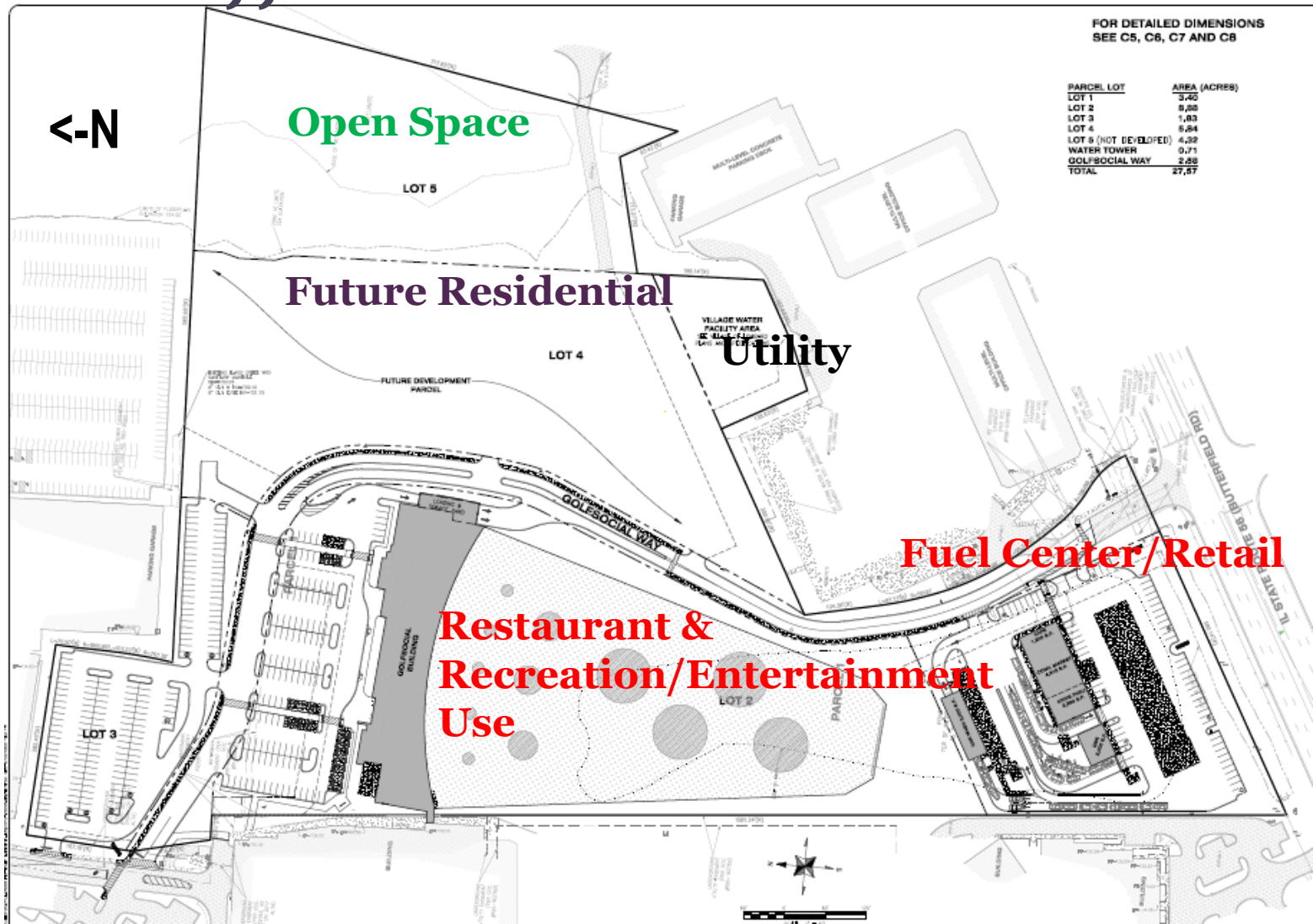


Northern Seminary Redevelopment 600-690 E. Butterfield Road Economic Incentive Request

Lombard Village Board of Trustees Meeting

March 18, 2021

Northern Seminary Redevelopment Hoffmann 600 Lombard LLC



Northern Seminary Redevelopment Hoffmann 600 Lombard LLC

Status

- Economic Incentive request introduced to ECDC on October 7, 2020;
- ECDC review/recommendation on December 14, 2020;
- Initial discussion before Village Board on January 7, 2021, with Village Board support to negotiate final terms;
- Zoning entitlements approved January 21, 2021;
- Amended review/recommendation by ECDC on March 11, 2021;
- Future actions will include a purchase/sale agreement with Hoffman for 0.7 acre tract for a Village water tower; and
- Land development agreement to be finalized.

Project Recap

- One of a limited supply of large properties available for infill development (27.55 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

Site Challenges (Incentive Need)

- Advance engineering (\$24,000,000 estimated) to get the property ready for development alone
- 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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Specifics:

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

Seeking an economic incentive to cover preliminary extraordinary costs, which could include, but not be limited to:

| | |
|---|-----------------|
| 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:

- Sales Tax (1%)
- Lombard Places for Eating (PFE) Tax (2%)
- Lombard Amusement Tax (5%)
- Generated EAV property tax increment
- **Business District 2 Proceeds (further discussion offered)**

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Estimated Payouts by Village Based Upon Source Revenues and Recommended Percentages



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Favorable Considerations Being Met:

- a. significant private-sector financial investment
\$159,000,000 est. project cost
\$ 27,500,000 potential incentive
(at least 83% of est. project costs unreimbursed)
- 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;

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Review of Incentive Ask:

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

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ECDC Initial Recommendation (Dec 14, 2020):

On December 14, 2020, the ECDC **supported** the incentive request:

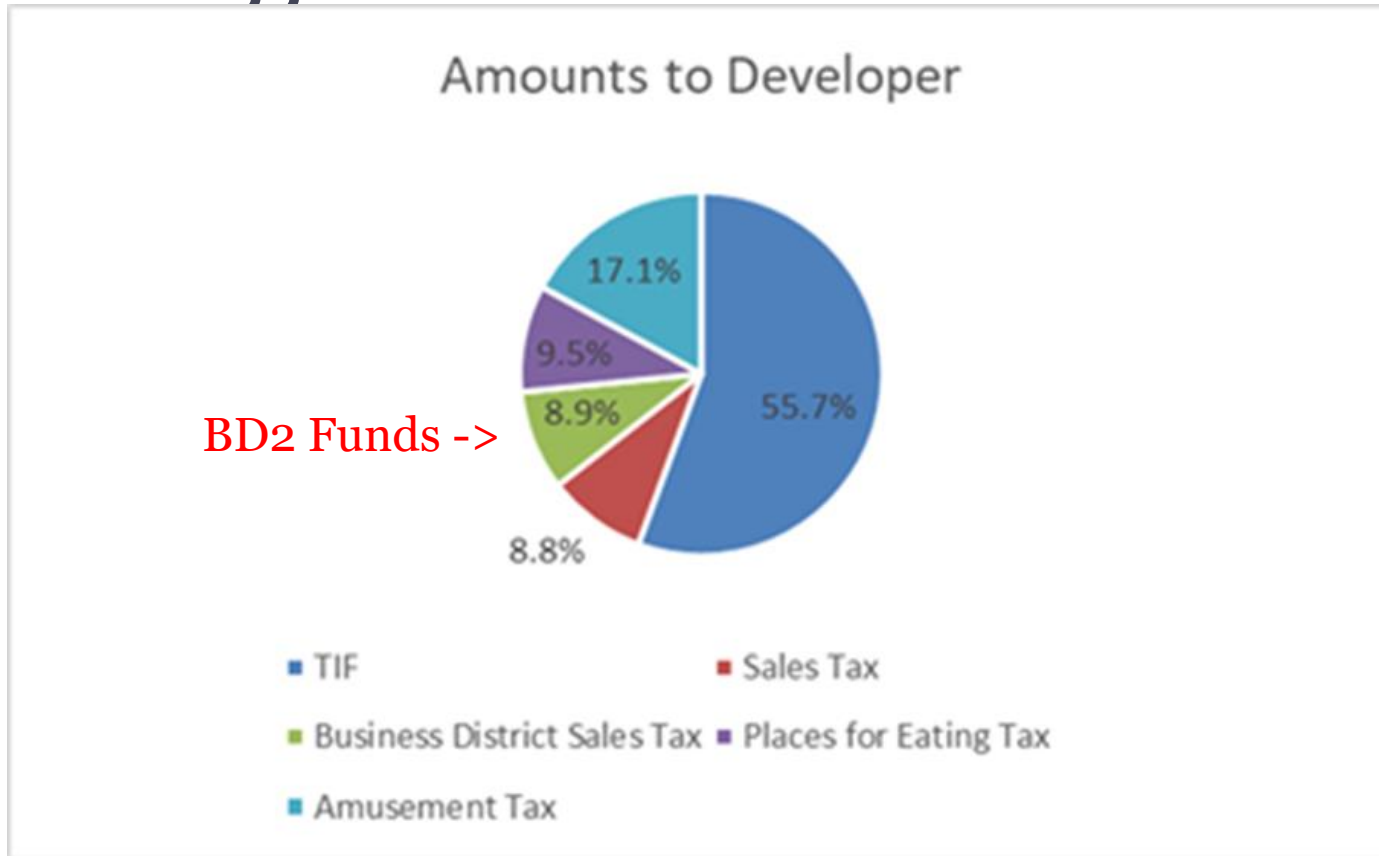
- Amount not to exceed **\$27,500,000** in eligible reimbursement costs to be derived **over a sixteen (16) year period**, whichever comes first;
- Performance-based **(Pay As You Go)**: eligible and documented expenses as well as any “prove-up of all construction costs”;
- Maximum amount of the reimbursement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

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Subsequent Action

- In crafting the Agreement, issues arose pertaining to the interest rates that would be associated with the proposed Economic Incentive and source funding being offered by the Village.
- Business District funding is not a tax of general applicability per IRS provisions. As such, the BD2 funds would be considered taxable revenues.

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Actual dollars associated with request remains unchanged (\$27,500,000)

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Hoffmann Amended Request

Three actions sought by Hoffmann:

- Removal of any BD2 proceeds from the eligible sources for reimbursement;
- To account for the removal of BD2 funds, change the eligibility period from 16 years to 18 years (cannot be any later than the end of the 2040 tax year, which is the 2041 calendar year); and
- The Village would review removing the Hoffmann site and 747 E. 22nd Street properties from the BD2, as this step would be needed to make the incentive non-taxable.

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ECDC Amended Review (March 11, 2021):

- Business District 2 (BD2) was created as a possible incentive funding source for future redevelopment projects
- BD funds are of limited rather than general applicability. IRS tax codes would make them subject to being taxable (approx. 9-10% rate)
- Even if BD funds were not sought for this project, as they are going to the market for project financing, they cannot take advantage of nontaxable rates (i.e., approx. 6%)

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ECDC Amended Review (March 11, 2021):

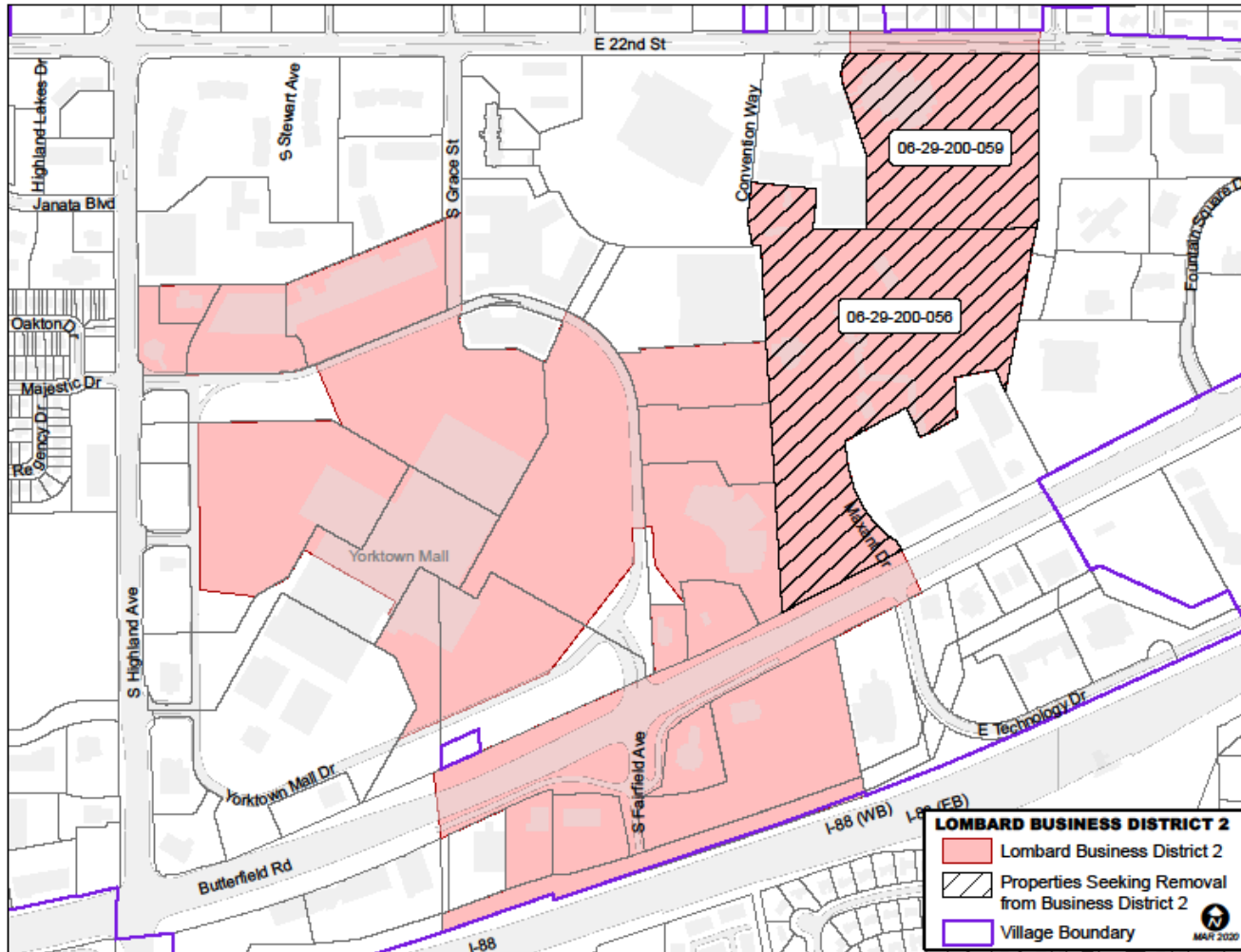
- **Time extension (from 16 to 18 years)** is to offset in previously projected BD2 funds
- Hoffmann projections shared with Village
- Butterfield Yorktown TIF expires on December 31, 2041 (2040 tax year), so Village cannot pledge any funds beyond that date

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ECDC Amended Review (March 11, 2021):

- **Removal of property** would require full BD2 review to ensure remaining part of district meets qualifying factors
- 747 E. 22nd Street (office building) would also need to be removed as contiguity would no longer exist
- 3+ month review effort (undertaken after Agreement is considered) with public notice per State Statutes
- Agreement would only state that Lombard would review matter – not guarantee it

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ECDC Amended Recommendation **(March 11, 2021):**

1. The incentive shall be in an amount not to exceed \$27,500,000 in eligible reimbursement with a termination date of **December 31, 2041**, whichever comes first (*should the property be removed from BD2*);
2. The Agreement shall be a performance-based incentive based upon eligible and documented expenses as well as any “true-up of all construction costs”; and
3. The maximum amount of the reimbursement shall not be guaranteed, if in event the maximum revenues are not achieved.

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Village Board Requested Action:

1. Review submitted materials prepared by Hoffmann, staff, and Kane McKenna & Associates;
2. Consider draft Ordinance and Agreement on First Reading; and
3. Should the Village Board approve First Reading, final approval of the Ordinance and Agreement will be placed on the April 1, 2021 Village Board agenda for approval.

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Village Board Future Actions:

1. Consider/approve purchase/sale agreement for proposed Lot 7 parcel for future water tower purposes;
2. Consider/approve companion land development agreement for entire planned development.

*Northern Seminary Redevelopment
Hoffmann 600 Lombard LLC*

Questions