

EXHIBIT B

DRAFT

CITY OF EVANSTON
WASHINGTON NATIONAL
Church/Chicago
REDEVELOPMENT PLAN AND PROJECT

Jointly Prepared By:

City of Evanston, Illinois

and

Kane, McKenna and Associates, Inc.

· October 20, 1993

EXHIBIT A

LEGAL DESCRIPTION

A parcel of land in the South ½ of Section 18, Township 41 North, Range 14 East of Third Principal Meridian comprising Lot 1 and Lots 12 to 16, both inclusive in Block 19 in The Village of Evanston in Section 13, Township 41 North, Range 13 East of Third Principal Meridian and Sections 7, 18 and 19, Township 41 North, Range 13 East of Third Principal Meridian, the 20 feet Northerly and Southerly public alley lying Westerly of and adjoining the Westerly line of said lots, Chicago Avenue lying Easterly of adjoining the Easterly line said Lots and Church Street lying Northerly of the Northerly line, and the Northerly line extend Westerly 20 feet and the Northerly line extended Southeasterly to the Easterly line of said Lot 1 and more particularly described as follows: commencing at the point of intersection of the North line of Church Street and the East line extended Northerly of Chicago Avenue; thence Southwesterly along the said extended East line and the East line of Chicago Avenue to its intersection with the extension Southeasterly of the Southerly line of said Lot 12; thence Northwesterly along said extended line, the Southerly line of said Lot 12 and the said Southerly line extended Northwesterly to the Westerly line of aforesaid 20 feet Northerly and Southerly public alley; thence Northeasterly along said Westerly line and said Westerly line extended Northerly of said 20 feet Northerly and Southerly public alley to its intersection with the said north line of Church Street; thence Southeasterly along said North line and said North line extended Southeasterly of Church Street to the point of beginning, Cook County, Illinois.

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I. INTRODUCTION

General Background - City of Evanston

The City of Evanston, Illinois is a community of approximately 73,000 (as of the 1990 Census) and is bordered on the east by Lake Michigan, on the south by the City of Chicago, on the west by the Village of Skokie and on the north by the Village of Wilmette. The City lies in Cook County and is located approximately twelve (12) miles north of Chicago's Loop. Incorporated in 1863, the City today is one of the largest, oldest and most diverse suburbs of Chicago, with many amenities such as an established business environment, quality housing stock, an excellent public transportation system, and excellent public schools. The City of Evanston is the home of Northwestern University as well as three (3) other institutions of higher education.

The City has grown through the years primarily due to annexation (the Villages of North Evanston and South Evanston were annexed prior to 1892) as well as the increased enrollment and employment at Northwestern University (the City's largest employer). The extension of the Chicago rapid transit system to Evanston and north to Wilmette added to the population growth throughout the early to mid-1900's.

In 1921, the Evanston City Council adopted its first zoning ordinance which was the first in the State to prevent overcrowding of land and to include provisions to separate business and industrial areas from residential neighborhoods. Today, Evanston has retained its residential character, yet it has grown with respect to its commercial and industrial base. Once the key retail center for the North Shore, north Chicago and the northwest suburbs, much retail space has since been converted to office and residential space, which contributes to a more service-oriented environment in the City's downtown. Today, downtown Evanston is considered viable and well-maintained, having escaped much of the deterioration and abandonment that has impacted other older urban communities. There are, however, growing problems within pockets of the downtown, which may potentially impact the viability of the area in the long term.

The Downtown Central Business District - A Changing Environment

The City has made considerable efforts to maintain the downtown as a central force in providing taxes, services and a pleasant, safe environment for both commercial and residential users. Major tenants who once anchored the shopping district (e.g., Marshall Fields, Wieboldt's) were affected by the opening of Old Orchard Shopping Center, which opened in the 1950's, but the City, over time, has facilitated certain redevelopment projects which have converted such older facilities to newer market-oriented uses. It is widely viewed that the City has made a largely successful transition from a traditional, small City CBD to a specialized downtown.

The City has provided economic incentives towards the development of such projects as the 1800 Sherman Building, American Hospital Supply (now Rotary International Headquarters) and Holiday Inn, as well as having established its first tax increment finance district to the north and west of the Washington National facility, which is known as the Northwestern University/Evanston Research Park TIF District. Considerable development has occurred within the Research Park, since it was set up in 1982. More recently, the City provided public assistance to a residential development known as Evanston Place, at the northeast corner of Chicago Avenue and Church Street.

An area within the City's downtown (at the southwest corner of Chicago and Church) that is now being considered for potential redevelopment is generally known as the Washington National Insurance Co. facility. This area of the City's commercial base had gradually begun to deteriorate by the mid-1980's. Its decline has primarily been due to a number of factors including its age, the reduced use and investment in and ultimate vacancy by Washington National Insurance Company. The building now suffers from obsolescence, depreciation and other blighting factors which ultimately have proved cost prohibitive for the owners to stay in the building. Overall, the lack of meaningful plans and investment in maintaining the facility and its potential effect on certain adjacent parcels has hindered the City's ability to create a safe, pleasant, integrated and functional business environment.

A considerable portion of the block incorporating the proposed redevelopment project suffers from aged, uncoordinated, sporadic development. Existing development has been primarily limited to office/retail. It includes buildings which have had a variety of sizes, ages, and tenants. Surrounding land uses are complementary to a proposed residential reuse and include public facilities (such as the new Evanston Library, the North Shore Retirement Hotel and Northwestern University (two (2) blocks away)). The Washington National facility (which represents the entire proposed redevelopment project area), has become outmoded, underutilized, and left vacant as the corporation has downsized its business operations and moved elsewhere.

The specific portion of the block under consideration for redevelopment solely includes the Washington National facility. The owner and a proposed developer have entered into a partnership agreement to attempt to redevelop the Washington National facility parcel as a phased apartment complex to initially contain approximately 300 units, ancillary parking and commercial space. (A proposed second phase contemplates additional residential units and/or retail uses).

The absence of significant development within the overall Washington National area (described by market experts as a 'core block' in the downtown) will likely prevent the City from achieving a "highest and best use" of the land, as well as realizing increased potential real estate tax receipts from any incremental increases in assessed valuations with the area. Incremental sales tax receipts may also be foregone if a development plan is not initiated. The lack of such a plan will likely lead to the continued overall blight existing in the area with a high likelihood that such conditions will worsen.

The City is determined to eliminate blighted conditions as well as to preserve the tax base and create new housing opportunities.

The Washington National (Church/Chicago/Davis) Redevelopment Project Area (RPA)

The proposed Washington National RPA is located generally at 1610-1630 Chicago Avenue, which is a few blocks south and east of the larger Research Park TIF area established by the City in 1982. The redevelopment potential of the area included in the proposed RPA is hampered by the presence of a large and depreciating office structure, inadequate ingress and egress and the older, internal, structural and environmental problems of the site. However, the RPA's location in the downtown CBD and the commercial/retail frontage availability serve to distinguish this property from other properties evaluated in the past for TIF status. Market interest and potential reuse would appear to favor residential use, given the high costs involved in redeveloping and marketing such a site to commercial/retail users. While the balance of the block, including the south portion of the area may favor commercial or retail use redevelopment, the proposed RPA offers an opportunity for a modern residential redevelopment, with some additional commercial/retail.

The area to be designated as a TIF District has been found to qualify for RPA designation, as evidenced in the Qualification Report included as part of this Redevelopment Plan and Project. The Report concludes that the area as a whole qualifies for such blighted designation by consideration of all relevant evidence within the meaning of the TIF Statute, however, it has been determined that only the Washington National facility will be included in the proposed RPA. A general description of the proposed RPA follows:

The southern portion of the Washington National facility on the south, the western boundary of the north/south alley adjacent to the Washington National-Insurance facility on the west, Church Street on the north and Chicago Avenue on the east.

The proposed RPA includes an area which encompasses approximately two (2) acres of land and one approximately 360,000 sq. ft. structure. (See Map 1 and Appendix A for a legal description, attached hereto and made a part of this Plan).

The majority of the improvements in the proposed RPA have become obsolete and demonstrate conditions of depreciation or lack of physical maintenance. There is evidence of deleterious land use/layout in the area's development, minimum standard code violations, excessive vacancies and lack of sanitary, ventilation and light facilities. Taken in total, these specific factors contribute to the overall blighting of the area. (A more detailed examination of qualification factors is found in Appendix B).

The City is desirous of attracting significant private market redevelopment of this area which would complement the location of the proposed RPA in the heart of the downtown Central Business District. It is also important to the economic goals of the City to attract and retain enterprises which strengthen Evanston's overall economic base, as well as to expand the City's residential and retail bases.

The Redevelopment Plan will serve to address, on an area wide basis:

- depreciation of physical maintenance and assessed values;
- the obsolescence of commercial improvements and property;
- coordinated planning processes and area wide review relating to uses;
- area appearance; and
- provision of necessary public improvements and services.

It is expected that the distribution of TIF benefits would be area wide and would serve to stem conditions of blight and underutilization.

In summary, the proposed Washington National RPA on the whole has not been subject to significant growth and development. The area would not reasonably be developed without the adoption of a Redevelopment Plan. The City has prepared this Plan to use tax increment financing in order to address its redevelopment goals and objectives for the area.

The Redevelopment Plan

The City of Evanston and its Economic Development Committee have carefully reviewed the potential constraints of the proposed RPA property. The City has determined that well planned residential and commercial/retail uses fronting Church Street and Chicago Avenue would serve to maximize the RPA property's economic potential and would provide additional retail services to City residents and others within the market area. The development of top quality residential uses and the encouragement of a modern, efficient retail property are key to the City. The location of the property and its size have presented unique opportunities for an attractive, well designed redevelopment effort. The effort would utilize both public and private resources in order to stabilize and enhance area property values (e.g., properties located within or proximate to the RPA), create new housing in the downtown and to provide for a market reuse of currently underutilized property. The proposed redevelopment of the RPA property would also likely serve to encourage interest in the surrounding area's property.

The RPA designation addresses the necessary public assistance/improvements required to induce the private redevelopment of the property. The purpose and intent of this Plan and the goal of the City is to induce immediately the demolition of the Washington National facility to ensure a good faith effort by the proposed redeveloper prior to the adoption of the TIF District.

The needed public investment will be possible only if tax increment financing is adopted pursuant to the term of the Tax Increment Allocation Redevelopment Act (the "Act"). The qualification of the entire area as blighted makes possible future developments which are not now anticipated. Blighting factors have restrained or prevented successful redevelopment from occurring within the area. Public resources may be needed to attract private investment to redevelop the proposed area and to address blight factors. Incremental property tax revenue generated by the development may play a decisive role in encouraging the private development of the RPA.

Conditions of obsolescence and underutilization that have precluded and/or retarded intensive private investment in the past will be addressed. Through this proposed Redevelopment Plan and Project, the City will serve as the central force for marshalling the assets and energies of the private sector for a united cooperative public-private redevelopment effort. In this regard, the City will serve as a catalyst for coordinating a successful redevelopment of the area. Ultimately, the implementation of the Redevelopment Plan and Project will benefit the City and all the taxing districts which encompass the RPA in the form of a significantly expanded tax base.

On December 14, 1992, the Evanston City Council adopted a Resolution (Resolution No. 102-R2-92) indicating its intent to use Tax Increment Financing (TIF) for the redevelopment of the area described herein. On October 13, 1993, the Evanston Economic Development Committee accepted the Qualification Report and recommended revised boundaries for the proposed RPA containing only the Washington National parcels. It also forwarded to the City Council a Resolution setting a Public Hearing date for the proposed TIF District. Redevelopment of the RPA is tenable only if a portion of the improvements are funded by tax increment financing.

The adoption of this Redevelopment Plan and Project makes possible the implementation of a comprehensive program for the economic redevelopment of the area. By means of public investment, the RPA will become an improved, more viable environment that will attract private investment and diversify the City's tax base.

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

II. REDEVELOPMENT PROJECT AREA LEGAL DESCRIPTION

The Redevelopment Project Area is legally described in Appendix A.

III. REDEVELOPMENT PROJECT AREA GOALS AND OBJECTIVES

The goals of the City for the RPA (as expressed in this Plan), conform to the Evanston Comprehensive General Plan, adopted in 1986 and to the Downtown Plan, adopted in 1993. (Note: elements of the City zoning ordinance were updated in 1993 and the RPA's proposed uses are to be in conformance with the revisions as well as in the P.U.D. for the Project). A broadened, diversified tax base is necessary to maintain essential City services and to strengthen Evanston's overall economy. The Redevelopment Plan will also provide for expanded retail opportunities and developments to be undertaken within the City.

General Goals

- 1) Strengthen Evanston's economic position, thus improving the quality of life provided through services and personal prosperity of residents.
- 2) Provide and maintain an attractive community that creates a positive public image and encourages individuals, families and businesses to locate and remain within the community.

Specific Objectives

- 1) Attract and retain enterprises which strengthen Evanston's economic base.
- 2) Establish and maintain a safe, pleasant, and functional environment in the City's commercial and retail areas while encouraging new residential and economic development.
- 3) Identify, maintain and enhance the positive physical elements of Evanston which create Evanston's visual character.
- 4) Strengthen the positive image of the community by emphasizing attention to design in development.
- 5) Induce immediately the demolition of the Washington National facility so that the project may go forward pending adoption of the TIF District.

IV. BLIGHTED AREA CONDITIONS EXISTING IN THE REDEVELOPMENT PROJECT AREA

Findings

The Redevelopment Project Area was studied to determine its qualifications that the area immediately prior to becoming vacant qualified as a blighted improved area as such terms are defined in the Tax Increment Allocation Redevelopment Act (the "Act"), Illinois Revised Statutes, Section 11-74.4-3. Refer to Appendix B for a Qualification Report which includes a summary of blighting factors, findings for this RPA, and a list of existing qualification factors for the area. Such findings include the age factor; obsolescence; excessive vacancies; deleterious land use or layout; depreciation of physical maintenance; lack of ventilation, light and sanitary facilities; presence of structures below minimum code; and deterioration.

Eligibility Survey

The entire designated Redevelopment Project Area was evaluated from August-October, 1993 by representatives from Kane, McKenna and Associates, Inc., the owner's management agents and the City. In such evaluation, only information was recorded which would directly aid in the determination of eligibility for a tax increment finance district.

V. REDEVELOPMENT PROJECT

A. Redevelopment Plan and Project Objectives

The City of Evanston proposes to realize its goals and objectives of encouraging the development of the RPA and encouraging private investment in residential redevelopment projects through public finance techniques including, but not limited, to Tax Increment Financing. The following represents the general project goals for tax increment financing districts as defined by the Act and represent the general objectives for the City. These components are all inclusive and may exceed the City's specific actions as planned at this time.

- (1) Implementing a plan that addresses the redevelopment costs of land acquisition and assembly, site preparation (including land writedown), and provision of infrastructure improvements or rehabilitation of existing facilities that may be necessary for adaptation to a market oriented reuse of sites in the RPA.

- (2) Improving public facilities that may include, but not be limited to:
 - i. Street improvements
 - ii. Utility improvements (including water, storm water management and sanitary sewer improvements)
 - iii. Landscaping and/or streetscaping (including sidewalk improvements)
 - iv. Parking improvements (which may include structures/public facilities)
- (3) Entering into redevelopment agreements with developers for qualified redevelopment projects.
- (4) Utilizing interest cost write down pursuant to provisions of the Act.
- (5) Considering the payment of interest costs of a redeveloper related to the construction, renovation or rehabilitation of the redevelopment project.
- (6) Exercising other powers set forth in the Act as the City deems necessary.

B. Redevelopment Activities

Pursuant to the foregoing objectives, the City of Evanston may implement a coordinated program of actions, including, but not limited to, site preparation and renovation, infrastructure improvements and upgrading, and provision of public improvements such as landscaping or buffering, and parking, where required. The City may directly undertake the activities described below, or when appropriate, cause such activities to be undertaken in a manner conformant with this Plan.

Improvements

ance with its estimates of tax increment and other available , the City of Evanston may provide public improvements in the RPA to enhance the immediate area as a whole, to support the ment Project and Plan, and to serve the needs of Evanston . Appropriate public improvements may include, but are not limited

preparation costs (including land writedown costs and addressing environmental concerns);

ation, removal, resurfacing, paving, widening, construction, turn ds, construction or reconstruction of curbs and gutters, traffic als, and other improvements to streets, alleys, pedestrianways, pathways: including the acquisition and creation of on-site dway(s) for construction, reconstruction and/or extension of street, ys and pedestrian ways;

rovements of public utilities including construction or reconstruction ater mains, as well as sanitary sewer and storm sewer, detention ds, and street lighting;

utification, landscaping, lighting, buffering, parking improvements signage of public properties;

ended public improvements are found in Section E. The City may at a later date that certain improvements are no longer needed or te, or may add new improvements to the list. The type of public ent and cost for each item is subject to City Council approval and cution of a redevelopment agreement for the proposed project.

Land and Land Writedown

may determine that to meet redevelopment objectives it may be y to participate in property acquisition in the Redevelopment Project se other means to induce transfer of such property to a private

ase or conveyance to or dedication for the is of conveyance may is which may contain elopment Plan.

tain improvements is ope of the proposed

mmercial and exempt ed general land uses includes retail uses. ded by this plan shall RPA.

ards and conditions t Committee, and if

internal pedestrian erators and parking

ted prior to issuance

Streetscapes/Building Facades

Redevelopment Project Area will be designed consistent with temporary retail/commercial facilities. Design importance will be placed in the treatment of streetscapes, and the relationships of building facades.

The first four floors of any proposed tower and/or commercial buildings shall be of brick, limestone, or material of a similar quality.

The north and east facades of any proposed parking structures shall be materials compatible to that of the front elevation.

Efforts shall be used to maximize ground level retail use(s) in any building on the Church and Chicago frontages and to develop to the lot.

Landscaping shall be provided on all undeveloped portions of the property.

Signage and Buffering

Development should provide for an adequate supply of appropriately sized short-term and long-term parking spaces. Buffering, screening, and landscaping should be used to make parking facilities as attractive as possible.

Any proposed parking structure shall be of sufficient size and structural capability to accommodate off-street parking for all phases of the development.

Off-street parking spaces for the Project shall be supplied at the rate of no less than one space per dwelling unit.

Off-street parking for any retail or commercial use shall be supplied at the rate of one parking space for each of 800 square feet of such floor area in excess of 2,000 square feet.

The first floor frontage of any commercial building in the RPA shall be reserved for retail uses only.

Development will, to the greatest extent possible, avoid development activities so that the impact on time and so that the impact is minimized.

Development shall be available for temporary use and shall not have adverse impacts on the area needed for planned development due to the proposed development.

Development on properties presently zoned for residential use shall be assembled into parcels suitable for redevelopment and for Illinois Tax Incremental Financing.

Development may have to be provided in the Redevelopment Plan which includes land written down for the site for new uses. Development is required redevelopment.

Development of incremental tax revenue in connection with development potential of the area.

4. Signs

The design and use of signs shall be in keeping with the area's overall architectural character and shall be coordinated in type, size and location with those in nearby developments, all in accordance with the City's sign ordinance.

5. Utilities

Wherever possible, all utility lines should be located underground.

Additional planning and design controls may be included in each land disposition and/or redevelopment agreements with developers.

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 TIF statute, and any such costs incidental to this Redevelopment Plan and Project. Private investments which supplement "Redevelopment Project Costs" are expected to substantially exceed such redevelopment project costs. **The stated redevelopment costs represent maximum amounts and the itemized costs do not represent actual City commitments for possible expenditures of TIF funds in the Redevelopment Project Area.** Eligible costs permitted under the Act which may be pertinent to this Redevelopment Plan and Project include:

1. Costs of studies and 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, marketing, financial, planning, or other special services, provided, however, that no charges for professional services may be based on a percentage of the tax increment collected.

2. Property assembly costs, including but not limited to acquisition of land and other property, real or personal, or rights or interests therein, demolition of buildings, and the clearing and grading of land;
3. Costs of rehabilitation, reconstruction or repair or remodeling of existing buildings and fixtures;
4. Costs of the construction of public works or improvements;
5. Costs of job training and retraining projects;
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. All or a portion of a taxing district's capital costs resulting from the redevelopment project necessarily incurred or to be in furtherance of the objectives of the redevelopment plan and project, to the extent the City by written agreement accepts and approves such costs;
8. Relocation costs to the extent that the City determines that relocation costs shall be paid or is required to make payment of relocation costs by federal or state law;
9. 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 City, are set forth in a written agreement by or among the City 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 the agreement. Such costs include, specifically, the payment by community college districts of costs pursuant to Sections 3-37, 3-38, 3-40 and 3-40.1 of the Public Community College Act and by school districts of costs pursuant to Sections 10-22.20a and 10-23.3a of The School Code.

10. If deemed prudent by the City Council of the City for the redevelopment project, interest costs incurred by the redeveloper related to the construction, renovation or rehabilitation of the redevelopment project provided that:
 - (a) such costs are to be paid directly from the special tax allocation fund established pursuant to the Act; and
 - (b) such payments in any one year may not exceed 30% of the annual interest costs incurred by the redeveloper with regard to the redevelopment project during that year; and
 - (c) if there are not sufficient funds available in the special tax allocation fund to make the payment pursuant to this paragraph (10) then the amounts so due shall accrue and be payable when sufficient funds are available in the special tax allocation fund; and
 - (d) the total of such interest payments incurred pursuant to the Act may not exceed 30% of the total redevelopment project costs excluding any property assembly costs and any relocation costs incurred pursuant to the Act.

11. **Payments in lieu of taxes.**

In the event the City of Evanston issues debt pursuant to its general obligations under the Act or pursuant to its home rule powers, the proceeds of which are used to pay redevelopment project costs:

- (a) In any year during which said obligations are outstanding and funds in the special tax allocation fund are insufficient to pay principal and interest when due, the City shall cover such shortfall in payment in accordance with the terms of the obligations, and any such payments made by the City shall be repaid in full to the City from the special tax allocation fund from subsequent available tax increment revenues from improved taxable lots or parcels of real property prior to the creation of any surplus funds.
- (b) In any year during which said obligations are outstanding and funds in the special tax allocation fund are sufficient to pay the next due principal and interest, but it is anticipated that in subsequent years funds may be inadequate to make the current payments of principal and interest, then the City may create such reserves from the funds as it may deem appropriate to enable it to make future payments of principal and interest under said obligations. Amounts in any such reserve shall not be deemed to be surplus funds. Real estate tax increment revenues which constitute funds in the special tax allocation fund for the purpose of this paragraph include only tax increment revenues from improved taxable lots or parcels of real property.

Estimated costs are shown in the next section. Adjustments to these cost items may be made without amendment to the Redevelopment Plan. As previously mentioned, the costs herein represent estimated amounts and do not represent actual City commitments or expenditures. Rather, they are a ceiling on possible expenditures of TIF funds in the redevelopment project area.

REDEVELOPMENT PROJECT - ESTIMATED PROJECT COSTS ELIGIBLE UNDER ILLINOIS TIF STATUTE. THESE ARE POTENTIAL COSTS TO BE EXPENDED OVER A PERIOD OF 23 YEARS BUT TO BE SOLELY DETERMINED BY THE CITY TO FUND AS NEEDED. (Note: This summary does not include private redevelopment costs, and each cost item is based upon standard amounts for other similar type projects.)

<u>Program Action/Improvement</u>	<u>Estimated Costs(A)</u>
1. Land Acquisition and Assembly Costs including Land Writedown/Site Preparation Work(B)	\$3,500,000
2. Rehabilitation and related Construction of Public Improvements Including the Relocation of Existing Utilities and the Provision of Utility Service	1,250,000
3. Utility Improvements including, but not Limited to, Water, Storm, Sanitary Sewer, and the Service of Public Facilities	500,000
4. Construction and Reconfiguration of Parking Rights-of-Way and Street Improvements/Construction, Signalization, Traffic Control, Lighting, Landscaping, Buffering and Streetscaping	500,000
5. Interest Costs Pursuant to the Act	1,000,000
6. Planning, Legal, Engineering, Administrative and Other Professional Service Costs	500,000
7. Miscellaneous/Contingencies	<u>250,000</u>
Total Estimated Costs	\$7,500,000

(A) All project cost estimates are in 1993 dollars. In addition to the above stated costs, any bonds issued to finance a phase of the project may include an amount of proceeds sufficient to pay customary and reasonable charges associated with the issuance of such obligations as well as to provide for capitalized interest and reasonably required reserves. Adjustments to the estimated line item costs above are expected. Each individual project cost will be re-evaluated in light of the projected private development and resulting tax revenues as it is considered for public financing under the provisions of the Act.

(B) Such costs may be higher due to the City's goal of inducing demolition of the facility prior to the adoption of the TIF District.

The totals of line items set forth above are not intended to place a total limit on each of the described expenditures. Adjustments may be made in line items within the total, either increasing or decreasing line item costs for redevelopment.

Adjustments to these cost items may be made without amendment to the Redevelopment Plan as long as the total project expenditures remain unchanged.

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

Funds necessary to pay for public improvements and other project costs eligible under the TIF statute are to be derived principally from property tax increment revenues, proceeds from municipal obligations to be retired primarily with tax increment revenues and interest earned on resources available but not immediately needed for the Redevelopment Plan and Project.

"Redevelopment Project Costs" specifically contemplate those eligible public costs set forth in the Illinois statute 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 only to leverage and commit private redevelopment activity.

The tax increment revenues which will be used to pay debt service on the tax increment 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 proposed RPA over and above the initial equalized assessed value of each such lot, block, tract or parcel in the RPA in the 1995/1996 tax year.

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 taxes, special service area taxes, the proceeds of property sales, unlimited property taxes if the obligations are general obligations of the City, 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 City of Evanston may from time to time deem appropriate.

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

G. Nature and Term of Obligations to be Issued

The City may issue obligations secured by the tax increment special tax allocation fund established for the Redevelopment Project Area pursuant to the Act or such other funds or security as are available to the City by virtue of its powers pursuant to the Illinois State Constitution.

Any and/or all obligations issued by the City pursuant to this Redevelopment Plan and Project and the Act shall be retired not more than twenty-three (23) years from the date 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 amounts available in that year, or projected to be available in that year, 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.

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

Such securities may be issued on either a taxable or tax-exempt basis, 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.

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

The equalized assessed valuation of the property within the RPA is currently approximately \$7,574,400, which is the 1992 equalized assessed valuation, the most recent EAV available. It is anticipated that this total EAV shall be reduced prior to the adoption of the TIF District, due to actual vacation of and anticipated demolition of the Washington National structure by 1995. The Boundary Map, Map 2, shows the location of the proposed RPA.

I. Anticipated Equalized Assessed Valuation

Upon completion of the anticipated private development of the Redevelopment Project Area by the year 1996, it is estimated that the equalized assessed valuation of the property within the Redevelopment Project Area will be increased by approximately \$8 to \$18 million, depending on condominium conversions. The estimate assumes a constant Cook County equalization factor (multiplier) of 2.0897 and 1993 dollars.

VI. 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. Such strategy will contribute to a realistic approach in funding the Project while assuring the City the ability to fund the Projects it deems to have the highest priority.

The Redevelopment Project will require an estimated eight (8) years to complete.

The Redevelopment Project will begin as soon as the development entity (or entities) have identified market uses for the sites and such uses are conformant with City zoning and planning requirements. Depending upon the scope of the development as well as the actual uses, the following activities may be included:

Site Preparation: The existing structures located within the RPA may have to be reconfigured or prepared to accommodate new uses. The redevelopment plan contemplates site preparation, land writedown, or other requirements necessary to prepare the site for the desired redevelopment, (e.g., environmental).

Landscaping/Buffering/Streetscaping/Parking: The City may undertake, or cause to be undertaken, certain landscaping and parking which serve to beautify and improve access to public properties or rights-of-way and provide buffering between land uses.

Water, Sanitary Sewer, Storm Sewer and Other Utility Improvements: The City may extend or re-route certain utilities (or cause such extension) to serve or accommodate the new development. Upgrading of existing utilities may be undertaken.

Roadway/Street/Parking Improvements: Certain secondary streets/roads may also be improved. Related curb, gutter, and paving improvements could also be constructed as needed. Sidewalk and parking improvements ancillary to the above may also be carried out.

Traffic Control/Signalization: The City may construct or cause to be constructed necessary traffic control or signalization improvements that improve access to the RPA and enhance its redevelopment.

Public Safety Related Infrastructure: The City may construct or cause to be constructed certain public safety improvements including, but not limited to, public signage, public facilities, and street lights.

Interest Cost Coverage: The City may pay for certain interest costs incurred by the redevelopment entity for construction, renovation or rehabilitation of the redevelopment project. Such funding would be paid for out of annual tax increment revenue generated from the RPA as allowed under the Act.

Professional Services: The City may use tax increment financing to pay necessary privately funded planning, legal, engineering, administrative and financing costs during project implementation. Eligible costs undertaken on behalf of the City may also be paid by the City.

B. Commitment to Fair Employment Practices and Affirmative Action

As part of any Redevelopment Agreement entered into by the City and the private developer, both will agree to establish and implement an affirmative action program that serves appropriate sectors of the City of Evanston.

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 countenance discrimination 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 educational opportunities.

Anyone involved with employment or contracting activities for this Project will be responsible for compliance with this policy and the compliance requirements of applicable state and federal regulations.

The City and the private developers involved with this Project 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 for the project initiated within the RPA. Additionally: (a) any public/private partnership established for the development project in the RPA 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; (b) it shall be specifically ensured that all on-site supervisory personnel are aware of and carry out the obligation to maintain such working environment, with specific attention to minority and/or female individuals; and (c) the partnership 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 partnership that successful affirmative action programs are important to the continued growth and vitality of the City of Evanston.

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

This Redevelopment Project will be completed on or before a date 23 years from the adoption of the ordinance designating the Redevelopment Project Area. Actual construction activities are anticipated to be completed within eight (8) years.

VII. 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.

Map 1
Sidwell Map

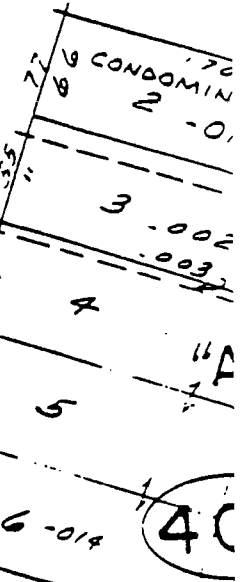
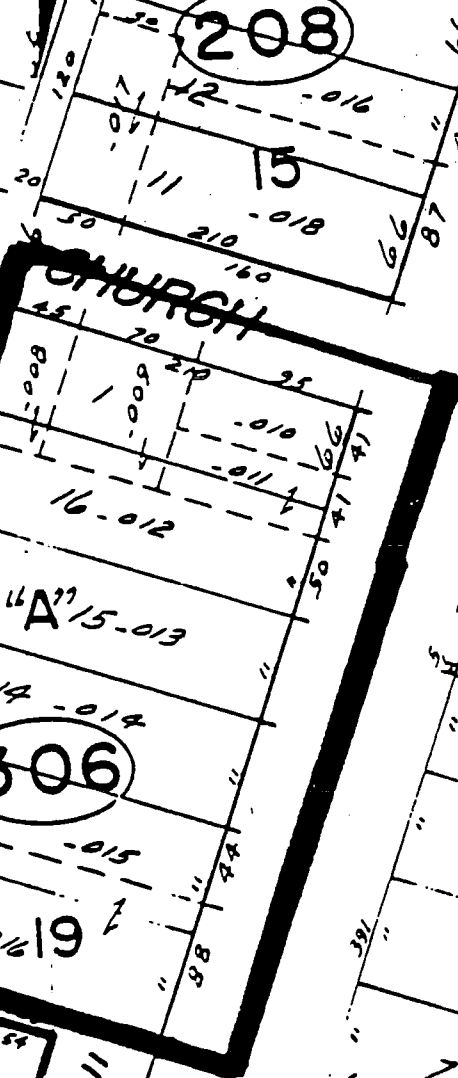
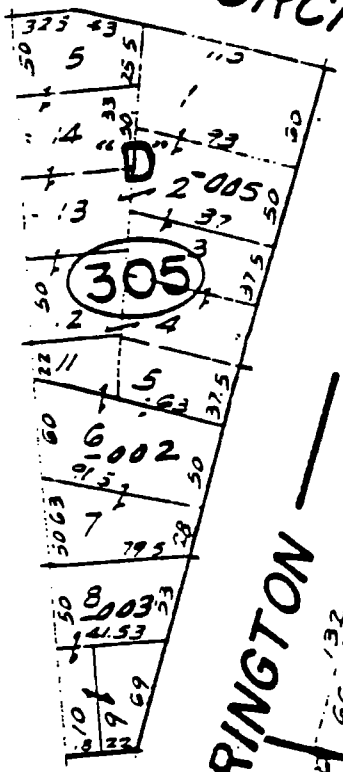
10 T

CHURCH

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ST.

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ORRINGTON

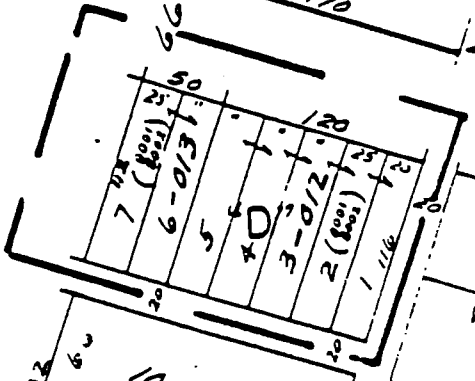
DAVIS

- 31
- 1007
 - 1008
 - 1009
 - 1010
 - 1011

126 5566
 114-016
 DOMINIUM
 9612091
 UNIT

2. UNION of Lots 7 and
 8 of Evanston (see 'A')

AGO



408

Map 2
Boundary/Vicinity Map

Map 3
Existing Land Use Map

WASHINGTON
NATIONAL
TIF/RPA

BOUNDARY MAP

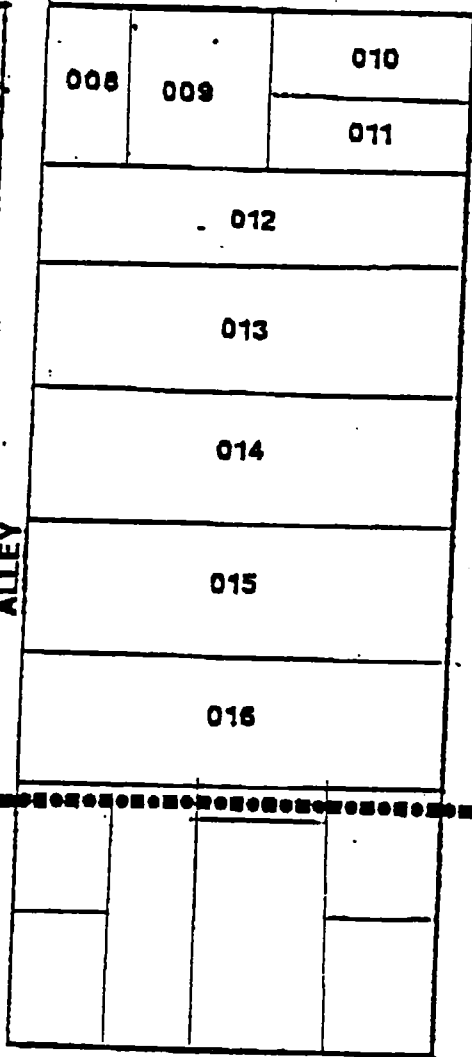
ORRINGTON AVE

CHURCH ST.

ALLEY

CHICAGO AVE.

DAVIS



NOT TO SCALE

KANE, MC KENNA AN
ASSOCIATES, INC.
150 NORTH WACKER DRIV
SUITE 1600

LEGAL DESCRIPTION

A parcel of land in the South ½ of Section 18, Township 41 North, Range 14 East of Third Principal Meridian comprising Lot 1 and Lots 12 to 16, both inclusive in Block 19 in The Village of Evanston in Section 13, Township 41 North, Range 13 East of Third Principal Meridian and Sections 7, 18 and 19, Township 41 North, Range 13 East of Third Principal Meridian, the 20 feet Northerly and Southerly public alley lying Westerly of and adjoining the Westerly line of said lots, Chicago Avenue lying Easterly of adjoining the Easterly line said Lots and Church Street lying Northerly of the Northerly line, and the Northerly line extend Westerly 20 feet and the Northerly line extended Southeasterly to the Easterly line of said Lot 1 and more particularly described as follows: commencing at the point of intersection of the North line of Church Street and the East line extended Northerly of Chicago Avenue; thence Southwesterly along the said extended East line and the East line of Chicago Avenue to its intersection with the extension Southeasterly of the Southerly line of said Lot 12; thence Northwesterly along said extended line, the Southerly line of said Lot 12 and the said Southerly line extended Northwesterly to the Westerly line of aforesaid 20 feet Northerly and Southerly public alley; thence Northeasterly along said Westerly line and said Westerly line extended Northerly of said 20 feet Northerly and Southerly public alley to its intersection with the said north line of Church Street; thence Southeasterly along said North line and said North line extended Southeasterly of Church Street to the point of beginning, Cook County, Illinois.

October, 1993

DRAFT

CITY OF EVANSTON

PRELIMINARY TIF QUALIFICATION REPORT

PROPOSED WASHINGTON NATIONAL (Church/Chicago/Davis)
REDEVELOPMENT PROJECT AREA

PREPARED FOR:

CITY OF EVANSTON
OCTOBER 8, 1993

PREPARED BY:

KANE, McKENNA AND ASSOCIATES, INC.

City of Evanston

TIF Designation Report
Washington National Redevelopment Project Area

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Exhibits

EXHIBIT 1 - Boundary Map

EXHIBIT 2 - Legal Description (forthcoming)

EXHIBIT 3 - Parcel Identification Numbers

I. INTRODUCTION AND BACKGROUND

Introduction

This eligibility report focuses on approximately 2½ acres of currently improved and some vacant land being considered as a Tax Increment Finance District (TIF) in the City of Evanston, Cook County, Illinois. The Study Area, located entirely in the City's downtown Central Business District, consists primarily of an approximately 360,000 square foot vacant office building located generally at the southwest corner of Church Street and Chicago Avenue as well as an adjacent aged and depreciating structure on Chicago Avenue and Davis Street.

The purpose of this report is to document in a comprehensive manner the extent to which the factors of "blight" exist for this area and to determine the eligibility of this area for such status pursuant to the Tax Increment Allocation Redevelopment Act, Illinois Revised Statute, Section 11-74.4-3 (the "Act").

The Act addresses the elimination or reduction of blighted area factors within Illinois communities through the implementation of redevelopment measures. The Act authorizes the use of tax increment revenues derived from the tax rates of various taxing districts in a Redevelopment Project Area (the "RPA") for the payment of costs related to the undertaking of redevelopment projects. In order to qualify for redevelopment eligibility under this legislation, an RPA must contain conditions which warrant its designation as a "blighted area". The following sections of this report will describe conditions of blight which exist in the proposed RPA conformant to the provisions of the Act.

The proposed RPA as a whole is generally bounded by the following:

Davis Street on the south, the western boundary of the north/south alley adjacent to the Washington National Insurance facility on the west, Church Street on the north and Chicago Avenue on the east.

The survey was undertaken during August-October, 1993 and also includes the findings of previous studies, plans and inventories conducted by various firms and City agencies which were available and are pertinent to the evaluation of this area. Said studies, plans, etc., are not, however, viewed as the sole basis for the findings made herein.

Area Background

The proposed RPA is located in the City's Central Business District which was established during the early 1900's. The primary land uses at that time consisted of mostly 2-3 story brick buildings generally located along Church and Davis Streets, and the founders of Washington National Insurance Company (Kendall and Preston) chose Evanston as the location for the construction of the 616 Church Street Building in 1921 to house its fledgling insurance company. As the company grew over the years, it subsequently implemented 15 additions or newly constructed areas, which over time incorporated a significant portion of the entire City block on which it stood. At its peak, the company employed 2,000 individuals. When the company began to experience a downturn, and an accordant reduction in staff and operation occurred beginning in 1983, it was obvious to firm officials that a decision had to be made with respect to the building due to its diminishing use and advancing age.

In late 1989, the company retained several construction consultants to evaluate the condition of the building. They reported that due to mechanical, HVAC, and other interior construction needs (as well as structural problems with the parking garage), the cost of renovation of the structure for its continued use or for the use of any other potential tenant(s) (which suggested a "modernization" plan as a first step, with interior systems work to follow) was cost prohibitive. These findings were supported by brokers and architects hired to confirm the original analysis.

In the summer of 1990, the company's real estate consultant contacted approximately thirteen (13) developers via a request for proposal to develop the property with or without a Washington National headquarters as part of the development.

The overwhelming response was one of "no interest" because the majority of developers felt it would be impossible to be competitive based on an inability to finance an office building in

downtown Evanston. According to brokers interviewed, there is very little market for large single user structures offering office space in Evanston; more typical is the 10,000 s.f. space user. Some responded with alternate site or non-competitive proposals. The consensus was that the building was far too inefficient to be redeveloped into a multi-tenant use. Developers also commented that the only financing accommodating any new development for the site appeared to be residential.

In the fourth quarter of 1990, after a detailed analysis and review of proposals, it was determined that new construction or renovation of the Chicago Avenue structure were the most expensive headquarter alternatives.

Due, in part, to the structure's age, obsolescence and deleterious layout, the total building area which had been utilized in the past or leased over time had decreased by the mid to late 1980's, and the number of individuals and uses in the building had begun to decline. The decision to move to a northern Chicago suburb was made and the building has been entirely vacant since April, 1993. The Church Street tenants have also been relocated.

As discussed in detail in a subsequent section, office/commercial use of the property is no longer economically viable. The potential costs associated with land acquisition, reconfiguration and/or demolition of existing structures are important determinants of the price charged to new users of the site, effectively limiting the possible redevelopment uses. For example, if more office or retail facilities were constructed, the proportional site costs that would be incorporated into the new construction costs would likely drive up the price of the rents far beyond the market for comparable uses. Residential density is proposed as an alternative use, but the density would need to be considerable, and perhaps beyond the level of market demand, in order to generate the revenue flow necessary for needed redevelopment costs.

The property had been marketed for office/commercial/retail or residential reuse since 1991. Anticipated site costs have precluded redevelopment, even though higher intensity uses can typically bear higher development costs. A current residential redevelopment proposal is only feasible with public assistance to defray the costs of acquiring and preparing the site.

Even with City assistance, the practicable reuses of the site are limited. To make a TIF work, a development must have a higher value for property taxes than the previous use, since only taxes from new value are captured. Within the proposed RPA, the current valuation is relatively high, however, it is dropping each year due to tax protests citing lack of occupancy, and will likely decrease further with anticipated demolition of the site. A proposed reuse of the site will hopefully replace and perhaps increase the value of the parcel over time.

In summary, the proposed redevelopment project presents certain features related to the characteristics of the site and existing market conditions:

- Commercial/office reuse or sale of the Washington National building/site has met with no viable market acceptance in recent years. The building is functionally obsolete.
- Costs attributable to land acquisition and site preparation (including demolition) prohibit lower density use of the site.
- A commercial/retail redevelopment of the existing structure would be cost-prohibitive as supported by local developers/brokers due to the extensive mechanical, HVAC, environmental and other interior construction needs of the building as well as structural problems with the interior parking garage.

The RPA designation is being pursued to address blighted conditions and permit the reuse of the property. Without public intervention and a change in the land use, the area's obsolescence and underutilization due to the blighting conditions would not be resolved.

Appropriate redevelopment of the site would prevent a loss of the City's real property tax base, and a residential reuse would create new housing and pedestrian activity for downtown business, thus expanding the City's sales tax base.

II. QUALIFICATION CRITERIA USED

With the assistance of City of Evanston staff, Washington National Insurance Company officials, and The John Buck Company (the proposed redeveloper of the site), Kane, McKenna and Associates, Inc. (KMA) examined the proposed redevelopment project area (RPA) to determine the presence or absence of appropriate qualifying factors listed in the Illinois "Real Property Tax Increment Allocation Act" (hereinafter referred to as "the Act"), as amended. The relevant sections of the Act are found below.

The Act sets out specific procedures which must be adhered to in designating a redevelopment project area. By definition, a "redevelopment project area" is:

"an area designated by the municipality, which is not less in the aggregate than 1-1/2 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 area and conservation areas."

The Act defines a "blighted" area with improvements as follows:

"any improved ... area within the boundaries of a redevelopment project area located within the territorial limits of the municipality where, if improved, industrial, commercial and residential buildings or improvements, because of a combination of 5 or more of the following factors: age; dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; lack of community planning; is detrimental to the public safety, health, morals or welfare."

The presence of factors must be reasonably distributed throughout the RPA and be present to a meaningful extent. The analysis herein indicates that the factors are present to a meaningful extent, whether the eventual area includes solely the Washington National facility or also includes the parcels to the south of the facility along Davis Street.

III. THE STUDY AREA

The proposed RPA consists of an approximately 360,000 square foot office structure at 1620/1630 Chicago Avenue and 610 Church Street owned and operated by Washington National Insurance Company. Also included are two (2) additional structures (one is a drive-through banking facility) managed and owned by other entities. Adjacent to the improvements are a heavily vegetated, formerly improved site and two (2) exempt parcels (alley, easements, etc.). This series of improvements are located on an approximately 2½ acre portion of a block comprised of fifteen (15) parcels. The original and oldest buildings were constructed in the 1920-30's and have had substantial additions and construction improvements made to them over the years, most notably in the period between 1936-1959. Since the Washington National structure covers greater than 75% of the proposed redevelopment project area, its character and condition dominate the area.

Public rights-of-way surrounding the Washington National building are included in the proposed RPA. These include the western half of Chicago Avenue, the southern half of Church Street and the northern half of Davis Street. The streets are an integral component of the site and impact the patterns of use of the site.

IV. METHODOLOGY OF EVALUATION

In evaluating the proposed RPA's qualification, the following methodology was utilized:

- (1) Exterior and internal site surveys of the original structure and its environs within the proposed RPA were undertaken by representatives from Kane, McKenna and Associates, Inc. KMA completed an evaluation of all structures, noting obsolescence, deleterious layout, depreciation, as well as possible code violations. The inspections included conditions of roof, windows, facade, interior walls and finishes, electrical systems and exterior conditions. A photograph analysis of the area was conducted and used to aid this evaluation. The interior of the majority of the structure were inspected, including tenant spaces.
- (2) The entire area was studied in relation to review of zoning and site maps; City ordinances; historic and current 1992 tax levy year information from the Cook County Clerk's Office; Sidwell tax plat maps; discussions with City officials regarding local history; photographs; architectural plans; environmental reports; and an evaluation of area-wide factors that affected the area's decline (e.g., deleterious land use or layout, obsolescence, etc.). KMA reviewed the area in its entirety. City redevelopment goals and objectives for the entire area were also reviewed.
- (3) Interviews were conducted with the management company responsible for maintaining the property, the current owners, brokers and architects with respect to the marketability of the property and the overall area. Discussions included certain impediments to the area which could be overcome by certain improvements or incentives.

The Study Area was examined to determine the applicability of the different factors for qualification for TIF designation under the Act.
- (4) Evaluation was made by reviewing the information collected and determining how each parcel and the structure measured as to the prevalence of each factor.

Summary of Area Findings

The following is a summary of relevant qualification findings:

- (1) The entire RPA comprises approximately 2½ acres. The area is contiguous and is greater than 1-1/2 acres in size, as required by the Act.
- (2) The Study Area can be categorized as a "blighted improved area" (a discussion of the basis for qualification of the RPA follows in the next section). Factors necessary to make these findings are present to a meaningful extent and reasonably distributed throughout the area as a whole.
- (3) All property in the RPA would benefit by the proposed redevelopment project improvements.
- (4) The sound growth of the tax base for taxing districts that are applicable to the area, including the City, had been impaired by the blighting factors found present in the area and as outlined in the Act.
- (5) For approximately the past two (2) years, the Washington National building has been actively marketed for sale by commercial brokerage firms. The owners had undertaken two (2) rounds of solicitations to prominent redevelopers (thirteen (13) potential commercial firms, and nine (9) potential residential developers) to elicit interest in the site and very few had expressed optimism regarding the property. The overall reasons for not pursuing the site as a redevelopment project, from the perspective of these developers, was the costly renovation or demolition/new construction, and eventual market rents necessary to sustain the structure to be developed. Additionally, after undertaking careful study of the feasibility of commercial or retail redevelopment, the City has concluded that the private sector economics were not viable for office or retail reuse. It is thus concluded that the area would not be subject to redevelopment without the investment of public funds, including property tax increments.

VI. QUALIFICATION OF AREA/FINDINGS OF ELIGIBILITY

Based upon an evaluation of the Study Area and an analysis of each of the eligibility factors summarized in Section IV, the following factors are presented to support qualification of the proposed RPA as a blighted improved area.

Age

The original Washington National building, located at 616 Church Street was constructed in 1921 as a single user facility, over seventy (70) years ago. Over the years, numerous additions have been added to the original structure, resulting in the existing, but vacant, Washington National building today. The entire building was constructed during a period approximately 34-72 years ago based upon data contained in aerial photographs and Washington National official correspondence.

The building's age has contributed substantially to its routine physical depreciation, including wear and tear on the overall structure of the facility. The adjacent University Building or "Koch" facility is also at least 35 years old.

Presence of Structures Below Minimum Code Standards

KMA's initial site visit, conducted in 1993 after Washington National's departure, preliminarily indicated that certain portions of the building were below minimum code standards. However, because Evanston does not routinely inspect the interior of commercial businesses, no formal code violations were cited or issued by the City to the property owners regarding the interior of the building. The City has since, however, formally cited ownership for its ongoing graffiti problems. Due to its vacant status, the building was obviously a target for vandals who have "tagged" the building with graffiti.

Based on KMA observations, Washington National historical data, and BOCA code standards, it would appear as if the current plumbing, fire protection, and electrical facilities, among other systems, are below minimum code standards. The central electrical system is controlled by various fuse boxes; the haphazard construction patterns and piecemeal use and development of adjacent structures has resulted in electrical equipment and fuse boxes which are located throughout the facility. This has led to the current inefficiency of the electrical system and would

present a problem to any potential user, particularly if multi-users were to locate within the structure.

Plumbing facilities have been affected much the same way. The piecemeal growth of the facility has resulted in an inadequate distribution of plumbing facilities. Frequently, no hot or even warm water would be available to restroom users and during wet or cold weather, the toilets would often back-up, flushing raw sewage into the building. This would require a concerted clean-up effort and result in a permanent sewage odor around the first floor restrooms.

The parking garage had been declared structurally unsound by a competent engineering firm and condemned in 1989, according to agents managing for Washington National. Although the first floor was used for parking vehicles until the time Washington National vacated, the safety and structural soundness were questionable. The interior exhibits substantial structural deficiencies, including cracked and slipped roof beams and walls; damaged, cracked and peeling paint as well as chipped concrete wall supports; cracked and uneven parking lot floor; and significant evidence of rust and depreciation of physical maintenance throughout the garage.

Additionally, the age of the building and the materials and equipment used in its construction equipment and maintenance have deteriorated substantially. The general result has been a heating and air conditioning system which appears to fall below current standards, presenting a health and safety issue to building users, as well as a potential fire hazard. Coupled with an already established asbestos problem, the building appears to not meet current code standards. Moreover, a building of this size should, by normal minimum standards, be equipped with a fire sprinkler system and sophisticated fire alarm. Only the Washington National building's first floor had ever been equipped with a sprinkler system and its condition has deteriorated so that its efficiency and effectiveness are questionable.

Finally, the Washington National building is not up to federal compliance standards established within the Americans With Disabilities Act (ADA) of 1991.

The costs of retrofitting the facility for compliance standards would force ownership to modify doorways, hallways, elevators and restrooms to accommodate wheelchair users.

Excessive Vacancies

The property, consisting of approximately 360,000 square feet of a former office building (located in the heart of the City's Central Business District) has been completely vacant for approximately six (6) months with no activity or employment being generated from its operations. The property has been completely vacant since Washington National Insurance Company moved its operations to north suburban Lincolnshire. Prior to its total vacation of the building, Washington National had been phasing out employees and downsizing its operations since 1983, resulting in underutilization of the property since that time. During its peak, in the early 1980's, Washington National employed up to 2,000 people. However, corporate downsizing and restructuring began shortly thereafter with Washington National reducing staff. By the mid 1980's, this led, in turn, to a reduced need for physical space. By 1987, Washington National was reducing its need for physical space further to accommodate yet more restructuring of the labor force, which was approximately 1,200. In 1989, a new chief executive officer of Washington National was named and the decision to review their premises requirements including the underutilized facility was put in motion. At the time of vacancy, only 600-700 individuals were employed at the facility. In conjunction with Washington National's decision to relocate, all of the retail and service tenants located along Church Street were relocated, also.

Lack of Ventilation, Light, or Sanitary Facilities

The age of the building and its subsequent patterns of additional construction and redevelopment have contributed significantly to the lack of adequate ventilation and lighting facilities. The current air handling system, made from steam coils, is old and leaky, contributing to a lack of air movement. Many areas lack natural light and ventilation due to the depth and window arrangement. Due to the age and construction of the building, many windows do not even open to circulate air. This has resulted in a lack of ventilation, a necessary component of office work station computer terminal arrangements. Further, the building was not environmentally controlled, according to the Company's space planning consultant.

Additionally, the existing sanitary facilities are inadequate and pose potential health and safety threats to any building occupants. The first floor toilets have often backed-up raw sewage into the building, which requires extensive clean-up. Ruptured steam pipes, which have never been repaired, have resulted in a permanent lack of hot water. Typically, the sewage problems were amplified during the winter months and rainy weather. Furthermore, the building, as it is currently configured, does not meet minimum standards set forth in the Americans With Disabilities Act (ADA) of 1991.

Obsolescence

The RPA as a whole suffers from economic and functional obsolescence. The Washington National facilities, since their original construction, have been under single ownership. The local and regional market for large single use property has narrowed. Mixed use (retail, office, service) or multi-tenant residential developments have been increasingly utilized in recent years in order to allow for the redevelopment of large sites such as this one.

Development plans and concepts for larger, single user office/commercial facilities and complexes have shifted over the years. There is a limited demand for single-use structures over 300,000 square feet. As many industries and businesses have downsized operations or consolidated operations, the market for large complexes has narrowed. As a result, many complexes have been considered for mixed use or multi-use developments. Redevelopment often entails adaptive re-use of existing facilities, or partial/total demolition of existing facilities, as in this case.

Over the last decade, the economy of the Chicago metropolitan region has experienced structural changes which has caused the loss of large office and/or industrial users. For example, Evanston and other northern suburbs have lost many larger such users including the recent departures of Mark Controls, Rust-Oleum, Bell and Howell, and AT&T.

Adaptive commercial/industrial reuse of large, single user facilities has worked best in buildings that roughly range from 150,000 to 300,000 square feet, according to local brokers. Many larger facilities have had to be razed in order to sustain redevelopment.

The Washington National building has been rendered obsolete even though the company continued to occupy a significant portion of the building prior to its recent relocation. Over the years, the company has had to deal with the building's obsolescence but not in a very successful manner. The economic incentives and developer pro forma standards have not had to meet the test of the market place because Washington National had rented some of the areas within the structure (on Church Street) to related entities or utilized other advantageous terms associated with the leases. Lower standards of improvements have therefore likely been more acceptable to the building's occupants. Washington National had made decisions over the years to continue to utilize the building for its various divisions and there were numerous changes in set-up and layout. The cost (or appropriateness) of improvements that were undertaken were not dictated by market factors. Rather, the building was being transformed into a variety of different types of uses and configurations without regard to market/development guidelines or standards, as ownership transferred corporate divisions throughout the building.

According to real estate brokers, the building suffers from many conditions that contribute to its obsolete character. Problematic by current development standards, this building was originally designed and continued to evolve as a facility for a larger, corporate user (particularly, a single user). The needs of office tenants in general have changed over time. It was determined by various consultants that it would cost at least \$20+ million to improve the building utilizing today's standards. The relative cost of occupying space in this building was unacceptably high and the company was desirous of more rational housing costs in which to operate, and the building was determined to be too outdated for Washington National's current and future operations.

Problems encountered during the last five (5) years of trying to renovate or sell the building include:

- (1) Washington National experienced ongoing financial difficulties during this period, and was under pressure to become profitable. On an annual basis, many capital requirements of the building were clearly growing beyond their efficiency. The effective age of the building had reached the point where major investment was necessary to maintain the building as a viable headquarters housing option; at the

same time, as Washington National was downsizing and reviewing its internal housing needs, longer-term capital investments were deferred until a comprehensive decision could be made. The depreciating internal systems had contributed to certain negative perceptions about the building, particularly from the perspective of the new managing agent hired to manage the building.

- (2) During the period between 1983-89, a marked downsizing of employees was occurring and the company hierarchy decided to review its options with respect to space. It was determined internally that, due to a combination of factors, the facility could not potentially lend itself to reconfiguration to allow for leasable space (other than along Church Street) or for any multi-tenant purposes. The company had already concluded that it only needed approximately 175,000 s.f. to run an efficient operation.
- (3) It was similarly apparent that outside experts were needed to evaluate the company's space needs and the aged condition of the structure to confirm whether the company could stay and run an efficient operation. An architectural firm along with the managing agent concluded that the costs for renovating the facility to current market and zoning standards would be at least \$20+ million. The following were listed as primary problems with the facility:
 - (a) The building has a very large, sprawling footprint and had 15 separate additions/renovations over a 50+ year period, making it difficult to modernize, subdivide or reconfigure towards smaller users (including Washington National's reduced needs).
 - (b) Original and deteriorating material and interior systems (plumbing, mechanical, ventilation, etc.) have contributed to overall foundation problems, safety concerns, comfort issues, and prohibitive cost expectations when contemplating renovations or demolition. References made regarding inadequacies in these systems with respect to current building codes also were cause for concern.

- (c) Specifically, there are reported costly environmental, fire prevention, and electrical/ventilation deficiencies in the structure which would have had to be dealt with sooner or later, as well as adherence to ADA regulations recently instituted.
- (4) The interior parking garage had elicited a mixed reaction on the part of existing and potential users, since it occupies a large amount of space and was part of the original construction of the 1620-1630 Chicago Avenue building 60+ years ago. The 2nd and 3rd floors of the garage have been condemned according to company officials and, therefore, have rendered it functionally obsolete and inefficient. This location has prevented a natural flow throughout the building from front to back and side to side;
- (5) Today's smaller, mid-size and larger commercial/office tenants often require more access, while the building's location (in a downtown area away from major transportation arteries) does not help distribution-oriented tenants; and
- (6) Today's tenants also are desirous of office exterior facades which have been uplifted and updated – the subject building cannot accommodate most of these requirements (due in part to the high costs associated with such improvements and the nature of the original design). Areas within the Washington National building that have received any investment and upgrading are nonetheless functionally obsolete due to the departure of the firm. The improvements made in both the executive and ground floor/lobby level are geared to the needs of the specific original user. According to real estate brokers, excessive investment would be needed in order to make the complex marketable to other potential tenants in the current marketplace environment and, indeed, no amount of investment may be sufficient to upgrade the building to current market standards.

EXHIBIT 1
BOUNDARY MAP

**WASHINGTON
NATIONAL
TIF / RPA**

BOUNDARY MAP

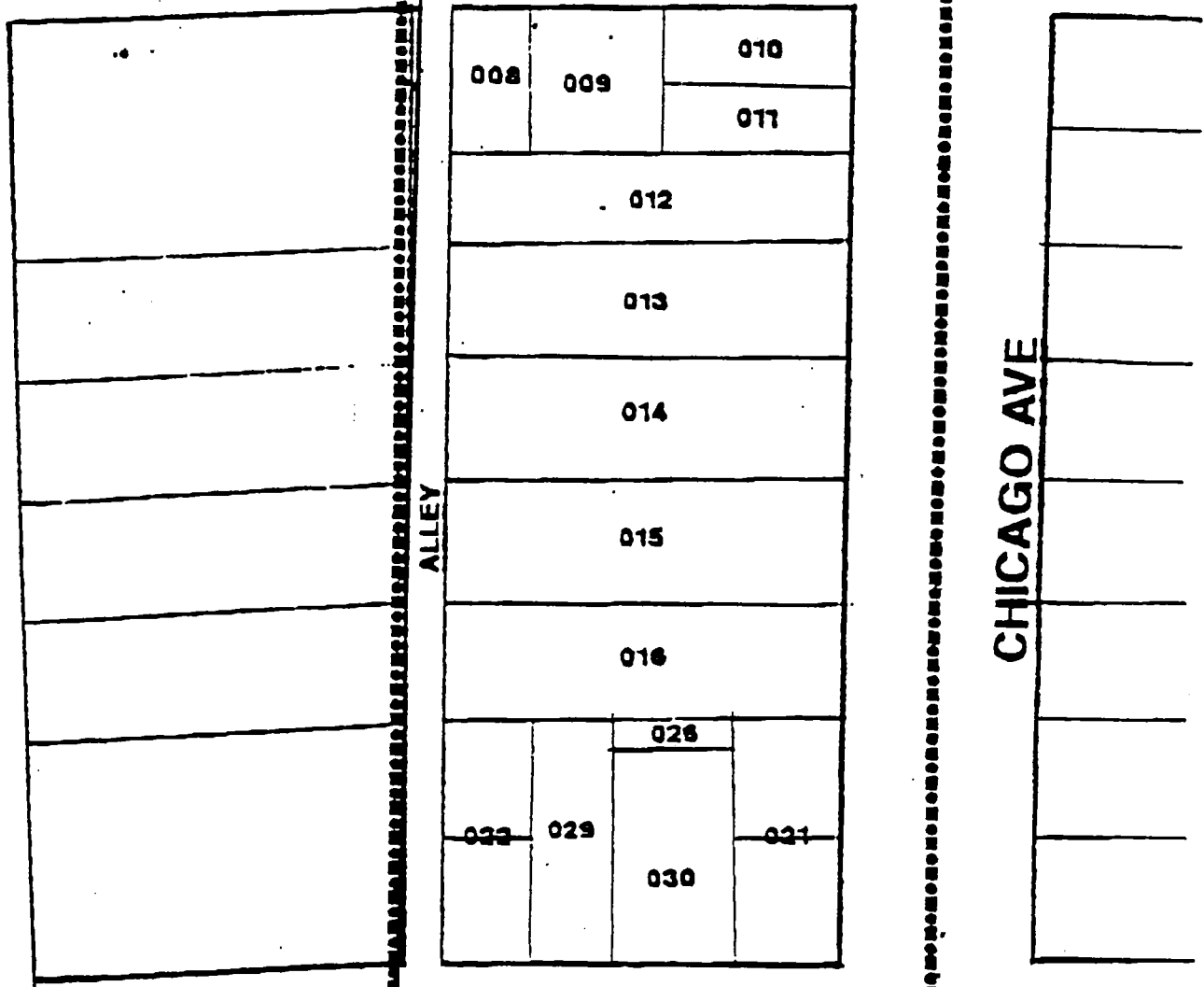
CHURCH ST.

ORRINGTON AVE

CHICAGO AVE

ALLEY

DAVIS



NOT TO SCALE

**KANE, MC KENNA AND
ASSOCIATES, INC.**
150 NORTH WACKER DRIVE
SUITE 1600
CHICAGO, IL 60605

WASHINGTON
NATIONAL
TIF / RPA



PROPOSED MIX USE

PROPOSED LAND U

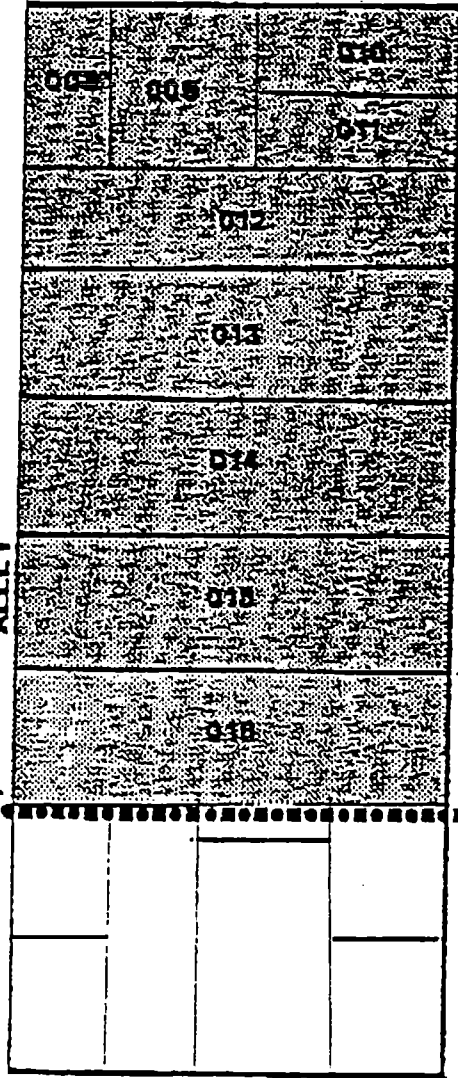
CHURCH ST.

ORRINGTON AVE

ALLEY

CHICAGO AVE.

DAVIS



NOT TO SCALE

KANE, MC KENNA AND
ASSOCIATES, INC.

150 NORTH WACKER DRIV

WASHINGTON
NATIONAL
TIF/RPA

EXISTING LAND USE

 BUSINESS / OFFICE

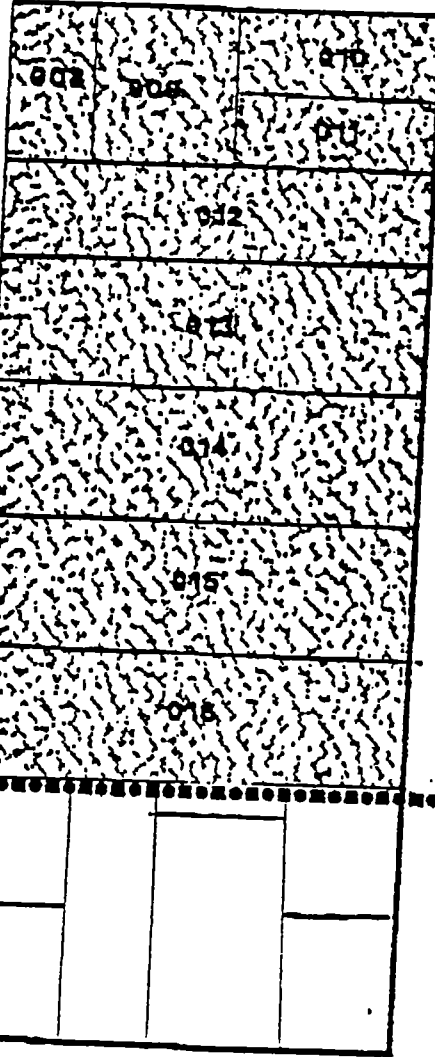
CHURCH ST.

ORRINGTON AVE

CHICAGO AVE.

ALLEY

DAVIS



NOT TO SCALE

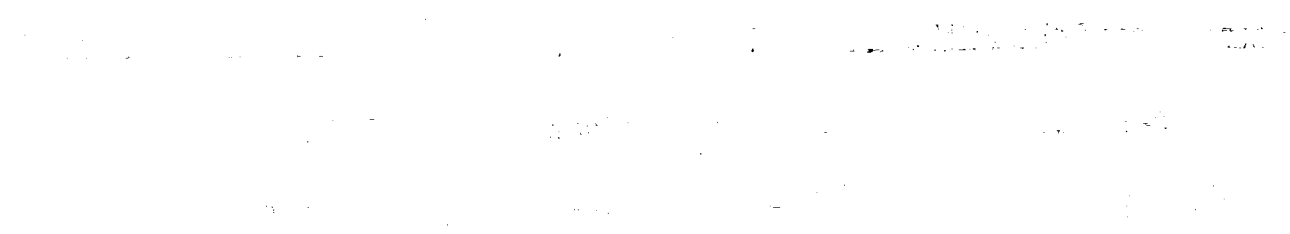
KANE, MC KENNA AND
ASSOCIATES, INC.
150 NORTH WACKER DRIVE
SUITE 1600

EXHIBIT 3
PARCEL IDENTIFICATION NUMBERS

Exhibit 3

<u>Parcel Identification No.</u>	<u>Owner</u>	<u>1992 EAV</u>	<u>County Class</u>
11-18-306-008	Washington National	239,912	
11-18-306-009	Washington National	683,315	
11-18-306-010	Washington National	61,824	
11-18-306-011	Washington National	61,824	
11-18-306-012	Washington National	1,588,717	
11-18-306-013	Washington National	1,514,644	
11-18-306-014	Washington National	1,304,888	
11-18-306-015	Washington National	1,222,571	
11-18-306-016	Washington National	896,705	
11-18-306-021	Robert Koch	314,866	
11-18-306-022-8001	Exempt	Exempt	
11-18-306-022-8002	NBD Bank	74,974	
11-18-306-026	Exempt	Exempt	
11-18-306-029	NBD Bank	228,812	
11-18-306-030	Grove Sherman	104,709	

Figure 3



The building itself suffers from an outdated facade and is considered "depreciating" within the marketplace. It is also regarded as difficult to modify in that the structure is too rigid to accommodate flexible space users. Brokers felt that the building did not conform to a potential user's idea of a modern image, particularly those users looking for a class "A" office location in downtown Evanston.

When the company originally sent out approximately thirteen (13) RFP's to firms for potentially redeveloping or purchasing the site for commercial/retail purposes, and then to nine(9) companies for residential redevelopment possibilities, only two (2) formal responses came back. A survey of those firms contacted is forthcoming.

Deleterious Land Use or Layout

By virtue of the building's size and configuration, the structure in which Washington National conducted the majority of its operations for over seventy (70) years could no longer be more economically used unless clearance took place. Also, site development and Washington National expansion over the years had resulted in discontinuous and irregular floor patterns and "makeshift" access points within the building. The floor plan and overall layout at the time the company was downsizing was problematic in that large divisions could not function well in the same location and departments had difficulty working in conjunction with one another, according to the architect hired to resolve such issues.

There are at least three (3) public access entrances on the 360,000 s.f. building. Existing tenants along Church Street had access from the building as well as street access, all of which likely contributed to security issues and conflicting patterns of employee flows. The parking garage was very problematic in that its system was outdated and required elevator transport for cars once inside the structure which periodically caused back-ups from the Chicago Avenue R.O.W. A skybridge was constructed in 1974 to connect Washington National with the 1603 Orrington Building, purchased by Washington National in the early 1970's. The location of the skybridge and the ensuing worker traffic flow between buildings contributed to confusing layouts within the structure. Most of the interior floor systems had to make due with various additions and changes constantly in progress due to the company policy of shifting divisions around to fill-up the space.

The location of the company washrooms, elevators, fire escapes, etc. were all positioned to address single user occupancy; if the building were to be marketed towards multi-tenant uses, access to each of these areas would be difficult and expensive to improve.

Depreciation of Physical Maintenance

The interior of the Washington National building exhibits many examples of deferred maintenance and areas of depreciating effects. Old rusted piping, water damaged walls and floors, cracked and peeling ceilings, roaches, soiled carpeting and floors, wallpaper and paint peeling, rusted fire escapes, antiquated elevators, broken glass, weathered roof, duct system, etc. were present during site visits.

As previously noted, the company had used limited resources toward improving or maintaining the building since 1983, ten (10) years prior to the company vacating the site. The agent hired to manage the building convinced the company that a decision had to be made about the future of the building because they found it difficult to manage such a facility in its depreciating condition.

The exterior site improvements on the Washington National property show evidence of depreciation. There are cracked and broken sidewalks, driveways, alleyways, paving and curbing in all the various perimeter parking areas and areas with vegetation growing in them. There is graffiti at certain locations on the exterior; the City has cited the owner for this condition. On the north side of the building, the storefront/office space has depreciating facades due to sign removals, rust, and aged window treatments.

On the building, metal window mullions and overhead loading dock doors show evidence of paint deterioration, rusting and peeling. Windows have been boarded up in some locations and are bowing out. The adjacent buildings on Davis Street are also depreciating due to their aged condition.

Deterioration

In the proposed RPA, the facility exhibited deterioration whereby major rehabilitation of various structural elements such as exterior walls, roofs and foundation was warranted. Various systems exhibit, to a significant extent, a need for rehabilitation or removal. Some of these elements are in need of repair due to age, previous fires, decay, neglect or misuse to such an extent as to warrant their removal and cause replacement to protect the public health, safety, welfare or property values.

The exterior roofs of the majority of the entire facility have experienced structural problems resulting in consistent leaking, standing water, pressure from equipment on top of roofs and poor pitching. In most downpours or consistent rainy periods, the building experiences much seepage and water tends to build up in areas such as the elevator shafts, elevator pits, docks and basement areas, causing severe backups and replacement of wiring. Structural roof and wall deficiencies have also contributed to water coming down pipes which break the ceiling and asbestos surrounding the pipes.

As referenced in the minimum code violations factor, the parking garage (incorporating a ground floor, two (2) additional floors, and a roof top parking) has been condemned due to structural deterioration.

VI. OVERALL ASSESSMENT OF AREA QUALIFICATIONS

The proposed RPA is considered to be an eligible TIF District with respect to its blighted condition. Conditions exist throughout the area which when considered as a whole, will qualify the proposed RPA under Section 11-74.4-3 of the Tax Increment Allocation Redevelopment Act of the State of Illinois. The Washington National facility, representing nine (9) of the fifteen (15) parcels in the proposed RPA, will also qualify on its own, based upon the degree of deterioration and obsolescence occurring within the facility.

As set forth in the narrative and maps provided herein, the proposed RPA meets the "blighted": requirements of the Act. The following blighted characteristics are distributed throughout the proposed RPA: (1) Age, (2) Presence of Structures Below Minimum Code Standards, (3) Excessive Vacancies, (4) Lack of Ventilation, Light and Sanitary Facilities, (5) Obsolescence, (6) Deleterious Land Use and/or Layout, (7) Depreciation of Physical Maintenance, and (8) Deterioration. We are continuing to review the potential for other characteristics as factors for this proposed RPA.

The combination of these factors impede the development of the property, specifically the Washington National facility, by inhibiting its adaption to today's users. The obsolescence, age and deleterious layout of the building itself, coupled with the depreciation and vacancy currently present on the site do not make it a viable location for potential users. These factors combined have resulted in the recent vacancy of the building, which already is resulting in a significant loss of property tax revenue and employment opportunities for the City.

City intervention and the establishment of a TIF District on the property can reasonably be expected to halt further decline of the property and serve as a conduit for substantial private investment and development.