



## Legislation Text

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File #: 23-0043, Version: 1

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### **CITY COUNCIL AGENDA ITEM**

#### **ACTION REQUESTED:**

Conduct the public hearing and direct staff to prepare ordinances approving the Block 59 Business District Plan and setting an associated Business District tax of one percent

**DEPARTMENT:** Transportation, Engineering and Development

**SUBMITTED BY:** William J. Novack, Director of TED/City Engineer

#### **BOARD/COMMISSION REVIEW:**

N/A

#### **BACKGROUND:**

Brixmor Properties owns both the Westridge Court and Heritage Square shopping centers and has been assessing major changes to the sites. The current plan seeks to remove many of the existing buildings and re-orient the site with a central public green space surrounded by outlots along Route 59 and Aurora Avenue. This will require complete removal and relocation of the infrastructure that serves these centers.

On September 20, 2022 the City Council adopted a resolution expressing the City's intent to consider the designation of a Business District, impose a Business District tax, and induce development interest for the Westridge Court and Heritage Square properties.

On December 20, 2022 the City Council passed an ordinance scheduling the public hearing to consider the establishment of the Block 59 Business District. As required by state statute, the Notice of The Public Hearing was published in the newspaper. Attached is the certificate from the Tribune Media Group confirming the notice was published on January 1, 2023 and January 4, 2023. Also attached is a copy of the draft Business District plan.

#### **DISCUSSION:**

Several questions have been raised regarding this proposed Business District.

First, regarding the financial amount of the request. When Brixmor initially proposed this project in 2021 the estimated revenue needed from the business district was \$15 to \$16 million net present value at a 6% discount rate. The projected total amount to be collected when considered the time value of money was projected to be approximately \$20 million. Brixmor has revised and reduced their request to \$13.4 million net present value. The estimated total collection amount is now \$18.7 million using a 6% return rate.

Concerns have also been raised that the Business District could be set up and taxes collected but

the City would have no guarantee that the improvements would be constructed; meaning Brixmor would essentially be getting additional revenue without a project. If the Business District is approved, and the taxes are imposed and collected by the state, Brixmor has agreed to not seek any reimbursement of the taxes until the following conditions have been met:

1. All the existing buildings to be demolished have been removed and all the new infrastructure (building pads, parking lots and required utilities) and community improvements have been installed and approved by the City.
2. The proposed public green space has been installed and completed.
3. The first certificate of occupancy has been obtained.

With these improvements in place, Brixmor will have completed their obligations. All that will remain is the build out of the remaining lots. Delaying reimbursement until the first certificate of occupancy is obtained (estimated to be in early 2025) will slightly extend the term and the total amount being reimbursed, but staff believes it is worth it to guarantee the completion of the investment in the project by Brixmor.

Finally, some have questioned why the entire Westridge Court Center is included in the Business District. Brixmor is currently calculating the additional time and money it will take to collect the net present value of \$13.4 million with reduced boundaries and will present that information at the public hearing. Basically, as sections are removed from the District it requires more time to collect the net present \$13.4 million, which will result in a larger total amount being collected over a longer period, not to exceed 23 years. Because of the extended time and additional dollars being collected, City staff does not support a reduction of the Business District boundary.

When discussing and considering the blighted condition of the site at the public hearing the City Council needs to follow Business District Law, which has the following definition of a blighted area:

“Blighted area” means an area which by reason of the predominance of defective, non-existent, or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire or other causes, or any combination of those factors, retards the provision of housing accommodations or constitutes an economic or social liability, an economic underutilization of the area or a menace to the public health, safety, morals, or welfare.”

The consultants working on this case, Kane McKenna Associates, found that the proposed business district taken constitutes an economic liability and an economic underutilization of the area due to the following factors:

1. deterioration of site improvements
2. inadequate street layout
3. decline in property value and
4. decline in sales taxes

At the public hearing the City Council will hear comments, and after deliberation, determine if proceeding with establishing this Business District is appropriate. If approval is supported, then the City Council shall direct staff to draft ordinances establishing the Business District and approve the 1% sales tax. Those ordinances need to be approved between 20-90 days following the closure of

the public hearing. After the ordinances are approved then staff will work with Brixmor on a Redevelopment Agreement that will include all the details and reimbursement restrictions noted above. If approved by April then the state will start collecting the business district taxes July 1, 2023.

**FISCAL IMPACT:**

There will be no direct costs to the City, only the staff time necessary to administer and disburse the proceeds generated by the Business District.