

**VILLAGE OF LINCOLNWOOD  
PRESIDENT AND BOARD OF TRUSTEES  
COMMITTEE OF THE WHOLE MEETING  
VILLAGE HALL COUNCIL CHAMBERS,  
JUNE 17, 2014**

**Call to Order**

President Turry called the Committee of the Whole meeting of the Lincolnwood Board of Trustees to order at 6:30PM, Tuesday, June 17, 2014 in the Council Chambers of the Municipal Complex, 6900 North Lincoln Avenue, Village of Lincolnwood, County of Cook and State of Illinois.

**Roll Call**

On roll call by Village Clerk Beryl Herman the following were:

PRESENT: President Turry, Trustees Elster, Leftakes, Patel, Klatzco, Cope (6:40), Sprogis-Marohn (7:25)

ABSENT: None

A quorum was present. Also present: Timothy Wiberg, Village Manager; Charles Meyer, Assistant to the Village Manager; Douglas Petroschius, Assistant Village Manager; Ashley Engelmann, Assistant to the Public Works Director; Robert Merkel, Finance Director, Timothy Clarke, Director of Community Development; Steven Elrod, Village Attorney; Janice Hincapie, Director of Parks and Recreation; Amanda Williams, Management Analyst.

**Approval of Minutes**

Minutes of the June 3, 2014 Committee of the Whole meeting were distributed in advance of the meeting and were examined. Trustee Patel moved to approve the minutes as presented, Trustee Elster seconded the motion. The motion passed by Voice Vote.

**Regular Business**

1. Discussion Concerning an Economic Incentive Request from the North Capital Group

This item was presented by Mr. Clarke.

This item will appear on the agenda for the regular Village Board meeting of July 15, 2014.

**EDC Recommendation**

To provide a maximum \$33.5 million net present value (NPV) incentive, subject to a redevelopment agreement and certain further provisions, reimbursed on a "pay as you go" through the following revenue sources over 20 year period.

1. 100% of the property tax increment created by project  
\*\$2.1 million NVP estimated
2. 50% of the 1% State Sales Tax generated by project
3. 50% of the Village's Home Rule Sales Tax generated by project  
\$6.5 million NPV estimated for both home rule and 1% sales tax
4. 100% of new 1% Business District Sales Tax placed on project
5. 100% of new 1% Hotel Tax placed on the project  
\$7 Million NPV estimated for both Business District Taxes

Incentive subject to:

- “True-up” claw-back provision related to actual construction costs incurred
- Additional redevelopment agreement negotiations concerning certain project assumptions, as referenced in KMA Table
  - Such as; cap rate, capital structure, project costs, lease escalator, internal rate of return

Factors Impacting Incentive were exhibited – KMA Report

Factors covered:

Cap Rate, Capital Structure, Project Cost, Lease Escalator, Muni Incentive

#### EDC Recommendation – Continued

Authorize action to establish a Business District for Shoppes at Lincoln Pointe

- Needed to establish the additional 1% Sales Tax and additional 1% Hotel Tax
- Blight finding required

#### Recommended Incentive Structure

Pay as You Go:

- All risk on developer, Village pays out only if revenue is received
- No issuance of GO Bonds
- Notes issued by Village at conclusion of construction
- Incentive paid from property tax increment, portion of 1% Sales Tax and H R Sales Tax and new 1% Sales Tax and Hotel Tax

#### Village Benefits and Revenues

- In addition to the revenue generated to pay the incentive, the project is estimated to generate about \$1.4 million annually in new taxes to the Village or \$29 million during 20 year life of incentive
- Consistent with Village Plans, creates gathering space
- \$4 million I traffic improvements

Renderings of future development of the site were exhibited.

#### Public Benefits from the Project

Achieves the Goals of the Lincoln Avenue Corridor Plan

- A downtown center for the Village
- The highest development density in the Lincoln Avenue Corridor
- Parking decks and underground parking
- A mixed use development of retail, hotel, family entertainment and office
- Architectural features consistent with the Village’s guidelines
- Community gathering spaces with sculptures, fountains and plazas
- Enhancement of public rights of way
- Parkway restoration and landscaping, including pedestrian lighting and seasonal banners on new light poles
- Improvement of pedestrian crosswalks and bicycle access
- Pedestrian and bicycle-friendly features within the development
- Reduction in number of curb cuts
- A catalyst for additional development in the corridor

Off-site road improvements

- \$4 million of intersection and roadway improvements in the surrounding area
- Traffic conditions will be improved over existing conditions, even after the project is completed
- The need for the improvements exists today

#### Rent-free office and activity space for the Village's Parks and Recreation Programs

#### Additional Tax Revenue for the Village

- \$29 million to the Village over the 20-year incentive period (\$1.4 million per year on average)
- This is over and above the taxes paid to fund the incentive
- Equal to about 4% of the Village's current revenue budget

#### Substantial increase in assessed value

- The assessed value of the property will increase to almost \$40 million over the incentive period
- This ten-fold increase will provide a substantial benefit to all taxing districts after the incentive is paid

#### The Project Will Create Jobs

- 750 - 850 temporary construction jobs
- 400 - 500 full time and part time jobs

### Incentive Request

#### Market Requirements

- 13% - 15% unleveraged return
- 20% - 25% leveraged return on equity

#### Return on this Project without Incentive

- 7% underleveraged return
- 9% leveraged return on equity
- Project not feasible due to this financial gap
- Cannot attract debt and equity financing at these rates

#### Gap Analysis Performed

- To determine the amount of incentive required to achieve financial feasibility
- Components of Gap Analysis
  - Project Revenues
  - Project Costs
  - Assumed capitalization rate
  - Market rate of return

#### Incentive Required to Attract Debt and Equity Financing

- Amount required = \$33.5 million
- This will achieve
  - 12% unleveraged return
  - 20% leveraged return on equity
- These returns are at the very low end of market requirements

#### Funding Sources to Pay the Incentive and Fill the Gap

- 100% of the TIF property tax increment (\$21 million NPV)
- 50% of sales taxes generated on the property - both from state share and home rule (\$6.5 million NPV)
- Business District Taxes assessed against the property - both from state share and home rule (\$6.5 million NPV)
  - 1% additional sales tax
  - 1% additional hotel tax

### No risk to the Village

- The Village will not issue bonds
- The Village will issue only non-recourse notes
- If revenue is not sufficient to pay the incentive, the developer bears the risk
- No recourse against or risk to the Village

### Results of the Village's Investment

- Fulfillment of the Lincoln Avenue Corridor Plan
- Alleviation of Existing Traffic Congestion
- \$29 million of Additional Tax Revenue for the Village
- Ten-fold Increase in Assessed Value
- Creation of Construction and Permanent Jobs
- Redevelopment of a Vacant, Derelict Site
- \$125 million in New Investment
- Catalyst for Additional Development
- All at No Risk to the Village

### Structure of Proposed Incentive

Issuance by the Village to the Developer of three notes after construction completed and substantial lease-up

- Senior tax-exempt note of \$17.6 million payable from incremental property taxes and state and home rule sales taxes
- Subordinate taxable note of \$8.8 million payable from incremental property taxes and state and home rule sales taxes
- Subordinate taxable note of \$7 million payable from Business District taxes

### Extraordinary Project Costs

Attributable to the Lincoln Avenue Corridor Plan and Design Guidelines

- The plan recognizes that the recommended high density will require underground parking and parking decks
  - Underground parking = \$12,727,541 (8 – 10 times more than surface parking)
  - Parking structure = \$13,433,000 (4-5 times more than surface parking)
- Design requirements add to the cost
  - Four sided buildings, design features and building materials
  - Parkway sidewalks, lighting and landscaping
  - Gathering spaces with fountains sculptures, plazas and outdoor seating
  - Extensive landscaping throughout
- Improvement of off-site roadways
  - More than \$4million
  - Need for the improvements exists today and is not caused by the development

Additional discussion ensued with clarification provided by Mr. Clark, Attorney Elrod and Mr. Rychlicki of Kane McKenna.

Attorney Elrod stated that this discussion is looking for Board reaction to the existing items and for recommendations.

Representatives of North Capitol addressed the Board. It was stressed that all third party expenses will be paid by the developer.

Consensus was to move forward with a development agreement. The Board could use bullet points of presented issues – to be prepared by the attorney and Staff.

2. Status Report from the Park and Recreation Board

Due to time limitations this presenter was asked to bring this report to the next Committee of the Whole meeting.

**Adjournment**

At 7:28PM Trustee Patel moved to adjourn Committee of the Whole, seconded by Trustee Elster.

The motion passed with a Voice Vote

Respectfully Submitted,

A handwritten signature in cursive script that reads "Beryl Herman".

Beryl Herman  
Village Clerk