



January 11, 2016

To: Board of Trustees, Village of Oak Park

From: John Lynch, Executive Director

Re: Economic Development Incentive – Pioneer Property Advisors, 412 N Austin Boulevard

Mr. Greg Sorg of Pioneer Property Advisors has requested, through the Oak Park Economic Development Corporation (“OPEDC”), a financial development incentive to redevelop his property at 412 N Austin Boulevard into a restaurant. OPEDC has reviewed a pro forma for the project, which was submitted by Mr. Sorg to support his initial request for Village assistance. Based on our review of project costs and discussions with Mr. Sorg, OPEDC staff has recommended what we believe is an 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 payable in the form of an initial grant of \$50,000 and a tiered rebate of future sales taxes generated by the proposed tenant, a full-service brewpub, or another similar operation. By this letter, we are encouraging the Village Board of Trustees to support this incentive.

Background

OPEDC has assisted Mr. Sorg with marketing efforts since his company purchased 412 N Austin Boulevard in 2012, with limited favorable response. We believe that highest, best and most viable use for the building is a single-tenant restaurant. We also feel that a full-service restaurant use will result in the greatest impact to the surrounding commercial area and neighborhood, and increase the momentum of new commercial investment on the east side of Oak Park.

Mr. Sorg owns over 50 properties in the Chicago area and has extensive experience rehabilitating vintage buildings and overseeing commercial build outs. This background gives us confidence in his ability to deliver the building as needed to support the proposed restaurant concept.

Pioneer Property Advisors also owns the properties adjacent to 412 N Austin Blvd., which include the former car wash facility to the west and a small office building and parking lot to the south. We have been working with Mr. Sorg to identify redevelopment opportunities and/or parking accommodations on these parcels.

The restaurant concept as proposed will be a full service brew-pub, offering 144 seats on two levels with a rooftop deck/bar area. While OPEDC based its evaluation and recommendation on the development economics rather than the restaurant’s business plan, we have reviewed the tenant’s plans and projections and feel that the concept and management team are strong enough to be successful at this location.

Incentive Justification

OPEDC believes it to be in the Village’s best interest to promote and incentivize new development in the Lake Street-Austin Boulevard area. With the recent addition of Pete’s Fresh Market and the Gymnastics and Recreation Center, activation of the Village’s eastern gateway will further position Lake Street from Ridgeland Avenue to Austin Boulevard as an active location for private investment.



In addition, OPEDC expects the project to generate approximately \$577,000 in sales tax (based on total sales over 10 years as estimated by the tenant and provided to OPEDC by the Developer), after distribution of the proposed incentive. Based on OPEDC's projections, the total incentive will be approximately \$385,700 paid over 7 years.

With the exception of the initial grant to spur building rehabilitation, the terms of this agreement are intended to be based on sales performance of the restaurant tenant. It is our hope that the proposed tenant will occupy the space upon delivery from Mr. Sorg. If the proposed tenant does not perform, and Mr. Sorg is not able to occupy the space with an alternative restaurant user, sales tax sharing will not occur. We feel that the earned incentive structure is the most appropriate format for a project of this type.

It is our belief that Pioneer Property Advisors has represented the financial parameters of the project in good faith and has sufficiently demonstrated that this project would not be constructed at this location without Village financial assistance.

Recommendation

OPEDC recommends the following terms for an economic development incentive agreement with Pioneer Property Advisors to support the development described above.

Village Responsibilities

- Will rebate 100% of the Village's total sales tax receipts (State Sales Tax (1%), Home Rule Sales Tax (1%) and Liquor Tax (3%)) for the first four years of operation up to \$50,000 per year, with the Village retaining 100% of sales tax receipts above the initial \$50,000 collected, to the developer Pioneer Property Advisors, or designee;
- Will rebate 50% of the Village's total sales tax receipts (State Sales Tax (1%), Home Rule Sales Tax (1%) and Liquor Tax (3%)) up to \$50,000 per year, for years 5-7 to the developer Pioneer Property Advisors, or designee;
- Will provide a \$50,000 grant contribution to Pioneer Property Advisors, or designee, for build-out expenses upon opening of the restaurant;
- 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;
- Will maintain sales tax sharing agreement so long as a restaurant remains open and operating at the address commonly known as 412 N Austin Boulevard.

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 a restaurant tenant evidencing terms of a lease agreement lasting at least four years;
- Will develop a single-use commercial development at the address commonly known as 412 N Austin Boulevard, meeting all necessary zoning, licensure and structural requirements;
- Will provide reasonable approval of future tenants to the Village of Oak Park in the event that the proposed tenant is not able to perform for the entirety of the incentive period;
- Will complete construction and occupancy by June 30, 2017.