

MINUTES OF A SPECIAL MEETING OF THE ZION CITY COUNCIL HELD ON TUESDAY, JULY 29, 2003 AT 6:30 P.M. IN THE CITY COUNCIL CHAMBERS, CITY HALL, ZION, ILLINOIS

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Mayor Harrison called the meeting to order.

On call of the roll the following answered present: Commissioners Taylor, Flammini, DeTienne, Bennett and Mayor Harrison.

COUNTRY INN & SUITES DEVELOPMENT

David Delach, co-founder and Managing Director of Zion Investments Group LLC, gave an overview of the proposed project to locate a Country Inn & Suites Hotel on 33rd Street east of Sheridan Road in Zion. David Swift of Swift Hospitality would serve as the franchisee manager. Rick Delisle, co-founder of Zion Investments Group LLC, would be a managing member. Gerard Kohen, President of Goldridge Group, would serve as Project General Contractor. Stan Ramaker, President of Design II Architects, would serve as the Project Architect.

The 65-room hotel would be a 3-story building with siding and partial brick. The hotel would have a large lobby, breakfast area, pool, exercise room and a meeting area. The standard room size would be 12 foot by 28 – 32 foot with some suites. Room rates are estimated to start at \$70.00.

Benefits to the City:

- Annual real estate tax revenues to the community from \$140,000 increasing to \$240,000 by the 20th year
- Annual room tax revenues starting at \$40,000 and increasing to \$80,000 by the 20th year
- Attraction of additional businesses and consumers to the downtown area
- Generation of annual sales taxes from other ancillary sales
- Provision of a needed service to Midwestern Regional Medical Center for patients and families, and a convenience to citizens and visitors
- Employment of approximately 25 permanent jobs
- Generation of tax revenues to the TIF District after the requested incentives to the developer

Assistance requested from the City and the TIF District:

- Cash incentive of \$69,500 in due diligence expense reimbursement
- Waiver of the City's portion of real estate taxes for the first 4 years of operation with hardship extensions
- Waiver of the City's room tax for the first 4 year period with hardship extensions
- A one-time TIF reimbursement by the City to Zion Investments LLC after the 6th full year of operation in the amount of \$709,000

The hardship extension request is for the extensions of real estate tax and room tax relief after the 4th year of operation should the cash flow generate less than 20% to investors. Regardless of the cash flow percentage, this incentive would not extend beyond the 15th year.

The cost for this project would be \$5,053,810. Real estate taxes generated for the first year would be \$138,879 with \$243,526 estimated by the 20th year. Average expected occupancy would be 45% for the 1st year and 60% by the 20th year.

As part of the proposed incentive package, the development would need:

- Subdivision of the total property between the parcel for the hotel and an additional parcel possibly for a restaurant at a future time
- Signage for the hotel on Sheridan Road
- Real estate tax and room tax relief automatically extended after 4 years if return to investors is less than 20%, but no longer than 15 years

Mr. Swift stated investors will have approximately \$2,500,000 in this project, and would be reluctant to invest without this relief.

If approved, the hotel would break ground in November 2003 with a grand opening anticipated in June 2004. Commissioner DeTienne questioned whether or not local people would be hired for management or other staff positions. Mr. Swift stated the general manager would be a local person, who would need to go through extensive training. Hotel staff would be local, as well as construction sub-contractors. Commissioner Bennett questioned whether or not the hotel has an agreement with Midwestern Regional Medical Center (MRMC). Mr. Delach stated they have met with MRMC, but have no agreement with the hospital, but would be interested in offering incentives for their patients. Delaine Rogers noted the hospital is currently spending a lot of money shuttling patients and families to hotels outside of Zion. Mayor Harrison stated patients' family members don't have many options for local lodging. Attorney Rolek stated the development agreement needs further extensive legal language, noting he will work with the developers and their attorneys on this document. Commissioner Bennett stated TIF District funds should not be used to develop property that could be developed without TIF funding, noting that the amount of the request should be reduced. Commissioner Bennett also stated the City has committed a large portion of TIF funds for other projects including façade grants. Mr. Delach stated this project would generate over \$3,000,000, which will more than pay for this incentive request. Mayor Harrison stated the City currently has a positive revenue stream to pay for certain other projects. Mr. Delach noted that once the asset is built, the City would be paid, because even if the bank were to ever hold this property, the bank would then pay the taxes. Mayor Harrison noted Country Inn could be the catalyst for other major businesses. Mr. Swift stated Country Inn has the number one reservation system in the country, making this hotel attractive to visitors from all over the country. Attorney Rolek questioned the calculation for the tax waivers. Mr. Delach stated it was prepared on a cash on cash return, noting the City will receive 31% to their investors 13%. Mr. Swift noted the City could be provided a monthly balance sheet from their accountant.

It was moved by Commissioner Taylor, seconded by Commissioner Flammini to conceptually approve the Zion Investments LLC Country Inn & Suites Hotel Development Agreement with terms and conditions as discussed, subject to the City Attorney's review, and for the final agreement to be considered for approval at the August 5 Council meeting. The vote on roll call was: Commissioners Taylor, aye; Flammini, aye; DeTienne, aye; Bennett, nay; and Mayor Harrison, aye. Motion carried.

ADJOURN

There being no further business to come before the Council at this time, it was moved by Commissioner Bennett, seconded by Commissioner DeTienne and unanimously approved the meeting be adjourned at 8:26 p.m. Motion carried.

Approved August 5, 2003

City Clerk