

North Canton to borrow \$4.4M to buy Kmart property

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NORTH CANTON: The city government has negotiated a purchase agreement to buy the 9.48-acre Kmart property on the northwest corner of North Main Street and Applegrove Street NW, city officials revealed Monday.

This development took place after a bid by a retail developer, which initially seemed superior to the city's earlier bid in February, fell through for unknown reasons, said Councilman Daryl Revoldt, At-Large.

The Kmart store closed in February. Seritage, a real estate investment trust Sears Holding established, owns the property.

Revoldt said a non-retail company has approached the city administration to discuss relocating at least 200 salaried jobs to the site. City officials are not identifying the employer because they say they're bound by a non-disclosure agreement.

But City Administrator Pat DeOrio said the business' identity "would be forthcoming in the weeks ahead."

Mayor Stephan Wilder said in light of Hoover District development being stuck in limbo and "stagnant" for several years, "I wanted us to try to control our own destiny. ... I am so excited that we have the potential ... to move forward in this time of uncertainty."

Council Monday evening unanimously approved advancing emergency legislation to a formal vote next Monday. It would authorize the city to borrow \$4.4 million for a year to finance the purchase at an interest rate of 2.4%. Revoldt said if necessary the debt could be refinanced after a year and repaid over a longer period of time.

The Montrose Group, a consulting firm in Columbus that specializes in economic development, is advising the city.

Council members voted remotely through a Zoom conference call. The Ohio General Assembly last month authorized local government councils and boards to vote and meet remotely during the coronavirus emergency.

“We feel we have a very serious suitor/partner,” said Revoldt. “We believe that 200 salaried jobs is the absolute basement on this opportunity.”

DeOrio said the company is talking about developing the Kmart site into a corporate headquarters or campus. He said city officials had held six meetings with representatives of the company.

Revoldt said if the jobs materialize, which he believes could happen in a year, it would help the city fulfill its goal of having one job for every 100 square feet of commercial and industrial building structure in the city. Revoldt said a retail development would not help accomplish that goal.

“I can tell you grocery stores as desirable as they are when you have limited space is not the best use of scarce real estate,” said Revoldt. “You’re trying to place as many salaried jobs into the square footage that you have.”

DeOrio said, “The city is not interested in retail exposure. We’re not pursuing this in order to facilitate retail. We’re pursuing this to facilitate significant income tax revenue for the city.”

But how would the city repay the \$4.4 million? Income tax revenue from the jobs generated? Would this employer take over ownership of the property?

“I can’t discuss the strategy that we have,” said Revoldt. “All of the pieces have yet to be established. We know the money is out there. We just don’t have the agreements yet.”

Revoldt said the property owner reopened discussions about a sale a few weeks ago after plans to sell to a retail developer for about \$3.4 million to \$3.5 million, fell through. The city was already seeking to buy it before the mystery employer approached the administration.

“We wanted to get the property in our possession,” Revoldt said. “We didn’t want to complicate it by having other parties negotiating for the purchase because those negotiations can go bad. It’s conceivable that we could have an owner that may not have the city’s interest at heart. ... If we control it, we’re in a stronger position to control the use.”

And, “we believe that this particular site of the intersection of North Main Street and Applegrove adjacent to Interstate 77 location for something other than retail,” Revoldt added.

Wilder said about the employer, “they wanted to come to North Canton. They wanted to put their business here. They wanted their workers to be in our city because of what we have to offer.”

Revoldt said a Burger King on the property pays rent to the property owner. If the city closes the sale, the city would receive those rent payments, which would partially offset the cost.

But what if the mystery employer gets cold feet?

“If this deal doesn’t go through then what we do is we reach out to the development community statewide and we say we have this real estate in this location. Give us a proposal,” the Revoldt said, adding the property would be added to the city’s land bank of properties. “We have a high level of confidence that this is going to go through. But we have a Plan B if it doesn’t.”

Revoldt said city officials keep in regular touch with officials at JobsOhio, the state’s economic development entity and Revoldt’s former employer.

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