



Memorandum

TO: Kevin J. Jackson, Village Manager

FROM: John C. Melaniphy – Assistant Village Manager of Economic Vitality

FOR: Village President and Board of Trustees

DATE: July 18, 2025

SUBJECT: Economic Incentive and Redevelopment Agreement

Purpose

The purpose of this memo is to recommend approval of an Economic Incentive and Redevelopment Agreement for the property at 1144 W. Lake Street.

Background

The Village Manager's Office of Economic Vitality is pleased to provide this memorandum summarizing an Economic Incentive and Redevelopment Agreement between the Village of Oak Park and 1144 Lake Street, LLC, for the purpose of attracting Barnes & Noble to fill a longtime vacancy at 1144 Lake Street. We believe strongly that Oak Park has a unique opportunity to attract an exciting and proven retail operation to a long-vacant gateway corner, and we believe that an Economic Incentive and Redevelopment Agreement is an appropriate and necessary way to attract this tenant. For the past month, the Village Manager's Office and the Office of Economic Vitality have been in active discussions with Mr. Nick Karris, principal of 1144 Lake Street, LLC and its management company Water Tower Realty Management Company, to re-tenant the approximately 25,000 square feet of retail space on the first floor and basement levels of 1144 Lake Street. That space, originally home to a Marshall Field's department store and located at the highly visible corner of Lake and Harlem Avenues, has been vacant at the ground level since the 2011 closure of a Borders bookstore.

The Barnes & Noble corporate real estate team has communicated its intent to move forward with the location and has negotiated terms with ownership for a 30-year lease (including extensions). The costs to improve the large space at 1144 Lake Street for this unique use requires significantly more investment than other locations under consideration. Due to the extraordinary costs associated with retrofitting the 1144 Lake Street building for tenancy by Barnes & Noble, the Office of Economic Vitality is recommending a 50% rebate of sales tax receipts from sales by Barnes & Noble for the

initial 20 years of the lease up to a cap of \$2 million. Below we provide details and rationale for this recommendation.

Barnes & Noble History

In 1971, bookseller Leonard Riggio acquired the Barnes & Noble trade name and flagship bookstore in Manhattan, merging it with his own thriving bookselling business. Within a few years, he had grown the Barnes & Noble Fifth Avenue store in New York City into "The World's Largest Bookstore," with 150,000 textbook and trade titles. Throughout the 1970s and 1980s, the Company made numerous acquisitions, adding new bookstores throughout the country. In 1987, the Company made its largest acquisition - 797 retail bookstores - when it purchased B. Dalton Bookseller, making the Company a nationwide retailer overnight and the second-largest bookseller in America. The Company also acquired Doubleday Book Shops, rights to the Scribner's bookstore trade name, and BookStop. In the early 1990s, Mr. Riggio came up with the concept of the "superstore," which helped revolutionize bookselling by combining a vast and deep selection of book titles with an experienced bookselling staff as well as a warm, comfortable and spacious atmosphere. The stores offered a comprehensive inventory of books, music, educational toys and games and gifts.

Barnes & Noble became a publicly traded company in 1993, and continued to grow throughout the 1990s, adding an e-commerce website, BN.com in May 1997, and publishing capabilities. In 2001, the Company purchased SparkNotes.com, a leading study aids website, and in 2003, Sterling Publishing, which had been operating for more than half a century and had a deep library of titles in print. In 2009, the Company entered the eBook market with its acquisition of Fictionwise and launched its NOOK® brand of e-Reading products, which provide a fun, easy-to-use and immersive digital reading experience. Over the past several years, the Company has introduced several devices in the tablet and e-Reader categories. In 2011, the Company added the Borders and Waldenbooks brands into its family.

In 2016, Barnes & Noble began introducing new prototype stores in select markets across the country, featuring a contemporary aesthetic with books at the center, expanded food and beverage offerings, and comfortable seating for a welcoming customer experience.

In August of 2019, Barnes & Noble was acquired by Elliott Advisors (UK) Limited ("Elliott") and taken private. Elliott's acquisition of Barnes & Noble followed its June 2018 acquisition of Waterstones, the largest retail bookseller in the United Kingdom. James Daunt, Managing Director of Waterstones, was appointed CEO of Barnes & Noble. Mr. Daunt has nearly 30 years of experience in bookselling. In 1990, after an early career as an investment banker, he opened his own bookstore in London, called Daunt Books. Daunt Books now has nine locations, mainly in London.

At present, Barnes & Noble serves over 600 communities in all 50 states and remains the #1 book retailer in the United States. The Barnes & Noble 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 Site Summary

The ground and lower levels at 1144 Lake Street have been vacant for approximately 12 years since the closing of Borders. The long vacancy period mirrors a general decline in large-format retail demand both regionally and nationally that has made attracting a quality tenant at this location 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 Village, the building owner, and many stakeholders and residents. In the past few years, proposals or inquiries for the space have included a Dom’s Kitchen & Market, 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. Costly subdivision of the space for such tenants without the ability for long-term lease guarantees has not been financially attractive for building ownership. Other obstacles to leasing have included:

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

Project Economics

In evaluating the need for an economic incentive, staff have worked closely with the owner to understand the anticipated costs and revenues associated with this proposed store. Given Barnes & Noble’s projected sales productivity and an understanding of the other Barnes & Noble store performances, we expect that the store will generate approximately \$100,000 in total annual sales taxes. We recognize, of course, that a portion of Barnes & Noble sales would likely be redirected from other book sellers in Oak Park; however, we support the contention that at least 70% of its sales would be additive, as the novelty and lack of comparable businesses nearby would make Barnes & Noble a destination for Oak Park residents and residents of other municipalities who want to shop for books. We believe the Barnes & Noble store in downtown will expand the geographic area or “trade area” of Downtown Oak Park as consumers are attracted

to the store from greater distances. The Barnes & Noble store located immediately to the north is in Skokie, to the south Orland Park, to the east Wicker Park, and Oak Brook to the west.

On the cost side, estimates provided by the owner suggest that it will invest \$8.2 million in the overall property in order to meet the modern standards of a prototype retail location. The landlord will update the HVAC, mechanicals, elevators, and fire safety systems. Under the terms of the lease, the landlord is required to provide a “vanilla box” to the tenant. Barnes & Noble will undertake their own build-out.

The buildout is estimated to cost Barnes & Noble and the owner approximately \$12 million combined, and costs have continued to escalate rapidly in the current economic environment.

Community Benefits

In addition to the sales tax benefit of this project, this project stands to benefit the Downtown Oak Park business district and the Village of Oak Park as a whole. For over 12 years, the high-profile corner of Lake and Harlem has had its largest commercial space sitting vacant. The visual and psychological benefits of going from a seemingly empty building to a vibrant and thoughtfully designed food and beverage marketplace cannot be overstated. This reactivation stands to serve as an immediate and clear marker of our Downtown’s progress for all those who enter Oak Park via Lake Street from the west. In addition, this fresh concept will no doubt bring more shoppers and commercial activity to the Downtown district as a whole. Other businesses along Lake Street and throughout Downtown Oak Park stand to benefit from the increased foot traffic as Barnes & Noble draws new shoppers to Oak Park who may also want additional goods and services as they make their stop here. The Office of Economic Vitality has also had conversations with the representatives for Barnes & Noble with respect to other initiatives designed to enhance the store’s benefits to the community. As part of the economic incentive recommended in this letter, the Office of Economic Vitality is also recommending that the Board of Trustees encourage Barnes & Noble to take steps to provide additional community benefit through their business operations. Specifically, we have encouraged Barnes & Noble to commit to local and minority hiring through, for example, local job fairs and advertisements.

When considering incentive requests, we strive to ensure that the benefits to the Village will be long-lasting and that any downside is managed and protected. In this case, the significant improvements to 1144 Lake Street will make the commercial space vastly more leasable to a subsequent tenant in the unlikely event that the Barnes & Noble concept proves unsuccessful. Of course, a significant benefit to the Village of an Economic Incentive and Redevelopment Agreement versus up-front financial incentives is that the incentive is only earned if and when a business is active and producing sales tax revenue to the Village. Finally, we have researched and considered municipal sales tax sharing agreements in other communities for benchmarking purposes.

A review of agreements made available publicly through the Illinois Department of Revenue suggests that while this particular tenant and building type are fairly unique, 20-year sales tax sharing agreements are not uncommon. In addition, while most agreements provide for a 50/50 split of sales tax revenues, there are several agreements that return higher percentages of the sales tax to the operator, with rebates of as high as 75%.

Recommendation Summary: After reviewing the expected project financials and meeting with the building's owner, the Office of Economic Vitality supports this project and believes that the project is not likely to move forward without a sales tax sharing incentive. The Office of Economic Vitality therefore recommends that the Oak Park Village Board of Trustees supports an Economic Incentive and Redevelopment Agreement between the Village of Oak Park and 1144 Lake Street, LLC, for the purpose of attracting Barnes & Noble to 1144 Lake Street, with 50% of sales taxes collected by the Village from sales at Barnes & Noble being rebated to 1144 Lake Street, LLC, for the initial 20 years of operations. In addition to the recommended sales tax incentive, the Office of Economic Vitality is also recommending that the Board of Trustees support the following:

1. Approve a Cook County Class L classification for a landmark building and the associated property tax benefits.
2. Encourage Barnes & Noble to commit to a local and minority hiring effort through, for example, a local job fair and advertisements.

For questions, please contact John C. Melaniphy, Assistant Village Manager of Economic Vitality, via email at john.melaniphy@oak-park.us or by phone at (708) 358-5696.

Attachments:

Attachment 1 – Term Sheet – 1144 W. Lake Street

Attachment 2 - Economic Incentive and Redevelopment Agreement

cc: Lisa Shelley, Deputy Village Manager
Ahmad Zayyad, Deputy Village Manager
Jack Malec, Assistant to the Village Manager
Christina M. Waters, Village Clerk
All Department Directors