

Memo



To: Village of Long Grove

From: Bridget Lane

Date: 9/17/2014

Re: Long Grove Economic Development Options

On September 22, BDI will participate in a workshop to discuss Long Grove's options for using economic development to increase annual municipal revenue. We anticipate a thoughtful discussion of the options, but realize the challenge of presenting concepts that contain many numbers. Because those numbers can be difficult to process quickly at first exposure, the attached fact sheets provide data that supports the analysis of Long Grove's economic development opportunities. You are encouraged to review this information before the meeting and develop questions based on this material. This information will be up for discussion during the workshop but will be summarized in the workshop presentation.

Please submit questions you may have about this data before the meeting on September 22, and send them via email to David Lothspeich dlothspeich@longgrove.net.

Peer Communities Revenue Comparisons

The challenge of financing the high service levels sought by residents of Chicago's most attractive suburbs has led to variety of revenue generating options.

	Bannockburn	Clarendon Hills	Oak Brook	Mettawa	Lincolnshire
Population	1,509	8,525	8,481	534	7,258
Median Income	\$218,613	\$160,844	\$188,765	\$191,440	\$181,978
Average Income	\$142,949	\$103,270	\$111,117	\$130,159	\$119,820
General Revenue Sources by %					
Property Taxes	32.3%	32.1%	0.7%	6.1%	
Charges for Services, Fines and Fees		31.6%	15.9%		4.1%
State Tax	5.4%			1.8%	6.4%
Sales Tax	32.3%	14.8%	32.5%	68.6%	44.6%
Hotel/Motel and/or Admission Tax	3.6%			11.1%	14.8%
Telecommunications Tax	5.3%		9.4%	3.9%	10.2%
Utility Tax					11.1%
Road and Bridge Tax					0.5%
Real Estate Transfer Tax				1.1%	1.6%
Other Taxes		5.8%	4.9%		
Licenses and Fees		3.9%		2.6%	4.5%
Circuit Court Fines and Fees				1.9%	
Allotments, Grants or Reimbursements		2.0%			1.6%
Gaming Tax					
Water Sales and Service			13.5%		
Sports Core User Fees			6.5%		
Interfund Revenues			3.7%		
Miscellaneous Revenues	21.2%	9.8%	13.0%	3.0%	0.7%
Source: Audited Statements YE	30-Apr-2013	30-Apr-2015	31-Dec-2014	30-Apr-2015	31-Dec-2014

General Revenue Background Specific to Comparisons:

- Sales tax includes 1% and any NHR/HR %. Use taxes were combined with sales taxes as one line item.
- Categories broken out or consolidated to reflect similar categorization by all communities.
- State tax includes replacement and any income and use taxes.
- Fund transfers and use of reserves are excluded.
- Greater detail to come from local interviews.

Peer Financial Background

Bannockburn

- Uses SSAs to finance infrastructure in discreet geographies.
- Funding for road improvements and sanitary sewer improvements.
- 2 SSAs remain (2 concluded in 2010; 6 concluded in 2012).
- Have developed defined long-term infrastructure replacement schedule.
- Timing issues noted for SSA fund balances and levies.

Clarendon Hills

- Using SSAs since 1990s
- Funding for:
 - Debt service for road and bridge
 - Debt service for water main improvements
- Parking in lieu fee for downtown catalyst development
- FY 2015 Debt Service Funds (3) via SSAs total \$122,940.

Oak Brook

- Sports Core revenues represent all user fee categories, such as golf, swimming, and tennis fees, polo use, swimming, and food and beverage revenues..
- Sales tax is combination of 1% and NHR tax (.5%).
- Hotel/Motel Tax is a separate fund.
- All funding from NHR sales tax (.5% or \$5.3 million)
 - Roadways, drainage, and safety pathways
 - Construction and ongoing maintenance
- Unique issues
 - 'Special funds,' grants, and transfers supporting the Village-owned Sports Core
 - Promenade development TIF and real estate tax collected only for that development.

Mettawa

- Sales tax includes Costco (\$1.25M), CDW (\$350K), Tollway Oasis (\$200K), and remaining retail.
- State tax includes income tax and use tax.
- Motor Fuel Tax is a separate fund. (Small amount about \$13K.)
- 10 SSA's exist currently with balances
 - 2 identified for debt service funds for capital projects (for storm/sewer improvements and for tree plantings and maintenance)
 - 1 for water service
 - 7 for specific maintenance purposes—all with 75-100 year terms
- Total balance is about \$1.1M—1 SSA fund balance for debt service funds is \$900,000

Lincolnshire

- Telecommunications and utility taxes exceed 20% of general revenues.
- Active SSA for Sedgebrook residential development infrastructure (new)
 - Debt service funds with annual installments of \$235,000-\$1,095,000
 - 2014 budget: \$1,145,500
 - Bonds expire in 2034
- For traffic signal SSA fund for Route 22/Westminster Way intersection to dissolve 2016

Local Economy Facts

If income per square mile is an indicator of the capacity to pay taxes to provide Village revenue, Long Grove residents offer less opportunity than these comparison communities.

Potential based on resident income

• Long Grove Resident Income Density Comparison

	Population	Population per Square Mile	Per Capita Income	Income Density per square mile
Clarendon Hills	8,525	4,667.68	\$60,201	\$280,999,004
Riverside	9,014	4,637.39	\$48,815	\$226,374,193
Buffalo Grove	42,436	4,439.22	\$48,428	\$214,982,546
Barrington	10,137	2,130.67	\$60,971	\$129,909,081
Prospect Heights	16,536	3,887.80	\$31,200	\$121,299,360
Lincolnshire	7,258	1,556.32	\$76,914	\$119,702,796
Riverwoods	3,636	907.37	\$71,826	\$65,172,758
Deer Park	3,182	830.01	\$62,343	\$51,745,313
Long Grove	8,310	652.9	\$65,916	\$43,036,556
Bannockburn	1,509	746.26	\$54,327	\$40,542,067
Mettawa	534	97.01	\$74,851	\$7,261,296

Source: Experion 2014; BDI

• Long Grove Area

	Square Miles
Clarendon Hills	1.8
Riverside	1.9
Bannockburn	2.0
Deer Park	3.8
Riverwoods	4.0
Prospect Heights	4.3
Lincolnshire	4.7
Barrington	4.8
Mettawa	5.5
Buffalo Grove	9.6
Long Grove	12.7

Source: Lake County

If the value of property per square mile is an indicator of the capacity to provide Village revenue, Long Grove Properties offer less opportunity than these comparison communities.

Potential based on property value

• Long Grove Resident Property Value per Capita Comparison

	Population	EAV	EAV per capita	Commercial EAV	Commercial EAV per Capita
Mettawa	534	\$110,308,546	\$206,570	\$48,370,317	\$90,581
Bannockburn	1,509	\$152,159,620	\$100,835	\$64,781,250	\$42,930
Riverwoods	3,636	\$333,332,068	\$91,675	\$64,887,989	\$17,846
Lincolnshire	7,258	\$561,725,434	\$77,394	\$202,532,267	\$27,905
Deer Park	3,182	\$234,827,315	\$73,799	\$58,360,451	\$18,341
Long Grove	8,310	\$534,176,223	\$64,281	\$28,855,472	\$3,472

Source: Lake County PTAX 251 Tax Year: 2013; BDI

Variation in Cook County assessment practices make it impossible to compare EAV's

With limited capacity to tax residents, the Village has sought revenue from the larger region by attracting high volume sales tax producers.

Sales Tax per Resident

• Long Grove Sales Tax Revenue per Capita Comparison

Community	Population	Muni Tax	HMR Tax	Total	Tax per capita
Mettawa	534	\$2,663,802		\$2,663,802	\$4,988.39
Oak Brook	8,481	\$11,893,941	\$5,222,105	\$17,116,047	\$2,018.16
Bannockburn	1,509	\$741,235	\$254,599	\$995,834	\$659.93
Lincolnshire	7,258	\$2,855,363	\$1,347,559	\$4,202,922	\$579.07
Long Grove	8,310	\$869,710	\$634,251	\$1,503,961	\$180.98
Deer Park	3,182	\$457,843	\$112,138	\$569,981	\$179.13
Riverwoods	3,636	\$323,508	\$155,035	\$478,543	\$131.61
Clarendon Hills	8,525	\$794,579		\$794,579	\$93.21
Prospect Heights	16,536	\$753,394	\$283,587	\$1,036,981	\$62.71

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

High Volume Sales Tax Producers

The information that follows introduces requirements and market conditions supporting high volume sales tax producers that might be options for Long Grove.

Strategic Retail Business Attraction

• Potential High Volume Uses

Use	Warehouse Club	Mass Merchandiser	Auto Dealership	Home Center	Grocery
Typical Taxable sales	\$100 million	\$50 million	\$37 Million	\$30 Million	\$25 Million
Site Size (acres)	30	30	5 acres each	20	10 to 40 center
Typical Building Size (SF)	120,000	100,000	10,000	120,000	65,000
Other Site Requirements	Gas Station		Gas Station	Garden Center	
Distance between sites	20-minute drive	10-minute drive	Cluster is key	10-minute drive	Varies with size
Employees	120	100	20	120	65
Muni Tax Revenue	\$1 million	\$500,000	\$370,000	\$300,000	\$250,000
NHR Revenue	\$400,000	\$300,000	\$0	\$300,000	\$20,000
Total Village Revenue	\$1.4 million	\$800,000	\$370,000	\$600,000	\$270,000
Incentives Customary	yes	yes	yes	yes	yes

Source: Experian 2014; BDI

High Sales Tax Revenue Uses

- Warehouse Clubs
 - Costco
 - Sams
- Revenue Potential
 - Sales \$50 to \$100 Million
 - Municipal \$500, 000 to \$1 Million
 - Home Rule 60% of Municipal
- Trends
 - Pressured by Internet
 - Nearing saturation in regional market
- Parcel size approximately 20 acres

Costco Market Coverage precludes another store in Long Grove

Market Coverage

- 15-minute drive time from Costco
 - Lake Zurich
 - Mettawa
 - Mount Prospect
 - Schaumburg

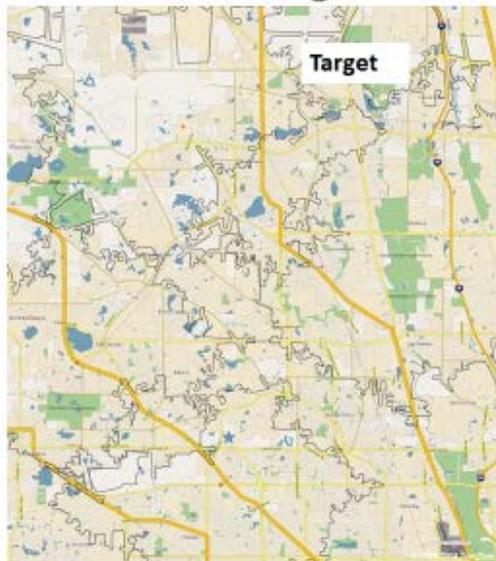


High Sales Tax Revenue Uses

- Mass Merchandisers
 - Target
 - WalMart
 - Meijers
- Revenue Potential
 - Sales \$25 to \$50 Million
 - Municipal \$250,000 to \$500,000
 - Home Rule 60% of Municipal
 - Trends:
 - Growing slowly
 - Sites of 40 acres or more
 - Potential closing of K-Mart
- Parcel Size included in 40 acre power center or 15 to 20 acres

Although Target market coverage precludes a Long Grove Store, Meijer could be a possibility.

Market Coverage



10-Minute Drive Times



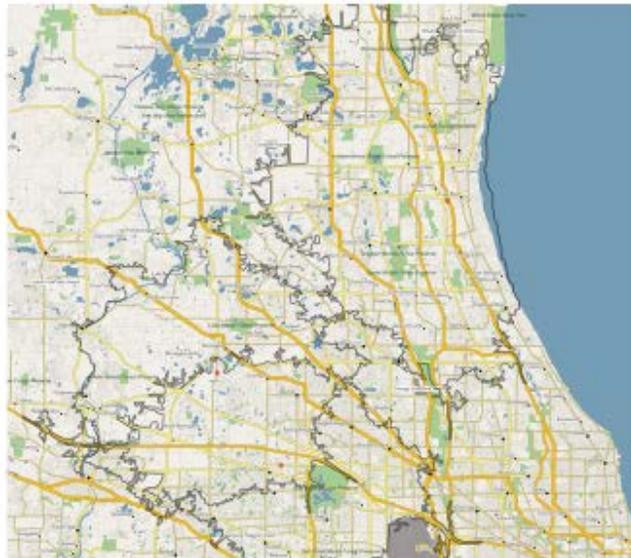
High Sales Tax Revenue Uses

- Auto Dealerships
 - Average Sales: \$37 million
 - Revenue Potential: \$370,000
 - No Home rule or Business District sales tax
 - Potential Annual Village Revenue: \$370,000
 - Trends:
 - Nationally, 7,160 dealerships were lost since 1990
 - Illinois had a net loss of 22 dealerships since 2011
 - This reset made US manufactures' dealership network comparable to Japanese
 - National 2013 new-vehicle dealerships added
 - Fiat 135
 - Chrysler 50
 - Tesla??
 - Independent Used-Vehicle
 - Rental Car Resale
 - Parcel Size 2 to three acres clustered with other dealerships

Although this is not a natural fit, relocations may be a possibility.

Market Coverage

- 20-minute drive times from nearby clusters
 - Barrington MotorWerks
 - Lake Bluff Cluster
 - Schaumburg



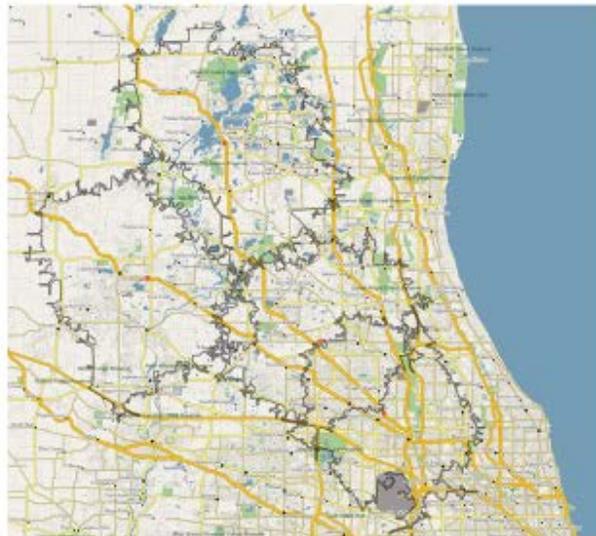
High Sales Tax Revenue Uses

- Home Centers
 - Average Sales: \$30 million
 - Revenue Potential :
 - \$300,000 Municipal Sales Tax,
 - \$300,000 Non-home rule sales tax
 - Trends:
 - Housing market recovery has improved sales
 - New formats are 120,000 square feet and fit on
 - Parcels size 15 to 20 acres including outlots

With Menards already in this market, a competitor could see an opportunity to attract customers.

Market Coverage

- Map showing 10 minute drive times
 - Menards Long Grove
 - Menards Crystal Lake
 - Menards Mount Prospect
 - Menards Fox Lake



Grocery Stores

The Chicago Region's grocery market has been in transition leading to significant market expansion.

High Sales Tax Revenue Uses

- **Grocery stores**
 - Jewel
 - Ultra Foods
 - Whole Foods
 - Marianos
 - Heinen's
 - Others
- **Revenue Potential**
 - Sales \$15 to \$30 million
 - Municipal Revenue \$150,000 to \$300,000
 - Home Rule Revenue 10% to 20% of municipal revenue
- **Trends**
 - Unsettle Chicago market as new entrants vie for Dominick's business
 - Well covered local market
- **Parcel Size varies with concept but 10 acres is average**