

VILLAGE OF DOWNERS GROVE
Report for the Village Council Meeting
5/2/2017

SUBJECT:	SUBMITTED BY:
Facilities Sustainability Plan – Redevelopment Agreement Key Terms	Michael Baker Deputy Village Manager

SYNOPSIS

A motion is requested authorizing execution of a letter of intent with K. Hovnanian including redevelopment agreement key terms.

STRATEGIC PLAN ALIGNMENT

The goals for 2015-2017 include *Steward of Financial, Environmental and Neighborhood Sustainability* and *Exceptional Municipal Services*. *Create a Facilities Sustainability Plan* is a Top Priority Action Item.

FISCAL IMPACT

N/A

UPDATE & RECOMMENDATION

This item was discussed at the April 18, 2017 Village Council meeting. Staff recommends approval at the May 2, 2017 Village Council meeting.

BACKGROUND

On March 21, 2017, the Village Council directed staff to initiate negotiations with K. Hovnanian for the development of a townhome development project. The project involves the sale of a portion of the Village-owned Civic Center site and provides sources of funding to support construction of a new Police Station/Village Hall combined facility on a portion of the site. Five public meetings were held to discuss the four development proposals received by the Village following an open and competitive call for offers, from which K. Hovnanian's proposal was selected.

For the history and a description of this project, please see the Executive Summary of the staff report released on February 24, 2017, available [here](#).

Extensive information regarding the project has been compiled on Village's Facility Sustainability Plan website, available [here](#).

Based on Council direction, Village staff has engaged in negotiations with K. Hovnanian, resulting in a set of key terms for a redevelopment agreement and a revised site plan (see attached). The financial analysis has been updated based on the revised development program. The Village's primary objectives used in developing the key terms and revised site plan included: 1) Increase the Financial Return to the Village; 2) Reduce Risk for the Village; and 3) Improve Safety at the Washington Crossing.

The following table summarizes the proposed development, as compared with the original proposal submitted by K. Hovnanian:

	Total # of Units	# of Units Phase I / II	Land Purchase Price (Phase I/II)	Avg. Annual Taxes Generated	Avg. Annual Shortfall *
Current Proposal	57	17 / 40	\$890,973 / \$2,044,027	\$430,000 to \$717,000	\$48,000 to (\$239,000)
Original Proposal	42	14 / 28	\$750,000 / \$1,450,000	\$320,000 to \$533,000	(\$187,000) to (\$400,000)

* Represents the projected amount of revenue that will be required in addition to \$1,100,000 in dedicated revenues that have been identified to support the Village's Facility Sustainability Plan project. Figures not in parentheses represent the amount by which the dedicated \$1,100,000 of revenue could be reduced.

Based on further discussion with the developer and the Village's architect, it was determined that temporary relocation of the Police Station during construction is more desirable than continued operation in the current facility, for the following reasons:

- The operational risk associated with construction activity occurring simultaneously on both sides of the Police Station;
- The scheduling impact on the developer, likely to cause a gap between Phase I and Phase II construction;
- The requirements to provide temporary utilities and re-route data and communications connections to the Police Station, which currently originate in Village Hall.

If Village Council approves the motion directing staff to proceed, the following activities would continue or commence:

- Preparation of the full redevelopment agreement in coordination with the Developer
- Further environmental assessment of the site
- Preparation of a contract with Williams Architects for design of the Village's combined facility
- Selection of a qualified Construction Manager by the Village
- Evaluation of options for temporary relocation of Police and Village Hall operations
- Preparation of the required documentation to establish the new TIF District and SSA

ATTACHMENTS

Redevelopment Agreement Key Terms
 Revised Site Plan
 Financial Summary
 TIF Consultant Analysis
 Financial Advisor Debt Service Schedule

VILLAGE OF DOWNERS GROVE
COUNCIL ACTION SUMMARY

INITIATED: Village Manager DATE: May 2, 2017
(Name)

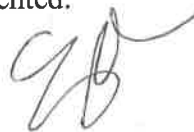
RECOMMENDATION FROM: _____ FILE REF: _____
(Board or Department)

NATURE OF ACTION:

STEPS NEEDED TO IMPLEMENT ACTION:

- Ordinance
- Resolution
- Motion
- Other

Motion to direct staff to execute a letter of intent with K. Hovnanian including redevelopment key terms for the townhome development project on the Civic Center property, as presented.



SUMMARY OF ITEM:

Adoption of this motion shall direct staff to execute a letter of intent with K. Hovnanian including redevelopment key terms for the townhome development project on the Civic Center property.

RECORD OF ACTION TAKEN:

**CIVIC CENTER SITE
RDA Term Sheet**

THIS RDA TERM SHEET (this “Term Sheet”) is entered into this _____ day of _____, 2017, by and between the Village of Downers Grove (“VoDG”), an Illinois Municipal Corporation, and K. Hovnanian T&C Homes at Illinois, L.L.C. (“KHov”), an Illinois limited liability company (collectively the “Parties”). This Term Sheet is not intended as a binding purchase and sale agreement or redevelopment agreement concerning the Property or the redevelopment thereof, but is intended as an expression of general business terms upon which VoDG and KHov shall, in good faith, negotiate the terms of binding purchase and sale agreement and/or redevelopment agreement consistent herewith.

- A. KHov shall purchase the “Property,” consisting of approximately – acres, for \$2,935,000, paid in two phases:
1. \$890,973 shall be paid at closing for “Phase 1.”
 - a. Phase 1 shall generally comprise the area encompassing buildings A, B and E on the “Site Plan” attached hereto.
 - b. The purchase price for Phase 1 is based on the assumption of 17 units in 3 buildings.
 2. \$2,044,027 shall be paid at closing for “Phase 2.”
 - a. Phase 2 shall consist of that portion of the Property not included in Phase 1.
 - b. The purchase price for Phase 2 is based on the assumption of 40 units in 6 buildings.
- B. Conditions precedent to closing on each phase include:
1. Phase 1:
 - a. The Parties have executed the Redevelopment Agreement;
 - b. KHov has obtained necessary and appropriate approvals from VoDG for development of the project;
 - c. KHov has obtained necessary and appropriate approvals from all applicable governmental jurisdictions;
 - d. The site meets applicable state environmental standards for residential development and the environmental condition is reasonably acceptable to KHov and KHov’s environmental scientist;
 - e. VoDG creation of a Tax Increment Financing District and Special Service Area
 2. Phase 2:
 - a. KHov has substantially completed Phase 1 public and private improvements and commenced vertical construction on two of the three Phase 1 buildings;
 - b. VoDG has completed demolition of the Phase 2 improvements with standards agreed upon by both parties;
 - c. The site meets applicable state environmental standards for residential development and the environmental condition is reasonably acceptable to KHov and KHov’s environmental scientist;
- C. The Project:
1. The Project shall consist of not less than 50 townhome units or more than 60 townhome units;
 2. The Project shall include all public and private improvements as depicted on the development plans to be approved by VoDG.

3. Public improvements for the Project shall specifically include the extension of Washington Street from Curtis Street to the RR right-of-way. Washington Street shall be constructed consistent with the standard VoDG roadway specifications as outlined in the Municipal code and shall be completed during Phase 1;
4. All buildings in the Project shall be reflective of three-story, two-car rear-load garage townhomes with exterior materials and design to be approved by VoDG as part of the development plans.
5. The Project shall be constructed consistent with all VoDG building and development codes, ordinances and regulations, subject to such relief as the Village may approve as part of the development plans.

D. KHov Obligations:

1. KHov shall demolish all existing improvements in Phase 1;
2. KHov shall complete the Project in substantial conformance with the Development Schedule, subject to delays caused by VoDG, Force Majeure, and rights to cure;
3. KHov shall construct the Project and its obligations outlined in this Term Sheet at its sole cost and expense, except as may be specifically set forth herein or in the redevelopment agreement;
4. KHov shall pay all required fees and shall post all required securities to guarantee completion of public improvements that are part of the Project.

E. VoDG Obligations:

1. VoDG shall complete all demolition of existing improvements on the Phase 2 Property and reimburse KHov for the cost of the Phase I demolition in excess of \$20,000.
2. VoDG shall complete any and all public improvements to Curtis Street;
3. VoDG shall disconnect the Property from the existing Downtown Tax Increment Financing District and to create a new Tax Increment Financing District for the property;
4. VoDG may create a Special Service Area covering the Property. The SSA term will be 23 years from the date of creation of the TIF District. The maximum tax rate for the SSA shall be 1.5 per \$1,000 of EAV.
5. VoDG shall complete its obligations in substantial conformance with the Development Schedule, subject to Force Majeure and rights to cure;
6. VoDG shall complete its obligations outlined in this Term Sheet at its sole cost and expense.

F. Environmental Condition

1. KHov shall, in cooperation with the Village, engage an environmental scientist to conduct the necessary and appropriate Phase II Environmental Site Assessment ("ESA Phase II") based on the findings of the current Phase I Environmental Site Assessment ("ESA Phase I"). The ESA Phase II shall be prepared for the benefit of KHov and the Village.
2. The Village shall reimburse KHov for fifty percent (50%) of the cost of the ESA Phase II at the Phase I closing or upon written notice from KHov in the event that the Phase I closing does not occur.
3. The Parties acknowledge and agree that this Term Sheet is based on the assumption that no environmental remediation is required for the contemplated residential development of the Property.

G. License Agreement

1. Upon approval of this Term Sheet, the Parties shall enter into a license agreement setting forth the terms on which KHov and its agents or contractors may enter the Property to conduct necessary and appropriate due diligence investigations.

H. Default Provision:

1. KHov Default:

- a. In the event that KHov does not commence land development of Phase 1 according to the date shown in the Development Schedule, subject to Force Majeure, Notice of Default and Cure Period language, then KHov, at the request of the VoDG, shall sell the property back to the VoDG for \$790,000.
- b. In the event that KHov purchases the Phase 2 parcel but does not commence land development of Phase 2 within 30 days of the date shown in the Development Schedule, or 90 days after the date of closing, whichever is later and subject to Force Majeure, Notice of Default and Cure Period language, then KHov, at the request of the VoDG, shall sell the property back to the VoDG for \$1,851,000.
- c. In the event that KHov conveys any portion of the Property back to VoDG, KHov shall concurrently assign to the Village and right, title and interest KHov holds in the development plans. KHov will make no representation as to the development plans, but will not object to the use of said development plans by the Village or its assignee.

2. Village Default:

- a. In the event of a VoDG default KHov shall have the right to terminate the applicable agreements. In the event of a termination following the Phase 1 Closing but prior to the Phase 2 closing, KHov shall be entitled to damages from VoDG in an amount equal to the cost of the Washington Street improvements plus 10%.

Development Schedule

Action	Target	Deadline
KHov & VoDG Obtain Approval of the RDA Key Terms	May, 2017	
Village to deliver a Title Commitment and current ALTA Survey with topography	May, 2017	
KHov to complete the ESA Phase II	August, 2017	
KHov & VoDG Obtain Approval of Zoning Entitlements and RDA (the "Approvals")	Feb 28, 2018	
VoDG creates Tax Increment Financing District and SSA	Feb 28, 2018	
KHov Purchases Phase 1 Property	30 days from Approvals	90 days from Approvals
KHov Commences Phase 1 Land Development	30 days from Closing	90 days from Closing
VoDG demolishes Phase 2 existing improvements	July 31, 2018	Nov 31, 2018

KHov Substantially Completes Phase 1 public and private improvements	120-180 days from Closing	270 days from Closing
KHov Purchases Phase 2 Property	March 1, 2019	Oct 15, 2019
KHov Commences Phase 2 Land Development	90 days from Phase 2 Closing	Dec. 31, 2019

ACKNOWLEDGED AND AGREED by and between the Parties as acknowledged below as of the date first set forth above.

Village of Downers Grove,
an Illinois Municipal Corporation

K. Hovnanian T&C Homes at Illinois, L.L.C.,
an Illinois limited liability company

By: _____

By: _____

Andy Konovodoff

Its: _____

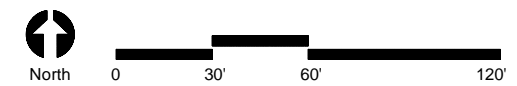
Its: President

Attest: _____

Its: _____



Concept Plan



Residential Neighborhood
Downers Grove, Illinois

43 South Vail Avenue
Arlington Heights, Illinois 60005
Job No. 17006 © 2017



April 13, 2017 ARCHITECTS + PLANNERS, INC.

Financial Summary		Sources: TIF Consultant Report and Debt Service Schedule				
Development: K. Hovnanian / Townhomes (57 units)						
Bond Issue: \$26.9 million						
		<u>0% School Set Aside *</u>			<u>40% School Set Aside *</u>	
Year	Debt Service Payments	Phase II Land Sale **	Property Taxes from Dev't	Village Tax Revenues	Property Taxes from Dev't	Village Tax Revenues
2017	0	0	0	0	0	0
2018	930,375	0	0	930,375	0	930,375
2019	1,100,000	0	0	1,100,000	0	1,100,000
2020	1,250,500	92,910	103,550	1,054,040	62,130	1,095,460
2021	1,605,000	92,910	457,767	1,054,323	274,660	1,237,430
2022	1,866,750	92,910	716,185	1,057,655	429,711	1,344,129
2023	1,874,500	92,910	727,325	1,054,265	436,395	1,345,195
2024	1,890,250	92,910	738,633	1,058,707	443,180	1,354,160
2025	1,898,500	92,910	750,110	1,055,480	450,066	1,355,524
2026	1,909,500	92,910	761,760	1,054,830	457,056	1,359,534
2027	1,923,000	92,910	773,584	1,056,506	464,150	1,365,940
2028	1,933,750	92,910	785,585	1,055,255	471,351	1,369,489
2029	1,946,750	92,910	797,767	1,056,073	478,660	1,375,180
2030	1,956,750	92,910	810,131	1,053,709	486,079	1,377,761
2031	1,973,750	92,910	822,681	1,058,159	493,609	1,387,231
2032	1,982,250	92,910	835,419	1,053,921	501,251	1,388,089
2033	1,997,500	92,910	848,348	1,056,242	509,009	1,395,581
2034	2,009,000	92,910	861,471	1,054,619	516,883	1,399,207
2035	2,021,750	92,910	874,791	1,054,049	524,875	1,403,965
2036	2,035,500	92,910	888,311	1,054,279	532,986	1,409,604
2037	2,050,000	92,910	902,033	1,055,057	541,220	1,415,870
2038	2,065,000	92,910	915,961	1,056,129	549,736	1,422,354
2039	2,080,250	92,910	930,099	1,057,241	558,380	1,428,960
2040	2,095,500	92,910	944,448	1,058,142	567,153	1,435,437
2041	2,110,500	92,910	959,012	1,058,578	576,058	1,441,532
Total	44,506,625	2,044,027	17,204,971	25,257,627	10,324,598	32,138,000
Avg/Yr			716,874	1,052,401	430,192	1,339,083
* This development would be subject to statutory requirements stating that the local school districts must be compensated for any net new students that reside within the development and attend local public schools. Up to 40% of the property taxes generated by the development must be set aside to make these payments. For this reason, both scenarios (0% contribution and 40% contribution to the schools) are analyzed.						
** The analysis assumes that once the phase II land sale proceeds are received, the Village will use this source of funds to reduce the debt service payments in equal amounts between 2020 and 2041.						

PRELIMINARY - FOR DISCUSSION PURPOSES ONLY

Village of Downers Grove, Illinois
Proposed K. Hovnanian Homes Development (57 units)
Preliminary User Assumptions

Component Name	Project Description	Initial Occupancy Date	Building Sq. Ft./ # Units	Avg. Initial Market Value Sq. Ft./Unit
1	Townhouse - Phase I	Jan-19	17	475,000
2	Townhouse - Phase II	Jan-20	40	475,000
Totals				

Village of Downers Grove, Illinois
 Proposed K. Hovnanian Homes Development (57 units)
 Estimate of Equalized Assessed Valuation - Absorption Period

Component Name		Project Description	Class Code	Sq. Ft./ # Units	Market Value Sq. Ft./Unit	% Occupied for Year	% Occupancy	Reassmnt. Factor	Property Value	Assessment Level	Assessed Value	Equalization Factor	Adj. Equalized Assessed Value	Homeowners Exemption	Equalized Assessed Value	Tax Rate	Real Estate Taxes
1 Townhouse - Phase I			4	17	475,000.00	0.00%	0.00%	100.00%	0	33.33%	0	1.00000	0	0	0	7.754%	0
2 Townhouse - Phase II			4	40	475,000.00	0.00%	0.00%	100.00%	0	33.33%	0	1.00000	0	0	0	7.754%	0
Totals													0	0	0		

Component Name		Project Description	Class Code	Sq. Ft./ # Units	Market Value Sq. Ft./Unit	% Occupied for Year	% Occupancy	Reassmnt. Factor	Property Value	Assessment Level	Assessed Value	Equalization Factor	Adj. Equalized Assessed Value	Homeowners Exemption	Equalized Assessed Value	Tax Rate	Real Estate Taxes
1 Townhouse - Phase I			4	17	475,000.00	0.00%	0.00%	101.50%	0	33.33%	0	1.00000	0	0	0	7.754%	0
2 Townhouse - Phase II			4	40	475,000.00	0.00%	0.00%	101.50%	0	33.33%	0	1.00000	0	0	0	7.754%	0
Totals													0	0	0		

Component Name		Project Description	Class Code	Sq. Ft./ # Units	Market Value Sq. Ft./Unit	% Occupied for Year	% Occupancy	Reassmnt. Factor	Property Value	Assessment Level	Assessed Value	Equalization Factor	Adj. Equalized Assessed Value	Homeowners Exemption	Equalized Assessed Value	Tax Rate	Real Estate Taxes
1 Townhouse - Phase I			4	17	475,000.00	50.00%	100.00%	103.02%	4,159,533	33.33%	1,386,372	1.00000	1,386,372	51,000	1,335,372	7.754%	103,550
2 Townhouse - Phase II			4	40	475,000.00	0.00%	0.00%	103.02%	0	33.33%	0	1.00000	0	0	0	7.754%	0
Totals									4,159,533					1,335,372		103,550	

Component Name		Project Description	Class Code	Sq. Ft./ # Units	Market Value Sq. Ft./Unit	% Occupied for Year	% Occupancy	Reassmnt. Factor	Property Value	Assessment Level	Assessed Value	Equalization Factor	Adj. Equalized Assessed Value	Homeowners Exemption	Equalized Assessed Value	Tax Rate	Real Estate Taxes
1 Townhouse - Phase I			4	17	475,000.00	100.00%	100.00%	104.57%	8,443,853	33.33%	2,814,336	1.00000	2,814,336	102,000	2,712,336	7.754%	210,325
2 Townhouse - Phase II			4	40	475,000.00	50.00%	100.00%	104.57%	9,933,945	33.33%	3,310,984	1.00000	3,310,984	120,000	3,190,984	7.754%	247,442
Totals											18,377,797				5,903,320		457,767

Component Name		Project Description	Class Code	Sq. Ft./ # Units	Market Value Sq. Ft./Unit	% Occupied for Year	% Occupancy	Reassmnt. Factor	Property Value	Assessment Level	Assessed Value	Equalization Factor	Adj. Equalized Assessed Value	Homeowners Exemption	Equalized Assessed Value	Tax Rate	Real Estate Taxes
1 Townhouse - Phase I			4	17	475,000.00	100.00%	100.00%	106.14%	8,570,511	33.33%	2,856,551	1.00000	2,856,551	102,000	2,754,551	7.754%	213,599
2 Townhouse - Phase II			4	40	475,000.00	100.00%	100.00%	106.14%	20,165,907	33.33%	6,721,297	1.00000	6,721,297	240,000	6,481,297	7.754%	502,586
Totals									28,736,418					9,235,848		716,185	

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**Village of Downers Grove, Illinois
Proposed K. Hovnanian Homes Development (57 units)
Projected Incremental Taxes (with SSA)**

Component Name	Project Description	Class Code	Occupancy Date	Sq. Ft./ # Units	Market Value Sq. Ft./Unit	Year							
						2017	2018	2019	2020	2021	2022	2023	2024
1	Townhouse - Phase I	4	Jan-19	17	475,000.00	0	0	1,335,372	2,712,336	2,754,551	2,797,399	2,840,890	2,885,034
2	Townhouse - Phase II	4	Jan-20	40	475,000.00	0	0	0	3,190,984	6,481,297	6,582,116	6,684,448	6,788,315
Total EAV All Components						0	0	1,335,372	5,903,320	9,235,848	9,379,516	9,525,339	9,673,349
I. Incremental Property Taxes:													
(a) Base EAV (2015 Tax Year)						0	0	0	0	0	0	0	0
(b) Incremental EAV						0	0	1,335,372	5,903,320	9,235,848	9,379,516	9,525,339	9,673,349
(c) Tax Rate* = 7.7544%						7.7544%	7.7544%	7.7544%	7.7544%	7.7544%	7.7544%	7.7544%	7.7544%
(d) Total Est. Incremental Property Taxes						0	0	0	103,550	457,767	716,185	727,325	738,633
(e) Incremental Property Taxes (Residential Only)													
Set Aside for School Districts 40.0%						0	0	0	41,420	183,107	286,474	290,930	295,453
(f) Est. Incremental Property Taxes Available						0	0	0	62,130	274,660	429,711	436,395	443,180
(g) TIF Administrative Costs						0	0	0	0	0	0	0	0
(h) Carryforward of Administrative Costs						0	0	0	0	0	0	0	0
(i) Incremental Property Taxes Available for Redevelopment Costs						0	0	0	62,130	274,660	429,711	436,395	443,180
(j) Cumulative Incremental Property Taxes Available for Redevelopment Costs						0	0	0	62,130	336,790	766,501	1,202,896	1,646,076
(k) NPV of Incremental Property Taxes @ 4.5%							0	0	54,444	284,764	629,586	964,692	1,290,353
II. School Payment Set Aside Analysis (Assuming No School Age Children)													
a) School Payment Set Aside Available for Other Eligible Costs (Assuming No Children)						0	0	0	41,420	183,107	286,474	290,930	295,453
b) Cumulative Excess School Payment Set Aside Available for Other Eligible Costs						0	0	0	41,420	224,527	511,001	801,931	1,097,384
c) Net Present Value of Excess School Payment Set Aside @ 4.50%							0	0	36,296	189,843	419,724	643,128	860,235

*Assumes creation/extension of SSA with tax rate of 1.5%

**Village of Downers Grove, Illinois
Proposed K. Hovnanian Homes Development (57 units)
Projected Incremental Taxes (with SSA)**

Component Name	Project Description	Class Code	Occupancy Date	Sq. Ft./ # Units	Market Value Sq. Ft./Unit	Year									
						2025	2026	2027	2028	2029	2030	2031	2032	2033	
1	Townhouse - Phase I	4	Jan-19	17	475,000.00	2,929,839	2,975,317	3,021,477	3,068,329	3,115,884	3,164,152	3,213,144	3,262,871	3,313,345	
2	Townhouse - Phase II	4	Jan-20	40	475,000.00	6,893,740	7,000,746	7,109,357	7,219,597	7,331,491	7,445,064	7,560,340	7,677,345	7,796,105	
Total EAV All Components						9,823,579	9,976,063	10,130,834	10,287,926	10,447,375	10,609,216	10,773,484	10,940,216	11,109,449	
I. Incremental Property Taxes:															
(a) Base EAV (2015 Tax Year)						0	0	0	0	0	0	0	0	0	
(b) Incremental EAV						9,823,579	9,976,063	10,130,834	10,287,926	10,447,375	10,609,216	10,773,484	10,940,216	11,109,449	
(c) Tax Rate* = 7.7544%						7.7544%	7.7544%	7.7544%	7.7544%	7.7544%	7.7544%	7.7544%	7.7544%	7.7544%	
(d) Total Est. Incremental Property Taxes						750,110	761,760	773,584	785,585	797,767	810,131	822,681	835,419	848,348	
(e) Incremental Property Taxes (Residential Only)															
Set Aside for School Districts 40.0%						<u>300,044</u>	<u>304,704</u>	<u>309,434</u>	<u>314,234</u>	<u>319,107</u>	<u>324,052</u>	<u>329,072</u>	<u>334,168</u>	<u>339,339</u>	
(f) Est. Incremental Property Taxes Available						450,066	457,056	464,150	471,351	478,660	486,079	493,609	501,251	509,009	
(g) TIF Administrative Costs						0	0	0	0	0	0	0	0	0	
(h) Carryforward of Administrative Costs						0	0	0	0	0	0	0	0	0	
(i) Incremental Property Taxes Available for Redevelopment Costs						450,066	457,056	464,150	471,351	478,660	486,079	493,609	501,251	509,009	
(j) Cumulative Incremental Property Taxes Available for Redevelopment Costs						2,096,142	2,553,198	3,017,348	3,488,699	3,967,359	4,453,438	4,947,047	5,448,298	5,957,307	
(k) NPV of Incremental Property Taxes @ 4.5%						1,606,832	1,914,387	2,213,267	2,503,713	2,785,961	3,060,242	3,326,777	3,585,784	3,837,473	
II. School Payment Set Aside Analysis (Assuming No School Age Children)															
a) School Payment Set Aside Available for Other Eligible Costs (Assuming No Children)						300,044	304,704	309,434	314,234	319,107	324,052	329,072	334,168	339,339	
b) Cumulative Excess School Payment Set Aside Available for Other Eligible Costs						1,397,428	1,702,132	2,011,565	2,325,799	2,644,906	2,968,959	3,298,031	3,632,199	3,971,538	
c) Net Present Value of Excess School Payment Set Aside @ 4.50%						1,071,222	1,276,258	1,475,511	1,669,142	1,857,307	2,040,161	2,217,851	2,390,522	2,558,315	

*Assumes creation/extension of SSA with tax rate of 1.5%

**Village of Downers Grove, Illinois
Proposed K. Hovnanian Homes Development (57 units)
Projected Incremental Taxes (with SSA)**

TIF Expiration Final Collection

Component Name	Project Description	Class Code	Occupancy Date	Sq. Ft./ # Units	Market Value Sq. Ft./Unit	Year							
						2034	2035	2036	2037	2038	2039	2040	2041
1	Townhouse - Phase I	4	Jan-19	17	475,000.00	3,364,575	3,416,573	3,469,352	3,522,922	3,577,296	3,632,485	3,688,503	3,745,360
2	Townhouse - Phase II	4	Jan-20	40	475,000.00	7,916,646	8,038,996	8,163,181	8,289,229	8,417,167	8,547,025	8,678,830	8,812,612
Total EAV All Components						11,281,221	11,455,569	11,632,533	11,812,151	11,994,463	12,179,510	12,367,333	12,557,973
I. Incremental Property Taxes:													
(a) Base EAV (2015 Tax Year)						0	0	0	0	0	0	0	0
(b) Incremental EAV						11,281,221	11,455,569	11,632,533	11,812,151	11,994,463	12,179,510	12,367,333	12,557,973
(c) Tax Rate* = 7.7544%						7.7544%	7.7544%	7.7544%	7.7544%	7.7544%	7.7544%	7.7544%	7.7544%
(d) Total Est. Incremental Property Taxes						861,471	874,791	888,311	902,033	915,961	930,099	944,448	959,012
(e) Incremental Property Taxes (Residential Only)													
Set Aside for School Districts 40.0%						<u>344,588</u>	<u>349,916</u>	<u>355,324</u>	<u>360,813</u>	<u>366,225</u>	<u>371,719</u>	<u>377,295</u>	<u>382,954</u>
(f) Est. Incremental Property Taxes Available						516,883	524,875	532,986	541,220	549,736	558,380	567,153	576,058
(g) TIF Administrative Costs						0	0	0	0	0	0	0	0
(h) Carryforward of Administrative Costs						0	0	0	0	0	0	0	0
(i) Incremental Property Taxes Available for Redevelopment Costs						516,883	524,875	532,986	541,220	549,736	558,380	567,153	576,058
(j) Cumulative Incremental Property Taxes Available for Redevelopment Costs						6,474,190	6,999,064	7,532,051	8,073,271	8,623,007	9,181,386	9,748,540	10,324,598
(k) NPV of Incremental Property Taxes @ 4.5%						4,082,050	4,319,713	4,550,657	4,775,070	4,993,198	5,205,216	5,411,291	5,611,588
II. School Payment Set Aside Analysis (Assuming No School Age Children)													
a) School Payment Set Aside Available for Other Eligible Costs (Assuming No Children)						344,588	349,916	355,324	360,813	366,225	371,719	377,295	382,954
b) Cumulative Excess School Payment Set Aside Available for Other Eligible Costs						4,316,126	4,666,043	5,021,367	5,382,180	5,748,406	6,120,125	6,497,419	6,880,373
c) Net Present Value of Excess School Payment Set Aside @ 4.50%						2,721,366	2,879,809	3,033,771	3,183,380	3,328,694	3,469,836	3,606,926	3,740,080

*Assumes creation/extension of SSA with tax rate of 1.5%

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Village of Downers Grove, Illinois
Hypothetical Illustration for General Obligation Bonds
K. Hovnanian Proposal with Land Sale of \$890,800

Collection Year Ending Dec 31	Bond Year Ending Jan 1	Projected TIF Revenues ⁽¹⁾	Principal ^(1/1)	Assumed Rate	Assumed Yield	Assumed Interest ^(1/1 & 7/1)	Capitalized Interest ⁽²⁾	Total Debt Service	Revenue Shortfall	Other Revenue	Revenue Shortfall/ Excess
2018	2019	\$0				\$930,375		\$930,375	(\$930,375)	\$1,100,000	\$169,625
2019	2020	\$0				\$1,240,500	(\$140,500)	\$1,100,000	(\$1,100,000)	\$1,100,000	\$0
2020	2021	\$103,550	\$10,000	5.000%	2.040%	\$1,240,500		\$1,250,500	(\$1,146,950)	\$1,100,000	(\$46,950)
2021	2022	\$457,767	\$365,000	5.000%	2.230%	\$1,240,000		\$1,605,000	(\$1,147,233)	\$1,100,000	(\$47,233)
2022	2023	\$716,185	\$645,000	5.000%	2.430%	\$1,221,750		\$1,866,750	(\$1,150,565)	\$1,100,000	(\$50,565)
2023	2024	\$727,325	\$685,000	5.000%	2.590%	\$1,189,500		\$1,874,500	(\$1,147,175)	\$1,100,000	(\$47,175)
2024	2025	\$738,633	\$735,000	5.000%	2.790%	\$1,155,250		\$1,890,250	(\$1,151,617)	\$1,100,000	(\$51,617)
2025	2026	\$750,110	\$780,000	5.000%	2.950%	\$1,118,500		\$1,898,500	(\$1,148,390)	\$1,100,000	(\$48,390)
2026	2027	\$761,760	\$830,000	5.000%	3.130%	\$1,079,500		\$1,909,500	(\$1,147,740)	\$1,100,000	(\$47,740)
2027	2028	\$773,584	\$885,000	5.000%	3.220%	\$1,038,000		\$1,923,000	(\$1,149,416)	\$1,100,000	(\$49,416)
2028	2029	\$785,585	\$940,000	5.000%	3.310%	\$993,750		\$1,933,750	(\$1,148,165)	\$1,100,000	(\$48,165)
2029	2030	\$797,767	\$1,000,000	5.000%	3.390%	\$946,750		\$1,946,750	(\$1,148,983)	\$1,100,000	(\$48,983)
2030	2031	\$810,131	\$1,060,000	5.000%	3.490%	\$896,750		\$1,956,750	(\$1,146,619)	\$1,100,000	(\$46,619)
2031	2032	\$822,681	\$1,130,000	5.000%	3.580%	\$843,750		\$1,973,750	(\$1,151,069)	\$1,100,000	(\$51,069)
2032	2033	\$835,419	\$1,195,000	5.000%	3.640%	\$787,250		\$1,982,250	(\$1,146,831)	\$1,100,000	(\$46,831)
2033	2034	\$848,348	\$1,270,000	5.000%	3.700%	\$727,500		\$1,997,500	(\$1,149,152)	\$1,100,000	(\$49,152)
2034	2035	\$861,471	\$1,345,000	5.000%	3.760%	\$664,000		\$2,009,000	(\$1,147,529)	\$1,100,000	(\$47,529)
2035	2036	\$874,791	\$1,425,000	5.000%	3.810%	\$596,750		\$2,021,750	(\$1,146,959)	\$1,100,000	(\$46,959)
2036	2037	\$888,311	\$1,510,000	5.000%	3.850%	\$525,500		\$2,035,500	(\$1,147,189)	\$1,100,000	(\$47,189)
2037	2038	\$902,033	\$1,600,000	5.000%	3.880%	\$450,000		\$2,050,000	(\$1,147,967)	\$1,100,000	(\$47,967)
2038	2039	\$915,961	\$1,695,000	5.000%	3.890%	\$370,000		\$2,065,000	(\$1,149,039)	\$1,100,000	(\$49,039)
2039	2040	\$930,099	\$1,795,000	5.000%	3.900%	\$285,250		\$2,080,250	(\$1,150,151)	\$1,100,000	(\$50,151)
2040	2041	\$944,448	\$1,900,000	5.000%	3.910%	\$195,500		\$2,095,500	(\$1,151,052)	\$1,100,000	(\$51,052)
2041	2042	\$959,012	\$2,010,000	5.000%	3.920%	\$100,500		\$2,110,500	(\$1,151,488)	\$1,100,000	(\$51,488)
			<u>\$24,810,000</u>			<u>\$19,837,125</u>	<u>(\$140,500)</u>	<u>\$44,506,625</u>			

Sources and Uses of Funds

Sources of Funds

Par Amount	\$24,810,000
Village Equity Contribution	\$2,200,000
Land Sale I	\$890,800
Reoffering Premium	\$2,656,325
Total Sources of Funds	\$30,557,125

Uses of Funds

Deposit to Project Fund	\$30,000,000
Deposit to Capitalized Interest Fund	\$140,500
Assumed Costs of Issuance ⁽³⁾	\$411,995
Rounding Amount	\$4,630
Total Uses of Funds	\$30,557,125

Potential Net Interest Cost ⁽⁴⁾	4.330%
Potential True Interest Cost ⁽⁵⁾	4.055%

This illustration represents a mathematical calculation of potential interest cost, assuming hypothetical rates based on current non bank qualified rates for unlimited tax general obligation bonds rated "AAA" as of February 2, 2017 plus 50 basis points. Actual rates may vary. If actual rates are higher than those assumed, the interest cost would be higher. This illustration provides information and is not intended to be a recommendation, proposal or suggestion for a financing or otherwise be considered as advice. Bonds are amortized uniform to projected TIF revenues. Preliminary, subject to change.

(1) Projected TIF revenues generated by the KH project provided by the Village. Subject to change.

(2) Assumed two years of capitalized interest. Subject to change.

(3) Assumed total costs of issuance of \$15.00/\$1,000 of public offering price. Preliminary, subject to change.

(4) Net Interest Cost is the overall rate of interest to be paid by the issuer over the life of the bonds not taking the time value of money into account.

(5) True Interest Cost is the rate of interest, compounded semi-annually, required to discount the payments of principal and interest to bondholders to the original purchase price.