

MEMORANDUM

To: David Lothspeich
Village Manager

Fr: Michael Shrake, P.E.
Village Engineer

Geoffrey Perry, P.E.
Assistant Village Engineer

Date: June 23, 2015

Re: Watermain Connection Fee Analysis
Downtown Watermain Loop along Robert Parker Coffin Road and Old McHenry Road
Village of Long Grove

As requested, we reviewed the proposed watermain loop along Robert Parker Coffin Road and Old McHenry Road. We have reviewed potential construction costs, historic connection fees and benefitted properties to analyze potential connection fees for system users. For purposes of our analysis, the "proposed watermain loop" also includes the extension on Robert Parker Coffin Road to the covered bridge, the extension along Old McHenry Road to the northerly limits of the historic downtown and the connection on Archer Road. Below is a summary of our analysis:

Benefitted Properties:

The "Benefitted Properties" for the proposed watermain loop along Robert Parker Coffin Road and Old McHenry Road are as follows:

Area	Anticipated Usage (Residential Equivalents, RE)
Downtown Business District	180
Parcels Along IL Route 83 (West Side)	68
SE Downtown / Triangle Property	30
Total	278

* Includes 10,000 gal/day (40 RE) for potential Finch Beer development

** Residential Properties Not Included

Watermain Improvements Costs:

The costs included for the watermain are as follows:

Description	Cost
Watermain Distribution System plus Pump and Generator Improvements	\$2,120,000
Lake Michigan Water (Connection to Northwest Water Commission)	\$700,000
Emergency Interconnect to Buffalo Grove System	\$150,000
Total	\$2,970,000

Connection Fee Analysis:

Connection Fee per Residential Equivalent (R.E.) of \$7,000

Description	Project Cost	Total Connection Fees @ \$7,000 / RE	Percentage of Project Costs Recaptured
Water Distribution System plus Pump and Generator Impvs., Lake Michigan Water and Emergency Interconnect	\$2,970,000	\$1,946,000	65.5%

* Fees do not include sewer tap-on fees

Additional Notes

All project costs and anticipated usage are per the DRAFT "Downtown Water System, Preliminary Analysis & Findings," prepared by Gewalt Hamilton Associates, Inc., dated April 27, 2015.

This analysis does not include watermain extension into any of the existing, adjacent subdivisions. If these residential properties wish to become users of the Village water system at a later time, their connection fees will include the project costs to install the trunk line in their subdivision in addition to a connection fee.

If you have any questions or would like to discuss these items in further detail, please let me know.

DRAFT

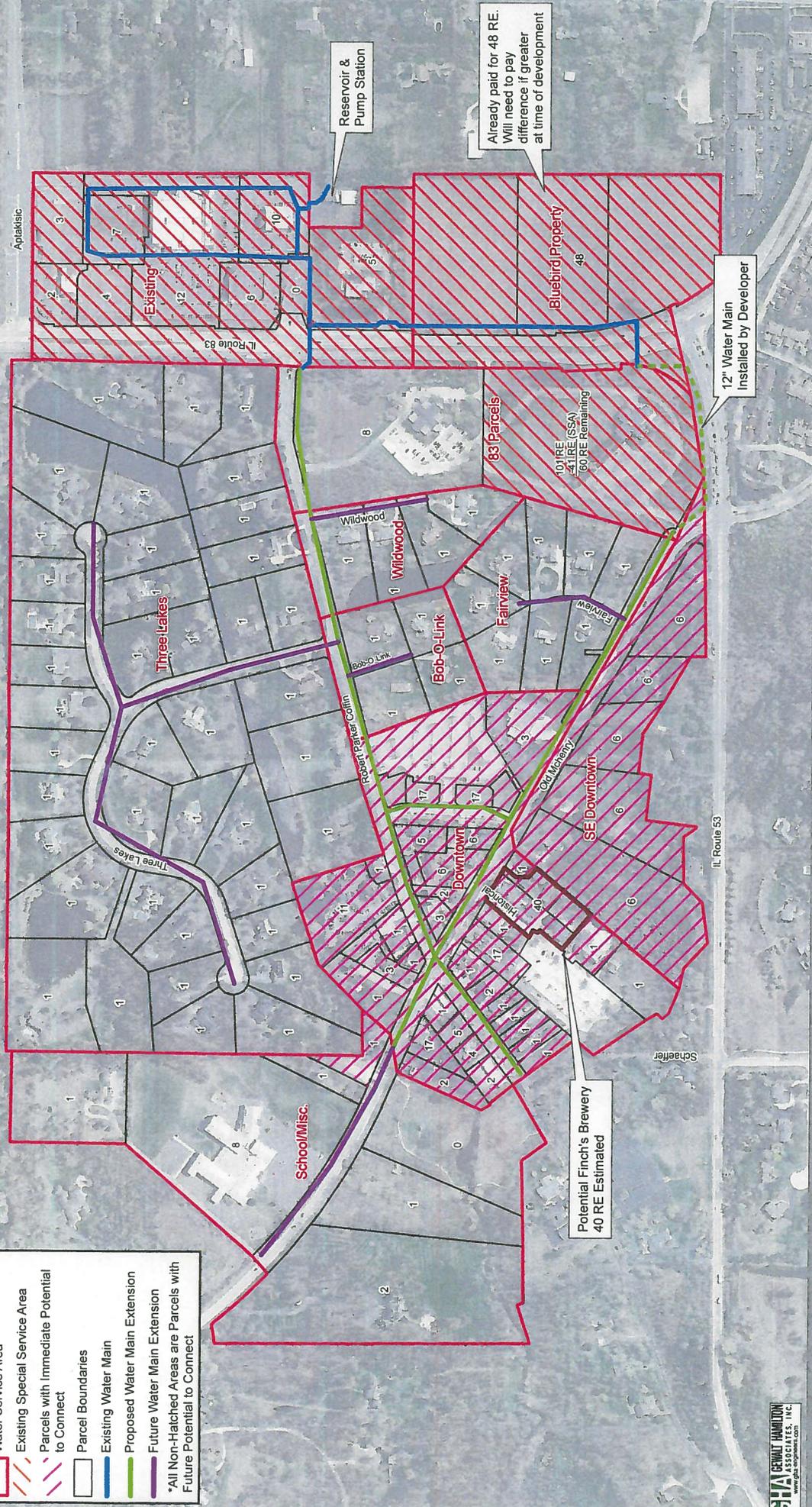
Summary Table / Cost per Parcel

Address	PIN	Usage (RE)	Connection Fee (\$7,000 / RE)
<i>Downtown Business District</i>			
275 Robert Parker Coffin Road	15-30-100-015	5	\$35,000.00
303 Old McHenry Road	15-30-104-001	3	\$21,000.00
5 Old McHenry Road	15-30-104-002	2	\$14,000.00
5 Old McHenry Road	15-30-100-018	6	\$42,000.00
343 Old McHenry Road	15-30-100-019	6	\$42,000.00
1165 Old McHenry Road	15-30-108-003	3	\$21,000.00
Archer Outlot #1	15-30-108-008	17	\$119,000.00
Archer Outlot #2	15-30-108-010	17	\$119,000.00
221 Robert Parker Coffin Road	15-30-100-033	1	\$7,000.00
215 Robert Parker Coffin Road	15-30-100-032	11	\$77,000.00
209 Robert Parker Coffin Road	15-30-100-014	1	\$7,000.00
201 Robert Parker Coffin Road	15-30-100-014	1	\$7,000.00
114 Old McHenry Road	15-30-102-022	3	\$21,000.00
130 Old McHenry Road	15-30-102-021	1	\$7,000.00
145 Old McHenry Road	15-30-100-011	2	\$14,000.00
135 Old McHenry Road	15-30-100-012	17	\$119,000.00
404 Robert Parker Coffin Road	15-30-100-013	1	\$7,000.00
410 Robert Parker Coffin Road	15-30-103-002	5	\$35,000.00
430 Robert Parker Coffin Road	15-30-103-001	4	\$28,000.00
440 Robert Parker Coffin Road	15-30-100-017	2	\$14,000.00
0 Robert Parker Coffin Road	15-30-105-002	1	\$7,000.00
445 Robert Parker Coffin Road	15-30-105-003	1	\$7,000.00
437 Robert Parker Coffin Road	15-30-105-004	1	\$7,000.00
427 Robert Parker Coffin Road	15-30-105-005	1	\$7,000.00
421 Robert Parker Coffin Road	15-30-105-006	1	\$7,000.00
407 Robert Parker Coffin Road	15-30-105-007	2	\$14,000.00
405 Robert Parker Coffin Road	15-30-105-008	1	\$7,000.00
314 Old McHenry Road	15-30-100-035	17	\$119,000.00
318 Old McHenry Road	15-30-100-028	1	\$7,000.00
340 Old McHenry Road	15-30-106-015	40	\$280,000.00
0 Old McHenry Road	15-30-106-018	1	\$7,000.00
0 Old McHenry Road	15-30-106-014	1	\$7,000.00
144 Old McHenry Road	15-30-100-010	1	\$7,000.00
<i>Parcels along Route 83 (West Side)</i>			
4160 Illinois Route 83	15-30-205-023	8	\$56,000.00
1190 Old McHenry Road	15-30-205-019	60	\$420,000.00
<i>Southeast Downtown / Triangle Property</i>			
1150 Old McHenry Road	15-30-106-006	6	\$42,000.00
1160 Old McHenry Road	15-30-106-007	6	\$42,000.00
1164 Old McHenry Road	15-30-106-020	6	\$42,000.00
1170 Old McHenry Road	15-30-204-002	6	\$42,000.00
1180 Old McHenry Road	15-30-200-033	6	\$42,000.00

Legend

- Water Service Area
- Existing Special Service Area
- Parcels with Immediate Potential to Connect
- Parcel Boundaries
- Existing Water Main
- Proposed Water Main Extension
- Future Water Main Extension

*All Non-Hatched Areas are Parcels with Future Potential to Connect



Water Service Areas
 Long Grove, IL
 06/23/2015

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Finch Beer Company and Tap Room

- Desired use

- Appeals to right demographics
- Allow reuse not redevelopment
- Catalyst for other projects
 - Purchasing from restaurants
 - Bus tours
- Employees

- Next Steps

- Establish reliable and affordable water
- Add correct liquor license
- Work to be chosen

Other Commercial Areas

- Route 22 / Old McHenry Road

- Limited access
- Protection of natural resources limits development
- Low traffic counts (6,800 Old McHenry; 17,100 Route 22)

- Routes 45/ 60/ 83

- Incompatible comprehensive plan land-use recommendation
- Limited access
- Previous parking issues



To: Village of Long Grove
From: Bridget Lane
Subject: Potential Revenue from Economic Development Update
Date: October 17, 2014

In October 2014, BDI provided the Village of Long Grove with information documenting the revenue potential associated with undeveloped or under-utilized commercial property in the Village or potentially annexable. This memo documents market performance and development proposals since that information was assembled.

Introduction

To complete the October analysis, BDI used information provided by the Village and Lake County Property Database, and interviewed property owners associated with Long Grove's developable commercial parcels. At those interviews, BDI sought information on current plans, interest in attracting new owners, any property conditions impacting development potential, and Village policies or actions that could speed development. BDI also interviewed four locally and regionally active commercial real estate brokers to identify potential users who might consider Long Grove's commercial parcels. These interviews were conducted to confirm which retail and office uses could be interested in the Long Grove commercial parcels, to project an absorption timeline, and to understand Village policies likely to increase interest in Long Grove properties. Since that analysis was completed, BDI has examined specific development options for:

- Acreage south and east of Sunset Grove Shopping Center
- The Archer Lots
- A banquet hall and wedding venue
- Menards Outlots
- Finch brewery and tap room

The information that follows uses that research and publically available data to update the October 2014 information.

The Regional Performance Update

Long Grove receives 1% of all retail sales within its borders as the state's allocation to municipalities. Long Grove has enacted a non-homerule sales tax of another 1% on sales other than food, medicine or registered good such as automobiles and boats. The peer communities analyzed in Table 1 all receive the 1% state allocation but have varying non-home rule and homerule added sales taxes.

Table 1 adds 2014 data to the October comparison of Long Grove Sales tax Revenue to peer communities.

Table 1

	2013 Total	2014 Total	Population	2013 Tax per capita	2014 Tax per capita	%change
Riverwoods	\$478,543	\$584,530	3,636	\$132	\$160.76	22%
Long Grove	\$1,503,961	\$1,681,521	8,310	\$181	\$202.35	12%
Lincolnshire	\$4,202,922	\$4,255,150	7,258	\$579	\$586.27	1%
Bannockburn	\$995,834	\$913,683	1,509	\$660	\$605.49	-8%
Deer Park	\$2,270,282	\$2,250,509	3,182	\$713.48	\$707.26	-1%
Mettawa	\$2,663,802	\$2,425,108	534	\$4,988	\$4,541.40	-9%

Source: Illinois Department of Revenue, 2013; Experian 2014; BDI

As this table documents, Long Grove’s Sales Tax revenue grew more than the peer communities in both percent and dollars. This improvement resulted from strong, national recovery of home improvement stores and continuing growth of Long Grove’s restaurant and grocery sales. If this higher growth continues, Long Grove will realize additional revenue over the projections offered in the October 2014 Report. The gray area in Figure 1 illustrates the increased amount. As this figure suggests, continuing to boost sales by 11% per year would provide an additional \$700,000 in revenue in 2018.

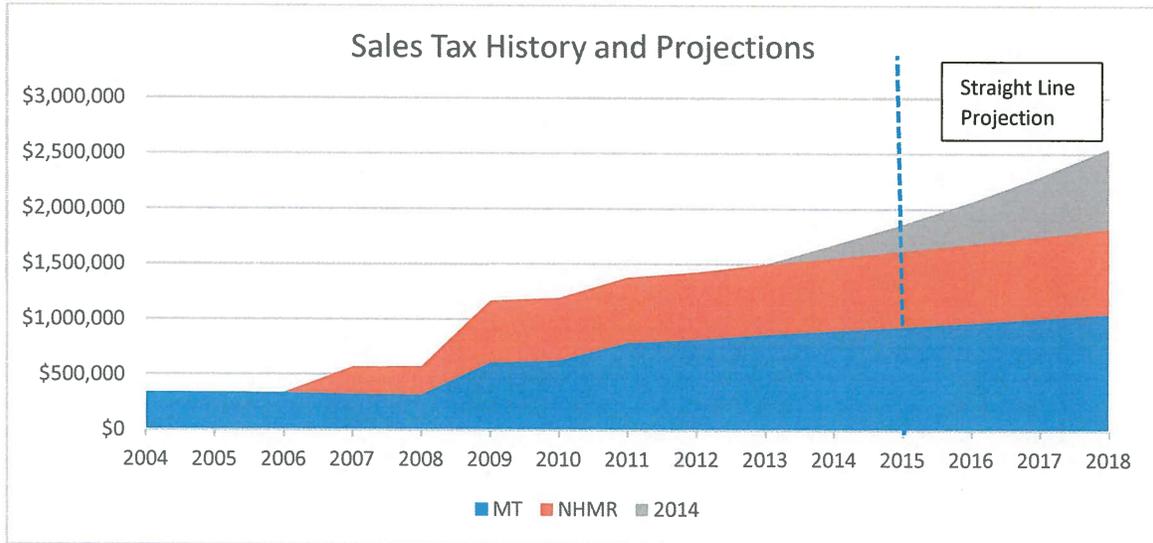


Figure 1

This increase in sales tax revenue would come from both the growth of the market and also from office and residential development adding workers and residents who spend in Long Grove. Note that incentives associated with any development probably will reduce annual revenue. The summary of projects reviewed since October illustrates the potential for revenue growth.

Economic Development Initiatives Update

There has been no change since the October report in the revenue from businesses that could be attracted to smaller parcels known as outlots and located throughout the Village.

Table 2

Use	Gas Station & Convenience Store	Quick Serve	Casual Dining	Bank	Medical
Typical Taxable sales	\$15 million	\$2 Million	\$2.5 Million	0	some
Site Size (acres)	2	1	1.5	1.5	3
Typical Building Size (SF)	4,000	3,000	5,000	2,500	10,000
Other Site Requirements	Access	Drive Thru	Outdoor Seating	Drive Thru	
Employees	7	11	18	5	23
Muni Tax Revenue	\$150,000	\$20,000	\$25,000	\$0	??
NHR Revenue	\$50,000	\$20,000	\$25,000	\$0	
Annual Village Revenue	\$200,000	\$40,000	\$50,000	\$0	

Long Grove continues to be a unique gas station/convenience store opportunity due to proximity to the border of Cook County and Lake County. This is because Cook County gas taxes are higher and just crossing the county line lowers the price of gas.

Since the October study, the Village has been approached and has also reached out to encourage new uses. The information that follows summarizes those initiatives.

Menards Outlots

The Menards outlots have been unsuccessfully marketed for the more than six years. Research was conducted both on Menard's marketing plan and Village initiatives that could encourage tenant interest. This analysis relied on market information from Experian, Inc.; an interview of Menard's Sales & Leasing Representative, Alex Bushey; and a review of the publically available information on Menard's land holdings. Key Findings:

- In the interview with Alex Bushey, he firmly asserted that Menards company policy dictates that it will never sell land below cost plus a profit. This privately held company prefers patiently holding land over other options for investing the profits from its successful stores. Because bringing sewer service, water service, and storm water management to this land was costly, the Long Grove outlots are priced at a premium over outlots at other Menards locations and nearby property. Table 3 details the listing price reported by Menards:

Table 3

	Acres	Price (Mil)
Lot 1	2.47	\$3.8
Lot 2	1.31	\$2.0
Lot 3	1.47	\$2.2
Lot 4	1.53	\$2.3
Lot 5	1.72	\$2.6
Total	8.50	\$12.9

For comparison, five acres of vacant and unimproved land at Quentin and Rand Road are listed at \$1.5 million, while the Geimer property adjacent to Menards is 14.2 acres and listed at \$1.7 million. Although neither of the properties is ready for building like the Menards outlots, land prep and infrastructure improvement costs would not require investments that make development ready cost close to the prices associated with the Menards outlots.

- Menards Real Estate and Leasing Division reported frequent inquiries about its Long Grove property, but as yet there have been no offers at acceptable values. Most inquiries are about automotive service (gas stations and car washes) and quick serve restaurants.
- Although price is the primary objection leading to failure to pursue buying the Menards outlots, the lack of access on Lake Cook road also is detrimental.
- When the Menards development agreement was finalized, it included a provision for recapture of the cost of the off-site sanitary sewer. Although the ordinance is in place and the recapture amount is established at \$1,783.81 per residential unit with 5% escalation per year, there has been no recapture. 370 residential properties are eligible to connect. Including escalation, the recapture potential is \$842,358. Commercial uses that might be added on the adjacent Geimer property would be assessed recapture fees based on their predicted sewer use. If there were recapture, it would be reasonable for Menards to lower its calculation of the high costs associated with its outlots and therefore reduce the outlot prices. Nothing in the original development documentation appears to require that reduction.

Finch Beer Company and Tap Room

Ben Finch, a Long Grove resident, has approached the Village about expanding and relocating his brewery to Long Grove. He is currently engaged in due diligence concerning the use of the former Red Oaks property. Although his planning is still in the concept stage, he hopes to move to site planning in the next 30 to 60 days. To understand this opportunity he was interviewed and the general craft beer market was researched. Key findings:

- The most important determinate of whether Finch Beer chooses Long Grove is access to water at a reasonable price. Both tap on fees and the price per 1,000 gallons are considerations. These are both important inputs into financial modeling that will rank sites. Optimally, this information would be provided in the next 45 days.
- The plan is to open a tap room and packaged sales office at the brewery. While visiting the Tap Room, patrons would be allowed to order food from other Downtown Long Grove business for delivery to the tap room. There are no plans for serving food prepared at this business. That is the difference between tap rooms and brew pubs where there is food service.
- Finch Beer currently only offers Saturday tours of its Elston Avenue brewery and there are more than 1,000 attendees per month. That facility is not licensed for package sales. It is estimated that a Long Grove tap room would be open approximately 8 hours per day and would attract many more visitors. Reasons for the higher visit expectation would include attracting Long Grove festival participants and organized bus tours. With merchandise and packaged sales, the average transaction per visit could be \$50 per customer. If the average monthly attendance rose to 5,000, sales would be \$3 million and Village municipal and non-home rule sales tax revenue would be \$60,000. There would be an increase in sales at the nearby restaurants, too.

- The largest craft brew consuming demographic is between the ages of 24 and 35, however, fastest growing market is food connoisseurs aged 48 to 64. Craft beer drinkers tend to embrace healthier active lifestyles. This segment typically enjoys riding bikes, walking from place to place, hiking, camping and in general embraces an outdoor lifestyle. This consumer would add new dimension to the Long Grove customer mix.
- Currently Finch employees 78 and this would be an expansion expected to require additional employees.

Acreage South and East of Sunset Grove Shopping Center

This initiative looked at options for the 15 acres south of Sunset Grove as well as acreage to the east along Aptakisic Road. This research included specific insights from two retail developers. It focused on the conditions that would make this area a significant sales tax producer and add property value that feeds the Tax Increment Financing District. Key findings:

- The interest of a high volume retailer depends on providing clear internal circulation and gaining multiple signalized access points into the development. The most critical and probably deal-breaking access is at the intersection of Routes 53 and 83.
- Interviewed retail developers asked to suggest optimal development for this land both recommended either office or denser residential development as a use to enhance the performance of existing and future commercial development along Route 83. They also stressed the need to protect and build the market for Sunset Foods in the very competitive and changing Chicago grocery business.
- If IDOT will not change the intersection of Routes 53 and 83 to provide access to the vacant properties facing Route 83 or the Village believes that a mass merchandiser at this important gateway would negatively influence the regional image of Long Grove, the Village should pursue a mix of residential and outlots such as restaurants and offices on these properties.

The Archer Lots

With the market changes since the Archer Lots were created, research was undertaken to recommend uses and lot value. Key findings:

- For quicker development and a higher land sales price, the Village should consider a mix of uses on the Archer Lots. Because the restaurants are riskier investments and therefore command higher returns, any developer contemplating developing this property solely for restaurants finds a gap between costs and investment that produces a market supported return. This gap is larger for restaurants than other uses such as build to suit offices and day care where both risk and construction costs are lower. If the Village allows a mix of uses that provides differing investment profiles, less risky uses can support incentives for perhaps two higher risk restaurants. The less risky development could occur sooner bringing TIF revenue sooner than waiting for only restaurant uses.
- By utilizing a land lease to dispose of the property, the Village could avoid setting a price for this property and share the risk and returns of development. Every land lease is different but typically the lease would sell the property at specified prices as the developer attracts specific tenant categories or completes certain development milestones. If the Village were to elect to expand the allowed uses and a developer wanted to sell one lot for a day care, that lot might be

priced at \$400,000. A dental practice might pay a similar amount. Restaurant uses would then only pay \$100,000 for land and the Village would obtain its \$1 million price for the four lots.

- Although the anticipated price of \$1 million seems to apply to the purchase of approximately one acre, in reality, the Archer Lot parking approximately triples the area associated with each lot purchase. As mentioned in the findings, a restaurateur seeking a single tenant pad elsewhere would want approximately 73 parking spaces. At 350 square feet each, those spaces would require 25,550 square feet, more than ½ acre. A business owner considering the Archer Lots will be comparing this location to larger parcels making this land price less likely to be a deciding factor in the location choice.

Next Steps

1. Review the most current thinking on convincing IDOT to allow additional access to the extension of Sunset Grove and Menards Outlots.
2. Communicate monthly with Menards to learn about outlot tenant interest.
3. Continue open dialogue with Ben Finch on potential brewery and tap room.
4. Determine Village Board members' appetite for changes in the Archer lots uses, allowing gas stations, and opportunities for multi-family residential development.