

TO: Mayor Richard C. Irvin

FROM: David Dibo, Executive Director Mayor's Office of Economic Development

DATE: February 8, 2018

SUBJECT:

A Resolution With Respect to the Potential Reimbursement of Eligible Costs in a Possible Business District and to Induce Development Interest within Such Area (Yorkshire Business District No. 1) (Pacific Square LLC - 18-0112 / NA21/2-17.254-AG/D - DD - Ward 10)

PURPOSE:

To facilitate the redevelopment of Yorkshire Plaza, a mostly vacant shopping center in the Route 59 corridor located off New York Street, the City is requesting two inducement resolutions: The establishment of a Business Improvement District and a Tax Increment Finance District (TIF). This first resolution focuses on the establishment of the Business Improvement District (BID). All incentives being requested are performance based on incremental increases in the existing sale and property tax base and will require no advancement of funds from the City other than to evaluate the projected cost/benefits of these inducements.

The purpose of this inducement is to set in motion a process that if proven out by third part analysis, will incentivize an established and well financed developer to purchase, renovate, and reposition Yorkshire Plaza into "the world's largest Asian themed shopping center". This is an effort to reverse a local and national trend of increasing long term vacancies that has stemmed from oversupply, an overhang from the recession and the changes in buying habits of consumers now utilizing more online and delivery options. It is meant to create "a sense of place" that will increase leasing, patronage, sales and property taxes and spur development throughout the corridor..

BACKGROUND:

Yorkshire Plaza has been suffering high vacancies and decreasing sales for approximately ten years. There are approximately 365,000 square feet of space in the center which includes a Best Buy that received an earlier sale tax abatement as a measure to keep them in place. The property is under contract with Pacific Square LLC as the contract buyer. The company is controlled by Eddie Ni who owns properties in Carol Stream, Plainfield, New Lenox, Atlanta and various locations internationally. Mr. Ni approached the City and Invest Aurora to discuss their interest in Yorkshire subject to assistance from the City. (To mitigate the potential impact on school children with District 204, the City insisted that any inducements relating to the existing improved 385,000 square feet of inline retail space be sales rather than property tax based). Possible future improvements may include a new office building (a possible corporate headquarters for Mr. Ni) and a residential building within the existing parking lot. Pacific

Square LLC is reporting that they have 19 letters of intent that would go a long way to filling vacancies in the existing center.

DISCUSSION:

Inducing a Business Improvement District will allow us to evaluate the projections and impact for the owner to assess as much as 1% in sales taxes above the tax rate currently in place. The agreement calls for ownership to recover eligible expenses from future sales tax receipts in the BID over 10 years. This, together with a tax sharing agreement based only on increases in sales taxes will enable the owner to secure its necessary it's financing to compete his purchase. The right to assess additional sales taxes plus allowing the owner to capture increases in sales taxes above the 2017 base to a limit of \$4.0 Million will provide approximately \$7.3 million relating to the existing retail (Phase I). In the future, BID dollars may also be used also for eligible expenses above this \$7.3 Million threshold for a Phase II (a future office building or another approved use for the area that currently houses the Mattress Firm and liquor store) and/or a Phase III (an apartment building in an area within the existing parking lot for the inline retail) as long as the maximum dollar outlay between the TIF (see resolution 2) and the BID coupled with the aforementioned \$4.0 Million tax sharing, does not exceed \$15 Million.

IMPACT STATEMENT:

The approval of the BID inducement resolution should enable the developer to close on its purchase, scheduled for the end of February, assure the redevelopment of a distressed shopping center and energize the immediate area around the shopping center (which includes Fox Valley Mall).

RECOMMENDATIONS:

That the attached BID inducement resolution for Yorkshire Plaza be approved.

cc: Alderman O'Connor, Chairman
Alderman Mesiacos
Alderman Bugg
Alderman Mervine, Alternate



CITY OF AURORA, ILLINOIS

RESOLUTION NO. _____
DATE OF PASSAGE _____

A Resolution With Respect to the Potential Reimbursement of Eligible Costs in a Possible Business District and to Induce Development Interest within Such Area (Yorkshire Business District No. 1)

WHEREAS, the City of Aurora has a population of more than 25,000 persons and is, therefore, a home rule unit under subsection (a) of Section 6 of Article VII of the Illinois Constitution of 1970; and

WHEREAS, subject to said Section, a home rule unit may exercise any power and perform any function pertaining to its government and affairs for the protection of the public health, safety, morals, and welfare; and

WHEREAS, the City is authorized under the provisions of the Business District Development and Redevelopment Act, 65 ILCS 5/11-74.3-1, et seq. (the "Act"), to create business districts within the City as a means of encouraging and assisting with economic development within the City; and

WHEREAS, the City has identified an area of the City that it believes would qualify as a business district under the Act; and

WHEREAS, the proposed Business District (the "Business District") is legally described in Exhibit A and is depicted in Exhibit B, attached hereto and incorporated herein respectively; and)

WHEREAS, the contract purchaser Pacific Square, LLC (the "Developer") of certain real property (the "Property"), which is generally described as set forth in Exhibit C, attached hereto and incorporated herein, and which is located within the proposed Business District, desires to proceed with a redevelopment project therein (the "Project"); and

WHEREAS, the City desires to have the Property redeveloped, and believes that it is not economically feasible to do so without public intervention, given the impediments to development which characterize the Property; and

WHEREAS, the City hereby finds and determines that the financing intended herein will serve the public purposes of the City; and

WHEREAS, the City is in the process of proceeding with the necessary study and will be holding the required public hearings to establish and designate the Business District as "Yorkshire District No. 1" pursuant to the Act, and thereafter, approve a development plan and redevelopment agreement(s) as deemed necessary in relation thereto; and

WHEREAS, in light of the foregoing, the Developer has indicated that it will initiate, or cause to be initiated, some preliminary site preparation work within the proposed Business District; and

WHEREAS, the City desires to see the Project move forward with said preliminary site preparation work in anticipation of the establishment of the Business District; and

WHEREAS, the City and the Developer are currently in negotiations with respect to the creation of the Business District and the City and the Developer intend to engage in the negotiation of an agreement (the "Agreement"), whereby the City may provide financial incentives to the Developer relating to the Project; and

WHEREAS, the Mayor of the City (the "Mayor") and the Aldermen of the City Council (the "City Council," and with the Mayor, the "Corporate Authorities") acknowledge that the Developer will not be able to complete the Project without economic assistance from the City; and

WHEREAS, in reliance upon the City's commitment to explore the issue of creating a Business District, the Developer is expending money with respect to the following expenses, including, but not limited to, engineering, legal, design, remediation, site preparation and other expenses which could be reimbursed if a Business District is created and as permitted by the Act (the "Developer's Potential Eligible Costs"); and

WHEREAS, the Developer's Potential Eligible Costs shall not exceed Fifteen Million U.S. Dollars (\$15,000,000.00) (the "Maximum Reimbursement Amount") and the City shall not reimburse the Developer for any expenditures in excess of the Maximum Reimbursement Amount; and

WHEREAS, the City will also expend funds in the investigation of a potential Business District, including, but not limited to, legal, engineering, planning and other consultants which would be eligible to be paid as eligible business district project costs in the event the Business District is created and as permitted by the Act (the "City's Potential Eligible Costs"); and

WHEREAS, this Resolution does not obligate the City to create a Business District on the Property, or any portion thereof, nor shall it obligate the City to enter into an Agreement with the Developer, but rather, it is intended to induce the Developer to

pursue plans for redevelopment and to provide for the potential reimbursement of the City's Potential Eligible Costs and the Developer's Potential Eligible Costs in the event such a Business District is created, the costs are legally permitted to be reimbursed, and the City agrees to reimburse such costs in an amount not to exceed the Maximum Reimbursement Amount; and

WHEREAS, after the adoption of this Resolution, the City agrees to consider providing municipal and/or other governmental economic assistance through the establishment and/or expansion of a Business District to the extent that such assistance may lawfully and practically be available and in the best interests of the City;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Aurora, Illinois, as follows: in the exercise of its home-rule, statutory and other powers as follows:

Section One: Incorporation of Recitals

The recitals set forth above are incorporated into this Section as if fully set forth herein.

Section Two: Property Review

That City staff have examined the Property and its condition and circumstances and, at this time, the Corporate Authorities conclude that it is reasonable to believe that a Business District can be adopted for said Property and that certain expenditures of development costs in furtherance of the Project should be allowable "business district project costs", provided, however, that this resolution is not a guarantee that any such plan will be adopted, but rather, is an expression of the intent of the City at this time.

Section Three: Inducement

That this Resolution is adopted for purposes of inducing the City and the Developer of the Property to proceed with the potential redevelopment of the Property and to incur costs pending the possible approval of the Business District and an RDA.

Section Four: Reimbursement

In the event a Business District is created over some or all of the Property, the City may make reimbursement for the Developer's Potential Eligible Costs, not to exceed the Maximum Reimbursement Amount, and the City's Potential Eligible Costs to the extent approved by the City and authorized by law. In the event that no Business District is created over some or all of the Property, the City shall in no way be obligated to reimburse the Developer for any of its costs or expenses.

Section Five: Authorization

That the Corporate Authorities hereby approve of and authorize the reimbursement to the Developer for the Developer's Potential Eligible Costs in an amount not to exceed the Maximum Reimbursement Amount in relation to the Project at the Property, subject to the limitations provided in this Resolution. That the Corporate Authorities hereby authorize and direct the Mayor or his designee to draft and execute all necessary documents and perform all necessary tasks to effectuate the intent of this Resolution. That the Mayor or his designee, and the Corporation Counsel or his designee as may be required, are hereby authorized and directed to draft, execute, and complete any and all documents deemed necessary, to effectuate the intent of this Resolution, whether or not such other documents are attached hereto. That the City Clerk is hereby authorized and directed to attest to, countersign, and affix the seal of the City to all such documents as are deemed necessary.

Section Six: Other Actions Authorized

The officers and employees of the City shall take all actions reasonably required or necessary to carry out and give effect to the intent of this Resolution and otherwise take all actions necessary in conformity therewith including, without limitation, the execution and delivery of all documents required to be delivered in connection with the actions contemplated herein.

Section Seven: Acts of City Officials

That all past, present, and future acts and doings of the officials of the City that are in conformity with the purpose and intent of this Resolution are hereby, in all respects, ratified, approved, authorized, and confirmed.

Section Eight: Severability

This Resolution and every provision thereof shall be considered severable, and the invalidity of any section, clause, paragraph, sentence or provision of this Resolution shall not affect the validity of any other portion of this Resolution.

Section Nine: Repealer

All resolutions, ordinances or parts of resolutions conflicting with any provision of this resolution, are hereby repealed.

Section Ten: Effective Date

This Resolution shall be in full force and effect after its passage, approval and publication in accordance with applicable law.

RESOLUTION NO. _____
DATE OF PASSAGE _____