

Item #7:

Village Trustee Lyman

Economic Development Opportunities - Menards & South 15

DRAFT

To: Village of Long Grove
From: Bridget Lane
Subject: Commercial Development Potential
Date: April 11, 2016



The Village of Long Grove, which is reviewing opportunities to increase commercial development, has requested that BDI update its previous investigation of the potential for additional development at the property bounded by Route 83 to the west, by Aptakistic to the north, and by Arlington Heights Road to the east. This property is depicted in Figure 1, and it currently contains the Sunset Grove, a 141,000 square foot shopping center, Executive House, 15 vacant acres facing Route 83, the Korean Full Gospel Church, and 12 residential properties facing Arlington Heights Road. The hard corner at Arlington Heights Road and Route 83 is in Buffalo Grove and is commercially developed.

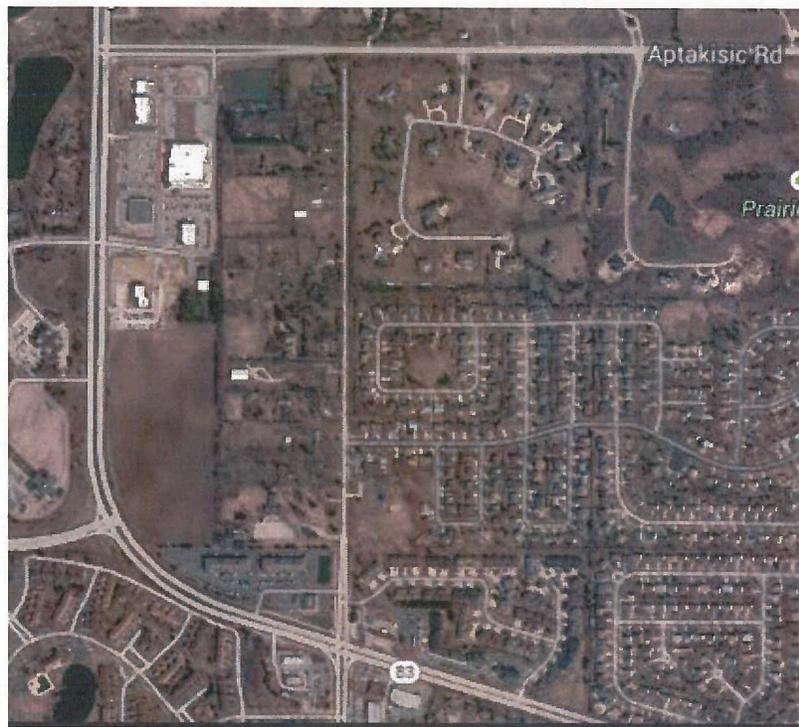


Figure 1

This preliminary review focused on these questions:

1. Would reopening Arlington Heights Road and adding a signalized intersection at Aptakistic make the 28 acres fronting Arlington Heights Road and Aptakistic desirable for retail development? If

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- yes, what tenants might it attract, given that there is already a grocery store and drug store in the Sunset Grove development?
2. The Village has received inquiries from developers interested in building outlots facing Route 83 south of Sunset Grove, with a luxury townhome development on the balance of the land. Would allowing that development prevent future commercial expansion into the 28 acres?

The information that follows summarizes BDI's market experience and the confidential responses of two retail developers currently undertaking projects in the Chicago suburban market.

Research and Developer Comment Summary

As currently developed at 141,000 square feet, Sunset Grove is larger than the national average for a neighborhood shopping center, (71,898 square feet) but smaller than a typical community center (197,921 square feet). Its anchors, a supermarket and drug store, are typical of a neighborhood center. Community Centers generally contain a mass merchandiser-- Target, Meijers, or Walmart-- and at least one more anchor, such as a supermarket.¹ If a mass merchandiser were to choose to locate on the 15 acres to the south and facing Route 83, it would expand this neighborhood center into a community center with significantly higher sales and greater drawing power. As illustrated by the maps attached to this analysis showing 10-minute drive times to the nearest Target and Walmart, both businesses would be duplicating the market of existing stores if they were to add a store at an expanded Sunset Grove Shopping Center. Although those businesses would be relocating to open in Long Grove, Meijers would serve a new market and might have some interest in this area if access were improved. Other options are a group of medium size retailers with stores in the 20,000 to 40,000 square foot range. That category includes businesses such as Best Buy, Home Goods, REI, and many others.

The interest of a high volume retailer(s) 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. Although discussions with IDOT about full access at the Route 53 and 83 at the time when Sunset Grove was developed failed to result in authorization of this access, recent Investigations by the Village engineer, (See attachment) suggest that there may now be an opportunity to gain this access. The other potential additional access point, Arlington Heights Road at Aptakisic, is unlikely to attract high volume retailer interest and would require adding property currently containing residences. Arlington Heights road now experiences Average Daily Traffic (ADT) of 3,250 vehicles, and while access to Aptakisic would divert some traffic off Route 83, it is doubtful that a high volume retailer would consider a store facing a reopened Arlington Heights Road. This is because the ADT after diversion is unlikely to offer more than 20,000 cars per day past a store. That ADT is the basic requirement for high volume retailer interest. Arlington Heights Road would still "T" at Aptakisic, so traffic travelling further north will still choose Route 83.

¹ Sources: Appraisal Institute, CoStar Realty Information, Inc . (www.costar.com) and the International Council of Shopping Centers; U.S. Shopping-Center Classification and Characteristics; October 2014

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The interviewed retail developers both recommended either office or denser residential development as a use along Arlington Heights Road to enhance the performance of existing and future Sunset Grove/Route 83 commercial development. 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 clearly indicates that it will not change the intersection of Routes 53 and 83 to provide access to the vacant properties facing Route 83, there also is no reason to delay outlot, residential, or office development on land south of Sunset Grove. If the Village believes that a mass merchandiser at this important gateway would negatively influence the regional image of Long Grove, that would be another reason to pursue a mix of residential and outlots such as restaurants and offices on these properties.

Recommendations

1. The Village should follow its traffic engineer's recommendations and begin informal discussions with IDOT concerning full access at Routes 53 and 83. The Village should also inquire whether the reopened Arlington Heights Road enhances the possibility of a 4-way intersection at Routes 53 and 83.
2. If the Village is not able to secure the complete access at Routes 53 and 83 or it is not interested in attracting a high volume mass merchandiser at this location, it should entertain proposals for higher density housing or office development on the vacant properties south of Executive House.
3. The Village should resolve whether it is willing to open Arlington Heights Road at Aptakisic as a way to encourage denser development on properties facing Arlington Heights Road.
4. The Village should consider Comprehensive Plan changes to allow assembly of properties along Arlington Heights Road so that area can be used by residential or office developers to create denser projects there.

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To: Village of Long Grove
From: Bridget Lane
Subject: Menards Outlots
Date: April 15, 2016



The Menards Out lots depicted in Appendix 1 have been unsuccessfully marketed for the more than six years. BDI was asked to update its previous investigation of both Menard’s marketing plan and Village initiatives that could encourage tenant interest. This analysis relied on market information from Experian, Inc.; interviews of Menard’s Sales & Leasing Representative, Alex Bushey; and a review of the publically available information on Menard’s land holdings.

Findings

1. The original platting and development agreement for Menard’s Long Grove location was created in 2005.
2. In 2015, the Illinois Department of Revenue category containing sales tax revenue from Menards was Long Grove’s largest municipal and infrastructure sales taxes contributor at \$ 988,672.60. That was 52.5% of the Village sales tax and infrastructure tax revenue. The sales in this category increased 3.3% over 2014, an lower increase than the Village’s overall increase of 10.7%.
3. Menards is a family-owned company started in 1958 and headquartered in Eau Claire, Wisconsin. It has nearly 300 home improvement stores located in Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin, and Wyoming. In addition to its core home improvement store business, Menards has a real estate division that markets its land holdings and develops self-storage and residential subdivisions. There are 92 sites where Menards is marketing from one to seven vacant lots associated with existing or planned Menards stores. Menards’ real estate holdings are detailed at <http://www.menardsrealestate.com/menardsrealestate/home.html>
4. In my interview with Alex Bushey, I learned 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 other Menards Outlots. Table 1 details the listing price reported by Menards:

TABLE 1

	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 sold on September 9, 2015 for \$1,424,500, just slightly more than \$100,000 per acre. 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

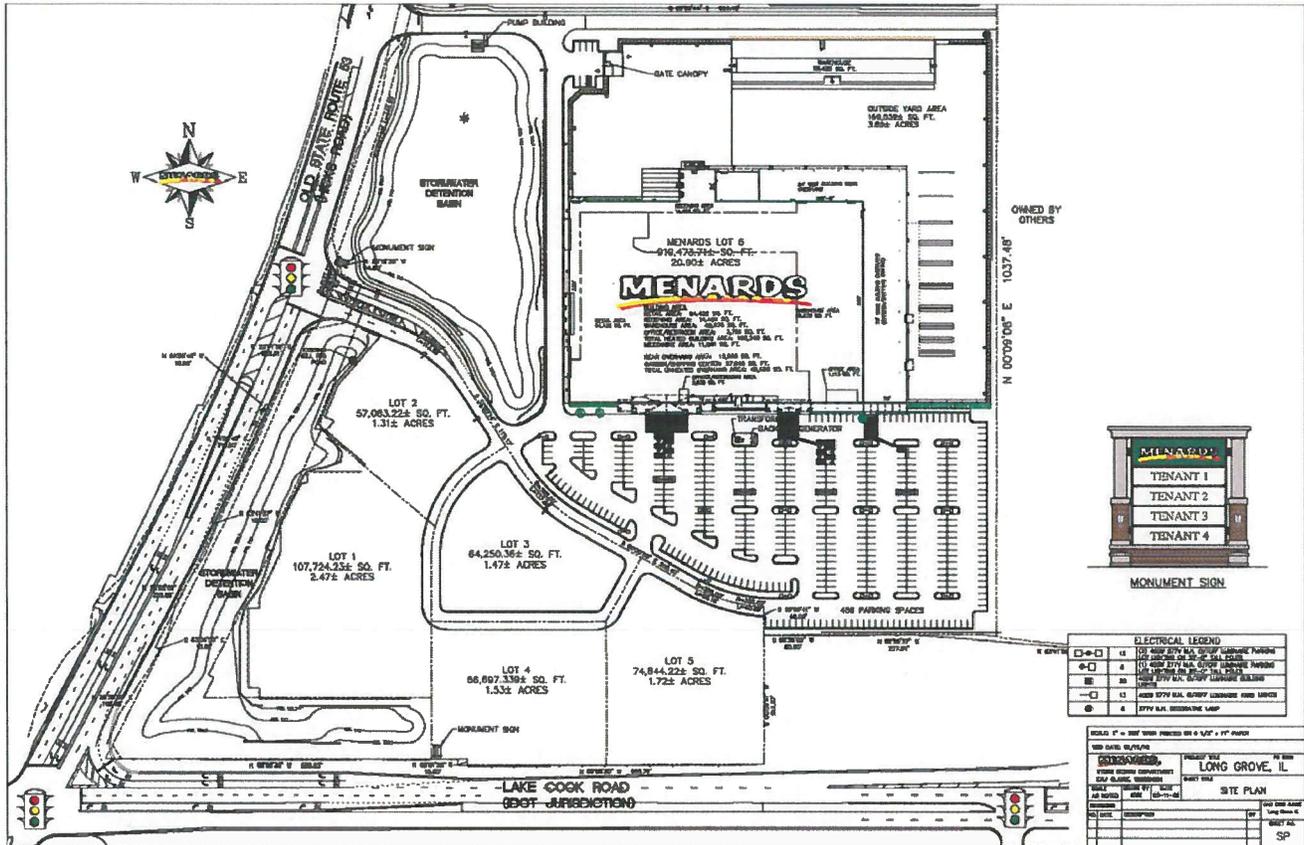
ready cost close to the prices associated with the Menards outlots. Buildings formerly used as Geimer Greenhouse have already been repurposed as a warehouse for Finch Beer and plans are underway to remodel or build out additional space as a brewery and Tap Room.

5. 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 and quick serve restaurants. With the development of Finch Beer, there has been new interest by signature restaurants that foresee the potential for a cluster developing as Finch Beer opens a tasting room without food service.
6. 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. The Village Engineer reviewed of the possibility of limited Lake Cook access and believes it is possible. (attached)
7. 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 \$842,358.21. 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 the outlots and therefore reduce the outlot prices. Nothing in the original development documentation appears to require that reduction.

Next Steps

1. Seek Village Board guidance on its interest in pursuing remediating the high property price. Possible initiatives include:
 - a. Reducing Menards base cost through a financial partnership using tools such as TIF to or SSA to allow the Village to buy the off-site sewer capacity and assume recapture costs and the risk of connecting properties to the sewer.
 - b. Entering into a sales tax sharing agreement, that reimburses a purchaser for the above lot market price. This would only be appropriate if the committed user had the potential to produce sales tax revenue sufficient to quickly recover its high land costs.
2. Pursue allowing a right-in entrance from Lake Cook Road. With that access, the value of the property could increase.

Appendix 1



Appendix 2
Mount Prospect



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Fox Lake



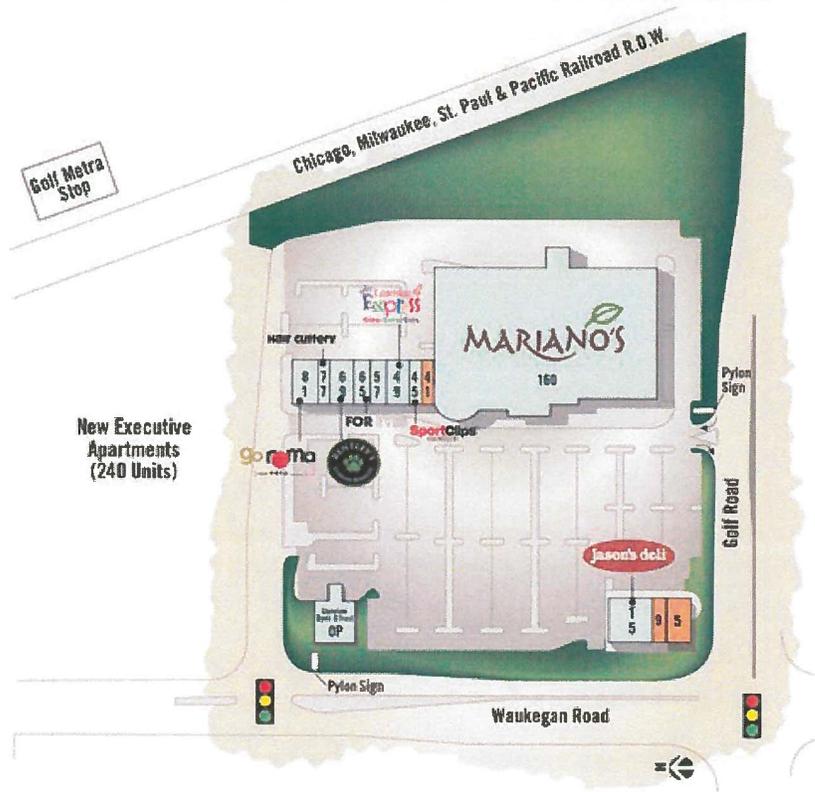
Wendy's

2 Banks

Crystal Lake



Appendix 3



MEMORANDUM - DRAFT

To: Mr. David Lothspeich – Village Manager
Village of Long Grove

Copy: Mike Shrake, PE – Village Engineer
Geoff Perry P.E. – Assistant Village Engineer

From: Daniel Brinkman, P.E., PTOE

Re: Commercial Access Review
Various Locations
Long Grove, Illinois

Date: April 8, 2016

Per your request, I have reviewed the concept sketches / annotated photos provided and considered alternates and options for additional access or new access to the commercial parcels within the Village.

I offer the following comments and recommendations for your consideration:

Location #1 – IL Rte 83 at IL Rte 53 “South 15”

- Both IL Rte 53 and IL Rte 83 are both under IDOT jurisdiction but neither is classified as a Strategic Regional Arterial (SRA) route, providing some additional flexibility with respect to access spacing and traffic signal warrants.
- An east (4th) leg of this signalized intersection appears to be a viable access location.
- A traffic signal warrant study (justification of a signal) would not be required.
- Roadway / intersection improvements to accommodate the new leg will likely be similar in scope to the improvements constructed at the Robert Parker Coffin Road intersection and consist of:
 - Single Southbound left turn lane
 - Maintain dual northbound left turn lanes
 - Northbound right turn lane
 - Additional (third) northbound through lane carried north to existing third northbound lane.
 - Widening west leg to provide a separate through lane into the new development and maintain separate eastbound right turn lane.
- IDOT may require additional improvements to address current operational concerns (e.g. extend left or right turn lanes)
- Dedication of additional ROW along the site frontage, to match that dedicated to the north will be required. Initial review of existing ROW suggests that IL Rte 53 may need to “shift” to the north to provide the additional through lane into the development.
- Additional access at this location would be processed through the IDOT Permit Section. Typical submittal requirements would include:
 - Concept Plan for Development and Traffic Impact Study
 - Intersection Design Study (IDS) upon concept approval of access
 - Intersection Improvement Plans and Traffic Signal Modification Plans.

Location #2 – Lake Cook Road east of IL Rte 53 “Menards’ Outlots”

- IL Rte 53 is under IDOT jurisdiction but is not classified as a Strategic Regional Arterial (SRA) route, providing some additional flexibility with respect to access spacing and traffic signal warrants. IL Rte 53 (expressway) is also under IDOT jurisdiction, including the northbound exit ramp to westbound Lake Cook Road.
- Lake Cook Road is under the jurisdiction of the Cook County Department of Transportation and Highways (CCDOTH).
- Access to this location faces a number of significant challenges, including:
 - Proximity to northbound IL Rte 53 exit ramp
 - Three westbound travel lanes along frontage
 - Existing weave section between IL Rte 53 exit ramp and IL Rte 53 (Old 53 / Hicks Road) signalized intersection.
 - Plat of Subdivision specifically states no direct access to Lake Cook Road for Lots 4&5 (outlots) – See attached excerpt.
- Additional access at this location would be processed likely by both IDOT and CCDOTH. IDOT would need to approve the modification to the Plat and CCDOTH would have to approve access improvements.
- Additional research into the original application and decision to limit access via Plat note would be required to determine if any further submittals would be merited. Our initial assumption is that concerns regarding potential weaving movements between the exit ramp, westbound traffic, and westbound right turns to IL Rte 53 (Old 53) led to the decision to prohibit access.
- Should additional access be considered, our recommendation would be that it should be limited to a right turn in only access located just east of the existing monument sign. GHA could not support an exit at this location due to the aforementioned complex weaving movements that exist.

Location #3 – IL Rte 22 west of Old McHenry Road “Long Grove Commons”

- IL Rte 22 is under IDOT jurisdiction and is classified as a Strategic Regional Arterial (SRA) route, resulting in more stringent requirements with respect to access spacing and traffic signal warrants. Typically IDOT will limit access spacing to 500-ft for limited access and ¼ mile for full access.
- Old McHenry Road is under the jurisdiction of the Lake County Division of Transportation (LCDOT) and access to Old McHenry Road is subject to the regulations published in Chapter 90 of the Lake County Unified Development Ordinance.
- This development currently has full access and a RIRO access on both roadways.
- The concept sketch provided by the Village inquired about the potential to gain an additional access on IL Rte 22 approximately midway between the RIRO and the full access at point where the circulation aisle is almost adjacent to the existing ROW.
- Additional access at this location would be processed through the IDOT Permit Section. Typical submittal requirements would include:
 - Concept Plan for access modification
 - Possibly a traffic study to justify the need for additional access
- We believe that it is extremely unlikely that IDOT would approve an additional access point on IL Rte 22 for the development without the removal of one of the existing access points.
- The midpoint location does not provide sufficient internal stacking distance to accommodate vehicles waiting to exit nor does it provide sufficient separation from the IL 22 pavement to provide the RIRO barrier median geometry.
- We would not recommend that the Village expend any efforts towards an additional access point at this location.

I hope that you find these comments helpful, should you have any questions please do not hesitate to contact me at 847-478-9700.

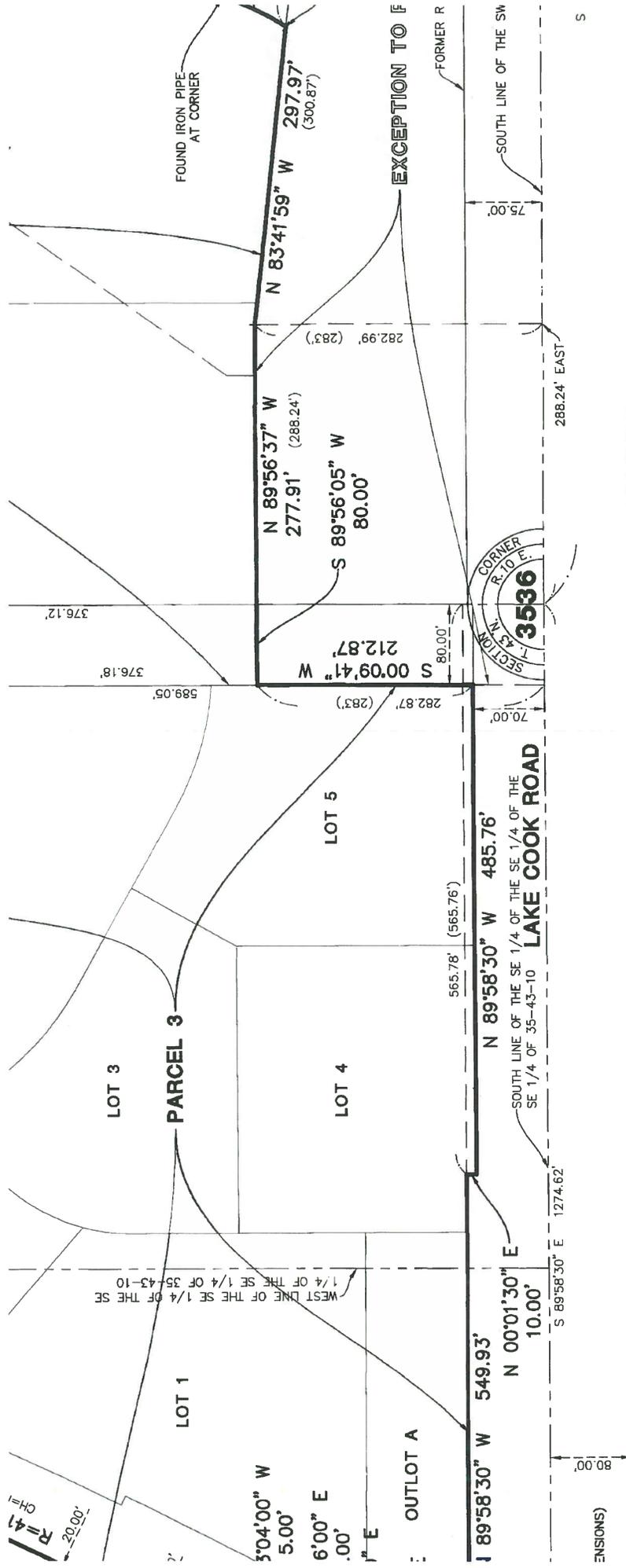
Encl: As Noted



1 inch = 300 Feet

Location #1

Gewalt Hamilton Associates, Inc.



SPECIAL NOTES:

1. BUFFER EASEMENT PROVISIONS WILL BE RECORDED BY SEPARATE DOCUMENT.
2. THE APPLICABLE PERFORMANCE STANDARDS OF THE LAKE COUNTY WATERSHED DEVELOPMENT ORDINANCE IN EFFECT AT THE TIME, WILL HAVE TO BE MET FOR THE FUTURE DEVELOPMENT OF LOTS 7 AND 8.
3. FUTURE PROPOSED RIGHT-OF-WAY LINE FOR F.A.P. ROUTE 432 HAS BEEN SHOWN HEREON BASED ON THE UNRECORDED PLAT OF HIGHWAYS PREPARED BY AMERICAN SURVEY CONSULTANTS DATED MAY 18, 1990.
4. THERE SHALL BE NO DIRECT ACCESS TO OR FROM LAKE COOK ROAD FROM LOTS 4 OR 5 AND OUTLOT A. DIRECT FULL ACCESS BETWEEN LOT 6 AND OUTLOT A AND ILLINOIS ROUTE 53 (HICKS ROAD) SHALL BE PERMITTED AT THE LOCATIONS SHOWN HEREON ON SHEET 2 OF 5.
5. ACCESS TO THE LOTS IN THIS SUBDIVISION SHALL BE PROVIDED PURSUANT TO THE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS REFERRED TO IN NOTE 6.
6. FOR ADDITIONAL COVENANTS AND RESTRICTIONS PLACED UPON MENARDS SUBDIVISION, REFER TO A CERTAIN DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS RECORDED IN LAKE COUNTY, ILLINOIS _____ 20____, AS DOCUMENT NO. _____

LEGEND

--- = EX. WETLANDS AS LOCATED ON 10/02/03 AND REVERIFIED ON 01/19/06 (MITIGATED WETLANDS HAVE NOT BEEN SHOWN)



Location #3

Gewalt Hamilton Associates, Inc.

1 inch = 200 Feet



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