

June 14, 2018

Ms. Karie Friling
Assistant Village Manager
Village of Orland Park
14700 Ravinia Avenue
Orland Park, IL 60462

Dear Ms. Friling:

Pursuant to our recent discussions, SB Friedman Development Advisors ("SB Friedman") is pleased to present this engagement letter to assist the Village of Orland Park (the "Village") in selecting and negotiating with a master developer for the redevelopment of the Downtown Main Street Triangle site.

The Village issued a Request for Qualifications ("RFQ") on February 19, 2018, and has winnowed the list of submittals down to two shortlisted teams. Proposals are due from those two teams on July 9, 2018.

The Village is seeking assistance in evaluating the financial aspects and fiscal impacts of the proposals submitted by these two shortlisted teams. These financial and fiscal analyses will help inform decision-making by the Village regarding the selection of a preferred developer for the site.

Scope of Work

We will work with you to define a more specific scope of work once we have seen the detailed proposals from the two shortlisted teams. Typical areas where we can be of assistance fall into the following categories:

Project Pro Forma Review

- Evaluating the reasonableness of project development budgets, including benchmarking hard and soft construction costs, financing costs, Village operating and maintenance expenses, and other costs;
- Benchmarking operating pro forma rent/income and expense assumptions, including phasing and absorption, against local market data and comparable projects;
- Reviewing project financing sources and terms, and evaluating the maximization of debt, presence of a reasonable amount of equity, and adherence to commonly accepted market terms;
- Evaluating projected developer returns to determine whether market-appropriate returns would be achieved; and
- Evaluating proposed land pricing based on comparable sales and/or residual land value analyses.

Generally speaking, the goals of these analyses are to:

- 1) Help ensure that the project as proposed is market and financially feasible;
- 2) Help ensure that the Village is receiving a land price that is reasonable; and
- 3) On occasions when a developer is seeking public financial assistance (such as TIF assistance or a write down in land price below "market"), ensure that there is a real need for the project to receive public financial assistance and that the amount of the assistance is not in excess of the need.

Developer Financial Capacity Review

We assume that the Village received some information regarding developer financial capacity as a part of the RFQ process. We can take that work to the next step and look more closely at the financing plan for the proposed project. Questions we might want to try to answer are:

- 1) Who is the equity partner in the project?
- 2) What is the long-term strategy of the development team regarding the project? Do they build and sell (merchant builders) or are they long-term owners of real estate?

Selling Village-owned land is a major decision. Ensuring that the selected developer has sufficient access to capital to deliver a project is crucial. A deeper knowledge of the developer and his/her plans to finance the project near and longer term may have implications for the way the land is sold (e.g., in larger pieces, smaller pieces, or seek Village right to repurchase under certain conditions).

Fiscal Impact Analysis

Our approach to conducting a fiscal impact analysis of the developers' proposals would include:

- Validating developer incremental property (TIF) and sales tax projections;
- Estimating potential Village operating and, maintenance costs that would be associated with the project; and
- Estimating the annual net fiscal impact of the project to the Village and other affected taxing bodies.

Long-term fiscal impacts of a project may also be important to selecting a preferred developer. For example, a project with more retail space would likely be more fiscally beneficial to the Village in the long term. Thus, long-term fiscal impacts could be a useful input in the selection process.

Economic Impact Analysis

As part of our economic impact analysis, we would evaluate and quantify the broader impacts of the proposed project on the economy (e.g., construction impacts and operating impacts). Some land uses such as office can have more of a "multiplier" effect. For example, office space can help drive restaurant sales near the site as well as work for suppliers to the office buildings/tenants. Retail space likely has a smaller radiating impact per building square foot due, in part, to the lower wages paid to retail workers. To the extent that the Village wants to analyze these secondary impacts, we can run IMPLAN models and/or conduct custom analyses.

TIF District Strategies

It is our understanding that the TIF district that includes the site is scheduled to expire in 2026. We have broad experience with TIF district management, designation, amendment and other considerations and can work with staff and the Village attorney to make optimal use of the TIF tool to benefit the project and area. To some extent, TIF district strategies may emerge from our evaluations of project timing incremental tax productivity as well as other considerations. One potential strategy may include the pursuit of an extension of the life of the existing TIF district via a statutory amendment in Springfield. We could support the Village in that effort, if desired.

Additional Services

As certain aspects of our development advisory work are very transaction-specific, we generally bill hourly for:

- Meetings; and
- Negotiation support services (term sheet development and review).

Timeframe and Fees

We will work with you to define our work plan in ways that are most useful to Village staff and elected officials. For many of the services described above, we will be able to estimate a cost to conduct a specific analysis once we have a better sense of the level of completeness of information in the developer proposals. We request an initial fee and expense authorization of up to \$30,000. We will not exceed this amount without further authorization from you.

One specific task that could be undertaken is an economic impact analysis of the two proposed projects. The actual costs to conduct those two analyses will vary depending on the products in each program, the level of detail in the final deliverable (memo versus PowerPoint) and the approach taken towards phasing (do you analyze the entire proposed project or do you analyze only phase 1 of each project or somewhere in between?). The cost per IMPLAN analysis would be roughly \$5,000 to \$7,500. So, to analyze the two projects could cost between \$10,000 and \$15,000. However, we can work up a specific scope and budget once we've reviewed the submittals and discussed key issues with staff.

Compensation for these services will be based on the time required at the current hourly rates of the personnel involved. For assignments of this type, the following current hourly rates apply:

President	\$400
Practice Leader	\$365
Senior Vice President	\$265
Vice President	\$230
Associate Project Manager	\$200
Associate	\$160
Research Associate	\$145

These rates will be in effect until December 31, 2018, at which time rates are subject to adjustment to reflect compensation changes and promotions of individuals.

In addition to professional fees, we will invoice for such direct expenses as local travel and mileage, tolls, parking, data acquired specifically for this assignment, use of owned or licensed data bases, photocopying, long-distance telephone related to research, telecopy, messenger services, and similar direct expenses.

Invoices will be rendered not more frequently than monthly and will be payable within 45 days. We will provide detailed information on the time expended as part of our invoices. Travel time will be charged to the extent

that it exceeds the normal commuting time of the professional staff involved. In the event that the decision is made to discontinue our services for any reason, our compensation will be limited to time and expenses incurred to the date that you notify us of such decision.

The attached "Limitations of Engagement" apply to this engagement.

Similar Projects and Results

We frequently help communities to evaluate the financial terms and economic impacts of proposed public-private partnerships. The scope of these engagements varies widely. Below are a few examples.

- 1) **Uptown Park Ridge Development Advisory Services**– Served as a key advisor to the City of Park Ridge as it navigated a once-in-a-generation opportunity to facilitate a major redevelopment of its down area– Uptown Park Ridge. Our work included: assisting in issuing an RFP to solicit developers; evaluating developer proposals based on their design and alignment with City objectives; analyzing the economic benefit to the City of each proposal; evaluating the selected developer's proposal, including the economic feasibility of the project; and reviewing and negotiating a redevelopment agreement with the developer. *Results: The \$110 million mixed-use project was completed, substantially enhancing the tax base and physical environment in downtown Park Ridge. In 2013, firm president Stephen Friedman received the James Felt Creative Counseling Award for his role on the project.*

Reference: Juliana Maller (Former Deputy City Manager, City of Park Ridge), Village Manager, Village of Hanover Park, (630) 823-5610, jmaller@hpil.org

- 2) **Kansas City Kemper Arena Developer Review**– Evaluated the ability and financial capacity of a developer to acquire and redevelop the City-owned Kemper Arena. We reviewed and evaluated the composition, workload and history of the development team, developer project experience and track record, references from financing partners, developer/owner financial capabilities, and any legal actions. *Results: The developer acquired the arena in February 2017. The \$39 million conversion of the arena into a two-level youth and amateur sports facility is currently underway.*

Reference: Kerrie Tyndall, Director of Economic Development, City of Kansas City, MO, (816) 513-6539, kerrie.tyndall@kcmo.org

- 3) **Mount Prospect Triangle**– Assisted the Village in evaluating a proposed public-private partnership to redevelop a site that is partially owned by the Village for mixed use (apartments and retail). We reviewed the developer's pro forma and request for Village financial assistance. *Results: The Village and developer are still refining the terms of the proposed partnership. The project is expected to break ground in 2018.*

Reference: Bill Cooney, Director of Community Development, Village of Mount Prospect, (847) 818-5307, comdevdept@mountprospect.org

- 4) **Glenview Developer Financial Capacity Review**– Conducted a high-level review of the financial capacity of a developer team to purchase portions of a parcel in the Village of Glenview. We analyzed how the developer intended to fund the purchase, evaluated the developer's financial capacity, and provided recommendations to the Village on ways to mitigate risk. *Results: The Village sold the land*

to the developer team, led by ER James, and Willow Creek Community Church. ER James has completed a residential development, Westgate at the Glen, and Willow Creek Community Church opened their new 72,000-square-foot church in late 2016.

Reference: Mary Bak (Former Director of Planning and Economic Development, Village of Glenview), Development Services Advisor, Kinzie Real Estate Group, (312) 464-8800, mbak@kinziegroup.com

- 5) **Reese Hospital Site Development Advisory Services**– Providing ongoing development advisory services to the City of Chicago as it pursues redevelopment of a major catalytic site in the City's Bronzeville neighborhood. Led a team assisting the City with selection of a master developer, including review of the financial capacity and financing partners of several developer teams that responded to the City's RFP. *Results: The City has selected a preferred developer. We are currently providing analytical and structuring support as negotiation efforts continue, and are advising the City regarding different land ownership, transfer and public assistance structures.*

Reference: David Reifman, Commissioner of Planning & Development, City of Chicago, (312) 744-9476, david.reifman@cityofchicago.org

Acceptance Procedures

We appreciate the opportunity to assist the Village and look forward to working with you. Please sign and return a copy of this letter to indicate your agreement to these terms.

Sincerely,



Geoff Dickinson, AICP
Senior Vice President

Accepted: _____

Printed Name Title Date

LIMITATIONS OF ENGAGEMENT

Our reports, tables and financial analyses will be based on estimates, assumptions and other information developed from research, knowledge of the industry, and meetings during which we will obtain certain information. The sources of information and bases of the estimates and assumptions will be stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report to reflect events or conditions which occur subsequent to the date of the report. These events or conditions include, without limitation, economic growth trends, governmental actions, changes in assessment practices, changes in the TIF statute, interest rates, and other factors. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our reports, tables and analyses will be intended solely for submission to the Village for informational purposes and for the purposes of selecting a developer. They should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the reports nor their contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document intended for use in obtaining funds from individual investors.