



**COMMITTEE OF THE WHOLE SESSION
PUBLISHED BY THE AUTHORITY OF THE CITY COUNCIL OF
BLOOMINGTON, ILLINOIS
TUESDAY, FEBRUARY 16, 2016; 5:30 P.M.**

1. Call to Order

Mayor Renner called the meeting to order at 5:30 PM and directed the City Clerk to call the roll.

2. Roll Call

Aldermen: Amelia Buragas, David Sage, Mboka Mwilambwe, Joni Painter, Karen Schmidt, Scott Black, Diana Hauman, Kevin Lower

Absent: Alderman Jim Fruin

3. Public Comment *Moved to end of meeting*

Motion by Alderman Black, seconded by Alderman Schmidt, to move Public Comments to the end of the session.

Mayor Renner directed the Clerk to call the roll which resulted in the following:

Ayes: Aldermen Buragas, Mwilambwe, Sage, Black, Painter, Hauman and Schmidt.

Nays: Alderman Lower.

Motion carried.

4. Consideration of approving the Committee of the Whole Meeting Minutes of January 19, 2016. *(Recommend that the reading of the minutes of the Committee of the Whole Proceeding of January 19, 2016 be dispensed with and the minutes approved as printed.*

Motion by Alderman Hauman, second by Alderman Painter, that the minutes of the Committee of the Whole Meeting of January 19, 2016 be dispensed with and approved as printed.

Mayor Renner directed the Clerk to call the roll which resulted in the following:

Ayes: Aldermen Buragas, Mwilambwe, Sage, Black, Painter, Hauman, Lower and Schmidt.

Nays: None.

Motion carried.

5. Presentation of the Downtown Development Project Update

Mayor Renner stated decisions would not be made tonight. He recognized former Mayor Jesse Smart and thanked him for attending. He believed the Downtown area required revitalization. Proposals had been vetted by SB Friedman Development Advisors, in business over thirty-five (35) years. There would be no funding available from the current budget.

Jeff Giebelhausen, President, Cullinan Properties LTD, addressed the Council. The Downtown would benefit from a Hotel/Conference area. The benefit to the Downtown would be an increase in visitors. Added amenities would provide potential to grow the Downtown residential base. Jobs would be created and the tax base expanded.

Mr. Giebelhausen noted the website “webelieveinbloomington.com”. Same was created to provide public information and suggestions. Reports and memoranda would be posted to the site.

Mr. Giebelhausen emphasized that funding would not originate from the City’s existing revenues. The goal was to create new revenue while enhancing the quality of life downtown.

David Ferguson, Architect, Farnsworth Group, addressed the Council. He highlighted the plans for the Front N Center building, located at 102 N. Center St., and Commerce Bank building, located at 120 N. Center St., exploring ways to rejuvenate same as part of the Hotel development. The Hotel would consist of approximately 120 rooms. The Elks Lodge, located at 110 N. Madison St., and Butler Parking Lot, located at 301 W. Front St., would be developed as parking facilities and Conference Center facilities. He noted these buildings were deteriorating. Mr. Ferguson presented a copy of an artist’s rendition for possible rejuvenation. Renovating the Front N Center building would include adding two (2) more floors to provide the desired room count. A sky bridge to the Conference Center and Parking facility would be possible.

Steve Friedman, President, SB Friedman Development Advisors, and Ranadip Bose, Senior Project Manager, addressed the Council. They provided a project analysis summary. Real Estate Economics and Public Economics were reviewed. Minimizing Financial Assistance was analyzed. He stated the analysis consisted of reviewing 1.) Development costs; 2.) Pro Forma analysis; 3.) Sources of Financing and 4.) Financial Returns analysis. Each of these was benchmarked against comparable projects to determine: 1.) what rates might be obtained for debt financing; 2.) what rates were being attained for equity financing and 3.) the yield on tax credits to understand what the project had to achieve to be economically feasible.

Mr. Friedman reviewed what the Project would produce financially for the City. Hotel taxes, sales taxes, food and beverage and Tax Increment Finance (TIF) revenues were projected. The Hotel and sales taxes included an element for forming a Business District which allowed an additional tax to be imposed on sales and Hotel rooms, per State of Illinois law.

Mayor Renner questioned funding/revenue projection area. Mr. Friedman stated the proposal was limited to the revenues from the Project area listed.

Mr. Friedman stated financial assistance would be structured to minimize the City's risk. The Project was estimated to cost approximately \$50 million. Two (2) historic buildings required renovation, making the Project eligible for historic tax credits. Mike Jackson, State of Illinois Historic Preservation Officer (SHPO), was assisting as historic consultant.

The Hotel would consist of 129 rooms, with restaurant or food service available. It was anticipated that four (4) restaurants could service the Hotel and Downtown area. There would be a 12,000 square foot Conference Center/meeting place and a 250 space parking garage. A skybridge would connect the Hotel with the Conference Center. Mr. Giebelhausen would act as the Development Facilitator for Bloomington Downtown Redevelopment Partners LLC (BDRP). BDRP had requested City funding in the amount of \$13 million and the City-owned Butler Parking Lot. City funding would include developing a Tax Increment Finance (TIF) District, a Business District, Hotel, sales, and food and beverage taxes, and TIF revenues generated.

Ranadip Bose, AICP, Senior Project Manager, SB Friedman Development Advisors, reviewed the preliminary development costs. He noted the following adjustments: 1.) removal of \$1 million rooftop bar/restaurant; 2.) Developer Management and Overhead reduced to market levels; 3.) Financing costs were recalculated and adjusted downward; 4.) Soft Costs and Pre-opening/Marketing Costs were adjusted higher meeting industry standards. The net adjustment reduced the overall budget approximately \$2.5 million.

Mr. Bose reviewed the "Pro Forma Analysis", on page 6 of the SB Friedman Report (Report), for Income and Expense Assumptions. The review was a three (3) year calculation. Key drivers were Average Daily Rate (ADR) and Occupancy assumptions. The Report assumed an ADR range from \$129 - \$150 per night and sixty-nine percent (69%) occupancy. The Total Expenses were subtracted from the Total Revenue to calculate the Net Operating Income. The "Sources of Financing", on page 7 of the Report, which included Historic Tax Credits, a Construction Loan, Cash Equity and City assistance (TIF, Hotel Tax, and Sales Tax).

Mayor Renner questioned investor marketing. Mr. Bose stated their Sources included Midwest and National to make a project attractive from an investor perspective.

Mr. Bose reviewed the "Returns Analysis and Need for City assistance", on page 8 of the Report. Return on Equity target was calculated with the Development Budget, Pro Forma analysis and Sources of Financing results. A target return of eighteen percent (18%) on equity and Debt Coverage Ratio (DCR) of 1.6, the ratio between Net Operating Income and the Permanent Loan debt, was determined to be a good ratio to attract investors; \$8.2 million to \$11.2 million would be required from the City to achieve the target return and DCR threshold.

The "Drivers of City Tax Revenues from Project", on page 9 of the Report listed expected tax revenues from Hotel, food and beverage, sales and real estate taxes. A study with similar Hotels, parking structures and restaurants, around the area, was completed. Same was used to project the revenue generated on equalized assessed values (EAV) and sales revenue assumptions. The Report listed adjusted projections on EAV and sales based on comparable

properties and national standards. He noted the “Tax Revenue Projections”, on page 10 of the Report. The TIF district and Business District (BD) would encompass the Project site. A one percent (1%) tax rate would apply to the BD. Taxes generated from the Project would be returned to the City.

Mr. Friedman discussed the fundamental timing of the Project. Year zero (0), there would be no revenue. The funds would become available once the Project was completed and assessed. The developer would finance the entire construction project.

Mr. Friedman discussed different financing mechanisms available to assist with the Project and the level of risks involved: 1.) Developer Note; 2.) Revenue Bond; 3.) Alternate Revenue Bond with Special Tax backing and 4.) Alternate Revenue Bond with General Obligation (GO) backing.

Developer Note. Revenues, which would be generated later, were pledged through a note. This carried less risk, but higher financing costs.

Revenue Bond. At the point where a project was stabilized, a special Revenue Bond could be accessed. This was usually privately placed and only the Project’s revenues could be pledged. This carried a little less financing cost than a Developer Note, but a little more risk.

Alternate Revenue Bond. This bond had a special tax backing such as a sales tax. This had a better interest rate but increased risk.

Alternate Revenue Bond with GO backing. GO Bonds were issued with the belief that a municipality would be able to repay the debt obligation through taxation or revenue from projects. This carried the greatest risk but the lowest financing costs.

Mr. Friedman believed mixing approaches would balance Project risk, cost and feasibility. The City could use a GO bond for the parking garage, with the construction remainder shifting back to the private sector.

Mr. Friedman outlined the next steps. BDRP would obtain a commitment from an appropriately experienced and acceptable Hotel developer; produce formal site evidence control; obtain financing from: lenders, tax credit buyers and equity investors; obtain leases from potential restaurants; obtain Hotel brand Franchising agreements; detailed plan acceptance; detail construction and development costs; and project final financial of net operating income, tax generation and other factors.

He cited City requirements: endorse BDRP’s efforts to advance the Project; initiate TIF creation and Business Districts and obtain Project site appraisals.

David Hales, City Manager, requested Kathy Orr, Managing Partner and City’s special Legal Counsel, Kathy Orr & Associates, to highlight some key points to minimize City risk. Ms. Orr noted risk was dependent on when funding entered the Project. Some key points to

consider: 1.) Developer needs to be experienced; 2.) Have a Final Concept Plan; 3.) Financing and 4.) Projections and outlining the process to completion. Ms. Orr stated when funding was secure, costs outside of the Project need to be analyzed and dollars retained from revenue. She believed tax payers should not be funding same.

Mr. Hales questioned unforeseen costs that may occur and handling same. Ms. Orr recommended a contingency plan. Same should be built into the plan and large enough to handle unforeseen costs.

Alderman Schmidt questioned the meeting numbers at the Conference Center. Mr. Bose stated the HVS study was used to validate assumptions. Mr. Friedman stated the conservative approach was not definitive but once the final plans were in place those elements would be updated.

Alderman Schmidt inquired as to whether the Butler Parking Lot would be included as part of the City's funding. Mr. Friedman stated an appraisal was required to determine the value.

Alderman Schmidt asked whether infrastructure, water and sewer lines upgrades were included. Mr. Hales stated a preliminary estimate had been given, Mr. Giebelhausen will be reviewing same with his engineers.

Mr. Hales stated additional ideas would be reviewed before final plans were drawn to make this area more marketable, such as an additional walkway to the US Cellular Coliseum (USCC) from the Conference Center.

Alderman Hauman questioned the ADR for hotel rooms. Mr. Bose stated the HVS study used a specific selection of upper tier Hotels. The Project considered the Hotel to be an upper tier Hotel. Mr. Friedman stated Smith Travel Research had a study of various Hotel markets in the state. The year to year comparison for the City of Bloomington showed an increase in occupancy in 2015 of eight percent (8%) from 2014. He noted new hotels do well.

Alderman Hauman questioned the reduction of the Developer Management & Overhead fee estimates. Mr. Friedman stated the hard costs contained a Construction Management (CM) fee. The layers of fees included in the Development Management & Overhead fees were believed to be high, so these were reduced. Same could be negotiated in order to attract a developer.

Alderman Sage questioned the difference between proposals referenced and revenue. Mr. Giebelhausen stated it was about Return for Risk. The Hotelier would need to provide feedback on balancing the costs and having a contingency for the unknowns with historic buildings. Alderman Sage questioned the reduction in the Development and Management charges. Mr. Giebelhausen stated that the number provided were from the Hotel Development Group. He noted same was viewed as part of their contingency.

Alderman Sage questioned the difference between the USCC to this Project involving tax payer money. Mr. Giebelhausen stated the USCC was owned by the City. The Hotel and Conference Center would not. These were private businesses that would stand on their own. Alderman Sage questioned bond funding should insufficient revenue occur. Mr. Giebelhausen stated that would depend on the final structure. He stated the Hotel would pay property taxes, per State of Illinois law. A Debt Coverage Ratio was part of the proposal.

Alderman Sage questioned the synergy between the USCC and the proposed Project. Mr. Bose stated the Hotel would potentially benefit from USCC activities and dining destinations would be in close proximity. Alderman Sage questioned the Hotel's proximity and the USCC's operational profitability. Mr. Bose stated this could not be quantified at this time but conceptually this would be true. Mr. Friedman stated this was not part of the scope of their analysis and review.

Mr. Hales questioned an HVS Hotel/USCC Impact Study. Mr. Friedman stated there was a methodology for estimating demand.

Alderman Sage questioned the Request for Proposal/Request for Statement of Qualifications (RFP/RFQ) process rather than a proposal from SB Friedman Development Advisors. Mr. Friedman stated an RFP/RFQ could not be done as the City does not own the land. Ms. Orr responded affirmatively.

Alderman Sage questioned bond payments should revenue not cover same. Mr. Friedman cited the different bonds.

Alderman Sage questioned success using an RFQ process. Mr. Friedman believed the City would be at risk from the start if land had to be acquired before the RFP/RFQ process could begin. He could not quantify which would be more successful. He noted that a developer was interested in the project site. He stated this was the time to negotiate as the City does not own the site.

Alderman Lower stated he was skeptical. He believed hotels in the community were not doing well. He expressed concern for using only one study to make proposals. He believed the RFQ process should be available for a municipality to review qualifications. He stated the City had other Infrastructure priorities. There was other City owned property in the neighborhood that could be reviewed and then the RFQ process would apply. He questioned accepting any risk at this time. He expressed concern with promoting the Downtown over all other areas of the City.

Mayor Renner believed that every Hotel Conference Center in Bloomington/Normal area had public/private participation.

Alderman Mwilambwe questioned land acquisition costs. He believed same were three (3) times as high as the Fair Market Value. He questioned the opportunity to reduce same as the

property had not been improved over the years. Mr. Friedman stated an appraisal would assist with verifying the land value.

Alderman Mwilambwe questioned the conference types and quantifying same. Mr. Friedman stated the City could, at its own cost, request HVS to update its Hotel to include conferencing potential. The USCC could provide booking information. He noted that the developer would conduct their own market studies to obtain financing and franchise agreements.

Alderman Black noted the groups in attendance that would be impacted by the Project. He requested feedback. He believed this was an exciting opportunity for the City. He requested narratives on similar projects that were successful or unsuccessful.

Mr. Hales stated the Project was at the Concept Stage. There were unknowns at this stage. After approval time would be needed to finalize details. He stated that adoption of an Inducement Resolution was the next step. Same would indicate to the Developer/Promoter the City's willingness to accept a Public/Private partnership.

Jeff Jurgens, Corporation Counsel, requested Council direction for the Resolution and date to bring forward. The Inducement Resolution would show the City's interest for the Project to move forward to identify risks and facts.

Alderman Sage questioned the contents of an Inducement Resolution. Ms. Orr stated the Inducement Resolution would give a specific time limit and a list of deliverables.

Alderman Black requested input from Downtown businesses.

Alderman Lower questioned cost to develop a TIF and the Inducement Resolution. Mr. Jurgens stated the Inducement Resolution was standard language and nominal cost. Ms. Orr stated the cost to develop the TIF ranged from \$25,000 to \$45,000. She recommended the TIF even if the Project was not approved. Mr. Jurgens noted the TIF cost was not the initial creation of paperwork, but the entire process from beginning to end. Ms. Orr responded affirmatively.

Mayor Renner noted Council consensus to create the Inducement Resolution.

Mayor Renner opened Public Comment. The following individuals provided comments.

Josh Schmidgall
Don Shields
William Boquist
Alton Franklin
Aaron Halliday
Gary Lambert

6. Adjournment

Motion by Alderman Schmidt, seconded by Alderman Black, to adjourn Committee as a Whole Session. Time: 8:12 p.m.

Motion carried. (viva voce)

CITY OF BLOOMINGTON

ATTEST

Tari Renner, Mayor

Cherry L. Lawson, City Clerk