MEMORANDUM

TO: Anthony Puccio, Chairperson
Economic and Community Development Committee Members

FROM: William J. Heniff, AICP, Director of Community Development

MEETING DATE: June 26, 2023

RE: **Synergy Construction Group LLC and Pacific Retail Capital Partners (PRCP) Economic Incentive – June, 2023 Yorktown Reserve Update Memorandum**

Staff provides the Economic & Community Development Committee (ECDC) with the latest update regarding the proposed Yorktown Reserve redevelopment project, including contemplated further modifications to the incentive parameters. As with past discussions before the ECDC, staff is seeking further concurrence relative to the proposed incentive request, and in order to provide respective counsels time to complete the draft economic incentive agreement.

BACKGROUND

As the ECDC members are aware, the Yorktown Reserve project and incentive concept has been previously reviewed at three past meetings, all to maximize transparency and direction.

May 23, 2022

Staff introduced an economic incentive request for the former Carson's Anchor Store (230 Yorktown Shopping Center) and related perimeter of the Yorktown Center mall building abutting the site. Staff and the parties continued discussion on the agreement terms pertaining to the initial ECDC direction of agreement support.

September 12, 2022

Staff presented the conceptual land plan, project parameters, funding sources, prospective incentive request, and applicability to Village economic development policies. The ECDC also supported the direction and directed staff and Counsel to develop an agreement for Village Board consideration and approval.

Given favorable direction by the ECDC and in order to meet 1031 exchange provisions, the Carson's site was acquired by Synergy Construction Group LLC in September, 2022 ($4,400,000). Synergy still intends to redevelop the property with a two-phase multiple-family residential (apartment project). Pacific Retail Capital Partners (PRCP) owner of the center mall area, is a part of the overall redevelopment effort and discussions have continued to refine the site and engineering plans, and proceed with an enhanced as part of their mutual due diligence efforts.

March 13, 2023

With the Carson's anchor store property acquired by Synergy Construction Group LLC for $4,400,000 in September, 2022 and with the Plan Commission zoning entitlement request heard on February 20, 2023, staff provided a project update. The proposed incentive parameters were offered for consideration. These components, were as follows:

- General market demand conditions remain favorable, subject to interest rates and financing terms.
- The overall project development cost is approximately $200,000,000.
- The apartments will be constructed in two distinct phases.
- Infrastructure improvements and foundation work is still anticipated to occur in 2023.
- The incentive period remains up to a seventeen (17) years from the date of execution of the agreement, or the expiration of the Butterfield Yorktown TIF District in the year 2040 (2041 calendar year), whichever occurs first (a supported policy deviation by the ECDC).
- Synergy's engineering design team prepared estimated project cost totaling $4,075,073, excluding contingencies. Staff found it within the range of reasonableness and defensible.
- The March 2023 Phase 1 project costs eligible for a reimbursement of up to $12,148,004 (net present value (NPV)), plus interest were offered. For Phase 2, the request was increased to $9,639,372, due to higher market interest rates, construction cost data, and possible additional carrying costs for the Phase 2 construction activity.
- Economic Incentive Policy (EIP) deviation from the maximum fifty percent (50%) of the incremental property taxes attributable to the Project during the life of the Agreement was presented. The ECDC supported:
  a. For the first four years of Phase 1 (generally the period in which construction cost activity occurs), up to 95% of performance based incremental property taxes. The remaining years reimbursement will be at the previously supported 75% levels.
  b. For Phase 2, the previously projected 65% levels will be held.

  The amended $21,787,376 TIF incentive component, computes to be 10.9% (from 10.3%) of the estimated $200,000,000 project costs.

Regarding the Business District Incentive (BD #2) request:

- The commercial open space common area tract (to be partly financed through BD #2) will provide active and supportive green/open space along with companion peripheral building modifications to the existing mall exterior will be undertaken.

- Demolition activity of the areas is still slated to commence in Summer, 2023. The BD #2 components remain unchanged. Improvements would be paid from generated funds and existing reserves created by retail sales business activity within BD#2 in general.

- Costs are estimated at the $9,198,010 construction cost estimate, up from the previously calculated $8,295,282 figure and were conceptually approved through an initial staff review. These costs would be subject to prove-up provisions.

- The structure of the BD #2 reimbursement process would be:
    a. Upon completion of any prove-up provisions, the Village will reimburse the applicable parties with previously collected BD #2 funds since its inception in 2020. This figure is estimated to be in the $4,400,000 to $5,000,000 range.
    b. The gap between the verified costs and the available reserves will also be reimbursable based upon future BD #2 collected funds, until the final applicable construction cost cap is met. The remaining figure will have a NPV component.

<u>June 26, 2023 Status Update</u>
Since the March ECDC meeting, zoning entitlements were approved by the Village Board on May 18, 2023. With the favorable support of the ECDC, the developer, staff and the respective Counsels have been working on the Agreement in earnest over the past few months, and can be summarized as follows:

1. The agreement language structure and general term provisions have been generally agreed upon. With a few minor clarity points, the BD#2 funding component has been agreed to.

2. The available TIF funding component has a few items for further vetting. Through these ongoing discussions, the salient points reference the initial assumptions that were incorporated into the analysis including:

    a. Property Tax Assumptions – In review of the latest tax assessments associated with the comparable and nearby Elan and Overture projects, the anticipated property tax assessments for this project are now envisioned to be much higher than their initial projections, based upon 2019 data. In simple terms, the property tax payments for the Elan building have increased from $4400 per unit to $6100 per unit (38% increase). While the developer's projections and market studies do support slightly higher rents than the original numbers, they are not sufficient to absorb the full amount of the property tax increase.

    b. Rent Rates – This is a variable item and is subject to change based upon market conditions. Per the developer's consultant, they are projecting a square foot rate of $2.56 at time of lease up, based upon based upon our review of the current two-bedroom market, whereas Ryan, the Village consultant, suggests a slightly higher number of $2.68. While the developer's projections and market studies support slightly higher rents than the original numbers, they are insufficient to absorb the full amount of the property tax increase. This results in a return on investment (ROI) projection that falls below the required and previously referenced 13.5% ROI that would allow for the project to proceed by the development and the lending partners.

c. Lease Absorption Rate - The market is still favorable for apartments, but the question under review is the anticipated lease up rates. Synergy projects a possible 50% lease up rate after a year for Phase 1, while staff noted the nearby Elan and Overture absorption rates and suggests that the percentage may be higher.

d. Construction Interest Costs – This is another market conditions item.

Each of these items are critical to vet at this time as it would reflect upon the true-up provisions and the justifiable amount of the TIF incentive need.

As the ECDC members are aware, market forces and lending challenges have impacted projects of this scope in general. Furthermore, such forces have continued to challenge regional malls. Such recent articles reflecting these conditions are attached for general reference purposes and should be read in consideration of this request.

Staff explored options to address the amount of the incentive. The developer seeks additional consideration to minimize risk and provide a comfort level to lending institutions regarding known and measurable incentive amounts. Recent discussions also pertained to true-up provisions.

AMENDED REQUEST & SUPPORTIVE DISCUSSION

The following considerations are offered:

1. The developer is requesting an increase to the TIF inventive and NPV value from $12,148,000 to $16,000,000 (a 29% increase). However, the increased property tax alone is a 38% increase. The additional incentive figure was reviewed amongst the negotiating parties and is significantly lower than originally sought by the developer. The negotiated reduction secures savings to Village out of gate as opposed to a "true up" down the road. It reduces risk to the Village but creates an upside for the developer and financing groups if project outperforms their pro forma.

2. Under the existing scenario, the total amount of TIF increment generated over the life of the TIF from the Phase I residential building amounts to $26,135,835. The developer is projected to receive $20,686,792 in TIF payments which reflects the NPV value noted above plus agreed interest payments. This amounts to 79% of the TIF increment. The

remaining 21% of the increment ($5,449,043) will go to the Village for use within the Butterfield Yorktown TIF district area.

3. The cumulative anticipated total paid to be to the developer amounts to $25,539,592. The 95% sharing for the first 4 years and 75% sharing for the remainder of TIF, as previously agreed to by the ECDC, remains unchanged. However, the original concept would have provided 79% of the TIF increment to the developer in Phase I; whereas per this amended approach, the developer would only receive 67% of the increment.

4. In previous discussions a 65% TIF NPV sharing component was supported by the ECDC for Phase II. As negotiated, the developer is amenable to a 50% share. This is a significant change as this change brings the project into the framework of the adopted Village Economic Incentive Policy (EIP), which sets a 50% cap.

5. The construction true-up obligations will remain a part of the Agreement as such a provision is consistent with the EIP as well and is a hallmark of good public policy.

6. The original concept projected $5,449,043 of TIF increment. The new approach would generate $13,572,814, an increase of 150%. and primarily this is a function of the higher property taxes from 2019 to 2022.

For simplification, attached is a graphic depicting the Phase 1 incentive changes.

ACTION REQUESTED

This item is on the June 26, 2023 ECDC Meeting agenda for the following purposes:

1. To inform the ECDC members of the latest efforts relative to the property and pending incentive request; and

2. Concurrence from the ECDC to accept the modified terms and complete the companion performance based economic incentive agreement for future Village Board consideration.

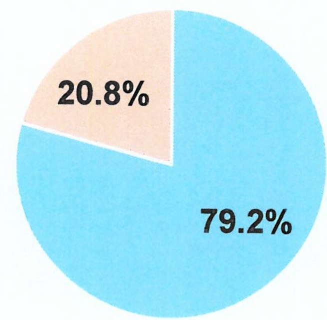
ATTACHMENTS

Yorktown Reserve: Proposed Developer TIF Incentive & Village Increment

September, 2022

	Phase 1 Increment	Developer Percentage	Developer Percentage	Village Percentage	Village Percentage
	$ 26,135,835	$ 20,686,792	79.2%	$ 5,449,043	20.8%
Net Present Value	$ 12,148,000				

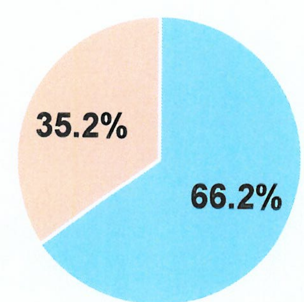
Increment Distribution - Initial



June, 2023

	Phase 1 Increment	Developer Percentage	Developer Percentage	Village Percentage	Village Percentage
	$ 38,572,815	$ 25,539,592	66.2%	$ 13,572,814	35.2%
Net Present Value	$ 16,000,000	$ 10,593,820		$ 5,630,002	

Increment Distribution - Latest



Louis Joliet Mall up for auction May 15

Sale does not include separately owned anchor properties

By Bob Okon

Expand

The Louis Joliet Mall in Joliet is being put up for auction with bids starting at $5 million on May 15. (Bob Okon)

May 02, 2023 at 6:00 pm CDT

The Louis Joliet Mall is up for auction later this month for a minimum bid of $5 million.

The auction is the latest twist for the Joliet mall, which has a high occupancy rate but has struggled for several years, like other indoor malls, with the closing of anchor stores and trends away from mall shopping.

Bidding for the mall starts at 11 a.m. May 15, according to a posting on the website crexi.com.

The mall occupancy rate is more than 92%, according to the listing.

But that rate would not include the two biggest vacancies, the empty Sears and Carson Pirie Scott anchor stores. The anchor stores are owned separately from the mall, and the Sears store was sold at the end of last year to a Chicago-area car dealer.

"The Carson's has been up for auction a couple of times," said Doug Pryor, executive director of the Will County Center for Economic Development. "It's not unusual to see this kind of activity. It will be interesting to see who the next owner of the mall is."

Just who the current owner is unclear as the mall has changed hands in recent years amid financial difficulties.

JLL, a commercial real estate group, currently is the management company for the mall. Eric Loula, who started as mall manager when the property was owned by Starwood Retail Properties, is still the mall manager, providing some stability through its transition.

Two of the four anchors remain: JCPenney and Macy's.

Macy's is one of two anchors that remain open at the Louis Joliet Mall in Joliet. (Bob Okon)

JLL is serving as the broker for the current sale, according to the website posting.

The Louis Joliet Mall area is the central retail and restaurant district of the city.

"As a submarket, the Louis Joliet Mall and everything around it is very vibrant," said Steve Caton, a commercial broker who handles land in the mall area.

"We still get a lot of activity," Caton said. "There are a lot of retailers still looking to land in and around the area."

The area has good demographics, a location right off Interstate 55 and "a great tenant mix," he said.

The area around Louis Joliet Mall in Joliet continues to see new development, including this Starbucks restaurant that opened in a newly built strip center in 2022. (Bob Okon)

The future of the district, however, could be challenged a new project underway at Interstates 55 and 80, where Cullinan Properties wants to attract retailers, restaurants, hotels and other users.

Cullinan this week announced a new name for the project formerly dubbed Rock Run Crossings. It is now Rock Run Collection.

Caton said the two areas will compete for retailers and restaurants.

He noted that a number of indoor malls in the Chicago area have been undergoing redevelopment for uses other than retail, creating more of the mixed-use environment that is planned for Rock Run Collection.

"Clearly," he said, "the mall world has changed."

Source: www.ctinsider.com/business/article/crystal-mall-fetches-9-25-milliom-at-auction-18104683.php

Connecticut mall yields high bid of $9.25 million at auction

Luther Turmelle, Staff writer
May 17, 2023

An online auction of the Crystal Mall in Waterford yielded a top bid of $9.25 million, thanks to a flurry of last minute activity as the bidding closed on Wednesday. Bidding in the auction of the 535,494 square foot mall, began on Monday, and started at $2 million. The mall is located at 850 Hartford Turnpike in Waterford near Exit 82 off Interstate 95.

During the final 10 minutes of bidding, the high bid grew from $5 million to the final bid of $9.25 million.

The identity of the top bidder for the mall was not immediately available on Wednesday from officials with Commercial Real Estate Exchange, or Crexi as it is known.

The auction of the mall came a little more than six months after its former owner, Simon Property Group, and fellow investors completed the transfer of the retail center to lenders, rather than pay off $81 million due on a commercial mortgage secured by the property.

The two-level mall, which was built in 1984, sits on 82.4 acres and has JCPenney and Christmas Tree Shops as its anchor stores. It has an occupancy rate of 64.4 percent.

As the bidding for the mall was closing, one of the retail center's former anchor stores was also nearing completion. A 150,632 square foot space that formerly housed Sears and is owned by Seritage Growth Properties is also on the auction block. Seritage Growth Properties is a publicly traded real estate investment trust.

The high bid for the former Sears property changed nearly four dozen times over the about two-and-half-hours, growing from $1.5 million to the final bid of $3.975 million. The identity of the top bidder for the Sears property was not immediately known on Wednesday.

It was not immediately clear whether Seritage Growth Properties will accept the winning bid because the reserve price was not met. In commercial real estate auctions, a reserve price is a minimum that seller would accept from a buyer.

The reserve price was met by $9.25 million winning bid for the remainder of the mall, according to information on the Crexi website.

In addition to the former Sears location, Crystal Mall has a second vacant anchor: a 121,270 square foot former Macy's location.

The former Macy's and Sears locations account for about 55 percent of the Crystal Mall's gross leasable area, according to the online auction data.

In the description of the former Sears property, the site and the entire mall are described as pieces of land that "could be fully reimagined to include a mix of apartments, senior living, hotel, entertainment, structured parking or others options proposed by developers."

Crain's Article Story: June 7, 2023

Sterling Bay asks Chicago teachers' pension fund to rescue Lincoln Yards

By Danny Ecker

Sterling Bay is trying to strike a deal with the Chicago Teachers Pension Fund to bail out Lincoln Yards, a move that could help jump-start the stalled North Side megadevelopment, inflict hefty losses on the original backers of the ambitious $6 billion project and offer the developer a lifeline amid a financial storm that threatens its control over major pieces of its high-profile local portfolio.

With the real estate firm under growing pressure to raise money to recapitalize the 53-acre mixed-use campus planned along the Chicago River between Lincoln Park and Bucktown, the pension fund's investment committee voted during a May 23 meeting to investigate an opportunity to become Sterling Bay's primary financial partner on the development, according to a video of the public meeting and investor documents obtained by Crain's.

The pitch to the $12.1 billion fund, as laid out during the meeting by Sterling Bay CEO Andy Gloor: Buy into Lincoln Yards at between $100 and $150 per square foot — potentially a more than $300 million commitment — to replace the project's existing financial backers at steep discounts and help inject life into a stagnant project that could generate billions of dollars in new tax revenue for the city over the next couple decades.

The fundraising push comes as Sterling Bay grapples with financing issues not only at Lincoln Yards, but a series of properties it has amassed en route to becoming one of the city's most prominent real estate firms. Slides that Crain's obtained from part of an April 26 presentation Sterling Bay made to investors reveal its lender could force a sale of the Groupon headquarters building along the Chicago River, and a loan challenge ahead for the two-tower Prudential Plaza complex overlooking Millennium Park.

The documents also reveal the developer's effort to "consolidate" ownership of the sprawling Lincoln Yards site by finding a new primary capital partner and working out a resolution with a lender that holds a $126 million mortgage — which is set to mature on June 20 — tied to a large portion of the site, according to the presentation.

It adds up to the most serious challenge faced to date for Sterling Bay, which rose to prominence since the Great Recession from an upstart development firm with a knack for modernizing vintage West Loop office buildings into a far larger company with trophy office properties and national expansion aspirations. At stake in the turbulence is the fate of one of the most ambitious planned developments in the city's history in Lincoln Yards, a 14.5-million-square-foot project meant to reshape a swath of the city's North Side with high-rises and generate thousands of new jobs.

Sterling Bay's pitch to the pension fund also tees up the possibility of an unlikely bedfellow on the project. The CTPF invests on behalf of and is highly influenced by the Chicago Teachers Union, whose members have been among the most vocal opponents of Lincoln Yards and a city-approved deal to reimburse Sterling Bay for up to $1.3 billion in new infrastructure tied to the project using tax-increment financing money.

"It's an unbelievable, generational opportunity to invest in the city," Gloor told members of the CTPF investment committee during the May 23 meeting, where he called Lincoln Yards "the most important deal we've ever done with Sterling Bay." Gloor presented alongside a locally-based executive for Torontobased Manulife Investment Management, revealed during the meeting to be a new development partner with Sterling Bay on Lincoln Yards.

CTPF Chief Investment Officer Fernando Vinzons said in a statement to Crain's that the discussions around Lincoln Yards are only "conceptual at this point" and that the investment committee would still need to recommend the Lincoln Yards deal to its Board of Trustees, which would ultimately have to sign off on any funding commitment, a process that could take months.

In the meantime, Sterling Bay is trying to tap its own investors for more money. A question-and-answer portion of the April presentation shows the developer is seeking $25 million in new equity for an "annex fund" from existing investors in Lincoln Yards, which would supplement the investment it would get from CTPF or another capital partner.

The financial crunch for Lincoln Yards and other high-profile Chicago properties discussed in the presentation isn't unique to Sterling Bay. Many commercial property owners across the city — particularly those in the office sector — are reeling from a remote work movement that has hammered demand for workspace and whittled foot traffic in Chicago's urban core. High interest rates, meanwhile, have driven down property values and made it difficult for owners to refinance buildings, forcing many to scramble for new equity partners and prompting a growing number to surrender properties to their lenders or face foreclosure lawsuits.

But the presentation shows such financial stress on a big scale locally for Sterling Bay, lifting the hood on the developer's Sterling Bay Capital Partners II fund. A "significant portion" of that fund's equity and future returns are tied to Lincoln Yards, the presentation says.

The fund, which finished raising money in 2016, has investments in a series of Chicago properties including several Lincoln Yards parcels, Groupon's HQ building at 600 W. Chicago Ave., Prudential Plaza and office buildings at 333 and 360 N. Green St. and 311 W. Monroe St., the documents show. The presentation also shows the fund backs the mixed-use apartment and hotel tower Sterling Bay completed last year at 300 N. Michigan Ave. and an apartment building under construction at 160 N. Morgan St. in the Fulton Market District.

Questions and answers in the document — which came in response to a presentation during the virtual meeting with investors in April — paint a picture of a fund grappling with financial strain while Sterling Bay seeks ways to generate liquidity to avoid defaulting on loans, maintain confidence of its existing investors and convince them to double down on properties moving forward.

Challenges appear steepest at Lincoln Yards, the project that signaled Sterling Bay's bold growth plans when the developer unveiled its vision for the campus in July 2018. The proposal, supported by then-Mayor Rahm Emanuel, would include a mix of offices, residential units, retail and other uses, as well as towers rising as high as 595 feet. Sterling Bay estimated at the time that it would generate 24,000 permanent jobs and a massive tax boon to a city battling fiscal woes. Just before Emanuel left office in 2019, the City Council signed off on the project as well as the controversial plan to create a new tax-increment financing district to support it: Property tax gains generated by the project in the future are slated to help to pay back Sterling Bay for infrastructure costs.

Sterling Bay spent more than $250 million between 2015 and 2017 acquiring the largest pieces of a once-bustling riverfront industrial corridor to make room for the megaproject, according to Cook County property records. Along with the Sterling Bay fund, which holds a relatively small equity piece of the properties, two primary financial partners originally backed the developer on the proposed campus: New

York-based J.P. Morgan Asset Management on the southern portion and Dallas-based Lone Star Funds on the northern portion.

But since winning City Council approval for the project in 2019, Sterling Bay has built just one building on the southern portion of the site — an empty life sciences lab property at 1229 W. Concord Place — and has yet to begin major infrastructure work needed to kick-start other development there. In the presentation, Sterling Bay cited "market conditions" for holding back the project and also pointed to city officials as an obstacle. "There was a significant degree of uncertainty relative to approvals from the City of Chicago that could influence our ability to execute a business plan," one response to an investor question said.

Gloor has publicly blamed former Mayor Lori Lightfoot for setting back the project by delaying permits and other city approvals needed to finance new roads and other infrastructure. He reiterated that gripe to the CTPF, saying the infrastructure "needed collaboration (from City Hall) to start... and we just couldn't get in lock-step."

Regardless of what has slowed progress, the presentation shows Lincoln Yards becoming a financial quandary for Sterling Bay with no clear end in sight, and with its control of the project's future potentially in question. Sources familiar with the matter say Lone Star and J.P. Morgan are prepared to sell their stakes at a substantial discount, signaling their waning patience with the development's path forward. Lone Star declined to comment, and J.P. Morgan didn't address questions about the project.

Adding to the financial pressure: There are "no further extensions available" on the $126 million loan from Little Rock Ark.-based lender Bank OZK tied to a large chunk of the property's northern portion slated to mature this month, according to an investor document. A chart in the presentation notes Sterling Bay aims to get Bank OZK to "participate" in the consolidation of Lincoln Yards ownership by finding a new capital partner to back its Lone Star buyout, then "recast" the loan under that new venture, likely meaning it would start a new clock on the mortgage's maturity date.

If Sterling Bay can't pull off such a deal, Bank OZK could be in position to seize control of the property. It's unclear how the lender might proceed with Sterling Bay, a development partner it has backed on other prominent Chicago projects including 300 N. Michigan and 360 N. Green. Bank OZK didn't address questions about Lincoln Yards.

Sterling Bay will need to convince the CTPF or another new capital partner to not only assume the cost of carrying the land, but potentially commit to helping finance infrastructure and future buildings on the site. That could prove difficult amid economic uncertainty and many investors wary of taking on a massive commercial project in Chicago.

There's little clarity on when or if the project will begin to see more activity and what role new Mayor Brandon Johnson —a former Chicago Public School teacher and paid CTU organizer — will play in helping Sterling Bay forge ahead. Gloor told the CTPF that his group has "been in regular communication with Mayor Johnson's administration.... They're enthusiastically in favor of the development. They understand the economic benefits to the entire city of Chicago and the jobs. We didn't have that type of communication (with Lightfoot), but we do now. So we do not anticipate any delays."

Jason Lee, a senior advisor to Johnson, confirmed that the administration has had “several conversations” with Sterling Bay and Gloor, saying open dialogue is the “philosophy of our administration.”

Lee said the conversations were not about Lincoln Yards specifically, but rather the “challenges that large development projects have in the city and some ideas to align on goals to create more equitable development and affordable housing opportunities through small and large developments.”

Sterling Bay is playing up the local angle in its bid for fresh capital. In a statement, the firm says “(a) Chicago-based investor is the right partner to help us bring all these opportunities, and more, to life at Lincoln Yards. As Mayor Johnson stated in his inaugural address, ‘Together, we can build a better, stronger, safer Chicago,’ and we believe that developments like Lincoln Yards, which stand ready to build a brighter future for our city, are how we win together as Chicagoans.”

The presentation shows additional loan deadlines are looming for the fund on smaller Lincoln Yards parcels. Properties at 1907 N. Mendell St. and at the intersection of Elston Avenue and Cortland Street — near the Metra station where Sterling Bay aims to eventually develop a multi-modal transit hub for Lincoln Yards — each have relatively small mortgages from Signature Bank that were due to mature in May but were recently extended to Nov. 2, according to the presentation.

New York-based Signature Bank, which failed in March and subsequently had its deposits assumed by New York Community Bancorp, "is willing to extend" the maturity beyond November, the presentation said. A chart in the document said Sterling Bay's plans for the parcels would be to pursue a "3rd party sale if possible or potentially sell to the (Lincoln Yards) consolidated venture." NYC Bancorp didn’t address questions.

Sterling Bay also disclosed in the documents that, while it expects the fund to be involved in several development projects at Lincoln Yards, some parcels "will likely be sold to third-party developers" to construct buildings.

Sterling Bay frames its push to raise money for Lincoln Yards as a great opportunity to buy in at remarkably low values and, therefore, get higher returns if the developer can execute its vision for the project. That sales pitch, however, acknowledges the dramatic loss of value in properties owned by the fund.

"The reduced basis in each of these investments present very compelling return profiles that are appealing to prospective investors," Sterling Bay wrote in a response to a question in the document. "(Sterling Bay) believes we can overcome concerns surrounding investment in Chicago office property given the attractive basis and compelling economics."

Sterling Bay's investor documents also show the developer expects it will need far more time to return the money to its fund investors than it initially anticipated. The fund's initial term was 10 years with two one-year extension options that would push its expiration to Feb. 2028, according to the presentation, but the developer projects the life of the fund "may need to be extended through Q3 2031 for final disposition of all investments." The size of the fund is not clear, but a Sterling Bay spokeswoman previously said the developer had raised between $90 million and $200 million for the fund.

In the meantime, Sterling Bay is doing what it can to shore up the fund.The developer's partners recently put up $3.5 million "to maintain compliance with certain ongoing debt covenants," the document said. Sterling Bay also deferred its asset management fee at the fund "to provide liquidity," according to the presentation