

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: October 24, 2023

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Angela Mesaros, Director of Economic and Community Development

Topic: Redevelopment Agreement, Cook County Class 8 and Contract to Purchase – Apparel Redefined, 1313 & 1351 175th Street

PURPOSE

John LaRoy, the owner and CEO of Apparel Redefined, a custom apparel printing and monogramming company, proposes to move his headquarters and production facility to Homewood. Apparel Redefined was founded in 1970 and currently operates out of Crestwood, IL. They are a leading nationwide supplier of custom silk screening and embroidery products that specializes in highly-customized athletic apparel. The company has outgrown its current location. The company currently employs 60 people and has plans to more than double its staffing once the relocation and expansion are complete.

Apparel Redefined proposes to redevelop a four-acre vacant lot at 1351 175th Street for the expansion of its production facility and renovate the office building directly to the east at 1313 175th Street for its headquarters.

The Village Board action includes approval of various items including a Redevelopment Agreement; a Resolution in support of Class 8 for 1351 175th Street; a Resolution in support of Class 8 with “special circumstances” for 1313 175th Street; and a Resolution exercising the Village’s option to purchase the building at 1313 175th Street.

PROCESS

In 1992, the Village purchased 178 acres of land along 175th Street (the Prairie Lakes Business Park) in the Washington Park Tax Increment Financing (TIF) District. (*The TIF expired in 2009/2010.*) In 1996, the Village of Homewood completed infrastructure improvements to promote the development of 41 of the 178 acres. The only parcel in the Prairie Lakes Business Park that remains undeveloped is the four-acre parcel at 1351 175th Street. The Village tried for many years to sell the property for development with no success.

In June 2022, John La Roy, owner of Apparel Redefined, contacted Village staff, seeking available space to relocate and expand its offices and production facility. During this process, Mr. LaRoy articulated his need for a six acre site. The Village offered its four-acre lot for the

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Development. To complete the six-acre request, the Village proposed to purchase the building at 1313 175th Street and transfer the building to the developer.

Option to Purchase Office Building – 1313 175th Street

On June 27, 2023, the Village Board approved a letter of intent with Apparel Redefined for 1313 175th Street and 1351 175th Street, including a purchase option and contract for the office building at 1313 175th Street. The purchase price for the building is \$400,000, and is a TIF eligible expense. The Village paid a non-refundable option payment of \$25,000 to the owners of which ten thousand dollars (\$10,000) will be credited toward the purchase price if the buyer (Village) completes the purchase. The Village's total cost to acquire 1313 175th Street is \$415,000. Per the option agreement, the Village must notify the seller of its intent to proceed with the purchase of the property by October 25, 2023, and close on the property by November 30, 2023.

Once the Village has purchased the property at 1313 175th, solicitation of alternative proposals is required under the TIF Act before the Village can sell the property. This process takes approximately 30-45 days.

Redevelopment Agreement

The Village and Apparel Redefined have agreed to the following terms of a redevelopment agreement:

- Sale of the properties at 1313 175th Street and 1351 175th Street from the Village to Apparel Redefined for \$1.
- TIF Eligible Expenses: The Village will reimburse Apparel Redefined for TIF eligible costs from the incremental tax revenues generated by this project. Total TIF eligible costs are estimated at \$5,000,000: this includes job training expenses, public infrastructure improvements, site preparation, and renovations to 1313 175th Street.
- Extraordinary Soil Conditions: The Village will reimburse the developer for additional work necessary to prepare the site for construction due to otherwise undevelopable soil conditions. This site, along with many others in the Prairie Lakes Business Park, has a high water table and soil that is unsuitable for construction without substantial site preparation. In the past, the Village has reimbursed previous developments within the Prairie Lakes Business Park to mitigate these poor soil conditions. This agreement provides that the developer will be responsible for costs of a normal foundation (slab on grade) for its proposed building, and the Village will reimburse the developer for site preparation costs beyond a normal foundation. The developer secured a quote of

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\$1,130,400 for the extraordinary soil costs associated with this site. This is the source of the “not to exceed” cost in paragraph 5(d)(ii) on page four of the Agreement. However, since this amount is significantly higher than what was originally estimated, the agreement requires the developer to secure two additional bids for this work before proceeding. If these bids come in lower than \$1,130,400, the developer will only be reimbursed for the cost of the lowest bid. TIF funding from the N.E. TIF District will cover the costs for this work.

- Reverter Deed: At closing, the developer must sign a deed conveying the property back to the Village if it defaults on the agreement.
- Cook County Class 8: The Village agrees to support a Cook County Class 8 Incentive for both properties. Cook County has recognized the property tax issue for the Chicago Southland and created the Class 8 Cook County Tax Incentive Program. Class 8 encourages development in areas experiencing economic stagnation. Under this program, qualified commercial real estate is assessed at 10 percent of market value for the first 10 years, 15 percent in the 11th year, and 20 percent in the 12th year.

The properties are located in Thornton Township, one of the five designated townships that automatically qualify for the Class 8 incentive. A Class 8 for this property will help bring the tax burden more in line with competing sites in Indiana and Will County where the property tax rate is as much as 45% less. Because the office building at 1313 175th Street has been vacant for less than 24 months, the Village must find special circumstances present in order to waive the 24-month vacancy requirement for Class 8 eligibility. This property requires considerable interior renovations necessary to occupy the space including water damage to the basement, thus enhancing the commercial viability of the Village by improving commercial infrastructure, which qualifies as special circumstances.

Zoning Entitlements

Apparel Redefined’s proposed use is categorized as a light manufacturing, assembly, and fabrication use in the Homewood Zoning Ordinance. The subject property is zoned M-1, Limited Manufacturing District. This use is allowed as a limited use, which requires staff review. Due to the size of the property (greater than 25,000 square feet), the development must be approved as a planned development. The objective of the planned development is to encourage a higher level of design and amenity than is possible to achieve under otherwise applicable zoning regulations.

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Mr. LaRoy has completed the first step in the planned development procedure: a pre-filing administrative review committee conference. The committee reviewed the project on October 11 and October 18, 2023. Comments included stormwater requirements, landscaping requirements, tree preservation, future expansion, fire lane requirements, security cameras, and public utilities. Apparel Redefined has provided an updated site plan and renderings.

Upon receipt of a complete formal application for planned development, a public hearing on the planned unit development before the Planning & Zoning Commission will be scheduled. The Commission's recommendation will be forwarded to the Village Board for final consideration of the planned development.

OUTCOME

The proposed development is expected to generate a TIF increment, which would be used to provide incentives to the developer to be reimbursed over the remaining 15 years of the TIF. The benefit of this development is that it will return an underutilized property to productive use and strengthen and enhance the Village's tax base.

The long-term benefits of this development project are as follows:

- Development and return to the tax rolls of a Village-owned property that has been vacant for over 31 years.
- Compliance with the Village's plan and established zoning for the area: light manufacturing, assembly, and office buildings.
- The addition of a production facility on previously vacant land increases the Village's overall Equalized Assessed Valuation.
- The development brings the headquarters of an established, growing business to Homewood that would provide sustainable wage employment and potential for future job creation.

FINANCIAL IMPACT

- **Funding Source:** Northeast Tax Increment Financing District. As of April 2023, the Northeast TIF has \$2.7 million in funds with no pending obligations. The Northeast TIF generates approximately \$750,000 in TIF increment per year.
- **1313 175th Street (Building):** \$415,000 acquisition – Transferred to developer for \$1
- **1351 175th Street (4-acre vacant land):** Transferred to developer for \$1
- **Soil Mitigation:** Not to exceed \$1,130,400
- **TIF Eligible Expenses:** Not to exceed \$5M (*actual incentive dependent on TIF Increment generated solely by the project*)

LEGAL REVIEW

Completed

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RECOMMENDED BOARD ACTION

1. Approve the redevelopment agreement.
2. Pass the attached resolution supporting the Cook County Class 8 Incentive for 1351 175th Street (vacant Village-owned land).
3. Pass the attached resolution supporting the Cook County Class 8 with “special circumstances” for 1313 175th Street (office building).
4. Pass a resolution authorizing the Village to enter a contract to purchase 1313 175th Street, for headquarters and production facility for Apparel Redefined.

ATTACHMENT(S)

- Site plan and renderings
- Redevelopment Agreement, 1313 & 1351 175th Street
- Resolution for Class 8, 1351 175th Street
- Resolution for Class 8, 1313 175th Street
- Resolution Authorizing Contract to Purchase 1313 175th Street