

## MEMORANDUM

**TO:** Scott R. Niehaus, Village Manager

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

**MEETING DATE:** November 28, 2018

**RE:** **101-109 S. Main Street Request for Proposals (RFP) – Village Board Workshop Session**

The Economic and Community Development Committee (ECDC) was tasked to undertake the formal review of the received proposals for the sale and redevelopment of the Village owned 101-109 S. Main Street property. On November 12, 2018 the ECDC completed its review and offered its recommendation to the Village Board. To facilitate the review effort at the Village Board level prior to taking any formal vote, a Special Workshop Meeting of the Village Board is being held on Wednesday, November 28, 2018.

### **BACKGROUND**

In April, 2017 the Village Board directed staff to pursue redevelopment options through a Request for Proposals (RFP) process for a single-tenant grocery store. The Village did not receive any proposals for the site. Staff brought this matter back to the Village Board on November 30, 2017 as part of the Village's Strategic Planning efforts. Through this discussion, the Village Board provided the following direction:

1. The Village Board would still like to see the property sold for a private redevelopment that generates property taxes. This narrative is important as the desire is to get the property back on the tax rolls and generating equalized assessed value (EAV) for the Downtown Lombard TIF District in its final years of existence.
2. The Village should re-issue a new RFP to provide for any viable private redevelopment use. This option would let the private market dictate the land uses of the development, subject to general Village Code provisions and the underlying Zoning Ordinance requirements.
3. Once proposals are submitted, the Village will then determine which projects merit further consideration. The Village would then initiate negotiations regarding the specific development proposals, with a focus upon seeking the "best deal" approach.

Staff created an amended RFP, released the document on February 1, and solicited interested parties to submit proposals by April 16, 2018. Four proposals were submitted for consideration and over the summer months, a formal review and interview process was undertaken by staff,

Kane McKenna (KMA), the Village's economic development consultant, and the interested parties. The result of this effort is that two of the proposals were eliminated from further consideration while the two other proposals (Luxica and Holladay Properties) were reviewed and refined in greater detail, taking into account comments raised by the ECDC, staff, KMA and the public.

### **RELEVANT DOCUMENTS**

Attached are the reports and documents that were considered by the ECDC in their deliberations, including:

1. The August ECDC packet, which included the RFP submittal for the two semi-finalist entities as well as the initial staff and KMA review efforts;
2. The October ECDC packet, with the revised plans for Holladay and the pro-forma modifications were offered by Luxica; and
3. The November ECDC packet, with modified plans and pro-forma by Luxica and Holladay based upon a subsequent round of reviews and meetings.

### **ECDC CONSIDERATIONS & RECOMMENDATION**

At the November meeting, the ECDC members considered the presentations and materials provided at past meetings. They offered their recommendation that the Village Board direct staff to enter into negotiations with Holladay Properties on a purchase and sale agreement for the 101-109 S. Main Street property. As part of their recommendation, the members offered their comments as part of their vote, as follows:

*Mr. Bennett said the ECDC was tasked to look for the best deal and to review the economic component. He said he reviewed the materials and noted 10 concerns he has on the Luxica project. Ms. Ganser passed out materials to the ECDC from Mr. Bennett. The 10 concerns were quotes from the KMA report regarding incentives, the TIF, and the financial aspect. He said based on revenues, the best deal for the Village is Holladay.*

*Ms. Dillon asked Luxica what is the failsafe plan if the national retailer goes out of business. Mr. Czarnowski said first, the \$100,000 is not up-front that is upon completion, the majority of the incentive request is performance based. He said their debt service coverage is 1.4 and they could still pay their debts if a tenant left. He said a national tenant would not sign a lease until a project is further along and they may sign a lease for 10 years or more. He said if the project is doing well he can share with the Village.*

*Mr. Ladle said if Luxica buys the land for \$1 the asset is gone. With Holladay, the Village would have \$1.5 million. He asked if Luxica should include that as an upfront incentive as they want the land first. Mr. Czarnowski said his proposal includes a clawback if the land is sold within seven years. Mr. Ladle said that is profit or revenue sharing and, he said the Village will be*

*giving the land at a reduced price which should be factored in. Mr. Czarnowski acknowledged that their offer is \$1 versus \$1.5 million from Holladay. Mr. Ladle said if the project is not successful, the Village could lose the value of the land. Mr. Czarnowski said the Village would receive sales tax, if the property was foreclosed the bank would have lien rights. Mr. Ladle said the ECDC has seen requests for existing businesses asking for TIF funds and reviewed the Public Works projects that could be completed. He said there are available properties in the downtown that could use the TIF funds for grants. He said he agrees with Mr. Bennett.*

*Mr. LaVaque asked what the appraised value of the land is. Mr. Heniff said the Village doesn't have a final appraised value but speculates it is close to the number Holladay proposed. Mr. LaVaque said \$1.5 million is a small portion of the Village's budget. He said the ECDC should look at the history of the site and keep a portion as open space for the public. For Holladay, the property can only be enjoyed by those who live there. There is risk with both projects, but for this property the ECDC should consider the community use to help other property owners and residents who already live here. He said he would recommend that others consider Luxica.*

*Ms. Vant Hoff said she reviewed the property taxes each development would generate over 20 years and that Holladay would generate much more than Luxica. As a new parent she noticed the amount of taxes the school districts would receive. She said Holladay has proven they can develop this property and drove by their project in Downers Grove. She said the downtown will benefit from this and we need people rather than more empty storefronts. Mr. Czarnowski said the taxing districts would incur costs as well.*

*Mr. McNicholas said he has been on the ECDC for a long time and remembers when the property was considered for other uses. Ms. Ganser passed out materials to the ECDC from Mr. McNicholas. He said it is a different time now regarding finances and the Village can't depend on the State for funding. Our future financial security depends on us being prudent with funds. He discussed the Prairie Path condos and how the commercial spaces were vacant for years. Since Luxica removed the residents he wonders where the customers would come from and if the new businesses would cannibalize existing businesses. If the project goes bankrupt then the gift to the Village becomes a gift to commercial lenders. He said Trustee Tross' comments may not have envisioned an incentive request. He said the responsibility here is to the community as a whole. He said he agrees with Mr. Bennett.*

*Mr. Bennett made a motion to recommend that the Village Board enter into negotiations with Holladay Properties on a purchase and sale agreement for the subject property. Mr. Pike seconded the motion. Ms. Ganser asked if there is any discussion of the motion. Ms. Dillon said she agrees with Mr. McNicholas' statements.*

**ACTION REQUESTED**

Staff is placing this item on the agenda for the November 28, 2018 Special Meeting of the Lombard Village Board as a Workshop item. The Workshop meeting will provide the opportunity for staff to review and summarize the completed Request for Proposals (RFP) process, the ECDC review of the proposals and its recommendation. Staff will be offering a PowerPoint presentation at the Village Board meeting itself. No formal action is sought from the Village Board at the meeting.