



Legislation Text

File #: 15-142, **Version:** 1

ACTION REQUESTED:

Communication from the City Manager with a Request to Adopt the Following:

- A. An ORDINANCE Approving the MECHANICAL RUBBER & SUPPLY CO. REDEVELOPMENT AGREEMENT (1st District).
- B. An ORDINANCE Amending the City of Peoria BUDGET for FISCAL YEAR 2015 Relating to the Use of the Warehouse District TIF Fund Balance for the Redevelopment Agreement with MECHANICAL RUBBER & SUPPLY CO. in the Amount of \$75,000.

BACKGROUND: Mechanical Rubber & Supply Co. owns an entire block of property within the Warehouse District, bounded by Water, Walnut, Washington and the Bob Michel Bridge. The property includes a large surface parking lot and two buildings, the larger of which is a four story, approximately 80,000 square foot historic structure often referred to as the "Murray Building." Over the years, the building has been home to a variety of uses. Currently, the building is about half vacant. Some offices and artist studios are in place on the third and fourth floors. The second floor is completely vacant. The first floor has two small retail operations.

In 2014, the building owner's chief representative, Brian Murray, began working to renovate a large section of the first floor to accommodate a major retail tenant: the John S. Rhodell Brewery. Both entities have invested considerable funds to create this new space. To date, the building owner has spent or contracted for approximately \$325,000 to carve out the retail space, improve some of the building's systems and create new common areas including new first floor restrooms. The brewery's owner, Mark Johnstone, has spent or contracted for approximately \$340,000 to finish the retail space and create the business (exclusive of brewing equipment).

Since the project's outset, the building and business owners have worked with City staff to examine life safety issues within the building. While a majority of the costs have been included in the project, an issue has arisen regarding the building's electrical system. The solution is estimated to cost approximately \$75,000, beyond what either the building owner or business owner is able to afford at this point. They have asked the City if it could loan the project an amount sufficient to address this issue, allowing the project to be complete and the brewery to open on time in early summer.

The Redevelopment Agreement provides a City loan of \$75,000 (at 5% interest) to be used as a reimbursement for these electrical upgrades. The City's loan will be repaid from property tax increment generated from property over the life of the Warehouse District TIF. City staff has reviewed financial information provided by the building owner, business owner and Morton Community Bank and has determined that the project is viable. Staff has also discussed the project with the Township Assessor and is confident that the increased taxable value of the building due to this renovation will be sufficient to cover the obligation (see below). There are no further obligations of the City to share future incremental taxes with the developer once the debt is repaid. However, the building owner has expressed a strong desire to renovate the remainder of the building. This loan will need to be repaid prior to any other incentives being granted.

FINANCIAL IMPACT: The City will loan \$75,000 to the project in order to reimburse the cost of electrical upgrades. There are sufficient funds available in the Warehouse District TIF fund balance to accommodate this expense. The loan will be repaid through the payment of property taxes. In 2014, the Equalized

Assessed Value (EAV) of the property was \$100,380. This EAV is slightly under the property's 2006 base EAV for TIF purposes (\$106,580). Based on the investment in the building and conversion of the first floor into active retail space, the Township Assessor is confident that the EAV will at least double. The Redevelopment Agreement restricts the Redeveloper from contesting property tax assessments below \$200,000, an amount that generates sufficient tax increment to ensure loan repayment before the end of the TIF. See attached table.

The City's participation represents about 21% of the total project cost. The loan is critical to the brewery opening. In addition to loaned funds being repaid with interest from property tax increment, the brewery project itself is anticipated to generate sales tax and restaurant tax revenue for the City. Based on the brewery business plan, the City should capture \$12,000 in annual sales tax and \$9,600 in annual restaurant tax. This is new revenue to the City because the brewery's previous landlord was reimbursed, per an agreement with the City, for taxes generated by his tenants.

NEIGHBORHOOD CONCERNS: Redevelopment in the Warehouse District is a widely held community goal.

IMPACT IF APPROVED: The City will make \$75,000 available to the project in the form of a loan and the brewery will open later this year.

IMPACT IF DENIED: The brewery project would be in jeopardy of delay or of not opening at all.

ALTERNATIVES: None.

EEO CERTIFICATION NUMBER: Not applicable.

WHICH OF THE GOALS IDENTIFIED IN THE COUNCIL'S 2014 - 2029 STRATEGIC PLAN DOES THIS RECOMMENDATION ADVANCE?

1. Vibrant Downtown: Riverfront/ Central Business District/ Warehouse District

WHICH CRITICAL SUCCESS FACTOR(S) FROM THE COMPREHENSIVE PLAN DOES THIS RECOMMENDATION IMPLEMENT?

1. Grow employers and jobs.

DEPARTMENT: City Manager's Office