MEMORANDUM

TO: Anthony Puccio, Chairperson
Economic and Community Development Committee

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

DATE: December 14, 2020

RE: **Hoffmann 600 Lombard LLC Economic Incentive Agreement**

As introduced in at the October ECDC meeting, staff has been working with the Hoffmann Alpha Omega Development Group, dba Hoffmann 600 Lombard LLC, on a companion Economic Incentive Agreement to supplement the companion zoning request that was considered by the Plan Commission last month. Staff is advancing the broader Economic Incentive Request to the ECDC for a formal review at the December 14 ECDC meeting.

The staff report includes an Executive Summary and longer form report for reference. In addition, the Village's economic development consultant, Kane McKenna & Associates, has prepared a response for the Village's consideration. Also attached is the initial incentive request and supplemental data by Hoffmann.

STAFF EXECUTIVE SUMMARY

Project:

- Hoffmann 600 Lombard LLC, has the whole 27.55-acre site under contract, which will include the demolition of all campus structures. They propose the redevelopment of the site with a Golf Social/Moretti's, a fuel center and related ancillary retail/service commercial uses; entitlement rights for up to 400 future multiple-family dwelling units (anticipated to be undertaken by a future developer); and a connection road between Butterfield Road and 22nd Street.

- Hoffmann is separately negotiating with LPFC/Westin for parking and signage rights and with Target for signage and access rights. However, in the event final agreements do not occur for whatever reason, the Hoffmann project could still proceed.

- A 0.7-acre dedicated parcel (Lot 7) for future Village utility uses (water tower) is also being contemplated, but that will not be a part of the incentive proposal – the Village will negotiate the terms and conditions in a separate Agreement. The Village Board previously approved staff to negotiate a purchase offer of up to $500,000.

- The Plan Commission recommended approval of the petitions, which is slated to be considered by the Village Board on January 5, 2021.

Incentive Request:

- The total estimated development budget is approximately $159,054,000, with the anticipated vertical development cost of approximately $119,673,000. However, about two-thirds of the anticipated costs would be from the future apartment phase.

- Hoffmann would need to spend $24,000,00 up front to get the site ready for development.

- They are seeking an economic incentive in the amount of **$31,500,000** to cover extraordinary costs and the anticipated feasibility gap, which could include:

Land Acquisition:	$9,000,000
Eligible Onsite Improvements & Site Preparation (hard costs):	$23,651,000
Offsite Roadway Improvements (contingent):	$600,000
Land development soft costs:	$4,622,000
Land Development Financing:	$279,000
TOTAL (Potential Eligible)	$38,152,000

- In October, 2020, the ECDC supported the concept of an incentive in order to meet extraordinary "but-for" costs. They also supported Economic Incentive Policy (EIP) deviations from the 10-year maximum provision and the 50% sharing limitation pertaining to Business District 2 and TIF funds. There will be "prove up" obligations, similarly to other grant requests.

- This would be a "pay as you go" reimbursement agreement for eligible expenses – no direct Village funds will be applied to the project and no up-front dollars are being provided by the Village. Also, incentive funds are not guaranteed.
- Fund sources would be from a combination of the following:
    a. Village share of received and eligible sales taxes (1%) (not to exceed 50%/15 years)
    b. Lombard Places for Eating (PFE) Tax (2%) (not to exceed 50%/15 years)
    c. Lombard Amusement Tax (5%) (not to exceed 50%/15 years)
    d. Business District 2 Revenues (not to exceed 75% of generated revenues during a 16 year agreement period; note: these funds cannot be allocated back for Village use anyway)
    e. Butterfield Yorktown TIF Revenues (not to exceed 75% of generated revenues during a 16 year agreement period; also TIF revenues are subject to school/library payments)
- Kane McKenna & Associates (KMA) has completed their review of Hoffmann's request. Their Gap Analysis finds is that an incentive of up to **$27,500,000** can be justified.
- Assuming their business projections, this figure could be reached in 16 years (policy deviation from the 10 year maximum), so the recommendation would be based upon the incentive value or the incentive period, whichever comes first.
- The general parameters of the EIP will be followed, unless otherwise noted. Cannibalism factors will not be directly applied to this development, given the unique uses and a market dearth of fuel stations on Butterfield Road.

STAFF FULL REPORT, POLICY REVIEW AND RECOMMENDATIONS

At the October Economic & Community Development Committee (ECDC) meeting, staff introduced a redevelopment/economic incentive proposal for the former Northern Theological Seminary property at 600-690 E. Butterfield Road. The subject property is under contract for a wholesale redevelopment. The proposed development entity, Hoffmann Alpha Omega Development Group, through the establishment of a separate project Limited Liability Corporation (LLC) (Hoffmann 600 Lombard LLC), has developed a comprehensive Master Plan for the 27.55-acre site which will include the demolition of all campus structures and development of:

1. An entertainment/recreation restaurant building (Golf Social/Moretti's),
2. A fuel center and related ancillary retail/service commercial uses;
3. Zoning entitlement rights for up to 400 future multiple-family dwelling units (anticipated to be undertaken by a future developer);
4. A connection road between Butterfield Road and 22nd Street; and
5. Ancillary improvements on adjacent properties.

A 0.7-acre dedicated parcel (Lot 7) for future Village utility uses (water tower) is also being contemplated, but that will not be a part of the incentive proposal – the Village will negotiate the terms and conditions of the Lot 7 property in a separate Agreement.

The concept land use plans were introduced to the ECDC in October for reference purposes only and the formal public hearing process for the required zoning entitlements was considered by the Plan Commission on October 19 and November 2 (PC 20-12 through PC 20-16). The Plan Commission recommended approval of the zoning petitions, which will be forwarded to the Village Board for consideration on January 5, 2021.

The role of the ECDC is limited to consideration of any economic incentives and not the development petition itself. With the zoning actions completed, staff has turned its efforts to the economic incentive request that was submitted for consideration. Staff forwarded onto Kane McKenna & Associates (KMA) for initial review and the recommendation is being shared with the ECDC for consideration. Should the ECDC support the concept, an economic incentive agreement will be formalized between Hoffmann and the Village.

INCENTIVE REQUEST DESCRIPTION

The project cost is estimated to be approximately $159,054,000, with the anticipated vertical development cost of approximately $119,673,000. They are seeking an economic incentive in the amount of **$31,500,000** to cover extraordinary costs and the anticipated feasibility gap, which could include:

Land Acquisition:	$9,000,000
Eligible Onsite Improvements & Site Preparation (hard costs):	$23,651,000
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Land development soft costs:	$4,622,000

Land Development Financing:	$279,000
TOTAL (Potential Eligible)	$38,152,000

RATIONALE FOR AGREEMENT

State Statutes allow the Village to appropriate funds for economic development purposes, including the making of agreements and grants that are deemed desirable for the promotion of economic development as:

- a portion of the property has remained vacant for at least one year;
- for the developed portion of the property, the buildings located no longer comply in all respects with current building codes and will be razed; and
- the site has remained less than significantly occupied or utilized for a period of at least one year.

The Village anticipates the project would create job opportunities and may further the development or stabilization of adjacent areas within the Butterfield Road corridor by strengthening the commercial sector and enhancing the tax base.

Hoffmann represents that the project would not be economically feasible on its own merit, but for the economic assistance by the Village. This assumption is predicated upon their cost projections, the scope of work to be undertaken to get the site to a full "greenfield site" and the KMA review data. Factors which contribute to the extraordinary development costs include, but not limited to:

- site preparation activities such as razing existing structures;
- significant engineering and regrading, including filling the existing retention pond;
- addressing existing and proposed buried underground utilities;
- building the driving area of the golf course building and the fuel center using pilings and caissons; and
- anticipated roadway improvements on the property and which may be requested by the Illinois Department of Transportation (IDOT) for Butterfield Road.

INCENTIVE TOOLS AND POLICY COMPLIANCE

The 2015 adopted Economic Incentive Policy, amended in 2016, was reviewed by the ECDC and approved by the Village Board is the primary tool for considering such requests. The Village, through a recommendation by the ECDC, advanced and approved the establishment of a new Tax Increment Financing (TIF) District in 2017 for the Butterfield Yorktown area. The ECDC supported and the Village Board adopted a Second Business (Improvement) District (BD2) within the aforementioned corridor that would provide the ability to provide a sales tax incentive that is generated within the District for projects that meet the criteria.

For purposes of this review, all potential fund sources were compiled into a pool of funds for potential disbursement – if one particular category is not fully realized, other funds could be utilized to meet the incentive, provided that the disbursement percentages are not otherwise exceeded. The inventive request would seek funds through a combination of eligible sales taxes and property tax increment revenues specifically generated from the development itself.

Sales Tax Based Incentives

Key policy statements in the EIP pertaining to Sales Tax are:

1. *The incentive shall be limited to the funds collected by the Village as part of the General Sales Tax Funds transmitted by the State of Illinois to the Village. The Village's Non-Home Sales Tax designated for capital improvements shall not be eligible as part of an incentive.*

   Components of the initial economic incentive request would consist of:

   Hoffman projects the entertainment and retail sales activity will generate $1,875,000 in annual sales tax dollars directly. Eligible fund sources that could be considered for incentive consideration are:

   a. The Village's portion of eligible Retail Sales Tax proceeds (1%)

   b. Lombard Places for Eating (PFE) Tax (2%)

   c. Lombard Amusement Tax (5%)

   Consistent with the EIP, the amount available for a possible incentive should not exceed 50% of these generated proceeds. The term of the reimbursement would be for a 15-year period, which would exceed the 10-year economic incentive policy (conceptually recommended by the ECDC per the October, 2020 meeting).

   The Village created BD2 in 2019, which generates an additional one percent of sales tax. These funds must be specifically allocated to eligible projects and expenditures within the defined District area. Per the conceptual support of the ECDC, the proposal is to make up to 75% of the derived revenues in this category for eligible improvements. This concept could be supported as the creation of the BD2 was specifically for such a use and also because such proceeds can only be spent on eligible projects within the District and cannot be used for general governmental services.

2. *The Village should only consider an incentive if it will generate additional sales tax above and beyond existing revenue levels. Such incentives must also account for any cannibalism of existing business activity within the community. Offering a sales tax incentive in order to keep an existing business in operation or retain a business, absent an offsetting investment meeting the economic goals of the Village, should not be considered.*

   The Butterfield Road corridor lacks fuel centers and companion convenience retail. The proposed Moretti's Restaurant is a well-defined and established entity. The project is also deemed attractive as a like destination-based land use (Golf Social) does not exist within the Village. The unique uses may not significantly result in substantial leakage within the existing market. There may be an ancillary benefit to the corridor as it draws greater number of individuals to the area.

3. *The Village gets paid first. Any such agreement shall be set up in such a manner that allows the Village to receive the first dollars generated by a project to pay for up-front capital improvements that are attributable to the project.*

   Revenues would be allocated to the Village first and then dispersals would be made only based upon the agreement parameters, with the Village receiving the majority of General Fund related sales tax proceeds overall. The anticipation is that the project would also have a Village benefit component, as capital infrastructure improvements would be built at developer cost, estimated to be about $24,000,000. Some of these costs (intersection improvements, enhanced roadway network, public utility line improvements, etc.) would have a public benefit even if the proposed businesses and uses are not patronized (using the Yorktown ring road as an illustrative example).

4. *Unless specifically identified in the incentive agreement, any rebates should be established in such a manner that the Village receives at least one-half of the anticipated additional tax generation attributable to the project during the life of the agreement. Generally, the only exception to this provision would be if an incentive is offered to rebate a previously constructed capital improvement that was installed prior to and directly associated with the business opening.*

   The various funding components may be fiscally worthwhile to go beyond the one-half (50%) provision noted in the EIP, particularly for BD2 funds, which generated by the Golf Social use. The Village would also receive direct proceeds through the aforementioned Sales, Entertainment and Places for Eating taxes – the intent is that the Village would still receive a majority of these revenues from the overall project.

5. *The applicable period in which a sales tax incentive is offered shall generally not exceed a ten (10)-year period, unless approved by the Village Board based upon a finding that "but-for" the extended time period, the incentive will not satisfy the intent of the agreement. Such occurrences shall also meet the exception provisions of this Policy.*

   Given the amount of capital work to be undertaken associated with this project, which will be specifically identified and quantified, it will require an agreement which exceeds the 10-year period, as was done with Bradford/Mariano's. The analysis suggests that a 15-

year incentive period (incorporated into a 16-year Agreement) can be supported given the timing of the project and the anticipated revenues needed to meet the desired return.

6. *A project will be more favorably reviewed if the project:*
   a. *represents significant private-sector financial investment;*
   b. *promotes a higher and better use of the property as determined by the Village through its adopted plans;*
   c. *provides a positive fiscal and economic impact to the Village;*
   d. *adds new and unique retail business tenants to the Lombard market;*
   e. *mitigates any potential negative impacts to the surrounding area;*
   f. *closes an existing leakage in retail sales tax dollars within the Village; and*
   g. *addresses or minimizes the impacts of consumer expenditure cannibalization from existing businesses and projects in the Village.*

The proposed project would meet these parameters for an incentive.

Property Tax Based Incentives
The EIP also offers policy statements for such abatement incentives:

- *Any incentive shall be based upon any net increase in added EAV associated with the project. Projects that do not result in a significant increase in EAV, as determined by the Village in its discretion, shall not be considered.*

  The incentive being sought is based upon the increased equalized assessed valuation (EAV) projected from the project. The former Seminary property was tax exempt and with the real estate transfer to a private entity, the full assessed value and its private development components will create additional increment as the phases develop. This is similar to the previously approved Holladay Properties' Lilac Station Redevelopment Agreement.

- *Projects that result in an increase in anticipated services by any affected taxing district shall be carefully considered as part of any incentive. The agreement shall identify such additional service impacts and their respective associated costs within the agreement itself. This can include dollars that are currently received by the affect taxing district(s), the costs associated and attributable to the project as well as any administrative costs.*

  The Golf Social, Moretti's restaurant and fuel center uses are not anticipated to directly impact other taxing districts. As an incented TIF project, the proposed multiple-family development component will need to address State Statute defined population fiscal impacts from the TIF for any school aged populations (to School Districts 45 or 87) or general population to the Library District.

OTHER VILLAGE ECONOMIC INCENTIVE POLICY PROVISIONS

Below are staff's responses to the other key provisions of the Policy.

1. *The funds that are eligible for an incentive shall be limited to the funds transmitted by the State of Illinois to the Village. The Village's non-home sales tax designated for capital improvements shall not be eligible as part of an incentive.*

Response: The proposed reimbursement would be derived from a combination of the sources noted above.

2. *The Village should only consider such an incentive if it will generate additional sales tax above and beyond existing revenue levels. Such incentives must also account for any cannibalism of existing business activity within the community. Offering a sales tax incentive in order to keep an existing business in operation or retain a business, absent an offsetting investment meeting the economic goals of the Village, should not be considered.*

Response: This agreement will be for new businesses and will repurpose a vacant, obsolete and blighted property that has not been generating any property nor sales tax revenue in the past.

3. *The Village gets paid first. Any such agreement shall be set up in such a manner that allows the Village to receive the first dollars generated by a project. This can include dollars that are currently received by the Village for existing or past sales tax generations, the costs of performing municipal services anticipated by the project as well as any incidental administrative costs.*

Response: The Village will receive and retain at least 50% of the eligible retail sales tax dollars, Places for Eating Tax dollars, and the Amusement tax dollars. Much of the generated funds would be "new dollars" from the golf operations, the signature sit-down restaurant and the fuel center use, which currently does not exist within the Butterfield Road corridor.

4. *Unless specifically identified in the incentive agreement, any rebates should be established in such a manner that the Village receives at least one-half of the anticipated additional tax generation attributable to the project during the life of the agreement. Generally, the only exception to this provision would be if an incentive is offered to rebate a previously constructed capital improvement that was installed prior to and directly associated with the business opening.*

Response: As noted above, the Village will receive the majority of the derived sales tax during the reimbursement period.

5. *A project will be more favorably reviewed if the project:*
   a. *represents significant private-sector financial investment;*

Response: The estimated project cost of approximately $159,000,000, including land acquisition costs could meet this provision.

   b. *promotes a higher and better use of the property as determined by the Village through its adopted plans;*

Response: The Village's Comprehensive Plan is being amended as part of this overall project to recognize that the existing Seminary is no longer a viable designation for the property and that the corridor has been designed for mixed-use commercial activity.

   c. *provides a positive fiscal and economic impact to the Village;*

Response: The project will contribute to the Village economy. Unique to this site is that the existing property is generally tax exempt and has not contributed property or retail sales taxes to the Village or other taxing bodies. With the sale and redevelopment of the site to a private entity, it will result in the property being fully assessed. From a property tax standpoint, the project, upon full buildout it is estimated to generate $2,441,721 in estimated property taxes, which would be allocated to the TIF fund, (not withstanding any requisite school/library district payments per State Statute) or as part of the incentive request. The food and fuel center, Golf Social and Moretti's are estimated to generate $1,875,300 in annual sales taxes.

   d. *adds new and unique retail business tenants to the Lombard market;*

Response: Currently, the Village does not have a destination use like Golf Social in the community. Additionally, the Butterfield Road corridor does not have a fuel center, car wash or convenience restaurant/store in Lombard. These uses will create a new market niche that will serve residents and motorists that would otherwise purchase groceries, convenience food, fuel and services elsewhere and likely not within Lombard.

   e. *mitigates any potential negative impacts to the surrounding area;*

Response: The incentive agreement will assist in removing blighted and obsolete buildings from the Butterfield Road corridor and facilitates a way to enhance vehicle circulation, pay for requisite street improvements, and new market activity without utilizing General Fund funding sources.

   f. *closes an existing leakage in retail sales tax dollars within the Village; and*

Response: The fuel center may close an existing leakage in the corridor while the Golf Social and Moretti's Restaurant may actually capture disposable dollars from other communities.

g. *addresses or minimizes the impacts of consumer expenditure cannibalization from existing businesses and projects in the Village.*

Response: The uses are rather unique, so traditional cannibalization factors may not be present on a large-scale basis.

KMA FINDINGS

The EIP focuses upon projects in which the reimbursement is based upon satisfactory performance of the businesses and property and for a specified period of time. If the business performs well, their chances of received the full incentive benefit are increased. Performance based agreements also minimize risk to the Village.

KMA reviewed the necessity of the incentive and to assist the Village in determining the appropriate structure of the agreement to ensure to meets developer needs while not over extending the Village's commitments. They deem that the project has an identified gap worthy of further consideration and a $27,500,000 incentive can meet the developer's requests to cover upfront costs of construction and the projected gap. KMA also offers recommendations relative to documenting such eligible costs to ensure that they are aligned with Village past practices.

BENEFITS

Key benefits to the project and incentive are as follows:

1. The use brings additional sales tax dollars and increased corresponding property tax assessments to the Village.
2. The uses address a leakage area by establishing a new business in a sector which is anticipated to close that gap and draw new dollars into the community.
3. The incentive will provide enhancements to the area roadway network.
4. The incentive will also help address the property's blighted appearance by providing for a modern site and building design. This project will hopefully serve as a catalyst for other development activity within the Butterfield Road corridor.

RECOMMENDATION

Staff seeks a recommendation from the ECDC to work with Village Counsel and Hoffmann to finalize the terms of an incentive agreement based upon the parameters set forth within the staff report and the Kane McKenna review. The ECDC should further recommend that an economic incentive:

1. Shall be in an amount not to exceed $27,500,000 in eligible reimbursement costs to be derived over a sixteen (16) year period, whichever comes first;
2. The Agreement shall be a performance-based incentive based upon eligible and documented expenses; and
3. The anticipated reimbursements anticipated by the development shall be performance based and the maximum about of the reimbursement shall not be a guaranteed, if in event the maximum revenues are not achieved.

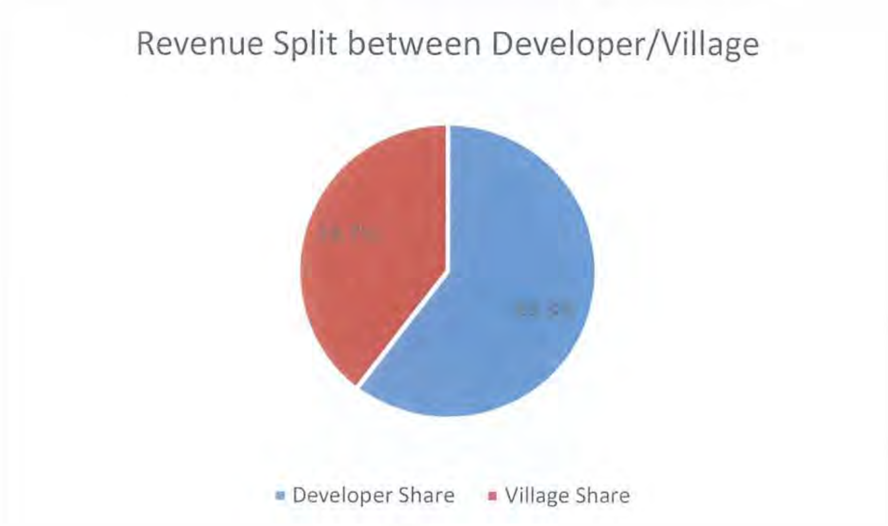
Payments Over 15 Years

Net Present Value of Payments to Developer

TIF	15,510,253	55.7%
Sales Tax	2,464,640	8.8%
Business District Sales Tax	2,480,693	8.9%
Places for Eating Tax	2,654,598	9.5%
Amusement Tax	4,758,740	17.1%
	27,868,924	100.0%

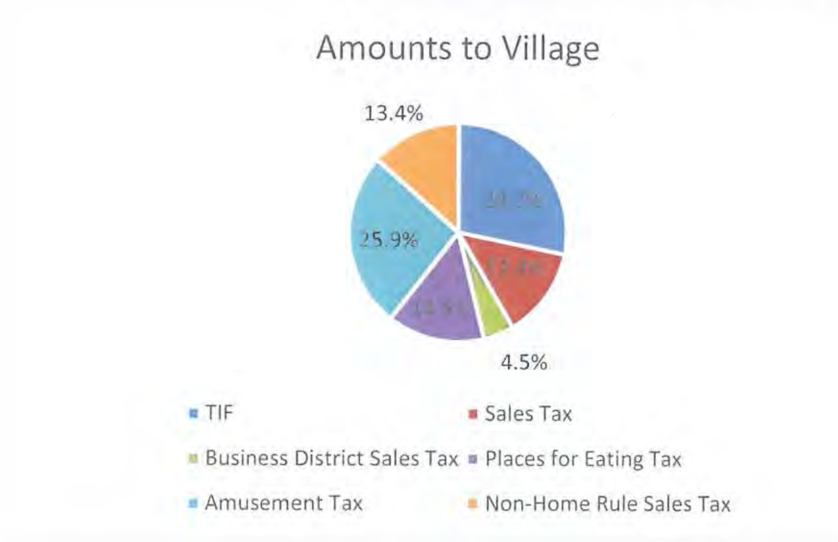
Net Present Value of Payments to Developer and Village

Developer Share	27,868,924	60.3%
Village Share	18,339,600	39.7%
	46,208,524	100.0%

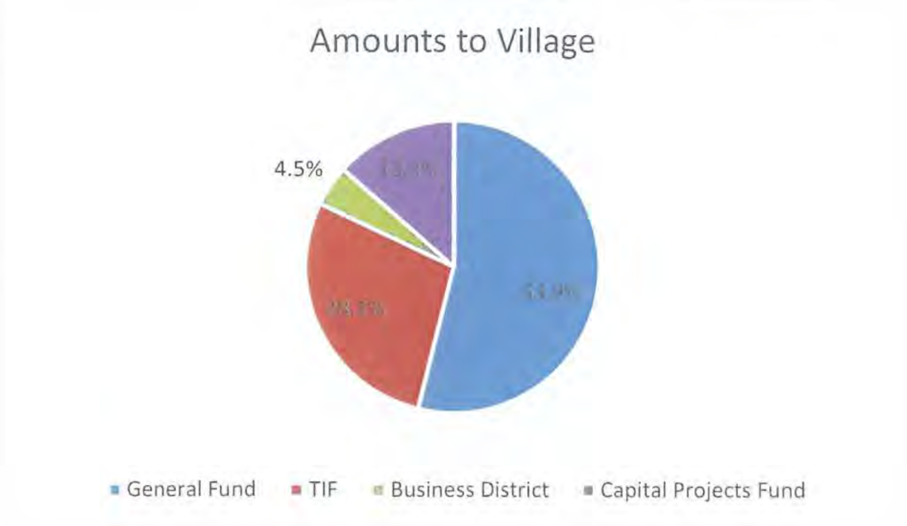


Payments Over 15 Years

Net Present Value of Payments to Village by Source			If We Do Nothing
TIF	5,170,084	28.2%	3,736,472
Sales Tax	2,464,640	13.4%	-
Business District Sales Tax	826,898	4.5%	-
Places for Eating Tax	2,654,598	14.5%	-
Amusement Tax	4,758,740	25.9%	-
Non-Home Rule Sales Tax	2,464,640	13.4%	-
	18,339,600	100.0%	3,736,472



Net Present Value of Payments to Village by Fund			If We Do Nothing
General Fund	9,877,978	53.9%	-
TIF	5,170,084	28.2%	3,736,472
Business District	826,898	4.5%	-
Capital Projects Fund	2,464,640	13.4%	-
	18,339,600	100.0%	3,736,472



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Hoffman Alpha Omega Development Group LLC– Northern Seminary Property Redevelopment Proposal Preliminary Financial Analysis

Prepared by: Kane, McKenna and Associates, Inc.

Prepared for: The Village of Lombard

December 9, 2020

Hoffman Alpha Omega Development Group LLC– Northern Seminary Property
Redevelopment Proposal
Preliminary Financial Analysis

Table of Contents

EXECUTIVE SUMMARY

Introduction/Background

Hoffman Alpha Omega Development Group LLC (the "Developer") has proposed to redevelop the site of the former Northern Theological Baptist Seminary ("NTBS") located north of Butterfield Road along Maxant Drive (the "Development Site") in the Village of Lombard, Illinois (the "Village").

The Development Site, approximately 27.5 acres, would consist of four (4) distinct components:

1) Lot 1 – Food and Fuel Station, (approximately 3.4 acres) with 13,205 square feet of building space including a gas station, car wash, convenience store, coffee bar and two quick service restaurants (the "Food & Fuel Station Development").

2) Lots 2 and 3 – Golf Social (approximately 10.7 acres) with 122,500 square feet of building space including restaurant, recreational, and entertainment uses (the "Golf Social Development").

3) Lot 4 – Apartments (approximately 5.8 acres) with 400 units situated among four or five buildings (the "Residential Development").

4) Lots 5 to 7 – Village Water Tower and Roadway Dedication (approximately 7.6 acres) (the "Public Property Development").

All four components are collectively referred to as the "Project" or the "Development". The entire Project is currently anticipated to take four to five years, but the Developer has represented that the Development would be implemented in phases, with the actual timing of the execution of each phased component still undetermined.

The Village has asked Kane, McKenna and Associates, Inc. ("KMA") to review the Developer's financial projections and corresponding assumptions to evaluate the need for the requested Development Assistance. While KMA has, preliminarily, analyzed the Project as one single development, KMA will also prepare subsequent analyses of each separate phased component, provided that the Developer provides additional information in order for KMA define the appropriate relative amount of assistance for each phase.

It is important to note that the feasibility of the Development is fundamentally reliant on the Developer's ability to obtain commitments from prospective tenants for the Food & Fuel Station Development and the Golf Social Development, as well as lender financing commitments for the entire Project. The Developer has indicated that its own affiliate entities would develop the Food & Fuel Station Development and the Golf Social Development, however, the Developer has not yet provided lease letters of intent for either component. The Developer has suggested that they will identify a third-party developer to construct the Residential Development. In addition, the Developer has not provided letters of intent or any firm commitment for the financing for any component of the Project.

The Project is located in the Village's Butterfield Yorktown TIF District and Butterfield Road Yorktown Business District No. 2. The Developer has asked the Village to provide approximately $31,500,000 of assistance by financing certain TIF-eligible Project costs as provided in the TIF Act, payable from a portion of the Incremental Property Taxes and from the Village's local share of the State sales taxes, business district sales taxes, places-for-eating taxes, and amusement taxes, all on a pay-as-you-go basis. The Developer is not requesting the Village to directly fund any of the Development Assistance but rather, is requesting promissory note(s) secured solely by the Incremental Property Taxes and by the sales, places-for-eating, and amusement taxes to provide for the payment of the Development Assistance pursuant to a Redevelopment Agreement.

While the provision of Development Assistance requested by the Developer improves projected returns which appear reasonable based on the characteristics of the site and current market conditions, (as described below), the final determination of the most appropriate amount and timing of Development Assistance will require further examination of the independent viability of each individual phased component, along with review of any final lender financing and equity commitments. In the meantime, the Developer has submitted certain Project economic information that KMA relied on for this *preliminary* review, including.

- Project Sources and Uses of Funds
- Revenue Projections and Return Analyses
- Market information related to the residential and commercial components

In addition, the Developer proposed the following Development Assistance parameters:

- Development Assistance Amount: $31,587,400 (20% of total Development costs). The actual amount of TIF Eligible Costs will need to be reviewed with the Village's Bond Counsel and Village Attorney.

- Structure: Developer Note(s) to be secured by an agreed upon portion of Incremental Property Taxes less any allocations for new student or library patron costs (see below). The Incremental Property Tax revenues would be limited to the Developer-owned property and would exclude any other TIF properties.

  The Developer's request for 50% of local share of State sales taxes, places-for-eating taxes, and amusement taxes and 75% of business district sales taxes.

It is important to note that the Village's ten-year incentive policy, if applied to this Project, would be insufficient to yield the $31,587,400 of the Village assistance requested by the Developer. The Developer notes that a longer time period or an increased sharing percentage would have be considered to accomplish this amount of Village assistance.

- Interest Rate: To be determined.

Preliminarily, and in general, the Developer's Project cost estimates appear to be relatively high-level. With the exception of civil engineering and site preparation costs, estimates are based on Developer experience or comparable developments. The Food & Fuel Station Development construction cost estimates are generally higher in comparison to construction cost data for similar facilities, so we assume that the Developer's estimates include contingencies. The Developer has indicated that they sourced these estimates from their own internal data. The Golf Social Development construction/development cost estimates are based upon (i) the Developer's review of development costs for several Top Golf and Drive Shack developments, (ii) the Developer's or related entities' prior experience with developing Moretti's restaurants, banquet facilities and private suites, and (iii) the Developer's internal estimate of costs of constructing a walkway to connect to the Westin Hotel. The Developer should provide additional cost details associated with the commercial and residential components (e.g., offsite and onsite improvements as refined, tenant improvements, marketing costs, etc.).

KMA initially reviewed the entire Project's Developer Return Analysis and its own *initial preliminary* analyses utilizing its own assumptions shown in Exhibit B (the "KMA Initial Adjusted Return Analysis) for the entire Project. After additional discussions with the Developer and clarification on the potential operators of the Food & Fuel Station Development and the Golf Social Development, KMA reviewed revised preliminary analyses utilizing its own revised assumptions in Exhibit C (the "KMA Revised Adjusted Return Analysis"). The analyses are summarized in the below comparison of Developer Return Analysis, the KMA Initial Adjusted Return Analysis and the KMA Revised Adjusted Return Analysis (the "KMA Return Analysis"):

Entire Project	Developer Return Analysis	KMA Initial Adjusted Return Analysis	KMA Revised Adjusted Return Analysis
Total Development Assistance	$31,587,400	$23,000,000	$27,500,000
Discounted Internal Rate of Return (**unleveraged - without** Developer Assistance)	4.60%	6.21%	5.50%
Discounted Internal Rate of Return (**unleveraged - with** Developer Assistance)	7.93%	8.56%	8.37%
Discounted Internal Rate of Return (**leveraged - without** Developer Assistance)	6.10%	10.22%	8.50%
Discounted Internal Rate of Return (**leveraged - with** Developer Assistance)	15.60%	15.54%	15.86%

The Discounted Internal Rate of Return (IRR) is based on a calculation that discounts project cash flows to the initial investment (as reduced by any Development Assistance) and solves for a time-adjusted return on the equity investment (both using debt financing as leverage and equity only financing) assuming a sale of the Development in the tenth year.

KMA made the following initial adjustments to the Developer's revenue assumptions with respect to the KMA Initial Adjusted Return Analysis:

(i) increased the residential rental rates from $2.32 per square foot by 2.5% annually for two years to reflect a stabilized residential rental rate of $2.42 per square foot. upon initial completion of construction of the Residential Development in 2024;

(ii) a decrease in the capitalization rate used to determine the sale price of the Residential Development from 5.5% to 5% and the capitalization rate used to determine the sale price of the Food & Fuel Development and the Golf Social Development from 7% to a weighted average 6.25% (5.5% for the Food & Fuel Development and 6.5% for the Golf Social Development) to also reflect the assumptions that are believed to be more comparable to the market.

(iii) A decrease in the cost of sale from 3% of sale price to 2% as would be projected to be the cost of a sale for a development of this magnitude.

Based on the initial information provided by the Developer, especially the Developer's required rates of return shown above and KMA's adjustments to the Development assumptions reflected in the KMA Initial Adjusted Return Analysis, it was KMA's preliminary opinion that the Development Assistance necessary to achieve sufficient rates of return for the Developer is $23,000,000. Accordingly, an $8,500,000 reduction in Village assistance could be appropriate – <u>holding all other Development variables constant</u>.

After additional discussions and additional information having been provided by the Developer, KMA made the following revised adjustments to the Developer's revenue assumptions with respect to the KMA Revised Adjusted Return Analysis:

(i) increased the residential rental rates from $2.32 per square foot by 2.5% annually for two years to reflect a stabilized residential rental rate of $2.42 per square foot. upon initial completion of construction of the Residential Development in 2024;

(ii) a decrease in the capitalization rate used to determine the sale price of the Residential Development from 5.5% to 5.25% believed to be a more comparable to the market and with the capitalization rate used to determine the sale price of the Food & Fuel Development and the Golf Social Development to remain at 7% to also reflect the assumptions that the Food & Fuel Development and the Golf Social Development would be operated by an entity that was not a regional or national operator of such businesses but rather entities that are affiliated to the Developer.

(iii) A decrease in the cost of sale from 3% of sale price to 2% as would be projected to be the cost of a sale for a development of this magnitude.

The credit of the tenant/operator generally would have an impact on the capitalization rate that is used in a return analysis with the credit profile of a regional or national tenant/operator generally viewed as more favorable than a local tenant/operator and therefore leading to lower a lower capitalization rate required by the investment market. An additional important consideration in evaluating the Developer request for assistance is the assumption that the Food & Fuel Development and the Golf Social Development will be operated by entities affiliated with the Developer rather than a regional or national operator of such businesses.

In the absence of appraisal or market data that supports the Developer's assumptions, the revised amount of Developer Assistance identified in the KMA Revised Adjusted Return Analysis would appear to be reasonable.

Although, preliminarily, $27,500,000 of assistance appears to be justified (based on the data submitted to date and subject to further review of Project assumptions), the structure and final amount of assistance are difficult to solidify at this time. Accordingly, an approximately $4.000,000 reduction in Village assistance could be appropriate – holding all other Development variables constant. Some policy guidance relating to the level of risk that the Village is willing to undertake as part of the Development implementation would be useful toward this end, as well as additional Developer details regarding Project costs.

The Village may decide to request independent appraisals regarding future valuations, independent estimates of cost for site preparation or other components, and independent market studies regarding rents and absorption, either from the Developer or from third-parties. This information may be utilized to determine the reasonableness of the Developer's assumptions and the need for Development Assistance.

As stated earlier, the phasing of the Project is an important consideration in evaluating the Developer's request for assistance. For example, the Developer projects that 85% of the gap funding assistance is required for Lots 1 – 3 (Food & Fuel, Golf Social), with Lots 4 – 7 representing the remaining 15% of the gap. The largest proportion of the incremental property taxes generated by the Project, however, are expected to be generated by the residential component, so that the relative Project component proportions of the financial gap are significantly misaligned with the relative proportions of the Project component revenues to be generated to address the gap.

Since the Project structure is "pay-as-you-go", the risk for repayment will be on the Developer. To the extent that the Village wants to ensure completion of all phases of the Project, however, then different mechanisms related to the approval of incentives for each component can be explored by the Village and its attorneys. As further discussions with the Developer and Village continue, the analysis and incentive structure are expected to be refined as further Project economic and other information is updated or revised.

Overall, the Village's next steps might include the preparation of a terms sheet that expands upon the points summarized above. The terms sheet would outline the Village's expectations, Developer performance requirements, and other business points in order to move toward a redevelopment agreement between the parties. This process could parallel any entitlement/planning reviews required by the Village. Additional considerations for the Village can be found in Section 5 of this report.

I. INTRODUCTION

Hoffman Alpha Omega Development Group LLC or entities formed by it (the "Developer" or "Hoffman AODG") has proposed to redevelop the site of the former Northern Theological Baptist Seminary ("NTBS") facility located north of Butterfield Road along Maxant Drive (the "Development Site") in the Village of Lombard, Illinois (the "Village").

The Development Site (approximately 27.5 acres) would consist of four (4) distinct components:

5) Lot 1 – Food and Fuel Station, (approximately 3.4 acres) with 13,205 square feet of building space including a gas station, car wash, convenience store, coffee bar and two quick service restaurants (the "Food & Fuel Station Development").

6) Lots 2 and 3 – Golf Social (approximately 10.7 acres) with 122,500 square feet of building space including restaurant, recreational, and entertainment uses (the "Golf Social Development").

7) Lot 4 – Apartments (approximately 5.8 acres) with 400 units situated among four or five buildings (the "Residential Development").

8) Lots 5 to 7 – Village Water Tower and Roadway Dedication (approximately 7.6 acres) (the "Public Property Development").

All four components are collectively referred to as the "Project" or "Development". While the entire Project is currently anticipated to take four to five years, the Developer has represented that the Development would be implemented in phases, and the actual timing of execution of each phased component remains under discussion. Accordingly, KMA will analyze the Project not only in its entirety, but also as separately phased components; however, the Developer will need to provide additional information in order for KMA define the appropriate relative amount of assistance for each phase.

The Project is located in the Village's Butterfield Yorktown TIF District and Butterfield Road Yorktown Business District No. 2. The Developer has asked the Village to provide approximately $31,500,000 of assistance by financing certain TIF-eligible Project costs as provided in the TIF Act, payable from a portion of the Incremental Property Taxes and from the Village's taxes, places-for-eating taxes, and amusement taxes, all on a pay-as-you-go basis. The Developer is not requesting the Village to directly fund any of the Development Assistance but rather, is requesting promissory note(s) secured solely by the Incremental Property Taxes and by the sales, places-for-eating, and amusement taxes to provide for the payment of the Development Assistance pursuant to a Redevelopment Agreement.

The Village has asked Kane, McKenna and Associates, Inc. ("KMA") to review the Developer's financial projections and corresponding assumptions to evaluate the need for the requested Development Assistance. It is important to note, however, that the feasibility of the Development is fundamentally reliant on the Developer's ability to obtain commitments from prospective tenants for the Food & Fuel Station Development and the Golf Social Development, as well as lender financing commitments for the entire Project. The Developer has indicated that its own affiliate entities would develop the Food & Fuel Station Development and the Golf Social Development, however, the Developer has not yet provided lease letters of intent for either component. The Developer has suggested that they will identify a third-party developer to construct the Residential Development. In addition, the Developer has not provided letters of intent or any firm commitment for the financing for any component of the Project.

While the provision of Development Assistance improves projected returns which appear reasonable based on the characteristics of the site and current market conditions, (as described below), the final determination of the most appropriate amount and timing of Development Assistance requires further examination of the independent viability of each individual phased component, along with review of any final lender financing and equity commitments. In the meantime, the Developer has submitted certain Project economic information for KMA's review, including.

- Project Sources and Uses of Funds
- Revenue Projections and Return Analyses
- Market information related to the residential and commercial components

II. PROJECT SUMMARY

Total Estimated Development Budget:	$159,054,000
Estimated Budget by Component:	
- Lot 1 Food and Fuel	$15,714,000
- Lots 2-3 Golf Social	$50,497,000
- Lot 4 Residential	$90,359,000
- Lots 5-7 Open/Public	$ 2,484,000 Note: Developer should break out costs for each Lot 5,6 & 7 with respective Lot line items
Development Site:	Former NTBS Property (approximately 27.5 Acres Lots 1 to 7
Proposed Commercial Development:	136,500 sq. ft. (Lots 1 to 3)
Proposed Residential Development:	400 Apartments (Lot 4)
Public/Open Space	7.6 Acres (Lots 5 to 7)

The Developer intends to develop Lots 1 to 3 and Lots 5 to 7 and would fund development costs with equity and/or sources of debt financing available to the Developer. Lot 4, or the Residential Development, is expected to be developed separately.

III. SUMMARY OF ESTIMATED DEVELOPMENT COSTS AND REQUESTED ASSISTANCE

A. Summary

Development Assistance Amount:	$31,587,400 (20% of total Development costs). The actual amount of TIF Eligible Costs will need to be reviewed with the Village's Bond Counsel and Village Attorney.
Structure:	Developer Note(s) to be secured by an agreed upon portion of Incremental Property Taxes less any allocations for new student or library patron costs (see below). The Incremental Property Tax revenues would be limited to the Developer-owned property which excludes any other TIF properties. The Developer's request for local sales taxes, places for eating taxes and amusement taxes assuming a 50/50 sharing. **It is important to note that Village's ten (10) year incentive policy, if applied, would not result in the Village assistance of $31,587,400 as requested by the Developer. The Developer notes that a longer period or different sharing percentage would be needed to be considered.**
Interest Rate:	To be determined based on Developer and Village input

The actual allocation of pledges of Incremental Property Taxes and Other Taxes to specific notes is yet to be determined, as is the structure of financing (e.g., multiple notes).

B. Estimated Developer Costs

Exhibit A includes the projected Sources and Uses for the Project. Kane, McKenna reviewed the projected costs in relation to industry averages as well as its own file material.

As mentioned below, the Developer's estimates appear to be relatively high-level at this point and would need to be supplemented with additional detail as to certain costs associated with both the residential and commercial components (e.g., offsite and onsite improvements as refined, tenant improvements, marketing costs, etc.).

The overall Food & Fuel Station Development construction cost estimates are generally higher in comparison to ranges of comparable construction cost information, so we assume that the estimates include contingencies. More detailed information is required to refine this estimate as the Project assumptions continue to be reviewed by the Developer. The Developer has indicated that they are the source of the estimates. The Golf Social Development construction/development cost estimates are based upon (i) the Developer's review of development costs for several Top Golf and Drive Shack developments, (ii) the Developer's or related entities prior experience with developing Moretti's restaurants, banquet facilities and private suites, and (iii) the Developer's internal estimate of costs of constructing a walkway to connect to the Westin Hotel.

Preliminary Cost Analysis

	Item	Amount	Comments
1)	Land Acquisition	$9,000,000	Based on the option to owner- will need to confirm. The property is unique in that it is a large tract under single ownership located at a desirable location. However, there are significant site preparation costs present. This acquisition cost does not reflect proceeds (TBD) from the Village's purchase of Lot 7 – this will have to be considered in finalizing the incentive amount
2)	Soft Costs	N/A	These costs were included in the Vertical Construction and at this time no further details have been provided.
3)	Demolition Costs and Site Work The Developer indicated that preliminary engineering was utilized in the estimates attached to their submission.(earthwork)	$2,256,402 (demolition) $4,671,841	Village Staff should review the basis for costs. These costs represent 22% of Horizontal Costs. Pursuant to past practice, Village staff will meet with the Developer to review both reasonableness of cost estimates and TIF cost eligibility
4)	Other Horizontal Costs (combined with 3) above) equals $30,689,229 for total Horizontal Costs.	$2,096,310 (Pavement) $5,416,030 (Utilities) $10,110,798 (Soil Conditions/Misc.) $6,137,846 (contingency and fees)	Over $5,400,000, or18%, of total Horizontal Costs are attributed to infrastructure – Village staff should review. The Developer's engineer's estimates $6,000,000 or 20% of Horizontal Costs to be allocated for structural supports due to soil conditions.

5)	Hard Costs – Vertical Construction	$7,391,000 (fuel station) $28,752,000 (Golf Social) $83,530,000 (Residential) $ no allocation (open/public)	Hard costs are fairly high-level. Costs may change depending on final user requirements and final engineering. Cost estimates are based on comparable developments or Developer experience.

The following items are not addressed to date:

- pre-leasing of commercial space supported by letters of intent,
- any provision of preliminary financing terms/interest
- the Developer indicates that an affiliate company, Ala Carte Entertainment, *could* be the end user and owner/sponsor of the non-residential users – this should be confirmed,
- identity of the residential developer,
- acquisition land appraisal or contract
- any appraisal information or residential market study, and
- acceptable general contractor and contract approved by the lender or Developer'

Since the residential component of the Project is a disproportionate source of the Project's tax generation, the Village should identify phasing or "what if "scenarios associated with the build-out of lots targeted by the Developer for earlier development and their corresponding incentive amounts, including structuring incentive payments for the initial lots based upon actual commitments for all lots to be developed.

C. Return Analysis

The Developer provided a preliminary investment return analysis based on its own Development Budget and operating revenue and expense assumptions for the entire Project (included in Exhibit A) (the "Developer Return Analysis"). This Developer's return analysis can be modified to reflect phasing of the Project components, depending on the Developer's provision of tenant/user and financing commitments, and other economic information.

It is important to note that the Developer's projections allocate most of the Horizontal Costs to Lots 1, 2, and 3 (the Food & Fuel Development and Golf Social Development); yet, the ability of the Developer to be paid the incentive will be largely dependent upon the build out of Lot 4 – the Residential Development.

The land allocations appear to be based on acreage by pro rata share, but this methodology is not applied to the Horizontal Costs. This may be due, in part, to soils conditions remediation and upfront road improvements that will benefit the entire site.

The Developer has not provided a market study with respect to the Food & Fuel Development or the Golf Social Development. Furthermore, no formal residential market study was provided by the Developer with respect to the Residential Development. The Developer's consultant, Gruen Gruen & Associates, identified several comparable projects, but a residential developer is still to be selected.

The proposed returns for each phased component are discussed in the Developer's submission, with the Golf Social Development requiring the highest relative return due to risk.

KMA initially reviewed the entire Project's Developer Return Analysis and its own *initial preliminary* analyses utilizing its own assumptions shown in Exhibit B (the "KMA Initial Adjusted Return Analysis) for the entire Project. After additional discussions with the Developer and clarification on the potential operators of the Food & Fuel Station Development and the Golf Social Development, KMA reviewed revised preliminary analyses utilizing its own revised assumptions in Exhibit C (the "KMA Revised Adjusted Return Analysis"). The analyses are summarized in the below comparison of Developer Return Analysis, the KMA Initial Adjusted Return Analysis and the KMA Revised Adjusted Return Analysis (the "KMA Return Analysis"):

Entire Project	Developer Return Analysis	KMA Initial Adjusted Return Analysis	KMA Revised Adjusted Return Analysis
Total Development Assistance	$31,587,400	$23,000,000	$27,500,000
Discounted Internal Rate of Return (**unleveraged - without** Developer Assistance)	4.60%	6.21%	5.50%
Discounted Internal Rate of Return (**unleveraged - with** Developer Assistance)	7.93%	8.56%	8.37%
Discounted Internal Rate of Return (**leveraged - without** Developer Assistance)	6.10%	10.22%	8.50%
Discounted Internal Rate of Return (**leveraged - with** Developer Assistance)	15.60%	15.54%	15.86%

The Discounted Internal Rate of Return (IRR) is based on a calculation that discounts cash flows to the initial investment for the *entire* Project (as reduced by any Development Assistance) and solves for a time adjusted return on the equity investment (both using debt financing as leverage and equity only financing) assuming a sale of the Development in the tenth year. This analysis can be broken out into phases/components, as indicated in the Developer's request depending upon the timing of the development of the Project components. An analysis of phased Project development will require detailed information about the Developer's financing and carrying costs, and other potential expenses associated with phasing.

The Developer Returns are based upon the Developer's cost assumptions, projected rentals and operating costs, and capitalization rates which assumes a sale in the tenth year (which would be refined as lender/equity investor review continues). The capitalization rate equates future Development income to current market value in order to determine if the Development provides a certain level of return to investors. The returns with the Village assistance are within typical ranges of investor/lender requirements, especially for the special use Golf Social component (which requires a higher return due to perceived market risk). It is our understanding that most typical unleveraged and leveraged returns would be in the range of 7% to 10% and 15% to 20% respectively, but this can vary based upon tenant credit quality and location.

The KMA Initial Adjusted Returns and the KMA Revised Adjusted Returns are also based on the Developer's cost, operating cost and capitalization rate assumptions, with KMA's adjustments to the projected rental rate, operating costs and capitalization rate assumptions, together with KMA's decrease in the Development Assistance as described above. Additional examination of the Developer Return Analysis, the KMA Initial Adjusted Return Analysis and KMA Revised Adjusted Return Analysis should be made based on:

(i) further evaluation of the Developer's justification of the development budget, the development timeline (i.e. phasing of development) and the development financing structure (including assumed financing terms),

(ii) additional information provided by market studies that are to be undertaken by the Developer,

(iii) Developer's justification of the commercial rental rate assumptions used to determine revenues generated by the Food & Fuel Development and the Golf Social Development,

(iv) Developer's justification of the capitalization rates based on the assumption that the operators of the Food & Fuel Development and the Golf Social Development are affiliates of the Developer rather than higher rated regional or national operators used to determine the sale price of the development as used in determining the discounted internal rates of return, and

(v) further analysis of necessary School Payments (as such term is hereinafter defined) and Library Payments (as such term is hereinafter defined).

The Village may further decide to request (from the Developer or at Village direction) independent appraisals regarding future valuations, independent estimates of cost for site preparation or other components, and independent market studies regarding rents and absorption. This information may be utilized to determine the reasonableness of Developer assumptions and the need for Development Assistance. In addition, the Project review may also be divided into phases for each Project component.

KMA made the following initial adjustments to the Developer's revenue assumptions with respect to the KMA Initial Adjusted Return Analysis:

(i) increased the residential rental rates from $2.32 per square foot by 2.5% annually for two years to reflect a stabilized residential rental rate of $2.42 per square foot. upon initial completion of construction of the Residential Development in 2024;

(ii) a decrease in the capitalization rate used to determine the sale price of the Residential Development from 5.5% to 5% and the capitalization rate used to determine the sale price of the Food & Fuel Development and the Golf Social Development from 7% to a weighted average 6.25% (5.5% for the Food & Fuel Development and 6.5% for the Golf Social Development) to also reflect the assumptions that are believed to be more comparable to the market.

(iii) A decrease in the cost of sale from 3% of sale price to 2% as would be projected to be the cost of a sale for a development of this magnitude.

Based on the initial information provided by the Developer, especially the Developer's required rates of return shown above and KMA's adjustments to the Development assumptions reflected in the KMA Initial Adjusted Return Analysis, it was KMA's preliminary opinion that the Development Assistance necessary to achieve sufficient rates of return for the Developer is \$23,000,000. Accordingly, an approximately \$8,500,000 reduction in Village assistance could be appropriate – holding all other Development variables constant.

After additional discussions and additional information having been provided by the Developer, KMA made the following revised adjustments to the Developer's revenue assumptions with respect to the KMA Revised Adjusted Return Analysis:

(i) increased the residential rental rates from \$2.32 per square foot by 2.5% annually for two years to reflect a stabilized residential rental rate of \$2.42 per square foot. upon initial completion of construction of the Residential Development in 2024;

(ii) a decrease in the capitalization rate used to determine the sale price of the Residential Development from 5.5% to 5.25% believed to be a more comparable to the market and with the capitalization rate used to determine the sale price of the Food & Fuel Development and the Golf Social Development from to remain at 7% to also reflect the assumptions that the Food & Fuel Development and the Golf Social Development would be operated by an entity that was not a regional or national operator of such businesses but rather entities that are affiliated to the Developer.

(iii) A decrease in the cost of sale from 3% of sale price to 2% as would be projected to be the cost of a sale for a development of this magnitude.

The credit of the tenant/operator generally would have an impact on the capitalization rate that is used in a return analysis with the credit profile of a regional or national tenant/operator generally viewed as more favorable than a local tenant/operator and therefore leading to lower a lower capitalization rate required by the investment market. An additional important consideration in evaluating the Developer request for assistance is the assumption that the Food & Fuel Development and the Golf Social Development will be operated by entities affiliated with the Developer rather than a regional or national operator of such businesses.

In the absence of appraisal or market data that supports the Developer's assumptions, the revised amount of Developer Assistance identified in the KMA Revised Adjusted Return Analysis would appear to be reasonable.

Although, preliminarily, $27,500,000 of assistance appears to be justified (based on the data submitted to date and subject to further review of Project assumptions), the structure and final amount of assistance are difficult to solidify at this time. Accordingly, an approximately $4.000,000 reduction in Village assistance could be appropriate – holding all other Development variables constant. Some policy guidance relating to the level of risk that the Village is willing to undertake as part of the Development implementation would be useful toward this end, as well as additional Developer details regarding Project costs.

Follow up considerations:

- The actual returns will be significantly impacted by the ultimate construction budget and the actual rental rates for the Development. To date, the Developer has not provided a market study or actual tenant commitments to support the retail rental rates. Furthermore, the Developer has indicated a portion of the Golf Social Development would generate rental rates of $28 per square foot, which rate is not reflected in the Golf Social Development rental rate.

- The Village will not have any ability to adjust the Development Assistance in the event that construction costs are less than estimated by the Developer or rental rates are greater than the Developer's forecast.

- In the event only a portion of the Development is constructed, decreases in the Developer Assistance, or phasing of the Developer Assistance, may be necessary in order to achieve a similar level of return on investment.

- The Village's review is further dictated by its Economic Incentive Policy (EIP) and appropriate parameters.

D. Project Revenue Review

As stated above, no letters of intent from prospective commercial tenants were made available for review at the time of this report. The Developer indicates that Lots 1 to 3 are part of their 'core' business and they would be responsible for implementation of this Project component through affiliate companies occupying or leasing the components. It is important to note that these representations are based on preliminary discussions with tenants/users, and that other provisions (relating to term, extensions, tenant improvements, co-tenancy, etc. as stated above) remain to be negotiated.

The Village should consider the impacts of any retail user relocations from other sites within the Village to the Development Site. It is our understanding that the Village has considered certain policies relating to sales tax incentives and these would need to be reviewed in this case as well.

Summary

A more accurate assessment of the market would be possible with the provision of a residential market study and Letters of Intent (LOIs) relating to the commercial uses.

Although, preliminarily, some amount of assistance appears to be justified (based on the data submitted to date and subject to further review of Project assumptions), the structure and final amount of assistance are difficult to solidify at this time. Some policy guidance regarding the level of risk that the Village is willing to undertake as part of the Development implementation would be useful toward this end. A review of this process is found in the next section.

IV. Preliminary Village Financing Questions

Given the calculated ranges of the Project "gap" as described above, the Village has several policy decisions to make regarding its review of the Project "gap" and the application of its economic policy to this request for assistance. The Village is considering deploying 75% of the following Development tax revenue sources as part of the funding for the Development gap:

- Tax Increment Financing (TIF)
- Business District (BD) Sales Tax (1%)

and 50% of the following Project revenue sources as part of the funding for the Development gap:

- Local Distributive Share of the State Sales Tax (1% Village sales tax).
- Amusement Tax (5%)
- Places-for-Eating Tax (2%)

The Developer's proposal also includes an interest component to be determined, accruing on the unpaid balance of the gap amount. Preliminary review by Village staff indicates that the Village's policy of 50/50 sharing over a 10-year period would likely be <u>inadequate</u> to fund either the lower or higher range of the gap, unless either the sharing percentage to the Developer were to be increased and/or the term increased.

Preliminary observations regarding the proposed revenue flows are found below:

a) 65% of the Incremental Property Taxes (even after allocation for student payments pursuant to the TIF Act) constitute over 50% of all pledged revenues.

b) The 1% local distributive share of the State sales tax, the 1% business district sales tax, 5% amusement tax, and 2% places-for eating-tax represent ____% to ____% of the pledged taxes; however, the analysis projects that the Residential Development, alone, would generate almost 80% of the revenues to provide for the Development Assistance.

The Developer has requested a "pay-as-you-go" structure, which is performance-based and is generated by Project components that are built and then pay taxes – as a result there is no upfront risk borne by the Village.

As part of the Village's further review and negotiations regarding the deal structure, KMA recommends that the Village further define:

a) triggers for interest accrual (if utilized);
b) amount of incentive and allocation by phase;
c) term of incentive(s);
d) sharing percentages by revenue source;
e) standards/criteria for completion of construction by phase (percentage leased or occupied);
f) benchmark timelines for completion of construction;
g) provisions for default or other non-compliance; and
h) claw-backs or penalties.

The phasing component of this project is important, since the Developer projects that 85% of the gap funding is required for Lots 1 – 3 (Food & Fuel, Golf Social). Lots 4 – 7 represent the remaining 15% of the gap. As noted above, however, the largest proportion of the incremental property taxes are expected to be generated by residential component, so that the relative project component proportions of the gap are significantly misaligned with the relative proportions of the project component revenues to be generated to address the gap.

An additional important consideration in evaluating the Developer request for assistance is the assumption that the Food & Fuel Development and the Golf Social Development will be operated by entities affiliated with the Developer rather than a regional or national operator of such businesses.

Since the Project structure is "pay-as-you-go", the risk for repayment will be on the Developer. To the extent that the Village wants to ensure completion of all phases of the Project, however, then different mechanisms related to the approval of incentives for each component can be explored by the Village and its attorneys.

Overall, policy review for next steps may include preparing a terms sheet that expands upon the points as summarized above. The terms sheet would outline the Village's expectations, Developer performance requirements, and other business points in order to move toward a redevelopment agreement between the parties. This process could parallel any entitlement/planning reviews required by the Village.

V. VILLAGE FOLLOW-UP QUESTIONS

In the event that the Village pursues a terms sheet, including the conformance of Developer Project sources and uses of funds to financing and leasing commitments, the Village's assistance could be based upon the rate of return analyses reviewed above. Some additional follow-up questions for the Village's consideration in determining the final amount and terms of public assistance are identified below.

1) As stated previously, a key question is whether the Village is willing to use TIF incentives or other Village assistance taxes for the improvements identified by the Developer? The Village's review of the incentive request will also be dictated by the Village's existing EIP. Discussion of changes to existing policy parameters can be subject to further review by the Village.

   As further discussion with the Developer and the Village continue, it is expected that the analysis herein and the incentive structure, will be refined as Project information is updated or revised.

2) Project cost analyses are based on the Developer's data and this information is still in preliminary, with certain details not yet provided. There are still additional information and documentation to be provided, such as financing commitments and:

   (a) information regarding the Residential Developer;
   (b) conditions relating to funding requirements, including market analyses for both the commercial and residential components;
   (c) matching financing commitments to actual project structure (retail and residential); and
   (d) updated pro formas in order to identify revenues to be received by the Developer or amounts to investors.

   If the Village and the Developer work toward the preparation of a redevelopment agreement once basic terms are worked out, then such an agreement should include any Village conditions for approval and utilization of its pledged revenue sources, as well as other requirements relating to Developer performance or Project implementation. The Village should satisfy itself that these requirements offer the Village adequate protection and enable the delivery of the Project components as represented by the Developer.

3) Will the Village require an "open book" review in order to monitor project costs, revenues, and returns; with adjustments to the Village Assistance if costs are lower, or if revenues or returns are higher than projected? The village could require final cost estimates, final engineering costs, or final subcontracts concurrent with an agreed upon reimbursement schedule.

4) Will the Village independently review site preparation costs including assessment of the need for infrastructure, roadway, and soils related cost items? We expect that this will be done consistent with the Village's past practices.

5) Are there other Village services or costs attributable to the Project? What other reimbursable costs/fees does the Village need to consider as part of its evaluation?

EXHIBIT A

Development Return Analysis (Developer)

RESPONSE TO VILLAGE QUESTIONS ABOUT HOFFMANN PLANNED DEVELOPMENT APPLICATION, FINANCIAL FEASIBILITY, AND INCENTIVE REQUEST

Memorandum to

VILLAGE OF LOMBARD

AND

KANE MCKENNA & ASSOCIATES

From

GRUEN GRUEN + ASSOCIATES

Urban Economists, Market Strategists & Land Use/Public Policy Analysts

August 2020

C1544

RESPONSE TO VILLAGE QUESTIONS ABOUT HOFFMANN PLANNED DEVELOPMENT APPLICATION, FINANCIAL FEASIBILITY, AND INCENTIVE REQUEST

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August 2020

APPLYING KNOWLEDGE
CREATING RESULTS
ADDING VALUE

TABLE OF CONTENTS

LIST OF TABLES

MEMORANDUM

Date:	August 28, 2020
To:	William Heniff, Village of Lombard
	Robert Rychlicki, Kane McKenna & Associates, Inc
cc:	Hoffmann Alpha Omega Development Group
From:	Gruen Gruen + Associates
Subject:	**Hoffmann AODG Planned Development – Responses to Village Questions and Summary of Request/Need for Financial Incentive**

Gruen Gruen + Associates ("GG+A") was engaged by the Hoffmann Alpha Omega Development Group LLC ("Hoffmann AODG") to evaluate the financial feasibility of its proposed redevelopment of the 27.5-acre Northern Seminary property into a mixed-use project in the Village of Lombard. Hoffmann AODG recently submitted a Planned Development application for the proposed redevelopment. GG+A has been asked to prepare this memorandum on behalf of Hoffmann AODG to respond to questions regarding the proposed development program, expected development costs and land economics, the need for financial assistance, and the nature of incentives requested to provide that assistance. These questions were originally outlined in an email correspondence dated December 27, 2019 from William Heniff.

This memorandum responds to those items and questions in the order they were presented. It is organized into the following sections and attachments:

- Clarification on "Overall Items" outlined by the Village and its representatives;
- Responses to "Specific Items" and questions;
- Attachment A - updated financial feasibility analysis;
- Attachment B - opinion of probable cost for site preparation and onsite improvements; and
- Attachment C – letter from seller confirming price and terms of purchase contract.

CLARIFICATION TO "OVERALL ITEMS"

1. The documents reference upfront funding. We have represented in the past that our Economic Incentive Policy (EIP) which speaks to "performance based incentives" as well as "the Village gets paid first". To that end, we will need to understand if the GGA report is opining on potential upfront contributions as a prerequisite or whether this is an item for future discussion.

Hoffmann AODG is not requesting that the Village issue any revenue or general obligation bonds to finance the feasibility gap associated with the proposed development. The prior feasibility analysis and reference to "upfront" funding was simply stating the estimated size of the feasibility gap in present value dollars. Hoffmann AODG is requesting pay-as-you-go incentives and would arrange to monetize the anticipated revenue streams to bridge the estimated feasibility gap. The following public revenue sources are requested to be available to incentivize the development:

- Property tax increment generated by the improved land and buildings (within the existing Butterfield Yorktown TIF) of approximately $1.25 million per year after build-out or approximately $13 million over 10 years;
- Local home rule sales tax and local food and beverage tax generated by the proposed Golf Social use and proposed "Food & Fuel" outlot of approximately $450,000 per year or $4.5 million over 10 years assuming a 50-50 sharing; and
- Local amusement tax generated by the Golf Social use of approximately $500,000 per year or $5 million over 10 years assuming a 50-50 sharing.

Incentives would need to be made available for longer than 10 years, or at a reimbursement/sharing rate greater than 50/50, to meet the total feasibility gap. Hoffmann AODG also requests that the Village agree to an interest-bearing TIF note on the incremental property tax revenues. Specific parameters for a TIF note are not proposed at this time and will depend upon the allocation of increment and duration/term that is acceptable to the Village.

The Hoffmann AODG team is aware of existing Village policies regarding its use and provision of economic development incentives and is not seeking an upfront capital contribution from the Village.

2. The incentive request being initially sought could be around $35,000,000. In our meeting you noted that this figure could change as more information becomes available. If you have more information, feel free to share it with us through KMA.

An updated financial feasibility analysis completed by GG+A is appended to this memorandum (Attachment A). Preliminary civil engineering plans have now been completed for the Planned Development Application along with an accompanying cost estimate for land development (including demolition, earthwork, soil stabilization, public utilities and roadways, etc.), which are reflected in the updated feasibility analysis.

In short, the anticipated property acquisition and land development costs (demolition, site preparation, onsite improvements, etc.) still greatly exceed supportable land values for the proposed uses. The size of the overall feasibility gap has not materially changed. It is conservatively estimated at about $32.4 million (in entirety). Hoffmann AODG is potentially willing to accept a below-market "discount rate" on pay-go incentive revenue reimbursements and/or accept below-market equity returns on the vertical developments that it and its affiliates intend to own and operate (the Golf Social and Food and Fuel uses) in order to make the redevelopment of the property feasible.

The response to Item #6 below further addresses the feasibility gap by land use.

3. The Village will undertake a review of the incentive request relative to other obligations including but not limited to a previous agreement associated with the LPFC property, other pending economic incentive requests and any School District/Library District obligations. Further discussions with your team will be valuable in this regard.

The Hoffmann AODG team is available to discuss as and when appropriate.

4. As we get into specifics, we will need more detail relative to the project(s) to determine whether the incented elements will meet the provisions of the state's TIF provisions for eligible expenses (65 ILCS 5/11-74.4-1 through 11-74.4-11).

Based primarily on the budgeted expenditures for onsite improvements and site preparation, in addition to the contract purchase price for the property ($9 million), we conservatively estimate that at least $38 million in development costs would be potentially eligible for TIF reimbursement. These costs relate to the property acquisition, site demolition and preparation, public infrastructure improvements (e.g., roadways, utilities), soft costs, and financing costs. (Note the soft and financing costs estimates are only for the land development phase; and are not associated with any vertical building improvements). Table 1 summarizes the estimate.

TABLE 1: CONSERVATIVE ESTIMATE OF TIF-ELIGIBLE EXPENSES

Item	TIF-Eligible
Land Acquisition	$9,000,000
Onsite Improvements & Site Preparation (Hard Cost)	$23,651,000
Offsite Roadway Improvements (Contingency)	$600,000
Land Development Soft Costs [1]	$4,622,000
Land Development Financing (30% Factor)	$279,000
TOTAL	**$38,152,000**

[1] Conservatively excludes any developer/project management fee.

Sources: Hoffmann AODG; Caldwell Engineering; Gruen Gruen + Associates.

Potential TIF-eligible expenses could exceed $40 million if professional service fees (e.g., architectural and engineering) and marketing expenses to construct and absorb the vertical building improvements are considered. The Hoffmann AODG development team, however, recognizes that future property tax increment generated by, and available to, the project within the lifespan of the existing TIF may not be sufficient to capitalize ± $40 million of TIF-eligible expenses.

5. The Village will be developing economic incentive policies associated with the recently established Butterfield Road Yorktown Business District - we will keep you informed on this effort as it materializes.

We are available to be briefed on these policies.

6. In the GGA report, the feasibility analysis and gap is based upon the project in its entirety. You noted your primary focus is from the sports/entertainment use and phased approaches. To that end, have you looked at the incentive request(s) based upon each anticipated phase of the development for each of the three distinct land uses? This may of value as we try to understand the various project components, timing matters, financial projections and the like. As this project will take some time, such efforts may be of value to Hoffmann and the Village, particularly as it pertains to the incentive need.

As noted previously, an updated feasibility analysis is appended to this memorandum (see Attachment A). It reviews the land economics and financial feasibility of the proposed development program in totality and by individual land use. As Table 2 summarizes, most of the feasibility gap is associated with the Golf Social and Commercial outlot ("Food & Fuel") uses.

TABLE 2: ESTIMATED FEASIBILITY GAP BY LAND USE

	Lot 1 Food & Fuel	Lots 2-3 Golf Social	Lot 4 Residential	Lots 5-7 [1] Public	TOTAL
Residual Land Value [2]	$619,812	$1,774,646	$4,563,794	$0	$6,958,253
Land Acquisition Cost	($1,111,769)	($3,498,330)	($1,906,309)	($2,483,592)	($9,000,000)
Land Development Cost [3]	($7,211,252)	($18,246,582)	($4,923,368)	$0	($30,381,201)
Feasibility Gap	**($7,703,208)**	**($19,970,266)**	**($2,265,883)**	**($2,483,592)**	**($32,422,949)**

[1] Pro-rated land acquisition cost for 7.6 acres (internal roadways, wetlands, and water tower site dedication).

[2] Residual land values for improved lots/pads. See Table A-5 (page 22) of Attachment A for a description and estimate of the improved land values.

[3] Estimate does not include any contingency or profit.

Sources: Hoffmann AODG; Caldwell Engineering; Gruen Gruen + Associates.

The residual land value of the four developable lots is estimated to total approximately $7.0 million. This represents the supportable value for entitled and improved development pads (i.e., finished land). The total finished land value equates to approximately $8.00 per square foot of land (Lots 1 through 4 represent a total usable land area of about 20 acres).

However, the total cost to acquire and improve the site to a condition permissible for the proposed vertical/building developments is estimated at just under $40 million. Therefore, the feasibility gap is approximately $32.4 million. (This is a conservative estimate as no profit margin or "return" on land development is factored into the comparison).

The gap for the Golf Social use is particularly large given an extraordinary cost of approximately $6 million related to structural soil stabilization.

7. The analysis does not contemplate or discuss the possible acquisition of up to one acre of land for a public water tower facility. This will need to be vetted later in our discussions.

Lot 7 of the Planned Development Application identifies a site containing 30,716 square feet of land that will be dedicated to the Village to construct a water tower facility.

8. As previously noted, capital improvements that may be ultimately dedicated to the Village can be easier to understand and justify publicly. As we get deeper into the figures, we may want/need to break out the requests in this regard.

Some of the "public" capital improvements are identified in response to Item #4 above. Table 3 presented in the following section of this memorandum also summarizes a detailed cost estimate associated with land development and onsite improvements. At a minimum, we believe the following costs could be characterized as direct public benefits:

- Hard costs for utilities and internal roadways/pavement (i.e., public streets, sidewalks, pedestrian circulation) which are estimated at approximately $9.5 million; and

- Pro-rated land acquisition costs of $2.5 million for 7.6 acres of the gross site that will not be developed for commercial or residential use. This includes approximately 3.3 acres of the site dedicated for internal public roadways and a water tower, in addition to 4.3 acres of Wetlands that will remain undeveloped.

The Golf Social use in particular, which will be a major community enhancement or amenity, is also anticipated to serve as a regional attraction or destination, generating net new fiscal revenues to the Village that can be used to help fund public services.

RESPONSE TO "SPECIFIC ITEMS"

1. Basis for hard cost construction estimates (including demolition, remediation, sitework) – internal, contractor, or architect sources. We may need supporting documentation similar to what we shared with you for another project.

Hard construction cost estimates for onsite improvements and site preparation are provided by Caldwell Engineering, the civil engineering representative for Hoffmann AODG. Detailed line-item cost estimates have been prepared for demolition, earthwork, soil stabilization, utilities, internal roadways/surface improvements, etc. The estimate of probable cost from Caldwell Engineering is appended to this memorandum as Attachment B.[1]

[1] Note the onsite improvement estimates are for the initial land development phase; that is, they reflect the estimated cost to create and deliver pad-ready development sites (i.e., utilities stubbed to each lot). In that regard, they do not necessarily include additional sitework costs that may be required to build-out each pad site such as related to surface parking lots, utility extensions from perimeters of sites, final landscaping, excavation for an underground parking structure, and so forth.

The hard cost estimates for vertical building construction are derived from other internal team sources including representatives of Hoffmann AODG, Ala Carte Entertainment, and research undertaken by Gruen Gruen + Associates:

- Representatives of Hoffmann AODG/Ala Carte have estimated the preliminary hard construction costs for the non-residential uses including the Golf Social facility (Lots 2-3) and "Food and Fuel" commercial outlot buildings (Lot 1). Representatives and management of the firm have considerable experience developing and operating similar restaurant, entertainment and gas station properties throughout Chicagoland, in addition to having completed tenant improvements/build-outs for many of these properties. The estimates reflect the site plans and architectural concepts submitted recently for the commercial uses as part of the July 2020 Planned Development Application materials.

- The multi-family use is conceptual in nature given that a specific site plan, architectural schematics, and associated construction requirements have not been prepared for Lot 4. Accordingly, the estimates of hard construction cost prepared by GG+A are order-of-magnitude in nature. The estimates do reflect our recent experience evaluating similar multi-family developments in suburban Chicago (on behalf of other municipalities such as Glen Ellyn, Wilmette, Romeoville, Highland Park, etc.) in addition to our review of estimates prepared recently for comparable developments in Lombard – including two recent proposals for low rise multi-family housing with structure parking (Gilbane Yorktown Commons and Lilac Station in the downtown). One underlying assumption is that the multi-family units will be constructed in Type III or Type V (wood frame) buildings over structured parking - either below-grade, in a podium structure, or some combination. We believe the level of hard construction cost assumed, about $190 per square foot inclusive of parking and amenities, is commensurate with quality low-rise apartment product. Additional soft costs associated with vertical construction (A/E design fees, development fee, permits and impact fees, pre-development marketing, etc.) are accounted for at 15 percent of hard costs, a level that is typical with industry standards.

Hard construction cost assumptions for proposed building improvements are further detailed in Attachment A.

2. Review of site improvement estimates (by your engineer and/or Village) and any studies or back up used for their cost estimates.

Table 3 summarizes the estimated hard and soft costs which have been pro-rated to each developable lot where applicable. Land acquisition is not included in Table 3.

TABLE 3: ESTIMATED LAND DEVELOPMENT COST

Cost	Lot 1 Food & Fuel	Lot 2 & 3 Golf Social	Lot 4 Residential	Total
Demolition	$384,958	$1,211,290	$660,155	$2,256,403
Earthwork	$2,402,771	$1,468,653	$800,415	$4,671,839
Utilities	$1,499,728	$2,727,106	$1,189,197	$5,416,031
Pavement	$836,053	$1,184,285	$75,972	$2,096,310
Roadways	$319,876	$1,006,504	$548,546	$1,874,926
Soil Stabilization/Structural	$0	$6,000,000	$0	$6,000,000
Other [1]	$268,294	$875,584	$191,997	$1,335,875
Hard Costs	**$5,711,680**	**$14,473,422**	**$3,466,282**	**$23,651,384**
General Conditions	$51,182	$161,047	$87,771	$300,000
Offsite Roadway Contingency	$102,364	$322,094	$175,542	$600,000
General Contractor OH&P @ 10%	$586,523	$1,495,656	$372,959	$2,455,138
Legal/ Insurance/ R.E. Taxes	$234,657	$577,378	$348,756	$1,160,790
Engineering / Consulting Fees	$166,935	$311,364	$227,700	$705,999
Development Fee @ 2%	$137,067	$346,819	$93,580	$577,466
Soft Costs	**$1,278,727**	**$3,214,358**	**$1,306,308**	**$5,799,393**
Interest Reserve	$202,816	$513,185	$138,470	$854,471
Loan Fees/Points	$18,028	$45,616	$12,308	$75,953
Financing Costs [2]	**$220,845**	**$558,802**	**$150,778**	**$930,424**
TOTAL	**$7,211,252**	**$18,246,582**	**$4,923,368**	**$30,381,201**
With 15% Contingency Factor	***$8,292,939***	***$20,983,569***	***$5,661,873***	***$34,938,381***

[1] Erosion control, lighting and landscaping, signage,pedestrian improvements, etc.

[2] Assumes two-year acquisition and development loan with 5.0% annual interest rate and 0.5% loan fee.

Sources: Hoffmann AODG; Caldwell Engineering; Gruen Gruen + Associates.

3. Basis for acquisition costs (contract or summary).

Please see Attachment C for a letter from the seller confirming the purchase price.

4. Provide the square footages and the description of residential components including parking.

The proposed development is seeking a variance from underlying B3 District zoning to allow for residential development that could exceed more than 40 percent of total gross floor area on the overall property (as summarized in the Planned Development application). Lot 4, which contains an estimated 5.835 developable acres, is anticipated to be developed for multi-family residential use. The preliminary multi-family development concept is outlined below:

- Development of Lot 4 would accommodate approximately 400 units in four or five buildings. This would represent a housing density of about 70 units/acre and a floor-area-ratio of ± 1.5. No more than five residential floors in each building are currently assumed (so as to accommodate wood-frame construction).

- Off-street parking requirements would be met through a combination of surface parking and structured parking. A total of ±600 parking stalls to serve multi-family residential units are anticipated. This is consistent with Village zoning code requiring 1.5 spaces for one- and two-bedroom multi-family units as well as parking ratios provided at newer Class A apartment product in the competitive market area.

- The average unit size is estimated at approximately 800 square feet. The 400 units would contain approximately 320,000 square feet of net rentable building area. A wide-ranging mix and variety of studio/efficiency, one-bedroom, and two-bedroom units could be readily accommodated.

In keeping with the nature of the question/request, Table 4 summarizes the potential unit mix that has been assumed for purposes of characterizing development economics of the proposed multi-family use.

TABLE 4: CONCEPTUAL UNIT MIX FOR MULTI-FAMILY DEVELOPMENT (LOT 4)

Unit Type	Units (#)	Unit Mix	Average Unit Size	Total Rentable (Net) Building Space	
Studio / Efficiency	125	31.25%	585 s.f.	73,125 s.f.	22.85%
One Bedroom	190	47.50%	830 s.f.	157,700 s.f.	49.27%
Two Bedroom	85	21.25%	1,050 s.f.	89,250 s.f.	27.88%
Total	**400**	**100.00%**	**800 s.f.**	**320,075 s.f.**	**100.00%**

Source: Gruen Gruen + Associates

The amount of gross building area is preliminarily estimated at about 380,000 square feet, representing an overall loss factor of approximate 16 percent. About 425 parking stalls would be provided in below-grade or podium structures and an additional 175 stalls are assumed for surface parking.

5. Provide any LOIs or initial commitments for retail and commercial uses including basis for tenant allowances.

An affiliate of Hoffmann AODG, Ala Carte Entertainment, Inc., will be the end user and owner-operator of the Golf Social and Food and Fuel uses. Examples of concepts currently operated by the company are the shown on the following weblink: The development team, future property owner(s), and tenants/operators are effectively one and the same. Proposed development of Lots 1, 2, and 3 are not speculative in other words; the commercial uses are build-to-suit developments. Examples of concepts currently operated are summarized on the following weblink:

https://aceplaceschicago.com/index.php#about

The hard construction cost estimates summarized in Attachment A are inclusive of interior build-outs that would typically be funded via tenant improvement "allowances" in the case of speculative, multi-tenant developments.

6. Share any market studies regarding residential rents, operating expenses, and absorption (including rent and tax comparables).

Table 5 summarizes a sample of current asking rents for newer apartment product that have been taken into consideration.

TABLE 5: ASKING RENTS FOR NEWER MULTI-FAMILY UNITS

Project (Year Built)	Total Units (#)	Available (%)	Range in Asking Rents[1] Smallest Units		Largest Units	
Elan Yorktown (2018)	296	7.1%	626 s.f.	$2.50	1,264 s.f.	$2.35
Lakeside Village Oak Brook (2018)	314	3.8%	945 s.f.	$2.31	1,555 s.f.	$2.10
Apex 41 (2016)	181	9.4%	571 s.f.	$2.50	1,386 s.f.	$2.00
ReNew Downers Grove (2008)	294	1.7%	507 s.f.	$2.49	1,226 s.f.	$1.64
City View Highlands (2004)	403	3.5%	598 s.f.	$2.32	1,523 s.f.	$1.74
Total / Average	**1,488**	**4.6%**	**649 s.f.**	**$2.42**	**1,391 s.f.**	**$1.97**

[1] Monthly advertised per-square-foot rents for studio, one- and two-bedroom units.

Sources: Apartments.com; Gruen Gruen + Associates.

Asking rents for smaller studio and one-bedroom units range from about $2.30 to $2.50 per square foot. Asking rents for larger two-bedroom units range more widely, but average about $2.00 per square foot. Newest units at the Elan Yorktown are higher at $2.35 per square foot. The total inventory in these five nearby projects is well occupied with fewer than five percent of all units currently available for rent.

Current property tax expenses at these five properties, according to data from the DuPage County Assessor, range from approximately $3,100 to $4,800 per unit. It is assumed that the multi-family development upon completion and stabilized occupancy would incur property tax expenses equal to $4,000 per unit or $5 per square foot. Additional operating expenses related to payroll, management fees, utilities, routine repairs/maintenance, etc., are budgeted at $5.85 per square foot or approximately $4,600 per unit annually.[2]

Response #11 below more fully outlines a projected operating proforma for the 400 multi-family apartment units.

[2] The expense assumption is consistent with industry standards. The National Apartment Association's 2019 expense survey, for example, estimates that non-tax expenses average approximately $6 per square foot or $5,000 per unit, representing about 27 percent of Gross Potential Rents. Newer and larger properties tend to have lower expense ratios.
See: https://www.naahq.org/news-publications/units/september-2019/article/2019-naa-survey-operating-income-expenses-rental

7. Proposed residential developer, if known, and arrangement with retail component developer. We understand this is a bit open, but we need to identify it in a report.

Hoffmann AODG may partner with another entity for the apartment use but anticipates an active ongoing stake and role in the apartment development.

An affiliate of Hoffmann AODG, Ala Carte Entertainment, Inc., will be the end user and owner-operator of the Golf Social and Food and Fuel uses.

8. Basis for commercial rents (comparables) within market or based upon any applicable studies.

See prior response to Question #5 regarding letters of intent and anticipated end users of the commercial space.

The proforma projections, discounted cash flow estimates, and residual land values for the Golf Social and Food and Fuel uses effectively reflect build-to-suit developments. The developer and end user/tenant will be affiliated entities. Development costs have been estimated and proforma rents are set to an expected eight percent (8%) yield on these initial costs.[3] The resulting proforma triple-net (NNN) rents are approximately $19 per square foot for the Golf Social use, $28 per square foot for the restaurant spaces, and approximately $470,000/year for the gas station, car wash and C-store component. The estimated NNN rents are also reasonable given anticipated sales performance of the commercial uses. Rents are presumed to escalate at 2.5 percent annually which is typical with Consumer Price Index (CPI) escalation factors in net leases.

9. Proposed sources for equity and debt components.

Hoffmann AODG will provide documentation of anticipated equity and debt sources after the Village can review and confirm the development incentives requested.

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[3] This yield on cost or return on development is typical for net-leased, build to suit commercial developments. See, for example, the following professional articles and academic literature:

https://www.naiop.org/en/Research-and-Publications/Magazine/2018/Fall-2018/Finance/Creditworthy-Tenants-Yield-Financing-Alternatives

https://faculty.chicagobooth.edu/joseph.pagliari/research/working/ThoughtsonRealEstatePricing.pdf

10. Detailed timeline for each component including construction schedule and initial occupancy dates and stabilized occupancy.

Hoffmann AODG anticipates closing on the property by the end of this year (December 2020). The following outlines an expected schedule following close of escrow:

Land Development

- January – March 2021 / Final planning and engineering completed.
- April – May 2021 / Demolition permits and stormwater resolutions (w/ County).
- June 2021 – April 2022 / Demolition, mass grading, onsite improvements completed.
- Early Summer 2022 / Pad sites fully prepared for building construction.

Vertical Development

- June 2022 – May 2023 / Golf Social and Food/Fuel buildings permitted and constructed.
    - COO anticipated by mid-2023; properties fully leased and occupied at COO.
- January 2023 – May 2024 / Multi-family residential buildings permitted and constructed.
    - COO by mid-2024.
- Summer 2026 / Multi-family units leased up and stabilized.

Depending upon market conditions, the multi-family development may be phased and extended to mesh with the ability to absorb the units.

11. Detailed operating pro formas for residential and commercial uses.

Table 6 provides a detailed operating proforma for the proposed multi-family residential use (400 units) upon stabilization. The estimates are expressed in current 2020 dollars.

TABLE 6: MULTI-FAMILY OPERATING PROFORMA AT STABILIZATION

	Monthly Average		Stabilized Income (Expense)	
	Per Unit	Per-Sq-Ft	Monthly	Annual
Studio	$1,400.00	$2.39	$175,000	$2,100,000
One Bedroom	$1,950.00	$2.35	$370,500	$4,446,000
Two Bedroom	$2,300.00	$2.19	$195,500	$2,346,000
Potential Gross Rent	**$1,852.50**	**$2.32**	**$741,000**	**$8,892,000**
Parking Revenue	$100.00	$0.13	$40,000	$480,000
Ancillary Income [1]	$40.00	$0.05	$16,000	$192,000
Other Gross Income	**$140.00**	**$0.18**	**$56,000**	**$672,000**
Vacancy/Credit Loss @ 5%	($99.63)	($0.12)	($39,850)	($478,200)
Effective Gross Income	**$1,892.88**	**$2.37**	**$757,150**	**$9,085,800**
Property Taxes @ $4,000/unit [2]	($333.33)	($0.42)	($133,333)	($1,600,000)
Management Fee @ 3.0%	($56.79)	($0.07)	($22,715)	($272,574)
Non-Tax Operating Expense [3]	($333.33)	($0.42)	($133,333)	($1,600,000)
Total Operating Expense	**($723.45)**	**($0.90)**	**($289,381)**	**($3,472,574)**
Net Operating Income	**$1,169.42**	**$1.46**	**$467,769**	**$5,613,226**

[1] Pet rent and deposits, application fees, late fees, etc.
[2] Tax estimate reflects EAV of $50,000 per unit and tax rate of ± 8.0%.
[3] Payroll, leasing office, utilities, repair and maintenance, administration and marketing, etc.

Source: Gruen Gruen + Associates

Tables included in the financial feasibility analysis (Attachment A) also summarize the projected annual net operating income, debt service, proceeds from sale reversion, and resulting rates of return on equity investment in vertical development of each use. See Tables A-7, A-8, and A-9 on Pages 23-25.

12. Proposal for upfront assistance – would it be phased? What are the parameters as part of their financing plan?

See prior response to Item #1 on Page 2.

ATTACHMENT A: FINANCIAL FEASIBILITY ANALYSIS

Hoffmann AODG commissioned GG+A to evaluate the financial feasibility of the proposed development in the absence of municipal incentives and to determine if TIF or other municipal incentives would be needed to bridge a feasibility gap. This section presents an update to the analysis previously presented in December 2019 (see Opinion Letter dated December 12, 2019) based on the current development program and updated land development and other cost estimates.

APPROACH

A project is feasible if a developer can achieve a return on the developer/investor equity that meets a hurdle rate commensurate with the associated risk. GG+A drew upon estimates provided by the developer (Hoffmann AODG), its civil engineering consultant, a commercial mortgage broker, and review of other secondary data sources to independently evaluate the financial feasibility of the planned development. We use a "residual land value" methodology (similar to what is often referred to as an income approach) to estimate the amount of money that each of the proposed land uses could afford to pay for the entitled and improved ("finished") development pads representing Lots 1 through 4.

If the residual land values for improved lots/pads are zero or negative for a contemplated use, for example, then the development would not be profitable for an investor-developer to undertake without a subsidy. In other words, "but for" public financial assistance, the developments would not occur. Alternatively, if the estimated residual land values are positive, this amount gives an indication of what an investor-developer could pay for the improved land. To the extent the residual land values are positive but less than the price for which the existing landowner is willing to sell the land and/or the cost required to improve and prepare the land for vertical development, it reveals the amount of the land "write down" or public subsidy necessary to bridge a feasibility gap.

BASIC CONCLUSIONS

The primary finding remains unchanged from the original Opinion Letter prepared by GG+A in December 2020. **The acquisition and redevelopment of the 27.5-acre site is not financially feasible for a private investor-developer to implement without TIF and other municipal assistance.**

The "gross" residual land value for the proposed commercial and residential uses is estimated at $6.96 million (in total). Based on approximately 20 acres of developable land, the residual value for the entitled and improved land represents a value of about $8.00-per-square-foot. In other words, if the land acquisition, entitlement/planning, site preparation (e.g., demolition, grading), and necessary infrastructure improvements could be completed for a cost not exceeding $7 million, the redevelopment would not require any municipal incentive or subsidy.

However, the anticipated land acquisition and estimated land development costs significantly exceed the residual value of $7.0 million. The actual costs are estimated at nearly $39.4 million. Therefore, the size of the feasibility gap is approximately $32.4 million. Table A-1 summarizes the estimate by use.

TABLE A-1: FEASIBILITY GAP BY USE

	Food & Fuel Use (Lot 1)	Golf Social Use (Lot 2-3)	Multi-Family Use (Lot 4)	Public/Open (Lots 5-7)[1]	TOTAL
Residual Land Value[2]	**$619,812**	**$1,774,646**	**$4,563,794**	**$0**	**$6,958,252**
Land Acquisition Cost	($1,111,769)	($3,498,330)	($1,906,309)	($2,483,592)	($9,000,000)
Land Development Cost	($7,211,252)	($18,246,582)	($4,923,368)	$0	($30,381,201)
Feasibility Gap	**($7,703,208)**	**($19,970,266)**	**($2,265,883)**	**($2,483,592)**	**($32,422,949)**

[1] Pro-rated land acquisition cost for 7.6 acres (internal roadways, wetlands, and water tower site dedication).
[2] Estimated supportable value for each improved lot/pad.

Source: Gruen Gruen + Associates

Accordingly, it is the opinion of Gruen Gruen + Associates that "but for" the provision of significant TIF and related municipal financial assistance, the proposed development will not be feasible to be privately implemented. The Golf Social use accounts for nearly $20.0 million or nearly 62 percent of the total feasibility shortfall. The food and fuel use represents about nearly 24 percent of the total shortfall.

DEVELOPMENT PROGRAM

The Planned Development Application for the 27.5 gross acres of land includes the following uses for development:

- "Food and Fuel" use including 13,205 square feet of building space for a gas station, car wash, convenience store and coffee bar, and two quick service restaurants;
- "Golf Social" use including a 122,000-square-foot building featuring experiential recreational, entertainment and eating and drinking offerings; and
- Multi-family residential use including an estimated 400 apartment units among four or five buildings.

Approximately 0.7 acres of the site will be dedicated to the Village for a water tower and 4.3 acres of the site will remain as undeveloped wetlands.

ESTIMATED DEVELOPMENT COSTS

Vertical Development

Table A-2 summarizes the estimated vertical development costs for the components of the planned development. Costs to acquire and improve the 27.5-acre site are not included in these estimates.

TABLE A-2: ESTIMATED VERTICAL DEVELOPMENT COSTS[1]

	Hard Construction		Soft Costs		Total Cost
	$ Per Sq. Ft.	$ Total	% of Hard	$ Total	$ Total
Lot 1 – Food & Fuel (13,205 gross square feet) [2]	487	6,427,000	15.0	964,000	7,391,000
Lots 2 & 3 – Golf Social (122,000 gross square feet)	205	25,000,000	15.0	3,752,000	28,752,000
Lot 4 – Multi-Family Residential (383,000 gross square feet)	190	72,634,000	15.0	10,896,000	83,530,000
Total		**104,061,000**		**15,612,000**	**119,673,000**

[1] Figures are rounded.
[2] Hard costs for Lot 1 include $1.8 million for Gas canopy and equipment.

Sources: Hoffmann AODG; Gruen Gruen + Associates.

Total hard and soft construction costs for the Food and Fuel use on Lot 1, excluding land acquisition and development costs, are estimated at approximately $7.4 million. This includes tenant improvements as well as additional non-building costs for the gas station canopies and equipment. Vertical development costs for the 122,000-square-foot Golf Social facility are estimated at $28.8 million or approximately $235 per square foot. Vertical development costs to complete the planned multi-family buildings are estimated to total about $83.5 million or just under $220 per square foot, inclusive of structured parking and amenities. (See Table A-10, Page 25, for a sample of development costs for similar multi-family developments in suburban Chicago).

<u>Horizontal (Land Development) Costs</u>

Property acquisition is estimated at $9 million. According to Caldwell Engineering, hard costs to complete site preparation and onsite improvements are estimated to total $23.6 million before any cost contingency or soft costs. Additional soft costs for general conditions, general contractor overhead/profit, final engineering, legal and professional services, real estate taxes during development, and a modest development fee are estimated at an additional $5.8 million.

Table 3 in the body of the prior memorandum report (Page 8) summarizes this estimate in greater detail.

INVESTMENT & FINANCIAL PARAMETERS

Table A-3 summarizes the financial terms used to structure the discounted cash flow forecast of the development, operation, and eventual sale of each use.

TABLE A-3: INVESTMENT AND FINANCING ASSUMPTIONS	
Equity Investment as Percent of Project Cost [1]	25% - 30%
Equity Internal Rate of Return (IRR) Hurdle	15% for Multi-Family, 18% for Food and Fuel, 20% for Golf Social
Sale Year for IRR Calculation	10
Mortgage Loan Rate	4.5%
Mortgage Amortization Term in Years	25
Debt Coverage at Stabilization	1.3x for Multi-Family 1.5x for Food and Fuel / Golf Social
Year Mortgage Taken Out	At construction completion and stabilized occupancy/operation of each building
Construction Loan Financing Costs – Annual Interest Rate	4.5%
Construction Loan Fee	1.0%
Capitalization Rate at Sale Year	5.5% for Multi-Family 7.0% for Food and Fuel / Golf Social
Sales Expenses as Percent of Sales Price	3.0%
[1] Equity investment is sized so that debt coverage ratios (on permanent mortgage) are 1.5x for the commercial uses and 1.3x for the multi-family use.	
Sources: Ala Carte Entertainment, Inc.; Hoffmann AODG; Gruen Gruen + Associates.	

Financial parameters include equity and debt terms, construction and permanent loan arrangements, IRR and capitalization rates. The development of each use is assumed to be funded by an equity investment equal to 25 percent to 30 percent of vertical development cost. Equity investment is sized so as to permit reasonable debt coverage ratios on permanent mortgage debt service. We estimate an IRR target or "hurdle rate" on equity investment of 15 percent for the apartment use, 18 percent for the gas station, car wash and convenience use, and 20 percent for the Golf Social use and a holding period of 10 years.

We assume a construction period of 18 months for the multi-family use and a one-year construction period for the Golf Social and Food and Fuel developments. We estimate a construction loan interest rate of 4.5 percent and a loan fee of one percent. We assume a permanent mortgage loan is obtained following construction lease up or stabilized operations to take out or retire the construction loans. We estimate an annual interest rate of 4.5 percent for the permanent mortgage and a loan amortization schedule of 25 years. The sale year capitalization rate is projected at 5.5 percent for the apartment use and 7.0 percent for the other uses. Sales expenses are assumed to equal three percent of the transaction value.

MARKET AND REVENUE PARAMETERS

Table A-4 summarizes the market and revenue/expense parameters for the three components of the planned development.

TABLE A-4: MARKETING AND REVENUE/EXPENSE PARAMETERS	
MULTI-FAMILY USE	Assumption
Monthly Potential Gross Rent, Per Square Foot/Per Unit	$2.32 / $1,853
Monthly Parking & Ancillary Income [1]	$140 Per Unit
Annual Property Tax Expense [2]	$4,000 Per Unit
Annual Operating Expense (Non-Tax), Per Square Foot/Per Unit	$5.85 / $4,681
Pre-Leasing and Absorption	25% Pre-Leased 15 Units/Month (Lease-up)
Vacancy and Credit Loss Factor @ Stabilization	5.0%
Revenue and Expense Escalation Factor (Annual)	2.5%
FOOD & FUEL USE	
Triple-Net (NNN) Annual Rent, Per Square Foot	$44.78
Pre-Leasing and Absorption	100%, build-to-suit
Vacancy and Credit Loss Factor	None
Rent Escalation (Annual)	2.5%
GOLF SOCIAL	
Triple-Net (NNN) Annual Rent, Per Square Foot	$18.86
Pre-Leasing and Absorption	100%, build-to-suit
Vacancy and Credit Loss Factor	None
Rent Escalation (Annual)	2.5%

[1] Income related to 425 covered parking stalls, pet rents and deposits, application fees, etc.
[2] Tax estimate reflects EAV of $50,000 per unit and tax rate of ± 8.0%.

Sources: Ala Carte Entertainment, Inc.; Hoffmann Alpha Omega Development Group; Gruen Gruen + Associates.

The operating proforma estimates for the multi-family use are also outlined in detail in response to Question #11. See Table 6 on Page 14.

According to the Hoffmann AODG, effective net rents for the gas station, car wash and convenience use and Golf Social use will be set at eight percent of associated building development costs. This equates to annual rent of $45 per square foot for Food and Fuel uses and approximately $19 per square foot for the Golf Social facility.

DISCOUNTED CASH FLOW RESULTS

The real estate investment results of constructing, operating, and hypothetically selling the proposed developments were simulated on GG+A's real estate cash flow model REALISM™. As indicated above, we calculated a land residual value that would permit a developer to earn annual returns (on equity investment) of 15 to 20 percent for the multi-family, Food and Fuel, and Golf Social uses if each investment is held for a period of 10 years.

Because land acquisition and land improvement costs are not considered in the discounted cash flows, the simulation yields the supportable value of entitled and improved land. If actual land acquisition and land development costs exceed the residual land value, the difference represents the size of the feasibility gap for which TIF or other financial assistance would be warranted. Table A-5 summarizes the results of the discounted cash flow analysis.

TABLE A-5: RESIDUAL LAND VALUES AND RETURNS

	Food & Fuel Use (Lot 1)	Golf Social Use (Lot 2-3)	Multi-Family Use (Lot 4)	TOTAL
Residual Land Value	**$619,812**	**$1,774,646**	**$4,563,794**	**$6,958,252**
Total Project Value[1]	$8,159,207	$31,156,316	$93,815,784	$133,131,307
Equity Investment	$2,325,374	$7,789,079	$28,144,735	$38,259,188
Permanent Loan(s)	$5,833,833	$23,367,237	$65,671,049	$94,872,119
Annual Debt Service	$393,428	$1,575,864	$4,428,792	$6,398,084
Debt Service Coverage Ratio (Stabilized)	1.5x	1.5x	1.3x	
IRR in Year 10	18.00%	20.00%	15.00%	

[1] Sum of residual land value, vertical development cost, and construction financing costs.

Source: Gruen Gruen + Associates

The calculations presented above provide a perspective for evaluation rather than a cardinal array of hard forecasts. The results are limited by the development potential, market, financial, and other underlying assumptions described above. The results of the discounted cash flow analysis however suggest that the mixed-use development would generate a total value of approximately $7.0 million for entitled and improved land. The multi-family use on Lot 4 is estimated to generate approximately two-thirds of the supportable land value.

FEASIBILITY GAP BY USE

Table A-6 compares the supportable land value estimates for each lot to the estimated cost to acquire and improve the land, the difference indicating the approximate size of the feasibility gap.

TABLE A-6: FEASIBILITY GAP BY USE					
	Food & Fuel Use (Lot 1)	Golf Social Use (Lot 2-3)	Multi-Family Use (Lot 4)	Public/Open (Lots 5-7)[1]	TOTAL
Residual Land Value[2]	**$619,812**	**$1,774,646**	**$4,563,794**	**$0**	**$6,958,252**
Land Acquisition Cost	($1,111,769)	($3,498,330)	($1,906,309)	($2,483,592)	($9,000,000)
Land Development Cost	($7,211,252)	($18,246,582)	($4,923,368)	$0	($30,381,201)
Feasibility Gap	**($7,703,208)**	**($19,970,266)**	**($2,265,883)**	**($2,483,592)**	**($32,422,949)**

[1] Pro-rated land acquisition cost for 7.6 acres (internal roadways, wetlands, and water tower site dedication).
[2] Estimated supportable value for each improved lot/pad.

Source: Gruen Gruen + Associates

Accordingly, it is the opinion of Gruen Gruen + Associates that "but for" the provision of significant TIF and related municipal financial assistance, the proposed development will not be feasible to be privately implemented. The Golf Social use accounts for nearly $20.0 million or nearly 62 percent of the total feasibility shortfall. The food and fuel use represents about nearly 24 percent of the total shortfall.

SUPPORTING PROFORMA AND CASH FLOW PROJECTIONS

TABLE A-7: FOOD AND FUEL USE (LOT 1)

C1544: Mixed-Use Development
Food & Fuel (Lot 1)
File Name: Hoffman Lombard Development

COMBINED CASH FLOWS	Year 0 ($)	Year 1 ($)	Year 2 ($)	Year 3 ($)	Year 4 ($)	Year 5 ($)	Year 6 ($)	Year 7 ($)	Year 8 ($)	Year 9 ($)	Year 10 ($)
Operating Income											
Net Operating Income (NOI)	-	-	591,307	606,090	621,242	636,773	652,692	669,010	685,735	702,878	720,450
Debt Service	-	-	393,428	393,428	393,428	393,428	393,428	393,428	393,428	393,428	393,428
Interest	-	-	262,522	256,632	250,476	244,043	237,321	230,296	222,955	215,284	207,267
Principal	-	-	130,906	136,796	142,952	149,385	156,107	163,132	170,473	178,144	186,161
Begining Principal Balance	5,833,833	5,833,833	5,833,833	5,702,928	5,566,131	5,423,179	5,273,794	5,117,687	4,954,555	4,784,082	4,605,937
Principal Due	5,833,833	5,833,833	5,702,928	5,566,131	5,423,179	5,273,794	5,117,687	4,954,555	4,784,082	4,605,937	4,419,777
Depreciation	-	-	193,318	193,318	193,318	193,318	193,318	193,318	193,318	193,318	193,318
Income Tax (State/Federal)	-	-	-	-	-	-	-	-	-	-	-
Net After Tax Cash Flow (NATCF)	-	-	197,879	212,662	227,814	243,345	259,264	275,582	292,307	309,450	327,022
Sales Value											
Cap Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Market Value		-	8,447,243	8,658,424	8,874,885	9,096,757	9,324,176	9,557,280	9,796,212	10,041,117	10,292,145
Book Value		8,159,207	7,965,889	7,772,572	7,579,254	7,385,936	7,192,618	6,999,300	6,805,983	6,612,665	6,419,347
Capital Gains		-	312,409	712,684	1,118,133	1,528,886	1,945,074	2,366,834	2,794,305	3,227,630	3,666,955
Capital Gains Tax (State/Federal)		-	-	-	-	-	-	-	-	-	-
Take Out From Sales		(5,833,833)	2,575,370	2,919,124	3,274,208	3,641,027	4,020,005	4,411,580	4,816,206	5,234,358	5,666,526
Investment Criteria											
Levered Internal Rate of Return (IRR)		#NUM!	19.26%	20.38%	20.25%	19.89%	19.48%	19.07%	18.68%	18.33%	18.00%
Net Present Value (at 18.0 Percent Discount Rate)		(6,914,582)	21,048	77,559	107,194	116,289	109,939	92,219	66,373	34,964	$0.01
Debt Coverage Ratio		0.00	1.50	1.54	1.58	1.62	1.66	1.70	1.74	1.79	1.83

Table A-8: Golf Social Use (Lot 2-3)

C1544: Mixed-Use Development
Golf Social (Lot 2-3)
File Name: Hoffman Lombard Development

COMBINED CASH FLOWS	Year 0 ($)	Year 1 ($)	Year 2 ($)	Year 3 ($)	Year 4 ($)	Year 5 ($)	Year 6 ($)	Year 7 ($)	Year 8 ($)	Year 9 ($)	Year 10 ($)
Operating Income											
Net Operating Income (NOI)	-	-	2,300,920	2,358,443	2,417,404	2,477,839	2,539,785	2,603,280	2,668,362	2,735,071	2,803,448
Debt Service	-	-	1,575,864	1,575,864	1,575,864	1,575,864	1,575,864	1,575,864	1,575,864	1,575,864	1,575,864
Interest	-	-	1,051,526	1,027,930	1,003,273	977,507	950,581	922,443	893,039	862,312	830,202
Principal	-	-	524,338	547,933	572,590	598,357	625,283	653,421	682,825	713,552	745,662
Begining Principal Balance	23,367,237	23,367,237	23,367,237	22,842,899	22,294,966	21,722,375	21,124,018	20,498,736	19,845,315	19,162,490	18,448,939
Principal Due	23,367,237	23,367,237	22,842,899	22,294,966	21,722,375	21,124,018	20,498,736	19,845,315	19,162,490	18,448,939	17,703,277
Depreciation	-	-	753,376	753,376	753,376	753,376	753,376	753,376	753,376	753,376	753,376
Income Tax (State/Federal)	-	-	-	-	-	-	-	-	-	-	-
Net After Tax Cash Flow (NATCF)	-	-	725,056	782,579	841,540	901,975	963,921	1,027,416	1,092,498	1,159,207	1,227,584
Sales Value											
Cap Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Market Value		-	32,870,286	33,692,043	34,534,344	35,397,703	36,282,645	37,189,711	38,119,454	39,072,440	40,049,251
Book Value		31,156,316	30,402,940	29,649,564	28,896,188	28,142,811	27,389,435	26,636,059	25,882,683	25,129,307	24,375,931
Capital Gains		-	1,809,940	3,368,638	4,947,469	6,546,937	8,167,557	9,809,858	11,474,382	13,161,685	14,872,336
Capital Gains Tax (State/Federal)		-	-	-	-	-	-	-	-	-	-
Take Out From Sales		##########	9,369,981	10,723,236	12,121,282	13,565,730	15,058,257	16,600,602	18,194,575	19,842,053	21,544,989
Investment Criteria											
Levered Internal Rate of Return (IRR)		#NUM!	29.61%	26.28%	24.59%	23.40%	22.47%	21.70%	21.05%	20.49%	20.00%
Net Present Value (at 20.0 Percent Discount Rate)		##########	519,543	671,070	716,855	685,575	599,608	476,284	328,918	167,626	1
Debt Coverage Ratio		0.00	1.46	1.50	1.53	1.57	1.61	1.65	1.69	1.74	1.78

TABLE A-9: MULTI-FAMILY APARTMENT USE (LOT 4)

C1544: Mixed-Use Development
Multi-Family (Lot 4)
File Name: Hoffman Lombard Development

COMBINED CASH FLOWS	Year 0 ($)	Year 1 ($)	Year 2 ($)	Year 3 ($)	Year 4 ($)	Year 5 ($)	Year 6 ($)	Year 7 ($)	Year 8 ($)	Year 9 ($)	Year 10 ($)
Operating Income											
Net Operating Income (NOI)	-	-	1,321,964	5,239,783	5,706,853	5,849,524	5,995,762	6,145,656	6,299,298	6,456,780	6,618,200
Debt Service	-	-	-	-	4,428,792	4,428,792	4,428,792	4,428,792	4,428,792	4,428,792	4,428,792
Interest	-	-	-	-	2,955,197	2,888,885	2,819,590	2,747,176	2,671,503	2,592,425	2,509,788
Principal	-	-	-	-	1,473,595	1,539,906	1,609,202	1,681,616	1,757,289	1,836,367	1,919,003
Begining Principal Balance	65,671,049	65,671,049	65,671,049	65,671,049	65,671,049	64,197,454	62,657,548	61,048,346	59,366,730	57,609,441	55,773,074
Principal Due	65,671,049	65,671,049	65,671,049	65,671,049	64,197,454	62,657,548	61,048,346	59,366,730	57,609,441	55,773,074	53,854,071
Depreciation	-	-	-	-	2,288,513	2,288,513	2,288,513	2,288,513	2,288,513	2,288,513	2,288,513
Income Tax (State/Federal)	-	-	-	-	-	-	-	-	-	-	-
Net After Tax Cash Flow (NATCF)	-	-	1,321,964	5,239,783	1,278,061	1,420,732	1,566,971	1,716,865	1,870,506	2,027,988	2,189,408
Sales Value											
Cap Rate		5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Market Value		-	24,035,700	95,268,775	103,760,960	106,354,984	109,013,859	111,739,205	114,532,685	117,396,002	120,330,902
Book Value		61,552,836	91,178,815	93,818,181	91,529,668	89,241,156	86,952,643	84,664,131	82,375,618	80,087,106	77,798,593
Capital Gains		-	(67,864,186)	(1,407,470)	9,118,463	13,923,179	18,790,800	23,722,898	28,721,087	33,787,017	38,922,382
Capital Gains Tax (State/Federal)		-	-	-	-	-	-	-	-	-	-
Take Out From Sales		(65,671,049)	(42,356,420)	26,739,662	36,450,677	40,506,786	44,695,097	49,020,299	53,487,264	58,101,048	62,866,905
Investment Criteria											
Levered Internal Rate of Return (IRR)		#NUM!	#NUM!	8.97%	17.55%	16.98%	16.49%	16.05%	15.66%	15.31%	15.00%
Net Present Value (at 15.0 Percent Discount Rate)		(81,578,943)	(55,501,627)	(2,447,084)	1,542,682	1,547,276	1,408,613	1,159,668	827,675	435,019	0
Debt Coverage Ratio		0.0	0.0	0.0	1.3	1.3	1.4	1.4	1.4	1.5	1.5

Table A-10: Sample of Multi-Family Development Cost Estimates

	Project Characteristics				Reported Development Costs *		
Project	Construction Type	Gross Building Area	Units	Parking	Total	Per Unit	Per GSF
Yorktown Commons (Planned)	4-story wrap around garage	538,000 s.f.	336	502	$81.6M	$243,000	$152
Lilac Station Yorktown (Planned)	4-story over underground parking	123,000 s.f.	120	160	$27.0M	$225,000	$220
Optima Wilmette (Planned)	6-story over underground parking	207,000 s.f.	109	209	$53.4M	$490,000	$258
Apex 400 (Planned)	4-story over podium parking	127,500 s.f.	107	139	$35.2M	$329,000	$276
The Marke of Elmhurst (Built 2019)	5 stories over podium	180,000 s.f.	164	199	$49.0M	$299,000	$272
Burlington Station (Built 2018)	4-story over underground parking	114,000 s.f.	89	107	$25.0M	$281,000	$219
Residences of Wilmette (Built 2017)	4-5 stories over podium parking	105,000 s.f.	75	129	$24.3M	$324,000	$231

*Figures rounded and exclude land. Projects with public parking have backed out those costs.

Source: GG+A Review of planning applications/staff reports, developer proformas/proposals, and secondary articles

ADDITIONAL ATTACHMENTS

- Attachment B – Engineer's Opinion of Probable Cost
- Attachment C – Letter from Seller Summarizing Purchase and Sale Agreement

ATTACHMENT B

ENGINEER'S OPINION OF PROBABLE COST

HOFFMANN LOMBARD 600 LLC

CE LTD
Caldwell Engineering, Ltd.

**Note: Quantities for Engineer's Estimate Only - Contractors are responsible to verify quantities.*

	AREAS	LOT 1 148,218 Amount Cost	LOT 2/3 466,375 Amount Cost	LOT 4 254,175 Amount Cost	TOTAL 868,768.00 Amount Cost	
DEMOLITION	BUILDING DEMOLITION (S.F. x STORIES, INCLUDING FOUNDATION) (LS) ($990,000.00/LS)	0.17 $ 204,728.54	0.54 $ 644,188 09	0 29 $ 351,083 37	1.00 **$ 1,200,000.00**	
	ASPHALT/CONCRETE REMOVAL - MATERIALS TO BE LEFT ON-SITE (SY) ($10 00/SY)	0.17 $ 39,243.05	0.54 $ 123,480.12	0 29 $ 67,296 83	1.00 **$ 230,020.00**	
	CURB REMOVAL - MATERIALS TO BE LEFT ON SITE (LF) ($6.73/LF)	0.17 $ 13,408.51	0.54 $ 42,190 53	0 29 $ 22,993 90	1.00 **$ 78,592.94**	
	REMOVAL EXISTING RETENTION WALLS (LF) ($30 00/LF)	0.17 $ 7,677.32	0.54 $ 24,157 05	0 29 $ 13,165.63	1.00 **$ 45,000.00**	
	REMOVAL EXISTING DIRECTIONAL SIGNAGE (EA) ($150.00/EA)	0.17 $ 639.78	0.54 $ 2,013 09	0 29 $ 1,097.14	1.00 **$ 3,750.00**	
	CLEARING AND GRUBBING (AC) ($4,700 00/AC)	0.17 $ 15,235.22	0.54 $ 47,938 33	0 29 $ 26,126.45	1.00 **$ 89,300.00**	
	WATER STRUCTURE REMOVAL (EA) ($750.00/EA)	0.17 $ 3,070.93	0.54 $ 9,662 82	0 29 $ 5,266 25	1.00 **$ 18,000.00**	
	WATER MAIN PIPE REMOVAL (LF) ($20 00/LF)	0.17 $ 9,782.61	0.54 $ 30,781.45	0 29 $ 16,775 93	1.00 **$ 57,340.00**	
	SANITARY STRUCTURE REMOVAL (EA) ($750.00/EA)	0.17 $ 2,431.15	0.54 $ 7,649.73	0 29 $ 4,169.12	1.00 **$ 14,250.00**	
	LIFT STATION REMOVAL (EA) ($10,000.00/EA)	0.17 $ 1,706.07	0.54 $ 5,368 23	0 29 $ 2,925.69	1.00 **$ 10,000.00**	
	SANITARY SEWER PIPE REMOVAL (LF) ($25 00/LF)	0.17 $ 13,273.23	0.54 $ 41,764 86	0 29 $ 22,761 91	1.00 **$ 77,800.00**	
	STORM STRUCTURE REMOVAL (EA) ($750.00/EA)	0.17 $ 6,525.72	0.54 $ 20,533 50	0 29 $ 11,190.78	1.00 **$ 38,250.00**	
	STORM SEWER PIPE REMOVAL (LF) ($25 00/LF)	0.17 $ 15,469.80	0.54 $ 48,676.46	0 29 $ 26,528.74	1.00 **$ 90,675.00**	
	ALLOWANCE FOR UNDERGROUND OBSTRUCTIONS (EA) ($150,000.00/EA)	0.17 $ 25,591.07	0.54 $ 80,523 51	0 29 $ 43,885.42	1.00 **$ 150,000.00**	
	RELOCATE COMMUNICATIONS LINES INCLUDING STRUCTURES (LF) ($15 00/LF)	0.17 $ 3,825.86	0.54 $ 12,038 26	0 29 $ 6,560 87	1.00 **$ 22,425.00**	
	ELECTRICAL DEMOLITION - TRANSFORMERS (EA) ($1,000 00/EA)	0.17 $ 2,047.29	0.54 $ 6,441 88	0 29 $ 3,510 83	1.00 **$ 12,000.00**	
	ELECTRICAL DEMOLITIONS - OTHER (EA) ($500.00/EA)	0.17 $ 511.82	0.54 $ 1,610.47	0 29 $ 877.71	1.00 **$ 3,000.00**	
	LIGHT POLE REMOVAL (EA) ($500.00/EA)	0.17 $ 2,729.71	0.54 $ 8,589.17	0 29 $ 4,681.11	1.00 **$ 16,000.00**	
	RELOCATE EMERGENCY WARNING TOWER (LS) ($75,000.00/LS)	0.17 $ 17,060.71	0.54 $ 53,682 34	0 29 $ 29,256 95	1.00 **$ 100,000.00**	
TOTAL DEMOLITION		**$ 384,958.39**	**$ 1,211,289.89**	**$ 660,154.63**	**$ 2,256,402.91**	**$ 2,256,402.91**
EARTH WORK	STRIP TOP SOIL & STOCKPILE (CY) ($5.00/CY)	0.17 $ 11,441.23	0.54 $ 36,000 38	0 29 $ 19,620 25	1.00 **$ 67,061.86**	
	TOP SOIL STOCK PILE TO LANDSCAPE (85% COMPACTION FACTOR) (CY) ($5.00/CY)	0.17 $ 8,309.93	0.54 $ 26,147 58	0 29 $ 14,250.47	1.00 **$ 48,707.98**	
	TOP SOIL STOCKPILE TO EXPORT (CY) ($36 00/CY)	0.17 $ 22,545.39	0.54 $ 70,940.13	0 29 $ 38,662.47	1.00 **$ 132,147.98**	
	CLAY CUT TO FILL (15,877 CY TBD) (CY) ($5.00/CY)	0.17 $ 87,387.33	0.54 $ 274,968.41	0 29 $ 149,858.15	1.00 **$ 512,213.90**	
	UTILITY SPOILS TO FILL (CY) ($5.00/CY)	0.17 $ 1,576.36	0.54 $ 4,960 08	0 29 $ 2,703 25	1.00 **$ 9,239.68**	
	FOOD AND FUEL SELECT FILL (CY) ($35 00/CY)	43620.00 $ 1,526,700.00	0.00 $0.00	0 00 $0.00	43,620.00 **$ 1,526,700.00**	
	POND DEWATERING (DAY) ($1,000 00/DAY)	0.17 $ 10,236.43	0.54 $ 32,209.40	0 29 $ 17,554.17	1.00 **$ 60,000.00**	
	SHORING (AT AMC AND AT ROAD - SHEETING PILES) (SF) ($15 00/SF)	27288.00 $ 409,320.00	0.00 $ -	0 00 $ -	27,288.00 **$ 409,320.00**	
	BUILDING SOIL STABILIZATION (SY) ($5.00/SY)	0.17 $ 5,800.64	0.54 $ 18,252 00	0 29 $ 9,947 36	1.00 **$ 34,000.00**	
	POND SEDIMENT TO HAUL OFF (CY) ($50 00/CY)	0.17 $ 84,587.01	0.54 $ 266,157 05	0 29 $ 145,055 95	1.00 **$ 495,800.00**	
	POND SEDIMENT TO HAUL OFF (CY) ($50 00/CY)	0.17 $ 234,866.28	0.54 $ 739,017 95	0 29 $ 402,765.77	1.00 **$ 1,376,650.00**	
TOTAL EARTH WORK		**$ 2,402,770.60**	**$ 1,468,652.98**	**$ 800,417.84**	**$ 4,671,841.42**	**$ 4,671,841.42**

PAVEMENT	ASPHALT STANDARD DUTY (AGGREGATE BASE, BASE AND SURFACE COURSES) (SY) ($65 00/SY)	7,653.33 $ 497,466.67	11,950.89 $ 776,807.78	304.22 $ 19,774.44	19,908.44 **$ 1,294,048.89**	
	ASPHALT HEAVY DUTY (AGGREGATE BASE, BASE AND SURFACE COURSES) (SY) ($80 00/SY)	0 00 $ -	1,068.44 $ 85,475 56	0 00 $ -	1,068.44 **$ 85,475.56**	
	PORTLAND CEMENT CONCRETE SIDEWALK, 5" (SY) ($75 00/SY)	549.11 $ 41,183.33	1,230.67 $ 92,300 00	0 00 $ -	1,779.78 **$ 133,483.33**	
	CONCRETE PAVEMENT (SY) ($95 00/SY)	2,000.44 $ 190,042.22	470 00 $ 44,650 00	0 00 $ -	2,470.44 **$ 234,692.22**	
	CURB AND GUTTER (LF) ($25 00/LF)	3,102.00 $ 77,550.00	3,650 00 $ 91,250 00	203.00 $ 5,075 00	6,955.00 **$ 173,875.00**	
	PAVED AREAS SOIL STABILIZATION (SY) ($5.00/SY)	0.17 $ 29,811.03	0.54 $ 93,801 84	0 29 $ 51,122.13	1.00 **$ 174,735.00**	
TOTAL PAVEMENT		**$ 836,053.25**	**$ 1,184,285.18**	**$ 75,971.57**	**$ 2,096,310.00**	**$ 2,096,310.00**
UTILITIES	WATER SERVICE WITH STRUCTURES (LF) ($200.00/LF)	1,325.00 $ 265,000.00	560 00 $ 112,000 00	0 00 $ -	1,885.00 **$ 377,000.00**	
	FIRE HYDRANT (EA) ($7,000 00/EA)	5 00 $ 35,000.00	2.00 $ 14,000 00	0 00 $ -	7.00 **$ 49,000.00**	
	SANITARY SEWER STRUCTURE (EA) ($3,200 00/EA)	10.00 $ 32,000.00	2.00 $ 6,400 00		12.00 **$ 38,400.00**	
	GREASE BASIN (EA) ($25,000.00/EA)	4 00 $ 100,000.00	2.00 $ 50,000 00		6.00 **$ 150,000.00**	
	OIL/GAS SEPARATOR (EA) ($25,000.00/EA)	2 00 $ 50,000.00	0.00 $ -	$ -	2.00 **$ 50,000.00**	
	BUTTERFIELD ROAD SANITARY SEWER LOCATION (LF) ($75 00/LF)	697.00 $ 52,275.00	320 00 $ 24,000 00	$ -	1,017.00 **$ 76,275.00**	
	STORM SEWER STRUCTURE (EA) ($3,000 00/EA)	20.00 $ 60,000.00	18.00 $ 54,000 00	$ -	38.00 **$ 114,000.00**	
	STORM SEWER (LF) ($200.00/LF)	1,240.00 $ 248,000.00	1,990 00 $ 398,000 00	$ -	3,230.00 **$ 646,000.00**	
	BYPASS SEWER SYSTEM STRUCUTRES (EA) ($3,000 00/EA)	0.17 $ 39,069.03	0.54 $ 122,932 56	0 29 $ 66,998.41	1.00 **$ 229,000.00**	
	BYPASS SEWER SYSTEM PIPES (LF) ($200.00/LF)	0.17 $ 4,167.59	0.54 $ 13,113 52	0 29 $ 7,146 89	1.00 **$ 24,428.00**	
	SOIL STRENGTH CONTINGENCY (BYPASS PIPES) (LF) ($31 00/LF)	0.17 $ 4,167.59	0.54 $ 13,113 52	0 29 $ 7,146 89	1.00 **$ 24,428.00**	
	LOT 4 100-YR DRAINAGE SEWER SYSTEM WITH STRUCTURES (LF) ($125.00/LF)	0 00	0.00	494.00 $ 61,750 00	494.00 **$ 61,750.00**	
	UNDERGROUND DETENTION (LS) ($2,700,000.00/LS)	0.17 $ 460,639.20	0.54 $ 1,449,423 21	0 29 $ 789,937 59	1.00 **$ 2,700,000.00**	
	UNDERDRAIN FOR DETENTION AREA (LF) ($55 00/LF)	0.17 $ 17,359.27	0.54 $ 54,621.78	0 29 $ 29,768 94	1.00 **$ 101,750.00**	
	LEVEL SPREADER (TWO-STAGE RELEASE) (LF) ($35 00/LF)	0.17 $ 2,388.50	0.54 $ 7,515 53	0 29 $ 4,095 97	1.00 **$ 14,000.00**	
	DETENTION OUTLET SYSTEM (RESTRICTED RELEASE) (LS) ($75,000.00/LS)	0.17 $ 12,795.53	0.54 $ 40,261.76	0 29 $ 21,942.71	1.00 **$ 75,000.00**	
	BACKFLOW PREVENTOR AND RESTRICTOR STRUCTURE (EA) ($20,000.00/EA)	0.17 $ 3,412.14	0.54 $ 10,736.47	0 29 $ 5,851 39	1.00 **$ 20,000.00**	
	DETENTION OUTLET SYSTEM (100-YEAR OVERFLOW) (LS) ($165,000.00/LS)	0.17 $ 28,150.17	0.54 $ 88,575 86	0 29 $ 48,273 96	1.00 **$ 165,000.00**	
	UTILITY SERVICES CONNECTIONS (LS) ($500,000.00/LS)	0.17 $ 85,303.56	0.54 $ 268,411.70	0 29 $ 146,284.74	1.00 **$ 500,000.00**	
TOTAL UTILITIES		**$ 1,499,727.58**	**2,727,105.91**	**$ 1,189,197.49**	**$ 5,416,030.98**	**$ 5,416,030.98**
LANDSCAPE	LANDSCAPING LOTS 1, 2, 3, AND ROAD (LS) ($203,373.00/LS)	0 24 $ 49,046.34	0.76 $ 154,326.66		1.00 **$ 203,373.00**	
	TURF SEED & BLANKET LOT 4 (LS) ($52,000.00/LS)			1 00 $ 52,000 00	1.00 **$ 52,000.00**	
TOTAL LANDSCAPE		**$ 49,046.34**	**$ 154,326.66**	**$ 52,000.00**	**$ 255,373.00**	**$ 255,373.00**
MISCELLANEOUS	ADA ITEMS (LS) ($60,000.00/LS)	0 24 $ 14,469.87	0.76 $ 45,530.13		1.00 **$ 60,000.00**	
	SIGNAGE/PAINTING/STRIPING(LS) ($80,000.00/LS)	0 24 $ 19,293.16	0.76 $ 60,706 84		1.00 **$ 80,000.00**	
	EROSION CONTROL (AC) ($20,000.00/AC)	0.17 $ 71,654.99	0.54 $ 225,465 83	0 29 $ 122,879.18	0.83 **$ 420,000.00**	

	LIGHTING (ROADWAY) (EA) ($6,500 00/EA)	0.17 $ 9,980.52	0.54 $ 31,404.17	0 29 $ 17,115 31	1.00 **$ 58,500.00**	
	LIGHTING (NON-ROADWAY) (EA) ($3,000 00/EA)	10.00 $ 30,000.00	18.00 $ 54,000 00		28.00 **$ 84,000.00**	
	BLDG TO BLDG PEDWAY (EA) ($75,000.00/EA)		1.00 $ 75,000 00		1.00 **$ 75,000.00**	
	DEVELOPMENT SIGNAGE (LS) ($300,000.00/LS)	0 24 $ 72,349.34	0.76 $ 227,650.66		1.00 **$ 300,000.00**	
	BIKE RACKS (EA) ($1,500 00/EA)	1 00 $ 1,500.00	1.00 $ 1,500 00		2.00 **$ 3,000.00**	
	OFFSITE ROADWAY CONTINGENCY (LS) ($600,000.00/LS)	0.17 $ 102,364.27	0.54 $ 322,094 05	0 29 $ 175,541.69	1.00 **$ 600,000.00**	
	GENERAL CONDITIONS (E.G. LAYOUT, SOILS TESTING) (LS) ($300,000.00/LS)	0.17 $ 51,182.13	0.54 $ 161,047 02	0 29 $ 87,770 84	1.00 **$ 300,000.00**	
	STRUCTURAL SUPPORTS (SOIL CONDITIONS) (LS) ($6,000,000.00/LS)		1.00 $ 6,000,000 00		1.00 **$ 6,000,000.00**	
	ROADWAY COST (LS) ($1,874,925.00/LS)	0.17 $ 319,875.54	0.54 $ 1,006,503.63	0 29 $ 548,545 83	1.00 **$ 1,874,925.00**	
TOTAL MISCELLANEOUS		**$ 692,669.82**	**$ 8,210,902.33**	**$ 951,852.85**	**$ 9,855,425.00**	**$ 9,855,425.00**
SUBTOTAL		**$ 5,865,225.98**	**$ 14,956,562.95**	**$ 3,729,594.38**	**$ 24,551,383.31**	24,551,383.31
CONTINGENCY		15%	15%	15%	15%	
GENERAL CONTRACTOR FEE		10%	10%	10%	10%	
TOTAL		**$ 7,331,532.48**	**$ 18,695,703.71**	**$ 4,661,992.98**	**$ 30,689,229.18**	**$ 30,689,229.18**

ATTACHMENT C

Mary Riordan, Ltd.
Attorneys at Law
980 North Michigan Avenue, Suite 1400
Chicago, Illinois 60611
tel: 312.214.4950 • fax: 312.214.4951

Sent via Electronic Mail

August 28, 2020

Hoffman 600 Lombard, LLC
2330 N. Hammond Drive, Suite G
Schaumburg, IL 60173
Attn: Jennifer LaSota

Re: Contract for purchase of 660 E. Butterfield Road, Lombard, IL

Jen:

You have asked me to confirm that Northern Baptist Theological Seminary is in contract to sell the captioned property to with Hoffman 600 Lombard, LLC. The purchase price per the contract is Nine Million Dollars ($9,000,000.00).

Please contact me if you need further confirmation.

Sincerely,

Mary Riordan

GRUEN GRUEN + ASSOCIATES

Gruen Gruen + Associates (GG+A) is a firm of economists, sociologists, statisticians and market, financial and fiscal analysts. Developers, public agencies, attorneys and others involved in real estate asset management utilize GG+A research and consulting to make and implement investment, marketing, product, pricing and legal support decisions. The firm's staff has extensive experience and special training in the use of demographic analysis, survey research, econometrics, psychometrics and financial analysis to describe and forecast markets for a wide variety of real estate projects and economic activities.

Since its founding in 1970, GG+A has pioneered the integration of behavioral research and economic analysis to provide a sound foundation for successful land use policy and economic development actions. GG+A has also pioneered the use of economic, social and fiscal impact analysis. GG+A impact studies accurately and comprehensively portray the effects of public and private real estate developments, land use plans, regulations, annexations and assessments on the affected treasuries, taxpayers, consumers, other residents and property owners.

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www.ggassoc.com

MEMORANDUM

Date:	September 29, 2020
To:	Robert Rychlicki and Zoran Milutinovic, Kane McKenna & Associates, Inc
cc:	Hoffmann Alpha Omega Development Group
From:	Gruen Gruen + Associates
Subject:	**C1544: Hoffmann AODG Planned Development – Clarification of Gap Analysis for Each Component**

As requested during our discussion yesterday, this memorandum clarifies the feasibility "gap analysis" for each proposed component of the mixed-use development.

Table 1 below summarizes the feasibility gap under a static unlevered approach that you indicated is what you typically consider when evaluating whether a proposed project meets the "but for" test. Table 1 presents a comparison of (a) the estimated market value of completed development to (b) the costs required to complete the development. No proforma, construction cost, or other assumptions are changed from the memorandum previously submitted on August 28, 2020.

Table 1: Feasibility Gap by Use

	Lot 1 Food & Fuel	Lots 2-3 Golf Social	Lot 4 Apartments	Lots 5-7 Open/Public	Total
Stabilized Net Operating Income	$591,300	$2,300,900	$5,613,000	$0	$8,505,200
Capitalization Rate	7.00%	7.00%	5.50%	N/A	
Capitalized Development Value (a)	**$8,447,000**	**$32,870,000**	**$102,055,000**	**$0**	**$143,372,000**
Land Acquisition	$1,112,000	$3,498,000	$1,906,000	$2,484,000	$9,000,000
Horizontal (Land Development) Costs	$7,211,000	$18,247,000	$4,923,000	$0	$30,381,000
Vertical Development Costs	$7,391,000	$28,752,000	$83,530,000	$0	$119,673,000
Subtotal - Acquisition & Development Cost	*$15,714,000*	*$50,497,000*	*$90,359,000*	*$2,484,000*	*$159,054,000*
Simple 10% Return on Cost	$1,571,400	$5,049,700	$9,035,900	$248,400	$15,905,400
Total Development Cost (b)	**$17,285,400**	**$55,546,700**	**$99,394,900**	**$2,732,400**	**$174,959,400**
Feasibility Gap (Value minus Cost)	**($8,838,400)**	**($22,676,700)**	**$2,660,100**	**($2,732,400)**	**($31,587,400)**

(a) See Table A-4 of the prior memorandum report which summarized estimated net rents and capitalization rates. Table 6 also summarized a detailed multi-family apartment operating proforma indicating $5.6 million in net income upon stabilization.

(b) Table 2 of the prior memorandum summarized the estimated costs of land acquisition and horizontal improvement (land development) costs. Vertical hard and soft construction costs were summarized in Table A-2.

Sources: Hoffmann AODG; Caldwell Engineering; Gruen Gruen + Associates.

The estimated feasibility gap (overall) of approximately $32 million equates to a ten percent (10%) simple return on total acquisition and development cost.

Stabilized net operating income is capitalized at seven percent (7%) for the Food and Fuel and Golf Social uses, and 5.5 percent for the multi-family apartment uses, indicating a total "development value" of approximately $143 million upon full completion and stabilization.

Total development costs including land acquisition, horizontal improvements (i.e., land development), and vertical hard and soft construction are estimated at $159 million. Therefore, before considering any "profit" or return on equity investment in the project, the difference between value and costs is nearly $16 million.

Under this static approach to account for profit, we simply have added 10 percent to the estimated costs. The August 28, 2020 memorandum report summarizing the results of the discounted cash flow analyses for each use included specific equity return requirements based on differing risks and capital investments required for the specific uses. These are effectively equivalent to an overall 10 percent mark-up or added cost on the total acquisition and development costs presented in the report.

MEMORANDUM

Date:	September 29, 2020
To:	Robert Rychlicki and Zoran Milutinovic, Kane McKenna & Associates, Inc
cc:	Hoffmann Alpha Omega Development Group
From:	Gruen Gruen + Associates
Subject:	**C1544: Hoffmann AODG Planned Development – Basis for Selection of 20 Percent IRR for Golf Social Use and Financing Assumptions**

The 20 percent IRR target for the "golf social use" is consistent with industry norms as evidenced by the following from the Urban Land Institute, CCIM Institute, and industry participants.

http://uli.org/wp-content/uploads/ULI-Documents/StormFundamentals.pdf
Structuring the Deal to be Profitable Fundamental Skills for Real Estate Development Professionals II
Indicates 20% minimum return on equity

https://origininvestments.com/2018/02/21/what-are-core-core-plus-value-added-and-opportunistic-investments/
Opportunistic is the riskiest of all real estate investment strategies. It is also synonymous with 'growth' in the stock market, like 'value-add,' but it is even riskier. Opportunistic investors take on the most complicated projects and may not see a return on their investment for three or more years. These investment strategies require years of experience and a team of people to be successful. Ground-up developments, acquiring an empty building, land development and repositioning a building from one use to another are examples of opportunistic investments. Opportunistic investors can expect the highest annual returns for a real estate investment, often over 20%.

https://www.getrefm.com/the-irr-files-what-constitutes-a-good-irr/
on a levered basis, here are worthwhile IRRs for various investment types:

- Acquisition of stabilized asset – 10% IRR
- Acquisition and repositioning of ailing asset – 15% IRR
- **Development in established area – 20% IRR**
- **Development in unproven area – 35% IRR**

https://www.ccim.com/cire-magazine/articles/land-valuation-raw/
Land Valuation in the Raw Master the ABCs of Determining Highest and Best Use and Land Value

https://www.ccim.com/cire-magazine/articles/land-valuation-raw/
Land Valuation in the Raw Master the ABCs of Determining Highest and Best Use and Land Value. By Joseph Schwenker CCIM Institute
Often, selected discount rates for land deals will exceed 20 percent.

Regarding the construction and permanent mortgage interest rates, Gruen Gruen + Associates assumed 4.5% percent interest rates plus loan fees for purposes of the "but for" feasibility, discounted cash flow residual land value analysis.

Gruen Gruen + Associates on behalf a municipality is concurrently reviewing a proposed major office and hotel development. The capital structure is 40% equity/60% debt. The target return on equity is 20 percent; The developer has assumed a debt interest rate of five percent.

Gruen Gruen + Associates on behalf of an institutional land seller is concurrently reviewing a proposed 770 apartment unit development. The target return on the land development is 20 percent. The anticipated interest rate is 6.0 percent plus one loan point on the debt component of the project funding.

While Gruen Gruen + Associates understands that the project sponsor has not yet secured financing, the assumptions used for the analysis are reflective of current capital market conditions and reflect the assumption that interest rates will stay low for the immediate and near term future. Upon approval of the project, the project sponsor will provide verification of the anticipated interest rate for the project from a financial institution.

Date:	September 29, 2020
To:	Robert Rychlicki and Zoran Milutinovic, Kane McKenna & Associates, Inc
cc:	Hoffmann Alpha Omega Development Group
From:	Gruen Gruen + Associates
Subject:	**C1544: Hoffmann AODG Planned Development – Tax Projections**

The following spreadsheet presents the various tax projections and underlying assumptions. Note for each tax, a "50-50" sharing between the municipality and developer is assumed. The projections reflect a typical year at buildout.

ANNUAL PROPERTY TAX ESTIMATE
Hoffmann AODG Planned Development

Current Property Tax Rate [1] 7.52%

	Food & Fuel (Lot 1)	**Golf Social (Lots 2-3)**	**Multi-Family Apartments (Lot 4)**	**Total**
Taxable Value				
Units	13,205 s.f.	122,000 s.f.	400	
Value/Unit	$450	$225	$160,000	
Total Value (Build-out)	$5,942,250	$27,450,000	$64,000,000	$97,392,250
Equalized Assessed Value				
EAV/Unit	$150	$75	$53,333	
Total EAV (Build-out)	$1,980,750	$9,150,000	$21,333,333	$32,464,083
Annual Tax @ Build-out	**$148,978**	**$688,199**	**$1,604,544**	**$2,441,721**

[1] For PIN 06-29-200-056

Source: Gruen Gruen + Associates

ANNUAL SALES, EATING, AND AMUSEMENT TAX ESTIMATES
Hoffmann AODG Planned Development

Village Tax Rates:

Home Rule Sales Tax	1.00%
Places for Eating Tax	2.00%
Amusement Tax	5.00%

	Lot 1 Food & Fuel [1]		Lots 2-3 Golf Social / Moretti's [2]	
Building Space	13,205 s.f.		122,000 s.f.	
Stabilized Sales (annual)	$10,000,000		$42,700,000	
Sales Per-Square-Foot	$757		$350	
Taxable Sales Subject to:				
Home Rule Sales Tax	$4,500,000	45%	$0	0%
Eating Place + Sales Tax	$5,500,000	55%	$23,485,000	55%
Amusement Tax	$0	0%	$19,215,000	45%
Annual Tax Revenue:				
Home Rule Sales Tax	$100,000.00		$234,850.00	
Eating Place Tax	$110,000.00		$469,700.00	
Amusement Tax	$0.00		$960,750.00	
Annual Village Tax	**$210,000**		**$1,665,300**	

[1] Annual net rents for the proposed building space represent approximately six percent (6%) of the sales estimate. Does not include gasoline sales.

[2] According to newspaper articles and information obtained from a municipal official familiar with the details of a TopGolf operation and incentive agreement, typical sales for a TopGolf suburban location are at least $333 per square foot.

Sources: Ala Carte Entertainment, Inc.; Hoffmann AODG; Gruen Gruen + Associates.

SUMMARY OF TAX REVENUES & PROPOSED ALLOCATION
Hoffmann AODG Planned Development
Figures rounded and order-of-magnitude in nature. Estimates are annual upon full build-out.

	Village / TIF	Hoffmann AODG
Property Taxes		
Allocation	50.00%	50.00%
Annual Property Tax Increment	$1,221,000	$1,221,000
Home Rule Sales Taxes [1]		
Allocation	50.00%	50.00%
Annual Sales Tax	$167,000	$167,000
Places for Eating Taxes		
Allocation	50.00%	50.00%
Annual Eating Tax	$290,000	$290,000
Amusement Tax		
Allocation	50.00%	50.00%
Annual Amusement Tax	$480,000	$480,000
Total Annual Revenue @ Build-out	**$2,158,000**	**$2,158,000**

[1] Estimates of sales tax revenue do not include the 1% non-home rule sales tax rate.

Sources: Ala Carte Entertainment, Inc.; Hoffmann AODG; Gruen Gruen + Associates.

Date:	September 29, 2020
To:	Robert Rychlicki and Zoran Milutinovic, Kane McKenna & Associates, Inc
cc:	Hoffmann Alpha Omega Development Group
From:	Gruen Gruen + Associates
Subject:	**C1544: Hoffmann AODG Planned Development – Golf Social Cost Projections**

To put the estimates of the cost for the Golf Social use in perspective, the following websites summarizes the average costs to build Top Golf and Drive Shack. According to the website links provided below, an average Top Golf is 65,000 sq ft and typically costs $18 million to build which equates to an average cost of $277 per square foot.

https://www.golfdigest.com/story/topgolf-las-vegas-will-be-the

https://whatnowatlanta.com/topgolf-files-plans-for-65000-square-foot-facility-and-driving-range/

An average Drive Shack is between 60,000 to 65,000 sq ft and typically costs $30 million to build. Which equates to an average cost equates $299 per square foot.

https://www.driveshack.com/newsroom/drive-shack-set-to-open-65-000-square-foot-golfing-facility-in-short-pump

http://ir.driveshack.com/file/Index?KeyFile=392583931#:~:text=Drive%20Shack%2C%20(NYSE%3A%20DS,Performance%20District%20in%20early%20spring.

As previously indicated in the incentive request, the estimated land development costs allocated to the Golf Social parcel is estimated $18,246,582, which is based on the preliminary engineers estimate. The 122,000 square-foot building hard costs, which include the FFE are estimated at $25,000,000 or $205.00 per square-foot.

The 65,000 sq ft Top Golf's in Mid Town Georgia reported an estimated building cost of $8,500,000 at the time of permit submission in 2014 which is $131.00 per square-foot.

The increased $74.00 as square-foot cost for the GolfSocial is attributable to the inclusion of the FFE costs as well as the Moretti's restaurant and banquet facilities, the private suites and the pedestrian walkway connecting to the Westin Hotel.

	Location	Bldg Sq Ft	Total Costs	Total C/SF	Building Cost	Bldg C/SF	FFE included
GolfSocial & Moretti's	Lombard	122,000	$47,000,000	385.00	25,000,000	204.92	Yes
Top Golf	West Midtown GA				$8,500,000	130.77	No
Top Golf	Average	65,000	$ 18,000,000	277.00			
Top Golf	Colorado	65,000	$25,000,000	385.00			
Top Golf	Hillsboro	65,000	$22,000,000	338.00			
Drive Shack	Average	65,000	$30,000,000	462.00			

EXHIBIT B

Development Return Analysis (KMA Initial Adjustments)

EXHIBIT B-1

Development Return Analysis (KMA)
Without Public Assistance – Developer Assumptions
Unleveraged

FOR DISCUSSION PURPOSES ONLY

Village of Lombard, Illinois **Assumptions Without Public Financial Assistance (Developer Proposal - Unleveraged Return)**

Preliminary Hoffman Development IRR Review with Assumptions

Financing Assumptions:		
Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Construction Loan	0	
Construction Loan Rate	4 50%	
Refinance Loan (2021)	0	
Loan Term	25	years
Loan Rate (Long Term)	4 50%	
Equity	159,362,229	

Project Description:			
Food & Fuel Development	13,205	sq ft	
Golf Social	122,000	sq ft	
Residential Units	400		800 avg sq ft

Retail Revenue Assumptions:		
Food & Fuel Development	$44 78	(Annual Avg)
Golf Social	$18 86	(Annual Avg)

Residential Revenue Assumptions (Stabilized 2016):		
Avg Residential Rent/Unit/Year	$22,272 00	$2 32 sq ft
Parking & Other Income	$714,000 00	(Annual)
Vacancy Rate	5 0%	

Apartment Expense Assumptions:	
Ann Operating Expenses/Unit	39 0%

Growth Assumptions:	
Annual Retail Lease Escalation	2 50%
Annual Residential Lease Escalation	2 50%

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const 2021	0	0	0	0	0	0	0	0	0	0	0	(53,120,743)	(53,120,743)	0	0	0
Const 2022	0	0	0	0	0	0	0	0	0	0	0	(53,120,743)	(53,120,743)	0	0	0
Const 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	0	1,446,120	(53,120,743)	(51,674,623)	0	0	0
2024	2,964,546	2,964,546	4,454,400	(240,570)	357,000	4,570,830	(1,875,133)	2,695,697	5,660,243	0	5,660,243	0	5,660,243	0	0	0
2025	3,038,660	3,038,660	9,131,520	(493,169)	731,850	9,370,202	(3,844,022)	5,526,180	8,564,839	0	8,564,839	0	8,564,839	0	0	0
2026	3,114,626	3,114,626	9,359,808	(505,498)	750,146	9,604,457	(3,940,122)	5,664,334	8,778,960	0	8,778,960	0	8,778,960	0	0	0
2027	3,192,492	3,192,492	9,593,803	(518,135)	768,900	9,844,568	(4,038,625)	5,805,943	8,998,434	0	8,998,434	0	8,998,434	0	0	0
2028	3,272,304	3,272,304	9,833,648	(531,089)	788,122	10,090,682	(4,139,591)	5,951,091	9,223,395	0	9,223,395	0	9,223,395	0	0	0
2029	3,354,112	3,354,112	10,079,489	(544,366)	807,825	10,342,949	(4,243,081)	6,099,868	9,453,980	0	9,453,980	0	9,453,980	0	0	0
2030	3,437,964	3,437,964	10,331,477	(557,975)	828,021	10,601,523	(4,349,158)	6,252,365	9,690,330	0	9,690,330	157,909,350	167,599,679	0	0	0

IRR analysis:

Assumptions					
Cap Rate (Res)	5 50%	Value (Res) 10 yrs	113,679,367	IRR Calculation	4 60%
Cap Rate (Retail)	7 00%	Value (Retail) 10 yrs	49,113,777		
Sale Costs	3 00%	Total Value	162,793,144	Stabilzed Return on Cost (2025)	5 37%
		Less:			
Mortgage		Costs	4,883,794		
Balance	0	Mortgage	0		
		Residual	157,909,350		

FOR DISCUSSION PURPOSES ONLY

Village of Lombard, Illinois **Assumptions With Public Financial Assistance (Developer Proposal - Unleveraged Return)**

Preliminary Hoffman Development IRR Review with Assumptions

Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Public Financial Assistance	31,587,400	Developer request
Construction Loan	0	
Construction Loan Rate	4 50%	
Refinance Loan (2021)	0	
Loan Term	25	years
Loan Rate (Long Term)	4 50%	
Equity	127,774,829	

Project Description:

Food & Fuel Development	13,205	sq ft	
Golf Social	122,000	sq ft	
Residential Units	400		800

Retail Revenue Assumptions:

Food & Fuel Development	$44 78	(Annual Avg)
Golf Social	$18 86	(Annual Avg)

Residential Revenue Assumptions (Stabilized 2016):

Avg Residential Rent/Unit/Year	$22,272 00	$2 32 sq ft
Parking & Other Income	$714,000 00	(Annual)
Vacancy Rate	5 0%	

Apartment Expense Assumptions:

Ann Operating Expenses/Unit	39 0%

Growth Assumptions:

Annual Retail Lease Escalation	2 50%
Annual Residential Lease Escalation	2 50%

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const 2021	0	0	0	0	0	0	0	0	0	0	0	(42,591,610)	(42,591,610)	0	0	0
Const 2022	0	0	0	0	0	0	0	0	0	0	0	(42,591,610)	(42,591,610)	0	0	0
Const 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	0	1,446,120	(42,591,610)	(41,145,490)	0	0	0
2024	2,964,546	2,964,546	4,454,400	(240,570)	357,000	4,570,830	(1,875,133)	2,695,697	5,660,243	0	5,660,243	0	5,660,243	0	0	0
2025	3,038,660	3,038,660	9,131,520	(493,169)	731,850	9,370,202	(3,844,022)	5,526,180	8,564,839	0	8,564,839	0	8,564,839	0	0	0
2026	3,114,626	3,114,626	9,359,808	(505,498)	750,146	9,604,457	(3,940,122)	5,664,334	8,778,960	0	8,778,960	0	8,778,960	0	0	0
2027	3,192,492	3,192,492	9,593,803	(518,135)	768,900	9,844,568	(4,038,625)	5,805,943	8,998,434	0	8,998,434	0	8,998,434	0	0	0
2028	3,272,304	3,272,304	9,833,648	(531,089)	788,122	10,090,682	(4,139,591)	5,951,091	9,223,395	0	9,223,395	0	9,223,395	0	0	0
2029	3,354,112	3,354,112	10,079,489	(544,366)	807,825	10,342,949	(4,243,081)	6,099,868	9,453,980	0	9,453,980	0	9,453,980	0	0	0
2030	3,437,964	3,437,964	10,331,477	(557,975)	828,021	10,601,523	(4,349,158)	6,252,365	9,690,330	0	9,690,330	157,909,350	167,599,679	0	0	0

IRR analysis:

Assumptions					
Cap Rate (Res)	5 50%	Value (Res) 10 yrs	113,679,367	IRR Calculation	7 93%
Cap Rate (Retail)	7 00%	Value (Retail) 10 yrs	49,113,777		
Sale Costs	3 00%	Total Value	162,793,144	Stabilzed Return on Cost (2025)	6 70%
		Less:			
Mortgage		Costs	4,883,794		
Balance	0	Mortgage	0		
		Residual	157,909,350		

VILLAGE OF LOMBARD, ILLINOIS
Hoffman Development
PROJECT SUMMARY
Souces and Uses of Funds

USES:

	Costs	Total Costs	% of Cost/Segment	% of Total Cost
Land Acquisition Costs		9,000,000		5.6%
Onsite Improvements & Site Preparation Costs				
Demolition	2,256,403		7.35%	1.4%
Earth Work	4,671,841		15.22%	2.9%
Pavement	2,096,310		6.83%	1.3%
Utilities	5,416,031		17.65%	3.4%
Landscape	255,373		0.83%	0.2%
Miscellaneous			0.00%	0.0%
ADA Items	60,000		0.20%	0.0%
Signage/Painting/Striping	80,000		0.26%	0.1%
Erosion Control	420,000		1.37%	0.3%
Lighting-Roadway	58,500		0.19%	0.0%
Lighting-Non-Roadway	84,000		0.27%	0.1%
Bldg-Bldg. Pedway	75,000		0.24%	0.0%
Development Signage	300,000		0.98%	0.2%
Bike Racks	3,000		0.01%	0.0%
Offsite Roadway Contingency	600,000		1.96%	0.4%
General Conditions	300,000		0.98%	0.2%
Structural Supports-Soil Conditions	6,000,000		19.55%	3.8%
Roadway Cost	1,874,925		6.11%	1.2%
Contingency	3,682,707		12.00%	2.3%
General Contractor Fee	2,455,138		8.00%	1.5%
Total Onsite Improvements & Site Preparation Costs		30,689,229	100.00%	19.3%
FOOD & FUEL DEVELOPMENT - LOT 1				
Food and Fuel Development Costs				
Hard Costs	6,427,000		86.96%	4.0%
Soft Costs	964,000		13.04%	0.6%
Total Food & Fuel Development Costs		7,391,000	100.00%	4.6%
GOLF SOCIAL DEVELOPMENT - LOTS 2&3				
Golf Social Development Costs				
Hard Costs	25,000,000		86.95%	15.7%
Soft Costs	3,752,000		13.05%	2.4%
Total Golf Social Development Costs		28,752,000	100.00%	18.0%
APARTMENT BUILDING DEVELOPMENT				
Hard Costs	72,634,000		86.96%	45.6%
Soft Costs	10,896,000		13.04%	6.8%
Total Apartment Bldg. Development Costs		83,530,000	100.00%	52.4%
TOTAL DEVELOPMENT COSTS		**159,362,229**		

PROJECT SUMMARY
Sources of Funds

SOURCES:

Without Financial Assistance		
Equity*	159,362,229	100%
Debt	0	0%
TOTAL SOURCES (W/O ASSISTANCE)	**159,362,229**	100%
With Financial Assistance		
Equity	127,774,829	80%
Debt	-	0%
Public Financial Assistance	31,587,400	20%
TOTAL SOURCES (WITH ASSISTANCE)	**159,362,229**	100%

*IRR analysis assumes	0%	debt
and equity of	100%	

EXHIBIT B-2

Development Return Analysis (KMA)
Without Public Assistance – KMA Assumptions
Unleveraged

Village of Lombard, Illinois — **Assumptions Without Public Financial Assistance (KMA Assumptions - Unleveraged Return)**

Preliminary Hoffman Development IRR Review with Assumptions

Financing Assumptions:

Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Construction Loan	0	
Construction Loan Rate	4.50%	
Refinance Loan (2021)	0	
Loan Term	25	years
Loan Rate (Long Term)	4.50%	799
Equity	159,362,229	

Project Description:

Food & Fuel Development	13,205 sq ft	
Golf Social	122,000 sq ft	
Residential Units	400	800 avg sq ft

Retail Revenue Assumptions:

Food & Fuel Development	$44.78
Golf Social	$18.86

Residential Revenue Assumptions (Stabilized 2016):

Avg Current Residential Rent/Unit/Year	$22,272.00	$2.32 sq ft
Avg Stabilized Residential Rent/Unit/Year	$23,399.52	$2.44 sq ft (assume 2.5% annual increase for 2022-2023)
Parking & Other Income	$714,000.00 (Annual)	
Vacancy Rate	5.0%	

Apartment Expense Assumptions:

Ann Operating Expenses/Unit	39.0%

Growth Assumptions:

Annual Retail Lease Escalation	2.50%
Annual Residential Lease Escalation	2.50%

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const 2021	0	0	0	0	0	0	0	0	0	0	0	(53,120,743)	(53,120,743)	0	0	0
Const 2022	0	0	0	0	0	0	0	0	0	0	0	(53,120,743)	(53,120,743)	0	0	0
Const 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	0	1,446,120	(53,120,743)	(51,674,623)	0	0	0
2024	2,964,546	2,964,546	4,679,904	(251,845)	357,000	4,785,059	(1,963,018)	2,822,041	5,786,587	0	5,786,587	0	5,786,587	0	0	0
2025	3,038,660	3,038,660	9,593,803	(516,283)	731,850	9,809,371	(4,024,186)	5,785,185	8,823,844	0	8,823,844	0	8,823,844	0	0	0
2026	3,114,626	3,114,626	9,833,648	(529,190)	750,146	10,054,605	(4,124,791)	5,929,814	9,044,440	0	9,044,440	0	9,044,440	0	0	0
2027	3,192,492	3,192,492	10,079,489	(542,419)	768,900	10,305,970	(4,227,910)	6,078,060	9,270,551	0	9,270,551	0	9,270,551	0	0	0
2028	3,272,304	3,272,304	10,331,477	(555,980)	788,122	10,563,619	(4,333,608)	6,230,011	9,502,315	0	9,502,315	0	9,502,315	0	0	0
2029	3,354,112	3,354,112	10,589,764	(569,879)	807,825	10,827,710	(4,441,948)	6,385,761	9,739,873	0	9,739,873	0	9,739,873	0	0	0
2030	3,437,964	3,437,964	10,854,508	(584,126)	828,021	11,098,402	(4,552,997)	6,545,405	9,983,370	0	9,983,370	182,197,226	192,180,596	0	0	0

IRR analysis:

Assumptions					
Cap Rate (Res)	5.00%	Value (Res) 10 yrs	130,908,107	IRR Calculation	6.21%
Cap Rate (Retail)	6.25%	Value (Retail) 10 yrs	55,007,430		
Sale Costs	2.00%	Total Value	185,915,537	Stabilized Return on Cost (2025)	5.54%
		Less:			
Mortgage		Costs	3,718,311		
Balance	0	Mortgage	0		
		Residual	182,197,226		

Village of Lombard, Illinois **Assumptions With Public Financial Assistance (KMA Assumptions - Unleveraged Return)**

Preliminary Hoffman Development IRR Review with Assumptions

Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Public Financial Assistance	23,000,000	Developer request
Construction Loan	0	
Construction Loan Rate	4.50%	
Refinance Loan (2021)	0	
Loan Term	25	years
Loan Rate (Long Term)	4.50%	
Equity	136,362,229	

<u>Project Description:</u>

Food & Fuel Development	13,205	sq ft	
Golf Social	122,000	sq ft	
Residential Units	400		800

<u>Retail Revenue Assumptions:</u>

Food & Fuel Development	$44.78	$0.00
Golf Social	$18.86	$0.00

<u>Residential Revenue Assumptions (Stabilized 2016):</u>

Avg Current Residential Rent/Unit/Year	$22,272.00	$2.32 sq ft
Avg Stabilized Residential Rent/Unit/Year	$23,399.52	$2.44 sq ft (assume 2.5% annual increase for 2022-2023)
Parking & Other Income	$714,000.00	(Annual)
Vacancy Rate	5.0%	

<u>Apartment Expense Assumptions:</u>

Ann Operating Expenses/Unit	39.0%

<u>Growth Assumptions:</u>

Annual Retail Lease Escalation	2.50%
Annual Residential Lease Escalation	2.50%

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const 2021	0	0	0	0	0	0	0	0	0	0	0	(45,454,076)	(45,454,076)	0	0	0
Const 2022	0	0	0	0	0	0	0	0	0	0	0	(45,454,076)	(45,454,076)	0	0	0
Const 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	0	1,446,120	(45,454,076)	(44,007,956)	0	0	0
2024	2,964,546	2,964,546	4,679,904	(251,845)	357,000	4,785,059	(1,963,018)	2,822,041	5,786,587	0	5,786,587	0	5,786,587	0	0	0
2025	3,038,660	3,038,660	9,593,803	(516,283)	731,850	9,809,371	(4,024,186)	5,785,185	8,823,844	0	8,823,844	0	8,823,844	0	0	0
2026	3,114,626	3,114,626	9,833,648	(529,190)	750,146	10,054,605	(4,124,791)	5,929,814	9,044,440	0	9,044,440	0	9,044,440	0	0	0
2027	3,192,492	3,192,492	10,079,489	(542,419)	768,900	10,305,970	(4,227,910)	6,078,060	9,270,551	0	9,270,551	0	9,270,551	0	0	0
2028	3,272,304	3,272,304	10,331,477	(555,980)	788,122	10,563,619	(4,333,608)	6,230,011	9,502,315	0	9,502,315	0	9,502,315	0	0	0
2029	3,354,112	3,354,112	10,589,764	(569,879)	807,825	10,827,710	(4,441,948)	6,385,761	9,739,873	0	9,739,873	0	9,739,873	0	0	0
2030	3,437,964	3,437,964	10,854,508	(584,126)	828,021	11,098,402	(4,552,997)	6,545,405	9,983,370	0	9,983,370	182,197,226	192,180,596	0	0	0

IRR analysis:

Assumptions					
Cap Rate (Res.)	5.00%	Value (Res.) 10 yrs	130,908,107	IRR Calculation	8.56%
Cap Rate (Retail)	6.25%	Value (Retail) 10 yrs	55,007,430		
Sale Costs	2.00%	Total Value	185,915,537	Stabilized Return on Cost (2025)	6.47%
		Less:			
Mortgage		Costs	3,718,311		
Balance	0	Mortgage	0		
		Residual	182,197,226		

VILLAGE OF LOMBARD, ILLINOIS
Hoffman Development
PROJECT SUMMARY
Souces and Uses of Funds

USES:

	Costs	Total Costs	% of Cost/Segment	% of Total Cost
Land Acquisition Costs		9,000,000		5.6%
Onsite Improvements & Site Preparation Costs				
Demolition	2,256,403		7.35%	1.4%
Earth Work	4,671,841		15.22%	2.9%
Pavement	2,096,310		6.83%	1.3%
Utilities	5,416,031		17.65%	3.4%
Landscape	255,373		0.83%	0.2%
Miscellaneous			0.00%	0.0%
ADA Items	60,000		0.20%	0.0%
Signage/Painting/Striping	80,000		0.26%	0.1%
Erosion Control	420,000		1.37%	0.3%
Lighting-Roadway	58,500		0.19%	0.0%
Lighting-Non-Roadway	84,000		0.27%	0.1%
Bldg-Bldg. Pedway	75,000		0.24%	0.0%
Development Signage	300,000		0.98%	0.2%
Bike Racks	3,000		0.01%	0.0%
Offsite Roadway Contingency	600,000		1.96%	0.4%
General Conditions	300,000		0.98%	0.2%
Structural Supports-Soil Conditions	6,000,000		19.55%	3.8%
Roadway Cost	1,874,925		6.11%	1.2%
Contingency	3,682,707		12.00%	2.3%
General Contractor Fee	2,455,138		8.00%	1.5%
Total Onsite Improvements & Site Preparation Costs		30,689,229	100.00%	19.3%
FOOD & FUEL DEVELOPMENT - LOT 1				
Food and Fuel Development Costs				
Hard Costs	6,427,000		86.96%	4.0%
Soft Costs	964,000		13.04%	0.6%
Total Food & Fuel Development Costs		7,391,000	100.00%	4.6%
GOLF SOCIAL DEVELOPMENT - LOTS 2&3				
Golf Social Development Costs				
Hard Costs	25,000,000		86.95%	15.7%
Soft Costs	3,752,000		13.05%	2.4%
Total Golf Social Development Costs		28,752,000	100.00%	18.0%
APARTMENT BUILDING DEVELOPMENT				
Hard Costs	72,634,000		86.96%	45.6%
Soft Costs	10,896,000		13.04%	6.8%
Total Apartment Bldg. Development Costs		83,530,000	100.00%	52.4%
TOTAL DEVELOPMENT COSTS		**159,362,229**		

PROJECT SUMMARY
Sources of Funds

SOURCES:

Without Financial Assistance		
Equity*	159,362,229	100%
Debt	0	0%
TOTAL SOURCES (W/O ASSISTANCE)	**159,362,229**	100%
With Financial Assistance		
Equity	136,362,229	86%
Debt	-	0%
Public Financial Assistance	23,000,000	14%
TOTAL SOURCES (WITH ASSISTANCE)	**159,362,229**	100%

*IRR analysis assumes 0% debt
and equity of 100%

EXHIBIT B-3

Development Return Analysis (KMA)
Without Public Assistance – Developer Assumptions
Leveraged

FOR DISCUSSION PURPOSES ONLY

Village of Lombard, Illinois **Assumptions Without Public Financial Assistance (Developer Proposal - Leveraged Return)**

Preliminary Hoffman Development IRR Review with Assumptions

Financing Assumptions:

Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Construction Loan	111,553,560	
Construction Loan Rate	4.50%	
Refinance Loan (2021)	111,553,560	
Loan Term	25	years
Loan Rate (Long Term)	4.50%	
Equity	47,808,669	

Project Description:

Food & Fuel Development	13,205	sq ft
Golf Social	122,000	sq ft
Residential Units	400	800 avg sq ft

Retail Revenue Assumptions:

Food & Fuel Development	$44.78	(Annual Avg.)
Golf Social	$18.86	(Annual Avg.)

Residential Revenue Assumptions (Stabilized 2016):

Avg. Residential Rent/Unit/Year	$22,272.00	$2.32 sq ft
Parking & Other Income	$714,000.00	(Annual)
Vacancy Rate	5.0%	

Apartment Expense Assumptions:

Ann. Operating Expenses/Unit	39.0%

Growth Assumptions:

Annual Retail Lease Escalation	2.50%
Annual Residential Lease Escalation	2.50%

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const 2021	0	0	0	0	0	0	0	0	0	0	0	(15,936,223)	(15,936,223)	0	0	0
Const 2022	0	0	0	0	0	0	0	0	0	0	0	(15,936,223)	(15,936,223)	0	0	0
Const 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	0	1,446,120	(15,936,223)	(14,490,103)	0	0	111,553,560
2024	2,964,546	2,964,546	4,454,400	(240,570)	357,000	4,570,830	(1,875,133)	2,695,697	5,660,243	7,523,064	(1,862,820)	0	(1,862,820)	2,503,153	5,019,910	109,050,407
2025	3,038,660	3,038,660	9,131,520	(493,169)	731,850	9,370,202	(3,844,022)	5,526,180	8,564,839	7,523,064	1,041,776	0	1,041,776	2,615,795	4,907,268	106,434,612
2026	3,114,626	3,114,626	9,359,808	(505,498)	750,146	9,604,457	(3,940,122)	5,664,334	8,778,960	7,523,064	1,255,897	0	1,255,897	2,733,506	4,789,558	103,701,105
2027	3,192,492	3,192,492	9,593,803	(518,135)	768,900	9,844,568	(4,038,625)	5,805,943	8,998,434	7,523,064	1,475,371	0	1,475,371	2,856,514	4,666,550	100,844,591
2028	3,272,304	3,272,304	9,833,648	(531,089)	788,122	10,090,682	(4,139,591)	5,951,091	9,223,395	7,523,064	1,700,331	0	1,700,331	2,985,057	4,538,007	97,859,534
2029	3,354,112	3,354,112	10,079,489	(544,366)	807,825	10,342,949	(4,243,081)	6,099,868	9,453,980	7,523,064	1,930,916	0	1,930,916	3,119,385	4,403,679	94,740,150
2030	3,437,964	3,437,964	10,331,477	(557,975)	828,021	10,601,523	(4,349,158)	6,252,365	9,690,330	7,523,064	2,167,266	66,428,957	68,596,223	3,259,757	4,263,307	91,480,393

IRR analysis:

Assumptions							
Cap Rate (Res.)		5.50%	Value (Res.) 10 yrs	113,679,367	IRR Calculation	6.10%	
Cap Rate (Retail)		7.00%	Value (Retail) 10 yrs	49,113,777			
Sale Costs		3.00%	Total Value	162,793,144	Stabilized Return on Cost (2025)		5.37%
			Less:				
Mortgage			Costs	4,883,794			
Balance	91,480,393		Mortgage	91,480,393			
			Residual	66,428,957			

FOR DISCUSSION PURPOSES ONLY

Village of Lombard, Illinois — **Assumptions With Public Financial Assistance (Developer Proposal - Leveraged Return)**

Preliminary Hoffman Development IRR Review with Assumptions

Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Public Financial Assistance	31,587,400	Developer request
Construction Loan	94,872,119	
Construction Loan Rate	4 50%	
Refinance Loan (2021)	94,872,119	
Loan Term	25	years
Loan Rate (Long Term)	4 50%	
Equity	32,902,710	

Project Description:

Food & Fuel Development	13,205	sq ft	
Golf Social	122,000	sq ft	
Residential Units	400		800

Retail Revenue Assumptions:

Food & Fuel Development	$44 78	(Annual Avg)
Golf Social	$18 86	(Annual Avg)

Residential Revenue Assumptions (Stabilized 2016):

Avg Residential Rent/Unit/Year	$22,272 00	$2 32 sq ft
Parking & Other Income	$714,000 00	(Annual)
Vacancy Rate	5 0%	

Apartment Expense Assumptions:

Ann Operating Expenses/Unit	39 0%

Growth Assumptions:

Annual Retail Lease Escalation	2 50%
Annual Residential Lease Escalation	2 50%

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const 2021	0	0	0	0	0	0	0	0	0	0	0	(10,967,570)	(10,967,570)	0	0	0
Const 2022	0	0	0	0	0	0	0	0	0	0	0	(10,967,570)	(10,967,570)	0	0	0
Const 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	6,398,083	1,446,120	(10,967,570)	(9,521,450)	0	0	94,872,119
2024	2,964,546	2,964,546	4,454,400	(240,570)	357,000	4,570,830	(1,875,133)	2,695,697	5,660,243	6,398,083	-737,840	0	(737,840)	2,128,838	4,269,245	92,743,281
2025	3,038,660	3,038,660	9,131,520	(493,169)	731,850	9,370,202	(3,844,022)	5,526,180	8,564,839	6,398,083	2,166,756	0	2,166,756	2,224,636	4,173,448	90,518,645
2026	3,114,626	3,114,626	9,359,808	(505,498)	750,146	9,604,457	(3,940,122)	5,664,334	8,778,960	6,398,083	2,380,877	0	2,380,877	2,324,744	4,073,339	88,193,901
2027	3,192,492	3,192,492	9,593,803	(518,135)	768,900	9,844,568	(4,038,625)	5,805,943	8,998,434	6,398,083	2,600,351	0	2,600,351	2,429,358	3,968,726	85,764,543
2028	3,272,304	3,272,304	9,833,648	(531,089)	788,122	10,090,682	(4,139,591)	5,951,091	9,223,395	6,398,083	2,825,312	0	2,825,312	2,538,679	3,859,404	83,225,863
2029	3,354,112	3,354,112	10,079,489	(544,366)	807,825	10,342,949	(4,243,081)	6,099,868	9,453,980	6,398,083	3,055,897	0	3,055,897	2,652,920	3,745,164	80,572,944
2030	3,437,964	3,437,964	10,331,477	(557,975)	828,021	10,601,523	(4,349,158)	6,252,365	9,690,330	6,398,083	3,292,246	80,108,707	83,400,953	2,772,301	3,625,782	77,800,643

IRR analysis:

Assumptions						
Cap Rate (Res)	5 50%	Value (Res) 10 yrs	113,679,367	IRR Calculation	15 60%	
Cap Rate (Retail)	7 00%	Value (Retail) 10 yrs	49,113,777			
Sale Costs	3 00%	Total Value	162,793,144	Stabilized Return on Cost (2025)		6 70%
		Less:				
Mortgage		Costs	4,883,794			
Balance 77,800,643		Mortgage	77,800,643			
		Residual	80,108,707			

VILLAGE OF LOMBARD, ILLINOIS
Hoffman Development
PROJECT SUMMARY
Souces and Uses of Funds

USES:

	Costs	Total Costs	% of Cost/Segment	% of Total Cost
Land Acquisition Costs		9,000,000		5.6%
Onsite Improvements & Site Preparation Costs				
Demolition	2,256,403		7.35%	1.4%
Earth Work	4,671,841		15.22%	2.9%
Pavement	2,096,310		6.83%	1.3%
Utilities	5,416,031		17.65%	3.4%
Landscape	255,373		0.83%	0.2%
Miscellaneous			0.00%	0.0%
ADA Items	60,000		0.20%	0.0%
Signage/Painting/Striping	80,000		0.26%	0.1%
Erosion Control	420,000		1.37%	0.3%
Lighting-Roadway	58,500		0.19%	0.0%
Lighting-Non-Roadway	84,000		0.27%	0.1%
Bldg-Bldg. Pedway	75,000		0.24%	0.0%
Development Signage	300,000		0.98%	0.2%
Bike Racks	3,000		0.01%	0.0%
Offsite Roadway Contingency	600,000		1.96%	0.4%
General Conditions	300,000		0.98%	0.2%
Structural Supports-Soil Conditions	6,000,000		19.55%	3.8%
Roadway Cost	1,874,925		6.11%	1.2%
Contingency	3,682,707		12.00%	2.3%
General Contractor Fee	2,455,138		8.00%	1.5%
Total Onsite Improvements & Site Preparation Costs		30,689,229	100.00%	19.3%
FOOD & FUEL DEVELOPMENT - LOT 1				
Food and Fuel Development Costs				
Hard Costs	6,427,000		86.96%	4.0%
Soft Costs	964,000		13.04%	0.6%
Total Food & Fuel Development Costs		7,391,000	100.00%	4.6%
GOLF SOCIAL DEVELOPMENT - LOTS 2&3				
Golf Social Development Costs				
Hard Costs	25,000,000		86.95%	15.7%
Soft Costs	3,752,000		13.05%	2.4%
Total Golf Social Development Costs		28,752,000	100.00%	18.0%
APARTMENT BUILDING DEVELOPMENT				
Hard Costs	72,634,000		86.96%	45.6%
Soft Costs	10,896,000		13.04%	6.8%
Total Apartment Bldg. Development Costs		83,530,000	100.00%	52.4%
TOTAL DEVELOPMENT COSTS		**159,362,229**		

PROJECT SUMMARY
Sources of Funds

SOURCES:

Without Financial Assistance		
Equity*	47,808,669	30%
Debt	111,553,560	70%
TOTAL SOURCES (W/O ASSISTANCE)	**159,362,229**	100%
With Financial Assistance		
Equity	32,902,710	21%
Debt	94,872,119	60%
Public Financial Assistance	31,587,400	20%
TOTAL SOURCES (WITH ASSISTANCE)	**159,362,229**	100%

*IRR analysis assumes	70%	debt
and equity of	30%	

EXHIBIT B-4

Development Return Analysis (KMA)
Without Public Assistance – KMA Assumptions
Leveraged

FOR DISCUSSION PURPOSES ONLY

Village of Lombard, Illinois **Assumptions Without Public Financial Assistance (KMA Assumptions - Leveraged Return)**
Preliminary Hoffman Development IRR Review with Assumptions

Financing Assumptions:		
Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Construction Loan	111,553,560	
Construction Loan Rate	4 50%	
Refinance Loan (2021)	111,553,560	
Loan Term	25	years
Loan Rate (Long Term)	4 50%	
Equity	47,808,669	
Project Description:		
Food & Fuel Development	13,205	sq ft
Golf Social	122,000	sq ft
Residential Units	400	800 avg sq ft
Retail Revenue Assumptions:		
Food & Fuel Development	$44 78	
Golf Social	$18 86	
Residential Revenue Assumptions (Stabilized 2016):		
Avg Current Residential Rent/Unit/Year	$22,272 00	$2 32 sq ft
Avg Stabilized Residential Rent/Unit/Year	$23,399 52	$2 44 sq ft (assume 2 5% annual increase for 2022-2023)
Parking & Other Income	$714,000 00	(Annual)
Vacancy Rate	5 0%	
Apartment Expense Assumptions:		
Ann Operating Expenses/Unit	39 0%	
Growth Assumptions:		
Annual Retail Lease Escalation	2 50%	
Annual Residential Lease Escalation	2 50%	

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const 2021	0	0	0	0	0	0	0	0	0	0	0	(15,936,223)	(15,936,223)	0	0	0
Const 2022	0	0	0	0	0	0	0	0	0	0	0	(15,936,223)	(15,936,223)	0	0	0
Const 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	0	1,446,120	(15,936,223)	(14,490,103)	0	0	111,553,560
2024	2,964,546	2,964,546	4,679,904	(251,845)	357,000	4,785,059	(1,963,018)	2,822,041	5,786,587	7,523,064	(1,736,477)	0	(1,736,477)	2,503,153	5,019,910	109,050,407
2025	3,038,660	3,038,660	9,593,803	(516,283)	731,850	9,809,371	(4,024,186)	5,785,185	8,823,844	7,523,064	1,300,780	0	1,300,780	2,615,795	4,907,268	106,434,612
2026	3,114,626	3,114,626	9,833,648	(529,190)	750,146	10,054,605	(4,124,791)	5,929,814	9,044,440	7,523,064	1,521,377	0	1,521,377	2,733,506	4,789,558	103,701,105
2027	3,192,492	3,192,492	10,079,489	(542,419)	768,900	10,305,970	(4,227,910)	6,078,060	9,270,551	7,523,064	1,747,488	0	1,747,488	2,856,514	4,666,550	100,844,591
2028	3,272,304	3,272,304	10,331,477	(555,980)	788,122	10,563,619	(4,333,608)	6,230,011	9,502,315	7,523,064	1,979,251	0	1,979,251	2,985,057	4,538,007	97,859,534
2029	3,354,112	3,354,112	10,589,764	(569,879)	807,825	10,827,710	(4,441,948)	6,385,761	9,739,873	7,523,064	2,216,809	0	2,216,809	3,119,385	4,403,679	94,740,150
2030	3,437,964	3,437,964	10,854,508	(584,126)	828,021	11,098,402	(4,552,997)	6,545,405	9,983,370	7,523,064	2,460,306	90,716,833	93,177,139	3,259,757	4,263,307	91,480,393

IRR analysis:

Assumptions						
Cap Rate (Res)	5 00%	Value (Res) 10 yrs	130,908,107	IRR Calculation	10 22%	
Cap Rate (Retail)	6 25%	Value (Retail) 10 yrs	55,007,430			
Sale Costs	2 00%	Total Value	185,915,537	Stabilized Return on Cost (2025)		5 54%
		Less:				
Mortgage		Costs	3,718,311			
Balance 91,480,393		Mortgage	91,480,393			
		Residual	90,716,833			

FOR DISCUSSION PURPOSES ONLY

Village of Lombard, Illinois **Assumptions With Public Financial Assistance (KMA Assumptions - Leveraged Return)**
Preliminary Hoffman Development IRR Review with Assumptions

Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Public Financial Assistance	23,000,000	Developer request
Construction Loan	94,872,119	
Construction Loan Rate	4 50%	
Refinance Loan (2021)	94,872,119	
Loan Term	25	years
Loan Rate (Long Term)	4 50%	
Equity	41,490,110	

Project Description:

Food & Fuel Development	13,205	sq ft
Golf Social	122,000	sq ft
Residential Units	400	800

Retail Revenue Assumptions:

Food & Fuel Development	$44 78
Golf Social	$18 86

Residential Revenue Assumptions (Stabilized 2016):

Avg Current Residential Rent/Unit/Year	$22,272 00	$2 32 sq ft
Avg Stabilized Residential Rent/Unit/Year	$23,399 52	$2 44 sq ft (assume 2 5% annual increase for 2022-2023)
Parking & Other Income	$714,000 00	(Annual)
Vacancy Rate	5 0%	

Apartment Expense Assumptions:

Ann Operating Expenses/Unit	39 0%

Growth Assumptions:

Annual Retail Lease Escalation	2 50%
Annual Residential Lease Escalation	2 50%

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const 2021	0	0	0	0	0	0	0	0	0	0	0	(13,830,037)	(13,830,037)	0	0	0
Const 2022	0	0	0	0	0	0	0	0	0	0	0	(13,830,037)	(13,830,037)	0	0	0
Const 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	6,398,083	1,446,120	(13,830,037)	(12,383,917)	0	0	94,872,119
2024	2,964,546	2,964,546	4,679,904	(251,845)	357,000	4,785,059	(1,963,018)	2,822,041	5,786,587	6,398,083	-611,496	0	(611,496)	2,128,838	4,269,245	92,743,281
2025	3,038,660	3,038,660	9,593,803	(516,283)	731,850	9,809,371	(4,024,186)	5,785,185	8,823,844	6,398,083	2,425,761	0	2,425,761	2,224,636	4,173,448	90,518,645
2026	3,114,626	3,114,626	9,833,648	(529,190)	750,146	10,054,605	(4,124,791)	5,929,814	9,044,440	6,398,083	2,646,357	0	2,646,357	2,324,744	4,073,339	88,193,901
2027	3,192,492	3,192,492	10,079,489	(542,419)	768,900	10,305,970	(4,227,910)	6,078,060	9,270,551	6,398,083	2,872,468	0	2,872,468	2,429,358	3,968,726	85,764,543
2028	3,272,304	3,272,304	10,331,477	(555,980)	788,122	10,563,619	(4,333,608)	6,230,011	9,502,315	6,398,083	3,104,232	0	3,104,232	2,538,679	3,859,404	83,225,863
2029	3,354,112	3,354,112	10,589,764	(569,879)	807,825	10,827,710	(4,441,948)	6,385,761	9,739,873	6,398,083	3,341,789	0	3,341,789	2,652,920	3,745,164	80,572,944
2030	3,437,964	3,437,964	10,854,508	(584,126)	828,021	11,098,402	(4,552,997)	6,545,405	9,983,370	6,398,083	3,585,286	104,396,583	107,981,869	2,772,301	3,625,782	77,800,643

IRR analysis:

Assumptions						
Cap Rate (Res)	5 00%	Value (Res) 10 yrs	130,908,107	IRR Calculation	15 54%	
Cap Rate (Retail)	6 25%	Value (Retail) 10 yrs	55,007,430			
Sale Costs	2 00%	Total Value	185,915,537	Stabilized Return on Cost (2025)		6 47%
		Less:				
Mortgage		Costs	3,718,311			
Balance	77,800,643	Mortgage	77,800,643			
		Residual	104,396,583			

VILLAGE OF LOMBARD, ILLINOIS
Hoffman Development
PROJECT SUMMARY
Souces and Uses of Funds

USES:

	Costs	Total Costs	% of Cost/Segment	% of Total Cost
Land Acquisition Costs		9,000,000		5.6%
Onsite Improvements & Site Preparation Costs				
Demolition	2,256,403		7.35%	1.4%
Earth Work	4,671,841		15.22%	2.9%
Pavement	2,096,310		6.83%	1.3%
Utilities	5,416,031		17.65%	3.4%
Landscape	255,373		0.83%	0.2%
Miscellaneous			0.00%	0.0%
ADA Items	60,000		0.20%	0.0%
Signage/Painting/Striping	80,000		0.26%	0.1%
Erosion Control	420,000		1.37%	0.3%
Lighting-Roadway	58,500		0.19%	0.0%
Lighting-Non-Roadway	84,000		0.27%	0.1%
Bldg-Bldg. Pedway	75,000		0.24%	0.0%
Development Signage	300,000		0.98%	0.2%
Bike Racks	3,000		0.01%	0.0%
Offsite Roadway Contingency	600,000		1.96%	0.4%
General Conditions	300,000		0.98%	0.2%
Structural Supports-Soil Conditions	6,000,000		19.55%	3.8%
Roadway Cost	1,874,925		6.11%	1.2%
Contingency	3,682,707		12.00%	2.3%
General Contractor Fee	2,455,138		8.00%	1.5%
Total Onsite Improvements & Site Preparation Costs		30,689,229	100.00%	19.3%
FOOD & FUEL DEVELOPMENT - LOT 1				
Food and Fuel Development Costs				
Hard Costs	6,427,000		86.96%	4.0%
Soft Costs	964,000		13.04%	0.6%
Total Food & Fuel Development Costs		7,391,000	100.00%	4.6%
GOLF SOCIAL DEVELOPMENT - LOTS 2&3				
Golf Social Development Costs				
Hard Costs	25,000,000		86.95%	15.7%
Soft Costs	3,752,000		13.05%	2.4%
Total Golf Social Development Costs		28,752,000	100.00%	18.0%
APARTMENT BUILDING DEVELOPMENT				
Hard Costs	72,634,000		86.96%	45.6%
Soft Costs	10,896,000		13.04%	6.8%
Total Apartment Bldg. Development Costs		83,530,000	100.00%	52.4%
TOTAL DEVELOPMENT COSTS		**159,362,229**		

PROJECT SUMMARY
Sources of Funds

SOURCES:

Without Financial Assistance		
Equity*	47,808,669	30%
Debt	111,553,560	70%
TOTAL SOURCES (W/O ASSISTANCE)	**159,362,229**	100%
With Financial Assistance		
Equity	41,490,110	26%
Debt	94,872,119	60%
Public Financial Assistance	23,000,000	14%
TOTAL SOURCES (WITH ASSISTANCE)	**159,362,229**	100%

*IRR analysis assumes 70% debt
and equity of 30%

EXHIBIT C

Development Return Analysis (KMA Revised Adjustments)

EXHIBIT C-1

Development Return Analysis (KMA Revised Adjustments)
Without Public Assistance - Unleveraged

Village of Lombard, Illinois **Assumptions Without Public Financial Assistance (KMA Assumptions - Unleveraged Return)**
Preliminary Hoffman Development IRR Review with Assumptions

Financing Assumptions:

Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Construction Loan	0	
Construction Loan Rate	4.50%	
Refinance Loan (2021)	0	
Loan Term	25	years
Loan Rate (Long Term)	4.50%	799
Equity	159,362,229	

Project Description:

Food & Fuel Development	13,205	sq ft
Golf Social	122,000	sq ft
Residential Units	400	800 avg sq ft

Retail Revenue Assumptions:

Food & Fuel Development	$44.78
Golf Social	$18.86

Residential Revenue Assumptions (Stabilized 2016):

Avg Current Residential Rent/Unit/Year	$22,272.00	$2.32 sq ft
Avg Stabilized Residential Rent/Unit/Year	$23,399.52	$2.44 sq ft (assume 2.5% annual increase for 2022-2023)
Parking & Other Income	$714,000.00	(Annual)
Vacancy Rate	5.0%	

Apartment Expense Assumptions:

Ann Operating Expenses/Unit	39.0%

Growth Assumptions:

Annual Retail Lease Escalation	2.50%
Annual Residential Lease Escalation	2.50%

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const 2021	0	0	0	0	0	0	0	0	0	0	0	(53,120,743)	(53,120,743)	0	0	0
Const 2022	0	0	0	0	0	0	0	0	0	0	0	(53,120,743)	(53,120,743)	0	0	0
Const 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	0	1,446,120	(53,120,743)	(51,674,623)	0	0	0
2024	2,964,546	2,964,546	4,679,904	(251,845)	357,000	4,785,059	(1,963,018)	2,822,041	5,786,587	0	5,786,587	0	5,786,587	0	0	0
2025	3,038,660	3,038,660	9,593,803	(516,283)	731,850	9,809,371	(4,024,186)	5,785,185	8,823,844	0	8,823,844	0	8,823,844	0	0	0
2026	3,114,626	3,114,626	9,833,648	(529,190)	750,146	10,054,605	(4,124,791)	5,929,814	9,044,440	0	9,044,440	0	9,044,440	0	0	0
2027	3,192,492	3,192,492	10,079,489	(542,419)	768,900	10,305,970	(4,227,910)	6,078,060	9,270,551	0	9,270,551	0	9,270,551	0	0	0
2028	3,272,304	3,272,304	10,331,477	(555,980)	788,122	10,563,619	(4,333,608)	6,230,011	9,502,315	0	9,502,315	0	9,502,315	0	0	0
2029	3,354,112	3,354,112	10,589,764	(569,879)	807,825	10,827,710	(4,441,948)	6,385,761	9,739,873	0	9,739,873	0	9,739,873	0	0	0
2030	3,437,964	3,437,964	10,854,508	(584,126)	828,021	11,098,402	(4,552,997)	6,545,405	9,983,370	0	9,983,370	170,312,401	180,295,771	0	0	0

IRR analysis:

Assumptions					
Cap Rate (Res.)	5.25%	Value (Res.) 10 yrs	124,674,387	IRR Calculation	5.50%
Cap Rate (Retail)	7.00%	Value (Retail) 10 yrs	49,113,777		
Sale Costs	2.00%	Total Value	173,788,164	Stabilized Return on Cost (2025)	5.54%
		Less:			
Mortgage		Costs	3,475,763		
Balance	0	Mortgage	0		
		Residual	170,312,401		

FOR DISCUSSION PURPOSES ONLY

Village of Lombard, Illinois **Assumptions With Public Financial Assistance (KMA Assumptions - Unleveraged Return)**

Preliminary Hoffman Development IRR Review with Assumptions

Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Public Financial Assistance	27,500,000	Developer request
Construction Loan	0	
Construction Loan Rate	4.50%	
Refinance Loan (2021)	0	
Loan Term	25	years
Loan Rate (Long Term)	4.50%	
Equity	131,862,229	

Project Description:

Food & Fuel Development	13,205 sq ft	
Golf Social	122,000 sq ft	
Residential Units	400	800

Retail Revenue Assumptions:

Food & Fuel Development	$44.78	$0.00
Golf Social	$18.86	$0.00

Residential Revenue Assumptions (Stabilized 2016):

Avg. Current Residential Rent/Unit/Year	$22,272.00	$2.32 sq ft
Avg. Stabilized Residential Rent/Unit/Year	$23,399.52	$2.44 sq ft (assume 2.5% annual increase for 2022-2023)
Parking & Other Income	$714,000.00	(Annual)
Vacancy Rate	5.0%	

Apartment Expense Assumptions:

Ann. Operating Expenses/Unit	39.0%

Growth Assumptions:

Annual Retail Lease Escalation	2.50%
Annual Residential Lease Escalation	2.50%

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const. 2021	0	0	0	0	0	0	0	0	0	0	0	(43,954,076)	(43,954,076)	0	0	0
Const. 2022	0	0	0	0	0	0	0	0	0	0	0	(43,954,076)	(43,954,076)	0	0	0
Const. 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	0	1,446,120	(43,954,076)	(42,507,956)	0	0	0
2024	2,964,546	2,964,546	4,679,904	(251,845)	357,000	4,785,059	(1,963,018)	2,822,041	5,786,587	0	5,786,587	0	5,786,587	0	0	0
2025	3,038,660	3,038,660	9,593,803	(516,283)	731,850	9,809,371	(4,024,186)	5,785,185	8,823,844	0	8,823,844	0	8,823,844	0	0	0
2026	3,114,626	3,114,626	9,833,648	(529,190)	750,146	10,054,605	(4,124,791)	5,929,814	9,044,440	0	9,044,440	0	9,044,440	0	0	0
2027	3,192,492	3,192,492	10,079,489	(542,419)	768,900	10,305,970	(4,227,910)	6,078,060	9,270,551	0	9,270,551	0	9,270,551	0	0	0
2028	3,272,304	3,272,304	10,331,477	(555,980)	788,122	10,563,619	(4,333,608)	6,230,011	9,502,315	0	9,502,315	0	9,502,315	0	0	0
2029	3,354,112	3,354,112	10,589,764	(569,879)	807,825	10,827,710	(4,441,948)	6,385,761	9,739,873	0	9,739,873	0	9,739,873	0	0	0
2030	3,437,964	3,437,964	10,854,508	(584,126)	828,021	11,098,402	(4,552,997)	6,545,405	9,983,370	0	9,983,370	170,312,401	180,295,771	0	0	0

IRR analysis:

Assumptions					
Cap Rate (Res.)	5.25%	Value (Res.) 10 yrs	124,674,387	IRR Calculation	8.37%
Cap Rate (Retail)	7.00%	Value (Retail) 10 yrs	49,113,777		
Sale Costs	2.00%	Total Value	173,788,164	Stabilized Return on Cost (2025)	6.69%
		Less:			
Mortgage		Costs	3,475,763		
Balance	0	Mortgage	0		
		Residual	170,312,401		

VILLAGE OF LOMBARD, ILLINOIS
Hoffman Development
PROJECT SUMMARY
Souces and Uses of Funds

USES:

	Costs	Total Costs	% of Cost/Segment	% of Total Cost
Land Acquisition Costs		9,000,000		5.6%
Onsite Improvements & Site Preparation Costs				
Demolition	2,256,403		7.35%	1.4%
Earth Work	4,671,841		15.22%	2.9%
Pavement	2,096,310		6.83%	1.3%
Utilities	5,416,031		17.65%	3.4%
Landscape	255,373		0.83%	0.2%
Miscellaneous			0.00%	0.0%
ADA Items	60,000		0.20%	0.0%
Signage/Painting/Striping	80,000		0.26%	0.1%
Erosion Control	420,000		1.37%	0.3%
Lighting-Roadway	58,500		0.19%	0.0%
Lighting-Non-Roadway	84,000		0.27%	0.1%
Bldg-Bldg. Pedway	75,000		0.24%	0.0%
Development Signage	300,000		0.98%	0.2%
Bike Racks	3,000		0.01%	0.0%
Offsite Roadway Contingency	600,000		1.96%	0.4%
General Conditions	300,000		0.98%	0.2%
Structural Supports-Soil Conditions	6,000,000		19.55%	3.8%
Roadway Cost	1,874,925		6.11%	1.2%
Contingency	3,682,707		12.00%	2.3%
General Contractor Fee	2,455,138		8.00%	1.5%
Total Onsite Improvements & Site Preparation Costs		30,689,229	100.00%	19.3%
FOOD & FUEL DEVELOPMENT - LOT 1				
Food and Fuel Development Costs				
Hard Costs	6,427,000		86.96%	4.0%
Soft Costs	964,000		13.04%	0.6%
Total Food & Fuel Development Costs		7,391,000	100.00%	4.6%
GOLF SOCIAL DEVELOPMENT - LOTS 2&3				
Golf Social Development Costs				
Hard Costs	25,000,000		86.95%	15.7%
Soft Costs	3,752,000		13.05%	2.4%
Total Golf Social Development Costs		28,752,000	100.00%	18.0%
APARTMENT BUILDING DEVELOPMENT				
Hard Costs	72,634,000		86.96%	45.6%
Soft Costs	10,896,000		13.04%	6.8%
Total Apartment Bldg. Development Costs		83,530,000	100.00%	52.4%
TOTAL DEVELOPMENT COSTS		**159,362,229**		

PROJECT SUMMARY
Sources of Funds

SOURCES:

Without Financial Assistance		
Equity*	159,362,229	100%
Debt	0	0%
TOTAL SOURCES (W/O ASSISTANCE)	**159,362,229**	100%
With Financial Assistance		
Equity	131,862,229	83%
Debt	-	0%
Public Financial Assistance	27,500,000	17%
TOTAL SOURCES (WITH ASSISTANCE)	**159,362,229**	100%

*IRR analysis assumes 0% debt
and equity of 100%

EXHIBIT C-2

Development Return Analysis (KMA Revised Adjustments)
Without Public Assistance – Leveraged

Village of Lombard, Illinois **Assumptions Without Public Financial Assistance (KMA Assumptions - Leveraged Return)**
Preliminary Hoffman Development IRR Review with Assumptions

Financing Assumptions:		
Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Construction Loan	111,553,560	
Construction Loan Rate	4.50%	
Refinance Loan (2021)	111,553,560	
Loan Term	25	years
Loan Rate (Long Term)	4.50%	
Equity	47,808,669	
Project Description:		
Food & Fuel Development	13,205	sq ft
Golf Social	122,000	sq ft
Residential Units	400	800 avg sq ft
Retail Revenue Assumptions:		
Food & Fuel Development	$44.78	
Golf Social	$18.86	
Residential Revenue Assumptions (Stabilized 2016):		
Avg Current Residential Rent/Unit/Year	$22,272.00	$2.32 sq ft
Avg Stabilized Residential Rent/Unit/Year	$23,399.52	$2.44 sq ft (assume 2.5% annual increase for 2022-2023)
Parking & Other Income	$714,000.00	(Annual)
Vacancy Rate	5.0%	
Apartment Expense Assumptions:		
Ann Operating Expenses/Unit	39.0%	
Growth Assumptions:		
Annual Retail Lease Escalation	2.50%	
Annual Residential Lease Escalation	2.50%	

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const 2021	0	0	0	0	0	0	0	0	0	0	0	(15,936,223)	(15,936,223)	0	0	0
Const 2022	0	0	0	0	0	0	0	0	0	0	0	(15,936,223)	(15,936,223)	0	0	0
Const 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	0	1,446,120	(15,936,223)	(14,490,103)	0	0	111,553,560
2024	2,964,546	2,964,546	4,679,904	(251,845)	357,000	4,785,059	(1,963,018)	2,822,041	5,786,587	7,523,064	(1,736,477)	0	(1,736,477)	2,503,153	5,019,910	109,050,407
2025	3,038,660	3,038,660	9,593,803	(516,283)	731,850	9,809,371	(4,024,186)	5,785,185	8,823,844	7,523,064	1,300,780	0	1,300,780	2,615,795	4,907,268	106,434,612
2026	3,114,626	3,114,626	9,833,648	(529,190)	750,146	10,054,605	(4,124,791)	5,929,814	9,044,440	7,523,064	1,521,377	0	1,521,377	2,733,506	4,789,558	103,701,105
2027	3,192,492	3,192,492	10,079,489	(542,419)	768,900	10,305,970	(4,227,910)	6,078,060	9,270,551	7,523,064	1,747,488	0	1,747,488	2,856,514	4,666,550	100,844,591
2028	3,272,304	3,272,304	10,331,477	(555,980)	788,122	10,563,619	(4,333,608)	6,230,011	9,502,315	7,523,064	1,979,251	0	1,979,251	2,985,057	4,538,007	97,859,534
2029	3,354,112	3,354,112	10,589,764	(569,879)	807,825	10,827,710	(4,441,948)	6,385,761	9,739,873	7,523,064	2,216,809	0	2,216,809	3,119,385	4,403,679	94,740,150
2030	3,437,964	3,437,964	10,854,508	(584,126)	828,021	11,098,402	(4,552,997)	6,545,405	9,983,370	7,523,064	2,460,306	78,832,008	81,292,314	3,259,757	4,263,307	91,480,393

IRR analysis:

Assumptions					
Cap Rate (Res.)	5.25%	Value (Res.) 10 yrs	124,674,387	IRR Calculation	8.50%
Cap Rate (Retail)	7.00%	Value (Retail) 10 yrs	49,113,777		
Sale Costs	2.00%	Total Value	173,788,164	Stabilized Return on Cost (2025)	5.54%
		Less:			
Mortgage		Costs	3,475,763		
Balance	91,480,393	Mortgage	91,480,393		
		Residual	78,832,008		

Village of Lombard, Illinois **Assumptions With Public Financial Assistance (KMA Assumptions - Leveraged Return)**

Preliminary Hoffman Development IRR Review with Assumptions

Total Investment	159,362,229	Construction costs and allocation of land and soft costs
Public Financial Assistance	27,500,000	Developer request
Construction Loan	94,872,119	
Construction Loan Rate	4 50%	
Refinance Loan (2021)	94,872,119	
Loan Term	25	years
Loan Rate (Long Term)	4 50%	
Equity	36,990,110	

Project Description:

Food & Fuel Development	13,205	sq ft	
Golf Social	122,000	sq ft	
Residential Units	400		800

Retail Revenue Assumptions:

Food & Fuel Development	$44 78
Golf Social	$18 86

Residential Revenue Assumptions (Stabilized 2016):

Avg Current Residential Rent/Unit/Year	$22,272 00	$2 32 sq ft
Avg Stabilized Residential Rent/Unit/Year	$23,399 52	$2 44 sq ft (assume 2 5% annual increase for 2022-2023)
Parking & Other Income	$714,000 00 (Annual)	
Vacancy Rate	5 0%	

Apartment Expense Assumptions:

Ann Operating Expenses/Unit	39 0%

Growth Assumptions:

Annual Retail Lease Escalation	2 50%
Annual Residential Lease Escalation	2 50%

Year	Retail Rental Income	Total Net Retail Revenues	Residential Revenues	Less: Vacancy	Other Revenues	Total Residential Revenues	Less: Residential Expenses	Total Net Resid Revenues	Net Revenues Available For Debt Service	Debt Service	NOI	(Equity)/ Sale Proceeds	Add Residual	Principal	Interest	Principal Balance
Const 2021	0	0	0	0	0	0	0	0	0	0	0	(12,330,037)	(12,330,037)	0	0	0
Const 2022	0	0	0	0	0	0	0	0	0	0	0	(12,330,037)	(12,330,037)	0	0	0
Const 2023	1,446,120	1,446,120	0	0	0	0	0	0	1,446,120	6,398,083	1,446,120	(12,330,037)	(10,883,917)	0	0	94,872,119
2024	2,964,546	2,964,546	4,679,904	(251,845)	357,000	4,785,059	(1,963,018)	2,822,041	5,786,587	6,398,083	-611,496	0	(611,496)	2,128,838	4,269,245	92,743,281
2025	3,038,660	3,038,660	9,593,803	(516,283)	731,850	9,809,371	(4,024,186)	5,785,185	8,823,844	6,398,083	2,425,761	0	2,425,761	2,224,636	4,173,448	90,518,645
2026	3,114,626	3,114,626	9,833,648	(529,190)	750,146	10,054,605	(4,124,791)	5,929,814	9,044,440	6,398,083	2,646,357	0	2,646,357	2,324,744	4,073,339	88,193,901
2027	3,192,492	3,192,492	10,079,489	(542,419)	768,900	10,305,970	(4,227,910)	6,078,060	9,270,551	6,398,083	2,872,468	0	2,872,468	2,429,358	3,968,726	85,764,543
2028	3,272,304	3,272,304	10,331,477	(555,980)	788,122	10,563,619	(4,333,608)	6,230,011	9,502,315	6,398,083	3,104,232	0	3,104,232	2,538,679	3,859,404	83,225,863
2029	3,354,112	3,354,112	10,589,764	(569,879)	807,825	10,827,710	(4,441,948)	6,385,761	9,739,873	6,398,083	3,341,789	0	3,341,789	2,652,920	3,745,164	80,572,944
2030	3,437,964	3,437,964	10,854,508	(584,126)	828,021	11,098,402	(4,552,997)	6,545,405	9,983,370	6,398,083	3,585,286	92,511,758	96,097,044	2,772,301	3,625,782	77,800,643

IRR analysis:

Assumptions						
Cap Rate (Res)	5 25%	Value (Res) 10 yrs	124,674,387	IRR Calculation	15 86%	
Cap Rate (Retail)	7 00%	Value (Retail) 10 yrs	49,113,777			
Sale Costs	2 00%	Total Value	173,788,164	Stabilized Return on Cost (2025)		6 69%
		Less:				
Mortgage		Costs	3,475,763			
Balance 77,800,643		Mortgage	77,800,643			
		Residual	92,511,758			

VILLAGE OF LOMBARD, ILLINOIS
Hoffman Development
PROJECT SUMMARY
Souces and Uses of Funds

USES:

	Costs	Total Costs	% of Cost/Segment	% of Total Cost
Land Acquisition Costs		9,000,000		5.6%
Onsite Improvements & Site Preparation Costs				
Demolition	2,256,403		7.35%	1.4%
Earth Work	4,671,841		15.22%	2.9%
Pavement	2,096,310		6.83%	1.3%
Utilities	5,416,031		17.65%	3.4%
Landscape	255,373		0.83%	0.2%
Miscellaneous			0.00%	0.0%
ADA Items	60,000		0.20%	0.0%
Signage/Painting/Striping	80,000		0.26%	0.1%
Erosion Control	420,000		1.37%	0.3%
Lighting-Roadway	58,500		0.19%	0.0%
Lighting-Non-Roadway	84,000		0.27%	0.1%
Bldg-Bldg. Pedway	75,000		0.24%	0.0%
Development Signage	300,000		0.98%	0.2%
Bike Racks	3,000		0.01%	0.0%
Offsite Roadway Contingency	600,000		1.96%	0.4%
General Conditions	300,000		0.98%	0.2%
Structural Supports-Soil Conditions	6,000,000		19.55%	3.8%
Roadway Cost	1,874,925		6.11%	1.2%
Contingency	3,682,707		12.00%	2.3%
General Contractor Fee	2,455,138		8.00%	1.5%
Total Onsite Improvements & Site Preparation Costs		30,689,229	100.00%	19.3%
FOOD & FUEL DEVELOPMENT - LOT 1				
Food and Fuel Development Costs				
Hard Costs	6,427,000		86.96%	4.0%
Soft Costs	964,000		13.04%	0.6%
Total Food & Fuel Development Costs		7,391,000	100.00%	4.6%
GOLF SOCIAL DEVELOPMENT - LOTS 2&3				
Golf Social Development Costs				
Hard Costs	25,000,000		86.95%	15.7%
Soft Costs	3,752,000		13.05%	2.4%
Total Golf Social Development Costs		28,752,000	100.00%	18.0%
APARTMENT BUILDING DEVELOPMENT				
Hard Costs	72,634,000		86.96%	45.6%
Soft Costs	10,896,000		13.04%	6.8%
Total Apartment Bldg. Development Costs		83,530,000	100.00%	52.4%
TOTAL DEVELOPMENT COSTS		**159,362,229**		

PROJECT SUMMARY
Sources of Funds

SOURCES:

Without Financial Assistance		
Equity*	47,808,669	30%
Debt	111,553,560	70%
TOTAL SOURCES (W/O ASSISTANCE)	**159,362,229**	100%
With Financial Assistance		
Equity	36,990,110	23%
Debt	94,872,119	60%
Public Financial Assistance	27,500,000	17%
TOTAL SOURCES (WITH ASSISTANCE)	**159,362,229**	100%

*IRR analysis assumes 70% debt
and equity of 30%