

**HOSPITALITY IMPROVEMENT ZONE
BUSINESS DISTRICT DEVELOPMENT PLAN**

FINAL REVIEW DRAFT

City of Peoria, Illinois

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HOSPITALITY IMPROVEMENT ZONE BUSINESS DISTRICT DEVELOPMENT PLAN

Introduction

The City of Peoria (the “City”) is desirous of attracting new development to the community. To facilitate that development, the City is contemplating the creation of the Hospitality Improvement Zone Business District.

The Illinois Legislature has created a variety of tools to assist municipalities in promoting economic growth and vitality. One such tool is set forth in 65 ILCS 5/11-74.3 Business District Development and Redevelopment (the “Act”).

65 ILCS 5/11-74.3-1 finds and declares that:

It may be considered essential to the economic and social welfare of each municipality that business districts be maintained and revitalized by assuring opportunities for development or redevelopment and attracting sound and stable commercial growth.

And also that the exercise of the powers provided under 65 ILCS 5/11-74.3:

... is dedicated to the promotion of the public interest and to the enhancement of business districts, and the use of such powers for the development and redevelopment of business districts of a municipality is hereby declared to be a public use essential to the public interest.

In carrying out a business district development or redevelopment plan, the corporate authorities are granted the following powers:

1. To approve all development and redevelopment proposals;
2. To exercise the use of eminent domain;
3. To acquire, manage, convey or otherwise dispose of property in accordance with the development or redevelopment plan;
4. To apply for and accept capital grants and loans from the United States and the State of Illinois, or any instrumentality of the United States or the State, for business district development or redevelopment;

5. To borrow funds as deemed necessary for the purpose of business district development and redevelopment;
6. To enter into contracts with any public or private agency or person;
7. To sell, lease, trade or improve real property;
8. To employ such persons as may be necessary for the planning, administration and implementation of business district plans;
9. To expend public funds as necessary for the planning, execution and implementation of business district plans;
10. To establish by ordinance or resolution procedures for the planning, execution and implementation of business district plans;
11. To create a Business District Development and Redevelopment Commission to act as an agent for the municipality;
12. To impose a retailers' occupation tax and a service occupation tax in the business district to pay for business district project costs as set forth in the business district plan approved by the municipality;
13. To impose a hotel operators' occupation tax to pay for the business district project costs as set forth in the business district plan approved by the municipality; and
14. To issue obligations to be secured by the business district tax allocation fund described in Section 11-74.3-6 of the Act.

Business District Designation Requirements

A business district may only be designated following a public hearing. There are several other requirements that must be met before business district development or redevelopment plans are approved that include provisions for imposing sales or hotel taxes pursuant to the Act. These include:

1. Public hearings must be held at least one week prior to the designation of the business district and the approval of the business district development or redevelopment plan.

2. The area proposed to be designated as a business district must be contiguous and may only include parcels directly and substantially benefited by the proposed business district development or redevelopment plan.
3. The corporate authorities must make formal findings that:
 - a) The business district is a blighted area because of:
 - The predominance of defective 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 or menace to the public health, safety, morals or welfare in its present condition and use.
 - b) The business district on the whole has not been subject to growth and development through investment by private enterprises or would not reasonably be anticipated to be developed or redeveloped without the adoption of the business district development or redevelopment plan.
4. The proposed business district development or redevelopment plan must set forth in writing the following:
 - a) Specific description of the proposed business district boundaries and a map illustrating the boundaries;
 - b) A general description of each project proposed to be undertaken within the business district, including a description of the approximate location of each project;
 - c) The name of the proposed district;
 - d) The estimated business district project costs;
 - e) The anticipated source of funds to pay business district project costs;
 - f) The anticipated type and terms of any obligations to be issued; and

- g) The rate of any tax to be imposed pursuant to the Act and the period of time for which the tax shall be imposed.

Description of the Hospitality Improvement Zone Business District

The City of Peoria has identified the area generally located between William Kumpf, Fayette, Jefferson and Monroe as a proposed business district to be known as the Hospitality Improvement Zone Business District (the “Business District”). The area is approximately 43.5 acres in size and consists of 51 contiguous tax parcels and public rights-of-way. The boundaries of the proposed Hospitality Improvement Zone Business District are shown in *Figure 1: Hospitality Improvement Zone Business District Boundary Map*. The proposed Business District boundary is legally described as follows:

Commencing at the corner of Kumpf Blvd. and Main St., said point being the intersection of the easterly line of W.M. Kumpf Blvd. and the southwesterly line of Main St.; thence southeasterly along the southwesterly line of Main St. a distance of 111 feet to the Point of Beginning of the tract to be described; thence southeasterly along said southwesterly line of Main St. to the intersection of the southwesterly line of Main St. and the southeasterly line of Monroe St.; thence northeasterly across main to the intersection of the northeasterly line of Main St. and the southeasterly line of Monroe St.; thence southeasterly along the northeasterly line of Main St. to the intersection with the northwesterly line of an alley in block 16 of the Original Town of Peoria; thence northeasterly along said northwesterly line of the alley to a point on the southwesterly line of Hamilton Blvd.; thence northwesterly along the southwesterly line of Hamilton Blvd. to the southeasterly line of Monroe St.; thence northeasterly along said southeasterly line to a point that is 94 feet southwesterly from the southwesterly line of Fayette St.; thence northwesterly and parallel with Fayette St. a distance of 171 feet to the southeasterly line of the alley in block 37 of Hale’s Addition; thence northeasterly along said alley line a distance of 94 feet to the southwesterly line of Fayette St.; thence southeasterly along the southwesterly line of Fayette to the northwesterly line

of Adams St.; thence southwesterly along said northwesterly line to the centerline of a vacated alley in block 9 of the Original Town of Peoria; thence northwesterly along said centerline to the northwesterly line of Jefferson Ave.; thence southwesterly along the northwesterly line of Jefferson Ave. to the northeasterly line of Hamilton Blvd.; thence northwesterly along said northeasterly line to the northwesterly line of Madison Ave.; thence southwesterly along said northwesterly line to a point that is 230 feet southwesterly from the southwesterly line of Main St.; thence northwesterly and parallel with Main St. a distance of 171 feet to the southeasterly line of an alley in block 17 of the Original Town of Peoria; thence southwesterly along said southeasterly line to the southwesterly line of Fulton St.; thence southeasterly on said southwesterly line to a point that is 383.94 northwesterly from the northwesterly line of Jefferson Ave.; thence southwesterly and parallel with Jefferson Ave. a distance of 132 feet; thence southeasterly and parallel with Fulton St. a distance of 210 feet; thence northeasterly and parallel with Jefferson Ave. a distance of 132 feet to the southwesterly line of Fulton St.; thence southeasterly along said southwesterly line to the northwesterly line of Jefferson Ave.; thence southwesterly along the northwesterly line of Jefferson Ave. to the easterly line of Kumpf Blvd.; thence northerly along the easterly line of Kumpf Blvd. to the southerly line of M.L. King Dr.; thence easterly along the southerly line of M.L. King Dr. to a point that is 100 feet southwesterly from the southwesterly line of Main St; thence southeasterly and parallel with Main St. a distance of 111 feet; thence northeasterly and parallel with M.L. King Dr. a distance of 100 feet to the Point of Beginning.

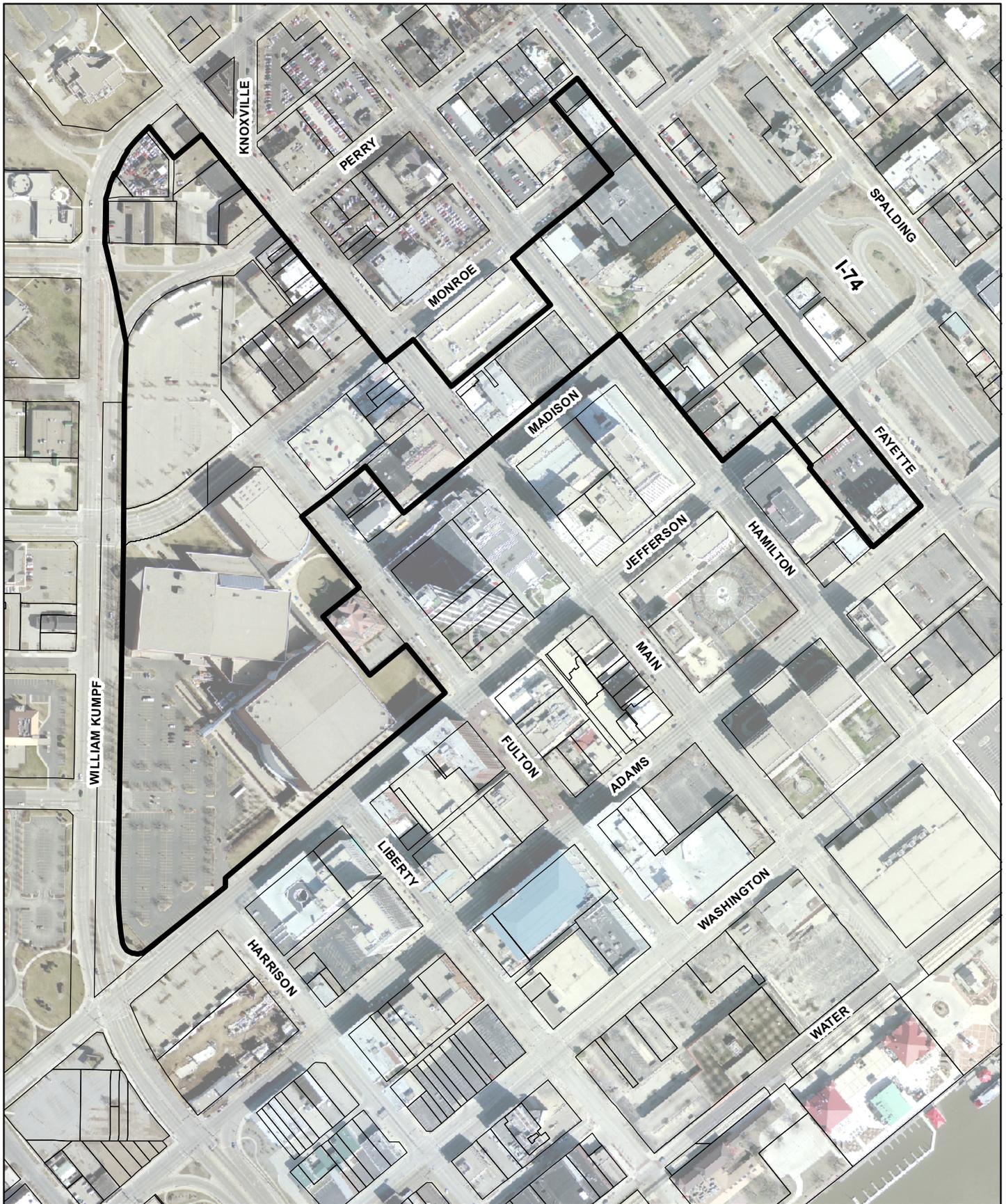
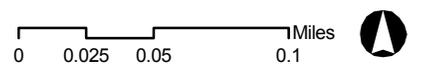


Figure 1:
**Hospitality Improvement Zone
 Business District Boundary Map**

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Findings

Before the City of Peoria can designate the Hospitality Improvement Zone Business District, it must first make formal findings that the area meets the statutory definition as a “blighted area” and that the business district on the whole has not been subject to growth and development through investment by private enterprises or would not reasonably be anticipated to be developed or redeveloped without the adoption of the business district development or redevelopment plan. According to the Act, the business district development or redevelopment plan should also conform to the comprehensive plan for the municipality and a specific plan for business districts officially approved by the Peoria City Council after public hearings.

Qualification as a Blighted Area

The proposed Business District is a blighted area because it suffers from conditions including deteriorated site improvements, obsolete platting, and other conditions that are impediments to proper economic development. An analysis of conditions within the Business District found that:

- Deterioration affects 85% of the 51 tax parcels in the Business District, in addition to the presence of deteriorated public infrastructure such as alleys, sidewalks, curbs and gutters. Of the 33 buildings in the Business District, 19 (58%) were found to exhibit major or minor deterioration.
- 82% of buildings are more than 35 years of age. Older buildings frequently require extensive maintenance in order to maintain mechanical systems or structural integrity. The costs involved in maintaining and upgrading older buildings often create adverse impacts on existing users and create impediments to the marketability and reuse of commercial structures. Functional and economic obsolescence is reflected in existing buildings and the platting of land within the Business District.
- Vacant and underutilized buildings were found throughout the Business District, contributing to an image of decline and disinvestment. The presence of such buildings serves as an impediment to attracting the level of private investment needed to revitalize the Business District and meet development goals.

Need for Public Intervention

The Hospitality Improvement Zone Business District on the whole has not been subject to growth and development through investment by private enterprises. The area is unlikely to be developed or redeveloped without support from the City through economic incentives available under the Act and that can only be adopted through the adoption of the Hospitality Improvement Zone Business District Development Plan.

Downtown Peoria faces competition from other conference and convention centers in the region. The Civic Center recently completed a major expansion, but lacks an attached hotel that would improve its ability to attract major events. The three major hotels in the Business District were built in three different decades as stand alone facilities to serve specific target markets with support facilities including restaurants, meeting rooms and other amenities. The Pere Marquette, Mark Twain and Holiday Inn have all made substantial investments in their hotels to bring their facilities closer to the expectations of the current hotel market. However, despite these investments and improvements made by other property owners to rehabilitate existing buildings, the taxable value of the Business District has consistently lagged the economic growth of the rest of Peoria. While the taxable value of land in Peoria grew an average of 6.2% per year between 2002 and 2007, the average for the Business District was only 2.0%.

The City has determined that by imposing a 100 basis point hotel operators' occupation tax (1.0%) in the Business District (the "Proposed Business District Hotel Tax"), it can use the tax generated to assist in the rehabilitation of existing facilities as well as land acquisition, site preparation and other development costs needed to attract new hotels to the Business District.

The City has further determined that by imposing a 100 basis point tax (1.0%) on sales generated in the Business District (the "Proposed Business District Sales Tax"), it can use the tax generated to finance rehabilitation, façade improvements and other improvements to strengthen Peoria's hospitality district and connections to the Civic Center.

Comprehensive Plan Conformance

The Act provides that before the municipality designates a business district, the corporate authorities of the municipality should find that the business district development or redevelopment plan conforms to the municipality's comprehensive plan and approve a specific business district improvement plan.

Peoria's Comprehensive Plan designates the subject property as "CBD - Central Business District." As described in the Comprehensive Plan, the CBD serves as a regional employment center and is an intensive mixture of commercial uses including office, retail, wholesale, entertainment and residential. The construction of the Civic Center and the presence of hotels that provide lodging for business, tourist and Civic Center events are also important elements of the CBD land use mix. Making the downtown a "viable business, tourism and entertainment center" is a key land use goal of the Comprehensive Plan.

The Hospitality Improvement Zone Business District Development Plan is intended to improve Peoria's ability to compete as a regional conference and convention center by expanding and upgrading existing support facilities. Accordingly, the Hospitality Improvement Zone Business District Development Plan conforms to the City of Peoria's Comprehensive Plan.

Business District Development Plan

The Hospitality Improvement Zone Business District Development Plan is intended to stimulate economic growth and development within the Business District in order to generate hotel and sales tax revenues for the City of Peoria, provide employment opportunities for residents and support Peoria's hospitality industry. The development of the Hospitality Improvement Zone Business District is an essential and proper public purpose that will benefit the entire community.

The projects to be undertaken with respect to the Hospitality Improvement Zone Business District involve upgrades to existing hotels and development of new hotels and

mixed-use commercial development to support prior public investment in the Peoria Civic Center. The proposed project will be developed in phases as sites become available and as individual property owners elect to make improvements to existing buildings. Implementation of the Hospitality Improvement Zone Business District Development Plan is expected to involve multiple developers and/or property owners.

Business District Development Plan Financing

With the exception of the assistance described herein, the Project will be privately financed with debt and equity. The Proposed Business District Hotel Tax revenues and any Proposed Business District Sales Tax Revenues generated through hotel operations are expected to be rebated to individual hotel operators for capital improvements related to new or existing hotels. Proposed Business District Sales Tax revenues that are not rebated to hotel operators will be used to help finance façade improvements and other capital improvement projects throughout the Business District to improve the image of the area and competitiveness of the Business District as a regional hospitality center.

Estimated Business District Project Costs

The Business District costs are estimated at \$6,000,000 and may include:

1. Buying and selling of land.
2. Infrastructure improvements.
3. Rehabilitation of existing property.
4. Development costs associated with new taxable private development.
5. Façade and streetscape improvements.

Sources of Funds

Funds necessary to pay anticipated business district project costs and secure any municipal obligations issued for such costs are expected to come primarily from the Proposed Business District Hotel and the Proposed Business District Sales Tax. Other sources of funds which may be used to pay for business district project costs or secure municipal obligations are land disposition proceeds, state and federal grants, investment

income, private financing and other legally permissible funds as the City may deem appropriate.

Nature and Terms of Obligations to be Issued

Obligations issued to implement the Hospitality Improvement Zone Business District Development Plan and pay project costs shall be retired in the manner provided in the ordinance authorizing the issuance of obligations from the amounts deposited in the Business District Tax Allocation Fund (as hereinafter defined). Such obligations may be sold at public or private sale at a price determined by the corporate authorities of the municipality without referendum approval by the electors as a condition of issuance of those obligations. According to the Act, obligations issued in furtherance of the business district development plan shall not be regarded as indebtedness of the municipality issuing the obligations for the purpose of any imitation imposed by law.

Taxes to be Imposed

The Act provides that the corporate authorities of a municipality that has established a business district may impose a Business District Occupation Tax and/or a Business District Service Occupation Tax at a rate not to exceed 1% of the gross receipts from sales. The tax may be imposed only in 0.25% increments and may not be imposed on 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 purpose of rendering it usable by a disabled person, and insulin, urine testing materials, syringes and needles used by diabetics for human use.

An ordinance or resolution imposing or discontinuing the Business District Retailers Occupation Tax must be adopted and a certified copy filed with the Illinois Department of Revenue 1) on or before April 1st for tax collections beginning on July 1st or 2) on or before October 1st for tax collections beginning on January 1st. The municipality must also provide, in the manner prescribed by the Illinois Department of Revenue, the

boundaries of the business district in such a way that the Department can determine by its address whether a business is located in the business district.

The Act provides that the municipality may also impose an occupational tax upon all persons engaged with in the business district in the business of renting, leasing or letting rooms in a hotel, as defined in the Hotel Operators' Occupational Tax Act, at a rate not to exceed 1% of gross rental receipts to be imposed only in 0.25% increments.

In order to implement the Hospitality Improvement Zone Business District Development Plan, the City of Peoria intends to impose a hotel operators' occupational service tax in the amount of 1.0%. This tax will be in effect until all business district costs and municipal obligations have been paid which shall be a period not longer than 23 years after the date of adoption of the ordinance approving the Hospitality Improvement Zone Business District Development Plan.

The City also intends to impose a retailers' occupation tax and a service occupation tax in the amount of 1.0%. This tax will also be in effect until all business district costs and municipal obligations have been paid which shall be a period not longer than 23 years after the date of adoption of the ordinance approving the Hospitality Improvement Zone Business District Development Plan.

All amounts generated by the retailers' occupation tax and service occupation tax shall be collected and enforced by the Illinois Department of Revenue using their usual procedures. All hotel operators' occupation taxes imposed by the municipality shall be collected and enforced in the same manner as all hotel operators' occupation taxes imposed in the municipality. The corporate authorities of the municipality shall deposit the proceeds of the taxes imposed into a special fund held by the municipality which shall be called the Business District Tax Allocation Fund for the purpose of paying business district project costs and obligations incurred in the payment of those costs.

Termination of Taxes Imposed

The Act provides that when all of the business district project costs and municipal obligations have been paid, any surplus funds remaining in the Business District Tax

Allocation Fund shall be distributed to the municipal treasurer for deposit into the municipal general corporate fund. At this time, but no more than 23 years after the date of adoption of the ordinance approving the business district development or redevelopment plan, the municipality shall adopt an ordinance immediately rescinding the taxes imposed pursuant to the Act. If such taxes include a Business District Retailers' Occupation Tax and/or a Business District Service Occupation Tax, the municipality shall forward a certified copy of the ordinance to the Illinois Department of Revenue in the prescribed manner.