



MEMORANDUM

TO: Trustee Bill Johnston, Chairperson
Economic & Community Development Committee Members

FROM: William J. Heniff, AICP, Director of Community Development *JB for WH*

MEETING DATE: October 8, 2018

SUBJECT: **101-109 S. MAIN STREET PROPERTY – RFP REVIEW UPDATE**

At the August 13, 2018 Economic and Community Development Committee (ECDC) meeting, Village staff introduced the responses and analysis associated for the Request for Proposals (RFP) for the 101-109 S. Main Street site. This effort is the next step in an effort to seek a qualified development entity that can successfully advance a “best deal” proposal for the subject property owned by the Village. As the ECDC is responsible for reviewing the proposal and offering recommendations to the Village Board as it pertains to the economic components of the proposals, the matter was continued so that additional information could be provided by the two entities, Luxica LLC and Holladay Properties, as it pertains to their respective proposals. Each party was tasked to respond to questions raised at the meeting by the public and the Committee members.

Both entities have provided responses to initial questions and Kane McKenna & Associates (KMA), the Village’s economic and TIF consultant has undertaken additional review of the supplemental information. Staff also compiled additional information requested by the ECDC.

Attached are the following items:

1. Chart of past Village of Lombard incentives – Attachment A
2. Chart of other municipal incentives for downtown residential projects – Attachment B
3. Updated information from Luxica – Attachment C
4. Updated information from Holladay Properties – Attachment D
5. Updated KMA materials – Attachment E

CLARIFICATION ITEMS

In addition to the information provided by the respondents, staff also provides the following additional comments relative to the proposals:

- The initial review of the financial projections and economic impact of the projects was based upon a ten (10) year review cycle, which is consistent with the Board approved

Economic Incentive Policy. Benefits will extend beyond ten (10) years for property taxes, sales tax, places for eating tax, and other benefits provided by new residents.

- Regardless of which proposal is selected, the development will most likely appear before the Plan Commission for zoning entitlements. Preliminary engineering and stormwater was not required for the ECDC review process and neither entity provided materials in this regard. Preliminary engineering will be provided for at the Plan Commission meeting. Final engineering, stormwater calculations, and any requisite detention plans will be required before building permit issuance and reviewed by the Village.
- Parking studies have also not been completed. This is something that may be completed at time of a Plan Commission submittal and reviewed during the zoning entitlement process. Parking will need to be provided for on-site or relief will have to be considered.
- The ECDC asked about previous up front Village incentives. The Village has not approved any up front incentives in the recent past. Attached is a chart of previously approved incentives, the first four having gone before the ECDC. (Attachment A)
- Staff also researched other downtown residential projects in other municipalities. Per the attached chart, the majority of incentives received were pay as you go from the associated TIF District. (Attachment B)

SUMMARY OF RESPONSES

Luxica (Attachment C)

- Nearly doubling of equity funding from \$1.1 Million to \$2 Million
- Over 80% reduction in up front assistance, from \$2.78 Million to \$435,000
- Majority of TIF and tax sharing incentives to be realized over time
 - TIF funding: \$400,000 in YR2019, \$200,000 per year in years YR2020-2025
 - 50% Sales / Food & Beverage Tax Sharing (Places for Eating Tax – PFE) not to exceed \$1.1 Million in present value to Luxica
- Land to be sold at cost to Luxica (for \$1, reduced from \$400,000)

Holladay Properties (Attachment D)

- Re-oriented building design that reduced the overall bulk along the eastern property line. The layout creates an open courtyard oriented toward the eastern properties. The revised proposal reduces the overall building height along the eastern end of the project from four stories to two stories in height.
- Retail square footage has been increased to 15,000 square feet (from 12,000 square feet) to provide for a grocery tenant (Prairie Food Co-op) and an additional tenant.
- Refinements have been made to the potential open space gathering area – the concept is to provide a gathering space to the west of the proposed Co-op store building and possibly the northwest corner of the mixed use building.
- Withdrew the TIF subsidy incentive of \$70,000 for Prairie Food Co-op. Holladay will fund that portion themselves.

Open issues

- *Luxica*
 - A portion of the incentive is still up-front and unaccounted for (\$435,000). The rest is asked for from the TIF over time, though it is asked for regardless of performance.
 - The Village and consultants have additional questions on the Luxica funding and developer equity, especially since the majority of the Village incentive is over time.
- *Luxica & Holladay*
 - The Downtown TIF was extended in 2006 to real estate taxes for 2023, as collected during 2024, being the last year of real estate taxes subject to the Downtown TIF District (per the Ordinance). As such, the TIF will not collect funds in 2025. This will affect the cash flow, income statements, etc.; therefore KMA will be revising their financial spreadsheets for an upcoming meeting.
 - State Statute notes eligible TIF expenses. Both parties are asking for future TIF EAV/reserves as an incentive. Staff and the Village Attorney will need to confirm with both parties that any incentives received from TIF are spent on TIF eligible expenses, per the State. (This is similar to the TIF incentive for infrastructure costs for Oakview Estates Phase I in 2004. Oakview Estates received a performance based EAV incentive and gave the Village an upfront list of TIF eligible expenses prior to receiving any funds.) Both entities need to provide additional information to Village Staff. The risk of not having this addressed prior to final consideration of a given project is that the Village may be consenting to future allocations of TIF funds that upon consideration of the respective construction project, may not be eligible for funding. Additionally, additional clarity will need to be offered regarding the interpretation of TIF Statutes as it pertains to reimbursement eligibility.

ACTION REQUESTED

The ECDC is tasked to review the materials provided by the RFP entities as well as the supplemental information. As previously stated, the ECDC is not tasked to recommend specific development plans, just the proposals. As noted in the KMA report, there are still unanswered questions regarding the proposals and staff also needs to ensure that the incentive would be compliant with State TIF Statutes.

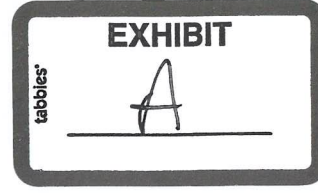
Rather than offering a recommendation, staff recommends the ECDC discuss the matter, ask questions and continue the matter to a future ECDC meeting. This will allow time for research of any open items such as financing and State TIF Statutes. The next scheduled ECDC meeting is November 12, 2018.

Past Village of Lombard Incentives

Project	BOT approval date	Term	Up-front Funds	Performance Based	Incentive	Value of Incentive
Mariano's/Bradford Real Estate	7/5/2016	19y	No	Yes	Sales Tax Rebate and Places for Eating Tax	Not to exceed \$3,000,000
Thornton's Gas Station/Bluestone Single Tenant Properties LLC	3/24/16 and a 1st amendment 1/19/17	10y	No	Yes	Sales Tax Rebate	Not to exceed \$58,7000
Yorktown Commons	9/29/2016	NA	No	Yes	Utility agreement to waive water and sanitary sewer connection fees for a new lift station and force main	Not to exceed \$1,644,128
19WLLC/O'Reilly Auto Parts	2006	5y	No	Yes	Sales tax rebate of \$68,411.25 for a water main and extension after being annexed into the Village	Rec'd \$23,470.26
Oakview Estates condos/Neri Development	2004	NA	No	Yes	Paid out in additional TIF increment generated by the project, to offset the costs of utility relocation and various infrastructure costs	Not to exceed \$400,000; however paid out \$195,524.58 as only 1 condo building was built
Lombard Toyota	2002	10y	No	Yes	Sales Tax Rebate	Not to exceed \$300,000
Von Maur	1995	10y	No	Yes	Sales tax rebate	Not to exceed \$4,000,000

This list does not include TIF grants. All TIF grants are reimbursable grants.

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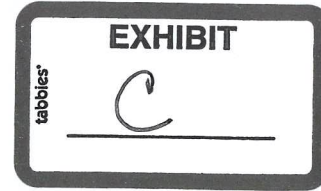


Other Municipal Incentives for Downtown Residential Projects

Municipality	Project	Incentives
Downers Grove	89 apartments	No incentive given
Lisle	201 apartments, 2 buildings, 14,500 retail space, 252 garage spaces, public and private open space	Approx. \$162K in a wavier of 50% of the Park District impact fees
Winfield	Apartments	Under review, haven't rec'd incentive request yet
Clarendon Hills	42 apartments	No incentive given
Westmont	94 apartments, 1st floor commercial/restaurant	Zoning entitlements rec'd, incentive request from the TIF is under negotiations
Wheaton	306 apartments, 6-stories, 405 parking spaces	\$1.3M incentive. \$500,000 for the utility burial upfront, rest of incentive was reimbursed
Elmhurst Morningside	12,000 square feet of retail, 192 apartments, 480 car parking structure, includes 150 public parking spaces to be conveyed to the City, 10,000 square foot civic plaza	\$2,562,000 - Reimbursement incentive, all paid when the work was completed, from TIF. Land purchased for \$1,675,000 (City gave a price reduction). City also waived permit fees and relocated utilities. Incentive covered environmental remediation and public improvements. Developer had to provide a public plaza and 150 parking spaces (all owned by the City).
Elmhurst Opus	11,000 square feet of ground floor retail, not less than 160 apartments, not less than 199 parking spaces, pocket park	Up to \$1.2M. \$400K was for upfront environmental remediation (paid when work is completed), other incentives were permit waiver, façade improvement, utility relocation (paid by EAV increases). They will receive the full increment they produce in the TIF, due to the TIF ending in 2022.
Glen Ellyn GSP	107 apartments, 5,300 sq ft of commercial	Pay as you go, performance based. Not final yet.
Glen Ellyn Reva	48 apartments	\$2M, all performance based. \$200,000 in capital costs to reimburse costs associated with street and stormwater improvements on Duane Street and Melrose Avenue, as well as a tax increment financing incentive of as much as \$1.9 million and a reduction of \$100,000 in developer donations. Not yet final.
Western Springs	4 story mixed use building	\$2.2M, pay as you go from TIF
LaGrange Uptown	254 units, 5 stories	No incentive given
Batavia	5 stories, 186 units, 5K square feet of commercial, City owned site previously	Sold land to them for \$10. \$16M incentive. City will issue GO bond and be reimbursed by the TIF. Developer will receive \$\$\$ as they have expenses. Developer will build a garage (\$9M cost) that city will eventually own. If the TIF increment is not enough to cover bond the City is allowed to do a SSA to cover the costs or ask for cash from the developer.



Luxica Proposal Enhancements



Dear Village Staff, Trustees, and ECDC members,

Thank you for the opportunity to provide enhancements to our proposal for the 101 S. Main St development. In terms of overall concept, design, and scale, our proposal has found overwhelming favor with Lombardians, who voiced their preference for a variety of retail options and low-scale (1 story) buildings adjacent to the single family residences in character with the neighborhood. We are continually working to make minor adjustments (such as increasing parking) to improve the end product for our tenants. Those improvements aside, we are not making any major design changes to our proposal. The concept of offering a community focused hub of retail, food, and beverage that is 100% open and available to the citizens of Lombard remains the well-received core of our proposal.

The major improvements to our request are in the area of project financing. We received feedback from Kane, McKenna that based on their analysis, our need for assistance to make the project viable is not unreasonable. At the same time, KMA noted that the source of Village assistance needed to be identified. Finally, we received feedback that there was a strong desire to provide more balanced incentives over time as the benefits of the project to the Village were realized. In response to this we have made several changes which culminate in an even stronger value proposition for Lombard. These changes resulted in:

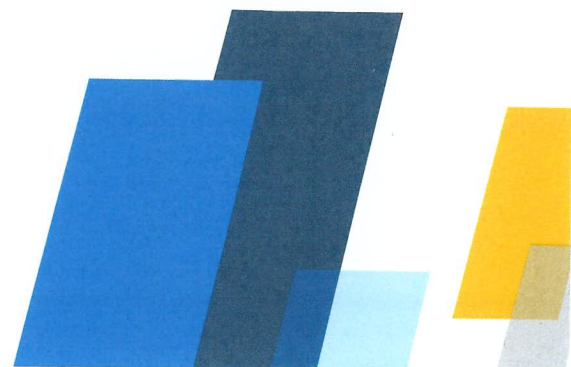
- **Nearly doubling of equity funding from \$1.1 Million to \$2 Million.**
- **Over 80% reduction in “up front” assistance, from \$2.78 Million to \$435,000.**
- **Vast majority of TIF and tax sharing incentives to be realized over time.**

We reviewed the Kane McKenna (KMA) analysis in detail. As mentioned in previous discussions and in our ECDC presentation, the value of future benefits to the Village are at the core of what the ECDC is charged to review and cannot be ignored. **Based on Year 10 Cash Flow per KMA, the terminal value (value of future benefits) of the Luxica Plan is \$13.4 Million, nearly \$9 Million more than the competing plan’s terminal value of \$4.7 Million. The ECDC, Village Trustees, and all Lombardians are entitled to review the projected terminal value of both projects and to have it fully vetted.** This holds true no matter what time frame the projects are compared across (10, 20, 30 years, or more), as this is more than a 10, 20 or 30 year project.

LUXICA

53 E. St. Charles Rd.
Villa Park, IL 60181

630.290.3502
Fax: 630.255.5210
luxicagroup.com





Finally, we continue to further the goals of a strong tenant mix. Part of what makes this project special is that it fosters efforts by many local groups that have signed Letters of Intent for the project. This includes Prairie Food Co-Op (PFC) but also 4 additional retail, food, and beverage retailers. At the same time, we received feedback that there was a desire to balance this entrepreneurial spirit with one or two well-known retailers. As part of this work, we reached out to Baum Realty Group, the premier retail brokerage firm in Chicagoland. Baum represents many well-known food retailers including Starbucks, Honey Butter Fried Chicken, Jamba Juice, Jimmy John's, SmashBurger, True Value, Wing Stop, and many others. Please find the attached letter from Doug Renner, Managing Director at Baum, attesting to his conclusion that our retail-centric project in this location is particularly well suited for national food retailers, and supporting the viability of a well-known tenant in the project. We may also have another major letter of interest coming soon, stay tuned!

Thank you again for the opportunity to continue to work with the Village to continuously improve our proposal for the betterment of Lombard. We hope that with the reducing the need for up-front incentives and moving to a performance-based approach, we will be chosen to continue these discussions with the Village Board of Trustees.

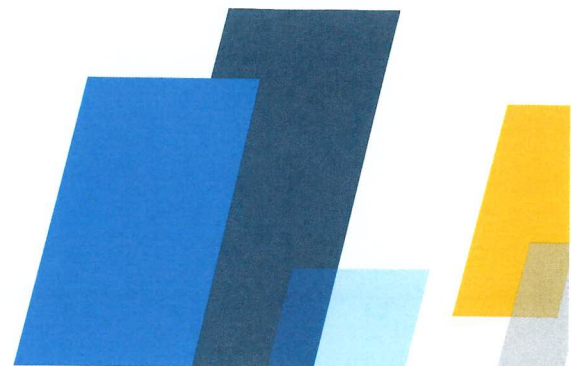
Thank you!

Chris Czarnowski
Luxica

LUXICA

53 E. St. Charles Rd.
Villa Park, IL 60181

630.290.3502
Fax: 630.255.5210
luxicagroup.com





Revised Incentives Plan

The need for assistance for the project to Luxica of approximately \$2.48 Million continues to exist. However, Luxica has responded to the need for incentives to be made available over time (vs up front). This shifts the project risk further from the Village and to the developer, and also better aligns the Village incentives with benefits it will receive. At the same time, it puts the onus on the developer for the initial project funding. To meet this challenge, Luxica has roughly doubled owner equity in the project to \$2 Million. This allows for the vast majority of incentive needs to be provided over time. Excluding the Co-Op incentive request (unchanged from original proposal), the updated request for assistance is as follows:

1. TIF funding: \$400,000 in YR2019, \$200,000 per year in years YR2020-2025.
2. 50% Sales / Food & Beverage Tax Sharing not to exceed \$1.1 Million in present value to Luxica.

Per Village request, we have incorporated the incentives requested by PFC is into our total request in the table below. Assuming the request is granted by the Village and a lease commences with PFC, amounts labelled "Co-Op" in the table below would be received by Luxica and passed thru to PFC.

Leveraging the annual projected benefits in the KMA analysis, the project will still continue to have a positive net benefit to Lombard within the first 10 years, and nearly a \$2 Million net benefit to the Village within 20 years. (present value). This is maintained while reducing the up-front request to Luxica to \$400,000. As part of the revised proposal, the land will be sold at cost to Luxica. The additional incentives will be realized over the ten year period as follows:

(Note -this table is also shown in large format in Appendix A)

Collection Year	Amount (in PV)	TIF Expiration Final Collection											
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
LUXICA Revised Proposal													
TIF Assistance	1,392,719	400,000	200,000	200,000	200,000	200,000	200,000	200,000	-	-	-	-	-
Sales Tax Sharing	1,100,000	-	76,489	129,521	140,780	143,596	146,468	149,397	152,385	155,433	158,542	161,712	164,947
Co-Op TIF Assistance	70,000	35,000	35,000										
Co-Op Sales Tax Sharing	303,415	-	12,795	19,875	27,925	35,300	38,124	40,591	43,027	45,608	47,651	49,557	51,539
Total Village Assistance	\$2,866,134	435,000	324,284	349,396	368,705	378,896	384,592	389,988	195,412	201,041	206,192	211,269	216,486
Incremental Taxes to Lombard (10 years per KMA)	\$2,873,019												
Total Benefit to Lombard after Assistance (in 10 years)	\$6,886												
Incremental Taxes to Lombard (20 years)	\$4,727,688												
Total Benefit to Lombard after Assistance (in 20 years)	\$1,861,554												
Incremental Taxes to Lombard (10 years per KMA)	\$2,873,019												
Terminal Value of benefits (beyond 10 years)	\$10,508,570												
Total Benefit to Lombard	\$13,381,589												
Total Benefit to Lombard after Assistance	\$10,515,456												

LUXICA

53 E. St. Charles Rd.
Villa Park, IL 60181

630.290.3502
Fax: 630.255.5210
luxicagroup.com



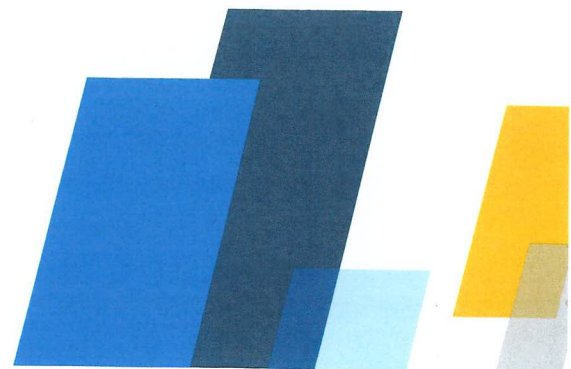
As noted in the summary, there are future benefits to the Village beyond a 10 or 20 year period. This terminal value continues to be a point of distinction for the Luxica proposal. Below shows the total benefits of the project to the Village when accounting for all incentives applied, the benefits the Village will receive in the first 10 years per KMA, and the value of the future benefits as derived using KMA's model assumptions.

LUXICA Revised Proposal	Amount (in PV)
TIF Assistance	1,392,719
Sales Tax Sharing	1,100,000
Co-Op TIF Assistance	70,000
Co-Op Sales Tax Sharing	303,415
Total Village Assistance	\$2,866,134
Incremental Taxes to Lombard (10 years per KMA)	\$2,873,019
Total Benefit to Lombard after Assistance (in 10 years)	\$6,886
Incremental Taxes to Lombard (20 years)	\$4,727,688
Total Benefit to Lombard after Assistance (in 20 years)	\$1,861,554
Incremental Taxes to Lombard (10 years per KMA)	\$2,873,019
Terminal Value of benefits (beyond 10 years)	\$10,508,570
Total Benefit to Lombard	\$13,381,589
Total Benefit to Lombard after Assistance	\$10,515,456

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Villa Park, IL 60181

630.290.3502
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luxicagroup.com





Source of Funds

As part of feedback, this section clearly identifies the sources of funds for the project.

The sales taxes incentives are performance-based incentives. This means that every \$1 of incentives comes from \$2 of taxes generated from the project. 100% of this incentive is thus covered by the project itself. The remaining requested incentive is the TIF based. Per Village Memorandum to the ECDC, the beginning TIF balance available for projects is approximately \$500,000. The TIF is projected to collect an additional \$180,000 - \$200,000 in funds annually available for projects **without** the Luxica project (~\$1.1 Million over the remaining life of the TIF). In their 8/2/2018 review, Kane McKenna projected that the Luxica proposal would generate incremental TIF of just over \$600,000 during the same period. The table below summarizes these projected inflows and outflows of the TIF. As shown, the TIF more than supports Luxica's funding request. **Over the period, over \$600,000 in funds will be available for other projects (more than \$100,000 per year on average).**

TIF Cash Flow Analysis	Collection Year	TIF Expiration						Final Collection
		2019	2020	2021	2022	2023	2024	2025
Beginning TIF Fund Balance *		500,000	100,000	80,000	153,017	266,803	385,775	510,024
Add: Projected TIF Collected**		180,000	183,600	187,272	191,017	194,838	198,735	
Incremental TIF from Luxica Proposal ***		-	89,417	126,514	127,955	129,411	130,881	
Subtract: Luxica Request for TIF Assistance		(400,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Ending TIF Fund Balance available for other projects		100,000	80,000	153,017	266,803	385,775	510,024	639,640

* The beginning TIF balance of \$500k is per Village Memorandum to ECDC on 8/13/18.

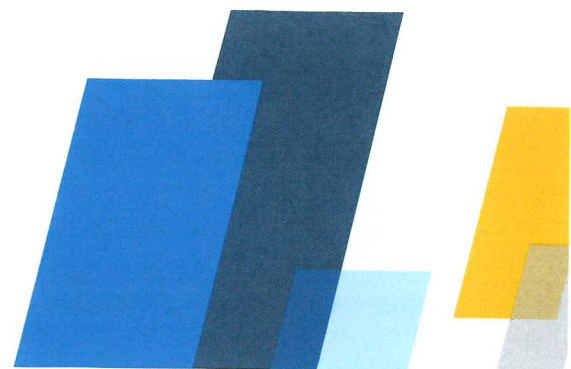
** Net of surplus to other taxing bodies, this is new funds available for TIF projects. Assumed 2% increase per annum.

*** Per Kane, McKenna, and Associates RFP Review on 8/2/18

LUXICA

53 E. St. Charles Rd.
Villa Park, IL 60181

630.290.3502
Fax: 630.255.5210
luxicagroup.com





September 13, 2018

Ms. Andi Cooper
Director of Business Development
Conservation Design Forum
403 W. St. Charles, Rd.
Lombard, IL 60148

RE: 101 Main Street RFP

Dear Ms. Cooper:

While we cannot guarantee a future outcome, based on our diverse experience representing landlords with similarly situated real estate, it is our belief that the subject real estate meets the parameters often required by national retailers. Were this an active leasing assignment, our priority would be to market this property to food service retailers across the spectrum as we believe this location is particularly well suited for a national food retailer.

We are happy to support the project and look forward to discussing further.

Sincerely,

A handwritten signature in blue ink, appearing to read "D.S. Renner", is positioned above the typed name.

Douglas S. Renner
Managing Broker/Broker
Baum Realty Group, LLC

Luxica – Follow Up in green

1. Your latest submittal noted a number of significant modifications. To that end, can you provide us with the full updated preform, similarly to what you provided for us in the initial proposal (August ECDC meeting)?

Please find attached revised Pro Forma. The Income portion is modified solely by the addition of "Other Income" which is the TIF and Sales Tax sharing we have requested. This line item was detailed in the Appendix of the revised request. There is no change to the Expense portion. In order to align with the KMA analysis (we did not have this when the RFP was originally submitted) , we have additionally adjusted Year 2020 to a Half Year convention.

2. The equity funding rose to \$2,000,000 – it this in the form of additional investors, your own contributions, or something else? I imagine that question will get asked by others.

Good question. In order to reduce the up-need from from the Village, equity investment of approximately \$1 Million will be provided by a group of additional equity investors that we have been in discussions with. All are current or former Lombardians. Luxica will continue to provide its equity investment as initially stated.

3. To confirm the reimbursement of Sales Taxes is based upon the one percent Retail Sales & Service Occupation Tax and not the additional one percent Non-Home Rule Sales Tax (which the Village generally cannot release for economic development purposes). We want to ensure that your updated pro forma reflects that.

Per the report that Kane McKenna provided to the ECDC, they expect the Luxica project to generate incremental sales tax and food and beverage taxes of \$1.78 excluding Non-Home Rule Sales Tax. Luxica requested funds not to exceed \$1.1 Million NPV (\$1.4 Million in total when adding the Co-Op pass thru request). Thus, the incremental taxes excluding Non-Home Rule sales tax exceed the amount requested.

4. Has Luxica identified how the TIF dollars, if allocated, would be used? We have to ensure that the expenditures will meet the provisions of the Illinois' Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 through 11-74.4-11). When we get your response, we will share this aspect with our Village Counsel to ensure that it meets the provisions of the Act. The Co-op also sought \$70,000 in TIF assistance in their initial proposal, but as you know from the last meeting, that expenditure is not deemed to be an eligible expense by State Statute. So that incentive request will need to be addressed through other means.

Luxica will utilize funds solely for expenditures that meet the provision of the Illinois' Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 through 11-74.4-11). These may include, but are not limited to the following:

- Cost of studies, administration, professional and legal services in support of implementing the redevelopment plan (e.g., planning, engineering, legal, financial services).

- Cost of construction of public improvements, such as streets, sidewalks and utilities.
- Job training, workforce readiness and other related educational programs by businesses located within the TIF area.
- Interest costs incurred (subject to limitations in the Act)
- Land and site preparation activities.

5. We want to make sure that both proposals have addressed the Co-op component. In your proposal you noted a 50-50% sales tax distribution sharing while the Co-op used a graded 70-50% dispersal. Can you clarify/confirm? Ultimately, if Luxica is selected we'd want to enter into a single development agreement with Luxica and not any other entities or tenants.

We can confirm that we are requesting the Co-Op component as it was originally requested in the RFP, and that if granted, this will be passed thru to PFC. We affirm that in this manner, we will enter into a single development agreement with the Village. The KMA analysis shows the Present Value of PFC's request to be \$303,415 (rounded to \$300,000). This is what is reflected in our request.

6. We may have some further questions regarding the performance based and up-front components. As you provide us with clarity on the items above, we may have our questions answered.

Agreed.

7. You noted that you would be sold to Luxica "at cost". Can you confirm your representation on this statement – we read this a couple of different ways.

It is our understanding that the land was donated to the Village in 1999. We are proposing a nominal value accordingly (\$1).

8. As specifically stated in the RFP, per the requirements of 65 ILCS 5/8-11-20 when entering into a Sales Tax Revenue Sharing Agreement. Please be advised that 65 ILCS 5/8-11-20(6)(A), (B) and (C) provide that the developer meets high standards of creditworthiness and financial strength as demonstrated by one or more of the following:

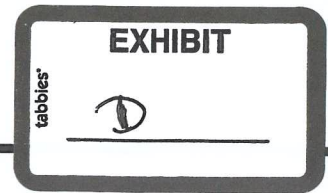
- (A) corporate debenture ratings of BBB or higher by Standard & Poor's Corporation or Baa or higher by Moody's Investors Service, Inc.;
- (B) a letter from a financial institution with assets of \$10,000,000 or more attesting to the financial strength of the developer; or
- (C) specific evidence of equity financing for not less than 10% of the total project costs;"

Luxica meets (B) and (C) of this requirement. We will be providing a revised letter in this regard per our discussions.

LUXICA's revised projections -- 101 Main St Lombard

Profit & Loss Projections

	Half Year										
	Year 0 YR2019	Year 1 YR2020	Year 2 YR2021	Year 3 YR2022	Year 4 YR2023	Year 5 YR2024	Year 6 YR2025	Year 7 YR2026	Year 8 YR2027	Year 9 YR2028	Year 10 YR2029
INCOME											
Commercial Rental Income	32,000 sqft	226,500	453,000	466,590	480,588	495,005	509,855	525,151	540,906	557,133	573,847
Residential Rental Income	7 units	69,985	139,969	144,168	148,493	152,948	157,537	162,263	167,131	172,144	177,309
Total Gross Potential Income		296,485	592,969	610,758	629,081	647,953	667,392	687,414	708,036	729,277	751,156
Less: Vacancy	4.00%	(11,859)	(23,719)	(24,430)	(25,163)	(25,918)	(26,696)	(27,497)	(28,321)	(29,171)	(30,046)
Less: Credit Loss	0.50%	(1,482)	(2,965)	(3,054)	(3,145)	(3,240)	(3,337)	(3,437)	(3,540)	(3,646)	(3,756)
Effective Rental Income		283,143	566,286	583,274	600,772	618,796	637,359	656,480	676,175	696,460	717,354
Common Area Maintenance Fee (CAM)		60,000	120,000	123,600	127,308	131,127	135,061	139,113	143,286	147,585	152,012
Other Income (TIF & Sales Tax Sharing)		271,035	320,286	330,742	333,357	336,024	338,745	141,519	144,350	147,237	150,182
TOTAL OPERATING INCOME		\$ 614,178	\$ 1,006,571	\$ 1,037,616	\$ 1,061,437	\$ 1,085,947	\$ 1,111,165	\$ 937,113	\$ 963,811	\$ 991,282	\$ 1,019,548
EXPENSES											
Property Taxes		53,776	109,703	111,897	114,135	116,418	118,746	121,121	123,543	126,014	128,535
Insurance		10,679	21,785	22,221	22,665	23,118	23,581	24,052	24,533	25,024	25,525
Utilities		6,671	13,342	13,742	14,154	14,579	15,016	15,467	15,931	16,409	16,901
Maintenance & Repairs		11,442	23,341	23,808	24,284	24,770	25,265	25,770	26,286	26,812	27,348
Marketing & Advertising		1,050	2,100	2,163	2,227	2,294	2,363	2,434	2,507	2,582	2,660
Administrative		5,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Turnover Costs		1,482	2,965	3,054	3,145	3,240	3,337	3,437	3,540	3,646	3,756
Management Fee		11,326	22,651	23,331	24,031	24,752	25,494	26,259	27,047	27,858	28,694
Capital Reserves		3,558	7,116	7,329	7,549	7,775	8,009	8,249	8,496	8,751	9,014
TOTAL OPERATING EXPENSES		104,983	213,202	217,948	222,803	227,770	232,852	238,051	243,371	248,814	254,382
NET OPERATING INCOME (NOI)		\$ 509,195	\$ 793,369	\$ 819,668	\$ 838,634	\$ 858,176	\$ 878,313	\$ 699,061	\$ 720,440	\$ 742,468	\$ 765,165



Ganser, Jennifer

From: O'Connor, Mike <MOConnor@holladayproperties.com>
Sent: Monday, September 10, 2018 3:58 PM
To: Heniff, William; Ganser, Jennifer
Cc: Mitchell, Drew
Subject: 101 Main Street- ECDC Meeting follow up
Attachments: 1 - Parking & Retail.jpg; 2 - Program Overview.jpg; Render One_.jpg; Render Two_.jpg

Hi-Jennifer and William- In response to feedback received at the recent ECDC meeting we have prepared the following revised site plan/massing plan and rendering for the project. We request that these revised plans be provided to the ECDC along with the narrative below in advance of our next meeting in early October. These plans reflect the following changes we have made in response to comments received:

- Adjusted building height of residential building to step the building down from four levels and 48 feet six inches to two levels or 26 Feet Six Inches along the east property line.
- Pulled building back from Main Street in front of the grocery and at the corner of Main and Parkside to create more public open space (3000 SF) for community gathering. The grocery will include a café area with outdoor seating along Main street.
- We increased the retail within the residential building at the corner of Main and Parkside to 3000 SF in order to provide a total area for retail of 15,0000 SF (12,000 SF for grocery building and 3,000 SF within the residential building).
- We added signage opportunity on the north elevation of the residential building for our anchor retail tenant- Prairie Food Co-Op. This will create visibility and identity for Prairie Food Co-Op for commuters travelling to Lombard on the train.

In addition, we have decided to withdraw our request for the TIF subsidy of \$70,000 for the Prairie Food Co-Op project. We will instead fund that amount directly to Prairie Food Co-Op ourselves without the need for subsidy by the Village. This will simplify and eliminate documentation costs for the TIF agreement and is intended to demonstrate our commitment to the success of the project and minimize any risk to the Village.

We also wish to respond to the presentation made by the other developer you are considering which included various inaccurate statements regarding our proposed project:

“Benefits of Holladay Project are short term”-

Although the TIF expires in approximately 6 years the increased tax benefits from the higher EAV for our \$31 M project investment continue for the very long term providing higher tax revenue for all of the various taxing entities in the Village.

“Luxica Plan is Lower Risk” –

The presenter indicated that 0% of the space in our project has Letter of Intent commitment. This statement is not correct. Prairie Food Co-Op has stated in writing that they are committed to the location and our proposed lease terms and do not have a preference as to one proposed development plan over another. There is also proven demand for TOD residential living units in suburban downtown locations. We have proposed to develop the entire project in a single phase which is consistent with the request of the Village. The project which requires the least amount of subsidy is the lowest risk to the Village.

“Holladay’s assumed rents are untested and risky”-

The assumed rents for the project are as recommended by Tracy Cross and Associates and are not \$2.48/SF as suggested by the presenter. The average unit size is 880 SF not 600 SF as suggested by the presenter. The rents are budgeted at an average of \$2.08/SF. We are currently achieving rents in excess of this amount in Downers Grove at our Burlington Station project. Apartment rental rates fluctuate with market and economic conditions. All rental rate risk falls upon the investors in the building and does not create any risk to the Village.

“101 Main rent is 17% higher than Downer’s average”-

This statement is entirely incorrect as noted above. The rents in our Downers Grove project are exceeding the budgeted rents in our financial model for Lilac Station.

“Luxica Plan is better for PFC”-

As noted above, Prairie Food Co-Op has provided written confirmation of its commitment to the location and our proposed lease terms and does not have a preference as to one proposed development plan over another.

“Which TOD offers the Most Benefits?- Holladay Project Benefits are limited to the site”-

The proposed residential and mixed use project provides a balance of retail space in conjunction with the addition of new residents to the downtown with disposable income which will benefit existing retailers in the downtown in addition to the new on-site retail space.

If you have any questions with regard to the above please feel free to contact me. We look forward to the next meeting of the ECDC in early October. Best regards- Mike O’Connor

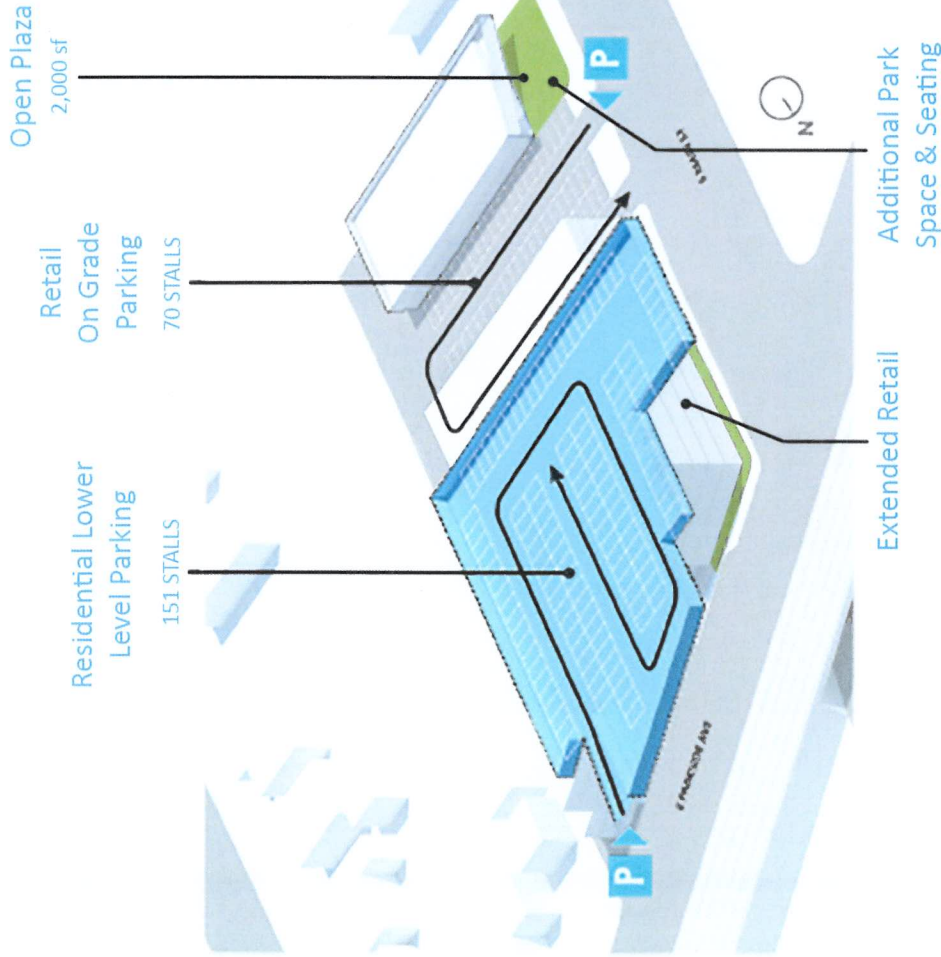
Michael O’Connor, VP-Development & Leasing

6370 AmeriPlex Drive, Suite 110 | Portage, IN 46368

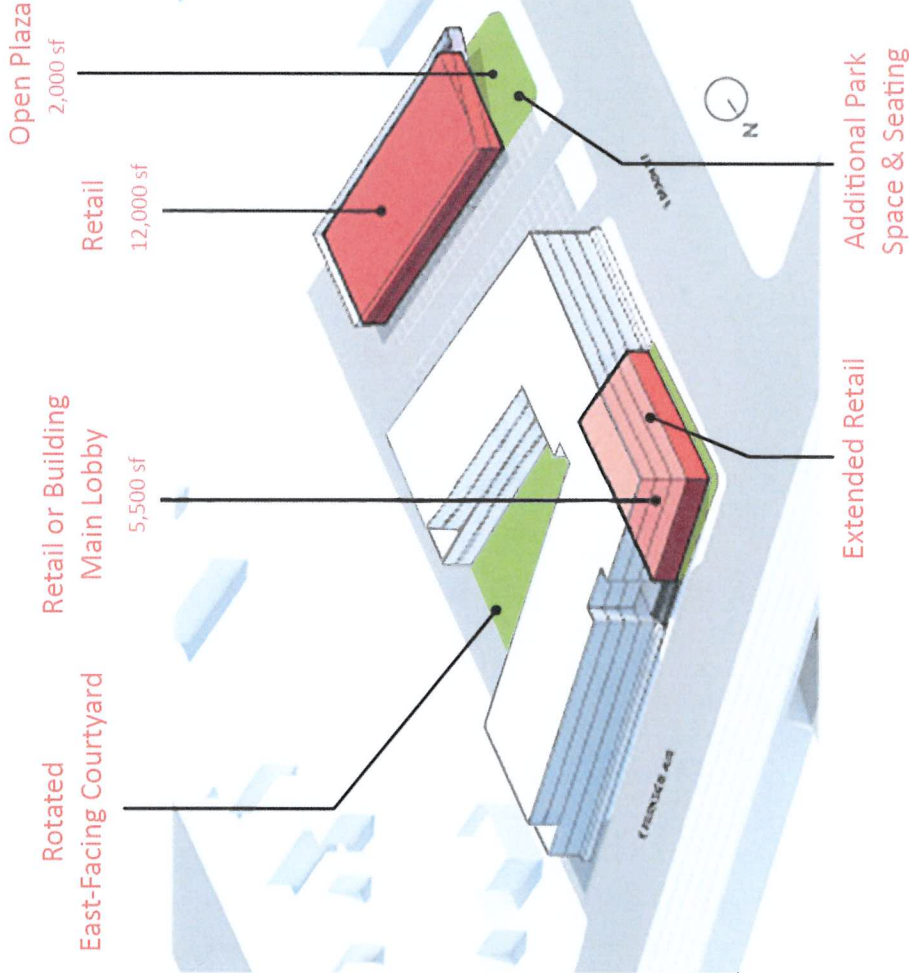
D: (219) 764-3104 | M: (602) 663-3986 | F: (219) 764-0446



PARKING & RETAIL

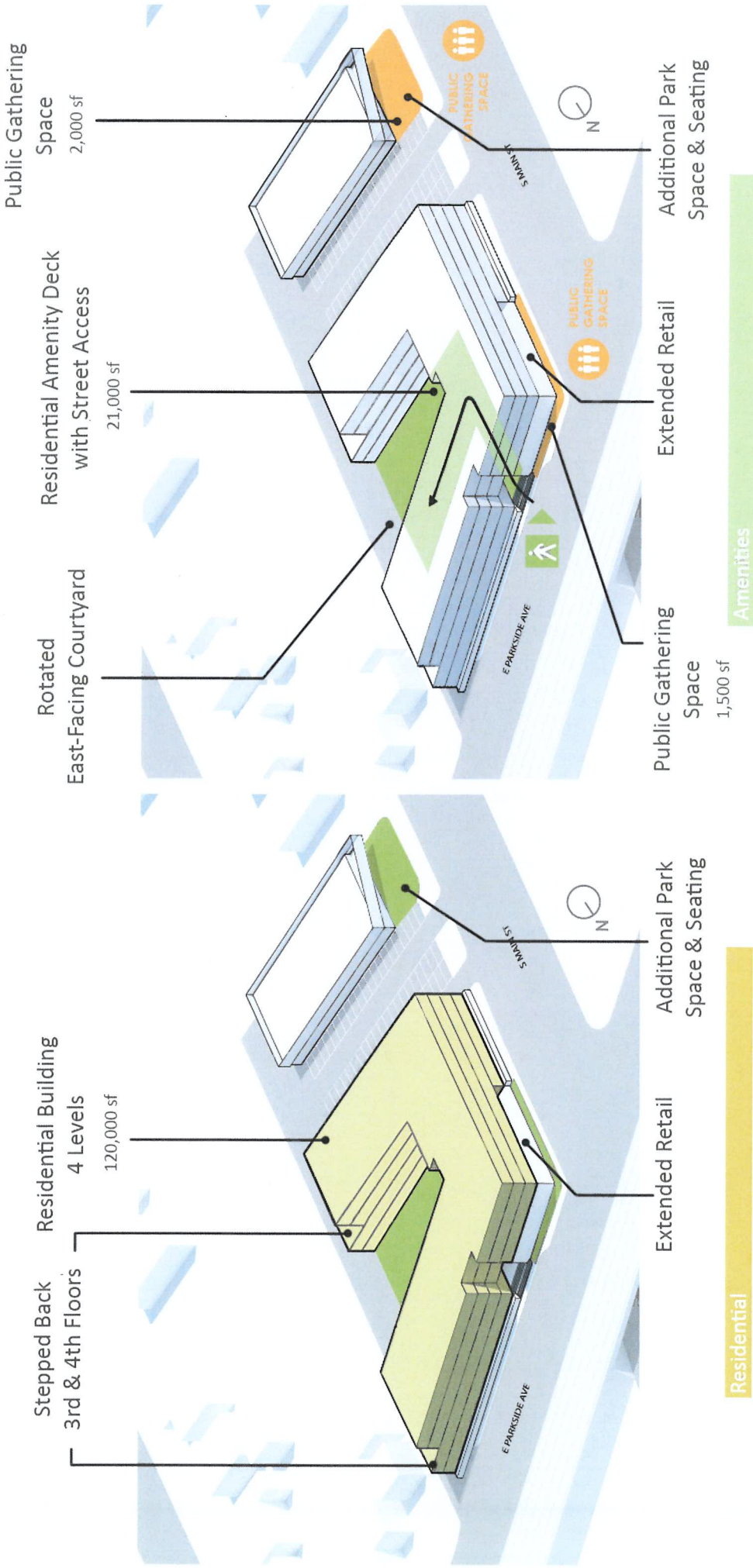


Parking	
Residential Parking:	53,000 sf
Stalls	151
	350 sf per stall
Retail Parking:	24,500 sf
Stalls	75
	350 sf per stall



Retail	
Retail Total:	15,000 sf
Lobby:	1,500 sf

PROGRAM OVERVIEW



Residential
 Residential Building Total: 120,000 sf
 Total Units: 120
 average unit size 1,000sf

Amenities
 Residential Amenity Deck: 21,000 sf
 Public Gathering Spaces Total: 3,500 sf



PRAIRIE FOOD

LILAC STATION

AMERICAN



Holladay – Follow Up in green

1. What are the dimensions of the step back for the building on the east side when it goes from 4 to 2 stories?

The setback from the property line on Floors 1 and 2 is 20 feet. The set back from the property line on floors 3 and 4 is 45 feet. Therefore the building steps back by approximately 25 feet. The building is also oriented so that the legs of the U are oriented to the east so the 3rd and 4th floors extend to within 45 feet of the property line only for the end of each leg of the U. For much of the east property line frontage the top of the building is essentially at just 4 feet above grade.

2. Can you give us more information on the parking, per the attachment? Is it sub-grade? The elevations appear to show retail and apartments on the 1st floor.

Parking is partially below grade(1/2 level down) The first floor apartments are above the parking so slightly raised above grade by 4 feet so the ceiling height in the apartments matches the ceiling height in the retail/lobby areas. The retail/lobby area will be at grade with no parking beneath and will have taller ceiling height (approx. 14 feet).

3. Is the “retail or building main lobby” on the 1st floor?

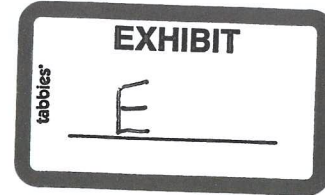
Yes retail and building lobby are on first floor at grade as noted in item 2 above.

4. We want to make sure we are clear on your incentive ask. We understand the \$70K is no longer needed. Are you still requesting a sales tax rebate with Prairie Foods or TIF increment?

Yes, We are still requesting Sales Tax Rebate on behalf of Prairie Food Co-Op. The request for Sales Tax Rebate from Prairie Food Co-Op is as follows: Prairie Food Co-op would like to take advantage of the Sales Tax Reimbursement Incentive available to Lombard businesses. We propose the Village retains 30 percent of generated sales tax in the first two years of operation, and 40 percent for the remaining agreement (assumed to be 10 years with total rebate capped at \$500K), with the balance being reimbursed to PFC during that time.

Additionally, Holladay continues its request for a TIF Rebate, not to exceed \$150,000 annually, and not to exceed \$525,000 in total, as previously communicated.

MEMO



TO: Village of Lombard, Illinois
FROM: Kane, McKenna and Associates, Inc.
RE: **Luxica and Holladay Revised Proposals**
DATE: October 2, 2018

We have reviewed the additional information provided by both Luxica Group (“Luxica”) and Holladay Properties (“Holladay”) with respect to their respective proposed developments and have provided an updated Proposal Summary in Exhibit A hereto.

The original KMA review was limited to the review of developer financial projections related to the respective proposed developments and preparation of projections of TIF incremental property taxes, sales taxes and food and beverage taxes increment related to the developments. The review in this Memo is intended to update the information provided to the Village in prior reports.

As indicated by Luxica, Kane, McKenna did not analyze any benefits beyond the assumed 10 year life of the incentives. As reflected in our report, we did not analyze any benefits beyond the 10 year life of the incentives (which includes the period for the Prairie Foods incentive with respect to both proposals) as is provided in the Village’s Economic Incentive Policy.

Also, no consideration was given by Kane, McKenna with respect to:

- a) the property tax benefits to the Village and the other taxing districts once the life of the TIF District has expired, and
- b) any other benefits that may be generated by the additional residents that would be generated by either proposed development.

Additional analysis of the property tax benefits to the Village and the other taxing districts can be provided for the period to be determined by the Village.

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October 2, 2018

Holladay Proposal

Proposed Development and Users

The proposed development now reflects an additional 3,000 square feet of retail space. Although Holladay indicated in their response that there would be some additional retail space in the residential portion of the development, our previous analysis did not include a projection of the incremental property, sales and food and beverage tax benefits related thereto as the exact amount of space or potential usage were not identified. In order to include the additional space provided, we would need some indication of the potential use of such space.

Financing Structure

The budget for the Holladay development reflected that development costs total \$31,000,000. Holladay's prior financing plan reflected the following structure which included the Village providing the Village Assistance on a pay as you go basis from TIF funds:

Developer Equity	\$ 7,435,000
Debt Financing & Other Equity	23,625,000
Village Assistance (Over Time from TIF Funds)	<u>440,000</u>
Total	\$31,500,000

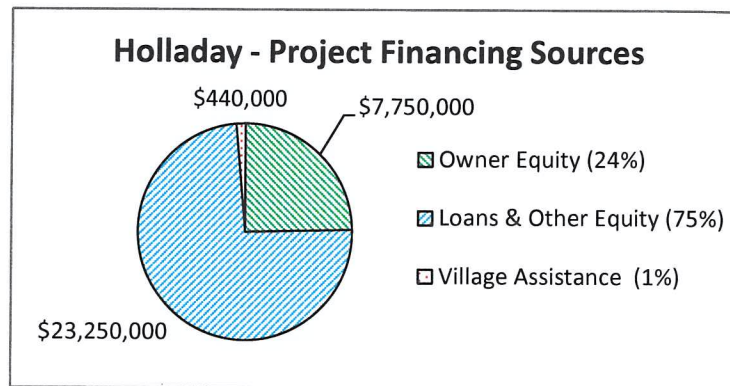
The total above exceeds the \$31,000,000 budget amount since the Village Assistance will also have to be financed through the equity and debt financing.

An update to Holladay's financial proposal reflects that Holladay Properties has available \$30 million equity capacity in a real estate fund which would be capable to finance up to \$150 million in development at 80% leverage. Furthermore, Holladay continues to anticipate that the capital structure for the project to be 25% equity/75% bank financing to be structured as follows:

Developer Equity	\$ 7,750,000
Debt Financing & Other Equity	23,250,000
Village Assistance (Over Time From TIF Funds)	<u>440,000</u>
Total	\$31,440,000

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October 2, 2018

The following chart provides and illustration of Holladay's updated financing structure.



Village Assistance

Holladay has indicated that the request for reimbursement of TIF eligible costs by Prairie Foods Co-op would be funded by Holladay without any increase in the incentives requested by Holladay.

There are no other changes to the request for Village Assistance by Holladay.

Luxica Proposal

The revisions to Luxica's proposal primarily relates to changes in the proposed financing of the proposed development.

Proposed Development and Users

Luxica has provided a letter from Baum Realty Group indicating the ability to market the development to national retailers. Furthermore, Luxica indicated that there would be an announcement of an additional retailer in the near future.

No other changes were made to the roster of retailers previously identified by Luxica.

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Page Four
October 2, 2018

Financing Structure

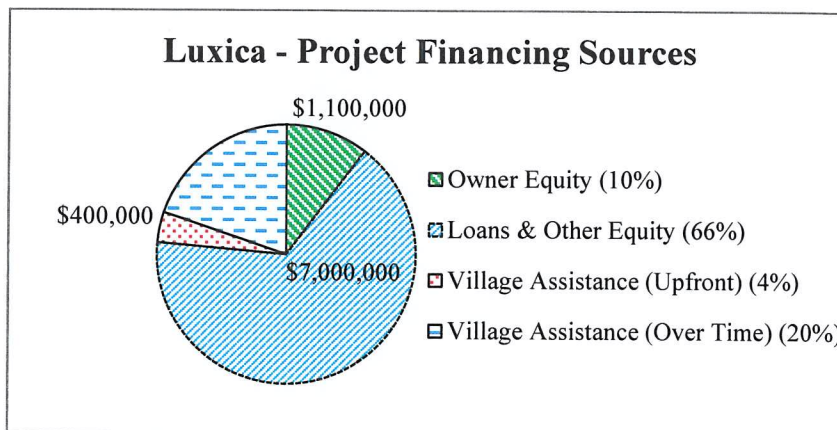
The budget for the Luxica development reflected that development costs total \$10,582,000. Luxica’s prior financing plan reflected the following structure which included the Village providing the Village Assistance upfront from funds of the Village:

Developer Equity	\$ 1,100,000
Debt Financing & Other Equity	7,000,000
Village Assistance (Upfront by Village)	<u>2,482,000</u>
Total	\$10,582,000

The revised proposal reflects that the Village would provide a portion of the Village Assistance upfront from existing TIF funds with the remainder of the Village Assistance to be paid to the Developer from a combination of TIF funds and sales and food and beverage tax sharing over a period of time to be structured as follows:

Developer Equity	\$ 1,124,281
Debt Financing & Other Equity	7,000,000
Village Assistance (Upfront by TIF Funds)	400,000
Village Assistance (Over Time From TIF Funds)	957,719
Village Assistance (Over Time From Sales Taxes)	<u>1,100,000</u>
Total	\$10,582,000

The following chart provides and illustration of Luxica’s updated financing structure.



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Luxica also indicated that the amount of the purchase price offered for the land would be reduced which is not reflected in the original development budget and may impact the above analysis on the amount of equity or debt financing necessary to construct the development.

Luxica has indicated that the amount of the equity that Luxica would provide for the project would be increased to \$2,000,000. However, it should be noted that since a portion of the Village Assistance would be provided over time, Luxica will need to fund the Developer Equity described above together with the amounts of the Village Assistance to be paid over time from either developer equity or additional financing in the amounts as follows in order to pay for costs of the Luxica Development:

Village Assistance (Over Time From TIF Funds)	\$ 957,719
Village Assistance (Over Time From Sales Taxes)	1,100,000
Other Necessary Developer Equity	<u>1,124,281</u>
Total	\$3,182,000

This proposed increase of equity to \$2,000,000 would still leave an initial funding shortfall of \$1,182,000 that would have to be provided from another source which has not been identified. It should also be noted that loan commitments generally require that all funds necessary to complete a project are available at the time draws on a loan commence.

The above analysis is intended to only reflect the costs and benefits directly requested for the proposed development and does not include the Village assistance requested by or on behalf of Prairie Foods Co-op.

Village Assistance

The revised proposal reflects that the Village Assistance from TIF funds includes \$400,000 of TIF funds in the first year with six additional payments of \$200,000 for a total of \$1,600,000 of TIF funds (present value of \$400,000 + \$957,719 = \$1,392,719 assuming a discount rate of 4% over a period of 7 years). In addition the Village Assistance includes 50% of sales and food and beverage taxes in the total amount of \$1,579,270 (present value of \$1,100,000 assuming a discount rate of 4% over a period of 10 years).

It should be noted that the revenues generated by the TIF are more stable than sales tax revenues due to assessed values being less reliant on whether or not tenants generate sales taxes therefore making the Village Assistance less performance based.

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The amount of the TIF Assistance requested (\$1,600,000) exceeds the amount of TIF increment projected to be generated by the development (\$604,178) which deficiency (\$995,822) would be required to be paid from other TIF funds. Furthermore additional review of a detailed development budget is necessary to determine whether there are sufficient TIF eligible costs.

Furthermore, Luxica has not indicated whether there is a cap on either the amount or the amount of time of the Village Assistance with respect to sales and food and beverage sales tax sharing.

Additional Information

Since the original proposal, Luxica has provided additional information relating to both the significant changes in the financing structure and the proposed tenants. The financing structure now requires that Luxica provide significant additional resources to provide for the initial costs of the development. Furthermore, the introduction of the potential inclusions of well-known tenants may impact the potential amount of additional rent that at times is paid by such well known tenants and the impact on Luxica's investment return.

In order to determine both Luxica's ability to finance the proposed development and the reasonableness of the need for the amount of assistance requested, we would request that Luxica provide a complete revised detailed (i) analysis of the financing structure, (ii) tax benefit analysis for based on each component and identified, tenant, (iii) return analysis based on the tenants identified, and (iv) a detailed development budget in order to determine TIF eligible costs.

EXHIBIT A

Revised Proposal Summary

EXHIBIT A

Village of Lombard - Downtown TIF RFP Review
 Proposal Summary 2018 (Updates in Green)

	<u>Luxica</u>	<u>Holladay</u>
1) Summary of the Proposed Developments:	32,000 sq.ft. Retail/Commercial/Residential Development - including 12,000 sq. ft. PFC Co-op grocery Store and 7 rental residential units	120 unit market rate luxury rental building, with an additional 3,000 sq.f. retail space and 12,000 sq.ft. PFC Co-op grocery store. (Total commercial space now at 15,000 sq. ft.)
Est. Completion Date	Const. commence 3/19 - occupancy 1/20	Const. commence 4/19 - occupancy 6/20
2) Summary of Estimated Development Costs, Financing Plan and Requested Assistance:	From \$2.48M (up front) to \$400,000 (upfront) \$2,100,000 (over time)	\$150,000 annually/cap of \$525,000
Other Developer Requests	Application and Permit Fees (Est. \$220,000) to be paid from upfront assistance requested or waived by Village with reduction in upfront payment	
Total Project Costs	\$10,582,000	\$31,000,000
Developer Financing Plan		
Developer Equity	\$1,100,000 (10%)	\$7,750,000 (24%)
Debt Financing & Other Equity	\$7,000,000 (66%)	\$23,250,000 (75%)
Village Assistance	<u>\$2,500,000 (24%)</u>	<u>\$440,000 (1%)</u>
Total Financing	\$10,600,000 (100%)	\$31,500,000 (100%)
Developer Funding Requirement (at closing)		
Debt Financing	<u>\$7,000,000 (66%)</u>	<u>\$7,750,000 (25%)</u>
Village Assistance (Upfront)	<u>\$400,000 (4%)</u>	<u>\$0</u>
Equity & Other Sources	<u>\$3,200,000 (30%)</u>	<u>\$23,250,000 (75%)</u>
Total Funding Requirement	<u>\$10,600,000 (100%)</u>	<u>\$31,000,000 (100%)</u>
3) Co-op Tax Incentives		
Sales Tax Rebate	\$500,000 (30% share Yr.1-2, 40% thereafter for ten years)	\$500,000 (30% share Yr.1-2, 40% thereafter for ten years)
TIF/Development Assistance	\$70,000 ⁽¹⁾	From \$70K to \$0
4) Incremental Tax Projections:		
<i>All amounts Present Value (PV) ⁽²⁾</i>		
TIF Incr. Property Taxes (6 Yrs.)	494,540	1,713,681
Sales Taxes (10 Yrs.)	1,480,863	489,191
Food and Bev. Taxes (10 Yrs)	<u>897,617</u>	<u>76,432</u>
Total Benefit ⁽¹⁾	\$2,873,020	\$2,279,304
5) Less Assistance and Benefit		
<i>All amounts Present Value (PV) ⁽²⁾</i>		
TIF Assistance	0	\$436,429
Other Village Assistance	\$2,480,000	0
Co-op TIF Assistance	70,000	0
Co-op Sales Tax Sharing	303,415	303,415
Village Fee Waivers	<u>0</u>	<u>0</u>
Total Assistance and Village Costs	<u>2,853,415</u>	<u>739,844</u>
Projected Revenue Impact	\$19,605	\$1,539,460 (Increase from \$1,469,460)

Notes:

⁽¹⁾ Preliminary review by Village counsel has determined costs requested to be reimbursed from TIF are not eligible costs - a determination would need to be made if other sources are available

⁽²⁾ In order to allow for a comparison relating to amounts that are received "upfront" with amounts that are expected to be received over a period of time, amounts that are projected to be received over time are valued by determining the present value of such amounts based on a rate of interest of 4%

Village of Lombard - Downtown TIF RFP Review
Proposal Summary 2018 with Anticipated Property Sales Costs
(Updates in Green)

	<u>Luxica</u>	<u>Holladay</u>
1) Summary of the Proposed Developments:	32,000 sq.ft. Retail/Commercial/Residential Development - including 12,000 sq. ft. PFC Co-op grocery Store and 7 rental residential units	120 unit market rate luxury rental building, with an additional 3,000 sq.f. retail space and 12,000 sq.ft. PFC Co-op grocery store. (Total commercial space now at 15,000 sq. ft.)
Est. Completion Date	Const. commence 3/19 - occupancy 1/20	Const. commence 4/19 - occupancy 6/20
2) Summary of Estimated Development Costs, Financing Plan and Requested Assistance:	From \$2.48M (up front) to	
TIF/Development Assistance	\$400,000 (upfront) \$2,100,000 (over time)	\$150,000 annually/cap of \$525,000
Other Developer Requests	Application and Permit Fees (Est. \$220,000) to be paid from upfront assistance requested or waived by Village with reduction in upfront payment	
Total Project Costs	\$10,582,000	\$31,000,000
Developer Financing Plan		
Developer Equity	\$1,100,000 (10%)	\$7,750,000 (24%)
Debt Financing & Other Equity	\$7,000,000 (66%)	\$23,250,000 (75%)
Village Assistance	<u>\$2,500,000 (24%)</u>	<u>\$440,000 (1%)</u>
Total Financing	\$10,600,000 (100%)	\$31,500,000 (100%)
Developer Funding Requirement (at closing)		
Debt Financing	<u>\$7,000,000 (66%)</u>	<u>\$7,750,000 (25%)</u>
Village Assistance (Upfront)	<u>\$400,000 (4%)</u>	<u>\$0</u>
Equity & Other Sources	<u>\$3,200,000 (30%)</u>	<u>\$23,250,000 (75%)</u>
Total Funding Requirement	\$10,600,000 (100%)	\$31,000,000 (100%)
3) Co-op Tax Incentives		
Sales Tax Rebate	\$500,000 (30% share Yr.1-2, 40% thereafter for ten years)	\$500,000 (30% share Yr.1-2, 40% thereafter for ten years)
TIF/Development Assistance	\$70,000 ⁽¹⁾	From \$70K to \$0
4) Incremental Tax Projections:		
<i>All amounts Present Value (PV) ⁽²⁾</i>		
TIF Incr. Property Taxes (6 Yrs.)	494,540	1,713,681
Sales Taxes (10 Yrs.)	1,480,863	489,191
Food and Bev. Taxes (10 Yrs)	<u>897,617</u>	<u>76,432</u>
Total Benefit ⁽¹⁾	\$2,873,020	\$2,279,304
5) Less Assistance and Benefit		
<i>All amounts Present Value (PV) ⁽²⁾</i>		
TIF Assistance	0	\$436,429
Other Village Assistance	\$2,480,000	0
Co-op TIF Assistance	70,000	0
Co-op Sales Tax Sharing	303,415	303,415
Village Fee Waivers	<u>0</u>	<u>0</u>
Total Assistance and Village Costs	<u>2,853,415</u>	<u>739,844</u>
Projected Revenue Impact	\$19,605	\$1,539,460 (Increase from \$1,469,460)
6) Anticipated Sale Cost of Land ⁽³⁾	\$1	\$1,500,000
Projected Revenue Impact	\$19,606	\$3,039,460

Notes:

⁽¹⁾ Preliminary review by Village counsel has determined costs requested to be reimbursed from TIF are not eligible costs - a determination would need to be made if other sources are available

⁽²⁾ In order to allow for a comparison relating to amounts that are received "upfront" with amounts that are expected to be received over a period of time, amounts that are projected to be received over time are valued by determining the present value of such amounts based on a rate of interest of 4%

⁽³⁾ Subject to final negotiations with the Village Board.