During the course of the planning process, questions have been raised regarding the cost of development and the likelihood of whether private sector redevelopment within the corridor area will be able to "pay its own way." HNTB and Goodman Williams Group, with assistance from NexGen Advisors, have developed a hypothetical redevelopment pro-forma to assess the potential need for public support of redevelopment within the corridor area.

Based upon several general assumptions, which are outlined below and were informed by both the results of Goodman Williams Group's market analysis and HNTB's understanding of typical physical conditions within the corridor, a hypothetical mixed-use development program and financial scenario were developed to compare likely redevelopment costs (including land acquisition, demolition, construction costs, financing costs, etc.) with likely reinvestment potentials (including proceeds from the leasing of commercial space and the sale of condominium units). The exercise clearly demonstrates a financial feasibility gap for the private sector to "self support" redevelopment, and a likely need for "gap" financing assistance to ensure project feasibility.

Following the description of basic assumptions and a summary of the scenario analysis, parking strategies that may influence the actual financing gap in the hypothetical project are discussed. This is intended to facilitate an understanding of a key variable that could potentially impact the amount of public sector financial support in the project.

A. HYPOTHETICAL SCENARIO ASSUMPTIONS

It is important to point that that while the scenario is labeled "hypothetical" it is based on land value, acquisition, and development cost characteristics currently at play in the Elmwood Park community. However, it is also important to point out that the scenario is based on assumptions and insights developed during the planning process, which may be subject to change as part of any future redevelopment proposal.

The assumed development program includes one six-story structure constructed on a parcel of land approximately 20,000 square feet in size (slightly more than one-half of a block face in size), fronting onto Grand Avenue and a side street. The building has a footprint of 15,000 square feet and contains: 5,000 square feet of ground floor retail space and covered parking spaces to serve building residents; a second floor that accommodates additional parking spaces for residents;

and, four floors of condominium units (floors three through six). Parking to serve the retail uses is located in a surface parking lot adjoining the building. Access to secure resident parking would be provided from the rear alley or a side street. Retail parking would be accessed from Grand Avenue or a side street, with an exit into the rear alley.

The following table outlines the basic assumptions utilized in the hypothetical redevelopment finance scenario prepared for the project.

Table 2: Summary of Hypothetical Pro-Forma Assumptions

Site:	20,000 Sq. Ft.	*(fronting in Grand Avenue and a side street, approximately 125 ft deep and 160 ft wide)*		
Land Acquisition:	Per Sq. Ft.	Total		
	$45	$900,000		
Demo / Site Clearance:	$20,000	*(removal of existing 10,000 Sq. Ft. one-story commercial building and adjacent parking lot)*		
Site Fill and Grading:	$150,000	*(fill and compaction of 10,000 Sq. Ft. basement)*		
Residential:	Number of Units	Avg. Unit Size	Avg. Sale Price	Avg Price / Sq. Ft.
	40	1,305	$287,100	$220
Residential Parking:	Parking Ratio	Total Spaces	Description	
	1.5	60	Indoor dedicated spaces	
Retail:	GLA (Sq. Ft.)	No. Of Storefronts	Net Rent / Sq. Ft.	
	5,000	2	$20	
Retail Parking:	Parking Ratio	Total Spaces	Description	
	2.5/1,000 GLA	13	Surface parking lot adjacent to building	

Sources: HNTB, Goodman Williams Group and NexGen Advisors Notes: 1. Land cost assumption provided by Village

Note that recent land sales vary widely in the Grand Avenue corridor area. The actual land acquisition cost in any development will be determined based upon a host of factors, which include (but are not limited to): parcel size and configuration, the amount of potential retail frontage, existing zoning, and the age and condition of existing buildings and other site improvements.

Also note that the following potential costs were not included in this analysis, as they are very difficult to predict in a hypothetical situation:

- Environmental remediation of existing building(s) and/or site conditions
- Poor soils or other conditions requiring additional fill material
- Off-site improvement needs, such as new infrastructure to serve the development
- Additional construction costs to provide upgraded exterior and common area finishes and/or higher quality tenant finishes at retail spaces
- Additional demolition costs or construction costs, due to gas price fluctuations or other external economic factors
- Business relocation assistance to occupants of existing commercial building(s)

B. REDEVELOPMENT FINANCE SCENARIO

The following table summarizes the results of the redevelopment finance scenario developed based on the development assumptions described above. The gap identified is approximately $3,100,000 on a project with a total cost of approximately $13,548,000. This gap represents approximately 23% of total project costs. Complete scenario details are provided in a series of tables included in the Appendix of this report.

Table 3: Summary of Hypothetical Pro-Forma Results

Project Return	-1.32%	*(without subsidy)*
Market Rate Return	15.02%	*(with subsidy)*
Gap	$3,100,000	*(subsidy required to generate market rate return)*
Estimate Total Cost	$13,547,606	
Percentage	22.88%	*(Village contribution as a percentage of total cost)*

Sources: HNTB, Goodman Williams Group and NexGen Advisors

C. PARKING: A KEY FACTOR FOR FUTURE CONSIDERATION

Land acquisition and construction costs are the major factors in any development scenario. The strategy employed to address a development's parking needs can have a significant impact on project costs, as well as the project's physical and visual impact on its surroundings.

The parking ratio required for any given project should be the result of careful consideration of both the site's proximity to transit and other amenities, and ratios present in competing development projects in the marketplace. Once an appropriate parking ratio is established for residential and retail uses, the alternatives of providing some or all on-site parking in surface lots, within a separate structure, or (as in the scenario described) within the primary building should be assessed. The potential benefits of providing strategically located municipal parking areas, thus allowing for on-site retail parking needs to be reduced, should also be carefully examined.

As the hypothetical scenario suggests, within an urbanized area where land values are high and the challenge of assembling multiple parcels exists for many projects, strategies to consolidate parking on-site with minimal surface parking can often make economic sense. In addition, this can allow for the creation of a consistently pedestrian-friendly street frontage within a transit-oriented area such as the Grand Avenue corridor. The increased cost of constructing structured parking is largely off-set by the reduction in land cost and site preparation required when developing on a smaller parcel.

The parking strategy ultimately employed will have a direct impact on the price that can be commanded by a developer for condominium residential units. In order to be competitive with similar projects in nearby communities, a similar quantity of parking and similar amenity level (security, weather protection, etc.) should be offered. Otherwise, lower selling prices and a longer market absorption period overall can be expected.

It is also important to note that as a result of the parking strategy ultimately pursued, lease rates for retail space can vary. In the current market, a potential range of $18 to $22 per square foot (net rent) can be expected (a rate of $20 per square foot was assumed in the scenario). If shoppers must rely on existing on-street parking, lower lease rates can be expected. If retail parking is very convenient, dedicated for retail use and weather protected, higher lease rates may be achievable (the scenario assumed a surface parking lot adjacent to the building).

D. CONCLUSION

While significant, the financial gap identified in the scenario outlined above is in the range of similar development projects of this type undertaken in recent years in other similar Chicagoland communities, when considered as a percentage of total project costs. As previously noted, it is very difficult to estimate with any certainty the actual project costs for such a hypothetical scenario. Many unknowns exist that are subject to change in the future. Several of these, such as national and regional economic trends that impact the actual costs of demolition, construction and financing are beyond the Village's control. However, key functional issues and design features can be discussed between the Village and interested developers. Both entities will need to work collaboratively to develop a mutually beneficial project, taking into consideration the vision and design preferences the community has expressed for the Grand Avenue corridor.