



AGENDA ITEM

MEETING TYPE: Village Board

MEETING DATE: June 23, 2026

SUBJECT: Economic Incentive and Loan for 4 Guys Kitchen Oswego LLC

ACTION REQUESTED:

Pass an Ordinance Approving an Economic Incentive Agreement and a Loan Agreement by and between the Village of Oswego and 4 Guys Kitchen Oswego LLC.

BOARD/COMMISSION REVIEW:

N/A

ACTION PREVIOUSLY TAKEN:

Date of Action	Meeting Type	Action Taken
3/21/2017	Village Board	Approved a Purchase and Sale Agreement (PSA) with Shodeen Group, LLC for 59 S. Adams Street
12/11/2017	Village Board	Approved a Redevelopment Agreement (RDA) with the Reserve at Hudson Crossing, LLC and the 1 st Amendment to the PSA
6/5/2018	Village Board	Approved the 1 st Amendment to RDA with the Reserve at Hudson Crossing, LLC
7/17/2018	Village Board	Approved the 2 nd Amendment to the RDA and the 2 nd Amendment to the PSA
11/13/2018	Village Board	Approved the 3 rd Amendment to the RDA
1/21/2025	Village Board	Approved the 4 th Amendment to the RDA

DEPARTMENT: Economic Development

SUBMITTED BY: Kevin Leighty, Economic Development Director

FISCAL IMPACT:

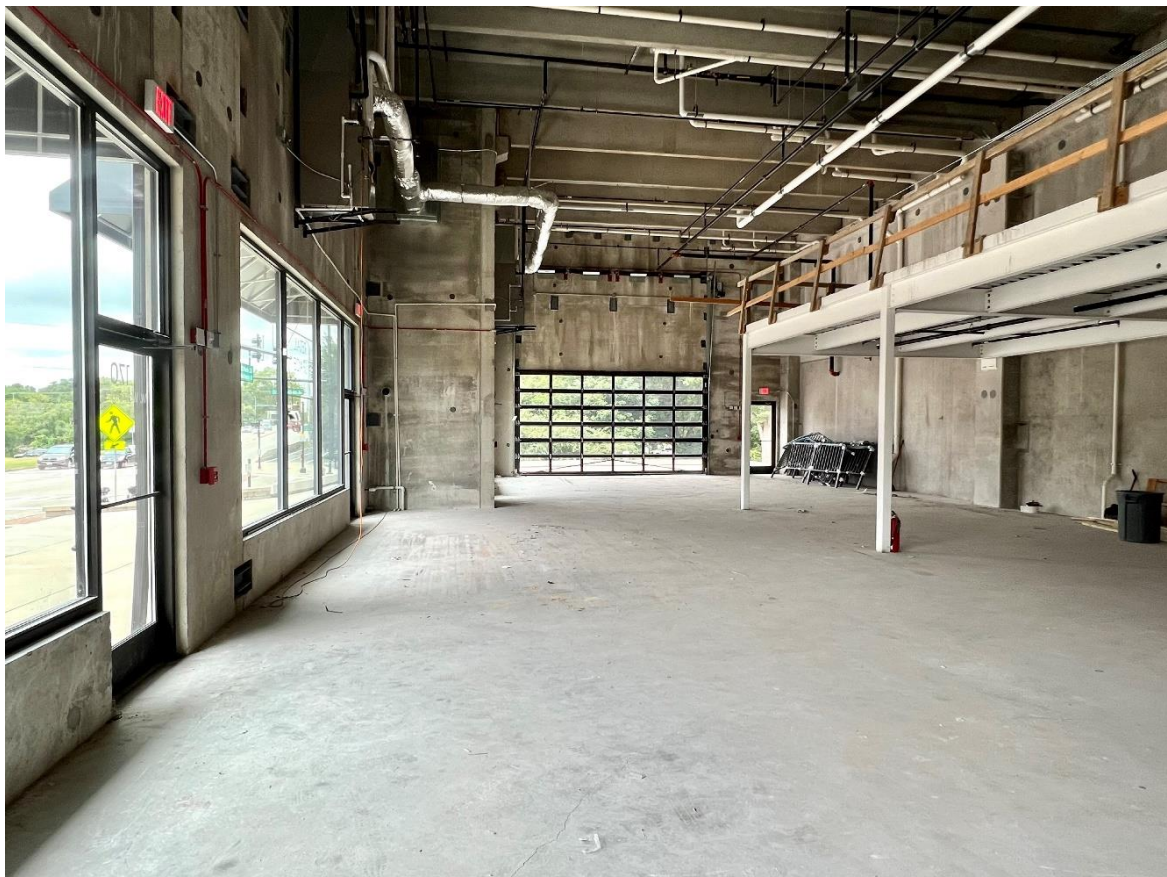
- The Revolving Loan Fund has an available balance of \$58,342 which requires a loan from the General Fund to fulfill this loan request.
 - The Economic Development Incentive Award Program has an available balance of \$208,281 which is adequate for this award request.
 - Up to \$300,000 rebated from the General Fund as municipal, home rule, and food & beverage sales taxes are received.
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BACKGROUND:

The economic incentive and loan agreements under consideration are being requested as part of a substantial buildout of the vacant corner retail space at the Reserve at Hudson Crossing building. The applicant, 4 Guys Kitchen Oswego LLC, is proposing to construct and occupy the space with a higher end American-style restaurant called Ellwood Steak and Fish House. Due to the raw condition of the space and high construction costs that exist in the current market, the applicant is seeking approval of up to \$340,000 in direct financial assistance along with a \$300,000 loan at a 3% interest rate based on estimated project costs of \$1.15 million.

The proposed tenant, Ellwood Steak and Fish House, is an established restaurant concept with an existing location in DeKalb, Illinois. Village staff has been working with this group since December when they first started looking for available space in Oswego. Earlier this year, 4 Guys Kitchen Oswego LLC finalized a letter of intent and subsequently a lease to take over the vacant corner space at the Reserve at Hudson Crossing building next to Tabletop Game Shop. However, with the space being largely unfished (*see Figure 1*) and the large amount of related capital needing to be invested, the project is ultimately dependent on financial assistance to move forward.

Figure 1. Existing Condition of 180 W. Washington St.



The retail tenant space at 180 W. Washington Street has been vacant since the Reserve at Hudson Crossing building was constructed and opened in 2021. The village had previously received plans from a full-service pizza restaurant called Riot Pizza to take over the space, but the plans were abandoned in 2022. Since that time, there has been occasional interest in the space, but no deal has come to fruition due mostly to the amount of work needed to build out a restaurant there.

According to the contractor estimate provided by the applicant, the total cost of the buildout is expected to be as much as \$905,000. The full scope of the project includes costs for the design and construction of the restaurant space along with the purchase of all necessary furniture, fixtures, and equipment. The applicant also estimates an additional \$100,000 in opening inventory costs and \$149,000 in working capital costs for an all-in total of approximately \$1,154,000.

Of these total costs, the applicant has secured private financing for up to \$300,000 and a tenant improvement allowance of up to \$400,000 from the landlord Shodeen. The applicant has also presented proof of up to \$150,000 that they are able to contribute in equity for a grand funding total of \$850,000. As a result, there remains a significant financial gap for the project to move forward. See **Table 1** for a list of project costs and funding sources.

Table 1. Estimated Financial Gap

Proposed Development Costs	
Construction/Buildout	\$ 905,000
Opening Inventory	\$ 100,000
Working Capital	\$ 149,000
Total Uses of Funds	\$1,154,000
Sources of Funds	
Landlord Tenant Allowance	\$ 400,000
Bank Loan	\$ 300,000
Owner Equity	\$ 150,000
Total Sources	\$ 850,000
ESTIMATED GAP	\$ 304,000

Once a gap was identified, the applicant expressed interest in financial assistance. Staff informed them that a potential deal may be supported as it's a substantial construction project for a desirable business, but they would be required to provide detailed financial information demonstrating the need. The information has since been provided and comprehensively reviewed, and now being presented before the Board. Should the proposed agreements be approved, the applicant wants to start construction as soon as possible and potentially open before the end of the year.

DISCUSSION:

Over the last few months, the applicant provided a comprehensive package of financial information which has consisted of a detailed project budget, multi-year pro forma, and sales projections. The applicant also provided previous year's financials for their DeKalb restaurant location to show historical operating performance. It was quickly determined that the construction costs for the buildout would be the greatest contributor to the project's infeasibility. By completing the proposed buildout with additional bank loans in lieu of any financial assistance, the applicant would be operating at a net cash flow well below what would be expected for a project of this size.

Consequently, some form of financial assistance is warranted for the project to be economically feasible. After completing a thorough review of all the information provided by the applicant, the total financial gap remained estimated at approximately \$304,000. To make up this large of a gap, staff ran different funding scenarios comprised of grant funding and sharing varying levels of sales taxes. Additionally, the applicant sought funding from the village's low interest revolving loan program for the purposes of offsetting high interest costs that exist in the current borrowing market.

Project Costs

The applicant's project budget was reviewed internally with the utmost scrutiny. Village staff, which included those with working knowledge of construction, evaluated each line item to verify they were accurate. These costs were also compared against estimates received from three other contracting companies. These were obtained for the purposes of evaluating the project budget more objectively and it was determined that applicant's project budget was well within the range of the costs outlined in the other estimates received.

The project's feasibility is further constrained by the cost of financing in the current market. According to the terms listed in the applicant's commitment of financing, they have a variable interest rate which is tied directly to the Wall Street Journal Prime Rate. The current Prime Rate has been at 6.75% since December 11, 2025. While the prime rate has declined by nearly two full percentage points since July 26, 2023, it remains at the highest point since 2022. A few additional percentage points can result in more than \$10,000 in added debt service costs annually.

The only noteworthy concern that staff had during the review process was the absence of any substantive contingency costs should the project go over budget. The applicant requested approximate overhead and contingency costs from their contractor which amounted to about \$75,000. To err on the side of the caution to ensure the project could be completed, staff accounted for an additional 20% contingency on the construction costs in accordance with industry standards, which amounted to around \$181,000. To cover this potential gap, the applicant presented evidence

of an additional \$300,000 in private financing if/when it's needed. This funding will also be used to help pay for any financing gaps that exist when completing the buildout.

Assistance Needed

The additional construction and financing costs were the key factors that went into the calculation for a potential incentive. Despite the risk that still exists even with an incentive, the restaurant owner is willing to move forward with their plans as they will still be able to achieve a reasonable return with some form of financial assistance. After receiving detailed financial information from the developer and completing a comprehensive review substantiated by an independent consultant, staff is recommending up to a \$340,000 incentive to be paid over a maximum of 10 years.

The total incentive will be comprised of a \$40,000 grant upon opening and up to \$300,000 in rebated sales taxes. The applicant has also requested a waiver of village-levied permit fees which is estimated to range anywhere from \$8,000 to \$15,000. The sales tax rebate includes a 50% sharing of all forms of village-collected sales taxes including the 1.25% Home Rule, 1% Food & Beverage, and 1% municipal (State shared) sales taxes.

While the village has not previously shared non-State shared sales tax revenue (Home Rule and F&B), staff is supportive of sharing them in this particular case to help pay the total incentive out within a reasonable timeframe. Using conservative sales estimates based on other comparable restaurants in the area, the total incentive is forecasted to be paid out before the end of year 10. However, the total incentive amount could be paid in full by year 8 or 9 should the restaurant meet more aggressive, albeit still realistic, sales estimates.

The developer has agreed to the terms of the proposed economic incentive agreement which is subject to the following conditions:

- **Commencement Date:** The agreement commences once the restaurant space is fully built out and deemed open for business by receiving an occupancy permit for Ellwood Steak & Fish House by no later than **December 31, 2026**.
- **Sales Tax Rebate:** Starting on the date of Ellwood's opening, the Village will rebate **50% all sales taxes collected by the Village** (i.e., state shared, Home Rule and Food & Beverage sales taxes) generated by the business **up to 10 years or until a maximum of \$300,000 is incurred, whichever comes first**.
- **Economic Development Payment:** In addition to the Sales Tax Rebate, the Village will provide an economic development incentive ("grant") award in the **amount of \$40,000 to be paid upon completion of the restaurant buildout**.

- **Clawback Provisions:** If Ellwood closes or is otherwise abandoned without substituting another comparable business within 12 months, the recipient is required to refund the Village as follows:
 - 100% refund of Economic Development Payment.
 - 100% refund of Sales Tax Rebate within three years of the authorized agreement;
 - 75% refund of Sales Tax Rebate after the third year but before the fifth year of the authorized agreement.
 - 50% refund of Sales Tax Rebate after the fifth year but before the tenth year of the authorized agreement.

This project is expected to produce a substantial amount of tax revenue which would help offset the financial impact of the incentive. Over the 10-year incentive term, the restaurant is expected to generate anywhere from \$500,000 to \$1 million in total sales taxes depending on sales performance. Of this amount, the village would collect half during the incentive term and then an estimated \$65,000-\$80,000 annually thereafter based on reasonable sales projections. Although the property tax impact will be nominal for the village, it will generate increment for the downtown TIF as well as other forms of government upon the TIF's expiration.

Loan Request

As part of the total assistance package, staff also completed a thorough review of the applicant's revolving loan request. Historically when considering this type of request, the Village Board has used a written economic development incentive policy to help evaluate requests by prospective businesses proposing to expand or open in Oswego. The following is an evaluation of the incentive request submitted.

1. **Type(s) of Incentive**

- a. Revolving Loan Funding (RLF): Provides financial assistance to new or expanding businesses in the form of a revolving loan where funds are disbursed and repaid through the same fund and then lent out again for similar small business projects which contribute to and enhance the Oswego community.

The applicant is an established business owner with a demonstrated operating history proposing a new steak and fish restaurant with a substantial buildout that will contribute to and enhance the Oswego community including the downtown TIF.

2. **Public Goals Met**

To be eligible for economic incentives a project must demonstrate that it will achieve one or more desired public goal(s). The specific goals that would be anticipated from this build-out include the following:

- a. Development that results in the attraction of a “targeted” or “highly desired” business per economic development market studies, strategic plan or consumer preference surveys:
The project being proposed is a new “eating and drinking establishment” which is one of the preferred projects listed in the loan’s eligibility and program criteria documents.
- b. Expansion of local tax base (new or increased sales tax, property tax, utility tax, EAV, etc.):
The proposed project will generate new sales tax revenues and improve the overall EAV of the building at 180 W. Washington Street.
- c. Expansion of employment base (new or increased number of jobs):
The applicant is projecting to employ up to 45 total employees.
- d. Synergistic development that will encourage other development:
The renovation of an existing downtown property may help serve as a catalyst for future renovation projects of other downtown properties.
- e. Development that provides a significant amenity or enhances community image:
The proposed project will enhance community image by making substantial improvements to a previously unimproved tenant space. Additionally, it will provide Oswego residents and visitors alike with a new dining option.
- f. Development that will result in regional consumer attraction:
The new restaurant that will open as a result of the proposed project will draw consumers locally and regionally.
- g. Development that attracts new/unserved consumers, without significant cannibalization of existing businesses within the Village:
The proposed business will provide a new type of product that is not already being offered downtown or elsewhere in Oswego. Further, there are a limited number of steak and fish restaurants in Kendall County or the greater regional area.

3. Other Considerations Met

- a. Is the proposed project “above market” or “non-market” (market not yet established or not yet financeable)?
Not applicable.
- b. Is a publicly desired use not the highest and best economic use?
The proposed project is considered both a publicly desired use and the highest and best economic use.
- c. Are there extraordinary project costs requiring gap financing, or is an incentive needed to create market feasibility?

Incentives will be used for “gap financing” as there are extraordinary project costs that exist to build out a restaurant business in the proposed tenant space.

- d. Is there appropriate risk sharing, limiting public sector risk?
The business owner and the Village are sharing the risk of new investment for the project. The Village’s risk is lowered as each monthly payment is made, and the loan amount is reduced. The village will also be receiving collateral for the loan in the form of purchased fixtures and equipment as well as a personal guaranty.
- e. Is the incentive cost-effective to the Village generating an appropriate return on investment?
The Village will earn 3% from the investment and will also receive additional TIF increment from the improved EAV along with sales tax dollars from the sales made at this new business.
- f. Is the Village competing with other communities as a location for the development?
No other communities have been proposed for consideration.
- g. Is the development likely to occur without offering incentives?
No, financial assistance is needed to move the project forward.

4. **Financial Review**

The application submitted meets all the specific criteria of the RLF and grant programs. Such criteria met includes being a new business to Oswego, creating jobs, and using funding for the substantial rehabilitation of a downtown building. Additionally, the total amount of funding requested does not exceed 50% of project costs.

Supporting documentation has been reviewed and the amount requested is less than the eligible amount to be loaned under the program limits. The loan will feature a 3% interest rate on the outstanding balance with a 15-year repayment term. The monthly payment will be approximately \$2,072 for 180 months. The loan is supported by equipment and fixtures along with a personal guarantee as collateral.

RECOMMENDATION:

Staff recommends passing the Ordinance Approving an Economic Incentive Agreement and a Loan Agreement by and between the Village of Oswego and 4 Guys Kitchen Oswego LLC

ATTACHMENTS:

- Ordinance
- Property Legal Description
- Economic Incentive Agreement
- Loan Agreement
- Personal Guaranty – Chirag Amin