

**Memorandum
Community and Economic Development**



To: Thomas Thomas, City Manager
Subject: Star Block Agreement
Date: October 27, 2015

The redevelopment of the property known as the Star Block which includes 5 separate buildings is now under a single ownership entity. The 139- year old historic landmark is to be rehabilitated into a mixed-use building. Since the purchase of the buildings Growth started the planning for a major renovation project in two phases. Phase 1, the western most portion of the project, includes 8 residential units and 2 commercial units. Phase 2, the eastern portion, includes 14 residential units and two commercial spaces which are already occupied (Soi 2 & El Patron) both of which underwent renovations. Growth made financial requests for both phases of the project as follows:

Phase 1 Request

- \$125,000 in support to assist with extra ordinary costs associated with MidAmerican services, environmental costs, and basic services.
- Rebate of taxes in excess of \$3,000 for a period of 10 years, with a four percent increase per year.

Phase 2 Request

- \$575,000 in general rehab support.
- Rebate of taxes in excess of \$6,000 for a period of 10 years, with a four percent increase per year.

The attached agreement grants the above requests using HUD CDBG funds totaling \$700,000 (\$125,000 + 575,000) to cover the extra ordinary costs and general rehab support. The rebate of taxes in excess of \$3,000 & \$6,000 will be covered under the Locks TIF.

RECOMMENDATION:

The Community and Economic Development Department recommends that the Council approve the development agreement with Growth, allowing minor attorney modifications and authorize its execution by the City Manager.

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

Approved by: Thomas Thomas, City Manager

Star Block
Redevelopment Agreement

THIS AGREEMENT is entered into this ____st day of November, 2015 by and between ROCK ISLAND ECONOMIC GROWTH CORPORATION ("Growth") and the CITY OF ROCK ISLAND, an Illinois Municipal Corporation ("City").

WHEREAS, the GROWTH intends develop a new multi-unit mixed use development known as "Star Block" within the Locks Redevelopment Project Area (the "Locks TIF") as part of the implementation of the Locks Plan, and;

WHEREAS, it is in the best interest of the City to support development within the Locks Redevelopment Project Area;

NOW THEREFORE, the parties, in exchange for the promises herein contained the receipt and sufficiency of which are hereby acknowledged agree as follows:

1. The GROWTH has acquire the real property known as the Star Block (1821-1829 2nd Avenue, and will develop a mixed use development which shall include 22 residential units and first floor market rate lease commercial space (the "Project").
2. The GROWTH agrees that the total costs of the Project, including but not limited to land acquisition, site development, planning, engineering, legal services, marketing, professional fees, mortgage interest, construction loan interest, labor and construction materials is estimated to exceed \$4.5 million.
3. GROWTH shall commence work on the Project no later than January 2016 and the Project completed and all units ready for occupancy no later than December 31, 2017. Failure to complete construction by the date specified herein shall be considered a material breach of this Agreement and shall entitle the City to terminate this Agreement by written notice to GROWTH at his address of such intention not less than fourteen (14) days prior to the desired termination date.
4. The City shall provide economic incentive to the GROWTH in an amount not to exceed Seven Hundred Seventy Thousand Dollars and 00/100 (\$700,000) to be used to reimburse the GROWTH for eligible Project costs, with said contribution derived from the funds in the HUD CDBG program. If the Project does not proceed as contemplated by this Agreement, all funds contributed by the City to the GROWTH shall be paid back to the City not less than fourteen (14) days following GROWTH's receipt of written notice from the City. This incentive was derived from two separate requests which were as follows:

- a. One Hundred Twenty-Five Thousand Dollars (\$125,000) for costs associated with MidAmerican Services, Environmental Costs and basic Services.
 - b. Five Hundred Seventy-Five Thousand Dollars (\$575,000) for basic redevelopment costs
5. Additionally, The City shall provide economic incentive to GROWTH in that it agrees to rebate property taxes in excess of \$3000 for property at 1821-1823 2nd Avenue and \$6,000 for property at 1825-1829 2nd Avenue plus a 4% yearly increase for a period of 10 Years to be used to reimburse the GROWTH for eligible Project costs, with said contribution derived from the funds in the Special Tax Allocation Fund for the Locks TIF.
6. The economic incentive shall be paid to the GROWTH as follows: The incentive will only be paid if the overall TIF is creating increment; City keeps the first \$2,500 annually for administration fees, and the maximum payout is capped on a yearly basis at \$50,000. The incentive will be paid out on or around January 15th on a yearly basis.
7. Prior to the payment of the economic incentives provided for herein by the City to GROWTH, GROWTH shall, not less than thirty (30) days prior to the payment dates set forth above, provide the City with documentation evidencing the expenditure of eligible redevelopment project costs, as defined in the Illinois Tax Increment Allocation Act (65 ILCS 5/11-74.4-1 et seq.), in an amount in excess of the payment to be received. Such documentation shall include closing statements, paid invoices, receipts, cancelled checks, sworn statements, lien waivers, engineer's certificates, or other such documentation demonstrating the payment of eligible redevelopment project costs by the GROWTH.
8. GROWTH agrees as it relates to the HUD CDBG funding to follow all HUD rules and regulations. This includes providing all requested documentation needed by the City to comply with HUD regulations. GROWTH will work with the City in any modifications to its 5 year plan and Annual Action plan to allow this transaction to take place. The HUD CDBG dollars will be paid out per a payout schedule which will be developed as part of the modifications to the City's Annual Action plan and will need approval from HUD.
9. To the extent required by law, GROWTH agrees to pay, and to contractually obligate and cause any and all general contractors and subcontractors to pay, the prevailing rate of wages as established by the City pursuant to the Illinois Prevailing Wage Act [820 ILCS 130/0.01 et seq. (Illinois State Bar Ed. 2010)].
10. This Agreement shall be governed and construed in accordance with the laws of the State of Illinois with jurisdiction and venue in Rock Island County.

11. In the event of a default under this Agreement by either party hereto which default is not cured within thirty (30) days of the date of receipt of notice to the defaulting party specifying that said party has failed to perform a particular obligation, the other party shall have an action for damages or, in the event damages would not fairly compensate the non-defaulting party of this Agreement, the non-defaulting party shall have such other equitable rights and remedies as are available at law or in equity.
12. Delays by GROWTH or the City in performing obligations hereunder due to acts of God or strikes, fires, floods, explosions, wars, differences with workers, delays in transportation or accidents during construction, military arrest or restraints, acts, demands or requirements of the United States or any state or territory thereof, or any governmental subdivision thereof, or due to any other causes whatsoever, whether similar or dissimilar to those above enumerated which are beyond GROWTH's or the City's control and not resulting from GROWTH or the City's fault shall cause an automatic extension of the starting and/or completion dates for the period attributable to any such cause. The affected component of this Agreement shall be deemed suspended for so long as its extension is prevented or delayed by such cause.
13. Time is of the essence of this Agreement.
14. The rights and obligations of GROWTH are fully assignable by means of written notice to the City, provided that no assignment shall be deemed to release GROWTH of its obligations to the City under this Agreement unless the written consent of the City to release of the GROWTH obligations is obtained.
15. Either party to this Agreement may elect to waive any remedy it may enjoy hereunder, provided that no such waiver shall be deemed to exist unless the party waiving such right or remedy does so in writing. No such waiver shall obligate such party to waive any right or remedy thereafter, nor shall it be deemed to constitute a waiver of other rights and remedies provided said party pursuant to this Agreement.
16. If any term or provision of this Agreement is held to be invalid or unenforceable, to any extent, the remainder of this Agreement shall continue to be fully valid and enforceable.
17. Notices, demands, consents, approvals or other instruments required to be permitted by this Agreement shall be in writing and shall be executed by the party or an officer, agent, attorney of the party, and shall be deemed to have been effective as to the date of actual delivery, if delivered personally, or as of the third day from and including the date on which it is mailed by registered or

certified mail, return receipt requested, with postage prepaid addressed as follows:

To GROWTH: Rock Island Economic Growth Corporation
 100 19th Street
 Suite 109
 Rock Island, IL 61201

To City: City Clerk
 City of Rock Island
 1528 3rd Avenue
 Rock Island, IL 61201

18. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their devisees, successors and assigns.
19. The preambles contained herein are incorporated in this Agreement by this express reference and made a part hereof.
20. This Agreement embodies the entire agreement between the parties and supersedes any written or oral agreement and may be amended or supplemented only by an instrument in writing executed by the parties hereto.

City of Rock Island

Rock Island Economic Growth
Corporation

Thomas Thomas, City Manager

Brian Hollenback

ATTEST:

Aleisha Patchin, City Clerk



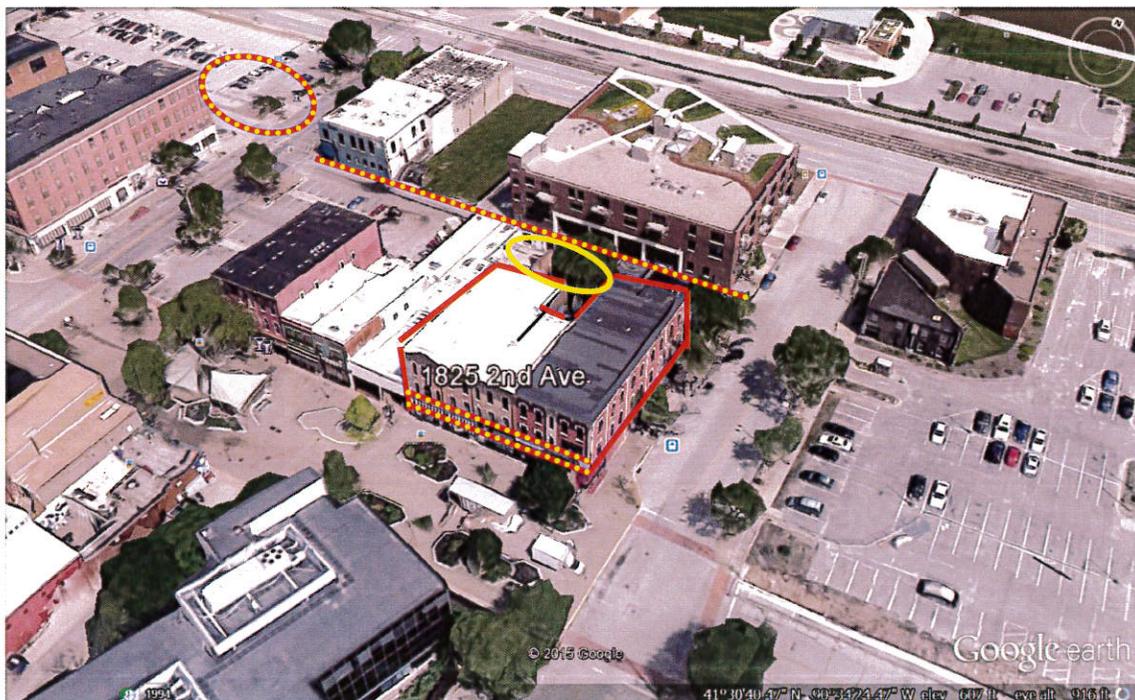
Executive Summary of Star Block requests

Through its strong private-public partnership with the City, Rock Island Economic Growth Corporation (GROWTH) and the Development Association of Rock Island, Inc. (DARI) acquired the Star Block, a 139-year old historic landmark, to rehabilitate into a mixed-use, comprehensive development that advances all goals and objectives set forth in the new Downtown Strategic Plan.

In 2013, GROWTH acquired the western portion of Star Block at 1821-1823 2nd Avenue. In 2014, at the request of the City, DARI acquired and stabilized the eastern portion of Star Block at 1825-1829 2nd Avenue. Partnering with the City allowed for GROWTH and DARI to acquire and manage all five properties that make up Star Block, noting the first time the buildings has been in one ownership structure in over 50 years.

The attached requests address much more than Star Block and its contiguous buildings. Rather, the requests address a comprehensive approach in advancing every single goal and objective identified in the Downtown Strategic Plan. The areas highlighted in the photo below demonstrate such goals:

- Goal 1: Establish a self-sustaining, exciting mixed-used environment with a critical mass of activity
- Goal 2: Improve Downtown's appearance, unique physical character, and overall "sense of place"
- Goal 3: Capitalize on existing assets and nearby activity generators
- Goal 4: Achieve a balance between preservation and new development
- Goal 5: Improve the overall friendliness, efficiency, and safety of all modes of downtown transportation
- In addition to the Downtown Plan, these requests advance the City's pending Arts Plan.



Objectives set forth outside of these requests address health and safety issues, add to downtown's residential and commercial base, and identify pedestrian friendly features, such as improved lighting, installation of public art, installation of dumpster enclosures, and improving transit-oriented safety, friendliness, and efficiency through an alley pilot-project.

The private sector has made a significant investment to incorporate the arts into economic development initiatives. Site visits to multiple communities have been made to incorporate best practices into downtown Rock Island. The Wynwood neighborhood in Miami, Florida and downtown Paducah, Kentucky are models that have been identified for implementation in downtown Rock Island. A public art plan is under consideration that will be presented for approval to the Arts Advisory Committee and City Council in September 2015. As part of this effort, \$7,500 for installation of public art and lighting has already been committed by the private sector.

Thank you for your consideration of the enclosed requests that advancing our shared goals consistent with the 2015 Downtown Revitalization Plan. As always, thank you for your support.

Sincerely,

A handwritten signature in blue ink that reads "Brian Hollenback". The signature is fluid and cursive, with the first letter of each name being capitalized and prominent.

Brian Hollenback

President, Renaissance Rock Island



- Development Association of Rock Island
- Rock Island Economic Growth Corporation
- The Downtown Rock Island Arts & Entertainment District

July 16, 2015

Jeff Eder
 Assistant City Manager & Community Economic Development Director
 1528 3rd Avenue
 Rock Island, IL 61201

Re: Star Block- Phase One Funding Request

Dear Jeff,

Through its strong partnership with the City, Rock Island Economic Growth Corporation (GROWTH) ignited downtown's residential growth in the early 2000's with its first major redevelopment of Renaissance and Goldman Lofts. Fifteen years later, through various private and public initiatives, the downtown has more than 1,100 downtown housing units, of which 228 were developed by GROWTH.

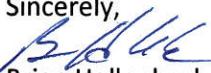
Currently, eight downtown multi-family units are under construction by GROWTH on the western most section of Star Block at 1821-1823 2nd Avenue. At this time, GROWTH is requesting \$125,000 to assist with costs associated with MidAmerican services, environmental costs, and basic service.

In addition to this request, Rock Island Economic Growth Corporation requests a rebate in taxes in excess of \$3,000 for a period of 10 years, with a four percent increase per year. Projected 10-year tax revenue to be generated from the project is as follows:

Year	1	2	3	4	5	6	7	8	9	10
Rebate Amount	Property taxes in excess of 3,000	Property taxes in excess of 3,120	Property taxes in excess of 3,245	Property taxes in excess of 3,375	Property taxes in excess of 3,510	Property taxes in excess of 3,650	Property taxes in excess of 3,796	Property taxes in excess of 3,948	Property taxes in excess of 4,106	Property taxes in excess of 4,270

Work on Phase One of the Star Block project has been delayed since November 2014 due to unforeseen environmental remediation costs and demands placed by MidAmerican Energy to bring required services to the building. Due to the delay outside of its control, GROWTH additionally requests an addendum to its development agreement extending the construction completion date to July 31, 2016.

If you have any questions or require additional information, please do not hesitate to contact me. As always, thank you for your support.

Sincerely,

 Brian Hollenback
 President



- Development Association of Rock Island
- Rock Island Economic Growth Corporation
- The Downtown Rock Island Arts & Entertainment District

July 16, 2015

Jeff Eder
 Assistant City Manager & Community Economic Development Director
 1528 3rd Avenue
 City of Rock Island

Re: Star Block- Phase Two Funding Request

Dear Jeff,

A comprehensive mixed-used redevelopment strategy has been created for the Star Block, split up in two phases.

- Phase One of Star Block at 1821-1823 2nd Ave. is currently underway by GROWTH. The \$2 million project is creating eight residential units targeting veterans and rehabilitation of approximately 1,200 square feet of commercial space.
- Phase Two of Star Block’s redevelopment plan at 1825-1829 2nd Ave. incorporates components from the Artspace Plan. The \$2.5 million project will create 14 artist live-work lofts above approximately 5,000 square feet of commercial space.

In 2008, the City paid \$30,000 to Artspace Projects, Inc. for a complete market and feasibility study identifying artists’ space needs and preferences. Artspace indicated “the findings clearly support a small to moderately sized live/work project in Rock Island.” More specifically, the feasibility study identified 81 artists interested in relocating to a live-work project.

Phase Two of Star Block’s renovation and adaptive reuse will incorporate elements of the Artspace plan by adding 14 artist live-work lofts ranging in size from 520- 640 square feet. At this time, Rock Island Economic Growth Corporation requests \$575,000 in Downtown TIF funds to support Star Block redevelopment efforts of 1825-1829 2nd Avenue.

The development budget totals \$2,559,492 with the sources identified as follows:

Source	Amount
Debt	\$650,000
City of Rock Island- TIF REQUEST	\$575,000
Environmental Protection Agency	\$100,000
State Historic Tax Credits	\$700,000
State Affordable Housing Tax Credits	\$474,300
Developer Fee (deferred)	\$60,192
Total	\$2,559,492

In addition to this request, Rock Island Economic Growth Corporation requests a rebate in taxes in excess of \$6,000 for a period of 10 years, with a four percent increase per year. Projected 10-year tax revenue to be generated from the project is as follows:

Year	1	2	3	4	5	6	7	8	9	10
Rebate Amount	Property taxes in excess of 6,000	Property taxes in excess of 6,240	Property taxes in excess of 6,490	Property taxes in excess of 6,749	Property taxes in excess of 7,019	Property taxes in excess of 7,300	Property taxes in excess of 7,592	Property taxes in excess of 7,896	Property taxes in excess of 8,211	Property taxes in excess of 8,540

To address parking needs, Star Block Lofts LLC., a subsidiary of Rock Island Economic Growth Corporation, will enter into a long-term lease agreement with The Locks at Rock Island, LLC. to use ten parking stalls located at the southern most point of the existing parking lot for The Locks.

In addition to identifying Phase Two's residential redevelopment strategy, the Development Association of Rock Island, Inc. has focused its efforts on Star Block's commercial first floor. Since acquiring the properties in December 2014, DARI has facilitated two restaurants to Star Blocks commercial first floor. Two commercial leases have been signed with more than \$335,000 invested by the private sector:

- Soi 2, a new Thai restaurant, opened at 1825 2nd Avenue, and with the owners invested \$20,000 in equipment and interior improvements. Its customer base continues to grow since opening in May 2015.
- El Patron, an existing downtown restaurant in business for over 5 years, has signed a 10-year lease for its relocation and expansion into 1827-29 2nd Avenue, and is investing nearly \$140,000 in equipment and build-out costs. Renovations are currently underway with an expected opening fall 2015.
 - It also should be noted that the owners of El Patron have signed on a 5-year lease for their existing site at 1826 2nd Ave. expressing its intent to open a new diner type restaurant upon its relocation to Star Block.

GROWTH looks forward to our participation in implementation of our shared goals part of the Economic Development Strategic Plan and Downtown Strategic Plan. As you consider this request, be assured that the City's contribution results in new residents, new businesses, and new jobs for the community. As always, thank you for your support.

Sincerely,


 Brian Hollenback
 President