



# City of Naperville

400 S. Eagle Street  
Naperville, IL 60540

## Meeting Minutes

### City Council

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Monday, August 28, 2017

6:00 PM

Council Chambers

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#### 5th Avenue/Home Rule Sales Tax Workshop

#### A. CALL TO ORDER:

Chirico called the meeting to order at 6:01 p.m.

##### Present

Mayor Chirico

Councilmembers Krummen, Anderson, Obarski, Brodhead, Hinterlong, Gustin, Coyne, White

##### Also Present

City Manager, Doug Krieger; Deputy City Manager, Marcie Schatz; Deputy City Attorney, Mike DiSanto; City Clerk, Pam Gallahue; Fire Chief, Mark Puknaitis; Police Chief, Robert Marshall; Director of Finance, Rachel Mayer; Director of Human Resources, James Sheehan; Director of IT, Jeff Anderson; Director of TED, Bill Novack; Director of Public Utilities - Electric, Mark Curran; Director of Public Utilities - Water, Jim Holzapfel; Director of Public Works, Dick Dublinski; Erik Hallgren, Financial Services Supervisor; Franco Bottalico, Budget Analyst-Finance

Chicago Sun Times, Daily Herald, Naperville Sun, NCTV-17

#### B. INTRODUCTION:

#### C. PRESENTATION - 5TH AVENUE:

##### 1. 5th Avenue

Members of the Scoring Committee, including Marcie Schatz, Allison Laff, Amy Emery, Rachel Mayer, Mike Hudson, Jason Welch, Christine Jeffries, Sarah Orleans, and Brian Gurley presented information regarding the 5th Avenue RFQ.

Jim McDonald from Ryan Companies stated that, if selected, the first

phase of work will be due diligence and community engagement, including efforts such as walking tours, stakeholder outreach, and a communication plan with key milestones and many City Council check-ins.

Chirico asked about the length of the public engagement portion.

McDonald noted that the process would likely take 6-9 months, but this timeframe is flexible in order to properly perform community engagement.

Chirico asked how many people are on the civic engagement team and whether they are all Ryan Co. employees.

McDonald responded that Ryan Co. regularly uses a communications consultant and marketing group from Minneapolis. They have also discussed the idea of creating a steering committee with Ryan staff, City staff, and members of the community.

Coyne asked McDonald to compare the City's RFQ process to others in which he has participated.

McDonald stated the City's process was thorough and well done and that the 90-day response period seemed long compared to others.

#### **D. PUBLIC FORUM - 5TH AVENUE**

Scott Zmrhal, 725 N. Sleight, stated that the City should be asking "if" something should be done and "why" not "who" and "what." He said public input is needed on these items before moving forward and that he does not support additional traffic and congestion in this area.

Coyne asked staff to address the concern that this process has been done backwards.

Jeffries noted that the RFQ is a standard operating procedure that regularly includes reviewers from different areas of expertise and that it would be atypical to include City Council members in any procurement process.

Coyne followed-up and asked if this process is consistent with other communities.

Jeffries responded "absolutely."

Anderson stated that it seems backwards to select the developer who then determines the vision and that City stakeholders should drive the vision.

Jim Hill, member of the Senior Task Force, stated concerns about lack of affordable housing for seniors, that it appears Ryan Co. is the only submitter who indicated affordable housing could be a component of the plan, and, based on his experience in procurement, sole sourcing was never used because it doesn't lead to as competitive a process.

Suzanne Troy explained Elmhurst recently hosted a visionary workshop to seek community input on five key areas within the Village, cited examples of other adjacent downtowns with vacancies within newer developments near their train lines, and stated vacancies along the Ogden Avenue Corridor should be addressed prior to this area.

Steve Perdusky, 846 N. Webster, concurs with Mr. Zmrhal's comments, doesn't disagree with redevelopment of some sort, but stated the perception is that the path for mixed-use 4-6 story buildings is already set. He explained he participated in the prior 5th Avenue Study and recommends that the City take a step back to determine the vision for the area and address existing deficiencies in the neighborhood. He desires better communication and actively seeks input.

Thom Higgins said Ryan's proposal would dwarf Downtown Naperville, that stakeholders need to be included, asked how capacity train lines will affect future residents of this development, questioned whether Metra supports service expansion and, if not, does it make sense to build additional density. He believes that 5th Avenue would need to be expanded to four lanes in order to accommodate the development proposed by Ryan Co.

Cindy Swanson, 519 N. Webster Street, stated the existing area is not very walkable, any new plans be safe and accessible, and should incorporate the spirit of ADA.

John McCarthy was concerned with lack of transparency in the process and the limited information available online. His family owns the Burlington Square apartments located west of Burlington Park and asked how his buildings may be impacted by this development.

Ron Hills, 520 N. Brainard Street, suggested that instead of developing three areas at once the City should focus on one area.

Dan Dodge, 810 N. Ellsworth, concurs with Mr. Zmrhal's comments, stated the scope needs to be identified before any further work is done, and that there has been no community engagement to date.

Chirico noted that the RFQ selection will be discussed at the September 5 City Council meeting.

Krummen stated communication is key and the City has done a poor job to date on this project, clarified that we have asked for qualifications but have not defined a scope, and believes that many more companies would be available to do this type of project.

McDonald responded that Ryan Co. has the resources available to carry forward a project of this complexity in addition to their other commitments.

Krummen asked that since a contract will not be signed during the community engagement and concept creation phase, and this could require 20,000 man hours, how does Ryan Co. expect to be compensated.

McDonald stated that they don't expect to be compensated and elaborated that all of the work will be completed at their own risk. He said this is not uncommon, they could be risking \$100,000 or more on this process, but they understand the risk and believe in their process and their team.

Hinterlong asked if the 5th Avenue Study sets the vision for this area.

Laff noted the shortcomings of the existing study such as pre-recession market conditions, changing transportation needs, and lack of vision for certain properties. She went on to say that the study does provide valuable background information for traffic and parking, but it falls short on the vision for the overall area.

Hinterlong noted that Ryan Co. has a big task ahead, agrees that things can be done to enhance the quality of life in this area, and steps taken to improve the gateway into the Downtown. He wants to ensure that the neighborhood is not disrupted as a result of this project and stated that the development needs to be compatible with the neighborhood. He asked if this project can be done in a phased approach and questioned the number of commuter spaces.

Jeffries responded that it will be most effective to comprehensively plan the redevelopment over all 13 acres as the uses will relate to each other.

Schatz noted that Ryan Co. will evaluate and propose the best plan for replacing/reconstructing commuter parking based on many factors, including but not limited to, on-street vs. decked parking.

White stated that it was important to formalize the process around the project.

Brodhead, served as a non-voting City Council member on the selection group, acknowledged that there was a gap in communication between the February RFQ approval and the selection process that took place over the summer. She explained almost every City Council candidate forum included questions about how the 5th Avenue properties should be redeveloped and no candidate stated that nothing should happen in this area. Most candidates spoke, among other topics, about housing needs (millennial, seniors), commuter accommodations, and retaining the DuPage Children's Museum. She said it will be valuable to have a single group consolidating the vision and looks forward to all being involved in the process.

Coyne said it was clear to the scoring committee that Ryan Co. was the clear choice for this project, however it may be less clear to the general public since they didn't participate in the discussions. He asked if Ryan Co. would host a workshop with the community before they are formally engaged so residents can gain a level of comfort.

Krieger stated he cannot commit Ryan Co. to this request, however, a workshop may be beneficial.

Chirico noted that since this process does not result in a contract, there is no risk moving forward with Ryan Co. to the engagement process that Coyne is recommending.

Gustin equated this to a real estate market analysis, there is no assurance that a company will receive the award, and that Ryan Co. likely engages in similar undertakings. She commented on the points raised by the speakers and was confident that an additional RFQ could be issued if Ryan Co. does not produce a concept that satisfies those involved.

Obarski asked what criteria will the City Council use to make decisions.

Schatz explained the concept diagram and focused on factors such as community engagement, finances, and market feasibility. She stated that the Concept Validation phase will be a critical decision point to determine whether Ryan Co. has been responsive and if the City should move forward with them.

Chirico noted that at the end of the community engagement and concept creation process, provided that all agree with Ryan Co.'s proposal, Ryan Co. would only not be selected to construct in the event that the business terms cannot be finalized.

DiSanto further clarified there will be no further RFP process.

Anderson stated once the vision is presented, the City may decide that Ryan Co. is not a good fit, and choose to not work with them.

## **E. BREAK**

The meeting recessed at 8:03 p.m.

Chirico called the meeting back to order at 8:10 p.m.

## **F. PRESENTATION - HOME RULE SALES TAX:**

### **1. Home Rule Sales Tax**

Mayer began her presentation by stating that the workshop is intended to begin a discussion on Home Rule Sales Tax (HRST) options, Council's priorities for CY2018, and that no final action will be taken. She described current known financial pressures that the City faces such as public safety pensions, Maintenance Improvement Plan (MIP) funding, and property tax abatement.

Mayer described the City's roadway MIP and the potential increase in funding that is needed to meet the \$12M recommendation from the 2017 Validation Study. She discussed how the City was able to keep a property tax abatement for the last three years; however, during that time the City's EAV grew approximately 4% per year. She explained that by keeping the property tax levy flat, the City has not captured the incremental growth from the City's EAV.

Council discussed the City's EAV and abatement rates.

Mayer explained the State of Illinois' recent changes such as the 10% reduction of Local Government Disruptive Fund (LGDF) which this translates to an approximate \$750,000 impact to the City. In addition, there is a 2% administrative fee for the City's 0.5% HRST rate which may cost the City approximately \$175,000.

Council discussed the City's 10-year funding average, future capital projects, contractual obligations, and personnel costs.

Mayer discussed the various operating budget increases, fuel costs, vacancy factor, rising healthcare costs, and market driven expenditures.

Hallgren presented a brief background on the HRST, its 2017 sunset provision, and that for CY2017 the City projected to collect \$8.50M. He explained the effect on the City's debt and provided the Council with future HRST scenarios.

Mayer stated the HRST can only be implemented in quarter-percent increments. She gave a brief summary of how various increases would impact the City and when changes can be filed.

Wik, Chairman of the Financial Advisory Board (FAB), stated the FAB recommends the City Council increase HRST to 1% and eliminate the current abatement. He stated this recommendation was based on increasing costs and interest rates that the City will potentially face.

Mayer explained that there is a known \$6M deficit for CY2018, that cutting \$6M out of the \$120M General Fund is substantial, and would require operational reductions.

Council discussed different scenarios of increasing HRST, importance of abatement, pension funding obligations, other financing sources, the upcoming budget review, that staff needs to find efficiencies in operations, and potential State of Illinois pressures.

Mayer outlined the upcoming review, filing, stakeholder outreach, and workshop timeline.

## **G. PUBLIC FORUM - HOME RULE SALES TAX**

No public forum speakers.

## **H. ADJOURNMENT:**

The 5th Avenue/Home Rule Sales Tax Workshop adjourned at 9:25 p.m.

/S/ Marcie Schatz  
Marcie Schatz  
Deputy City Manager

/S/ Franco Bottalico  
Franco Bottalico

Budget Analyst-Finance Department