

How Do We Cope?

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What Can a Community Do?

Cooperation *and* Self-Reliance

- Boot-Strapping: *Do you really want higher levels of government calling the shots?*
- Re-Assess Position and Strategy *Now* to Take Advantage of Changing Conditions
- Strategic Planning for Community and Economic Development
 - Analysis of Critical Issues
 - Identification of Needs and Opportunities
 - Formulation of Programs and Projects
 - Action Plans
- Aggressive Use of Financing Tools

Planning for Real(istic) Development






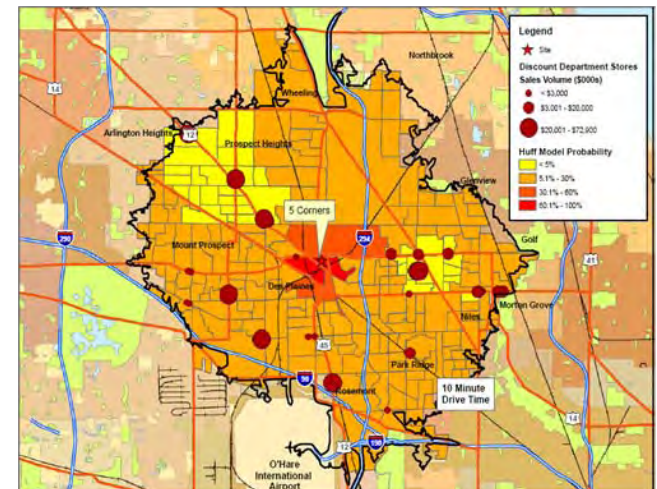
Critical Issues

- Fiscal Condition
- Competitive Position / Tax Competitiveness
- Pitch of Community – To Whom Are You Attractive?
- Condition of Housing and Other Development Assets
 - Value / Tax Base
 - Vacancy and Ownership
 - Foreclosure / Delinquency
 - Physical Conditions
- Land Availability
 - Annexation
 - Greenfields
 - Areas Susceptible to Change
- Critical Infrastructure

Identify Opportunities

- Markets
- Physical Capacity
- Ownership
- Environmental Matters
- Access
- Visibility
- Community Goals
- Economic Feasibility

	Concept 1	Concept 2	Concept 3
Description	Townhomes and dedicated park	Townhomes	Mid-rise Condos
Development Concept			
Townhome Units	23	29	0
Condo Units	0	0	120
Total Units	23	29	120
Height	30 Feet	30 Feet	50 Feet
Density (du/gross acre)	5.3	6.7	27.9
Site Assembly	\$ 5,619,240	\$ 5,619,240	\$ 5,619,240
Residual Land Value	\$ 2,747,036	\$ 3,913,964	\$ 6,237,257
Surplus (Shortfall) for Land	\$ (2,872,204)	\$ (1,705,276)	\$ 618,017
Economically Feasible?	NO	NO	YES

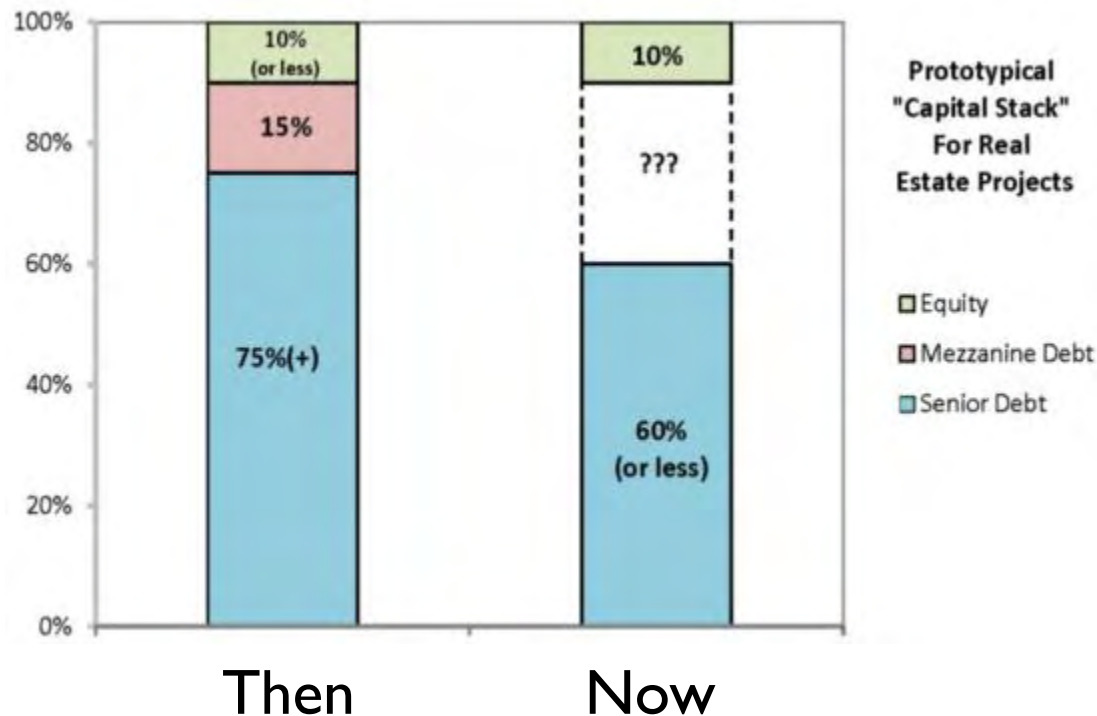


Strategy and Actions

- Specific Development Opportunities
 - Sites
 - Ownership and Assemblage Issues
 - Collaboration Potential
 - Development Readiness
- Strategies for Stabilization, Preservation and Expansion, for Example:
 - Re-Investment and Re-Capitalization of Housing (80% of Tax Base)
 - Rehabilitation / Preservation of Industrial Commercial Base
 - Groundwork for Development Projects
 - Site Control
 - Remediation
 - Development Guidelines
- Public-Private Collaboration and Partnerships
 - Financing Tools
 - Development Corporations
- Multi-Community Efforts and Collaboration

Current Development Environment

- For-Sale Residential and Multi-Tenant Retail Hit Particularly Hard
- Speculative Products Are Un-Financeable
- Appraisals Are Unpredictable and Unfavorable
- Less Financing Available Per Dollar of Project Cost
- Strong Emphasis on Credit-Worthiness, Track Record, Pre-Leasing
- Attack on TIF and Government Action Generally



(when a project is even financeable)

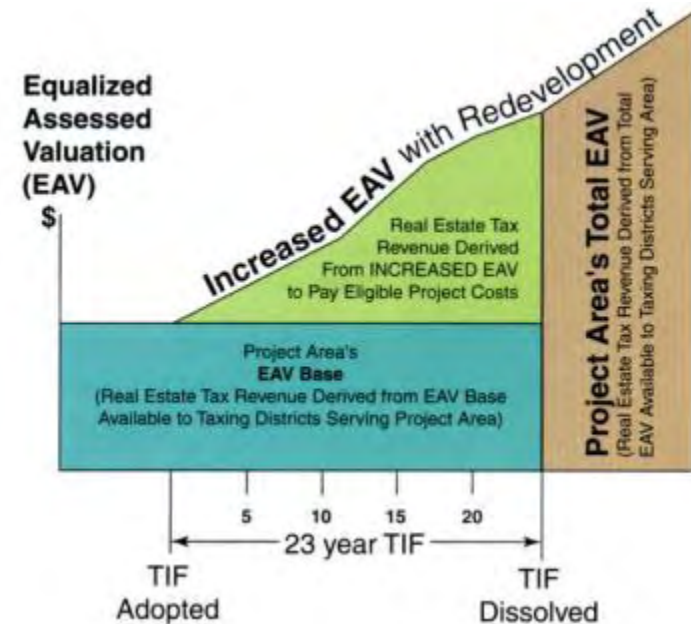
Source: S. B. Friedman & Company

Public-Private Partnership Tools

- Tax Increment Financing
- Tax Abatements and PILOT
- Special Districts (e.g. BIDs, Special Assessments, SSAs)
- Sales Tax Sharing
- New Markets Tax Credits
- Value Capture Districts

Best Practices for Underwriting or Due Diligence

- Goal Achievement
- Benefit-Cost
- Extraordinary Costs
- But For....
 - Financing Gap and/or
 - Competitive Incentives
- Risk-Sharing
- Upside Participation
- Downside Protection/Clawbacks



More Information: www.cdfa.net; Planning and Urban Design Standards (John Wiley and APA)

Example 1: Park Ridge - Shops and Residences at Uptown

- Parking Lot, Reservoir and Auto Dealerships
- City Acquisition – General Funds and TIF
- Relocated Reservoir – Water Rates; Bonds
- Development Program
 - 190 Residential Units
 - 89,000 Sq Ft of Commercial/Retail
 - 550 Underground Parking Spaces
- TIF Was Used Site Improvements, Public Underground Parking
- Special Deals with Other Taxing Bodies
- Total Development Costs: \$107 MM
- TIF Investment: \$16.8 MM
- American Planning Association (IL-APA) & Congress for New Urbanism (CNU) Awards



Example 2: Tower Automotive Site - Milwaukee

- 84 Heavily Blighted Acres in Inner-City Milwaukee
- 2 MM Sq Ft of Obsolete Buildings
- City Purchase and TIF District Creation in 2009
- Range of Public/Private Funding Sources, Including TIF, Tax Credits, Capital Funds, State Grants
- Goal: Create High-Quality Business Park Land
- Demolition, Clearance, Master Planning In Process



Example 3: New Markets Tax Credits

- Administered by US Treasury and Competitively Allocated to Community Development Entities (CDEs)
- Supports Non-Residential Community Development in Low-Income Census Tracts
- 39% Credit over Seven Years
- “Net Net”: Roughly 15-25% Subsidy for Qualifying Projects If Structured Properly
- Chicago Development Fund: 501c3 CDE Created/Controlled by City of Chicago
- \$155 MM in Tax Credit Allocations to Date
- \$118.5 MM of Closed Deals to Date for 10 Projects
- Financially Self-Sustaining after Initial Transaction Closed



NMTC Example: Testa Produce Project

- 90,000 SF LEED Platinum Food Processing/ Distribution Center in Stockyards Industrial Park
- First LEED Platinum Freezer/Cooler Building in the US
- \$22.5 MM Project
 - \$15.5 MM Recovery Zone Bonds (Senior)
 - \$5 MM Company's Equity
 - \$2 MM New Markets Tax Credit Benefit (Subordinate)
 - City Land Write-Down



Rendering: Courtesy of Testa Produce, Inc.

Example 4: Moderne Project- Milwaukee

- \$55 MM Apartment Project
- 14 Top-Floor Penthouse Condo Units
- Selected for Inclusion in HUD 221(d)4 Multi-Family Loan Guarantee Program - \$41 MM Senior Loan
- City of Milwaukee TIF: \$9.3 MM
 - \$6.0 MM Construction Loan at Senior Loan Rate- Funds Top Floors of Project
 - \$3.3 MM Mezzanine Loan at 16% Interest- Supplements Project Equity
- Developer Equity: \$5 MM



Images: Courtesy of The Moderne

Example 5: Homestead of Morton Grove

- Senior Housing
 - 80% Market Rate
 - 20% Affordable to Very Low Income
- Addressed Specific Needs Identified in Community Senior Needs Study
- \$22.5 MM Project
- IHDA/Treasury Bonds (Dec 2010 Deadline)
- 4% Tax Credits, TCAP and HOME Funds
- TIF Assistance from Lehigh/Ferris TIF:
 - \$1.1 MM TIF Grant
 - \$1.7 MM TIF Loan



Images: Courtesy of Essex Corporation

Example 6: New Approaches to Infrastructure -- Greenfield Sq. Mile

Less Developer Access to Funds

- Opportunity to Control Service Areas
- Conduit Financing with Multiple Repayment Sources
- Variety of Sources to Be Considered
 - SSAs
 - Business District Sales Tax
 - Infrastructure Sales Tax
 - TIF Where Eligible



Image: Courtesy of The Alter Group

Example 7: Innovation in Structure

The If-Then Deal

- Public \$ Were Often Last In
- Financing Contingent / Simultaneous
- Early Pledge Contingent on All Others; Resize
- Set Triggers
 - Pre-Sales
 - Pre-Leasing
 - Full Financing
- Staged Projects

Complex, Phased, Multi-Use



Image: Courtesy of Zilber Ltd.

Chicago Southworks: Delivering Infrastructure

- Goal: Bring Property to a “Serviced Greenfield” Condition
- Phase 1: Retail and Rental Apartments
- Problem: Substantial Pre-leasing Needed to Obtain Private Financing
- Problem: Convince Potential Tenants that the Infrastructure Will Be Available
- Solution: Contingent TIF Deal Up-Front with Extensive “Triggers”



Chicago Southworks: Contingent Public-Private Financing

- \$98MM TIF Assistance Package; Largest in Chicago History
- Components
 - TIF/Special Assessment Bonds to Fund Public Infrastructure Component
 - TIF/GO Bonds to Fund Planning, Environmental, Site Prep, etc.
- Triggers
 - Bond Capacity Test
 - Pre-Leasing Thresholds
 - Minimum Equity Requirement



Image: Courtesy of McCaffery Interests

Example 8: Value Capture

- Public Investment
 - Transit
 - Roads
 - Other Infrastructure
- Value capture utilizes a fee, tax or other mechanism to “capture” part of the increased property value to fund a portion of the public investment
- Studies indicate that transit investments have led to:
 - 10% to 20% Increase in Home Prices
 - 5% to 20% Increase in Apartment Rents
 - 10% to 20% Increase in Office Rents



GAO Transit Agency Value Capture Funding Analysis

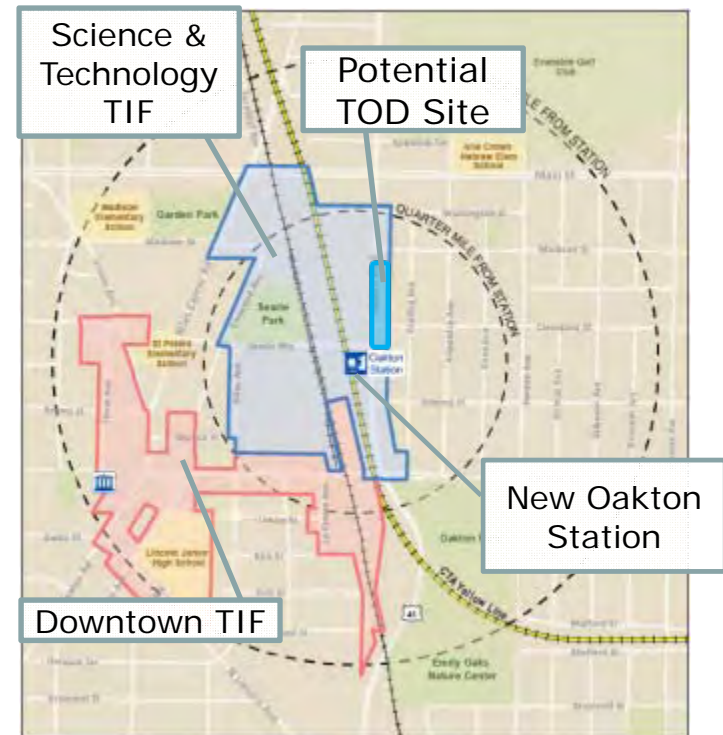
Project name (status)	Value capture strategy(ies)	Amount of revenue generated through use of value capture strategy(ies) [millions]	Total project cost [millions]	Value capture revenue as a percentage of project costs
Atlanta Beltline (planned)	[TIF]	\$1,700	\$2,800	61%
Seattle South Lake Union streetcar (completed)	[SA]	\$25	\$53	47%
Portland streetcar (completed)	[TIF and SA]	\$41	\$103	40%
San Francisco Transbay Transit Center (in progress)	[TIF and SA]	\$1,400	\$4,185	33%
Washington Metro's NY Avenue Station (completed)	[SA]	\$25	\$110	23%
Dulles Corridor extension (in progress)	[SA]	\$730	\$5,250	14%
Los Angeles Metro Red Line, Segment One (completed)	[SAs]	\$130	\$1,420	9%
Seattle Bus Tunnel (completed)	[SA]	\$20	\$500	4%

Source: Government Accounting Office. (2010). *Public Transit: Federal Role in Value Capture Strategies for Transit Is Limited, but Additional Guidance Could Help Clarify Policies* (GAO-10-781). Washington, DC: Government Printing Office.

Sample Station: Skokie Oakton CTA Yellow Line Station

- Under Construction with Timeline, Local Match and Cost Data
- Located in a Suburban Context Applicable throughout the Region

	Amount	
Station Construction Costs	\$21,000,000	
Public Infrastructure Improvements	\$2,835,00	
Total Station/Improvement Costs	\$23,835,000	
Skokie Local Sources Committed	\$10,510,000	44% of Total
Competitive Local Match for the Future	\$13,000,000	55% of Total



Value Generation Potential

	TIF-Like District		SSA-Like District		½ Mile Impact Fee District
	¼ Mile	½ Mile	¼ Mile	½ Mile	
Maximum Bondable Amount (millions)	\$45.8	\$172.6	\$11.5 (at a constant 1.0 % tax rate)	\$34.0 (at a constant 0.75% tax rate)	Not Bondable – Value generation depends on extent of new development and fees, approx \$0.9 MM per average multifamily building
Local Match for Transit Improvements (millions)	\$13.0		\$13.0		\$13.0
Existing Obligations	- Downtown TIF: All funds - Science & Tech TIF: \$10 MM in bonds		None, but SSA tax rate must account for funds diverted to underlying TIF districts		N/A
Excess Funds (millions)	\$36.0	\$162.9	None	\$23.7	None
Notes	Likely that some portion of the TIF increment will be shared with underlying taxing districts		Average tax rate to fund \$13 MM bond: 1.1%	Average tax rate to fund \$13 MM bond: 0.28%	5,600 new apartment units or 3.7 million SF of new office space needed to pay for transit improvements

Turning Tools Into Cash

- Developer Notes
- Ongoing Payments
- Special Revenue Bonds
- Alternate Revenue Bonds
- General Obligation Bonds
- Direct Advance Payments

NEW ISSUE—BOOK - ENTRY ONLY NOT RATED

In the opinion of Bond Counsel, subject to compliance by the Village and others with certain covenants, under present law interest on the Series 2005 Bonds (as defined herein) is not includable in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations, as more fully discussed under the heading "TAX EXEMPTION."

\$19,000,000
VILLAGE OF WHEELING
Cook and Lake Counties, Illinois
Tax Increment Revenue Bonds
(North Milwaukee/Lake-Cook TIF Project)
Series 2005

Dated: Date of Issuance **6.00 %** **Due: January 1, 2025**

Principal of and interest (payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2006) on the Series 2005 Bonds (the "Series 2005 Bonds") are payable by The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), to The Depository Trust Company ("DTC"), the securities depository for the Series 2005 Bonds, which will remit such principal and interest to the DTC Participants (as defined herein), who in turn will be responsible for remitting such payments to the Beneficial Owners (as defined herein) of the Series 2005 Bonds, as described herein. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2005 Bonds, references herein to the registered owners of the Series 2005 Bonds means Cede & Co., and shall not mean the Beneficial Owners of the Series 2005 Bonds. The Series 2005 Bonds will be issued only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Individual purchases will be made in global book-entry form only, in the principal amount of \$100,000 or integral multiples of \$5,000 in excess thereof. Purchasers will not receive physical bonds representing their interest in the Series 2005 Bonds purchased.

The Series 2005 Bonds are subject to a high degree of risk. See "RISKS TO BONDHOLDERS" beginning on page 63 herein for a discussion of certain factors that should be considered by prospective investors.

The Series 2005 Bonds are being issued pursuant to the Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1 et seq.), as supplemented and amended by the Local Government Debt Reform Act, as amended, and the other Omnibus Bond Acts, as amended, and as further supplemented, and where necessary, superseded, by Section 6 of Article VII of the 1970 Constitution of the State of Illinois (collectively, the "Act"). The Series 2005 Bonds will constitute valid and legally binding limited obligations of the Village (as defined herein), payable solely and only from Pledged Taxes (as defined herein) and the amounts on deposit in certain of the funds and accounts established and/or maintained under the Indenture (as defined herein) all as more fully set forth herein.

THE SERIES 2005 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE VILLAGE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NO HOLDER OF THIS BOND SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE VILLAGE FOR PAYMENT OF PRINCIPAL HEREOF OR INTEREST OR PREMIUM, IF ANY, HEREOF.

Price 100 %

The Series 2005 Bonds are subject to optional redemption prior to maturity as described herein. The Series 2005 Bonds are also subject to mandatory redemption prior to maturity as described herein.

The Series 2005 Bonds when issued are subject to the approval of legality by Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel. Certain legal matters are being passed upon by Klein, Thorpe & Jenkins, Ltd., Chicago, Illinois, counsel to the Village of Wheeling, Illinois, and Somerschein Nath & Rosenthal LLP, Chicago, Illinois, counsel to the Underwriter. The Series 2005 Bonds in book-entry form will be available for delivery to DTC upon payment therefor on or about August 25, 2005.

William Blair & Company

The Date of this Limited Offering Memorandum is August 23, 2005

Workouts of Public-Private Deals

Problems

- Slowed Absorption
- Reduced Prices
- Overhang – Condo Buildings
- Vacant Retail
- Revenue to Service Bonds
- *(Not Showing Pictures to Protect Confidentiality)*

Approaches

- Calls on Guarantees
- Use Existing TIF Balances
 - Construction Interest
 - Increase Subsidy
 - Low Interest Loans
- Re-Structure and Extend Debt
- Allow Conversion to Rental
- Work with New Owner

In Closing ...

- Boot-Strapping
- Re-Assess Position and Strategy *Now* to Take Advantage of Changing Conditions
- Strategic Planning for Community and Economic Development
- Aggressive Use of Financing Tools
- Shared Risk
- Structured to *Win-Win*

