



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Economic Development Division

m e m o r a n d u m

TO: Laurel Lunt Prussing, Mayor

FROM: Elizabeth H. Tyler, AICP, Community Development Services Director

DATE: February 21, 2008

SUBJECT: An Ordinance Revising the Annual Budget Ordinance (Five Points West Incentives)

Description

City Council is requested to adopt an Ordinance Revising the Annual Budget Ordinance (attached) in order to provide funding for a redevelopment incentive as outlined in the Amended Redevelopment Agreement with Five Points Realty, LLC (the developer). The developer plans to redevelop the northwest corner of University Avenue and Cunningham Avenue, also know as Gateway Shops.

Background

City Council approved the original redevelopment agreement with the developer in February 2005. In that agreement, the City committed to a Tax Increment Finance District 2 (TIF 2) up-front redevelopment incentive of \$150,000 for landscaping, utility, environmental, demolition, or other infrastructure or beautification projects for the site.

As part of the development of the site to this point, the developer has incurred higher than expected costs for infrastructure and environmental issues totaling almost \$2,000,000 to date. Therefore, the developer has asked that the City increase its contribution to \$200,000. If the City Council approves the Redevelopment Agreement First Amended and Restated with Five Points Realty, LLC, this budget amendment will be necessary to fulfill the City's obligation.

Fiscal Impact

As part of the FY 2007-2008 TIF 2 Budget, \$148,200 was budgeted for this project. An additional \$51,800 would need to be re-allocated from the TIF 2 fund balance. While this money will not impact any current year programs or operations, it will not be available for other future projects or programs.

With a market value of \$7,500,000, the project can be expected to generate an initial total annual TIF revenue of approximately \$138,000. Depending on the retail (80% rebate) versus non-retail (50% rebate) mix of the project, the City, per the amended agreement, has committed to rebating to the developer between \$69,000 (50%) and \$110,500 (80%) of the \$138,000 annually. Taking into account that annual rebate, TIF can reasonably expect an initial annual net revenue of between \$27,500 and \$69,000. Through 2022, assuming a 3% rate of inflation and the first tax year being 2010, the total TIF rebate to the developer can be estimated at between \$1,170,000 and \$1,872,000, with approximate total TIF revenue between \$468,000 and \$1,170,000 accruing to the TIF 2 fund. Netting out the \$200,000 up-front contribution established in the amended agreement, TIF 2 will realize a total net benefit of between \$268,000 and \$970,000

Recommendation

Staff recommends that Council adopt the attached Ordinance Revising the Annual Budget Ordinance to allow for a redevelopment incentive for the Gateway Shops project.

Prepared by:

Tom Carrino, Economic Development Manager

Attachments: Draft Ordinance

ORDINANCE NO. 2008-02-007

**AN ORDINANCE
REVISING THE ANNUAL BUDGET ORDINANCE
(Five Points West Incentives)**

WHEREAS, the Annual Budget Ordinance of and for the City of Urbana, Champaign County, Illinois, for the fiscal year beginning July 1, 2007, and ending June 30, 2008, (the "Annual Budget Ordinance") has been duly adopted according to sections 8-2-9.1 et seq. of the Illinois Municipal Code (the "Municipal Code") and Division 2, entitled "Budget", of Article VI, entitled "Finances and Purchases", of Chapter 2, entitled "Administration", of the Code of Ordinances, City of Urbana, Illinois (the "City Code"); and

WHEREAS, the City Council of the said City of Urbana finds it necessary to revise said Annual Budget Ordinance by deleting, adding to, changing or creating sub-classes within object classes and object classes themselves; and

WHEREAS, funds are available to effectuate the purpose of such revision; and

WHEREAS, such revision is not one that may be made by the Budget Director under the authority so delegated to the Budget Director pursuant to section 8-2-9.6 of the Municipal Code and section 2-133 of the City Code.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That the Annual Budget be and the same is hereby revised to provide as follows:

FUND:	Tax Increment Financing District 2	
INCREASE EXPENSE	Five Points West Incentives	\$51,800
REDUCE	Fund Balance	\$51,800

Section 2. This Ordinance shall be effective immediately upon passage and approval and shall not be published.

Section 3. This Ordinance is hereby passed by the affirmative vote of two-thirds of the members of the corporate authorities then holding office, the "ayes" and "nays" being called at a regular meeting of said Council.

PASSED by the City Council this _____ day of _____,

_____.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____,

_____.

Laurel L. Prussing, Mayor