

Village of Lombard

*Village Hall
255 East Wilson Ave.
Lombard, IL 60148
villageoflombard.org*



Minutes

Monday, June 26, 2023

7:00 PM

THIS IS A SPECIAL MEETING

Village Hall

Economic & Community Development Committee

*Anthony Puccio, Chairperson
Brian LaVaque, Alternate Chairperson
Dennis McNicholas, Garrick Nielsen, Matthew Pike,
Paula Dillon, Laine Vant Hoff,
Gregory Ladle and Patrick Kennedy
Staff Liaison: William Heniff*

1.0 Call to Order and Pledge of Allegiance

The meeting was called to order by Trustee Puccio at 7:00 p.m.

The Pledge of Allegiance was recited.

2.0 Roll Call

Present 7 - Anthony Puccio, Dennis McNicholas, Garrick Nielsen, Matthew Pike, Paula Dillon, Laine Vant Hoff, and Patrick Kennedy
Absent 1 - Gregory Ladle

Also present: William Heniff, AICP, Director of Community Development

3.0 Public Participation

None

4.0 Approval of Minutes

A motion was made by Mr. Pike, seconded by Mr. Kennedy, the minutes of the June 12, 2023 meeting were approve.

The motion carried by the following vote:

Aye: 7 - Anthony Puccio, Dennis McNicholas, Garrick Nielsen, Matthew Pike, Paula Dillon, Laine Vant Hoff, and Patrick Kennedy

Absent: 1 - Gregory Ladle

5.0 Unfinished Business

6.0 New Business

[220185](#)

Yorktown Reserve Economic Incentive Agreement

The Economic and Community Development Committee recommends approval of a performance based Economic Incentive Agreement (EIA) between the Village and Lombard Development Manager LLC, as developer, to provide for the redevelopment of the existing former Carson's anchor store and perimeter parking lot areas generally located at 230 Yorktown Shopping Center, and comprising a 15.75-acre tract of land. The estimated developer project costs are anticipated to exceed \$200,000,000. Key components of the agreement are as follows:

1. The developer will raze the existing Carson's retail building to construct two multiple-family residential buildings in a phased approach. The Village will provide for Butterfield Yorktown Tax Increment Financing (TIF) funds for up to 17 years, subject to compliance with the Agreement terms and in the following manner:
 - a. For Phase 1, up to \$16,000,000, plus interest, shall be available for reimbursement from increased equalized assessed valuations (EAV) and corresponding property tax revenues generated from and specifically attributable to Phase 1 of the development. The eligible incremental property taxes available for Phase 1 shall be up to 95% for the first four years and up to 75%, until the incentive figure is met or the incentive period ends.
 - b. For Phase 2, up to \$9,639,372, plus interest, shall be available for reimbursement from increased equalized assessed valuations (EAV) and corresponding property tax revenues generated from and specifically attributable to Phase 2 of the development. The eligible incremental property taxes available for Phase 2 shall be up to 50%, until the incentive figure is met or the incentive period ends.
2. A center greenspace commercial courtyard will also be constructed along with companion infrastructure improvements and exterior building façade modifications. The Village will provide for performance-based funding solely utilizing the existing Butterfield Yorktown Business District #2 funds in an amount of up to \$9,198,010, plus interest, for the project component. (DISTRICT #3)

William Heniff, Community Development Director, summarized the staff report, referencing the past actions by the ECDC and noting this meeting's focus pertains to the latest discussions pertaining to an incentive request for the Yorktown Reserve project.

1. *The developer requests an increase to the TIF incentive and NPV value from \$12,148,000 to \$16,000,000 (a 29% increase). However, the increased property tax alone is a 38% increase, as measured by the Elan & Overture developments. The negotiated reduction secures savings to Village from the start as opposed to a future "true up".*
2. *The total TIF increment generated over the TIF life from the Phase I residential building amounts to \$26,135,835. The developer is projected to receive \$20,686,792 in TIF payments reflecting the NPV value noted above plus agreed interest payments. This amounts to 79% of the TIF increment. The remaining 21% of the increment (\$5,449,043) will go to the*

Village for use within the Butterfield Yorktown TIF district area.

- 3. The cumulative anticipated total paid to be to the developer amounts to \$25,539,592. The 95% sharing for the first 4 years and 75% sharing for the remainder of TIF, as previously agreed to by the ECDC, remains unchanged. However, the original concept would have provided 79% of the TIF increment to the developer in Phase I; whereas per this amended approach, the developer would only receive 67% of the increment.*
- 4. A 65% TIF NPV sharing component was supported by the ECDC for Phase II. As negotiated, the developer is amenable to a 50% share. This brings the project into the framework of the adopted Village Economic Incentive Policy (EIP), which sets a 50% cap.*
- 5. The construction true-up obligations remain within the Agreement, consistent with the EIP.*
- 6. The original concept projected \$5,449,043 of TIF increment. The new approach would generate \$13,572,814, an increase of 150%. and primarily this is a function of the higher property taxes from 2019 to 2022.*

Heniff concluded his presentation noting that staff is seeking concurrence by the ECDC on the latest changes, so the agreement can be finalized for consideration by the Village Board at its July 20, 2023 meeting.

Phil Domenico of Synergy Development offered a few comments regarding the project and agreement status. He noted retail leasing opportunities that can occur through the revitalization of the Carson's space with the project.

He stated that the project is on track. Carson's is slated to be razed in October and they hope to start construction on the parking garage component as well but noting challenges with winter conditions.

Garrick Nielsen inquired about the types of lenders they are considering for their financing. Domenico noted that they have several debt brokers and are working with regional banks for their \$69,000,000 to \$79,000,000 loan. Regional banks have expressed their desire to

provide lending in tranches so they are also looking to at alternative larger funding sources, and alternative debt funds to cast a wider funding net, but it can come at higher costs. However, they are close on term sheets and negotiating costs. He also referenced challenges in interest capital costs.

Nielsen asked if they have received term sheets. Domenico confirmed that they have from debt funds and larger banks that will take it on.

Nielsen asked of the \$200,000,000 project would \$69,000,000 be debt?

Domenico stated that the focus is on Phase 1 now, which has a \$100,000,000 cost and 70% loan to cost, \$30,000,000 in equity.

Nielsen asked if the equity coming from the equity funds itself.

Domenico said they are working with three partners who have equity and support the term sheets. It has been slow process but noted that they would not be here without incentive possibility - now need to find the least cost path.

Paula Dillon asked about the projected lease up rate - what if it doesn't meet 50% one year lease up projection? Heniff stated the incentive is still performance based. The draft incentive is intended to allow for the developer to determine the incentive start date; if there is a slow lease up, that is developer project risk.

Dennis McNicholas asked that amendments notwithstanding, he wanted to confirm that the Village gets paid first and no risk. Heniff stated that the apartment funding would be out of the Butterfield Road Yorktown TIF District and not any Village General Funds. The developer is paying all costs like permit fees and the like, which is a part of the General Fund.

Heniff referenced three news stories which were attached to the staff report. They are a cautionary tale and offered to help set context for a larger picture of the market conditions. Referencing one story, a level of uncertainty is offered relative to project financing references the Sterling Bay Lincoln Yard project in Chicago, in which a request is being made to engage the Chicago Teacher's Union for pension consideration.

McNicholas noted his support, as it shows we can be light years ahead and how we use assistance to transform properties into something viable rather than just hoping for the best. Chairperson Puccio stated that the funding approach minimizes risk as well. He offered contrasts to Bloomingdale is contemplating buying Stratford Square and this performance-based approach helps a mall rather than buying a mall. Heniff stated that PRCP continues discussions regarding possible tenancies and projects and this may come before the ECDC before

year's end.

Michael Batts, public attendee, asked if the proposed rates were variable or fixed. Domenico stated that they would be variable and floating though the project construction. Then upon completion, they could be adjusted. If the Federal Reserve adjusts rates, they could adjust during the lease rate period as well.

On a motion by Mr. McNicholas, seconded by Ms. Dillon, the ECDC unanimously voted to recommend approval of the Economic Incentive agreement to the Village Board.

The motion carried by the following vote:

Aye: 7 - Anthony Puccio, Dennis McNicholas, Garrick Nielsen, Matthew Pike, Paula Dillon, Laine Vant Hoff, and Patrick Kennedy

Absent: 1 - Gregory Ladle

7.0 Other Business

Heniff noted that Holladay Properties Lilac Station apartment lease absorptions are at 50 of 118 units for that project. The 109 S. Main Street building has interest for a coffee shop. He also reminded the members of the sales tax incentive component to encourage retail activity. He also noted that the proposed brewery is not proceeding on the premises.

8.0 Information Only

None

9.0 Adjournment

On a motion by Mr. Nielsen and a second by Mr. Pike, the meeting adjourned at 7:25 p.m.