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CONFIDENTIAL Memorandum

VIA E-MAIL

To: President Alsberry
Dante Sawyer

Fr: John B. Murphey

Date: July 5, 2022

Re: Calumet Country Club/ Board Consideration / Moving Forward

Now that a new entity has expressed interest in annexing the CCC property to the Village, I thought this Issues Memorandum would be of assistance to the Board of Trustees. Feel free to submit this memo to the Board on a confidential basis; in the alternative, we can distribute during the individual sessions on Saturday and review with the Board during these sessions.

In no particular order:

1. **Remembering the Past.** The Board will recall that the opposition to the prior CCC-Walt Brown proposal was highly vocal and highly organized. Once any proposed development becomes public, Board members will need to be prepared for intense and frequently personalized expressions of opposition.

2. **The Process.** It has been many years since the Village has had an annexation of any appreciable size. Putting aside the TIF discussion for a moment, here is the process:

A. A **Petition for Annexation** is filed by the Owner of record. The Petition must be filed with the Village Clerk. Once the Petition is filed, the parties will begin negotiating an Annexation Agreement. The law gives a municipality a great deal of discretion and flexibility when it comes to negotiating an annexation agreement. In effect, the agreement becomes the “zoning and development

ordinance” for this particular property. Negotiations can take months and are frequently done initially at the staff level.

B. Public Hearings. Two sets of public hearings are required. The first, our Planning & Zoning Commission would need to conduct a hearing on the proposed zoning of the Subject Property. Second, the Village Board will conduct a hearing on a proposed annexation agreement. The public hearings would not be scheduled until the parties have a tentative annexation agreement in place, because the proposed annexation agreement needs to be available to the public prior to the Board annexation agreement hearing. The Board may expect the same level of opposition at these public hearings as took place in Homewood.

C. Proposal for Tax Increment Financing District. This Developer is going to propose that the Village establish a Tax Increment Financing (TIF) District to spur development of the CCC Property. In particular:

(i) Once a TIF District is established, the Village Board can enter into an agreement under which the increased property taxes attributable to this new development are segregated in a separate fund and used to reimburse the Developer for what the law refers to as “Eligible Redevelopment Project Costs.” Eligible costs would include such things as property acquisition, environmental, many of the construction elements, and the like.

(ii) The process involved in establishing a TIF District takes 6-9 months. The Village would need to retain a consultant to do an Eligibility Study. Assuming the consultant concludes that the property is eligible for TIF, the Village would, by ordinance, start the process. The process includes meetings with all of the other governmental bodies within the TIF District. This is the Joint Review Board or JRB meeting. The JRB would act in an advisory capacity and advise whether our fellow governments believe this property is eligible for TIF. The Village would also need to conduct a full public hearing on the proposed TIF District. Once again, the TIF public hearing will produce a great deal of public opposition.

(iii) There are 3-4 firms that do this TIF consultant work. Homewood used the firm of Kane, McKenna to do the Eligibility Study and assist the Village of Homewood through the TIF establishment process. The thought may occur – why not just hire Kane, McKenna? I would be very surprised if Kane, McKenna would agree to work for Hazel Crest on this project. Kane, McKenna has a relationship with Homewood going far beyond CCC. It’s fair to assume Kane, McKenna will be looking to work with Homewood on the casino development. I doubt they would take on an assignment where there is likely to be intense Homewood opposition.

(iv) Accordingly, we would need to retain another firm. The timing element is significant, because I am sure from the Developer's standpoint, getting the TIF is an essential part of the deal.

D. Planning Issues and Developer Payment For Village Fees.

Because the Village is built-out, we do not have a planning staff like you would see in large municipalities such as Orland or Tinley. Should this project move forward, I recommend that the Village retain an independent professional planning firm to review Developer's plans, criticize them, suggest alternatives, and otherwise advise the Board. Developments like this are negotiations. Rest assured that what this Developer initially advances is a "kitchen sink" proposal of what the Developer wants, not what is in the best interest for the Village.

In this regard, it is usual and customary that in a project of this size, the Developer and municipality enter into an agreement regarding Developer payment or reimbursement to the Village for our outside costs. We need such an agreement. In addition, the Developer should submit, on an up-front basis, a significant amount of money to cover these costs. These will include not only TIF consultant planning, but also things like engineering. I recommend \$25,000.00.

What is the warehouse market at this location five years from now? To be sure, there is no turning back from the "Amazoning of America." But an important geographic question is whether there is a reasonable basis for the Village to conclude that there will be a warehouse market at this location 3-4 years from now. There are facilities in Markham, University Park, Country Club Hills, Oak Forest. The list goes on. The Village should obtain an independent market study on this issue paid for by the Developer.

3. The Walt Brown Factor And "Who Are These Guys?" The group making the presentation appear to be several African-American developers or investors. Dante said that Mr. Brown or his company Diversified is holding a 49% interest in whatever entity is being established for this property development.

This presents a significant policy problem. President Alsberry and the Board are on record as indicating that the Village would not support a development similar to what Diversified was proposing in Homewood. Beyond that, at the Village's Facebook page, President Alsberry's video from 2-16-21 specifically says: "We do not want to do business with this Developer."

Diversified is tax-delinquent. The taxes for tax year 2020 payable in 2021 are unpaid, as are first installment for the 2021 tax year which was payable this past March. The total unpaid is \$537,678.96 with interest accruing. In light of the Board's intergovernmental cooperation commitment and public statements, the Board is going to have to determine whether what is being proposed is significantly

different from what the concept the Board condemned in 2021. The Board should insist on copies of any operating agreements or similar documents evidencing the continuing interest of Diversified/Brown.

4. **Protection Against Neighbor Litigation.** Because we are dealing with annexation as opposed to property which is already within the Village, the Village faces no risk of litigation from Diversified or any owner if the Village decides not to move forward with annexation. On the other hand, if the Village approves an annexation agreement and annexes this property, it is highly likely that neighbors – and even the Village of Homewood – might sue. In order to protect the Village’s interest against this risk, any agreement between the Village and the Developer should require the Developer to completely defend and indemnify the Village for all costs, expenses, and fees incurred in connection with any such litigation.

5. **What’s Really In This Deal For the Residents and Taxpayers of the Village of Hazel Crest?** Finally, the Board will need to consider what benefit this development will provide to the residents and taxpayers of the Village. Although there is some perimeter retail being shown, the sales tax from such uses will be relatively modest. This is by far a property tax only development proposal.

In the event the Village approves a TIF, that means this property would not appreciably increase the Village’s tax base for up to 25 years. Certainly, we could negotiate an impact fee where the Village would agree, for example, to only return 75% of the increment annually to Developer with the remaining 25% going to the Village to account for developer impacts on police, fire and public works. But those offsetting costs will not appreciably affect the Village’s general fund. Because the Board has historically maintained an annual tax levy increase of less than 5%, this development is not going to increase property tax revenues for the Village or provide tax relief to homeowners.

The late John Wooden, the famous basketball coach for UCLA, had this saying: “Don’t mistake activity for achievement.” As proposed, this project will provide no property tax relief to Hazel Crest taxpayers.

JBM/sml