

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: March 26, 2024

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Amy Zukowski, Director of Finance

Topic: Budget Amendment – Stoney Point Grill II, LLC Incentive Payment

PURPOSE

Approve a budget amendment request to pay Stoney Point Grill II, LLC and HCF Homewood, LLC the first incentive payment from the redevelopment agreement approved at the October 25, 2022 Board meeting.

PROCESS

At the October 25, 2022 Board of Trustees meeting, the Village Board authorized entering into a redevelopment agreement with Stoney Point Grill II, LLC.

The redevelopment agreement provides for reimbursement of Tax Increment Financing (TIF) and non-TIF costs to assist the developer with the build-out of the restaurant. The reimbursements to Stoney Point Grill II, LLC total \$850,000 over a six-year period, according to the following schedule:

1. \$425,000 within 30 days of the opening date, subject to Stoney Point's payment to HCF Homewood, LLC (the developer of the Hartford Building) in the amount of \$231,305 for reimbursement of expenses related to the restaurant.
2. \$85,000 after 12 months after the opening date.
3. \$85,000 after 24 months after the opening date.
4. \$85,000 after 36 months after the opening date.
5. \$85,000 after 48 months after the opening date.
6. \$85,000 after 60 months after the opening date

As required in the redevelopment agreement, promptly after completing the project, the developer requested a Certificate of Completion and provided an affidavit that the project has been completed in conformance with the Cost Estimates detailed in the redevelopment agreement and is free from any mechanics liens.

The Village is required to issue a Certificate of Completion and make the first incentive payment. In anticipation of this payment, a budget amendment is required.

VILLAGE OF HOMEWOOD



The funding for the full \$850,000 incentive payment over six (6) years will come from Assigned Fund Balance. Assigned Fund Balance is fund balance dollars that have been designated and obligated to use for a specific purpose. The Village has typically utilized assigned fund balance dollars to fund actual and/or prospective non-TIF incentives. The process of assigning and obligating assigned fund balance dollars occurs every year during the audit process. When there are no surplus dollars at the conclusion of an audit, projects that would otherwise receive assigned fund balance dollars would have to be funded through the general fund.

Source of Funding Incentive

The initial funding for the incentive to Stoney Point Grill II, LLC was \$600,000 that was returned to the Village from our reserves with the Intergovernmental Risk Management Agency (IRMA) in April of 2020. The reserves had slowly accumulated from prior years where Homewood's insurance premium payments to IRMA were less than the amount of claims that were paid out. The \$600,000 has been stored within the General Fund Balance and was intended to be used specifically for this development and would be "assigned" to the incentive through the audit process once the development was completed.

The first \$425,000 incentive payment will be paid from the \$600,000 brought back from IRMA.

The remaining \$425,000 that is to be paid over the next five (5) years (\$85k per year) will also be paid from Assigned Fund Balance and will need to be approved by the Board every year by a budget amendment.

The Village has been fortunate to meet its minimum fund balance policy (5 months of operating expenditures) and assign any remaining surplus funding for projects such as Stoney Point Grill II, LLC. We will continue to assign fund balance for this redevelopment agreement annually through the audit process as long as our minimum fund balance requirement continues to be met. Should the Village not be able to assign fund balance at some point in the future, this annual incentive payment will be paid out of the General Fund.

As per the redevelopment agreement, the \$425,000 will be paid partially to Stoney Point Grill II, LLC (\$193,695) and partially to HCF Homewood, LLC (\$231,305). The portion paid to HCF Homewood will reimburse them for their expenses incurred in building out the project.

OUTCOME

Approval of the budget amendment will allow the Village to meet its obligation to Stoney Point Grill II, LLC and HCF Homewood, LLC for the first incentive payment within 30 days of the opening date of Stoney Point Grill.

VILLAGE OF HOMEWOOD



FINANCIAL IMPACT

- **Funding Source:** General Fund Assigned Fund Balance
- **Budgeted Amount:** \$0
- **Cost:** \$425,000

LEGAL REVIEW

Not Required

RECOMMENDED BOARD ACTION

Approve a budget amendment of \$425,000 to the General Fund for the incentive payment to Stoney Point Grill II, LLC and HCF Homewood, LLC.

ATTACHMENT(S)

- Letter Requesting Certificate of Completion
- Signed Affidavit