

**MINUTES
SPECIAL COMMITTEE OF THE WHOLE MEETING
VILLAGE OF VERNON HILLS
OCTOBER 20, 2016**

- I. President Byrne called the meeting to order at 6:20p.m.
- II. Roll call indicated the following Board Members present: President Byrne, Trustees Hebda, Koch, Grieb, Marquardt, and Schultz. Trustee Williams was absent. A quorum was established.

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

III. The Pledge of Allegiance was given.

A. MELLODY FARMS – REVIEW & DISCUSSION OF REDEVELOPMENT AGREEMENT AND FINANCIAL INCENTIVES

President Byrne acknowledged Carol Calabresa, Lake County Board member, was in the audience.

Steven Elrod, Holland & Knight, representing Regency, thanked the COW for their time and began of the presentation.

Overall Site Plan Review – Residential and Commercial

53 acre site with 17.5 acre open space;

During the last year and a half, Regency has worked with Village staff and met with Village Board members and met with IDOT regularly;

Last April, the JRB unanimously recommended approval of establishment of TIF District;

Last August, the Lake County Board, Village, and Regency, adopted an IGA allowing for mixed use, residential and retail on the site

Last August and September, Regency met with P&Z to review site, architectural, civil engineering, signage, and landscaping plans. On overall request for mixed use plan development, P&Z unanimously recommended approval.

Review of Regional Retail - Matt Hendy, Regency Centers

Brick and mortar must up its game and must create a great experience that the internet lacks

Retailers want to be in great areas with great demographics and a shopping experience that differentiates itself from others. Melody Farms does both and creates a sense of place

North Shore/Lake County shopping – Northbrook Court (luxury regional mall), Deer Park Town Center (outdoor life style), Gurnee (premiere outlet center), and Vernon Hills (daily needs driven with great existing regional mall and AMC movie theaters)

Vernon Hills has expanded trade area to north and west. Route 60 is the preferred method of travel.

280,000 population with income of \$120,000 per year/375,000 daytime population

Nielsen data labels this population the “upward bound group”

Leasing Chart Update

Lease executed – Whole Foods (pink)

Ongoing negotiations (62%) (green)

Letter of intent – (in total - high 70%) (blue)

Orange - open

Residential Overview – Vicky Lee, Development Manager, Focus Development

Residential is in the northeast corner of the site

260 units

- 5% studios
- 53% one bedroom
- 32% two bedrooms
- 10% three bedrooms

Amenities include a fitness club, club room, kitchenette, lounge area that open directly into courtyard area with grilling station, pool deck, pool, and lawn area. There will also be several mini courtyard areas within the complex

Residential Architecture

- Pays homage to Hawthorn Melody Farm
- Maintains a residential identity and call attention to residential building
- Maintains a relate ability to retail architecture

Retail Architectural and Landscape Design

Matt Hendy presented renderings of the retail architecture and landscaping.

Off Site Improvements

Matt Hendy presented \$5M in hard cost roadway improvements. The three existing traffic signals on Milwaukee Avenue (including main intersection) will be updated and a new signal will be added on Route 60.

Municipal incentives – TIF

Key financial updates

Update: \$20M (net) in TIF assistance. Regency is recommending that the Village issue \$18M (net) in TIF assistance upfront plus makes two (2) \$1M payments for completion of buildings on 2 of the 5 outlots. These payments are projected to be made within 4 years of the start of construction for the shopping center and residential building.

Tax Exempt bonds

- \$25M liquidated damage penalty in lieu of previous structure
- Amount guaranteed by Regency Center LP parent entity that has Regency Center assets
- Regency required to own property for 5 years from funding

Prior to selling bonds (currently 19 items, below are listed highlights)

- Regency at 50% leased – minimum of 3 anchor tenants plus Whole Foods
- Regency must purchase 55 acre property
- Focus must purchase 7 acre property
- Regency and Focus must provide proof they have entered into contracts with contractors to build the project
- Regency must deliver Regency Center LP guarantee of liquated damages

Reimbursement Structure

- Regency accepts \$5M cap on land acquisition costs (subject to staff verification of TIF eligible cost schedule)
- \$2.5M of land cost and predevelopment expenses to be reimbursed immediately upon funding with no more land cost reimbursements (if at all) until final draw
- Regency will spend its own money to fund construction

- Only after contractors have been paid and lien waivers are in hand will monthly draw for TIF funds be submitted to the Village
- Any TIF money going to Regency is only for dollars that have already been spent and verified by the Village.

Regency projects to the Village to receive \$1.6M annually on average.

Mike Laube discussed bond coverage ratios. He stated it is extremely unlikely that the general obligation will ever be hit or payments will ever be made from it. It is simply there for our collective benefit, the Village's on the interest rate in that the Village can buy it down and it will cost the Village a lot less to do this and our collective benefit to facilitate the project with a lot of upsides for the Village as well.

Finance Director Larson stated, from a slightly different perspective, the proposal on the table is general obligation bonds that are tax exempt, which pledges the full faith and credit of the Village and although our plan is to pay the bonds back through increments, ultimately the entire full faith and credit of the Village will be pledged for these bonds. Mr. Laube is correct the Village is buying down the interest rate but you are also increasing the risk if you do have to pay off the bonds and the increment does not match what you need.

Impact Fees

Regency will donate \$150,000 to the Fire District above and beyond the typical fees. Focus would match the \$150,000. The Park District would receive approximately \$900,000. Elementary School Districts would receive \$168,000. High School District would receive \$31,000.

Village Manager Kalmar stated staff was looking for specific directions on the contribution the Village will make toward this project. Will the Village contribute \$20M = \$18M with \$2M additional contribution?

Village Manager Kalmar stated we've heard tonight that the Village has great demographics and market and shopping has become different. He stated his concern and question to Regency was whether there was a need for an additional 200,074 sq ft of additional retail space in this area? Further, how will this unique concept impact the existing retail going forward?

A poll of the COW resulted:

President Byrne – Yes to \$18M with \$2M from other sources;

Trustee Jim Schultz – Yes with concerns; doubles Village indebtedness; two major potential closings and existing vacancies; plenty of good grocery stores exist; Regency's unwillingness to consider other revenue options, State of Illinois volatility; traffic issues – Route 60/21 problematic (spend \$18M to get \$6.5M fix? maybe); impressed with the development; would like more thought to reduce bond amounts; ask staff to look at \$15M bonds with use of reserves; important to maintain AAA rating;

Trustee Cindy Hebda – No, would consider \$15M; concerns similar to Trustee Schultz; would like to see more executed leases; no use of home rule; great plan; too many unknown variables;

Trustee Thom Koch – No, concerns similar to what's been expressed;

Trustee Tim Grieb – Yes to \$18M; there's a risk not to do this project; the Village needs unique experience to bring shoppers into the community for all retail; get roads built;

Trustee Mike Marquardt – Yes to \$18M with \$2M not taken from general fund, fantastic concept;

It was determined that each member of the Board would send their responses to the questions in memo to Attorney Kenny and he will draft a RDA for discussion at meetings scheduled for November 1 and 3.

IV. ADJOURNMENT

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

Roll call vote:

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

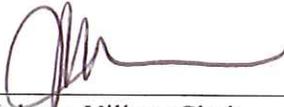
NAYS: 0 - None

ABSENT AND NOT VOTING: 1 – Williams

Motion carried.

Meeting adjourned at 9:00 p.m.

Approved this 1st day of November, 2016



John M. Kalmar, Village Clerk



Roger Byrne, President