



## CITY COUNCIL AGENDA ITEMS

**To:** Mayor and City Council  
**From:** Dean Rich, Director of Finance  
Walter Denton, City Administrator  
**Date:** July 13, 2006  
**Subject:** Ordinance Approving a Pre-Development Agreement / Frieze

**List of committees that have reviewed:** Finance and Administration

**Background.** Selection of a retail site requires extensive decision making due to the number of variables considered. The city and Frieze Harley-Davidson have been working these variables for the last 18 months as store locations are costly, complex and there is little flexibility once a store is built. Ms Frieze selection criteria included affordability, accessibility and the potential to generate a return on her investment. The city had provided accessibility with our new interchange and the market dictated affordably so that left economic incentives to make the project viable. Our goal was to help improve her business economics by reducing development cost and helping maintaining her line of credit. In short, every dollar she could save on development cost is a dollar she can put in motorcycles for the sales floor. This predevelopment agreement establishes the city's intent to provide a Special Service Area of approximately \$1.5 million and an economic incentive agreement of \$125,000 over a ten-year period. The SSA does not now, and shall never, constitute an indebtedness to the city, and the Economic Incentive is a 50/50 sales tax rebate which only creates an obligation after we have received the sales tax rebate. With the passing of this agreement, Ms Frieze intends to close on the property before the end of July. The SSA and Economic Incentives will require separate final actions in the coming weeks.

**Legal Considerations, if any:** Attorney Kurt Froehlich drafted the agreement. He will represent the city in finalizing the agreement to protect the tax status of the SSA bonds.

**Budget Impact:** The SSA is no cost or obligation to the city and the incentive agreement is a 50/50 sales tax rebate to help establish a viable business on a prime piece of property that has sat vacant for over 9 years.

**Staff recommendation:** All aspects of this agreement are in accordance with the City of O'Fallon Policies for Providing Economic Development Funding Assistance. Recommend approval.