

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: April 12, 2022

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Angela Mesaros, Director of Economic and Community Development

Topic: Economic Development Incentives – 17715-17825 Halsted Street, DIKA Homewood, LLC

PURPOSE

The Village desires to maintain retail sales tax-generating businesses in the commercial shopping corridor on Halsted Street. The commercial strip center has nine (9) commercial spaces located at 17715-17825 Halsted Street. The center has experienced ongoing vacancies over the past several years. Most recently, Office Max, the anchor tenant for this center, vacated its large retail space.

The owner of the center, DIKA Homewood, LLC secured a replacement retail tenant for the former Office Max space and requested assistance from the Village for the renovation and re-occupation of the center. DIKA has a lease with Burlington department store (formerly known as Burlington Coat Factory). The subject property is not located within a TIF district; therefore, TIF funds are not available. However, the incentives that are available for this property are a sales tax sharing agreement and support of Cook County Class 8 property tax incentive. The nine (9) individual stores have their own separate Property Identification Number (PIN) numbers. Four (4) of the spaces qualify for Class 8 incentives due to their extended vacant condition. DIKA Homewood, LLC is requesting a Class 8 for each of these commercial spaces. To incentivize the developer to bring in Burlington, the Village would agree to provide Class 8 incentives to the three other vacant commercial spaces.

PROCESS

Sales Tax Sharing

The Village receives 1% of the State of Illinois collected sales tax, which is the “Village’s portion” of sales tax. As part of the incentives for DIKA Homewood, the Village has agreed to rebate 50% of the Village’s portion of sales tax over a four-year period (estimated to be approximately \$200,000).

According to State statute, a municipality may enter into an economic incentive agreement relating to the development or redevelopment of land within the municipality. Under this agreement, the municipality may agree to share or rebate a portion of any retailers’ occupation taxes received by the municipality that was generated by the development or redevelopment

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over a finite period of time. Before entering into the agreement, the municipality must make the following findings:

1. The property is vacant and has remained vacant for at least one year, or
2. The project is expected to create or retain job opportunities within the municipality; and,
3. The project will serve to further the development of adjacent areas; and,
4. Without the agreement, the project would not be possible; and,
5. The developer meets high standards of creditworthiness and financial strength as demonstrated by a letter from a financial institution with assets of \$10,000,000 or more attesting to the financial strength of the developer; or
6. The project will strengthen the commercial sector of the municipality; and,
7. The project will enhance the tax base of the municipality; and,
8. The agreement is made in the best interest of the municipality.

Cook County Class 8 Incentive

Cook County has recognized the property tax issue for the Chicago Southland and created the Class 8 Cook County Tax Incentive Program. The Class 8 real estate tax incentive is designed to encourage industrial and commercial development in areas experiencing economic stagnation. Under this incentive 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 program identifies five (5) Cook County townships that have automatic certification for the incentive; the subject property is located in Thornton Township, one of the five designated townships. A Class 8 for this property will help bring the tax burden more in line with the competition in neighboring counties where the property tax rate is as much as 45% less.

DIKA Homewood LLC estimates that its property taxes without an incentive would be \$545,482 annually. With a Class 8 Tax Incentive, the taxes will be reduced to approximately \$294,076 annually.

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This property has been vacant for less than 24 months; therefore, the Village must find that special circumstances are present in order to waive the 24-month vacancy requirement for Class 8. Upgrades to the building and substantial interior renovations, enhancing the commercial viability of the property by improving commercial infrastructure qualify as special circumstances.

OUTCOME

With the sales tax agreement and class 8 incentives in place, the commercial center will be fully occupied.

The cost of the proposed renovations for the Burlington space is estimated to be \$2,000,000. This project will create 30 construction jobs and Burlington will provide permanent full-time and part-time jobs upon opening the store. The owner estimates \$6,000,000- \$8,000,000 million in annual sales tax revenue at the subject location, which is more than twice the amount of the previous retailer.

A major component of the ongoing operating cost of any commercial structure is property taxes. The Cook County tax system places a heavy tax burden on commercial properties that must compete with the lower tax rates of adjacent counties and across the state line. The Village's support of a Cook County Class 8 tax incentive will lessen the tax burden for the property making occupancy economically feasible for the Burlington Store to locate in Homewood. In addition, the smaller units will be occupied by tenants that include the University of Chicago Medicine and Smoothie King which provides employment and sales tax revenue.

FINANCIAL IMPACT

- **Funding Source:** General Fund
- **Budgeted Amount:** \$62,500
- **Cost:** \$250,000

LEGAL REVIEW

Completed

RECOMMENDED BOARD ACTION

Authorize the Village President to enter into a redevelopment agreement with DIKA Homewood LLC, owner of 17715 -17825 Halsted Street, for a rebate of sales tax revenues generated by the new Burlington store over a four-year period (estimated to be approximately \$200,000); and, pass four (4) separate resolutions in support of Cook County Class 8 incentives for 17715 Halsted Street, 17729 Halsted Street, 17805 Halsted Street, and 17825 Halsted Street.

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ATTACHMENT(S)

- Sales Tax Incentive Agreement
- Build out plans
- Class 8 request
- Resolutions