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Title: Receive the staff report for the Block 59 Business District located at northeast corner of Route 59 and Aurora Avenue (Item 1 of 4)

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CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Receive the staff report for the Block 59 Business District located at northeast corner of Route 59 and Aurora Avenue (Item 1 of 4)

DEPARTMENT: Transportation, Engineering and Development

SUBMITTED BY: William Novack, Director/City Engineer

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

Brixmor Properties owns both the Westridge Court and Heritage Square shopping centers at the corner of Route 59 and Aurora Avenue. Due to increasing vacancies and declining revenues, Brixmor completed a redevelopment plan for both centers. The plan includes the demolition of several of the buildings and the construction of new building pads around a central public green space.

While Brixmor will invest a significant amount of money into the project, it still required additional funding. Brixmor approached the City about establishing a Business District to provide additional funds for the redevelopment.

In accordance with state statutes the following steps have been completed to establish this Business District:

1. September 20, 2022 - City Council adopted Resolution 22-28 expressing the City's intent to consider the designation of a business district at this site
2. December 20, 2022 - City Council passed Ordinance 22-131 scheduling a public hearing for

January 17, 2023

3. January 1, 2023 - the first public notice for the public hearing was published in the Chicago Tribune
4. January 4, 2023 - the second public notice for the public hearing was published in the Chicago Tribune
5. January 17, 2023 - the City Council conducted the public hearing for the business district and requested that the boundary be reduced, which would require the scheduling and notice of another public hearing
6. February 7, 2023 - the City Council passed Ordinance 23-010 scheduling a public hearing for February 21, 2023
7. February 8, 2023 - the first public notice for the public hearing was published in the Chicago Tribune
8. February 10, 2023 - the second public notice for the public hearing was published in the Chicago Tribune
9. February 21, 2023 - public hearing was held and all interested persons were provided the opportunity to be heard. After comments were heard, the City Council deliberated but did not direct any significant deviations or alternatives to the proposed Business District plan. After the public hearing was closed, a majority of the City Council directed staff to prepare the enabling ordinances for the establishment of a Business District to be considered for approval at a future meeting.

DISCUSSION:

The proposed Business District will impose a 1% sales tax on qualifying purchases made within the designated Business District area. The tax will be collected by the businesses located within the area and remitted to the Illinois Department of Revenue (IDOR). The IDOR will remit the taxes it receives to the City until the City notifies it to stop.

Business District tax revenues received by the City will be held in a City-managed fund and disbursed to Bixmor Heritage Square (Developer), to reimburse it for its costs of qualified public improvements up to \$13.4M dollars (net present value) in accordance with the terms detailed in the Business District Redevelopment Agreement (BDRA).

The BDRA incorporates the conditions established by the City Council including:

1. The Developer is only entitled to reimbursement of its costs for qualified public improvements in an amount not to exceed \$13.4M dollars in net present value.
2. The Business District tax collected shall be 1% on qualifying sales until the maximum reimbursement is paid or for 23-years, whichever happens first.
3. The collected Business District tax proceeds will not be provided to the Developer until the following conditions have been met:
 - a. At least 50,000 square feet of site and public improvements have been completed and approved by City staff;
 - b. A certificate of occupancy is issued for at least one of the new buildings in the Project; and
 - c. The public event space (green space) is completed and open to the public including public events having been scheduled.
4. Additionally, the Developer will pay for half, up to \$250,000, for a traffic signal to be installed at their northern entrance on Jefferson Avenue. The Developer has committed to working with the property owner on the north side of the street to complete the traffic signal installation and

to pay for half of the energy and maintenance of the traffic signal into perpetuity. The parties have up to 7.5 years to install the traffic signal.

5. Upon satisfying conditions above, the City will issue the Developer a note equal to the amount of its costs for the completed and approved qualified public improvement. The note cannot exceed the \$13.4 million cap and after deducting the amount of Business District taxes collected up to that point, the balance of the note will be subject to six percent per annum interest. The City will provide the proceeds to Brixmor until the balance is drawn down or 23 years from the establishment of the Business District, whichever occurs first.

To take final action to establish this Block 59 Business District, the City Council must approve the following agenda items:

1. Pass the ordinance designating a Business District, approving the business district plan, and making a blighted finding in relation to the designated area (Item 2 of 4)
2. Pass the ordinance imposing a Business District retailers' occupation tax and Business District service occupation tax in the City of Naperville (Item 3 of 4)
3. Pass the ordinance approving the Business District Redevelopment Agreement between Brixmor Heritage Square, LLC and the City of Naperville (Item 4 of 4)

Upon approval of these ordinances, staff will notify the IDOR to begin imposing the 1% Business District tax beginning on July 1, 2023. None of the collected proceeds will be given to Brixmor until after the conditions above have been met.

FISCAL IMPACT:

While individuals making certain purchases within the Business District will pay an additional 1% tax during the term of the Business District, there will be no direct negative fiscal impact to the City of Naperville. The City anticipates increased sales tax and property tax revenues related to this redevelopment.