

Northern Seminary Redevelopment 600-690 E. Butterfield Road Economic Incentive Request Introduction

Lombard Village Board of Trustees Meeting
FOR DISCUSSION PURPOSES ONLY

January 7, 2021

Northern Seminary Redevelopment Hoffmann AOGD

Introduction – Why on Village Board Agenda?

- Maximize transparency;
- Enhance public communication efforts on the possible incentive;
- Provide direction to the developer as to any financial limitations that would be sought in an Agreement; and
- Provide additional communication to the property seller as it pertains to timing matters.

Site Strengths

- One of a limited supply of large properties available for infill development (27 gross/16 net acres)
- Location along the Butterfield Road corridor
- Adjacent to Yorktown Center & Fountain Square
- Site is well-positioned within the region:
 - Proximity to I-88 and I-355
 - Proximity to downtown Chicago and O'Hare Airport
 - Proximity to major retail and employment centers
- Nearby recent development/redevelopment:
 - Yorktown Commons
 - Apex 41 Apartments

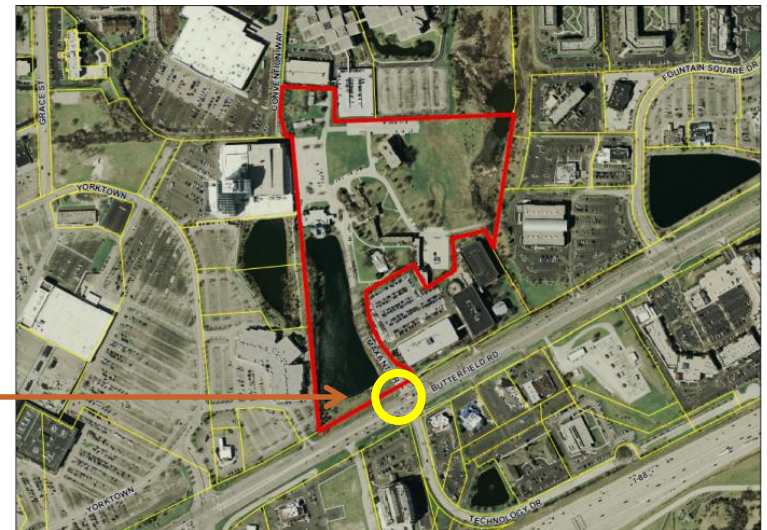
Site Opportunities

- Increased market demand for multi-family residential units on infill sites
- Increased market preference for “experiences” over “stuff” creates opportunities for new forms of large-scale development (e.g., entertainment/ destination center)
- Limited redevelopment opportunities elsewhere in corridor
- Ability to get property on tax rolls
- Economic development tools in place to make development happen

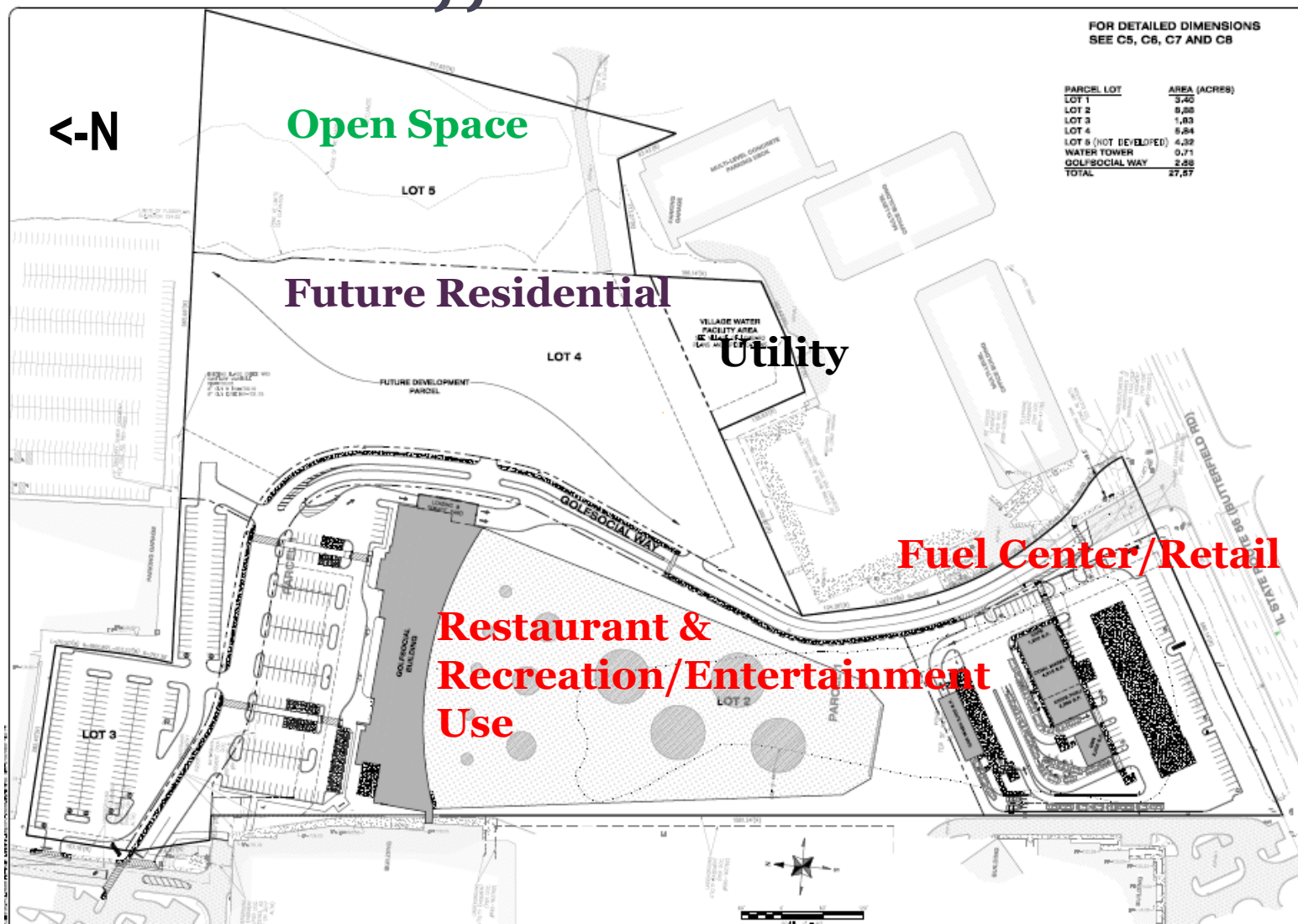
Site Challenges (Incentive Need)

- Retention lake and wetland/floodplain limitations
- Access & Visibility
 - Limited Butterfield Road frontage
 - No existing primary access to abutting properties
 - Abutting development blocks view of site
 - Access deficiencies limit potential land uses for the site

Current site access to
Butterfield Road



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Discussion:

State Statutes allow for sales tax incentives for this project as:

- a portion of the property has remained vacant for at least one year;
- the buildings no longer comply in all respects with current building codes and will be razed; and
- the site has remained less than significantly occupied or utilized for a period of at least one year.

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Specifics:

Projected estimated budget **\$159,000,000.**

Seeking an economic incentive to cover preliminary extraordinary costs, which could include:

Land Acquisition (est.):	\$9.0 M
Eligible Onsite Improvements & Site Preparation (hard costs):	\$23.7 M
Offsite Roadway Improvements (contingent):	\$0.6 M
Land development soft costs:	\$4.6 M
<u>Land Development Financing:</u>	<u>\$0.3 M</u>
TOTAL (Potential Eligible)	\$38.2 M

Specific costs, allocations and justifications are subject to review.

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Incentive Policy - Source of Incentives:

- Non-Home Rule Sales Tax (1%)
- Lombard Places for Eating (PFE) Tax (2%)
- Lombard Amusement Tax (5%)
- Business District 2 Proceeds
- Generated EAV property tax increment

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Favorable Considerations Being Met:

- a. represents significant private-sector financial investment;
- b. promotes a **higher and better use** of the property;
- c. provides a **positive fiscal and economic impact**;
- d. adds **new and unique retail business** tenants to the Lombard market;
- e. **mitigates any potential negative impacts** to the surrounding area;
- f. **closes an existing leakage** in retail sales tax dollars; and
- g. addresses or **minimizes** the impacts of consumer expenditure **cannibalization** from existing businesses.

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Review of Incentive Ask:

- Hoffmann incentive request: **\$31,500,000**
- Kane McKenna & Associates (Village economic development consultant) engaged to undertake review effort
- Through direct engagement, KMA offered their representation to the ECDC that a gap of **\$27,500,000** exists

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Review of Incentive Ask:

- Formally considered by ECDC on December 14, 2020 meeting
- Hoffmann representatives made their request for an incentive with Village staff and Kane McKenna & Associates offering its review
- ECDC members considered all materials and offered comments relative to the request

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ECDC Review:

- Ensuring the agreement addresses the actual applicable costs that are subject to the incentive, with a focus upon the anticipated construction costs and “**prove-up**” components.
- The rationale of going beyond the 10-year period was considered, noting that any incentive would be **performance based only, and eliminating direct Village risk**. Timing matters would be addressed.
- Support for the project and incentive was also offered as it will **get the property on the tax rolls** and help it being redeveloped.
- The unique nature of the project **minimizes cannibalism**.

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ECDC Review:

Economic Incentive Policy exceptions were considered given the unique nature of the site and project, including:

- An exception from the 10 year maximum limitation on incentives (16 year period is being requested/supported);
- An exception from the maximum 50% of on-site generated revenues as it pertains to any TIF generated increment for the property; and
- An exception from the maximum 50% of on-site generated revenues as it pertains to Business District (BD2) funds

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ECDC Recommendation:

The ECDC **concurred** with the report prepared by Kane McKenna & Associates, and:

- Supported an incentive in an amount not to exceed **\$27,500,000** in eligible reimbursement costs to be derived **over a sixteen (16) year period**, whichever comes first;
- Incentive shall be performance-based - eligible and documented expenses as well as any “prove-up of all construction costs”;
- Maximum amount of the reimbursement shall not be guaranteed, if in event the maximum revenues are not achieved.

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Direction from Village Board:

Subsequent to the ECDC meeting, Hoffmann expressed need for their full \$31,500,000 incentive ask and is seeking additional consideration.

This item was placed on the Village Board agenda for Discussion Purposes Only and to provide direction back to staff so that a draft agreement can be prepared

Hoffmann will know the Village's intentions and make any appropriate decisions

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Questions