

ITEM NO. _____ TO THE CITY COUNCIL OF PEORIA, ILLINOIS, IN COUNCIL,
ASSEMBLED YOUR COMMITTEE OF THE WHOLE to Whom was
Referred a POLICY SESSION Regarding ECONOMIC DEVELOPMENT
and to Provide Direction to Staff as Appropriate.

A Policy Session was held on Saturday, January 26, 2019, beginning at 9:00 A.M. at the Peoria Public Library – North Branch, 3001 West Grand Parkway, McKenzie Room, Peoria, Illinois, with Mayor Jim Ardis presiding, and with proper notice having been given.

ROLL CALL

Roll Call showed the following Council Members were physically present: Akesson, Cyr, Grayeb (Arrived at 9:17 A.M.), Jensen (Arrived at 9:29 A.M.), Montelongo, Moore, Oyler, Riggerbach, Ruckriegel, Mayor Ardis – 10. Absent: Turner - 1.

Others present were: City Manager Patrick Urich, Assistant City Manager Deborah Roethler, Senior Attorney Chrissie Peterson, City Clerk Beth Ball, Chief Deputy City Clerk Stefanie Tarr, Finance Director/Comptroller Jim Scroggins, Community Development Director Ross Black, Interim Public Works Director Bill Lewis, interested citizens and members of the media.

Communication from the City Manager with a Request to Hold a POLICY SESSION to Discuss ECONOMIC DEVELOPMENT POLICY: Specifically to Discuss SALES TAX SPECIAL SERVICE AREAS, TAX INCREMENT FINANCING DISTRICTS, and ECONOMIC DEVELOPMENT INCENTIVES.

City Manager Urich opened the meeting at 9:11 A.M. He provided an overview of topics that would be discussed noting Staff was seeking input from Council regarding Sales Tax Special Service Areas, Tax Increment Financing Districts, and Economic Development Incentives.

Council Member Cyr welcomed everyone to the Fifth District and he expressed his appreciation for their attendance, and thanked the library for hosting the meeting.

Special Service Areas

City Manager Urich reviewed Special Service Areas (SSA's) noting it was offered as an economic tool created by Illinois State Law to create financing for development within a defined geographic location. He explained how SSA's were implemented noting they only affected certain areas of the City versus the entire City. He commented how SSA's had morphed from being an additional property tax levy to an additional taxation on sales and hotels taxes. He explained the purpose of SSA's identifying the what, why, who and how. He explained how an SSA was created and their uses noting the City of Chicago had the most robust SSA system in the State of Illinois. He said Chicago developed their SSA's based on a vision of "clean, green and safe," and he reviewed some of the programs offered in Chicago. He reviewed SSA's in Peoria identifying those that were active and those that were inactive. He provided an overview of the Westlake SSA, Junction City SSA, Louisville Slugger SSA and the Portillo's SSA. He reviewed the SSA incentive policy noting it provided a transparent approach and allowed the City Council to emphasize priorities. He reviewed the following SSA policy considerations:

- Investment and job creation
- Revenue generation
- Council goals
- Geographically Targeted Area (GTA)
- Types of businesses

- Redevelopment and new construction
- Allowable SSA tax structures

SSA Policy Questions: Tax Structure

- 1. Is the City Council comfortable with utilizing sales tax SSA's as a tool to generate investment?**
- 2. Should a development first establish a property tax SSA before proposing a switch to sales taxes?**
- 3. Should sales tax SSA's be limited to a common property owner or can a commercial corridor with multiple owners apply for the program?**

City Manager Urich reviewed the policy questions and posed to the City Council whether they wanted to use sales tax SSA's as a tool for general investment.

Council Member Akeson commented that an SSA could be utilized to benefit a neighborhood versus a development. She recommended having business owners collaborate, analyze and evaluate the weaknesses in their business district and compile a list of things that needed to be done on their business corridor. She said the Downtown SSA did not provide enough of a description nor did it provide enough information on how it was to be used.

Discussions were held regarding the East Bluff SSA noting it was originally targeted toward housing. Council Member Riggerbach said it was his hope to have broader discussions regarding the East Bluff SSA and its uses.

Council Member Jensen arrived at 9:29 A.M.

City Manager Urich commented that many suburbs around the Chicago area used SSA's to lay roads in the neighborhoods, noting that the intent of SSA's was broad.

In response to Council Member Cyr regarding the SSA's that were used for the Louisville Slugger and Portillo's, City Manager Urich stated that those SSA's were performing as intended. He said it was the intent with the Louisville Slugger and Holiday Inn SSA's that the debt service the developer incurred would be abated by the hotel taxes. Finance Director Jim Scroggins stated that the intent of the SSA was to generate enough revenue to eliminate the property tax SSA. He said there was no exposure to the City. He provided an update on Portillo's noting it performed better than expected when it first opened.

Discussions were held on whether these SSA's affected the smaller "mom-and-pop" stores. City Manager Urich said, overall, the tax numbers were up by 3%. He reported that more sales taxes were coming into the City than anticipated and higher than projected for 2018.

Council Member Ruckriegel said the original intent of the SSA programs was for a community with a common interest. He commented on the SSA allotted for Portillo's and on the number of other businesses that had opened without an SSA. He said the Portillo's location was never identified as an area of economic interest in the Strategic Plan. He said SSA's were supposed to be used for infrastructure and to improve the location. He expressed a concern that a feasibility study was not utilized. He said as the City Council tried to draft an SSA policy, it needed to be tied in with the Strategic Plan and whether its intent was to improve a location.

Mayor Ardis said SSA's were not only used for restaurants and he commented on the impact of favoring one business over another. He remarked on the importance of bringing new businesses into the community and to ensure the Council understood the dynamics and the difference between a restaurant and another project such as the Louisville Slugger. He commented on the number of people the Louisville Slugger brought to the community and the impact it had on the sales revenues.

Council Member Riggerbach said the Council needed to determine how it wanted to look at SSA's going forward. He commented on Portillo's and the impact of the additional 1% tax, noting that the developer had put himself at a disadvantage with the extra tax. He said the Council needed to determine when an SSA was a proper tool to be used for a development. He expressed a concern for the Westlake SSA noting that projects were determined on an annual basis and were always changing. He said the Portillo's SSA was a constant and the Council knew where it was to be applied. He said he liked the flexibility of the SSA and Council needed to develop defined parameters to give to the City's Economic Development Team.

Mayor Ardis commented on the Portillo's SSA and he remarked on the importance of differentiating between a restaurant and a larger project.

Council Member Akeson said she supported the Portillo's SSA and the Louisville Slugger SSA; however, she expressed a concern that the City did not recommend the use of SSA's for the Downtown area for various maintenance needs.

Mayor Ardis said the Council needed to identify what they wanted to see in the community and provide incentives to those businesses who addressed those needs.

Council Member Jensen said she was supportive of SSA's, noting the success they had on the community. She remarked on the need to focus on certain areas within the City and determine whether it should be a property tax SSA or a sales tax SSA. She said she had been advocating for guidelines commenting that the City needed development tools, provide those tools to the developer and offer recommendations for projects. She remarked on the need for transparency so developers knew what tools were at their disposal and how they should be used.

Council Member Grayeb said if there was a specific area the Council wanted to see grow, then it would be appropriate to utilize the SSA tool; however, he remarked that the Council should not set specific rules.

Council Member Montelongo remarked on the outcome of SSA's, stating that it was broader than comparing restaurants. He said the Council needed to determine if SSA's were used to improve sidewalks, landscaping, lighting, and whether it would bring more people to the community. He commented that the Westlake and Portillo's area needed an SSA for improvements. He said the City needed to act quickly, efficiently, and business-friendly with less restrictions.

Council Member Oyler remarked on the need to craft a vision and a plan of where the City Council wanted to move the City forward. He noted that the City of Chicago was different economically than the City of Peoria. He remarked on the importance of learning how to use tools to attract businesses to the City. He remarked on the impact the State of Illinois had on local businesses and the importance of making Peoria a good and attractive place to do

business. He said when the Council was having discussions about businesses, the Council needed to determine how to make Peoria more attractive to operate. He said he did not want to take options off the table, but he said the Council needed to delve into some of them and develop a plan and perhaps form a committee in order to design a legitimate process.

Mayor Ardis remarked on the need to give Staff specific direction on developing a policy as it related to Special Service Areas.

Council Member Cyr commented on the Downtown area and common area maintenance. He said commercial businesses should be assessed a common area maintenance fee. He said he was reviewing the issue in terms of whether it increased the quality of life and increased the economic pie for all those involved.

Council Member Ruckriegel remarked on the importance of defining "success" and the need for the City to compile data. He said it was not the City Council's job to increase the rate of return. He remarked on the need for a level playing field for all businesses and he remarked on the need for guidelines. He said there needed to be data and a long-term vision while considering infrastructure and community interest.

Council Member Akeson said Staff needed to understand and learn how successful business districts have started and to obtain feedback.

City Manager Urich said he heard that Council Member Ruckriegel did not want the SSA limited to a single property owner.

Mayor Ardis commented that the umbrella discussion related to economic development. He remarked on the need to identify areas and specific uses or businesses the City wanted to attract that would benefit the community. He commented on the importance of being able to drive businesses and the community versus just reacting to each situation. He said as the City Council developed the criteria it wanted for attracting businesses, they needed to identify specific geographical areas to attract the people and to incentivize the community in order to attract jobs and entities. He said once the areas were identified then it would be easier to offer the necessary and available tools. He asked what the Council wanted to bring to the community and how they wanted it to grow.

Council Member Akeson remarked on the importance of identifying the problem that needed to be solved.

Council Member Oyler said he would like to see the City work with partners such as the Economic Development Council (EDC), the Downtown Advisory Commission (DAC), and the Tri-County Regional Planning Commission. He said these other organizations would be able to identify the top five issues the City needed to address.

Mayor Ardis said the City should be able to define the plan with the EDC, DAC and Tri-County managing the progress. He remarked on the City Council making definitions in order to grow the City versus looking to various organizations to make recommendations.

Discussions were held on the benefit of hearing from other organizations' interpretation of the City Council's vision for the City. It was mentioned that these organizations may be trying to fix a problem that did not need fixed.

Council Member Ruckriegel commented on the need for the Council to develop a vision relating to economic development and he said the City relied too heavily on sales taxes. He remarked on the importance of investing SSA money, such as property tax SSA's, to create a strong community once a business left the area.

Council Member Jensen remarked on the need for flexible guidelines and the need to work with other organizations and stakeholders in order to obtain input from across the City from all different interests.

Council Member Riggerbach said he liked the idea of involving other stakeholders in the development of a policy in order to learn if there were issues the Council missed. He said he would like to direct Staff to have discussions with those stakeholders and with attorneys to learn the problems and challenges. Regarding the sales tax SSA, he said it should be left to the discrepancy of the developer, noting it did not disadvantage the City. He inquired why there were not more property tax SSA's and he inquired as to the proper use of these types of taxes. He said a sales tax SSA was a last resort for him. He recommended utilizing TIFs to market certain zones or commercial corridors in the City. He said he wanted to see a time limit and maximum amount on the limit on sales and property tax SSA's. He said there could be circumstances where a sales tax SSA was warranted, but he said should not be the first tool used.

Council Member Montelongo commented on Chicago's vision noting that the City of Peoria was trying to achieve the same thing. He said the sales tax SSA should continue to be a tool offered to developers. He commented on the need of Westlake and Northwoods Mall and he asked how the City could assist. He commented on the need of the Fourth District and the neighborhoods along Big Hollow Road, noting that a sales SSA would help address these needs. He remarked on the land available for development on Northmoor near the fairgrounds and he said there needed to be a vision for that location that would raise expectations.

Council Member Moore said a question that needed to be asked was how the Council was defining what the organizations were doing for the City. She remarked on a newspaper article in the Peoria Journal Star regarding SSA's, TIFs and economic development. She said the City had the distinction of having the most segregated school system and being the most segregated City and she said the Council needed to address those concerns. She said the Council needed to talk about SSA's, TIFs, and economic development around employment in order to offer people options. She said if people were not employed at livable wage jobs, then the City would not be able to get out of its current situation. She remarked on the need to take leadership to solve segregation and employment. She said the City had a Fair Employment Housing Commission and she said she would recommend that the Commission and others on Staff separate the issues of employment and housing. She said employment would address housing, education and segregation. She said she would forward information to the City Council on the lessons she learned at a recent conference in Washington DC about affordable housing. She recommended engaging individuals to address the segregation piece.

Council Member Grayeb remarked on the importance of addressing negative information and he commented on the need for education before employment. He said if the City could grow its economic base, then the City could help the people in heritage neighborhoods and expand the "economic pie." He commented on the need to stop raising taxes and fees and he remarked on the need to concentrate energies on people who wanted to stay in the older neighborhoods.

Council Member Akeson inquired as to how SSA's could be utilized to invest in the older neighborhoods and to bring employment to those areas.

City Manager Urich commented that West Main was a challenge that needed to be addressed and was a prime example where an SSA could be used.

Council Member Ruckriegel said property tax SSA's should be used before a sales tax SSA, stating that a property owner needed to be invested in the improvements. He said the sales tax SSA should only be used for infrastructure and for a specified area or district. He commented on capping the amount of money offered on an SSA and the need to define both a sales tax and a property tax SSA.

Tax Increment Financing

It was noted that TIF's would be addressed at a later date.

Economic Development Incentives

Senior Economic Development Administrator Dr. Leslie McKnight reviewed "*Economic Development Incentives Policy 2019*" noting that she had received calls about what the City was going to do, the community conversation, the economic incentives, and the need for an economic development strategy. She said there was a need for a mission, vision, goals and objectives when it came to economic development incentives. She said Peoria was on the national radar for research in order to review the City's needs and what the City had to offer. She said she worked with Staff and Council Member Jensen to develop a draft Economic Development Incentive Policy. She said it was a working document and expressed a need to develop a strategy that included housing. She said the City's Economic Development Team had been working on a comprehensive economic manual to present to businesses. She said public input helped with the development of the policy, noting she had received information from the EDC, DDC, Bradley, Peoria County and Caterpillar. She said these groups were stakeholders that provided feedback from developers in the community. She said the policy was incentive-based. She said the team looked at business attraction, startups and incentives. She said some programs were statutory such as TIF's, Enterprise Zones, Façade Improvement Grants, Revolving Loan Funds, SSA's, Business Development Districts, CDBG Economic Development Funds, and Industrial Revenue Bonds. She reviewed the reporting standards for these programs. She said focusing on the incentives provided the City with more control; however, she said the more control the City had the more risk it assumed. She reviewed the discretionary programs as follows: property tax abatements, permit fee discounts, TIF abatement thresholds, infrastructure improvements and City financing. She explained when a business would become eligible for discretionary incentives. She said as the documents continued to build, then Staff would discuss and determine whether Council Districts would be congruent and could possibly include Peoria County. She said the main benefit with TIF's was property tax abatements. She said the City retained 50% and rebated the property owner the other 50%. She reviewed property tax abatements, TIF Increment Abatements, Permit Fee Discounts and infrastructure with City Financing. She said a matrix would be drafted and brought to the City Council for review. She reviewed discretionary benefits for multi-family housing with the potential for property tax abatements, permit fee discounts, infrastructure improvements and City financing. She reviewed reporting requirements noting the City would need to be intentional with expectations.

Mayor Ardis expressed the importance of the Council understanding what they were trying to accomplish along with the tools to make it successful. He remarked on the importance of discussing incentives. He said the majority of small businesses employed less than 20 full-time employees. He said the main goal needed to be attracting more people and jobs to the community. He asked the Council what specific direction they wanted to give Staff to move this item forward.

Council Member Ruckriegel said this was a developer-driven plan focused around the old economy. He commented that the City Council needed to focus on the future and not on the present and he said he would like more discussion on job creation and retention.

Council Member Moore said the conversation centered more for micro businesses. She said there were a number of vacant lots available that could be used as an incentive.

City Manager Ulrich said certain areas had been identified and he said Staff needed to know what the Council wanted to do City-wide and for targeted areas. He said outside the statutory areas, a threshold for providing incentives was given to the City Council for review.

Dr. McKnight said the areas identified were statutory areas and she commented that the Council could add another overlay to the area. She said she welcomed the conversation for micro and small scale development.

Council Member Oyler said he appreciated the work that was done and he recommended using some form of sliding scale versus a threshold when it came to monetary incentives.

Council Member Jensen said there needed to be a broader policy and the City Council needed to decide what they wanted to do. She said there needed to be something that showed the tools available. She said historic tax credits should be included and a section on small scale development. She said the City Council could adopt the Economic Development Incentives Policy 2019 noting its importance to have it in place.

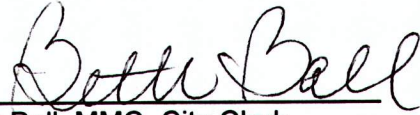
Council Member Montelongo commented on the need to encourage startup businesses in the City from other parts of the nation. He commented on the need to have a "smart city" initiative. He said attracting high tech businesses would attract and influence the culture of the City. He commented that various forms of art were important for economic development. He commended Dr. McKnight on her efforts.

Discussions were held on how information was communicated to the businesses and Council Member Akesson commented on the need for better communication. Dr. McKnight said Staff worked closely with the City's economic development partners noting there was regular communication. However, she commented that there needed to be some form of communication strategy in place.

Council Member Moore remarked on the need for an Economic Development Policy Review Committee. She said she was advocating for retention and traction of a policy that incorporated minority retention.

Mayor Ardis said summarization and feedback was a priority and the Council expressed the need to put economic development on a faster track.

The Policy Session closed at 12:01 P.M.

A handwritten signature in cursive script that reads "Beth Ball". The signature is written in black ink and is positioned above a horizontal line.

Beth Ball, MMC, City Clerk
City of Peoria, Illinois

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