

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Date: May 25, 2022

Authority Memo Number **031-2022 May 25, 2022 Regular Meeting**

The May 25, 2022 regular meeting of the Will County Metropolitan Exposition and Auditorium Authority Board was held at 15 E. Van Buren Street, Joliet, Illinois 60432. Chairman Bob Filotto called the meeting to order at 4:00 pm with a quorum present. Board members and staff were invited to rise for the Pledge of Allegiance to the Flag.

Present: Bob Filotto, Tim Broderick, Donnie Chestnutt, Jane Condon, Bill Kent, Jeff Pierson, City Liaison, Pat Mudron

Staff: Jack Erickson, Christine Sturm, Kelly Urquidi, Leann Hoffrogge, Carol Mulvihill

Others: Rod Tonelli, Cesar Suarez, Steve Randich, Cindy Hamilton (via ZOOM), Brian Loftin (via ZOOM), Lisa Wogan (via ZOOM), Tom Boccia (via ZOOM)

Absent: Kathy Trizna (excused)

REQUEST TO AMEND THE AGENDA

**Discussion and Vote:**

The Chairman requested to amend the agenda to take the ZOOM call first. The Chair invited further discussion and, hearing none, he called for a voice vote. No opposing votes were expressed. Motion passed unanimously.

**Motion:** J. Pierson moved and D. Chestnutt seconded the amendment to the order of business on the agenda for the May 25, 2022 meeting.

AYES: Members Filotto, Broderick, Chestnutt, Condon, Kent and Pierson

Nays: None

Absent: Trizna

Authority Memo Number **030-2022 Discussion of Use of Tax Credits with J. Jeffers and Heritage Consulting**

**Discussion:**

The Chair asked Rod Tonelli to introduce the specialists to the Board members. They were: Cindy Hamilton, President of Heritage Consulting; Brian Lofton, Senior Vice President of Development at J. Jeffers & Co.; Lisa Wogan, Economic Development Specialist at J. Jeffers & Co.; and Tom Boccia, CPA and Partner at Novogradac. Filotto welcomed the guests and said they were here to speak on the use of historic tax credits. He said it is a complex process that led to a lot of questions. Tonelli said a list of the Board's questions were compiled and emailed to the consultants and they would answer those questions today.

The first question posed by the Board was to ask for an estimated timeline for each major step of the project. Hamilton said the Board would be able to skip the first step, the Part I application, as the theatre is already on the National Register of Historic Places. The Part II application consists of documenting the existing conditions of the building and the proposed changes to be made. The Board would need to have schematic level drawings done which would be submitted to the State Historic Preservation Officer who would take about 30 days to review. The drawings would then be sent to the National Parks Service which is also a 30 day review period. The turnaround for this step is approximately 60 days depending on if there are drawings available for submission. Once the Part II approval is granted, construction can begin. The Part III application is where documentation is provided to prove that the project has been completed in accordance with the approvals. It is certifying that the project meets the standards. The jurisdiction of the reviewer is the whole project. They will look at site, interior and exterior.

Filotto's next question was whether anyone on the panel had dealt with the State of Illinois previously with these types of grants and does the Board need to spend the money sooner or later? If it is sooner, do they throw this out and not consider this type of approach? Loftin said that no one has specific knowledge of this type of grant but Filotto could email him the information and Wogan could research it. She has served the region of Kankakee for the past 20 years. Tonelli said he believes this was just an appropriation of funds rather than a specific grant and the State would like it to be spent as soon as possible. Loftin said that the Board should check with the local State Representative that secured the funds.

Tonelli informed the consultants that the Rialto has been in the fortunate position to receive three financial commitments: a \$5 million State earmark, \$2.4 million from the Shuttered Venue Operators Grant and \$500,000 for the bathroom renovation. The Board needs help in generating the right questions to find out if any of this would become at risk by pursuing the historic tax credits. Filotto said that he was told by VenuWorks that the SVOG money can be spent on anything the Board wants after June 30, 2022. He believes that some of this money should be set aside in case the City stops its funding.

Tonelli asked if the historic tax credits were state or federal tax credits. Loftin replied that they were federal tax credits that would add about 20% to the funds. He also added that if time was not an issue, the Rialto should try to become a part of the Rivers Edge tax incentive that could add an additional 25%. The Board could see a total of 45% added to their funds. Loftin told the Board that the Rivers Edge incentive got held up and tabled until the Aug/Sept session. Tonelli asked if the federal funds are easier to obtain. Loftin said yes as long as you meet the requirements of the Part II application. The biggest requirement is to get on the registry, which the theatre already has done. It is then just making sure that the plans compliment the building and its intended use. Once NPS approves the changes, the Board would get the 20%. Loftin said that the Board also wondered if the not-for-profit status would hinder the ability to get the funds. Tonelli clarified that the Board was actually a statutory created authority – a governmental entity created by statute. Boccia said that not-for-profits and tax-exempt entities are seen as the same in regard to the tax credits. He said that the challenges with working with a non-profit or tax-exempt entity is that the property has to be in a for-profit structure. Therefore, the property has to be transferred into a for-profit structure. This means that the entity would have to transfer ownership to a for-profit partnership that can be owned by the tax exempt entity but cannot be directly owned by the tax exempt entity. By transferring to a for-profit structure, this could open up the entity to be subject to real estate taxes. This could be a big cost that has to be looked at with a net benefit analysis to see if it is feasible. This would be only during the compliance period which is a five year period. Randich asked Boccia if he had any personal experience with a situation like this. Would the Board have to go to the state and have it legislated to be done? Boccia said that was a possibility but if the Board entered into a master lease of 40 or more years, they would not have to transfer ownership. Once the project is completed, the lease is terminated after the five year unwind period and the Board retains full-ownership of the building. Loftin explained that the unwind period is a five year compliance period where the Board would be unable to make any changes or amendments to the plans without going back and filing another Part III application. If any unauthorized changes were made, the Board could lose the tax credits retroactively. After the five years, the Board could go back to doing business as usual.

Filotto said the Board has a limited amount of money to work with and they must stick to the list of priorities. The sprinkler system, roof, HVAC system and seats are at the top of the list. The renovation of the commercial side of the building has the lowest priority. The RFQ that is currently out will lead to a ballpark figure as to what these costs will be. Filotto said it is therefore a threshold issue that the Board needs to decide upon first. Tonelli said that Loftin can look at the math to see if it even makes sense to develop the vacant space. Tonelli asked Loftin if the Board could get into a partnership with a developer. Loftin said they could create a for-profit LLC and get into a land lease to accomplish that. He said if the Board was to work with J. Jeffers, they would take the driver's seat for the project and mitigate the risk. He would need to know

what the project is and what the Board wants to do. Condon commented if the Board was to look at building out this 40,000 sq. feet of space, it would be about \$6M. She asked if the Board was changing its position and wanting to borrow money which would sacrifice all of the improvements to the theatre. Filotto said no, the Board needs to keep their priorities as was spoken about before. Pierson said that this would be done in addition to the other projects. Tonelli asked the panel if the Board has enough to move to the preparation for the Phase II application. Filotto asked if they could get a cost of what they need to retain a consultant in the next few weeks. Hamilton asked what the Board wanted to do in the commercial space. Tonelli said it hasn't been determined yet but it would most likely be residential in the upper floor spaces. There is not a need for additional commercial office space in downtown Joliet. Hamilton said her company could work with the Board on all plans and uses to get approved. Boccia mentioned that to qualify for the federal tax credits, the Board would have to substantially improve the real estate. To "substantially improve" means to spend \$1 more than the current tax basis of the real estate. He told the Board that it's important to check this thoroughly. If it isn't tracked on a historical basis, then the market value will have to be used as the 30 year threshold. So if the Board did not spend over that amount, they would not qualify for any of the tax credits. This could be a non-starter for the project.

Filotto said the Board will really need to get a quote for the net benefit analysis so that they can consider it. Tonelli felt that the Board should really dig into the finances to see if it would pass the litmus test. He felt that it probably did but it needed a little more work to prove that it's doable. Tonelli asked the panel if the bathroom remodel would affect the tax credits. Hamilton said it would have to be rolled into the tax credit application. The Board would have to document the condition of the bathrooms before starting work. She would be willing to look at the plans before work began. Randich said the issue is not the remodeling of the bathrooms but the addition of the new bathroom. Hamilton said she would look at the plans to make sure it is in line with the standards. Filotto asked Ericksen to send the plans to her. The Chairman thanked the panel for their time and ended the ZOOM call.

#### APPROVAL OF MINUTES

Authority Memo Number **024-2022 April 27, 2022 Regular Meeting Minutes**

#### Discussion and Vote:

The Chairman asked if there were any changes to be made to the April 27, 2022 minutes. No corrections or changes were suggested. The Chair invited further discussion and, hearing none, he called for a voice vote. No opposing votes were expressed. Motion passed unanimously.

**Motion:** B. Kent moved and T. Broderick seconded approval of April 27, 2022 regular meeting minutes.

AYES: Members Filotto, Broderick, Chestnutt, Condon, Kent and Pierson

Nays: None

Absent: Trizna

Public to be Heard Re: Agenda Items – No response.

#### FINANCIAL REPORTS

Authority Memo Number **028-2022 Operational Bills Paid, Payable and Payable Age Listing**

#### Discussion and Vote:

The Chair said there was not enough time to review the April financials and they would be tabled until next meeting.

The Chair invited further discussion and, hearing none, he called for a voice vote. No opposing votes were expressed. Motion passed unanimously.

#### Authority Memo Number **029-2022 Financial Statements**

##### **Discussion and Vote:**

The Board agreed to table the April 2022 financial statements until the next meeting in order to give members a chance to review the statements.

The Chair invited further discussion and, hearing none, he called for a voice vote. No opposing votes were expressed. Motion passed unanimously.

#### OLD BUSINESS

#### Authority Memo Number **016-2022 March 2022 Operational Bills Paid, Payable and Payable Age Listing**

##### **Discussion and Vote:**

The Chair asked if there were any questions or comments on the March 2022 bills paid, payable and payable age listing. No one had questions.

The Chair invited further discussion and, hearing none, he directed roll to be called. Motion passed unanimously.

**Motion:** J. Pierson moved and B. Kent seconded approval of checks paid and payroll from March 2022.

AYES: Members Filotto, Broderick, Chestnutt, Condon, Kent and Pierson

Nays: None

Absent: Trizna

#### Authority Memo Number **017-2022 March 2022 Financial Report(s)**

##### **Discussion and Vote:**

The Chair asked if there were any questions or comments on the March 2022 Financial Statements. Condon asked about the \$600 check made out to the Joliet American Legion. Ericksen said that it was to reimburse the American Legion for the costs they incurred for the Christmas concert. He told the Board that since the Wadsworth endowment is not covering expenses, there will be a \$5 charge for the concert this year.

The Chair invited further discussion and, hearing none, he directed roll to be called. Motion passed unanimously.

**Motion:** J. Pierson moved and B. Kent seconded approval of the March 2022 Financial Statements.

AYES: Members Filotto, Broderick, Chestnutt, Condon, Kent and Pierson

Nays: None

Absent: Trizna

#### EXECUTIVE REPORTS

**RSTF Report:** Condon said that the Foundation received the \$80,000 grant to go forward with the murals. They have met with the artist to discuss ideas. Filotto said that Steve Randich is working closely

with the City Manager on the mural project. Mudron said that a letter about the mural went out to the City Council. The mural will be moveable in case it interferes with the Rialto renovations. It will be hung on the side of the parking deck across the street if necessary. Condon said that the Home for the Holidays planning is underway. Merry Little Soiree will be held on three consecutive nights and the price is being raised from \$50 to \$65. Santa's Secret Workshop will be back and a Monday night concert is being planned. The Foundation would like a Board member to be involved with the 100<sup>th</sup> Anniversary planning. The Foundation is also planning an event to engage the Hispanic community in Joliet.

**Executive Director's Report:** Ericksen reminded the Board about the struggles the theatre has had in finding someone to hire for set-up and take-downs before and after shows. In a conference call with Joe Romano and John Siehl, it was suggested to possibly get help from the stagehands. Josh McGinnis does not think that there will be any issues with putting the costs into contracts. Ericksen believes this solution should work out well. He said there are a couple of potential rentals for the theatre. He said there is also talk about reviving the School of the Arts acting classes for kids at a nominal cost next summer. The program would be a week long and the kids put on a play at the end. He said he has a profitable sponsorship deal in the works for naming rights. There are two private rentals scheduled: YMCA wants to bring 250 children to the theatre for a movie and a corporate function in September.

**Chairman's Report:** Filotto told the Board that the new Executive Director, Wade Welsh, will be starting on June 6, 2022. VenuWorks is moving forward with the hire. Filotto said a meeting with the Board and the new director will be set up. The Board will introduce the new director to the Joliet City Council once he has had time to settle into his position.

**Committee Reports:** No reports.

**PUBLIC TO BE HEARD:** None

**Motion:** The Chairman requested a motion to adjourn the regular meeting. T. Broderick moved and D. Chestnutt seconded the motion.

AYES: Members Filotto, Broderick, Chestnutt, Condon, Kent and Pierson

Nays: None

Absent: Trizna

The meeting adjourned at 5:18 P.M.

Minutes respectfully submitted by Christine Sturm, Recording Secretary.

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Kathy Trizna, Board Secretary

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