
Project Review :

Oliver McMillan's Lindenhurst Village Green

Lindenhurst Village Board

November 27, 2006



My Role

- Independent consultant retained by the Village to create a “common set of facts”
 - Understands development economics
 - Experienced with the market
 - Have the time to chase down information
 - Responsive to Village Board and staff requests and direction

Review Content

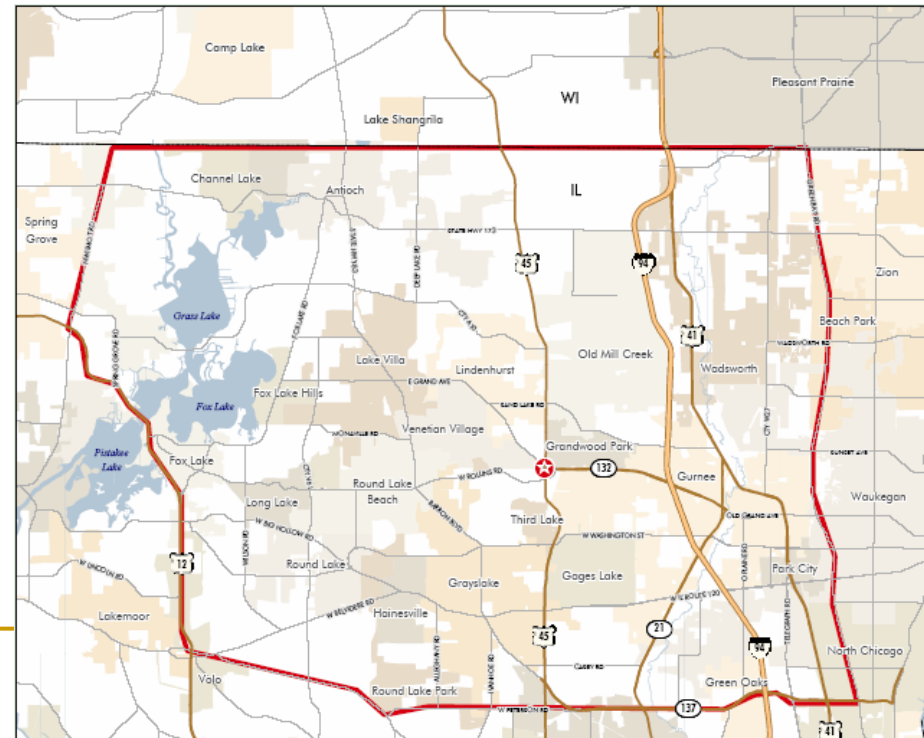
- Market Quality
- Product Quality
- Investment Dynamics
- Decision Basis
- Upside & Downside
- Next Steps

Market Quality: 2006 Population

	15 Minutes: HAWTHORN CENTER	15 Minutes: PROJECT SITE
Population	211,811	227,690
Households	72,952	79,914
Total Population Median Age	36.8	34.1
Household Average Income	\$137,367	\$86,739

Demographic data © 2006 by Experian/Applied Geographic Solutions.

- Similar Population Size
- High Spending Families
- Growing Income



Market Quality: Exclusivity

- Site vs. Hawthorn
 - 5-Mile distance prevents market overlap
- Site vs. Gurnee Mills
 - Price platform differential between “Value” and Standard
- Site vs. Fair Grounds
 - Fair Grounds overlaps both markets



Market Quality: Spending

<i>ULI National sales per square foot</i>	Top 10%	Median
Full Line Department Stores	\$309.64	\$174.92
All other tenants	\$422.03	\$280.27
<i>Lindenhurst Village Green Proposal Finished Project Sales</i>		
Sales Department Stores	\$68,740,080	\$38,832,240
Sales In Line	\$156,545,378	\$103,961,740
Outlots	\$12,956,321	\$8,604,289
Total	\$238,241,779	\$151,398,269
Sales Tax	\$2,382,418	\$1,513,983
<i>Inflated 10% to reflect 2009</i>	<i>\$262,065,957</i>	<i>\$166,538,096</i>

- The market's total spending power is \$1.4 billion
- Spending to support the center is 11% to 17% of total market
- Gurnee attractions provide bonus market

Market Summary

- Project has identified an attractive market
- Competitive positioning provides broad tenant appeal
- The proposed space could be supported by available spending

Lindenhurst Village Green Development Approach

- Oliver McMillan is master developer
 - Assembles land
 - Builds and retains ownership of “inline stores”
 - Sells land to department stores
 - Sells land to out lot businesses
 - Sells land to residential specialists

Proposed Inline Product

- Long-term Oliver McMillan investment
- Value dependent on rents
- Rents per square foot vary with size and location
- Success depends on tenant perception of attraction potential
 - Overall market
 - Co-tenancies

Typical Inline Stores

Chico's

J Jill

Abercrombie & Fitch

The Children' Place

Ann Taylor

Talbots

Starbucks

Corner Bakery

Bombay

GNC

The Gap

Kay Jewelers

Zales

EB World

Banana Republic

Proposed Department Store Product

- Owns property so very committed and shares risk
- Attracts high customer counts
- Strong co-tenant leader
- Potential Department Stores
 - Business currently growing
 - Winning sales competition

Expanding Department Stores

Phase I: 102,000 square feet

- Fashion oriented
- Competes with Carsons, and Kohls

Phase II: 120,000 square feet

- New to Chicago market
- Competes with higher priced stores

Proposed Out Lot Product

- Owns property so committed and shares risk
- Highest priced land sales
- Potential tenants
 - Fresh, new, unique to this area
 - Mid size retailers
 - Restaurants
 - Banks

Proposed Residential Product

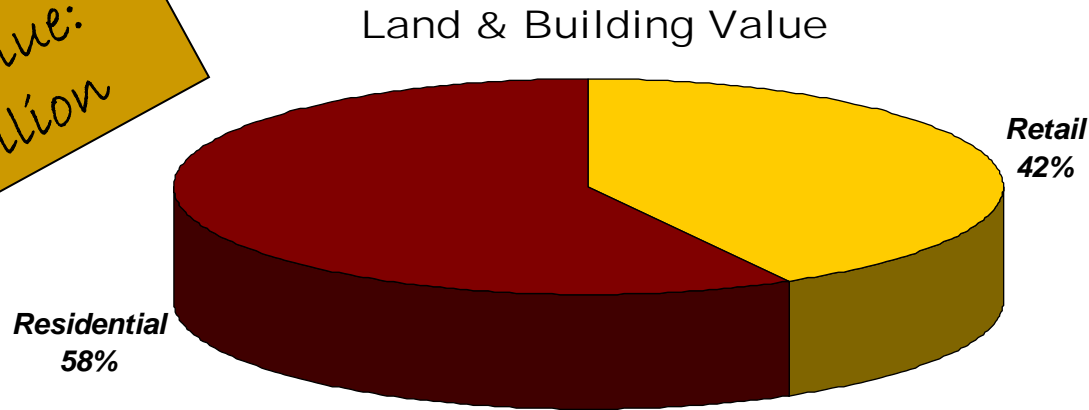
- Row Homes
 - Target Market
 - Singles
 - Empty nesters
 - First time buyers
- Single Family
 - Target Market
 - Families
 - 2nd time buyers
- Senior Housing
 - Target Market
 - Local empty nesters
 - “Snowbirds”
- Apartments
 - Target Market
 - “Daddy housing”
 - Relocating employees
 - Young graduates
 - “Snowbirds”

Product Quality Summary

- Design and Quality are a delicate balance
 - Best design is after tenants committed
 - Tenants need to know project quality to commit
- Opportunities to control product quality remain
- Village investment can enhance product quality
 - Sense of Place for Lindenhurst
 - Quicker presence of very desirable tenants
 - Regional sales tax capture opportunity
 - Regain current leakage
 - Preempt other communities

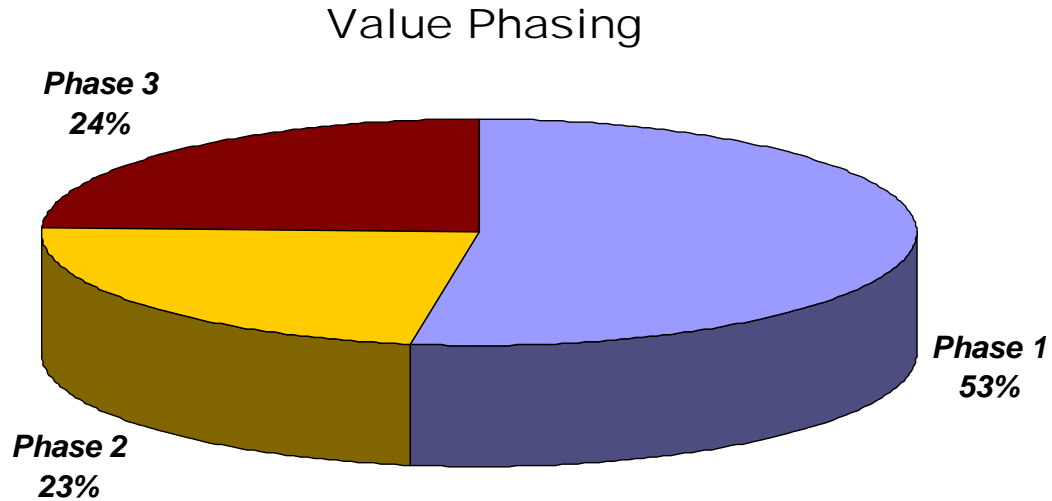
Proposal's Investment Dynamic

Estimated Total
market value:
\$325 million



- Land must be purchased as a unit
- Residential supports retail
- Avoids danger of overbuilding retail

Proposal's Investment Dynamic



- Phase 1 dominates
- Phase 1 is best known market

Oliver McMillan Investment Proposal

Estimated
Developer Investment:
\$100 Million

- Developer's Investment
 - Land assembly
 - Site engineering
 - Design and construction of long-term holding
- Lindenhurst's Investment
 - No existing revenue balances or sources tapped
 - No new taxes
 - Nothing beyond revenue created by the project
- Lindenhurst's project benefits
 - Sales tax revenue that can be used for projects throughout the Village
 - High quality development that casts "aura" on balance of community
 - A superior "Gateway" that announces Lindenhurst as a quality community
 - Development on nearby property outside the TIF

Proposal's School Revenue Impact

- Districts continue to receive current tax revenue from property
- State law requires additional payments to elementary and secondary districts based on:
 - Tuition for actual new students
 - High School: \$13 million
 - Milburn Elementary: \$16 million
 - Woodland Elementary: \$17 million
 - % of Tax Increment
 - 17% to elementary district
 - 13% to high school district
- Discussions underway to finalize school payments

Each school district receives approximately \$20 million over life of project

Proposal's Village Revenue Impact

■ Sales Taxes

- Dedicated to project and Village revenue
- Estimated revenue
 - 2008: \$290,000
 - 2009: \$700,000
 - Growing to 2031: \$3 million

■ Surplus Tax Increment

■ Base Property Tax

■ Other supporting projects

2005 Village
sales tax revenue:
\$522,000

Decision Basis

- Is development consistent with best practices?
 - Lindenhurst's financial health is protected and enhanced
 - The return on investment is higher than other opportunities
 - Public improvements add to development's economic and environmental sustainability
- Is the development consistent with community vision?
 - Construction Quality
 - Tenant Quality
 - Amenity Quality

Best Practices

- Lindenhurst's financial health is protected and enhanced
 - No funds beyond those generated by the project are required
 - The Village is not required to make a General Obligation guarantee
 - Taxes generated exceed the project's service costs

Best Practices

- Tax revenue generated provides a return on investment higher than other opportunities
 - No existing revenue or bonding power is invested
 - There is no competing proposal



Estimated project sales taxes exceed current sales tax revenue by second year

Community Vision

- Public improvements add to development's economic and environmental sustainability
 - As design review progresses
 - Seek environmentally friendly, upscale building materials
 - Require flexible buildings that can be adapted to different uses
 - The development agreement offers an opportunity to insure project creates a central place for the community



This is the challenge as project review continues

Lindenhurst Village Green Proposal Upside

- Success leads to higher assessments and more tax revenue
 - Home prices
 - Commercial Assessed Value
- Additional revenue could fund projects throughout Lindenhurst
- Additional revenue could be distributed to all taxing districts

Lindenhurst Village Green Proposal Downsides

- Market rejects whole project
 - Houses sell slowly
 - Retail remains vacant
 - Village “image” damaged but financial strength intact
 - Bond repayment guaranteed by developer
 - Likely rescue by another developer
- Market rejects 2nd retail phase
 - One anchor center
 - Lower return to developer
 - More residential development

Next Steps

- Questions/discussion
- Project refinement
- Ongoing process