



CITY COUNCIL AGENDA ITEMS

To: Mayor and City Council
From: Dean Rich, Director of Finance
Walter Denton, City Administrator
Date: March 3, 2008
Subject: Resolution of Intent to Create a Regency Park TIF

List of committees that have reviewed: Finance and Administration

Background: Attached for your consideration is a resolution calling for a feasibility study and to induce private development interest in a portion of the Regency Park area. The City of O'Fallon has already encouraged development in Regency Park through a no cost to the city Special Service Area (SSA) which financed the road and basic utilities through increased property taxes. We have seen this begin to pay off with a bank; two office buildings, two hotels and the city financed Conference Center.

The development of the next phase faces challenges not covered by the SSA and not appropriate for SSA help—undermining. During the nearly three years since the SSA, the proposed area has been considered for several major development projects with the most recent one being the new BJC project recently announced for Shiloh.

BJC has provided a letter that indicates the deciding factor for the Shiloh site was the lack of undermining and the limiting factors brought on by undermining. While a large part of the business district in O'Fallon is undermined, it is not usually considered a major deterrent for wide area one story buildings, but it is a major factor for multi-story building as we anticipate will be induced to build in the proposed office campus.

As the City found with the Drury Hotel, multi-story building in an undermined area is more expensive in both initial construction cost and follow on insurance. With a retail business, undermining can be factored into the cost of doing business, but with a business campus the competition more or less sets the price per square foot, and passing on cost is more difficult if not impossible.

A TIF allows the developer to recoup his infrastructure cost through reduced property taxes and remain competitive on the per ft cost of a business campus. The big advantage to the City of O'Fallon is the large number of high paying jobs the campus will generate; the more cost competitive the campus is, the more jobs it will produce. Both Central School and OTHS are

involved in the feasibility study and are initially supportive. This does not commit the Council to a TIF but to the willingness to consider a TIF, if warranted.

Legal Considerations, if any: All actions to develop a TIF will conform to the provisions of the Tax Increment Allocation Redevelopment Act (65 ILCS 11-74.4-1) and will be drafted by PGAV and our city attorney.

Budget Impact: The small amount of administrative cost will be paid from the Economic Development Projects account in the current budget and if a TIF is approved the implementation cost will come from current TIF assets.

Staff recommendation: Recommend approval.