

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: July 9, 2024

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Angela Mesaros, Director of Economic and Community Development

Topic: Sale of Village-Owned Property at 2018-2020 Ridge Road

PURPOSE

The Village received three proposals for the purchase and renovation of the Village-owned property at 2018-2020 Ridge Road. Staff completed their evaluation of the proposals using three criteria: (1) best use, (2) community and Village benefit, (3) sustainability, and (4) best fit. Staff's methodology of evaluation/analysis and recommendation is outlined below. If staff's recommendation is accepted, the Village Board should direct staff to negotiate a purchase and sale agreement with the owner of the successful proposal. The purchase and sale agreement would be presented at a future board meeting.

BACKGROUND

In 2020, the former owner of Karate for Kids at 2018-2020 Ridge Road donated the building to the Village of Homewood. In October 2020, the Village amended our lease with the Homewood Science Center to add the donated property to the lease with the Homewood Science Center. The intended use of the building was to expand the Science Center's educational programs and sale of merchandise into that space.

Upon inspection of the property, the Village determined that the building required major repairs and updates for occupancy. In 2022, the Village completed roof replacement, tuckpointing, rear deck removal, replacement of the rear door, and demolition of the interior space. Several upgrades remain, including ADA bathroom installation, HVAC purchase and installation, asbestos remediation, and plumbing, electrical, and gas upgrades. The building was separated from the Science Center's lease agreement on April 23, 2024.

In April 2024, Grace Yan Cui, CIG (Chicago Investment Group) 2018 Homewood LLC, submitted a proposal to purchase and renovate the property at 2018-2020 Ridge Road. The proposal involves renovation and interior build-out of the existing commercial building into a Mongolian BBQ restaurant.

At the May 14, 2024, Village Board meeting, the Board passed Ordinance M-2294 directing staff to publish a solicitation for alternate proposals. The solicitation was published in the Daily

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Southtown on May 16, 2024. The proposed development plan and solicitation have been available at the Village Clerk's Office and on the Village website since May 16, 2024. In addition, the Village posted the solicitation on its social media forums on May 22, 2024 and June 5, 2024.

The Village received two additional proposals by the close of the submission deadline on June 11, 2024, at 5:00 p.m. At its last meeting, the Village Board directed staff to evaluate the proposals and make a recommendation on which proposal should be considered as the next use for the 2018-2020 Ridge Road property.

PROPOSALS

The three proposals are:

1. Gyumon: Grace Yan Cui of Chicago Investment Group proposal for a Mongolian barbecue restaurant.
2. Peeled & Pressed Juice and Smoothie Bar: Ninety Two Minerals LLC proposal for a juice and smoothie bar serving Acai bowls and a fresh salad bar.
3. Black House Community Studios: Josh Argue proposed a creative studio, production company, audio recording/mixing studio, and educational incubator for "Black Awesomeness FilmWorks."

METHODOLOGY/EVALUATION/ANALYSIS

Staff evaluated each proposal based on the following criteria:

- I. **Best Use** – The Best Use criteria evaluates whether or not the proposed business is appropriately zoned, any public benefit it may have, and whether the business aligns with the downtown vision or any study or plan that may exist.
 - Zoning: Gyumon and Peeled & Pressed are categorized as eating places and are permitted uses in the B-1 district. Black House is not a permitted use in the B-1 district. The use as described falls within the "co-working space over 2,500 square feet" category. Operation of this use would require an amendment to the text of the zoning ordinance.
 - Public Benefit: All three uses would benefit the public: encourage social gatherings, cultural experiences, arts, creative production, and healthy food options. All uses are non-tax exempt, which puts the property back on the tax rolls. All three uses would serve as unique destinations and bring visitors to Homewood.
 - Alignment with the downtown plan: The TOD Master Plan (adopted in 2024) states a desire for new dining options, including a variety of restaurants, grab-and-go

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meals, and sit-down cafes. Both restaurants are consistent with this vision. In addition, the TOD plan supports adaptive reuse of vacant properties and all three proposals meet this vision.

II. Yield (Village and community, area benefit) – The criteria in this category analyze the financial viability of the proposed developments. These criteria items include, “return on investment” and other positive net funding impacts that the businesses may have on the Village’s bottom line. The analysis may review the total cost of the project, projected revenue to the Village, any ancillary and downtown indirect revenue, and/or benefits and incentives that may or may not be considered for the developments.

- **Impact on EAV:** The Equalized Assessment Value (EAV) is related to property taxes. Any increase in the value of a property would increase the assessed value of the property. The greater investment in the property equates to a greater increase in value. Gyumon proposes \$1,030,000 costs for the improvement of the building, which is by far more of an investment than the other two proposals. (Peeled & Pressed = \$324,000 and Black House = \$315,500.)
- **Purchase Price:** The purchase price of the property would be \$1, though it is not specifically listed in all proposals.
- **Annual Revenue (Sales Tax):**

New business revenue	<u>Gyumon</u>	<u>Peeled & Pressed</u>	<u>Black House</u>
Estimated annual retail sales	\$ 2,160,000	\$ 1,500,000	\$ 4,500
Sales Tax to the Village (1% of sales)	\$ 21,600	\$ 15,000	\$ 45
Places of Eating Tax (2% of sales)	\$ 43,200	\$ 30,000	\$ 90
Other	\$ -	\$ -	\$ -
TOTAL annual projected revenue to the Village	\$ 64,800	\$ 45,000	\$ 135

Based on the proposals' estimated annual revenue, the Village would receive the greatest sales tax benefit from Gyumon. Staff reviewed similar existing businesses' sales revenue to validate the proposed sales tax revenues. Upon comparison, staff found that Village revenue from similar businesses (juice/smoothie bar/grab-and-go cafes) located in Homewood generate far less revenue than the estimates

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provided by Peeled & Pressed. Staff believes that the Village could expect to receive approximately \$9,000 in total annual sales/places of eating tax revenue from similar businesses versus the \$45,000 projected by Peeled & Pressed.

- Ancillary/indirect revenue: Based on the projected number of guests, each business would bring people downtown who would support the existing local businesses. Employees would dine at local restaurants and diners could support local retailers.
- Job Creation – Each of the proposals would create new jobs downtown. Gyumon restaurant would employ managers, cooks, servers, kitchen staff, etc. Peeled & Press would likely have fewer staff than the Mongolian restaurant since it has a smaller menu and seating area. Black House would be an incubator for content creators, podcasts, and creative artists – creating even fewer traditional jobs.

III. Sustainability – This criterion evaluates the viability of the business, and whether the business can sustain itself within the current market environment. The criterion include the experience of the business owner, funding sources of the potential developments, the anticipated sales volume, and the economic feasibility of the proposed developments.

- Experience of the business owner:
 - Gyumon: the owner is a long-time restaurateur who operates two successful restaurants in Oak Park, IL.
 - Peeled & Pressed: the proposal states that this is the “3rd business endeavor.” One of the businesses is located at the Shops on Sterling in Flossmoor, “9inety 2wo Minerals and More,” a holistic care store. The juice bar would be a new endeavor for the applicant.
 - Black House: the owner has experience as a freelance photographer, etc., but does not have experience in the operation of this business.

- Anticipated Sales/Revenue Volume:

New business revenue	<u>Gyumon</u>	<u>Peeled & Pressed</u>	<u>Black House</u>
Projected annual revenue to the business	\$ 2,160,000	\$ 1,500,000	\$ 579,600

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- Market Feasibility/longevity:
 - Gyumon: this proposal is estimated to have a high probability of success based on the success of other restaurants in downtown Homewood. This type of restaurant is not yet in the Homewood area market which makes it another complimentary food option in the downtown.
 - Peeled & Pressed: The Village currently has two similar uses. It is unproven if the market can support another one.
 - Black House: This market is unproven in Homewood. The use would be more appropriate in a location outside of the core downtown retail district.
- Adequate/maximized use of space: The Mongolian restaurant and the Black House would utilize the 3,800 square feet of space. However, similar uses to Peeled & Pressed are typically in smaller spaces. For example, Smoothie King is 1,440 square feet; Epiq Nutrition is 1,460 square feet and Frozen Yogurt (at Cherry Creek) is 1,100 square feet.

IV. Best Fit – Best Fit evaluates and analyzes those intrinsic components of the business that are not easily quantified. Best Fit looks at the impact on municipal services and how the potential businesses may impact or complement other surrounding businesses.

- Municipal Services: The uses would have minimal impact on Police, Fire, and Public Works services.
- Complementary to other businesses: Each proposal would renovate and improve a vacant space in the center of downtown Homewood with an active use that benefits the community.
- Impacts on surrounding uses: Parking is provided in the back of the building, which could accommodate employees. Customers (estimated at 200 per day for Gyumon and 30 per hour at Peeled & Pressed) would rely on public parking lots and on-street parking.

Each of the proposals would be a wonderful addition to the community. However, based on the evaluation criteria for this specific location, 2018-2020 Ridge Road, Staff recommends the selection of Gyumon as the preferred proposal. Gyumon consistently meets the evaluation criteria for this project.

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FINANCIAL IMPACT

- **Funding Source:** No Financial Impact
- **Budgeted Amount:** N/A
- **Cost:** \$0

LEGAL REVIEW

Completed

RECOMMENDED BOARD ACTION

Make a motion to accept staff's recommendation regarding submitted proposals and direct staff to negotiate a purchase and sale agreement and a redevelopment agreement with Grace Yan Cui, CIG (Chicago Investment Group), 2018 Homewood LLC.

ATTACHMENT(S)

Evaluation Criteria
Proposals