



Special Committee of the Whole Meeting – Aug. 17, 2020 Staff Responses to Council Questions

Before each Committee of the Whole or City Council meeting, questions that have been posed by the City Council relating to the agenda for that evening will be posted to the [City's website](#). Below are the responses to this week's questions.

3. Consider Resolution 2020-48 Authorizing Execution of a Development Economic Incentive and Reimbursement Agreement Between the City of Geneva and Industry House, L.L.C.

Q: What has changed in the Agreement?

A: The proposed Agreement has changed from the prior version reviewed in response to equity and nonpayment concerns. Specifically, the Agreement now includes a backstop guarantee to the City for any unpaid deferred permit and parking fees should the restaurant cease operation and a new sales taxpayer not be secured and approved by the City or if the building is sold. This guarantee is in the form of Exhibit F, Fee Reimbursement Agreement. This addition removes all risk for the City of nonpayment for services and fees.

Q: Is there any money being provided upfront to BASH? Where is the money coming from to offer the incentive?

A: No money will be fronted to BASH. Payment for the incentive is coming from a portion of the future sales tax dollars generated by the business.

Q: Is the agreement transferable to another business if BASH ceases operating?

A: The owner may request assignment, but this request must be reviewed/approved by the City Council.

Q: Is this incentive available for other businesses, this is especially needed now during the COVID-19 limitations on business?

A: As a non-home rule municipality, Geneva has limited resources and tools to help restaurants and businesses financially, generally and specifically, to offset impacts caused by the COVID-19. Geneva does not have the legal authority to provide sales tax rebates to existing businesses. Requirements for sales tax rebates are defined by state statute, i.e. can be used for projects that involve the reuse of vacant or significantly underutilized structures or for properties that no longer comply with current building codes.

Q: The seller has made price concessions to allow for the current purchase contract, but how do we know that the owner did not overpay for the building in 2011?

A: When the seller purchased the property in 2011, it was listed for \$1.5 million. The price was established by a local, experienced and reputable broker. The seller accepted the contract price of \$1.15 million. The property was purchased with financing and the lender required an appraisal (customary) to verify the value. There were no problems with the appraisal supporting the contract price.

Beyond the purchase price, the seller invested significantly into all new electrical, plumbing upgrades, demising three units, adding two bathrooms and a new rooftop a/c unit to name just a few things. The seller's overall investment in the property is significantly higher than the initial contract price with the buyer. Then it was realized that the original deal was not viable due to the expense of infrastructure improvements necessary to modernize the building. The seller compromised even further by agreeing to a lower price to encourage the sale of the property.

Q: Can the owner obtain a reduction on property taxes if the building remains vacant?

A: Property owners in Kane County can file commercial/industrial assessment complaints with the Kane County Board of Review. Such complaints can be based on an income approach appraisal to the value of the property and may result in reduced taxes if approved.

Q: Is there a demand for retail and restaurant space in the downtown?

A: There is demand for improved restaurant space and turnkey retail space in the downtown. This demand is strongest on North Third Street followed by State Street at Third Street. For retail, this demand is for smaller footprint spaces, for restaurant size demands vary per user.

Q: Exhibit D, includes sales projections and employment/wage estimates. The total sales to annual wage ratio does not seem accurate. The employee estimates are 85-100 with annual wages of \$2 million – \$2.3 million. Are the estimates and the employee numbers correct?

A: State statute requires that projects funded by incentive agreements (sales tax rebates) be expected to create or retain job opportunities within the municipality. The owner has projected that the business will employ 85-100 people, and the cost for annual wages will be \$2 million to \$2.3 million. The business owner has relayed that the wage estimates are accurate for the business model. The business is a service industry and it is at the high end of the industry standard for wage costs.

Public Comments - None