Countryside reviews plaza tax-sharing plan

By Erick Bieritz
Staff Writer

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Countryside is close to brokering a tax deal with a developer that will pave the way for several new businesses in Countryside Plaza.

If approved, the agreement might give about two-thirds of the new sales tax revenue produced with the addition of a PETsMART store and an expanded JoAnn Fabrics and Crafts on the western side to Simon Property Group, which owns most of the property in the plaza.

The City Council might vote on an agreement with Simon as early as 7:30 p.m. Wednesday, March 23, meeting in City Hall, 5550 East Avenue.

Simon's plan as presented earlier in the year also included a Staples office supply store. But the retailer withdrew after another plaza property owner went ahead with plans to put an Office Depot on part of the property formally occupied by the Burlington Coat Factory.

Community Development Officer Mark Muenzer said it's not the first time the arrival of one business has stopped a competitor from coming in.

"It's similar to the Home Depot/Lowes (Home Improvement) situation," Muenzer said.

Simon Group still plans to fill the Staples spot, Muenzer said. "The idea is they will have a tenant similar to Staples," he said.

The Countryside City Council has voted to approve terms that might lead to a deal. Alderman Karen Michalczyk, 2nd Ward, approves of the measure but said she was "not quite thrilled" with the arrangement.

"I wish we could have made a deal without having to give any kind of incentives," she said.

But it was necessary to compete with other communities like Hodgkins, which draws many area shoppers to its shopping center and is bringing in a new Menards home improvement store, she said.

The planned improvements to the plaza's appearance will be beneficial as well.

The final agreement should have a deadline after which the offer would be eliminated, Michalczyk said. The city canceled a previous sales tax deal with Simon in December 2003 after the company was unable to bring Lowes to the plaza.

This time, the city hired an outside consultant for $3,000 to negotiate with Simon, which originally wanted to share taxes generated by all the properties except The Home Depot, which has a sales tax agreement. After negotiations, the consultant worked out terms within which Simon would only share in revenues from property it owns and only from new revenue increases over the previous revenue generated from those properties.

The new businesses would be expected to generate about $3 million total for Countryside over an unspecified period of time, with $2 million going to Simon and $1 million going to the city. Muenzer said the development, which includes improvements to the plaza's appearance and better access to the main entrance, is a big undertaking for Simon.

"They are investing about $8 million through these series of improvements," he said.

The tax incentive might be necessary to convince Simon to commit, since the development is only expected to generate about a 75 percent rate of return profit for the company. A similar venture in another area typically might yield about 10 percent to 12 percent.

Muenzer said he did not know what the factors led to those numbers. But the two parties agreed that with more anchor tenants, a better appearance and easier access, the plaza readily would lease many of the smaller empty storefronts, he said.

One of the outside consultants the city has hired is identifying other businesses that might come into areas like the plaza to attract smaller renters. Those would in turn generate more sales tax dollars, the city's primary source because Countryside does not levy a property tax.

Muenzer said the city is somewhere below the average occupancy for smaller space, which he estimated at 85 percent. But it sometimes appears to be worse than it is because so much of the square footage is wrapped up in large businesses like The Home Depot.