

Staff Responses to Council Questions April 18, 2017

8. First Reading

A. Motion: Authorize a Letter of Intent with K. Hovnanian

Please explain how the number of school aged children residing in the townhomes would affect the TIF revenue projections and the net cost to the Village for the facilities project.

The number of students residing in the development could affect the annual revenues by up to 40% of the total tax increment generated. State law requires that local school districts be compensated for net new students that reside within a residential development in a TIF District. The municipality establishing the district must set aside revenues received each year (up to 40% of annual TIF revenue) and reimburse the school districts based on the actual number of students that qualify according to local per pupil costs. The analysis prepared for the revised townhome proposal includes projected revenues assuming zero school age children and the maximum number that would result in 40% of annual revenues being reallocated to the schools. Until the development is completed and residents move in, the actual financial impact based on these requirements will not be known.

“1. \$890,973 shall be paid at closing for “Phase 1.”

a. Phase 1 shall generally comprise the area encompassing buildings A, B and E on the “Site Plan” attached hereto.” Is this variable price based on units or footage? If units, then a chart should appear in the agreement or at least a per unit price?

The purchase price is based on a certain number of units in each phase and a range of units to be constructed (50 to 60). By the time a final Redevelopment Agreement is prepared for Council consideration, the exact number of townhome units to be constructed and the actual land purchase price in each phase will be known and included in the RDA.

“b. The purchase price for Phase 1 is based on the assumption of 17 units in 3 buildings. 2. \$2,044,027 shall be paid at closing for “Phase 2.” Which closing – at Phase 1 or a Phase 2 closing?

The Phase 2 purchase price of \$2,044,027 would be paid at the closing for the Phase 2 portion of the property.

“b. The purchase price for Phase 2 is based on the assumption of 40 units in 6 buildings.” Apparently, this is a per unit basis, and the price is either per unit or sq. footage. Why should the price of Village Property rest on the whims of the good or bad fortunes of what a developer wants to develop? Isn't the price of land the price of the land? Apparently the true price of the

land is its potential and should be the higher price.

The Developer is able to generate more revenue from the project as more units are constructed and sold, and therefore can offer an higher price for the land. For this reason, the purchase price increases as the number of units in the development increases.

“b. VoDG has completed demolition of the Phase 2 improvements with standards agreed upon by both parties;” “ 1. KHov shall demolish all existing improvements in Phase 1;” What does it mean we will demolish “improvements”?

Improvements refer to existing structures, parking lots, parking lot lights and trees that are currently on the property.

” then KHov, at the request of the VoDG, shall sell the property back to the VoDG for \$790,000...” Rather than “shall:, shouldn’t this be rephrased to allow the Village some wiggle room as opposed to that amount or nothing?

In this situation arises, the Village has the right, but not the obligation to repurchase the Phase 2 land. The repurchase price is calculated as 90% of the original sale price. This serves as an incentive for KHov to complete the Phase 2 portion of the development.

“b. In the event that KHov purchases the Phase 2 parcel but does not commence land Development of Phase 2 within 30 days of the date shown in the Development Schedule, or 90 days after the date of closing, whichever is later and subject to Force Majeure, Notice of Default and Cure Period language, then KHov, at the request of the VoDG, shall sell the property back to the VoDG for \$1,851,000.”

So the scenario could be that after KHov substantially completes 2 of the 3 buildings they make a choice as to whether they want to take a chance on Phase or they walk away from it. If they decide to go ahead but then change their mind or fail 3 months later (or whichever is later”) they sell Phase 2 back to the Village at a set price rather than a percentage?

Yes, the set price is 10% less than what they purchased the land for.

“a. KHov has substantially completed Phase 1 public and private improvements and commenced vertical construction on two of the three Phase 1 buildings;” Doesn’t “substantially complete” mean certificate of occupancy?

“Substantial Completion” will be a defined term in the final redevelopment agreement. In the key terms, “substantial completion” of Phase 1 means that the public and private improvements (Washington Street, private drive aisles, sidewalks, etc) have been completed and the construction of two of the three buildings has commenced.

D. Ordinance: Create a Liquor License Classification for Arts & Crafts Studios

Why does this art studio need a liquor license? Can't they just offer "refreshments" as part of a package or hospitality?

A liquor license is required in order for the art studio to serve alcohol or allow customers to bring their own alcohol (BYO) into the establishment. Yes, the art studio is allowed to offer non-alcoholic refreshments as part of a package or hospitality without a liquor license from the Village.

Attachments

There are no rEmarks this week.