

COMMUNITY RESPONSE REGARDING AGREEMENT WITH VON MAUR

The following governmental entities have agreed to enter into an Intergovernmental Agreement (IGA) with Von Maur (VM):

- Orland Fire Protection District (OFPD)
- School District 135 (SD135)
- School District 230 (SD230)
- Village of Orland Park (VOP)
- Village of Orland Park Public Library (VOPPL)

The following information provides a summary of the project parameters and defines the importance of this project for the entire community.

Summary of Major Deal Terms of IGA

- Ten Year Term
- Maximum Possible Incentive - \$8.5 million
- Breakdown of Incentive Structure:
 - VOP – 100% of Property Tax Abatement
 - VOP – Waiver of building permit fees
 - VOP – 50% of Sales Tax Generated by VM
 - Total Estimated VOP Contribution = \$3,465,733***
 - OFPD – 50% of Property Tax Abatement
 - Total Estimated OFPD Contribution = \$453,992***
 - SD135 – 50% of Property Tax Abatement
 - Total Estimated SD135 Contribution = \$1,165,899***
 - SD230 – 50% of Property Tax Abatement
 - Total Estimated SD230 Contribution = \$895,069***
 - VOPPL – 50% of Property Tax Abatement
 - Total Estimated VOPPL Contribution = \$120,151***
- Claw Back Provision – If VM closes prior to the end of the term of the IGA, all public funds must be repaid
- VM agrees to not appeal property tax assessment through the term of the IGA, provided the EAV does not exceed \$60/sf plus a 3% compounded annual increase
- If these thresholds are exceeded and appeal is below the sf threshold, a “make whole” provision exists for all taxing bodies to the threshold amount

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- VM must open by June of 2020; however target opening is prior to Holiday Season of 2019
- The taxing bodies' tax abatement (excluding VOP) is capped at a total of \$4 million per State Statute.
- If maximum cap is reached prior to the end of the term, through a combination of YTD abatements and sales tax sharing, the taxing bodies would not be responsible for abating the remaining years of the agreement.

Von Maur Background:

Headquartered in Davenport, Iowa

Founded in 1872; Private Company; Family-owned

32 Stores, 6 in Illinois

Chicagoland – Lombard, Glenview, and St. Charles

Other Illinois Locations – Moline, Normal, and Forsyth

Private Investment Estimates:

Von Maur:

\$20-25 million in renovations, not including inventory

\$3 million+ annual payroll

225 Jobs

Simon:

\$15 million for purchase of property, plus tenant incentive

Why Is This Project Important to the Orland Park Community?

The IGA is an accumulation of months of hard work by community leaders who desire to be collaborative and proactive in maintaining and strengthening Orland Park's retail dominance in the greater Chicagoland region. The overall economic impact of Orland Square Mall to the Village, all other taxing bodies, and the region cannot be underestimated. The ever changing retail environment impacts all of Orland Park's stakeholders. The closing of two anchors within Orland Square Mall, totaling over 382,000sf can be seen as either an insurmountable challenge or a unique opportunity. The participating governmental entities saw it as an opportunity to proactively plan for Orland Park's future and solidify Orland Square Mall's future within the Chicago Metropolitan Region. The following information speaks to the prominent commercial position that Orland Square Mall has both locally and regionally and the possible continued decline of this position if proactive steps are not taken by all of the community stakeholders.

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- There are 23 Core Mall Markets in the Chicago Metropolitan Area (excluding Chicago). These 23 markets account for a total of 35% of the entire Chicago Metro Area's retail sales.
- Orland is one of the Core Markets, because of Orland Square Mall; however, our position is weakening compared to the other markets.
- In 2016, Orland was #8; in 2017 we slipped to #9. Bolingbrook overtook Orland Park. Additionally, it is projected that in FY2018, Mount Prospect/Randhurst Center could also surpass Orland, as they saw an increase of \$233,476,413 in sales - the largest increase of any of the core markets (13.5%). In comparison, Orland Square market lost sales in the amount of \$48,818,299 (-2.4%) from 2016. Bolingbrook Promenade saw an increase of 5.7%, pushing them ahead of Orland Park. *This was prior to the closing of Sears and Carson's.*
- In 2017, for General Merchandise Sector for the entire Village, Orland Park saw a loss of -1.2% (\$52,471,877). For the entire Chicago Suburban area, the region saw an overall decline of -14.7% totaling over \$603.5 million in declining sales. This is directly attributed to on-line sales versus brick and mortar. *This was prior to the closing of Sears and Carson's.*
- In the Apparel and Accessories category (directly linked to Orland Square Mall), Orland Park declined -6.9% (\$11.6M). For the entire Chicago Suburban area, the region saw an overall decline of -5.5%, totaling over \$145.5 million in declining sales. *This was prior to the closing of Sears and Carson's.*
- The Village lost over \$1.2 million in Sales Tax and future budget projections for FY2019 are based upon a continued drop in sales tax.

What is the Impact of Vacant Property on Property Tax Revenue – 382,537sf Vacancy?

- Direct Impact

The former Carson's property taxes currently are \$689,363 (2017 payable 2018). This is for only the Carson's property. If this parcel remains vacant, the owners will seek a reassessment at a much lower level. There will be no immediate tenants available for this space, as no one other than Von Maur is expanding in this sector (department store anchor). Typically vacant properties are reassessed at 10% of value reducing the property tax to less than \$70,000, much lower property tax revenue than the 50% property tax abatement included in this project. *The total square footage of this property is 180,000sf.*

- Indirect Impact

The vacancy of the Carson's property also triggers other indirect negative consequences. The in-line tenants of the mall have provisions in their existing leases which allow them to pay reduced rent, or get out of their lease, in the event of a "dark anchor". Many of these provisions have been triggered by this vacancy. For this reason, Simon's revenue will decline which will result in a reassessment of their property. This will result in lower property tax to all of the taxing bodies.

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- Seritage Impact (former Sears property)

Seritage has indicated to the Village that due to the Carson's vacancy, their plans are currently pending and on-hold. New tenants are demanding rent reductions due to the Carson's vacancy. This will result in a lower tax assessment. A 20% tax reduction would reduce the Sear's property taxes by approximately \$111,000. The Carson's vacancy has already resulted in delays in this project and worse-case scenario could put the entire project at risk. **The total square footage of this property is 202,537sf and the current property taxes are \$554,046.**

- Former Toys R Us

This property was owned by Toys R Us and is in bankruptcy. The Village has received a number of inquiries on the property. Any prospective buyer will need to work through the bankruptcy courts; however, some of their other properties have already been successfully purchased through the bankruptcy court. While the Village strongly believes this is a prime corner for redevelopment, any buyer will still require resolution of the vacant space of the two (2) anchors prior to investing private dollars at this adjacent site. A vacant Sears wing and Carson's will reduce the value of this property and make it less likely to find a quality tenant resulting in lower property taxes for this site. **The total square footage of this property is 40,000sf and the current property taxes are \$318,223.**

- Orland Square Mall

The vacancy of Carson's triggers rent reductions in a number of tenant leases. If these reductions stay in place, Simon Properties will have grounds for a lower assessment and lower property taxes. Currently, Orland Square's property taxes are approximately \$7,713,000; a 20% reduction will lower those taxes by approximately \$1,542,600. Filling these anchors not only stops these reductions but will likely result in increased investment by other anchors and lead to an increase in EAV for the mall and surrounding properties.

Is this a trend to be worried about in the future? Is development declining in Orland Park?

The closing of retail establishments is not unique to Orland Park; many communities are dealing with the same challenges. Orland Park still has a very strong commercial base. Our overall vacancy rate is 8.3% (May of 2018). This is still low for a community with over 12million square feet of commercial space. Additionally, it is important to note that both the Carson's and Sear's stores were top performing stores in the Chicago Region; however, a company-wide bankruptcy impacts every location.

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Orland Park is still a top location of choice for private developers and businesses. In the last two years, Orland Park has seen 11 new buildings constructed from the ground up. The total private investment of these eleven projects total more than \$31.8 million. All of the taxing governments in Orland Park will see increased EAV and property taxes from these recent projects. In fact, three of the projects which were on tax-exempt land are now on the tax rolls. Orland Park's commercial future is solid overall; however, 382,000sf of vacant space at Orland Square Mall creates a unique challenge that must be addressed proactively, collaboratively, and swiftly. The proposed IGA does this.