Welcome to the
Economic Development Commission Meeting

Thursday, November 1st at 8 A.M.
AGENDA ITEM #3 – ECONOMIC INCENTIVE REQUEST FROM TUCKER DEVELOPMENT GROUP (DISTRICT 1860 PROJECT – LINCOLN/TOUHY)
Subject Property
EXHIBIT 9 - FUTURE TRAFFIC OPERATIONS

Legend:
- Existing Travel Lane
- Proposed Travel Lane
- Existing Stop Sign
- Proposed Stop Sign
- Existing Traffic Signal
- Proposed Traffic Signal
- Pedestrian Crosswalk

Future Improvements:
1. Provide dual NB left-turn lanes on Lincoln Ave at Touhy Ave.
2. Provide WB right-turn lane on Touhy Ave at Lincoln Ave, Kilbourn Ave, and Rosslyn PI.
3. Provide a right-turn treatment (channelization) on SB Lincoln Ave at Touhy Ave.
4. Signize the proposed site access at Lincoln Ave and coordinate with the existing signal at Touhy Ave.
5. Consolidate the separate entry and exitways to promote one access, containing one inbound and two outbound lanes (left and shared through/right).
6. If feasible, consolidate the Lincolnwood Corporate Center access driveways and align signage to the proposed new signalized access (outside control of development).
7. Provide a left-turn lane and shared through/right-turn lane on the site access driveway.
8. Provide one general purpose lane with shared turn.
9. Construct a NB and SB left-turn lane on Lincoln Ave at all the proposed new signalized site access.
10. Remove on-street parking along Lincoln Ave between Chase Ave and Kasner Ave to provide the recommended improvements.
11. Modernize the traffic control signal at Lincoln Ave and Touhy Ave; include pedestrian signal accommodations.
12. Increase the EB left-turn lane storage on Touhy Ave at Rosslyn PI.
13. Increase the SB left-turn lane storage on Lincoln Ave and Touhy Ave.
14. Restrict Chase Ave to 1 access (left-in/right-in/right-out).
15. Improve the pedestrian crosswalk to high visibility (continental style).
16. Consider a raised intersection (speed table) at the north internal intersection.
17. Provide stop sign control on the EB and WB approaches; maintain for all-way stop control.
18. Provide curb extensions (bump-outs).
FINANCIAL INCENTIVE REQUEST

- $25,000,000 in tax exempt revenue bonds with no financial risk to the Village
- $5,000,000 Developer Subordinate Note (pledged to the School Districts should funds be needed over the 40% allocation)
- $1,000,000 to the Hotel developer Subordinate Note
- $3,300,000 to the Hotel developer, to be generated by rebating the entire 7% Hotel tax, until payment is complete (projected at 5.5 years).
KEY PARAMETERS OF THE PROJECT

• Mixed use – high density multi-component project including retail, commercial, hotel, luxury residential apartments and parking (on grade and structured).

• Large scale development budget of $160,000,000 and 80,000 s.f. of retail/commercial buildings, a 300 unit apartment building and 220 room hotel facility (two products).

• Significant parking with spaces allocated to structured and on grade components.

• Two primary components: Tucker responsible for retail and residential components and First Hospitality Group responsible for the hotel component.
PROJECT OVERVIEW

Pros
• High density reflects Village corridor planning and vision for the corridor.
• Potentially generates diverse and significant taxes (property, sales, hotel, food and beverage, utility, etc.).
• Represents “signature” or gateway development with intensive community uses.
• The “gap request” is related to TIF revenues and new hotel tax revenues.

Cons
• Costs of parking and site preparation (including off site) are higher due to site conditions and density of uses.
• Requirements for a higher risk project with multiple moving parts drives up private investment returns and creates a “financing gap”.
• Public funding is requested to “close” the gap and pay for certain costs.
KANE MCKENNA (KMA) ANALYSIS

• Reviews Developer assumptions as to revenues and project budget.
• Reviews Developer return methodology and basis for request.
• Sensitivity analysis as to key variables:
  • Capitalization rate and valuation
  • Debt/equity ratios
  • Budget items
LIMITATIONS OF ANALYSIS

- Still many “moving parts” –
  - No firm finance or equity commitments
  - No final cost estimates
  - No final lease or user commitments

As a result, KMA can only determine what is reasonable or within current market ranges, with mechanisms agreed upon for a “true up” as the project is refined.
OBSERVATIONS – DEVELOPER PROPOSAL

- Construction costs for parking are approximately 13% of the hard cost budget.
- Site preparation/TIF eligible costs of $18,850,000 are significantly higher in relation to average file data – but the Village should review in more detail during the next steps with the Village appointed negotiating team.
- Retail and residential construction costs also at the higher end of the industry ranges.
• The Developer’s estimate of the residential operating expenses is at the higher end (40% vs. 35% of revenues) - if reduced it could improve the leveraged returns and potentially result in a reduction in the Developer’s request.

• Similarly, reductions in any cost items or an increase in projected revenues could result in a reduction in the incentive (the Village should consider an “open book” approach to monitor updated economic data).
DEVELOPER REQUEST

- Net incentive of $31,00,000 to be structured as a $25m senior revenue bond and two subordinate notes - $5m to Tucker and $1m to the Hotel Developer.
- The Hotel Developer also requires up to $3.3m in an annual hotel tax rebate – based on 50% of hotel taxes.
- No other Village pledge of revenues required (only TIF and hotel taxes).
- A new Intergovernmental Agreement (replacing the current agreement) with the school districts is proposed for additional payments to the schools in the event that the TIF allocation of 40% of residential increment is insufficient for annual tuition costs.
POSSIBLE TIF PROJECT
FLOW OF FUNDS

1) Annual TIF Increment
2) Less:
   - TIF Administration
   - Trustee Fees
   - School/Library Costs
     (net from residential)
3) Equals Bond Pledge

Bond Pledge Revenues to:

- Senior Bond Payments
- Required School Payments (>40%)
- Subordinate TIF Notes
  (Tucker and Hotel)
VILLAGE POLICY & FINANCIAL REVIEW: KEY QUESTIONS

1. Given that a gap is present – how much of a financial incentive is the Village willing to fund and for what cost components?

2. Subject to further information – is the Hotel Developer request acceptable?

3. Can the parties begin to structure a redevelopment agreement in order to flush out key business points?

4. What are the conditions that the Village would require prior to the issuance of TIF revenue bonds?
REQUESTED ACTION

Recommendation to the Village Board of an Economic Incentive Framework for an Agreement with Tucker Development Group
ECONOMIC DEVELOPMENT COMMISSION:

COMMISSIONER QUESTIONS??