

# MINUTES OF THE ECONOMIC DEVELOPMENT COMMISSION

November 17, 2011

A meeting of the EDC was held on Thursday, November 17, 2011.

The meeting began at 8:03 A.M.

**MEMBERS PRESENT:** Mike Giannelli, Tom Herbstritt, Kirk Allen, Dan Olson, and Bill Geary.

**MEMBERS ABSENT:** Perry DuBose.

**ALSO PRESENT:** Jeff Eder- Community Development Director, Nicole Driskell- Community Development Administrator, Patrick Ainsworth- Community Development Intern, Mark Lawton- Pioneer Press Reporter (arrived 8:07 AM), Zach Kafitz- Liston & Tsantilis, Julio Gesklin- Craftsman Custom Metals, Jim Crook- Craftsman Custom Metals, Steve Griffin- Eugene L. Griffin & Associates, LTD., Rick Daly- Darwin Realty, Pete Pellegrino- JS Paluch, Chris Geib- Geib Industries, and Robert Geib- Geib Industries.

Mr. Giannelli chaired the meeting.

**MOTION TO ACCEPT** minutes from last official meeting held on Thursday, October 27, 2011, as presented by Nicole Driskell, was made by Kirk Allen. Tom Herbstritt **SECONDED** the motion. **VOICE VOTE CARRIED.**

## **New Business:**

### *6b Application Renewal – Realty Associates Fund, 3708 River Road*

- Steve Griffin, Rick Daley and Pete Pellegrino appeared on behalf of this application.
- The original 6b incentive was approved in 2000/2001 and implemented in 2003 with the construction of a new building.
- Approximately 112,000 square feet of this property is currently vacant.
- Discussion with the tenants commenced regarding lease renewals, potential expansion into the currently vacant space and taxes that drive rent up.
  - JS Paluch has been a tenant since 2004 and plans to take on an additional approximately 18,000 square feet but is looking to determine the total cost. The company currently has 195 employees and plans to add an additional 15 to 20 employees if the expansion occurs. They currently occupy 100,000 square feet, including office space on the second floor.
  - Dealer Tire plans to take an additional approximately 20,000 square feet. The company currently has 18 full time and part time employees and plans to add 10 to 12 additional employees with the expansion.
  - The property ownership plans to do the buildout for both companies' expansion.
- Mr. Herbstritt inquired about the expiration JS Paluch's lease.
  - Mr. Pellegrino informed the Commission that JS Paluch's lease expires in September, 2014. He further informed the Commission that the company needs to make a decision regarding relocation in the next three (3) to six (6) months because relocation will take them 18 to 24 months and they are considering relocation depending on the renewal decision of this Commission.

- Mr. Giannelli verified that the owners are requesting a 6b renewal and not an expansion 6b.
  - Mr. Griffin informed the members that the owners are requesting a 6b renewal. He further informed the members that the owners did not want to “double dip” and receive a 6b for expansion and then file for vacancy tax relief on the remaining vacant space.
- Mr. Giannelli inquired about the remaining vacant space after both tenants complete their proposed expansions.
  - Approximately 75,000 to 80,000 square feet will remain vacant.
- Mr. Eder discussed the 6b renewal process.
- Mr. Olson asked if the building had ever been fully leased.
  - Mr. Griffin informed the members that the building has never been fully leased and that approximately 100,000 square feet has always been vacant.
- Mr. Olson inquired about the reason for a previous tenant’s departure from the building (Primark).
  - Everyone concurred that they were unsure of the reasoning behind the company’s departure.
- Mr. Giannelli inquired about the ownership of the property.
  - Realty Associates Fund out of Boston.
- Mr. Geary inquired about the printing equipment in the building (JS Paluch).
  - Mr. Pellegrino informed the members that the company’s equipment sits on tracks and that they could install new tracks and roll the equipment on to them if a relocation was necessary.
- Mr. Geary also asked if JS Paluch had any cranes.
  - Mr. Pellegrino noted that the company does not have any cranes.
- Mr. Olson inquired about lease expirations for the tenants.
  - Dealer Tire’s lease expires in October, 2013 and they have a three (3) year option to extend the lease.
  - JS Paluch’s lease expires in September, 2014 and they are currently exercising their option to extend their lease.
- Mr. Giannelli asked if the application fee had been paid.
  - Mr. Griffin informed the members that it had been paid.
- Mr. Herbstritt and Mr. Daly led a discussion regarding the leasing agent for the property. Discussion commenced on the challenges to leasing this property. Mr. Daly noted that they have been marketing the vacant area for approximately two (2) years.
- Mr. Giannelli asked about the marketing rate for the vacant space.
  - \$5 per square foot gross, but this is a teaser rate. Discussion commenced on the net rate and other figures regarding the leasing of the property.
- Mr. Giannelli inquired about the current tenant’s rent. Discussion commenced.
- The Commission noted that the 6b should be used to keep rent competitive and not to benefit the ownership.
- Mr. Eder asked when the current owners purchased the property.
  - Mr. Griffin informed the members that the property was purchased in 2007/2008 and that the new owners did not apply for the original 6b, they inherited it.
- Discussion commenced regarding the current taxes on the property and the vacancy tax relief figures versus the 6b tax relief figures.
- Mr. Giannelli noted his concern that the information and intentions presented with the original 6b application were not complete as a significant amount of this property has remained vacant for a lengthy amount of time, even before the economic downturn. He

further noted that the EDC is now reviewing a renewal for the current tenants and a substantial amount of vacant square footage.

- Mr. Geary inquired about the current state of business for the tenant(s).
  - Mr. Pellegrino noted that business is steady, but it is not back to pre-recession levels.
- Mr. Geary asked if JS Paluch's customer base was local.
  - Mr. Pellegrino informed the members that the company has customers all over the country.
- Mr. Geary also inquired about JS Paluch's relocation options.
  - Mr. Pellegrino informed the members that the company has considered areas in Illinois and neighboring states.
    - He also noted that JS Paluch has approximately 100 employees within ten (10) miles of their current location and of that, approximately fifteen (15) employees live in Franklin Park.
- The following topics were discussed by the Commission:
  - 6b renewal versus not renewing
  - Concerns because the original 6b applicants did not obtain full occupancy of the building as promised and now the new owners are showing the same issues
  - A history of the property and the original 6b application
  - Concerns regarding the vacant 80,000 square feet that will remain even after both tenants complete their proposed expansions and that the EDC does not and will not know/review what company will eventually occupy that space
  - The precedent of renewing a 6b and if the EDC wants to set such a precedent
  - Keeping companies in Franklin Park versus the precedent of renewing 6b incentives
  - Comparison of this application to the renewal application filed by Eversharp a few years ago
  - Vacancy figures presented by the applicant
  - JS Paluch's investment in their proposed expansion
  - The Village's opinion on renewing 6b incentives and its criteria for that opinion
  - Consistency versus precedent
  - The need for criteria to approve or deny renewals if renewals will be considered by this Commission
  - The need for a policy discussion on how to approach renewals
  - The kind of information necessary for 6b renewals
  - The rent on the current tenants
  - The marketing rate for the vacant area
  - Conditional approval of this 6b renewal application

**A UNANIMOUS MOTION** was made to conditionally approve the 6b renewal application of Realty Associates Fund. **A SECOND** was unnecessary. **VOICE VOTE CARRIED.**

Conditions on this approval are as follows:

1. The applicants must present the members with the rent rates on the current tenants, marketing numbers for the vacant square footage, and forecasted rent.
2. The applicants must present the members with a market analysis/comparables for their property including properties in other counties.

Mr. Eder noted that the EDC meets on December 15. If the Commission fully approves this application once they have reviewed the additional information, the application could be presented to the Village's Board of Trustees on December 19.

Discussion commenced on the due date for the additional required information.

*6b Application – Craftsman Custom Metals, 3747 Acorn*

- Zach Kafitz, Julio Gesklin and Jim Crook appeared on behalf of this application.
- 3747 Acorn LLC is the purchaser of the property and intends to lease to Craftsman Custom Metals who will bring all 70 of their employees from their current location in Schiller Park and intends to add another 10 to 15 new employees upon relocation.
- The owners are applying for the 6b incentive under the less than 24 months vacancy with a purchase for value rule, special circumstances and substantial rehabilitation.
- Substantial work is planned for the property.
- Mr. Giannelli inquired about the application fee.
  - Mr. Kafitz informed the members that he will bring the fee to Village staff shortly.
- Mr. Giannelli also inquired about the estimated \$300,000 in rehab costs.
- Mr. Olson inquired about a formal contractor estimate for the intended work.
  - Mr. Gesklin noted that the figures presented to the Commission are based on approximations of contractor estimates.
- Discussion commenced on an elevator versus a lift that Craftsman intends to install in the building and the respective estimates for both items.
- Mr. Gesklin discussed how Craftsman will lay out the building for their needs: the first floor will be a shop and the second floor will be offices.
- Mr. Olson inquired about code problems with the building that may prevent occupancy from being granted.
  - Mr. Gesklin noted that there are only some minor problems.
- Mr. Giannelli inquired about relocation costs and the presses Craftsman owns.
- Mr. Olson inquired about the lease expiration date at Craftsman's current location.
  - Mr. Gesklin informed the members that their lease expires in 2012.
- Mr. Olson also inquired about the age of the company.
  - Mr. Gesklin informed the members that they have been in their current location for 21 years, but that the business is much older and has moved around the area a number of times.
- Mr. Giannelli discussed the approximations of contractor estimates for work on the property and his desire for a formal estimate from a contractor.
- Mr. Olson asked if the proposed new jobs would be full time or part time.
  - Mr. Crook informed the members that the jobs will be full time with wage rates varying from \$10 to \$15 per hour and a few positions in the \$20 range.
- Mr. Eder inquired about the current average wage rate for their shop employees.
  - Mr. Crook informed the members that the average rate is \$15 to \$16 per hour for semi-skilled laborers.
- Mr. Geary inquired about current business conditions.
  - Mr. Gesklin noted that conditions are similar to JS Paluch as discussed in the previous application: business drastically dropped in 2009, recovered in 2010 and had a good start to 2011, but plateaued late in the year.
- The following topics were discussed by the Commission:
  - The original contract on this property that fell through
  - The workforce in Indiana where Craftsman considered relocating
  - General opinions of the project

**A UNANIMOUS MOTION** was made to approve the 6b application of 3747 Acorn Holdings LLC./Craftsman Custom Metals. **A SECOND** was unnecessary. **VOICE VOTE CARRIED.**

Mr. Eder inquired about a timeframe for closing on the property. Mr. Gesklin noted that the closing is scheduled for February 28, 2012 and that the due diligence period closes on December 15, 2011.

Discussion commenced on former environmental issues on the property that have been resolved.

**Discussion Items:**

Mr. Eder discussed the RFP for remediation on The Crossings Phase II and his efforts to work with the RTA and Urban Land Institute to develop the area. He also noted that the ground floor retail of The Crossings Phase I is in foreclosure.

Discussion commenced on Midwest Bank.

Mr. Olson inquired about the Kmart property and the Grand and Mannheim retail site. Mr. Eder noted that there are four potential tenants for the Kmart property and a potential anchor tenant for the Grand and Mannheim site. He anticipates further activity in the first quarter of 2012.

Mr. Olson inquired about the passageway between the Super 8 property on Mannheim Road and the apartments immediately west of that property. Mr. Eder discussed the Village's findings and efforts to rectify the issue.

Discussion commenced on the potential anchor tenant and Grand and Mannheim.

**Old Business:**

Discussion commenced on the annual Business Appreciation Luncheon, attendance figures and the speaker.

Discussion commenced on the Leyden Career Fair and Advisory Board, career program, and the problems with a student workforce.

Discussion commenced on the next EDC meeting scheduled for December 15, 2011.

Being no further business before the Commission, Dan Olson **MADE A MOTION** to adjourn. Bill Geary **SECONDED** the motion. **VOICE VOTE CARRIED.**

Meeting adjourned at 9:30 A.M.

Respectfully submitted,

Nicole Driskell