

REGULAR MEETING – MARION COMMON COUNCIL – MAY 21, 2019 – 7:00 P.M., CITY HALL

The Common Council of the City of Marion, Indiana met in regular session on Tuesday, the 21st day of May, 2019 at the hour of 7:00 p.m. in the Council Chambers, City Hall.

On the call of the roll the following members were shown to be absent or present as follows:

Present: Henderson, Smith, Batchelor, Cain, Homer, and Luzadder.

Absent: Brunner, Johnson and Miller.

The minutes of the previous regular meeting of May 8, 2019 were presented. On a motion by Councilman Dave Homer, 2nd by Councilman Henry Smith and Councilman Steve Henderson, the minutes were approved as presented by a unanimous vote.

COMMITTEE REPORTS: Councilman Brad Luzadder told the Council they had a meeting this evening of the Development Committee under Chairman Batchelor. They are going to be making a favorable recommendation on a Declaratory Resolution for Renewing Management Incorporated Properties. There were five members of the Council there this evening that were able to ask questions. They were able to see pictures of current and what it's going to be looking like. They are going to be expediting it so to help with the financing and so the Chairman will be making a motion later on. But it did come out with a favorable recommendation with their Development Committee and so he encourages all the members of the Council to take great thought process as they decide to vote, Luzadder said.

Councilman Dave Homer said, Madame President, there's been some questions lately from some of the committee members in regards to the Neighborhood Preservation Ordinance who have been asking questions on where that stands. He asked Councilwoman Deb Cain if she is able to update them, or Mr. Stephenson, where they're at with that. Mrs. Cain said, yes, she has made, on Friday, she made a phone call to Doug Engerman (?) who is with Homeland Security and she also called today, actually, at 1:00 and she left voice mails both times. She asked Mr. Stephenson if he has any more success. Council attorney Phil Stephenson said, no. As she knows, they sent that in some time ago for their reaction and they've received nothing back since that time. Homer asked, do they think it would help if they contacted our State Rep, Kevin Mahan, to see if he could touch base with somebody to see if we could get some movement? Would that be helpful or what would he suggest, he asked Mr. Stephenson. Stephenson told Homer, well, he doesn't have a good answer, only because of the fact that sometimes you make those kinds of connections and get an administrative official who decides to take his own time even more, he doesn't know. Cain said the comment he made to her when she was talking to him about the timeline, when they received the report back with their suggestions on amendments and she talked to Doug on the phone a couple of times and one of the comments he said now, remember to tell them that it's our (Homeland Security) timeline when we get it back and that they will put it on the agenda, they will work it through in their timeline, depending on what's on there. So she's hoping, if it holds true to what's happened before when she was trying to get a hold of them when they were doing the amendments that her third call, which she plans, she told them today she would call them on Thursday, her third call that he will then respond because then he knows she's adamant and she really meant what she said. Because he would always call her back after the third time, Cain said.

Councilman Steve Henderson reported that the Compliance Committee fully approved all of the abatements that were sent out so those may be sent on to the county.

Before the Council moved on to New Business, Council Vice-President Deb Cain said, with this being a Declaratory Resolution, she needs to ask a question then. Do they need to hear from Mrs. Kiley first or do they need to hear from, to suspend the rules to even hear the resolution? Council attorney Phil Stephenson said, well he thinks they can go ahead and hear the resolution. It's on the agenda, obviously, so he thinks the presentation can be made.

NEW BUSINESS

RESOLUTION NO. 5-2019

The City Clerk read Resolution No. 5-2019 by title only. Declaratory Resolution of the City Council of Marion, Indiana declaring economic revitalization area for property tax deductions for Renewing Management, Inc. for property located at 407 N. Gatewood Drive, Marion, Indiana. Joe Certain, attorney for petitioner, told the Council, some of them know him, some of them may not. He's an attorney with Kiley Harker Certain here in Marion. He's here this evening representing an organization called Renewing Management Inc., which is out of Anderson, Indiana. The two principals here this evening of Renewing Management Inc. is Ethan Fernhaber and George Tikijian. Renewing Management is an organization this is involved particularly in purchasing, renovating, restoring and operating apartment buildings. They have approximately 15 to 20 in the State of Indiana currently that they're operating and several others that are currently undergoing renovation. They are considering purchasing the apartment complex known as Crown Park Apartments located on Gatewood Drive, formerly Bradford Apartments some years ago. These buildings of which there are 26, he believes, have fallen into substantial disrepair. They're deteriorated, they're dilapidated. There are 220 apartments in this complex, only approximately 50% of which are occupied and 10% of which are current on their rental payments. It's made up of 68 one (inaudible) flat apartments, 68 2-bedroom flats, 52 2-bedroom townhomes, 25 3-bedroom townhomes and seven 4-bedroom townhomes. These all are deteriorated both from a structural standpoint as well as inside. Many of them have no walls, interior walls, and approximately 30 of the units, at least, are infested with mold and mildew and are unoccupiable, or uninhabitable he supposed is a better word. So, these folks are here to request, that they propose to purchase this property and invest over the course of the next 18 months or so \$4,000,000, approximately \$4,000,000 in refurbishing, in renovating these buildings, including exterior roofing, siding, and interior, entirely interior renovation of all of the units inside. They're asking that this area be declared an Economic Redevelopment Area so that they can be eligible for a 10-year tax abatement. A 10-year tax abatement, as probably most of them already know, effectively works to a 10-year phase in period for taxes. And, in all practical purposes, it is a six-year phase in because the tax circuit breaker effectively comes in at the 7th year and so the taxes, full taxes are paid after the 6th year, even though it's, theoretically, a 10-year phase in period. So, with him here this evening is George Tikijian who can answer any questions relative to financing and that sort of thing, as well as otherwise, and Ethan Fernhaber who is a principal of the organization who is also here to say a few words by introduction and answer any questions they may have. George Tikijian told the Council he lives in Zionsville, Indiana. His occupation is two-fold. He is both a real estate broker and he specializes in selling apartment communities throughout the State of Indiana and then also he's an investor and partner in a company that purchases and renovates communities. So they're here asking for their assistance for this property. Their plan is to buy the property and to spend \$4,000,000 completely renovating the community, inside and out, and it needs every penny of it. That includes new roofs, new siding, new interiors, appliances, kitchen, flooring, cabinets, everything really. It's a complete rehab. And as they all know, the property's had a long history of being down and out. It's been a poorly managed property that's deteriorated over many years. So, their goal is to completely fix it up and they're doing this because they think Marion demands and wants nice apartments. In Marion, there haven't been very many new apartments built in many years and most of the properties that are here are aging so they feel that if they spend the money and fix it up, there will be a demand for it. What they're concerned about and why they're here today asking for the abatement and the longer time period for the higher taxes to kick in is they just don't know how long it's going to take to actually lease the community up. It's got a reputation problem that they're going to have to turn around. So the first thing they'll do is physically fix the property and then they'll do their best to get the word out to make sure that Marion knows this is not the same old Gatewood, Crown Park, Eagle Village, whatever it's been called over the years property. So, thank you very much for hearing them today and Ethan may want to say a few words and they'll answer any questions that they have. He told Councilman Smith he didn't have the benefit of the big pictures so if he'd like to look at them, those are large photos. They are pictures of the property as it currently stands and then an example of rehab communities that Renewing Management has completed, Tikijian said. Ethan Fernhaber told the Council he's a principal of Renewing Management. Their organization has a mission of restoring hope through transforming communities across Indiana. They've been doing this for about 15 years. They've invested in over 20 apartment communities and 200 single-family homes. They spend millions of dollars every year, restoring apartment communities. They have a goal of owning 40 communities by the year 2030 and they believe that this will be, hopefully, their 16th acquisition towards that goal. Some of the smaller communities that they initially invested in they no longer own because they really want to focus in

RESOLUTION NO. 5-2019 Continued

on 100 to 300 unit properties. They operate in a lot of the smaller markets across Indiana, communities like Anderson, Newburg, Indiana, Evansville, Ft. Wayne. They are under contract with another property in Mishawaka. So they believe this will be a great acquisition for them and a great improvement to the City of Marion. These units were built with an affordable mindset. They'll be installing dishwashers in all the kitchens and they'll also be installing washer and dryer hookups in the two and three-bedroom units. That's an amenity that the apartments don't currently have. Their organization has around 80 employees. They'll be doubling the size of the onsite work staff and even doubling the amount of wages that are paid out to these employees. So, they're long-term owners and operators and they look forward to making this investment, Fernhaber said. Councilman Henry Smith asked, are they paying taxes on this property? Mr. Tikijian told Smith the property currently has an assessed value of \$1,750,000 and the taxes that are being paid on it now are about \$35,000. Smith asked, approximately how long will it take them to refurbish all these apartments? Tikijian said, approximately 18 months of construction. Smith asked, so taxes will be paid (inaudible) with the 18 months or will it stop and then start after the 18 months. Tikijian replied, the current taxes that are on the property won't change. Those will be paid from here on out. So it's the increase in value as a result of the rehab that gets pushed out and stretched out. So the taxes won't go down at all, Tikijian stated. Councilman Don Batchelor said he would like to make a motion they suspend the rules on Resolution No. 5-2019. Motion was seconded by Councilman Luzadder. Council Vice-President Deb Cain asked, what is the suspension of rules? He's suspending the rules for what? Batchelor said, so they can move forward with this Declaratory Resolution tonight. Motion then carried by the following vote. Aye: Henderson, Smith, Batchelor, Homer, Luzadder and Cain. Nay: None. Motion was then made by Batchelor, 2nd by Luzadder to pass Resolution No. 5-2019 and the motion carried by the following vote. Aye: Henderson, Smith, Batchelor, Homer, Luzadder and Cain. Nay: None. Cain said, okay, so this passes on to the 2nd reading, public hearing. Mr. Certain said the Confirmatory Resolution at the next meeting, assuming it's published properly, that will be a public hearing. Councilman Steve Henderson asked, when they come back for this next, will they have purchased the property by then? Certain told Henderson they hope so. He thinks, given the action of the Council tonight, he thinks they feel confident to proceed to purchase the property. Mr. Batchelor said they would like to thank these guys for their investment. They wish them nothing but success. Since they have been in this business for a while, apparently they know what they are doing and they just hope they are very successful in their endeavor. Once again, thank you for choosing Marion. Mr. Tikijian thanked Batchelor for his words of support. They really appreciate it and they look forward to partnering with the City of Marion.

Being no further business to come before the Council, on a motion by Henderson, 2nd by Smith, the meeting adjourned. Time being 7:22 p.m.