
**VILLAGE OF VERNON HILLS
HAWTHORN MALL TAX INCREMENT FINANCING
REDEVELOPMENT PLAN AND PROJECT**

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Prepared For:

The Village of Vernon Hills, Illinois

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I. INTRODUCTION

The Village of Vernon Hills (the “Village”) is a suburban municipality located approximately 35 miles north of downtown Chicago with a population of 25,113 citizens (according to the 2010 U.S. Census). The Village experienced significant growth in population between 1970 and 1980 and has experienced a lower rate of growth since such period. In this Plan, the Village proposes a Redevelopment Plan (as such term is hereinafter defined) to enable an area within the Village to overcome a number of redevelopment barriers.

Kane, McKenna and Associates, Inc. (KMA) has been retained by the Village to conduct an analysis of the potential qualification and designation of the area as a “redevelopment project area” pursuant to the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, et. seq., as amended (the “Act” or “TIF Act”), and to assist the Village in drafting this Redevelopment Plan.

TIF Plan Requirements.

The Act enables Illinois municipalities to establish redevelopment project areas, either to eliminate the presence of blight or to prevent its onset. The Act finds that municipal TIF authority serves a public interest in order to: “promote and protect the health, safety, morals, and welfare of the public, that blighted conditions need to be eradicated and conservation measures instituted, and that redevelopment of such areas be undertaken; that to remove and alleviate adverse conditions it is necessary to encourage private investment and restore and enhance the tax base of the taxing districts in such areas by the development or redevelopment of project areas” (65 ILCS 5/11-74.4-2(b)).

The Village is preparing this Plan as required by the Act. Pursuant to the Act, a “redevelopment plan” means the comprehensive program of the municipality for development or redevelopment intended by the payment of redevelopment project costs to reduce or eliminate those conditions the existence of which qualified the redevelopment project area as a “blighted area” or “conservation area” or combination thereof or “industrial park conservation area,” and thereby to enhance the tax bases of the taxing districts which extend into the redevelopment project area.

To establish a redevelopment project area, Illinois municipalities must adopt several documents, including a redevelopment plan and eligibility report.

Community Background.

The Village was incorporated in 1958 and has developed from a rural community that included numerous country estates to a suburban residential community with significant retail development commencing in the 1970’s. The most significant growth in population occurred between 1970 and 1980 when the population increased from 1,056 to 9,827 (830.5%) with an additional population increases to 15,319 by 1990 (55.9% since 1980), 20,120 by 2000 (31.3% since 1990) and 25,113 by 2010 (24.8% since 2000) as reported by the Bureau of the Census. The

development of the Village was spurred by the construction of the Hawthorn Mall shopping center in 1973 which was followed by the development of residential housing, significant additional retail uses and various other office and industrial parks.

The Village is bordered by the municipalities of Libertyville to the north, Mundelein, Indian Creek and Long Grove to the west, Buffalo Grove to the south and Mettawa and Lincolnshire to the east.

The Village has a number of important assets that create an economically competitive environment for businesses and attracts residents to the community. The Village is well served by a grid of arterial roads and state highways, including Routes 21, 45, 60 and 83, and the nearby Tri-State Tollway (Interstate 94) with entrance ramps on both Routes 22 and 60. Additionally, the Chicago – O’Hare International Airport is located approximately 25 miles south of the Village and the General Mitchell International Airport in Milwaukee is located approximately 60 miles north of the Village both located near the Tri-State Tollway. Also, METRA provides commuter rail service to downtown Chicago from a station located within the Village.

The RPA (as such term is hereinafter defined) has a number of important assets including the following:

- 1) Both Route 21 (Milwaukee Avenue) and Route 60 (Townline Road) are major arterial roads and provide the traffic counts necessary to support significant commercial and retail uses;
- 2) The RPA is situated near many other retailers that would complement any new uses within the proposed redevelopment project area; and
- 3) The RPA is a gateway to the Village and as such presents a major opportunity for helping visitors to form a positive first impression and strengthen the view of the Village.

Despite the RPA’s attributes, the RPA is currently underutilized. The RPA as a whole suffers from a variety of economic development impediments as identified in the Act, such as **[excessive vacancies, obsolescence, deterioration, inadequate utilities, and lack of community planning]**. The TIF Qualification Report (as such term is hereinafter defined) identifies other impediments to redevelopment.

The RPA has the potential for redevelopment of certain underutilized properties. Such redevelopment would build upon locational advantages and established commercial uses. As such, the Village has identified a number of objectives for redevelopment, employing tax increment financing as a tool to achieve them. Please refer to Section III of this Plan for additional information about goals, objectives and activities to support redevelopment.

The Proposed TIF District

The Hawthorn Mall (the “Mall”) is a regional mall and serves as an anchor and a focal point of retail commercial activity at the intersection of Townline Road and Milwaukee Avenue.

The Mall is the [largest] generator of sales tax for the Village. Furthermore, the Mall was the largest taxpayer in the Village for the 2018 tax year.

The area discussed in this Hawthorn Mall Redevelopment Plan and Project (the “*Plan*” or the “*Redevelopment Plan and Project*”) is the proposed Hawthorn Mall Redevelopment Project Area (the “*Redevelopment Project Area*”, the “*RPA*” or the “*TIF District*”). The RPA consists of most of the Hawthorn Mall, including the former Sears and Carson Pirie Scott store (excluding the Macy’s and JC Penney’s stores), the current 489,579 square feet of existing in line retail stores within the mall, and adjacent parking lots on the eastern and southern end of the property which are currently dedicated to the retail spaces. The RPA also includes the three commercial parcels at the northwest corner of Milwaukee Avenue and Townline Road.

The RPA comprises eleven (11) tax parcels in their entirety (11-33-401-004, 11-33-401-006, 11-33-401-013, 11-33-401-014, 11-33-401-015, 11-33-401-016, 11-33-401-085, 11-33-401-086, 11-33-401-087, 11-33-401-088, 11-33-401-089). A boundary map of the RPA is attached as Exhibit A. The RPA is legally described in Exhibit B.

The existence of certain building and site improvement conditions within the RPA, along with changing retail market conditions and increased competition from on-line shopping, have contributed to the emergence of certain qualification factors as defined by the TIF Act such as excessive vacancies, obsolescence, deterioration, inadequate utilities, and lack of community planning.

On balance, the combination of these factors may not only limit the potential for private reinvestment within and around the RPA but may also serve to stimulate economic decline of the Mall as a whole. This is because these conditions create an adverse environment for coordinated and substantial private sector reinvestment in the overall RPA. Without the use of Village planning and economic development resources and strategies to address certain issues, potential redevelopment activities are not likely to be economically feasible. These factors potentially compromise the likelihood for redevelopment opportunities, thus potentially limiting employment and thwarting future investment in the area.

If there is coordination of redevelopment efforts by the Village using the TIF Act, the RPA can set the stage for redevelopment opportunities that meet new market conditions and trends. Accordingly, under this Redevelopment Plan and Project, and as part of its comprehensive economic development planning, the Village intends to attract and encourage retail, commercial, and multi-family residential developers and tenants to locate, upgrade, expand and/or modernize their facilities within the Village. Through the establishment of the RPA, the Village will implement a program to redevelop the Mall; in so doing, it intends to stabilize the area, extend benefits to the entire community, and provide financial assistance to affected taxing districts over the long term.

A. The Redevelopment Plan

The Village recognizes the need for implementation of a strategy to reposition and revitalize existing properties within the boundaries of the RPA, as well as to stimulate and enhance new commercial, retail and mixed-use redevelopment. Due to changing retail demographics and shopping culture, especially as it has affected regional shopping malls and large department stores, the continued successful operation of this 1970's vintage regional mall anchored by department stores is no longer feasible. The ability to respond to contemporary marketplace demands is a key component of the Village's strategy to promote private redevelopment within strategically critical areas of the Village. The necessary private investment will likely only be drawn to the RPA if tax increment financing (TIF) is adopted pursuant to the TIF Act. Incremental property tax revenue generated by the redevelopment will play a decisive role in encouraging private redevelopment. Existing conditions, such as those associated with properties and site improvements located within the RPA, that may have deterred intensive private reinvestment in the past, will be eliminated. Ultimately, the implementation of the Redevelopment Plan and Project detailed herein will benefit the Village and all the associated taxing districts, in the form of a stabilized and significantly expanded tax base.

The designation of the area as a Redevelopment Project Area will allow the Village to address deficiencies within the RPA, by taking the following steps:

- Establishing a pattern of up-to-date retail and mixed-use land-uses that will increase valuation and address evolving market trends, especially as such uses complement adjacent uses;
- Providing roadway, traffic and other site improvements within the area that will be more conducive to pedestrian and bicycle use
- Entering into redevelopment agreements in order to facilitate and guide the redevelopment and adaptive re-use of underutilized and obsolete, properties;
- Improving area appearance through removal, reconstruction, and renovation of obsolete structures and deleterious conditions, and undertaking state-of-the-industry landscape, streetscape and signage programs;
- Coordinating land assembly in order to provide sites for more modern redevelopment plans; and
- Providing infrastructure that is adequate in relation to redevelopment plans.

The area on the whole would not reasonably be anticipated to be redeveloped in a coordinated manner without the adoption of this Redevelopment Plan and Project. The Village has prepared the Redevelopment Plan and Project to utilize tax increment financing as a met to address area needs and to meet the Village's redevelopment goals and objectives.

The adoption of this Redevelopment Plan and Project makes possible the implementation of a comprehensive program for economic redevelopment of the RPA. By means of public investment, the Village will improve, and therefore, strengthen the RPA, thus laying the foundation for attracting private capital for redevelopment. This, in turn, will lead to the retention, expansion and attraction of commercial, retail and mixed residential use development into the Village in general, and the RPA in particular.

Pursuant to the Act, the RPA includes only those contiguous parcels of real property and improvements, thereon, substantially benefited by the redevelopment project. Also pursuant to the Act, the area is not less in the aggregate than 1½ acres.

Through this Redevelopment Plan and Project, the Village will serve as the central force for marshaling the assets and energies of the private sector for a unified cooperative public-private redevelopment effort. Ultimately, the implementation of the Redevelopment Plan and Project will benefit the Village and all the taxing districts which encompass the RPA in the form of a stabilized and expanded tax base, the retention of existing businesses, and the creation of new businesses and employment opportunities within the Village, as a result of induced private sector investment within the area.

B. Summary

The Village, through legislative actions as required by the Act, finds:

- That the RPA, as a whole, has not been subject to growth and development through investment by private enterprise;
- That in order to promote and protect the health, safety, and welfare of the public, certain conditions that have adversely affected redevelopment within the RPA need to be addressed, and that redevelopment of the RPA must be undertaken;
- To alleviate the adverse conditions, it is necessary to encourage private reinvestment and stabilize and enhance the tax base in the RPA for the benefit of the taxing districts through redevelopment of the RPA;
- That a public/private partnership is determined to be necessary in order to achieve development goals;
- That the Redevelopment Plan conforms to the Village of Vernon Hills Comprehensive Land Use Plan 2012, including any amendments thereto (the “Comprehensive Plan”), as detailed in Section III of this Plan;

- That without the development focus and resources provided for under the Act, and as set forth in this Plan, redevelopment and growth is not reasonably be expected to be achieved; and
- That the use of incremental tax revenues derived from the tax rates of various taxing districts in the RPA for the payment of redevelopment project costs is of benefit to the taxing districts, because the taxing districts would not derive the benefits of an increased assessment base without addressing the coordination of redevelopment.

The redevelopment activities that will take place within the RPA will produce benefits that are reasonably distributed throughout the RPA. Redevelopment of the RPA area is tenable only if a portion of the improvements and other costs are funded by TIF.

II. REDEVELOPMENT PROJECT AREA LEGAL DESCRIPTION

The Redevelopment Project Area legal description is attached in Exhibit B.

III. REDEVELOPMENT PROJECT AREA GOALS AND OBJECTIVES

The Village has established a number of economic development goals, objectives, and strategies which would determine the kinds of activities to be undertaken within the proposed TIF District. These efforts would conform to and promote the achievement of land use objectives in the comprehensive planning process (generally reflected in the Comprehensive Plan).

Table 1
Relationship of Land Use and Economic Development Plans



As indicated in Table 1 above, an important underlying planning document is the Comprehensive Plan which, as an element of the comprehensive planning process, describes the overall vision for the Village and is the foundation for Village initiatives such as the RPA. This overarching planning document influences all other Village planning processes such as the TIF planning process.

A. General Economic Development Goals of the Village

Establishment of the RPA supports the following Village-wide objectives found in the Comprehensive Plan that would directly determine future economic development activities and influence the parameters of future redevelopment projects.

Table 2

Comprehensive Plan Community Goals and Objectives Applicable to the RPA

Goal	Objective
<p>LAND USE – Achieve the most effective, desirable and lasting relationship between people and land based on the development of areas in accordance with sound use objectives that will function more efficiently, permit a higher degree of both public and private benefits and maintain more lasting values.</p>	<ul style="list-style-type: none"> ▪ Arrange the development of land uses to produce an efficient, convenient and harmonious pattern without undue mixtures of incompatible uses. ▪ Locate and maintain development in accordance with the usability and adaptability of land to further the goals of the Village. ▪ Recognize the need for concentration of facilities and activities in strategic locations with access to open space, appropriate infrastructure and other such conditions ▪ Assure to the greatest extent possible that all future development or redevelopment enhances the quality of living within the community. ▪ Encourage the most intensive development at the Milwaukee Avenue/Route 60 intersection, which may include some residential uses when part of an overall mixed-use development ▪ Encourage high quality retail commercial development surrounding the Milwaukee Avenue/Route 60 intersection which may include some mixed-use development at the northeast corner of this intersection.
<p>HOUSING – Creation and maintenance of a superior residential environment which reflects the total needs of residents related to location, type and price of housing.</p>	<ul style="list-style-type: none"> ▪ A balanced distribution of housing types throughout the community, approximating 50% single family and 50% two family and multiple family, insuring a variety of housing types and price ranges are available in the community as a whole ▪ Provide for multiple family developments only in areas which are located in higher intensity of use areas ▪ Encourage the development of residential amenities, including parks, access to public services, open space and shopping/entertainment with non-motorized transportation linkages to help lessen traffic flow problems or conflicts.

Source: Village of Vernon Hills Comprehensive Plan 2012 adopted May 15, 2012.

The RPA, as redeveloped, is expected to achieve a balance of commercial redevelopment and residential growth that is responsive to current market trends. A large enclosed obsolete shopping mall, located along a key commercial corridor, will be adaptively re-positioned to thrive in the ever-evolving retail climate. It will be redeveloped in a manner consistent with current market development trends.

Lacking specific direction in relation to contemporary market changes, redevelopment in the RPA is currently stalled. Establishment of the RPA will provide strategic guidance for future development and improved coordination between the Village, developers, investors, and business owners.

The TIF designation would allow the Village to pursue the following objectives within the RPA:

- 1) Promote sustainable development.
- 2) Encourage the redevelopment of a key component of the tax base in the Village.
- 3) Strive to maintain a strong and diverse tax base by actively working with the business community to retain existing businesses and attract new businesses that are consistent with the character of the community.
- 4) Maintain and improve the existing character of the community as the employment and commercial retail center for northern Lake County, through the repositioning of obsolete or potentially underutilized properties.
- 5) Consider the use of transitional land uses between more intense non-residential land uses and the surrounding low-density residential neighborhoods.
- 6) Promote quality architecture, sign, landscape and site design that enhances Vernon Hills's character.
- 7) Provide adequate infrastructure to support business development.
- 8) Continue to foster a business environment in which the use of financial incentives is only necessary in limited circumstances.
- 9) Encourage an increase in the supply of housing in the vicinity of shopping and lifestyle opportunities.
- 10) Maintain the high quality and appearance of the Village's commercial and mixed-use areas.

B. Specific Objectives for the RPA

The general goals for economic development cited above would be supported by specific objectives, strategies and performance measures that would guide the redevelopment activities undertaken within the RPA. The Comprehensive Plan addresses the need for enhancement of commercial development near the intersections of Milwaukee Avenue and Townline Road and acknowledges the impact the Tri-State Tollway interchange has had on land use patterns at this intersection. The centerpiece of development at this intersection was the construction of the Hawthorn Shopping Mall at the northwest corner, together with additional development at two of the other corners, with further development having occurred farther along both Townline Road and Milwaukee Avenue.

Furthermore, TIF designation would allow the Village to pursue the following specific objectives within the RPA:

- 1) Encourage the redevelopment of obsolete and/or underutilized buildings or sites.
- 2) Expand and improve existing roadways and infrastructure, where necessary, to serve parcels located within the RPA.
- 3) Provide for land assembly, site preparation, grading, and excavation, where necessary, of property located within the RPA.
- 4) When Village financial resources are used to support economic development activities, ensure that these funds are leveraged to maximize economic benefits for the Village.
- 5) Ensure that new development financially contributes its proportionate share of Village funded services and other public investments that are required as a result of the development.
- 6) Coordinate redevelopment activities within the RPA in a manner that conforms to the fiscal and economic development policies of the Village and its common interests with overlapping tax districts.
- 7) Identify viable market opportunities for the property and provide a positive market signal for adjacent uses.
- 8) Pursue opportunities for the reconfiguration of parking, and the establishment of new uses to meet market demands in a coordinated and efficient manner.
- 9) Require adequate buffering and screening between residential areas and adjacent commercial, or institutional uses, including parking facilities and loading areas.

C. Redevelopment Strategies

The RPA-specific objectives would be fulfilled by the execution of certain strategies, including but not limited to the following:

- 1) Assist in coordinating redevelopment activities within the RPA in order to provide a positive marketplace signal and to conform to recent Village planning efforts;
- 2) Reduce or eliminate the negative factors present within the area;
- 3) Accomplish redevelopment over a reasonable time period;

- 4) Provide for high quality public improvement projects within the RPA; and
- 5) Provide for an attractive overall appearance of the area.

The implementation of the Redevelopment Plan and Project will serve to improve the overall quality of life within the RPA and contribute to the economic development of the Village as a whole.

IV. EVIDENCE OF THE LACK OF DEVELOPMENT AND GROWTH WITHIN THE RPA AND ASSESSMENT OF FISCAL IMPACT ON AFFECTED TAXING DISTRICTS

A. Evidence of the Lack of Development and Growth Within the RPA

As documented in Exhibit E of this Plan, the RPA would qualify as a conservation area under the TIF Act. Properties within the RPA would not likely experience coordinated redevelopment without the designation of the RPA.

The proposed RPA exhibits various conditions which, if not addressed by the Village, would eventually worsen. For example, structures and site improvements within the RPA reflect obsolescence, deterioration, inadequate utilities, among others. These various conditions discourage private sector investment in business enterprises or in redevelopment sites.

B. Assessment of Fiscal Impact on Affected Taxing Districts

It is anticipated that the implementation of this Redevelopment Plan and Project will have a minimal financial impact on the affected taxing districts. In fact, the action taken by the Village to stabilize and encourage growth of its tax base through the implementation of this Redevelopment Plan and Project is expected to have a positive impact on the affected taxing districts by arresting and avoiding potential declines in assessed valuations.

Given that there is potential for new retail, commercial, and mixed-use development, the Village has made allowances in this Redevelopment Plan and Project to provide for distributions to school taxing districts and will follow the guidelines provided by the Act to compensate the school taxing districts at levels dictated by the actual increase in students caused by the redevelopment, as provided by the Act.

To the extent any surplus exists, any resulting surplus Special Tax Allocation Funds will be proportionately shared with the various taxing districts, including the Village, based on their respective tax rates for a given year, after all TIF eligible costs either expended or incurred as an obligation by the Village have been duly accounted for through administration of the Special Tax Allocation Fund to be established by the Village, as provided by the Act.

An exception to the tax-sharing provision is the Village's utilization of TIF funding to mitigate the impact of residential redevelopment upon school and library districts. In such cases, the Village will provide funds to offset the costs incurred by the eligible school and the library districts in the manner prescribed by 65 ILCS Section 5/11-74.4.3(q)(7.5) of the Act. (Refer to Section VI of this Plan, which describes allowable TIF project costs.)

V. TIF QUALIFICATION FACTORS EXISTING IN THE REDEVELOPMENT PROJECT AREA

A. Findings

The RPA was studied to determine its qualifications under the TIF Act. It was determined that the area as a whole qualifies as a TIF District under Illinois law based upon conservation area factors. Refer to the Qualification Report, (Exhibit E) which is attached as part of this Plan.

B. Eligibility Survey

Representatives of KMA and Village staff evaluated the RPA from March, 2020 to the date of this Plan's issuance. Analysis was aided by certain reports obtained from the Village, Lake County, on-site due diligence, and other sources. In KMA's evaluation, information was recorded which would help assess the eligibility of the proposed area as a TIF District.

VI. HOUSING IMPACT STUDY FINDINGS IN THE REDEVELOPMENT PROJECT AREA

A. Findings

The RPA was studied in order to determine if a housing impact study would need to be conducted pursuant to the TIF Act. The Village has found and certified, in connection with the process required for the adoption of this Plan pursuant to the Act, that the projected redevelopment of the RPA will not result in the displacement of ten (10) inhabited residential units or more, and that the RPA contains less than seventy-five (75) inhabited residential units. Therefore, this Plan does not include a Housing Impact Study as would otherwise be required.

VII. REDEVELOPMENT PROJECT

A. Redevelopment Plan and Project Objectives

As indicated in Section III of this Plan, the Village has established a planning process which guides economic development and land use activities throughout the Village. Consistent with the established planning process, the Village proposes to achieve economic development goals and objectives through the redevelopment of the RPA, pursuit of projects within the RPA, and the promotion of private investment via public financing techniques (including but not limited to tax increment financing).

The project-specific objectives envisioned for the RPA are as follows:

- 1) Implementing a plan that provides for the retention and expansion of existing businesses and bolsters the attraction of users to redevelop existing or new structures, as well as vacant or underutilized parcels that are, or may become available, within the RPA.
- 2) Constructing public improvements which may include (if necessary):
 - i. Street and sidewalk improvements (including new street construction, widening of current streets, and multi-use pedestrian and bicycle paths);
 - ii. Utility improvements (including, but not limited to, water, storm water management, flood control and sanitary sewer projects consisting of installation, replacement, expansion, construction and rehabilitation);
 - iii. Signalization, traffic control, and lighting;
 - iv. Off-street parking (structured and/or grade);
 - v. Landscaping, streetscape, and beautification; and
 - vi. Improve public facilities and institutional uses.
- 3) Entering into redevelopment agreements with developers for qualified redevelopment projects, including (but not limited to) the provision of an interest rate subsidy as allowed under the Act.
- 4) Providing for land assembly, site preparation, environmental remediation (if necessary), clearance, and demolition, including grading and excavation.
- 5) Redevelopment of certain buildings or sites through necessary rehabilitation and improvement of structures.
- 6) Exploring and reviewing job training programs in coordination with any Village, federal, state, and county programs.

- 7) Entering into agreements with other public bodies for the development or construction of public facilities and infrastructure.

B. Redevelopment Activities

Pursuant to the project objectives cited above, the Village will implement a coordinated program of actions. These include, but are not limited to, land acquisition, land disposition, site preparation, clearance, demolition, provision of public infrastructure and related public improvements, and rehabilitation of structures, if necessary. Such activities conform to the provision of the TIF Act that define the scope of permissible redevelopment activities.

Site Preparation, Clearance, and Demolition

Property within the RPA may be acquired and improved through the use of site clearance, excavation, environmental remediation or demolition prior to redevelopment. The land may also be graded and cleared prior to redevelopment.

Land Assembly and Relocation

Certain properties or interests in properties in the RPA (or the entire RPA) may be acquired, assembled and reconfigured into appropriate development sites including by purchase or the exercise of eminent domain. It is expected that the Village would facilitate private acquisition through reimbursement of acquisition and related costs as well as through the write-down of its acquisition costs. Such land may be held or disposed of by the Village on terms appropriate for public or private development, including the acquisition of land needed for construction of public improvements. Relocation activities may also be undertaken by the Village.

Public Improvements

The Village may provide public improvements in the RPA to enhance the immediate area and support the Redevelopment Plan and Project. Appropriate public improvements may include, but are not limited to:

- Improvements and/or construction of public utilities including the improvement of water mains as well as flood control and sanitary and storm sewer systems;
- Beautification, identification markers, landscaping, lighting, and signage of public rights-of-way; and
- Construction of new (or rehabilitation of existing) public facilities to allow for the redevelopment of the existing sites for new mixed use or retail/commercial uses, including parking facilities.

Rehabilitation

The Village may provide for the rehabilitation of certain structures within the RPA in order to provide for the redevelopment of the area and conform to Village code provisions. Improvements may include exterior and facade-related work as well as interior-related work.

The Village may construct or provide for the construction and reimbursement for new structures to be owned or used by units of local government.

Interest Rate Write-Down

The Village may enter into agreements with owners/developers whereby a portion of the interest cost of a construction, renovation or rehabilitation project is paid for on an annual basis out of the Special Tax Allocation fund of the RPA, in accordance with the Act.

Job Training

The Village may assist facilities and enterprises located within the RPA in obtaining job training assistance. Job training and retraining programs currently available from or through other governments include, but are not limited to:

- Federal programs;
- State of Illinois programs;
- Applicable local vocational educational programs, including community college sponsored programs; and
- Other federal, state, county or non-profit programs that are currently available or will be developed and initiated over time.

School and Library District Tuition Costs

The Village may provide for payment of school district and library district costs, as required under the Act for residential components (if any) assisted through TIF District funding.

C. General Land Use Plan

Existing land use in the RPA generally consists of commercial/retail uses. Future land use would include mixed uses consisting of residential, retail and commercial uses. Existing land uses are shown in Exhibit C attached hereto and made a part of this Plan. Exhibit D attached hereto

designates future land uses in the RPA. Future land uses will conform to the Village's Zoning Ordinance and the Comprehensive Plan as either may be amended from time to time.

D. Additional Design and Control Standards for Development in the Village

The appropriate design standards (including any Planned Unit Developments) as set forth in the Village's Zoning Ordinance and/or Comprehensive Plan shall apply to the RPA.

E. Estimated Redevelopment Project Costs

“Redevelopment Project Costs” mean, and include, the sum total of all reasonable or necessary costs incurred or estimated to be incurred, as provided in the Act, and any such costs incidental to the Redevelopment Plan and Project. Private investments, which supplement Redevelopment Project Costs, are expected to substantially exceed the Redevelopment Project Costs. Eligible costs permitted under the Act which may be pertinent to this Redevelopment Plan and Project include:

1. Costs of studies, surveys, development of plans, and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, financial, planning or other services, provided however that no charges for professional services may be based on a percentage of the tax increment collected; except that on and after November 1, 1999 (the effective date of Public Act 91-478), no contracts for professional services, excluding architectural and engineering services, may be entered into if the terms of the contract extend beyond a period of 3 years. After consultation with the municipality, each tax increment consultant or advisor to a municipality that plans to designate or has designated a redevelopment project area shall inform the municipality in writing of any contracts that the consultant or advisor has entered into with entities or individuals that have received, or are receiving, payments financed by tax increment revenues produced by the redevelopment project area with respect to which the consultant or advisor has performed, or will be performing, service for the municipality. This requirement shall be satisfied by the consultant or advisor before the commencement of services for the municipality and thereafter whenever any other contracts with those individuals or entities are executed by the consultant or advisor;
 - The cost of marketing sites within the redevelopment project area to prospective businesses, developers, and investors;
 - Annual administrative costs shall *not* include general overhead or administrative costs of the municipality that would still have been incurred by the municipality if the municipality had not designated a redevelopment project area or approved a redevelopment plan;

- In addition, redevelopment project costs shall *not* include lobbying expenses;
2. Property assembly costs, including, but not limited to, acquisition of land and other property, real or personal, or rights or interest therein, demolition of buildings, site preparation, site improvements that serve as an engineered barrier addressing ground level or below ground environmental contamination, including, but not limited to, parking lots and other concrete or asphalt barriers, and the clearing and grading of land;
 3. Costs of rehabilitation, reconstruction or repair or remodeling of existing public or private buildings, fixtures and leasehold improvements; and the costs of replacing an existing public building if pursuant to the implementation of a redevelopment project the existing public building is to be demolished to use the site for private investment or devoted to a different use requiring private investment; including any direct or indirect costs relating to Green Globes or LEED certified construction elements or construction elements with an equivalent certification;
 4. Costs of the construction of public works or improvements, including any direct or indirect costs relating to Green Globes or LEED certified construction elements or construction elements with an equivalent certification, except that on and after November, 1, 1999 redevelopment project costs shall not include the cost of constructing a new municipal public building principally used to provide offices, storage space, or conference facilities or vehicle storage, maintenance, or repair for administrative, public safety, or public works personnel and that is not intended to replace an existing public building as provided under paragraph (3) of subsection (q) of Section 11-74.4-3 of the TIF Act unless either (i) the construction of the new municipal building implements a redevelopment project that was included in a redevelopment plan that was adopted by the municipality prior to the effective date of this amendatory Act of the 91st General Assembly or (ii) the municipality makes a reasonable determination in the redevelopment plan, supported by information that provided that basis for that determination, that the new municipal building is required to meet an increase in the need for public safety purposes anticipated to result from the implementation of the redevelopment plan;
 5. Costs of job training and retraining projects including the costs of ‘welfare to work’ programs implemented by businesses located within the redevelopment project area;
 6. Financing costs, including but not limited to all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued pursuant to the Act accruing during the estimated period of construction of any redevelopment project for which such obligations are issued

and for not exceeding 36 months thereafter and including reasonable reserves related thereto;

7. To the extent the municipality by written agreement accepts and approves the same, all or a portion of a taxing district's capital (and additional student tuition) costs resulting from the redevelopment project necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of the redevelopment plan and project;
8. For redevelopment project areas designated (or redevelopment project areas amended to add or increase the number of tax-increment-financing assisted housing units) on or after November 1, 1999 an elementary, secondary, or unit school district's increased costs attributable to assisted housing units located within the redevelopment project area for which the developer or redeveloper receives financial assistance through an agreement with the municipality or because the municipality incurs the cost of necessary infrastructure improvements within the boundaries of the assisted housing sites necessary for the completion of that housing as authorized by the Act, and which costs shall be paid by the municipality from the Special Tax Allocation Fund when the tax increment revenue is received as a result of the assisted housing units and shall be calculated annually as follows:
 - a) for foundation districts, excluding any school district in a municipality with a population in excess of 1,000,000, by multiplying the district's increase in attendance resulting from the net increase in new students enrolled in that school district who reside in housing units within the redevelopment project area that have received financial assistance through an agreement with the municipality or because the municipality incurs the cost of necessary infrastructure improvements within the boundaries of the housing sites necessary for the completion of that housing as authorized by the Act since the designation of the redevelopment project area by the most recently available per capita tuition cost as defined in Section 10-20.12a of the School Code less any increase in general State aid as defined in Section 18-8.05 of the School Code attributable to these added new students subject to the following annual limitations:
 - (i) for unit school districts with a district average 1995-96 Per Capita Tuition Charge of less than \$5,900, no more than 25% of the total amount of property tax increment revenue produced by those housing units that have received tax increment finance assistance under this Act;
 - (ii) for elementary school districts with a district average 1995-96 Per Capita Tuition Charge of less than \$5,900, no more than 17% of the total amount of property tax increment revenue produced by those

housing units that have received tax increment finance assistance under this Act; and

- (iii) for secondary school districts with a district average 1995-96 Per Capita Tuition Charge of less than \$5,900, no more than 8% of the total amount of property tax increment revenue produced by those housing units that have received tax increment finance assistance under this Act.
- b) For alternate method districts, flat grant districts, and foundation districts with a district average 1995-96 Per Capita Tuition charge equal to or more than \$5,900, excluding any school district with a population in excess of 1,000,000, by multiplying the district's increase in attendance resulting from the net increase in new students enrolled in that school district who reside in housing units within the redevelopment project area that have received financial assistance through an agreement with the municipality or because the municipality incurs the cost of necessary infrastructure improvements within the boundaries of the housing sites necessary for the completion of that housing as authorized by the Act since the designation of the redevelopment project area by the most recently available per capita tuition cost as defined in Section 10-20.12a of the School Code less any increase in general state aid as defined in Section 18-8.05 of the School Code attributable to these added new students subject to the following annual limitations:
- (i) for unit school district, no more than 40% of the total amount of property tax increment revenue produced by those housing units that have received tax increment finance assistance under this Act;
 - (ii) for elementary school district, no more than 27% of the total amount of property tax increment revenue produced by those housing units that have received tax increment finance assistance under this Act; and
 - (iii) for secondary school districts, no more than 13% of the total amount of property tax increment revenue produced by those housing units that have received tax increment finance assistance under the Act.
- c) Any school district in a municipality with a population of 1,000,000, additional restrictions apply.

Any school district seeking payment shall, after July 1 and before September 30 of each year, provide the municipality with reasonable evidence to support its claim for reimbursement before the municipality shall be required to approve or make the payment to the school district. If

the school district fails to provide the information during this period in any year, it shall forfeit any claim to reimbursement for that year. School districts may adopt a resolution waiving the right to all or a portion of the reimbursement otherwise required by the Act. By acceptance of this reimbursement the school district waives the right to directly or indirectly set aside, modify, or contest in any manner the establishment of the redevelopment project area or projects.

9. For redevelopment project areas designated (or redevelopment project areas amended to add or increase the number of tax-increment-financing assisted housing units) on or after January 1, 2005, a public library district's increased costs attributable to assisted housing units located within the redevelopment project area for which the developer or redeveloper receives financial assistance through an agreement with the municipality or because the municipality incurs the cost of necessary infrastructure improvements within the boundaries of the assisted housing sites necessary for the completion of that housing as authorized by this Act shall be paid to the library district by the municipality from the Special Tax Allocation Fund when the tax increment revenue is received as a result of the assisted housing units. This paragraph applies only if (i) the library is located in a county that is subject to the Property Tax Extension Limitation Law or (ii) the library district is not located in a county that is subject to the Property Tax Extension Limitation Law but the district is prohibited by any other law from increasing its tax levy rate without a prior voter referendum.

The amount paid to a library district under this paragraph shall be calculated by multiplying (i) the net increase in the number of persons eligible to obtain a library card in that district who reside in housing units within the redevelopment project area that have received financial assistance through an agreement with the municipality or because the municipality incurs the cost of necessary infrastructure improvements within the boundaries of the housing sites necessary for the completion of that housing as authorized by this Act since the designation of the redevelopment project area by (ii) the per-patron cost of providing library services so long as it does not exceed \$120. The per-patron cost shall be the Total Operating Expenditures Per Capita as stated in the most recent Illinois Public Library Statistics produced by the Library Research Center at the University of Illinois. The municipality may deduct from the amount that it must pay to a library district under this paragraph any amount that it has voluntarily paid to the library district from the tax increment revenue. The amount paid to a library district under this paragraph shall be no more than 2% of the amount produced by the assisted housing units and deposited into the Special Allocation Fund.

A library district is not eligible for any payment under this paragraph unless the library district has experienced an increase in the number of patrons from the municipality that created the tax-increment-financing district since the designation of the redevelopment project area. Any library district seeking payment under this

paragraph shall, after July 1 and before September 30 of each year, provide the municipality with convincing evidence to support its claim for reimbursement before the municipality shall be required to approve or make the payment to the library district. If the library district fails to provide the information during this period in any year, it shall forfeit any claim to reimbursement for that year. Library districts may adopt a resolution waiving the right to all or a portion of the reimbursement otherwise required by this paragraph. By acceptance of such reimbursement, the library district shall forfeit any right to directly or indirectly set aside, modify, or contest in any manner whatsoever the establishment of the redevelopment project area or projects;

10. Relocation costs to the extent that a municipality determines that relocation costs shall be paid or is required to make payment of relocation costs by federal or State law or in order to satisfy subparagraph (7) of subsection (n) of the Act;
11. Payment in lieu of taxes;
12. Costs of job training, advanced vocational education or career education, including but not limited to courses in occupational, semi-technical or technical fields leading directly to employment, incurred by one or more taxing districts, provided that such costs (i) are related to the establishment and maintenance of additional job training, advanced vocational education or career education programs for persons employed or to be employed by employers located in the redevelopment project area; and (ii) when incurred by a taxing district or taxing districts other than the Village, are set forth in a written agreement by or among the Village and the taxing district or taxing districts, which agreement describes the program to be undertaken, including but not limited to the number of employees to be trained, a description of the training and services to be provided, the number and type of positions available or to be available, itemized costs of the program and sources of funds to pay for the same, and the term of agreement. Such costs include, specifically, the payment by community college districts of costs pursuant to Section 3-37, 3-38, 3-40 and 3-40.1 of the Public Community College Act and by school districts of costs pursuant to Section 10-22.20a and 10-23.3a of the School Code;
13. Interest costs incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project provided that:
 - a) such costs are to be paid directly from the Special Tax Allocation Fund established pursuant to the Act;
 - b) such payments in any one-year may not exceed 30% of the annual interest costs incurred by the developer with regard to the redevelopment project during that year;

- c) if there are not sufficient funds available in the Special Tax Allocation Fund to make the payment pursuant to this paragraph then the amounts so due shall accrue and be payable when sufficient funds are available in the Special Tax Allocation Fund;
- d) the total of such interest payments paid pursuant to the Act may not exceed 30% of the total (i) cost paid or incurred by the redeveloper for the redevelopment project plus (ii) redevelopment project costs excluding any property assembly costs and any relocation costs incurred by a municipality pursuant to the Act;
- e) the cost limits set forth in subparagraphs (b) and (d) shall be modified for the financing of rehabilitated or new housing units for low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act and the percentage of 75% shall be substituted for 30% in subparagraphs (b) and (d);
- f) Instead of the eligible costs provided by subparagraphs (b) and (d), as modified by this subparagraph, and notwithstanding any other provisions of the Act to the contrary, the municipality may pay from tax increment revenues up to 50% of the cost of construction of new housing units to be occupied by low-income households and very low-income households as defined in Section 3 of the Illinois Affordable Housing Act. The cost of construction of those units may be derived from the proceeds of bonds issued by the municipality under the Act or other constitutional or statutory authority or from other sources of municipal revenue that may be reimbursed from tax increment revenues or the proceeds of bonds issued to finance the construction of that housing. The eligible costs provided under this subparagraph (f) shall be an eligible cost for the construction, renovation, and rehabilitation of all low and very low-income housing units, as defined in Section 3 of the Illinois Affordable Housing Act, within the redevelopment project area. If the low and very low-income units are part of a residential redevelopment project that includes units not affordable to low and very low-income households, only the low and very low-income units shall be eligible for benefits under subparagraph (f).

The standards for maintaining the occupancy by low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act, of those units constructed with eligible costs made available under the provisions of this subparagraph (f) shall be established by guidelines adopted by the municipality. The responsibility for annually documenting the initial occupancy of the units by low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act, shall be that of the then current owner of the property. For ownership units, the guidelines will provide, at a minimum,

for a reasonable recapture of funds, or other appropriate methods designed to preserve the original affordability of the ownership units. For rental units, the guidelines will provide, at a minimum, for the affordability of rent to low and very low-income households. As units become available, they shall be rented to income-eligible tenants. The municipality may modify these guidelines from time to time; the guidelines, however, shall be in effect for as long as tax increment revenue is being used to pay for costs associated with the units or for the retirement of bonds issued to finance the units or for the life of the redevelopment project area, whichever is later;

If the redevelopment project area is located within a municipality with a population of more than 100,000, the cost of day care services for children of employees from low-income families working for businesses located within the redevelopment project area and all or a portion of the cost of operation of day care centers established by redevelopment project area businesses to serve employees from low-income families working in businesses located in the redevelopment project area. For the purposes of this paragraph, “low-income families” means families whose annual income does not exceed 80% of the municipal, county, or regional median income, adjusted for family size, as the annual income and municipal, county or regional median income are determined from time to time by the United States Department of Housing and Urban Development.

Unless explicitly stated herein the costs of construction of new privately-owned buildings shall not be an eligible redevelopment project cost;

After November 1, 1999, none of the redevelopment project costs enumerated in this subsection shall be eligible redevelopment projects if those costs would provide direct financial support to a retail entity initiating operations in the redevelopment project area while terminating operations at another Illinois location within 10 miles of the redevelopment project area but outside the boundaries of the redevelopment project area municipality. For purposes of this paragraph, termination means a closing of a retail operation that is directly related to the opening of the same operation or like retail entity owned or operated by more than 50% of the original ownership in a redevelopment project area, but it does not mean closing an operation for reasons beyond the control of the retail entity, as documented by the retail entity, subject to a reasonable finding by the municipality that the current location contained inadequate space, has become economically obsolete, or was no longer a viable location for the retailer or serviceman;

No cost shall be a redevelopment project cost in a redevelopment project area if used to demolish, remove, or substantially modify a historic resource, after August 26, 2008, unless no prudent and feasible alternative exists. “Historic Resource” means (i) a place or structure that is included or eligible for inclusion on the National Register of Historic Places or (ii) a contributing structure in a district on the National Register of Historic Places. This restriction does not apply to a place or structure for which demolition, removal, or modification is subject to review by the preservation agency of a Certified Local Government designated as such by the National Park Service of the United States Department of the Interior.

If a special service area has been established pursuant to the Special Service Area Tax Act or Special Service Area Tax Law, then any tax incremental revenues derived from the tax imposed pursuant to Special Service Area Tax Act or Special Service Area Tax Law may be used within the redevelopment project area for the purposes permitted by that Act or Law as well as the purposes permitted by the TIF Act.

Estimated project costs are shown in Table 3 below.

Table 3
RPA Project Cost Estimates

Program Actions/Improvements	Estimated Costs⁽¹⁾
Land Acquisition and Relocation	\$10,000,000
Demolition, Site Preparation, Environmental Cleanup and Related Costs	\$15,000,000
Utility Improvements (Including Water, Storm, Sanitary Sewer, Service of Public Facilities, and Road Improvements)	\$15,000,000
Rehabilitation of Existing Structures	\$20,000,000
Interest Costs Pursuant to the Act	\$4,500,000
Professional Service Costs (Including Planning, Legal, Engineering, Administrative, Annual Reporting, and Marketing)	\$5,000,000
School Tuition and Library Costs as provided by the Act	\$15,000,000
Job Training	\$500,000
TOTAL ESTIMATED TIF BUDGET⁽²⁾⁽³⁾	\$85,000,000

Notes:

- (1) All project cost estimates are in 2020 dollars. Costs may be adjusted for inflation per the Act.
- (2) In addition to the costs identified in the Table 3 above, any bonds issued to finance a phase of the Project may include an amount sufficient to pay (a) customary and reasonable charges associated with the issuance of such obligations, (b) interest on such bonds, and (c) capitalized interest and reasonably required reserves.
- (3) Adjustments to the estimated line-item costs above are expected. Adjustments may be made in line-items within the total, either increasing or decreasing line-items costs for redevelopment. Each individual project cost will be reevaluated in light of the projected private development and resulting tax revenues as it is considered for public financing under the provisions of the Act. The totals of the line-items set forth above are not intended to place a total limit on the described expenditures, as the specific items listed above are not intended to preclude payment of other eligible redevelopment project costs in connection the redevelopment of the RPA – provided the total amount of payment for eligible redevelopment project costs shall not exceed the overall budget amount outlined above and all as provided for in the Act.

Adjustments to estimated line-item costs in Table 3 are expected and may be made without amendment to this Plan. Each individual project cost will be reevaluated in light of the projected private development and resulting tax revenues as it is considered for public financing under the provisions of the Act.

Further, the projected cost of an individual line-item as set forth in Table 3 is not intended to place a limit on the described line-item expenditure. Adjustments may be made in line-items, either increasing or decreasing line-item costs for redevelopment. The specific items listed in Table 3 are not intended to preclude payment of other eligible redevelopment project costs in connection with the redevelopment of the RPA, provided the total amount of payment

for eligible redevelopment project costs (the “Total Estimated TIF Budget” in Table 3) shall not exceed the amount set forth in Table 3, as adjusted pursuant to the Act.

As explained in the following sub-section, incremental property tax revenues from any contiguous RPA may be used to pay eligible costs for the RPA.

F. Sources of Funds to Pay Redevelopment Project Costs Eligible Under Illinois TIF Act

Funds necessary to pay for public improvements and other project costs eligible under the Act are to be derived principally from incremental property tax revenues, funds provided by the Village pursuant to 65 ILCS 5/11-74.4-8(b), as amended (the “Village Contribution”), proceeds from municipal obligations to be retired primarily with such revenues, and interest earned on resources available but not immediately needed for the Plan. In addition, pursuant to the Act and this Plan, the Village may utilize net incremental property tax revenues received from other contiguous RPAs to pay eligible redevelopment project costs or obligations issued to pay such costs in contiguous project areas. This would include contiguous redevelopment project areas that the Village may establish in the future. (Conversely, incremental revenues from the RPA may be allocated to any contiguous redevelopment project area.).

“Redevelopment Project Costs” as identified in Table 3 specifically contemplate those eligible costs set forth in the Act and do not contemplate the preponderance of the costs to redevelop the area. The majority of development costs will be privately financed, and TIF or other public sources are to be used, subject to approval by the Village’s corporate authorities, only to leverage and commit private redevelopment activity.

The incremental tax increment revenues, which will be used to pay debt service on the municipal obligations, if any, and to directly pay redevelopment project costs, shall be the incremental increase in property taxes attributable to the increase in the equalized assessed value of each taxable lot, block, tract or parcel of real property in the RPA over and above the initial equalized assessed value of each such lot, block, tract or parcel in the RPA in the 2019 tax year for the RPA.

Among the other sources of funds which may be used to pay for redevelopment project costs and debt service on municipal obligations issued to finance project costs are the following: certain local sales or utility taxes, special service area taxes, the proceeds of property sales, certain land lease payments, certain Motor Fuel Tax revenues, certain state and federal grants or loans, certain investment income, and such other sources of funds and revenues as the Village may from time to time deem appropriate.

The Redevelopment Project Area would not reasonably be expected to be developed in a coordinated manner without the use of the incremental revenues provided by the Act.

The Village may also direct incremental revenues from the Redevelopment Project Area to any existing or future contiguous redevelopment project areas for redevelopment activities in

conformance with the provisions of the Act, and it may also receive incremental revenues from any existing or future contiguous redevelopment project areas in order to further the redevelopment activities described in this Plan.

G. Nature and Term of Obligations to be Issued

The Village may issue obligations secured by the Special Tax Allocation Fund established for the Redevelopment Plan and Project Area pursuant to the Act or such other funds as are available to the Village by virtue of its home rule powers pursuant to the Illinois State Constitution.

Any and/or all obligations issued by the Village pursuant to this Redevelopment Plan and Project and the Act shall be retired not more than twenty-three (23) years after the year of adoption of the ordinance approving the Redevelopment Project Area. However, the final maturity date of any obligations issued pursuant to the Act may not be later than twenty (20) years from their respective date of issuance. One or more series of obligations may be issued from time to time in order to implement this Redevelopment Plan and Project. The total principal and interest payable in any year on all obligations shall not exceed the amount available in that year or projected to be available in that year, may be payable from tax increment revenues and from bond sinking funds, capitalized interest, debt service reserve funds, and all other sources of funds as may be provided by ordinance.

Such securities may be issued on either a taxable or tax-exempt basis, as general obligation or revenue bonds, with either fixed rate or floating interest rates; with or without capitalized interest; with or without deferred principal retirement; with or without interest rate limits except as limited by law; and with or without redemption provisions, and on such other terms, all as the Village may determine.

Certain revenues may be declared as surplus funds if not required for: principal and interest payments, required reserves, bond sinking funds, redevelopment project costs, early retirement of outstanding securities, or facilitating the economical issuance of additional bonds necessary to accomplish the Redevelopment Plan. Such surplus funds shall then become available for distribution annually to taxing districts overlapping the RPA in the manner provided by the Act.

H. Most Recent Equalized Assessed Valuation (EAV) of Properties in the Redevelopment Project Area

The most recent equalized assessed valuation for the RPA is based on the 2019 EAV and is estimated to be approximately \$33,527,553¹. It is anticipated the estimated base EAV for establishment of the RPA will be the 2019 EAV.¹

¹ Verified by Lake County 2019 tax bills.

I. Anticipated Equalized Assessed Valuation (EAV)

Upon completion of the anticipated private development of the Redevelopment Project Area over a twenty-three (23) year period, it is estimated that the equalized assessed valuation (EAV) of the property within the RPA will be within a range of approximately \$100,000,000 to \$120,000,000, depending upon market conditions and the scope of the redevelopment projects.

VIII. DESCRIPTION AND SCHEDULING OF REDEVELOPMENT PROJECT

A. Redevelopment Project

An implementation strategy will be employed with full consideration given to the availability of both public and private funding. It is anticipated that a phased redevelopment will be undertaken.

The Redevelopment Project will begin as soon as the private entities have obtained financing approvals for appropriate projects and such uses conform to Village zoning and planning requirements, or as soon as the Village undertakes redevelopment activities pursuant to this Plan. Depending upon the scope of the development as well as the actual uses, the following activities may be undertaken by the Village, and the following activities may be included in each phase:

Land Assembly: Certain properties in the RPA may be acquired and assembled into an appropriate redevelopment site, with relocation costs undertaken as provided by the Act. The Village would be expected to facilitate private acquisition through reimbursement or write-down of related costs, including without limitation the acquisition of land needed for construction of public improvements.

Demolition and Site Preparation: The existing improvements located within the RPA may have to be reconfigured or prepared to accommodate new uses or expansion plans. Demolition of certain structures and grading of certain parcels may be necessary for future projects. Additionally, the redevelopment plan contemplates site preparation, environmental remediation or other requirements necessary to prepare the site for desired redevelopment projects.

Rehabilitation: The Village may assist in the rehabilitation of private or public facilities, buildings or site improvements located within the RPA.

Landscaping/Buffering/Streetscaping: The Village may fund certain landscaping projects, which serve to beautify public properties or rights-of-way and provide buffering between land uses.

Water, Sanitary Sewer, Storm Sewer and Other Utility Improvements: Certain public and private utilities may be extended or re-routed to serve or accommodate the new development. Upgrading of existing utilities may be undertaken. The provision of necessary detention or retention ponds may also be undertaken by the Village. Public and private utility services may also be provided or relocated in order to accommodate the renovation or expansion of buildings.

Public Infrastructure/Facility Improvements: The Village may widen and/or vacate existing roads. Certain secondary streets/roads may be extended or constructed. Related curb, gutter, and paving improvements could also be constructed as needed. Parking

facilities may be constructed that would be available to the public. Utility services may also be provided or relocated in order to accommodate redevelopment activities.

Traffic Control/Signalization: Traffic control or signalization improvements that improve access to the RPA and enhance its redevelopment may be constructed.

Public Safety Related Infrastructure: Certain public safety improvements including, but not limited to, public signage, public facilities, and streetlights may be constructed or implemented.

School District and Library District Costs: The payment of such costs, if any, may be provided pursuant to the requirements of the Act.

Interest Costs Coverage: The Village may fund certain interest costs incurred by a developer for construction, renovation or rehabilitation of a redevelopment project. Such funding would be paid for out of annual tax increment revenue generated from the RPA as permitted by the Act.

Professional Services: The Village may fund necessary planning, legal, engineering, administrative and financing costs during project implementation. The Village may reimburse itself from annual tax increment revenue if available.

B. Commitment to Fair Employment Practices and Affirmative Action

As part of any Redevelopment Agreement entered into by the Village and any private developers, both will agree to establish and implement an honorable, progressive, and goal-oriented affirmative action program that serves appropriate sectors of the Village. The program will conform to the most recent Village policies and plans.

With respect to the public/private development's internal operations, both entities will pursue employment practices, which provide equal opportunity to all people regardless of sex, color, race or creed. Neither party will discriminate against any employee or applicant because of sex, marital status, national origin, age, or the presence of physical handicaps. These nondiscriminatory practices will apply to all areas of employment, including: hiring, upgrading and promotions, terminations, compensation, benefit programs and education opportunities.

All those involved with employment activities will be responsible for conformance with this policy and the compliance requirements of applicable state and federal regulations.

The Village and private developers will adopt a policy of equal employment opportunity and will include or require the inclusion of this statement in all contracts and subcontracts at any level. Additionally, any public/private entities will seek to ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites, and in all facilities at which all employees are assigned to work. It shall be specifically ensured that all on-site supervisory

personnel are aware of and carry out the obligation to maintain such a working environment, with specific attention to minority and/or female individuals.

Finally, the entities will utilize affirmative action to ensure that business opportunities are provided and that job applicants are employed and treated in a nondiscriminatory manner. Underlying this policy is the recognition by the entities that successful affirmative action programs are important to the continued growth and vitality of the community.

C. Completion of Redevelopment Project and Retirement of Obligations to Finance Redevelopment costs

This Redevelopment Project and retirement of all obligations to finance redevelopment costs will be completed within twenty-three (23) calendar years after the year of adoption of an ordinance designating the RPA. The actual date for such completion and retirement of obligations shall not be later than December 31 of the year in which the payment to the municipal treasurer pursuant to the Act is to be made with respect to ad valorem taxes levied in the twenty-third calendar year after the year of the initial adoption of the ordinance approving the RPA.

IX. PROVISIONS FOR AMENDING THE TAX INCREMENT REDEVELOPMENT PLAN AND PROJECT

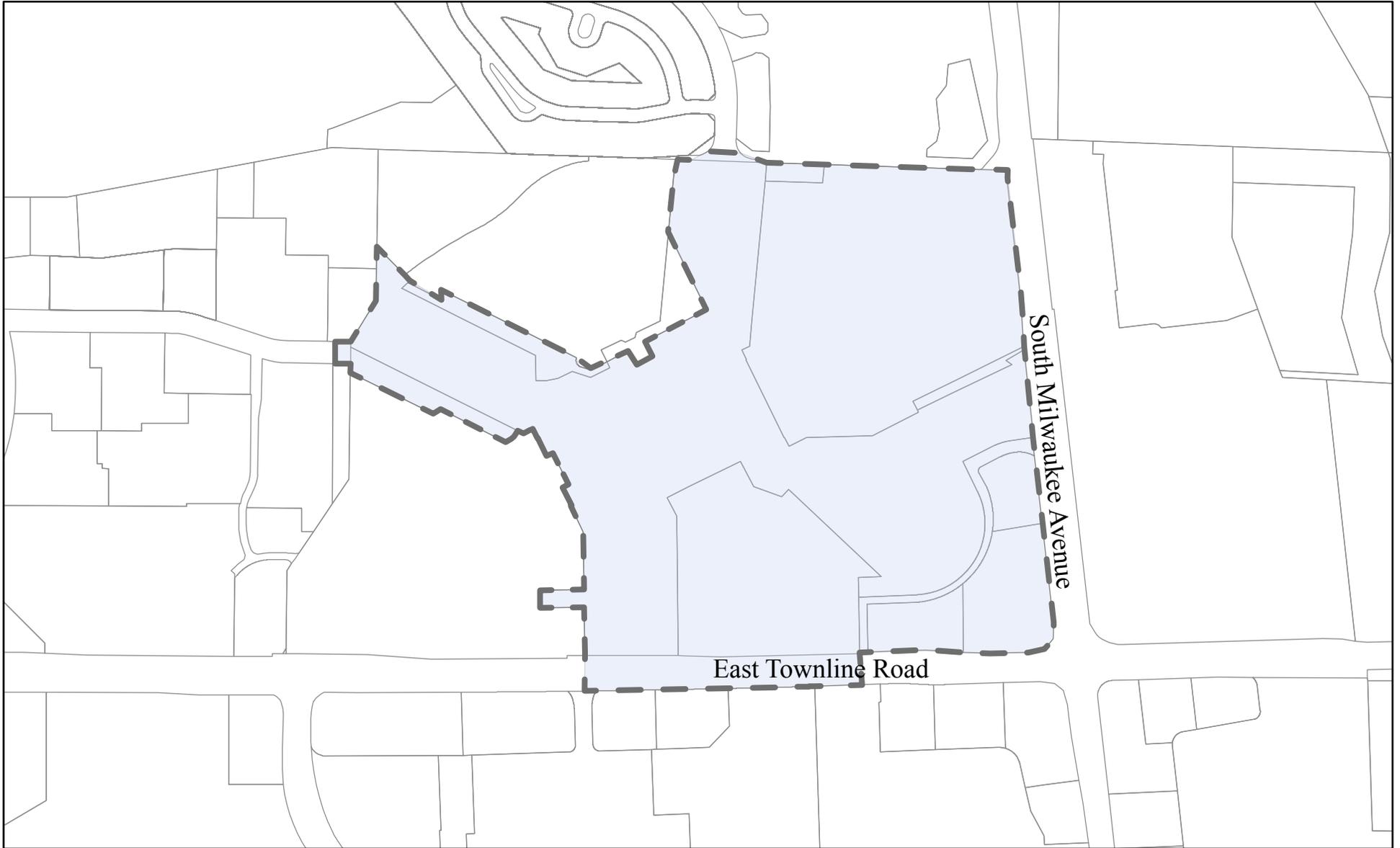
This Redevelopment Plan and Project may be amended pursuant to the provisions of the Act.

EXHIBIT A

**HAWTHORN MALL
TAX INCREMENT FINANCING DISTRICT
BOUNDARY MAP**

Village of Vernon Hills, Illinois Hawthorn Mall TIF

Boundary Map



Prepared on 10/08/2020 by:

Sources: Geographic Information accessed from maps.lakecountyil.gov on 04/29/2020

EXHIBIT B

**HAWTHORN MALL
TAX INCREMENT FINANCING DISTRICT
LEGAL DESCRIPTION**

HAWTHORN MALL REDEVELOPMENT PROJECT AREA (TIF) LEGAL DESCRIPTION

A PORTION OF LAND, LYING WITHIN SECTIONS 33 AND 34, TOWNSHIP 44 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, ALSO LYING WITHIN SECTION 4, TOWNSHIP 43 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, ALL IN LAKE COUNTY, ILLINOIS,

MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHERLY-MOST NORTHWEST CORNER OF LOT 2 IN HAWTHORN CENTER SUBDIVISION, BEING A SUBDIVISION OF PARTS OF SECTIONS 33 AND 34, TOWNSHIP 44 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED SEPTEMBER 19, 1977 AS DOCUMENT NUMBER 1866654; SAID POINT ALSO BEING THE NORTHEAST CORNER OF LOT 6 IN SAID HAWTHORN CENTER SUBDIVISION; THENCE NORTHERLY 12.3 FEET, MORE OR LESS, TO THE SOUTHWEST CORNER OF LOT 18 IN SADDLE BROOK RESUBDIVISION, BEING A SUBDIVISION OF PART OF SECTION 33, TOWNSHIP 44 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED OCTOBER 5, 1998 AS DOCUMENT NUMBER 4216424; THENCE ALONG THE SOUTHERLY LINE OF LOT 18 AND OUTLOT D IN SAID SADDLE BROOK RESUBDIVISION, FOR THE FOLLOWING THREE (3) COURSES: (1) THENCE EASTERLY 28.12 FEET TO A BEND POINT; (2) THENCE EASTERLY 47.33 FEET TO A POINT OF CURVATURE; (3) THENCE NORTHEASTERLY ALONG A CURVE CONCAVE TO THE NORTHWEST, HAVING A RADIUS OF 65.00 FEET AND AN ARC LENGTH OF 99.48 FEET TO A POINT OF TANGENCY; THENCE EASTERLY 80.2 FEET, MORE OR LESS, TO A POINT OF CURVATURE ON THE WESTERLY LINE OF LOT 1 IN AMLI AT MUSEUM GARDENS SUBDIVISION, BEING A SUBDIVISION OF PART OF SECTION 33, TOWNSHIP 44 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED MAY 5, 2003 AS DOCUMENT NUMBER 5215706; THENCE ALONG THE WESTERLY LINE OF LOT 1 IN SAID AMLI AT MUSEUM GARDENS SUBDIVISION FOR THE FOLLOWING TWO (2) COURSES: (1) THENCE SOUTHEASTERLY ALONG A CURVE CONCAVE TO THE NORTHEAST, HAVING A RADIUS OF 65.00 FEET AND AN ARC LENGTH OF 95.76 FEET TO A POINT OF TANGENCY; (2) THENCE EASTERLY 110.83 FEET TO A POINT ON THE NORTH LINE OF LOT 1 IN SAID HAWTHORN CENTER SUBDIVISION; THENCE SOUTH 89 DEGREES 25 MINUTES 30 SECONDS EAST (RECORD BEARING) ALONG THE NORTHERLY LINE OF LOT 1 IN SAID HAWTHORN CENTER SUBDIVISION 820 FEET, MORE OR LESS TO THE NORTHEAST CORNER OF SAID LOT 1, SAID POINT ALSO BEING ON THE WESTERLY RIGHT OF WAY LINE OF MILWAUKEE AVENUE AS SHOWN ON SAID HAWTHORN CENTER SUBDIVISION; THENCE SOUTHERLY AND WESTERLY ALONG THE WESTERLY RIGHT OF WAY LINE OF MILWAUKEE AVENUE AND THE NORTHERLY RIGHT OF WAY LINE OF ILLINOIS STATE ROUTE 60, BOTH AS SHOWN ON SAID HAWTHORN CENTER SUBDIVISION, FOR THE FOLLOWING FOURTEEN (14) COURSES: (1) THENCE SOUTH 08 DEGREES 02 MINUTES EAST 22.86 FEET; (2) THENCE SOUTH 81 DEGREES 58 MINUTES WEST 5.00 FEET; (3) THENCE SOUTH 08 DEGREES 02 MINUTES EAST 415.00 FEET; (4) THENCE SOUTH 05 DEGREES 32 MINUTES 38 SECONDS EAST 230.22 FEET; (5) THENCE SOUTH 08 DEGREES 02 MINUTES EAST 305.00 FEET TO THE EASTERLY-MOST SOUTHEAST CORNER OF LOT 2 IN SAID HAWTHORN CENTER SUBDIVISION; (6) THENCE SOUTH 81 DEGREES 58 MINUTES WEST 5.00 FEET

TO THE NORTHEAST CORNER OF LOT 9 IN SAID HAWTHORN CENTER SUBDIVISION; (7) THENCE SOUTH 08 DEGREES 02 MINUTES EAST 675.02 FEET; (8) THENCE SOUTH 00 DEGREES 13 MINUTES 25 SECONDS EAST 57.92 FEET; (9) THENCE SOUTH 39 DEGREES 18 MINUTES 54 SECONDS WEST 49.15 FEET; (10) THENCE SOUTH 77 DEGREES 52 MINUTES 19 SECONDS WEST 58.06 FEET; (11) THENCE SOUTH 86 DEGREES 39 MINUTES 34 SECONDS WEST 143.12 FEET; (12) THENCE NORTH 88 DEGREES 21 MINUTES 59 SECONDS WEST 230.81 FEET; (13) THENCE SOUTH 86 DEGREES 49 MINUTES 04 SECONDS WEST 238.65 FEET TO THE SOUTHWEST CORNER OF LOT 8 IN SAID HAWTHORN CENTER SUBDIVISION; (14) THENCE SOUTH 03 DEGREES 03 MINUTES 46 SECONDS EAST 5.00 FEET TO THE SOUTHEAST CORNER OF LOT 4 IN SAID HAWTHORN CENTER SUBDIVISION; THENCE CONTINUING SOUTH 03 DEGREES 03 MINUTES 46 SECONDS EAST ALONG THE SOUTHERLY EXTENSION OF THE EASTERLY LINE OF SAID LOT 4 TO THE SOUTHERLY RIGHT OF WAY LINE OF ILLINOIS STATE ROUTE 60; THENCE WESTERLY ALONG SAID SOUTHERLY RIGHT OF WAY LINE TO THE SOUTHERLY EXTENSION OF THE LINE BETWEEN LOTS 2 AND 3 IN SAID HAWTHORN CENTER SUBDIVISION; THENCE NORTH 02 DEGREES 03 MINUTES 40 SECONDS WEST ALONG THE LINE BETWEEN SAID LOTS 2 AND 3 TO THE SOUTHERLY-MOST SOUTHWEST CORNER OF LOT 2 IN SAID HAWTHORN CENTER SUBDIVISION, SAID POINT ALSO BEING THE SOUTHEAST CORNER OF LOT 3 IN SAID HAWTHORN CENTER SUBDIVISION; THENCE ALONG THE LINE BETWEEN SAID LOTS 2 AND 3 FOR THE FOLLOWING SIXTEEN (16) COURSES: (1) THENCE NORTH 02 DEGREES 03 MINUTES 40 SECONDS WEST 175.26 FEET; (2) THENCE SOUTH 87 DEGREES 56 MINUTES 20 SECONDS WEST 159.72 FEET; (3) THENCE NORTH 02 DEGREES 03 MINUTES 40 SECONDS WEST 65.00 FEET; (4) THENCE NORTH 87 DEGREES 56 MINUTES 20 SECONDS EAST 159.72 FEET; (5) THENCE NORTH 02 DEGREES 03 MINUTES 40 SECONDS WEST 209.45 FEET; (6) THENCE NORTH 27 DEGREES 41 MINUTES 04 SECONDS WEST 102.76 FEET; (7) THENCE NORTH 62 DEGREES 18 MINUTES 56 SECONDS EAST 1.00 FEET; (8) THENCE NORTH 27 DEGREES 41 MINUTES 04 SECONDS WEST 73.71 FEET; (9) THENCE NORTH 62 DEGREES 18 MINUTES 56 SECONDS EAST 25.00 FEET; (10) THENCE NORTH 27 DEGREES 41 MINUTES 04 SECONDS WEST 127.58 FEET; (11) THENCE SOUTH 62 DEGREES 18 MINUTES 56 SECONDS WEST 25.00 FEET; (12) THENCE NORTH 27 DEGREES 41 MINUTES 04 SECONDS WEST 73.71 FEET; (13) THENCE SOUTH 62 DEGREES 18 MINUTES 56 SECONDS WEST 1.00 FEET; (14) THENCE NORTH 27 DEGREES 41 MINUTES 04 SECONDS WEST 40.00 FEET; (15) THENCE SOUTH 62 DEGREES 18 MINUTES 56 SECONDS WEST 39.74 FEET; (16) THENCE NORTH 64 DEGREES 58 MINUTES 00 SECONDS WEST 18.01 FEET TO THE EASTERLY-MOST CORNER OF LOT 7 IN SAID HAWTHORN CENTER SUBDIVISION, SAID POINT ALSO BEING A CORNER OF LOT 3 IN SAID HAWTHORN CENTER SUBDIVISION; THENCE ALONG THE LINE BETWEEN SAID LOTS 3 AND 7 FOR THE FOLLOWING FIVE (5) COURSES: (1) THENCE SOUTHWESTERLY ALONG A NON-TANGENTIAL CURVE CONCAVE TO THE NORTHWEST, HAVING A RADIUS OF 82.00 FEET, AN ARC LENGTH OF 52.66, A CHORD BEARING OF SOUTH 43 DEGREES 55 MINUTES 11 SECONDS WEST, AND A CHORD LENGTH OF 51.76 FEET TO A POINT OF TANGENCY; (2) THENCE SOUTH 62 DEGREES 18 MINUTES 57 SECONDS WEST 8.72 FEET; (3) THENCE NORTH 64 DEGREES 58 MINUTES WEST 268.49 FEET; (4) THENCE SOUTH 55 DEGREES 02 MINUTES WEST 31.75 FEET; (5) THENCE NORTH 64 DEGREES 58 MINUTES WEST 337.44 FEET TO THE WESTERLY-MOST SOUTHWEST CORNER OF SAID LOT 7; THENCE ALONG THE WESTERLY LINE

OF LOTS 2 AND 7 IN SAID HAWTHORN CENTER SUBDIVISION FOR THE FOLLOWING THREE (3) COURSES: (1) THENCE NORTH 00 DEGREES 38 MINUTES 22 SECONDS WEST 113.53 FEET; (2) THENCE NORTH 30 DEGREES 14 MINUTES 04 SECONDS EAST 175.31 FEET; (3) THENCE NORTH 00 DEGREES 38 MINUTES 22 SECONDS WEST 196.00 FEET TO THE WESTERLY-MOST SOUTHWEST CORNER OF LOT 6 IN SAID HAWTHORN CENTER SUBDIVISION, SAID POINT ALSO BEING THE WESTERLY-MOST NORTHWEST CORNER OF LOT 2 IN SAID HAWTHORN CENTER SUBDIVISION; THENCE EASTERLY ALONG THE LINE BETWEEN SAID LOTS 2 AND 6 FOR THE FOLLOWING TWO (2) COURSES: (1) THENCE SOUTH 45 DEGREES 08 MINUTES 22 SECONDS EAST 172.78 FEET; (2) THENCE SOUTHWESTERLY ALONG A NON-TANGENTIAL CURVE CONCAVE TO THE SOUTHEAST, HAVING A RADIUS OF 515.00 FEET, AN ARC LENGTH OF 11.08 FEET, A CHORD BEARING OF SOUTH 46 DEGREES 50 MINUTES 36 SECONDS WEST, AND A CHORD LENGTH OF 11.08 FEET TO THE NORTHWEST CORNER OF A PARCEL OF LAND DESCRIBED IN QUIT CLAIM DEED RECORDED JULY 10, 1997 AS DOCUMENT NUMBER 3991224; THENCE ALONG THE WESTERLY AND SOUTHERLY LINES OF SAID PARCEL FOR THE FOLLOWING EIGHT (8) COURSES: (1) THENCE SOUTH 64 DEGREES 58 MINUTES 01 SECOND EAST 137.66 FEET; (2) THENCE NORTH 05 DEGREES 00 MINUTES 07 SECONDS WEST 36.26 FEET; (3) THENCE SOUTH 64 DEGREES 58 MINUTES 01 SECONDS EAST 552.72 FEET; (4) THENCE SOUTHERLY ALONG A NON-TANGENTIAL CURVE CONCAVE TO THE EAST, HAVING A RADIUS OF 100.00 FEET, AN ARC LENGTH OF 7.23 FEET, A CHORD BEARING OF SOUTH 04 DEGREES 16 MINUTES 41 SECONDS WEST, AND A CHORD LENGTH OF 7.23 FEET, TO A POINT OF COMPOUND CURVATURE; (5) THENCE SOUTHEASTERLY ALONG A CURVE CONCAVE TO THE NORTHEAST, HAVING A RADIUS OF 25.00 FEET, AN ARC LENGTH OF 34.48 FEET, A CHORD BEARING OF SOUTH 33 DEGREES 10 MINUTES 04 SECONDS EAST, AND A CHORD LENGTH OF 31.82 FEET, TO A POINT OF TANGENCY; (6) THENCE SOUTH 72 DEGREES 41 MINUTES 04 SECONDS EAST 31.06 FEET TO A POINT OF CURVATURE; (7) THENCE EASTERLY ALONG A CURVE CONCAVE TO THE NORTH, HAVING A RADIUS OF 17.15 FEET, AN ARC LENGTH OF 13.47 FEET, A CHORD BEARING OF NORTH 84 DEGREES 48 MINUTES 56 SECONDS EAST, AND A CHORD LENGTH OF 13.13 TO A POINT OF TANGENCY; (8) THENCE NORTH 62 DEGREES 18 MINUTES 56 SECONDS EAST 60.14 FEET TO A POINT ON THE SOUTHERLY LINE OF LOT 6 IN SAID HAWTHORN CENTER SUBDIVISION, SAID POINT ALSO BEING THE SOUTHWEST CORNER OF A PARCEL OF LAND DESCRIBED IN DOCUMENT NUMBER 3991225; THENCE ALONG THE SOUTHERLY AND EASTERLY LINES OF SAID PARCEL FOR THE FOLLOWING SIX (6) COURSES: (1) THENCE NORTH 62 DEGREES 18 MINUTES 56 SECONDS EAST 88.36 FEET; (2) THENCE SOUTH 27 DEGREES 41 MINUTES 04 SECONDS EAST 60.00 FEET; (3) THENCE NORTH 62 DEGREES 18 MINUTES 56 SECONDS EAST 67.00 FEET; (4) THENCE NORTH 27 DEGREES 41 MINUTES 04 SECONDS WEST 60.00 FEET; (5) THENCE NORTH 62 DEGREES 18 MINUTES 56 SECONDS EAST 253.50 FEET; (6) THENCE NORTH 27 DEGREES 41 MINUTES 04 SECONDS WEST 323.15 FEET TO A POINT ON THE LINE BETWEEN LOTS 2 AND 6 IN SAID HAWTHORN CENTER SUBDIVISION; THENCE NORTH 03 DEGREES 53 MINUTES 56 SECONDS EAST ALONG SAID LINE 267.01 FEET TO THE POINT OF BEGINNING.

EXHIBIT C

**HAWTHORN MALL
TAX INCREMENT FINANCING DISTRICT
EXISTING LAND USE MAP**

Legend

- TIF District
- Land Use**
- ADAPTIVE REUSE OPPORTUNITIES
- COMMERCIAL - MAJOR RETAIL
- COMMERCIAL - SMALL RETAIL
- EMPLOYMENT PARK
- GOVERNMENTAL / INSTITUTIONAL
- MIXED USE
- MULTI-FAMILY
- PARKS / RECREATION / OPEN SPACE
- SINGLE FAMILY ATTACHED
- SINGLE FAMILY DETACHED
- TRANSPORTATION / UTILITIES

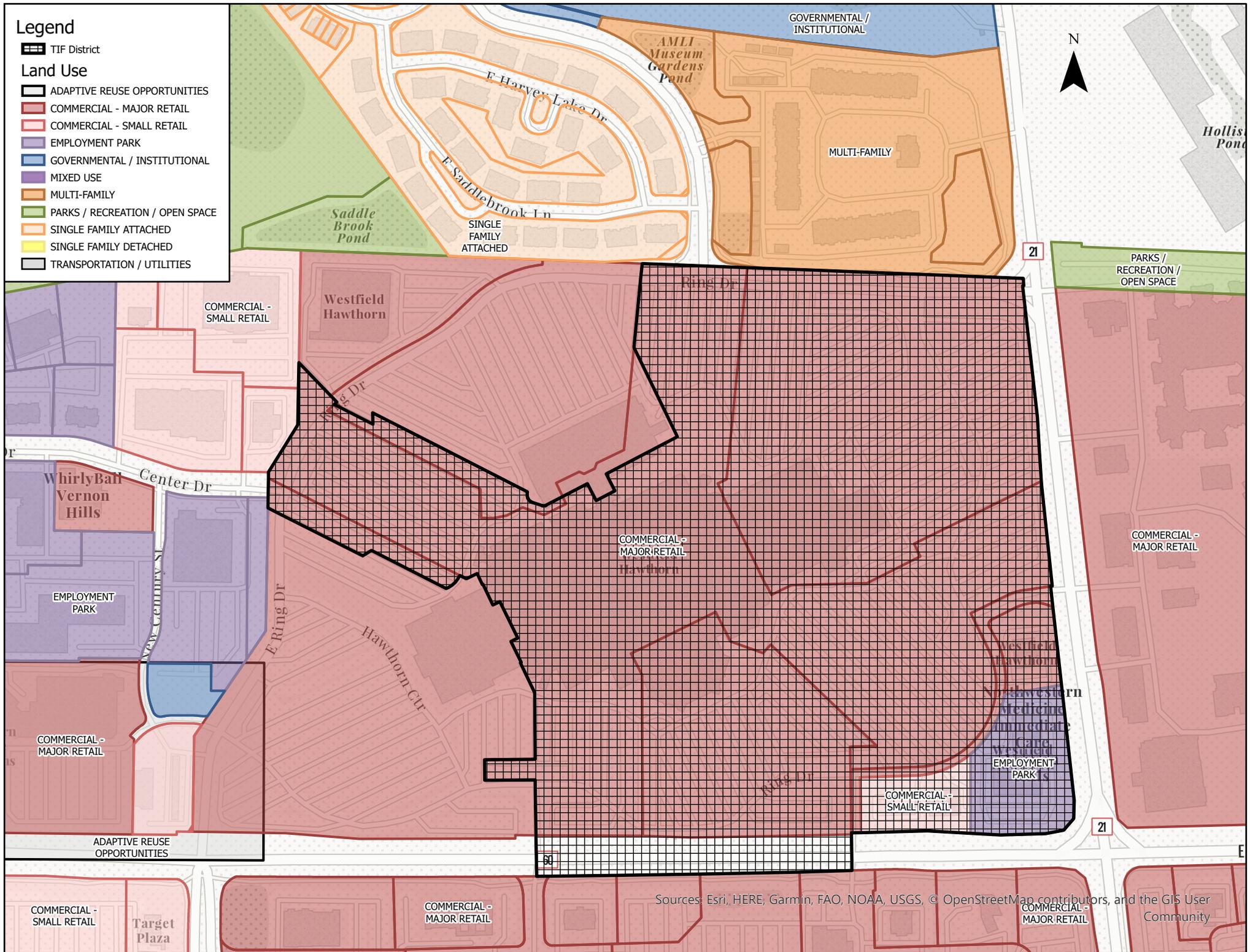
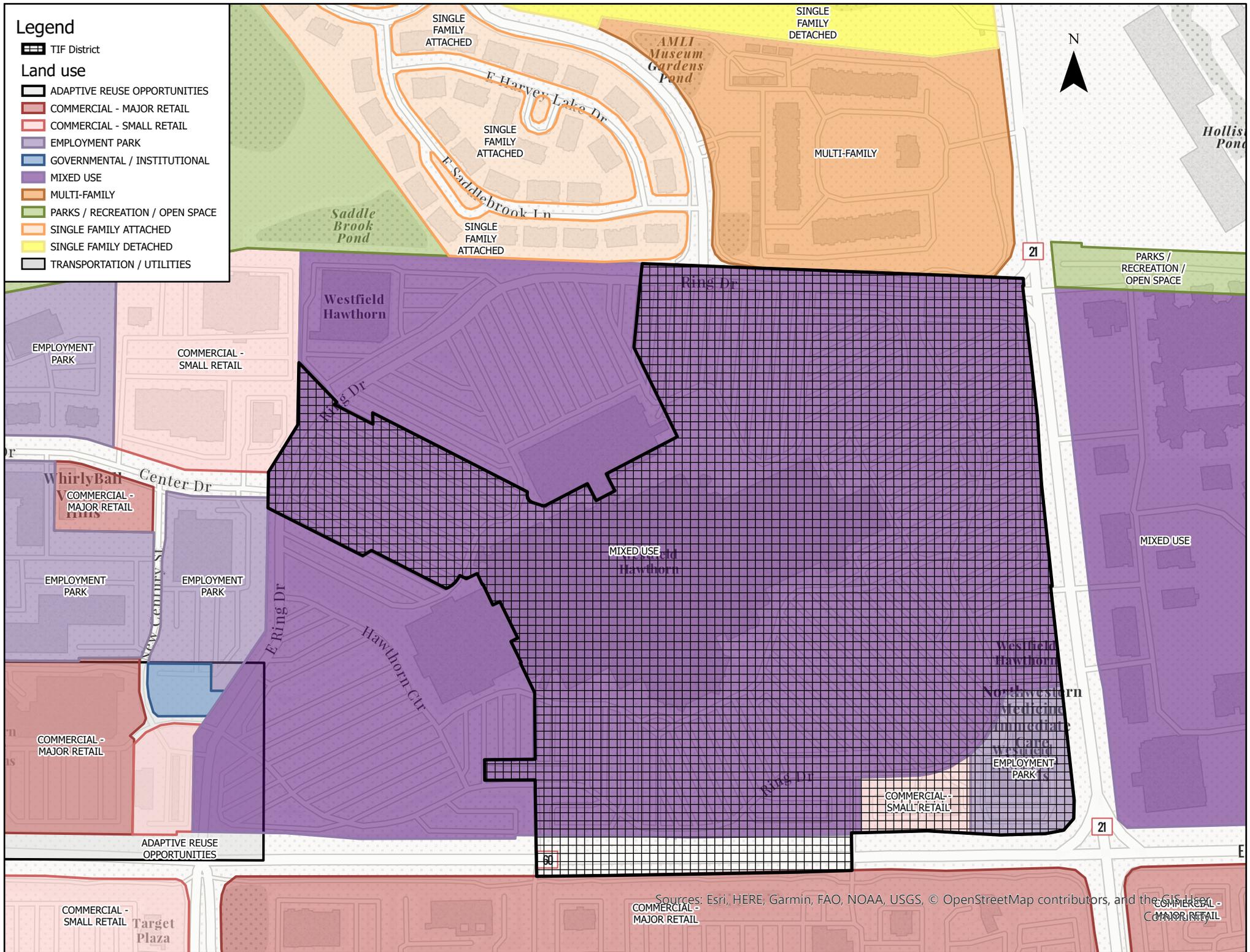


EXHIBIT D

**HAWTHORN MALL
TAX INCREMENT FINANCING DISTRICT
FUTURE LAND USE MAP**

Legend

-  TIF District
- Land use**
-  ADAPTIVE REUSE OPPORTUNITIES
-  COMMERCIAL - MAJOR RETAIL
-  COMMERCIAL - SMALL RETAIL
-  EMPLOYMENT PARK
-  GOVERNMENTAL / INSTITUTIONAL
-  MIXED USE
-  MULTI-FAMILY
-  PARKS / RECREATION / OPEN SPACE
-  SINGLE FAMILY ATTACHED
-  SINGLE FAMILY DETACHED
-  TRANSPORTATION / UTILITIES



Sources: Esri, HERE, Garmin, FAO, NOAA, USGS, © OpenStreetMap contributors, and the GIS User Community

EXHIBIT E

**HAWTHORN MALL
TAX INCREMENT FINANCING DISTRICT
TIF QUALIFICATION REPORT**

VILLAGE OF VERNON HILLS, ILLINOIS
TIF QUALIFICATION REPORT
HAWTHORN MALL REDEVELOPMENT PROJECT AREA

An analysis to assess the likelihood that all or a portion of an area located in the Village of Vernon Hills could qualify as a conservation area as defined in the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-3, et seq.

Prepared for: Village of Vernon Hills, Illinois

Prepared Jointly by: Kane, McKenna and Associates, Inc.

July, 2020

**PROPOSED HAWTHORN MALL
REDEVELOPMENT PROJECT AREA
TIF QUALIFICATION REPORT**

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EXECUTIVE SUMMARY

Kane, McKenna and Associates, Inc. (KMA) has been retained by the Village of Vernon Hills Illinois (the “Village”) to conduct an analysis of the potential qualification and designation of certain property located in the Village, as a “redevelopment project area” pursuant to the hereinafter defined TIF Act (the “Study Area”, “RPA” or “TIF District”) and included in the map attached as Exhibit A. Essentially, the Study Area consists of most of the in line Hawthorn Mall shopping mall, including the vacant Sears Roebuck & Co. (“Sears”) and Carson Pirie Scott (“Carson’s”) stores (excluding the Macy’s Inc. (“Macy’s”) and JC Penney Company, Inc. (“JC Penney”) parcels), corresponding perimeter parking areas and driveways, and three out-lots at the northwest corner of Milwaukee Avenue and Townline Road.. This qualification review is being carried out pursuant to the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, et seq.(the “TIF Act”).

The Village has long been a major employment and retail center for the northern suburbs of the Chicago region. Accordingly, one of the goals of the Village’s Comprehensive Land Use Plan 2012, including any amendments thereto (the “Comprehensive Plan”) is to “actively encourage reinvestment in existing commercial properties to maintain the overall appearance, structural quality and marketability of the properties within the commercial corridors”. The Village is examining the Study Area designation pursuant to this goal. In addition, as part of a regional shopping center, it is essential for the Study Area to adapt to recently changing retail landscape, if it is to continue to provide robust economic and other benefits to the community. Amid declining retail sales in recent years, big department store chains have been closing locations all over the country, a negative trend for communities and shopping malls. According to the International Council of Shopping Centers (ICSC), regional malls have suffered at least three straight years of declining profit per square foot. In light of these trends, by undertaking the designation, the Village will help preserve and strengthen the Study Area as a significant contributor to the Village’s overall economic base.

Based upon the preliminary analysis completed to date, KMA has reached the following conclusions regarding the potential qualification of the Study Area as a “redevelopment project area” pursuant to the TIF Act (the “Hawthorn Mall Redevelopment Project Area”):

- 1) *Conservation Area* – The proposed TIF District qualifies as a Conservation Area under the TIF Act. The RPA needs a minimum of three (3) factors to qualify as a Conservation Area. The RPA has a total of five (5) qualifying factors including obsolescence, inadequate utilities, excessive vacancies, deterioration, and lack of community planning. Overall, the area either has declined, or is in danger of declining, toward a blighted condition. This condition prevents, or threatens to prevent, the economic and physical development of properties in a manner that the community deems essential to its overall economic health. Because five (5) structures in the proposed TIF District out of six (6) structures, (or 83%), are over 35 years old or older (built in or before 1985), the TIF District meets the statutory criteria as a “Conservation Area” TIF.

- 2) *Current conditions impede redevelopment* – The conditions found within the proposed TIF District present a barrier to the area’s successful redevelopment. Without

the use of Village planning and economic development resources to mitigate such conditions, potential redevelopment activities are not likely to be economically feasible.

3) *Viable redevelopment sites could produce incremental revenue* – Within the proposed TIF District, there are parcels which potentially could be redeveloped or rehabilitated and thereby produce incremental property tax revenue. Such revenue, used in combination with other Village resources for redevelopment incentives or public improvements, would likely stimulate private investment and reinvestment in these sites and ultimately throughout the proposed TIF District.

4) *Pursuit of TIF designation is recommended* – To mitigate the existing conditions, thereby promoting the improved physical condition of the proposed RPA, and to leverage the Village's investment and redevelopment efforts, KMA recommends that the Village pursue the designation of the Study Area as a redevelopment project area (as such term is hereinafter defined).

I. BACKGROUND

The Hawthorn Mall regional shopping center has been an important contributor to the Village economy for forty-seven years, generating a significant portion of the Village's property tax and sales tax revenues, as well as serving as an important source of jobs, and other multiplier benefits over this time. Recent downward shifts in retail industry trends, however, have had an adverse economic effect on shopping centers. Enclosed regional malls, in particular, have been dramatically impacted by anchor department store closures and declining overall sales. As a result, enclosed mall owners, nationwide, are increasingly faced with a need to reposition these properties in reaction to these dynamic retail market transformations. The redevelopment of an established regional mall property into a mixed-use center, like Hawthorn Mall, poses certain extraordinary financial challenges. Disproportionate costs associated with relocating or repurposing infrastructure, traffic and parking configurations, and the reconstruction of a large single-use property for multiple uses that meet market acceptance and investment criteria, are just some of the extraordinary costs associated with repurposing large single use properties.

As part of the Village's economic development planning and Comprehensive Plan implementation, the Village retained Kane, McKenna and Associates, Inc. to undertake a study of the area described below in order to determine if the area qualifies as a TIF District pursuant to the requirements of the TIF Act.

Current Land Use. The Study Area consists of eleven (11) tax parcels and is approximately 63.51 acres in size (excluding public rights of way) and includes most of the Hawthorn Mall regional shopping mall (including the interior in line stores, and the vacant Sears and Carson's stores, excluding the Macy's and JC Penney properties), corresponding perimeter parking areas, and three out-lots at the northwest corner of Milwaukee Avenue and Townline Road. Refer to Exhibit B for a list of the parcels proposed for inclusion in the RPA.

Overall, the area faces a number of potential redevelopment impediments as described in Section IV of this report. Additionally, while the area has certain beneficial locational assets, the current state of the local and national economy, existing use configurations, and infrastructure requirements contribute to constraints on sustained redevelopment of the Study Area.

General Redevelopment Objectives. The redevelopment of the Study Area is consistent with the Village's objectives, which are contained in the Comprehensive Plan, zoning ordinance and other land use planning elements.

The Village has determined that the redevelopment of the Study Area is necessary to the community – given that with a redevelopment strategy in place, the economic base of the Study Area and the adjacent mall area would be stabilized and expanded – thereby benefiting the community as a whole.

General Scope and Methodology. KMA performed its analysis by conducting a series of discussions with Village staff, starting in late 2019 and continuing periodically up to the date of

this report. The purpose of the review was to gather data related to the preliminary qualification criteria for properties included in the Study Area. These discussions were complemented by a series of field surveys for the entire area to evaluate the condition of the Study Area. The field surveys and data collected have been utilized as a basis for the qualification of the Study Area as a redevelopment project area.

For additional information about KMA's data collection and evaluation methods, refer to Section III of this report.

II. QUALIFICATION CRITERIA

With the assistance of Village staff, KMA assessed the proposed Study Area to determine the likelihood that qualifying factors listed in the Act would be present. The relevant provisions of the Act are cited below.

The Act sets out specific procedures which must be adhered to in designating a redevelopment project area (Study Area). By definition, a “redevelopment project area” is:

“An area designated by the municipality, which is not less in the aggregate than 1½ acres and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as a blighted area or a conservation area, or a combination of both blighted areas and conservation areas.”

Under the TIF Act, a “blighted area” or “conservation area” means any improved or vacant area within the boundaries of a development project area located within the territorial limits of the municipality where certain conditions are met, as indicated below.

TIF Qualification Factors for a Conservation Area. In accordance with the TIF Act, KMA performed a two-step assessment to determine if the proposed RPA qualified as a conservation area. First, KMA analyzed the threshold factor of age to determine if 50% or more of the structures were 35 years of age or older.

Secondly, if a proposed conservation area meets the age threshold, then the following factors are to be examined to determine whether the RPA qualifies as a redevelopment project area:

In a *conservation area*, industrial, commercial and residential buildings or improvements are detrimental to the public safety, health or welfare because of a combination of three (3) or more of the following factors, each of which is (i) present, with that presence documented to a meaningful extent so that a municipality may reasonably find that the factor is clearly present within the intent of the TIF Act and (ii) reasonably distributed throughout the improved part of the redevelopment project area:

- (A) Dilapidation. An advanced state of disrepair or neglect of necessary repairs to the primary structural components of building or improvements in such a combination that a documented building condition analysis determines that major repair is required or the defects are so serious and so extensive that the buildings must be removed.
- (B) Obsolescence. The condition or process of falling into disuse. Structures become ill-suited for the original use.
- (C) Deterioration. With respect to buildings, defects include but are not limited to, major defects in the secondary building components such as doors, windows, porches, gutters, downspouts, and fascia. With respect to surface improvements, that the condition

of roadways, alleys, curbs, gutters, sidewalks, off-street parking and surface storage areas evidence deterioration, including, but limited to, surface cracking, crumbling, potholes, depressions, loose paving material and weeds protruding through paved surfaces.

(D) Presence of Structures Below Minimum Code Standards. All structures that do not meet the standards of zoning, subdivision, building, fire and other governmental codes applicable to property, but not including housing and property maintenance codes.

(E) Illegal Use of Individual Structures. The use of structures in violation of applicable federal, State, or local laws, exclusive of those applicable to the presence of structures below minimum code standards.

(F) Excessive Vacancies. The presence of buildings that are unoccupied or under-utilized and that represent an adverse influence on the area because of the frequency, extent or duration of the vacancies.

(G) Lack of Ventilation, Light, or Sanitary Facilities. The absence of adequate ventilation for light or air circulation in spaces or rooms without windows, or that require the removal of dust, odor, gas, smoke or other noxious airborne materials. Inadequate natural light and ventilation means the absence of skylights or windows for interior spaces or rooms and improper window sizes and amounts by room area to window area ratios. Inadequate sanitary facilities refers to the absence of or inadequacy of garbage storage and enclosures, bathroom facilities, hot water and kitchens and structural inadequacies preventing ingress and egress to and from all rooms and units within a building.

(H) Inadequate Utilities. Underground and overhead utilities such as storm sewers and storm drainage, sanitary sewers, water lines and gas, telephone and electrical services that are shown to be inadequate. Inadequate utilities are those that are: (i) of insufficient capacity to serve the uses in the redevelopment project area; (ii) deteriorated, antiquated, and obsolete or in disrepair; or (iii) lacking within the redevelopment project area.

(I) Excessive Land Coverage and Overcrowding of Structures and Community Facilities. The over-intensive use of property and the crowding of buildings and accessory facilities onto a site. Examples of problem conditions warranting the designation of an area as exhibiting excessive land coverage are: (i) the presence of buildings either improperly situated on parcels or located on parcels of inadequate size and shape in relation to present-day standards of development for health and safety and (ii) the presence of multiple buildings on a single parcel. For there to be a finding of excessive land coverage, these parcels must exhibit one or more of the following conditions: insufficient provision for light and air within or around buildings, increased threat of spread of fire due to the close proximity of buildings, lack of adequate or proper access to a public right-of-way, lack of reasonably required off-street parking or inadequate provision for loading service.

(J) Deleterious Land-Use or Layout. The existence of incompatible land-use relationships, buildings occupied by inappropriate mixed-uses, or uses considered to be noxious, offensive or unsuitable for the surrounding area.

(K) Environmental Clean-Up. The proposed redevelopment project area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for (or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for) the clean-up of hazardous waste, hazardous substances or underground storage tanks required by State or federal law. Any such remediation costs would constitute a material impediment to the development or redevelopment of the redevelopment project area.

(L) Lack of Community Planning. The proposed redevelopment project area was developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area's development. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards or other evidence demonstrating an absence of effective community planning.

(M) "Lagging or Declining" EAV. The total equalized assessed value (EAV) of the proposed redevelopment project area has declined for three (3) of the last five (5) calendar years, or is increasing at an annual rate that is less than the balance of the municipality for three (3) of the last five (5) calendar years, or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for three (3) of the last five (5) calendar years. The finding is based on the last 5 years for which information is available.

III. EVALUATION METHODOLOGY

In evaluating the proposed Study Area's potential qualification as a redevelopment project area, the following methodology was utilized:

- 1) Site surveys of the Study Area were undertaken by representatives from Kane, McKenna and Associates, Inc., supplemented with photographic analysis of the sites. Site surveys were completed of properties located within the proposed Study Area.
- 2) KMA conducted evaluations of exterior structures and associated site improvements, noting such conditions as deterioration and obsolescence. Mall ownership also submitted operational and inspection data related to property improvements and conditions. Additionally, KMA reviewed the following data: tax years 2014-2019 tax information from Lake County, tax parcel maps, site data, area background (including discussions with Village staff), the Comprehensive Plan, and an evaluation of area-wide factors that have affected the area's development (e.g., obsolescence, inadequate utilities, etc.).
- 3) Existing site conditions were initially surveyed only in the context of checking, to the best and most reasonable extent available, TIF Act factors applicable to specific structures and site conditions of the parcels.
- 4) The Study Area was examined to assess the applicability of the different factors required for qualification as a redevelopment project area. Examination was made by reviewing the information and determining how each measured when evaluated against the relevant factors. The Study Area was evaluated to determine the applicability of the thirteen (13) different factors, as defined under the Act, which would qualify the Study Area as a redevelopment project area.

IV. QUALIFICATION FINDINGS FOR THE STUDY AREA

Based upon KMA’s evaluation of parcels in the proposed Study Area and analysis of each of the eligibility factors summarized in Section II, the following factors are presented to support preliminary qualification of the RPA as a conservation area under the TIF Act.

Table 1
Summary of TIF-Qualifying Factors

Maximum Possible Factors per Statute	Minimum Factors Needed to Qualify per Statute	Qualifying Factors Present in Proposed Study Area
13	3	5 <ul style="list-style-type: none"> • Obsolescence • Deterioration • Excessive Vacancies • Inadequate Utilities • Lack of Community Planning

Findings for Study Area. The Study Area meets the qualifications for a conservation area under the statutory criteria set forth in the TIF Act. KMA reviewed the 13 aforementioned criteria needed to qualify the area as a conservation area, determining that five (5) factors were present:

- 1) Obsolescence. The Act states that obsolescence is the condition or process of falling into disuse or structures that have become ill-suited for their original use. Due to the changes in the retail market and the characteristics of the property – large single use buildings - obsolescence is present.

The Carson’s structure at the Hawthorn Mall was initially constructed in 1972 and operated as a Lord & Taylor store until it was sold to Carson’s in 1997. The structure consists of approximately 103,000 square feet over two levels. It was closed in August, 2018. The Sear’s structure at Hawthorn Mall was constructed in 1972 and consists of approximately 230,000 square feet within two levels. It was closed in September, 2018.

The Sears and Carson’s stores were two of four anchor tenants at Hawthorn Mall. Amid lagging sales, department store chains such as these have been closing locations throughout the country, an adverse trend for mall owners, which have historically relied on these stores to attract traffic and other retail users to their properties. Closures over the years within the northern Illinois market have included Montgomery Ward, Sears, Carson’s, Macy’s, Lord & Taylor and JC Penney. These closures have parallel national trends impacting both anchor stores and small to mid-size retailers.

The owner of the Hawthorn Mall, including the Sears and Carson's properties, has been unsuccessful in its attempts to identify viable replacement users to occupy these two spaces since, essentially, no major department stores are expanding their national footprints. Accordingly, it has been determined that the identification of a workable, comparable user for these spaces, as they are currently configured, is not possible. This is due, in part, to the fact that these structures are designed exclusively for use as single-user anchor department stores. Shifting retail market conditions have eroded demand for this type of single purpose retail use.

Furthermore, these structures do not easily lend themselves to occupancy by any other type of contemporary user, or users, without major modifications that will meet the brick and mortar standards of today's retail markets. Infrastructure characteristics within these buildings, such as existing column spacing, loading dock configurations, and obsolete ceiling heights impose challenging constraints on their adaptive reuse for alternative modern purposes. For example, the clear heights of the first floors of the Sear's and Carson's spaces are inconsistent with most first-class box retail users. In addition, demising these large "big box" spaces for smaller users, entails creation of multiple entry facades, repositioning of loading docks, upgrades to and partitioning of mechanical, electrical and plumbing systems, roofing updates for energy code compliance, and so on. The costs associated with all of these enhancements are not cost effective given the potential returns, compared with the alternative of demolition and building new from ground up.

These two buildings' advanced ages further exacerbate the cost-efficient re-use of these structures since much of their original operating systems are at the end of their useful life. For example, chiller and water pumps in both structures are original and need to be replaced. The roofs of these structures are in need of replacement which would require compliance with contemporary building and life/safety codes. Several of these codes have mandatory requirements that are enforced when maintenance or remodeling work is done. Roof insulation is one example of a costly code requirement whose execution would become necessary in the event of a roof replacement, due to contemporary energy codes. Another example of a costly code requirement pertains to accessibility. Illinois law recently requires all bathrooms to be made fully accessible if any modifications are made to "areas served by these public bathrooms". This State law requires that the owner spend up to 20% of their total budget, if necessary, in order to make this code upgrade happen. These are just two examples, among others, of such code upgrades required in Illinois. New code requirements like these are added each year, including those which most recently became effective in January 2020. These newer code regulations serve to contribute to the obsolescence of the property.

Another challenge with the reuse of these two stores is their physical integration with the enclosed mall, which limits flexibility for its adaptive re-use. Second, parking and vehicular circulation need to be reconfigured and improved, and retaining the existing structures as currently configured constrains best alternatives for repositioning and multiple uses at their respective locations in the mall in order to attract market investment.

The loss of the Sears and Carson's anchors in 2018 has served to substantially slow shopper traffic to the other smaller stores in the mall ("in line" stores). This has resulted in increased vacancy rates among these inline retailers, as well as an increase in temporary leases among these types of tenants. These downward trends in shopper traffic, along with the increased vacancies and temporary leases are not economically sustainable and therefore, contribute to the risk of further obsolescence throughout the Mall, unless the repositioning of the mall occurs.

All of the factors described above indicate that economic and functional obsolescence are present to such an extent as to require the demolition of the Carson's and Sears structures as the reuse of them is not an economically viable option. The lack of reuse would then impact operations in the in line space and the out-lots and contribute to further obsolescence of the property.

2) Inadequate Utilities. The Act states that overhead or underground utilities that are deteriorated, antiquated, obsolete or in disrepair are considered inadequate. Also, those utilities that lack the capacity to meet future development demands are considered inadequate. Utilities would include: storm sewers, storm drainage, sanitary sewers, water lines and gas, telephone and electrical services.

Current utilities (and infrastructure) serving the Study Area are inadequate for proposed redevelopment uses. Proposed redevelopment will require numerous utility upgrades, relocations and additions to existing services as described below:

- a) Water Mains: Redevelopment of the RPA will require relocation of existing domestic and fire water mains to maintain the existing looped system and pressures on site. Extensions of water mains to provide domestic service and a looped fire system to the outparcels of the RPA will be required.
- b) Sanitary Sewer Mains: Redevelopment of the RPA will require relocation of the existing sanitary sewer mains, lengthening the overall pipe quantities onsite. Pipes will also need to be upsized to provide adequate flow and capacity within the system, due to existing minimum slopes on pipes. Extension of the sanitary sewer main north of the mall will be required to ensure that the existing systems are not over capacity due to the redevelopment.
- c) Storm Sewer Mains: Storm sewer pipes will need to be relocated to avoid conflicts with proposed new redevelopment structures and to ensure proper drainage for redevelopment. An existing 72" storm sewer running from the south at the existing Carson's structure to the northwest corner of the mall property will require relocation to enhance onsite redevelopment feasibility while also avoiding conflicts with future development.

- d) Electric: Redevelopment of the RPA will require the removal and relocation of underground electric transmission lines, existing transformers, switch gears, and an existing vault. New transformers will be required for the proposed increased density within the redevelopment.
 - e) Gas: Relocation and extension of existing gas mains will be required to accommodate development of the RPA.
 - f) Grading: The Ring Road realignment and development of the outparcels will require a retaining wall of approximately 7 feet and over 200 feet long. Redevelopment of the Sear parcel will require a retaining wall, approximately 18 feet tall and over 200 feet long, in order to create the future redevelopment area.
 - g) Roads: Redevelopment of the RPA will require an internal Ring Road realignment to provide buildable out-lot pads for proposed tenants. Realignment of the existing drive aisle adjacent to the mall building. Additional streets will be required for any proposed residential development within the RPA.
- 3) Excessive Vacancies. The presence of buildings that are unoccupied or under-utilized and that represent an adverse influence on the area because of the frequency, extent or duration of the vacancies.

As stated previously, the former 103,000-square-foot Carson's anchor store at Hawthorn Mall, which was initially constructed in 1972 and operated as a Lord & Taylor store until it was sold to Carson's in 1997, was closed in August, 2018, pursuant to the closing of the entire Carson's department store chain by its parent company, Bon Ton, which filed for bankruptcy in February, 2018, after more than 160 years of operation. The 230,000-square-foot Sear's department store at Hawthorn Mall which closed in September, 2018, was among almost two-hundred Sears and Kmart store closings that year, as part of its Chapter 11 bankruptcy filing, also in 2018. It is estimated that by the end to 2020, Sears will have closed more than 300 of its stores nationwide.

These two vacancies account for 332,649 square feet, or over twenty-six (26%) of the total 1,269,662 square feet of inline and anchor stores at Hawthorn Mall. Mall ownership reports that as of February, 2020, there is an additional 131,657 square feet of vacant inline space, creating a total of 464,306 square feet of vacant space, or 36.5% vacancy rate at Hawthorn Mall. These inline store vacancies have been steadily growing since 2016. In fact, as of February, 2020, inline store vacancies have increased by almost 130%.

Furthermore, mall ownership reports that, since 2016, the amount of space that is leased by tenants on a temporary basis under license agreements has more than doubled, from 23,999 square feet in December, 2016 to 58,596 square feet in February, 2020. When this

temporarily leased space is added to vacancies, 570,402 square feet, or 45%, of the mall's leasable area is either vacant or subject to temporary lease agreements.

Mall ownership also reports that mall traffic has been declining since the Sears and Carson's closings. These trends increase the potential for greater numbers of vacancies in the future and are evidence of the shopping center's economic instability.

4) Lack of Community Planning. The Act requires that the finding is supported if the area developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area's development. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards or other evidence demonstrating an absence of effective community planning.

The proposed Hawthorn Mall Shopping Center and its corresponding road network was developed in 1972 and 1973 without the guidance and benefit of a comprehensive plan, since the Village's first comprehensive plan was not adopted until two years later, in 1974 (the "Prior Comprehensive Plan"). That Prior Comprehensive Plan served as a technical resource and policy guide for development during a period of rapid growth in the Village and was not available for implementation of the mall's development. Only the Village's zoning regulations were available to guide the mall's development, and these zoning regulations had no standards specifically for enclosed shopping centers. Rather, these regulations were intended to guide development patterns for neighborhood shopping centers in the community. Accordingly, the RPA lacks strategic integration with its surrounding area, including efficient vehicular traffic flow, safe bicycle and pedestrian access, coordination with nearby open spaces, and provision for mixed land uses.

In 1982, recognizing that substantial changes had occurred since the Prior Comprehensive Plan was adopted, the Village Board authorized and completed an update of the Prior Comprehensive Plan which was adopted in June of 1983.

Additional amendments were made to the Prior Comprehensive Plan in 1988, 1992, 1998, and 2003. These older planning and zoning efforts failed to anticipate the shifting market demands for shopping centers to evolve over time and for accommodating a mix of land uses, not simply retail activities surrounded by surface level parking lots.

Since the Village does not impose a real estate property tax, the Village relies almost exclusively on retail sales within Village to fund its municipal services. The major source of retail sales (approximately 85%) in the Village is located along Milwaukee Avenue and Townline Road within the Core Retail Area of the Village as defined in the Village's zoning map. Over the last decade, downward retail industry trends have caused a considerable contraction in retail sales resulting in an appreciable reduction in retail sales

taxes payable to the Village. Reductions in sales tax generating tenant spaces in the Village have threatened to exacerbate reduced sales taxes being generated within the Village. In response to this threat, in 2010, the Village amended its zoning ordinance to create a Core Retail Area Overlay District that sets an appropriate mixture of retail and non-retail uses within the District. The purpose of Core Retail Area Overlay District is to regulate the conversion or elimination of existing retail sales establishments within its Core Retail Area, so that the Village can preserve and enhance its largest source of operating revenue, while also working with property owners to maintain a viable tenant mix on various properties within the Core Retail Area. The Redevelopment of the RPA will help accomplish the goals of the Core Retail Area Overlay District.

The current Comprehensive Plan, adopted in 2012, states that the plan “must address the challenges presented by the current economic conditions of the regional economy and the impacts that are being experienced locally, as well as looking to the longer-range land use planning challenges facing the Village.” Furthermore, the Comprehensive Plan states “The Village should seek to establish adaptive reuse strategies for commercial/retail locations left vacant by market conditions, changing demographics and/or competition.” The Comprehensive Plan goes on to state that land use patterns should:

- “Encourage the most intensive development at the Milwaukee Avenue/Route 60 intersection, which may include some residential uses when part of an overall mixed-use development.”
- “Encourage high quality retail commercial development surrounding the Milwaukee Avenue/Route 60 intersection . . .”
- “Actively encourage reinvestment in existing commercial properties to maintain the overall appearance, structural quality and marketability of the properties within the commercial corridors. “

Redevelopment of the Hawthorn Mall Redevelopment Project Area with a mix of land uses will help accomplish these land use planning objectives; however, since the proposed redevelopment of the Hawthorn Mall Redevelopment Project Area includes a significant multi-family land use component, an amendment to the Comprehensive Plan is required to facilitate this particular redevelopment plan. This plan amendment process has been started and is expected to be completed by June, 2020.

5) Deterioration. With respect to buildings, defects include but are not limited to, major defects in the secondary building components such as doors, windows, porches, gutters, downspouts, and fascia. With respect to surface improvements, that the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking and surface storage areas evidence deterioration, including, but limited to, surface cracking, crumbling, potholes, depressions, loose paving material and weeds protruding through paved surfaces.

Various degrees of deterioration are found throughout the Study Area. Most of the deterioration can be seen in the exterior surface improvements of the properties. Property condition reports, prepared in 2017, and provided by mall ownership, indicate that parking pavement, sidewalks, curbing, site steps, and ramps are in poor condition. Deterioration of site improvements among all of the properties in the Study Area was confirmed in March of this year, by site inspection of the parking lots and fields, alleys, loading dock areas, curbs, and steps. Specifically, the parking lots and fields exhibited considerably worn seal coating, with ubiquitous pavement cracking, spalling, potholes, and settled, uneven, worn, or otherwise damaged asphalt paving. In addition, pavement paint for parking spaces, crosswalks, and traffic control is either completely worn away, or extensively faded or damaged. Curbs and gutters throughout the parking lots and fields were found to be cracked or crumbling, with weed growth in the concrete, and faded curb paint as well. Concrete pedestrian sidewalks also exhibited localized areas of cracking and spalling throughout. Exterior stair systems were found to be deteriorated, including rusted metal handrails and cracked or spalling concrete stair treads. Loading dock areas also exhibited deterioration, including cracked driveways and approaches, cracked concrete pavement at sidewalks and ramps, and damaged and rusted handrails. Lighting standard bases in the parking lots and fields exhibited damage and eroded paint finishes.

Deterioration of building improvements was also noted in ownership's property conditions reports and observed during the March site surveys. The vacant Carson's and Sear's stores exhibit some cracking in the painted brick veneer, and paint appears to be faded. Building façade caulking and mortar was found to be deteriorated (cracked and brittle) in certain areas of the Carson's exterior walls. Evidence of water penetration was observed at the Carson's main entrance windows. The property conditions report for the Carson's store also notes water damage at various locations in the roof system, which has caused damage to interior finishes, and recommends replacement. The metal frames of the Sear's automotive overhead doors are corroded. Some overhang soffits showed peeling paint. Metal service doors and doors at loading docks were observed to be damaged and rusted at both store properties.

The three out-lot properties also exhibited some deterioration of building improvements, including exterior masonry walls discolored and in need to tuckpointing, damage to exterior EFIS siding, faded and worn window awnings, peeling paint on metal fencing with rusted pavers below, damaged metal service doors, damaged metal roofing, sagging fascia, and peeling building paint.

V. SUMMARY OF FINDINGS; GENERAL ASSESSMENT OF QUALIFICATION

The following is a summary of relevant qualification findings as it relates to the Village's potential designation of the proposed TIF District.

1. The area is contiguous and is greater than 1½ acres in size;
2. The proposed RPA will qualify as a “conservation area” as defined in the TIF Act and the factors found in the RPA are present to a meaningful extent and are reasonably distributed throughout the RPA. A more detailed analysis of the qualification findings is outlined in Section V of this report;
3. All property in the area would substantially benefit by the proposed redevelopment project improvements;
4. The sound growth of taxing districts applicable to the area, including the Village, has been impaired by the factors found present in the area; and
5. The area would not be subject to redevelopment without the investment of public funds, including property tax increments.

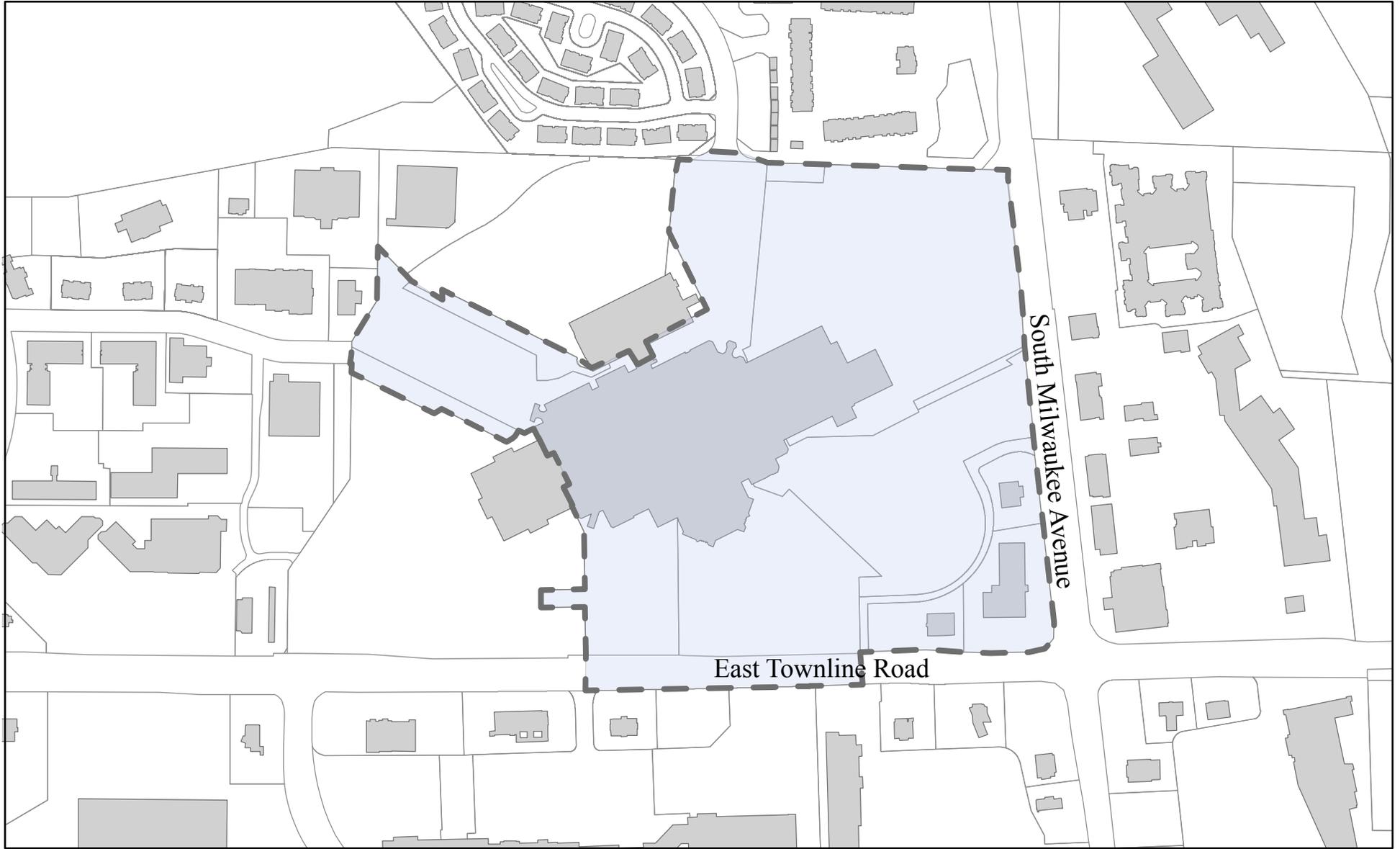
In the judgment of KMA, these findings provide the Village with sufficient justification to consider designation of the TIF District.

EXHIBIT A

**Proposed Hawthorn Mall TIF Study Area
Boundary Map**

Village of Vernon Hills, Illinois Hawthorn Mall TIF

Boundary Map



Prepared on 07/09/2020 by:

Sources: Geographic Information accessed from maps.lakecountyil.gov on 04/29/2020



EXHIBIT B

**Proposed Hawthorn Mall TIF Study Area
Tax Parcel List**

11-33-401-004

11-33-401-006

11-33-401-089

11-33-401-088

11-33-401-087

11-33-401-086

11-33-401-085

11-33-401-013

11-33-401-014

11-33-401-015

11-33-401-016