

Date: 8/25/2021
 From: Corinna Cole, Executive Director, Lisle Economic Development Partnership
 To: Eric Ertmoed, Village Manager
 cc:
 Subject: Proposed redevelopment of Family Square by Flaherty & Collins

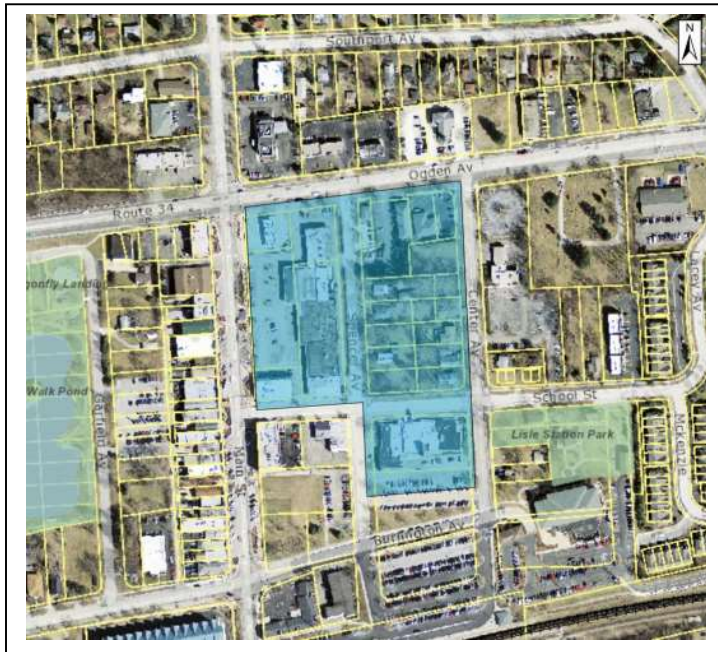
Purpose: The purpose of this memo is to inform the Village Board and the public about the proposed Flaherty and Collins project at the southeast corner of Ogden Avenue and Main Street, commonly known as the Family Square site. The analysis will include an explanation of the project and methods for evaluating the F&C request for Tax Increment Financing assistance. This memo also serves as a recommendation to the Village Board to engage in formal negotiations with F&C with the objective of entering into a contractual agreement for TIF assistance.

Tax Increment Financing: Tax Increment Financing or “TIF” is an economic development funding mechanism. A TIF District is established when an area is blighted or where conditions exist which may result in blight. The ‘increment’ refers to new property taxes that may be created through future development on the site. That increment can be used to help fund the

developments that will generate the taxes. There are rules around what TIF can pay for and when it is appropriate to utilize TIF.

The Village of Lisle TIF was established in 2015 in the downtown area as depicted below. As mandated by law, if no project is undertaken in the TIF within seven years of its establishment – March of 2022- the TIF will expire.

Proposed project description: The F&C project will be a luxury rental mixed-use development bounded by Ogden Avenue, Main Street, School Street, and Spencer Avenue. The project is described as follows:



- The building will be three and four stories, with the fourth story set back from the portion of the building which fronts Main and School Streets. This massing exactly matches the Downtown Master Plan vision for the site
- 206 luxury apartment units
- 12,000 square feet of commercial space, comprised of six to twelve rental units of around 1,000 to 1,500 square feet
- 485-space structured parking garage of which
 - 90 spaces are for public parking
 - 3 dedicated garage spaces for the building’s retail parking
 - 392 spaces for residential parking (a parking ratio of 1.9 spaces to each apartment). This is a significant amount of parking for such a development.
- 33 parking spaces on the street, some of which are already existing and others will be newly created along Spencer and School Streets
- A total development project budget of \$58,237,945
- Built to comply with LEED or other recognized environmental building rating system
- A public ‘place-making’ amenity, yet to be determined. Examples of possible ‘place-making’ features including outdoor gathering space, a sculpture or mural, or a public greenspace. This amenity will be determined in future negotiations and be subject to design, cost and logistical considerations.

TIF Funding Structure: F&C is requesting 58% of the TIF increment generated on the site, structured as a pay-as-you-go TIF up \$5.17 million This number equals 58% of the projected TIF increment that this type of development at this location is expected to generate.

However, if the generated increment is lower than the \$5.17 million request F&C will still only collect their portion of the actual increment generated. Furthermore, this only comes from new property taxes that will be created by project. The Village will not issue debt or issue bonds to secure this funding.

- **Taxing district set aside:** The Village is required to set aside a 2% of the TIF Increment related to the residential portion of the project that could be used to reimburse the library district of the costs of having new patrons and 40% of the TIF Increment related to the residential portion of the project to reimburse the school district for the cost to educate any students that live in the development.

The current per capita tuition cost to educate a student by District 2020 is set by the State for fiscal year ended 2020 at approximately \$20,190. For each student living in the development, the ‘tuition cost’ will be paid annually from the School Set Aside. Because F&C builds and operates its other properties, F&C’s experience has shown on average that they have two students living in each of their 20+ buildings that are similar in concept to the proposed development. Given these factors, it is likely that starting in 2024 there will be more School Set Aside than tuition payments.



The remainder of that School Set Aside funding can be handled in a variety of ways prescribed by the State law and is addressed during RDA negotiations with the developer. One attractive use for some or part of the funds would be to provide the excess to reimburse District 202 for capital costs resulting from the development of the Project. It is also possible to fund other area improvements or to accelerate the TIF reimbursements to incentivize the developer's contractual performance, such as the early or complete tenanting of the commercial spaces.

Evaluation of the TIF request: The Village's TIF Consultant, Kane McKenna, has issued a report of its analysis of the project which will be available as part of the Village's agenda packet for the August 30th meeting.

Approval process: The Village and LEDP have discussed with the Village's Economic Development Counsel the formal vetting, negotiation and approval process of a potential RDA. Below is an outline of public approval process:

1. At the August 30th Village Board Committee of the Whole ("COW"), the LEDP, F&C and Kane McKenna present the development proposal and its economic / TIF incentive request. At this same meeting, the COW members discuss and consider the development proposal and receive input from the public, Village staff and Village consultants.
 - a. If a majority of the COW members are not in favor of the development proposal, then they advise the F&C that there is no support for this proposed development.
 - b. If a majority of the COW members are in general support of the development proposal (or some modification(s) thereof), then the COW members advise the Village staff to negotiate the terms and conditions of a draft redevelopment agreement ("RDA") with the F&C. This direction may also include the negotiation of terms and conditions of a draft economic / TIF incentive agreement with the F&C. These draft agreements are subject to further input by the COW members at future public meetings and further negotiation by the parties
2. At one or more public meetings, the COW / Village Board will review and consider the terms and conditions of the RDA and the economic / TIF incentive agreement and then will take action on motions to approve the agreements.

The RDA will include Village Board approval of the development concept and will have as exhibits the "preliminary" development plans, for example:

- a. Concept plan, site plan, building elevations, floor plans, landscape plan, exterior building material list, exterior signage plan, exterior lighting plan, on-site and off-site storm water drainage plan, and on-site and off-site infrastructure plan – parking, sidewalks, etc.

- b. The RDA will require the Developer to file a zoning petition (i.e., requesting approval of a special use permit and a plat of re-subdivision plus any other needed plats) and actively participate in and pursue all required zoning relief for the development, and further
 - c. Will require Village Board approval of “final” development plans after the preliminary plans are updated to comply with the Village plan review requirements and recommendations.
3. A public hearing will be conducted relative to the F&C’s zoning petition.
4. At a public meeting, the Village Board approves a zoning ordinance that grants the relief set forth in the zoning petition.
5. At a public meeting, the Village Board approves the Developer’s “final” development plans and final plats that are necessary for the development.
6. The Village issues site development permit and/or building permit.

Recommendation to continue negotiation: The LEDP formally recommends the Village Board express support for staff and counsel to continue negotiations with F&C with the intent of entering into a redevelopment agreement. The Redevelopment Agreement will:

The LEDP’s recommendation is based in part on the following reasons in favor of continuing negotiations:

- **A well-established method for revitalizing downtowns:** Transit oriented mixed-use development in the downtown is a proven method for revitalizing blighted or near blighted sites. More residents downtown help support local businesses. The revenue from the apartments allow for new retail to be built on a site that no longer favors a standalone commercial development. The addition of centrally located public parking will encourage more visitors to shop and dine in the downtown.
- **Commercial space:** If the site were viable as a strip center, it likely would have been sold to an interested developer to rehab and re-tenant since it became vacant. However, as has been reported to the Village Board in the past meetings, the retail market is favoring smaller-footprints stores, consolidated in prime retail locations. The Family Square site isn’t one such location because of its long and narrow lay-out. The orientation of any large retail development would likely mirror the current footprint of the building, perpendicular to Ogden and not particularly visible to street traffic. In short, it is unrealistic to expect a similar development concept to the Family Square strip mall, given that it has already been proven non-viable in the market.

Alternate retail development on the site would probably be a small strip center facing Ogden or a stand-alone single use tenant, such as a drive through restaurant, or a convenience store, such as a Walgreens. These types of developments tend to average in size from 5,000 – 15,000 square feet, in effect a comparable total square footage to what will be included in the F&C deal. However, a drive-thru or standalone necessity store is unlikely to benefit the whole downtown, as they do contribute to the downtown destination experience. Instead, by dividing the F&C commercial space into smaller units which front Ogden, the development is likely to attract a diverse mix of tenants, thereby building out the downtown destination feel and insulating the development from the difficulty of re-tenanting a single large unit.

- **Public parking:** Many downtown retailers have expressed interest in additional parking closer to Main Street. While there is parking in the Garfield lots, it can't be seen from Main Street and requires a walk that may not be pleasant for pedestrians during inclement weather.

Without available and convenient parking, businesses lose potential customers who are unwilling to drive around to find a spot or who simply remember the last visit being inconvenient and choose not to go as frequently. Without available parking, or at least a perception of available parking, customers may be deterred from patronizing businesses. The parking situation is also a deterrent to new businesses, especially food and beverage service establishments, which may require enough easily available parking to attract their needed customer base.

The F&C garage will have 90 public spaces, with an additional 33 street spaces surrounding the development. Currently, there are 97 spots in the Family Square lot- an easy reference point that demonstrates the significant increase of parking the F&C development will bring. The garage will be conveniently located, sheltered and well-lit and therefore a preferable parking option for visitors to the downtown at night and during inclement weather.

F&C will make efforts to segregate and monitor the public parking, most likely with residential parking isolated to the upper floor deck. They have also stated that they are open to providing overflow parking to Marq on Main residents if the F&C building has an over-abundance of residential parking.

- **Public support:** The LEDP sought public feedback from a variety of sources. The conclusive feedback is that the Lisle public is supportive of the Village Board continuing negotiations with F&C. The following list describes the outreach that LEDP has conducted to determine this information:

- The LEDP issued an online survey on August 4th. The survey included a broad description of the project and asked respondents to answer the question “Please indicate whether you are supportive, against, or undecided about whether the Village Board should begin negotiations with F&C.”
 - The survey received 195 responses.
 - 73.8% or 144 responses were “Supportive: I believe the Village should negotiate with F&C for the Family Square development”
 - 12.8% or 25 responses were “Against: I do not support this project and do not wish the Village to continue conversations with F&C”
 - 13.3% or 26 responses were “Undecided: I do not have enough information at this time.”
 - The breakdown of respondents is as follows:
 - 92.8% self-identified as residents
 - 7.2% self-identified as Lisle business owners, employees or other stakeholders
- The LEDP also reached out to numerous downtown businesses. At the time of writing this memo, over 15 businesses have responded in writing that they are supportive of the development. Several more have voiced their support. None have responded that they are undecided or against the development. However, this is not a complete list of responses and the LEDP will continue outreach to the local business community.
- **Low risk to the Village:** F&C will only receive 58% of newly generated property taxes from the project up to a value of \$5.17 million. The Village will not issue debt and/or bonds for the developer. The Village will only commit to providing the funds as they are generated. This project is low risk for the Village.
- **Project is likely to benefit District 202:** District 202 is currently receiving approximately \$56,000 in property taxes for the site. It will continue to receive that funding through the life of the TIF. The cost of students’ tuition will be reimbursed and that the District could receive additional funding from the School Set Aside excess. When the TIF expires in, the District is projected to receive approximately \$1.2 million annually in new property taxes. In short, the District will benefit monetarily in the short and long term.

Addressing concerns regarding this project:

- **Why haven’t we seen any renderings:** It is typical for developers to wait to engage in expensive substantive design efforts before performing the necessary basic underwriting process. However, F&C plans on holding a design workshop with community



stakeholders to ensure that the building matches downtown Lisle's character and charm. F&C will begin design once an agreement for the TIF subsidy is passed by the Village Board.

- **The landowner is requesting too high a price for the underlying land:** The Village is in the process of securing its own appraiser to evaluate the price.
- **Why take the first deal offered if we haven't 'shopped around:'** In a manner of speaking, the property has been shopped around. Since it has been vacant for several years, Oxford Bank vetted multiple interested parties before entering into contract with F&C.

This is also not the first deal proposed by F&C in the past few years. Village staff and consultants have reviewed other projects that were not financially sufficiently advantageous to the Village to advance to a public process.

If the Village does not proceed with this negotiation, the TIF will expire in March of 2022. Without the TIF, a comparable deal almost certainly will not be offered to the Village. Anything that does get developed on the site will probably have a similar retail/commercial square footage to the F&C project but will not include public parking and is unlikely to be of comparable quality. Finally, just because this is the first viable deal proposed, it cannot be inferred that is inferior to other yet unknown projects. Likewise, it's not assured that something better will be offered, especially when the TIF- an important economic development mechanism- is not available to improve the financial prospects of a future development.