



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, FAICP, Director, Community Development Services

DATE: October 9, 2008

SUBJECT: **A Third Amendment to a Redevelopment Agreement Between the City of Urbana and Allen Strong (395 N. Race Street)**

Summary

Attached to this memorandum is an ordinance approving a third amendment to a Redevelopment Agreement between the City of Urbana and Allen Strong to allow for an extension to Ordinance No. 2003-11-136 (*An Ordinance Approving a Redevelopment Agreement with Allen Strong*), which was approved by the City to assist in the demolition and redevelopment of the former Helmick's Lumber site, located at 395 North Race Street. The redevelopment plan includes construction of a facility with banquet seating for up to 300, as well as a coffee shop, retail bakery, and overflow parking for both the new facility and the existing Silvercreek Restaurant across the street. The property is situated in a key gateway into the downtown and the proposed use is compliant with the goals set forth in the Tax Increment Finance District 2 (TIF 2) Plan, Comprehensive Plan, and Downtown Strategic Plan. The developer is requesting an extension of the amended agreement that will, if approved, extend from December 31, 2008 to December 31, 2010.

Background

The former Helmick's Lumber, located on the northwest corner of Race Street and the Canadian National railroad tracks, was identified as a key redevelopment area in the TIF 2 Plan, Downtown Strategic Plan, and Comprehensive Plan and is a gateway to downtown Urbana. The former use had suffered from deterioration and operations there were significantly decreased. In September 2003, the property was sold at auction to Allen Strong, owner of the Silvercreek Restaurant located directly east of this site on Race Street. Mr. Strong approached the City with a proposal to construct a 250-300 seat banquet facility, retail bakery, coffee shop, and additional parking to complement the existing Silvercreek Restaurant. Construction would be accomplished in two phases: Phase 1 would include demolition of the lumber shed structures to create a temporary parking area, and Phase 2 would involve the demolition of the existing main building and construction of the banquet/retail facility.

Due to the importance of this location and the projects conformance with the TIF 2 Plan, Downtown Strategic Plan, and Comprehensive Plan, staff concluded it was in the best interest of the City to provide incentives encouraging the project to begin. Council unanimously approved both the redevelopment agreement on January 12, 2004 (*Ordinance No. 2003-11-136: An Ordinance Approving A Redevelopment Agreement with Allen Strong*) and the request to rezone the property from Industrial to Central Business on April 19, 2004 (*Ordinance No. 2004-04-046: An Ordinance Amending the Zoning Map of the City of Urbana, Illinois; Rezoning for 395 N. Race Street From IN, Industrial, to B-4, Central Business –Plan Case No. 1885-M-04*). The main component of the approved development agreement was a \$50,000 loan from the City to Mr. Strong for eligible expenses related to demolition and general site clean-up. Upon completion of both phases of the redevelopment project, the \$50,000 note and mortgage will be forgiven.

To date, the developer has partially completed Phase One of the project through clean-up of the site and construction of overflow parking with a temporary surface. The original redevelopment agreement required significant completion of the banquet center by October 31, 2005, or repayment of the \$50,000 note and mortgage. Progress on the project, however, has been stalled due to lack of an agreement between Mr. Strong and an adjacent property owner as well as other business-related concerns. In July 2005, and again in September 2007, Mr. Strong requested extensions related to the completion of the banquet center. Discussions with Mr. Strong indicate continued interest in completing the original project. As such, Mr. Strong is currently requesting a two year extension through December 31, 2010.

Related to the amended redevelopment agreement, Mr. Strong has also requested that the City subordinate its \$50,000 mortgage to allow a refinance of the site in question with a private financial institution. The proceeds of the refinance will be used to complete on-site demolition and clean-up in preparation for the completion of Phase II of the redevelopment project. As part of the upcoming demolition, Mr. Strong has been working with the Preservation and Conservation Association and local carpenters to ensure items of value are saved prior to demolition.

Financial Impacts

Under the terms of the original agreement, the City would assist the developer by utilizing TIF District 2 funds in the amount of up to \$50,000 in loans at 0% interest payable in full no later than three years after the first advance for eligible costs associated with the redevelopment of the site. The loan has already been disbursed to the developer for eligible expenses related to the first phase of his project, including the demolition of dilapidated structures on the site and cleanup of the site. If the extension were granted, the developer has agreed to complete construction of the redevelopment site by the end of December 2010. If the second phase is completed and open for business on or before December 31, 2010, the loan will be forgiven.

Recommendation

Given the established commitment of the City of Urbana thus far, the significant development potential of this project, and the positive contribution of this project to the downtown environment and City as a whole, staff recommends that Council authorize the extension of the Redevelopment Agreement with Allen Strong, as described herein.

Attachments:

1. Proposed Ordinance
2. Third Amendment to the Redevelopment Agreement
3. Redevelopment Site Map
4. Proposed Site Plans
5. Copy of original agreement
6. First Amendment to the Redevelopment Agreement
7. Second Amendment to the Redevelopment Agreement

Prepared by:

Tom Carrino, Economic Development Manager

Cc: Allen Strong

ORDINANCE NO. 2008-10-123

AN ORDINANCE APPROVING A THIRD AMENDMENT
TO A REDEVELOPMENT AGREEMENT WITH ALLEN STRONG
(395 N. Race Street)

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

Section 1. That a Third Amendment to Redevelopment Agreement Between the City of Urbana and Allen Strong, in substantially the form of the copy of said Agreement attached hereto, be and the same is hereby approved.

Section 2. That the Mayor of the City of Urbana, Illinois, be and the same is hereby authorized to execute and deliver and the City Clerk of the City of Urbana, Illinois, be and the same is authorized to attest to said execution of said Assignment and Estoppel Certificate as so authorized and approved for and on behalf of the City of Urbana, Illinois.

PASSED by the City Council this ____th day of _____, 2008.

AYES:

NAYS:

ABSTAINS:

Phyllis Clark, City Clerk

APPROVED by the Mayor this ____th day of _____, 2008.

Laurel Lunt Prussing, Mayor

**THIRD AMENDMENT TO
REDEVELOPMENT AGREEMENT**

by and between the

CITY OF URBANA, CHAMPAIGN COUNTY, ILLINOIS

and

ALLEN STRONG

Dated as of October 1, 2008

Document Prepared By:

**Kenneth N. Beth
Evans, Froehlich, Beth & Chamley
44 Main Street, Third Floor
P.O. Box 737
Champaign, IL 61820**

**THIRD AMENDMENT
TO REDEVELOPMENT AGREEMENT**

THIS THIRD AMENDMENT TO REDEVELOPMENT AGREEMENT, (this “**Third Amendment**”) is made as of the 1st day of October, 2008, by and between the City of Urbana, Champaign County, Illinois, an Illinois municipal corporation (the “**City**”) and Allen Strong, whose address is 2004 Willow Road, Urbana, Illinois (the “**Developer**”), with respect to that certain Redevelopment Agreement dated as of November 1, 2003, by and between the City and the Developer, as supplemented and amended by a First Amendment to Redevelopment Agreement dated as of August 1, 2005 and a Second Amendment to Redevelopment Agreement dated as of September 1, 2007 (collectively, the “**Agreement**”). All capitalized words, terms and phrases as used in this Third Amendment shall have the same meanings as respectively ascribed to them in the Agreement.

RECITAL:

The City and the Developer each now find and determine that it is necessary, desirable and appropriate to further supplement and amend the Agreement by this Third Amendment in order to extend the time in which the Private Development is to be substantially completed and the Development Loan is to be paid in full.

NOW, THEREFORE, in consideration of the covenants and agreements by the City and the Developer as parties to the Agreement, including those as contained in this Third Amendment to the Agreement, the City and the Developer mutually covenant and agree as follows:

Section 1. That Section 3.1. City’s Financial Obligations of the Agreement be and the same is hereby amended to provide as follows:

Section 3.1. City’s Financial Obligations. The City shall have the obligations set forth in this Section 3.1 relative to financing Eligible Costs at the Development Area. Subject to the terms and conditions of Section 3.2 of this Agreement, the City agrees to provide to the Developer the Development Loan. The Development Loan shall be payable in full no later than seven (7) years after the date of the first advance. The Development Loan shall be a straight line of credit. Any Loan Advance under the Development Loan shall only be made upon the submission to the City of a Requisition for Eligible Costs incurred or paid in accordance with the procedures set forth in Section 5.1 of this Agreement.

Section 2. That Section 3.3. Discharge of Development Loan of the Agreement be and the same is hereby amended to provide as follows:

Section 3.3. Discharge of Development Loan. Anything to the contrary in the Loan Documents notwithstanding, in the event that the Private Development is substantially completed and open for business on or before December 31, 2010, the Development Loan shall be deemed fully paid and discharged.

Section 3. That Section 4.1 Agreement to Undertake Private Development of the Agreement be and the same is hereby amended to provide as follows:

Section 4.1. Agreement to Undertake the Private Development. The Developer covenants and agrees to undertake the Private Development in the manner and with the effect set forth in this Agreement, including at the times set forth in Section 3.2 of this Agreement, substantially in accordance with the Site Development Plans, including as such Site Development Plans, as modified by the Developer, may be subsequently approved by the City in writing. In addition, the Developer covenants and agrees to undertake each of the following:

(a) to complete the Private Development-Phase I by demolishing, clearing and removing any existing open outdoor storage structures located within or upon the Development Area and any other existing buildings or structures located within or upon the Development Area on or before December 31, 2008;

(b) to remediate in a timely manner any environmental contamination that may be located upon the Development Area;

(c) to complete the Private Development-Phase II by commencing such further acquisition, construction and installation of the Private Development in a timely manner as to satisfactorily assure that such acquisition, construction and installation of the Private Development is substantially completed and open for business on or before December 31, 2010; provided, however, that in the event that the Developer, in his sole discretion, elects not to proceed with the acquisition, construction and installation of the Private Development-Phase II on or before such date, such election shall not constitute a default under Section 6.1 of this Agreement but the City shall retain all rights and remedies under the Loan Documents.

Section 4. That Section 7.15. Term of the Agreement be and the same is hereby amended to provide as follows:

Section 7.15. Term. Unless earlier terminated pursuant to the terms hereof, this Agreement shall be and remain in full force and effect until December 31, 2010, including as such date may be extended, if at all, by any “unavoidable delays” as defined in Section 7.5 of this Agreement. Anything to the contrary notwithstanding, however, the Developer’s obligations under Sections 4.4 and 4.6 of this Agreement shall be and remain in effect in accordance with the express provisions of such Sections.

Section 5. That the Loan Documents, including particularly the Promissory Note, as described in and attached to the Agreement as Exhibits thereto, shall be further modified as required on their face in order to conform to the provisions of this Third Amendment.

Section 6. That except as expressly supplemented and amended as provided in this Third Amendment above, all other provisions of the Agreement shall be and remain applicable with respect to the Private Development. The provisions of the Agreement, including as supplemented and amended by this Third Amendment, are hereby ratified, confirmed and approved by both the City and the Developer.

IN WITNESS WHEREOF, each of the parties hereto have executed or caused this Third Amendment to be executed by proper officers duly authorized to execute the same as of the date set forth below.

THE CITY OF URBANA,
CHAMPAIGN COUNTY, ILLINOIS

ALLEN STRONG

By: _____
Mayor

(SEAL)

ATTEST:

City Clerk