



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Economic Development Division

m e m o r a n d u m

TO: Bruce K. Walden

FROM: Elizabeth H. Tyler, AICP, Director

DATE: January 4, 2007

SUBJECT: Amend a Development Incentive Agreement between the City and CTC Properties, LLC (Former Kmart Site)

Description

The purpose of this memorandum is to seek approval by Council to amend a redevelopment agreement with CTC Properties, LLC (i.e., the Developer) that will make possible a plan to redevelop the former Kmart site (the Site) in the Philo Road Business District, a revised illustration of which is attached. The redesigned project will feature luxury rental units and clubhouse amenities geared toward student occupants. The commercial component will likely be occupied by restaurant/food service tenants to fulfill an unmet need in the area. The new agreement is currently being modified, and is forthcoming. The proposed changes to the agreement are outlined in Exhibit B, and the original agreement is provided for reference in Exhibit C. Exhibit D highlights the redesigned overall site layout, and architectural renderings of two different multi-family building types, the clubhouse, and the commercial component.

Background

On August 8, 2005, the Urbana City Council approved a Development Incentive Agreement with the Developer to secure the redevelopment of the underutilized former Kmart site. The agreement called for the developer to build a mixed-use project consisting of 30,000 - 40,000 square feet of retail and 300 residential units. In return, the City of Urbana would cover the cost of demolition of the existing structure up to \$285,000, and would begin the process of extending Florida Avenue east to High Cross Road. The agreement also included a provision that the development project would be substantially completed and open for business by August 31, 2007.

Phase I of the project, the demolition of the former Kmart building, has been completed.

The Developer has now indicated a need to incorporate changes into the design and timeline of the project. As such, the Developer has requested that Urbana City Council consider amending the existing agreement to accommodate the redesign, thereby allowing construction to begin. Upon approval of the

requested amendments, the Developer has with the project.

indicated a desire to move forward immediately

Issues and Discussion

The aggressive design of the original development project was based on participation by the University of Illinois on the residential component and the activity at Philo Road and Florida Avenue to drive interest in the commercial component. Because the University of Illinois will not be participating in this project, the Developer has had to reconsider the residential component of the project.

The reduction in the number of residential units also reduces the onsite market for the commercial component by eliminating potential users of the retail shops. The timing of this project has also coincided with the opening of other commercial projects throughout the area, offering potential tenants with a wide variety of site selection options. Despite extensive efforts to secure tenants for the commercial component over the past several months, including offering creative lease agreements, the Developer has been unable to fill 30,000 – 40,000 square feet of commercial space.

These issues have prompted the Developer to redesign the development project to realistically fit within the current market conditions for both the residential and commercial components. The new design calls for approximately 190 two and three bedroom market-rate luxury rental units and 12,000 square feet of commercial space. Extensive efforts to secure retail tenants and the subsequent redesign have delayed the project and prompted the Developer to request an extension of the project completion date outlined in the agreement. It has been agreed that a one year extension to August 31, 2008, is reasonable.

Similar to the original design, the new design is consistent with the Philo Road Business District Revitalization Action Plan, and will further several of the action elements outlined in that plan. It is anticipated that this project will spur interest and re-investment along Philo Road and act as a strong northern anchor for the Philo Road Business District.

In conformance with the provision in this agreement for the extension of Florida Avenue east to High Cross Road, the City of Urbana has completed a preliminary design for the extension and is in negotiations with adjacent benefiting property owners, including the Developer, to finalize the cost-share arrangements on the extension project. It is expected that the extension project will be completed by December 31, 2008.

Fiscal Impact

As per the original agreement, the City has reimbursed the Developer \$285,000 for the demolition of the former Kmart building.

At the time of the initial agreement, staff did not have an exact figure on what the taxable value on the original project would have been, so a conservative project cost estimate of \$25,000,000 was used to perform the original fiscal analysis. While the new design is not as aggressive related to the number of residential units and the commercial square footage, the Developer feels that the overall quality of the

redesigned project is such that a \$25,000,000 project cost estimate will remain accurate.

Although it is difficult to estimate sales tax revenues at this time, the project will also benefit the City through increased patronage of nearby existing businesses, which will in turn generate additional sales tax revenue for the City.

Below is a breakdown of the property tax impact of the project:

Kmart Site Redevelopment				
Philo and Florida				
Project Cost = \$25,000,000				
Est. Assessed Value = \$21,000,000				
Est. EAV = \$7,000,000				
Current EAV = \$643,340				
Est. Property Tax Revenue by Taxing Body Annual 2006 Dollars				
Taxing Body	06 Rate	Tax Rev	Rev w/o Devt.	Difference
School	4.3178	\$302,246	\$27,778	\$274,468
Park	0.7218	\$50,526	\$4,644	\$45,882
Twtnship	0.1932	\$13,524	\$1,243	\$12,281
City	1.2942	\$90,594	\$8,326	\$82,268
County	0.7801	\$54,607	\$5,019	\$49,588
Forest	0.0818	\$5,726	\$526	\$5,200
Parkland	0.4776	\$33,432	\$3,073	\$30,359
MTD	0.2623	\$18,361	\$1,687	\$16,674
Health	0.1087	\$7,609	\$699	\$6,910
Total	8.2375	\$576,625	\$52,995	\$523,630
20 Year Prop Tax Revenue Increase Projection by District*				
*assumes RY06 Tax Rate and 3.5% annual EAV increase				
Taxing Body	Rate	Total 2026	Rev w/o Devt.	Difference
School	4.3178	\$8,908,164	\$791,036	\$8,117,128
Park	0.7218	\$1,485,357	\$131,890	\$1,353,467
Twtnship	0.1932	\$395,670	\$35,136	\$360,534
City**	1.2942	\$2,116,112	\$231,885	\$1,884,227
County**	0.7801	\$1,287,248	\$141,038	\$1,146,210
Forest	0.0818	\$166,976	\$14,834	\$152,142
Parkland	0.4776	\$964,696	\$85,655	\$879,041
MTD	0.2623	\$532,802	\$47,306	\$485,496
Health	0.1087	\$224,107	\$19,889	\$204,218
Total	8.2375	\$16,081,133	\$1,498,669	\$14,582,464
**No City or County Property Tax Revenue for first 5 years due to EZ				
Updated January 3, 2007 by RLB, City of Urbana Community Development Services				

With a project cost of \$25,000,000, we can assume that the assessed value will be approximately \$21,000,000. The equalized assessed value will be one third of that, or \$7,000,000, which will generate \$90,549 in annual tax revenues for the City at the current rate of 1.2942. This is approximately \$82,268 per year more than what could be expected without the development project. This positive fiscal impact is the City's portion of the property tax, and does not include the additional revenues realized by the other taxing agencies.

Options

The City Council has the following options with respect to this Redevelopment Agreement:

1. The City Council may accept the recommended amendments to the Agreement with CTC Properties, LLC.
2. The City Council may accept the recommended amendments to the Agreement with CTC Properties, LLC subject to specific modifications.
3. The City Council may deny the amendments to the Agreement.

Recommendation

Without the proposed amendments, the project could be canceled or further delayed, which would not be in the best interests of the City.

Staff recommends that the Committee of the Whole forward the attached ordinance and revised Agreement to the City Council's regular meeting scheduled on January 16, 2007 with a motion for approval.

Prepared by:

Tom Carrino, Economic Development Manager

Exhibits:

- A. Ordinance
- B. List of Changes to Original Redevelopment Agreement
- C. Original Development Agreement
- D. New Site Layout and Architectural Renderings

cc: Chris Creek

ORDINANCE NO. 2007-01-005

AN ORDINANCE APPROVING AND AUTHORIZING THE EXECUTION OF A FIRST AMMENDMENT TO DEVELOPMENT INCENTIVE AGREEMENT WITH CTC PROPERTIES LLC

(Former K-Mart Site Re-Use)

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

Section 1. That a First Amendment to the Development Incentive Agreement between the City of Urbana and CTC Properties LLC, 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 _____ day of _____, _____.

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

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

Laurel Lunt Prussing, Mayor

Changes to the CTC Properties LLC Agreement dated August 1, 2005

- Section 1.1 The “Private Development Project” has been re-designed. The agreement should read “approximately 12,000 square feet of retail space and approximately 190 residential units” and should replace “approximately 40,000 square feet of retail space and not less than 300 residential units”.
- Section 1.1 The “Site Development Plans”, no wording changes are needed, but a new Exhibit D will replace the old.
- Section 3.3 “August 31, 2008” should replace “August 31, 2007”.
- Section 3.4 “December 31, 2008” should replace “August 31, 2007”.
- Section 4.1 (a) I am not sure if any wording change is needed for (a) as Phase I is done.
- (b) “August 31, 2008” should replace “August 31, 2007”.