CITY OF WASHINGTON, ILLINOIS
Committee of the Whole Agenda Communication

Meeting Date: December 9, 2024

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Agenda Item: 223 Property Infrastructure Funding Discussion

Explanation: A group representing the Hengst Foundation made a presentation at the November Committee of the Whole meeting about the potential future construction of a 5,000-seat outdoor amphitheater within the northeastern quadrant of the City's 223 property near the intersection of US 24 and Nofsinger/Dallas Road. The facility and some primary parking would occupy around 20 acres and nearly 30 additional acres would be devoted to peripheral parking, stormwater detention, and landscaping. Staff has estimated the cost to construct a road, water, sanitary sewer, and storm sewer to the entrance of the proposed facility from the realigned Dallas to be $3.5 million. Staff would envision the construction of an extension of Wellington Drive to the proposed site as a future project, if development continues, and would not include it with any initial infrastructure.

Fiscal Impact: Attached is a spreadsheet that provides a summary of the anticipated infrastructure cost and as well as a current revenue estimate and potential future revenue generation. A cell is highlighted in orange to show the point in time when the City would see a return on its infrastructure investment based solely on the impact of the proposed amphitheater and not including any possible additional development. A breakdown of the various individual City infrastructure costs and existing and potential new revenue sources are as follows:

INFRASTRUCTURE/LAND:

Road: Staff estimates the cost to construct a three-lane road of 2,700 lineal feet to be approximately $2.05 million. Staff feels that sufficient accumulated reserves within the General Fund could pay for this entire cost. If a 15-year bond was desired instead of paying for this upfront, annual debt service payments of about $200,000 would be required.

Water: Staff estimates the cost to construct 2,500 lineal feet of 10-12" water main to the front of the facility to be approximately $500,000. The Water Subdivision Development Fee account has sufficient funds and could be utilized to pay for this cost upfront. Additionally, staff feels that the Public Works Department employees would be able to complete this work, which would further reduce the anticipated cost. If a 15-year bond was desired as an alternative, annual debt service payments of about $60,000 would be necessary.

Sanitary Sewer: Staff estimates the cost to construct 2,000 lineal feet of 12" sanitary sewer main to the front of the facility to be approximately $450,000. The Sewer Fund has sufficient accumulated reserves and could be utilized to pay this cost in advance. If a 15-year bond was desired, annual debt service payments of about $55,000 would be required. The next phase of Hilldale will not require much sanitary sewer construction due to the sanitary already having been lined.

Storm Sewer: Staff estimates the cost to construct the storm sewer for the roadway to be approximately $500,000. This cost could be handled from funds from the 0.5% home rule sales tax as a stormwater capital project. If a 15-year bond was the consensus, annual debt service payments of about $60,000 would be necessary.

Land: The City paid $4.95 million for the 223-acre property in 2013, or approximately $22,000 per acre. It has been in agricultural production for several years. Staff projects a payment of $75,508 in 2025 for 195.5 tillable acres without any construction on the property. This could increase or decrease by about $5,000 depending on its production and the inclusion of a profit-sharing formula that caps the bonus. The property would undoubtedly be more valuable once some or all of any necessary infrastructure is in place. While an appraisal has not been completed for this portion of the property, undeveloped agricultural land figures to carry a value of roughly $14,000-$18,000 per acre. If the property were to be sold, an appraisal would need to be completed per state statute for any portion that would be subject to a transaction. The land could then be sold for not less than 80% of the appraised value by a vote of two-thirds of the Council. Alternatively, the land could be subject to a long-term lease. Under such an agreement, the developer would be responsible for the annual property tax payment. The attached spreadsheet includes the hypothetical sale of 20 acres at a conservative rate of $10,000 per acre.

Enterprise Zone: The property is in the Enterprise Zone, which ordinarily allows for a 5-year property tax abatement on any property improvements that require a building permit. Staff advocates for at least part of the 50 acres to be sold following the completion of the aforementioned appraisal. The facility would be conservatively projected to generate $140,000 in property taxes annually based on half of the estimated amphitheater construction cost. Each of the taxing bodies would eventually benefit by having the far greater equalized assessed value from a significant private investment. An option could be for the City to sell roughly 20 acres, which would be the footprint for the amphitheater and primary parking facility, and retain ownership of the remainder of the land with a lease agreement with the developer. If the City were to lease the land in lieu of a sale, the City Attorney has indicated that the developer would be responsible for the payment of the property tax. Regardless of whether the land is sold or leased, the developer would be responsible for the payment of the property taxes if it owns the land or leases it from the City.

Grants: Staff is not aware of any current grant programs that could be utilized to reduce any City infrastructure cost. The federal Community Project Funding (CPF) program has traditionally had a narrow window for project solicitations in April for the past few years. The City received funding through CPF for the realignment of Nofsinger/Dallas and the Police Department's evidence building. That may be a good fit, particularly given the prior grant award for Nofsinger/Dallas. However, staff does not know at this point if or when a Call for Projects may be released. If there is an FY 26 program, the City would almost certainly not be allowed to begin any construction until such time after an award has been announced and a grant agreement has been approved. Consideration could be given to applying for funding for an extension of Wellington, as that would be a secondary means of access and would not be necessary initially.

REVENUE OPPORTUNITIES:

Existing Sales Tax: The City currently has a 2.25% home rule sales tax rate and also receives one-fifth of the State's 6.25% sales tax rate. Based on the projections in the feasibility study completed by Hunden Partners, new spending directly attributable to the amphitheater would generate approximately $65,000 in the first year of operation from food & beverage and retail. That total is anticipated to nearly double by the third year of operation before more moderate increases occur in subsequent years. Indirect and induced spending would generate another $38,000 in the first year according to the study. This would also nearly double by the third year. The spending in the Hunden study does not speculate about any spinoff development on the property. There figures to be additional development demand upon the completion of the Nofsinger/Dallas realignment and that would further increase if an east-west road with accompanying water, sanitary sewer, and storm sewer were extended across part of the property. Furthermore, numerous existing businesses stand to benefit from seeing new customers that are attributable to the amphitheater.

Increased Home Rule Sales Tax: A Business Development District (BDD) could be created that would impose an additional sales and motel tax in 0.25% increments up to 1% within the designated area. As an example, a 0.5% increase would generate approximately an additional $3,400 in the first year and would double around Year 4 based on the data from the feasibility study. BDD's can be established for a period not exceeding 23 years, as is the case with a Tax Increment Financing district. More than 260 BDD's in 160+ municipalities are currently in existence in Illinois, including East Peoria, Germantown Hills, Mackinaw, Morton, Pekin, Peoria, Peoria Heights, and Tremont locally. A BDD Plan would need to be created, which takes roughly 90 days through the use of a consultant, and any tax increase can be established to become effective on either January 1 (if filed with the Illinois Department of Revenue by October 1) or July 1 (if filed with IDOR by April 1) of any given year. While not a significant revenue source based solely on food/beverage and retail sales from the amphitheater, the establishment of a BDD could be another source to help offset any financial contribution the City may have within the boundaries of the BDD and would generate more revenue if it includes all of the 223 property.

Motel Tax: The City currently has a 6% motel tax rate in addition to the State's 6% rate. The Hunden feasibility study projects new City motel tax revenue of $30,000 in the first year of operation. This would nearly double by the third year. An additional $17,640 is projected in the first year as a result of indirect and induced spending. That total would also nearly double by the third year.

Amusement Tax: The City does not currently have an amusement tax. State statute allows for the establishment of a tax applicable to businesses that are generally more exhibitive in nature such as movie theaters, museums, and sporting events. The tax can be levied either on a percentage basis or per person/ticket. The overwhelming majority of the nearly 40 Illinois municipalities that staff reviewed with such taxes impose them as a percentage of the cost of the ticket. Many municipalities create exclusions from the collection and remittance of the tax in order for it to only be imposed on specific facilities. Rates in Illinois range from 1-10%. A 4% rate, which is the rate currently adopted by the City of Bloomington, would generate approximately $65,000 in revenue in the first year of operation based on the anticipated taxable ticket revenue from the Hunden study. That would double by Year 6.

Staff recommends the consideration of the adoption of a tiered amusement tax where a portion of the accrued annual revenue could be rebated to the developer. Doing so would provide the City with some revenue from the facility and also incentivize the developer and its manager to bring more events—and more ticket-paying customers—to the facility. For example, a 6% rate could be instituted with the City keeping 4% of that with the remainder rebated to the developer. Staff also recommends excluding other businesses from the application of an amusement tax.

Property Tax: As noted above, the 223 property currently generates around $75,000 per year in income from the contracted farming operations. The City paid about $13,400 in property tax for the 2023 (payable 2024) tax year because the revenue derived from the agricultural production makes the property ineligible to be exempt from the payment of property taxes even though it is owned by a public body. Staff recommends that at least the portion of the property containing the amphitheater and primary parking be transferred to private ownership. Regardless of the ownership, the portion of the property containing the amphitheater would be subject to the payment of property taxes by the developer as the lessee. The property would conservatively expect to generate $140,000 per year in property tax based on the most recent tax rates of the applicable districts. Of that total, District 51 would receive about $56,000 and District 308 would receive about $49,000 per year. The City would continue be responsible for the payment of any property tax on property it may continue to own that does not include the amphitheater.

Action Requested: This information is provided as an analysis of the City's possible infrastructure cost and a projection of the revenue that could be generated from the amphitheater as an initial development on the 223 property. Staff seeks Council feedback on any next steps pertaining to this project at the December 9 Committee of the Whole meeting. It is important to note that any of the revenue generating options can be modified as allowed by City Code and/or state statute.

223 Amphitheater - Pay Upfront for Infrastructure, Sell 20 Acres, 5-Year EZ Abatement

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	TOTAL (Years 1-15)
Expenses - Infrastructure	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	
Road	$2,050,000																$2,050,000
Water	$500,000																$500,000
Sanitary Sewer	$450,000																$450,000
Storm Sewer	$500,000																$500,000
TOTAL																	**$3,500,000**
Revenue																	
Direct Spending																	
Food & Beverage (2.25% HR)		$24,275.00	$35,650.00	$48,325.00	$50,850.00	$52,125.00	$53,275.00	$54,875.00	$56,525.00	$58,225.00	$59,975.00	$61,774.25	$63,627.48	$65,536.30	$67,502.39	$69,527.46	$822,067.88
Food & Beverage (MT Share)		$15,778.75	$23,172.50	$31,411.25	$33,052.50	$33,881.25	$34,628.75	$35,668.75	$36,741.25	$37,846.25	$38,983.75	$40,153.26	$41,357.86	$42,598.60	$43,876.55	$45,192.85	$534,344.12
Lodging (6% Motel)		$30,300.00	$41,640.00	$59,700.00	$61,800.00	$63,660.00	$65,580.00	$65,580.00	$69,600.00	$71,640.00	$73,800.00	$76,014.00	$78,294.42	$80,643.25	$83,062.55	$85,554.43	$1,006,868.65
Retail (2.25% HR)		$15,250.00	$21,525.00	$28,150.00	$27,775.00	$30,025.00	$30,725.00	$31,650.00	$32,600.00	$33,575.00	$34,575.00	$35,612.25	$36,680.62	$37,781.04	$38,914.47	$40,081.90	$474,920.27
Retail (MT Share)		$9,912.50	$13,991.25	$18,297.50	$18,053.75	$19,516.25	$19,971.25	$20,572.50	$21,190.00	$21,823.75	$22,473.75	$23,147.96	$23,842.40	$24,557.67	$25,294.40	$26,053.24	$308,698.18
Indirect Spending																	
Food & Beverage (2.25% HR)		$9,710.00	$14,260.00	$19,330.00	$20,340.00	$20,850.00	$21,310.00	$21,950.00	$22,610.00	$23,290.00	$23,990.00	$24,709.70	$25,450.99	$26,214.52	$27,000.96	$27,810.99	$328,827.15
Food & Beverage (MT Share)		$6,311.50	$9,269.00	$12,564.50	$13,221.00	$13,552.50	$13,851.50	$14,267.50	$14,696.50	$15,138.50	$15,593.50	$16,061.31	$16,543.14	$17,039.44	$17,550.62	$18,077.14	$213,737.65
Lodging (6% Motel)		$12,120.00	$16,656.00	$23,880.00	$24,720.00	$25,464.00	$26,232.00	$26,232.00	$27,840.00	$28,656.00	$29,520.00	$30,405.60	$30,405.60	$31,317.77	$32,257.30	$33,225.02	$398,931.29
Retail (2.25% HR)		$6,100.00	$8,610.00	$11,260.00	$11,110.00	$12,010.00	$12,290.00	$12,660.00	$13,040.00	$13,430.00	$13,830.00	$14,244.90	$14,672.25	$15,112.41	$15,565.79	$16,032.76	$189,968.11
Retail (MT Share)		$3,965.00	$5,596.50	$7,319.00	$7,221.50	$7,806.50	$7,988.50	$8,229.00	$8,476.00	$8,729.50	$8,989.50	$9,259.19	$9,536.96	$9,823.07	$10,117.76	$10,421.29	$123,479.27
Induced Spending																	
Food & Beverage (2.25% HR)		$4,563.70	$6,702.20	$9,085.10	$9,559.80	$9,799.50	$10,015.70	$10,316.50	$10,626.70	$10,946.30	$11,275.30	$11,613.56	$11,961.97	$12,320.82	$12,690.45	$13,071.16	$154,548.76
Food & Beverage (MT Share)		$2,966.41	$4,356.43	$5,905.32	$6,213.87	$6,369.68	$6,510.21	$6,705.73	$6,907.36	$7,115.10	$7,328.95	$7,548.81	$7,775.28	$8,008.54	$8,248.79	$8,496.26	$100,456.70
Lodging (6% Motel)		$5,696.40	$7,828.32	$11,223.60	$11,618.40	$11,968.08	$12,329.04	$12,329.04	$13,084.80	$13,468.32	$13,874.40	$14,290.63	$14,719.35	$15,160.93	$15,615.76	$16,084.23	$189,291.31
Retail (2.25% HR)		$2,867.00	$4,046.70	$5,292.20	$5,221.70	$5,644.70	$5,776.30	$5,950.20	$6,128.80	$6,312.10	$6,500.10	$6,695.10	$6,895.96	$7,102.83	$7,315.92	$7,535.40	$89,285.01
Retail (MT Share)		$1,863.55	$2,630.36	$3,439.93	$3,394.11	$3,669.06	$3,754.60	$3,867.63	$3,983.72	$4,102.87	$4,225.07	$4,351.82	$4,482.37	$4,616.84	$4,755.35	$4,898.01	$58,035.26
City of Washington Property Tax								$8,946.00	$8,946.00	$8,946.00	$8,946.00	$8,946.00	$8,946.00	$8,946.00	$8,946.00	$8,946.00	$80,513.99
20 Acres Land Sale	$200,000.00																$200,000.00
Revenue - Possible New Sources																	
Food & Beverage (Add'l 0.5% HR)		$1,715.80	$2,708.07	$3,666.27	$3,848.83	$3,964.30	$4,083.23	$4,205.72	$4,331.89	$4,461.85	$4,595.71	$4,733.58	$4,875.58	$5,021.85	$5,172.51	$5,327.68	$62,712.85
Retail (Add'l 0.5% HR)		$1,689.75	$2,394.75	$3,009.56	$3,099.85	$3,192.85	$3,288.63	$3,387.29	$3,488.91	$3,593.58	$3,701.38	$3,812.42	$3,926.79	$4,044.60	$4,165.94	$4,290.91	$51,087.20
Amusement Tax (4%)		$65,080.00	$93,987.52	$120,161.76	$123,766.64	$127,479.64	$131,304.00	$135,243.12	$139,300.44	$143,479.44	$147,783.84	$152,217.36	$156,783.88	$161,487.39	$166,332.01	$171,321.97	$2,035,729.01
Annual City Revenue	$200,000.00	$220,165.36	$315,024.60	$422,020.99	$434,866.95	$450,978.29	$462,913.70	$482,635.97	$500,117.36	$514,779.54	$529,961.23	$545,591.69	$560,778.89	$577,333.88	$594,385.52	$611,948.70	$7,423,502.66
Accrued Revenue		$420,165.36	$535,189.95	$957,210.94	$1,392,077.88	$1,843,056.17	$2,305,969.87	$2,788,605.84	$3,288,723.20	$3,803,502.74	$4,333,463.98	$4,879,055.67	$5,439,834.56	$6,017,168.44	$6,611,553.96	$7,223,502.66	
New FTE Jobs																	Average
Direct		31	44	58	60	60	60	61	61	62	63						56
Indirect		13	18	24	24	25	25	25	25	25	26						23
Induced		6	9	12	12	12	12	12	12	13	13						11.3
Other Property Taxes																	
District 51								$56,079.16	$56,079.16	$56,079.16	$56,079.16	$56,079.16	$56,079.16	$56,079.16	$56,079.16	$56,079.16	$504,712.45
District 308								$49,416.66	$49,416.66	$49,416.66	$49,416.66	$49,416.66	$49,416.66	$49,416.66	$49,416.66	$49,416.66	$444,749.96
Tazewell County								$8,967.00	$8,967.00	$8,967.00	$8,967.00	$8,967.00	$8,967.00	$8,967.00	$8,967.00	$8,967.00	$80,702.99
ICC								$7,685.67	$7,685.67	$7,685.67	$7,685.67	$7,685.67	$7,685.67	$7,685.67	$7,685.67	$7,685.67	$69,170.99
Park District								$7,223.67	$7,223.67	$7,223.67	$7,223.67	$7,223.67	$7,223.67	$7,223.67	$7,223.67	$7,223.67	$65,012.99
Washington Rd & Br								$5,226.83	$5,226.83	$5,226.83	$5,226.83	$5,226.83	$5,226.83	$5,226.83	$5,226.83	$5,226.83	$47,041.50
Library								$3,777.33	$3,777.33	$3,777.33	$3,777.33	$3,777.33	$3,777.33	$3,777.33	$3,777.33	$3,777.33	$33,996.00
Washington Township								$2,256.67	$2,256.67	$2,256.67	$2,256.67	$2,256.67	$2,256.67	$2,256.67	$2,256.67	$2,256.67	$20,310.00