



Village of Hanover Park Administration

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JULIANA A. MALLER

VILLAGE OF HANOVER PARK

VILLAGE BOARD SPECIAL MEETING

Municipal Building: 2121 W. Lake Street
Hanover Park, IL 60133

Wednesday, October 24, 2012
6:30 p.m.

AGENDA

1. CALL TO ORDER-ROLL CALL
2. ACCEPTANCE OF AGENDA
4. DISCUSSION ITEMS
 - a. Hanover Square Current Conditions and Status of Projects
 - b. Future Development of Hanover Square/North Side of Lake Street
7. ADJOURNMENT



TO: Village President and Board of Trustees

FROM: Juliana Maller, Village Manager
Katie Bowman, Village Planner

SUBJECT: Hanover Square Redevelopment Approach

ACTION

REQUESTED: [X] Approval [] Concurrence [] Discussion [] Information

MEETING DATE: October 24, 2012

Executive Summary

Review activities and research performed by Staff related to the Hanover Square Shopping Center since the last discussions. Provide Staff direction related to redevelopment strategy and management of Hanover Square Shopping Center and adjacent property in TIF 3.

Background

The maintenance and redevelopment of the Hanover Square Shopping Center was last discussed by the Village Board at the Workshops of July 19 and August 2, 2012, and the Finance Committee meeting of July 24, 2012. At these meetings, Staff provided information on the stabilization of the center and outlined options for redevelopment.

At the meeting of August 2, 2012, the Board provided direction on the following:

- Confirmed that their goal was to stabilize the center and return it to private ownership
- Directed Staff to continue to explore two redevelopment options:
- Village Development: - Public financing and management of redevelopment
- Take out a loan against TIF 3
- Private Development - Make initial improvements to the center
- Release an RFQ to solicit private redevelopment
- Establish a redevelopment agreement to ensure quality development that meets Village's goals

On August 20, 2012, Village Manager Maller joined the Village's team. Over the last 2 months, staff has worked extensively to explore the above options, while also working with Hanover Square's property managers to maintain the center, work towards leases, and prepare for several key improvements. Staff finds the center at a crossroads and would like the Board to fully consider all elements at stake prior to expending large amounts of funds. At this time, Staff requests that the Board review staff's research and recommendations, and provide direction as to how to proceed.

Discussion

Hanover Square Current Condition and Status of Development Activities

Staff and Property Managers continue to pursue a number of development activities, including:

- **Center Maintenance:** Property Managers have performed a number of maintenance activities, including placement of stop signs in parking lot, repainting of doors and bollards, parking lot patching, electrical repairs throughout, and landscape improvements. Public Work crews replaced all signs throughout the center including handicap parking, stop and towing signs.
- **Monument Sign:** Bid awarded to Poblocki Sign Company, who have submitted final engineering drawings and will soon begin construction of a new center sign.
- **Shires Outlot:** The Village Board has authorized purchase of the old Shires restaurant property, which is the north outlot of Hanover Square at 6794 Barrington Road. Village Prosecutor is finalizing paperwork for purchase and Staff is preparing for demolition. Staff has had an asbestos survey completed and is prepared to authorize the removal process as soon as the Village takes ownership of the building. Bid documents for the demolition are ready to be sent out as soon as the Village takes control of the building.
- **Roof Work:** Property Managers oversaw the repair of the roof on the front building. Staff has prepared bid documents for phased repair of the roof of the main building. Bids for the roof work are available for contractors to pick up starting on Monday, October 22.
- **'White Box' Work:** Staff has prepared an RFQ for a construction manager to design and buildout "property owner" improvements to vacant spaces to prepare them for new tenants. The RFQ will allow for the work to be done in phases in connection with new tenants' commitment to lease space. Submittal of Qualifications are due on Friday, November 2.
- **Leasing:** Leasing Agent, Property Manager, and Staff have worked to stabilize existing leases and recruit new tenants. A lease has been established with a new dentist in the current dental practice and the medical user, KidCare Medical, has reopened in the center and is interested in expanding. Dino's Finer Foods is reviewing renewal of their lease and another tenant is close to establishing a lease in the space at the north end of the center. Staff and Property Managers continue to work with Elgin Community College and Harper College as they finalize their plans for a workforce center in the building. Leasing Agent continues to pursue other leads including a clothing store, cell phone store, pool supply store, and banquet facility.

Hanover Square Budget and Current Financials

Attached as Exhibit A "Financial Summary of Hanover Square Fund", is a spreadsheet showing that while the budget for 2012-2013 showed a positive balance of \$187,630, it is projected, based on current income and expenditures, that we will actually have a loss of \$18,367 at the end of the year. This projection is based on the current tenant mix. In talking with the property managers, they believe that based on the expectation that new tenants will enter into leases over the next few months, they will be able to generate additional income and be able to cover the cost of roof repairs from their account balance.

Special Mtg. 10/24/12

The Village will need to be prepared to cover any shortfall come tax time if these leases do not materialize.

Future Financing for Hanover Square Improvements

At the August 2, 2012 Workshop, the Village Board discussed the possibility of taking out a loan or line of credit to help pay for improvements to the property.

When conducting redevelopment efforts within a TIF District, it is a good practice to make sure that only the increment generated by the specific property should be pledged toward that project. It is highly recommended that the Village set criteria early on that this TIF project/property and all those going forward be able to stand on their own. What this means is that the TIF calculations should only include those that apply towards this property and that it be able to stand on its own from a financial perspective.

Financial analysis supplied to the Village Board back in July of this year indicate that the TIF incremental property tax could support a loan or bond issue in the amount of \$1MM to \$1.25MM. The Finance Department has researched the potential to take out a loan against TIF 3. They have found that the TIF could potentially support debt service for such a loan. In order to secure reasonable financing, this loan would likely need to be guaranteed by the Village's General Fund. Following establishment of the loan, the funds would be able to be utilized to make improvements to the center. It should be kept in mind that overall improvements to the site are estimated to be much greater than \$1.25MM depending on what improvements/redevelopment is proposed.

Staff has also performed analysis on the impact that this loan would have on TIF 3 and Village finances. The principle payments for such a loan would obligate a significant proportion of the TIF 3 fund, which is expected to generate approximately \$1.6 million and spend \$867,000 in FY2013. Due to the temporary impact of the Claremont being added to the tax rolls; decreasing property tax values in the area; and a large number of tax appeals, it is expected that the revenues in TIF 3 will decrease to approximately \$1.3 million for FY 2014. As such, there is some concern about the stability of the revenue in this TIF and its ability to support both a large loan principle and ongoing redevelopment agreements and obligations. If the TIF does not have the ability to support these obligations, the General Fund would be required to cover the payments. See Exhibit B "Tax Increment Financing #3 Fund".

With such a significant proportion of the TIF obligated to Hanover Square, it would limit TIF 3's ability to assist with other redevelopment agreements for future development in the area. In particular, it would limit the TIF's ability to provide upfront financing for redevelopment of the properties along the north side of Lake Street, at Lake Street, Barrington Road, and Church Street. Unlike redevelopment agreements in which incremental property taxes generated from a property are used to reimburse the owner of that property; if obligated, incremental property taxes from the whole TIF would be required to first pay for improvements at Hanover Square before being available for future development of other properties.

It should be noted that the Village does not currently have sufficient staff or expertise to manage redevelopment of this site on its own. Additional expenses would be incurred to oversee any type of redevelopment.

Comprehensive Development of the Area

The Village Manager and Village Planner have researched the potential to solicit private redevelopment of Hanover Square Shopping Center and redevelopment of the Center in conjunction with the broader area of North Lake Street through a request for qualifications (RFQ)/request for proposal (RFP) process. In this scenario, the Village would make some initial improvements to the center, while also preparing an RFQ/RFP for private redevelopment.

This is a very exciting opportunity for the Village, as this is a very prominent area of town directly across from the train station and a key part of the Village's newly adopted Village Center Plan. Development of this area would serve as a focal point and gateway for the Village. Such a development would enhance the community's identity. The property is located in a key geographic location in close proximity to the Elgin O'Hare Expressway, Interstate Highways, Pace buses and the Metra commuter rail line.

Initial improvements would include those already begun, such as a new sign and purchase of the old Shires property, as well as necessary roof repairs, and 'white box' build out of tenant spaces as needed. Renewal of leases with current tenants, as well as planned leases with new tenants, such as a Taqueria, the Workforce Center, and a lease for additional space with KidCare, would also continue. Major façade improvements would not be pursued during the RFQ/RFP process, due to the significant cost and future design considerations.

It is proposed that an RFQ/RFP Process include both the center, as well as the other key available properties at the intersection of Lake Street and Barrington Road. Staff has spoken with the owners of the properties at the southwest corner of Barrington Road and Walnut Street, the corner of Lake Street and Barrington Road, and the northwest corner of Lake and Church Streets. They have all expressed interest in working with the Village to solicit redevelopment of all properties. Together, the properties become much more valuable, as there is greater possibility for a larger mixed use development and better financing options. Additionally, the Village would be able to leverage its \$2.8 million investment in the Hanover Square property to ensure that the development of the area is done in a cohesive manner that meets the Village's goals for a quality Transit Oriented Development in the Village Center area.

Staff has spoken with a number of developers and development professionals over the past months to learn more about the market for redevelopment of the center and the area. A number of professionals estimate that there would be a response to a RFQ/RFP and several have expressed interest in developing the property themselves. Staff has received positive feedback from at least 8 development professionals who are familiar with the local market, including a retail real estate developer who specializes in revitalizing troubled property, a retail broker who works in the area and brought Family Dollar to the Center, and several development attorneys that specialize in bringing partners together in public private partnership deals. Additionally, three groups have expressed preliminary interest in outright purchase of the Center. These groups may respond to the RFQ/RFP and the Village would evaluate whether their proposed purchase price and redevelopment plans met the goals of the Village.

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This approach allows for:

- The Village to gather the best ideas for the property.
- The Village to gain proposals that are realistic for today's market.
- The Village to maintain control of how the property is developed.
- The Village to leverage the money already expended on purchase of the property.
- Does not preclude the Village from proceeding with redevelopment of just the Hanover Square Shopping Center, should that turn out to be the most beneficial.
- The least amount of strain to be put on scarce public resources, including staff.
- The best quality development based upon the market knowledge of development professionals experienced in this type of work.
- TIF funds to be utilized throughout the TIF to encourage a larger redevelopment of multiple properties in a cohesive, quality, and strategic manner that initiates the further development of the Village Center area

In addition to reviewing the analysis of the Village's consultant, The Tammen Group, Village Manager and Village Planner met with Steve Friedman of S.B. Friedman Development Advisors. In addition to being a leader in the field (planning, TIF and development advisor), Village Manager Maller worked closely with Mr. Friedman on a previous successful downtown development. Mr. Friedman verified that this was a viable approach to encouraging development in this area.

A Typical RFQ/RFP Process

Timing: 6-8 months

Steps: Release of Solicitation Package; Developer Site Visits with staff/consultant; Submittal of Qualifications; Evaluation by staff/consultant; Village Board review and selection of short list; Submittals of Proposals from short-listed developers; Evaluation by staff/consultant; Village Board selection and authorization of staff to negotiate redevelopment agreement.

Criteria for Selection: Vision, Balance of Uses, Quality of Architecture; Relevancy of the Project; Connectivity of Project; Character of Project; Financial Viability of the Project.
Team History; Team Financial Capacity; Organizational Capacity; Experience and Qualifications of the Development Team; Workload and Ability to complete project on time.

Information/Issues that need to be addressed: Ownership, schedule, construction process, current property users, streetscape, street configurations, parking analysis, stormwater management, zoning, planned development, public benefit, review process, level of engineering needed, traffic analysis, preferred tenant mix, environmental condition of property, legal issues, connection with the Village's long term plan, public input, market analysis, pedestrian scale.

Challenges

Staff has identified the following challenges:

- The Economy. While the economy has not yet recovered, this is a good time to take advantage of cheaper labor and material costs. Going through the developer selection process now, will allow for us to benefit from the improved economy later.
- Tax status of the Hanover Square Center property. Depending on the direction the Board wishes to go, this will need to be addressed.
- Number of Years left in the TIF (10 years) – Time is of the essence!
- Village staffing levels. The Village is without a Community/Economic Development Director. Funding for this position was cut from the budget. In addition, there is no additional funding included in the budget for Planner's overtime. As we begin to work on next year's budget and review this year's budget status, a recommendation will be brought to the Village Board.
- The contract with the Tammen Group has expired. The Tammen Group provided assistance to the Village Planner and provided for a connection with the development community. Staff will make a recommendation on how to precede once overall direction is received from the Village Board.
- Need to Update the Zoning Ordinance. It has been difficult for the Village Planner to find time to make the recommended Zoning Ordinance changes. Staff will work to identify how to gain outside assistance to accomplish this goal.
- Investment in Hanover Square. While it is a priority for the Village Board and staff to make sure that Hanover Square Center is moving toward stability and viability; we must also evaluate focus on the Village's investment in the property and the TIF 3 area as a whole to make sure the Village remains in a good financial position.
- Lease Terms. Balancing the need to have lease terms that attract tenants to Hanover Square Center, with the need to have lease terms that do not tie the hands of future developers.

Recommendation

Staff recommends moving forward with a comprehensive approach to development in the area through an RFQ/RFP process, while making initial improvements to the Center as described above. The Village Board is asked to consider this recommendation and to provide feedback and direction. If supportive of this recommendation, the next step will be to seek assistance for drafting of an RFQ/RFP document.

Attachments:

- Exhibit A Financial Summary of TIF #3 and Hanover Square Funds
- Exhibit B TIF #3 Fund Financials
- Exhibit C Map of the Area

Financial Summary of Hanover Square Fund

Account	Description	2011-2012 Actual	Since Inception (12/31/11 to 9/30/12) Actual	Year to Date (5/1/12 to 9/30/12) Actual	2012-2013 Projected	2012-2013 Budgeted
Balance Sheet						
	Cash & Investments	\$ 308,966	\$ 296,770			
	Accounts Receivable	21,806	-			
	Capital Asset (Land & Building)	<u>2,792,461</u>	<u>2,792,461</u>			
Total Assets		3,123,233	3,089,231			
	Accounts Payable	60,075	-			
	RE Taxes Payable	241,235	266,846			
	Deposits Payable	<u>15,818</u>	<u>15,818</u>			
Total Liabilities		317,128	282,664			
	Invested in Capital Assets	2,792,461	2,792,461			
	Available Fund Balance	<u>13,644</u>	<u>14,106</u>			
Total Fund Balance		<u>\$ 2,806,105</u>	<u>\$ 2,806,567</u>			
Revenues and Other Financing Sources						
385.00-00	Rental Income	\$ 236,916	\$ 485,077	\$ 248,161	\$ 653,220	\$ 653,220
361.00-00	Interest Income	-	12	12	-	-
Total Income		<u>236,916</u>	<u>485,089</u>	<u>248,173</u>	<u>653,220</u>	<u>653,220</u>
Expenditures and Other Financing Uses						
2-11	Office Supplies	242	258	16	-	-
3-13	Utilities - Electricity	12,351	18,579	6,228	34,200	34,200
3-16	Property Taxes	118,598	276,497	157,899	355,795	289,310
3-34	M&R Building	41,318	82,109	40,791	122,000	19,500
3-36	Maintenance Agreements	38,063	62,954	24,891	104,000	85,080
3-64	Professional Services	12,700	30,575	17,875	37,500	37,500
3-93	Depreciation	7,539	7,539	-	18,092	-
Total Operating Services		<u>230,811</u>	<u>478,511</u>	<u>247,700</u>	<u>671,587</u>	<u>465,590</u>
	Income (loss)	<u>\$ 6,105</u>	<u>\$ 6,578</u>	<u>\$ 473</u>	<u>\$ (18,367)</u>	<u>\$ 187,630</u>

VILLAGE OF HANOVER PARK, ILLINOIS
Projection through the end of TIF #3

Assumptions				
Revenue Increase to 2020	-		Salary increases	0.02
Revenue Increase after 2020	0.02		Benefit Increases	0.05
			Expense Increases	0.03

Fund 033 - Tax Increment Financing #3 Fund

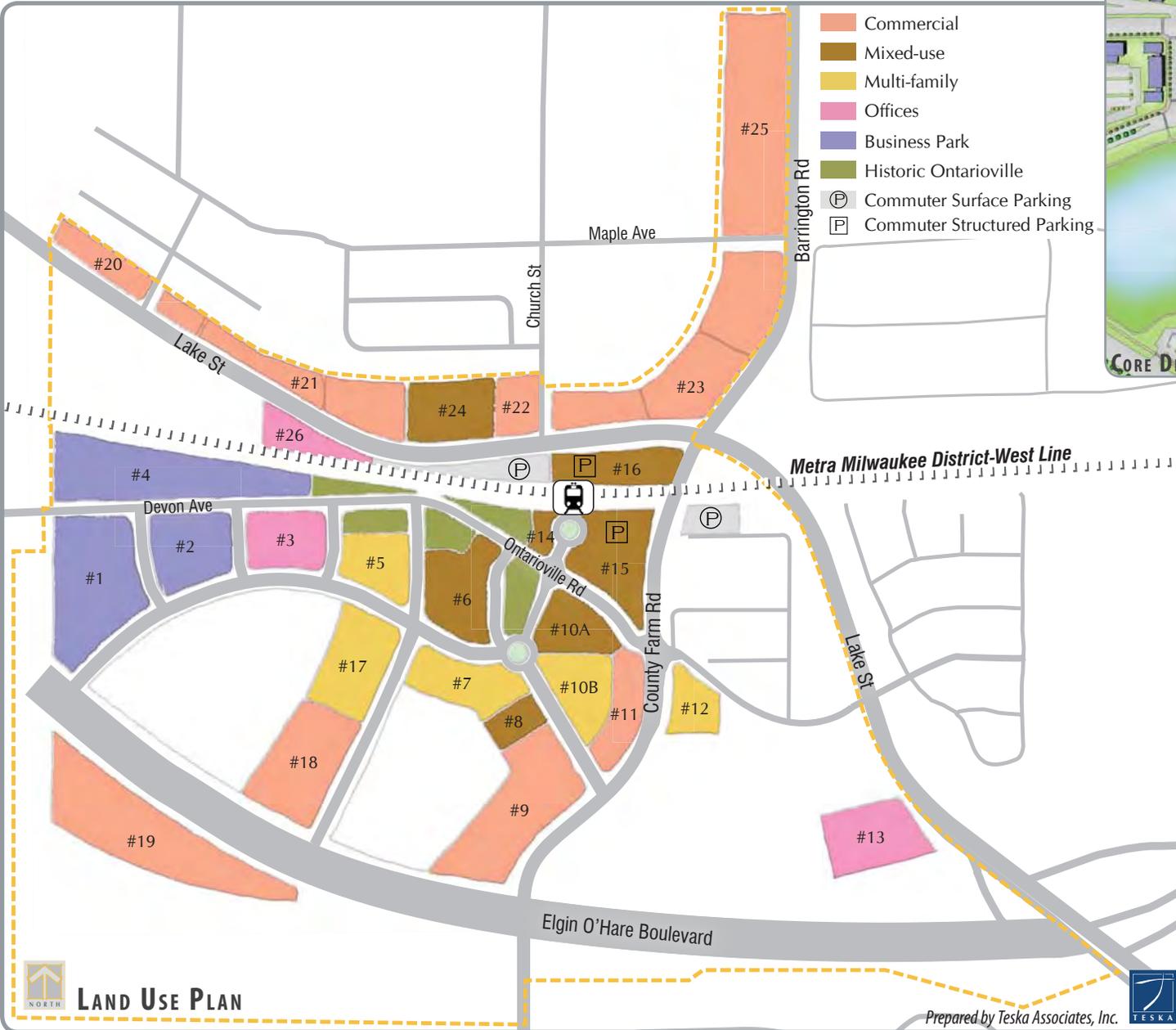
Description	Inception (2002)														
	to 2010 Actual	2010-2011 Actual	2011-2012 Actual	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected	2015-2016 Projected	2016-2017 Projected	2017-2018 Projected	2018-2019 Projected	2019-2020 Projected	2020-2021 Projected	2021-2022 Projected	2022-2023 Projected	2023-2024 Projected
Revenues and Other Financing Sources															
Property Taxes	\$ 3,618,628	\$ 720,764	\$ 967,250	\$ 1,637,201	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 1,377,000	\$ 1,404,540	\$ 1,432,631	\$ 1,461,283
Investment Income	176,567	12,981	6,055	750	750	750	765	780	796	812	828	845	862	879	896
Developer revenue	75,000														
Miscellaneous	20,934														
Transfer from General	226,227	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues and Other Financing	4,117,356	733,745	973,305	1,637,951	1,350,750	1,350,750	1,350,765	1,350,780	1,350,796	1,350,812	1,350,828	1,377,845	1,405,402	1,433,510	1,462,180
Expenditures and Other Financing Uses															
TIF Redevelopment Agreements	124,270	50,367	34,761												
ARF	-	-	-	35,000	35,000	35,000	35,700	36,414	37,142	37,885	15,467				
Suburban Tire	-	-	-	68,175	-	-	-	-	-	-	-	-	-	-	-
NuCare	-	-	-	247,652	200,000	200,000	347,652	204,696	-	-	-	-	-	-	-
Total Redevelopment Agreements	124,270	50,367	34,761	350,827	235,000	235,000	383,352	241,110	37,142	37,885	15,467	-	-	-	-
Personal Services	-	40,015	34,735	50,545	52,289	54,105	55,995	57,964	60,014	62,150	64,376	66,695	69,112	71,632	74,259
Contractual Services	483,735	17,132	278,264	250,000	25,450	26,214	27,000	27,810	28,644	29,504	30,389	31,300	32,239	33,206	34,203
Capital Outlay	329,707	20,452	-	300,000	-	-	-	-	-	-	-	-	-	-	-
Transfers out	865,082	269,316	2,800,000	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures and Other Finan	1,802,794	397,282	3,147,760	951,372	312,739	315,318	466,347	326,884	125,801	129,539	110,231	97,995	101,351	104,838	108,461
Net Change in Fund Balance	2,314,562	336,463	(2,174,455)	686,579	1,038,011	1,035,432	884,418	1,023,897	1,224,995	1,221,273	1,240,597	1,279,849	1,304,050	1,328,671	1,353,719
Beginning Fund Balance	-	2,314,562	2,651,025	476,570	1,163,148	2,201,159	3,236,591	4,121,009	5,144,906	6,369,901	7,591,174	8,831,771	10,111,620	11,415,670	12,744,342
Ending Fund Balance	\$ 2,314,562	\$ 2,651,025	\$ 476,570	\$ 1,163,148	\$ 2,201,159	\$ 3,236,591	\$ 4,121,009	\$ 5,144,906	\$ 6,369,901	\$ 7,591,174	\$ 8,831,771	\$ 10,111,620	\$ 11,415,670	\$ 12,744,342	\$ 14,098,060

Note: In 2013 2nd installment, the entire amount of the NuCare Property was added to TIF #3 resulting in additional TIF revenues in FY'2013 of \$712,582.13 (2nd 2011 installment \$464,930.42 and 1st 2012 installment of \$247,641.71). In subsequent years it will add approximately \$400,000 - 500,000 in additional taxes, depending on the results of thier protested assessed valuation.



HANOVER PARK, ILLINOIS

VILLAGE CENTER AND TOD PLAN



The Village Center and Transit-Oriented Development (TOD) Plan proposes the development of a **mixed-use, transit-oriented community center** in the area around the Hanover Park Metra station. The plan calls for a mix of residential, commercial and civic uses in the core, surrounded by larger-scale commercial and business park uses along the **Elgin-O'Hare Boulevard**. Existing wetland areas will be maintained or mitigated through the enhancement of the large wetland to the east, which will be integrated into a system of **trails and parks** throughout the area. The Plan will serve as a **focal point** for the community, driving **significant economic development** and multiplying transportation options. Due to the unique advantages of **regional transportation access**, availability of underdeveloped land, and **proximity to existing rail and bus service**, the Hanover Park Village Center offers an **unprecedented opportunity to create a downtown-like atmosphere** that offers a **diverse and exciting place to live, work and shop.**

