

SYCAMORE CITY COUNCIL
AGENDA
February 15, 2010

CITY COUNCIL COMMITTEE MEETINGS
No Meetings Are Scheduled

REGULAR CITY COUNCIL MEETING
7:00 P.M.

1. **CALL TO ORDER**
2. **INVOCATION**
3. **PLEDGE OF ALLEGIANCE**
4. **APPROVAL OF AGENDA**
5. **AUDIENCE TO VISITORS**
6. **CONSENT AGENDA**
 - A. Approval of the Minutes for the Regular City Council Meeting of February 1, 2010.
 - B. Payment of the Bills for February 15, 2010.
 - C. Plan Commission Minutes for the Meeting of October 12, 2009.
 - D. 2009 Sycamore Police Department Annual Report (by separate cover).
 - E. 2009 Building & Zoning Department Annual Report (by separate cover).
7. **PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS.**
 - A. Proclamation Declaring Tuesday, February 23, 2010 as Rotary Day in the City of Sycamore, Illinois.
8. **REPORTS OF OFFICERS**
9. **REPORTS OF STANDING COMMITTEES**
10. **PUBLIC HEARINGS--None**

11. ORDINANCES

A. Ordinance No. 2009.53—An Ordinance Concerning the Recommendation of the Plan Commission With Regard to the Petition to Establish a Drainage Easement Between Lots 107 and 19 of the Sycamore Prairie Business Park in the City of Sycamore, Illinois. First and Second Reading.

On February 8, the Plan Commission considered a petition from Ideal Industries to support a legal exhibit affirming the existence of field work done in the Sycamore Prairie Business Park over the past year. The new “Exhibit A” (see attached) confirms the existence of a new 20-foot side-yard drainage easement running along the north lot line of Lot 107 and the south lot line of Lot 19. During the development of the Ample Supply parcel (Lot 106), an existing swale which ran through the parcel to the north (Lot 107) was abandoned and replaced with a 15-inch storm sewer along the north property line of Lot 107.

By a vote of 10-0, the Plan Commission recommended the Council’s approval of this document. City Council approval of the Plan Commission recommendation is requested.

12. RESOLUTIONS--None

13. CONSIDERATIONS

A. Consideration of a Development Grant to Promote the Redevelopment of the Former Kmart Site.

The successful redevelopment of the former Kmart site has been a Council concern since Kmart permanently closed on May 7, 2002 as part of the retailer’s Chapter 11 reorganization. The roughly 10-acre site was annexed and zoned in October 1976. The original store comprised 71,557 square feet and was expanded and remodeled in 1990 to an overall area of 98,583 square feet. An additional 30,000 square feet was also added at the north end to accommodate smaller commercial businesses. The original developer and owner of the site, Dr. Norman Young, sold the property to Howard Cassett of Scottsdale, Arizona and Stephon Marbury for \$4.05 million in November 2003, but no substantial redevelopment has been accomplished since that time. In December 2009, Mr. John Pappas and several investors purchased 8.46 acres and presently have the balance of the site (with the exception of the Radio Shack parcel) under contract to purchase. In recent days, the unoccupied outbuildings along the IL Rt. 23 frontage have been demolished under Mr. Pappas’s guidance to make the site more attractive to potential tenants.

Since the spring of 2002, at least ten regional brokerage firms have made inquiries about the site and met with the various owners with the serious intention of bringing quality tenants to the former “Sycamore Plaza.” A number of major national retailers (e.g. Kohl’s, Elder-Beerman, Best Buy) initially considered the site in conjunction with these brokerage firms, and in several instances letters of intent were signed but the brokers were not able to negotiate acceptable terms with the prior owners. Through this interregnum, the Council and City staff have been well aware of the development potential of the site. At the time of its closing, the Kmart store alone was generating an estimated \$200,000 in annual sales tax revenue to the City (see the attachment), and provided about 90 full-time and part-time jobs.

In the fall of 2006, the City Council authorized a contract with Peckham Guyton Albers & Viets (“PGAV”) of St. Louis to explore the possibility of either a TIF district or a Business District for the site. PGAV had assisted Sycamore in 1999 and 2000 in creating the City’s existing 30-acre TIF district for the block bounded by Park Avenue, Edward Street, Stark Avenue and DeKalb Avenue, as well as the block bounded by Sacramento Street, State Street, California Street, and DeKalb Avenue. Because state TIF statutes require a development to exist a minimum of 35 years before classification as a blighted or conservation area, a TIF district was not feasible. An alternative development engine--a “Business District”--was then investigated. A business district is a cousin of the TIF concept, but is less flexible in terms of its application. Under a TIF plan, the City establishes an area for redevelopment according to the applicable state statutes and automatically captures the property tax otherwise accruing to all local taxing bodies for the purpose of building a pooled source of funds for appropriate redevelopment incentives. When a project is identified, eligible incentives can be reviewed and appropriated as the Council desires. Under state business district guidelines, the project must be in hand first, with signed contracts and detailed tax projections, before the Department of Revenue will consider the creation of the district. From the developer’s perspective, such a financial commitment is hard to sell to retailers who are typically reluctant to sign contracts without knowing the extent of developer concessions and public incentives. In recent years, the City’s interest in a Business District has been shopped, so to speak, without arousing any keen retailer interest. The other incentive possibility is a sales tax rebate. This option has been the City’s principal commercial incentive since 1999 and has been extended in one form or another to Sycamore Ford, Menard’s, Brian Bemis Auto World, First Rockford, and Jewel Foods.

In one month Mr. Pappas’s deeds have surpassed any redevelopment efforts initiated in the past six years at the Sycamore Plaza. His assembly of the lots and demolition of vacant buildings, along with conceptual drawings of possible anchor and subordinate store layouts, underscores his serious intention to make a remarkable difference in the commercial development of the site. Mr. Pappas is also not interested in a sales tax rebate, although a multi-year rebate for the 10-acre Jewel site totaled about \$1 million over a period of years, based on annual sales. He is a local resident and is aware that the City is not presently in a position to share revenues from its strained retail commercial base, even though such an incentive might in the long term promote substantially greater tax receipts than the site has generated in recent years. As an alternative, Mr. Pappas has requested a one-time capital grant of \$150,000 to reimburse a fraction of the overall redevelopment initiatives that must occur before tenants can actually settle on the site. These measures include, but are not limited to, the following:

- Demolition of the two front buildings. This has been completed for about \$45,000 by a local excavator. The demolition will make way for future new outbuildings built to suit the requirements of new businesses.
- Re-engineering and reconstruction of the parking area to include landscaping according to the City’s 2009 UDO requirements: \$200,000.
- Demolition and/or renovation of about 100,000 square feet of the existing anchor footprint. No anchor tenant has been identified as yet, but it is likely that the existing shell will be razed up to the north addition where the fitness center was previously housed. A new shell structure with a higher front elevation is planned, with variegated roof lines akin to the Northland Plaza development: \$1,000,000.
- Extension of new fire lines into the new shell structure: \$15,000.

- Total estimated upfront development costs: \$1,260,000.

Why should the City consider such a grant request? Some form of incentive is going to be needed to achieve a desirable result because of the economics of commercial strip development. Regional or national retail anchors will not contribute to the site development or the creation of a “shell” structure that is ready for the retailer’s fixtures and goods. The developer basically eats this cost, and then negotiates a ground rent that retailers want to keep fixed over many years. Consequently, developers typically look for incentives to offset their upfront renovation costs—the size of the incentive varying with the anticipated volume of sales. In this context, a fixed “one-time and done” grant would be substantially less in the way of city participation.

How would the City come up with \$150,000 in capital funding? The City does not have a “development fund” as some other communities do. However, if the developer would be willing to forego a larger sales tax incentive under the City’s present policy, and would be willing to negotiate with prospective tenants with this limitation in mind, the City would be advised to consider a funding source that does not compete with its operating funds or other capital programs. Such a fund is the Sales Tax Distributive Fund (Fund 22) whose short-hand name is the “fuel fund.” It is important to note that under the terms of the revenue-sharing agreements with American Aviation Supply and United Aviation Fuel Corporation, the proceeds in this fund cannot be used for operating purposes or the City will be in default. It is also important to note that not one cent in this fund comes from local sales. The money in this fund is derived from fuel sales involved in airline operations at O’Hare Airport. Finally, the monies in the fund have been conservatively segregated for unique one-time capital expenses, or to promote local business development. In past years, grants from this fund have been awarded to Driv-Lok and Auto Meter, and have also been used to mitigate environmental deficiencies at the Harvester Square site on South Avenue. They have also been used for such one-time big-ticket purchases as a fire engine and ambulance.

The prospect, at long last, of a dramatic redevelopment of the Kmart site is real. The City can limit its financial involvement and residents will be able to recognize tangible physical improvements relating to the city’s investment if the proposed grant is supported.

City Council support is recommended. If the Council concurs, an ordinance and development agreement can be prepared for the next City Council meeting on March 1.

- 14. OTHER NEW BUSINESS**
- 15. APPOINTMENTS**
- 16. ADJOURNMENT**