



Economic Development Commission

**Wednesday, December 19, 2018
Council Chambers Room**

Commissioners Present

James Kucienski, Chairman
Patrick McCoy, Vice Chair
Rivak Albazi
James Berger
Myles Berman
Peter Dyer
Maureen Ehrenberg
Tim Garcia

Commissioners Absent

Joe Spagnoli

Staff Present

Steve McNellis, Community Development Director
Robert Merkel, Interim Village Manager/Finance Director
Charles Meyer, Assistant Village Manager

Others Present

Barry Bass, Village President
Georjean Nickell, Village Trustee
Jesal Patel, Village Trustee
Bob Rychlicki, Kane, McKenna & Associates (KMA)

1. Call to Order/ Quorum Declaration

Noting that a quorum of eight members was present, the meeting was called to order by Chairman Kucienski at 8:02 AM.

2. Minutes Approval

Chairman Kucienski asked the Commission if any edits were to be made to the November 28, 2018 meeting minutes.

Hearing no corrections, Chairman Kucienski called for a motion to approve the minutes. Commissioner Berman moved and Vice Chair McCoy seconded the motion. There was a consensus to approve the minutes.

3. Economic Incentive Request from Loeber Motors

Chairman Kucienski welcomed Mike Loeber, President of Loeber Motors, and his representatives. Chairman Kucienski then asked for Community Development Director, Steve McNellis, to provide some background information on this project via a PowerPoint presentation.

Director McNellis presented the following points:

Proposal from Loeber:

- 1) To construct a new two-story Porsche showroom (with second floor offices) on the existing dealership site. **\$6,000,000 cost**
- 2) Acquire and renovate the vacant warehouse building at 7125 N. Lincoln Avenue and utilize the facility/site for storage and detailing of automobiles. **\$1,500,000 cost (\$1,100,000 acquisition + \$400,000 renovation)**

Total Costs: \$7,500,000

Incentive Request:

- Extension of the existing Economic Incentive Agreement by 15 years (original 15-year agreement set to expire in 2021).
- New cap of \$7,000,000 (original agreement cap is \$5,000,000, of which \$1,500,000 is expected to be paid-out by 2021).
- Village Consent to a Cook County Class 7C Tax Abatement Incentive for 7125 N. Lincoln Avenue only.

Total Value: +\$5,500,000 in new sales tax sharing + rebate in Property Taxes

Auto Dealer Incentives

Past

- **Grossinger Autoplex (1990)** – Village assisted in funding of an IDR to construct the Autoplex, which consolidated dealerships in and outside the village. Portion of sales tax used to fund bond payment. Cap = \$5,000,000 Bond. 20-year payback – *paid*

Current

- **Loeber Porsche (2004/5)** – Village shared 50% of sales taxes from the first dollar generated for new Porsche dealership relocated from Chicago. Cap = \$5,000,000. 16-year payback – *to end in 2021*.
- **Grossinger Hyundai (2009)** – Village shares 50% of sales tax over a base amount of \$165,000, annually for a new dealer that replaced a Volvo dealership. Cap = \$1,200,000. 20-year payback – *to end in 2029*.
- **Zeigler Auto Group (2018)** – Village will share 50% of sales tax over a base of \$420,000, annually for a new Cadillac facility and remodeled Buick/GMC facility. Cap = \$10,000,000. 15-year payback – *to end in 2034*. Cook County Class 7c Incentive also approved for Cadillac property.

Current Economic Incentive Policy

- Economic Incentive Policy & Guidelines established in 1995 and updated substantially in 2012. Reviewed and recommended by EDC. Approved by Village Board.
- Placed a cap of ten years on any agreement.
- Required a provision for inflation indexing for incentives which provide sales tax revenue sharing over a base amount.
- Agreements should be provided to new businesses that provide significant new sales tax revenue OR existing businesses that have a substantial change to their business (e.g. New division or dealership added). Base would be instituted.
- Agreements should require new businesses to provide a Development Plan that enhances the value and appearance of the new business location.

Analysis

- Village currently collects approximately \$137,000 in sales tax revenues (50% of current \$274,000 in sales tax generated, from both Porsche and Smart cars, per existing economic incentive agreement)
- Proposal to extend the agreement does not represent any loss in sales taxes to the Village, as the current amount will continue to be received.
- A loss would occur if the dealership relocated.
- An increase in sales tax revenues is likely with additional allocation of Porsche automobiles to the dealership, which is possible only with the acquisition of 7125 N. Lincoln Avenue for storage and rebuilding the Porsche showroom to Porsche's exact standards.

Class 7C Consent Request

- Four Eligibility Requirements:
 1. Real Estate Tax Analysis – Real Estate taxes must have declined or remained stagnant for at least three of past six years? YES
 2. Viability and Timeliness – Reasonable expectation the redevelopment is viable and likely to go forward on a timely basis? Due diligence been completed and need to meet Porsche standards to insure adequate allotment of vehicles for sale. YES
 3. Assistance and Necessity – Determination that the project would not go forward “but for” the requested Class 7C incentive. This is a judgement call based upon materials provided. YES
 4. Increased Tax Revenue and Employment – Provision of an analysis projecting added sales tax revenue and employment. Anticipated employment to increase by 10 employees to start. The proposed property tax revenues with the Class 7C incentive are actually slightly higher than the current (protested taxes due to vacancy) taxes and after five years would be expected to increase by at least 60%. YES

Village Impacts / Benefits

- Impacts:
 - Cost of municipal services would remain unchanged (private property, with no public improvements, no additional residents, no additional fire risk).

- Small increase in Police theft calls is possible with additional inventory (increased call volume would be negligible, with no additional officers or change in police procedures necessary).
- Benefits:
 - Sales tax revenues anticipated to double by 2026.
 - Rebranding dealership to “Porsche Lincolnwood” presents an immeasurable value based on the association with a high-profile luxury brand.
 - Re-use of a long-vacant warehouse (7125 N. Lincoln), which had generated little interest, as part of a consolidated “campus” rather than a single-isolated development.
 - Significant investment of this level greatly increases the likelihood the dealership will remain in Lincolnwood for foreseeable future.

Deal Points

- Specific Deal Points for a proposed Agreement:
 - “Claw-Back” or “Go-Dark” clause – triggered if the dealership closes before the Agreement term concludes. Allows retrieval of sales tax revenues shared, on a sliding scale.
 - “Open Book” – allows Village access to Loeber’s internal sales tax data to confirm stipulations of the Agreement.
 - Certificate of Occupancy for improvements (existing site and 7125 N. Lincoln) must be approved prior to beginning of extension period.
 - Village has the right to audit (not more than quarterly, unless a material breach occurs) the books of the Porsche dealership.

KMA recommends the Village consider the following:

- A. Determine if there will be “claw-backs” and repayment of the incentive if dealerships close.
- B. Will the Village require an “open book” review in order to monitor project costs, or returns, with adjustments to sales tax assistance if costs are lower or if revenues are greater.
- C. The Village should identify if there are any other public costs associated with the project as proposed.

Bob Rychlicki then presented his firm’s analysis of the proposed economic incentive package. Mr. Rychlicki stated that Loeber is at a key juncture and that Loeber’s ability to expand is tied to meeting the manufacturer’s standards for the physical structure and layout of the dealership, and the only way to get more vehicles on site for sale is to meet those exacting standards. Mr. Rychlicki agreed the proposed costs for construction to meet those standards seem reasonable. He also noted they are lucky that the proposed acquisition property next door is available. Mr. Rychlicki looked at the potential increase in property value for the building that will be purchased by Loeber and noted that the property taxes should rise at the site. Mr. Rychlicki said that the information on sales numbers shows that Porsche is unique, in that there are many out-of-state sales where customers reside elsewhere, but travel to this dealership to buy vehicles.

Mr. Rychlicki forecasted about \$5.6 million in sales taxes to the Village and \$5.6 million to Porsche once the increased auto sales kick-in, which is a \$4.3 million increase. This analysis does not include any anticipated increase from Smart Car sales, as Loeber has noted they are essentially non-existent at this time. Mr. Rychlicki stated that the present value of this dollar amount was about \$2 million, which is the value of the “extraordinary costs”, so the sales tax rebate justifies the Village’s “investment” in a sales tax rebate.

At the conclusion of the presentations, Chairman Kucienski asked the EDC if they had any questions.

Commissioner Ehrenberg asked Mr. Rychlicki what his thoughts were about extending the period of the agreement beyond what is currently setup for Loeber. Mr. Rychlicki stated that because we have a track record with Loeber, we know what we are getting, and to keep at least receiving what the Village receives now is important.

Commissioner Ehrenberg asked Mr. Rychlicki if he did a time analysis on the difference between starting the extended agreement at occupancy of the new facility in 2020 as opposed to 2021, when the existing agreement ends. Mr. Rychlick said that he looked at both and the difference in present dollars was a couple of hundred grand in present value.

Commissioner Ehrenberg asked Mr. Rychlicki if there was a clear start date and if it mattered and he said yes, it does matter and it is important that the Village clear-up the start date.

Commissioner Berman asked Mr. Rychlicki if there was anything that he didn’t like about the proposal from Loeber. Mr. Rychlicki stated that he couldn’t think of anything. He said that he while he was asked not to publically release in his report the same data as Zeigler reported in their deal, he had reviewed that information and it did help make the case.

Commissioner Berman asked Mr. Rychlicki to compare the proposed deal with Loeber to the deal that was recently approved for Ziegler, and inquired if he was comfortable moving forward with this deal. Mr. Rychlicki said that the Loeber deal was more straightforward and there are good economic development benefits for the Village in this deal. He noted he is comfortable with the proposal and supports it.

Commissioner Berman stated that he didn’t think that Loeber was going to leave the Village and that if they were going to leave the Village then they would have done so already. Mr. Rychlicki said that KMA works with about 40 different communities and has found that car dealerships provide significant tax revenues for communities, and that communities in advance often offer tax incentives. With what Loeber is going to do with this facility it will be impressive. The alternative of not having them is much worse.

Vice Chair McCoy asked if the Village and Loeber had reached out regarding electrical grid improvements that would be needed as part of the improvements at Loeber for electrical vehicles. Mr. Loeber stated that they have been reaching out to ComEd and Mr. McNellis stated that the Village would help to coordinate efforts between Loeber and ComEd to make necessary improvements.

Vice Chair McCoy asked if there is a way for this project to add greater benefit to the Village or any thought given to providing public areas for charging stations that could be utilized. Mr. Loeber stated that benefits are part of Porsche's commitment and as soon as they start selling electric cars they will provide the power source for any Porsche client who travels across the country who needs to find a charging station in the area.

Commissioner Ehrenberg asked if there a way, in keeping with corporate social responsibility (CSR), that there could be an opportunity to explore and look at charging opportunities. Mr. Loeber stated that understanding the value of providing this benefit, he has to balance that with the needs of Porsche and if he offered public charging stations at his Porsche facility it may impact availability and expectations for his customers. He suggested maybe doing it off-site is an opportunity. Mr. McNellis stated that CSR and benefits to the Village is something that will be on an upcoming agenda, whereby the goal would be for a policy coming out of the EDC for projects of a certain magnitude and that Mr. Loeber should perhaps be responsible to provide an amenity in keeping with the outcome of that policy process. Ms. Ehrenberg added that the idea for the policy is not to be onerous.

Chairmen Kucienski stated that we've had more experience with Loeber than other recent new auto dealerships, and a good working relationship for the last 12 years and this is a logical thing to do at this point because there is an extra incentive that Porsche is giving an extra opportunity to bring more vehicles for sale into the community.

Chairman Kucienski, having determined that the discussion was complete, asked for a motion.

Commissioner Ehrenberg made a motion to approve extension of the existing agreement with the stipulations mentioned in the discussion, including:

- 1) Provision of a "claw-back" or "go-dark" clause, triggered in the event the dealership closes before the Agreement term concludes, that allows the Village to retrieve sales tax revenues shared with the dealership, on a sliding scale;
- 2) Open access permitted to the Village for Loeber's internal sales tax data ("open book" access), with the Village's agreement to utilize such information only for the purposes of confirming the stipulations of this agreement;
- 3) Village has the right to audit (not more than Quarterly, unless a material breach has occurred) the books and records of the Porsche dealership;
- 4) The fifteen-year extension period will begin at the end of the existing Agreement, assuming a Certificate of Occupancy has been issued for the use of all approved improvements on 7101 and 7125 North Lincoln Avenue;
- 5) Loeber shall be responsible for meeting the provisions of an EDC policy, if adopted by the Village Board, requiring the provision of certain amenities in keeping with the principles of Corporate Social responsibility; and
- 6) Consent to a Cook County Class 7C Tax Abatement request for 7125 North Lincoln Avenue.

Mr. Loeber said that the deal points as presented are acceptable. Mr. McNellis clarified that the corporate social responsibility costs for Loeber would not be any different than expectations for other entities covered by this proposed policy. The motion was seconded by Vice Chair McCoy. The Motion was approved by a roll call vote as follows:

Ayes: Albazi, Berger, Berman, Dyer, Ehrenberg, Garcia, Vice Chair McCoy and Chairman Kucienski

Nays: None

Chairman Kucienski declared that the motion had passed.

4. 2019 Work Plan

Mr. McNellis presented the 2019 Work Plan for consideration by the Economic Development Commission:

- Development of marketing materials for targeted business development areas (continued from August, 2018).
- Update on Village's Branding Process (began in 2018).
- Discussion of Village-required provision of amenities for large development projects (i.e., bike racks, charging stations, etc.)
- Biennial Report for Village Board, detailing EDC activities (summary of work since 2016 and focus areas through 2019).
- Plan for, and enact, a Business Roundtable meeting, inviting various Village businesses in different sectors to discuss their concerns and issues, and determine what the Village can do to assist and support the business community and appeal to new demographics. Previous Goal of the EDC.
- Plan for, and enact, a Brokers Meeting/Luncheon in order to get a sense of thoughts/experience about Lincolnwood and what others interested in the community are saying. This would be an opportunity to seek their advice for marketing the community. Feedback could highlight areas of improvement, opportunities within the Village. Previous Goal of the EDC.

The Commissioners then discussed the goals for the work plan. Commissioner Ehrenberg voiced concern that the focus on these goals was being lost due to petitioner-driven projects and desired for a more concerted effort to address the items on the work plan, and complete them. Commissioner Dyer stated that he was supportive of the Economic Development Commission's prioritizing efforts in tackling the development projects that have come up recently. Commissioner Ehrenberg also noted that working on branding is the next important step for the community.

Commissioner Berman voiced a desire to focus on “big picture” economic development along the arterials and other business-specific projects. He wondered if other sub-committees should be responsible for looking at matters such as the installation of bike racks in the community.

There was general discussion regarding the economic benefits of being in the community, such as proximity to the airport, Downtown, the lake, etc. There was also discussion regarding how the economy of the Village could be improved, such as better aesthetics on the Village’s key arterial roadways. Commissioner Berman suggested that the Village’s Incentives Consultant, Bob Rychlicki, could be a good resource for comparing economic data in the Village to other communities which have more vibrant local economies. Commissioner Albazi noted that engaging with Brokers and working on branding were all important to helping grow and revitalize the business community. Commissioner Ehrenberg noted that it’s not just location, but also how the Village addresses environmental considerations.

Commissioner Garcia noted that it’s difficult to get sales people to work in the community, because there are not the amenities they can get in similar companies closer to Downtown Chicago. He stated we need to figure out what must be done creatively to change this. Commissioner Berman noted that it’s not important that the Village be the next “big thing”, but that there be something that sustains the business community and keeps it healthy. He used the examples of Wilmette and Skokie as communities with strong brands. He felt Skokie was not very different from us, but is much more successful with their business community.

Commissioner Dyer noted that Lincolnwood is a great community, but that his biggest frustration is that we are not a community with a Downtown. Commissioners agreed that the construction of District 1860 would help provide such a center. Commissioner Dyer also stated that the entrances to the community should better identify the Village. While the EDC universally praised the new sign on the pedestrian bridge over Touhy Avenue, the feeling was that the Village needed to “announce” itself at other major entrances.

5. Reports

Development Updates

Director McNellis provided a brief summary of the report in the EDC packet.

6. Other Business

No business was discussed.

7. Public Forum

Trustee Nickell thanked the EDC Commissioners for their hard work this past year. She stated she was personally grateful for their work and noted that the Village Board appreciates their time and efforts. She further noted she agrees with the EDC's thoughts and the direction they want to head, especially with regard to revitalizing the NEID TIF area with galleries, restaurants and other similar uses.

8. Prospective Businesses Forum

No business was discussed.

9. Adjournment

Commissioner Berman moved for adjournment and was seconded by Commissioner Ehrenberg. By consensus, the meeting was adjourned at 9:37 am.

Respectfully submitted:



Steve McNellis

Community Development Director