


MEMORANDUM

TO: Bill Johnston, Chairperson
Economic and Community Development Committee

FROM: William J. Heniff, AICP, Director of Community Development 

DATE: March 14, 2016

RE: **Yorktown Commons Utility/Incentive Agreement**

BACKGROUND:

As the Economic and Community Development Committee (ECDC) members may be aware, Village staff has been working with Yorktown representatives on advancing a major redevelopment concept for the northern portion of Yorktown Center. Throughout 2015, the Plan Commission held a series of workshop sessions to develop and refine the Yorktown Commons planned development. The culmination of this effort is to create a master redevelopment plan that is intended to provide for long-term sustainability for the center by providing a vibrant mixed-use housing/commercial project. This initial effort resulted in the approval of a form-based code that will guide the plan development going forward.

With the zoning and development entitlements in place, Yorktown and their development investment partners are moving forward with their plans, with an eye on securing a preferred developer and construction due diligence activities in 2016. They have been examining a number of construction variables, including preparing final plans for Plan Commission review and final engineering. As part of the engineering effort, the Village has determined that operating levels at the existing Yorktown sanitary sewer lift station are at or beyond capacity. To address this matter, staff and the Yorktown team have been exploring options to address the lift station matter and the Village contracted with Baxter & Woodman engineers to assist us in the overall review. The culmination of this effort is that it would be in the Village's best interests that an additional lift station be constructed for the Yorktown Commons development. This additional facility could provide for requisite sanitary sewer accommodations for the four phases of the Yorktown Commons development and possibly creating capacity for other future development activity in the Yorktown area, such as development of the Highland Avenue parcels south of McDonalds.

INCENTIVE REQUEST:

The role of the ECDC is limited to consideration of any economic incentives and not the development petition itself as the zoning approval have already been granted for the project. Yorktown is requesting an in-kind incentive to address the existing utility infrastructure deficiency in the following respects.

The project may consist of up to 970 multiple-family dwelling units within the four phases along with ancillary commercial space. This number is highly variable as the project could be developed with other types of residential uses such as townhomes or the like in lieu of multiple family dwelling units. However, assuming the highest level of development, based upon current figures, the project would be obligated up to an approximate \$1,674,975 in fees to the Village's water and sewer fund for capital infrastructure. However, if the Village is seeking that the developer actually construct the improvements prior to or concurrent with the Phase 1 development (versus collecting the funds and placing them in the water/sewer fund for future expenditures), this should be memorialized within the framework of an agreement.

Based upon initial data provided for by Yorktown's engineering consultant, the cost of a new lift station and companion force main is currently estimated to be approximately \$1,513,076. The concept being advanced is that in lieu of collecting the requisite water/sewer fees associated with the building permits, they would be providing the in-kind improvement. For this proposed agreement, no other funding sources (i.e., sales tax rebates, property tax rebates, and the like) are contemplated as part of this phase of the project. However, it is possible that a second agreement to address development and financing issues with the final phase (Phase 4) of the Yorktown Commons development may have a property tax incentive component, but that will be considered at a later date.

All costs associated with the building permit fees that would go to cover the costs of plan review and inspections would still be collected by the Village and would be allocated to the general fund. Additionally, all requisite funds that are allocated to the Glenbard Wastewater Authority (GWA) for their operations will still be paid.

The material aspects of the agreement are agreed to by Yorktown and Village staff and the companion agreement itself will be finalized by the respective Counsel prior to Village Board consideration. However, the agreement will roughly mirror concepts previously included within a utility agreement approved by the Village Board in July, 2015 for the unincorporated DonVen Homes' Woodmoor development.

In consideration of the request, the following materials are provided:

1. Water/sewer revenues anticipated to be collected from the proposed development.
2. Estimated costs for the associated lift station improvements.
3. Kane McKenna correspondence
4. Selected pages of the adopted form-based code

INCENTIVE POLICY COMPLIANCE:

The Village adopted a Village-wide Economic Incentive Policy in November, 2015 which identifies the policies that should be met in order to receive any financial consideration by the Village as part of a development project. Staff offers the following attached narrative demonstrating that the request is in compliance with the established policy. As this agreement is a bit unique, staff also engaged the services of Kane McKenna Associates to review Yorktown's need for the incentive and in response they have provided a correspondence to the Village stating

that given the data provided, their pro-forma demonstrates that a gap exists in their figures and that an incentive can be supported.

BENEFITS:

Key benefits to the project and incentive are as follows:

1. The incentive addresses an existing deficiency to the Village's sanitary sewer lift station capacities in the Yorktown area.
2. Through the agreement, the developer can advance their mixed use development concept which is intended to strengthen the long-term viability of the center
3. The companion development will significantly improve property taxes for the area.
4. The anticipated residents will create an additional market demand for the existing businesses.

RECOMMENDATION:

Staff and the petitioner recommend that the ECDC recommend approval of an economic incentive agreement with Yorktown to address proposed infrastructure enhancements.

**YORKTOWN COMMONS INCENTIVE AGREEMENT
COMPLIANCE NARRATIVE WITH VILLAGE ECONOMIC INCENTIVE POLICY**

- 1. The funds that are eligible for an incentive shall be limited to the funds collected by the Village as part of the funds transmitted by the State of Illinois to the Village. The Village's non-home sales tax designated for capital improvements shall not be eligible as part of an incentive.*

Response: No direct funds will be allocated toward the project. Rather in lieu of collecting funds and placing them into our water/sewer account for future use by the Village, the proposed agreement would waive such fees with the developer constructing a new lift station and ancillary improvements.

- 2. The Village should only consider such an incentive if it will generate additional sales tax above and beyond existing revenue levels. Such incentives must also account for any cannibalism of existing business activity within the community. Offering a sales tax incentive in order to keep an existing business in operation or retain a business, absent an offsetting investment meeting the economic goals of the Village, should not be considered.*

Response: This provision is not applicable as no sales tax figures will be considered as part of this incentive. However, the proposed development will result in significant property tax improvements upon completion of full construction that would provide financial benefits to the affected taxing districts.

- 3. The Village gets paid first. Any such agreement shall be set up in such a manner that allows the Village to receive the first dollars generated by a project. This can include dollars that are currently received by the Village for existing or past sales tax generations, the costs of performing municipal services anticipated by the project as well as any incidental administrative costs.*

Response: To account for this provision, the Village will receive a new lift station that will be accepted and maintained by the Village going forward. This improvement will be done prior to or concurrent with the first phase of development. If subsequent phases do not occur in a timely manner or do not ever occur, the Village still received the benefit of a new facility which will enhance the long-term infrastructure needs of the Yorktown area.

- 4. Unless specifically identified in the incentive agreement, any rebates should be established in such a manner that the Village receives at least one-half of the anticipated additional tax generation attributable to the project during the life of the agreement.*

Generally, the only exception to this provision would be if an incentive is offered to rebate a previously constructed capital improvement that was installed prior to and directly associated with the business opening.

Response: As noted above, no sales tax will be utilized in this agreement.

5. *A project will be more favorably reviewed if the project:*

a. *represents significant private-sector financial investment;*

Response: The proposed project cost could be up to \$150,000,000 for the entire redevelopment project.

b. *promotes a higher and better use of the property as determined by the Village through its adopted plans;*

Response: The project will be consistent with the intent of Village's 2014 Comprehensive Plan and the form-based code adopted by the Village Board in January, 2016.

c. *provides a positive fiscal and economic impact to the Village;*

Response: The project will further contribute to the Village economy. The proposed project is anticipated to generate approximately \$2,100,000 in annual property tax to the applicable taxing bodies upon final completion. Additionally, depending on the nature and number of housing units constructed, the residential component of the project will create additional economic benefit to the Yorktown area in additional sales taxes.

d. *adds new and unique retail business tenants to the Lombard market;*

Response: The project will have some commercial space associated with the project; however these spaces will primarily be enhanced service related establishments that would be drawn to such a mixed-use center. This may include cleaners, tailors, coffee shops, convenience retail and the like. A real benefit would be that additional residents would be in close proximity to existing retail shops which would strength their respective market share.

e. *mitigates any potential negative impacts to the surrounding area;*

Response: The Yorktown Commons project is partly intended to ensure that Yorktown remains a sustainable and viable retail destination. Secondly, it also address an area that has been underutilized or with excessive vacancies for an extended period of time. Much of this area includes parking fields that are no longer necessary for the modern consumer. The project is intended to create new life and vitality to this area by creating a walkable residential community that can draw upon the existing commercial base.

Without Yorktown making this improvement, the Village would have to place future lift station enhancement on our future Capital Improvements Program (CIP) list and the reconstruction costs would be paid wholly by the Village.

f. closes an existing leakage in retail sales tax dollars within the Village; and

Response: The project does not include a sales tax component, so the provision does not apply. However, by providing an upscale housing demand in the community, this increases the housing choice of current and future residents and may decrease the possibility that existing residents might move elsewhere for their housing.

g. addresses or minimizes the impacts of consumer expenditure cannibalization from existing businesses and projects in the Village.

Response: A cannibalization factor will not be applicable to this agreement. The incentive is intended to address an existing infrastructure deficiency.

EXHIBIT 1

ESTIMATED UTILITY CONNECTION COSTS (USING MOST INTENSIVE DEVELOPMENT SCENARIO)

Below is a narrative which identifies the methodology and cost figures that could be applied toward the Yorktown Commons development:

- **Houses and Townhouses** -Water = \$1350 for each house or each townhouse unit (a separate water service is run to each townhome unit, so each is charged a connection fee). Sewer is \$2150 for each house or townhouse unit (a separate sewer lateral is run to each townhome unit, so each is charged a connection fee). NOTE: There is a credit (sewer and or water) if there was a house on the site that was connection to the Village of Lombard sewer system (not applicable in this case). If a house was on a site and four townhouse units replaced it, we would charge for three new connections. This does not include the Glenbard Wastewater connection fee.
- **Apartments** -Water = \$1350 for the first unit and \$675 for each unit after that. Sewer = \$2100 for the first unit and \$1050 for each unit after that. This does not include the Glenbard Wastewater connection fee.
- **Commercial** -Water = The current fee is based completely on the size of the water service (see chart below (D)). NOTE: There is a credit for the existing water service in the case of a replacement building. So, if there was a 1" water service on the site from the old building that was torn down and the new building will have a 4" water service, we would deduct the 1" water service fee from the 4" fee for the new connection fee. This is done for both the domestic water service connection as one fee and fire suppression service connection as another fee. The domestic water fee and fire suppression water connection fee are added together for the total water connection fee. Sewer = Is figured using a formula (.0000067 X total land area, plus the water meter size using a factor of 2.40 for 1", 6.40 for 3", 13.40 for 4", plus the consumption rate based on average water used/going into the sewer for this type occupancy, multiplied by the standard \$2100 sewer connection fee). This does not include the Glenbard Wastewater connection fee.

Connection charges for commercial and industrial land uses as determined by classification under the zoning ordinance shall be calculated as follows:

(1)The charge for each water service connection, whether a domestic line connection or a fire suppression line connection, shall be based upon the diameter of the water service pipe as follows:

(a)	<i>Size of Domestic Line</i>	<i>Charge</i>
i.	<i>one (1") inch in diameter</i>	<i>\$630.00</i>
ii.	<i>one and a half (1.5") inches in diameter</i>	<i>\$1,130.00</i>
iii.	<i>two (2") inches in diameter</i>	<i>\$2,000.00</i>
iv.	<i>three (3") inches in diameter</i>	<i>\$3,560.00</i>
v.	<i>four (4") inches in diameter</i>	<i>\$6,330.00</i>
vi.	<i>six (6") inches in diameter</i>	<i>\$11,260.00</i>

(b)	<i>Size of Fire Suppression Line</i>	<i>Charge</i>
i.	<i>four (4") inches in diameter</i>	<i>\$4,250.00</i>
ii.	<i>six (6") inches in diameter</i>	<i>\$8,500.00</i>
iii.	<i>eight (8") inches in diameter</i>	<i>\$17,000.00</i>

(2)The charge paid for the existing size shall be credited against the charge for any future upsizing required due to a building addition or a change of use.

Assuming the highest end unit count of 970 apartment units, the project would have the following estimated connection fees for the residential units:

Water:	$\$1350+(969*\$675)$	=	\$655,425
Sanitary Sewer:	$\$2100+(969*\$1050)$	=	\$1,019,550
SUBTOTAL			\$1,674,975

In consideration of the proposed in-kind improvement swap of constructing a new lift station, this figure is what is used to balance the costs of the improvement. Note that in our preliminary analysis, we did not account for the commercial connections, as neither Yorktown or the Village currently know the non-residential use(s) and the corresponding service connections that would be need for the developments. But as the commercial component is not anticipated to be a significant portion of the overall development, the figures would not be extraordinary.

EXHIBIT 2

ESTIMATED LIFT STATION CONNECTION COSTS

(See attached sheet)



ENGINEER'S PRELIMINARY OPINION OF PROBABLE CONSTRUCTION COST

for

Yorktown Commons - Lift Station

Lombard, IL
February 24, 2016

1.0 LIFT STATION INSTALLATION	QUANTITY	UNITS	UNIT PRICE	COST
1.01 DUPLEX COMPONENT SANITARY LIFT STATION (COMPLETE)	1	ea	\$ 700,000.00	\$ 700,000.00
1.02 10" FORCE MAIN	2,800	lf	\$ 145.00	\$ 406,000.00
1.03 JACK & AUGER FOR FORCE MAIN INSTALLATION	200	lf	\$ 430.00	\$ 86,000.00
1.04 FORCE MAIN CONNECTIONS & VALVES	1	allowance	\$ 20,000.00	\$ 20,000.00
			\$	\$ 1,212,000.00

TOTALS:

1.0 LIFT STATION INSTALLATION	\$	1,212,000.00
2.0 20% CONTINGENCY	\$	242,400.00
3.0 PROJECT SUBTOTAL	\$	1,454,400.00
4.0 1% + \$500 VILLAGE ENGINEERING REVIEW FEE	\$	15,044.00
5.0 3% VILLAGE INSPECTION FEE	\$	43,632.00
TOTAL:	\$	1,513,076.00

This Preliminary Engineer's Opinion of Probable Cost is based upon V3's conceptual review and design of the proposed lift station and force main routing. Since V3 Companies has no control over the cost of labor, materials, equipment or services furnished by others, or over the Contractor's methods of determining prices, or over competitive bidding or market conditions, this Opinion of Probable Construction Cost is made based on V3 Companies' best judgment as an experienced and qualified professional engineer, familiar with the construction industry; however, V3 Companies can not and does not guarantee that proposals, bids or actual Construction Costs will not vary from the Opinions of Probable Construction Costs prepared by V3 Companies.

Typical Exclusions Assumptions

- * Assumed 25' to a ComEd transformer. We will provide the ComEd pad and secondary service. Price will be for a typical LS. No pipe, painting, permits, fees or utility charges.
- * Soft costs are not included

EXHIBIT 3

KANE McKENNA CORRESPONDENCE

(See attached sheet)

MEMO



TO: Scott Niehaus
William Heniff
Tim Sexton

FROM: Kane, McKenna and Associates, Inc.

DATE: March 9, 2016

RE: Proposed Yorktown Commons Incentive Review

Background

The Village of Lombard (the “Village”) requested Kane, McKenna and Associates, Inc. (“KMA”) to review a proposal prepared by Continuum (the development consultant to the mall owner) and YTC Mall Owner, LLC (the Yorktown Center owner; collectively, the “Developer”) regarding a request for an incentive related to a new residential and mixed-use development to be referred to as the “Yorktown Commons” (or the “Project”).

The Project proposal identified several cost components in the table attached which were identified as components that could be considered by the Village as part of an incentive request (and reduce the need for private financing to be applied to such costs).

KMA in conjunction with Continuum reviewed the impact of such cost reduction on estimated Project returns and on the overall Project implementation.

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Summary

The return and Project cost submitted by the Developer was deemed confidential and proprietary; as a result, only the aggregate information is reported herein.

Essentially, KMA and Continuum reviewed the end user development pro formas for each Phase – including the cost components attached in Exhibit A. The cost components (extraordinary costs identified by the Developer), if not subject to Village assistance, resulted in an approximately 0.1% return on cost differential (assuming total Project costs in excess of \$200,000,000). Although the return differential is narrow, KMA understood that the assistance was part of a larger Project risk assessment related to projected market rents. If the Developer's end users target return of 6.75% is to be achieved, then market rents at the upper end of the market range would need to be achieved (closer to \$2.20/s.f.). Currently, there are only a few comparables that were identified and none were at the top end of the Developer's range. Current rentals produce returns closer to 6.4% or 6.5%. It is our understanding that returns under 6.5% are more difficult to attract financing, given possible investment returns and other stronger market factors for competing projects. In effect, the Village assistance would serve as a "hedge" to improve returns in the event that the upper range rentals are not achieved. This serves as an inducement to the residential Developer's ability to attract capital by moving closer to the 6.75% "target" return.

Further, it was determined that the initial \$2,205,036 of extraordinary costs in Phases 1, 2, and 3 assistance would be required (potentially offset by a forgiveness of Village tap on fees) and \$1,173,370 in Phase 4 which could be funded by the Village's property tax rebate program. It is important to note that the Phase 4 assistance would be conditional upon the Project's actual need for the assistance at the time of Phase 4 implementation.

In the event that the return metrics determined by the Village and Developer are achieved at the time of implementation, the Village would reserve the right to modify the Phase 4 assistance (including returning tax rebate amounts to the affected taxing districts).

Overall, the Developer's request for assistance would appear to be reasonable in light of the current return requirements and market conditions. The Village reserves the right to "recalibrate" future assistance based upon market conditions then in effect at the time of later Phase implementation.

Yorktown Incentive Request

1/26/2016

Item	Description	Amount	Parcels 1, 2 & 3	Parcel 4
1	Sanitary Sewer Relocation			
	Parcel #1	\$256,350		
	Parcel #3	\$126,300	\$126,300	
2	New Sanitary Sewer Lift Station*	\$1,000,000	\$1,521,600	
3	Demolition & Hazardous Abatement			
	Demolition - Parcel #2	\$114,516		
	Demolition - Parcel #4	\$598,370		\$598,370
	Asbestos - Parcel #2	\$65,000		
	Asbestos - Parcel #4	\$340,000		\$340,000
	Subsurface Contam - Parcel #2	\$175,000		
	Subsurface Contam - Parcel #4	\$235,000		\$235,000
4	Streetscape Improvements			
	Developer - Parcels #1 & 2	\$242,436		
	Developer - Parcel #4	\$100,927		
	Mall Improvements - Primary**	\$476,218	\$476,218	
	Mall Improvements - Eastern	\$80,918	\$80,918	
	Total	\$3,811,035	\$2,205,036	\$1,173,370

* Sanitary Sewer Lift Station Housing is approx. \$100,000.

**Includes approx \$146,000 for pavers in Grace St/Ring Rd Intersection. Includes \$81,000 for street lights from Parcel 4 to 22nd Street.

EXHIBIT 4

**SELECTED EXHIBITS ASSOCIATED WITH THE APPROVED YORKTOWN
COMMONS DEVELOPMENT (FORM-BASED CODE)**

(See attached pages)

Intent and Applicability

Intent
Applicability

Relationship to Zoning Ordinance

Design Guidelines
General Framework
Supersession of the
Village Code

Applicability to Other Parts of the Village Code

Applicable Zoning
Building Code

Section I. – Intent and Applicability

A. Intent

The Yorktown Commons Planned Development establishes the vision for the parcels located along the northern edge of the Yorktown Shopping Center. The vision is to establish a pedestrian friendly mixed-use neighborhood that acts as a gateway to the Shopping Center from the north.

The Yorktown Commons PD Design Guidelines have been developed and approved in order to ensure the implementation of the vision while also allowing Land Use flexibility.

B. Applicability

The Yorktown Commons PD Design Guidelines are the mandatory development standards approved as a part of the Yorktown Commons PD. All development within the Yorktown Commons PD boundaries is subject to the following:

- ▶ PD Ordinance Regulations;
- ▶ Yorktown Commons PD Design Guidelines;
- ▶ Yorktown Commons Architectural Review Board; and
- ▶ Standard Village Site Plan Approval process.

The Yorktown Commons PD is comprised of four parcels as depicted in **FIGURE 01**. Collectively, the four parcels comprising the Yorktown Commons PD may be referred to as the Property or the Parcels. Individually, each parcel may be referred to generally as a Parcel or specifically by Parcel number (i.e. Parcel 1).

The Yorktown Commons PD Design Guidelines regulate:

1. Permitted Land Uses;
2. Site layout standards (such as Build-to-Lines, Frontage Occupancy, parking, Block standards, and Lot standards);
3. Site three-dimensional standards (such as Building heights, special urban design features, and frontage types);
4. Street Sections;
5. Open Space; and
6. Architectural Standards.



FIGURE 01: Yorktown Commons PD Location



Aerial view, looking south, of a possible development scenario for the Yorktown Commons PD



View looking West down Yorktown Ring Road of a possible development scenario.

Vision

Illustrative Scenario 1

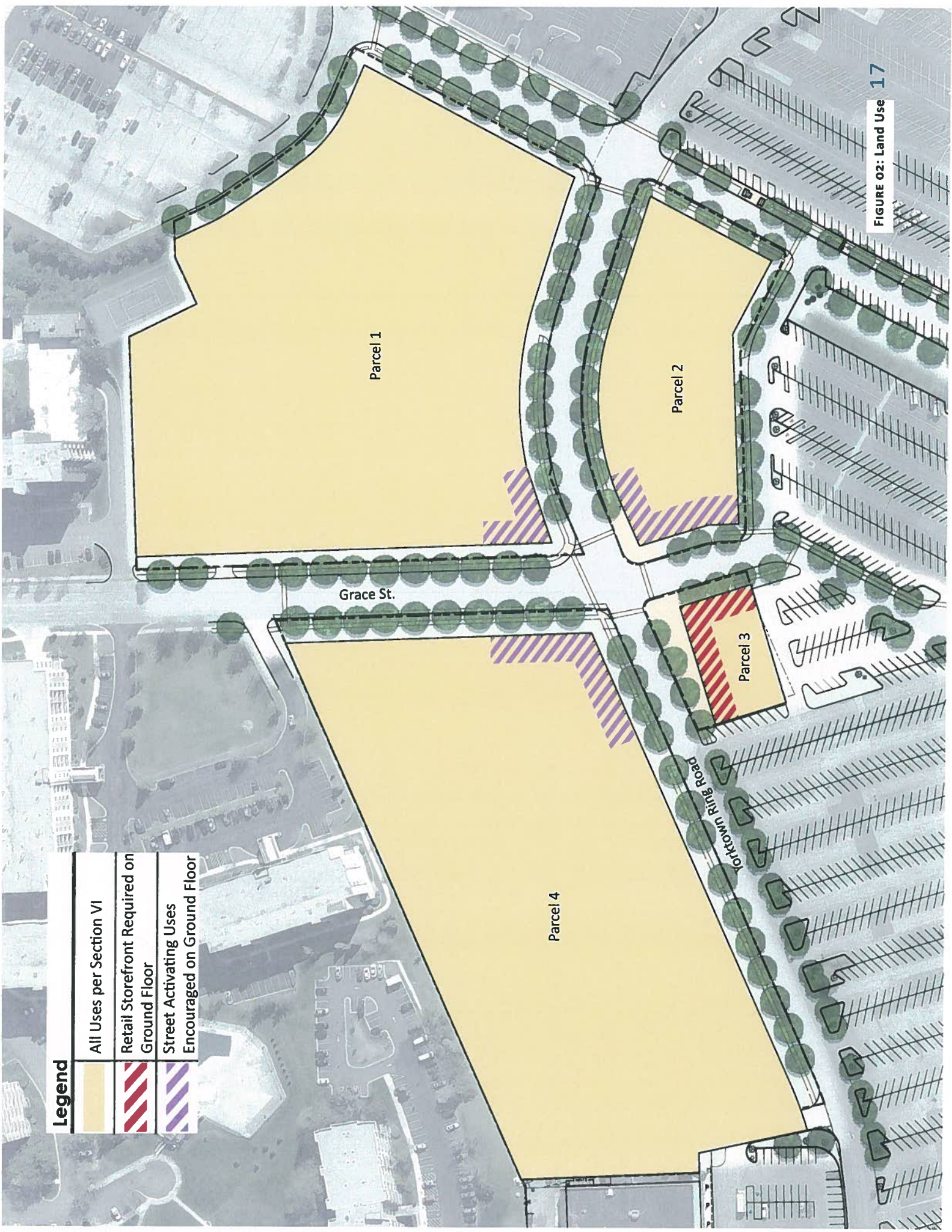
This scenario illustrates multi-family in the north-east quadrant and town houses in the north-west quadrant. Additional streets would be added in this scenario that have sidewalks and parkway trees where homes front the street and parking is relegated to the back to create a pedestrian friendly environment. A common green is dedicated as a recreational amenity for townhouse residents.



Illustrative Scenario 2

This scenario illustrates multi-family in both the north-east quadrant and north-west quadrant. In this scenario the linear green space to the east of Grace Street continues west of Grace Street to a green space leading to Yorktown Ring Road creating a pedestrian loop that alternates between urban Streetscape, courtyards, and linear greens.





Legend




	All Uses per Section VI
	Retail Storefront Required on Ground Floor
	Street Activating Uses Encouraged on Ground Floor

FIGURE 02: Land Use 17