

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: February 22, 2022

To: Village President and Board of Trustees

From: Napoleon Haney, Village Manager

Topic: Economic Development Incentive – Ford of Homewood, Inc. – 3233 183rd Street.

PURPOSE

The Village desires to incentivize a long-standing Homewood car dealership (*Steve Phillipos - Ford of Homewood, Inc.*) to purchase Van Drunen Ford, rename as Ford of Homewood, Inc. and establish the revamped dealership as an anchor within the Village's recently created Kedzie Avenue Gateway Tax Increment Financing District. The purchase of the Van Drunen Ford dealership and converting it to Ford of Homewood is a major investment for the Village's western corridor gateway.

PROCESS

Steve Phillipos, purchased the third-generation, family-owned Van Drunen Ford dealership and the real estate where it is located in June of 2021. The purchase price of the real estate alone was \$1.8M. On July 13, 2021, the Village Board passed Resolution R-3085 declaring the Village's intent to reimburse Steve Phillipos, owner of Chevrolet of Homewood, Inc., for TIF eligible expenses related to his acquisition of the former Van Drunen Ford dealership located at 3233 183rd Street. On, October 12, 2021, the Village established a TIF District for the area at Kedzie Avenue and 183rd Street, including the Ford dealership.

Mr. Phillipos' real estate acquisition cost for the Van Drunen dealership is a TIF-eligible expense. Resolution R-3085 authorizes the Village to reimburse Steve Phillipos \$1M for property assembly, including but not limited to the costs of land acquisition. The Village's incentive for \$1M would cover a portion of the Steve Phillipos dealership acquisition costs. The incentives will be funded by the increase in sales tax revenue generated by the dealership and/or tax increment generated by the TIF.

Sales Tax Sharing

Because the Kedzie Gateway TIF is a newly established TIF, there are no TIF funds currently available. As a result, the Ford of Homewood incentives initially will come from the Village's portion of dealership-generated sales tax. *The Village receives 1% of the State of Illinois collected sales tax – described as the "Village's portion" of sales tax.*

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The redevelopment agreement establishes an incentive for \$1,000,000 payable over a 15-year period. Sales tax sharing is structured with 90% to Ford of Homewood and 10% to the Village in Years 1 and 2 – with a 10% proportional reduction to Ford of Homewood’s share every two years culminating to a 30% share to Ford of Homewood and 70% to the Village in Year 14 and 20% to Ford of Homewood and 80% to the Village in Year 15.

Base Sales Tax

As part of the sales tax sharing arrangement, the Village will continue to receive 100% of the amount of sales tax generated by the former Van Drunen Ford – described as “base sales tax.” After the Village receives an amount equal to the base sales tax, any remaining sales tax will be shared between the Village and Ford of Homewood – described as the “incentive.” To calculate the base sales tax amount, the Village averaged their portion of sales tax from the property, prior to Steve Phillipos’ acquisition of the property. The base sales tax amount is \$149,192 (three-year average for Van Drunen Ford from 2018 through 2020).

No Penalty for Performance

Should Ford of Homewood out-perform expectations and generate unprecedented sales (*sales tax*), once \$1M in incentive payment is reached, the incentive would end without penalty. Afterwards, the Village would retain 100% of the Village’s share of the state collected sales tax.

Incentive Paid with TIF Increment

As the Kedzie Avenue Gateway TIF district accumulates increment from this and other developments over the next few years, the Village will have the option to pay Ford of Homewood’s remaining incentive payments out of the property tax increment and not sales tax sharing.

OUTCOME

Mr. Phillipos plans to increase sales at Ford of Homewood to make this store one of the best in the Midwest. He changed the name of the dealership to Ford of "Homewood" and intends to advertise through cable, television, radio and social media, which would benefit all of the community of Homewood. The dealership will employ approximately 150 employees. Mr. Phillipos has a proven record of success. According to sales data, Chevrolet of Homewood (owned by Mr. Phillipos) was ranked fourth in the region in July 2020. The Village anticipates that Mr. Phillipos will be able to duplicate this success at the new Ford of Homewood location.

FINANCIAL IMPACT

Funding Source: Kedzie Gateway TIF District

- **Budgeted Amount:** \$1,000,000
- **Cost:** \$1,000,000

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LEGAL REVIEW

Completed

RECOMMENDED BOARD ACTION

Authorize the Village President to enter into a redevelopment agreement with Steve Phillipos, owner of Ford of Homewood, LLC, Homewood, IL for up to \$1,000,000 in incentive payments, based upon the increased sales tax revenues generated by the new dealership at 3233 183rd Street.

ATTACHMENT(S)

- Sales Tax Incentive Agreement
- Inducement Resolution R-3085