



ST. CHARLES
SINCE 1834

AGENDA ITEM EXECUTIVE SUMMARY

Title:	Presentation of East Gateway Business District Eligibility Study (Ehlers)
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Presenter:	Chris Aiston
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Please check appropriate box:

	Government Operations		Government Services
X	Planning & Development (6/11/12)		City Council
	Public Hearing		

Estimated Cost:	\$25,000	Budgeted:	YES	X	NO	
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If NO, please explain how item will be funded:

Executive Summary:

On March 19, 2012, City Council approved a contract with Ehlers to conduct an eligibility study for the proposed East Gateway Business District. Nancy Hill, Financial Advisor at Ehlers, has concluded the subject eligibility study (the first phase of a three-phase contract) for the proposed district and will be presenting the study findings. Based on these findings, Ms. Hill has concluded that the proposed district is eligible to be designated a Business Improvement District (BID).

Moving forward, a business district plan would be required to create such a district, to include possible economic development activities and a generalized budget reflecting potential revenue sources and costs to undertake such activities. This is the second phase of services outlined by Ehlers in their proposal. Further work in this phase entails a mandated public hearing, as well as a meeting among City staff, the consultants (Ehlers and Houseal Lavigne Associates), and affected businesses.

Attachments: *(please list)*

Eligibility Study, Proposed District Map (note: paper copies of the district map will be placed in Council mailboxes at City Hall by June 8)

Recommendation / Suggested Action *(briefly explain):*

Recommend that the City Council accept the results of Phase 1 of the East Gateway Business District eligibility study and authorize the Director of Economic Development to execute an agreement with Ehlers to complete Phase 2 of the project.

<i>For office use only:</i>	<i>Agenda Item Number: 5b</i>
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City of St. Charles Proposed Business District

Review of Eligibility

May 2012



Prepared by



EHLERS
LEADERS IN PUBLIC FINANCE

City of St. Charles Proposed Business District Review of Eligibility

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Executive Summary

Municipalities are authorized to create Business Districts by the Illinois Municipal Code, specifically in 65 ILCS 5/11/74.3 et seq. (the “Business District Act” or the “Act”). The Business District Act sets forth the requirements and procedures for establishing a Business District and a Business District Plan. The intended uses of a Business District are described in **Section I. Business District Act** of this report.

At the request of the City of St. Charles (the “City”), Ehlers & Associates, Inc. (“Ehlers”) completed an eligibility analysis to assist the City in determining if the area along the East Main Street Corridor meets the eligibility criteria outlined in the Act. The Study Area is illustrated on the map on the following page. Parcels within the Study Area are listed in **Appendix A** attached. The Study Area is generally located along East Main Street from about Oak Road on the east to 6th Avenue on the west. It also includes several parcels north of Foxfield Drive, fronting on Courtyard Drive. Former railroad right-of-way crosses the Study Area. The entire area encompasses approximately 720 acres.

The report is intended to address the following objectives:

1. Determine whether the Study Area would be eligible for designation as a Business District under the Act.
2. Determine whether the Study Area is a “blighted area”, a term defined by the Act, in order to impose a retailers’ occupation and service occupation taxes (“Business District sales tax”) and/or a hotel operator’s occupation tax (“hotel/motel tax”), in the Business District.
3. Outline potential next steps for the City of St. Charles.

In developing this report, various methods of research were utilized including:

- Field examination of conditions in the Study Area.
- Contact with individuals knowledgeable as to the conditions of the Study Area, including City economic development, police, and public works staff.
- Review of City, township, and county documents and data related to the Study Area.

The criteria and factors that were utilized in conducting the evaluation of the conditions in the Study Area are outlined in **Section II. Business District Eligibility Analysis** of this report.

As a result of our research, Ehlers concludes that the Study Area would be eligible for designation as a redevelopment project area under the Business District Act and meets the “blighted area” criteria that is necessary for the City to make a formal finding in order to impose the retailers’ occupation tax and service occupation tax and/or a hotel/motel tax, if it so chooses.

I. Business District Act

The Business District Act is intended to be used by municipalities to invigorate economically sluggish areas by addressing problems that cause the area to qualify as a Business District and a “blighted area” under the Business District Act. Municipalities are authorized to carry out development and redevelopment projects to achieve this.

Municipal Powers under the Business District Act include the following:

- To make and enter into all contracts necessary or incidental to the implementation and furtherance of a business district plan. A contract by and between the municipality and any developer or other nongovernmental person to pay or reimburse said developer or other nongovernmental person for business district project costs incurred or to be incurred by said developer or other nongovernmental person shall not be deemed an economic incentive agreement under Section 8-11-20, notwithstanding the fact that such contract provides for the sharing, rebate, or payment of retailers' occupation taxes or service occupation taxes (including, without limitation, taxes imposed pursuant to subsection (10)) the municipality receives from the development or redevelopment of properties in the business district. Contracts entered into pursuant to this subsection shall be binding upon successor corporate authorities of the municipality and any party to such contract may seek to enforce and compel performance of the contract by civil action, mandamus, injunction, or other proceeding.
- Within a business district, to acquire by purchase, donation, or lease, and to own, convey, lease, mortgage, or dispose of land and other real or personal property or rights or interests therein; and to grant or acquire licenses, easements, and options with respect thereto, all in the manner and at such price authorized by law. No conveyance, lease, mortgage, disposition of land or other property acquired by the municipality, or agreement relating to the development of property, shall be made or executed except pursuant to prior official action of the municipality. No conveyance, lease, mortgage, or other disposition of land owned by the municipality, and no agreement relating to the development of property, within a business district shall be made without making public disclosure of the terms and disposition of all bids and proposals submitted to the municipality in connection therewith.
- To acquire property by eminent domain in accordance with the Eminent Domain Act.
- To clear any area within a business district by demolition or removal of any existing buildings, structures, fixtures, utilities, or improvements, and to clear and grade land.
- To install, repair, construct, reconstruct, or relocate public streets, public utilities, and other public site improvements within or without a business district which are essential to the preparation of a business district for use in accordance with a business district plan.
- To renovate, rehabilitate, reconstruct, relocate, repair, or remodel any existing buildings, structures, works, utilities, or fixtures within any business district.

- To construct public improvements, including but not limited to buildings, structures, works, utilities, or fixtures within any business district.
- To fix, charge, and collect fees, rents, and charges for the use of any building, facility, or property or any portion thereof owned or leased by the municipality within a business district.
- To pay or cause to be paid business district project costs. Any payments to be made by the municipality to developers or other nongovernmental persons for business district project costs incurred by such developer or other nongovernmental person shall be made only pursuant to the prior official action of the municipality evidencing an intent to pay or cause to be paid such business district project costs. A municipality is not required to obtain any right, title, or interest in any real or personal property in order to pay business district project costs associated with such property. The municipality shall adopt such accounting procedures as shall be necessary to determine that such business district project costs are properly paid.
- To apply for and accept grants, guarantees, donations of property or labor or any other thing of value for use in connection with a business district project.
- If the municipality has by ordinance found and determined that the business district is a “blighted area” under this Law, to impose a retailers' occupation tax and a service occupation tax in the business district for the planning, execution, and implementation of business district plans and to pay for business district project costs as set forth in the business district plan approved by the municipality.
- If the municipality has by ordinance found and determined that the business district is a “blighted area” under this Law, to impose a hotel operators' occupation tax in the business district for the planning, execution, and implementation of business district plans and to pay for the business district project costs as set forth in the business district plan approved by the municipality.

The Act specifies that a municipality may impose new Business District sales tax and hotel/motel tax applying revenues toward development and redevelopment within the Business District. The Business District sales tax may be imposed at a rate not to exceed one percent (1%) of the gross receipts from sales of tangible personal property within the business district, and must be imposed in quarter percent (0.25%) increments. The taxes may not be imposed on "tangible personal property titled or registered with an agency of this State's government or food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks, and food that has been prepared for immediate consumption), prescription and nonprescription medicines, drugs, medical appliances, modifications to a motor vehicle for the purposes of rendering it usable by a disabled person, and insulin, urine testing materials, syringes, and needles used by diabetics, for human use," and may not be imposed for more than twenty-three (23) years. These taxes, if imposed, shall be collected by the Illinois Department of Revenue and then disbursed to the City.

The hotel/motel tax may be imposed at a rate of not to exceed one percent (1%) of the gross rental receipts from the rental leasing or letting of hotel rooms within the business district (excluding, however, gross rental receipts from the rental leasing or letting of a hotel to permanent residents, as defined in the Hotel Operators' Occupation Tax Act), must be imposed in quarter percent (0.25%) increments, may not be imposed for more than twenty-three (23) years and, if imposed, must be collected by the City.

As examples, the revenue generated from these taxes could be used to do the following:

- Encourage new retail shopping centers, stores, and hotels.
- Modernize outdated retail, office, and hotel developments to entice business travelers and local residents and encourage spending.
- Create stylish restaurant districts.
- Design community gathering areas, such as parks where pedestrian traffic can gather for entertainment, such as concerts, festivals, and summer farmer markets.
- Upgrade and construct public improvements, including parking areas, utilities, and modern streetscapes.

II. Business District Eligibility Analysis

Qualifications for a Business District

Pursuant to 65 ILCS 5/11-74.3-5, a business district is defined as “a contiguous area which includes only parcels of real property directly and substantially benefited by the proposed business district plan.” The Act further states that a business district may, but need not be, a “blighted area”, but no municipality shall be authorized to impose Business District sales taxes and/or hotel/motel taxes unless it is determined by ordinance to be a blighted area under the Act.

A “blighted area” is defined by the Business District Act as “an area that is a blighted area which, by reason of the predominance of defective, non-existent, or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire or other causes, or any combination of those factors, retards the provision of housing accommodations or constitutes an economic or social liability, an economic underutilization of the area, or a menace to the public health, safety, morals, or welfare.”

Study Area Description

The Study Area consists of approximately 250 parcels and adjacent rights-of-way and approximately 160 structures. It encompasses approximately 720 acres.

A general description of the Study Area is the area along East Main Street from 6th Avenue on the west to about Oak Road on the east. It also includes several parcels north of Foxfield Drive fronting on Courtyard Drive. Former railroad right-of-way crosses the Study Area. A map of the Study Area is contained in this report. It illustrates that all parcels in the Study Area are contiguous, which is required by the Business District Act. Parcels within the Study Area are listed in **Appendix A**.

Study Methodology

In determining whether or not the proposed Study Area meets the eligibility requirements of the Act, at the City’s direction, Ehlers conducted research and field surveys.

Every parcel was visually examined during the survey. The survey and analysis of existing conditions within the Study Area were completed in April and May 2012 by Ehlers to document the extent to which each “blighted area” factor is present within the Study Area. Various types of research and field surveys were undertaken including:

1. Exterior survey of the condition and use of properties and buildings.
2. Field survey of environmental conditions covering street, sidewalks, lighting, traffic, parking facilities, landscaping, fences and walls, and general property maintenance.
3. Analysis of tax maps to ascertain platting.

4. Review of previously prepared plats, plans, and studies.
5. Review of County and Township Records.
6. Contacts with City officials as appropriate and private parties knowledgeable as to area conditions, history, age of buildings and site improvements, real estate matters and related items, as well as examination of existing information related to the Study Area.

Study Area Findings

The Study Area is a “blighted area” as defined in the Business District Act due to the following factors:

- Predominance of defective, non-existent, or inadequate street layout.
- Unsanitary or unsafe conditions.
- Deterioration of site improvements.
- Improper subdivision or obsolete platting.
- Existence of conditions which endanger life or property by fire or other causes, or any combination of those factors.
- Retards the provision of housing accommodations or constitutes an economic or social liability, an economic underutilization of the area, or a menace to the public health, safety, morals, or welfare.

These factors constitute an economic liability and an economic underutilization of the area within the Study Area in its present condition and use. Based on the presence of these factors described in more detail below, the Study Area is a “blighted area” as defined by the Business District Act.

Predominance of defective, non-existent, or inadequate street layout

Over 80 of the properties in the Study Area suffer from the predominance of defective, non-existent, or inadequate street layout. This is demonstrated on both public rights-of-way adjacent to property in the Study Area, as well as on private property.

A review of automobile accidents in 2011 indicates that there are traffic issues in the Study Area. The intersections of East Main Street and Dunham Road and East Main Street and Kirk Road each had seven crashes in 2011. The 1600 and 3700 blocks of East Main Street each had 10 crashes in 2011. While these number seems relatively small as compared to the total number of crashes within the City limits in 2011, the area of East Main Street between Tyler and Kirk Roads ranks within the top three crash areas in the City¹.

¹ Source: City of St. Charles Police Department.

Table 1: Automobile Accidents

Location	2011	
	Total Crashes	Injury Crashes
E. Main Street/IL Rt. 64 & Dunham Road	7	1
E. Main Street/IL Rt. 64 & Kirk Road	7	1
3700 Block E. Main Street	10	3
1600 Block E. Main Street	10	1
Total Traffic Accidents City-wide	997	

Source: City of St. Charles Police Department

It should be noted that current improvements in the East Main Street right-of-way alone may not significantly reduce the number of accidents in this Study Area. As additional development and redevelopment occurs, especially in the area of East Main Street between Tyler and Kirk Roads, reducing the number of curb cuts and encouraging cross access between properties may help keep traffic off of East Main Street by directing it to side streets and other intersections. These are typically safer movements and can help reduce traffic accidents. Additionally, the City of St. Charles Police Department's 2011 Annual Report notes that it will focus efforts in 2012 to reduce the number and severity of traffic accidents in this area.

Currently, the majority of individual parcels with direct access to East Main Street have their own individual curb cuts. In the western portion of the Study Area, especially those parcels west of Tyler Road, there is little or no cross access between properties. As a result, access to and circulation within properties in the Study Area is limited and creates hazardous and conflicting pedestrian and vehicular circulation. Based on discussions with City Public Works staff, the number of curb cuts will not be reduced as a result of the East Main Street reconstruction now ongoing.

In some situations, the locations of access drives were inadequate. Some had poor visibility because of grade issues, others were too close to an intersection or other access drives. An example of this is the access drive to Pheasant Run resort from Kautz Road. This access point is too close to the East Main Street/Kautz Road intersection. Ehlers observed vehicles stacking into the intersection, while other vehicles waited to turn left into the Pheasant Run property. Other parcels are entirely covered with building and pavement with little buffer between uses, and access drives for these parcels are located immediately next to each other, causing conflicts.

Internal movement on individual properties within the Study Area is difficult. On some parcels there are a lack of defined travel lanes, and present are conflict points between customer vehicles, delivery vehicles, and pedestrians. Deteriorated conditions in paved areas aggravates these situations.

Street and vehicle areas are essential to growth of commercial areas. The costs of building and rehabilitating streets, sidewalks, delivery areas, and cross access are an extraordinary expense for which public assistance may be necessary to address.

Unsanitary or unsafe conditions

During our research and field surveys, Ehlers did not find or witness conditions that were unsanitary in the Study Area.

Unsafe conditions were evidenced by the number of traffic accidents, as well as the number and location of curb cuts. This was also evidenced by internal movements through and between developments in the Study Area. As a result of these conditions, access to and circulation within the Study Area are limited, creating hazardous and conflicting pedestrian and vehicular circulation.

Access could be improved through the use of well-defined internal drives and ingress and egress access between properties, as well as improvements in rights-of-way. Dedication of additional rights-of-way for appropriate turn and deceleration lanes may be required, as well as the construction and rehabilitation of streets, drive lanes, parking and loading areas, and sidewalks. This will result in sizeable additional costs for private development and redevelopment.

It should also be noted that during storm events, some properties in the Study Area experience flooding conditions, particularly parcels located south of East Main Street between 7th Avenue and Kirk Road. Ongoing improvements to East Main Street may improve drainage problems.

Deterioration of site improvements

Field surveys were conducted to identify the physical condition of buildings, parking lots, service and loading areas, curbing, and sidewalks. Approximately 1/3 of the properties in the Study Area exhibit deterioration of site improvements.

While the majority of the buildings and structures are in good condition, several exhibit deterioration, as evidenced by damage to exterior stucco and bricks, loose or missing siding and roofing materials, rusted metal and HVAC systems, dented or missing fascias, and broken and missing windows. Building age and vacancies contribute to deteriorated conditions. About 20% of the properties in the Study Area have buildings that are 35 years of age or more, which generally require more upkeep. Most of these buildings are concentrated in the western portion of the Study Area. In vacant buildings, Ehlers observed broken and missing windows, damaged overhead doors, and damaged signs and exterior walls.

Parking areas, curbing, and sidewalks throughout the Study Area were found to have deteriorated conditions in the form of cracked pavement, potholes, loose paving materials, and weeds protruding through paved surfaces.

Fences, retaining walls, and freestanding sign structures were also found to be deteriorated and in need of repair. St. Charles has hilly topography, and because most properties were developed individually and not on a coordinated basis, elevations between properties vary. This worsens the deterioration of site surfaces and fences, weed growth, and accumulation of litter.

Utilities and adjoining public roadway conditions are also typically reviewed and considered part of a property's "site improvements." Ehlers conducted field surveys in April and early May 2012. Conditions at the time indicated that East Main Street suffers from major deterioration issues. It should be noted that these conditions have not been incorporated into Ehlers' study results, as the Illinois Department of Transportation (IDOT) and the City of St. Charles have begun major reconstruction of East Main Street, including new pavement, roadway improvements, and sidewalk, streetlight, watermain, and stormsewer replacement. The deterioration conditions in the East Main Street right-of-way should be remedied as a result of the reconstruction.

Substantial investment beyond the improvements currently undertaken by IDOT and the City will be necessary to repair or demolish and reconstruct buildings and paved areas.

Improper subdivision or obsolete platting

One-third of the parcels suffer from improper subdivision or obsolete platting. This consists of both improved and vacant parcels.

Much of the development of the Study Area occurred on a piecemeal basis through separate subdivisions. This, along with topographic and other physical conditions, such as railroad right-of-way, has resulted in parcels with configurations of irregular shape and size and limited access between parcels. Several small, oddly shaped parcels have been created where properties were either divided through right-of-way dedication or newly established from vacating right-of-way.

In the western portion of the Study Area, there are multiple instances of single buildings on multiple lots of record. Additionally, single-family properties have been converted to commercial uses. These properties are obsolete, as they do not have enough lot area to accommodate contemporary design and zoning standards and requirements. Some of these oddly shaped parcels are tax parcels and have been created for tax purposes (as an example, a property owner may create multiple tax parcels for a single development so that the tax burden of a parcel with parking or detention is less than that of a parcel with a building).

Without any development plan for the assembly of properties that have been improperly subdivided or suffer from obsolete platting, parcels are likely to remain undeveloped or in their current state due to their undesirable shape or size. Assembly of vacant parcels will be difficult because of the involvement of multiple property owners. City participation will be necessary to facilitate property assembly.

Existence of conditions which endanger life or property by fire or other causes

As previously outlined in “Predominance of Defective, Non-Existent, or Inadequate Street Layout” and “Unsanitary or Unsafe Conditions”, current traffic conditions endanger life or property within the Study Area. In summary, there are a significant number of traffic accidents in the Study Area. Internal movement through and between properties is difficult. There are many conflict points and in many instances, little separation between pedestrians, customer and tenant vehicles, and delivery vehicles.

Retards the provision of housing accommodations or constitutes an economic or social liability, an economic underutilization of the area, or a menace to the public health, safety, morals, or welfare

All of the factors noted above together constitute an economic liability in their present condition and use. To summarize, traffic conditions endanger life or property within the Study Area. There are a significant number of traffic accidents in the Study Area. Internal movement through and between properties is poor. There are many conflict points and in many instances little separation between pedestrians, customer and tenant vehicles, and delivery vehicles. Buildings and paved areas suffer from deteriorated conditions, including missing and broken windows, damaged exterior finishes, cracked pavement, potholes, and weeds protruding through paved surfaces. Parcels suffer from improper subdivision or obsolete platting. Parcels are of irregular shape and size and some do not have enough lot area to accommodate modern standards.

In addition, Equalized Assessed Value (“EAV”) is an indicator of the economic viability of an area. Although not specifically outlined in the Business District Act, the TIF Act outlines three standards to measure EAV:

- If an area has decreased for three of the last five calendar years prior to the year in which the area is designated;
- If an area is increasing at an annual rate that is less than the balance of the municipality for three of the last five calendar years for which information is available; or
- If an area is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency (CPI) for three of the last five calendar years prior to the year in which the area is designated.

The EAV of the Study Area meets all three of these measurement standards, as shown in **Table 2** below. The total EAV of the Study Area has decreased for three of the last five calendar years. Also, the Study Area has grown at an annual rate that is less than the balance of the City for four of the past five years. Further, the EAV of the Study Area has increased at an annual rate that is less than the CPI for three of the past five years. This data indicates that the Study Area is an economic liability.

Table 2: EAV History of Study Area

Tax Year	Study Area EAV	City EAV	Balance of City EAV	Study Area %	Balance of City %	CPI %
2006	\$109,111,853	\$1,474,649,747	\$1,365,537,894			
2007	\$117,140,247	\$1,596,902,805	\$1,479,762,558	7.36%	8.36%	2.8%
2008	\$124,286,893	\$1,671,118,140	\$1,546,831,247	6.10%	4.53%	3.8%
2009	\$122,902,461	\$1,661,903,809	\$1,539,001,348	-1.11%	-0.51%	-0.4%
2010	\$115,032,153	\$1,568,915,730	\$1,453,883,577	-6.40%	-5.53%	1.6%
2011	\$107,291,339	\$1,478,384,386	\$1,371,093,047	-6.73%	-5.69%	3.2%

Sources: DuPage County, Kane County, St. Charles Township, and Wayne Township.

A significant contributor to economic liability of the Study Area is the Charlestowne Mall, which is almost 80% vacant as measured by the number of actual tenant spaces. While there are still four anchor tenants present (Carsons, Classic Cinemas Charlestown 18, Kohls, and Von Maur), most of the smaller tenant and restaurant spaces are vacant. The vacancy rate has resulted in the loss of sales taxes, employment opportunities, and retail/commercial services to the City. The EAV of the Charlestowne Mall itself has declined, as shown in **Table 3** below. In Tax Year 2006, the total EAV of the four Charlestowne Mall parcels² was \$8.6 million. In Tax Year 2011, the total EAV of these parcels dropped to \$5.5 million – a 36% drop in five years. In comparison, the EAV for the balance of the City of St. Charles increased by 0.5% during the same time period.

² Von Maur, Kohls', detention, and balance of mall building and parking areas.

Table 3: EAV History of Charlestowne Mall Parcels

Tax Year	Mall Area EAV	City EAV	Balance of City EAV	Mall Area %	Balance of City %	CPI %
2006	\$8,681,913	\$1,474,649,747	\$1,465,967,834			
2007	\$9,707,638	\$1,596,902,805	\$1,587,195,167	11.81%	8.27%	2.8%
2008	\$10,502,611	\$1,671,118,140	\$1,660,615,529	8.19%	4.63%	3.8%
2009	\$8,033,026	\$1,661,903,809	\$1,653,870,783	-23.51%	-0.41%	-0.4%
2010	\$6,038,143	\$1,568,915,730	\$1,562,877,587	-24.83%	-5.50%	1.6%
2011	\$5,553,296	\$1,478,384,386	\$1,472,831,090	-8.03%	-5.76%	3.2%

Sources: DuPage County, Kane County, St. Charles Township, and Wayne Township.

The Study Area shows signs of an economic underutilization of the area. The City’s current Future Land Use Map identifies that most of the Study Area is for commercial and business uses, including retail and service, manufacturing, office and research. Although limited, there are residential uses in areas currently designated for retail and service uses. There are numerous parcels of vacant land that have not been developed. There are building and tenant vacancies spread throughout the Study Area. These conditions demonstrate an economic underutilization of the area.

Summary Eligibility Findings

In summary, this report concludes that the Study Area in its present condition and use is eligible for Business District designation under the Business District Act as a “blighted area”, according to the definitions in the Act. The costs associated with the development and redevelopment of the properties in the Study Area, including land preparation, utilities and infrastructure, constitute an impediment to private investment. Due to the extensive initial investment in development incentive payments, rehabilitation, and public infrastructure that is required in order to allow development and redevelopment to occur, development and redevelopment of the area will not occur solely as a result of private investment. Accordingly, Ehlers believes that absent the use of a Business District, development and redevelopment of the area is unlikely to occur.

III. Conclusion and Next Steps

The Study Area qualifies for eligibility as a Business District under the provisions in the Business District Act as a "blighted area" -- pending the finding by the City that "but for" the adoption of the Business District development or redevelopment plan, this area would not reasonably be anticipated to be developed or redeveloped.

Ehlers recommends the City evaluate whether to proceed with the drafting of the Business District Plan document that would incorporate the eligibility findings of this report, as well as document that the business district conforms to the City's comprehensive plan for the development of the municipality as a whole. The Business District Plan would serve as the evidentiary and planning documents to be reviewed and presented to the City Council and the public at a formal public hearing. The following action steps are required by the Business District Act to enact the Business District:

- **Prepare Business District Plan document according to the Illinois Business District Act.** The Business District Plan will include the following:
 - Documentation that the Business District meets the "blighted area" criteria;
 - A specific description of the Business District and map;
 - A general description of each project proposed to be undertaken within the Business District including a description of the approximate location of each project and a description of any developer, user, or tenant of any property to be located or improved within the proposed business district;
 - The name of the proposed Business District;
 - The estimated Business District project costs;
 - Anticipated sources of funds to pay Business District project costs;
 - Anticipated type and terms of any obligation to be issued; and
 - The rate of any Business District taxes to be imposed, if any, and the period of time for which the tax(es) shall be imposed.

- **Prepare a Legal Description describing the proposed boundaries of the Business District** (to meet the requirement for a specific description of the Business District outlined above).

- **Hold a Public Hearing.** This includes providing appropriate notice of the public hearing in accordance with the Act.

- **Within 90 days of the final adjournment of the public hearing, adopt by ordinance(s) the business district plan and designation of the business district.** In particular, any ordinance adopted which approves a business district plan shall contain findings that the business district on the whole has not been subject to growth and development through investment by private enterprises and would not reasonably be anticipated to be developed or redeveloped without the adoption of the business district plan.
- **Assuming the City makes a finding that the Business District is a “blighted area,” consider adopting ordinance(s) to enact a Business District sales tax and/or a hotel/motel tax.** Business District sales and hotel/motel taxes collected are deposited in a special Business District Tax Allocation Fund for the purposes of paying business district project costs and obligations.

Although not required by the Business District Act, the City may also wish to consider meeting with businesses and property owners within the Business District to discuss its purpose, the Business District Plan, and how it can be of benefit to them as business or property owners.

Ehlers estimates the above action steps, including a meeting with local businesses, will require approximately 2 to 3 months to complete. The deadline for filing the ordinance enacting a Business District sales tax and all additional required information is as follows:

- October 1 for administration and enforcement of the tax beginning the following January; or
- April 1 for administration and enforcement of the tax beginning the following July 1, 2013.

Beyond the adoption of a Business District, there will be other actions required of the City. The City has an obligation to be prudent with the use of public resources in development and redevelopment activities. If the City chooses to pursue the adoption of a Business District and the Business District taxes, Ehlers recommends any proposed development and redevelopment projects be thoroughly reviewed prior to the dedication of any Business District funds towards eligible expenses of the project to ensure the “but for” finding is established.

There are two objectives in this project review process:

1. To ensure that the City is providing only the amount of assistance needed to make the project financially feasible to the developer.
2. To ensure that the City is aware of any financial risks it may be taking on as a result of its participation in the project.

To accomplish this, Ehlers recommends that a financial analysis of the developer's request for assistance take place. This is an analysis that reviews the developer's financial *pro forma*, including costs, revenues, and returns, and compares the proposal to similar developments to determine if the amount of assistance requested is valid. The process should also review the method the developer is requesting the City use to finance the assistance to determine what risks, if any, there are to the City. This would provide the City with information regarding the expected market absorption of the project, the developer's financing gap, and potential Business District eligible costs that must be addressed to make proposed project feasible.

Business District funds can be used for a range of development and redevelopment activities in order to implement the Business District Plan, including:

- Costs of surveys, plans, implementation, and administration of the Business District.
- Property assembly costs.
- Site preparation, grading, and demolition costs.
- Installation, repair, and construction of public works.
- Building rehab, relocation, and renovation.
- New construction of buildings, structures, and improvements. (This permitted activity differs from the TIF Act, which restricts the use of TIF funds for new construction.)
- Financing costs.
- Relocation costs.

It should also be noted that a Business District can be combined with other economic development tools, including Tax Increment Financing (TIF) districts and Special Service Areas. Used together, these tools may offer an even stronger package of revenue producing and economic development generating options for St. Charles' East Main Street Corridor.

Appendices

Appendix A: Study Area Parcel Numbers

STUDY AREA PARCELS					
0130101019	0925178001	0925426021	0926302001	0926401035	0927431003
0130101020	0925178002	0925426022	0926302002	0926401036	0927431004
0130102023	0925178003	0925426026	0926302011	0926402002	0927431006
0130102024	0925178004	0925426036	0926302012	0926402004	0927431007
0130102025	0925178005	0925426037	0926326015	0926402005	0927431008
0130102027	0925200016	0925426038	0926326016	0926402015	0927432001
0130102029	0925200017	0925426039	0926326017	0926402016	0927462003
0130102030	0925200021	0925426040	0926326018	0926402017	0927463001
0130102031	0925200030	0925426041	0926326019	0926402018	0927463002
0130102032	0925205001	0925426042	0926326020	0926402019	0927463003
0130102033	0925206001	0926252036	0926326021	0926402024	0927463004
0130201001	0925252001	0926252058	0926326024	0926402026	0927463005
0130201002	0925276002	0926252060	0926327007	0926402028	0927463006
0130201006	0925276003	0926252061	0926327008	0926402030	0927463008
0130201007	0925276005	0926252062	0926327009	0926402031	0927468007
0130201008	0925276006	0926252063	0926327010	0926402032	0927468008
0130202006	0925276009	0926276002	0926328002	0926402033	0927476001
0130300015	0925276010	0926276010	0926328007	0926402036	0927476010
0130300016	0925301012	0926276011	0926328008	0926402037	0927476011
0130300017	0925301020	0926276015	0926328010	0926426003	0927476012
0130300018	0925301021	0926276016	0926377005	0926426011	0927476013
0130300019	0925301022	0926276017	0926377006	0926426012	0927476014
0130300020	0925301024	0926276026	0926401002	0926426016	0927477007
0130400005	0925301027	0926276027	0926401004	0926426017	0927477008
0925100012	0925301028	0926276028	0926401008	0926426018	0927477009
0925100020	0925301029	0926276029	0926401010	0926426019	0927478008
0925100022	0925301030	0926276030	0926401013	0926451006	0927478009
0925100026	0925327001	0926276031	0926401016	0926451007	0927483009
0925100028	0925327004	0926276032	0926401017	0926502001	0927483010
0925103002	0925327006	0926276033	0926401018	0927429020	0927483011
0925103003	0925327007	0926276034	0926401019	0927429027	0927483012
0925103004	0925327008	0926276035	0926401020	0927429028	0927483013
0925103005	0925327009	0926276036	0926401021	0927429029	0927483014
0925103006	0925401012	0926301009	0926401022	0927429030	0927483015
0925128001	0925402001	0926301011	0926401023	0927429031	0927483016
0925151001	0925402002	0926301012	0926401024	0927429032	0927484001
0925151002	0925402003	0926301013	0926401026	0927430012	0927484005
0925152003	925426010	0926301022	0926401027	0927430013	0927484007
0925152005	925426011	0926301024	0926401029	0927430014	0927484009
0925152006	0925426019	0926301029	0926401031	0927430020	0927484010
0925152007	0925426020	0926301030	0926401032	0927430021	0927502022
			0926401034	0927431002	0927502023

Appendix B: Representative Photographs of Study Area

The photographs on the following pages are representative samples of the conditions found in the Study Area and demonstrate the “blighted area” factors present at the time of the report. These photographs were taken in April and May 2012.





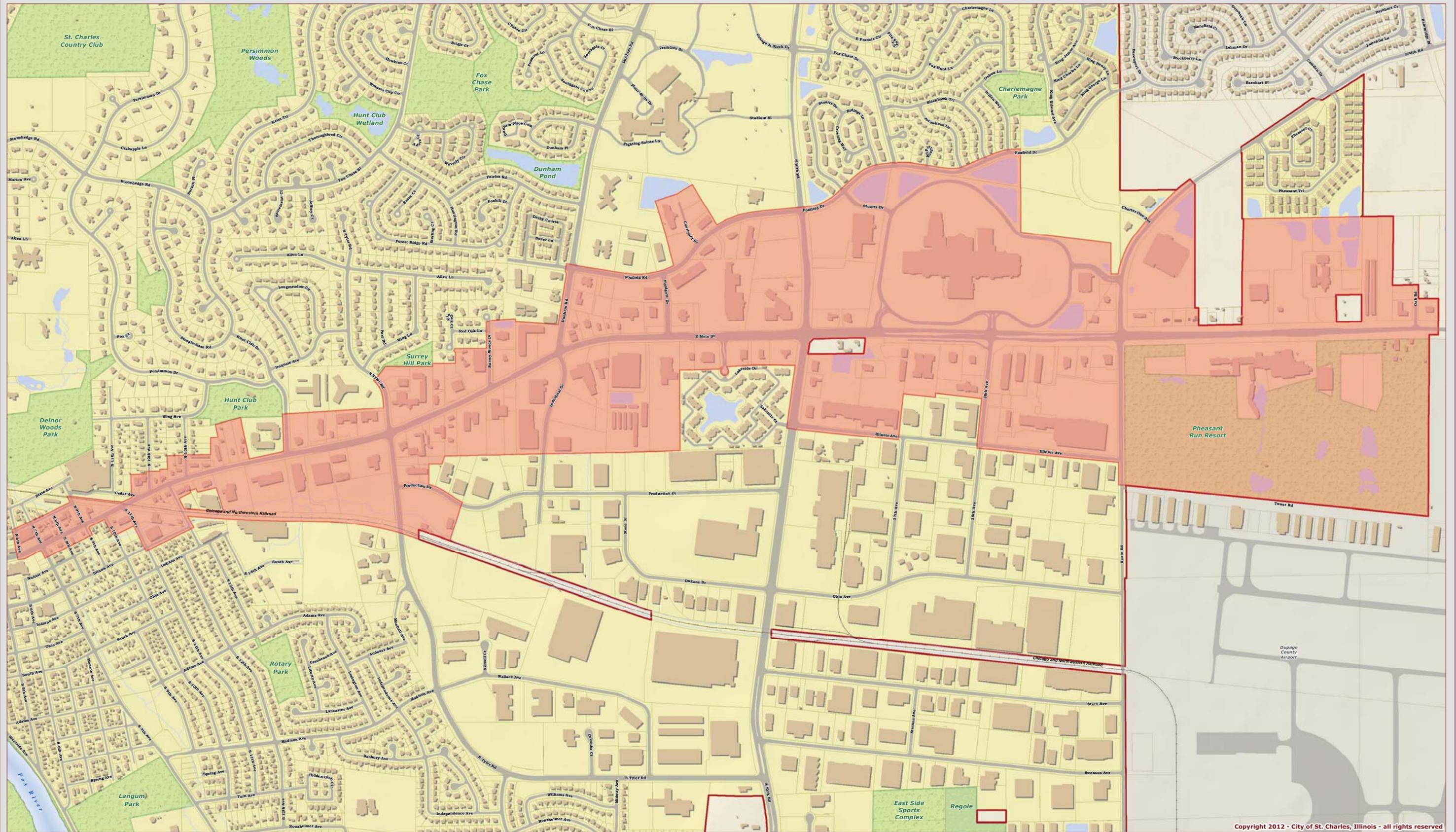












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Data Source:
City of St. Charles, Illinois
Kane County, Illinois
DuPage County, Illinois
Projection: Transverse Mercator
Coordinate System: Illinois State Plane East
North American Datum 1983
TID #: 120429153523847



 Business Development District

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