



## Legislation Text

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File #: 19-800, Version: 1

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### **CITY COUNCIL AGENDA ITEM**

#### **ACTION REQUESTED:**

Adopt the Resolution expressing the City of Naperville's intent to consider designation of a business district on property within the City, to impose business district sales taxes, and to induce development interest within such district

**DEPARTMENT:** Transportation, Engineering and Development

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

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

NA

#### **BACKGROUND:**

Illinois law, namely the Business District Development and Redevelopment Law, 65 ILCS 5/11-74.3-1 *et seq.*, (Business District Law) allows municipalities to designate business districts to encourage opportunities for development or redevelopment of property and to attract sound and stable commercial growth by establishing a levy for additional sales and/or hotel tax.

Approximately twenty-one (21) contiguous acres of land comprised of two properties at 776 and 808 S. Illinois Route 59, formerly occupied by a Wal-Mart and Sam's Club respectively ("Property"), is owned by PROJECT NAPERVILLE LLC and PROJECT NAPERVILLE 808 LLC (cumulatively referenced as "Developer"). The Developer is seeking City Council approval of the formation of a Business District for the Mall of India development ("Project") by which, if approved, a levy of an additional sales tax of up to 1% would be assessed against the Property for up to twenty-three (23) years to help finance improvements to develop the Property.

The Project will re-vitalize an area of the City that is either not utilized or is underutilized as a result of the elimination of two "big-box" stores. In 2016, the City Council established economic development as one of the City's end policies and developed certain economic development goals focused on improving the vibrancy and increasing the retail sales tax, through filling vacant retail spaces. The former Wal-Mart location was among the list of property areas targeted by the City Council for economic development.

#### **DISCUSSION:**

While initial construction on the first phase of the Project has occurred, the Developer has indicated that full development of the Project as planned, to include a movie theater, day care, kids activity center, banquet facility, and sports facility, could not reasonably be anticipated to be redeveloped without adoption of the proposed business district. Moreover, the Property appears to qualify as a

blighted area within the definition of the Business District Law which includes, among other criteria, inadequate street layout, deterioration of site improvements which constitute an economic liability, and an economic underutilization of the area. The Developer has retained Kane, McKenna and Associates, Inc. (KMA) to provide the City with data and a plan regarding the eligibility of the former Wal-Mart and Sam's Club properties for formation into a Business District. KMA will be making a presentation at the City Council meeting.

The resolution before the City Council at this time in no way obligates the City to form the proposed Business District or to pay any Developer expenses at any time. Even if a Business District is ultimately formed, the City will not be funding any part of the District; any payments to the developer would be generated solely by imposition of a retailer's occupation tax (sales tax) up to a maximum of one percent (1%) for up to a maximum period of twenty-three (23) years.

The sole purpose of the resolution before City Council at this time is to acknowledge the City's interest in considering the possibility of establishing the proposed Business District. If a Business District is ultimately formed, eligible expenses incurred by the Developer after adoption of the resolution may be included in the expenses for which reimbursement may be made.

If, after receiving the report and proposed business plan provided by KMA, the City finds that the Property qualifies for formation of a Business District, and that it is in the best interest of the City to assist with the revitalization of these properties, an ordinance will be brought to City Council setting a public hearing date on a proposal to establish the Business District.

**FISCAL IMPACT:**

There will be an increase in sales tax revenues to the City since both the Sam's Club and former Wal-mart have been vacant.