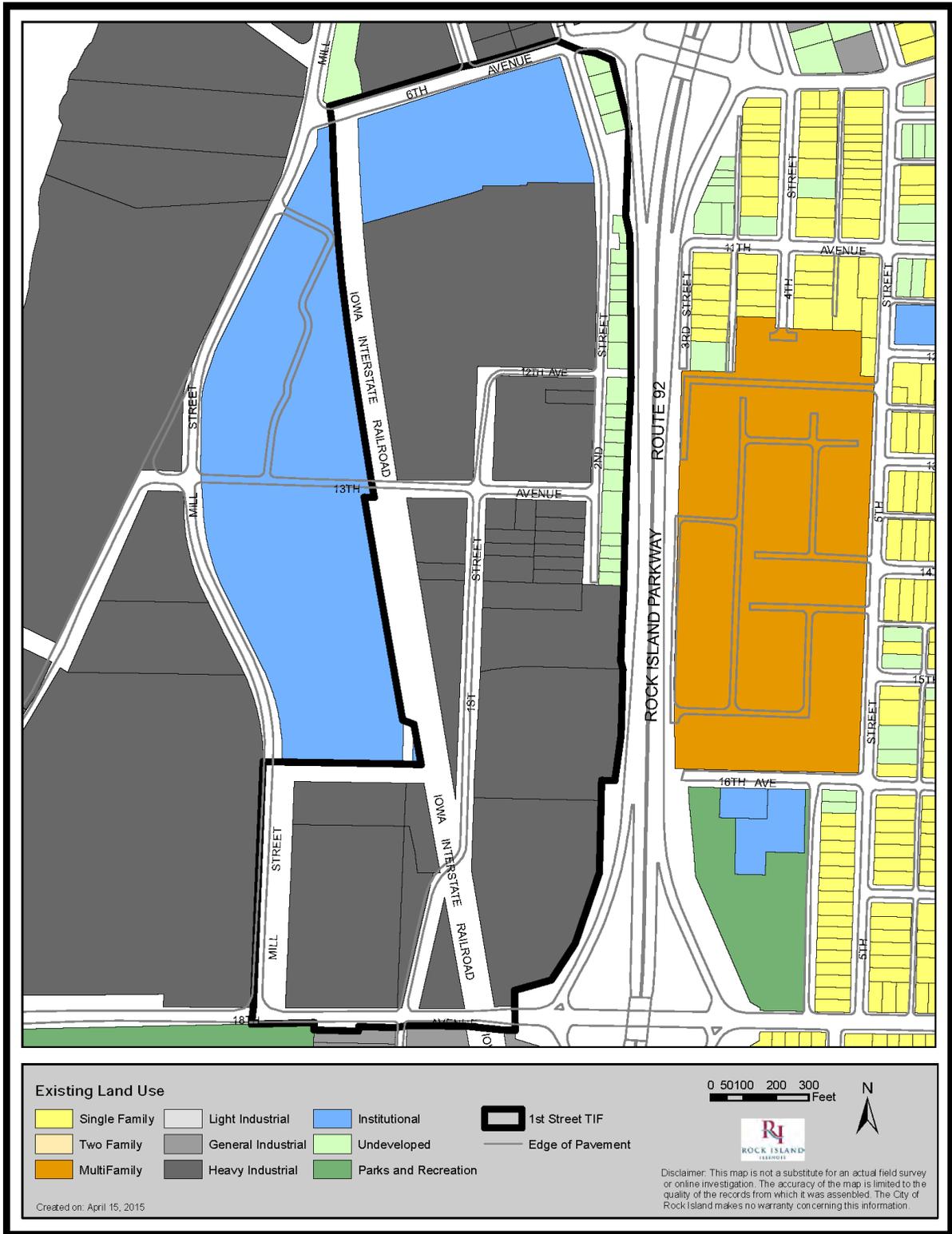
-  1st Street TIF Boundary
-  Parcels

Created on: April 15, 2015

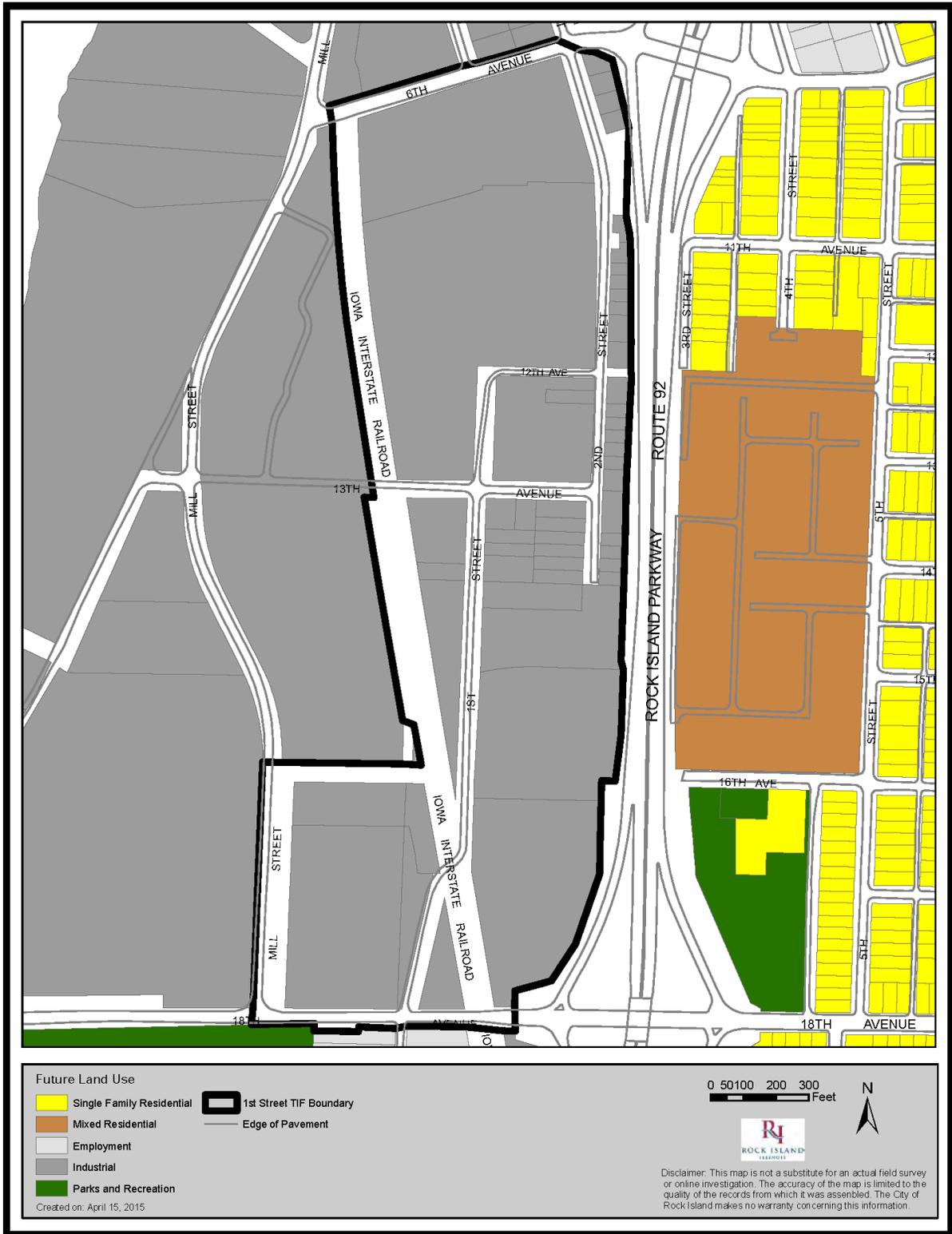


Disclaimer: This map is not a substitute for an actual field survey or online investigation. The accuracy of the map is limited to the quality of the records from which it was assembled. The City of Rock Island makes no warranty concerning this information.

APPENDIX 3
Existing Land Use Map of RPA



APPENDIX 4
Future Land Use Map of RPA



APPENDIX 5

TIF Qualification Report

Prepared by Kane, McKenna and Associates

**CITY OF ROCK ISLAND, ILLINOIS
TIF QUALIFICATION REPORT
1st STREET REDEVELOPMENT PROJECT AREA**

A preliminary analysis to assess the likelihood that all or a portion of an area located in the City of Rock Island qualifies as a “blighted area” as defined in the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-3, et seq., as amended.

Prepared for: City of Rock Island, Illinois

Prepared by: Kane, McKenna and Associates, Inc.

August 2015

**PROPOSED 1ST STREET
REDEVELOPMENT PROJECT AREA
TIF QUALIFICATION REPORT**

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EXECUTIVE SUMMARY

Kane, McKenna and Associates, Inc. (KMA) has been retained by the City of Rock Island, Illinois (the “City”) to conduct an analysis of the potential qualification and designation of certain property located in the City of Rock Island as a Tax Increment Financing District (“TIF” or “TIF District”). The potential TIF District to be addressed herein as the proposed Redevelopment Project Area (the “RPA” or “Study Area”) includes portions of the City’s manufacturing district, as shown in a map of the RPA (Appendix 1).

The Study Area includes a major portion of the City’s key industrial district located along 1st Street. The RPA is generally located south of 6th Avenue, covering an area bifurcated by 1st Street. This qualification review is being carried out pursuant to the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-3, et seq., as amended (the “TIF Act” or “Act”).

The City is pursuing the designation of the RPA as a TIF District to help spur new development, leverage existing development and achieve long-term planning goals identified in the City’s April 2014 Comprehensive Plan (the “Comprehensive Plan” or “Plan”). The City believes that the implementation of a TIF District will send a positive market signal to potential investors, help community members and stakeholders and encourage current industrial and commercial property owners to invest in and develop Rock Island. A TIF District can encourage redevelopment in a positive and sustainable manner. The City believes that the implementation of a TIF District will help in pursuing the goals identified in the Comprehensive Plan as well as other community oriented objectives.

Based upon the analysis completed to date, KMA has reached the following conclusions regarding the qualification of the Study Area as a TIF District:

- 1) ***The proposed TIF District qualifies as a “blighted area” under the Act.*** Overall, the improved land within the proposed TIF District is found to be in a condition as defined in the Act that prevents, or threatens to prevent, the economic and physical development of properties in a manner that the community deems essential to its overall economic health.
- 2) ***Formal designation is recommended.*** To address current conditions, to promote the economic viability of the proposed TIF District, and to foster private sector investment and redevelopment efforts, KMA recommends that the City proceed with the formal TIF District designation process for the entire area under consideration.
- 3) ***The conditions found within the proposed TIF District present a barrier to the area’s successful redevelopment.*** Factors that negatively impact coordinated and substantial private sector investment in the overall area are part of the consideration for TIF District designation. Without City planning and use of economic development resources in eliminating such factors, potential

redevelopment projects and other activities that require private sector investment are not likely to be economically feasible.

- 4) ***There are several potential redevelopment sites within the proposed TIF District.*** These sites could produce sufficient incremental property tax revenue that, if used in combination with City resources for redevelopment incentives or public improvements, would likely stimulate private investment and reinvestment in these sites and ultimately throughout the proposed TIF District.

The KMA analysis of the proposed TIF District in conjunction with the statutory criteria is detailed in the following pages.

I. BACKGROUND

Background on City and Proposed RPA

The City of Rock Island is located on the border of Illinois and Iowa in Rock Island County, Illinois. As a part of the “Quad Cities”, it is in close proximity to Davenport, Iowa, Moline, Illinois, and East Moline, Illinois. (It is also near Bettendorf, Iowa, the 5th major municipality in the area.) As such, it is part of a large “trade area” where it can attract businesses and consumers from a larger metropolitan area.

The City has a number of assets. Aside from a sizable trade area, it is located in close proximity to Chicago, Naperville, and Rockford with good transportation options. The City is approximately 180 miles west of Chicago, 155 miles west of Naperville, Illinois, and 135 miles southwest of Rockford, Illinois. The City has strong transit connections to the region via I-80, I-88, I-74, shipping along the Mississippi River, and railways.

In addition, Rock Island is served by high-quality K-12 and higher education institutions. Numerous public and private schools serve the area, while Augustana College and other colleges provide higher education and workforce training and act as a regional draw to the area. The main campuses of Western Illinois University and Northern Illinois University are located just 1½ hours away as well, and recently Western Illinois University established a satellite campus in Moline. Lastly, the City itself provides quality services under professional city management.

The City has a stable population, with Rock Island County showing an improving employment rate. The City had a population of 38,877 in 2013, nearly unchanged from the 2000 and 2010 Census figures. Rock Island County’s current unemployment rate is 6.0 percent (per Federal Reserve Bank data), approximately equal to the State of Illinois rate. Since the peak unemployment rate in January 2010, the County and State have experienced significant improvements with the County outperforming the State over the past 4 ½ years (until the State “caught up” in July 2014).

Current Land Use

The Study Area is generally located along 1st Street, including both parcels on either side of the street. Most parcels are industrial in character, with the exception of a recently vacated, single-family home and two public works buildings situated on the northern border of the proposed TIF District (6th Avenue). Because of historically unplanned development, the area is intensively developed with large structures situated on relatively small parcels (i.e., a large building footprint relative to the parcel size).

Overall, the RPA contained approximately fifty-nine (59) tax parcels and approximately nineteen (19) buildings.

Context for Redevelopment

Because of the industrial orientation, the RPA has been and continues to be a major employment center within the City. The RPA has been identified in the City planning studies as a priority for investment and concentration for the City. The City is

considering Tax Increment Financing (“TIF”) as tool for redevelopment in conjunction with the Comprehensive Plan and 2014 Strategic Development Plan which identified TIF as a potential source of funding.

In the Strategic Development Plan, the West End and Sunset Business Park (areas encompassing the TIF parcels) are recognized as a priority for redevelopment. The Strategic Development Plan recognizes that investments are necessary to protect the economic activity within the City, and to enhance the visual appeal of the TIF area and surrounding neighborhoods located in the West End.

The Strategic Development Plan identifies the West End as a unique City asset. The RPA’s potential as an economic growth engine in the City is partly due to having both strong industrial tenants and a “combination of truck, rail, and barge service is unique to the region”.

General Scope and Methodology

KMA formally began its analysis by conducting a series of meetings and discussions with City staff, starting in February 2015 and continuing periodically up to the date of this report. The purpose of the meetings was to establish boundaries for a study area and to gather data related to qualification criteria for properties included in the study area. These meetings were complemented by a series of field surveys for the entire study area. The field surveys were completed by KMA staff.

Data concerning the buildings age, lot sizes and equalized assessed value (EAV) were collected from the City of Rock Island and Rock Island County. The field surveys and data collected were utilized to gauge if properties located within the Study Area would qualify for TIF designation. Additionally, critical data to support the TIF qualification was provided by the City Engineer and Public Works Department.

The qualification factors discussed in this report qualify the RPA as a “blighted area,” as such term is defined pursuant to the TIF Act.

During the course of its work, KMA reported to City officials its findings regarding TIF qualification and feasibility prospects for the study area. Based on these findings the City made refinements to the study area boundaries, directed KMA to complete this TIF Qualification Report (the “Report”), and moved forward with the preparation of a Redevelopment Plan and Project for the area.

For additional information about KMA’s data collection and evaluation methods, refer to Section IV of this report.

II. QUALIFICATION CRITERIA

With the assistance of City staff, Kane, McKenna and Associates, Inc. assessed the proposed Study Area to determine the likelihood that qualifying factors listed in the Act would be present. The relevant provisions of the Act are cited below.

The Act sets out specific procedures which must be adhered to in designating a redevelopment project area. By definition, a “redevelopment project area” is:

“An area designated by the municipality, which is not less in the aggregate than 1½ acres and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as a blighted area or a conservation area, or a combination of both blighted areas and conservation areas.”

Under the Act, “blighted area” means any improved or vacant area within the boundaries of a redevelopment project area located within the territorial limits of the municipality where certain conditions are met, as identified below.

TIF Qualification Factors for a Blighted Area

In accordance with the TIF Act, KMA examined the area to determine if a combination of five (5) or more of the following factors were present, each of which is (i) present, with that presence documented to a meaningful extent so that a municipality may reasonably find that the factor is clearly present within the intent of the Act and (ii) reasonably distributed throughout the improved part of the redevelopment project area.

- (A) Dilapidation. An advanced state of disrepair or neglect of necessary repairs to the primary structural components of building or improvements in such a combination that a documented building condition analysis determines that major repair is required or the defects are so serious and so extensive that the buildings must be removed.
- (B) Obsolescence. The condition or process of falling into disuse. Structures become ill-suited for the original use.
- (C) Deterioration. With respect to buildings, defects include but are not limited to, major defects in the secondary building components such as doors, windows, porches, gutters, downspouts, and fascia. With respect to surface improvements, that the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking and surface storage areas evidence deterioration, including, but limited to, surface cracking, crumbling, potholes, depressions, loose paving material and weeds protruding through paved surfaces.
- (D) Presence of Structures below Minimum Code Standards. All structures that do not meet the standards of zoning, subdivision, building, fire and other

governmental codes applicable to property, but not including housing and property maintenance codes.

(E) Illegal Use of Individual Structures. The use of structures in violation of applicable federal, State, or local laws, exclusive of those applicable to the presence of structures below minimum code standards.

(F) Excessive Vacancies. The presence of buildings that are unoccupied or under-utilized and that represent an adverse influence on the area because of the frequency, extent or duration of the vacancies.

(G) Lack of Ventilation, Light, or Sanitary Facilities. The absence of adequate ventilation for light or air circulation in spaces or rooms without windows, or that require the removal of dust, odor, gas, smoke or other noxious airborne materials. Inadequate natural light and ventilation means the absence of skylights or windows for interior spaces or rooms and improper window sizes and amounts by room area to window area ratios. Inadequate sanitary facilities refers to the absence or inadequacy of garbage storage and enclosure, bathroom facilities, hot water and kitchens and structural inadequacies preventing ingress and egress to and from all rooms and units within a building.

(H) Inadequate Utilities. Underground and overhead utilities such as storm sewers and storm drainage, sanitary sewers, water lines and gas, telephone and electrical services that are shown to be inadequate. Inadequate utilities are those that are: (i) of insufficient capacity to serve the uses in the redevelopment project area; (ii) deteriorated, antiquated, and obsolete or in disrepair; or (iii) lacking within the redevelopment project area.

(I) Excessive Land Coverage and Overcrowding of Structures and Community Facilities. The over-intensive use of property and the crowding of buildings and accessory facilities onto a site. Examples of problem conditions warranting the designation of an area as exhibiting excessive land coverage are: (i) the presence of buildings either improperly situated on parcels or located on parcels of inadequate size and shape in relation to present-day standards of development for health and safety and (ii) the presence of multiple buildings on a single parcel. For there to be a finding of excessive land coverage, these parcels must exhibit one or more of the following conditions: insufficient provision for light and air within or around buildings, increased threat of spread of fire due to the close proximity of buildings, lack of adequate or proper access to a public right-of-way, lack of reasonably required off-street parking or inadequate provision for loading service.

(J) Deleterious Land-Use or Layout. The existence of incompatible land-use relationships, buildings occupied by inappropriate mixed-uses, or uses considered to be noxious, offensive or unsuitable for the surrounding area.

(K) Environmental Clean-Up. The proposed redevelopment project area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for (or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for) the clean-up of hazardous waste, hazardous substances or underground storage tanks required by State or federal law. Any such remediation costs would constitute a material impediment to the development or redevelopment of the redevelopment project area.

(L) Lack of Community Planning. The proposed redevelopment project area was developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area's development. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards or other evidence demonstrating an absence of effective community planning.

(M) "Stagnant" or "Declining" Equalized Assessed Valuation (EAV). The total equalized assessed value of the proposed redevelopment project area has declined for three (3) of the last five (5) calendar years, or is increasing at an annual rate that is less than the balance of the municipality for three (3) of the last five (5) calendar years, or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for three (3) of the last five (5) calendar years. The finding is based on the last 5 years for which information is available.

III. EVALUATION METHODOLOGY

In evaluating the proposed Study Area's potential qualification as a TIF District, the following methodology was utilized:

- 1) Site surveys of the Study Area were undertaken by representatives from Kane, McKenna and Associates, Inc., supplemented with photographic analysis of the sites. Preliminary surveys were completed of properties located within the Study Area.
- 2) KMA conducted evaluations of exterior structures and associated site improvements, noting such conditions as deterioration and obsolescence. Additionally, KMA reviewed the following data: 2009-2014 tax information from Rock Island County, tax maps, aerial photos, site data, local history (including discussions with City staff), and an evaluation of area-wide factors that have affected the area's development (e.g., obsolescence, deleterious land-use and layout, etc.).
- 3) Existing structures and site conditions were initially surveyed only in the context of checking, to the best and most reasonable extent available, TIF Act factors applicable to specific structures and site conditions of the parcels.
- 4) The Study Area was examined to assess the applicability of the different statutory factors required for qualification as a TIF district. Examination was made by reviewing the information and determining how each measured when evaluated against the relevant factors. The Study Area was evaluated to determine the applicability of the thirteen (13) different factors, as defined under the Act, which would qualify the area as a TIF District.

IV. QUALIFICATION FINDINGS

Based upon KMA's preliminary evaluation of parcels in the proposed Study Area and analysis of each of the eligibility factors summarized in Section II, the following factors are presented to support preliminary qualification of the proposed Study Area as a blighted area as defined under the TIF Act. The following factors may be supplemented by additional data, if the City decides to proceed with the designation. These factors are summarized in the table below.

Table 1
Summary of TIF-Qualifying Factors

Maximum Possible Factors per Statute	Minimum Factors Needed to Qualify per Statute	Qualifying Factors Present in Proposed Study Area
13	5	<ul style="list-style-type: none"> • Inadequate Utilities • Obsolescence • Lagging EAV • Deterioration • Deleterious Layout • Lack of Community Planning • Excessive Coverage

Findings for Study Area

The proposed Study Area meets the qualifications for a blighted area under the statutory criteria set forth in the TIF Act. KMA reviewed the 13 aforementioned criteria required to qualify the area as a blighted area, and determined that seven (7) factors were present:

1. Inadequate Utilities. This factor is defined to be present if the utilities in the RPA meet any of the following descriptions: "(i) insufficient capacity to serve the uses in the redevelopment project area; (ii) deteriorated, antiquated and obsolete or in disrepair; or (iii) lacking within the redevelopment project area."

According to a memorandum provided by the City Engineer and Public Works Director in January 2015, the storm sewer system, storm water detention, water main, and sanitary sewer system within the RPA are all deficient. Per the City report the following conditions are observed:

- Sewers – Some of these sewers were originally installed when the area was originally developed (pre-1950's), are reaching the end of their expected service life, and have deficiencies in the storm sewer system that do not currently meet City standards. Any redevelopment along these streets would require the installation of new storm sewers.

- Water detention – The proposed TIF District contains very few storm water management facilities and/or storm water detention storage. **“Redevelopment on most of the parcels will require stormwater management and detention facilities in accordance with City and State standards”** (emphasis added in City report).
- Sanitary sewers – Built pre-1950s, the sanitary sewers are near the end of their useful lives. Additionally, the City used obsolete materials such as clay whereas new sanitary sewers would use modern, more reliable materials.
- Water mains – Pre-dating 1950, this infrastructure is also near then of its useful life.

2. Obsolescence. The Act states that obsolescence is the condition or process of falling into disuse or structures that have become ill-suited for their original use. Obsolescence is found in the RPA in accordance with the Act, in terms of functional and economic utility.

Economically, the area evidences obsolescence because of falling property valuations (see the lagging EAV finding below) and certain vacancies. Regarding property valuations, there have been absolute declines in assessed valuations and declines relative to overall City EAV as well as inflation (CPI).

In the case of vacancies, certain structures literally have fallen into “disuse” with one major structure in particular unoccupied for approximately 5 years (the former Norcross building). Moreover, the Norcross structure is one of the largest, most visible buildings within the overall Study Area and has a negative spillover effect on the surrounding area. Per the County Assessor, the structure is nearly 100 years old and covers 110,000 square feet (data on PIN 1603102001 per the Assessor).

Functionally, certain industrial structures are exhibiting signs of obsolescence in layout and design. Deterioration and building age contribute to functional obsolescence. In addition, much of the industrial area has challenging ingress and egress with narrow lanes for truck delivery/pickup, and limiting space for executing turns and limited off-street parking. In contrast, a modern industrial warehouse district would have wider turning lanes, efficient ingress and egress, and ample parking. Additionally, vehicles would not have to avoid traversing a railroad that is not level (not at grade).

Lastly, the utilities are shown to be obsolete based on outmoded materials for water and sewer mains, as discussed above.

3. Lagging or Declining EAV. The Act states that lagging EAV is present if the total equalized assessed value (EAV) of the proposed redevelopment project area has declined for three (3) of the last five (5) calendar years, or is increasing at an annual rate that is less than the balance of the municipality for three (3) of the last five (5) calendar years, or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor for three (3) of

the last five (5) calendar years. The finding is based on the most recent five-year period (i.e., the tax years covering 2009-14).

Under the above criteria, the RPA qualifies for the finding of Lagging EAV. The EAV of the Study Area has declined for four (4) of the last five (5) years in absolute terms. On a relative basis, the RPA's EAV has also lagged behind the City's EAV for four (4) of the last five (5) years. Finally, the RPA's EAV has lagged behind the CPI-U for all five years. Please refer to Table 2 to see the specific figures.

Overall, the RPA experienced a 13.4% decline in EAV between 2009 and 2014, compared to a 3.8% decline in the City (excluding the TIF area) during the same period. The consistent decline in EAV for both the RPA and the City highlight the difficult economic environment facing Rock Island and the RPA in particular.

Table 2
EAV Trends for Proposed Study Area

	2014	2013	2012	2011	2010	2009
Total EAV for TIF District	\$1,898,683	\$1,931,155	\$2,046,347	\$2,165,962	\$2,217,674	\$2,194,833
EAV Change	-1.68%	-5.63%	-5.52%	-2.33%	1.04%	
City-wide EAV (Excluding TIF)	\$446,145,445	\$456,699,476	\$475,575,960	\$472,903,286	\$470,242,426	\$463,903,755
City EAV Change	-2.31%	-3.97%	0.57%	0.57%	1.37%	
CPI-U	1.60%	1.50%	2.10%	3.20%	1.60%	

Source: Rock Island County Clerk, City of Rock Island and U.S. Department of Labor

4. **Deterioration:** The Act defines deterioration as the physical decline of surface improvements, primary building components, and secondary buildings components such as doors, windows, porches or gutters. With respect to surface improvements, deterioration is determined by the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking and surface storage areas (including but not limited to surface cracking, crumbling, potholes, depressions, loose paving material and weeds protruding through paved surfaces).

Deterioration was distributed throughout the area, being present among a significant number of the buildings. Deterioration was observed among secondary building components such as doors, windows, gutters, eaves, and fasciae. Furthermore, some buildings showed deterioration in the brickwork and exhibited the need for new tuck-pointing while certain metal buildings had rust and dented siding. Certain prominent buildings like the aforementioned Norcross building were especially deteriorated and had widespread depreciation along the exterior surfaces (the City and KMA had no access to building interior).

Finally, roadway conditions as determined by the City are inadequate. According to the City's "pavement condition index" (a standardized score for pavement condition), the two primary north/south streets in the TIF District have a low score on the index and are determined to be in poor condition.

5. Deleterious Layout. The act states that deleterious land use and layout occurs with the existence of incompatible land-use relationships, buildings occupied by inappropriate mixed-uses or uses are considered to be noxious, offensive or unsuitable for the surrounding area.

Numerous land use incompatibilities were evident:

- Insufficient off-street parking; and
- Narrowly configured streets and driveways and alleys requiring difficult turns for vehicles, particularly large vehicles and semi-trailers needing a wider turning radius.

Additionally, the presence of active traffic (in particular, persistent truck traffic during the time KMA observed the site during normal business hours) contributed to or exacerbated the deleterious layout.

6. Lack of Community Planning: The Act states that if the proposed Redevelopment Project Area was developed prior to or without the benefit or guidance of a community plan the factor is present. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards or other evidence demonstrating an absence of effective community planning.

Much of the development that has occurred within the RPA took place in an era prior to modern community planning techniques, and/or occurred under a lack of comprehensive and coordinated planning. The first Comprehensive Plan was adopted in 1957, whereas much of the development (including the former Norcross building) took place prior to the plan and its implementation. Even replacement buildings constructed after 1957 appear to have been located and laid out without the "benefit or guidance" of the 1957 plan or succeeding plans. As a result, the entire RPA exhibits signs of an area that both lacks many of the modern hallmarks of current community planning, and one that has also experienced prior development in absence of community planning.

Effective and sustained economic development plans and strategies intended to address the coordinated redevelopment of the entire RPA have only recently been developed and drafted by the City. These efforts include the 2014 Comprehensive Plan and this TIF eligibility report, and a requisite Redevelopment Plan to come at a later date. This is not to say that improvements did not take place over the years, but that they were implemented without the guidance of a master plan directed at long-term benefit for the RPA. A lack of such efforts has contributed to the evolution of factors affecting the RPA.

7. Excessive Land Coverage and Overcrowding of Structures and Community Facilities. As stated in Section II, the excessive coverage and over-intensive use of property is present when certain problems are identified, including parcels of inadequate size and shape (in relation to present-day standards of development for health and safety) and (ii) the presence of multiple buildings on a single parcel, combined with other problems such as a lack of adequate right-of-way, off-street parking and/or inadequate loading services.

The proposed TIF District exhibited many of these deficiencies throughout the area. For example, certain tax parcels have multiple buildings on a single parcel and many of the parcels have very limited parking. The allocation of space for off-street parking is limited in part due to having to do “triple duty” as parking, loading, and right-of-way (e.g., essentially no delineation between parking, loading and traffic circulation for the Del’s Metals site). Like the Del’s Metals site, the obsolete, vacant Norcross facility has limited parking.

The loading deficiencies are exacerbated by the fact that there are no clearly defined curb cuts that would fix some of the truck traffic circulation patterns (per City staff, “undefined ingress/egress points create unsafe vehicle movements entering and exiting properties”). Finally, there are deleterious layout and land use issues as discussed above, connected to the fact of “over-intensive use.”

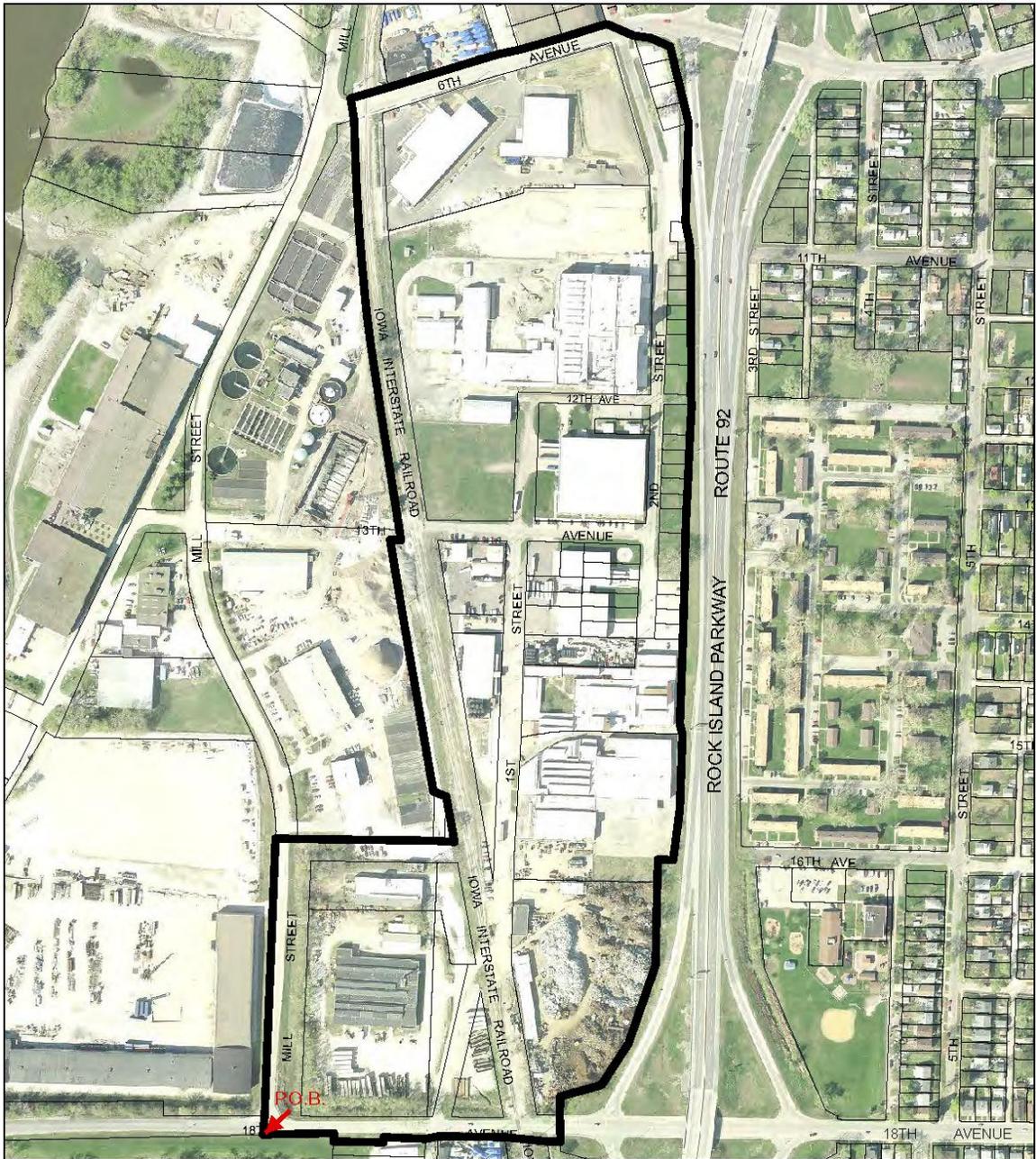
V. SUMMARY OF FINDINGS; GENERAL ASSESSMENT OF QUALIFICATION

The following is a summary of relevant qualification findings as it relates to the City's potential designation of the proposed TIF District.

1. The area is contiguous and is greater than 1½ acres in size;
2. The proposed TIF District will qualify as a blighted area. Further, the blighted area factors found in the RPA are present to a meaningful extent and are reasonably distributed throughout the area. A more detailed analysis of the qualification findings is outlined in Section IV of this report;
3. All property in the area would substantially benefit by the proposed redevelopment project improvements;
4. The sound growth of taxing districts applicable to the area, including the City, has been impaired by the factors found present in the area; and
5. The area would not be subject to redevelopment without the investment of public funds, including property tax increments.

In the judgment of KMA, these findings provide the City with sufficient justification to consider designation of the property as a TIF District.

Appendix 1
Boundary Map



1st Street Tax Increment Financing District

-  1st Street TIF Boundary
-  Parcels

Created on: April 15, 2015

0 50 100 200 300 Feet



Disclaimer: This map is not a substitute for an actual field survey or online investigation. The accuracy of the map is limited to the quality of the records from which it was assembled. The City of Rock Island makes no warranty concerning this information.

