

**THE CITY OF KENT, OHIO
KENT CITY COUNCIL WORK SESSION
WED., FEB. 13, 2008**

This work session of Kent City Council was called to order by Wayne Wilson, President Pro Tem, in the absence of John Fender, Mayor and President of Council on Wed., Feb. 13, 2008 at 7:00 p.m.

PRESENT: MR. AMRHEIN, MR. DELEONE, MR. FERRARA, MR. HAWKSLEY, MR. KUHAR, MS. SHAFFER, MR. TURNER, MR. WALLACH, AND MR. WILSON

ALSO PRESENT: D. RULLER, CITY MANAGER; J. SILVER, LAW DIRECTOR; AND L. COPLEY, CLERK OF COUNCIL

ABSENT: J. FENDER, MAYOR

Pro Tem Wilson said they had a guest from Normal Illinois, and asked **Dave Ruller, City Manager**, to introduce him at this time.

Mr. Ruller said they have a "normal" City Manager present, adding he was gracious enough to come to Ohio, flying in around 5:00 p.m. He said they did not have much opportunity to chat, but they spoke briefly before the meeting. He said there are quite a few similarities between the two communities.

Mr. Ruller said they chatted about the census data, adding he previously gave them a comparative. He said the data is a little deceiving, adding they are closer in size than what he originally believed. He said they are a little bigger, but are not doubled as presented by the census data. He said they will get a feel how a city that looks like Kent, with similarities, was able to come up with a downtown project. He said they are about twelve to eighteen months ahead of Kent in the process.

Mr. Ruller said he felt this would be a good time to site with someone from Normal to find out what lessons they learned or insights they would share. He said this would help them not make the same mistakes, or be aware of issues that could occur.

Mr. Wilson asked that hey try and hold questions under the presentation is complete, but is there is a burning issue, they could ask their questions.

Mark Peterson, City Manager: Mr. Peterson thanked them for the invitation, apologizing for the Mayor who was unable to attend. He said their project is Uptown Normal. He explained that he has worked for Normal for twenty years, serving as their assistant city manager for ten years, and then being appointed as City Manager. He said he enjoys the community.

Mr. Peterson said he hoped to get in earlier so he could look around, adding that with flight delays he did not have much of a chance. He said he made a few loops downtown, adding they have great bones and great raw material. Mr. Peterson said they have more in Kent than Normal did when they got started. He said he did not get to campus, and hoped to do it in the morning.

Mr. Peterson said Kent appears to be a wonderful historic area, adding they have great building stock, a combination of businesses including a hardware store and a jewelry store, restaurants, and trendy shops. He said they are starting with more than Normal. Mr. Peterson said it is fun to talk about the successes, adding momentum will take them thru to fruition. He said the town has made a huge investment in this project.

Mr. Peterson said Normal's population is a little more than 50,000, with a university population of 21,000. He said their Sister City is Bloomington, Illinois, which is next door, and has a population of 75,000. Mr. Peterson said the entire county's population is about 140,000 people. He explained they have a seven-member Council who has been characterized as fiscally conservative. He said until the redevelopment project, they were debt free, and believing in paying as they go for all capital improvements. Mr.

Peterson said they still pay as they go, with the exception of this project.

Mr. Peterson said they have taken on a fair amount of debt. He said they are comfortable with their debt level, adding they have a AA bond rating, and that puts them in the top 5% across the country.

Mr. Peterson said when they started, they were discussing a six or seven block area. He said it was not in a grid, adding the railway ran through the town. Mr. Peterson said they had six or seven small city blocks that were adjacent to the campus. He said they had been a little campus town for the last twenty-five years, with a few permanent general interest retailers, including a jewelry store and a few gift shops that was not student oriented. He said most of the businesses became student oriented, including tattoo parlors, piercing parlors, sub shops, or pizza shops.

Mr. Peterson said that during a goal setting session in 1999, Council decided it was time to look at their downtown. He said the city had been growing for the last fifteen to twenty years, with new subdivisions, and extensions to their utilities. He said they were a little sleepy town, with no public investment for twenty-five to thirty years, and little private investment. He said most of the buildings were older, built at the turn of the century, and were two-story, wood frame buildings. He said they were not impressive when they were built, and most were cheap. He said most of the buildings were in poor condition, and many were owned by out of town owners. He said the average rent was \$2 to \$6 per square foot.

Mr. Peterson said they had a robust economy, and with Bloomington, they were anchored with State Farm Insurance's corporate office, two universities and an automotive assembly plant. He said there was a nice mix of blue and white collar businesses, with a resilient growing economy. He said they still had a funky downtown that was dying. Mr. Peterson said they did not have a lot of vacancies, but witnessed a lot of movement.

Mr. Peterson said the Council wanted to do something, and suggested hiring a consultant to create a plan. He said they hired a planner out of the Chicago area, and by a stroke of luck, they hired the right guy. He said the planner took a look, and did an initial assessment of the Central Business District. He said the planner sat down with Council, and said they had great possibilities with good bones. He said they were told that given their proximity with the university, there was a great potential for private investment. He said they were told they needed to spend money.

Mr. Peterson said the planner gave the options ranging from a simple facelift to a robust development requiring a substantial public investment that would attract private investment. He said to his surprise, Council wanted to go all the way, adding he was not sure they understood all of the implications at the time. He said they stuck to their guns, and their once debt free community has about \$80 million in debt. He said there have been ups and downs, but they are getting there. He said the momentum is moving forward at breakneck speed. Mr. Peterson said that most people did not think this would happen, and did not believe Council had the fortitude to move forward with the money. He said they also did not believe that Normal could accomplish some of the things that were planned. Mr. Peterson said that people tell him daily how amazed they are at what is happening. He said many felt it was a good idea, but did not think it would happen. He said they have had some good fortune, making a few mistakes on the way.

Mr. Peterson displayed slides at this time, of the proposed full service Marriott, the traffic circle in town, and the new children's discovery museum operated by the City's Parks and Recreation Department. He displayed a slide of the site of the new multi modal transportation center. He said in addition to supplying the public infrastructure, Normal will pay for three parking structures and several surface lots. He said they also paid for the land assemblage. Mr. Peterson said they have \$10 million in commitments from the federal government for the transportation center, and the City will have a major investment in the conference center to be attached to the hotel.

Mr. Peterson said they decided to do some branding, and went with "Uptown Normal." He said Normal was incorporated in 1970, and their Sister City, Bloomington, is larger. He said it is typical with a courthouse, large buildings, and a larger central business district. He said during a branding process, they discussed some ways to distinguish themselves from Bloomington. He said they are north of

Bloomington, which is why "Uptown" fits. Mr. Peterson said there was some grumbling around the City, but for the most part "Uptown Normal" has caught on.

Mr. Peterson said some of the major components include the Marriott hotel and conference center, estimated to have a total cost of \$75 million and scheduled to open in March 2009. He said there will be a city-built parking deck, which will be connected to the hotel by a skywalk. He said that three hundred spaces would be dedicated to the hotel, and if not needed, they would release them to people patronizing their business. He said that \$20 million is city funded, adding the City will own the conference center, with a long term lease agreement with the hotel, giving them exclusive use and making them responsible for maintenance. He said the developer is John Q. Hammonds from Springfield Missouri, who will be 89 this month. He said the developer has built 200 hotels, and his market deals will full service, high end conference center hotels. He said that Mr. Hammonds does a lot of Marriotts and Embassy Suites. He encouraged Council to call him, adding he is extremely successful, and they would be lucky to attract him.

Mr. Ferrara asked the cost of the conference center, and Mr. Peterson said it was \$20 million, with \$13 million for the conference center, with the balance being the parking lot and purchase of the land.

Mr. Peterson said their Children's Discovery Museum involved about a \$4 million investment from the City and had been open for a few years.

Mr. Peterson said they have a busy Amtrak line through town, and a small station, fondly known as AmShack, which is very tiny and inadequate. He said the state of Illinois has invested \$100 million to make their track a high speed rail, and when it is done they can go from Normal to Chicago in about seventy-five minutes. He said the Chicago-St. Louis Amtrak route is one of the busiest.

Mr. Peterson said their transportation center will be used by regional buses, local buses, and an airport shuttle, with all transit on the first floor, and underground bus storage. He said they will have offices and community meeting spaces on the upper floors. He said they are looking for \$20 million from the federal government, and \$5 million from the state government. He said they currently have \$10 million in federal monies, with \$2 million from the state. He said they are not done, but are confident they will get their money.

Mr. Peterson said the parking will provide 1500 new spaces. He said they will have a \$20 million investment, and it will be owned by the municipality.

Mr. Peterson said that all infrastructure is or will be replaced, and will cost \$11 million. He said it needed to be done anyway, and will include underground utility replacement, roads, sidewalks, and streetscape improvements. He said that Council is wise to bite the bullet.

Mr. Peterson said they will have a public plaza connecting the Children's Museum with the transportation center. He said they will also have a park in the middle of the traffic circle.

Mr. Peterson spoke about three private investments, representing \$80 million and three mixed use properties. He said they will include residential condominiums, selling between \$210,000 to \$450,000, with the first to be completed in the Summer of 2009. He said another Champaign developer has proposed a \$15 million mixed use project that will have residential condos, with retail on the upper floor.

Mr. Peterson said that the City's portion is \$80 million, and for the most part, they are using General Obligation bonds. He said the Council put together a revenue stream to cover the costs, which made the project more attractive to private investors. He said the bond rating agencies love them, because they developed a revenue stream. He said their primary financial driver in Illinois is the sales tax, adding they increased it .25%. He said they have a state tax and a local option tax. Mr. Peterson said that the total is 2.25%, with 1% levied by State and returned to them, and with a local option of 1.25%. He said the state also has a 5% tax, while the County has .25%, so the total sales tax is 7.5%. Mr. Peterson said they also increased their local hotel/motel tax from 2% to 6%, dedicating the 4% increase to their debt service. He

said they also have tax increment financing, and an increase in their water and sewer service charges. Mr. Peterson said they receive small amounts from the motor fuel tax monies and the food and beverage tax they created.

Mr. Peterson said that the city of Bloomington came to them, as they needed to raise their sales tax. He said they try to keep their taxes at the same level. He said they did not have a need to increase it, but did so, earmarking it for debt service. He said it generates about \$1.8 million annually. He said that the hotel/motel tax was also increased to help out the convention center/visitor's bureau. He said the sales tax increase caused little consternation, adding the people are more focused on property taxes. He said that 40% of the sales tax is paid by non-Normal residents, adding it is probably the most palatable.

Mr. Peterson said that their local public investment included \$13.5 million for the Conference Center; \$20 million for the parking lots/decks; \$4 million for the Children's Museum; \$9 million for the Transportation Center; \$17 for roads, utilities, and infrastructures; \$ 7 million for miscellaneous; and \$9.5 million for property assemblage.

Mr. Peterson said that property assemblage is a critical role for local governments doing an urban redevelopment project, adding it is tough. He explained they spent more on land acquisition than expected, and really missed on their budget. Mr. Peterson said they used eminent domain once, and do try to avoid it. He said they had a critical piece, which was a vacant building that had been burned. He said it was appraised at \$1 million, and the owners wanted \$6 million. He said they offered them \$2 million, and when they declined, the City filed for eminent domain. He said their timing was terrible. Mr. Peterson said they needed the property, and the owners demand was outrageous. He said they challenged the validity of their TIF, and were unsuccessful. He said it got them to the point of cutting a deal, and the City offered and paid \$1.6 million, which is less than they could have received. Mr. Peterson said there were some hard feelings in the community, adding that some of their residents have strong property rights values, and a lot of them did not realize how the developer was trying to take advantage of the taxpayers.

Mr. Peterson said his Council has done everything possible to avoid eminent domain, which results in paying more for land that it was worth. He said that was a Council decision. Mr. Peterson said that eminent domain is a time-consuming process, and they did not have the time to fool around with court hearings. He said some of their buildings were horrible, old, and full of students generating a lot of income. He said to buy those buildings, and tear them down would not work for private developers, so they have to work with public/private partnerships. He said it is necessary to partner with their private developers to make the numbers work. Mr. Peterson said they can have a great plan and a great idea, but if a banker is not satisfied, it will not happen.

Mr. Peterson said their private investment totals \$231 million, including \$55 million for the Marriott hotel. He said the One Main Development is investing \$120; Mr. Peterson said they hope to be done by 2012, and this has been over a period of eight years. He said they hoped for a success, but this passed their expectations. He said developers call daily, and they are out of land. He said they are now looking at peripheral developments. Mr. Peterson said the timing was right, adding that small/mid size university communities are hot from the developer's perspective. He said a lot of development has slowed in other communities, but it is the exact opposite in university communities.

Mr. Peterson displayed renderings of the Marriott Hotel and Conference Center. He showed the historic theater they bought about fifteen years earlier. He said it was broken down and old, and the owner wanted to tear it down and put in a parking lot. Mr. Peterson said they had it designated as a historic structure, and the City bought it, undertaking the redevelopment. He said it is an asset now, and is a 1930s art deco theater. He said they show foreign films, classics, and art films. He said they will be attached to the conference center, which is attractive to the hotel developer. Ms. Wallach asked if they own the museum, and Mr. Peterson said that was correct.

Mr. Peterson displayed a bank they purchased and relocated to another slot in the Uptown area. He displayed slides of the proposed conference center, and a slide of the fully restored theater, adding it is a

great community asset. Mr. Peterson displayed the conceptual pictures of the Discovery Museum, as well as pictures of the actual museum when completed.

Mr. Peterson displayed the College Avenue Parking Deck that had "liner housing" along the front, which provides a visual barrier to the parking deck. He said there are condominiums that will sell for \$125,000 to \$200,000, adding the parking deck is under construction. He said it will have 680 spaces, at a cost of \$11 million.

Mr. Peterson said their Multi Modal Transportation Center was designed and ready to go. He said that allows them to move forward for federal dollars. He said they have billed it as "ready to go," which is appealing to the politicians. Mr. Peterson said that they have two congressmen representing the community, as the district boundary runs right through the middle of the transportation center. He said they have both secured money for the city. Mr. Peterson said that the senators worked hard, adding that the money is not as readily available as it was about ten or fifteen years earlier for transportation. He said Senator Obama has been a big fan, and has secured them about \$4 million thus far.

Mr. Peterson said the Uptown Circle is a traffic mechanism. He said he was not a big fan of the idea originally, adding people either love them or hate them. He said their's will be relatively small, with a single land round about. He said they are using federal monies, adding it is one thing to get monies earmarked and another to get approval. Mr. Peterson said that the FTA, FHA, and IDOT had a meeting and did not want people crossing the round about. He said they had a big meeting with the federal and state departments of transportation, the original master planner, engineering consultant, and landscape architect. He said they made a big presentation on how it would work safely. Mr. Peterson said the federal and state officials agreed, but said they could not do it, adding it had to have a fence. He said they tried to explain the traffic manual was not accurate, and they were told if it was not called a round about, the manual would not apply. He said they now call it a circular intersection.

Mr. Kuhar asked if they would have traffic control devices to let people cross, and Mr. Peterson said they would not, adding they have carefully designed the areas of crossing.

Mr. Peterson said there will be water movement through the canal, which is recaptured storm water. He said they would have large cisterns under the circle, and the water would be stored in bio bogs. Mr. Peterson said when they started, they wanted the project to be sustainable and pedestrian oriented. He said that all new buildings must comply with LEAD certification, and all City buildings are at a minimum of the silver level. He said they hoped to have a project that was a model of sustainable design.

Mr. Peterson explained the Bank of Illinois was one of the first to jump on board, adding they had been in the downtown since the early 1900s and were locally owned. He said the building was built in the early 1970s. Mr. Peterson said they decided to move out of the City Mr. Peterson said they had already bought land. He said he told the bank president they wanted to buy the property, as a potential site for a hotel. Mr. Peterson said they came to a preliminary agreement of hiring two appraisers and splitting the difference. He said the bank became excited, and called a few weeks later, saying they decided to stay. He said it took them about three or four months to come to the final decision to put their other site on hold. Mr. Peterson said the bank built on another piece of City-owned property, allowing them to continue operations while it was built. He said they originally designed a concept for about \$3.5 million, and ended up with a \$9 million concept. He said they added two more floors and leased them. Mr. Peterson said they were a key break through, adding that a major well thought of financial institution took a leap of faith. He said they are thrilled with their location.

Mr. Peterson showed The Medici, which was an old burned out building. He said they replicated the original facade that was there in the 1950s, and now have a full service bakery with a restaurant. He said they have open air outside seating, and the facility has a tree in the middle of it. Mr. Peterson explained the owner is an arborist, who owns a tree farm in Wisconsin. He said all wood in the facility is from his own tree farm, and it has beautiful wood work, installed by the Amish. He said the owner looked all over Central Illinois for a tree, adding he knew what he wanted and found one that was only one block away. Ms. Wallach asked if it was dead, and Mr. Peterson said that it was dead.

Mr. Peterson said they did an image preference survey. He said they had an evening meeting, and put images. He said that the ugliest building in town housed the Jimmy Johns restaurant that does well. He said they bought it for \$300,000 and the building next to it for \$160,000, and sold the land for \$10 per square foot, adding it was far less than what they paid. He said they incurred demolition costs, and the environmental clean up. He said they now have a cozy restaurant, with student apartments upstairs that go for \$700 per bedroom.

Mr. Peterson displayed a bar, adding the building was shot, beyond any practical rehab. He said a lot of the alumni from the university wrote letters speaking against demolition, as they had fond memories. He displayed a slide of the end result, adding it is right next to the children's museum, and has a restaurant, lounge, and ice cream store.

Mr. Peterson displayed a slide of the Stadium Restaurant, an old bar that closed. He said an early investor owned the building next to it, the Garlic Press, and bought this building. He said they opened a café, and are doing a great business.

Mr. Peterson said they have an Irish pub, which was an older building, completely rehabbed in July 2004. He said the interior fixtures were designed in Ireland. He said they have been careful to balance the "bar thing." Mr. Peterson explained that Bloomington is overrun with bars and has safety issues. He said that some of their businesses moved out because of the shenanigans. He said they are careful about the issuance of liquor licenses, adding Illinois law gives the Mayor the authority. He said the Mayor can deny a license for any reason, and they have used that to their advantage. He said they have to be careful about their placement, and a bar needs good management with people that have a good track record.

Mr. DeLeone asked how many bars they have, and Mr. Peterson said they have three big college bars still there. He said they bought and closed three more, as they were rough places and trouble spots. He said they currently have six liquor license holders, and all of them have full service kitchens. Mr. Peterson said they require food service, adding they have food service but function like a bar late at night.

Mr. Peterson said they have high expectations for their owners. He said the Mayor has told them he will pull their license if there is any trouble, adding it is one of the important things about Illinois. Mr. Peterson said night life is important, but has to be controlled.

Mr. Peterson showed a bookstore, adding the City bought their building and relocated them. He said showed the slide of another building, which is where they moved Jimmy Johns, and a local coffee shop. He said both put about one-half million each in their building.

Mr. Peterson showed slides displaying the backsides of buildings. He said they have worked with building owners to dress up the rear.

Mr. Peterson showed a "work in progress." He said it is an old bank building, with three separate store fronts and three separate owners. He said one lived in Thailand, and the others were unsure what they wanted to do. He said they are moving forward, and the City is giving them some grant money.

Mr. Peterson displayed their streetscape, and pointed out the wider sidewalks. He said they are going from angle parking to parallel parking, making it more pedestrian friendly. He said the parallel parking is designed for easy access, adding their merchants were hesitant at first, but now like the design.

Ms. Shaffer asked if they have parking meters, and Mr. Peterson said they currently have time limits. He said they have a committee of property owners, business owners, and staff developing a parking management plan. He said if he had his options, he would have paid parking. He said it did not have to be meters, adding it could be some type of pay parking system. Mr. Peterson said the merchants are hesitant, adding they are leaning to shorter time periods for free parking. He said if people want to park for one or two hours, they could park elsewhere for a modest fee, possibly fifty cents per hour. He said there is also a validation system merchants can use. Mr. Peterson said that dealing with the students is an issue, adding if they have two hour parking, the commuter students would use the spaces. He noted

that they also have university people on the task force.

Mr. Kuhar asked if the students would use the spaces while in class, and Mr. Peterson said they would use them and walk to class as it is convenient. He said their deck spaces are costing about \$17,000 per space, and are not for students.

Mr. Peterson said that one of their most historically significant buildings was the post office, adding it will stay. He showed a slide of an existing rehab project, which was formerly a pizza place and a vacant store front. He said they tucked pointed the upper level, and are redoing the building front. He said it was built in the late 1960s, adding they are working with the owner, and it will be a three-story building, with restaurants and clothing stores on the first floor, and offices on the upper levels.

Mr. Peterson displayed a slide of a church building, right next to campus, across the street. He said they met with the church, while doing the plan, who indicated they were staying. He said that six months later, they decided to go out of business. Mr. Peterson said they were an older, smaller church that ran into financial problems. He said the building appraised for \$700,000 and the church asked for \$1.25 million. He said it was in decent shape, adding that the architecture was Romanesque. He said the building was not impressive on the inside, adding they had a fire in the 1970s, and someone did a bad repair job.

Mr. Peterson said they partnered with the church, and issued an RFP. He said they received three, adding that all three opted to take down the building. He said the congregation owns the building, free and clear of any obligations.

Mr. Peterson said they have some old vintage commercial buildings across the street from the Normal theater. He said they are negotiating all three developers. He said that assembling the property will not be cheap, adding it will probably cost about \$21 million. He said that one developer wanted a large student development. He said while they have some student housing, they do not have large concentrations. He said originally the developer proposed eleven stories with 550 beds, and Council declined. He said the developer lowered it to 300 beds, arguing that there would be a residence hall across the street. He said they are willing to do offices and retail, adding it is a fluid situation. Mr. Peterson said they have three developers that want to do a deal. He said the church needs to lower their price. He said that all three are known, quality developers, adding he was disappointed no one came in with a way to preserve the church building.

Mr. Peterson said they have hired an Uptown Development Director; Marketing Manager who is a great hand holder when construction is a pain, a secretary and a construction technician.

Mr. Peterson said he would discuss what they did right. He said that normal was in a strong financial position, adding they were debt free when they began. He said they engaged all stakeholders in the planning process, having hosted and participated in about one hundred public meetings. He said this resulted in strong support.

Ms. Wallach asked if their planner was the guy from Chicago, and Mr. Peterson said that was correct.

Mr. Peterson said they committed substantial up-front resources to the planning process and expert assistance. He said they spent \$3 million on consultants. He noted that constituents get nervous when spending that much on outside experts. Mr. Peterson said they knew it would be expensive, and wanted to be sure they made the right decisions, as they had one shot to get it done. He said his job was to manage the consultants, adding they had them for the hotel, multi modal facility, landscaping, and retail marketing. He said he had never undertake a large scale redevelopment, adding he was City Manager for only 1.5 years when it began. He said the Council gave him the resources to bring smart people to town, which was a good move.

Mr. Peters said they accepted the need to make large up-front public investments with no private investment commitments, and were willing to take the gamble. He said they had to think and act like a developer, and take on the risk. He said there were ways to manage it, and they did.

Mr. DeLeone asked if the University took any leads, and Mr. Peterson said there were no financial commitments, but they were supportive. He said when the Council first started talking about this, he was directed to meet with the University. He said he met with the Vice President of Business and Planning, who was a straight-laced guy, whose office overlooks the downtown. He said the Vice President spoke of recruitment, and Mr. Peterson asked if he wanted students from the other parts of the state, and the Vice President said he wanted faculty. He said they bring in faculty who has nowhere to live, adding this provides a new lifestyle with residential option.

Mr. Peterson said the University committed to building a parking deck for the hotel, but once the University President left, the new president said the Board of Trustees knew nothing about it. He said the economy turned south, the University had funding issues, and did not offer funding. He said they have been supportive, but not as vocal as the City would like, adding there has been no direct financial investment. He said when working with a state institution, the decisions are slow and painful, adding they are slower than local government.

Mr. Peterson said they identified their funding sources at the outset of the project. He said they knew they could cover their obligation, making their rating agencies comfortable. He said they actively pursued public and private partnerships, adding they knew they had to share the risk. He said those types of partnerships are critical to these types of projects.

Mr. Peterson said they need strategic staff deployment, adding this type of project impacts staff and is very difficult. He said they only added two positions, the Development Director and the marketing position. He said they have had a real struggle with respect to the time commitment. He said they still have their daily duties, adding they still pick up garbage and remove snow. He said the staff has stayed motivated and excited, adding they have the right people in the right places.

Mr. Peterson said they have worked closely with the media, who was very supportive. He said they made sure the media understood why they were doing something, adding they worked hard to nurture their relationship. He said the media is still supportive today.

Mr. Peterson said at the same time, their Sister City did some things that had the opposite impact. He said they built a \$40 million sports arena, and were widely criticized. He said they did not approach the media, and did not get their support. He said that Normal flew under the radar screen, as much of the focus was on the project in Bloomington and their decision making process.

Mr. Peterson said that they need to start their environmental analysis early, adding the remediation will kill them. He said they must start early, particularly if they are suing federal and state monies. He said they did a lot of their up-front work, so they had clearance by the time a project was ready.

Mr. Peterson said they must adopt new design/development standards at the outset, he said this includes the types of materials, relationship of building, and how many doorways. He said everyone knew what was expected, adding they must have some flexibility, however.

Mr. Peterson said if a public/private partnership, government must adopt an entrepreneurial spirit. He said they must be willing to accept a level of risk, while protecting themselves. He suggested they know their partners and check their credentials. He cautioned them from partnering with someone who has a questionable track record. He said there is a certain amount of risk with good solid people. He said they need to insist on an open book, adding if they will not show the City their numbers, the City should not do business. He said they need to generate a rate of return, adding they need a fair profit. He said it does not have to be a windfall. Mr. Peterson said they need third parties to evaluate the proposals, and they need an attorney with a strong development background. He said they cannot always close the gap, but they can get close enough.

Mr. Peterson said that mutual trust is the key. He said the developer needs to understand that the City needs a win. He said they need a say on the tenants, and the ability to veto a tenant. He said if someone wants to bring in a student bar, they can say "no." He said they can dictate the type of materials to use.

Mr. Peterson said they cannot be unreasonable, but if they are a partner, the developer must accept their input. He said they need to figure out how to make money, adding they may give them part of the TIF, but keep the rest.

Ms. Shaffer asked if developers are required to give them a list of their tenants, and Mr. Peterson said they usually do not know early on, but it is in the agreement that the city must approve the tenants. He said they need to understand this could take two or three years. He said in the beginning, office space was hot, and then it went into the tank. He said it is better now.

Mr. Silver asked if they vetoed any tenants, and Mr. Peterson said they have vetoed bars. He said there is a lot of money in college bars, and they will pay huge rents, adding those are the ones they vetoed while discouraging the rest. He said most developers work with them, adding retail is the easy part. He said they did not want all national retailers, adding they wanted to encourage independent and regional chains. He said some nationals, like Barnes and Noble, are great, but they did not want to become another mall without a roof. He said they want no more than 25% being national retail tenants, with the balance being independent or retail.

Pro Tem Wilson called for a recess at 8:30 p.m. He reconvened this meeting at 8:40 p.m.

Mr. Peterson said they did not do everything right, adding they had unrealistic project timetables. He said they must build in flexibility. Mr. Peterson said their development agreements had hard dates that had to be adjusted.

Mr. Peterson said their biggest mistake was when they made two big decisions that backfired because they did not bring the community along. He said the first had to do with the hotel. He said they did a market study to determine if they could do a hotel, adding the University did split the cost of that study. He said the result was a market for a full service hotel. He said the more they discussed it, they found the idea of a publicly owned hotel/conference center an interesting technique. He said a lot of cities own them, and they are operated as a not-for-profit corporation. He said he met individually with all members of Council who felt it made sense, adding the University thought it was a good idea also. He said when they announced their idea, the community went ballistic. He said they spent six months trying to educate the community, but it was too late. He said it was a complex theory, adding most people did not want to get into the details. He said it resulted in a very strong opposition group forming, who placed an advisory referendum on the ballot. He said that 70% of those who voted said it was a bad idea. Mr. Peterson said that some people still wanted to go ahead, adding they did not do so. He said the idea of owning it, and competing with private owners, could not be supported. He said two incumbents were beaten at the polls, and there was significant damage to the City's credibility. He said they spent one year rebuilding the credibility. He said in that period, their Mayor resigned and two former Council members came back to "save the town." He said it was chaos for a while, and Council backed off from that decision. He said then they had to find a developer, adding they found one that was bigger and better, but cost more. He said it was a very public process, with all of the community and the media knowing all of the numbers. Mr. Peterson said when they picked this developer, Council had a large community meeting, with an open mike. He said eight people spoke, with only two speaking against the idea. He noted they both owned a hotel. He said the community felt comfortable with the conference center, and liked the process. He said they have to be open and invite the residents in, adding it cost them more time and money, but they got through it.

Mr. Peterson said they have to watch for changing economic conditions. He said the office market was strong at the beginning. He said the cost of construction went up for a variety of reasons, including Hurricane Katrina. He said all of their estimates were wrong, but what helped were record low interest rates. He said their first bond issue for \$10 million has a rate of 1.2% which is almost free money. Mr. Ferrara asked how often it is reset, and Mr. Peterson said it occurs daily. He said their fixed rates are around 4% to 4.5%, while they had projected 6 to 6.5%. He noted that the savings was eaten up by increases in the construction costs.

Mr. Peterson said the elected officials have to be committed. He said the negative 20% of the community

will come out in droves, with all kinds of good reasons it cannot be done. He said they cannot start changing directions, adding they are sending wrong signals to the investors if they do change. He said they need solid commitment, and if an investor sees wishy-washy people changing the direction, they will run. He said they must have flexibility. Mr. Peterson said that Council vested him with the day-to-day authority in negotiating agreements. He said he had to make quick decisions, and was given a lot of authority for making commitments. He noted they cannot have negotiations in a public environment.

Mr. Peterson told them to visit their [website, www.normal.org/Uptown/index.asp](http://www.normal.org/Uptown/index.asp).

Mr. Turner asked if they benchmarked their revenue expectations and whether they met them, and Mr. Turner said every project had a model for revenue generated. He said they are exceeding their expectations, as net income is more than what was projected. He said they tried to be conservative with their projections, adding that they report back on every project that has an investment. He said is that most will work, while not all.

Mr. Kuhar asked the geographic size of Normal, and Mr. Peterson said it is fifteen to sixteen square miles. Mr. Kuhar asked the size of Uptown, and Mr. Peterson said it is about six or seven small city blocks, comprising about two acres.

Mr. Kuhar asked their standard budget, and Mr. Peterson said their operating budget is about \$42 million with 380 full time employees. He said they are a full service city, but do not have a sewer treatment plant. He said they have water reclamation district. He said they have water, parks, recreation, fire, and police, but do not have electric power systems.

Mr. Kuhar asked the millage of their property taxes, and Mr. Peterson said he did not know. He said their portion of the sales tax is 2.25%, generating approximately \$8 million annually.

Mr. Kuhar asked about the food and beverage tax, and Mr. Peterson explained it is 2% on all food and beverage, whether prepared or served in a restaurant. He said this is a common tax in Illinois. He said they have an erosion of their sales tax base due to internet sales, but one still cannot buy a hamburger on the internet. He said their sales tax is growing with retail development.

Mr. Ferrara asked if their bonds for \$10 million were a variable rate, and Mr. Peterson said that was correct. He asked if they were private placement, and Mr. Peterson said that was correct. He said they are fixed rate financing for twenty to thirty years. He said they want nothing longer than thirty years, and do prefer twenty years. Mr. Ferrara asked if they were all put out to auction, and Mr. Peterson said that was correct. Mr. Ferrara asked what they calculated for a break even on the project, and Mr. Peterson said they did not do a break even. He said they view each project in terms of cash flow, but do not have break-even figures. Mr. Ferrara asked if there was a demand for break-even figures, and Mr. Peterson said there was no demand.

Ms. Wallach noted that Bloomington and Normal butt against each other, and asked if anything was around them, and Mr. Peterson said they are both mid state communities. He said they have some small rural towns around them, adding they are an equal distance from Chicago and St. Louis. He said that they are thirty minutes from Peoria, and within one hour to Springfield and Decatur.

Ms. Wallach asked how long this process took, and Mr. Peterson said it started in 1999, with four years of hard planning. He said implementation began in 2003. He explained they are a home rule city, adding a majority vote can do anything, including increasing of taxes. He said they have to be careful to not misuse the authority, adding that every community with a population over 25,000 is automatically a home rule city. He said this gives them a lot of flexibility, allowing them to issue bonds, incur debt, and increase property taxes. He said there are no statutory statewide restrictions on the ability to raise revenue.

Ms. Wallach asked if the theater is doing well, and Mr. Peterson said it is doing well, adding their goal is to break even. He said they have a full time manager and projectionist, with the balance being volunteers. He said it is a rather plain, but attractive theater, and seats 400. He said they have a curtain

speech before every movie, and try to create a memorable experience. Mr. Peterson said when it was built in 1937, it had a small lobby, typical for theaters at that time with no concession stand. He said they left out the concession stand and sold everything in the aisles, adding that did not work well. He said they set up a concession stand in the theater, adding they received the Preservation Project of the Year in Illinois. He said they are proud of it, adding it is a nice centerpiece to their redevelopment.

Mr. Turner asked Mr. Peterson his appraisal of Kent's downtown, and what he felt were Kent's greatest attribute and deficit, and Mr. Peterson said there were some beautiful buildings downtown. He said their greatest attribute was their building stock. He said they look to be in good enough rehabable condition. Mr. Peterson said he noticed only a few vacancies, adding that the setting along the river creates an interesting environment. He said Kent is starting with more, adding they did more tear down and rebuild in Normal. He said Kent has a beautiful downtown, adding he was surprised. He said he had met with Tom Clapper from Kent State, who talked about Kent's needs. He said they have fantastic opportunities. He said he spoke with Mr. Ruller before the meeting about the RFQ redevelopment process, adding it is not easy but doable.

Mr. Peterson said the deficit he sees is the gap with the university and some substandard housing. He said their advantage was that the university was right there, as they all know the students have disposable income. He said Kent's challenge is to create a linkage, adding some obvious ways include pedestrian paths and transit to bridge the university. He said if they had no university, it would lower their expectations. He said they have the ability to attract substantial private investment.

Mr. Kuhar asked where they expected the clientele to come from for the hotel conference center, and Mr. Peterson said they expect 20% usage from the University, but have no commitments. He said they expect the lion's share to be regional conferences that are small to mid sized. He said they are right in the middle of the state, with great interstate access. He said they learned a lot about the hotels, adding in Illinois and probably in Kent, they have literally hundreds of professional associations. He said most have an annual meeting, and in Illinois, they do not like to meet in Chicago. He said they felt they were ideally situated, especially being right next to the University. He said they have places for people to eat, and they do not have to use their cars while they are there. He reminded them that the Amtrak station is right across the street.

Mr. Kuhar asked how the children's museum fits, and Mr. Peterson said it is a destination. He said they are a great golfing community, with many fine courses that are reasonably priced. He said the museum is a nice selling point that brought in a whole new group of people. He said these people have lunch and spend time shopping, adding that a lot of them take Amtrak. He said it is a recreation amenity they did not have before.

Ms. Shaffer said they have spoken about partnering with private entities, and asked about support from the community, and Mr. Peterson said they had good community buy in across the board. He said they had some "nay sayers," adding they always will. He said their key group was the Uptown Normal Business Association who had an opportunity to benefit more than anyone, and were supportive. He said it was not 100% support, but very supportive as a group. Mr. Peterson said they are nervous with the construction causing disruptions, adding they worked hard to be sure that no one was adversely impacted. He said they spent \$100,000 in marketing so people know they are there. He said this is the livelihood for the businesses, adding that a lot do not operate on a large margin and some probably will not survive. He said rents will go up, which will probably force out a few businesses. He said they are trying to work with the businesses, adding the concept is hard for some to imagine. He said they need to think outside of the box, as they will have new customers.

Mr. Peterson said they have a successful jewelry store, adding it is across the street from the hotel. He said their clientele is mostly over sixty, and they are concerned about their clientele. He said they may have to pursue new customers, adding parking may not be as convenient. He said they have to rethink their business plan, and see how it shakes out.

Ms. Shaffer said they worked on the streetscape after the plan, and asked if they would have bike lanes.

Mr. Peterson said they would have bike lanes, adding they have a twenty-six-mile bike trail running through their uptown. He said they will have public bike facilities. He said their Mayor owns a bike shop, so he makes sure they are aware.

Ms. Shaffer asked if they have seen any changes on regarding residential housing, adding they are building a lot of new housing and asked the impact on surrounding single family homes. Mr. Peterson said the people around the downtown see it as a great benefit with a positive impact on property values. He said the housing market is a new market. Mr. Peterson said they have some inexpensive student housing currently, but no owner/occupied housing. He said it takes a developer with the belief it will work, adding when he heard \$200,000 to \$500,000 for a price, he was dubious. He said they have done it elsewhere, and it is beautiful. Mr. Peterson said Kent is well placed to take advantage of that type of urban landscape, as they have all of the pieces of the puzzle.

Mr. Ferrara asked if the multi modal facility was the result of the project expansion, and Mr. Peterson said it was part of the master plan. He said this is how they will get substantial federal support. He said there was more money available when they started the project, adding their timing was not good.

Mr. Ferrara said that Spence Havlick came to Kent the previous week from Boulder Colorado, and he advocates charging for parking, making things more user friendly, and asked Mr. Peterson his thoughts since Normal is building parking. Mr. Peterson said they would like emphasis on automobiles, adding the reasonable school of thought is to make it expensive for people to drive. He said that people love their cars, and are not ready to accept transit. He said that some feel they are building too much parking, while others think they are not building enough. He said there is an overriding concern of the merchants, adding they hired a parking consultant to decide where we need it. He said they hired another consultant to recommend a comprehensive parking plan. Mr. Peterson said their intent is to cover their operating costs. He said parking does not pay, and is not a revenue source, adding they hope to generate enough to cover their operating costs. He said any additional revenue will go back to marketing, adding they are not trying to ding the customer for money.

Ms. Wallach asked if Normal is also a Main Street community, and Mr. Peterson said they are not, but should be. He said they follow a lot of the models, and he applauded Kent for doing it. He said they have discussed it, but have not gotten it done.

Ms. Wallach asked what he felt was the most catalytic aspect of economic development, and he said, without question, it was the hotel. He said every developer wanted to talk about the hotel, its size and brand. He said it brings energy and people. He said the other catalyst was the plan, adding they not only created the plan, but they put money into it. He said they planted the seeds in the garden, and now they need them to grow. He said they made a financial commitment up-front, adding it made them believable.

Mr. Turner asked what numbers gave the political leaders comfort, and what information they could give the public on the benefit that would not lessen their initial sacrifice. Mr. Peterson said they never sold it based on financial benefits, but instead, the quality of life. He said they are not taking money out of the city budget adding the police, fire, and public works do not compete with Uptown. He said they established separate funding streams. He said another hot button in Normal would be the increase of property taxes, adding it concerns people the most. He said they only fund the budget by about 10%, adding that the schools receive 65% and rely more heavily upon it. He said they have worked hard to put downward pressure on their property taxes, and Council made an informal commitment that this project would not adversely affect the property taxes.

Ms. Shaffer asked if they have an income tax, and Mr. Peterson said they receive a portion of the state income tax, and do not have a separate local tax. He said they received about \$4 million from the State, adding it is distributed on a per capita basis and is a significant revenue source.

Ms. Shaffer asked at what point of the plan did the private investors come in, wanting to build separate projects they had not thought of, and Mr. Peterson said they knew it would happen, adding it continues to happen. He said that most of the developers come to them, with the exception of the hotel that they went

out with RFQs and RFPs, and hired a consultant with credibility.

Ms. Shaffer asked about their facade program, and Mr. Peterson said it was developed early to help existing property owners and merchants. He said they established the facade grant program, which is free money. He said they have a low interest loan program, adding they are working through a bank. He said that if some businesses cannot get enough monies from the grant, in some cases Council throws in some money, if the project makes sense.

Mr. Kuhar asked their main revenue source, and Mr. Peterson said it is sales tax.

At this time, the Committee agreed to accept audience comment.

Tom Clapper, KSU: Mr. Clapper said he had a chance to visit Normal, adding it is an easy drive. He said there were six construction cranes in the air. He said it is half of Kent's geographic size downtown, adding he cannot express what a nice feeling it was. He said he visited some of the non-bar establishments. He said the owners loved the project.

Bob Mayfield, McKay Bricker Gallery and Framing: Mr. Mayfield asked how much of the retail mix is geared to the students, and how much to the residents, and Mr. Peterson said there is about 20-25% of their businesses that are student focused, 20-25% are non-student focused, with the balance being for both. He said they cannot forget the faculty and staff at the university also adding they see more having lunch. He said they are trying to create a unique shopping area, adding most shopping malls have the same tenants. He said they want specialized boutiques that attract people. He said their trade area is one hour away.

Mr. Mayfield said he knew they have a theater, and assumed they have performing arts. He asked about the visual arts, and Mr. Peterson said they have one private art gallery that exists. He said the university is right across the street, and has a Performing Arts Center and Visual Arts center. He said they are trying to talk the University into a black box theater, adding they have been receptive. He said they want to encourage more galleries.

Mr. Mayfield asked him to define a black box theater, and Mr. Peterson said it is a theater that is small, intimate, and in the round.

Doug Fuller, Downtown business owner: Mr. Fuller congratulated Mr. Peterson. He said that Mr. Peterson mentioned consultants from the ground level and asked if they did studies on office space and residential. Mr. Peterson said they did a few market studies early on. He said they did not do a study for office nor residential, and suggested they should do them early in the process. He said if they can get data that says it would work, that would help attract the developers.

Mr. Fuller asked if the consultant did a master plan based on subjective sense as opposed to analysis, and Mr. Peterson said that was correct. He said the subjective sense was right at the time, but not as market went forward. He said that markets do change. He said it must be a very public process, adding they had numerous meetings, culminating with a three-day brainstorming session, with a core group of twenty-five to thirty people for all three days. He said it was a collaborative, dynamic public process, guided by the master planner.

Casey (Name not audible), KSU Student: He asked how much participation occurred between the university and the downtown, and Mr. Peterson said they were cooperative, but gave no money. He said the higher level university officials were involved in the planning, adding they created an advisory commission that just expired. He said they helped provide feedback for the Council. Mr. Peterson said they had limited faculty involvement and limited student involvement, adding it was not be design. He said they tried to engage the students, and had a hard time getting them involved. The student asked if they retained any students or faculty as entrepreneurs, and Mr. Peterson said a few started a small business. He said to his knowledge, no faculty has a direct interest downtown.

MS. Wallach said she was interested in how they initiated the children's museum, and Mr. Peterson said they had a small museum in the city, which was an old building with a limited budget. He said the museum was to raise \$6.5 million, which was huge and they were unable to do. He said the Council decided to build the building, allowing them to raise \$2 to \$2.5 million for the exhibits. He said it was the first building built, and the City controls it. He said it was built with high design and quality, and sets the tone, raising the bar for their expectations. He said there was some grumbling in the community, adding they do subsidize it for about \$100,000 annually. He said the annual budget is about \$600,000, with most coming from user fees and program fees.

Mr. Ferrara asked the specialty of the University, and Mr. Peterson said it was education, with a focus on chemistry, theater, accounting and business.

Hearing no further questions, Pro Tem Wilson thanked Mr. Peterson for his time. Hearing no further business before this Council, this meeting was adjourned at 9:31 p.m.

Linda M. Copley, Clerk of Council