

Minutes

Village of Bartlett Economic Development Commission September 10th, 2018

1) Call to Order

C. Green called the meeting to order at 7:00 pm

2) Roll Call

Present: S. Gandsey, C. Green, N. Gudenkauf, J. LaPorte, R. Perri

Absent: D. Gunsteen, G. Kubaszko, A. Lewensky, T. Smodilla

Also Present: T. Fradin, Economic Development Coordinator;
S. Skrycki, Assistant Village Administrator;
J. Dienberg, Administrative Intern;
M. Rafidia, BEDA Applicant

3) Approval of Minutes

LaPorte made a motion to approve the minutes from August 13th, 2018

Seconded by: S. Gandsey

C. Green Abstained

Motion Carried

4) BEDA Application: Bartlett Plaza

T. Fradin gave the commissioners some background on the site of the newest BEDA application, Bartlett Plaza. Bartlett Plaza has been on the market for several years and, although several would-be purchasers have pursued the property, it has not transacted and remains available for sale.

Due to multiple factors, the former Bartlett Fresh Market space has remained vacant since fall of 2010, being the longest-term vacancy in the Village. The 31,860 SF space requires numerous improvements to bring it up to current Code and available for occupancy. Furthermore, other aspects of the overall shopping center have suffered from deferred maintenance and should be remodeled or redeveloped in an effort to attract new businesses to the center and downtown Bartlett in general.

Economic Development staff has helped market the space and has worked with several commercial brokers over the years in an effort to attract tenants to Bartlett Plaza and to attract a buyer to the center who shares a common vision with the Village to improve it and make it more viable, increasing its

value, occupancy and creating additional shopping and dining opportunities as well as increased employment for area residents.

One factor that has contributed to causing the former grocery space as well as others in Bartlett Plaza to remain unoccupied for long durations of time is due to the lack of updates to the buildings comprising Bartlett Plaza.

T. Fradin introduced the commissioners to the applicant, Manny Rafidia. Through his holding company, R. Group Properties & Management, Manny Rafidia has purchased and improved eighteen shopping centers throughout Illinois, Ohio and Arizona.

Several local centers include Prospect Crossing shopping center in Prospect Heights, Century Plaza Center in Palatine, Cross Creek Commons in Roselle, Montgomery Plaza in Montgomery and Lake Street Commons and Lake Street Plaza in Addison.

In one of his latest acquisitions, Mr. Rafidia purchased Prospect Crossing at only 30% occupancy and brought it up to 100% within a few years.

Mr. Rafidia often fills the vacant spaces in the shopping centers that he purchases with his own businesses including restaurants and other retail uses, rapidly increasing the occupancy rates. As of this writing, 36,660 out of the total 86,094 SF in Bartlett Plaza are vacant, thus it continues with a high vacancy rate of 42.6%. The Village's overall retail/commercial vacancy rate has declined from 17.7% to 7.1% over the past two years. This acquisition would help further this positive trend within the Village.

The long-time owners of Bartlett Plaza, the Gorskis, have entered a sales contract with Mr. Rafidia via their broker, Nick Peters of CBRE. Staff has met with Mr. Rafidia on numerous occasions in an effort to assist in his purchase and to encourage redevelopment of Bartlett Plaza since late last year before the BEDA program was made available.

Once it was made known that this program is available, Mr. Rafidia continued negotiations for Bartlett Plaza, resulting in the attached sales contract.

Furthermore, Mr. Rafidia provided renderings of the planned façade renovation for Bartlett Plaza as well as the project scope with estimated costs detailing \$2 million worth of improvements anticipated in the improvement of the center.

The amount requested on the application is \$250,000; however, Staff has informed Mr. Rafidia that the maximum amount available via the BEDA program is \$50,000.

Many aspects of the Village's Strategic Plan and the EDC's 2016-2020 Marketing Plan reference attracting business and investment into the Downtown and throughout the Village. Three of the items in the Strategic Plan include: (1) Develop a business recruitment strategy to attract developers to invest in the downtown area and provide options for businesses to locate to Bartlett. (2) Work to improve retail business profile in the Village. (3) Revisit, refine and execute the Village's overall economic development incentives.

With the former Bartlett Fresh Market space having remained vacant for eight years as of this coming November, it has proven a challenging space to attract an occupant considering the improvements that must be made to it.

The BEDA program was enacted to provide financial incentives to attract tenants to such challenging vacant spaces while enhancing the Village's sales tax receipts and increasing employment opportunities. It allows the Village to facilitate development and redevelopment deemed in its best interest by providing partial financing for economic development projects.

T. Fradin concluded by stating that staff is recommending a maximum BEDA grant amount of \$50,000 to Manny Rafidia, subject to documentation of closing on the property and subsequent \$2 million worth of expenditures including improvements to the roof, façade, parking lot, lighting, landscaping, HVAC, sidewalk replacements, a new sign and the build-out of the former grocery store space.

T. Fradin opened up the floor to the commissioners to ask questions to staff and the Mr. Rafidia

S. Gandsey asked staff what some of the other factors in staff's recommendations outside of the updates of the buildings have contributed to the long-term grocery space vacancy.

T. Fradin responded that its location in Cook County is a large factor that has made it unattractive to buyers and developers, and that typically most developers wouldn't do so without a tenant ready to go in. Mr. Fradin described it as a Chicken Versus the Egg routine, as the developers want a tenant ready to go once improvements are made, and tenants prefer not to make a commitment until the improvements are completed. He added that a benefit to Mr. Rafidia is that often when he doesn't fill a vacancy right away, that he will fill it with his own business.

C. Green asked about the sales contract, stating that it is listed as attached, but she could not find it.

T. Fradin stated that the sales contract was included in the electronic version of the packet that was emailed to the commissioners. He added that the price was blocked out. Mr. Fradin added that Mr. Rafidia was given 90 days for due diligence in that contract.

S. Gandsey stated that this looks like it would hit many goals associated with the TOD plan, however, some would not, she asked if there is anything else the commissioners should consider.

T. Fradin stated that parts of the TOD show a desire for part of the area to be redeveloped for apartments, and admitted that this project would not cultivate residential development in the downtown, but would help to beautify the area, as well as increasing the viability and density of businesses that will attract people. He concluded by stating that this project will take a functionally obsolete space, and bring in potentially three businesses that residents can enjoy, making the center viable again.

C. Green stated that she remembered Siri was recommended for \$15,000, and asked Mr. Fradin to refresh her memory on what the previous BEDA grant was approved for.

T. Fradin stated that the first grant was recommended for \$25,000, and that that applicant was going before the Committee of the Whole next Tuesday. He added that the Village Board asked that applicant to come up with a business plan because it was a first time business.

C. Green asked to clarify that neither grant has been approved by the Village Board yet.

T. Fradin stated that is correct and that they are both pending.

R. Perri stated that the recommended \$50,000 is nothing for a project of this scale, and that he wishes they could give him more. He then welcomed Mr. Rafidia to Bartlett and asked about his work that he has done in Addison.

M. Rafidia stated that he started in the real estate business in the early 1990's and that he has worked on 24 properties, and that he currently holds about 18. These properties have ranged from Downtown Chicago, and other suburbs. He stated that in Addison he did work on what was called Lake Street Plaza that was a property with a Blockbuster in the front, and a few other vacancies in back. He stated that this property was an eyesore to the Village of Addison for years. He came into possession of the property 14 years ago, right as Blockbuster began to fail. As he rehabbed this space, he brought in a grocer, a large restaurant, a Little Caesar's, and a Dental Office. He added that a majority of the work he did was to beautify and improve the site, before tenants came in to make it more attractive to future tenants.

Mr. Rafidia added that when he went before the Village of Addison he was able to have the work done within two years, and that his center was at 100% occupancy. Due to his success with that property, Addison approached him with a similar situation and asked him to rehab that center as well. This property had a former Dominick's and Fannie May, and the property had gone through seven contracts and failed before he came in. He added that those failures came from developers that didn't have the assets to both purchase the property and to remodel. Mr. Rafidia stated that is not an issue for him, as he purchases the property in cash and will remodel without tenants on hand. He added that in bringing the property to 100% occupancy, he is able to work with large national chains, as well as maintaining strong relationships with small family-owned businesses.

R. Perri complimented Mr. Rafidia, and said that he knows the center, adding that it was a job well done.

M. Rafidia thanked commissioner Perri for the complement, and stated that the big difference between him and other developers, is that he is not afraid to make the investment, and spend the capital necessary, without a tenant in mind. He added that it is much better to get a tenant, when they are looking at a beautiful property rather than an abandoned property.

R. Perri stated that this is a "if you build it and they will come" mindset. He then added that we are in a rebound of real estate, and that the timing is very good.

M. Rafidia stated that he has worked with similar properties to the one in Bartlett, and that his property in Roselle is very similar. He stated that that property also had an ACE Hardware, and that Roselle has very similar demographics to Bartlett, and it is also in Cook County adding that is the biggest drawback to the current property. He added that the taxes become even more burdensome to vacant areas, as the owner of the property does not have anyone to pass the tax on to.

Mr. Rafidia added that with that added burden of being in Cook County, he does have a heavier burden. He stated that the potential \$50,000 is only 2 1/2% of the amount of money he will spend, and 1 1/4 % of the total investment. He originally requested \$250,000, but Mr. Fradin told him that it was not available in the program. He added that Addison was able to give him that kind of incentive on his previous projects. He added that he was also able to receive that kind of incentive in Roselle and in Prospect Heights, adding that they could call Mayor Nicholas Helmer and that he would say he is the Michael

Jordan of real estate, because of his experiences in real estate and retail. He stated that this is all because he is not afraid to make the big investments into his properties, as they have always come to pay for themselves.

S. Gandsey stated that she lives across the street from Bartlett Plaza, and is very interested into the types of businesses that could move in. She asked what businesses that Mr. Rafidia sees as a fit for the site.

M. Rafidia stated that his first fit is to find a grocer and that he is talking to three people currently that are showing some interest. He added that he is running into issues with leases of current tenants with restrictions for liquor being sold within 1000 feet of their stores, and that is his current challenge that he is working through. He also added that in the past he has owned an indoor amusement park, where families come in to do birthday parties, etc. He stated that he may use that idea and do both adult and children entertainment. He also added that he would use the end-cap of the grocery store area for different businesses.

S. Gandsey asked if this would be similar to a Main Event.

M. Rafidia stated that when he did this in the past, he had mini indoor roller coasters and could have 500 kids at once, and make it open concept birthday parties. On their best Saturday they had 55 parties in one day. He has since turned them around and sold them before the market crashed.

C. Green asked what was attractive about this property specifically.

M. Rafidia stated that it fits his prototype, and that he specializes in distressed retail situations. He sees the value much higher than a filled shipping center. He stated that with this type of property, there are three things involved. Location, Net Operating Income, and Capitalization Rate. He particularly likes this site, as he is bringing his sons into the family businesses and allow them to learn the profession.

R. Perri asked how Mr. Rafidia plans to pay for this property.

M. Rafidia stated that he has the cash to purchase the property, but not to do the remodeling. He stated that he has a good relationship with Midland State Bank. He stated that he used to work with Chase Bank, but when the economy crashed he moved on to Midland. He stated that he has no issues borrowing and refinancing.

R. Perri asked how long he had been doing business with Midland, and if he has already had discussions with them about this new project

M. Rafidia stated that he has been working with Midland since 2009/2010. He added that everything with this project is fine and should be ready to go.

J. LaPorte asked if any work will be done with the existing tenants, and if there was any fear of losing current tenants.

M. Rafidia stated that he would only work on the outside of the buildings of current tenants. He added that it is possible to lose tenants, but also that he has plenty of others in his portfolio that could come into a built out space, especially if that space is a fully built-out restaurant.

J. LaPorte asked if there would be development in the Parking Lot areas for an out lot.

M. Rafidia stated that it is promising, but he cannot disclose any conversations that he has had.

C. Green clarified that while he did request \$250,000, the program maximum is \$50,000.

M. Rafidia stated that he will also ask for another \$50,000 next year, and that he asked the Mayor to have all permit fees waived, and that he doesn't know the answer to that at this point. He added that the answers to all of this will not turn him away from the property, and that it isn't a deal-breaker.

C. Green asked Mr. Fradin if a person could ask for more money in another year.

T. Fradin stated that this property is unique because it is comprised of two separate PIN numbers, making it two separate buildings. He also added that the BEDA program was intended to be spread around town, but this could be a unique situation, where the Village may invite another application to be submitted.

S. Gandsey added that the program states that individual properties will be eligible for grants, regardless of who the current tenant may be, once every three fiscal years.

M. Rafidia stated that with it being two PIN numbers, he will just come back with the other one next year.

S. Skrycki added that the potential out lot could come into play as well as a part of that process.

S. Gandsey asked if this would be done in phases, adding that if beautification is phase 1, what a phase 2 or 3 would look like.

M. Rafidia stated there would be a buildout of about 2,000 sq. ft. to the current building, and the potential out lot. He added that if there was a slam dunk, they would get rid of the water reclamation part.

T. Fradin clarified that it is an MWRD lift station, and that has always been a large setback to the property.

C. Green expressed excitement in the project.

M. Rafidia stated that if they want to get excited, to check out his new Pizza restaurant in Roselle over the weekend.

R. Perri asked for the name and address of the restaurant.

M. Rafidia stated that it is Pop's at 817 E. Nerge in Roselle, adding that it has been in existence for over 12 years. However, a fire next door took the whole side of the center, and that it has just been remodeled and is now a state of the art facility.

S. Gandsey asked if he has owned any other types of businesses.

M. Rafidia responded that he has owned banquet halls and sports bars. He added that he finds skilled people that he has worked with, trains them, and makes them partners to become a tenant to ensure success. He added that this is what he is doing with his sons as he brings them into the family business.

R. Perri added that the apples didn't fall too far from the tree.

S. Gandsey asked if there was a chance for none of the businesses to be sales tax generating.

T. Fradin stated that the risk exists, but judging Mr. Rafidia's track record, staff has a lot of confidence that upgrading the center would be beneficial in the long run.

M. Rafidia added that even the entertainment center would be a sales tax cow, as parents will spend lots of money on parties for their kids. He asked if there was an added entertainment tax for the Village.

T. Fradin stated there is no entertainment tax, but there is a home-rule sales tax of 1%.

M. Rafidia stated that other municipalities that he works with have similar taxes.

S. Skrycki added that the communities Mr. Rafidia has worked with have a food and beverage tax, while Bartlett does not.

J. LaPorte made a motion to recommend awarding a \$50,000 BEDA grant to Mr. Rafidia.

Seconded by R. Perri

Motion Carried

5) Brewster Creek Business Park Update

T. Fradin updated the commissioners on the different movement that has been occurring in the Brewster Creek Business Park. The Brewster Creek Business Park has continued its expansion of late with significant leases in several of the new speculative buildings.

When last presented to the EDC, it was reported that the Village's industrial vacancy rate had steadily increased from a low of 3.9% in Q2 of 2016 to a high of 20.5% in Q1 of 2018. This was due to an increase of seven buildings totaling over 1.3 million square feet including four speculative projects.

The industrial rate has since declined to 11.5% and should continue to decline back to under 10% as recent leases are recorded and other ones in the earlier stages are executed.

With Staff having worked closely with the brokers and business owners of Clarke Packing & Crating Company, the business has recently signed a lease for 108,163 SF in the 186,000 SF speculative building recently completed by Ridge Development and known as Ridge Brewster Creek 2.

A plastics company has leased the entire 167,550 SF building recently completed by G4 Development (Greco) at 1411-1415 Brewster Creek Blvd.

Earlier this spring, Brolite Products, a baking supply company with its plant in Streamwood, leased 48,000 SF in 1331-1337 Shiferl, in the Ridge Brewster Creek 1 building. The other half of the building had been pre-leased to Winhere Brake Parts, who originally occupied half of the 271,000 SF building and has since expanded to fill the remaining space.

In the largest building in Brewster Creek Business Park, Exeter's 421,400 SF facility, Animal Supply Company leased 220,000 SF early this year. Currently, 199,203 SF remains available for lease. Staff works with DCEO, Choose DuPage, the owners and brokers of the building and the local industrial real estate community in seeking a tenant for the remaining space.

Staff worked with a subsidiary of CMEC, a multi-billion dollar Chinese corporation, to expand into the U.S. market by opening a 15,000 SF office at 1236 Hardt Circle.

As the Bartlett area's residents continue to become higher-volume users of e-commerce, the demand for last-mile facilities has continued to rise, leading to more inquiries for space or industrial land to develop for warehouse and distribution facilities.

With industrial activity throughout the Chicagoland area in a strong expansion mode, Brewster Creek Business Park is in a good position to benefit from businesses that want to expand into new buildings with state-of-the-art features like building height, sufficient loading docks and ample parking.

A bigger challenge may prove to be the availability of skilled labor. As the Chicago area unemployment rate continues to fall, the skilled labor shortage is becoming more of an issue for industrial businesses. Considering this, there are currently two initiatives underway with the local school districts. School District U-46 is expanding its career readiness options while Elgin Community College has launched a Regional Workforce Development forum which the Village in which the Village is participating.

C Green asked if the Chinese corporation was just corporate office space.

T. Fradin stated that it was just office space, and is only about 3 or 4 employees, with a small warehouse.

J. LaPorte asked if there was any retail in that area.

T. Fradin said there are service providers, but not any substantial retail.

J. LaPorte said that it would be nice to have a small strip center with something like a Seven Eleven to service the areas employees.

T. Fradin agreed, and added that staff has thought it would be a nice area for a diner. He added that the space is too far off 59 to be attractive.

S. Skrycki added that it would be hard to bring in evening and weekend business, which is the bread and butter of any business.

J. LaPorte asked if there is any discussion with a Micro-Brewery coming to town, and what happened to the white building next door to V&V.

T. Fradin responded Yes, and We don't know respectively. Staff is still pursuing a Micro-Brewery, and that small building was too far gone to rehab the area for the value. He added that the plans are still ongoing to rebuild, but that it will be mixed-use, which will help with the tax rate with the location being in Cook County.

J. LaPorte asked about the Former Lucky Jacks and Platform 18 as well as the Apartment Projects on Site E.

T. Fradin stated that the apartment project is not moving forward, but staff is working to bring in something bigger and better. In terms of Lucky Jacks, the Village is weighing pros and cons of various interested parties. In terms of Platform 18, there is a new owner working to rehab the site and open it as the Bartlett Tap. The owner received a liquor license last week.

S. Gandsey asked about the Metra Coffee Vendor.

T. Fradin stated that Nick Patel opened the shop today, and that he will be stopping by tomorrow to get his coffee. He added that this operator owns many others along the rail line and has the experience.

S Skrycki added that the Downtown is bustling.

C. Green asked who is responsible for cleaning the station and the grounds around.

S. Skrycki stated that it's been various people at various times. The Village is currently contracting a service to clean the area, and that they've seen improvements to the station. The outside of the building is Metra's responsibility.

S. Gandsey asked if they will sit down and reassess the BEDA program at the end of the year.

T. Fradin said that it would be helpful for the EDC to do. He is hoping that it finishing with a strong year, and it would behoove the EDC to show the board why it is a worthwhile program.

S. Skrycki added that some projects will take longer to assess than one year, and may not be measurable for a few years.

T. Fradin added that this is a better conversation to have in March or April.

J. LaPorte asked what the commission should do to be prepared for a time when the Downtown isn't bustling.

T. Fradin stated that the BEDA program is a program for that bad day. It's there to help out businesses during the bad times, and bring them out of holes.

S. Gandsey asked what grocer would move in.

T. Fradin said that it's a high priority, but it's something staff will continue to work with Mr. Rafidia to attract a grocer.

R. Perri asked what would prevent Mr. Rafidia from moving forward.

T. Fradin stated that he will be applying for a class 7 reclassification through Cook County to lower the tax burden based on the high vacancy of the current space, and that is something the Village would have to support with a resolution, but there is no guarantee of that being granted by the county.

6) New Business/Public Comment

There was no new business.

7) Adjournment

A motion was made to adjourn the meeting.

Motioned by: S. Gandsey

Seconded by: R. Perri

Motion Carried. The Meeting Adjourned at 8:32 PM