

City Of City
Proposed Development
Executive Summary

Prepared by Nicolosi & Associates, LLC

I. History of the Project

The City of City was approached by a large residential developer to build an approximately 1,500 home subdivision on the property that is the subject of this Development. The City determined it was not in its best interest to allow such a large Development in the area, and encouraged Developer to acquire the land to construct an intermodal terminal facility.

Developer has requested that the City annex the property as a prerequisite to entering into the redevelopment agreement. The majority of the land is currently being used as farmland.

II. Project Specifics

The project area is bordered by Interstate, the Railroad, and ABC Road. The Development will be approximately 1,600 acres, 15.5 million square feet of industrial/distribution space and provide rail access to and from the park.

As part of the design of the park, Developer will need to gain rail access from Railroad via a rail spur. Railroad has made a commitment to Developer to provide this access, see attached letter, Exhibit "A." Due to the size of the facility, Developer will be constructing the park in three phases, see attached phasing breakdown, Exhibit "B." Construction is expected to last until 2021. There will be approximately 20 buildings ranging in size from 200,000 square feet to 2.5 million square feet. The park will also include retail and commercial Development.

Developer has been acquiring this land and expects to have all parcels acquired by December 2008.

III. Evaluating the Project

Developer has requested economic assistance from the City in the form of Tax Increment Financing ("TIF") area and creation of a Special Service Area ("SSA"). The proposed TIF would be qualified under the Intermodal Terminal Facility section of the Illinois Tax Increment Financing Act. The use of the TIF will require the City to issue non-general obligation bonds.

The Intermodal Terminal Facility Act requires that the area designated as an Intermodal Terminal Facility be within one quarter mile of a Class A Railway, comprise a minimum of 150 acres and a maximum of 2 square miles (1280 acres) and have no boundary limit farther than three miles from the railway right of way. The statutory requirements are similar to other provisions of the TIF statute; however, an area

designated as an intermodal terminal facility is deemed to be blighted and need not include a finding of blight in the redevelopment project area plan.

As with any evaluation of a large scale Development, the City of City needs to undergo extensive due diligence to determine whether the Development would be a benefit to the City, and, additionally, what, if any, economic assistance the City is willing to provide. Nicolosi will conduct the Impact Analysis, evaluation of the assistance Developer is asking from the City, and, if the City so chooses, the implementation of the TIF.

Nicolosi & Associates' public finance strategies practice specializes in evaluating the financial impact of private large Developments for local municipal clients. This practice is grounded in its staff's extensive experience with traditional municipal law and public finance, and complemented with multi-disciplinary skills to ensure that its clients receive expertise across the gamut of their representation needs. Nicolosi's team consists of attorneys, land planners, and financial professionals who will work together to fully meet the analysis needs of the City.

IV. Steps to Evaluate

The overall goal of the evaluation is to enable the City to determine whether or not the Development would have a positive impact on the City and the surrounding communities (collectively, the "Community") and if so, the amount of financing the City is willing to provide to the developer. This will be done by performing an Impact Analysis, a Gap Analysis, and balancing this information to best fit the needs of the City and surrounding taxing bodies.

The first step in the process is to look at the logistics of the Development and determine what impact it will have on the Community. To do this, it is important to engage in discussions with other similar municipal entities to determine what impact similar Developments have had and what possible obstacles that the Community is likely to face. As part of this process, Nicolosi has spoken with similar facilities and City Officials have visited similar facilities. Nicolosi will prepare a Development Impact Study that will incorporate these findings along with additional fiscal and impact analysis.

Following these meetings, this information will be discussed with each affected taxing body to adequately determine the impact on the Community generally and individual taxing bodies in particular. Discussions are held with police and fire to discuss life safety and fire protection; water and sewer to determine the impact of the Development on its loads; public works to discuss the infrastructure impact; the school district to enable it to plan for future enrollment; and the library and park district to determine their impact. In addition, the city planner and engineer are involved in these discussions to address large scale impacts to the City.

The goal of this Impact Analysis is to facilitate open discussion regarding the Development and encourage the involvement of each taxing body throughout the process. Nicolosi will take this information and analyze the need for additional funding to enable

the taxing bodies to absorb this impact, and will ensure that these funds are set aside for the taxing bodies from any TIF fund that may be created.

In addition, Nicolosi will meet with each governing body that may have jurisdiction over the project to ensure that any additional processes the City will have to go through will be accounted for. The City will need to ensure adequate staffing and funding for each affected taxing body is in place to absorb this cost as well.

While these meetings are taking place, the City's team will be conducting a thorough review of all parcels in the subject property. This review will include determining the most recent assessed value of the property, which is necessary to determine the Equalized Assessed Value of the property, a required step under the TIF process, and which will also help determine the amount of increment the Development is likely to generate.

The City will also be performing a financial review of the request, or "ask" that the developer has made of the City. The "ask" is the amount of financial assistance that the developer is requesting the City provide in the form of the TIF and SSA. This evaluation will be done by determining the "Gap" that is present. The Gap is defined as the difference between the rate of return for the developer on this project and the typical rate of return a developer would expect to see on such a project. For this project, the disparity in the purchase price of the land is likely to be the source of the Gap. The City leaders will then determine if they want to assist the developer with this Gap by providing economic assistance through the TIF and/or the SSA.

After the Impact and Gap analysis are complete, the City will make a decision as to whether it wishes to (i) proceed with the formation of the TIF; and (ii) provide financial assistance to the developer by providing the developer with some or all of the increment generated by the TIF. Should the City decide to proceed with the TIF formation, Nicolosi will begin the statutory steps to form the TIF and SSA.

This first analysis phase is scheduled to be completed by mid-November. The City will likely be making its determination in late December or January 2008.

V. Conclusion

The above steps will be performed by Nicolosi & Associates to assist the City in its evaluation of the project and the assistance, if any, it wishes to provide. It is important that the City fully realize the impact of the Development in this analysis and plans accordingly for the Development.