



Date: January 6, 2020

To: Cara Pavlicek, Village Manager

From: John Lynch, Executive Director, OPEDC

Subject: Recommendation regarding the sale of 6641-6643 North Avenue, Oak Park

On February 19, 2019, the Village Board approved an agreement with Orson and Keri Morrison for the purchase and redevelopment of the Village-owned vacant lot at 6641-6643 North Avenue. The lot is intended to provide parking for employees and customers of their relocated and expanded medical practice at 6645 North Avenue, an office building for which the Morrisons have signed a purchase contract and which they intend to extensively renovate.

OPEDC originally recommended that the Village Board accept the proposed purchase price of \$20,000, but exclude provisions requiring that the Village be responsible for any additional costs related to property improvements. Since that time, the Morrisons have priced the proposed project and received a commitment for Small Business Administration (SBA) financing through PNC Bank. Due to higher than expected costs related to required parking lot improvements - specifically, the inclusion of a storm sewer - and a lower than expected appraised value for both properties as improved, a financial gap threatens the project's viability.

On December 6th, 2019, OPEDC's board reviewed a request from the Morrisons for \$160,000 in Village financial support to help cover the costs of improving the parking lot to meet Village code.

Documentation provided by the Morrisons shows that the total cost estimate for this project is approximately \$940,000, including parking lot improvements of \$234,000. The majority of the parking lot expense, approximately \$179,500, consists of excavation and paving (\$79,300), concrete work (\$35,200), and the addition of a new storm sewer (\$65,000). Landscaping, design services, and permit fees make up the balance of the parking lot improvement budget.

By OPEDC's estimates, an improved parking lot at 6641-6643 has the potential to generate approximately \$16,000 in annual property taxes to all taxing bodies. (The property is currently tax exempt.) 6645 North Avenue, although vacant, produced a 2018 property tax bill of \$36,324. We believe the combined building and parking lot could generate total annual taxes of perhaps \$70,000, an increase of nearly \$35,000 that would represent an additional \$30,000 annually to Oak Park taxing bodies.

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In addition to the property tax benefits, OPEDC continues to believe that this project will have a positive impact on North Avenue if fully realized. We recognize that basic infrastructure costs can be significant impediments to development, and public assistance is often required to support infrastructure improvements for private developments. However, we also recognize that much of the benefit of the parking lot improvements would accrue to the property owner and prospective tenants, and that the financial benefits to the Village in terms of increased tax base for an improved parking lot do not justify the full requested incentive of \$160,000. As a result, in the interest of supporting North Avenue's continued revitalization and in recognition of a positive contribution to Oak Park's tax base from the proposed project, **OPEDC recommends that the Village consider reducing the land purchase price to a nominal amount (such as \$1.00) and contributing \$45,000 toward the construction of the storm sewer.** This incentive would essentially cover the cost of the storm sewer.

Even with Village support, the Morrisons will need to identify cost savings elsewhere or raise more capital to fund the project. This may leave the project feasibility at some remaining risk, but we are not supportive of additional incentive beyond this recommendation.

If you have any questions, please do not hesitate to contact me directly.

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