

MARION REDEVELOPMENT COMMISSION

BOARD MEETING

October 2, 2019

MEMBERS PRESENT: Steve Smithley, Ed Merchant, Todd Nicholson, Jacquie Dodyk, and Deb Cain

MEMBER ABSENT: Steve Henderson

OTHERS PRESENT: Mike Halstead, Janet Pearson, Herb Spitzer, Tom Hunt, Jerry Foustnight, Mike Flynn and Mayor Jess Alumbaugh

Meeting called to order at 10:00 am by Steve Smithley.

Motion to approve the minutes from the September 11, 2019 minutes- Ed Merchant; seconded Deb Cain.

Motion carried.

Resolution

Tom Hunt: Before you this morning is a resolution regarding the Ridley Tower project and I am sure you all have some familiarity with what Mike Halstead is planning to do with the old Marion National Bank building. We don't want to get too deeply into the weeds on this yet because we are planning to come back to you at some point in the future to explain in detail what the project is. For right now the issue is sort of a procedural one. The statute, the redevelopment statute in fact I wrote the language down so you can hear what it says. There has been a lot of discussion about this, we faced this issue with some county officials over CIE project last winter and there is a lot of misunderstanding and misapplication of this language. What the pertinent part says is that "the redevelopment commission has to find that the proposed new development generating TIF revenues would not have occurred but for the use of TIF." This misapplication that often comes into play when the developer begins work before getting all of the necessary approvals and some folks who tend to be against these kinds of economic development projects will say a-ha you have started work that means clearly that you would do the project anyway even if we don't grant the proposal. That is not often the case, in many cases particularly with regard to CIE and I know in Mike's case so preliminary work is needed to be done to get ready to do that project because of timelines in the event that the proposal is ultimately approved by local government officials. So, today Mike has begun some preliminary work on this building and today what we have in front of you is a resolution that simply says that basically it is okay to go ahead and do that but ultimately down the road we are going to have final approval on whether or not you have the financing that is proposed. That is probably going to come later this fall. We think Ice Miller is in a position where they can get the project together from a legal stand point and the former Umbaugh firm Baker Tilly is sort of next in line to develop what the financing might look like and from that point on Mike and the city will negotiate what some of

those terms and it will be off to the races and coming back to you for final approval on the project.

Ed Merchant: So you are talking about tax credits and some of these things mentioned in here. Getting these things lined up before.

Attorney Hunt: It is all going to get lined up beforehand. We don't know what the financing is going to look like at this point until Baker Tilly comes back with some numbers. They are going to have some discussions with Mike and draw out what this project might look like, but at this point we don't have a clue. All we are doing today is asking your approval of the fact that some preliminary work has begun out of necessity in order to get the project on track to be able to complete in the time line that Mike has.

Mike Halsted: One thing we have to cognizant of is we told Baker Tilly and Ice Miller we are only asking for TIF Financing for the building not the entire district. We are just limiting it to the building so that is a key component of that.

Ed Merchant: Do you have a bank sponsor yet?

Mike Halstead: No.

Attorney Hunt: That is all part of the project.

Mike Halstead: If you look on page two at the bottom, being a former banker you will understand the dilemma. There are the market rate loss is the way I would describe it for developing property in Marion is huge. So, for example the project cost is about 7.25 million, the grant county assessor has already said once it is done we are only going to appraise it at 2.5. The property tax assessment is based on 2.5.

Ed Merchant: Oh.

Deb Cain: Even after the apartments are in there?

Mike Halstead: That is right. I gave her all of the rent rolls for the apartments and the commercial space. The reason is pretty simple it is because the appraised value is based on the income not the money spent on the building.

Deb Cain: Oh, okay.

Mike Halstead: So that also impacts a bank, so if a bank looks at this building they are going to look at the amount of rent that I generate from the apartments and the commercial spaces assuming the building is full. Even at that point when the building is complete the banks don't think it is going to be valued at more than four million. So that is my dilemma, the project costs are 7.25 million but a bank will only give me a mortgage for four million. So I have to figure out the 3.25 million dollar gap.

Ed Merchant: The old Grant County jail was done with tax credits and it was the same dilemma, the cost was six million dollars and the appraised value based on the income approach was about three.

Mike Halstead: A bank is only going to loan me as much money as they can sell it for when it is done. So four million is what they think, four to five million now if it were in Indianapolis or Chicago once it is done I could sell it for eight right, but not in Marion because the market rate apartments rents are so much less than they are in Indianapolis and the same thing with commercial space, right. I just can't generate enough money to make it more than that.

Ed Merchant: Tom, have you got copies of the resolution?

Attorney Hunt: Yes. That is what Janet passed out.

Mike Halstead: The other forms of financing to fill that three million dollar debt are Historic Preservation Tax Credits which those are imminent, we have the part two approval from the state, The National Park Service (inaudible) is supposed to have that back to me by the October 13th, and that generates about a million dollars. The IEDC Redevelopment Tax Credits which are new this year that legislation passed in April they don't have applications yet but those don't start until January. We have already met with the head of IEDC Mark Wasky he toured the building, loves the project so we think we would get about a million dollars from that. So if I can get a TIF just for the building, which preliminarily Baker Tilly is assuming a million and a half based on the property taxes I would pay, I think it is over twenty years plus inflation. They kind of safe guard those calculations and don't tell us exactly how they come up with the number but then I would be able to fill that three million dollar gap basically with those three equities.

Steve Smithley: So for the project cost we are looking at potentially a million five for the TIF right?

Mike Halstead: Right. That is still open to negotiations once we get Baker Tilly's official breakdown of that fund. Again, I have already told them to limit it to the building and not the entire district.

Attorney Hunt: So just to be clear you are not approving the project. What you are doing is approving the fact that Mike has begun some preliminary work and that will not be an obstacle to presenting that project to you at some later date. The later date when we do have all of the financing lined up and the details of the project will come back to you for a more detailed look at what you think about it.

Attorney Herb Spitzer: I think that is spelled out in section three of the resolution.

Mike Halstead: The other component is the new IEDC tax credits you have to have a local match.

Ed Merchant: Well Tom, Mike, first of all Mike thank you for taking this on. I was in that building for seventeen years, I got a lot of blood sweat and tears in there, I have a lot of emotion in that building, and I really do. At one time we had two hundred employees in that building, occupied the first three floors, all three floors. So it is nice to see something good happening there. I had a whole list of questions which are banker type questions but you told me to stay out of the weeds or at least asked me to for now. So...

Attorney Hunt: Well we don't have any answers to them yet.

Ed Merchant: Yeah, is there a lien on the property now Mike?

Mike Halstead: No.

Ed Merchant: Okay. So when the time comes I will be looking for your rent rolls and your cash flow.

Mike Halstead: I have all of that I just don't have a bank that is willing to take a risk with me yet because it is twenty nine market rate apartments. There is no bank that wants to invest in downtown Marion market rate apartments not at the tune of four million dollars. So that is the problem there is no bank that is going to do this deal. I have talked with local banks, Indianapolis banks, they all want to see the TIF bonds approved, preservation tax credits finalized and the IEDC tax credits finalized. Because of that market rate gap they don't want to invest in market rate apartments.

Ed Merchant: I understand that as speaking as a member of the Growth Council I would like to see the tax credits approved before we get involved. I would like to see a major partner in with us. The last thing any of us want to see is another YMCA debacle. That was a different story but a half finished building is worse than it is now so, that's it.

Deb Cain: I am excited about the project I just think it is really important that we look at the TIF and we are really careful with it.

Mike Halstead: Although Baker Tilly has assumed 1.5, I have for the IEDC tax credits have to have a 50/50 match so it can go down to a million if that is what you guys prefer the mayor and I have been talking about that so

Steve Smithley: This resolution says not to exceed 1.5 so that kind of covers it.

Mike Halstead: I am not sure how Baker Tilly came up with that number because I assumed it was 1.2 based on property tax evaluation by the assessor's office but again its Baker Tilly would not tell us how they came up with that number.

Attorney Hunt: Again I think that maybe some of that is cost of issuance. That is my guess, my guess is that part of that difference is going to be cost of issuance.

Mayor Jess Alumbaugh: Will the 50/50 though still cover the gap that you need?

Mike Halstead: I would probably have to get at least a million to be able to get a million from IEDC because they are thinking the grant would be approved for between nine fifty and a million.

Attorney Hunt: What the mayor is talking about is we have only done one TIF bond project during his administration and that was the CIE Project last winter and for the very first time in history of this community we did a deal where we actually go immediately some of the TIF rather than giving it all to the project. Every TIF bond prior to 2016 that was issued was written in way where every single penny of the TIF went to discharge the bond obligation. In addition to which there was some responsibility on part of the city. With the new project we did for CIE there was no responsibility for the city and we got part of the TIF immediately and that amount grows every year. It really was a good deal for the city.

Mike Halstead: Yeah we could structure it that way and keep it at 1.5 and the city gets 5.

Mayor Alumbaugh: That is what we were talking about so we could protect the citizens.

Mike Halstead: Yeah that would protect the citizens and that is one reason why we did not ask for all of the money in the TIF and just the building. I just don't think it is right to take all of the money out of the district.

Ed Merchant: Just make sure we don't short the project. Just like I said with Jacquie's project.

Deb Cain: That is what I was going to ask if we bring it down to a million does that decrease the amount that you may get in grants?

Mike Halstead: No, it won't affect the Preservation Tax Credits and I don't think it will affect the Redevelopment Tax Credits because Mark basically said don't ask for more than a million. I don't think it will impact anything.

Mayor Alumbaugh: I would urge you not to let the old "Y" cloud your thinking. I am not sure and I think a couple of people in this room don't think there was ever an intent to complete that. There are a lot of things in the past...

Mike Halstead: I have too much money in this project not to complete it now. I would go bankrupt if I don't finish it.

Deb Cain: So if we kept it at the 1.5 you said we could write the TIF like we did the CIE and it wouldn't harm you?

Mike Halstead: No, the city could have five hundred if I got the million. It would probably be easier to sell the bonds that way because the city then has skin in the game.

Deb Cain: That is what I was thinking.

Mike Halstead: I can see it as an advantage for both of us.

Steve Smithley: Well for our purposes today it is already in a TIF district, the consolidated economic development area and it says we can leave it in that or make it a specific district for this building so that gives us leeway there not to exceed 1.5 million and we are under no obligation to issue debt if it does not work out the way we want it. I don't know that it commits us to a lot but it allows them to go the next step and begin working on the structure.

Attorney Hunt: As Herb pointed out section three of the resolution says this doesn't bind you to anything in the future. When we come back later this fall hopefully we will be in a better position to answer some of your questions in terms of the of financing.

Mike Halstead: What it does do is it allows me to now go to some of the banks and say this is real and also IEDC when I meet with them at the end of the month that is the advantage now.

Todd Nicholson: What is the assumption of market rate in Marion?

Mike Halstead: Well Tucker realators has done a (inaudible) comparison of other properties that are around Marion and Grant County and so we are assuming certain rents, so the rents will vary there. There are 1, 2 and 3 bedroom units more than half are two bedroom and some of the third floor units are less expensive than some of the seventh floor units because of the view and the location but the rates will range from about \$900 a month to \$1600 a month. The same apartments in Indianapolis downtown would be \$2,000 a month. That is the problem with the banks they are not going to loan me four million dollars for market rate apartments for downtown Marion because nothing has been done like this for over what 50 years.

Steve Smithley: The last market rate apartments that were built in Marion were the Williamsburg apartments and they were built in 1968.

Mike Halstead: So this is true in all rural Indiana areas, Fort Wayne, Indy, Gary, and East Chicago not so much but Marion is definitely a factor in the market rate.

Mayor Alumbaugh: They will give you money easily if you want to affordable housing but we have plenty of that.

Mike Halstead: That is the thing if we don't get the TIF bonds that is probably the route I would have to go, there would be no other option. So and with Gallatin Apartments and 34 East we are going to have more affordable housing downtown. The highest and best use of this property is the market rate apartments so we have mixed income downtown.

Mayor Alumbaugh: I can tell you other elected officials look at us as the distribution capital of the country and affordable housing capital of the country and it is kind of tongue and cheek.

Mike Halstead: The other factor is the three equities allow me to make more of the commercial space affordable for local not for profits so the Grant County Economic Growth Council is interested in the space but they can only afford \$1,000 a month but they need 2,000 square feet but the market rate for that is \$2,500.00 right. The same thing with United Way of Grant County, the same thing with Main Street Marion so we would, part of what I want to do is not only make the market rate apartments more affordable for more work force housing so firemen, policemen,

nurses, teachers can afford to live there not just the crème de la crème. It is also true of the commercial spaces they just cannot afford what the real market rate would be if the mortgage would seven million. There is just no way, the math just doesn't work.

Motion to pass resolution (number to be determined) - Deb Cain; seconded Ed Merchant
Motion carried

Approved Appraisals

Herb Spitzer: You may recall at the last meeting the commission approved the action to get appraisals done on the courtyard 3rd St. property. The staff obtained appraisals from Sally Jenks and Scott Webb. Janet has those appraisals, the appraisals came back oddly the same numbers so we don't have to average them at \$20,000. I briefly scanned them yesterday and I think they used different comparables as I recall. So anyway, that is the appraisal number and if the commission wants to go forward with the sale of this property the statute requires that we have to prepare a set of bid instructions and then we have to advertise twice, a week a part and the legal ad will basically say that this property is now being offered for sale by the commission and that any interested party may apply at the commission office to get the details and it will include the instructions and a bid form and the legal ad will tell the public when the bid forms will be open in a meeting and it will give the date and time. So we need to establish a date and get the legal ad in and advertise in the Chronicle and in the News Herald. The News Herald is a weekly so we have to make sure that we give ourselves enough time to advertise in both of those papers. So any questions from the commission.

Jacquie Dodyk: So I assume that anyone that is bidding on it knows what the appraisals came in at.

Herb Spitzer: Well yeah, it is kind of odd the statute provides that you have to put the offering price out there, I am assuming that the offering price is going to be the appraised value so you have to put the offering price out there. Interested parties cannot look at the appraisals but they know what the number is.

Mayor Alumbaugh: So who controls the offering price?

Ed Merchant: We do.

Herb Spitzer: We do as a commission. So if you want to proceed I will need a motion to proceed with the sale and you have to tell me what the offering price is and to prepare the documents and I suggest we try to set a date. I was thinking if this is a good day and time for everybody I think like the last, like the 30th.

Motion to sell the property for \$20,000.00- Ed Merchant

Herb Spitzer: Now that will be the offering price now when we come back we have to take bids and then we decide how much it is going to be.

Jacquie Dodyk: Because someone could come in with a bid higher than \$20,000.

Herb Spitzer: We can't sell it for less than the appraised value.

Ed Merchant: Oh, so we have a minimum bid.

Herb Spitzer: That is a minimum offering price and then when the bids come in and also this is another twist that everyone needs to be aware of. It doesn't necessarily mean the highest bid is the bid that you have to accept.

Jacquie Dodyk: Right, responsible responsive.

Herb Spitzer: So there are factors we can talk about, it will be in the papers that we going to submit to whoever is interested. But when the bids come in if we get more than one bid we will have to have a discussion about them about which one to accept.

Jacquie Dodyk: Would we have to include in the notice that that is part of the bid, that it is a responsive responsible bid? Do we have that ability?

Herb Spitzer: Yes, we also have to put in there that we reserve the right to reject any and all bids.

Ed Merchant: Qualified buyers.

Herb Spitzer: Yes.

Jacquie Dodyk: I think that is really important with this property since it is appraised at \$20,000 because we could have someone come in with a higher bid. I mean it should not be just because it is the highest bid.

Steve Smithley: So is there any language you have to specify now?

Herb Spitzer: No all you have to do is, we just have to follow the statute. The motion would have to be if you want to proceed is "move to proceed with the offer to sale at the appraised price is that what you.

Steve Smithley: That is what your motion just was, wasn't it.

Ed Merchant: Yes, it is going to die without a second.

Jacquie Dodyk seconded the motion.

Motion carried.

Steve Smithley: We need accept the meeting date that Herb suggested for the last Wednesday of this month, the 30th at 10:00.

Jacquie Dodyk: I am interested to see if we can schedule another meeting of the group prior to the November 1st date for this next level trail application. We have been busy trying to get other funding and a couple of things have come up, good ones. Verbally Sam the director of planning here at the city talked with Dave Wright at the county and they will cover the cost in their budget of the pedestrian bridge which is significant and also not that it helps for our time line right now because November 1st is November 1st but the Community Foundation has come out with another grant opportunity it's I think one hundred to one hundred fifty thousand and it is spot on with the trail. It is about improving our health with the community and reducing obesity etc. and so but their timeline the application isn't due until I think early December so the reason I say that is a good thing is because that is another opportunity to be asking for additional funds to go towards this overall connection we are trying to make from the river over to the Cardinal Greenway so that is exciting. We also, another way we can reduce our budget is you don't get fancy with the trail and we just go asphalt over the railroad tracks and if the city could cover that in the regular street budget, so the reason I am saying this is if we get to the point where everything looks good and we are short some reasonable amount of money I would think you want to know about it. We also only get one bite at the apple we have learned that, so if we don't

get it we don't get another chance at it. It is not like you try, oh darn and there is supposed to be one more round early next year so if we really think we are ready and we have a great case, and everything is lined but we are a little bit short I would like to keep that door open and if not I would like go back in at the last possible chance next year. So a meeting is what I am hoping for.

Steve Smithely: The 30th, will that work? That is two days before the 1st but will that work?

Jacquie Dodyk: Well that is tight. You know what I think that is fair. If I am really in that situation then I would really get the word out, this is what's happening before the meeting on the 30th.

Steve Smithley: But will that be alright, I mean it is already scheduled?

Jacquie Dodyk: Yeah, I like that, I like that. It is not our expectation but right now we are just doing everything we can to get the budget down and find anything else where we can get more money.

Motion to adjourn-Deb Cain; seconded Ed Merchant

Meeting adjourned

Steve Smithley- President

Aisha Richard- Attest