

MEMORANDUM

COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT

TO: Thomas Thomas, City Manager

SUBJECT: Downtown TIF Housing Project: GROWTH 1610 – 1618 2nd Avenue

DATE: February 28, 2012

A ninth application has been filed for the Downtown Tax Increment Finance District Upper Story Housing program. The Rock Island Economic Growth Corporation (GROWTH) is proposing to create five apartments on the second floor of properties they own at 1610 to 1618 2nd Avenue. These were properties donated to GROWTH by the Goldman Family in 2010.

GROWTH will invest not less than \$655,000 in the property, including \$430,000 in Neighborhood Stabilization Program funds and \$100,000 from the City's Downtown Tax Increment Finance District fund plus \$45,000 from the City's Façade Improvement Program. See the attached letter for additional details. The City's TIF Housing share will be a forgivable five-year zero percent loan. Should GROWTH continue to own the property, maintain it and keep the apartments occupied for five years following completion of the renovation, the City's loan would be released. This is in accord with the Council approved program guidelines.

Normally, the program is limited to \$80,000 for a single project. However, there are TIF funds budgeted in the current fiscal year (2011-12) that are available to fund the entire request.

The Façade Program funds would be a rebate to GROWTH by the City for approved exterior improvements to the "skin" of the buildings.

Improvements to the property include plumbing, electrical, HVAC, tile, floor covering, painting, code and life safety requirements, new interior walls, etc. The project will also include a 10% contingency.

As indicated in the attached development agreement, parking will be provided for tenants on the subject parcel. This responds to City Council's concerns about the marketability of the apartments and is similar to the previous agreements with TIF program participants. GROWTH is also requesting that five of the 25 spaces on the City-owned 2nd Avenue parking lot be reserved for tenants. This is being reviewed by staff as a separate request as there is no off-street parking required by the Zoning Ordinance; it is a matter of marketability and convenience for the tenants.

If Council approves the TIF commitment, GROWTH will proceed to the final stages of program review, including building plan review and completing required program applications and supporting documentation.

GROWTH (Lisa Ahern and Brian Hollenback) received a copy of the agreement and accepted the terms and conditions. They will be in attendance at the March 5th meeting to respond to Council's questions.

Recommendation: That City Council approve the attached Development Agreement committing \$100,000 of Downtown TIF funds to create five apartments at 1610 to 1618 2nd Avenue, subject to completing the program application.

Submitted by: Alan M. Carmen, Planning and Redevelopment Administrator
Gregory S. Champagne, Community and Economic Development Administrator

Approved: Thomas Thomas, City Manager

Requisition #

Vendor #

Account Code:	201	Downtown TIF District
	312801	Economic Development
	55218	Rental Rehabilitation Program
	xxxxxx	GROWTH Case



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

February 19, 2012

Alan Carmen
City of Rock Island
1528 3rd Avenue
Rock Island, IL 61201

Dear Alan,

Please accept this letter to amend our pending request to the Upper Story TIF program in support of the Goldman Family Block (1610 to 1618 2nd Avenue). As you are aware, GROWTH has plans to redevelop the site to create new rental opportunities and make façade improvements. GROWTH is requesting a total of \$145,000 in TIF funds for the program.

Total development costs are \$655,000 and sources are identified below.

Sources of funds

TIF	100,000	(\$20,000 per unit at 5 units total)
Façade	45,000	(\$15,000 each building)
State Donation Tax Credits	62,000	
DCEO	18,000	
NSP 2	430,000	
Total	\$655,000	

Support from the City coupled with the sources identified above will allow GROWTH to create four studio apartments and one loft. The development will be consistent with guidelines of the Neighborhood Stabilization Program.

If you have any questions about this request, please do not hesitate to contact me or Brian at your convenience. As always, we thank you for your support and partnership!

Sincerely,

A handwritten signature in blue ink that reads "Lisa M. Ahern".

Lisa M. Ahern
Grant Administration Director

AGREEMENT

This Agreement made as of this ____ day of March, 2012 by and between the City of Rock Island (the "City") and Rock Island Economic Growth Corporation (the "Developer");

WHEREAS; the Developer desires to undertake a residential development project (the "Project") on certain real property as legally described herein; and,

WHEREAS, the City has created a Tax Increment Finance District ("TIF") as set forth in 65ILCS 5/11-74.4-1, et seq. (the "Act") and by enactment of City Ordinance #84-77, #84-78 and #84-79 in which the Property is situated; and,

WHEREAS, Developer anticipates the expenditure of significant funds to achieve the terms of this Agreement; and,

WHEREAS, each party has performed certain other obligations under said Agreement in reliance upon execution of this Agreement, and;

WHEREAS, City wishes to exercise its powers under 65 ILCS 5/11-74.4-4 of the Act to provide an incentive to the Developer to develop the Property through contributions to capital for certain costs from funds realized through the increase in incremental real estate tax revenues resulting from such development as defined in the Act; and,

WHEREAS, it is the intent of the City to encourage economic development which will increase employment and expand the tax base of the City; and,

WHEREAS, the Developer has proposed a development which will meet said goals and requested assistance from the City to help defray the development project costs associated with redevelopment of the Property;

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

1. Developer agrees to undertake redevelopment of the Property located at 1610 – 1618 2nd Avenue in the City of Rock Island and legally described as (see Exhibit A).
2. Developer agrees that the Property will be developed to create five (5) dwelling units in general accordance with the plans and renderings submitted to the City. Prior to initiating construction, Developer shall submit to the City final construction drawings as are required to obtain a building permit. City shall have the right to review and approve said plan and construction drawings and said approval shall not be unreasonably withheld.
3. Developer agrees to provide parking for tenants (one space per unit) on the subject parcel.

4. Developer agrees that the total project costs, including but not limited to architectural services, planning, engineering, legal services, professional fees, mortgage interest, construction interest, labor and construction materials, will exceed Six Hundred Fifty-five Thousand Dollars (\$655,000).
5. Developer agrees to commence work on the Project not later than April 1, 2012 and have all construction work completed and the Project ready for occupancy no later than November 30, 2012. Failure to complete construction of this Project shall be considered a material breach of this Agreement, entitling the City to terminate this Agreement by written notice to Developer at his address of such intention not less than fourteen days (14) prior to the desired termination date.
6. Developer agrees to obtain all necessary federal, state and local permits to carry out this Project and construct the Project in accordance with all applicable laws, including, but not limited to, building codes, subdivision regulations and other applicable laws.
7. Developer agrees that the first floor of the property must house a viable (that is occupied or occupiable) commercial business (retail, service or office) for the five years following completion of the upper story renovation and that said developer shall continue to own the property for the same five-year period. Failure to do so will result in a default by Developer and the requirement that the City's investment be repaid in its entirety. The Developer is obligated to inform the city if property will be sold or converted to another use, or vacancy will occur on the first floor within the five-year timeframe.
8. Developer agrees that the entire structure must be in substantial code compliance at time of application or after rehabilitation is complete and that it shall be maintained in such condition for five years following the completion of the building's rehabilitation. Failure to do so will result in a default by Developer and the requirement that the City's investment be repaid in its entirety.
9. Developer agrees to abide by the TIF Upper Story Loan Guidelines as approved by the Rock Island City Council on December 18, 2006, attached hereto as Exhibit B.
10. Developer agrees to indemnify, defend and hold the City harmless from any claim arising from execution of Developer's obligations under this Agreement, including but not limited to construction of this project or any part thereof, including reasonable attorneys fees incurred by the City in defending any such claim.
11. Developer, upon request from the City, shall provide proof of evidence that Developer has the financial resources to complete Developer's obligations hereunder.
12. Developer shall not allow any mechanic's liens to attach to the premises and agrees to discharge any and all such claims within sixty (60) days of filing of said claims. In the event that any mechanics liens shall attach, the Developer shall use due diligence to have said liens removed within sixty (60) days.
13. City hereby agrees to contribute the sum of One Hundred Thousand Dollars (\$100,000) to the Project said contribution to be taken from the Downtown Tax

Increment Finance Fund. Said contribution shall be in the form of a zero percent five-year forgivable loan and shall be secured by a Note and Mortgage.

14. With regard to the use of funds provided by section 9 herein, the Developer shall use such funds for payment of expenses to the extent permitted by the Act and may allocate such funds for any purpose described by the Act. The parties acknowledge that the determination of eligible Project costs, and, therefore, qualification for payment hereunder is subject to changes or interpretations made by amendments to the Act, administrative rules or judicial interpretation. The parties agree to fully cooperate in obtaining approval of eligible costs as set forth under any such changes. Eligible costs shall include all costs includable under a broad definition of the terms of the Act.

15. This Agreement shall be governed and construed in accordance with the laws of the State of Illinois, including the Illinois Prevailing Wage Law.

16. 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 equity rights and remedies as are available at law or in equity.

17. Delays by the Developer or City in performing its obligations hereunder due to acts of God or belligerent war powers, strikes, fires, floods, explosions, wars, differences with workers, delays in transportation or accidents to construction, military arrest or restraints, acts, demand, 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 Developer's or City's control and not resulting from Developer's or 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 execution is prevented or delayed by such cause.

18. Time is of the essence of this Agreement.

19. The rights and obligations of the Developer are fully assignable by means of written notice to the City, provided that no assignment shall be deemed to release the assignor of its obligations to the City under this Agreement unless the consent of the City to the release of the Assignor's obligations is obtained. Consent shall not be unreasonably withheld.

20. 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 or remedies provided said party pursuant to this Agreement.

21. If any term or provision of this Agreement be held invalid or unenforceable, to any extent, the remainder of this Agreement shall be fully valid and enforceable.

22. All notices, demands, consents, approvals or other instruments required or permitted by this Agreement shall be in writing and shall be executed by the party or an officer, agent or 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 Developer: Lisa Ahern or Brian Hollenback
GROWTH
100 19th Street
Suite 109
Rock Island, IL 61201

To City: City of Rock Island
Attention: City Clerk
1528 Third Avenue
Rock Island, IL 61201

23. This Agreement shall be binding upon and shall insure to the benefit of the parties hereto and their heirs, devisees, successors and assigns.

CITY OF ROCK ISLAND

DEVELOPER

BY: _____
Thomas Thomas, City Manager

BY: _____
GROWTH

ATTEST:

ATTEST:

BY: _____
Aleisha Patchin, City Clerk

BY: _____