

# MINUTES

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BOARD / COMMISSION: Finance Commission

DATE: December 9, 2011

MEETING: Regular

CALLED TO ORDER: 7:03 AM

QUORUM: Yes

ADJOURNED: 8:55 AM

MEMBER ATTENDANCE:

PRESENT: Chairman Parker, Commissioners Faber, Geiselhart, McCloskey, Moody, Nuehring, and Skirvin

ABSENT: Student Commissioner Cooney

ALSO PRESENT:

Trustee Liaison Henninger; Village Manager Franz; Finance Director Wachtel; Recording Secretary Blake; Planning and Development Director Staci Hulseberg; Mike LaRue from Fresh Market; Ryan Murphy from SRS; Dan Slattery

AUDIENCE:

Larry Noller, Interim Finance Director

I. **CALL TO ORDER:**

This Regular Meeting of the Glen Ellyn Finance Commission was called to order at 7:03 AM by Chairman Parker in Room 301 at the Civic Center at 535 Duane Street; Glen Ellyn, Illinois. Roll call was taken, and it was determined that a quorum was present.

II. **PUBLIC COMMENT**

None

III. **APPROVAL OF MINUTES**

Chairman Parker asked for comments on the November 21, 2011 draft minutes. One correction was made. Commissioner Nuehring moved, and Commissioner Moody seconded, that the minutes from the November 21, 2011 meeting, as amended, be approved. The motion was passed unanimously.

#### **IV. ECONOMIC DEVELOPMENT INCENTIVES**

##### **A. Glen Ellyn Market**

Village Manager Franz started the presentation with background on the project, noting that the Village is interested in aggressively pursuing new business. The site on Roosevelt road at the former Webb car dealership has challenges in that it is shallow, there are grade differentials and given that Taft Avenue must be constructed on reacquired right of way and in a portion of the City of Wheaton. The project will not be viable without Village assistance, particularly with Taft Avenue. Baker Hill and Pickwick are the only other projects that have received Village assistance, and they were developed 10+ years ago. The Board of Trustees will consider this matter on Monday.

Ryan Murphy of SRS Real Estate Partners commented that the staff has been professional and diligent, and that this proposal has been in the making for four years. The development market is difficult, and banks are unwilling to make loans. He noted that SRS developed the Oak Brook Promenade and it took a tax rebate to get it done. The hope is to clean up this western entrance into Glen Ellyn, tear down the non-functional buildings and capture the dollars going to neighboring communities.

Mike LaRue, who brokers real estate for The Fresh Market, said that the company began in 1982 in North Carolina and has grown methodically at 15%-20% per year with 110+ stores in operation now. There are five stores in the Chicago area, including Geneva, and the company would like to have 12-15 stores in the metro area, and plans to take 12-15 years to achieve that goal. Fresh Market will occupy two-thirds of the development. The area served - from Butterfield Road to North Avenue, I 355 to Route 59 – is large for a supermarket. A Fresh Market takes out  $\frac{3}{4}$  of the general groceries typically located in the center of a grocery store, and replaces them with more choices for meats and produce, creating a unique shopping experience. Although not initially interested in this location, the land price has changed. If the physical problems can be solved, Fresh Market is looking at the site again. Fresh Market is committed to maintaining its image in the community, and its presence should result in redevelopment of most of the block. The biggest obstacle is the extension of Taft, without which Fresh Market would not be interested as convenience and safety are keys.

Mr. Murphy noted that the Fresh Market lease is contingent upon extending Taft, and the challenge is the grade change. The intent is to engineer the property so that it works for the entire block. The developer does not have an agreement with the City of Wheaton regarding Taft.

Commissioner Skirvin asked if the project would proceed without the Wheaton portion of Taft, to which Mr. LaRue answered “no”, that Taft must go through.

Chairman Parker suggested that the Commission should look at this in two pieces. There is the request for \$793,000 up front for extraordinary costs for Taft Avenue. The sales tax sharing incentive is separate. Is it pure upside, or is there a cost? In his view, the incentive is sharing in something that the Village does not have today.

Commissioner Faber expressed concern that the taxpayers are taking on the development risk. He would love to see Fresh Market in the Village but not by subsidizing the developer's return. Chairman Parker stated that he was comfortable with assisting with minimal risk, but subsidizing a large return is not palatable. Mr. Murphy said that the return is now estimated to be at 8.6% with the Village's help, lowered land price and high rental revenue. The land site is currently selling for one-half its original price and the small shop rental rates are up as high as possible in the analysis. In response to a question, Mr. Murphy said that no part of the sales tax revenue rebate would go to the tenant.

Finance Director Wachtel reviewed the 10-year revenue and costs model with the Commission. Commissioners asked several questions. Mr. LaRue explained why this store is more expensive than the typical Fresh Market in that construction costs are high in Chicago and there are significant build out costs. Mr. Murphy said that SRS will be part owner as well as developer; however an equity partner has not been identified. It is possible that the Board of Trustees could approve the project, but it still might not go forward because the numbers are so tight. The financing is not yet in place. Mr. Murphy said the developer will not come back to the Village at a later date with more requests. They could be back in front of the Village with engineering 30 days after Village approval. The biggest concern is getting Wheaton on board with extending Taft. The \$793,000 for extraordinary costs is a firm number with no contingency and no general contractor fees. It will not change.

There was discussion concerning the economic assumptions. The chart shows the payback time for 50% of the up-front costs well within the desired 5 year time frame. Commissioners expect some cannibalization of revenues from other Glen Ellyn stores, and that needs to be taken into account. Chairman Parker asked why one half of the typical store revenue is being used to support a development cost so much higher. The response was that they are being very conservative, expecting conservative numbers in the first year and growth through word-of-mouth after that. Chairman Parker cautioned about using unrealistically low revenue numbers. Mr. LaRue noted that revenues range widely from store to store, and Mr. Murphy said that the developer is coming in with lower numbers for safety.

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The Commissioners discussed several aspects of the proposed development and incentives: the impact to the Village of using low revenue numbers in the assumptions; the Village's role in the development; the Village being somewhat in the position of an equity investor; that other groceries in the area need to understand that this is a unique situation with the extraordinary offsite and redevelopments costs; that the development appears to meet the economic incentives guidelines; and that Fresh Market is an anchor tenant that will likely spur additional growth. Commissioner Skirvin noted that this one new retailer will double the sales tax growth rate after the reimbursement is burned off.

Chairman Parker summarized the agreed upon recommendation for the sales tax portion of the incentive. There should be a \$1 million cap with a 10 year maximum, and a 60-40 split after a 20% displacement revenue is factored in until their numbers reach \$1 million or 10 years, whichever occurs first. This applies to the entire development site including The Fresh Market and other tenants.

(Commissioner Nuehring left the meeting at 8:30 AM, and Commissioner Faber left the meeting at 8:40 AM.)

The Commissioners then discussed the request for \$793,000 up front for the extraordinary infrastructure improvements. Chairman Parker questioned whether the full \$793,000 should be included, or portions excluded. Planning Director Hulseberg noted that the developer's cost estimates seem reasonable, but that their Taft Avenue numbers are lower than the Village's estimates. It was acknowledged that the developer is taking much risk, and the Village does not want a bankrupt property with lovely site improvements.

Chairman Parker said that the consensus of the Commission is that the request for \$793,000 is acceptable. He will write up the recommendations of the Commission and get them to management over the weekend for Monday's Village Board workshop meeting.

V. **FIVE YEAR FORECAST**

The Five Year Forecast will be discussed at the next meeting, to include a summary of all governmental funds.

VI. **QUARTERLY REPORT**

This report will be discussed at the next meeting. On a quarterly basis, the Commission would like to look at all governmental funds, not just the General Fund.

VII. **OTHER BUSINESS**

Interim Financial Manager Larry Noller was recognized as this was his last day with the Village.

The next regular meeting will be Friday, January 13, 2012 at 7:00 AM.

VIII. **ADJOURN**

Commissioner Skirvin moved, seconded by Commissioner McCloskey, to adjourn the meeting at 8:55 AM. The motion carried unanimously.

Submitted by Karen Blake, Recording Secretary

Reviewed by Finance Director Wachtel