



CITY OF  
ST. CHARLES  
ILLINOIS • 1834

## AGENDA ITEM EXECUTIVE SUMMARY

Agenda Item number: 4b

Title: Recommendation to Approve Amended and Restated Sales Tax Revenue Sharing Agreement with McGrath Motors, Inc

Presenter: Derek Conley, Economic Development Director

**Meeting:** Planning & Development Committee

**Date:** April 10, 2023

**Proposed Cost:** \$

**Budgeted Amount:** \$

**Not Budgeted:**

**TIF District:** None

### Background:

In September 2020, City Council approved an Incentive Agreement with McGrath Motors for the development of a Honda dealership at 1411 E Main Street. The project consisted of redeveloping 12 acres and the expansion of the former Mega Center building. The incentive offset extraordinary redevelopment costs, including initial public infrastructure improvements to electric, water and sanitary sewer, to better position the remainder of the former resort property for redevelopment.

The original agreement called for a total incentive amount of \$5,256,000 with a term of 15 years. The incentive was broken into two components:

1. City reimbursement to McGrath for public utility improvements totaling for \$1,256,000. Public infrastructure improvements include extensions or upgrades to the electric, water and sanitary sewer systems. The reimbursement would be released once the project has been fully constructed and accepted by the City.
2. The remaining \$4,000,000 of the incentive is to be paid through a sales tax revenue rebate. The dealership shall receive 75% of future sales tax and the remaining 25% shall be retained by the City. The applicant shall receive this share of annual sales tax until the applicant receives \$4,000,000 or the agreement reaches the 15-year term limit.

### The Amendment to the Original Agreement:

The Honda dealership opened in January 2023. Gary McGrath, the president and owner of McGrath Honda of St. Charles, requested an amendment to the original agreement. Mr. McGrath has indicated that he was able to finance this project through a combination of private funds and a commercial mortgage loan and no longer needs the \$1,256,000 for utility improvements in the form of an upfront reimbursement. The amendment converts the \$1,256,000 from an upfront reimbursement to a sales tax sharing reimbursement. This effectively means the reimbursement for the public infrastructure will be distributed over the next 15 years from the sales tax generated from the Honda dealership. Mr. McGrath has also agreed to reduce the maximum total incentive amount from \$5,256,000 to \$5,156,000.

**Attachments** (please list):

1. Amendment Request Letter from Gary McGrath
2. Amended and Restated Sales Tax Revenue Sharing Agreement

**Recommendation/Suggested Action** (briefly explain):

Recommendation to Approve Amended and Restated Sales Tax Revenue Sharing Agreement with McGrath Motors, Inc