

University of Chicago Lease Agreement - Risk Factor Analysis

Overview

As the Village Board is aware, staff has been negotiating the terms of the proposed lease agreement for over two years. The project is important to the Village as it represents the next phase of development for the TIF district, commonly referred to as the "Main Street Triangle". As noted in the staff memo, there are many public benefits associated with this project. Additionally, it should be noted that no public monies (other than the tower redesign - \$160,000) are going into the actual construction of the UCMC building or operations of the building. The public monies required for the project are for public infrastructure related to roads, parking, utilities, etc. However, it is recognized by staff that no deal is without risks. As such, staff has prepared the below summary of possible risk factors and how such risks (albeit small) could impact the Village of Orland Park.

Risk Factors to VOP	Provisions to Mitigate
Public infrastructure costs, including parking deck, are higher than originally estimated.	UCMC's contribution is capped at the \$10,619,730. If actual construction costs are higher than the projected \$13.25M, VOP is required to fund the additional costs. However, conversely, if costs come in lower, UCMC must still pay the total contribution amount. In the event that costs exceed estimates, the Village can work to value engineer the project and make recommendations to the Village Board on possible savings. If this is not feasible, additional capital funds will need to be allocated to cover the actual costs. As cash capital funding is limited, this may require VOP to borrow additional capital funding over and above what may be planned, if any, for FY2016.
Construction of public improvements does not get completed within lease timeline requirements. Parking lot must be completed by 10/1/16 and the parking garage 12/31/16.	Based upon discussions with VOP engineers and consultants, this schedule can be reached, and the design/build documents for the parking deck are being prepared now for release in September. However, if unforeseen events arise, the lease provides for both parties to meet to confer in advance regarding delays in an effort to mitigate impacts to UCMC's projected building opening.
UCMC does not complete construction of project.	VOP would initiate default provisions within the lease (Article 15). If a remedy does not result, the property and any improvements would eventually default back to the VOP, as the property owner. All public infrastructure that may have been started would still have value to the VOP, as the roads, infrastructure and parking deck are still needed for the entire development area.
Additional environmental issues arise from construction site.	VOP is not required to obtain a "No Further Remediation" (NFR) letter for the project.

	However, the VOP is required to provide a clean site to certain environmental standards. If contaminated soil is found, the VOP will be responsible for handling. This can be mitigated through our agreement with Shell (if gas station related) or in many instances the soil can remain on site and be capped. If this is not an option, then the VOP is responsible for the incremental costs associated with tipping fees at a landfill.
UCMC building changes use.	Should UCMC propose to change the use of the building during the lease period, VOP will have the right to review the change of use, which shall not be unreasonably withheld and is consistent with permitted zoning uses.
Deal with CVS does not materialize and UCMC operates the pharmacy	If this were to occur, the amount on property tax increment generated from the project may decrease as the entire building may be considered as being used for tax exempt purposes.
The Cook County tax assessment for the restaurant shell in the parking deck is higher than anticipated.	A higher tax assessment yields additional increment for the TIF District. It should be recognized that there is inherent uncertainty of estimating real estate taxes, and little direction or effort is provided by the County Assessor's Office.