



Agenda Item Summary

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Agenda Item Title

A Resolution Approving a Sales Tax Sharing Agreement Between the Village of Oak Park and 1144 Lake Street, LLC and Authorizing Its Execution

Overview

On August 1, 2022, the Village Board approved a motion to concur with the Oak Park Economic Development Corporation's (OPEDC) recommendation to enter into a Sales Tax Sharing Agreement with 1144 Lake Street, LLC for the purpose of attracting Dom's Kitchen & Market to locate at 1144 Lake Street. The Sales Tax Sharing Agreement is being presented for the Board's review and approval.

Recommendation

Adopt the Resolution.

Fiscal Impact

The OPEDC expects that Dom's Kitchen & Market will generate approximately \$350,000 in total annual sales taxes. The OPEDC projects that at least 70% of the total sales will be additive to the Village's current sales tax collections. Dom's is reporting that the construction costs are approximately \$6.5-8 million more than other locations they are considering and \$6-7 million more than a new construction build. The 50/50 sales tax split over 20 years will not fully compensate for the unusual build-out costs but would constitute a significant incentive by defraying costs. If the OPEDC projections are correct the Village will realize an annual increase in sales tax revenue of \$122,500 annually.

Background

Dom's Kitchen & Market is an innovative grocery/restaurant/food hall hybrid, founded in part by Bob Mariano of the well-known Mariano's grocery chain. Dom's currently operates a single 18,000-square-foot location in the Lincoln Park neighborhood of Chicago, with a second Chicago store under construction in the Old Town neighborhood. Dom's reports that the business has performed extremely well, generating praise and excitement from the community and in the industry. Dom's corporate real estate team is looking to aggressively expand its footprint with more stores over the next several years and has selected 1144 Lake Street as a unique and high-profile "flagship" location to grow its brand.

1144 Lake Street has been vacant at the ground and lower level for approximately 11 years since the closing of the Borders bookstore. The long vacancy period mirrors a general decline in large-format retail demand both

regionally and nationally that has made attracting a quality tenant very challenging. While the offices above the ground floor have maintained solid occupancy over the years, the high-profile ground-level vacancy has been a constant focus of the OPEDC, building ownership, and many stakeholders and residents.

In the past few years, proposals or inquiries for the space have included a Bank of America branch, a discount retailer, a performance space, a co-working space, and other ideas, but no user could ultimately make use of the entire space in a manner that was economical for both tenant and owner. The most obvious challenge with this space is its large size - half of which is below-ground - which severely limits the pool of prospects. The few tenants in the market looking for spaces of this size will generally choose to build new or backfill other single-tenant buildings with ample parking. On the other end of the spectrum, most restaurants and retailers looking for a high-profile downtown location would fill less than half of the ground-level space and be uninterested in occupying the lower level. The costly subdivision of the space for such tenants without the ability for long-term lease guarantees has not been financially attractive for building owners. Other obstacles to leasing have included:

1. A lack of significant outdoor seating space
2. A lack of dedicated parking
3. Large columns within the space that reduce the viability of certain potential commercial floorplans
4. A significant cost of installing “black iron” and ventilation (likely up to the roof)
5. Unique build-out costs to getting an older/historical building up to modern retail standards

Prior to the COVID-19 pandemic, the OPEDC had been prepared to recommend another sales tax rebate sharing agreement with a nationally recognized retailer. However, the retailer ultimately decided to not move forward due to the COVID-19 pandemic. Additionally, the Village has approved several special use applications for other tenants but ultimately those tenants chose not to move forward due to outside circumstances not attributable to ownership or the Village.

Alternatives

Request additional information

Previous Board Action

In 2012 the owner of 1144 Lake Street submitted a variance application to allow general medical use on the ground floor of 1144 Lake Street. Prior to the hearing, the applicant withdrew the application.

On May 5, 2014, the Village Board approved a special use permit to operate a UFC Gym. The applicant decided to not move forward.

On March 21, 2016, the Village Board approved a special use permit for Harken Medical Center facility in the rear of 1144 Lake Street. The applicant withdrew the application.

On August 1, 2016, the Village Board approved a special-use permit to operate Bank of America at 1144 Lake Street.

Citizen Advisory Commission Action

N/A

Anticipated Future Actions/Commitments

N/A

Intergovernmental Cooperation Opportunities

N/A