July 28, 2015

To: Board of Trustees, Village of Oak Park
From: John Lynch, Executive Director
Re: Economic Development Incentive – MEV Oak Park, LLC.

MEV Oak Park, LLC ("MEV"), a limited-liability corporation controlled by Mr. Kevin Vernick of Vernick and Associates, has requested, through the Oak Park Economic Development Corporation ("OPEDC"), a financial development incentive to construct a new Sherwin Williams paint store at 901 Madison Street. OPEDC has requested and reviewed a construction budget and pro forma for the project, which were submitted by Mr. Vernick to support his initial request for $225,000 in Village assistance. Based on our review of project costs and negotiations with Mr. Vernick, OPEDC staff challenged the incentive required to support the project, and has negotiated what we believe is a more appropriate and justifiable development incentive. I have presented our recommendation to the OPEDC Board of Directors, which has concurred with our staff's recommendation to support the project with an incentive not to exceed $75,000, payable in the form of a 60% rebate of future sales taxes generated by the tenant Sherwin Williams. By this letter, we are encouraging the Village Board of Trustees to support this incentive.

Background

OPEDC has assisted the current owners of the 901 Madison site with marketing efforts for approximately three years with limited viable response. The long-vacant site, formerly home to a fuel service station, is severely constrained for new construction by its shallow (50') depth. We believe that highest and best use for the site is a single-tenant, or possibly two-tenant, commercial building with on-site parking. The proposed project matches this profile.

Mr. Vernick has completed or begun construction on approximately twelve similar build-to-suit buildings for Sherwin Williams throughout the Midwest. He has extensive experience working with municipalities to activate challenged sites similar to 901 Madison Street. This background gives us confidence in his ability to deliver the proposed project.

Incentive Justification

OPEDC believes it to be in the Village's best interest to promote and incentivize new construction on Madison Street. The development of Madison is a key Village and OPEDC priority, and activation of a long-vacant site will further position the corridor as an active location and opportunity for private investment.

In addition, we estimate significant sales and property tax generation from the development that will more than offset the incentive offered. OPEDC expects the project to generate approximately $295,000 in sales tax (based on total sales of $18,400,000 over 15 years as estimated by the tenant and provided to OPEDC by the Developer) and $770,000 in property tax revenue to the Village over a fifteen-year period, less the proposed incentive. We expect the incentive period to last approximately seven years based on sales tax projections and the recommended terms below.

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In terms of local competitiveness, we see the business as additive to Oak Park's paint sales and do not expect significant cannibalization from local Oak Park stores. Currently, Oak Park's trade area, as measured by a 10 minute drive time from Madison Street, captures $5,500,000 in paint sales annually. Oak Park retailers represent $1,375,000 of these sales with approximately $1,756,000 of total trade area demand captured within its borders. With 75% of the sales potential for the market lyng outside Oak Park, and nearly $400,000 in paint demand leaking from Oak Park, we expect that most of the sales capture for this store will come from new customers and competitors (plus existing Sherwin Williams accounts) in surrounding communities.

Recommendation

OPEDC recommends the following terms for an economic development incentive agreement with MEV to support the development described above. It is our belief that MEV has represented the financial parameters of the deal in good faith and has sufficiently demonstrated that this project would not be constructed at this location without Village financial assistance.

Village Responsibilities

- Will rebate 60% of the Village's total sales tax receipts (State Sales Tax and Home Rule Sales Tax) up to a maximum of $75,000, to the developer MEV Oak Park, LLC, or designee;
- Will begin paying the Developer upon receipt of the initial sales tax from the State of Illinois and annually thereafter as determined by the Village so long as a Sherwin Williams store remains open and operating at the address commonly known as 901 Madison Street.

Developer Responsibilities

- Will provide to the Village a letter of assurance from the Developer's lender evidencing the necessary construction financing for the project and proof of ownership of the property;
- Will provide proof of a lease with Sherwin Williams evidencing terms of a lease agreement lasting at least ten years;
- Will develop a single-use commercial development at the address commonly known as 901 Madison Street, meeting all necessary zoning, licensure and structural requirements;
- Will complete the entitlement and permitting process by year-end 2015 and will complete construction and occupancy by year end 2016.