

# VILLAGE OF HOMEWOOD



## **BOARD AGENDA MEMORANDUM**

**DATE OF MEETING:** July 27, 2021

**To:** Village President and Board of Trustees

**From:** Jim Marino, Village Manager

**Topic:** Triumph Building Redevelopment Agreement

### **PURPOSE:**

In November of 2019, the Village entered into a redevelopment agreement (RDA) with HCF Homewood to construct a three-story mixed use building on the site of the Triumph building. Due to high Cook County taxes, the inability of projected revenues from the development to cover the cost of construction, and the risk associated with an unproven market in our downtown, the project is not financially viable without financial assistance from the Village and a Class 8 special assessment from Cook County. The RDA provided for the financial assistance and the project was slated to begin in 2020.

The developer was delayed in moving forward due to the COVID-19 pandemic and a prolonged process for securing a lease and financial approvals. These delays have been overcome and the developer is now ready to move forward with the project. The delay caused an alteration to the the scope and financial components of the project that require the board to approve a revised RDA.

### **PROCESS:**

The original project called for a restaurant, floor of hotel rooms, and two floors of apartments. Due to the downturn in the economy as a result of the pandemic, the demand for hotel rooms has declined. As a result, the owner of La Banque Hotel no longer needs additional hotel rooms. The project will now have three floors of apartments, thus requiring the RDA to be revised to reflect the new project scope.

The shortage of construction material caused by the pandemic increased the cost of the project. This required the developer to revise his pro forma. We hired Kane McKenna and Associates to review the pro forma, financial projections, and to assist with drafting language for the RDA. The amount of the financial assistance has not changed from what was in the original RDA, but the method of calculating the annual payment to the developer was revised for clarity and accuracy.

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The cost of the project is approximately \$10 million. The Village's incentive contribution will be \$7 million. Because the Village does not have this amount available in the TIF district, it will be paid over the 18 years remaining in the TIF district. The amount of the incentive in today's dollars is approximately \$3.5 million, which equates to \$7 million over the 18-year period when the discount rate is factored in.

The RDA includes a separate agreement as an exhibit that provides for the developer to demolish the building instead of the Village. The Village will reimburse the developer for the cost of the demolition and the cost of asbestos removal.

If the project outperforms expectations and the return to the developer is greater than anticipated, 50% of the excess financial returns will be shared with the Village.

### **OUTCOME:**

This is a vital project for our downtown that will allow us to realize our long-term goal of having a mixed-use development that will be a catalyst for other developments. A large investment is necessary for us to achieve this goal. The revised RDA allows the developer to proceed with construction of the mixed-use building. This project will convert a long vacant building into a new building that will be a highlight of our downtown. The benefit of such a development is that it brings more people to the downtown that will frequent the restaurants and stores, spurs additional mixed use developments, restaurant and retail developments, and increases overall property values in the vicinity.

### **FINANCIAL IMPACT:**

**Funding Source:** Tax Increment Financing (TIF) Fund

**Budgeted Amount:** N/A because payments will not begin until after the project is complete in 2024

**Cost:** \$7,000,000 over 18 years

**LEGAL REVIEW:** Completed

### **RECOMMENDED BOARD ACTION:**

Approve a redevelopment agreement between the Village of Homewood and HCF Homewood to construct a four-story mixed-use building in downtown.