

**MINUTES
SPECIAL COMMITTEE OF THE WHOLE MEETING
VILLAGE OF VERNON HILLS
OCTOBER 4, 2016**

President Byrne called the meeting to order at 6:12 pm.

IN ATTENDANCE: President Byrne, Trustees Grieb, Schultz, Koch, Hebda and Marquardt. Trustee Williams was absent. A quorum was established.

Also present were: Village Manager Kalmar, Assistant Village Manager Carey, Deputy Chief Davies, Finance Director Larson, Building Commissioner Atkinson, Public Works Director Brown, Attorneys Brankin and Kenny, and Recording Secretary Fischbach.

1. APPROVAL OF THE COMMITTEE OF THE WHOLE MINUTES OF SEPTEMBER 19, 2016

Motion by Trustee Marquardt, second by Trustee Schultz, to approve the Committee of the Whole Minutes for the September 19, 2016 meeting.

Roll call vote:

AYES: 5 – Marquardt, Koch, Grieb, Hebda, Schultz

NAYS: 0 - None

ABSENT AND NOT VOTING: 1 - Williams

Motion carried.

2. MELLODY FARMS DEVELOPMENT – PRESENTATION AND DISCUSSION OF FINANCIAL ANALYSIS AND RELATED TOPICS.

President Byrne opened the conversation with presenting a memorandum regarding the proposed TIF District. Nick Wibbernmeyer Managing Director, Regency Centers, Robert Rychlicki, Executive VP, Kane McKenna were available for comments and questions. The following topics were discussed.

- At \$20 million in up front bonds, the debt coverage ratio is too low which is risky for the Village. The debt must be paid back entirely by the property taxes within the TIF District, i.e. the Regency commercial project and the Focus residential project.
- The Village's total bond debt will double which will impact future projects and future debt issuance.
- \$20 million is equivalent to our annual operating budget.
- The Village cannot anticipate adverse financial impacts on current revenue sources and amounts from State budget crisis. Today, we heard that the States annual debt has increased to nearly \$15 billion.
- Staff knows of only one confirmed signed lease (Whole Foods) when the project is 6 months from starting construction.
- There has been no market study to establish a proven need for additional 274,000 sq ft of general retail space within our trade area. "Build it and they will come" does not work with \$20 million at stake.
- Financial guarantees offer only core and shell completion, not full occupancy.
- This will impact assessments and tax revenues needed to pay down the bond debt.
- Staff notes that at some point in the future Sears may close in the Hawthorn Mall and WalMart will move to Mundelein leaving 350,000 sq ft of vacant retail space. Who will replace them? The list of retailers shrinks significantly if Melody Farms is constructed.
- There is no "home run" clause to buy out our debt if Regency sells and makes a large profit, which is what Regency did in Glenview.

- Municipalities are typically risk averse when it comes to investments. Is this project too risky for us as it is structured today?
- Should we consider only providing funding for public improvements i.e. public road and utilities? Preliminary estimates of less than \$8 million for these TIF eligible expenses.
- Should the Village consider using a “pay as you go” alternative for funding similar to the sales tax sharing agreements we have used in the recent past including with Westfield for the theater?

All parties agreed to meet again on Thursday, October 20 for Regency Centers to come back and provide responses to Mayor Byrne’s memo.

3. ADJOURNMENT OF THE COMMITTEE OF THE WHOLE

Motion by Trustee Schultz, second by Trustee Koch, to adjourn the Committee of the Whole.

Roll call vote:

AYES: 5- Koch, Grieb, Hebda, Schultz, Marquardt

NAYS: 0 - None

ABSENT AND NOT VOTING: 1 - Williams

Motion carried.

Meeting adjourned 8:14 p.m.

Approved this 18th day of October 2016

John M. Kalmar, Village Manager/
Village Clerk

Roger Byrne, Village President

JMK/LLF