

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: May 23, 2023

To: Village President and Board of Trustees

From: Napoleon Haney, Village Manager

Topic: Washington Park Plaza (17748-17956 Halsted Street) - Sales Tax Sharing Agreement Extension

PURPOSE

Washington Park Plaza, having the address of 17748-17956 Halsted Street, is under the umbrella of the Beitel Group of Brooklyn, NY (formerly the Besyata Investment Group). The Beitel Group retained ownership of the Washington Park Plaza Partners, LLC, which owns the Washington Park Plaza. The plaza is a model retail anchor for the Halsted Street corridor and has fared well. The owners have done a stellar job of attracting and retaining top-tiered retail and commercial stores that generate sales tax. Homewood currently has a longstanding Business Development Agreement (sales tax sharing agreement) with the owners of the plaza. The Business Development Agreement that has been in place since 2005 is set to expire in 2024. The Beitel Group requests that the Village Board consider extending the agreement and the terms of the sales tax sharing agreement for an additional five (5) years with a \$5M cap.

HISTORY

In August of 2005, Washington Park Plaza Partners, LLC requested and was approved to receive economic incentives from the Village for the construction and redevelopment of Washington Park Plaza. The project, estimated at \$26 million, would attract viable national retailers. The Village was willing to provide certain economic assistance to Washington Park Plaza Partners, LLC for the project in order to assist retailers to locate in the Village of Homewood and to revitalize the final vacant parcel in Homewood's Halsted Street Corridor. The incentives consisted of real estate tax (*property tax*) rebates and sales tax sharing.

Business District

To authorize these incentives, the Village established the plaza area as a “Business District.” The Business District would allow Homewood to approve specific business district development and/or redevelopment plans, and to enter into contracts with private agencies or persons to implement such business district plans. This authority is found in Article IV of Section 78 of the Homewood Municipal Code and in State law at 65 ILCS 5/11-7-U et. Seq. A.

The original Business Development Agreement was approved and executed by the Village and Washington Park Plaza Partners, LLC on March 8, 2005, and assigned to Washington Park Plaza LLC (the “Agreement”) provided for Development of property designated by the Village as a Business District under 65 ILCS 5/11-74.3-1 et seq.

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The Incentives

Real Estate Tax Incentive – The initial agreement was amended on August 9, 2005 to provide the developer up to \$3.5 million in incremental property and sales tax revenue generated from the plaza (*\$850,000 property tax and \$2.65 million sales taxes*). The Village Board approved a ten (10) year real estate tax rebate incentive where the Village of Homewood, the Homewood-Flossmoor Park District, Homewood Elementary School District 153, Homewood-Flossmoor High School District 233, and the Homewood Library District agreed to rebate a portion of their increased property taxes from this development to the property owners - Washington Park Plaza Partners, LLC. The taxing bodies agreed to participate in this 10-year/\$850k capped - property tax refund program (2006 through 2016). Amazingly, the \$850,000 cap was reached in year six of this 10-year incentive program effectively ending the property tax incentive.

Sales Tax Sharing Incentives – The sales tax sharing component of the incentive is as follows: The Village will retain the first \$30,000 in sales tax and the Village and Developer will split (50/50) the next \$125,000 in sales tax (*\$62,500 each*); thereafter, the remaining sales tax is held by the Village and distributed 50% to the Village and 50% to Washington Park Plaza Partners LLC. The sales tax sharing incentive was approved to operate for fifteen (15) years with a \$2.65 million cap.

As a combined incentive, the real estate tax and the sales tax incentives were effectively capped at \$3.5 million. In essence, once the Developer received \$850,000 in property tax rebates and \$2.65M dollars in sales tax sharing, the agreement would terminate. The overall \$3.5M cap was not reached.

Agreement Extensions

On February 25, 2020, the Village and Developer approved a second amendment to the Business Development Agreement that focused solely on the extension of the sales tax sharing component of the agreement. The Village and Developer approved a *Second Amendment to the Agreement* on February 25, 2020 that extended the original 15-year agreement out three (3) additional years. The sales tax sharing would be extended for three years with a cap of \$4.5 million. The three-year extension established the Business Development Agreement as an 18-year agreement.

The developers have been excellent property owners. They have also managed to attract well-known retail tenants over the years.

Current Extension Request

The Beitel Group is in the process of pursuing refinancing of assets that include the Washington Park Plaza. The plaza owners have made it clear that the incentive extension is critical to a successful refinancing. The property owners requested that the Business Development Agreement be extended for an additional five (5) years with a \$5 million cap. If approved, the

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Business Development Agreement will have lasted 23 years. The plaza owners also shared that once their refinancing process is complete, they will be able to focus their attention on pursuing another quality retail tenant for the plaza. If they are successful, the developer will more than likely request for an additional extension of the sales tax sharing incentive.

PROCESS

The Village's authority to share sales tax is based on the Business District Development and Redevelopment Act (65 ILCS 5/11-74.3-1 et seq.) Like a TIF redevelopment plan, the business district also must have a plan, although it can be much shorter and less detailed than required by the TIF Act. Attached are the amended business district plan and the ordinance authorizing the amendments. The revised plan is attached to the ordinance as Exhibit A.

There are two steps involved: (1) amend the business district plan to allow for increased payout and a longer term; and (2) amend the business development agreement between the Village and the developer. Once the business district plan is amended, the development agreement with the property owner can be amended. Also attached are the third amendment to the business development agreement and the ordinance authorizing the amendment. The third amendment to the business development agreement is attached to the ordinance as Exhibit A.

OUTCOME

If approved, the amended business district and extended incentives will enable the Washington Park Plaza to continue as a viable retail and commercial anchor in the Halsted Street corridor.

FINANCIAL IMPACT

- **Funding Source:** Generated sales tax from the Washington Park Plaza development.
- **Budgeted Amount:** N/A
- **Cost:** Five-year sales tax sharing with a \$5 million cap

LEGAL REVIEW

Completed

RECOMMENDED BOARD ACTION(S)

Pass an ordinance approving an amended business district plan for the property commonly known as 17748-17956 Halsted Street in Homewood, Illinois; and pass an ordinance authorizing execution of the third amendment to the business development agreement for property commonly known as 17748-17956 Halsted Street (Washington Park Plaza) in Homewood, Illinois.

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ATTACHMENT(S)

- Ordinance approving amended business district plan
- Revised business district plan
- Ordinance approving third amendment to the development agreement
- Agreement - Third amendment to the business development agreement