



City of Freeport

Public Hearing

West Galena Business District

City Hall Council Chambers ◊ 314 W. Stephenson Street ◊ Freeport, IL 61032

MINUTES

March 15, 2018

5:30 p.m.

CALL TO ORDER

A Public Hearing was called to order on Monday, March 15, 2018, at 5:30 p.m. at City Hall Council Chambers, 314 West Stephenson Street, Freeport, Illinois.

Present at the Public Hearing were: Mayor Jodi Miller and Council members Tom Klemm, Peter McClanathan (2).

Staff members present: City Manager Lowell Crow, Finance Director Randy Bukas, Community and Economic Development Director Nancy McDonald, and City Clerk Dovie Anderson.

City Legal Counsel present: Aaron Szeto, Esq.

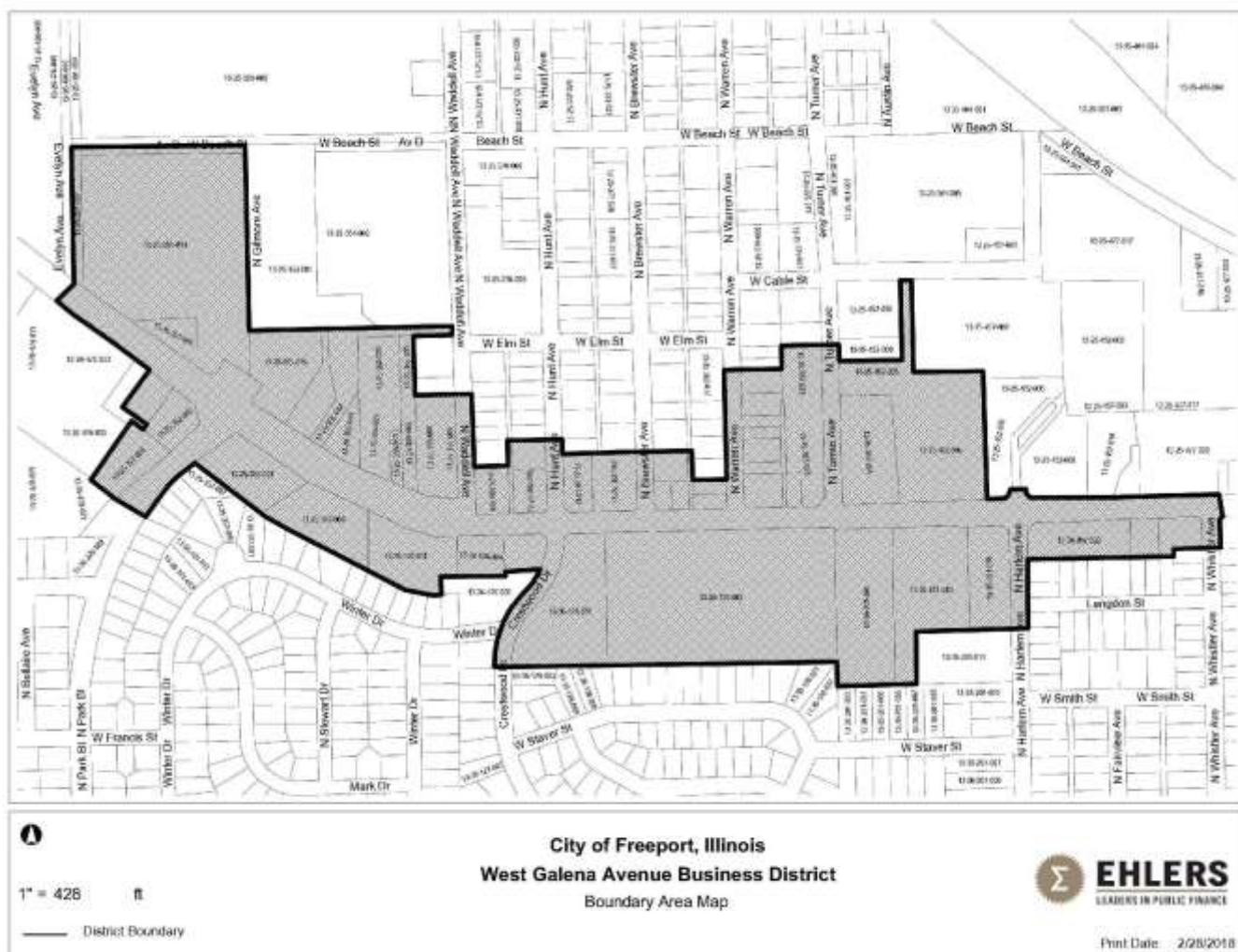
PUBLIC HEARING

The purpose of the Public Hearing was to discuss the proposed Business Development District on West Galena Avenue. *[Clerk's Note: A Notice of Public Hearing ran in the Journal Standard on March 6 and 8, 2018. An excerpt follows: Please Take Notice that the City of Freeport, Illinois (the "City"), will hold a public hearing to consider a proposed Business District development/redevelopment plan; the designation of a Business District Area within the City of Freeport, and the imposition of a Business District Retailers' Occupation Tax and Business District Service Occupation Tax within the Business District Area. Adoption of a development/redevelopment plan, designation of a Business District Area and imposition of a Business District Retailers' Occupation Tax and Business District Service Occupation Tax will be pursuant to the provisions of the Business District Development and Redevelopment Act (the "Act"). The public hearing will be held on March 15, 2018, beginning at 5:30 p.m. at City of Freeport City Hall, 314 W. Stephenson Street, Freeport, IL 61032.]*

Jennifer Ammens with Ehlers, Inc., Economic Advisors, gave a PowerPoint presentation explaining the Business District. First, a business district was defined as a financial tool to help municipalities jump start economically sluggish commercial areas, similarly to a Tax Increment Financing (TIF) District. A business district can help governments attract private development and new business as well as finance needed improvements such as building renovation and rehabilitation, utility installation and upgrades, and public infrastructure.

A business district allows sales tax from the entire marketplace to be captured and invested locally. This varies from a TIF district which affects property tax. A business district encourages new retail shopping centers, stores and hotels, creates entertainment and restaurant areas, and modernizes outdated retail and office developments to entice residents and visitors/shoppers that do not reside in the community. Funds from the business district can be used to upgrade and construct public improvements, including roadways, parking areas, utilities, and modernize streetscapes. They also create and maintain a revolving loan fund related to the above uses. Another use can be for community gathering areas, such as parks, which can hold signature events such as concerts, festivals, and farmers markets. Business districts can also be used to update existing buildings through façade improvements, signage, lighting, etc.

The following map outlines the proposed Business District area which runs along West Galena Avenue from North Whistler and Evelyn Avenues to Park Boulevard:



Ms. Ammens stated that, within a business district, a municipality may use funds to enter into contracts (Redevelopment Agreements) to implement the plan; acquire, lease, own, and sell property; clear and grade land, including demolition or removal of existing buildings; install, construct, repair, and relocate

infrastructure; renovate, rehab, and remodel existing buildings and structures; and construct new buildings (cannot in TIF) and utilities.

Eligible expenses allowed by law from business district funds include development and redevelopment activities to implement the Business District Plan including costs of surveys, plans, implementation, and administration; property assembly costs (site acquisition); site preparation, grading, and demolition costs; installation, repair, and construction of public works; building rehab, relocation, and renovation; new construction of buildings, structures, and improvements (differs from TIF); and financing costs. These can be expenditures by the municipality or in partnership with a developer.

State statute requires that parcels in a business district be contiguous. The area must also contain one or more blighted factors such as street layout that is defective, nonexistent or inadequate; unsanitary or unsafe conditions; deteriorated parking lots or structures; improper subdivision or obsolete platting; or existence of conditions which endanger life or property by fire or lack of fire suppression. An economic underutilization of the area needs to be demonstrated.

Ehlers's study of 68 acres containing 48 parcels in the proposed West Galena Avenue Business District found a predominance of defective, nonexistent, or inadequate street layout with short blocks containing numerous curb cuts especially on the north side of Galena Avenue (some less than 300 feet); unsanitary or unsafe conditions in the form of aging water main and inadequate manholes, ADA compliance, and street access; deterioration of site improvements noted during a physical survey including crumbling parking asphalt and broken curbs in parking lots and 53 percent of buildings showing evidence of deterioration of roofing, facia, downspouts, and tuck pointing; improper subdivision or obsolete platting including parcels of irregular size and shape and buildings covering more than one parcel; and economic underutilization of the area.

In the TIF Act, very specific uses are stated. Comparatively, the Business District Act is not as specific. However, Ehler's uses the TIF Act as a guideline. The above economic underutilization of an area may constitute what is considered an "economic liability".

Additional indicators of economic underutilization are lagging Equalized Assessment Value (EAV). This area meets two of three criteria. Two criteria which apply are: (1) decreased EAV for four of the last five years and (2) EAV has increased at an annual rate that is less than the CPA for five of the last five years. One criterion that is measured that this area does not meet is the total EAV of the Business District increased at a rate that was less than the balance of the City for one of the last five years.

Ms. Ammens explained that a Business District can finance improvements or incentives by imposing a sales tax in 0.25% increments up to 1.0%. Hotel and motel taxes can be increased as well but the City is not proposing that at this time.

The goals for the West Galena Avenue Business District include strengthening the economic well-being in the designated area; increase business activity and improve the tax base of the City; maintain, improve, and construct public and private infrastructure; improve public and traffic safety conditions and ADA issues; stimulate private investment in new construction and redevelopment; create new job opportunities and retain existing jobs; improve the visual attractiveness of the Business District; and reduce factors of blighted area.

There are currently no business districts in Stephenson County. There are two in Winnebago County.

A timeline was presented from the adoption process, public hearing, and eventual filing date with the Illinois Department of Revenue by March 30, 2018. The next available deadline for filing with the State will be in October 2018.

Manager Crow stated that a feasibility study for a TIF District had also been conducted for the West Galena Avenue area, but it was found to not be a viable option. Currently four of our five TIF Districts are losing value. Comparatively, a Business District is a steady, reliable tool for revitalization.

Alderman McClanahan echoes Manager Crow's statements regarding the decline of TIF Districts in Freeport. He explained that the City is willing to consider other redevelopment options. He stated that with the revenue generated from this Business District, businesses will be able to approach the City to implement individualized Redevelopment Agreements for improvements.

Ms. Ammens stated that the reason the TIFs are not generating increment is because of declining or stagnating Equalized Assessed Valuations (EAV). She stated that other Business Districts have been successful in Cook, DuPage, Will and Kane Counties.

Manager Crow stated that there are currently two developers who would like to utilize this tool to improve current malls and store fronts. One benefit of a Business District is that the businesses get to use the funds they generate.

Public comments were heard.

Ms. Patterson, one of the business owners in the proposed Business District stated that she felt this was a "done deal" rather than a meeting asking for input. She asked how the increase in sales tax was tracked, what was the benefit to the business owners, if this was tax abatement for the developers, why the hotel/motel tax was not included, and what other proposals were available for them to reduce blight on their own.

Ms. Ammens stated that the Illinois Department of Revenue tracked the sales tax just as they currently track all sales tax. An allocation fund would be set up and taxes collected would go into it. The benefits to businesses include funds being used for eligible costs, such as façade improvements. It is not tax abatement. There are incentives for rehabilitation plus infrastructure improvements.

Manager Crow stated that existing and new businesses within the Business District would be able to apply for monies using a Redevelopment Agreement. He also stated that it was the Council's decision to not increase hotel/motel taxes.

Ms. Patterson, stated she felt the businesses within the proposed Business District were not given ample notification. Manager Crow responded that the purpose of the Public Hearing was to get input to take back to Council, so it was not a "done deal". It still has to go to First and Second Reading before the City Council.

John Hill expressed concern over making water and sewer improvements when funds for that already exist. He also had concerns over the project costs listed in the presented materials. Ms. Ammens stated that the project costs were estimates and examples, not specific proposals. The bottom line is subject to change. He also expressed concern that business owners were not given ample notification. He

stated that the 1% sales tax increase could put the total tax rate over 10%. He feels that consumers may go elsewhere rather than pay that tax rate. He asked that the City slow down and let everyone provide input.

Joan Welt, Lincoln Mall Property Manager, also felt that adequate notice was not given to the business owners. Manager Crow stated that he had spoken with the owner of Lincoln mall in January. Ms. Welt felt that the owner may not have understood due to a language barrier. She also expressed concerns about how much would be allocated to the City and who decides which businesses receive funding. She had concerns about the requirement that the property owners could not protest their taxes after improvements had been made. Manager Crow stated that the combined economic development organization, NewCo, would make recommendation to the City on which businesses would receive funding.

David Haddad stated that their particular business would be exempt from the 1% sales tax increase and questioned how they could benefit from the Business District. Ms. Ammens stated that it would depend upon the type of improvement. For instance, they may be eligible for funds for safer pedestrian passage.

Manager Crow stated that the City would not use funds for general improvements but rather specific improvements that were part of a Redevelopment Agreement that benefitted a specific business. He stated that the City would not upgrade infrastructure unless a business requested it. He pointed out that he had to be careful about discussing existing Redevelopment Agreements but stressed that these Agreements are very individualized. The goal is to allow a business to use funds to develop itself. Each Agreement is written with the best interests of the City, citizens, and individual business in mind.

Dave Richter stated that they set aside funds to make their own improvements. He is concerned that taxes collected at his establishment would be used to improve other businesses. He also stated that he did not know what a Redevelopment Agreement was. Manager Crow stated that it is a tool that lays out terms that protects the City and the business while they redevelop. Ms. Ammens added that every application for a Redevelopment Agreement will be evaluated by NewCo. It establishes criteria to follow during redevelopment of a business.

Jim Gitz cautioned against a strong push to pass this Business District at the next Council meeting. He stated that if it is a good idea now, it will withstand scrutiny and be a good idea later as well. He proposed considering other options such as modernizing the TIF Districts. He agreed that the Business District would be a good development tool but stated that there are unhappy people who have questions that should be answered.

Manager Crow pointed out that there are currently four Redevelopment Agreements in place within the City. So far, only one has been proposed in this new Business District.

Alderman Klemm thanked everyone for coming forward with their comments and questions. He stated that this area has been asking the City to "do something" for years. He stated that the City is trying to "do something" and that a Business District is a viable option. He encouraged people to continue voicing their opinions.

George Ruff stated that he is pro-development and spoke from an investor's standpoint. He was in favor of the Business District. He said that he likes a Business District because it allows business owners

to "eat what they kill". In other words, the businesses that collect the increased sales taxes also benefit from the revenue generated. He recommended a Business District as a catalyst for further development.

Mayor Miller thanked everyone for participating in the public hearing and apologized (specifically to Joan Welt from Lincoln Mall and generally to all in attendance) if there had been a lack of communication to the businesses within the proposed Business District area. She gave her assurance to strive to do better.

There being no further public comments, the Public Hearing was closed at 6:50 p.m.

Respectfully submitted,

/s/ Dovie L. Anderson

Dovie L. Anderson
City Clerk