VILLAGE OF ORLAND PARK

14700 Ravinia Avenue
Orland Park, IL 60462
www.orlandpark.org

Meeting Minutes

Monday, July 10, 2017

6:00 PM

SPECIAL MEETING

Village Hall

<u>Board of Trustees</u>

CALL TO ORDER/ROLL CALL

The meeting was called to order at 6:02 PM

Present: 7 - Trustee Fenton, Trustee Dodge, Trustee Gira, Trustee Griffin Ruzich, Trustee Calandriello, Trustee Carroll and Village President Pekau

FINANCE

2017-0486 Ninety 7 Fifty on the Park Liquidation Event - Ordinance

Finance Director Annmarie Mampe reported that in early 2010, the Village began negotiations with Flaherty & Collins to construct 295 luxury apartments with amenities, commercial space and related parking within the Village's Main Street Triangle TIF District. On September 19, 2011, the Village of Orland Park approved an ordinance authorizing a Redevelopment Agreement (RDA) between the Village of Orland Park and Metra Triangle FC, LLC to proceed with the development of the Ninety 7 Fifty on the Park apartment complex project. The RDA was structured in a manner that provided for a unique public-private partnership, utilizing the Village's strong financial borrowing strength, while meeting the Village's goal of delivering high quality development within the Main Street Triangle TIF District. By 2011, private multi-family investment had fallen significantly due to the recent economic downturn, and but for the Village 's investment, this project, as developed, would not have materialized. The Board saw this project as a catalyst for future development within the TIF area and based on the development that continues to occur, including the UCMC facility, construction of a parking deck with commercial space and the proposed entertainment/mixed-use building, this vision has certainly materialized. There has also been significant private investment in the surrounding area, including a Mariano's Fresh Market, a 231 unit luxury apartment complex developed by REVA, reinvestment in the Old Orland area adjacent to the TIF area, and smaller infill developments along LaGrange Road.

The financing structure defined in the RDA included a $38.2 million developer loan, a $25 million Village project incentive and $2 million in equity provided by the developer, for a total project cost not to exceed $65.2 million. In order to fund the total cost of the project, the Village established a bank line of credit/term loan in an amount not to exceed $30 million and issued four (4) series of taxable general obligation bonds, in the total amount of $40 million. The balance on the bank line of credit/term loan upon project completion was $22,811,660.

The RDA was structured in a way that provided the Village with significant financial control over the project, and allowed the Village to mitigate the customary risks involved in a public-private partnership and also share in the financial success of the project in a number of ways. There was a variety of terms included in the RDA that not only required the developer to repay the developer loan in full prior to any liquidation event, but also provided for the sharing of pre and post-stabilization excess cash flow, as well as sharing in the excess value of the project at liquidation. In addition, a ground lease would remain in place for a minimum of ten (10) years, with ground lease payments kicking in the 11th year if liquidation did not occur in the 10th year.

The RDA structure also included terms that allowed the developer to take the Village out of the project (terminate the RDA) in the 10th year if at that time the developer could pay the loan and the Village's project incentive in full. If at the 10th year, the developer was able to repay the loan in full, but not the project incentive, the Village would refinance the developer loan at a market interest rate for an additional ten (10) years, at which time the ground lease payments would begin.

Initial discussions regarding liquidation began in the Fall of 2016. In a letter dated May 12, 2017, Flaherty and Collins provided the Village with an official final liquidation offer of $50.5 million that would completely take the Village out of the project and terminate the applicable terms of the RDA. On May 11, 2017, upon receiving a draft of Flaherty and Collins' liquidation offer letter, former Mayor Daniel McLaughlin issued a memorandum memorializing his previous conversations with the Board of Trustees and directing staff to review the offer, with the assistance of our financial consultants and perform any other applicable due diligence, with the intent of closing no later than July 31, 2017. Upon review of the offer, staff determined that this amount, as well as past and future revenues generated by this project, would pay off the developer loan in full and allow the Village to realize a net gain of approximately $6.8 million (Net Present Value of $4.1 million) related to this project over the remaining life of the TIF area. The Board authorized staff to retain the services of Pilewski & Associates, LLC (P&A) to provide an independent review and analysis of staff's estimate of the impact of this liquidation offer. P&A's summary of findings states that while staff's estimate may be conservative, it is accurate. In addition, P&A notes that accepting this liquidation offer would eliminate the Village's exposure to project and economic risk and allow the Village to reduce its total outstanding debt and provide cash flow that could be utilized for a variety of public purposes.

Trustee Ruzich commented that six years ago she was a new Trustee when this project was introduced. It was certainly a very bold move by the Village. She is very glad that the Village is at this point today and by all accounts this project was a success.

When the decision was made to enter into this agreement, the Board always considered the fact that the increment financing would be one way in which the Village would recoup its investment. The Village is going to be $6 Million ahead on this project.

She thanked those members who were on the Board back then and she thanked staff for all their hard work. Negotiations have been going on with Flaherty and Collins for approximately 8 months. Former President McLaughlin was approached by them and this was a very long process that came to this conclusion.

Trustee Ruzich stated that her son is studying real estate at DePaul University and they have used this project as a case study. So by outside standards this is considered to be a successful development.

Trustee Fenton commented that she was one of the Trustees that was on the Board when this development was initiated. This was a risk that was taken, but the Board listened to all the people who were experts and advised the Board to move forward.

One thing that the Board really researched was what this was going to bring to the downtown area and to the north side of Orland Park. By this luxury apartment complex going into the downtown area it spurred the University of Chicago, a fantastic parking deck was built that the University Medical Center mostly paid for. There is retail space, mix use entertainment center that is going into the middle of the area. There are other out-lots that are being sought by different developers.

Also, on the other side of LaGrange, Mariana’s came to Orland Park, another luxury apartment complex with 331 units. It has also brought people that will be reinvesting in Old Orland.

The vision was to make this the walkable downtown area and that is becoming a reality.

The Urban Land Institute is using this complex in their classes to teach their students what a successful development is.

Trustee Dodge stated that it is a good time to exit this deal. His concern was if the Federal Reserve’s interest rates go up it could have kept the Village in this deal longer.

He continued that there is positive in this deal. It will be utilized to pay off the bank line of credit/term loan; reduces the debit that will help future interest rate payments. It frees cash flow for other public purposes.

Trustee Gira was also on the Board with Trustee Fenton and Trustee Dodge and agrees that this was a risk. She found an article in the Tribune from back in early 2012 that talked about rentals. It stated that 95 percent of rentals in the Chicagoland markets, executive type rentals, were occupied. That is what spurred the drive to move forward with these developments.

Evanston, Arlington Heights, St. Charles, McHenry, Wheaton, Glen View, Buffalo Grove and Oak Brook Terrace all began building these same types of luxury apartments and the Village of Orland Park was in good company. The Village hired housing consultants and listened to their opinions on the locations, types of housing, and what would work well in the corridor. The Board took the best advice given and now can exit at the right time making a profit. This was a good thing for Orland Park.

Trustee Carroll stated he was not on the Board when this was commenced, but he was following it closely. When the Board decided to approve this development the economy was not doing well and jobs were not either. This development did bring a lot of good construction jobs along with permanent jobs, for example at the University of Chicago.

At a time when the economy was doing so poorly, this was a big risk, as other Trustees have stated. He is happy to see this work out successfully.

Trustee Calandriello stated the he too was not on the Board at that time. It has been a long time in the works and he thanked staff.

$6.8 Million is a really good return in profit.

He thanked the Board members who are still on the Board and former President McLaughlin for his foresight on this project. That Board worked very hard to get the details of this project right. Over the past five years that corner has become a huge success and is sought after for development.

Trustee Calandriello stated that at Ninety 7 Fifty there is a waiting list and entry level rents are extremely high, some starting at $1,400 plus. University of Chicago, The theatre project, Crescent Park, multiple Restaurants that are negotiating for space, all of those outcomes are not bad at all.

The Board was a good steward of the tax payer's money.

President Pekau stated that he was not on the Board at that time. The important thing is what the decision is going forward and that is what the alternatives will be that the Village will face. As Trustee Dodge stated there is interest rate risks and other risks out there.

This is the appropriate decision to make at this time, and that is to exit this project. It will reduce the Village's debt; increases the Village's liquidity, it also significantly reduces the Village's risk, particularly because the Village will no longer own or have ownership interest in apartments or retail facilities. For this reason he also supports this exit.

President Pekau asked the audience if anyone had any questions or comments.

A gentleman asked how much was the original bond and how much was borrowed from the bank.

Director Mampe stated that the total project cost was just over $65,000 Million total. This is all in, including construction, design, engineering, everything related to the building of the complex. The developer made a $2 Million equity payment. The Village borrowed $40 Million in taxable general obligation bonds. The remainder was funded by a line of credit that was established at a bank. That line of credit after stabilization of the project was converted to a term loan and the Village began making payments on it.

The gentleman stated so basically on this sale the Village could not retire the bonds, because the Village does not have enough money to do that.

Director Mampe stated that the bonds are not “callable” that is the reason. If they were “callable” the Village would take some of the proceeds and retire what the Village could, but they are not “callable” bonds. So the Village will retire the debt that it can, which is the term loan at the bank, and set aside the funds to make the debt service payments as they mature. They mature in 2020 and 2021.

The Gentleman asked what is the net loss or gain on the investment you propose to do with the money on the bond vs what the Village has to pay on the bonds.

Director Mampe stated that the remainder of funds (approximately $29 Million) that is received will sit in the Village's bank account and earn interest over time, not a high amount of interest. That principal amount that is left, as well as the interest earned over time will be utilized to make the debt service payments. If the final year comes and the Village is short in anyway, the Village will utilize its home rule sales tax to make the debt service payments, just as it always has. All projections say there will be enough to make the debt payments.

The Gentleman asked what the interest rate on the bonds is.

Director Mampe stated that the Village's average coupon rate on the bonds is about 2 percent.

The Gentleman asked what the Village anticipates the investment income to be on the cash.

Director Mampe stated that the investment rate now and as she has stated the Village is very limited on what they can invest in (for example CD’s, savings accounts, treasures, agency) it is under 2 percent at this time. That does mean it will remain that amount going forward. The bond rate will not change, it is 2 percent.

A different Gentleman voiced his opinion stating that he does not think that this area is a walkable downtown area and it is not the jewel of Orland Park that was promised to the residents. He also dislikes the University of Chicago building.

Trustee Gira stated that you may not like the University of Chicago building, but do you dislike the fact that they are here in Orland Park and there is that level of healthcare available to the residents. Quality jobs have been created by that building being here in the Village and there are more jobs to come. This is an economic driver.

John McCannon stated that he is a proud resident of the Village of Orland Park for over 30 years. He does not like paying taxes but believes that they are reasonable.

He asked if there was a certified audit or financial report that the public can review this.

Director Mampe stated that information will be publically released and will be on the Village's website.

Patrick Zomparelli – Long-time resident of Orland Park asked if the Village could have counteroffer on this offer.

Director Mampe stated that the Village did negotiate. Negotiations began in October of 2016. Flaherty and Collins made an offer and it was brought to the Board and it was rejected. A second offer was then given, which the Board also rejected.

Negotiating took place back and forth and Flaherty and Collins did increase their offer over time. In addition, during that time, the Village received additional excess cash flow from them and other revenues that the Village would not have if they had agreed with the original offers.

Numerous residents spoke before the Board expressing their opinions on Illinois' high taxes compared to surround states; dislike for the Triangle area; two individuals expressed that as residents of the Village there are many services that are received along with great school districts, they do not believe the real estate taxes are high compared to other towns; requested for the Board Agenda to be available earlier than it already is so folks can be more prepared when they attend a meeting; requested for agendas to be placed on the Village's Facebook page; requested clarity on paying off the loan and paying off the bond; requested more information regarding this liquidation; believed this project was a bad idea and the Village should not be in the real estate business. The Board and staff addressed all questions and comments.

Some folks spoke before the Board from where they were sitting and were unable to be heard because they did not step-up to the microphone.

President Pekau stated that the comments and issues that have been expressed are real issues that we as a Board should address. Whether it is the website, placing the agendas on Facebook, etc. and he believes the Board is doing a good job.

President Pekau continued that The State of Illinois just passed a significant tax increase that affects us all as Trustee Dodge addressed. The State did nothing to take a dime out of the budget. At the same time, what you do not know is the Village's funding from the State of Illinois is going to be decreased as part of this. The Village is going to receive money that has always been received from the State, even though the State is taking more out of your pocket, they are still going to take more out of your pocket by taking funds from the Village of Orland Park from the money the Village has always gotten, for example the State is now charging the Village to collect sales tax.

The issues that were stated and discussed tonight are completely justified, but save some of that for the State Legislators and get that changed, so the State can start function better and that will then help the Village.

I move to approve Ordinance Number 5201, AN ORDINANCE AUTHORIZING TERMINATION OF REDEVELOPMENT AGREEMENT AND GROUND LEASE AND SALE/CONVEYANCE OF VILLAGE PROPERTY (NINETY 7 FIFTY ON THE PARK - METRA TRIANGLE)

A motion was made by Trustee Griffin Ruzich, seconded by Trustee Carroll, that this matter be PASSED. The motion carried by the following vote:

Aye: 7 - Trustee Fenton, Trustee Dodge, Trustee Gira, Trustee Griffin Ruzich, Trustee Calandriello, Trustee Carroll, and Village President Pekau

Nay: 0

ADJOURNMENT - 7:18 PM

A motion was made by Trustee Dodge, seconded by Trustee Carroll, that this matter be ADJOURNED. The motion carried by the following vote:

Aye: 7 - Trustee Fenton, Trustee Dodge, Trustee Gira, Trustee Griffin Ruzich, Trustee Calandriello, Trustee Carroll, and Village President Pekau

Nay: 0

/nm

APPROVED:

Respectfully Submitted,

John C. Mehalek, Village Clerk

Casey Griffin, Deputy Village Clerk