

## MEMORANDUM

**TO:** Jeff Rogers, Planning Manager, Village of Glenview

**FROM:** Geoff Dickinson, *SB Friedman Development Advisors*  
Direct: (312) 384-2404 Email: gdickinson@sbfriedman.com

**DATE:** July 14, 2017

**RE:** **Review of Fiscal Impact Analysis for Proposed Trammell Crow Senior Apartment Development**

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*SB Friedman Development Advisors* (“*SB Friedman*”) was engaged by the Village of Glenview (the “Village”) to review the fiscal impact analysis prepared by Teska Associates (“Teska”) on behalf of Trammell Crow Company (the “Developer”). The fiscal impact study (the “Teska Study” or the “Study”) is dated June 23, 2017, and presents the estimated net fiscal impact of a proposed market rate, active adult, senior apartment development (the “Project”) on the Village and two affected school districts, Glenbrook High School District 225 and School District 34. The Project is to be located on an approximately three-acre site at 633 Waukegan Road (the “Site”) in the Village. The Site is currently occupied by a vacant automotive dealership and an occupied salon/day spa.

The Teska Study includes an estimate of property tax revenues currently generated by the Site but does not consider any expenses associated with the Site in its current condition. *SB Friedman* has accepted that the Project’s net fiscal impact should be evaluated on its own without taking into account current Village costs and revenues from the Site.

Teska also considers a potential alternative, all-commercial redevelopment outcome for the Site at the end of the Study. *SB Friedman* has not reviewed the projected fiscal impact of this hypothetical in detail. However, we agree that retail land uses usually generate more positive fiscal impacts than residential land uses.

This memo presents *SB Friedman*’s review of the Teska Study’s findings regarding the Project’s estimated net fiscal impact, including estimates of the projected stabilized Project population, an estimate of the Project’s stabilized property tax revenues, and operational expenses attributable to the Project.

### Development Program

The Developer anticipates developing a five-story, luxury senior apartment that will include 178-market rate residential units and 236 parking spaces. The proposed active adult development concept, which is restricted to residents 55 and older, will serve seniors that desire a more “social, urban, and maintenance-free lifestyle.” Key project characteristics are presented in **Table 1**.

**Table 1: Proposed Development Program**

Component	Unit	Square Feet
<b>Total Residential Units</b>	178	185,435 <sup>[1]</sup>
<b>1-Bedroom</b> <sup>[2]</sup>	95	
<b>2-Bedroom</b>	83	
<b>Amenities</b>		12,192
<b>Parking Spaces</b>	236	72,036
<b>Site Acreage</b>	3.09	134,909

Note: [1] Gross square feet. [2] Includes 14 1+ Bedrooms.  
Source: Teska Study dated 6/23/17.

## Projected Stabilized Project Population

Projected stabilized population is often used to help estimate costs associated with a proposed project.

### TESKA STUDY – KEY FINDINGS

Due to its age-restrictions (age 55+), the Teska Study assumes the Project will not generate any non-adults, and therefore only considers adult-aged residents in its population projections.

The Teska Study projected stabilized Project population using two methods:

- 1) A more conservative, Illinois School Consulting Service (ISCS)/Associated Municipal Consultants formula-based method; and
- 2) A comparable-based method.

The Study's ISCS formula-based method resulted in a projection of 307 adult residents. Based on average occupancies of comparable, existing senior apartment developments, Teska projected that 230 adult residents would be likely to reside in the Project. Although Teska refers to both projections throughout the Study, the Study based most conclusions on the comparable approach that projected 230 residents.

### SB FRIEDMAN ANALYSIS – KEY FINDINGS

*SB Friedman* sought to validate the Teska Study's population projections by using the same ISCS formula-based data and methodology to calculate projected Project population. Because the Project is intended for an age-restricted senior population, *SB Friedman* believes the Study's assumption of no schoolchildren is reasonable. Therefore, we assume neither school-aged children nor additional school district expenses will result from the Project. *SB Friedman* believes the Study's ISCS-based projection of 307 adults is also reasonable.

*SB Friedman* did not independently verify the population data from comparable projects presented in the Study. However, assuming the data on the comparable developments as presented by the Teska Study are accurate and appropriate, *SB Friedman* believes the Study's revised projected population estimate of 230 residents is accurate. Our calculations (based on unit mix and population per unit ratios for the same comparable development as provided by the Study) resulted in a slightly different projected population of 231 adults, as presented in **Table 2**. This difference does not appear to be material to the Study's conclusions.

**Table 2: Projected Project Population**

Units	Unit Mix	Teska Study Population/Unit Ratio	SBF Population Projection Verification	Teska Study Population Projection
1-Bed	81	1.17	94.77	94.58
1-Bed+	14	1.17	16.38	16.35
2-Bed	83	1.44	119.52	119.29
<b>Total</b>	<b>178</b>		<b>231</b>	<b>230</b>

Source: Teska Study dated 6/23/17, Illinois School Consulting Service (ISCS)/Associated Municipal Consultants, *SB Friedman*.

Because *SB Friedman* has not independently verified the comparable development research presented in the Study, we utilized the more conservative ISCS projected Project population of 307 adults in our review.

## Anticipated Property Tax Revenue from Stabilized Project

For the purposes of this analysis, *SB Friedman* analyzed only property tax revenues from the stabilized Project. *SB Friedman* believes the Study's inclusion of state income tax revenues, motor fuel tax revenues, and utility tax revenues from the Project will result in largely net neutral revenues and expenses. Therefore we do not consider these sources in our review.

### TESKA STUDY – KEY FINDINGS

The Teska Study estimates \$826,323 in total annual property tax revenues will be generated by the Project. Of that total, \$54,168 is anticipated to go to the Village, \$230,841 is anticipated to go to Glenbrook High School District 225, \$304,732 is anticipated to go to School District 34, and \$236,582 is anticipated to go to all other taxing districts. These estimates appear to be based on a 2016 composite tax rate of 8.924% and the Study's estimated Project stabilized equalized assessed value ("EAV") of \$9,259,555.

### SB FRIEDMAN ANALYSIS – KEY FINDINGS

Due to differences in EAV estimation as outlined in **Appendix A**, *SB Friedman* estimates approximately \$789,000 in total annual property tax revenues will be generated by the Project. Of that total, approximately \$52,000 is anticipated to go to the Village, approximately \$220,000 is anticipated to go to Glenbrook High School District 225, approximately \$291,000 is anticipated to go to School District 34, and approximately \$226,000 is anticipated to go to all other taxing districts. *SB Friedman* verified the 2016 composite property tax rate of 8.924% used in the Study methodology outlined above using 2016 Cook County Assessor data.

The stabilized Project's estimated annual property tax payments to taxing districts is presented in **Table 3** below.

**Table 3: Project's Estimated Stabilized Annual Property Tax Payments to Taxing Districts**

Taxing District	2016 Tax Rate	Proposed Project: Teska Projection	Proposed Project: SBF Projection [1]
Village of Glenview	0.585%	\$54,168	\$52,000
Glenbrook High School District 225	2.493%	\$230,841	\$220,000
School District 34	3.291%	\$304,732	\$291,000
All other Taxing Districts	2.555%	\$236,582	\$226,000
<b>Total</b>	<b>8.924%</b>	<b>\$826,323</b>	<b>\$789,000</b>

Note: [1] SBF projections rounded to nearest \$1,000.

Source: Teska Study dated 6/23/17, Cook County Assessor, Illinois Department of Revenue, *SB Friedman*.

## Anticipated Expenses from Stabilized Project

Because the Project is intended for an age-restricted senior population, *SB Friedman* assumes no school-aged children and therefore no additional school district expenses resulting from the Project.

### TESKA STUDY – KEY FINDINGS

The Teska Study estimated Village expenses resulting from the Project based on costs related to Village operating expenses supported by property taxes. This estimate was generated based on the 2016 Village property tax levy (excluding debt service) and adjusted according to what the Study asserts as the Village's "residential land use ratio" of 74.6%. This methodology resulted in an estimated annual operating expense per capita of \$163.98.<sup>1</sup> This per capital cost was multiplied by the projected number of new residents in the Project (230) to arrive at an annual Village operating cost attributable to the Project of \$37,750.

### SB FRIEDMAN ANALYSIS – KEY FINDINGS

*SB Friedman* believes the Teska Study's approach to estimating expenses from the Project is generally reasonable, but believes the Study's Village population figure of 45,400 is inaccurate. According to the most recent U.S. Census Bureau data,<sup>2</sup> the Village's population is 47,475. Additionally, Cook County Clerk data from 2014 indicates that 72% of the Village's tax base (EAV) is residential. These differences result in a \$151 per capita estimated annual operating expenses attributable to the Project. We elected to use the more conservative ISCS formula population projections rather than the comparable-based projections. From this, we estimate approximately \$46,500 in annual operating expenses attributable to the Project.

<sup>1</sup> Based on the Village of Glenview population of 45,400 (as presented in the Study).

<sup>2</sup> As of July 11, 2016.

Thus, to arrive at our projections, we adjusted the Study's inputs while broadly accepting the Study's methodology. A comparison of the Teska Study and our approach is presented in **Table 4**.

**Table 4: Estimated Annual Expense from the Project**

	<b>Teska Study</b>	<b>SBF Estimates</b>
<b>Actual 2016 Property Tax Levy (Minus Debt Service)</b>	\$9,979,263	\$9,979,263
<b>Actual Village Residential Land Use 2014</b>	74.6%	72%
<b>Actual 2016 Adjusted Property Tax Levy [1]</b>	\$7,444,530	\$7,185,069
<b>Actual 2016 Village Population</b>	45,400	47,475
<b>Estimated Operating Expenses per Resident</b>	\$163.98	\$151
<b>Projected Project Population</b>	230	307
<b>Estimated Annual Expenses attributable to the Project</b>	<b>\$37,750</b>	<b>\$46,500</b>

Note: [1] Attributable to residential land uses.

Source: Teska Study dated 6/23/17, U.S. Census Bureau, Cook County Clerk, Village of Glenview 2016 Property Tax Levy Calculation memo, *SB Friedman*.

## Net Fiscal Impact from Stabilized Project

The Teska Study estimates that the Project will result in a net positive fiscal impact<sup>3</sup> upon stabilization on all three taxing bodies. This estimate is based on estimated revenues from the Project less associated expenses. Error! Reference source not found. **Table 5** summarizes these net fiscal impacts from the Project to major taxing bodies.

As presented in this memo and under relatively conservative circumstances, *SB Friedman* believes the Project is likely to produce a slightly positive impact to the Village (\$5,500 per year) and positive impacts to Glenbrook High School District 225 and School District 34 (\$220,000 and \$291,000 per year respectively).

<sup>3</sup> Based on the projected Project population of 230.

**Table 5: Net Fiscal Impacts from Project to Major Taxing Bodies**

Taxing District	Estimated Annual Property Tax Revenues from Project	Estimated Annual Expense from Project	Estimated Net Annual Fiscal Impact from Project
Village of Glenview	\$ 52,000	\$ 46,500	\$ 5,500
Glenbrook High School District 225	\$ 220,000	\$ -	\$ 220,000
School District 34	\$ 291,000	\$ -	\$ 291,000

Note: Projected Annual Expenses from Project are based on the projected Project population of 307.

Source: Teska Study dated 6/23/17, Village of Glenview; Cook County Assessor; Illinois Department of Revenue; *SB Friedman*.

## Conclusions

*SB Friedman* believes the Project is likely to produce a slightly positive impact to the Village (\$5,500 per year) and positive impacts to Glenbrook High School District 225 and School District 34 (\$220,000 and \$291,000 per year respectively). A comparison of the Teska Study and *SB Friedman's* approach is presented in **Table 6**.

**Table 6: Estimated Net Annual Fiscal Impact from Project**

Taxing District	Teska Study			<i>SB Friedman</i>		
	Estimated Annual Revenues from Project	Estimated Annual Expense from Project	Estimated Net Annual Fiscal Impact from Project	Estimated Annual Revenues from Project	Estimated Annual Expense from Project	Estimated Net Annual Fiscal Impact from Project
Village of Glenview	\$111,022 <sup>[1]</sup>	\$37,750	<b>\$73,272</b>	\$52,000 <sup>[2]</sup>	\$46,500	<b>\$5,500</b>
Glenbrook HS District 225	\$230,841		<b>\$230,841</b>	\$220,000		<b>\$220,000</b>
School District 34	\$ 304,732		<b>\$304,732</b>	\$291,000		<b>\$291,000</b>

Note: Estimated Annual Expenses from Project are based on the projected Project population of 307. [1] The Study assumes revenues from property tax, state income tax, motor fuel tax, and utility tax. [2] Assumes property tax revenues only.

Source: Teska Study dated 6/23/17, Village of Glenview, Cook County Assessor, Illinois Department of Revenue, *SB Friedman*.

*SB Friedman* believes the difference in the estimated net annual fiscal impact from the Project is attributable to the following:

- The Study assumes revenues from property taxes, state income taxes, motor fuel taxes and utility taxes. *SB Friedman* assumes the non-property tax sources will result in largely net neutral revenues and expenses. Therefore we only consider property tax revenues.
- *SB Friedman* estimated a lower per capita annual operating expense attributable to the Project (as previously presented in **Table 4**) and a more conservative projected Project population of 307 residents.

The Teska Study finds that the Project will result in a net positive fiscal impact on the Village and two affected school districts. *SB Friedman* concurs that both school districts will see positive net fiscal impacts from the Project. Our projections of the net impact to the Village are less positive than in the Teska Study but are still somewhat positive.

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## Appendix A

### Comparison of Property Valuation Methodologies

Both *SB Friedman* and Teska used a comparable development approach to estimate the potential EAV and property tax revenue of the Project at stabilization. Because property valuation and EAV of residential apartment developments can vary depending on building type, location, rental rates, vacancy and other factors, our estimates are based on an average of the EAVs for developments of comparable size and land use located in the Village and similar nearby municipalities.

*SB Friedman* believes the Teska Study likely slightly overstates the Project's anticipated property tax revenues due to differences in approach to EAV estimation and therefore overall Project valuation, as outlined below:

- *SB Friedman* believes the assessed value of comparable developments as presented in the Study differ from those found in 2016 Cook County Assessor data. This difference subsequently resulted in EAV estimations that differed from those presented in the Study, as presented in **Table 7** below.
- The Study included Vi at the Glen as a comparable development. However, this project has a building area of 459,500 square feet - nearly 70% larger than the Project. Thus, *SB Friedman* omitted this comparable development.
- The Teska Study estimated the EAV of comparable developments through the following methods:
  1. On a per building square foot basis; and
  2. By estimating land EAV and building EAV separately, and then applying an average land EAV and building EAV to the Project in order to estimate stabilized EAV of the Project.
- *SB Friedman* analyzed the actual combined (land and building) EAV of comparable developments in order to obtain a combined average EAV per unit estimate, which was then applied to the Project unit count to estimate EAV at stabilization, as presented in **Table 7**.



**Table 7: 2016 EAV per Residential Unit**

<b>Project</b>	<b>AMLI Deerfield</b>	<b>Northshore Place</b>	<b>Brookdale Senior Living</b>	<b>Proposed Trammell Crow Project</b>
<b>Municipality</b>	Deerfield	Northbrook	Glenview	Glenview
<b>Year Built</b>	2015	2014	2000	2019 [3]
<b>Residential Units</b>	240	116	215	178
<b>Project Square Feet [1]</b>	552,700	499,870	443,980	411,000
<b>2016 Assessed Value</b>	\$ 4,358,766 [2]	\$ 2,638,051	\$ 2,632,577	\$ 3,154,000
<b>2016 EAV</b>	\$ 12,218,491	\$ 7,394,985	\$ 7,379,640	\$ 8,840,000
<b>2016 Total EAV/ Residential Unit</b>	\$ 50,910	\$ 63,750	\$ 34,324	\$ 50,000

Note: Trammell Crow 2016 assessed value and equalized assessed values are estimates; all other 2016 assessed values and equalized assessed values are actuals. [1] Combined land and building Project area. [2] *SB Friedman* adjusted the assessed value to account for a partial assessment using Cook County Assessor data. [3] Assumption.

Source: Teska Study dated 6/23/17; CoStar; Cook County Assessor; Illinois Department of Revenue; *SB Friedman*.

Because limited Project amenity information was available, we assumed the Project would have similar amenities to comparable senior apartment developments, and that those amenities would be reflected in actual assessed valuations.

The Teska Study's approach results in an estimated EAV of approximately \$36 per square foot, or approximately \$52,000 per unit. Based on research of comparable developments located in and around the Village, including AMLI Deerfield, Northshore Place, and Brookdale Senior Living, *SB Friedman* estimates that the stabilized Project will have an EAV of approximately \$22 per square foot, or approximately \$50,000 per unit. Because the difference in EAV per unit estimation is minor, *SB Friedman* believes the Study's EAV estimation \$52,000 per unit is reasonable.

## Appendix B

### LIMITATIONS OF OUR ENGAGEMENT

Our report will be based on estimates, assumptions and other information developed from research of local government fiscal policies, market conditions, knowledge of the industry and phone calls during which we will obtain certain information. The sources of information and basis of the estimates and assumptions will be stated in the report. While sources used will be ones which we deem reliable, no guarantee can be made as to their accuracy. Some assumptions inevitably may not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis may vary from those described in our report and the variations may be material. Our report will contain a statement to that effect.

The terms of this engagement will be such that we will have no obligation to revise the report to reflect events or conditions which occur subsequent to the date of the report. These may include changes in local market conditions or otherwise.

Our report is intended for your informational purposes and should not be relied upon for any other purposes. Otherwise, neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan or other agreement or document without our prior written consent.

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