



Riverfront

REIMAGINED

STANLEY-NATIONAL LAWRENCE BROTHERS

CITY OF STERLING, ILLINOIS



DRAFT REPORT
JUNE 17, 2020

studio **gwa**
PLAN DESIGN DEVELOP

hunden
strategic
partners



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EXECUTIVE SUMMARY

The Lawrence Brothers and Stanley-National complexes are comprised of former office and manufacturing buildings that are located in downtown Sterling, Illinois. The complexes are bisected by Illinois Route 40 and together occupy nearly 2,000 linear feet of frontage along the Rock River to the south.

Since 2006 the City of Sterling has undertaken a number of activities to improve the appearance and redevelopment potential of the Sterling riverfront, including demolition, environmental assessments, and a district-wide redevelopment plan. In more recent years the City of Sterling has focused particularly on the Lawrence Brothers and Stanley-National complexes; both are owned by the city, and both were the subject of an adaptive reuse study in 2014.

This reports details several work products that assist the City of Sterling in its redevelopment efforts for the complexes, including:

- Understanding the needs and desires of the community;
- Analyzing the market conditions and identifying compatible uses;
- Determining the financial feasibility of a redevelopment project;
- Developing conceptual plans and visuals that offer fresh perspectives of a reactivated complex.

The goal is to assist the City of Sterling in developing a revitalized waterfront that locals and visitors alike can use for an array of activities.

Understanding the Complexes

The Lawrence Brothers complex is located at 2 1st Avenue in sterling. There are four connected buildings on the property totaling 222,691 square feet. The buildings are an early example of how concrete was used to create decorative yet functional structural elements suitable for a large-scale modern manufacturing company. Significant architectural and historical features remain, including a sawtooth roof, elevated clerestory, and original manufacturing equipment.

The Stanley-National complex consists of 11 buildings constructed as early as 1907 and continuing into the 1960s. Together the buildings total over 440,000 square feet. The majority of the square footage is found in buildings that were previously used for manufacturing and warehouse purposes. Many of the buildings are in sound condition with connected utilities and an intact, secure building envelope.

Understanding the Community

The purpose of the community engagement efforts was to:

- Convey the redevelopment potential within both complexes; and
- Collaborate with community members to identify compatible uses for the buildings.

Stakeholders and community members alike participated in three events during the project:

- A stakeholder input session on February 20, 2020 at Sterling City Hall.
- A stakeholder tour on March 13, 2020 showcasing successful historic redevelopment projects in downtown Rockford, Illinois.
- A community engagement webinar on June 3, 2020 to unveil recommendations for both complexes.

Understanding the Market

The project included a market analysis and feasibility study that was performed by Hunden Strategic Partners. The purpose of the study was to assess which real estate uses would be most compatible and synergistic within a mixed-use redevelopment along the Sterling riverfront.

The study detailed existing market conditions, analyzed market opportunities for a number of uses, and discussed development phasing among other items. A summary of the study is included in the report, and the complete study is included in the appendix.

Design and Analysis

Based on the recommendations detailed in the Market Analysis, Studio GWA developed a

series of work products that are important in the redevelopment efforts for the complexes, including:

- Site Access Scenarios to improve access to and between the complexes;
- Conceptual Floor Plans for the development of the buildings with proposed uses;
- Visuals that provide fresh perspectives of renovated, reactivated buildings; and
- Financial Proformas that determine financial feasibility and return on investment of the proposed scheme.

A summary of the proposed Program of Uses is below.

Next Steps

The report concludes with a series of next steps for elected and administrative officials of the City of Sterling to consider, including:

- Creating a Request for Qualifications (RFQ) document for developer solicitation;
- Initiate a discussion between City of Sterling staff and councilmembers regarding financial initiatives.
- Continue discussions between the City of Sterling and the business community.

Program of Uses			
	Location	Square Footage	Units/Keys/Stalls
Lawrence Hardware Buildings 1 & 2			
Restaurant/Kitchen	Lower Level	8,900	-
Riverfront	Lower Level/First Floor/Second Floor	8,300	-
Hotel	Lower Level through Fourth Floor	59,000	73
Future Build-Out	First Floor	22,400	-
Event/Conference Space	Second Floor	16,000	-
Lawrence Hardware Buildings 2 & 3			
Interior Parking	Lower Level	57,450	109
Add'l Surface Parking	North of Rail Line	46,700	120
Lawrence Hardware Building 4			
Interior Parking	Lower Level	12,500	23
Residential Apartments	Lower Level through Second Floor	51,100	35
Stanley-National Buildings 2 & 5			
Residential Apartments	Lower Level through Fourth, Fifth Floors	51,000	51

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INTRODUCTION



- **PROJECT ORIENTATION**
- **PROJECT SCOPE**
- **PAST PLANS & STUDIES**





PROJECT ORIENTATION

The Lawrence Brothers and Stanley-National complexes are comprised of former industrial buildings that are located in downtown Sterling, Illinois. The sites are bisected by Illinois Route 40 and together act as a gateway into Sterling from Rock Falls and Interstate 88.

The complexes were once home to Lawrence Brothers Hardware and National Manufacturing Company respectively, both of which were known for their global contributions to the builders hardware markets. The sustained growth of each company in the early- to mid-twentieth century is manifested in the sheer size of the buildings; put together, the complexes have over 688,000 square feet of space, the majority of which was used for manufacturing purposes.



The Lawrence Brothers and Stanley-National complexes occupy nearly 2,000 linear feet of frontage along the Rock River to the south. Sterling Steel is an active steel rod producer that is located further to the west. Formerly

known as Northwestern Steel & Wire, the plant began producing steel in 1936 and at its peak employed over 5,000 people. The plant was sold in 2001 to Leggett and Platt and shortly after a portion of the plant was reopened under the name Sterling Steel. Together, these companies helped establish the Sterling riverfront as a powerhouse of industry.



Since 2006 the City of Sterling has undertaken a number of activities to improve the appearance and redevelopment potential of the Sterling riverfront, including demolition, environmental assessments, and a district-wide redevelopment plan. In more recent years the City of Sterling has focused particularly on the Lawrence Brothers and Stanley-National complexes; both are owned by the city, and both were the subject of an adaptive reuse study in 2014.



City officials have underscored the need to address both complexes, and the pressure to improve visitors' impressions of Sterling has ostensibly come from within and without. The city has explored options for both complexes ranging from redevelopment to the demolition of structures, both of which will require soil contaminant remediation to take place. The latter option is cost-prohibitive, especially when paired with the cost of remediation. Further, the site constraints of both complexes may preclude new-construction development from taking place. The mass demolition of structures within the complexes would likely lead to green space which, on its own, can adversely affect plans to improve this key gateway of the community.



The costs and concerns surrounding demolition have led city officials to explore opportunities for the development of the Lawrence Brothers and Stanley-National complexes. This report attempts to explicate the details that are fundamental in understanding the potential behind redeveloping the buildings, including:

- Understanding the needs and desires of the community;
- Analyzing the market conditions, and what mix of uses are most viable for the complexes;
- Determining the financial feasibility of a project on the complexes; and
- Developing renderings to give multiple entities fresh perspectives of a reactivated complex.

The goal is to assist the City of Sterling in developing a revitalized riverfront, linked with downtown, that locals and visitors alike can use for professional, residential, and recreational activities.



Sterling Main Street

The City of Sterling is located in north central Illinois approximately 100 miles west of Chicago, 55 miles northeast of the Quad Cities, and 53 miles southwest of Rockford. The population of Sterling is 14,908 people. The City of Rock Falls is located to the south and has a population of 8,814. Both communities are located in Whiteside County, and this section of the county includes 34,700 people.



PROJECT SCOPE



COMMUNITY ENGAGEMENT

Facilitate a discussion with relevant stakeholders, including Sterling residents, to capture ideas and vision for the buildings.



HISTORICAL SIGNIFICANCE, LAWRENCE

Complete a Determination of Eligibility (DOE) application for the Lawrence Hardware complex, a preliminary document which is used to ascertain if the building is eligible to be placed on the National Register of Historic Places and therefore eligible for the use of Historic Tax Credits.



MARKET ANALYSIS

Engage a consultant to conduct a market study on various potential uses that promote Sterling's long-term plans and that are appropriate for the complexes.



SCHEMATIC DESIGN

Review previous plans, develop preliminary schematic designs for the Buildings 1-4 of the Lawrence Brothers complex and Buildings 2 and 5 of the Stanley-National complex.



VISUALS

Provide exterior and interior perspectives that show proposed improvements and potential uses.



SITE ACCESS SCENARIOS

A series of site access scenarios to accommodate pedestrians, motorists, and delivery drivers to and between complexes.



FINANCIAL PROFORMA

Indicate funding sources, project costs, gap identification, and return on investment of the proposed scheme.



TEMPORARY ACTIVATION

Propose temporary improvements that could be undertaken prior to redevelopment that would activate the building and create a sense of momentum for the community.



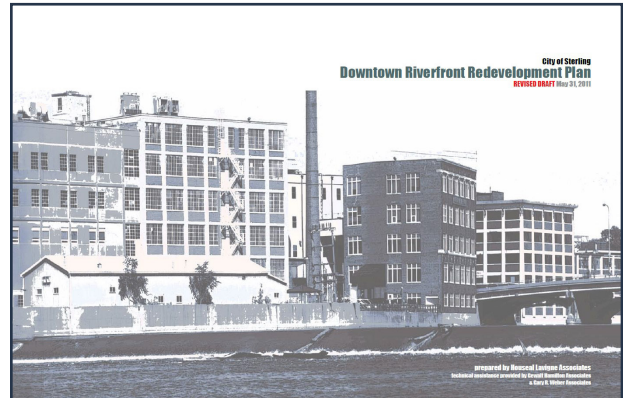
FINAL REPORT

Prepare a report detailing all scenarios, cost estimates, and schematic designs explored, along with refined options and recommendations.

PAST PLANS AND STUDIES

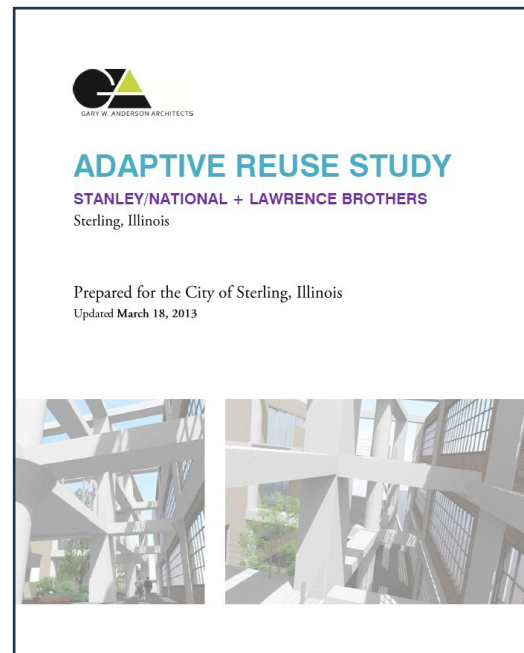
2011: Downtown Riverfront Redevelopment Plan, prepared by Houseal Lavigne Associates.

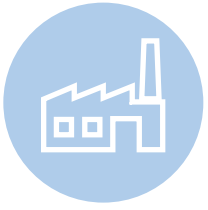
The Downtown Riverfront Redevelopment Plan has been the official adopted policy guide for future redevelopment and design improvements along the Sterling riverfront. The plan provided a conceptual redevelopment plan for several parcels of functionally obsolete industrial sites along the Rock River including the Lawrence Brothers and Stanley-National complexes.



2012: Adaptive Reuse Study, Stanley-National + Lawrence Brothers, prepared by Studio GWA.

In 2012 the City of Sterling commissioned Studio GWA (formerly Gary W. Anderson Architects) with identifying the design and cost feasibility associated with the adaptive reuse of the Lawrence Brothers and Stanley-National complexes. These complexes were identified in the 2011 Houseal Lavigne study as key parcels for redevelopment. The study integrates cost feasibility with the physical property characteristics, alternative space design, local market conditions, and current project financing conditions to find the most appropriate redevelopment scenario. The results of the study included a three-phased approach that supported adaptive reuse for both complexes as well as variables including cost, timing, and square footage requirements for mixed uses on the sites.





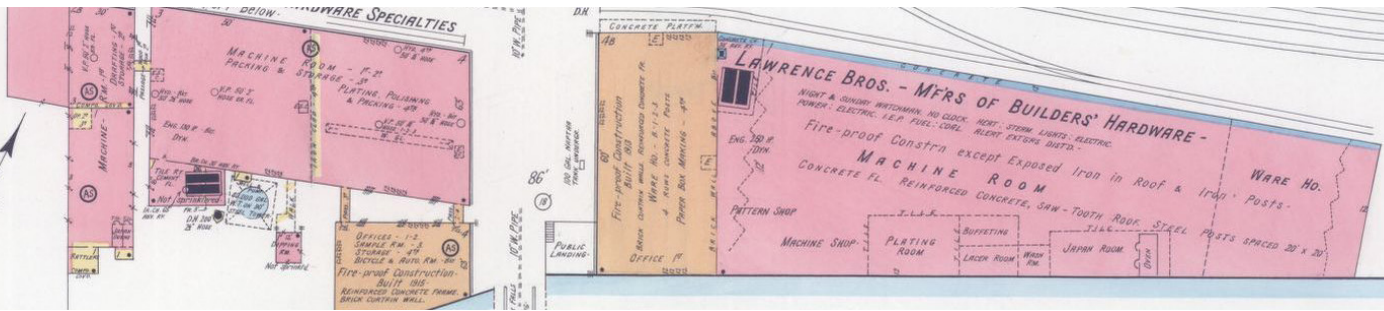
UNDERSTANDING THE COMPL



EXES

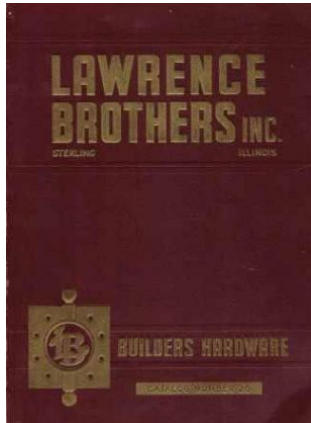
- HISTORY
- SIGNIFICANCE
- PHYSICAL DESCRIPTION
- SITE DESCRIPTION





BUILDING HISTORY

The Lawrence Brothers hardware enterprise played an integral role in the progress of the Sterling, Illinois community from 1876 to 2006. From its original patents in barbed wire and steel barn door hangers to a robust catalog that included thousands of items, the company established the Sterling/Rock Falls area as a hardware manufacturing epicenter whose products were distributed worldwide in the twentieth century. Regular buyers were noted in South America, Australia, and New Zealand, and landmark buildings including the Prudential Building in Chicago featured Lawrence Brothers hardware.



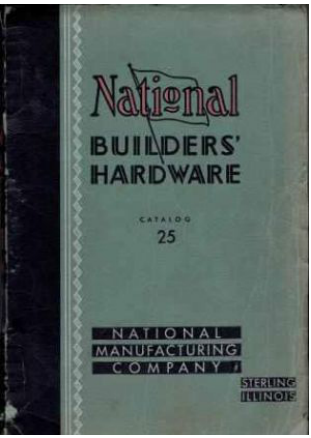
Steven Schuyler

John H. and Edwin Lawrence began construction of their flagship complex at 2 1st Avenue in 1910 and finished in 1913. It is an early example of how concrete was used to create decorative yet functional structural elements suitable for a large-scale modern manufacturing company. The quality of the construction was captured in a comment from a state inspector whose visit to Sterling in September 1913 led him to describe the both the Lawrence Brothers buildings and the below-mentioned National Manufacturing Company as “without doubt the best of their type in the state of Illinois, if not in the country.”

“I believe that the new factory buildings of the Lawrence Brothers company and the National Manufacturing company are without doubt the best of their type in the State of Illinois, if not in the country.”

-Jacob Swank, Deputy State Inspector

The Lawrence Brothers Building at 2 1st Avenue was operational for nearly one-hundred years. The business was sold in 2001 due to bankruptcy, and the plant ceased manufacturing operations at this site in 2006. The City of Sterling assumed ownership of the complex in 2010.



Steven Schuyler

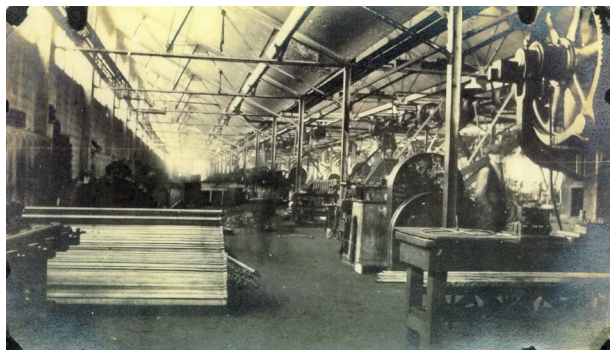
The Stanley-National complex was first occupied by National Manufacturing and was the manifestation of the company’s growth in building barn door hardware. Not unlike the Lawrence Brothers enterprise, National Manufacturing described their products as “builders hardware” that served agricultural, residential, and industrial markets. The company’s success in the early 1900s resulted in the construction of new buildings, including factories in 1907 and 1910 as well as an office building in 1914. Additional buildings were constructed in the 1950s and 1960s.

The Stanley-National complex was operational at 1 Wallace Street for nearly one-hundred years. Stanley Works bought National Hardware in 2005. Five years later, Stanley Works merged with Black & Decker and thereafter announced plans to close operations in both Sterling and Rock Falls. Manufacturing operations at the Wallace Street facility ceased in mid-2011, and the building has remained vacant ever since. The City of Sterling assumed ownership of the complex in January 2020.

HISTORIC SIGNIFICANCE

For many older buildings, the opportunity for redevelopment is predicated on determining its historic merit. What historic events occurred on the site? What important contributions did it make to society? Are there unique architectural features that distinguish a building, a district, even a community at large, among others?

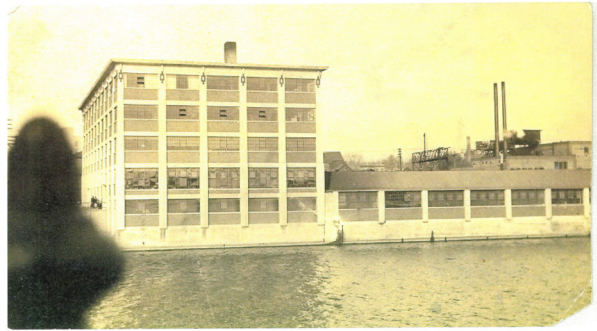
In January 2020, Studio GWA began to answer these questions by completing a Determination of Eligibility(DOE) application for the Lawrence Brothers complex in January 2020. On February 12, 2020, the Illinois Department of Natural Resources issued a letter stating that the Lawrence Brothers building is eligible for listing on the National Register of Historic Places under the following criteria:



Sterling Public Library

- **Criterion A:** Property is associated with events that have made a significant contribution to the broad patterns of history.

In this case, for its contributions to society and the community as an industrial powerhouse; and



Sterling Public Library

- **Criterion C:** Property embodies the distinctive characteristics of a type, period, or method of construction or represents the work of a master, or possesses high artistic values, or represents a distinguishable entity whose components lack individual distinction. In this case, for its distinctive architectural and construction characteristics.

The eligibility status is the first step in the process of a developer's ability to obtain Historic Tax Credits (HTC), which can enhance the feasibility of a redevelopment project. The next steps in the process of historic status include:

- The completion and submission of a Full Nomination application, which can be initiated either by the City of Sterling or potentially a developer upon selection; and
- The completion and submission of a Part 1 (Evaluation of Significance) application. This allows the developer to begin the Historic Tax Credit process, and therefore can be initiated once a developer has been selected.



The tasks of pursuing a listing on the National Register of Historic Places and obtaining Historic Tax Credits are separate and distinct from one another. To further understand the process of each task, a Historic Tax Credit timeline is included in the Appendix.

The Stanley-National buildings are worth evaluating further for potential listing on the National Register based on their historic contributions and architectural integrity. A DOE was not conducted for Stanley-National during the study period. Entities that are interested in determining an eligibility status for the Stanley-National complex have two routes to consider:

- Conduct a separate DOE for an individual building or the entirety of buildings within the Stanley-National complex; or
- Conduct a district-wide DOE that would incorporate buildings within both the Lawrence Brothers and Stanley-National complex.

There are unique implications to adding the Stanley-National complex to the National Register of Historic Places. Although the addition of Stanley-National buildings to the National Register opens a critical financing source—Historic Tax Credits—it can restrict how the buildings are utilized or altered. For example, if the decision is made after the complex is listed to demolish certain buildings in order to accomplish the overall development, that may negate the use of the Historic Tax Credits as a funding source. Another option to consider would be to demolish the identified buildings prior to listing on the National Register; that decision, however, may eliminate its eligibility for listing due to the missing structures. Another approach to consider would be for the buildings within the complex that no longer retain sufficient historic integrity to be identified as non-contributing structures. In this way, the approach to their review by Federal and State officials is less stringent, though would

still allow for use of Historic Tax Credits as a financing source and may even permit their demolition if appropriate. It is advised that thorough discussion with a Historic Tax Credit Consultant and the SHPO be conducted to further explore the possibilities and implications.

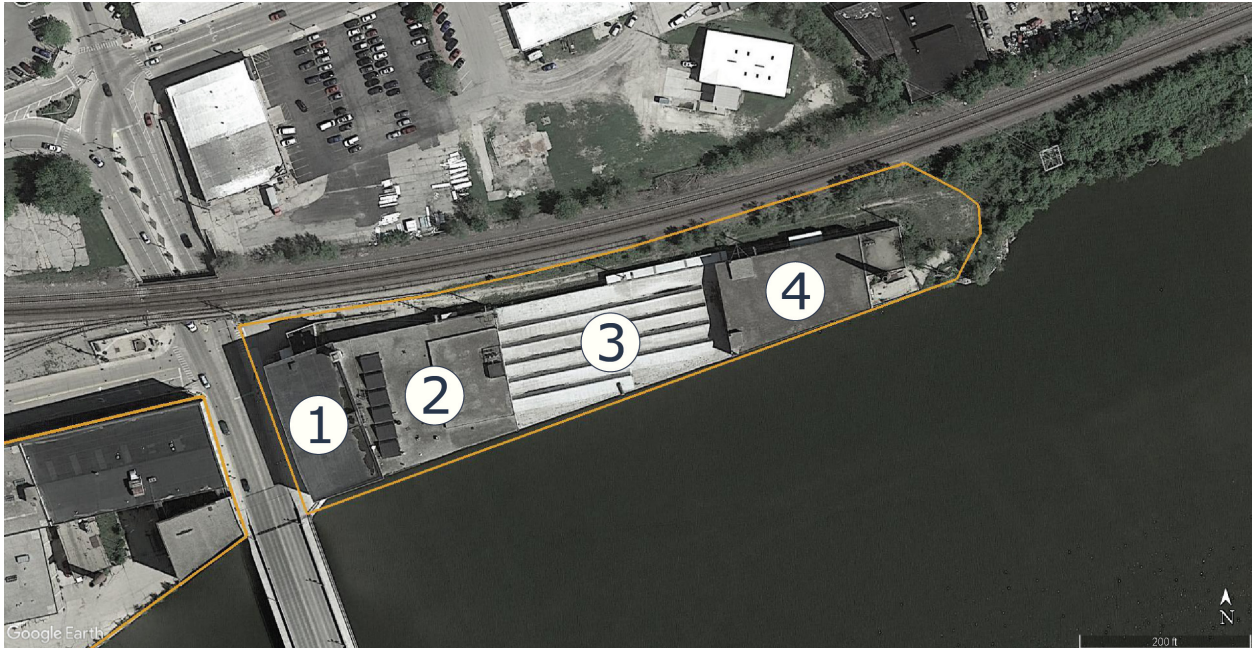
PHYSICAL DESCRIPTION

Lawrence Brothers Complex



The Lawrence Brothers complex is located at 2 1st Avenue in Sterling. There are four connected buildings on the property totaling 222,691 square feet; each are described below and keyed to a site map on page 15.

Building 1: Office Building, 67,645 square feet. The five-story office building is a reinforced concrete structure with a framing system that is reminiscent of a gothic cathedral design. This unique design feature sets the interior apart from utilitarian industrial concrete structures common of this era. The floor system is comprised of octagon-shaped columns with vaulted, arching, exposed concrete beams that intersect at the center of each bay. The concrete framing is exposed on the exterior as pilasters, with brick infill panels set back and under the window bays. The aluminum windows in the office building are non-original and are in poor condition. The perimeter is capped with a simple projecting cornice that features decorative concrete cornice brackets atop column pilasters as well as on the concrete smokestack located on the northeast corner of the office building.



Site Map & Building Key, Lawrence

Google Maps

Although the office building has sustained a few rubbish fires as well as vandalism in the last several years, the structural integrity of the building has not been compromised.

Building 2: Manufacturing, 73,620 square feet. This three-story reinforced concrete structure to the east of Building 1 is also comprised of reinforced concrete and rounded concrete columns throughout. The top floor has an elevated clerestory that provided additional ceiling height for manufacturing processes and adds natural lighting to the space. The windows are a mix of original steel-framed windows and replacement windows. There is an existing steel-framed sawtooth skylight that provides additional light into the space as well.

Building 3: Manufacturing, 32,790 square feet. Adjacent to the east is a one-story, steel framed sawtooth structure that has the original north facing skylight covered in roofing material. The north and south exteriors have exposed concrete framing and remains consistent with the entire complex facade. There are significant remnants of original machinery remaining in this production area of the plant, each of which are

worthy of preservation. This includes belt-driven spindles that powered the equipment, which are still suspended from the ceilings.

Building 4: Powerhouse, 48,636 square feet. At the far eastern end of the complex is a three-story, reinforced concrete structure that is a wide open space. This building also has its concrete structure exposed with brick infill panels beneath the windows, and all of the windows retain their original steel frames. The powerhouse that provided all the heating and electrical power for the complex is attached at the far east end of the complex. It is a multi-story space constructed of reinforced concrete with a brick exterior. The interior of this space features three large, non-functional, original Kewanee boilers.

A large amount of equipment and furnishings were left behind after Lawrence Hardware ceased manufacturing operations at the complex in 2006. In the following years, the complex has sustained multiple acts of arson, theft, and vandalism, the latter of which has resulted in the destruction of nearly all the windows in the entire complex. Given its prominent location at one of Sterling's main gateways, the state of the



Lawrence Brothers complex has become a public eyesore.

In recent months, the City of Sterling has undertaken an extensive cleanup process of the building’s interior. The cleanup efforts have focused primarily on removing debris and other rubbish from the buildings. A significant amount of material including partitions and abandoned piping has yet to be removed.

Stanley-National Complex



The Stanley-National complex consists of 11 buildings totaling over 440,000 square feet, each of which are keyed to a site map on page 17. The buildings retain the same numbering convention used by Stanley-National employees.

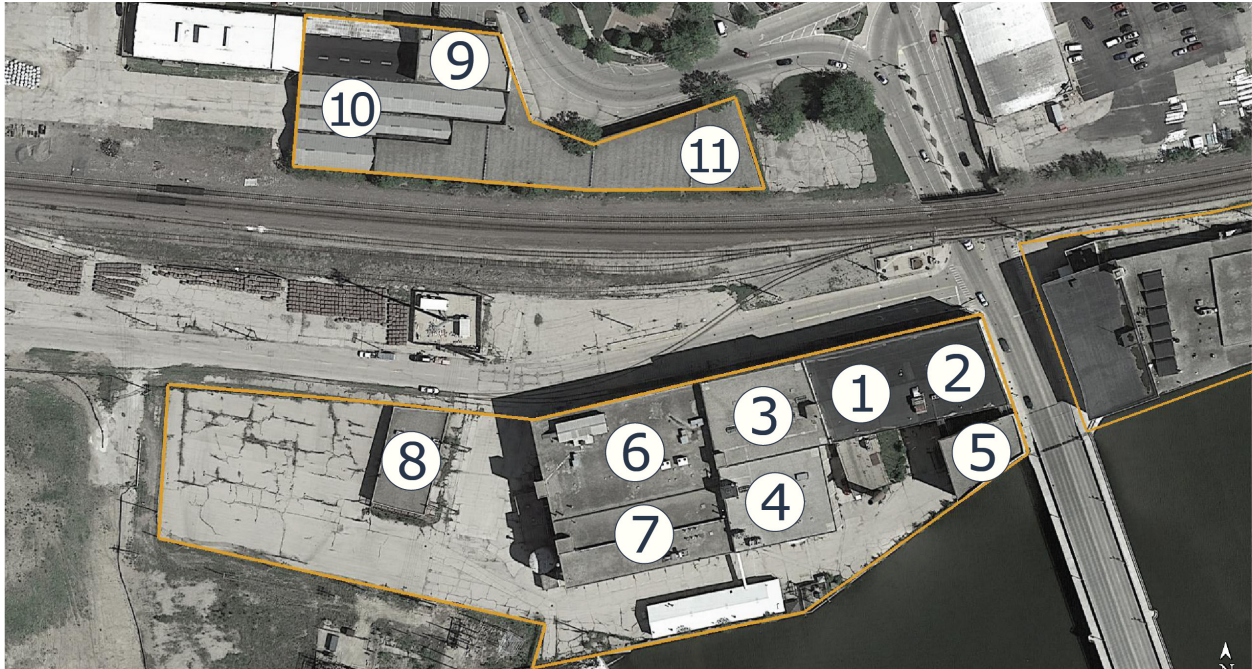
Buildings 1 and 2: Original Manufacturing Facility, 80,000 square feet. This four-story heavy timber wood framed construction was utilized for manufacturing for almost 100 years and was built originally as a three-story building. Building 1 was built in 1907; Building 2 was built in 1910. Each building totals 40,000 square feet. Much of the original wood materials remain. Most of the wood floors have been covered with sheets of diamond plate steel. The structure is in very good condition. The exterior has been substantially altered from its original brick facade and large expanse of windows in each column bay. The windows were removed and replaced with small windows and a smooth exterior cement stucco panel system attached

to the exterior masonry. These alterations may disqualify this structure from being considered a historic structure.

A steel-framed, two-story boiler house with brick masonry is located directly south of Building 1. Built in 1950, this 2,900 square foot space provided heating and power to the entire manufacturing complex. The original boiler house was smaller and served buildings 1 & 2. In its early history, a mill race supplied water power in this area to drive all the belt driven equipment in buildings 1 & 2.

Buildings 3 and 4: Manufacturing Facility, 133,000 square feet. Built in 1925, this five-story structure is constructed of reinforced concrete with round concrete columns with fluted capitals and large, 3 bay divided lite steel windows between each column bay. The exterior was framed with exposed concrete pilasters and exposed horizontal concrete and floor plate and window sills that defined each story. Brick spandrel panels are located under each window bay. This construction type of the era provided maximum natural daylighting, fireproof construction, and substantially more floor loading capacity. The original façade is covered in cement panel that covers buildings 1 & 2. Building 4 was an 1950s addition to Building 3 and contains freight elevators to service the facility.

Building 5: Office Building, 27,455 square feet. The five-story office building abuts the Rock River and is located just west of the Illinois Route 40 bridge on 1st Avenue. Built in 1914, the office building is constructed of reinforced concrete with interior round columns. The exterior consists of vertical brick pilasters with masonry spandrel panels under 3 bay windows with transoms. The building’s windows provide substantial amounts of natural day lighting. A horizontal limestone coursing band distinguishes the base story and the parapet of the roof. Decorative limestone



Site Map & Building Key, Stanley-National

Google Maps

block details are located on the pilasters and are defining architectural features.

Buildings 6 and 7: Manufacturing Warehouse, 138,700 square feet. This is a steel framed five-story structure with pre-cast concrete floors and reinforced concrete precast exterior panel. The floors align with buildings 4 & 5. Small windows provide limited natural daylight to the interior and are located adjacent to each exterior column. Interior spaces consist of large column bay expanses and a 2 story first floor that was utilized for shipping and receiving area. A second floor mezzanine is on the south and west sides of the space. Building 6 was built in 1966; Building 7 was built in 1971.

Building 8: Service Building, 7,244 square feet. This is a one-story brick masonry building with double-hung windows that was originally used as a product development and engineering department.

Building 9: Manufacturing Facility, 26,900 square feet. This four-story heavy timber wood framed structure still retains its original

interior materials and framing. The building was constructed some time after 1916. The wood framing provides a short column spacing dimension. The original exterior windows consisted of 3 bays of double hung windows that were removed for a smaller, single double hung window and brick masonry veneer has been covered by cement plaster panels.

Building 10: Shipping Sheds, 26,000 square feet. These multi bay, light weight steel truss metal buildings were very utilitarian structures that were economical and easy to construct. The existing space configuration and design of the steel structure provides a unique space opportunity.

Building 11: Warehouse and Shipping Facility, 29,600 square feet. This building was built as a one-story masonry bearing walls with Precast T-roof framing for Philco Distributors and utilized for shipping.



SITE DESCRIPTION

Lawrence Brothers Complex

The 2.9-acre Lawrence Brothers site is bounded by:

- A grade-separated rail line to the North owned by Union-Pacific, an active line running over 70 trains daily;
- The Rock River to the South;
- Illinois Route 40 to the West, a state-owned route with an annual average daily traffic of 19,800 vehicles; and
- Wooded river frontage owned by Commonwealth Edison (ComEd) to the East.

A service drive and loading and receiving docks are also located along the north side of the

Stanley-National Complex

building.

Buildings 1-8 of the Stanley National complex are bounded by:

- Wallace Street and the Union-Pacific rail line to the North;
- The Rock River to the South;
- Illinois Route 40 to the East; and
- Vacant land owned by the City of Sterling to the West; and
- Industrial land owned by Sterling Steel, an active steel rod producer, further to the West.

Buildings 9-11 are located north of the rail line and are bounded by East 2nd Street and West 2nd Street.

In the years following the vacating of the property, Stanley/Black & Decker worked with the Illinois Environmental Protection Agency (EPA) to remediate environmental hazards on

the complex grounds. Stanley/Black & Decker entered into an agreement with the City of Sterling to donate the buildings to the city upon completion of remediation. The City of Sterling is currently responsible for any contamination that exists within the building, such as asbestos. The City recently received a 'no further remediation' letter from the Illinois EPA, which was necessary to obtain before redevelopment efforts could proceed.

The Rock River is a significant natural asset which has shaped the cultural, industrial, and recreational narrative of the Sterling community. There are two river dams that are in close proximity to the complexes: The Smississippi Dam to the east, and the Lower Sterling dam to the west. The presence of these dams inhibits the accessibility of recreational river uses such as boating or kayaking. A 2007 Illinois Department of Natural Resources report titled "Evaluation of Public Safety at Run-of-River Dams: An Illinois State Wide Program" described the existing conditions and potential scenarios for the Lower Sterling dam. The scenarios included a full removal at \$8.3 million and a bypass channel at \$2 million, both of which are in 2007 dollars. Either option would greatly enhance access to and between both complexes, which together occupy over 800 linear feet of river frontage. An accessible river would also allow residents and visitors to reach other area destinations such as Lawrence Park.

ENVIRONMENTAL SITE ASSESSMENT: LAWRENCE BROTHERS COMPLEX

Thorough environmental site analyses have been conducted over the previous five years, including a Phase II Environmental Site Assessment by Fehr-Graham Engineering. Below is an excerpt from their report outlining major findings:

“Facility operations at Lawrence Hardware included milling, stamping, plating, and plating wastewater treatment, and utilized an on-site railroad spur and powerhouse. The long-term history of industrial operations involving the storage and use of hazardous substances and petroleum products such as lubricants, plating solutions, and degreasers, presents the potential for subsurface chemical impacts in soil, soil gas, and/or groundwater. Accordingly, the City of Sterling initiated an environmental investigation to determine the nature and extent of subsurface impacts, if present, as a first step towards redevelopment.

The scope of work for the Phase II ESA included 1) the advancement of 42 soil borings to facilitate the collection of 54 soil samples for laboratory analysis, and 2) installation of 13 temporary monitoring wells to facilitate collection of 13 groundwater samples for laboratory analysis. Laboratory analytical parameters were based on the potential contaminants of concern associated with historical operations, including volatile organic compounds (VOCs), semi-volatile organic compounds (SVOCs), polychlorinated biphenyls (PCBs), Resource Conservation and Recovery Act (RCRA) metals, and cyanide.

The soil and groundwater samples collected from 42 soil borings and 13 temporary monitoring wells indicate that no VOCs or PCBs are present in the subsurface at concentrations exceeding the applicable remediation objectives (ROs) for residential or industrial/commercial properties and Class I (potable resource) groundwater. However, the following SVOCs and inorganic constituents were identified exceeding Tier 1 ROs:

SVOCs:

Benzo(a)
anthracene
Benzo(a)pyrene
Benzo(b)
fluoranthene
Benzo(k)
fluoranthene
Bis(2-

ethylhexyl)
phthalate
Carbazole
Chrysene
Dibenzo(a,h)
anthracene
Indeno(1,2,3-
cd)pyrene

Inorganics:

Arsenic
Cadmium
Chromium
Lead
Mercury
Cyanide

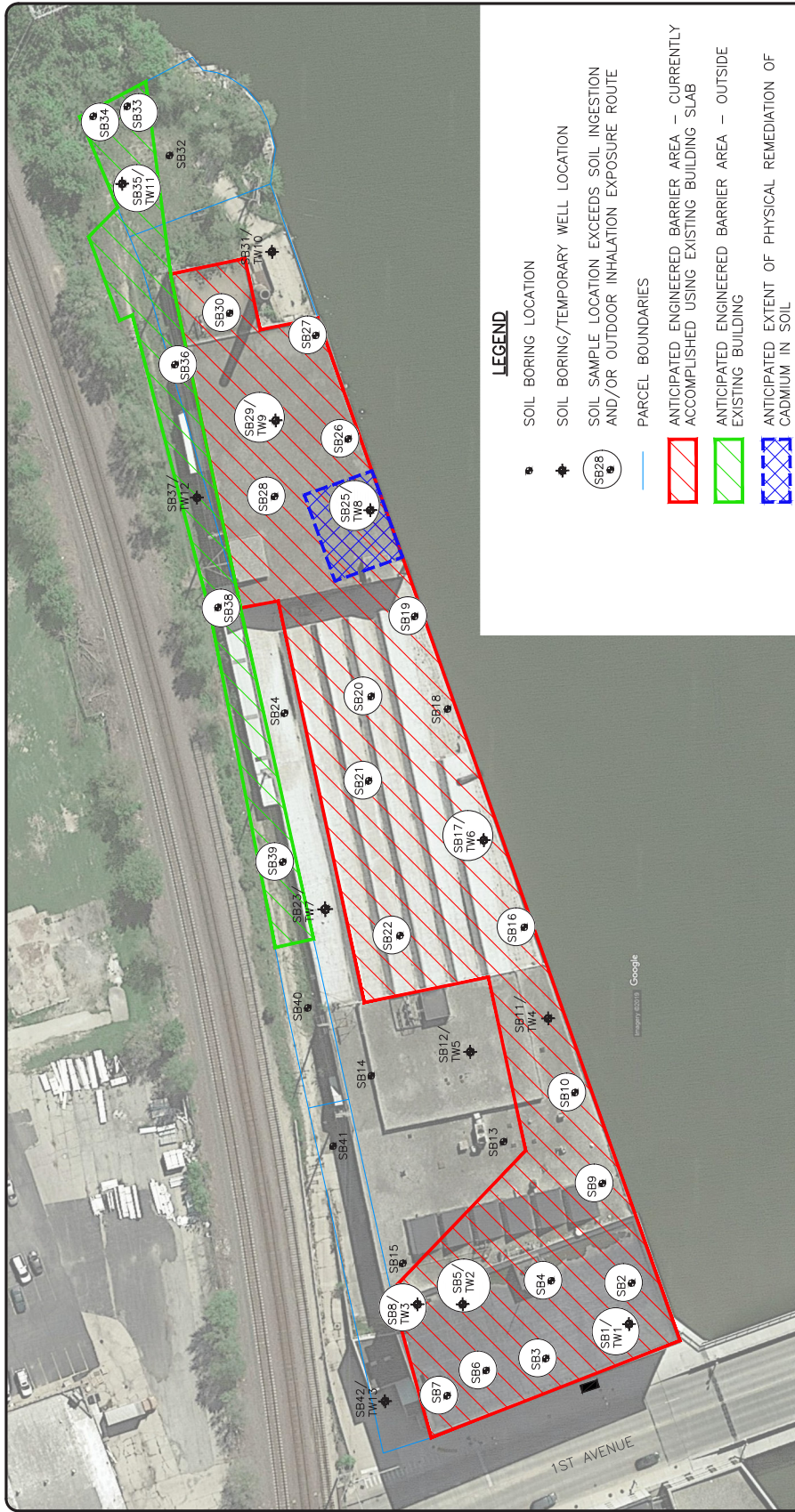
The majority of the listed SVOCs are a subset of SVOCs that are commonly found as industrial contaminant resulting from petroleum products and/or incomplete combustion. This assessment identified SVOCs exceeding Tier 1 ROs in 11 soil boring locations and three temporary monitoring wells. SVOC impacts are primarily located beneath the existing building slab, with the exception of one sample location along the northern building exterior.



In addition, this assessment identified one or more RCRA metals exceeding Tier 1 ROs in 36 soil boring locations and eight (8) temporary monitoring wells. Cyanide was identified exceeding Tier 1 ROs in one (1) temporary monitoring well, but was not identified above ROs in soil. Metal impacts are broadly dispersed across the Property, including locations outside the building. The presence of metals in the subsurface is likely attributable to historical plating and other metal working operations, the former railroad spur, and/or storage or deposition of coal ash. TCLP analysis revealed concentrations of cadmium are present beneath the easternmost manufacturing building (Building 4) exceeding the RCRA toxicity characteristic threshold for hazardous waste. Under TACO, physical remediation (e.g. excavation, chemical injections) would be required to address this area before exposure routes may be excluded via institutional controls.

Chemical concentrations have been identified exceeding the soil ingestion and outdoor inhalation exposure routes for residential, industrial/commercial, and construction worker receptors; and the soil and groundwater components to groundwater ingestion exposure route for Class I groundwater. Given that the Property is vacant, all exposure routes are currently incomplete. However, based on evidence and reports of trespassing onto the Property, soil exposure routes have the potential to be complete for unauthorized site entrants or occupants in areas where the building does not cover soil impacts (i.e. northeastern portion of the Property). Furthermore, soil and groundwater exposure routes may be complete in the case of future land use changes, such as construction activities, Property occupancy, removal of the building slab, and/or use of a potable water well. Surface water exposure routes will require further evaluation, given the proximity of identified impacts to the Rock River.”

A remediation layout is included on the following page.



LEGEND

- SOIL BORING LOCATION
- ✦ SOIL BORING/TEMPORARY WELL LOCATION
- (SB28) SOIL SAMPLE LOCATION EXCEEDS SOIL INGESTION AND/OR OUTDOOR INHALATION EXPOSURE ROUTE
- PARCEL BOUNDARIES
- ▨ (Red) ANTICIPATED ENGINEERED BARRIER AREA – CURRENTLY ACCOMPLISHED USING EXISTING BUILDING SLAB
- ▨ (Green) ANTICIPATED ENGINEERED BARRIER AREA – OUTSIDE EXISTING BUILDING
- ▨ (Blue) ANTICIPATED EXTENT OF PHYSICAL REMEDIATION OF CADMIUM IN SOIL



FEHR GRAHAM
ILLINOIS IOWA WISCONSIN
ENGINEERING & ENVIRONMENTAL

LAWRENCE BROTHERS
2 FIRST AVE.
STERLING, IL 61081

DRWN:MH DATE:02/22/19 APPD:AR

TITLE: **REMEDIAL LAYOUT**

PIN: 11-28-227-001
JOB NO.:19-075
PLOT DATE: 6/13/19

FIGURE: **10**

© CEN 19-075 (S) 19-075 BASE MAP 2nd REDEMPTION LAYOUT





UNDERSTANDING THE COMMUNITY



UNITY

- **STAKEHOLDER INPUT SESSION**
- **TOUR OF ROCKFORD BUILDINGS**
- **COMMUNITY ENGAGEMENT WEBINAR**



There are a number of factors that can shape a community’s understanding of and perspective towards vacant or underutilized properties, especially those with such a long, storied history as the Lawrence Brothers and Stanley-National complexes. The size and location of the buildings make the complexes prominent features flanking a main gateway to the city that sustains over 20,000 motorists on weekdays. The condition of the buildings contributes to public opinion as well, especially Lawrence which, though structurally sound, remains open to the elements.

Given these factors, it was important that all community engagement efforts be grounded in a vision that successful redevelopment of these historic complexes—one that respects the past while accommodating for the future—is indeed possible. Towards that end, the purpose of the community engagement sessions was twofold:

- **Convey** the redevelopment potential within both complexes, highlighting significant building features and case study examples; and
- **Collaborate** with community members to identify compatible uses for the building spaces, particularly uses that meet a community-identified need.

Put together, these purposes were intended to establish a dialogue wherein city staff and consultants would not only deliver information on the project, but also gather information that would influence the project outcomes. Prior to the formation of the community engagement sessions, staff from Studio GWA and Hunden Strategic Partners began by asking a series of key questions:

- What are some of the most exciting initiatives going on right now in the community?
- Which events could use new space, or even more space?

- What are the amenities currently lacking that a growing workforce and new residents would find most appealing?
- Are there case study examples of similar developments from peer communities that may be helpful for reimagining the Sterling riverfront?

Staff also worked with the City of Sterling to establish a list of stakeholders that represented a wide range of expertise and experience. These stakeholders were invited to attend all three sessions through an email invitation.

STAKEHOLDER INPUT SESSION



On February 20, 2020, the City of Sterling hosted a stakeholder input session to discuss the adaptive reuse planning efforts for the Sterling riverfront in general and the Lawrence Brothers complex in particular. The discussion was led by staff from Studio GWA and Hunden Strategic Partners, and consisted of the following topics:

- **Making the Case for Redevelopment:** An overview of the historical and architectural features that make the Lawrence Brothers a unique candidate for redevelopment. The presenters also discussed the ingredients that are necessary for successful adaptive reuse projects, including an understanding of the market, a mix of funding sources, and a

viable, feasible use.

- **Imagination through Temporary Activation:** Redevelopment projects take time, especially projects with the size and scope of work that the Lawrence Brothers complex requires. In the meantime, there are numerous ways that stakeholders can activate sections of

the complex and change the perspective of passers-by, especially at such an important gateway to the city. The presenters offered a series of temporary activation examples including artwork, lighting, landscaping, and small event programming.

- **Creating Synergy through Mixed-Use**

CASE STUDY: Buffalo Central Terminal Restoration Corporation



Buffalo Central Terminal Restoration Corporation

The Buffalo Central Terminal Restoration Corporation (CTRC) illustrates the importance of stakeholders in the redevelopment process, particularly with building stabilization and interim programming.

The Central Terminal ceased operations in 1979, and for nearly twenty years the building was subject to vandalism and neglect. In 1997, the property was transferred to CTRC and the organization has acted as a steward of the Central Terminal ever since. In recent years, CTRC has taken the lead on a number of redevelopment-oriented tasks, including:

- Stabilizing the concourse;
- Sourcing and reclaiming original details that were removed;
- Conducting master planning and development financing; and
- Promoting the site as a venue space for year-round events.

CTRC is an excellent example of stakeholders collectively caring for a landmark building and taking the lead on its redevelopment prospects.



Development: The creation of mixed-use districts has been integral in community transformation efforts throughout the country. Assembling a series of appropriate, complementary uses can create the conditions necessary for establishing a vibrant, welcoming place, one that people want to gather and spend time in. Rob Hunden, CEO of Hunden of Strategic Partners, gave an overview of potential uses that may be suitable for both complexes, including hospitality, retail, food and beverage, and meetings and events. These uses are explained in the ‘Understanding the Market’ section.

Local business leaders, tourism and economic development officials, nonprofit leaders, and elected and administrative officials from local and regional government were among the stakeholders that were invited to attend. A total of 95 people were invited, and 37 people ultimately attended the session.

Rob Hunden from Hunden Strategic Partners as well as Gary Anderson from Studio GWA facilitated a discussion with stakeholders that centered around the key questions noted above, including “What are the amenities currently lacking that a growing workforce and new residents would find most appealing?” Participant responses have been organized into the following themes:

- **A broad range of quality housing options, including:**
 - o Rental units that are affordable and in decent shape for multiple demographics. Participants shared that although employment opportunities are available, many positions are hourly which make the path to homeownership more challenging. Participants also expressed the need for housing units for residents aged 55 and over, referencing the success and

subsequent waiting list at the nearby Lawrence Lofts (218 1st Avenue).

- o Quality housing as a means to attract and retain talent. Participants talked about the need to have unique, quality housing stock that would attract millennials to move to Sterling. In particular, company representatives discussed having high-end housing for mid- and upper-level management, many of whom live in Madison, Chicago, or other distant communities and either commute to work daily or live in short-term housing a few days during the week.

- **Better hospitality options.** This theme dovetails with the prior theme, particularly in the provision of short-term stays for full-time employees. Additionally, participants discussed that they would appreciate having modern, higher-end hospitality options that are suitable for a wide range of people, including company executives, clients, and out-of-town guests. Company representatives mentioned that they are regularly booking rooms at area hotels and still find that there is not enough supply to meet the demand.
- **Improved space for holding corporate gatherings and larger-scale events.** Participants indicated an opportunity to create an event space capable of holding 150-450 people, particularly one that is of a higher quality than what exists in the area and includes a catering facility. Notably, a representative from Wahl-Clipper mentioned that they have created their own space for corporate events in lieu of having quality meeting space in the area. Additionally, participants expressed a desire to create a coworking space that has high-speed internet.

- **Improved restaurant and retail options.** Company representatives mentioned that restaurant options are few in downtown Sterling, and they often take company guests to out-of-town restaurants once the local options have been exhausted. Other participants expressed the need for specialty, boutique retail shops that would complement the current retail experience downtown.

The February 20 session attendees also engaged with staff about the redevelopment challenges and opportunities existing within the Lawrence Brothers complex. Some participants expressed the need for community members to access the Rock River and mentioned how beneficial it would be for the development to bring a variety of users closer to the river. Participants also talked with staff about the active rail line next to both complexes and expressed concerns about the number and noise of the trains inhibiting redevelopment.

In the weeks following the February 20 stakeholder input session, staff from Hunden Strategic Partners conducted interviews with select stakeholders in the community. The findings from the interviews are discussed further in the understanding the Market section that follows.

TOUR OF ROCKFORD BUILDINGS

On March 13, 2020, Studio GWA invited stakeholders from the Sterling community to take part in a tour showcasing successful historic redevelopment projects in downtown Rockford, Illinois. The invitation was extended to both invitees and participants of the February 20, 2020 Stakeholder Input Session. The event included a tour of three buildings:



Rockford Register Star

Embassy Suites Hotel and Conference Center

- o Address: 416 South Main Street, Rockford
- o Former uses: Knitting and textile manufacturing; cabinet hardware manufacturing
- o Current uses: 160-room hotel with over 13,000 square feet of conference space, opening summer 2020
- o Cost: \$88 million
- o Funding sources:
 - Owner equity
 - Loan
 - Tax Increment Financing
 - State and Federal Historic Tax Credits
 - EB-5
 - City equity for construction of conference center
 - City bond at below-market interest
- o Shared Characteristics: former manufacturing facility; reinforced concrete frame construction; proximity to downtown; adjacent to river





The Standard

- o Address: 214 East State Street, Rockford
- o Former uses: Printing supply company, retail
- o Current uses: Rooftop wedding venue, banquet facility, commercial retail
- o Cost: \$2.5 million
- o Funding sources:
 - Owner equity
 - Loan
 - 10% Federal Tax Credit (this incentive is no longer offered by the Federal government)
- o Shared Characteristics: former manufacturing facility; reinforced concrete frame construction; concrete structural columns; downtown location



Prairie Street Brewhouse

- o Address: 200 Prairie Street, Rockford
- o Former uses: Brewery, various commercial
- o Current uses: Banquet center, restaurant, microbrewery, commercial office, loft-style residential
- o Cost: \$18 million
- o Funding sources:
 - Owner equity
 - Loan
 - Tax Increment Financing
 - State and Federal Historic Tax Credits
- o Shared Characteristics: former industrial uses, adjacent to river

The purpose of the tour was to give attendees an opportunity to experience new uses in old buildings that are not dissimilar from both the Lawrence Brothers and Stanley-National complexes. Instead of merely talking about redevelopment prospects, attendees were able to walk through successful redevelopments, see how similar materials such as concrete and steel were retained to create a one-of-a-kind project,

and gain a fresh perspective on how new uses could potentially enliven the Sterling riverfront. Representatives from Gorman and Company (owners of the Embassy Suites Hotel building) and The Standard were available to lead guests through the respective buildings and answer questions. The topics discussed included project funding and financing, construction phasing and timelines, programming the facility(ies), and

more. Additionally, a representative from Fehr-Graham and Associates was available to discuss the environmental conditions on the Lawrence Brothers site as well as prospects for remediation.

COMMUNITY ENGAGEMENT WEBINAR

The City of Sterling intended to host an in-person community engagement session in Spring 2020 to unveil recommendations for the Lawrence Brothers and Stanley-National complexes. However, on March 11th, 2020 the World Health Organization classified the Novel Coronavirus (COVID-19) as a global pandemic. This led Illinois Governor J.B. Pritzker to sign Executive Order 2020-32, a Stay-At-Home Order, which required all residents to stay home unless traveling for essential needs and restricted nonessential gatherings. The Stay-At-Home Order was extended on April 23, 2020 through the end of May.

Based on both the Executive Order and state projections on when public gatherings could once again occur, staff from Studio GWA recommended that the community engagement session be held online. The session was held on June 3, 2020, and included staff from Studio GWA, Hunden Strategic Partners, and Fehr-Graham and Associates.

The community was invited to attend through a number of mediums including a press release, a social media post by the City of Sterling, and an email from City Manager Scott Shumard to specific stakeholders that were identified prior to the February 20 session. A total of 94 people RSVP'd for the webinar, and 66 people attended. Of the 66 attendees, 44 were first-time attendees that responded to the press release or social media and 22 were stakeholders that also attended the February 20 session.

Given the high number of first-time attendees, the webinar began with a high-level summary of tasks conducted in previous months including:

- The **environmental investigative work** on the Lawrence Brothers complex conducted by Fehr-Graham;
- The **community engagement efforts** led by Studio GWA in February and March 2020; and
- The **groundwork for the market analysis** conducted by Hunden Strategic Partners.

The remainder of the webinar was dedicated to sharing the recommendations that are detailed in this report, including optimal mixed uses, site access scenarios, floor plan layouts, financial feasibility, and conceptual renderings.





UNDERSTANDING THE **MARKE**





INTRODUCTION

In December 2019, the City of Sterling engaged Huden Strategic Partners (HSP) to perform a market demand and feasibility study. The purpose of the study was to assess which real estate uses would be most compatible and synergistic within a mixed-use redevelopment along the Sterling riverfront.

The following pages provide a summary of the HSP Market Analysis. The complete report is included in the appendix.

HSP began their study with the following key questions:

- What are the existing market conditions locally and regionally that may affect various use types along the Sterling Riverfront?
- What is the market opportunity for retail, restaurant, office, residential, hotel, meetings and events, and flex uses?
- What other considerations should be made in order to increase the mixed-use development's potential for success?
- What best practices may be learned from comparable situations?
- How should development be phased in order to sustainably increase activity and interest along the Sterling Riverfront?

How Time Spent by User Group Influences Development Area Timing. Typically, the redevelopment and reprogramming of vacant properties such as the Lawrence Brothers and Stanley-National complexes tend to occur in a series of phases:

- Phase 1: Begin with a small population of daily and overnight users as well as a large population of very short-term users.
- Phase 2: Increase the frequency of short-term uses (e.g. holding events).
- Phase 3: Increase the duration of visits and stays (e.g. providing food and beverages before or after an activity).

How Economic, Demographic, and Tourism Impact Various Project Types.

- **Residential complexes** typically rely on a strong workforce and areas that have already been established with supportable amenities, such as retail, restaurant, and entertainment options.
- **Meeting facilities** have a similar relationship to an area as hotels, though the local population is more likely to utilize meeting space than to stay in a hotel, so the presence of local associations and corporations will drive some demand to meeting facilities. Local companies and universities will also drive events. Proximity to major attractions, roads and airports will help meeting facilities.
- **Hotels** rely heavily on tourism and corporate visitation to a given area in order to fill rooms throughout the week. Typically, the presence of more and larger corporations in an area will drive weekday occupancy and leisure travelers will be more common during the weekends, though some overlap is to be expected. A more robust local economy helps support group business in hotels.
- **Sports facilities** rely on accessibility to major population areas with strong incomes, and they tend to locate in suburban areas where land is plentiful and less expensive for the vast acreage

needed for facilities and parking.

- **Retail/Restaurant** is highly influenced by the median household income (HHI) and, therefore, employment in an area.

LOCAL HOTEL MARKET ANALYSIS

Hotel Competitive Set. After conducting market research and interviewing hospitality experts in the area, HSP identified four competitive properties in a two-mile radius of the complexes with a total of 324 rooms. This is shown in Table 1. While new hotel development will cannibalize some room nights, HSP believes there is unmet demand for more quality lodging and that the pie will grow with new supply.

Sterling - Hotel Competitive Set

Property	Distance from Project Site (Miles)	# of Rooms	Chainscale	Open Date
Holiday Inn Express & Suites Rock Falls	0.5	68	Upper Mid	May-16
Super 8 Rock Falls Sterling Area	1.9	59	Economy	Jun-85
Country Inn & Suites Rock Falls	1.9	80	Upper Mid	Nov-99
Days Inn Rock Falls	1.9	117	Economy	Jun-73
Total/Average		324	-	Sep-93

Table 1: Sterling Hotel Competitive Set. Source: Smith Travel Research

Competitive Hotel Performance.

The hotel market in the Sterling area did not add any quality hotel rooms from 1999 to 2016, so the opening of the Holiday Inn Express in May 2016 was a positive development. Average daily rate (ADR) has increased from \$88.52 to \$95.84 from 2017 to 2019. Revenue per Available Room (RevPAR), the product of occupancy and rate, has increased from \$39 to \$45 over that same period.

Monthly Year-Over-Year Competitive Set Room Revenue Change

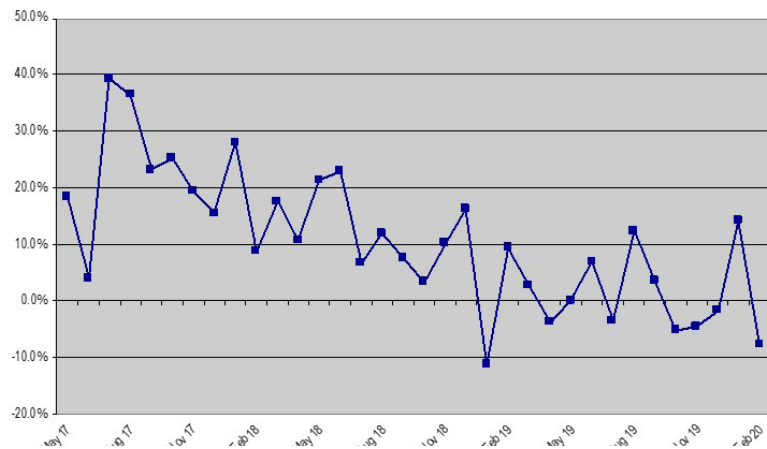


Table 2: Room Revenue Change. Source: Smith Travel Research, Hunden Strategic Partners.

The Impact of Seasonality on Hotel Performance.

Room Revenue Change: The year-over-year room revenue change for the competitive set as shown in Table 2 has been mainly positive.



Revenue per Available Room (RevPAR): RevPAR, the product of occupancy and rate, has consistently increased since 2016 and reached a new high in Summer 2019 at over \$60. Table 3 shows that since 2016 RevPAR has recorded an overall increase of roughly \$10 based on the 12-month rolling average. RevPAR dips in the winter months, which is typical for cities with a harsh winter season.

Occupancy , Average Daily Rate (ADR): Tables 4 and 5 show that Sterling area hotels experienced consistent demand from June through October, with lower occupancy levels occurring during the winter months. Rate generally mirrors occupancy, demonstrating that local hotel options are somewhat compressing rates when demand is highest. The Holiday Inn Express is the market leader in terms of rate and has already driven market rates up for the area.

Hotel Market Interviews. HSP interviewed hoteliers and tourism experts in the Sterling area to better understand how a hotel at the Lawrence Brothers property will complement other local hotels and drive room nights. Key findings from these interviews include:

- The lodging market in Sterling is lacking in both quality and supply. The lodging properties in the area rely heavily on corporate business generated by the major employers in the area.
- Many major employers in the area negotiate annual rates with the lodging properties in Sterling. These employers get a slight discount since they are the main reason for steady year-round occupancy.
- Discussions with hotel management in the area indicated that group business has been a major revenue generator on weekends from May to October.
- In terms of rate, the Holiday Inn Express Rock Falls is the market leader in the Sterling area. Discussions with management indicated that they price based on demand and are constantly changing their rates. While corporate rates tend to remain consistent around \$140/night, leisure rates can jump above \$250/night during the short peak season.
- Quality dining at one or both of the complexes would be very beneficial for the corporate clientele that stay at these lodging properties.

Hotel Market Implications. HSP examined the lodging market performance in the Sterling area to better understand how the project will complement these hotels and drive room nights. The findings included:

- The lodging market in the Sterling area is driven by corporate demand from major employers in the area.
- The opening of the Holiday Inn Express in Rock Falls suggests that the lodging market in the area has somewhat of an unmet demand for quality lodging.
- HSP believes that a new hotel development will complement additional lodging and capture unmet demand. The Holiday Inn Express is having to turn away corporate guests during the weekdays.

HSP Conclusions. The recent opening and quick ramp-up in performance of the Holiday Inn Express demonstrates that the market is looking for newer, higher-quality properties in the Sterling area. An upper midscale property is recommended for the first phase of development on the Sterling riverfront. The demand for new quality lodging would be generated by the large corporate presence in the community.

Revenue Per Available Room

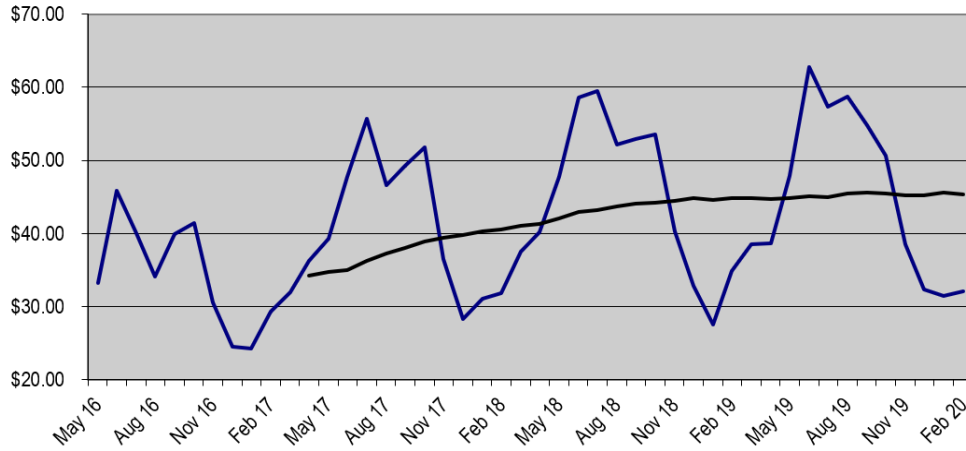
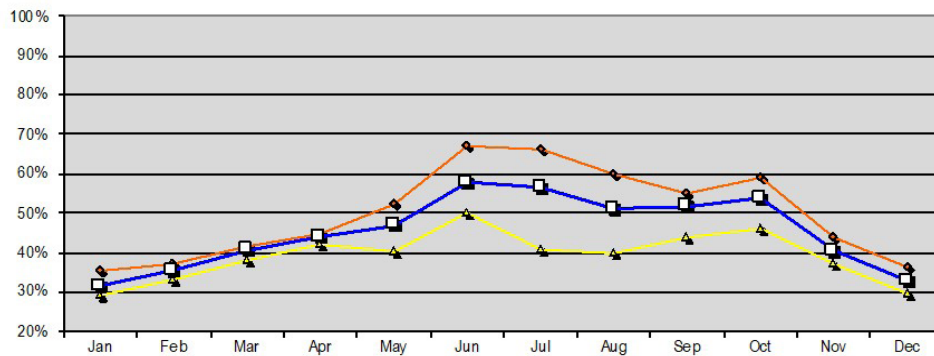


Table 3: Revenue Per Available Room. Source: Smith Travel Research, Hunden Strategic Partners.

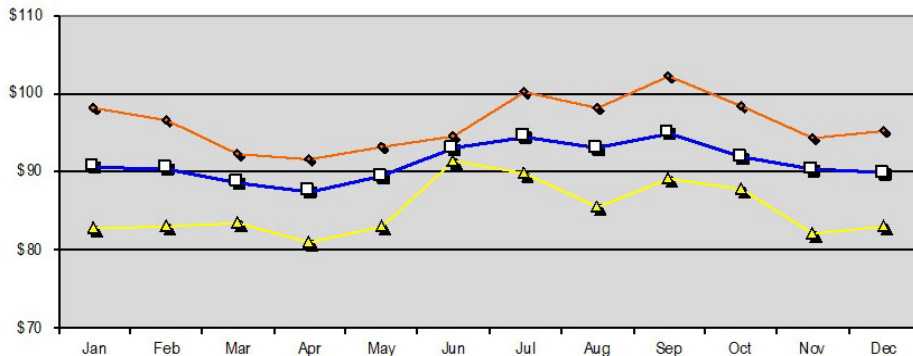
Seasonality of Occupancy May 2016 - February 2020



Source: Smith Travel Research

Table 4: Seasonality of Occupancy. Source: Smith Travel Research.

Seasonality of Rate May 2016 - February 2020



Source: Smith Travel Research

Table 5: Seasonality of Rate. Source: Smith Travel Research.



RESIDENTIAL MARKET ANALYSIS

Single-Family Housing Supply Analysis. An analysis of the existing housing stock was conducted showing home prices range from \$29,000 to \$298,000. While there is a strong concentration of single-family homes in the Sterling area, conversations with stakeholders indicated that the supply of single-family homes is lacking in quality.

Multi-Family Market Analysis. HSP relied on residential brokers and stakeholder interviews to better understand the Sterling residential market. According to interviews and research, rents for residential units in Sterling have increased by roughly 2% in the past year. Average rents in this residential market range from \$462 to \$598 per month. These rents and sizes take into consideration all apartments in Sterling and Rock Falls.

Sterling Area Multi Family Rent Trends

Beds	Avg SF	Avg Rent
Studio	414	\$462
1 BR	707	\$542
2 BR	936	\$598

Table 6: Multi-Family Rent Trends. Sources: REMAX, Apartments.com

Supply Analysis. The multifamily supply in the Sterling area is scattered throughout the city limits. The most recent development in the downtown area was the Lawrence Lofts (218 First Avenue). The success that Lawrence Lofts has had emphasizes the need for quality multifamily units in the downtown area. The supply of multifamily units on the Rock Falls side of the river is scarce. New multifamily units at the complexes would have the opportunity to pull people over to Sterling from Rock Falls.

Comparable Properties. HSP identified four multifamily corporate projects in the Sterling area. Table 7 shows the average size of these 2-bed apartments is roughly 983 square feet. These 2-bed apartments are renting for an average of \$755 per month.

Sterling Multi Family Comps

Address	City	Unit SF	Monthly Rent	Price/SF	Beds	Baths
1212 Cardinal St	Rock Falls	1,200	\$850	\$0.71	2	1.5
3rd Avenue Apartments	Sterling	1,033	\$750	\$0.73	2	1
1834 1st Ave	Sterling	920	\$750	\$0.82	2	1
Lawrence Lofts	Sterling	780	\$670	\$0.86	2	-
Average		983	\$755	\$0.78	2	1

Table 7: Sterling Multi-Family Comps. Source: REMAX, Apartments.com

Residential Market Interviews. Key findings from stakeholder interviews include:

- A major demand for housing in the Sterling and Rock Falls area. Many stakeholders mentioned that many market-rate housing units ranging from \$700-\$1000/month are occupied right after opening.
- Many mid-level employees are choosing to commute a long distance or live in a rental house during the week due to the lack of quality residential supply.
- Current residential units are achieving high occupancy rates. Brokers mentioned that, should quality units along the riverfront follow this pattern of occupancy, the rate ceiling in the market

could be pushed higher. Interviews also specifically noted that there is a need for 2-bedroom and 3-bedroom units. Brokers believe that these unit types on the riverfront can achieve monthly rental rates ranging from \$700/month to \$1,200/month.

- The current market for corporate rentals consists of apartments and single-family homes that major employers rent out. These rentals range from one-bedroom units to small single-family homes and are renting in the range of \$20,000/year to \$35,000/year depending on quality.

Residential Market Implications. HSP examined the residential market dynamics in Sterling and the relevant market area and found that:

- There is a clear demand from multiple stakeholder groups for improved housing in the Sterling area. Specifically, many stakeholder groups mentioned a need for market rate residential units.
- Capturing the demand from major employers and millennials looking for affordable places to live will be a major factor in the success of this mixed-use development on the complexes.
- The walkability of the complexes to downtown Sterling will appeal to many demographics and provide an array of retail, restaurant, and entertainment options for residents.

HSP Conclusions. Similar to hotels in the area, the supply of quality residential is lacking in the Sterling area. New residential developments in the area are renting out within months after they open. HSP believes that quality residential units would be successful at the complexes. Creating a critical mass of units, with retail and restaurant options on site, and linking them to the already established downtown will enhance the community feel of Sterling.

RETAIL & RESTAURANT MARKET ANALYSIS

Retail and Restaurant Leakage. HSP reviewed available leakage data for a 15- and 45-minute drive time radius from the complexes. Retail and restaurant leakage is indicated through a leakage (green) or surplus (red) of specific retail categories within a certain drive time. The green numbers indicate a demand for a retail category that is not being met, while the red numbers indicate the supply outweighing the demand.

15 -minute drive time. This drive time, which mainly covers the Sterling and Rock Falls area, indicates unmet demand in a few notable categories. Based on this analysis, there is demand for restaurants and lifestyle stores within the local market.

45-minute drive time. The analysis within this drive indicates a leakage of many retail industries, meaning that there is more demand for retail and restaurant than the current supply. This drive time begins to incorporate many other towns including Clinton and Dixon. Attracting non-residents from these areas will be extremely important to this project's success.

Retail and Restaurant Market Interviews. Key findings from stakeholder interviews are listed below:

- It is anticipated that newly constructed retail space could achieve rates ranging from \$20/SF to \$25/SF NNN in the best-case scenario. Newly constructed restaurant space would achieve rates roughly 30% higher than retail. These brokers indicated that the retail at the sites should be majority restaurant-focused.



Sterling Retail/Restaurant Leakage Report - 15-Minute Drive Time

2017 Industry Summary	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Retail Trade	\$421,094,528	\$531,020,428	-\$109,925,900	-11.5	197
Motor Vehicle & Parts Dealers	\$9,114,642	\$115,454,307	-\$106,339,665	-12.5	30
Furniture & Home Furnishings Stores	\$13,323,182	\$11,207,268	\$2,115,914	8.6	9
Electronics & Appliance Stores	\$15,419,385	\$6,778,425	\$8,640,960	38.9	10
Bldg Materials, Garden Equip. & Supply Stores	\$29,606,752	\$35,169,445	-\$5,562,693	-8.6	16
Food & Beverage Stores	\$69,335,875	\$81,224,707	-\$11,888,832	-7.9	23
Health & Personal Care Stores	\$28,485,783	\$25,311,045	\$3,174,738	5.9	16
Gasoline Stations	\$44,894,878	\$25,311,045	\$19,583,833	27.3	10
Clothing & Clothing Accessories Stores	\$21,198,196	\$75,994,179	-\$54,795,983	-56.4	17
Sporting Goods, Hobby, Book & Music Stores	\$10,657,133	\$5,873,175	\$4,783,958	28.9	0
General Merchandise Stores	\$71,161,491	\$129,530,443	-\$58,368,952	-29.1	12
Miscellaneous Store Retailers	\$15,699,982	\$15,705,729	-\$5,747	0.0	39
Nonstore Retailers	\$11,515,699	\$3,147,818	\$8,367,881	57.1	4
Food Services & Drinking Places	\$44,453,511	\$43,402,563	\$1,050,948	1.2	84
Special Food Services	\$1,101,158	\$206,278	\$894,880	68.4	4
Drinking Places - Alcoholic Beverages	\$1,457,703	\$2,751,342	-\$1,293,639	-30.7	17
Restaurants/Other Eating Places	\$41,894,650	\$40,444,943	\$1,449,707	1.8	64
Total Retail Trade and Food & Drink	\$465,548,039	\$574,422,991	-\$108,874,952	3.8	281
Total Retail Trade	\$421,094,528	\$531,020,428	-\$109,925,900	-11.5	197
Total Food & Drink	\$44,453,511	\$43,402,563	\$1,050,948	20.1	84

Table 8: Retail/Restaurant Leakage, 15-Minute Drive Time. Source: ESRI

Sterling Retail/Restaurant Leakage Report - 45-Minute Drive Time

2017 Industry Summary	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Retail Trade	\$1,965,001,913	\$1,641,025,441	\$323,976,472	9.0	780
Motor Vehicle & Parts Dealers	\$431,343,957	\$332,204,721	\$99,139,236	13.0	108
Furniture & Home Furnishings Stores	\$58,810,617	\$27,757,765	\$31,052,852	35.9	39
Electronics & Appliance Stores	\$68,963,961	\$19,709,132	\$49,254,829	55.5	31
Bldg Materials, Garden Equip. & Supply Stores	\$140,985,274	\$117,575,743	\$23,409,531	9.1	99
Food & Beverage Stores	\$327,285,895	\$311,323,683	\$15,962,212	2.5	99
Health & Personal Care Stores	\$131,840,290	\$91,460,580	\$40,379,710	18.1	53
Gasoline Stations	\$211,317,923	\$352,208,116	-\$140,890,193	-25.0	66
Clothing & Clothing Accessories Stores	\$90,053,671	\$90,165,509	-\$111,838	-0.1	47
Sporting Goods, Hobby, Book & Music Stores	\$48,230,113	\$17,626,172	\$30,603,941	46.5	51
General Merchandise Stores	\$326,496,345	\$238,499,157	\$87,997,188	15.6	43
Miscellaneous Store Retailers	\$77,462,301	\$34,507,904	\$42,954,397	38.4	134
Nonstore Retailers	\$52,211,565	\$7,986,959	\$44,224,606	73.5	10
Food Services & Drinking Places	\$197,084,284	\$159,471,478	\$37,612,806	10.5	382
Special Food Services	\$4,949,697	\$619,711	\$4,329,986	77.7	7
Drinking Places - Alcoholic Beverages	\$7,233,909	\$10,193,117	-\$2,959,208	-17.0	71
Restaurants/Other Eating Places	\$184,900,678	\$148,658,650	\$36,242,028	10.9	303
Total Retail Trade and Food & Drink	\$2,162,086,197	\$1,800,496,918	\$361,589,279	9.1	1,162
Total Retail Trade	\$1,965,001,913	\$1,641,025,441	\$323,976,472	9.0	780
Total Food & Drink	\$197,084,284	\$159,471,478	\$37,612,806	10.5	382

Table 9: Retail/Restaurant Leakage, 45-Minute Drive Time. Source: ESRI

- Sterling already has big box retailers such as Kohl's, Menards, and Walmart. The Northland Mall currently has a high vacancy rate and retailers have been leaving. Unique, lifestyle-oriented retail and restaurant may perform well and is scarce in the area.
- Multiple interviews with stakeholders in the area indicated that retail and food and beverage should be a component, in some fashion, of this mixed-use development.

Retail and Restaurant Market Implications.

- Creating a critical mass of food and beverage and retail options creates a gravitational pull that gives people (and other development types) reason to be in an area for an extended time.
- Food and beverage and retail offerings are essential building blocks of most mixed-use developments. HSP believes that a mix of retail relying heavily on food and beverage will perform well at these sites.
- There is opportunity for unique, higher-end restaurants and lifestyle retail because the Sterling restaurant market has not recently seen new, innovative offerings.
- The 15-minute and 45-minute drive time leakage analysis indicates that many retail categories are showing unmet demand. Some of these categories include health and fitness, restaurants, and sporting goods stores. Leaving room for pop-up retail options could spice up the overall retail mix and attract new visitors.

HSP Conclusions. HSP believes that a mixture of retail, restaurants, and space for pop-up uses will be critical to establishing the riverfront as a destination. This concept may take multiple forms.

OFFICE MARKET ANALYSIS

Office Market Interviews and Implications. Key findings from interviews and market analysis are listed below:

- The office market is extremely limited in Sterling to small, outmoded offices. Major employers in the area mainly utilize large industrial campuses to office employees.
- There are no new office developments in Sterling that are relevant. The market consists of office/retail spaces, in strip mall type locations, that range from 1,000SF – 3,000SF. These spaces range from \$8 - \$12.50/SF NNN.
- CAM and Insurance at these spaces range from \$1.75/SF to \$3.50/SF. These spaces are primarily being leased by start-ups and retail services, such as cell phone stores.
- HSP believes that Class B creative office space at the complexes would capture the most demand. Phasing in creative office space could potentially create a campus-like feel, after the supportable amenities (retail/restaurant and residential) are established.
- HSP believes that office space will need to be phased into the project after more amenities are added.
- Creating a critical mass at the complexes will help to establish a live/work/play environment.

HSP Conclusions. Due to the current conditions of the office market and the types of companies located in Sterling, HSP believes that phasing in creative office space or maker's space would be viable uses at these sites.



MEETING & EVENT MARKET ANALYSIS

Local Meeting & Event Supply. Sterling does not have a large supply of traditional meetings and event facilities, through there are some community assets that are used to fill existing demand for meetings, entertainment, and events. The current supply is shown in Table 10. Additional community assets include:

- **Restaurants and Banquet Halls**, such as Smoked on 3rd, Candlelight Inn, Brandywine, and the Post House Ballroom, which host banquets, weddings, and other private events;
- **Country Clubs**, such as Deer Valley Country Club and Rock River Golf and Pool, provide function space for meetings and small events;
- **Community Assets**, such the CGH Medical Center and the Sterling Rock Falls YMCA; and
- **Local Schools**, such as Sterling High School and Sauk Valley Community College, host performing arts and entertainment-based events.

The gap in the market offers an opportunity to develop a flexible meeting facility that is able to capture value-driven groups that Sterling has not been able to accommodate.

Local Meeting & Event Facilities

Venue	Address	Type of Function Space	Banquet Capacity
McCormick Event Center	205 E. Third St., Rock Falls IL 61071	Banquet/Event Center	600
Days Inn by Wyndham Rock Falls	2105 1st Ave, Rock Falls, IL 61071	Banquet Hall	275
Post House Ballroom	100 W 2nd St, Dixon, IL 61021	Banquet Hall	250
Deer Valley Country Club	3298 Hoover Road, Deer Grove IL 61243	Country Club	220
Brandywine	441 IL Route 2, Dixon IL 61021	Banquet/Event Center	200
Rock River Golf and Pool	3901 Dixon Road, Rock Falls IL 61071	Country Club	200
Candlelight Inn	2907 North Locust St, Sterling, IL 61081	Banquet Hall	100
Smoked on 3rd	14 E 3rd St, Sterling, IL 61081	Restaurant	n/a

Table 10: Local Meeting & Event Facilities. Source: Hunden Strategic Partners

Regional Meeting and Event Supply. There is almost no meeting and event supply within a 45-minute drive time of Sterling. However, within an approximate 60-minute drive time, Sterling competes with both Rockford and the Quad Cities, both of which have a healthy supply of meetings and event facilities. These facilities are outlined in Table 11. Most of these facilities are conference hotels, though there are a few standalone event and expo centers.

Meetings Market Interviews. Key findings from stakeholder interviews are listed below:

- There is latent demand going to other communities due to lack of quality and size of spaces that the Sterling area currently offers.
- Local stakeholders in the Sterling area mentioned that, besides small meeting spaces at the YMCA and at CGH Medical Center, there is little to no other meeting space in the area. Stakeholders indicated that they would use quality meeting space for meetings and corporate events.
- These interviews suggested flexible meeting space that would be flexible to host all types of events and emphasized that the riverfront would enhance the atmosphere of the meeting space.
- Local restaurants and banquet halls are currently accommodating demands for weddings and

Regional Meeting & Event Facilities

Venue	Location	Distance from			Maximum Capacity	Banquet Capacity	# of Meeting Rooms	Total Exhibit Space SF	# of Guest Rooms
		Destination (Miles)	Total Meeting Space SF	Largest Room					
QCCA Expo Center	Rock Island, IL	56.3	85,000	4,600	5,500	4,000	2	60,000	-
Isle Hotel & Waterfront Convention Center	Bettendorf, IA	57	40,000	14,190	1,700	912	16	15,000	509
Embassy Suites by Hilton Rockford Riverfront	Rockford, IL	53.5	23,000	7,426	800	550	16	-	160
Riverview Inn and Suites Cliffbreakers	Rockford, IL	59.1	23,000	14,400	1,700	900	9	23,000	84
Tebala Event Center	Rockford, IL	66.1	16,288	7,500	938	546	6	-	-
Stoney Creek Hotel & Conference Center	Moline, IL	53.8	12,000	4,800	450	400	10	-	140
Radisson Quad City Plaza Hotel	Davenport, IL	64.5	12,000	7,812	665	550	9	7,800	221
Grizzly Jack's Grand Bear Resort	North Utica, IL	68.1	11,000	6,000	660	496	9	11,000	92
Comfort Inn & Suites Rochelle	Rochelle, IL	39.1	10,125	4,290	451	357	4	-	93
Wild Rose Casino & Resort	Clinton, IA	32.2	10,000	10,000	900	400	1	-	60
TaxSlayer Center	Moline, IL	54	10,000	9,290	800	500	8	-	-
Radisson Hotel & Conference Center	Rockford, IL	67.7	10,000	10,000	725	450	8	10,000	114
Mendota Civic Center	Mendota, IL	38.5	8,401	5,600	450	400	4	-	-
Starved Rock Lodge & Conference Center	Oglesby, IL	69.2	5,002	2,244	200	120	7	-	70
Hilton Garden Inn Rockford	Rockford, IL	67.9	4,000	3,395	440	220	5	-	135
Days Inn by Wyndham Princeton	Princeton, IL	40.1	3,600	3,600	300	250	1	-	36
Average		55	22,241	8,102	1,042	691	8		170

Table 11: Regional Meeting & Event Facilities. Source: Hunden Strategic Partners

special events, while the local high school and college are accommodating community arts groups and the occasional regional act. A space that is flexible enough to accommodate entertainment as well as events could be of use to the community and act as a draw to the riverfront.

Meetings Market Implications. HSP examined the meetings and events market surrounding Sterling to better understand how it might support and benefit from a meetings or event facility:

- Meetings and event facilities are expensive to build, operate and maintain, and their success is often based on the destination within which they are located. Since a facility in Sterling would need to compete with other established event facilities in Rockford and the Quad Cities, it would be especially difficult to support a large event facility under the current local market conditions.
- That said, a facility that could accommodate meetings primarily as well as occasional events could be a complementary use within the Riverfront depending on flexibility and design.
- A flexible facility would help to induce usage on a more consistent basis than likely any other investment, other than perhaps a concert venue.
- If meeting rooms and a ballroom space were to be developed as part of the Riverfront plan, the proposed hotel will directly benefit from them.

HSP Conclusions. The supply of banquet and event facilities in the Sterling area consists of community assets that are not designed to host business meetings or large events. There is a large demand for meetings of 30-50 people in the area, so an event center or conference hotel with meeting rooms and banquet space could be beneficial at the complexes.



FLEX MARKET ANALYSIS

The fabric of traditional downtowns is evolving with the evolution of technology and the coming of age of younger generations. HSP has observed that public communal spaces have become a focal point for many communities across the nation. Younger generations are often in search of more authentic experiences, such as access to “clean food” and modern technology, in lieu of traditional shopping and dining experiences.

Concept Overview: Hydroponics and Vertical Farming. Controlled environment agriculture is on the rise, as it allows people to grow full crops of food, often stacked vertically in small spaces, anywhere in the world, year-round. There is no need for pesticides, and it is a more sustainable method of farming. Farmers use unconventional spaces, and frequently vacant industrial buildings, to fit acres of farmland into a single urban building.

HSP interviewed investors in the hydroponic industry to better understand how a partial hydroponics development would benefit the project. The interviews yielded a series of key findings, including:

- The hydroponics industry is growing rapidly and has been developed in many physical fashions. Tables with PVC pipes or hanging plants are the most common in the industry, and natural light is a key ingredient to keep costs low.
- Tying a partial hydroponics development into a mixed-use development with food and beverage offerings can create an ecosystem. The hydroponics can supply fresh herbs, fruits, and vegetables to the development’s restaurants, reducing waste and delivery fees.

Concept Overview: Server Farms. A server farm or server cluster is a collection of computer servers – usually maintained by an organization to supply server functionality far beyond the capability of a single machine. There is currently a surge in demand for data centers, which is being fueled by both the commercial and consumer entertainment markets. The former is moving more of their software and data to the cloud, while the latter is streaming video to phones, tablets, computers, and televisions.

A common theme being seen among data center developers is taking old buildings or sites that can support massive amounts of equipment and transform them into a hub of power and connectivity. While there may be some opportunity for this at the riverfront redevelopment, this venture does require a large footprint and would not drive visitation to the sites by residents or visitors.

Concept Overview: Maker Spaces. Maker spaces includes collaborative, public workspaces where people gather to create and make all manner of things. A major selling point of maker spaces is that offer visitors the use of “maker equipment” such as 3D printers, laser cutters, CNC machines, computers, and hand tools, among others. Maker spaces can have various business models; some act as tech or business incubator spaces with low-cost spaces for rent, while others act more like a cooperative or club where members pay dues to participate.

Concept Overview: Adult Beverage Market. Throughout the country, adult beverage experiences are driving tourism and providing locals with leisure opportunities. Wineries, breweries, and distilleries are tourism staples accounting for a notable share of the tourism traffic in many peer

markets, and could provide an attractive experience for a future riverfront development.

HSP has observed that the following features increase the attractiveness of the facility to visitors:

- Access to the riverfront, a natural amenity that can help the adult beverage facility reach destination status;
- All-ages taprooms and dog-friendly spaces, which increase access for young professionals and their new families; and
- Adding hospitality to the mix as part of a destination brewery.

Concept Overview: Food Halls. Food Halls are the 21st Century reimagination of the Food Court, a concept that has been around for many years. Real estate developers have begun to see food halls as anchor tenants for new developments, specifically high-density office and residential developments.

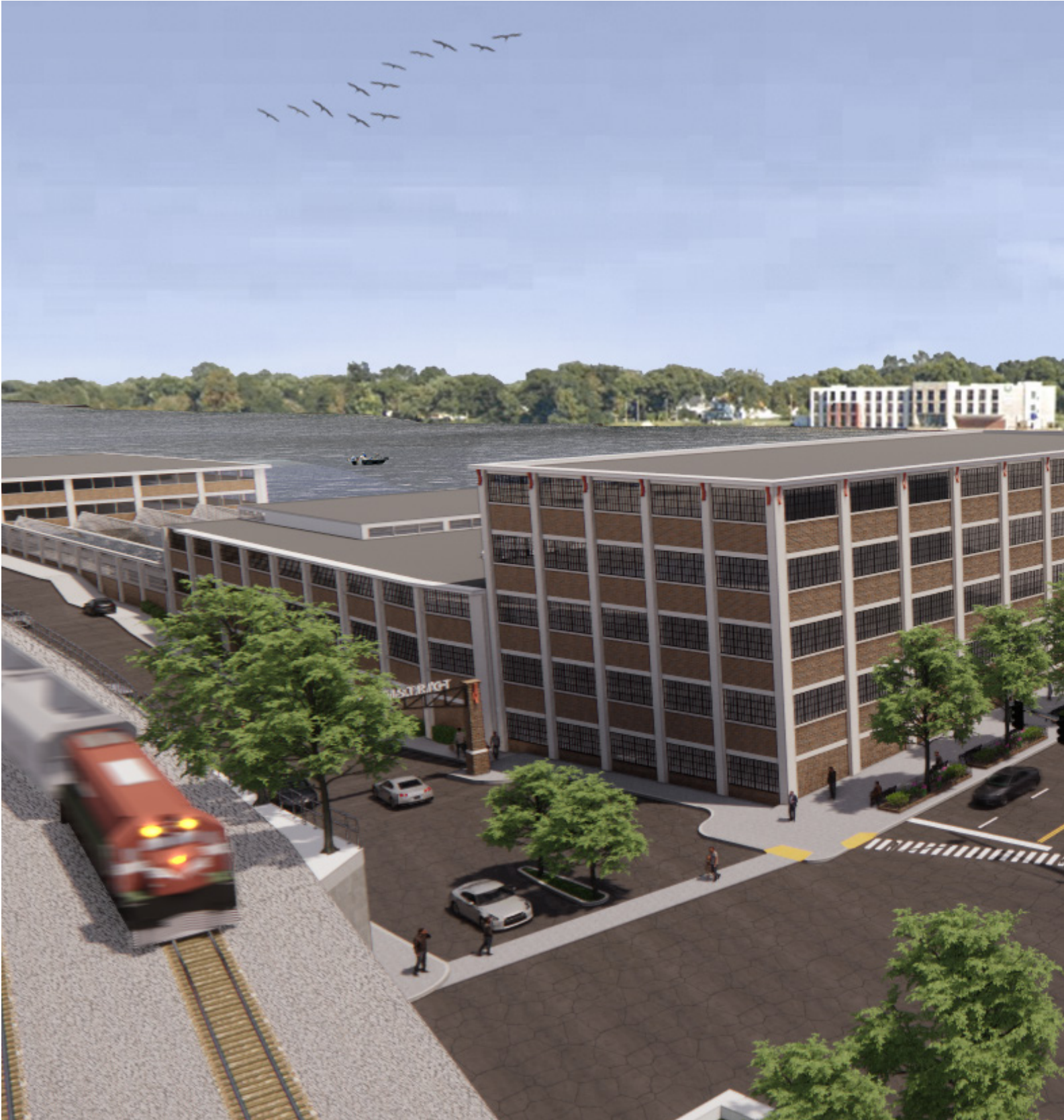
HSP has found that successful food halls include the following elements:

- A location that promotes density, walkability, destination feel, and decent weather;
- Critical mass, achieved through a minimum of ten vendors, each with a footprint of 350-500 square feet; and
- At least 50% of the development should be dedicated to public seating space.





DESIGN AND ANALYSIS

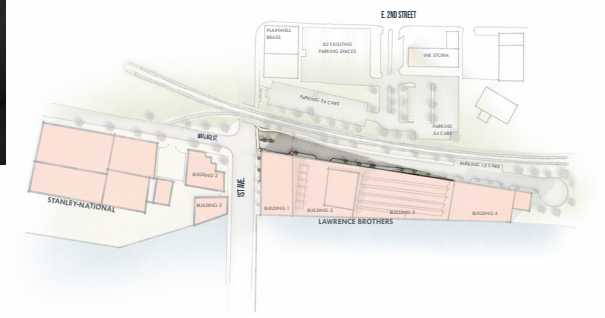


- **SITE ACCESS SCENARIOS**
- **FLOOR PLANS**
- **CONCEPTUAL RENDERINGS**
- **PRO FORMA ANALYSIS**





SITE PERSPECTIVE

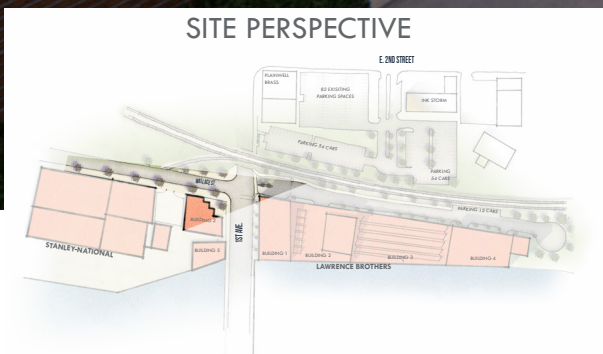




**MAIN ENTRANCE, LOOKING EAST
LAWRENCE BROTHERS**



DESIGN AND ANALYSIS





MAIN ENTRANCE, LOOKING WEST
LAWRENCE BROTHERS



DESIGN AND ANALYSIS



Based on the recommendations detailed in the Market Analysis, Studio GWA developed a series of work products that are important in the redevelopment efforts for the complexes, including:

- **Site Access Scenarios** to improve access to and between the complexes;
- **Conceptual Plans** for the development of the buildings with proposed uses;
- **Renderings** that provide fresh perspectives of renovated, reactivated buildings; and
- **Financial Proformas** that determine financial feasibility and return on investment of the proposed scheme.

SITE ACCESS SCENARIOS

Due to the site constraints noted in Section III, particular attention was given to improving access to the Lawrence Brothers complex. This primarily included access for motorists and their resultant parking needs as well as pedestrian access to and between each site. Four site access scenarios were considered:

- **Option 1: Connecting the Grid.**
- **Option 2: Pedestrian Overpass.**
- **Option 3: Pedestrian Underpass.**
- **Option 4: Small-Scale Improvements.**

These options are described and illustrated in a series of maps beginning on page 52.

Each of the above options includes the removal of a non-original loading dock at the existing

entrance of the Lawrence Brothers complex. The removal of the dock would improve access into the development for parking and delivery vehicles. Each of the above options also includes the utilization of new and existing surface parking between the rail line and 2nd Street.

The Stanley-National complex does not have the same degree of site constraints. The right-of-way on Wallace Street is sufficient for through-traffic, and the city-owned parcels flanking the rail line to the north and south could be suitable for additional surface parking.

This section includes floor plan layouts for each of the proposed uses. A simple summary is on the following page.

CONCEPTUAL PLANS

Most of the conceptual plans are accompanied by renderings that offer an interior perspective of the proposed uses. The renderings pay special attention to the architectural features that are unique and recognizable.

VISUALS

Exterior renderings of the Lawrence Brothers complex and Buildings 2 and 5 of the Stanley-National Complex are included throughout the report. It should be noted that the facade alterations to Building 2 of Stanley-National includes alterations that may not comply with the historic standards necessary for accessing Historic Tax Credits.

Program of Uses			
	Location	Square Footage	Units/Keys/Stalls
Lawrence Hardware Buildings 1 & 2			
Restaurant/Kitchen	Lower Level	8,900	-
Riverfront	Lower Level/First Floor/Second Floor	8,300	-
Hotel	Lower Level through Fourth Floor	59,000	73
Future Build-Out	First Floor	22,400	-
Event/Conference Space	Second Floor	16,000	-
Lawrence Hardware Buildings 2 & 3			
Interior Parking	Lower Level	57,450	109
Add'l Surface Parking	North of Rail Line	46,700	120
Lawrence Hardware Building 4			
Interior Parking	Lower Level	12,500	23
Residential Apartments	Lower Level through Second Floor	51,100	35
Stanley-National Buildings 2 & 5			
Residential Apartments	Lower Level through Fourth, Fifth Floors	51,000	51

COST ESTIMATING

The bulk of design projects that Studio GWA undertakes are historic renovations and adaptive re-use. The firm has built close relationships with owners, contractors, sub-contractors, and construction managers throughout the 40+ years of its operations. The estimates included represent costs identified through multiple years of working with project budgets. Project costs from similar projects were used as a reference to project construction cost estimates. That being said, each model is an opinion of probable cost. Many decisions regarding material selection, system development, and project parameters have yet to be defined. Market conditions will vary over time. No guarantee is given or implied that costs will not vary from these models. It is imperative that additional estimates are prepared as the project is further developed.

INCENTIVES AND GAP FILLERS

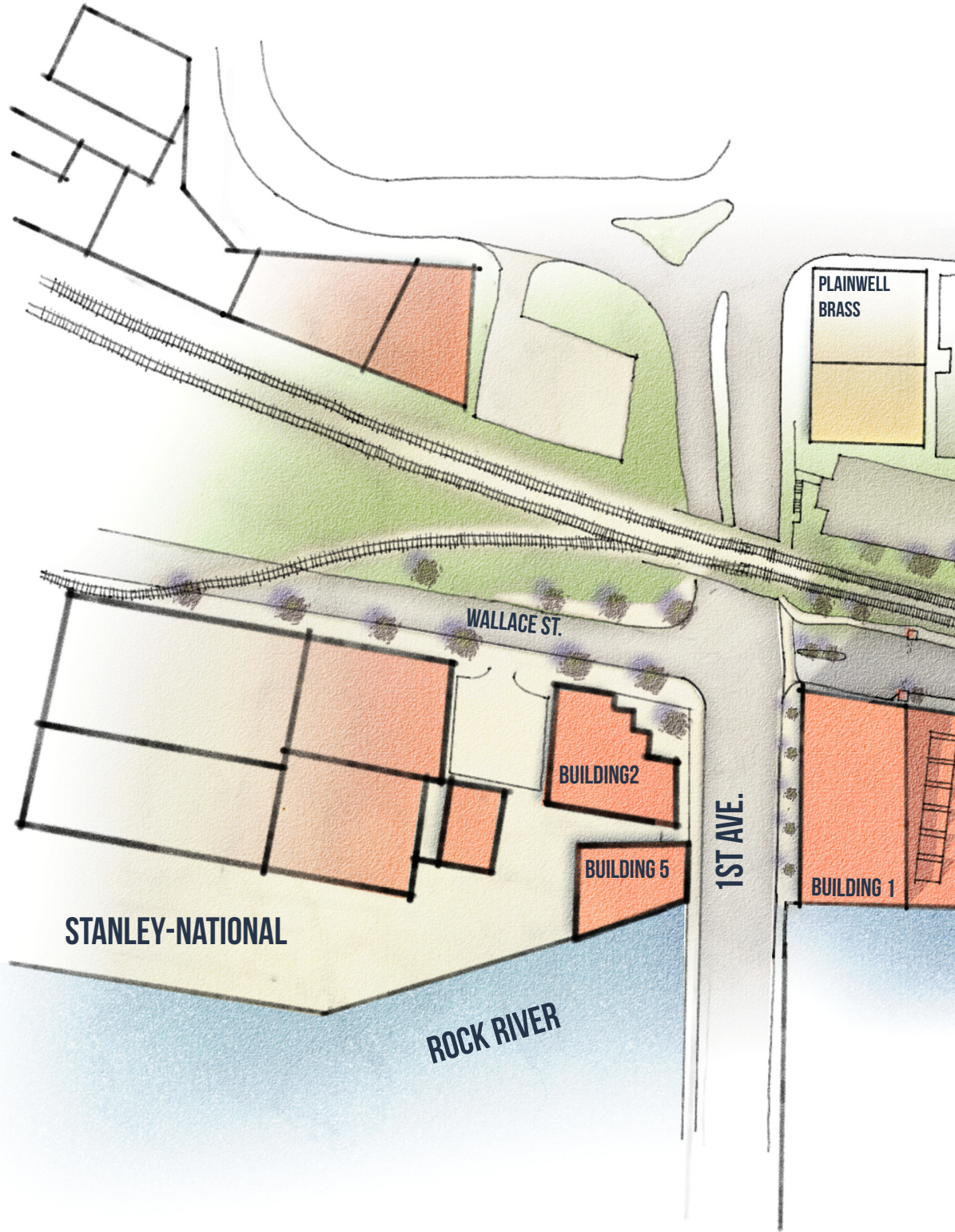
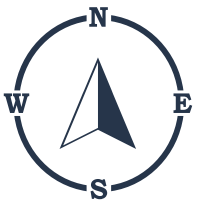
The pro-forma analysis includes the following incentives for all buildings within the study except Building 3:

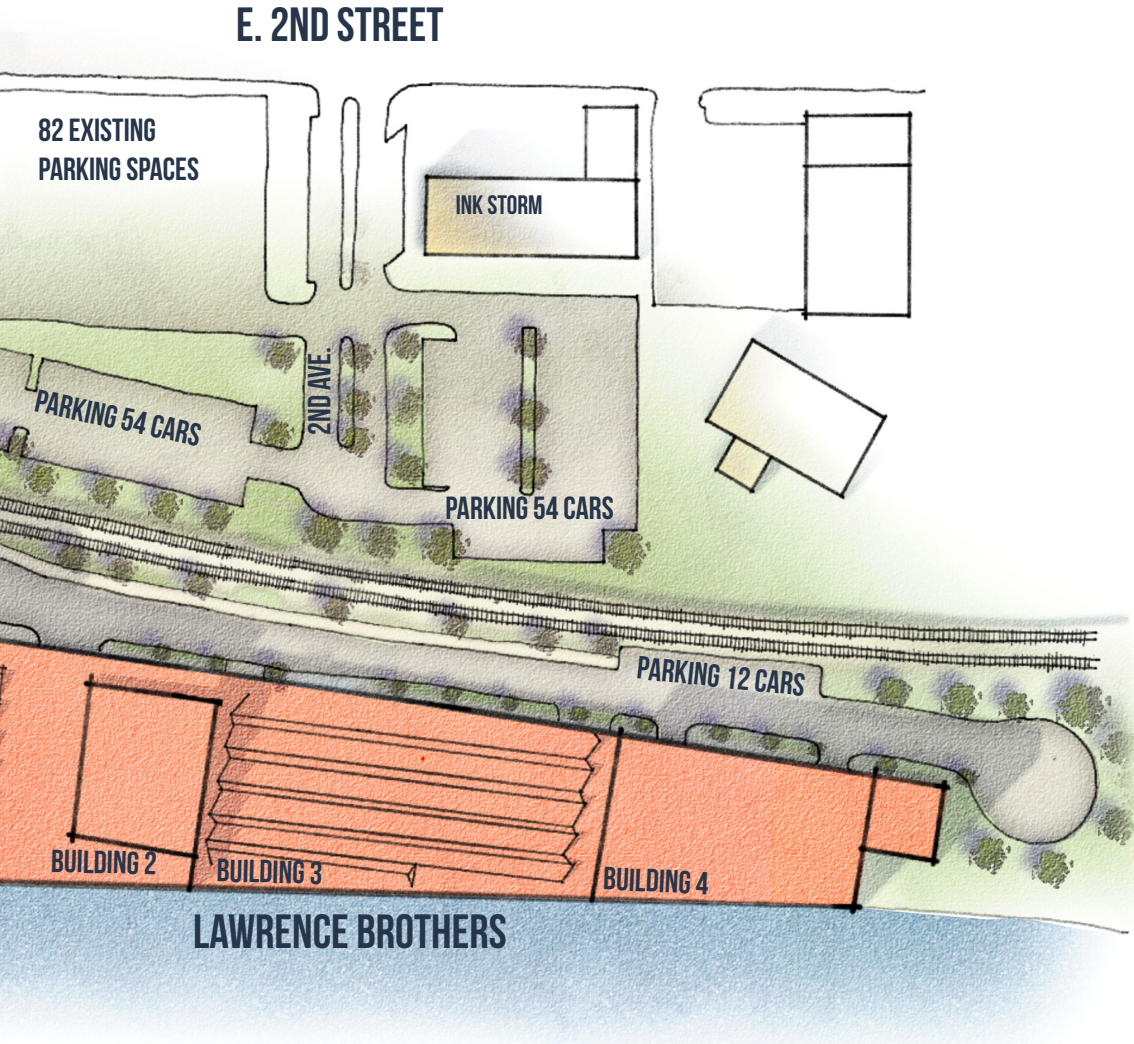
- Building Materials Sales Tax Waiver which is accessible to the site via the existing Enterprise Zone

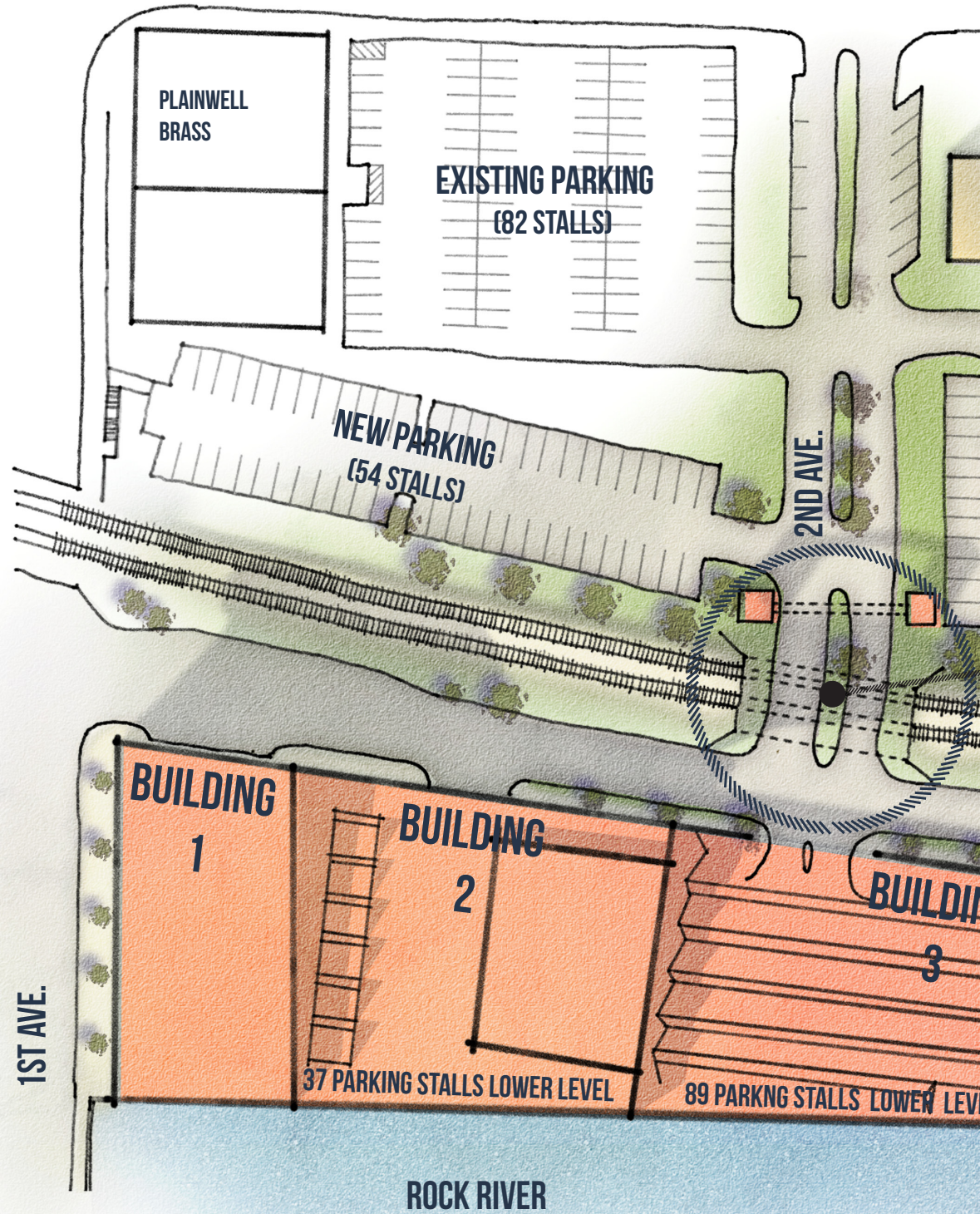
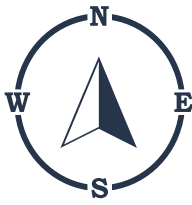
- Pay-as-you-go Tax Increment Financing (TIF) with the assumption of a new TIF District being created along the Riverfront. 90% of the TIF was built into the analysis, though that percentage could be negotiated through a development agreement between the City and a future developer.
- Both Federal (20%) and State (25%) Historic Tax Credits.
- Assumes buildings can be acquired for \$1.

A spreadsheet outlining potential additional gap-fillers and incentives is included on page 102. The above-mentioned incentives would be considered as more “low hanging fruit” as they are less competitive, while those incentives that require more specific decisions, include more variables, or are more competitive were not immediately included. They are still viable gap fillers that may become valuable additions to the capital stack. They are shared as concepts for future negotiations.





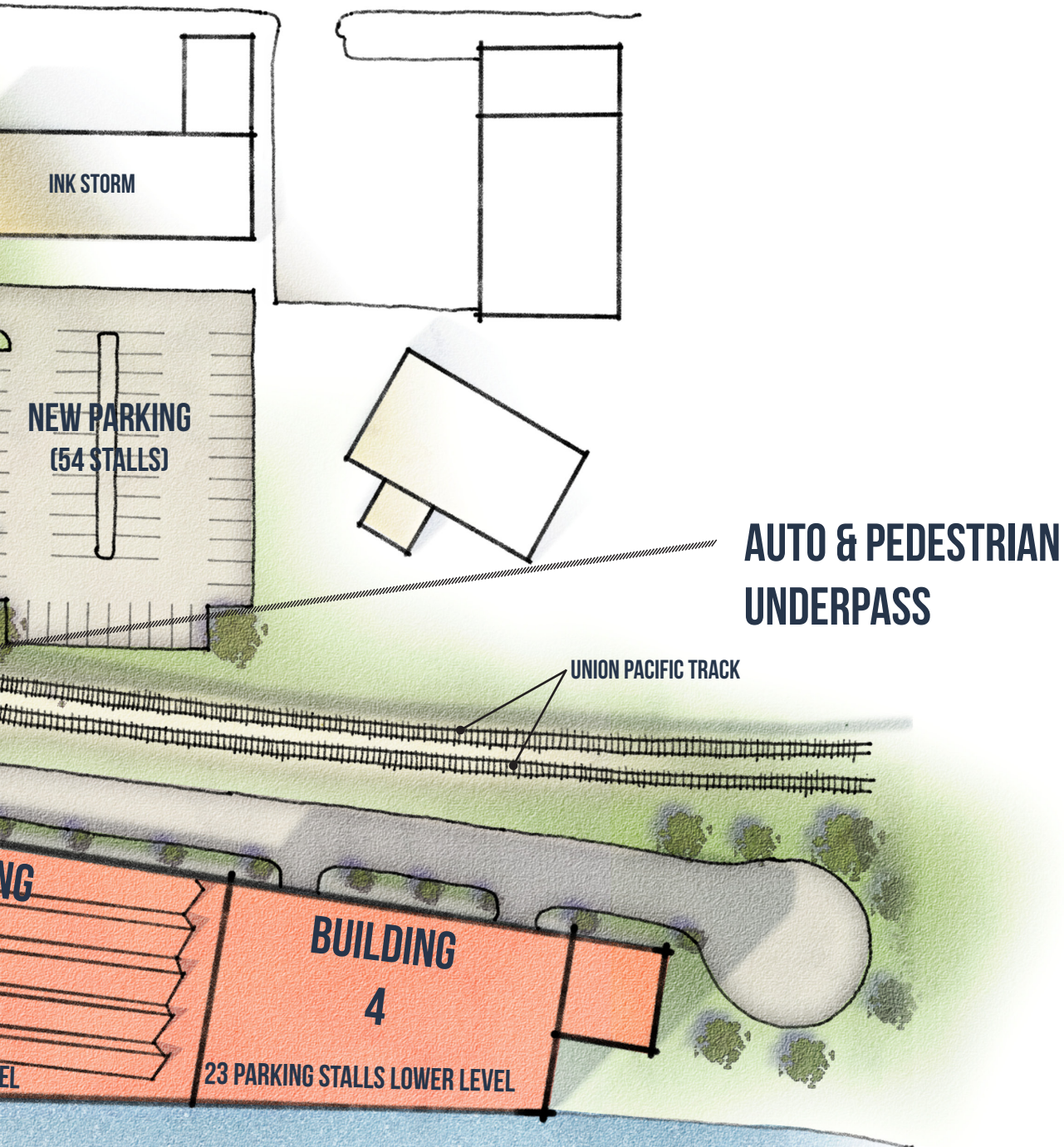


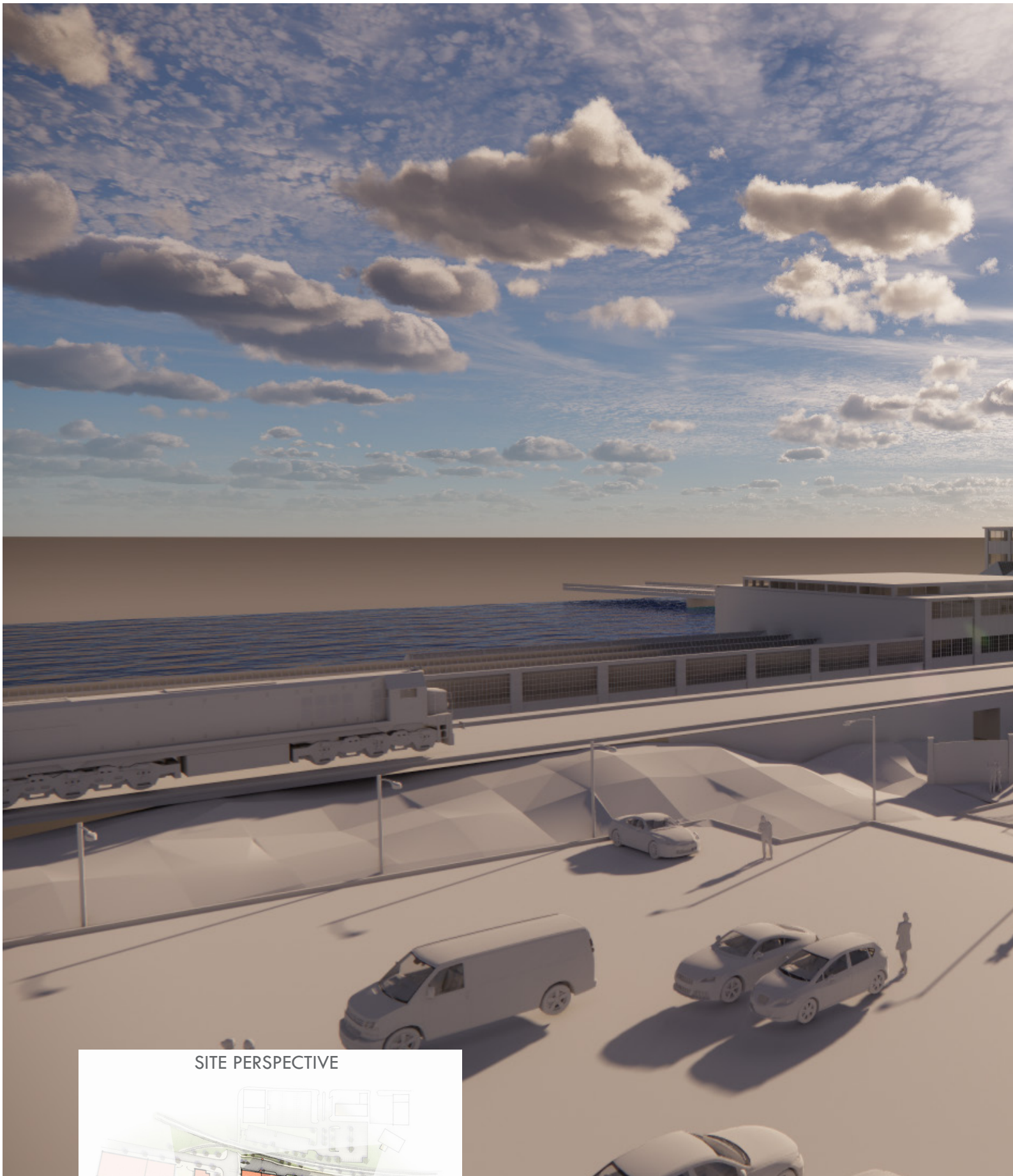


OPTION 1: CONNECTING THE GRID

This option would improve access to the Lawrence Brothers complex by connecting the site to downtown via a new railroad underpass at 2nd Avenue for auto and pedestrian access. The extreme cost of \$10 million dollars along with the regulatory hurdles and return on investment for the community meant that this scenario could not be justified.

E. 2ND STREET





SITE PERSPECTIVE

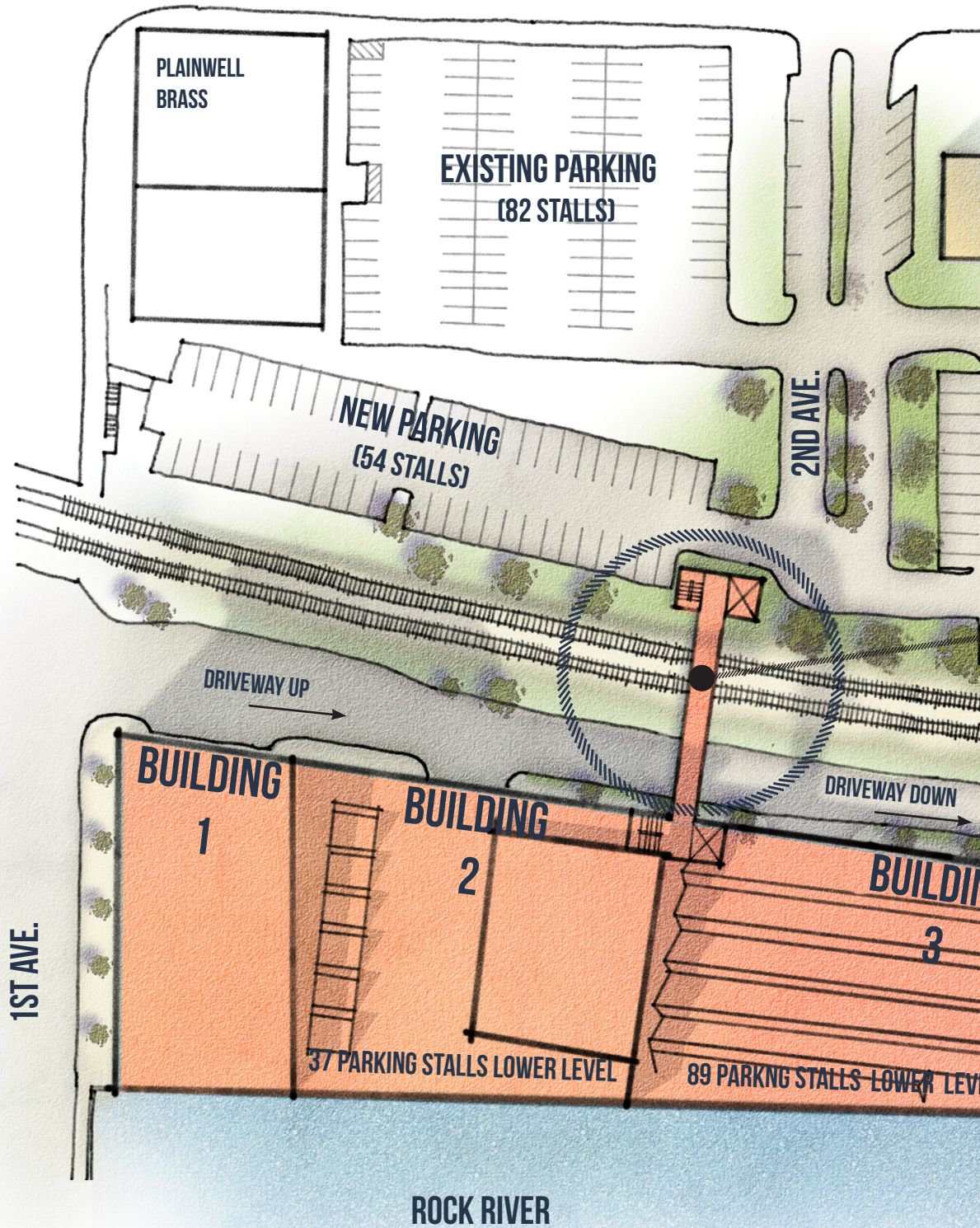
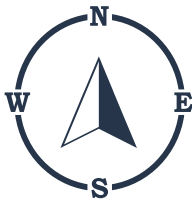


OPTION 1



Option 1 proposed connecting the site to downtown through a railroad underpass. The extreme cost of \$10 million dollars along with the regulatory hurdles and return on investment for the community meant that this scenario could not be justified.

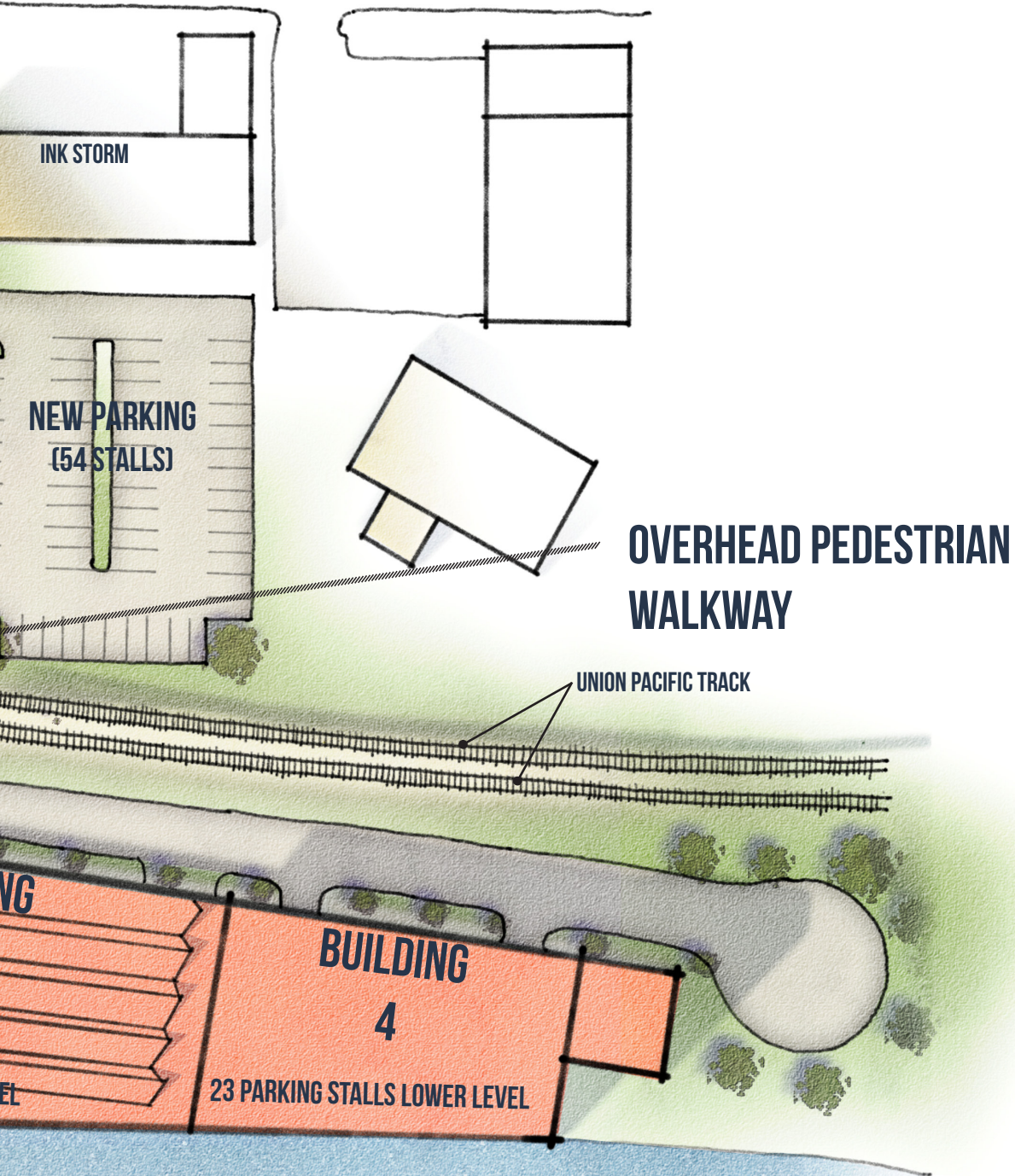


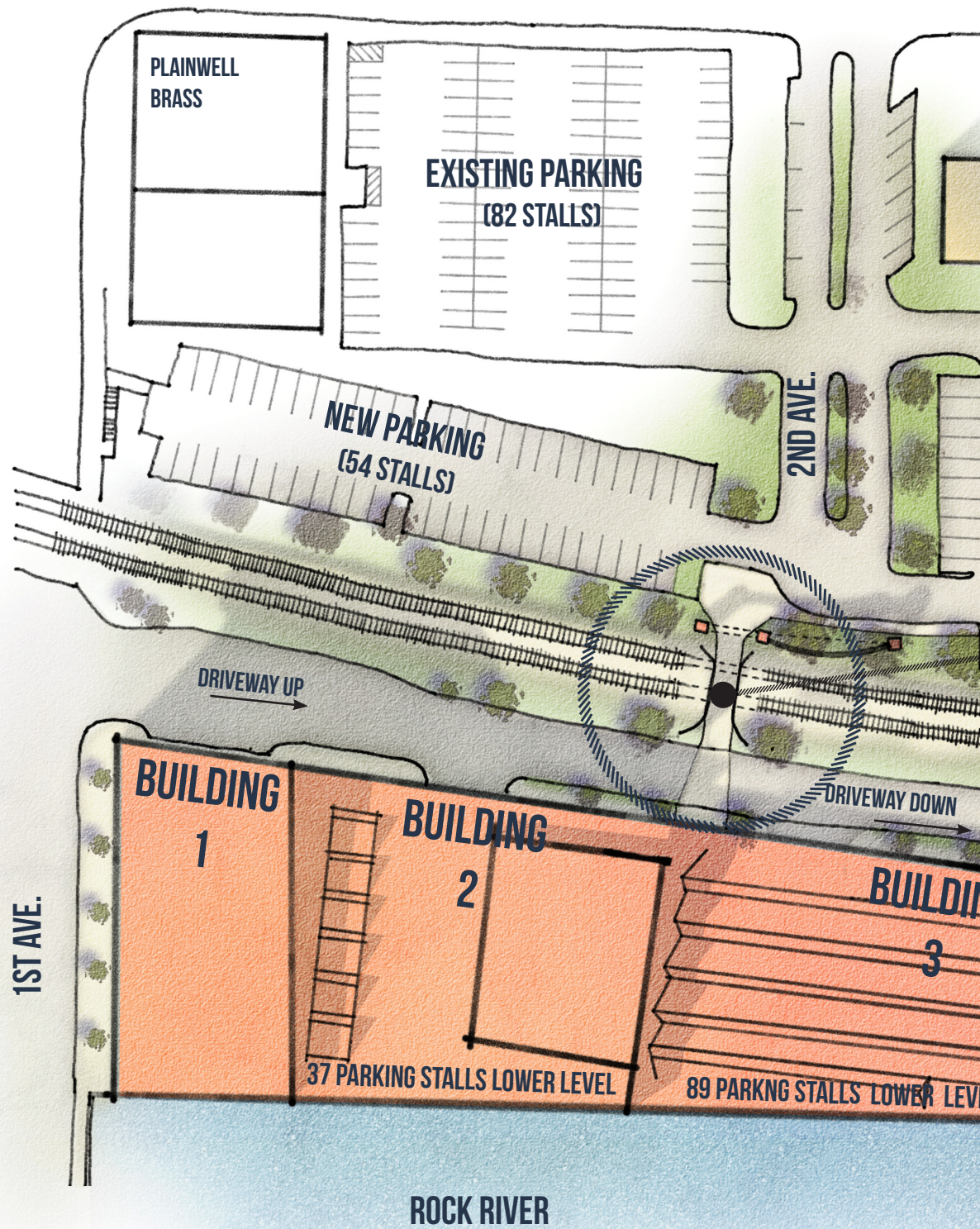
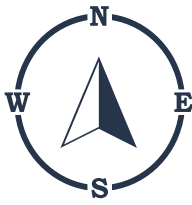


OPTION 2: PEDESTRIAN OVERPASS

This option explored the possibility of providing an overpass for pedestrians only by means of an elevator or escalators to facilitate easy access over the tracks. The high clearance of 23' over the tracks makes it impractical to go up three stories and down two stories to reach the third floor of Building 2.

E. 2ND STREET

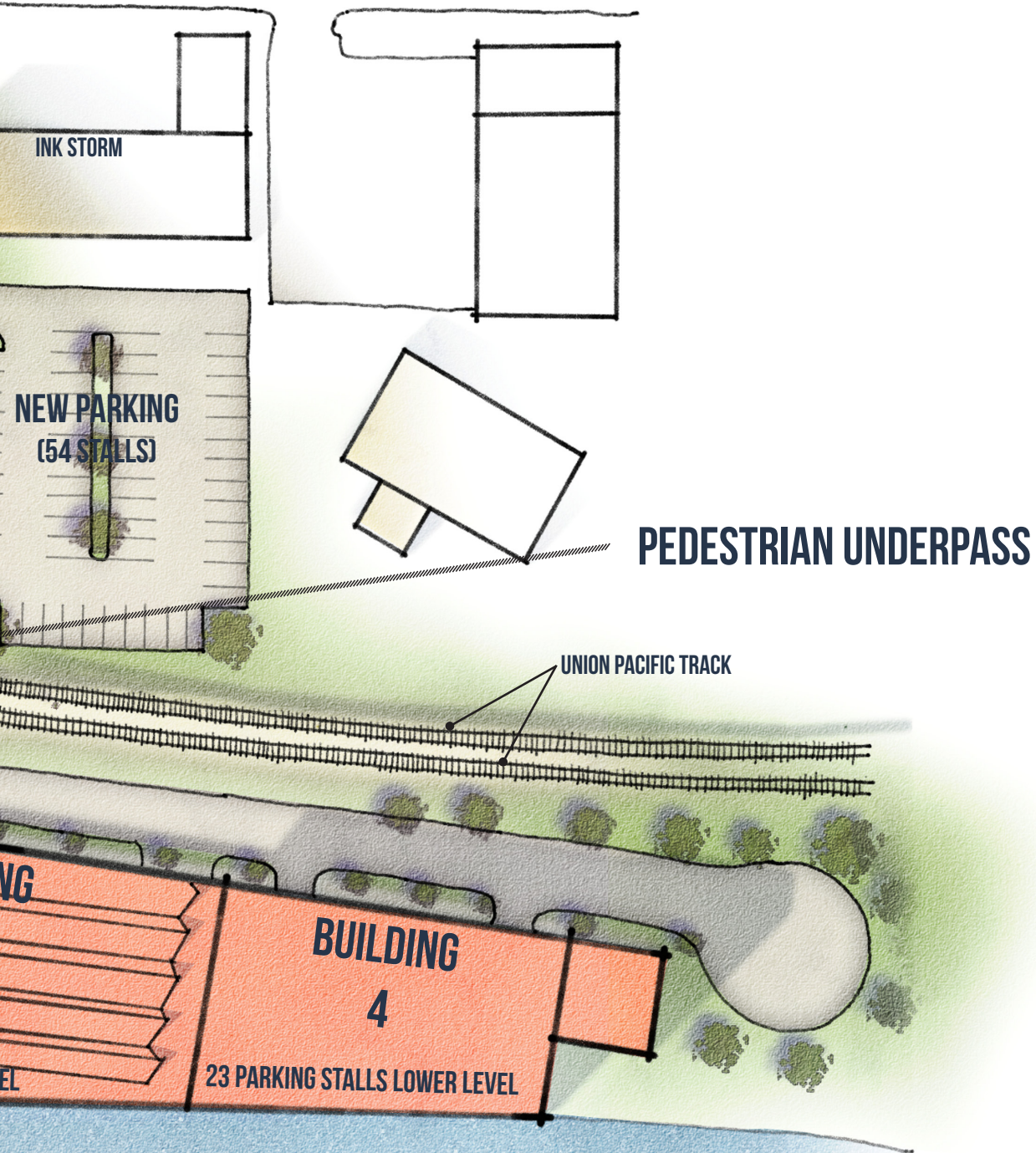


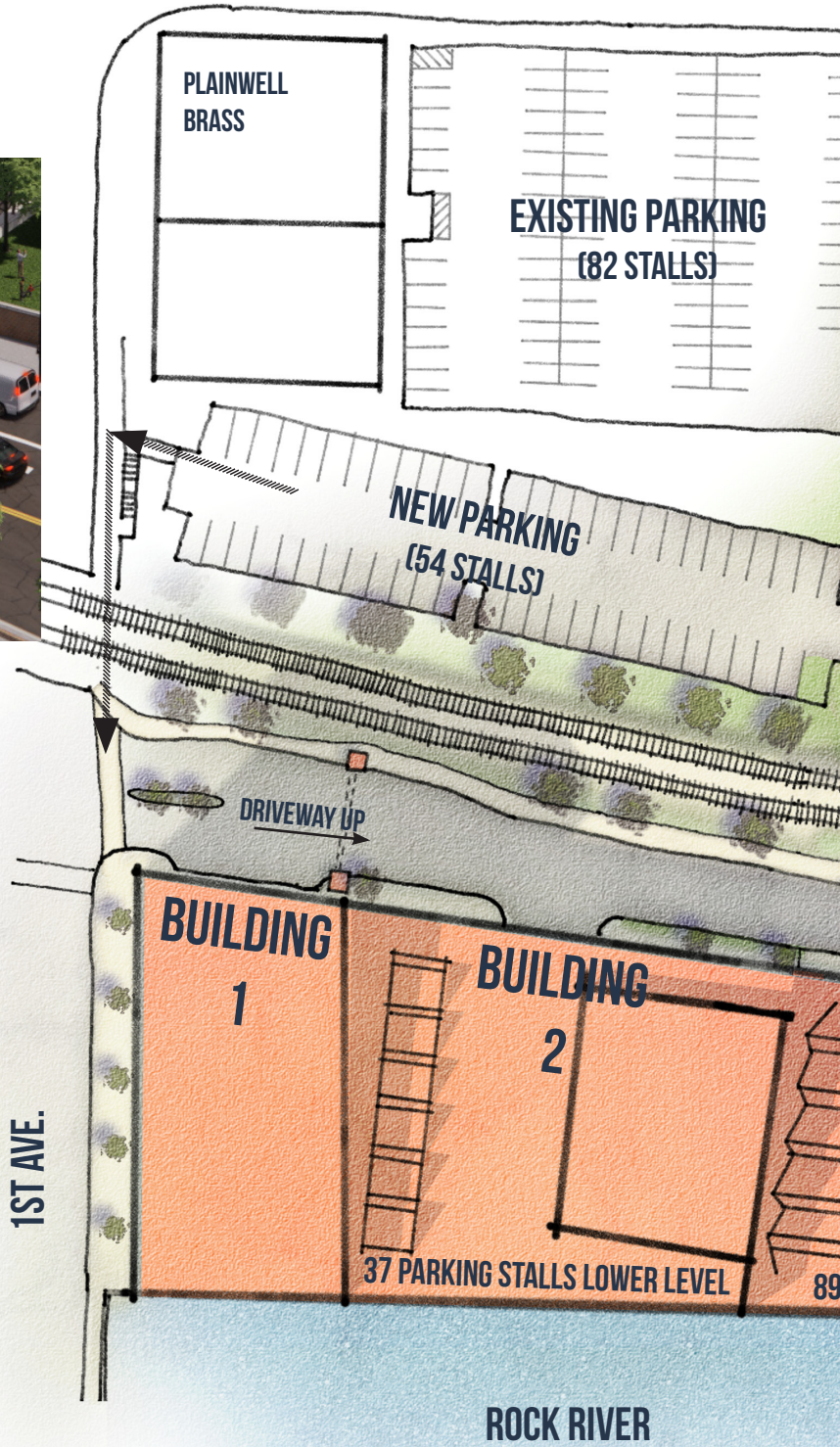
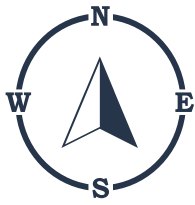


OPTION 3: PEDESTRIAN UNDERPASS

This option would afford pedestrians with a direct access point between the surface parking off of 2nd Street and the Lawrence Brothers complex. A pedestrian-only underpass would not require the right-of-way necessary for through-vehicle traffic that Option 1 required. Further, an underpass could meet the access requirements of the Americans with Disabilities Act (ADA) more efficiently than Option 2. However, the costs and regulatory hurdles with this option are not unlike Option 1, leaving this particular option infeasible.

E. 2ND STREET



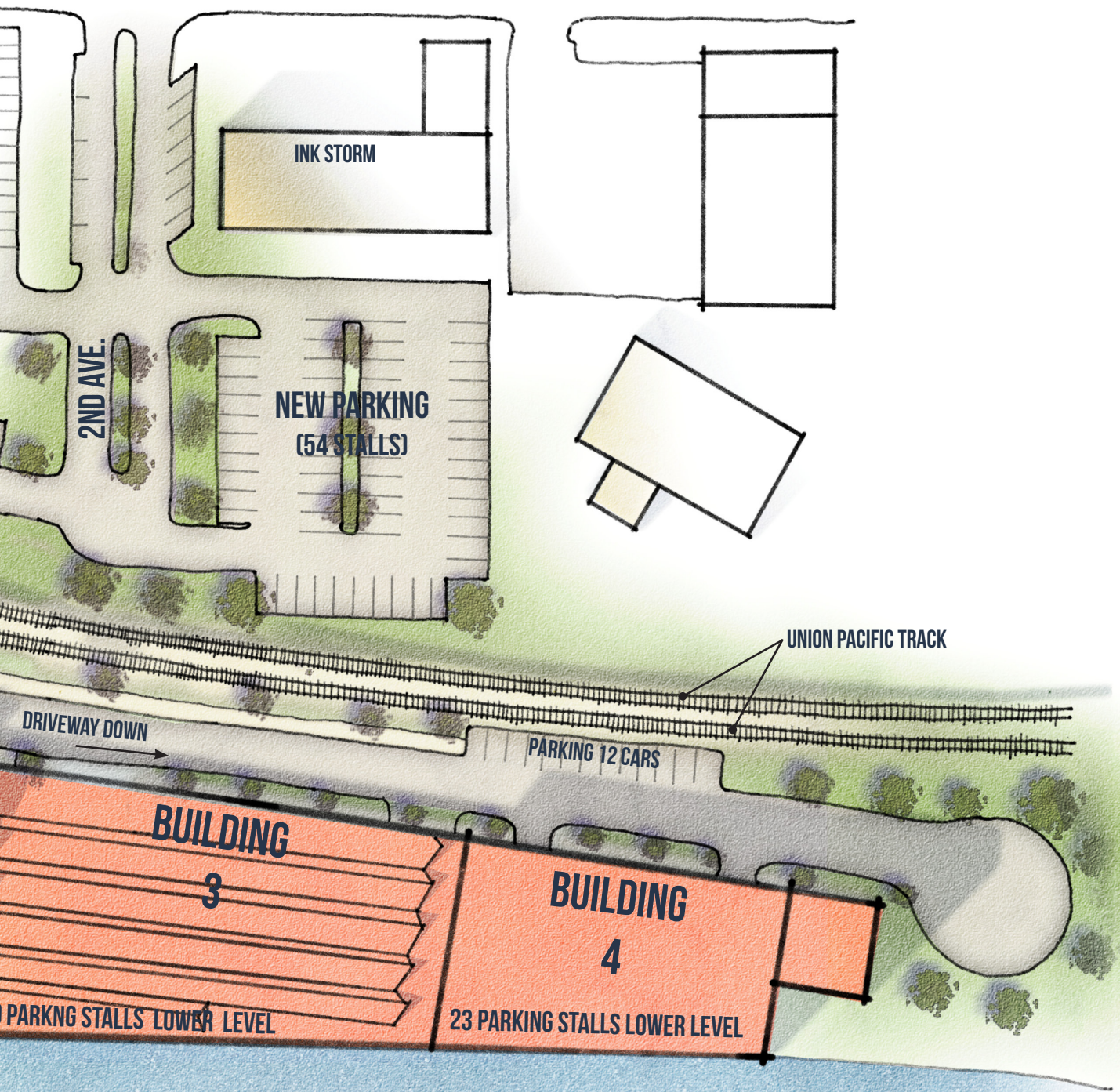


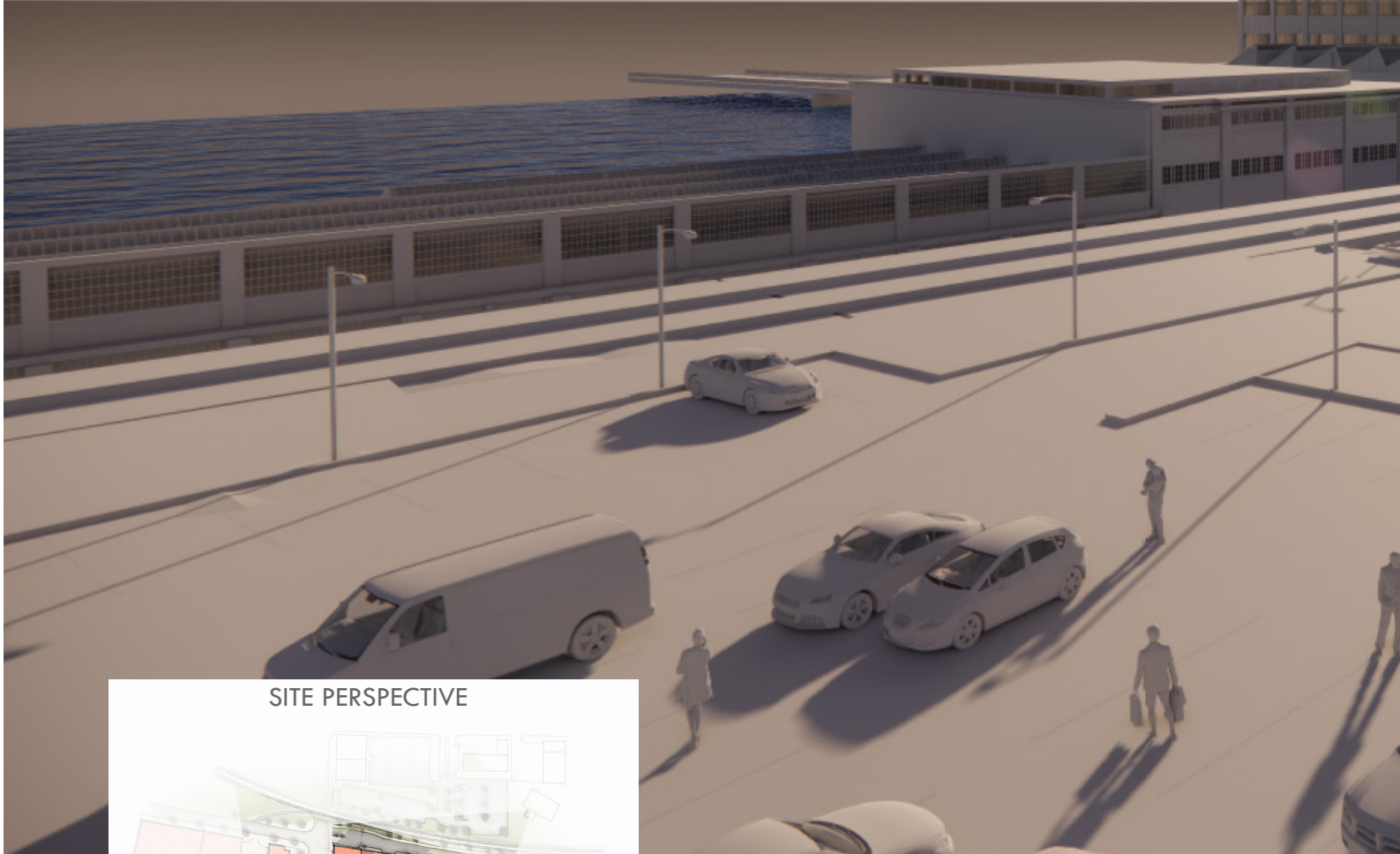
OPTION 4: SMALL-SCALE IMPROVEMENTS

This option proposes minor yet cost-effective improvements for motorist and pedestrian access. It would take advantage of the right-of-way on Wallace Street to the west and its adjacent parcels to assist with traffic to and between the complexes. This option would require pedestrian infrastructure improvements at the intersection of Wallace Street and 1st Avenue, such as curb bump-outs, leading pedestrian indicators (LPI), improved striping, and raised crosswalks. It also provides a unique opportunity to create a new gateway and sense of arrival into the Sterling community.

SITE ACCESS SCENARIOS

E. 2ND STREET





SITE PERSPECTIVE

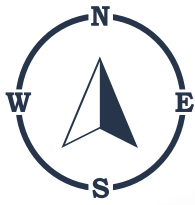


OPTIONS 2-4

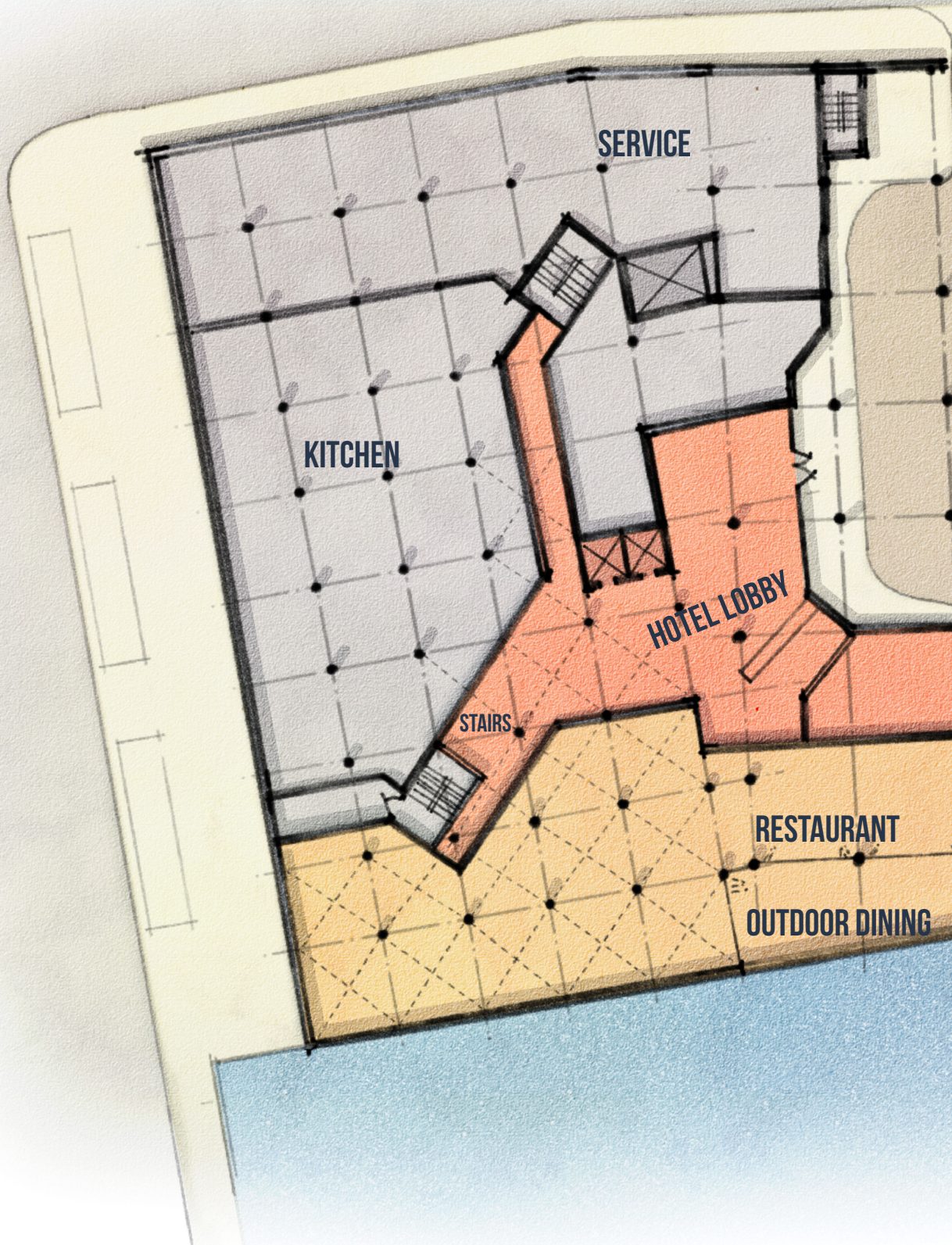


Each of the access scenarios assumes the utilization of existing parking spaces as well as new surface parking (108 spaces total) between the Union-Pacific rail line and 2nd Street.



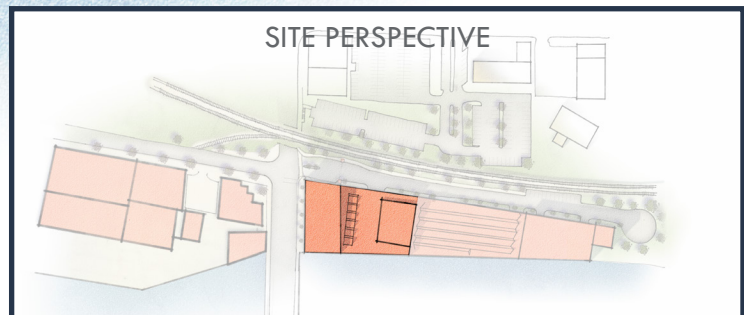
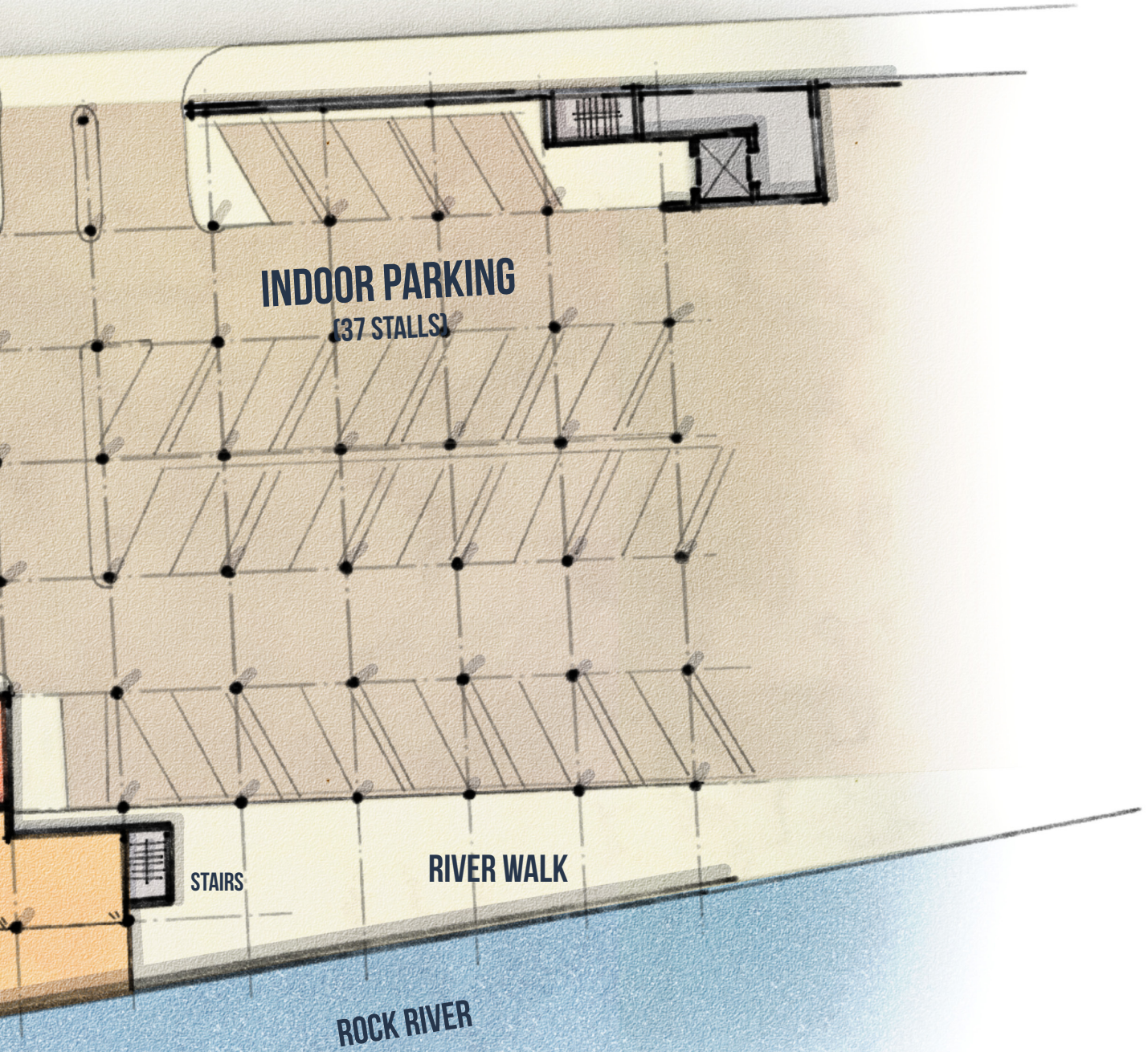


LAWRENCE BROTHERS



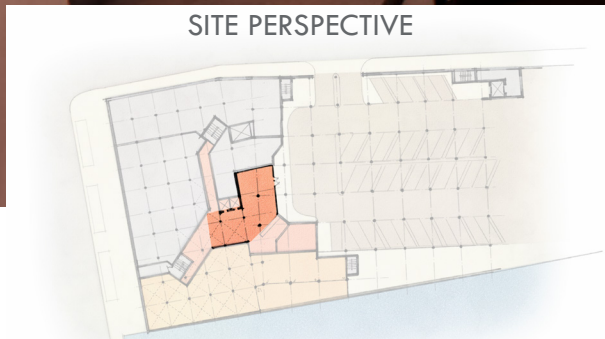
The grade of the site allows for back-of-house operations to stay below grade and the public uses to maintain sweeping views of the river. The unique concrete, octagonal column caps in Building 1 act as a main feature and sets this space apart from anything else in the area. The hotel lobby for the rooms above is centered within the space for easy access for luggage and patron drop-offs from the parking area accommodated within Building 2 and quick access to incidental gathering spaces of the restaurant, outdoor dining, and riverfront.

BUILDINGS 1 AND 2 LOWER LEVEL





SITE PERSPECTIVE





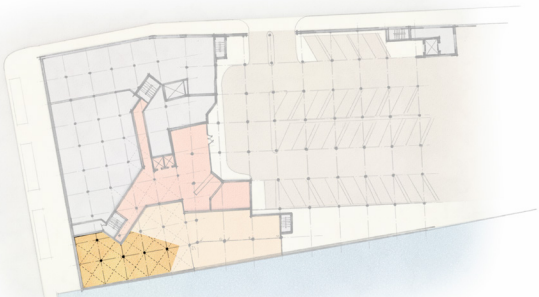
HOTEL LOBBY
LAWRENCE BROTHERS



DESIGN AND ANALYSIS



SITE PERSPECTIVE

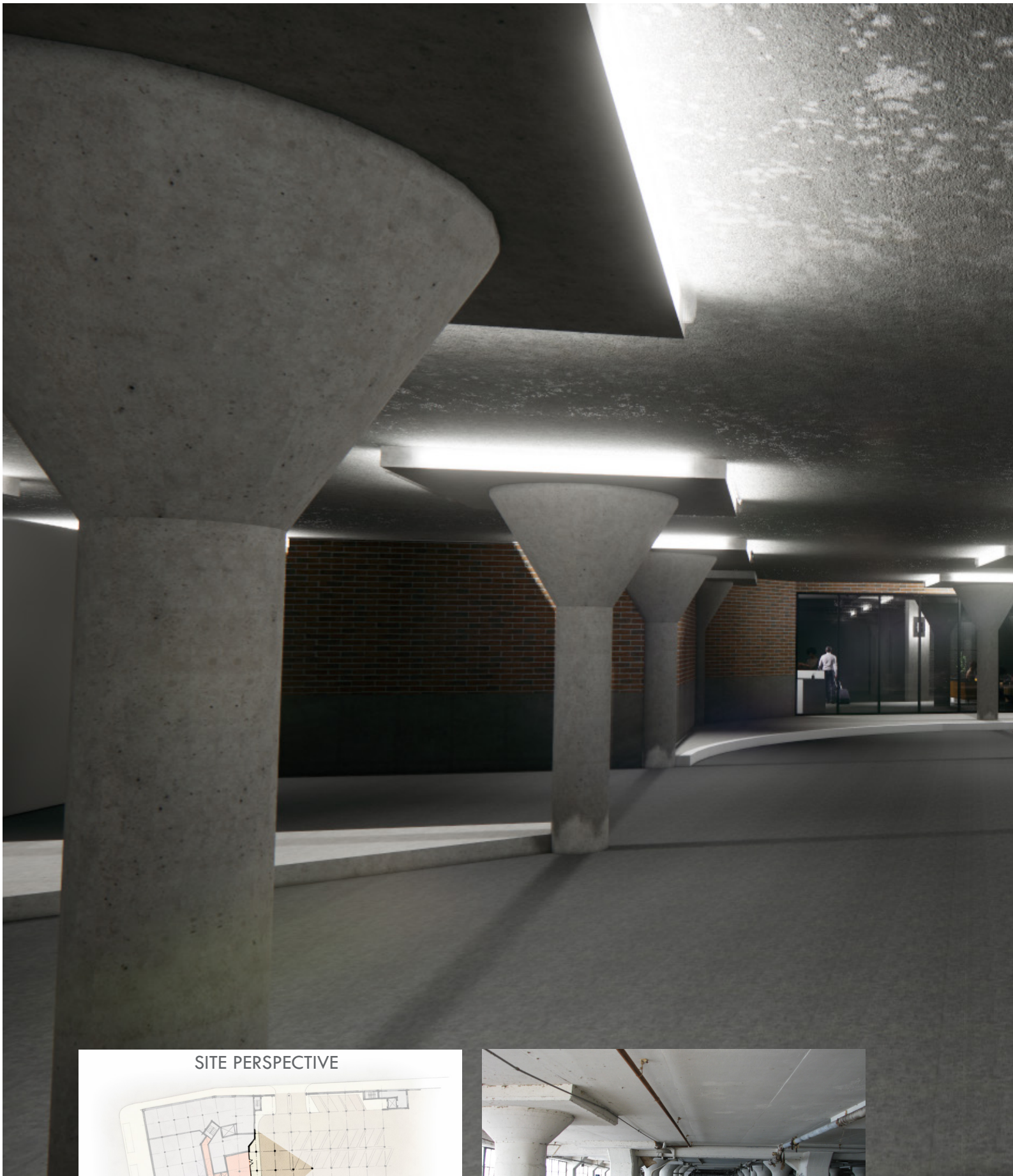




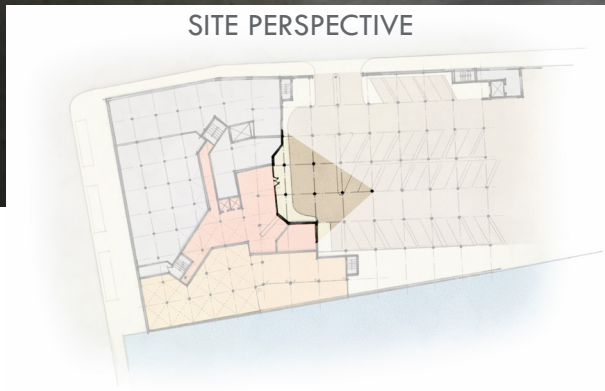
RIVERFRONT RESTAURANT
LAWRENCE BROTHERS



DESIGN AND ANALYSIS



SITE PERSPECTIVE

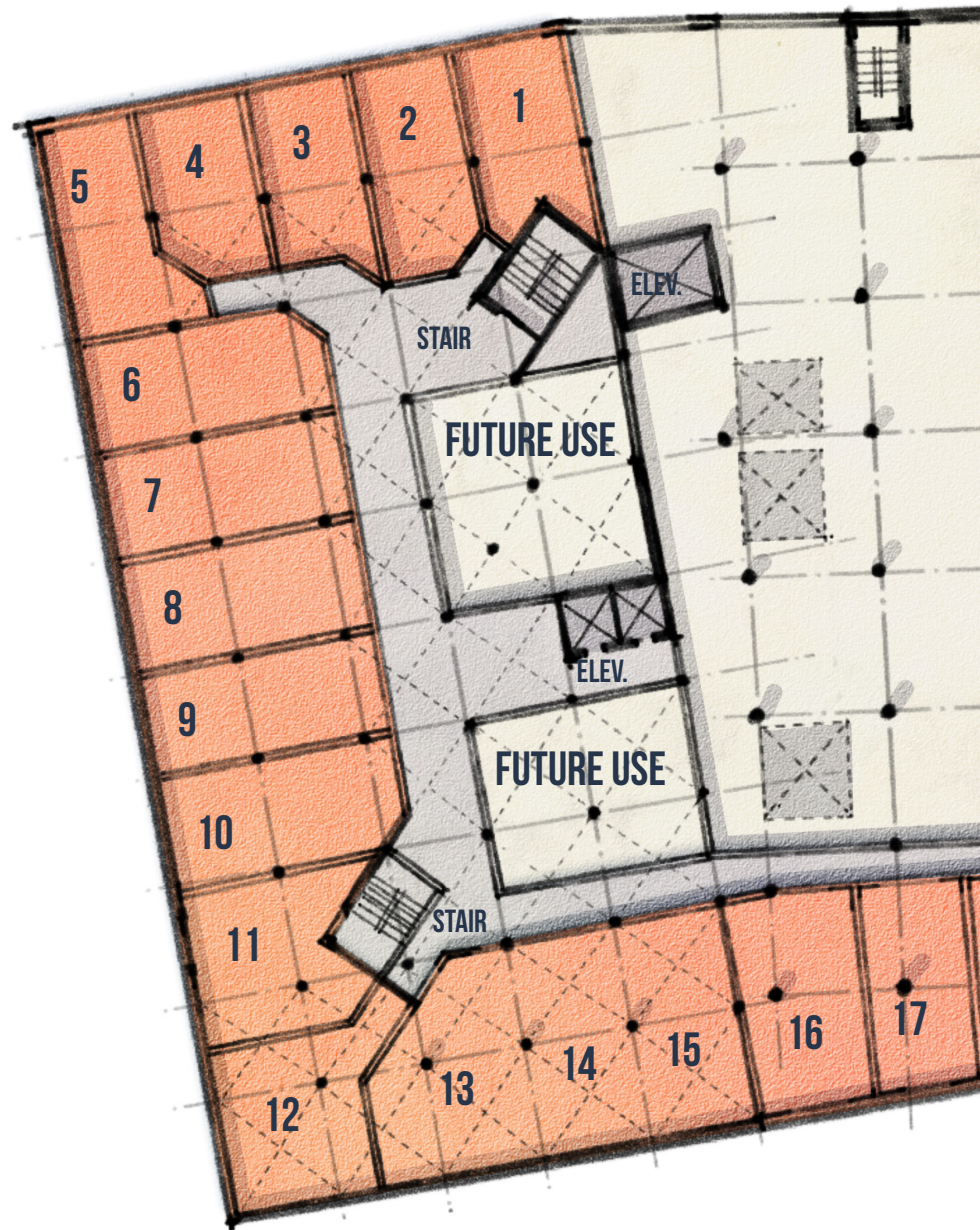
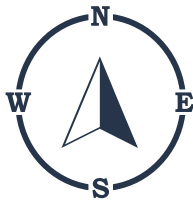




HOTEL ENTRANCE, PARKING
LAWRENCE BROTHERS

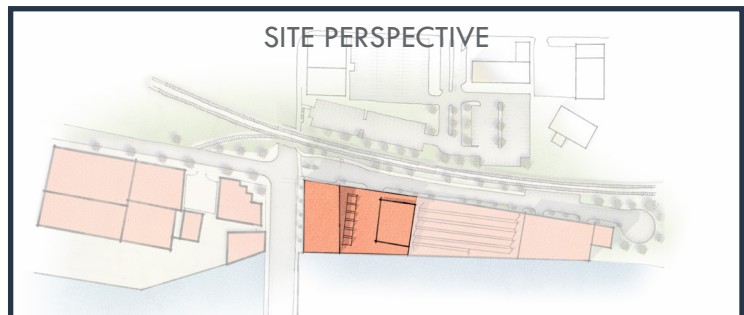
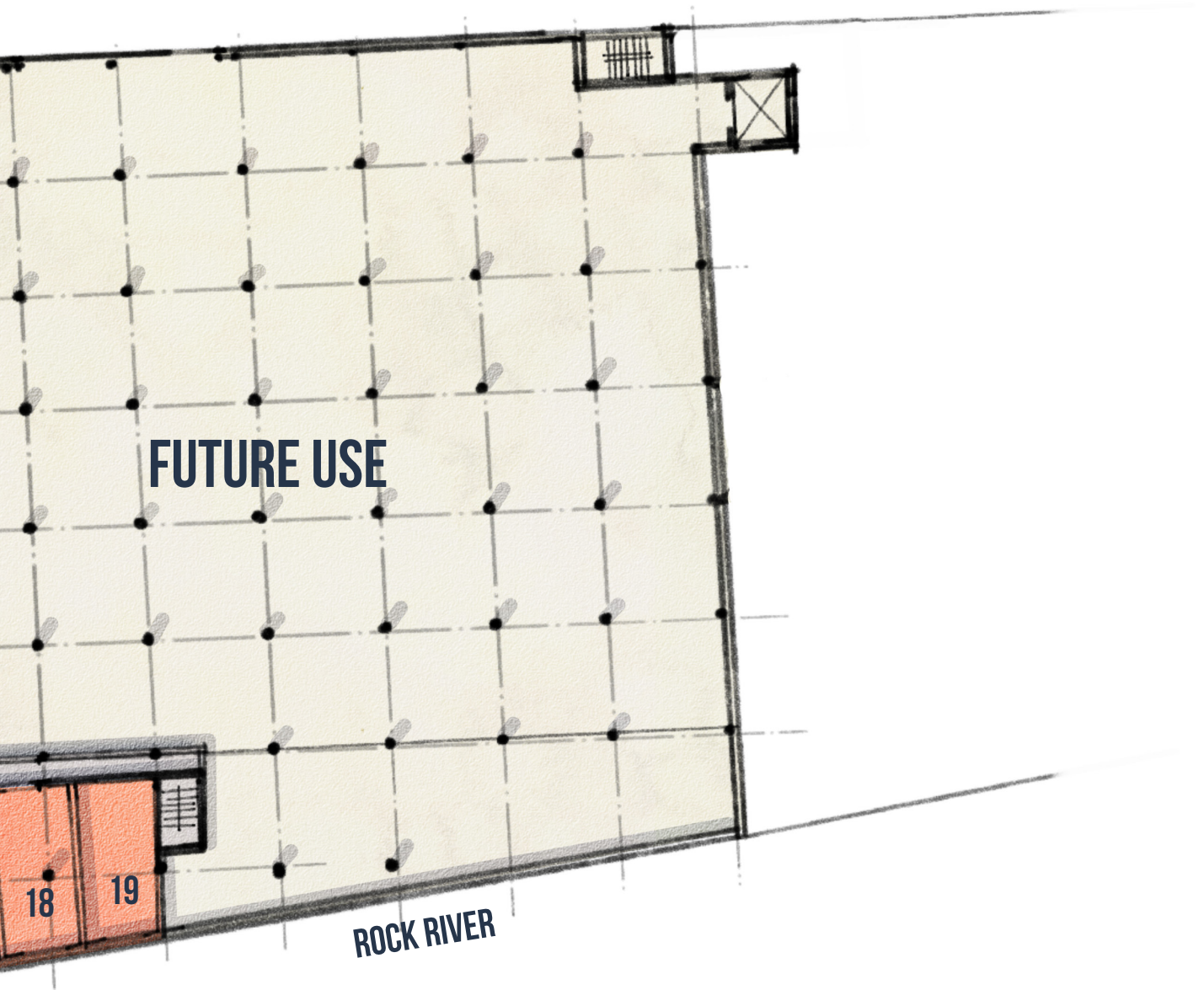


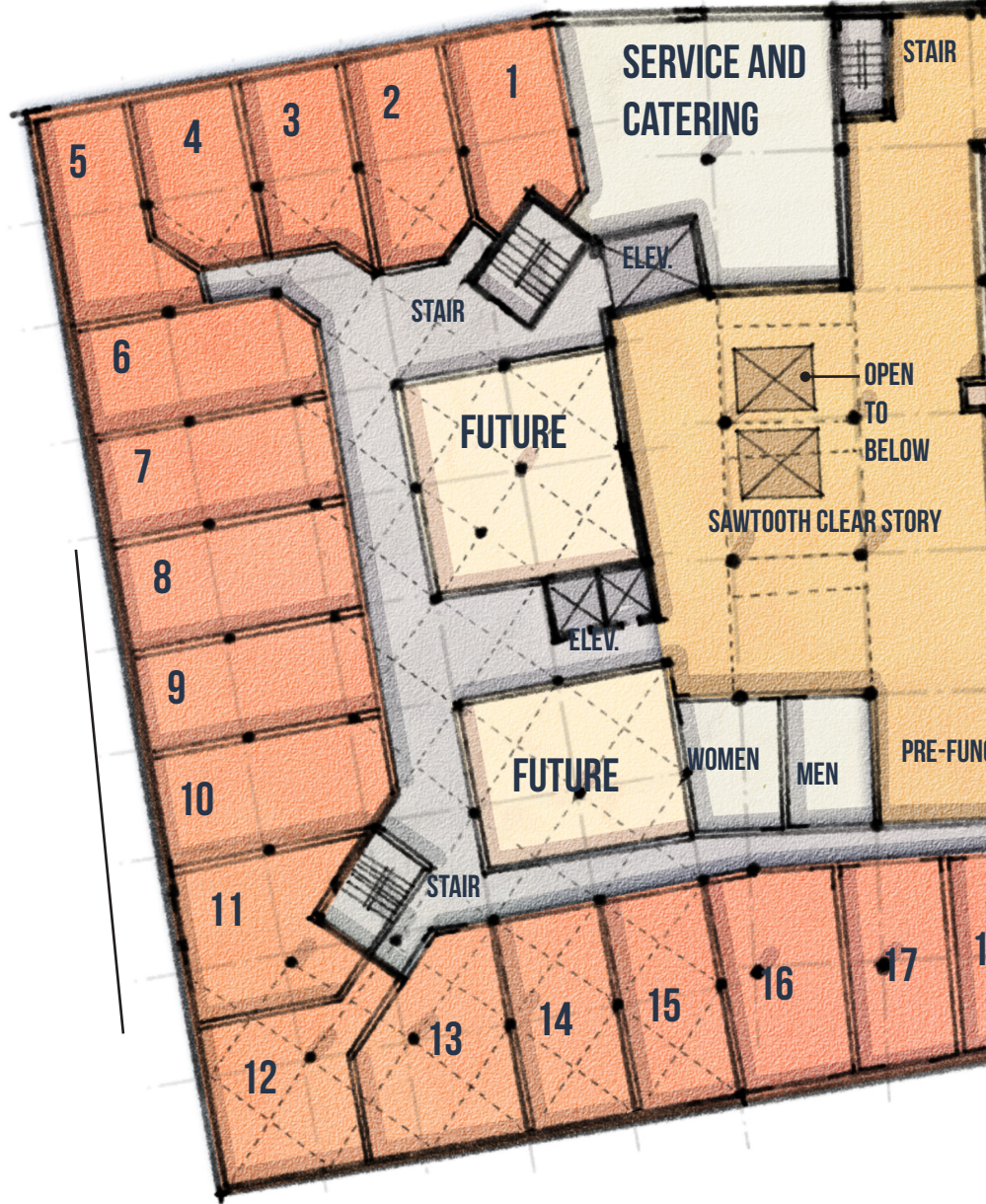
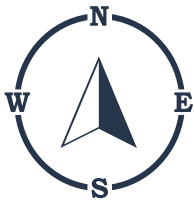
DESIGN AND ANALYSIS



The first floor of Building 1 begins the boutique hotel rooms, accommodating 19 rooms per floor. While the space can be finished to hotel standards, the raw features of the concrete columns and ceilings will set the space apart and hearken back to the buildings' history. The space can be opened up to below and above by cutting openings in the floor to see below to the lobby and above to the meeting room and event space. The majority of Building 2 is recommended to be set aside for future use as meeting and event space or creative office, as the market dictates. A few additional hotel rooms may be able to be accommodated within this area as well, though the large amount of internal space would only permit approximately five additional rooms.

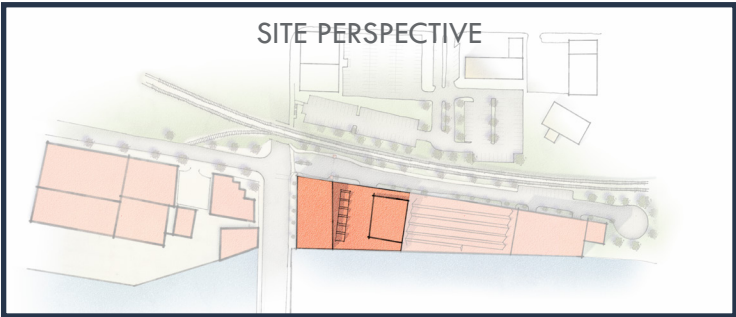
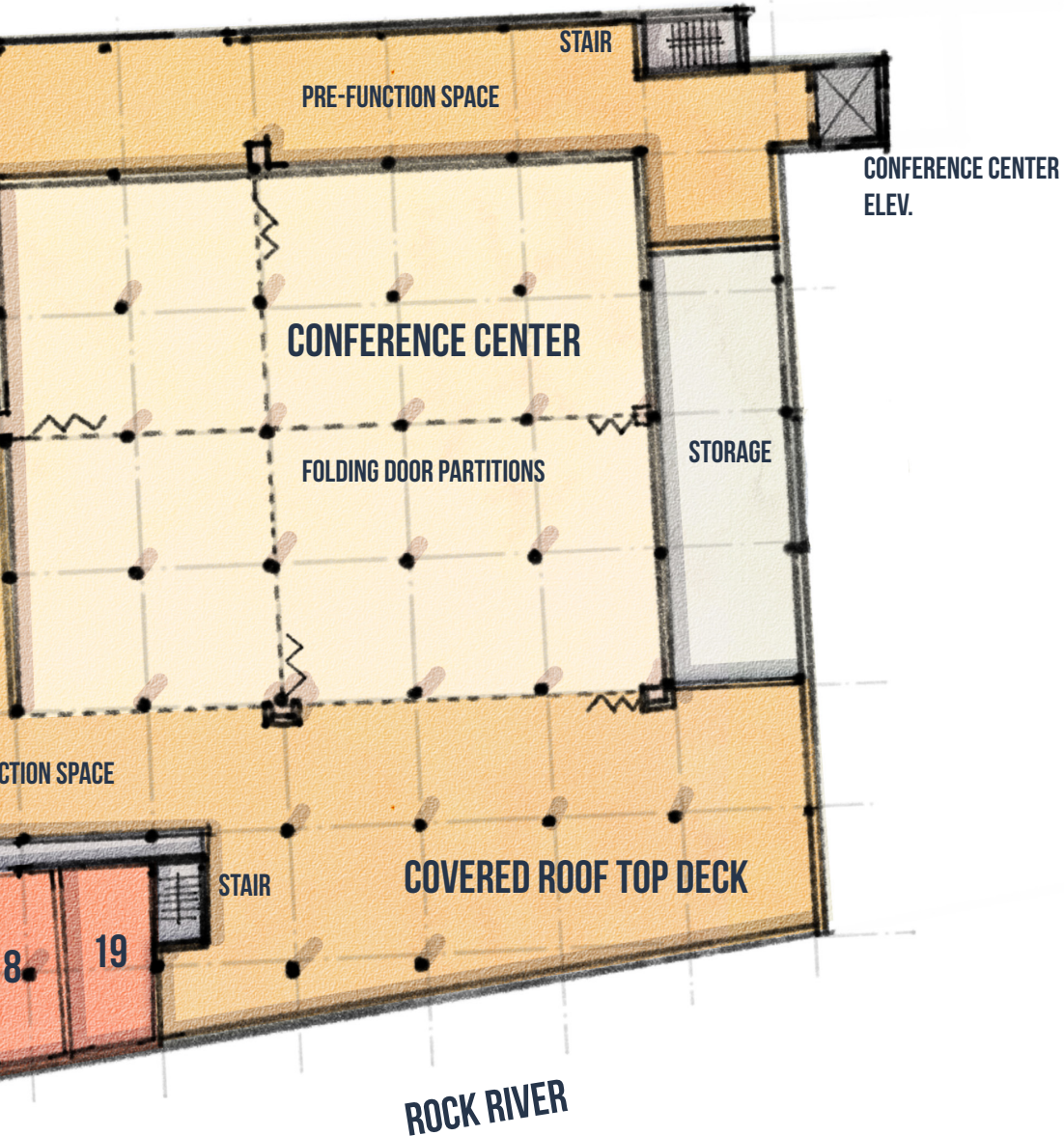
BUILDINGS 1 AND 2 FIRST FLOOR

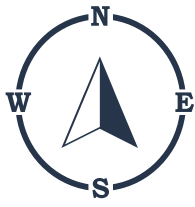




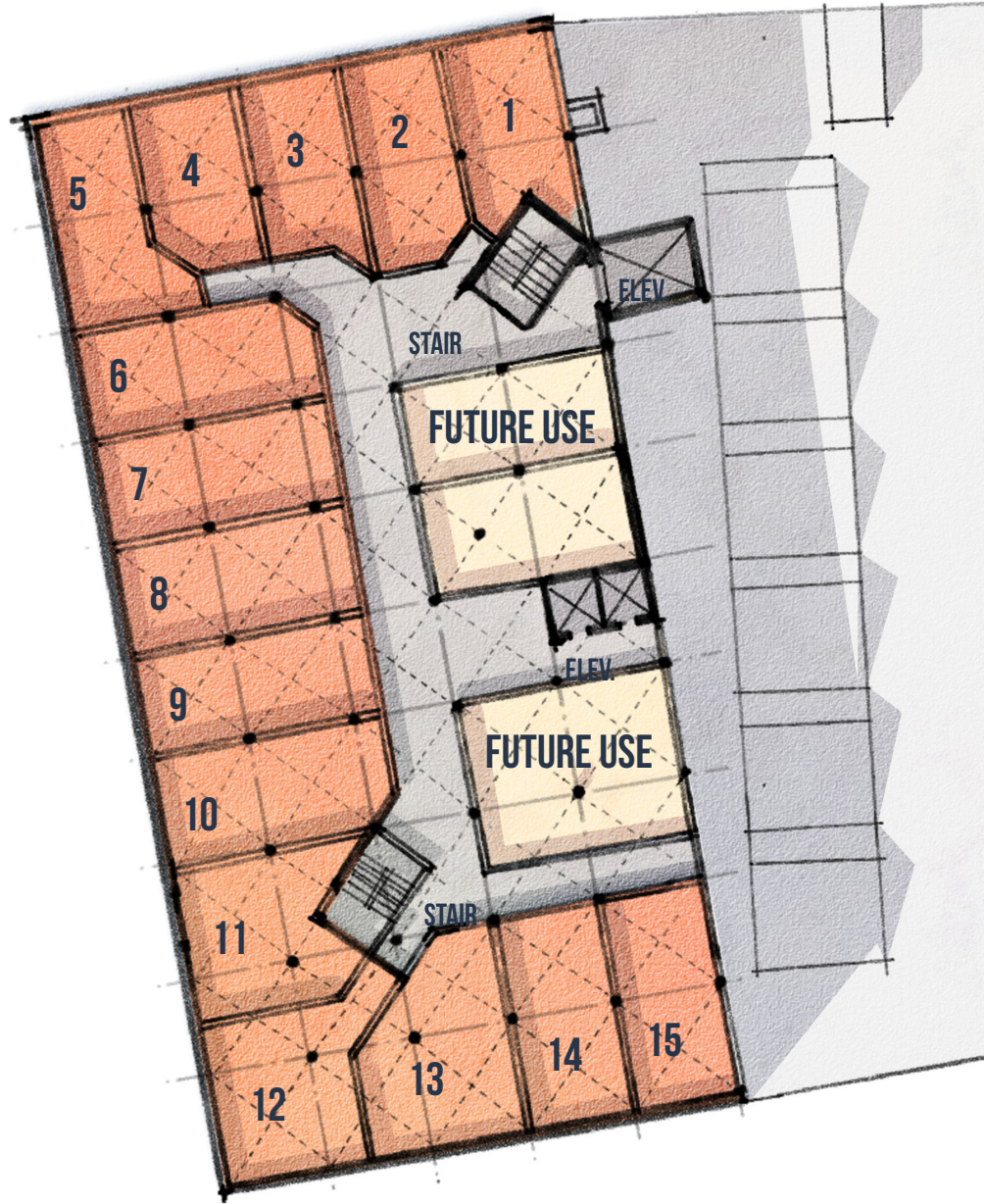
This floor continues the hotel rooms within Building 1. Divisible conference and meeting room space is identified within Building 2 to accommodate existing market need. Additional opportunities for more meeting space is identified within Building 1 for a future phase. Unique features within this space include the sawtooth clearstory that gives unique views into portions of the building. Cutting through some sections of the floor can provide views to the below lobby spaces and future event or office space.

BUILDINGS 1 AND 2 SECOND FLOOR



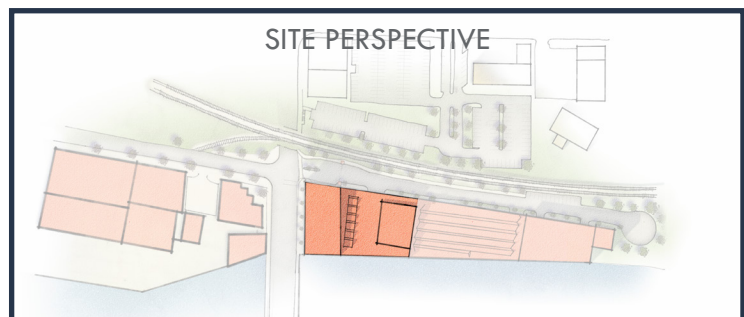
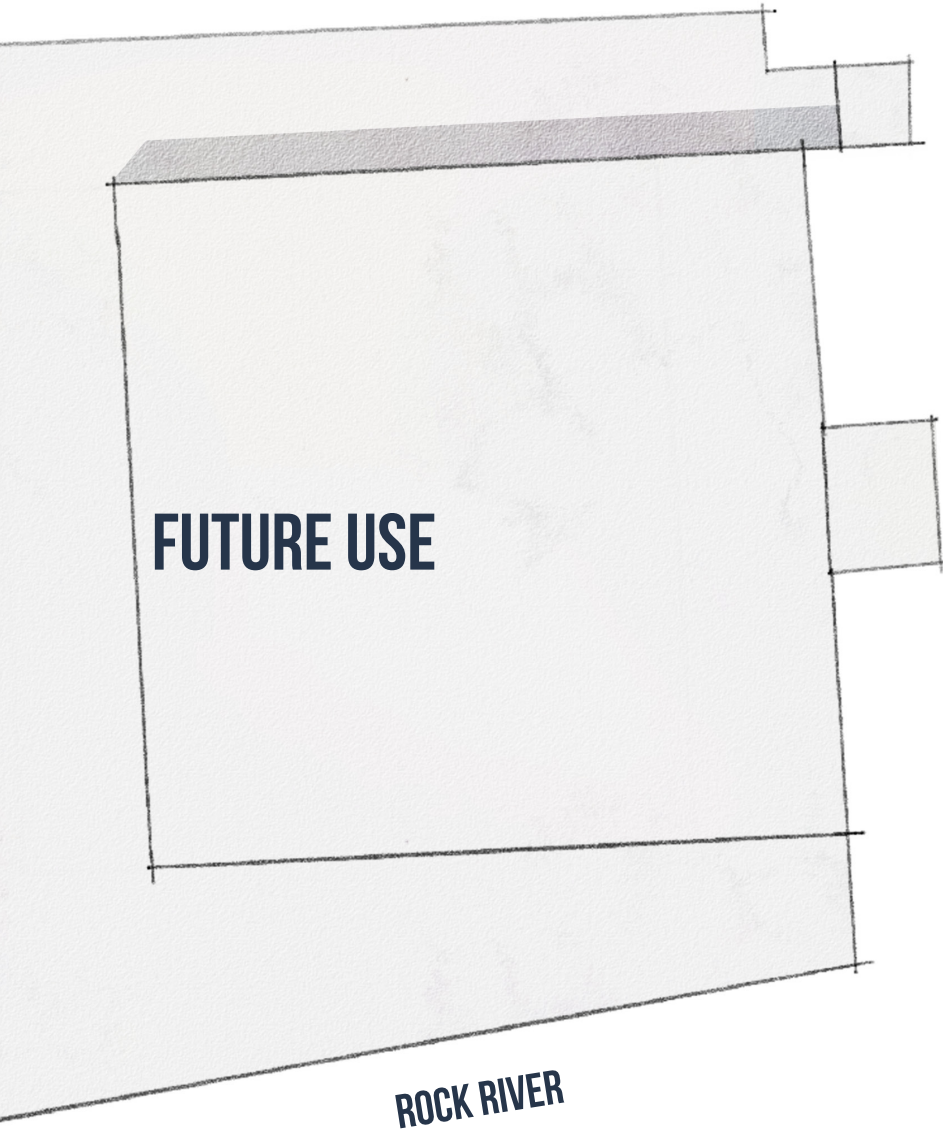


LAWRENCE BROTHERS



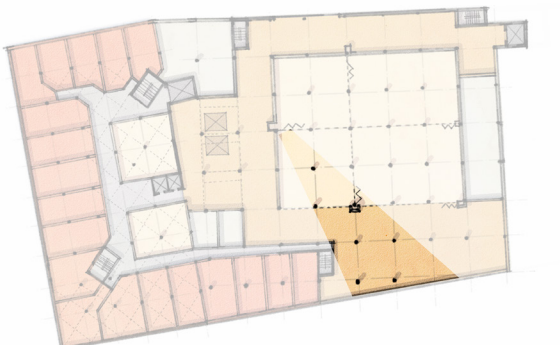
Only Building 1 extends up to the third and fourth floor. The hotel room floorplans continue up to these levels to accommodate a total of 73 keys throughout the building.

BUILDINGS 1 AND 2, THIRD-FOURTH FLOORS





SITE PERSPECTIVE





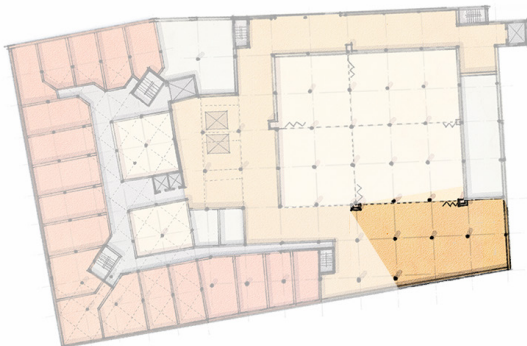
CONFERENCE CENTER, MEETING ROOM LAWRENCE BROTHERS



DESIGN AND ANALYSIS



SITE PERSPECTIVE





ALL-SEASON ROOFTOP SPACE

LAWRENCE BROTHERS



DESIGN AND ANALYSIS

LAWRENCE BROTHERS - BUILDINGS 1 AND 2

The Hunden study identified a market need for 60-80 hotel rooms. This design, which responds to the unique constraints of the floorplate, accommodates 73 rooms throughout the first to fourth floors of Building 1. Various approaches could be taken to help improve cash flow including an early commitment from local businesses to reserve rooms on a monthly or annual basis for their use. This could assist with financing as well as reducing the projected vacancy rates.

The market study identifies 4,500-6,000 square feet of conference center/ballroom space and 3,600-4,800 square feet of meeting room space. This design accommodates approximately 8,000 square feet of flexible event space as well as surrounding supportive corridor, lobby, and riverfront access areas. The financial analysis assumes an event space user that would rent, maintain, and program the main event space as well as all supportive spaces,, hence the larger square footage.

On the first floor, the greyed area of approximately 28,500 square feet is not built in as a cost to the project at this point, assuming it would be a Phase 2 or 3 addition. By phasing this build-out, there is an opportunity to evaluate the market, understand the usership, and respond to it. As the Hunden study identifies a Phase 2 potential need for creative office, that space would be well equipped to accommodate the build-out of permanent and/or flexible office or to add additional event space. This also allows for developing some cash-flow before having to out-put further resources. If the additional build-out is completed within a five-year timeframe, the expenditures would still be eligible for historic tax credits.

Lawrence Hardware

Buildings 1 & 2

Lower Level	Restaurant, Hotel Lobby, Riverfront
1st Floor	Hotel & Event Space
2nd Floor	Hotel & Event Space
3rd Floor	Hotel
4th Floor	Hotel
<i>Assumes 73 hotel rooms, 16,370 SF of conference space</i>	

Total Development Costs

Construction Costs	\$ 23,066,144
Add'l Development Costs	\$ 7,954,571
	\$ 31,020,715

Income

	Keys	Nightly Rate	Annual Rent/SF	Annual Income
Hotel	73	130	14.40	\$ 3,463,850
	SF	Monthly Rent/SF	Annual Rent/SF	Annual Income
Event Space	16,370	1.40	16.80	\$ 275,016
Restaurant	10,400	1.60	19.20	\$ 199,680
				\$ 3,938,546

Vacancy

Hotel (50% in Year 1, 38% Year 4)	\$ (1,731,925)
Event Space & Restaurant (5%)	\$ (23,735)

Operating Expenses

Hotel	\$ (1,291,150)
Event Space & Restaurant	\$ (406,413)

Annual Mortgage Payment

Based on 20 year loan, 4.75% interest	\$ (430,148)
---------------------------------------	--------------

Add'l Income

Plus pay as you go TIF (1st Year)	\$ 199,186
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Net Income

\$ 254,361

Sources

Equity	\$ 4,653,107	15%
Loan (4.75%, 20 years)	\$ 5,476,070	18%
Federal HTC (20% at \$0.80)	\$ 4,227,782	14%
State HTC (25% at \$0.80)	\$ 3,000,000	10%
Deferred Developer Fee (50%)	\$ 2,306,614	7%
Rebuild IL Grant	\$ 2,000,000	6%
Gap	\$ 9,357,142	30%
	\$ 31,020,715	100%

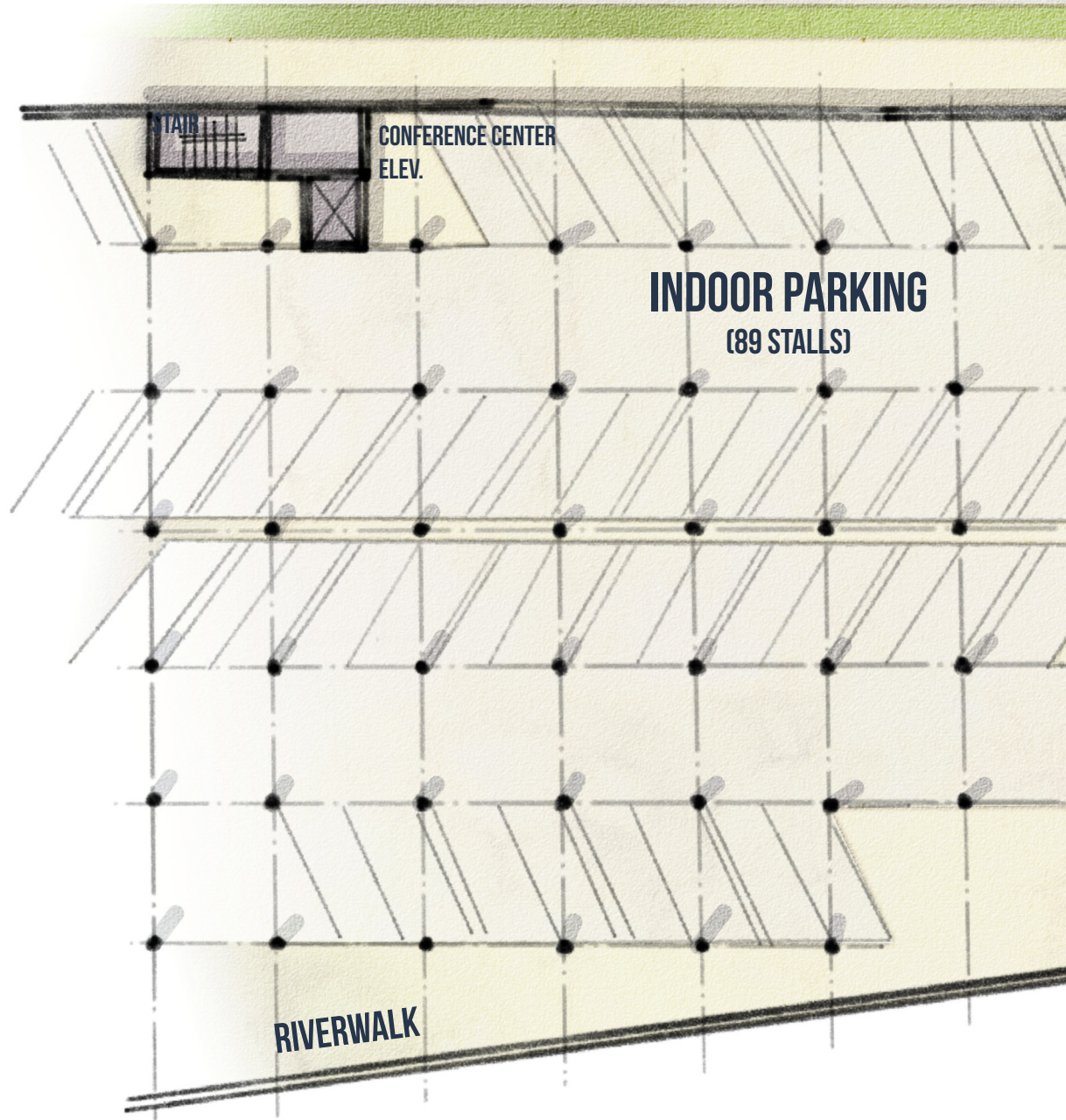
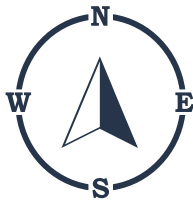
Return on Investment

Year 1	5%
Year 2	1%

Additional Incentives Included

Building Materials Sales Tax Waiver	\$ (609,578)
Pay-as-you-go TIF (90%)	\$ 4,581,272

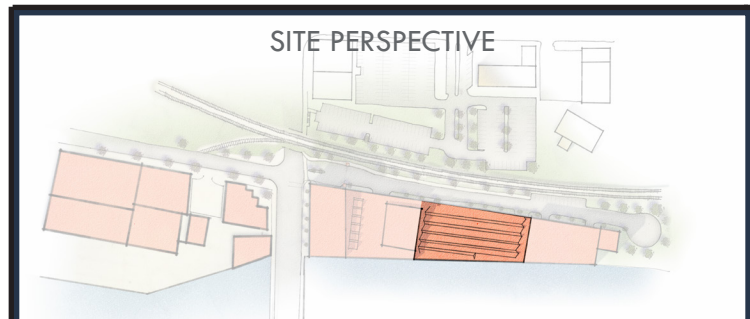
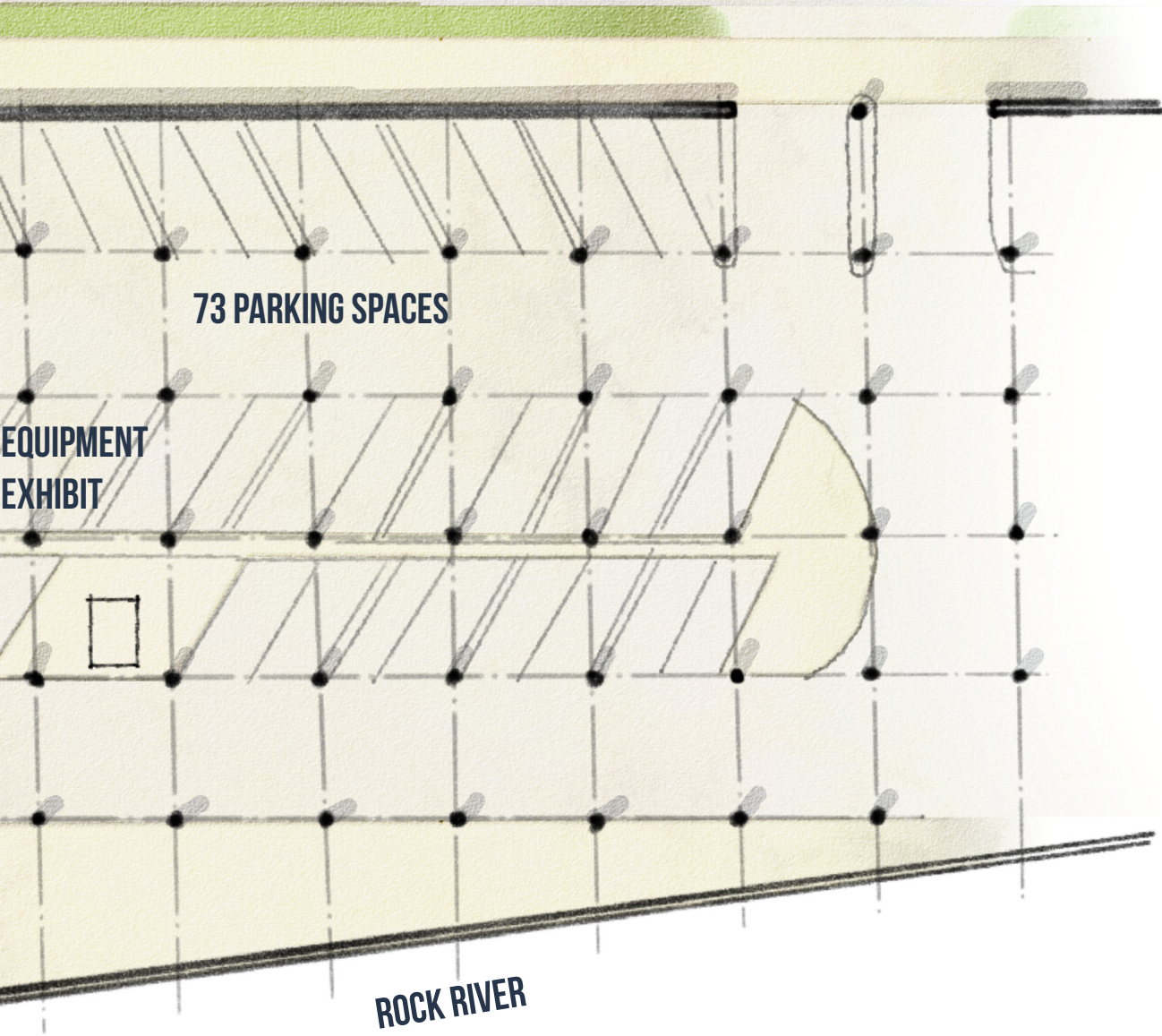




This building is one of the most notable with its distinctive sawtooth roof structure. This area is set aside to accommodate 89 parking stalls to primarily serve the hotel, conference center, and restaurant. A riverfront area is set aside for people to access immediate riverfront views, welcoming them into the space. The furthest west area of the building, connecting to the hotel lobby, permits an opportunity to feature a display and exhibit space that could contain local history or unique information about Sterling. This area provides a prime opportunity to capture the attention of all patrons as they enter the building.

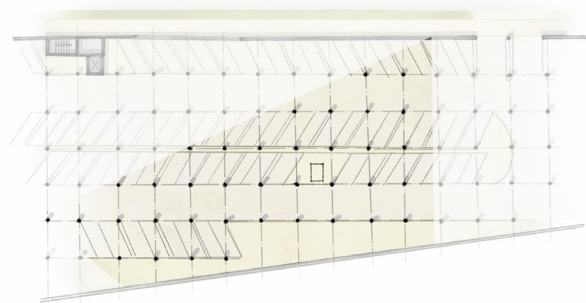
BUILDING 3 LOWER LEVEL

ENTRY





SITE PERSPECTIVE





INDOOR PARKING, RIVERWALK

LAWRENCE BROTHERS



DESIGN AND ANALYSIS

LAWRENCE BROTHERS - INDOOR/OUTDOOR PARKING, RIVERWALK

Two construction cost estimates were developed for the interior parking for the site (within a portion of Building 2 and the entirety of Building 3). One cost estimate assumes a higher level of finish and the other assumes a lower level of finish while still allowing the space to be functional. This will likely become a sunk cost to the project, as parking would generate little if any revenue. This may be a point of negotiation and strategizing between the City and the future developer and worked out within a future Development Agreement. One option for funding could include the City utilizing proceeds from the newly created TIF District for the riverfront complexes. As the analyses include the TIF at 90%, one option is for the remaining 10% to be allocated to cover parking construction costs. However, as all development options indicate a gap, the City may need to consider other funding options if they are to participate.

Construction cost estimates are also provided for the outdoor surface parking lot construction on the north side of the rail line as well the on-street parking stalls between the Lawrence Brothers complex and the rail line.

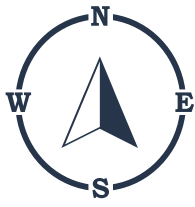
Surface Parking - north side of tracks			
	Stalls	Cost/Stall	Total
North - parallel & angled parking	12	\$ 3,750	\$ 45,000
East Lot	54	\$ 3,750	\$ 202,500
West Lot	54	\$ 3,750	\$ 202,500
Sum Total			\$ 450,000
Contractor's Overhead/Profit	9.00%		\$ 40,500
Construction Contingency	10.00%		\$ 45,000
Grand Total			\$ 535,500

Building 3 - Parking & Riverwalk			Higher Level Finish		Lower Level Finish	
	Square Feet	Cost	Total	Cost	Total	
Roof replacement-Sawtooth	22,000	\$ 12.00	\$ 264,000	\$ 5.00	\$ 110,000	
Roof Replacement-Concrete Deck	10,360	\$ 15.00	\$ 155,400	\$ 8.00	\$ 82,880	
Concrete Column & Beam Repairs North			\$ 47,275		\$ 40,000	
Concrete Cleaning and Painting North	1,396	\$ 9.00	\$ 12,564		\$ 10,000	
Concrete Column & Beam Repairs South			\$ 128,068		\$ 110,000	
Concrete Cleaning and Painting South	5,925	\$ 9.00	\$ 53,325		\$ 40,000	
Sawtooth Skylight	6,600	\$ 45.00	\$ 297,000	\$ 11.00	\$ 72,600	
South Window Removal	1,401	\$ 10.00	\$ 14,010	\$ 10.00	\$ 14,010	
South Window Temporary	1,401	\$ 0.60	\$ 841	\$ 0.60	\$ 841	
Clean Underside of Roof Deck	32,400	\$ 3.75	\$ 121,500	\$ 3.75	\$ 121,500	
Clean all Steel Col & Steel Trusses	4,872	\$ 3.75	\$ 18,270	\$ 3.75	\$ 18,270	
Demo of Wall & Partitions			\$ 15,000		\$ 15,000	
Interior Demo MEP			\$ 75,000		\$ 75,000	
Structural Modifications (3 Col. Removal)			\$ 15,000		\$ 15,000	
Concrete Slab Cleaning	31,850	\$ 1.50	\$ 47,775	\$ 1.50	\$ 47,775	
Concrete Slab Repairs/Replacement	2,500	\$ 9.50	\$ 23,750	\$ 9.50	\$ 23,750	
Painting of ceiling	32,400	\$ 1.50	\$ 48,600	-	-	
Lighting	26,950	\$ 5.00	\$ 134,750	\$ 5.00	\$ 134,750	
Fire Protection	31,850	\$ 4.00	\$ 127,400	\$ 4.00	\$ 127,400	
North Wall Saw Cut	400	\$ 30.00	\$ 12,000	\$ 30.00	\$ 12,000	
Sum Total			\$ 1,611,528		\$ 1,070,776	
Riverwalk						
Lighting	5,450	\$ 6.00	\$ 32,700	\$ 6.00	\$ 32,700	
Clean & Paint South Window Frames	1,401	\$ 6.00	\$ 8,406	\$ 6.00	\$ 8,406	
Sum Total			\$ 41,106		\$ 41,106	
Costs Parking and Riverfront			\$ 1,652,634		\$ 1,111,882	
Contractor's Overhead/Profit	9.00%		\$ 148,737		\$ 100,069	
Construction Contingency	10.00%		\$ 165,263		\$ 111,188	
Total Building 3			\$ 1,966,634		\$ 1,323,139	

Building 2 - Parking & Riverwalk			
	Square Feet	Cost	Total
Exterior col. Repairs North	242	\$ 275.00	\$ 66,550
Exterior col. Repairs South	176	\$ 275.00	\$ 48,400
Cleaning and Painting North	24	\$ 9.00	\$ 216
Cleaning and Painting South	176	\$ 9.00	\$ 1,584
North Window Replacement	1296	\$ 100.00	\$ 129,600
Clean & Paint South Window Frames	630	\$ 12.00	\$ 7,560
Clean and Paint Underside of Ceiling Deck	25,020	\$ 3.75	\$ 93,825
Clean and paint all Columns	4,512	\$ 3.75	\$ 16,920
Demo of Walls & Partitions			\$ 20,000
Demo of MEP	25,020	\$ 2.50	\$ 62,550
Concrete Slab Cleaning	25,020	\$ 1.50	\$ 37,530
Concrete Slab Repairs/Replacement	2,500	\$ 9.50	\$ 23,750
Elevated Sidewalk Slab	800	\$ 6.00	\$ 4,800
Lighting	25,020	\$ 6.00	\$ 150,120
Fire Protection	25,020	\$ 4.00	\$ 100,080
Mech. Ventilation			\$ 15,000
Sum Total			\$ 778,485
Riverwalk			
Planters			\$ 5,000
Seating			\$ 4,000
Lighting			\$ 3,500
Sum Total			\$ 12,500
Costs Parking and Riverfront			\$ 790,985
Contractor's Overhead/Profit	9.00%		\$ 148,737
Construction Contingency	10.00%		\$ 165,263
Total Building 2 Parking			\$ 1,104,985

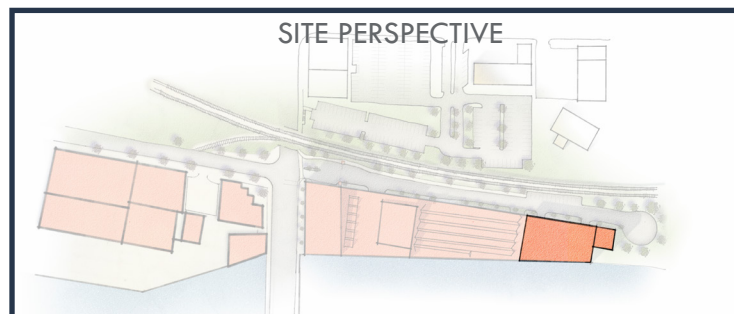
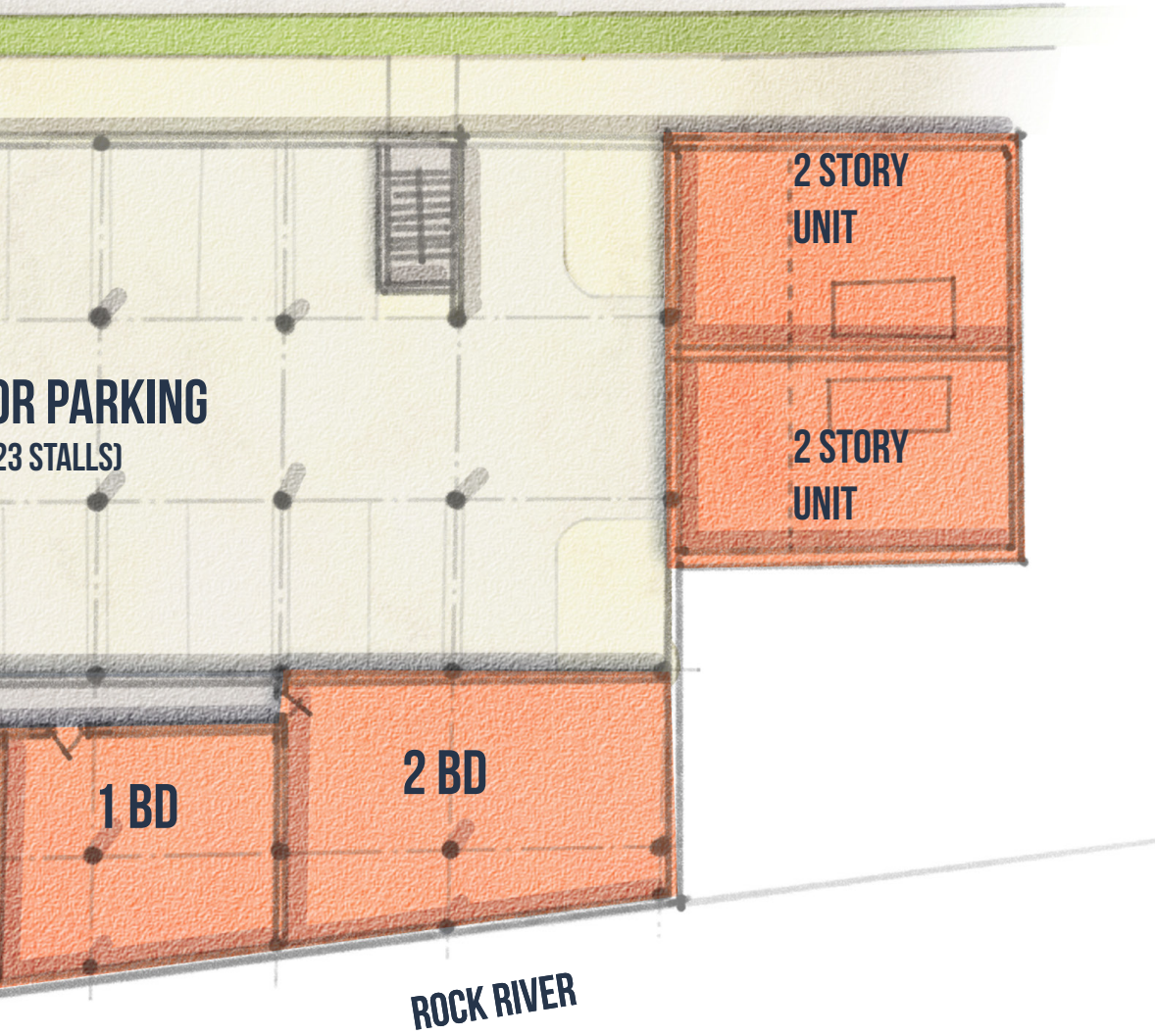
	Higher	Lower
Grand Total - All Parking (Buildings 2 & 3)	\$ 3,071,619	\$ 2,428,124

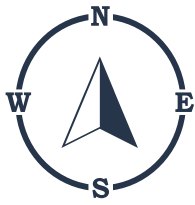




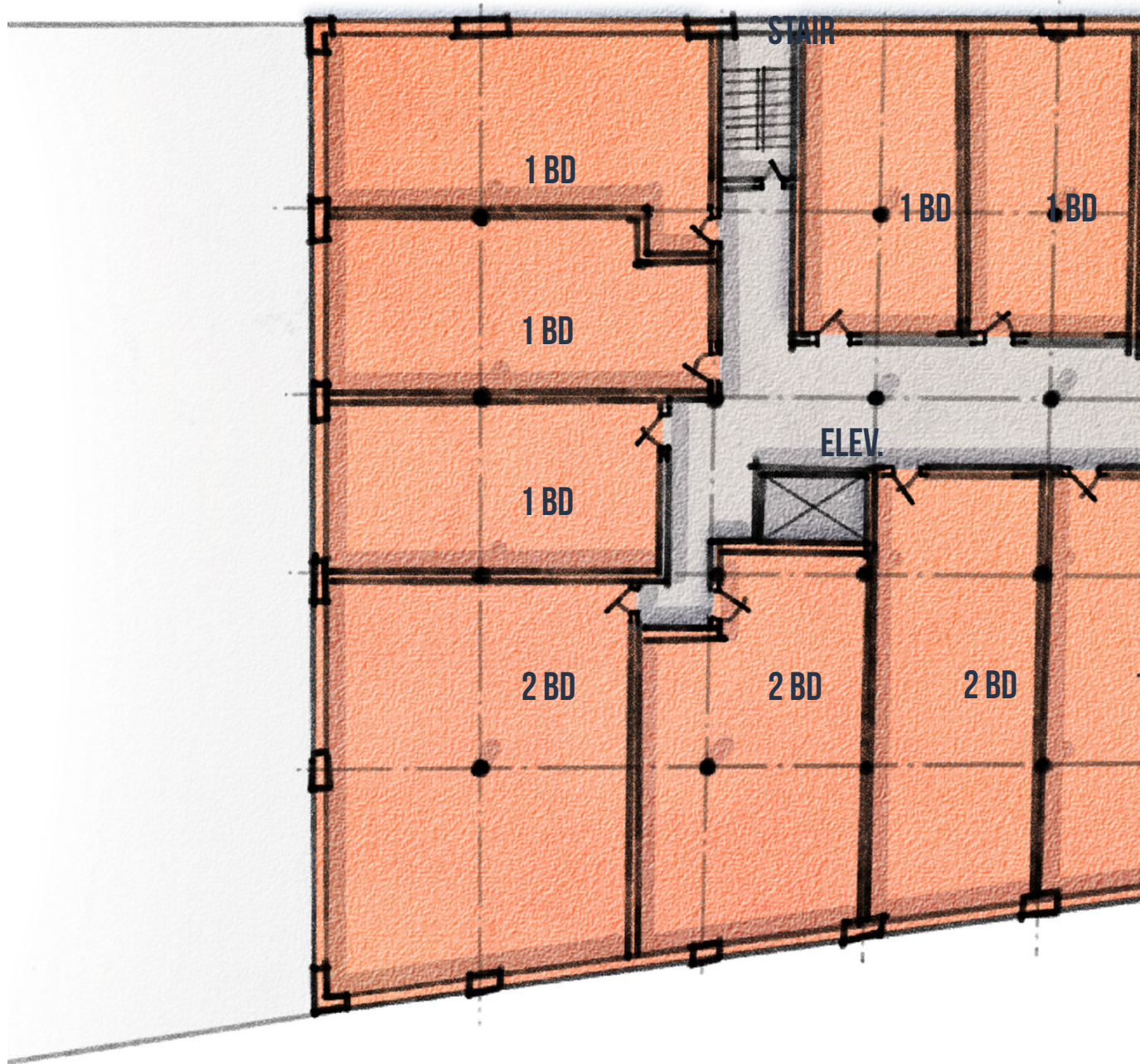
This area accommodates 23 parking stalls within the interior, accessed from the north, to serve the residential tenants of the building. A new elevator provides access up to the first and second floors. The south section of the building is well-suited for riverfront loft apartments with sweeping views and fantastic natural light. The old boiler house can feature unique pieces of the old boilers and become two-story residential apartment units.

BUILDING 4 LOWER LEVEL



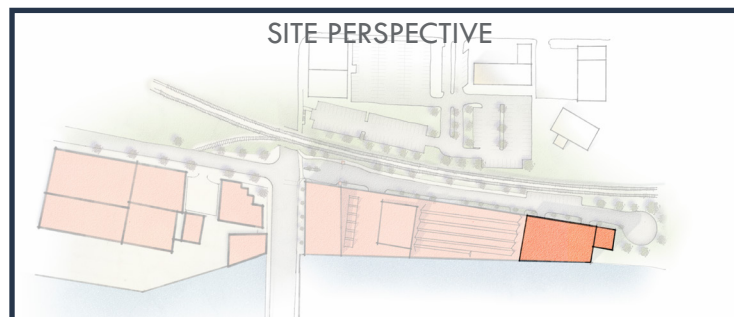
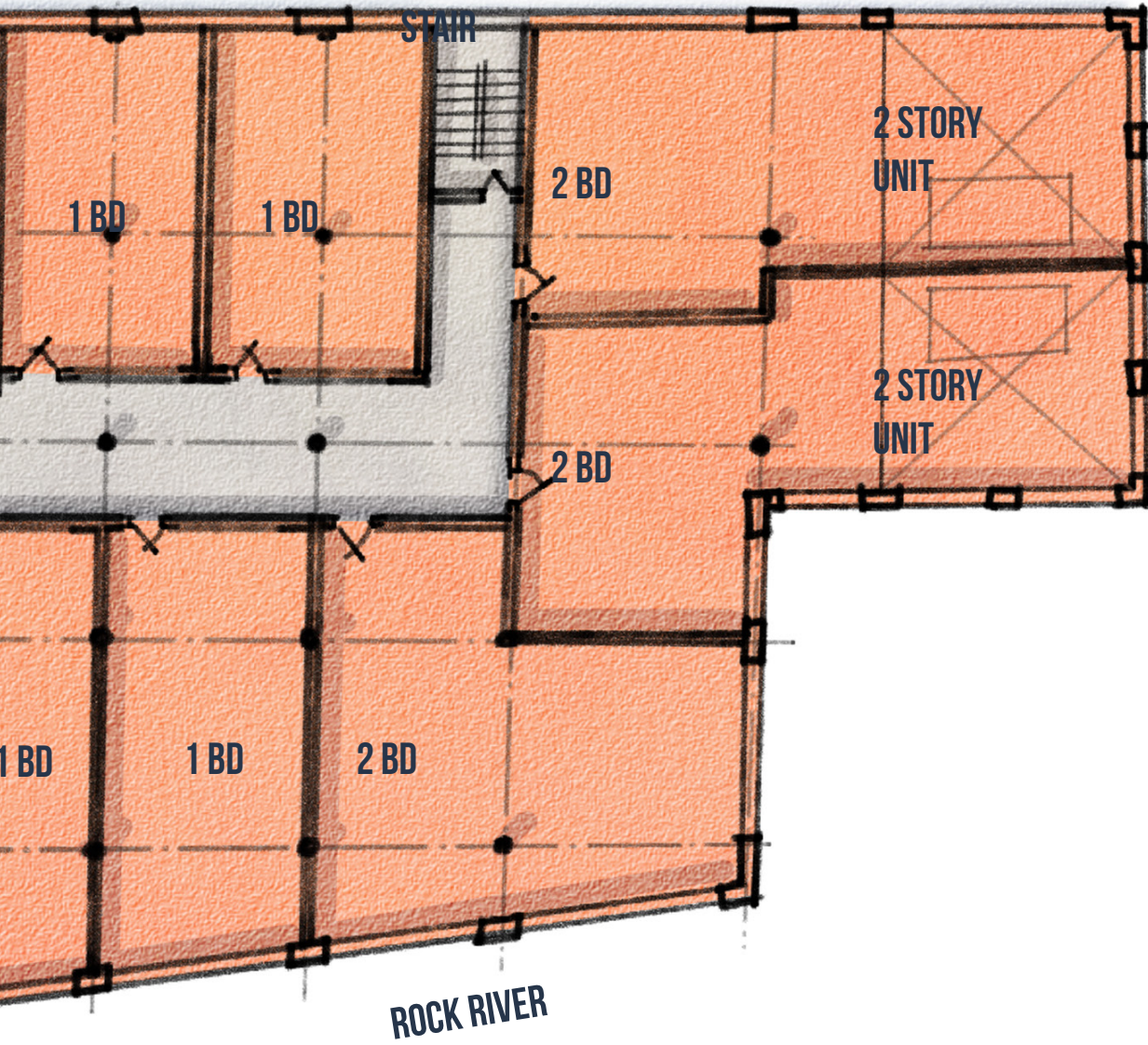


LAWRENCE BROTHERS



The first and second floors have the same floor plan, accommodating additional loft apartments for a total of 35 units throughout the building.

BUILDING 4 - FIRST AND SECOND FLOOR PLAN



LAWRENCE BROTHERS - BUILDING 4

This section of the complex was analyzed as a 35-unit mixed-income apartment building with 23 interior parking stalls. The Hunden study does call out a need for market rate residential, but the rental rates are low compared to what is needed to support the build-out costs. By allotting 20 of the 35 units as affordable housing, and the other 15 as market rate, it accommodates the projected market need while also opening up the opportunity to pursue the 4% Low Income Housing Tax Credit (LIHTC). The project is eligible for this tax credit if it complies with renting to residents that are within 30-60% of Area Median Income at a rental rate that does not exceed the Illinois Housing Development Authority (IHDA) standards for affordability. Please see the chart included within the full pro-forma analysis for details on AMI and the corresponding rental rates.

The LIHTC can only be applied toward the costs associated with the development of the affordable units; for example, if more units were set aside as affordable, then the project could qualify for a greater amount of credit. There is also a 9% tax credit which could bring greater equity to the project, though the affordable units would need to accommodate residents of lower income brackets.

The market rate housing component assumes a rental rate of \$1.20/square foot. As discussed in the following pages regarding Buildings 2 and 5, the rental rate of \$1.20 result in approximately \$1,020 per month for an 850 square foot apartment, for example. This would be above the top end for the existing housing stock in the area but also offering something that no other product approaches. The projected rental rate more aligns with the anecdotal information provided by area realtors and developers.

Lawrence Hardware

Building 4

Lower Level	Interior Parking and Apartments
1st Floor	Apartments
2nd Floor	Apartments
<i>Assumes 25 apartments, 15 market rate and 20 affordable</i>	

Total Development Costs

Construction Costs	\$	9,897,060
Addtl Development Costs	\$	2,967,289
	\$	12,864,349

Income

	Net SF	Monthly Rent/SF	Annual Rent/SF	Annual Income
Market Rate Units				
15 units	12,520	1.20	14.40	\$ 180,288
Affordable Units				
20 units	20,548	<i>varies according to AMI</i>		\$ 160,656
				\$ 340,944

Vacancy

Apartments (6%)	\$	(20,457)
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Operating Expenses

Parking + Apartments	\$	(149,837)
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Annual Mortgage Payment

Based on 20 year loan, 4.75% interest	\$	(112,892)
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Add'l Income

Plus pay as you go TIF	\$	68,880
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Net Income

\$ 57,759

Sources

Equity	\$	1,286,435	10%
Loan (4.75%, 20 years)	\$	1,437,186	11%
LIHTC	\$	2,734,842	21%
Federal HTC (20% at \$0.80)	\$	2,057,816	16%
State HTC (25% at \$0.80)	\$	2,572,270	20%
Deferred Developer Fee (50%)	\$	494,853	4%
Gap	\$	2,280,948	18%
	\$	12,864,349	100%

Return on Investment

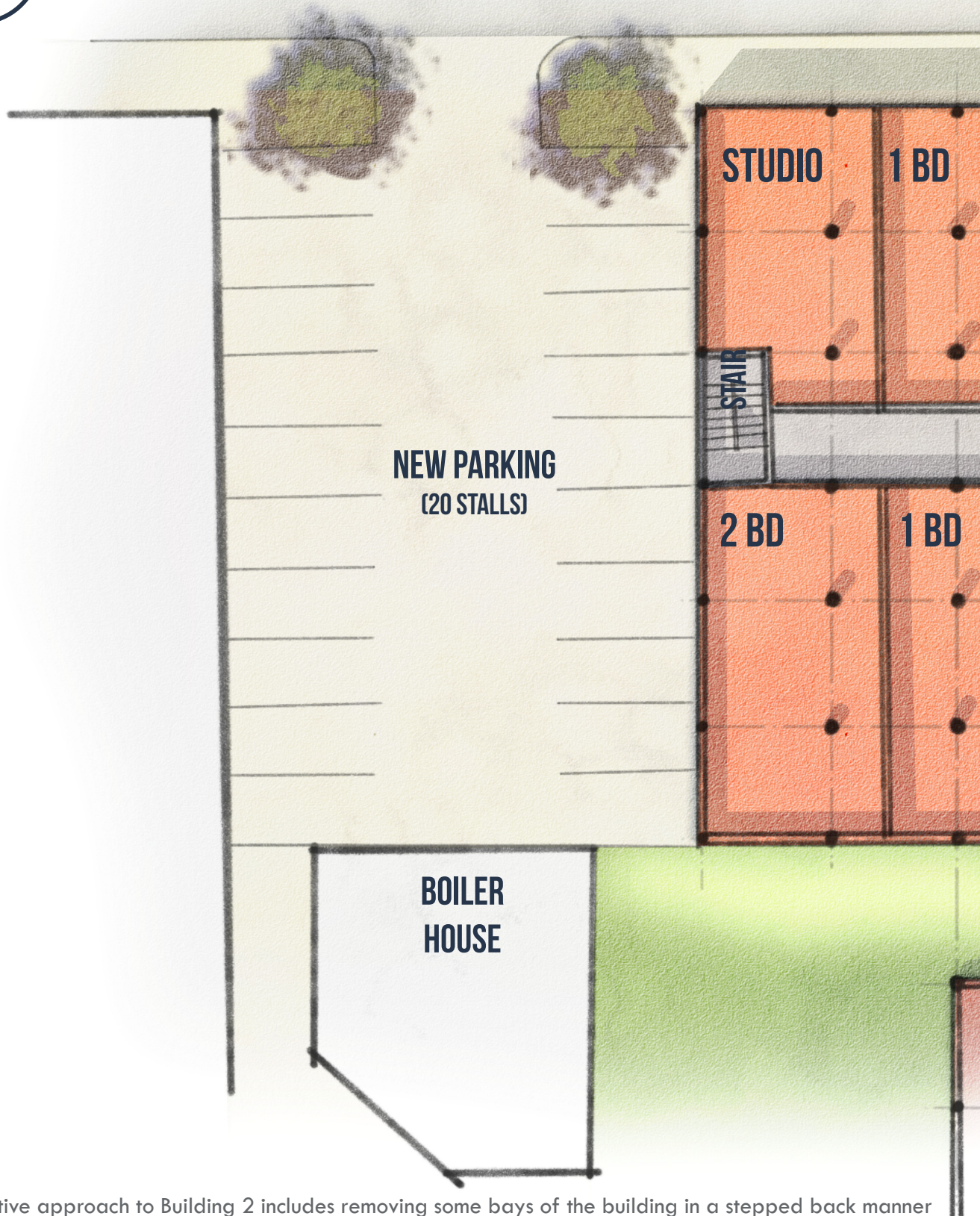
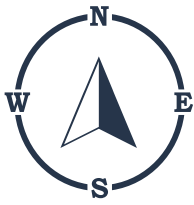
Year 1 10%

Year 2 5%

Additional Incentives Included

Building Materials Sales Tax Waiver	\$	(282,284)
Pay-as-you-go TIF	\$	1,584,245

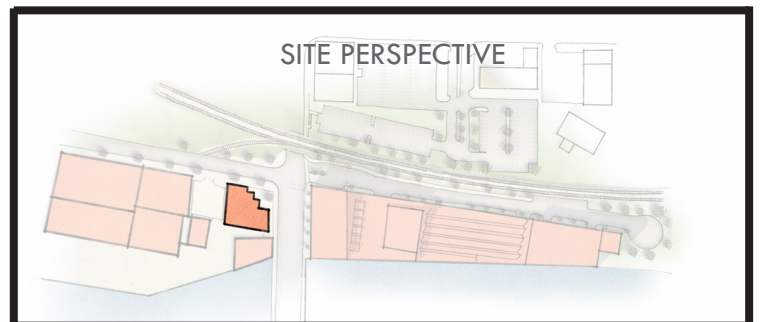
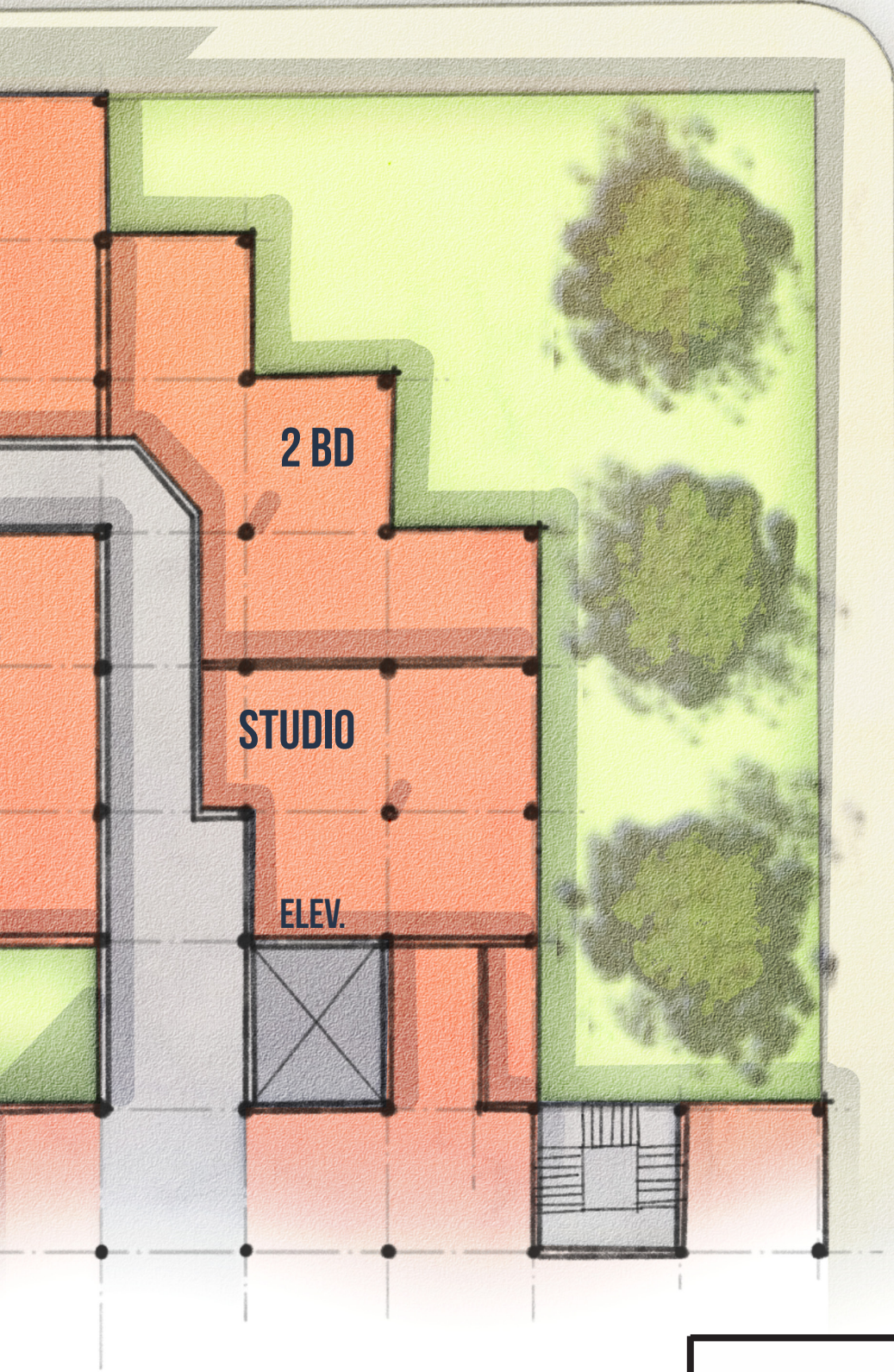


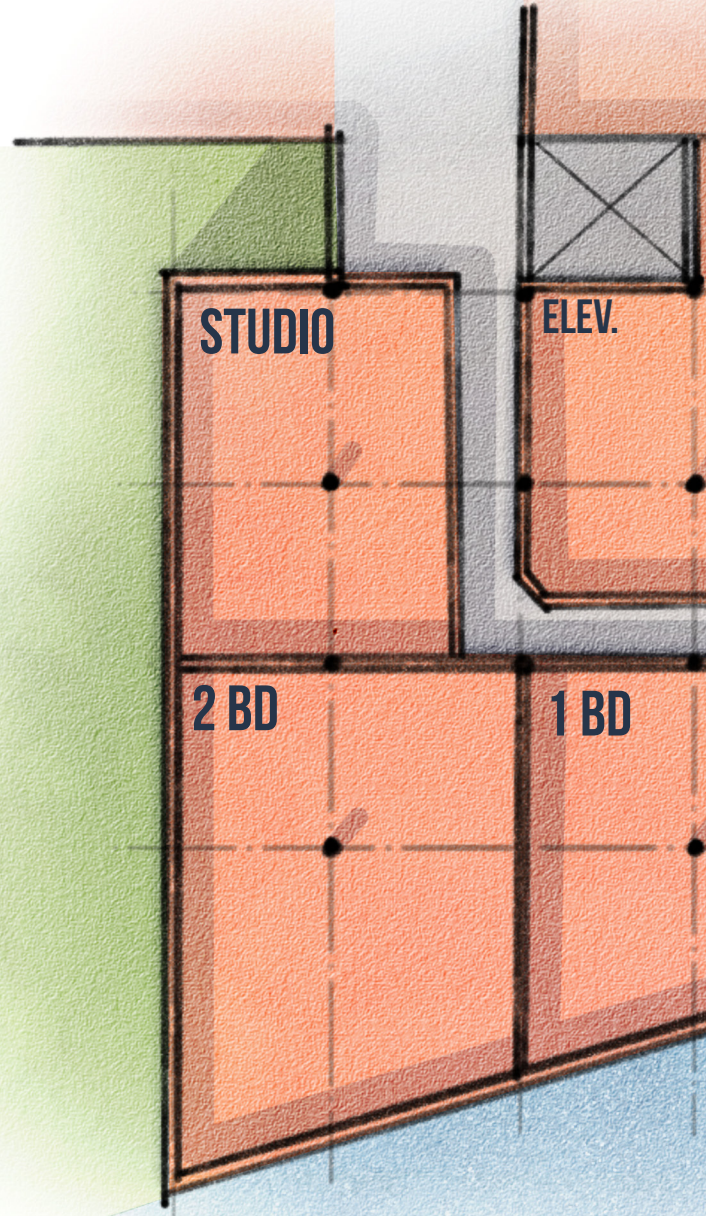
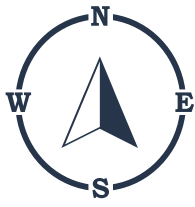


An innovative approach to Building 2 includes removing some bays of the building in a stepped back manner to open up the corner and provide additional views to Building 5 and the river. With those sections removed, the design incorporates large amounts of glass to provide views into the exposed space revealing the original heavy timber structure and balconies off the residential units. This design also includes the demolition of Building 1 to the west to provide additional parking spaces on the site for tenant use. The building can accommodate 24 units amongst four floors. A new connection to the south provides access to a shared corridor with Building 5 as well as elevator and a stair tower.

BUILDING 2 - TYPICAL FLOOR PLAN

FIRST THROUGH FOURTH FLOOR

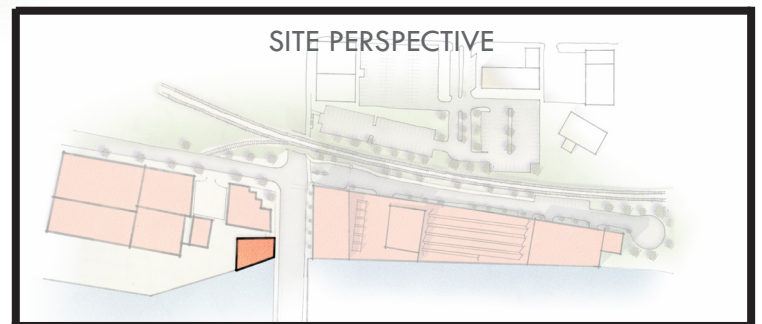
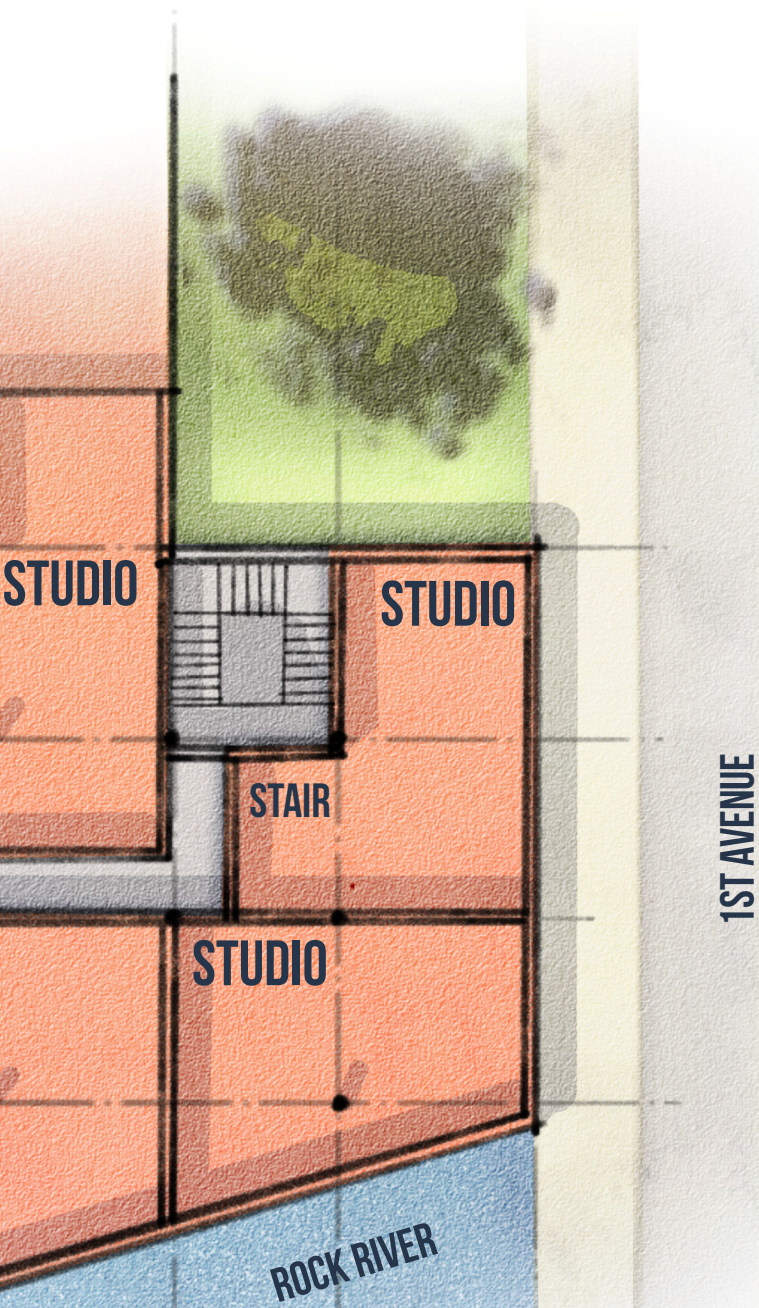




Building 5 can accommodate 3 residential units on its lower level that is exposed to the riverfront and an additional 6 units per floor above for a total of 27 loft units within this building. The concrete columns can be exposed within the units to provide unique architectural details, and the many windows will provide great natural light and riverfront views.

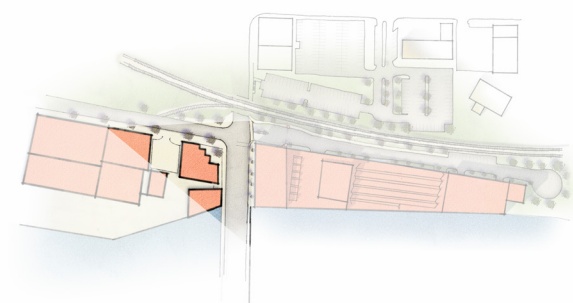
BUILDING 5 - TYPICAL FLOOR PLAN

FIRST THROUGH FOURTH FLOOR





SITE PERSPECTIVE



**1ST/WALLACE INTERSECTION, LOOKING SOUTHWEST
LAWRENCE BROTHERS, STANLEY-NATIONAL**





STANLEY NATIONAL - BUILDINGS 2 AND 5

The analysis for Buildings 2 and 5 of the Stanley-National complex assumes market rate housing throughout. The rent projected at \$1.20/square foot would result in approximately \$1,020 per month for an 850 square foot apartment, for example. This would be above the top end for the existing housing stock in the area but also offering something that no other product approaches. The projected rental rate more aligns with the anecdotal information provided by area realtors and developers. Some of these units could be utilized for short-term or corporate rentals as well; in this case, the rental rates may become an area of negotiation and push the rental rate higher.

The proforma summary on the following page includes the use of Historic Tax Credits. The ‘Sources’ excerpt below assumes the same variables as the proforma summary but excludes Historic Tax Credits as a funding source for Building 2. This is due to the Building 2 rendering on the previous page, which includes alterations to the facade and footprint of the building that may not comply with the historic standards necessary for accessing Historic Tax Credits. .

Stanley-National: Reduced HTC's due to Building 2 Alteration

Sources		
Equity	\$ 2,078,180	15%
Loan (4.75%, 20 years)	\$ 3,305,000	24%
Federal HTC (20% at \$0.80)	\$ 2,216,246	16%
State HTC (25% at \$0.80)	\$ 2,770,307	20%
Deferred Developer Fee (75%)	\$ 658,209	5%
Gap	\$ 2,826,594	20%
	\$ 13,854,536	

Stanley-National: HTCs for Buildings 2 and 5

Buildings 2 & 5

Lower Level	3 Apartments (Bldg 5), Storage
1st Floor	12 Apartments
2nd Floor	12 Apartments
3rd Floor	12 Apartments
4th Floor	12 Apartments

Assumes 51 apartments, all market rate. HTCs for all improvements

Total Development Costs

Construction Costs	\$ 10,970,142
Addtl Development Costs	\$ 2,884,395
	\$ 13,854,536

Income

	Net SF	Monthly Rent/SF	Annual Rent/SF	Annual Income
Market Rate Units				
51 units	47,444	1.20	14.40	\$ 683,194
Vacancy				
Apartments (10%)				\$ (68,319)
Operating Expenses				
Apartments				\$ (282,387)
Annual Mortgage Payment				
Based on 20 year loan, 4.75% interest				\$ (259,609)
Add'l Income				
Plus pay as you go TIF				\$ 121,951
Net Income				\$ 194,828

Sources

Equity	\$ 2,078,180	15%
Loan (4.75%, 20 years)	\$ 3,305,000	24%
Federal HTC (20% at \$0.80)	\$ 2,216,246	16%
State HTC (25% at \$0.80)	\$ 2,770,307	20%
Deferred Developer Fee (75%)	\$ 658,209	5%
Gap	<u>\$ 2,826,594</u>	20%
	\$ 13,854,536	

Return on Investment

Year 1	9%
Year 2	5%

Additional Incentives Included

Building Materials Sales Tax Waiver	\$ (312,891)
Pay-as-you-go TIF	\$ 2,804,862



GAP FILLERS AND INCENTIVES

Gap Fillers				
Program	Source	Amount	Criteria for Eligibility	Add'l Notes
Rebuild Illinois Program	State of Illinois	Varies - \$250,000 up to \$2 M or up to \$5 M, depending on category	Three different categories to apply to: Public Infrastructure, Regional Economic Development, or Shovel Ready Sites. This is a grant program that may require a portion of local match.	-
Commercial Property Assessed Clean Energy (CPACE)	U.S. Department of Energy via Whiteside County	100% financing. Amount is dependent on qualified improvements	Building must be a commercial use: i.e. retail, multifamily, hospitality, office, etc. Installation of energy efficient systems in the building; within a CPACE jurisdictional area.	Functions through the property tax assessment via a lien and is paid back on the tax bill
Illinois Affordable Housing Tax Credit (IAHTC); aka Donation Tax Credit	State of Illinois	\$.50 state income tax credit for every \$1 contributed	Affordable rental and homeownership development, employer-assisted housing	-
Affordable Housing Program	Federal Home Loan Bank (FHLB Chicago)	Up to \$900,000 or 75% of project cost, whichever is less	Affordable rental or owner-occupied housing that meets specific income restriction requirements for the residents occupying the building. Forgivable grant.	-
Economic Development Authority (EDA) Grant	Federal Gov't	Varies depending on program	Multiple programs: Public Works, Economic Adjustment, Planning, Build to Scale (B2S), Economic Development Integration	-
EB-5 Immigrant Investor Program	Federal Gov't	Minimum investment of \$1.8 million	Individuals are eligible to apply for lawful permanent residence in the U.S. if they make the necessary investment in a commercial enterprise creating, and/or preserving 10 full-time jobs in a targeted employment area.	-
Material Sales Tax Waiver *	State of Illinois	Dependent on sales tax of materials	Must be within an Enterprise Zone; property will be income-producing.	Currently in place
Tax Increment Financing (TIF) District *	City of Sterling	Increment between tax bill before improvement and after improvement	Must be within the District boundaries, other criteria locally determined; must meet "but-for" clause.	Not currently set up
Low Income Housing Tax Credit Program (LIHTC) *	Federal Gov't via State Housing Authorities (IHDA in Illinois)	4% or 9% of Qualified Basis	Affordable housing that meets specific income restriction requirements	-
Federal Historic Tax Credits *	Federal Gov't	20% of Qualified Rehab Expenses	Income tax credit, must be a National Register listed building, follow Standards for Rehabilitation	Non-competitive application, no \$ cap
State Historic Tax Credits *	State of Illinois	25% of Qualified Rehab Expenses	Income tax credit, must be a National Register listed building, follow Standards for Rehabilitation	Competitive application, cap of \$3M

* Indicates this source has already been included within the pro-forma analysis

NEXT STEPS

- **Begin the developer solicitation process by creating a Request for Qualifications (RFQ).** This would introduce developers to the opportunity and invite them to submit qualifications for city officials to evaluate. The RFQ should be sent to regional developers with experience working on adaptive re-use and historic renovation projects, as well as local developers with interest in the project. Afterwards, the RFQ responses can be evaluated and a full Request for Proposal (RFP) could be issued to a small, vetted list of developers. The property can be subdivided to take advantage of available financial tools and provide multiple opportunities for smaller project developments.
- **Initiate a discussion between City of Sterling staff and councilmembers regarding financial incentives.** Given the identified gaps in the pro-forma analysis, a focused conversation about the potential for timing, strategy, and appetite of incentives may be required in order to establish policies on any public contributions to the project. For example, the pro-forma analysis includes TIF as a financing source; though it would require City processes and decision-making to set the District up.
- **Continue discussions between the City of Sterling and the business community.** The stakeholder sessions and interviews conducted by Huden Strategic Partners revealed interest from the local business community for meeting space as well as a need for lodging including potential short-term rentals. Furthering the discussion with these business partners to further understand their needs, will bolster the relationship and set up the community for potential commitment to uses. If business partners could pre-lease or commit to a certain number of events/ meetings per year within the space, it makes the project more viable and more attractive to a developer to approach.
- **Consider tactical improvements to activate the building and continue project momentum.** Other communities have found benefit, ownership, and momentum by building a “Friends of...” organization that continues to build ideas for the future of the sites. Given the immensity of these sites, and that development will likely occur in phases, there will remain areas in which to encourage creative pop-up solutions in the interim. These pop-up solutions may lead to more permanent solutions and/or tenants for the buildings. A community-led approach via an organization like a “Friends of Sterling Riverfront” (or a name of the community’s choosing), may lead to nimble, energizing activities that create interest and momentum.
- **Continue to welcome new ideas.** As conversation continues in the community, additional stakeholders may come forward with unique and different ideas. The ideas and feasibility analyses presented here are viable concepts, though with noted financing gaps. This study is not meant to be a specific prescription for the future of these sites. Continue to welcome new ideas presented so as not to minimize good ideas and placemaking concepts.



APPENDIX

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ILLINOIS STATE HISTORIC PRESERVATION OFFICE (SHPO) LETTER



Illinois Department of Natural Resources

One Natural Resources Way Springfield, Illinois 62702-1271
www.dnr.illinois.gov

JB Pritzker, Governor
Colleen Callahan, Director

February 12, 2020

Michael Smith, Urban Planner
Gary Anderson Architects
200 Prairie Street, Suite 200
Rockford, IL 61107

RE: Lawrence Brothers Building
2 1st Avenue
Sterling -- Whiteside

Dear Mr. Smith:

Thank you for requesting a determination of the above property's eligibility for nomination to the National Register of Historic Places. After reviewing the material, we are of the opinion that the property is eligible for listing. Please refer to the attached eligibility assessment sheet for further details.

Please feel free to contact me at 217/782-8588 if you have any questions. I would be happy to assist you.

Sincerely,

A handwritten signature in cursive script that reads "Amy Hathaway".

Amy Hathaway
National Register and Survey Specialist

Mailing address: IL State Historic Preservation Office, 1 Old State Capitol, Springfield, IL 62701

HISTORIC TAX CREDITS TIMELINE

Listing on National Register of Historic Places	1	2	3	4	5	6	7	8
Determination of Eligibility								
Determination of Eligibility Review								
Nomination Research/Application								
Nomination Review (State)*								
Nomination Review (NPS)								

Historic Tax Credit Process								
Part 1: Application**								
Part 1: Review (State)								
Part 1: Review (Federal)								
Part 2: Application								
Part 2: Review (State)								
Part 2: Review (Federal)								
(HTC Bridge Loan Secured)								
(Construction Begins)								
Part 3 Application (AT END OF PROJECT)								

* Note that IHSAC, which is the State Review committee for nominations, only meets once a year.

** Sometimes Part 1 process can be omitted, depending on where the nomination is made.


STERLING RIVERFRONT REDEVELOPMENT MARKET ANALYSIS



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- ❖ Chapter 1: Project Orientation and Situation Analysis
- ❖ Chapter 2: Market Analyses
 - Economic, Demographics and Tourism
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 - Office
 - Meetings and Events
 - Flex Market
- ❖ Chapter 3: Preliminary Recommendations

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Executive Summary

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Pandemic Caveat

Given the global public health crisis impacting the world's economy, the data and analysis should be considered to be from, and applicable to, the pre-COVID-19 pandemic timeframe that began in February and March of 2020.

Real estate development will likely be severely dampened during the crisis and recovery period. No project can be constructed or open into the current reality, but health treatments could change this at any time, launching a recovery period.

The trends in real estate usage may also adjust, such as a stronger work-from-home dynamic, lessening the need for large office spaces generally. At-home delivery of retail and restaurant items may impact the future of such development, accelerating a trend that was already occurring, at least in the retail space.

On a positive note, during any recessionary period, the cost of labor and materials for real estate development generally declines, making projects more viable from a cost perspective.

HSP suggests planning for an update to this study once the economy has generally recovered for a measurable period.

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Key Questions

Hunden Strategic Partners (HSP), as part of the Gary Anderson Architects (GAA) Team, was engaged by the City of Sterling to perform a market demand and feasibility study to assess which real estate uses are most compatible and synergistic within a mixed-use redevelopment along the Rock River in Sterling, IL.

HSP explored the following key questions:

- What are the existing market conditions locally and regionally that may affect various use types along the Sterling Riverfront?
- What is the market opportunity for retail, restaurant, office, residential, hotel, meetings and events, and flex uses?
- What other considerations should be made in order to increase the mixed-use development's potential for success?
- What best practices may be learned from comparable situations?
- How should development be phased in order to sustainably increase activity and interest along the Sterling Riverfront?

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SWOT

- Strengths
 - Committed Leadership
 - Riverfront, Gateway and Prime Artery Location
 - Corporate presence
 - Medical presence
- Weaknesses
 - Lack of Existing Commercial activity
 - Local Market Size Relative to Building Sizes
- Opportunities
 - Riverfront
 - Affordable
 - Historic Tax Credits
- Threats
 - Cross-River Competition
 - Train Noise
 - Accessibility / Parking

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Key Indicators and Implications

There are key elements and indicators that exist at the sites that are similar to other challenged former industrial sites in peer markets around the country. HSP reviewed the situation and discusses how these realities can and have been transformed in other situations.

- **Local Demographics.** The size and strength of the local market will influence project viability relative to current day-to-day use. Sterling prides themselves on being a hard-working community and their demographics are heavily influenced by the major employers in the area. The ability to capture this strong workforce's spending could help increase these numbers. The population in Sterling has been declining in recent years due, in part, to the lack of quality housing options and supportable amenities in the area. The city is missing out on latent demand due to lack of quality housing and quality of life assets that are found in nearby larger cities. *This site development can help to solve this gap.*
- **Tourism/Events/Recreation.** Tourism and events provide a corollary to day-to-day local market use by providing episodic use for events, festivals and recreation (nights and weekends). The location of the Project sites will allow for the riverfront to become a part of downtown Sterling, rather than blocking off the riverfront from downtown Sterling as it currently does. This will provide the opportunity for event programming between downtown Sterling and the riverfront and increase the walkability of the community.
- **Riverfront Activity.** Most of the activity along the Riverfront is currently restricted by the Project sites. While the actual river might not lend itself to water sports and recreation activities, enhancing the quality of riverfront will create a destination and community feel. Beautifying the riverfront and adding a Riverwalk would help create this destination.

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Key Indicators and Implications

The existing supply and demand for uses in the immediate area is indicative of current market conditions for each use. Comparable developments of a single use type or mixed-use project provide several helpful datapoints: how a project performs once built, the types of locations and markets for such a use and general indications.

- **Existing Supply of Uses.** Single-Family and Multifamily housing is limited, with very little new, quality supply. Many of the hotel rooms are located across the river in Rock Falls and there is also latent demand staying elsewhere in the region. The existing supply of retail and restaurant options can be found around the downtown area and near major rural intersections/interchanges. In general, nearly every type of use is under-supplied, which inhibits growth and compresses latent demand to other larger cities, instead of capturing the existing and potential demand.
- **Existing Demand.** Most of the demand for real estate uses is currently being generated by locals or Rock Falls residents. As mentioned throughout this presentation, major employers in the area drive a large amount of demand for the Sterling and Rock Falls area. These major employers are currently renting houses and apartments and booking hotel room nights in the area. There is an existing demand for quality banquet space and meeting rooms. There is some apparent pent-up demand for retail and restaurants, and an enhanced riverfront with quality retail options could pull people from cities like Clinton and Dixon.
- **Site and Access.** The location of the site, in terms of walkability to downtown, is very positive. However, the adjacent train noise and likely parking needs are challenges to overcome. Producing a creative way to enhance accessibility and suppress on-site noise will be keys to the Project's success.

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Adaptive Reuse Mixed-Use District Overview

Across North America and throughout the world, many communities have faced the same issue as Sterling regarding decaying or heavy industrial Riverfront areas. Development has been attempted in a wide variety of ways, places and times, and with varying levels of success. When approaching a redevelopment of the Riverfront, it is important to understand not just what has been built, but also the tools and processes that were utilized. It is only through this understanding that communities can pinpoint what drives success.

Communities that have redeveloped industrial areas and/or superfund sites often share some similar through lines, regardless of the actual project. The process for the most successful projects include:

- Joint realization by both the public and private stakeholders that redevelopment is a priority area
- Various tools and district incentive options are put in place to allow the public to induce private development to come into a pioneering area that they would not have otherwise touched due to risks
- An entity is formed to help manage that process and to create a clean and safe environment, produce and manage events, and act as both an overall marketing entity as well as a steward of the area
- A realistic phased approach is undertaken to induce development

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How Time Spent by User Group Influences Development Area Timing

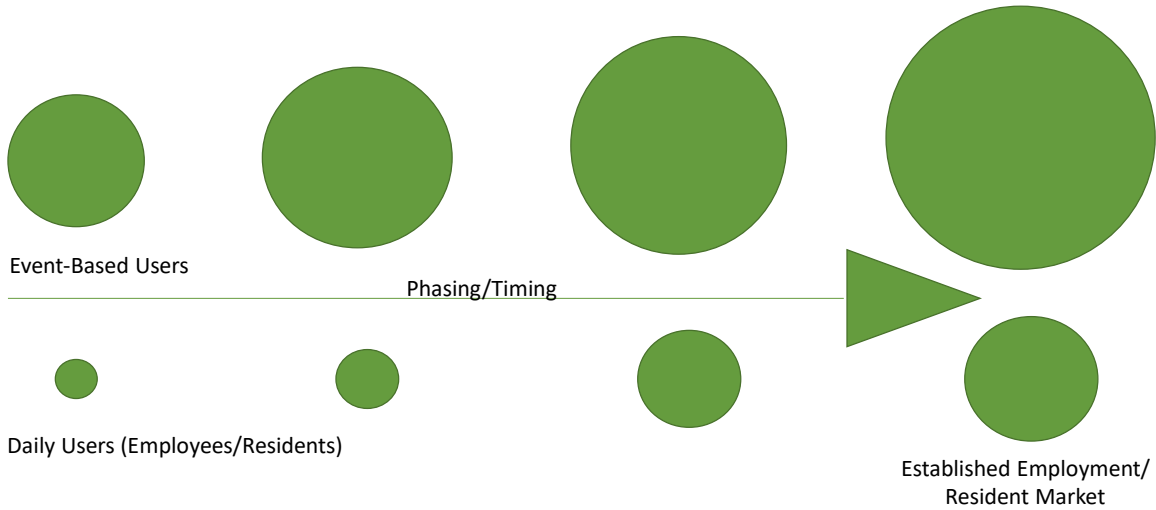
Redevelopment areas that start from essentially little to no existing uses, employment, strong demographics, tourism tend to develop in the same way.

- Areas like Sterling's begin with a small population of daily and overnight users (employees and residents) and a large population of very short-term users.
- By increasing the number of times that short-term uses occur (increase events),
- Increasing the length of time that visitors and users stay (provide food/beverage for pre-/post activity), a nighttime and weekend marketplace becomes more sustainable (although still fragile and susceptible if crime occurs in the redevelopment area).
- Once this night/weekend area is established, this increases the likelihood that daily users (employers/employment) move in, which supports more daytime restaurant, support retail and positively influences perception of crime, safety for residents. Ultimately, residents move in alongside businesses; first rental, then owner-occupied.
- Once long-term residential investment occurs, ownership/stewardship of quality of place is established and transfers over from the redevelopment entity to the local owners (residents, businesses).

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✓ How Time Spent by User Group Influences Development Area Timing



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✓ Preliminary Recommendations

Sterling Riverfront Redevelopment Preliminary Recommendations					
Phase I	Unit	Low	High	Notes	Max Parking
Multifamily Residential	Units	50	75	Market rate residential, corporate usage	125
Hotel - Upper Midscale	Keys	60	80	Hampton Inn, Holiday Inn Express with banquet space?	80
Conference Center Ballroom	SF	4,500	6,000	Fits Sit-Down Functions of up to 400; divisible	160
Conference Center Meeting Rooms	SF	3,600	4,800	Modules of 800 SF or 1,200 SF are ideal	incl. w/ballroom
Retail/Restaurant	SF	25,000	40,000	70/30 mix of restaurant and pop-up retail	40
Rooftop Event Space	SF	6,000	9,000	Indoor/Outdoor - River views	240
Riverwalk				Linear park along river on one or more levels	
Phase 2	Unit	Low	High	Notes	Max Parking
Multifamily Residential	Units	50	75	Market rate residential, corporate usage	100
Creative Office	SF	15,000	30,000	Start-up space and meeting rooms	250
Hydroponics Space	SF	20,000	40,000	Variety of products. Experiential?	25
Server Farm	SF	30,000	150,000	Data Storage	25

Source: Hunden Strategic Partners

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Preliminary Recommendations

- **Density of Related Uses.** Especially with buildings so vast as the two structures in Sterling, it is important to cluster the related uses together so that they create synergy. At this time, HSP is recommending that all non-industrial uses should be clustered in the Lawrence Brothers building in as close a proximity to each other as possible, so that all user types can easily see and access all options. Industrial and flex uses like data storage and hydroponics are likely better accommodated in the Stanley National building. The Lawrence Brothers building has more historic appeal for active uses, while the Stanley National building is more modern and likely suited for industrial uses.
- **Apartments.** The development of traditional apartments, that can be used as corporate apartments as well, at the Project sites is needed in the market. The other support amenities recommended (Riverwalk, restaurants, retail, event space, fitness/gym) will enhance the attractiveness of living on site. Many stakeholders, such as major employers and tourism officials, indicated that quality, market rate residential units would be beneficial to many different groups of Sterling residents.
- **Hotel.** There is dislocation of hotel supply and demand today, with only the Holiday Inn Express providing the quality of supply needed for much of today's demand. Other options are too low of quality, too far away, older, non-branded, or some combination. There is currently (pre-virus) a backlog of corporate users wanting rooms at the Holiday Inn Express on weeknights. The Lawrence Brothers building could host a unique, branded and upscale (select service) option for visitors. It dovetails well with the meeting and ballroom space recommended as well.

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Preliminary Recommendations

- **Conference Center Ballroom and Meeting Rooms** – There is a demand for quality banquet/ballroom space in the Sterling area and a lack of quality, flexible supply. Such a venue here would have real character and pairs nicely with the hotel and other amenities. A quality ballroom space with meeting rooms could draw an array of event types. Meeting rooms for up to 50 people are in high demand.
- **Retail/Restaurant** – A strong mix of retail and (mostly) restaurant at the Lawrence Brothers building will be key to the Project's success. Retail and restaurant options help create a critical mass at mixed-use developments that attract many types of users and support many types of uses. The Sterling area is lacking quality food and beverage options and many stakeholders indicated that experiential food and beverage, such as a brewery or distillery would have success.
- **Creative Office** at the Project sites would create a live/work/play environment. While many companies in the area office at industrial, there is a need for small, quality office. River views enhance the appeal.
- **Rooftop Event Space** – A rooftop event space or event space that takes in the river views would add character and appeal to this mixed-use Project. Hotels have been seeing an increase in group business, specifically from weddings, so a quality space like this could be a major player in the group business market and support the hotel (and office) uses.
- **Hydroponics and Server Farm Space** – The hydroponics and server farm industries are rapidly increasing. Hydroponics can also be an experiential tourism draw.

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Chapter 1: Project Orientation and Situation Analysis

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Project Orientation

The Stanley National & Lawrence Brothers sites in Sterling, Illinois is home to former industrial buildings, in varying states of disrepair. The entire development area measures 688,000 square feet. This area is thought of as the entrance into downtown Sterling, as it is located along the Rock River and invites people into Sterling from Rock Falls and Interstate 88. The redevelopment of these buildings will play a key role in improving visitors' first impression of Sterling.

The Project aims to link downtown Sterling with a revitalized riverfront that locals and people from other cities can use for an array of business and leisure activities.



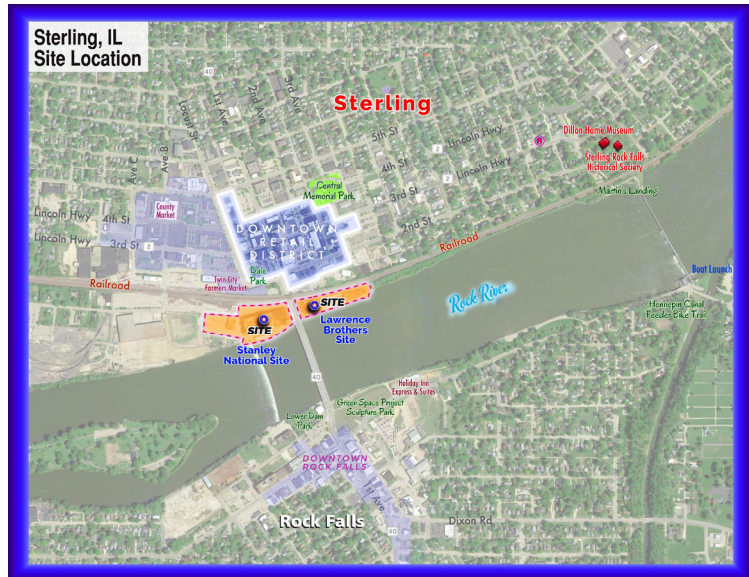
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Project Sites

- The Project sites are located along the Rock River on both sides of 1st Ave, directly across the river from Rock Falls.
- The sites act as the gateway into Sterling from Rock Falls and Interstate 88.
- The sites are located at the southernmost point of downtown Sterling, roughly a half-mile walk from its center.
- There is a railroad track that runs parallel with 1st Ave that creates noise and accessibility issues for the sites.
- The existing supply of retail and restaurant options is mainly located in central downtown.

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Chapter 2: Market Analyses

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Economic, Demographic & Tourism Analysis

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How do Economic, Demographic and Tourism Impact Various Project Types?

Every element of a community has some impact, either directly or indirectly, on the potential for a new destination asset.

- **Residential complexes** typically rely on a strong workforce and areas that have already been established with supportable amenities, such as retail, restaurant, and entertainment options.
- **Meeting facilities** have a similar relationship to an area as hotels, though the local population is more likely to utilize meeting space than to stay in a hotel, so the presence of local associations and corporations will drive some demand to meeting facilities. Local companies and universities will also drive events. Proximity to major attractions, roads and airports will help meeting facilities.
- **Hotels** rely heavily on tourism (leisure) and corporate visitation to a given area in order to fill rooms throughout the week. Typically, the presence of more and larger corporations in an area will drive weekday occupancy and leisure travelers will be more common during the weekends, though some overlap is to be expected. A more robust local economy helps support group business in hotels.
- **Sports** facilities rely on accessibility to major population areas with strong incomes, as tend to locate in suburban areas, where land is plentiful and less expensive for the vast acreage needed for facilities and parking.
- **Retail/Restaurant** is highly influenced by the median household income (HHI) and, therefore, employment in an area. There is also an important relationship between the cost of living in an area (housing, etc.) and median HHI as it points to what level of discretionary income is available for residents to spend on dining and non-essential retail goods.

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Sterling Overview

Sterling is a city in north central Illinois approximately 100 miles west of the Chicago Loop, 55 miles northeast of the Quad Cities, and 53 miles southwest of Rockford, and currently has a population of 14,908 people within the city limits. Across the Rock River, along the southern bank, lies the city of Rock Falls, with 8,814 people. This area of eastern Whiteside County has 34,700 people.

Sterling and Rock Falls forms a retail, housing and labor market with nearby Dixon and northwest Lee County (12 miles to the east) adding another 25,000 people, totaling 59,700 people in this dual-urban stretch along the Rock River. Sterling and Dixon anchor their own Micropolitan Statistical areas for a combined 90,000 people in two counties, however, both have lost about five percent since 2010, once reaching a high population of about 105,000 in 1960.



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Sterling Overview

Historically, Sterling's economy was primarily driven by manufacturing, but now is part of a growing area of food warehousing and processing plants and is the area's retail hub. Recreational activities offered by Sterling are five 18-hole golf courses, water sports, catfishing, and the Park District. Sterling is also along the Blackhawk Chocolate Trail of NW Illinois.



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Population and Growth Rates

	Population				Percent Change
	2000	2010	2019	2024 Projected	2010 - 2019
United States	281,421,906	308,745,538	330,088,686	343,954,683	6.9%
Illinois	12,419,293	12,830,632	12,741,080	12,895,299	-0.7%
Sterling and Dixon Combined Micropolitan Areas	96,711	94,529	89,849	89,751	-5.0%
Whiteside County	60,653	58,498	56,871	55,416	-2.8%
Sterling City	16,089	15,425	14,908	14,495	-3.4%
Rock Falls	9,580	9,266	8,814	8,825	-4.9%

Source: U.S. Census Bureau

Population

Sterling's population decreased 3.4% from 2010 to 2019, or roughly 500 people. Whiteside County, which comprises the Sterling MSA, also decreased by 1,600 people. The larger combined Sterling and Dixon micropolitan areas have diminished by 4,680 since 2010. This is a regional issue in many smaller manufacturing cities across the Great Lakes region, relative to the rest of the U.S. more due to more efficient manufacturing than due to lack of industry.

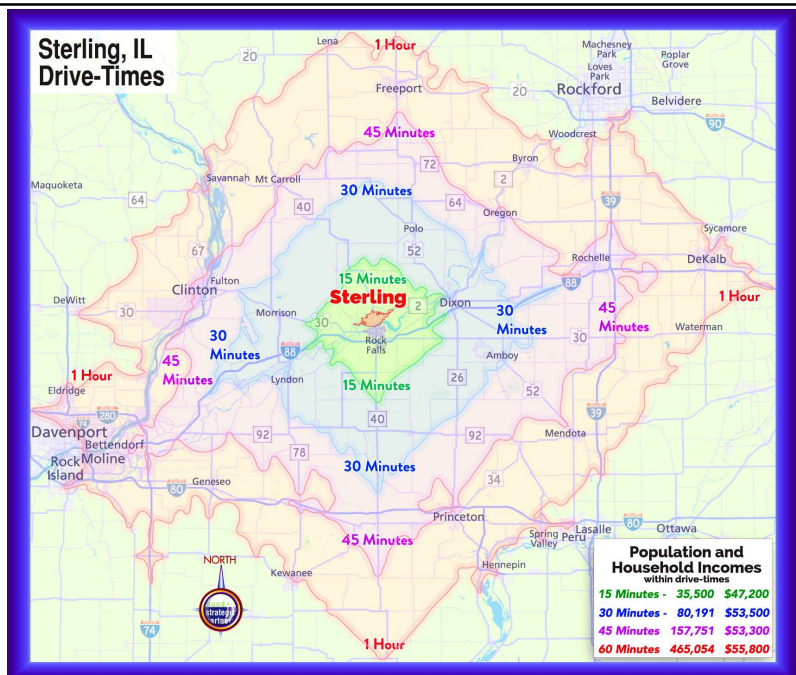
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Regional Drive-Times

Sterling is located on the north side of the Rock River, with Rock Falls occupying the southern bank of the river. There are no other sizable cities or towns within a 15-minute drivetime, which has about 34,700 people.

Dixon, just outside of the 15-minute zone, is the only other significant population center within a 30-minute or 45-minute drive-time. The thirty-minute area yields about 80,000 people, which is Sterling's capturable market area, and can draw, in some directions, farther out to the 45 minutes ring. The median household income is around \$53,300.



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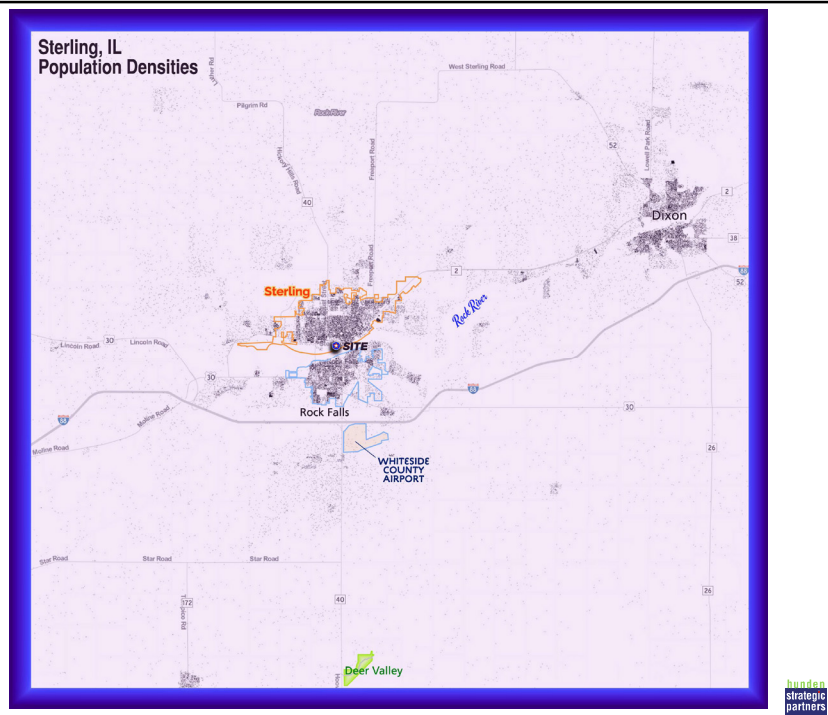
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Sterling Area Population Density

This dot-map illustrates just how decidedly compact the population is clustered into two areas; Sterling with Rock Falls on the south side of the Rock River, and Dixon, which is similarly split between the river, but is not separated into two municipalities.

In addition, although the areas outside of the two cities are very sparse, there are clusters of neighborhoods around Sterling and Rock Falls that are not in the city limits. The combined population of Sterling and Rock Falls can clearly be seen to be larger than Dixon and is, therefore, the focus of commerce in this part of Illinois.

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Income, Spending and Other Demographic Data

Category	United States	Illinois	Whiteside County	Sterling City
Homeownership rate, 2014-2018	63.8%	66.0%	75.2%	62.1%
Median value of owner-occupied housing units, 2014-2018	\$204,900	\$187,200	\$103,400	\$86,800
Persons per household, 2014-2018	2.63	2.59	2.37	2.28
Median household income, 2014-2018	\$60,293	\$63,575	\$53,828	\$44,487
Persons below poverty level, percent	11.8%	12.1%	10.5%	12.3%
Total employment, 2017	128,591,812	5,497,629	17,538	--
Total employment, percent change, 2016-2017	1.5%	-0.3%	0.7%	--
Retail sales per capita, 2012	\$13,443	\$12,942	\$9,991	\$24,710

Source: US Census Bureau

Spending

Sterling has a homeownership rate of approximately 62%, which is like the U.S., but lower than both Illinois and Whiteside County. The median home value in Sterling, at \$86,800, is less than half that of the values in Illinois and the nation, while Whiteside County's is a bit higher at \$103,400. Families with higher incomes tend to live on the outskirts of rural communities, and own more land, which is reflected in the higher values.

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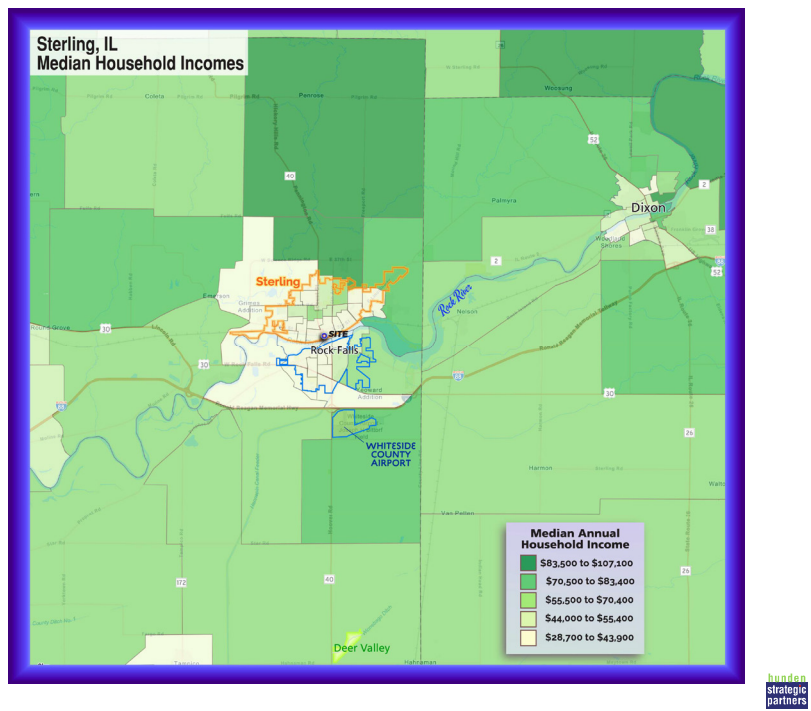
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Sterling Area Household Income

For any commercial and tourism-based project, the regional population and spending power is critical to its success. Median household incomes are strong north of Sterling's city limits, and some northside neighborhoods near Kilgour Park and Challand Middle School. The exurban neighborhoods that are in Whiteside County but not within the Sterling or Rock Falls corporate limits are more affluent than the more financially challenged in-town households. There are as many as 8,000 additional residents in these outskirts.

Sterling is slightly more prosperous on average than Rock Falls. There are just over 2,000 households earning over \$100,000, according to ESRI estimates.

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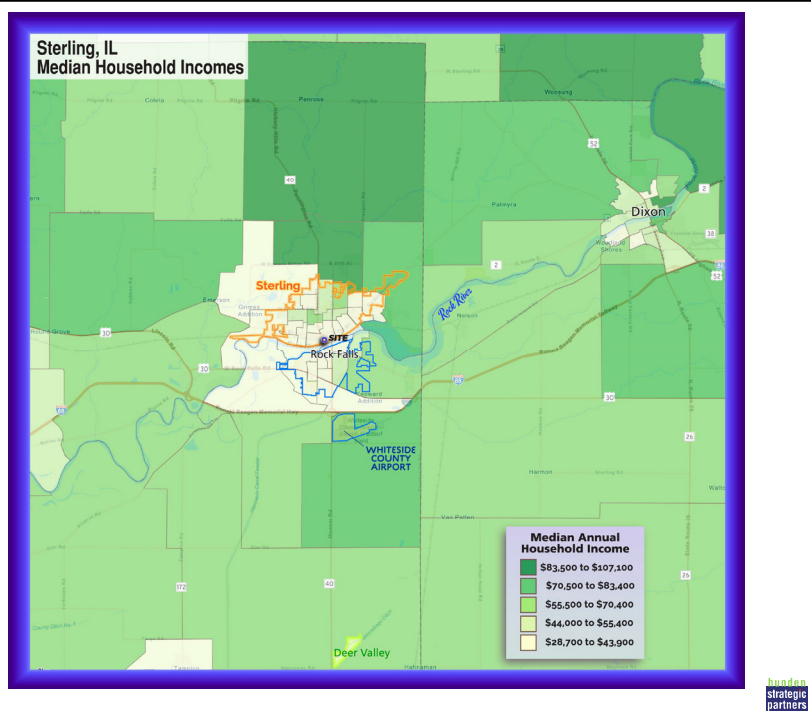


Dixon Area Household Income

The Dixon area has 10,000 fewer people than Sterling/Rock Falls, but also sports an annual median income of \$13,500 more, at \$60,600.

The Dixon area is home to 2,200 households that earn over \$100,000 annually and its own line-up of corporate entities such as Borg Warner, Spectrum Brands, Donaldson Inc., and Raynor Garage Doors. The proposed development is certainly in a position to appeal to Dixon's unmet needs if designed thoughtfully and programmed with residents and businesses of both cities in mind and is flexible for future needs of the larger community.

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Employment

The leading industries in Whiteside County are Manufacturing, Retail trade, and Health care and social assistance. These top three industries employ approximately 32% of Whiteside County's workforce, which is equal to 9,070 people. State and local government in Whiteside County is responsible for roughly 16% of the workforce.

Sterling has long relied on manufacturing as the muscle of the local economy. Being the largest city within an hour in nearly any direction, along with its location near Interstate 88, makes Sterling the de facto retail and restaurant center of the region, and those who are employed in these industries tend to live in town, spending much of their earnings in these same establishments.

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Whiteside County Employment by Industry - 2018

Description	Employees	Percentage of Total
Total employment (number of jobs)	26,184	100%
By type		
Wage and salary employment	22,800	80.90%
Proprietors employment	5,384	19.10%
By industry		
Nonfarm employment	27,140	96.30%
Farm employment	1,044	3.70%
Private nonfarm employment	22,005	78.08%
Manufacturing	3,772	13.38%
Retail trade	3,029	10.75%
Health care and social assistance	2,269	8.05%
Accommodation and food services	1,945	6.90%
Other services (except government and government enterprises)	1,727	6.13%
Transportation and warehousing	1,692	6.00%
Administrative and support and waste management and remediation serv	1,443	5.12%
Professional, scientific, and technical services	1,182	4.19%
Finance and insurance	1,158	4.11%
Construction	1,037	3.68%
Wholesale trade	836	2.97%
Real estate and rental and leasing	537	1.91%
Educational services	499	1.77%
Arts, entertainment, and recreation	356	1.26%
Information	187	0.66%
Management of companies and enterprises	51	0.18%
Utilities	--	--
Forestry, fishing, and related activities	--	--
Mining, quarrying, and oil and gas extraction	--	--
Government and government enterprises	5,135	18.22%
State and local	4,874	17.29%
Local government	4,483	15.91%
State government	391	1.39%
Federal civilian	152	0.54%
Military	109	0.39%

Source: Bureau of Economic Analysis, Hunden Strategic Partners

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Major Employers

The top 10 largest employers in Sterling provide jobs to over 4,375 people. CGH Medical Center accounts for 32% of these jobs, while Walmart is responsible for roughly 23%.

The list of Sterling's major employers show the importance of manufacturing, retail, and healthcare industries to Sterling's economy.

Conversations with these major employers and economic development stakeholders indicated that many major employers are expanding, in terms of employee count and campus development, in the next few years.

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Sterling Major Employers

Company Name	Industry	Number of Employees
CGH Medical Center	Healthcare	1,400
Wahl Clipper Corporation	Manufacturing	1,200
Walmart Distribution Warehouse Center	Retail	1,000
Halo Corporation	Manufacturing	700
Self Help Enterprises	Construction	310
Sterling Steel, LLC	Manufacturing	300
P&P Industries	Manufacturing	150
Astec Mobile Screens	Manufacturing	140
Frantz Manufacturing Company	Manufacturing	125
Verifacts	Telemarketing	50

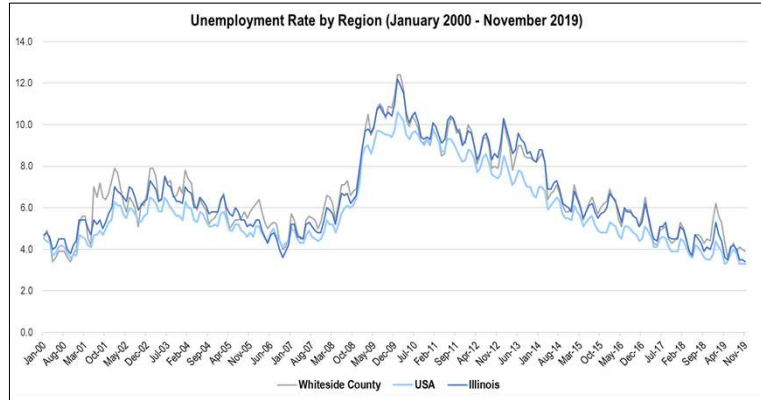
Source: sterlingdevelopment.org

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Unemployment

Sterling's current monthly unemployment data is unavailable. However, as of November 2019, the unemployment rate in Whiteside County was 3.4%.

On average, Whiteside County has experienced a higher unemployment than the nation and a similar unemployment rate to Illinois as a whole. Whiteside County has a slightly more volatile unemployment rate when compared to the nation and Illinois due to its smaller population and reliance on a few manufacturers for incomes that do not originate from within the county.



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Education

Sterling and Whiteside County adults are generally high school educated or have some college. But their rate of college graduates is about half that of the State of Illinois.

The bottom table lists the colleges and universities within roughly 50 miles of the sites in downtown Sterling. There are only two colleges within a 20-mile radius of Sterling. The largest university, by far, is Northern Illinois University, fifty miles to the east.

Population Age 25+	United States			
	United States	Illinois	Whiteside County	Sterling
Did Not Complete High School	13.0%	10.5%	9.7%	12.4%
Completed High School	27.5%	26.1%	37.1%	34.5%
Some College	21.0%	20.3%	25.1%	26.7%
Completed Associate Degree	8.2%	8.1%	9.7%	8.6%
Completed Bachelor Degree	18.8%	21.1%	11.8%	11.0%
Completed Graduate Degree	11.5%	14.0%	6.6%	6.8%

Source: U.S. Census Bureau

Institution	Location	Distance from 61081 (Miles)	Highest Degree Offered	Enrollment
Sauk Valley Community College	Dixon, Illinois	11.7 miles	Associates	1,628
Morrison Institute of Technology	Morrison, Illinois	12.8 miles	Associates	116
Highland Community College	Freeport, Illinois	34.0 miles	Associates	1,596
Kishwaukee College	Malta, Illinois	44.8 miles	Associates	3,307
Black Hawk College	Moline, Illinois	46.1 miles	Associates	4,333
Rockford University	Rockford, Illinois	46.6 miles	Masters	1,203
Rock Valley College	Rockford, Illinois	49.5 miles	Associates	6,244
Saint Anthony College of Nursing	Rockford, Illinois	49.5 miles	Doctorate	303
Augustana College	Rock Island, Illinois	49.6 miles	Bachelors	2,543
Trinity College of Nursing & Health Sciences	Rock Island, Illinois	49.6 miles	Masters	217
Illinois Valley Community College	Oglesby, Illinois	50.1 miles	Associates	2,958
Northern Illinois University	Dekalb, Illinois	50.4 miles	Doctorate	17,169
Total				41,617

Source: National Center for Education Statistics

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Sterling Attractions

Sterling is known for its well-developed Park District, which has 14 park sites and covers over 525 acres of land. In the Park District, visitors can do activities like play tennis, golf, basketball, pickleball, baseball, and other sports. In addition to sports, visitors can hike, sled, picnic, or participate in one of the hundreds of organized programs offered.

Various park facilities are available to rent for parties or events. Rock Falls also has 16 parks on over 100 acres and a wide variety of facilities. Outside of the many parks in the area, visitors can eat at one of the many restaurants in the city or watch a movie at the Midway Drive-In, or the renovated "brew-n-view" Sterling Theater.

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Sterling Area Major Attractions

Name	Type of Attraction
Dillon Home Museum	Museum
Kilgour Park	Nature & Parks
Sinnissippi Park	Nature & Parks
Hennepin Canal Feeder Bike Trail	Nature & Parks
Hoover Park	Nature & Parks
Midway Drive-In	Food & Beverage
Duis Center	Sports & Events
Westwood Sports Complex	Sports & Events

Source: Tripadvisor, Google

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Sterling Area Attractions

Dillon Home Museum – The Dillon Home was home to P.W. Dillon, the president of Northwestern Steel & Wire Company. It was added to the Nation Register of Historic Places in 1980. Today, it operates as a museum and is also available to rent for events.

Kilgour Park – Kilgour Park is a 12-acre park that was previously Civil War Colonel William M. Kilgour's personal farm. It was purchased in 1935 and now has amenities such as outdoor basketball courts, outdoor tennis courts, and playground equipment.

Sinnissippi Park – Sinnissippi Park is the largest of Sterling Park District parks, covering 150 acres of land. The park offers activities such as baseball, cross-country skiing, fishing, frisbee golf, sledding, and jogging.

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Sterling Area Attractions

Midway Drive-In – The Midway Drive-In opened in 1950, the oldest Drive-In screen in the region. The venue offers a spaceship-shaped ticket booth, full-service concession stand, and capacity for up to 500 cars.

Hoover Park – Hoover Park was owned by Edward Hoover before he sold it in 1941. Today, it is an extension of Sinnissippi park and has picnic areas, playground equipment, hiking trails, and open play areas.

Hennepin Canal Feeder Trail – The Hennepin Canal Feeder Trail is 16.6 miles long and despite seeming to be level, has an elevation gain of 72 feet, or about a seven-story building, over that span. Visitors use it to mountain bike, hike, jog, run, and walk their dogs.

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Sterling Area Attractions

Duis Center – The Duis Center was purchased in 1968 and dedicated in 1970. In 2009 and 2010, the facility underwent renovations. Today, it features an indoor Olympic-size swimming and diving facility, fitness center, and a gymnastics center.

Westwood Sports Complex – The Westwood Sports Complex has more than 35,000 square feet of fitness equipment. In addition, there are also six basketball/volleyball courts, batting/throwing cages, a 200-meter indoor track, six indoor tennis courts, and more.

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Local Hotel Market Analysis

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Concept Overview: Hotel

Land Requirement:	Small (< 5 acres)
Use Frequency:	Consistent
Time of Day:	Overnight
Weekday / Weekend:	Both
Seasonality:	Year round
Ownership:	Private
Target Demo:	Leisure, Corporate, Group
Market Area:	Local

HSP Conclusions:

The recent opening and quick ramp up in performance of the Holiday Inn Express has proven the market is looking for newer, higher quality properties in the Sterling area. An upper midscale property is recommended for the first phase of development on the Sterling Riverfront. The demand for new quality lodging in Sterling is generated by the large corporate presence in the area.

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Sterling - Hotel Competitive Set

Property	Distance from Project Site (Miles)	# of Rooms	Chainscale	Open Date
Holiday Inn Express & Suites Rock Falls	0.5	68	Upper Mid	May-16
Super 8 Rock Falls Sterling Area	1.9	59	Economy	Jun-85
Country Inn & Suites Rock Falls	1.9	80	Upper Mid	Nov-99
Days Inn Rock Falls	1.9	117	Economy	Jun-73
Total/Average		324	-	Sep-93

Source: Smith Travel Research

Hotel Competitive Set

HSP identified this local hotel competitive set by conducting market research and interviewing hospitality experts in the area. This competitive set consists of four properties, totaling 324 rooms. The Holiday Inn Express & Suites Rock Falls is the newest property in the set. These properties are all within two miles of the Project sites.

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Hotel Competitive Set

- There are no hotels in the competitive set located in the Sterling city limits.
- The Holiday Inn Express Rock Falls is the newest hotel in the competitive set and is located across the river from the Project sites. Supportable amenities along the river will complement this hotel and new hotel development at the Project sites greatly.
- The other hotels in the competitive set are located closer to the Interstate and generate business from highway travelers and corporate users.
- While new hotel development will cannibalize some room nights, HSP believes there is unmet demand for more quality lodging and the pie will grow with new supply.



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Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels											
Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	% Occ.	% Change	ADR	% Change	RevPar	% Change
2017	324	118,260	-	53,190	-	45.0	-	\$88.52	-	\$39.81	-
2018	324	118,260	0.0%	57,889	8.8%	49.0	8.8%	\$91.80	3.7%	\$44.94	12.9%
2019	324	118,260	0.0%	55,861	-3.5%	47.2	-3.5%	\$95.84	4.4%	\$45.27	0.7%
2020 (Feb)	324	19,116	0.0%	6,229	-1.8%	32.6	-1.8%	\$97.44	4.3%	\$31.75	2.5%
CAGR* (2017-2019)	0.0%	0.0%	-	1.7%	-	1.7%	-	2.8%	-	4.6%	-

*Compound Annual Growth Rate
Source: Smith Travel Research, Hunden Strategic Partners

Competitive Hotel Performance

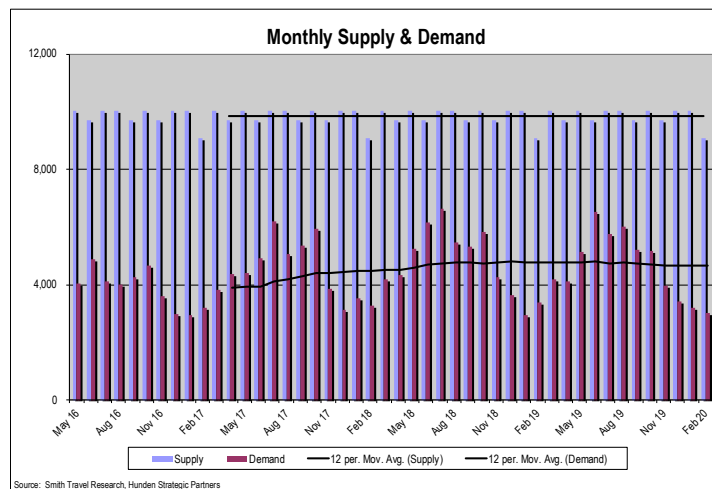
The hotel market in the Sterling area is small and mainly located in Rock Falls. The hotel market in the Sterling area did not add any quality hotel rooms from 1999 to 2016, so the opening of the Holiday Inn Express in May 2016 was a positive development. Average daily rate (ADR) has increased from \$88.52 to \$95.84 from 2017 to 2019. RevPAR, the product of occupancy and rate, has increased from \$39 to \$45 over that same period. Occupancy remains low, which will be explained.

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Supply & Demand Hotel Room Nights

Overall, trends between demand and supply have remained consistent in the Sterling market. Supply remained the same until 2016 and demand has slightly increased. HSP believes the opening of the Holiday Inn Express is the reason for the increased demand in the area.



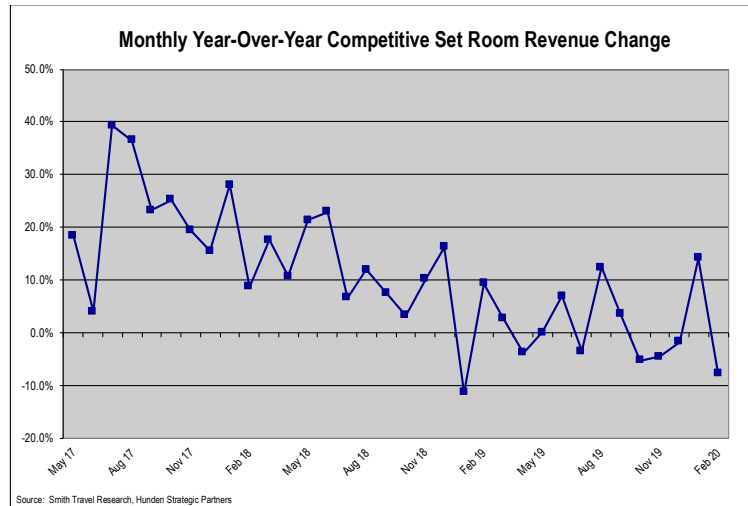
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Room Revenue Change

The year-over-year room revenue change for the competitive set in Sterling has been mainly positive. Any data point greater than zero is a positive indicator for the competitive set.

The competitive set's room revenue from May 2017 to February 2020 fluctuated between a positive 40% change and a negative 11% change. The room revenue change for the competitive set is another indication of seasonality having an impact on hotels in the Sterling area.



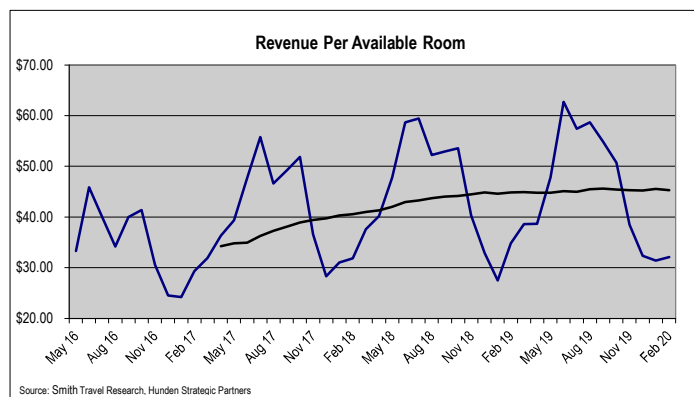
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Revenue per Available Room

The trend line shows that RevPAR, which is the product of occupancy and rate, has recorded an overall increase of roughly \$10 since 2016 based on the 12-month rolling average.

RevPAR has consistently increased since 2016 and reached a new high in the Summer of 2019 at over \$60. RevPAR dips in the winter months, which is typical for cities with a harsh winter season.



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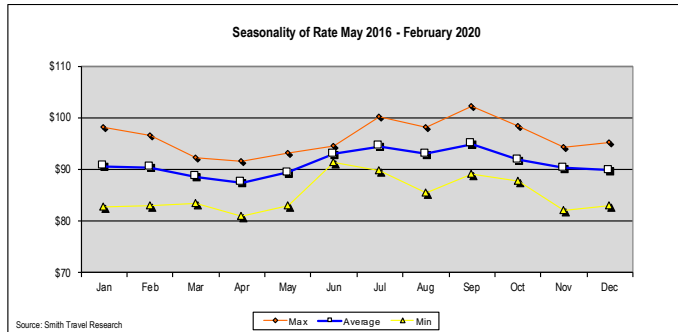
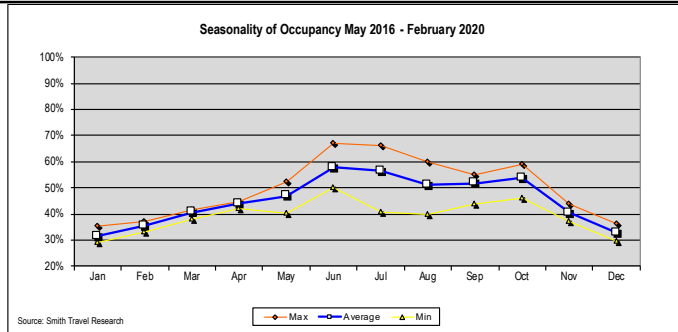
Seasonality – Occupancy and ADR

Sterling area hotels experienced consistent demand from June through October. The lowest occupancy is during the winter months, which is to be expected.

Rate generally mirrors occupancy, demonstrating that local hotel options are somewhat compressing rates when demand is highest.

The Holiday Inn Express is the market leader, in terms of rate, and has already driven market rates up for the area.

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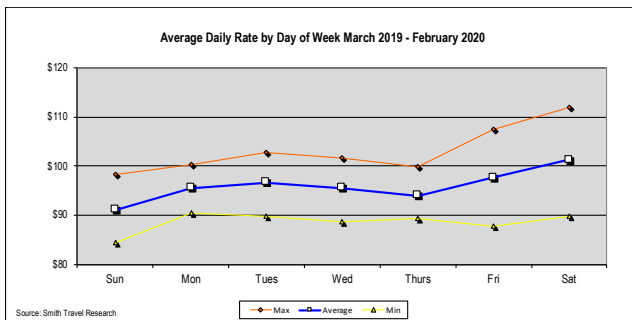
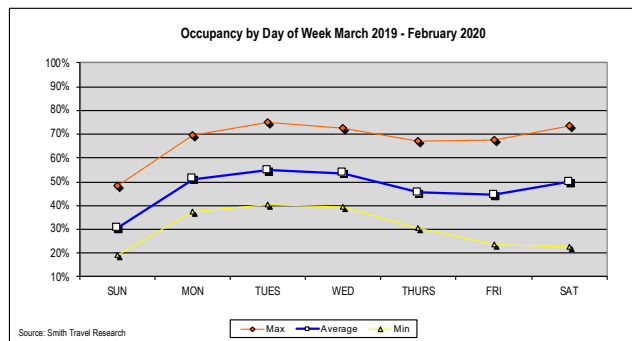
Day of Week – Occupancy and ADR

The adjacent figures demonstrate the day of week performance of the competitive hotel set from March 2019 through February 2020.

The highest occupancy is seen during the weekend, but higher rates are seen on the weekend. Discussions with hoteliers in the area indicated that major employers drive occupancy in the area by obtaining large room blocks during the week, and in return receive discounted rates.

Rates are highest on Tuesday and Saturday and lowest on Sunday and Thursday. This is due to the type of traveler changing during these days. Sundays are almost always the lowest performing day of the week for hotels.

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Heat Charts

The adjacent heat charts summarize the day of week by month performance of the hotel market over the last calendar year.

Occupancy peaks in June, exceeding 65% throughout most of the month on average. As shown on the previous slide, occupancy is highest on Tuesday and Wednesday during the week, and on Saturday on the weekend.

Average daily rates are highest in the summer months. As mentioned earlier, due to the amount of rooms that major employers in the area occupy, discounted rates are provided to them when rooms are needed. Major employers keep the lodging market in Sterling stable.

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Mar - 19	27.2%	48.1%	52.6%	51.5%	39.9%	37.2%	41.1%	41.8%
Apr - 19	25.6%	50.1%	53.2%	49.2%	41.3%	32.3%	39.3%	42.2%
May - 19	40.5%	49.9%	57.0%	57.8%	49.3%	48.0%	56.7%	51.3%
Jun - 19	48.1%	69.7%	75.1%	72.7%	67.1%	67.4%	73.6%	67.2%
Jul - 19	37.8%	61.5%	61.4%	61.3%	51.2%	69.7%	65.0%	57.3%
Aug - 19	39.0%	63.0%	67.6%	64.0%	57.1%	58.5%	68.0%	59.8%
Sep - 19	30.6%	51.0%	60.9%	60.5%	56.3%	53.7%	68.8%	53.6%
Oct - 19	31.9%	56.8%	56.9%	54.1%	44.7%	55.6%	60.5%	51.5%
Nov - 19	27.1%	44.1%	47.1%	47.5%	43.7%	37.0%	40.4%	40.8%
Dec - 19	20.1%	37.3%	40.4%	41.7%	34.3%	31.2%	34.0%	34.0%
Jan - 20	19.1%	43.2%	46.6%	39.3%	30.4%	23.6%	22.4%	32.0%
Feb - 20	21.9%	39.7%	40.8%	42.6%	30.7%	28.5%	29.5%	33.3%
Average	30.8%	51.1%	54.8%	53.5%	45.5%	44.1%	50.1%	

Sources: Smith Travel Research

	70% - 80%
	80% - 90%
	> 90%

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Mar - 19	87.91	96.11	95.09	94.63	92.91	87.81	89.87	92.27
Apr - 19	84.41	94.37	94.53	91.12	90.48	89.18	90.56	91.59
May - 19	91.27	91.91	92.41	92.30	90.27	94.32	99.30	93.15
Jun - 19	91.50	90.54	89.73	88.60	89.35	98.43	102.51	93.33
Jul - 19	98.23	97.69	98.89	96.59	99.20	104.15	107.36	100.21
Aug - 19	89.97	95.57	97.06	94.76	93.00	102.25	108.38	98.22
Sep - 19	94.95	98.35	99.71	101.57	98.88	107.39	112.03	102.34
Oct - 19	92.30	95.51	98.76	98.27	93.77	101.49	105.51	98.41
Nov - 19	85.55	94.88	96.19	95.46	95.29	94.53	94.25	94.25
Dec - 19	87.59	95.96	98.49	96.18	92.82	95.64	95.12	95.13
Jan - 20	93.57	100.35	102.68	101.63	99.88	87.91	92.34	98.25
Feb - 20	91.71	97.04	100.17	98.62	95.25	94.56	95.27	96.57
Average	91.06	95.58	96.71	95.58	94.00	97.66	101.29	

Sources: Smith Travel Research

	\$95 - \$115
	\$115 - \$135
	> \$135

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Hotel Market Interviews

HSP interviewed hoteliers and tourism experts in the Sterling area to better understand how a hotel at the Project sites will complement other local hotels and drive room nights:

- The lodging market in Sterling is lacking in quality and supply. The lodging properties in the area rely heavily on corporate business generated by the major employers in the area. Corporate business accounts for roughly half of the room nights in the Sterling market. The other half of the room nights in the market are occupied by leisure and group travelers.
- Many major employers in the area negotiate annual rates with the lodging properties in Sterling. These employers get a slight discount since they are the main reason for steady year-around occupancy.
- Discussions with hotel management in the area indicated that group business has been a major revenue generator on weekends from May to October.
- The Holiday Inn Express Rock Falls is the market leader, in terms of rate, in the Sterling area. Discussions with management indicated that they price based on demand and are constantly changing their rates. While corporate rates tend to remain consistent around \$140/night, leisure rates can jump above \$250/night during the short peak season.
- Quality dining at the Project sites would be very beneficial for the corporate clientele that stay at these lodging properties.

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Hotel Market Implications

HSP examined the lodging market performance, specifically hotels, in the Sterling area to better understand how the Project will complement these hotels and drive room nights:

- The lodging market in the Sterling area is driven by corporate demand from major employers in the area. Providing new, quality lodging for these companies and other non-residents will benefit Sterling and complement other quality lodging and retail/restaurant options in the area.
- The opening of the Holiday Inn Express in Rock Falls suggests that the lodging market in the area has somewhat of an unmet demand for quality lodging. The Holiday Inn Express, the first new hotel development in the Sterling area since 1999, has already pushed the market ADR and occupancy. Discussions with management from the Holiday Inn Express indicated that roughly 50% of their business is corporate and on weekends, from May to October they are fully booked out for group business.
- HSP believes that a new hotel development at the Project sites will complement additional lodging and capture unmet demand. The Holiday Inn Express is having to turn away corporate guests during the weekdays. A new, quality lodging option would complement the current lodging options in the Sterling area and improve market rates.

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Residential Market Analysis

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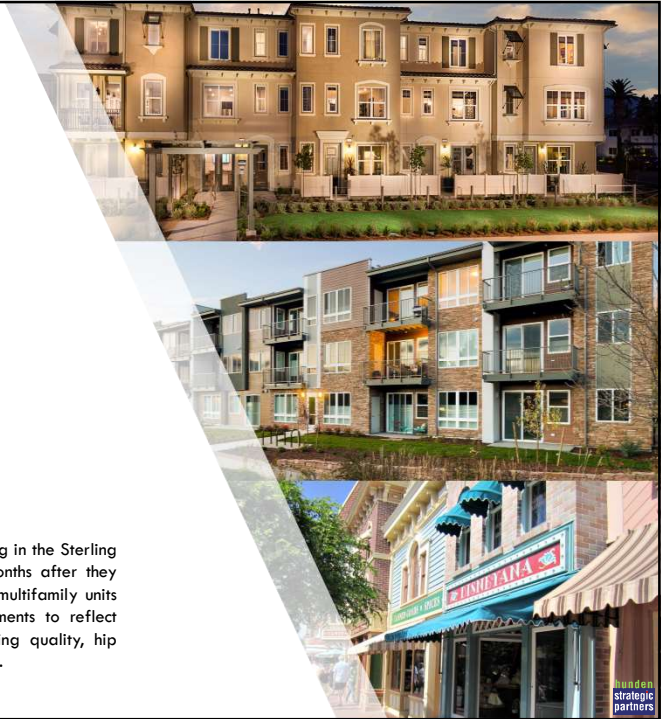
Concept Overview: Residential

Land Requirement:	Small (< 5 acres)
Use Frequency:	Consistent
Time of Day:	Night
Weekday / Weekend:	Both
Seasonality:	Year round
Ownership:	Private
Target Demo:	Adult Professionals, Mid-Level Management
Market Area:	Local

HSP Conclusions:

Similar to hotels in the area, the supply of quality residential is lacking in the Sterling area. New residential developments in the area are selling out months after they open. The major employers in the area indicated that market rate multifamily units are a major need in the Sterling market. Designing these apartments to reflect market-rate and corporate style will address this demand. Creating quality, hip apartments could also appeal to millennials looking for a place to live.

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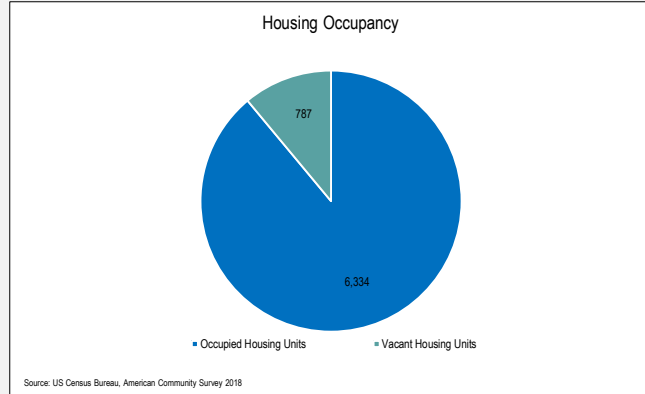
American Community Survey 2018

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Housing Occupancy

The pie graph provides information on Sterling's housing occupancy as of 2018. Out of the 7,121 housing units in Sterling, 89% are occupied while 11% are vacant.

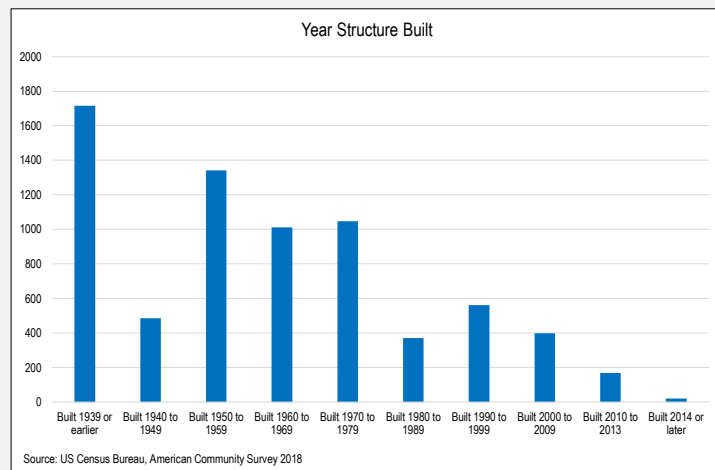


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Age of Housing

The chart provides information on the age of housing units in Sterling as of 2018. 24% of the housing supply was built in 1939 or earlier. From 1940 to 1949, 486 homes were built. After this period, the amount of development increased by 176% to 1,341 homes. The increase of the housing supply remained relatively strong until 1980, when the development activity decreased by 65%. Sterling's population peaked in 1980 and has been decreasing since that year. Only 21 new homes were developed since 2014.

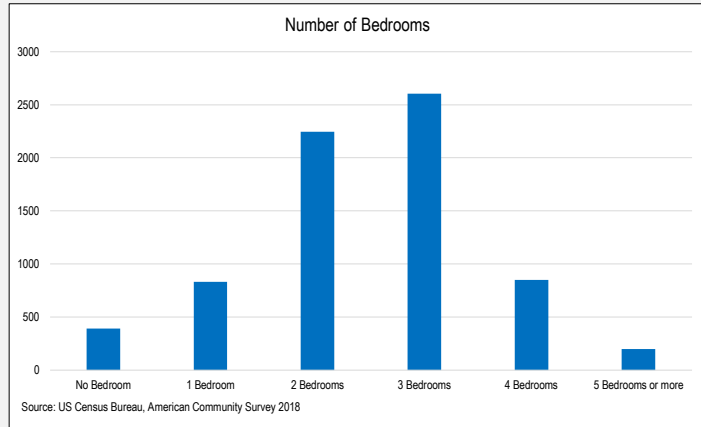


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Bedrooms per Home

The most common layout is a three-bedroom home, which represents 37% of the homes in Sterling. Two-bedroom homes are the second most popular, representing 32% of Sterling's homes. One- and four-bedroom homes each represent roughly 12% of the housing supply.

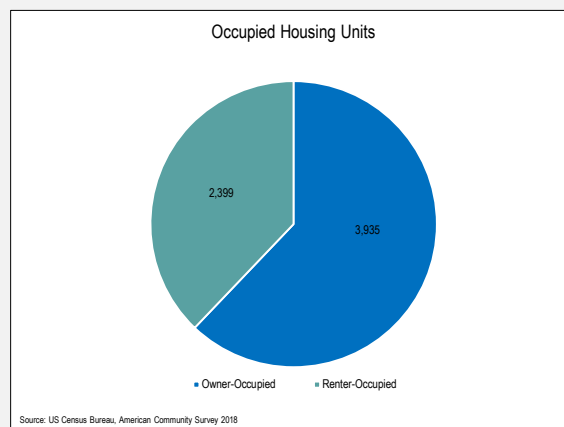


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Housing Ownership

The pie chart provides information on who owns and who rents occupied homes in Sterling as of 2018. 62% of housing units are owned while 38% of housing units are rented.



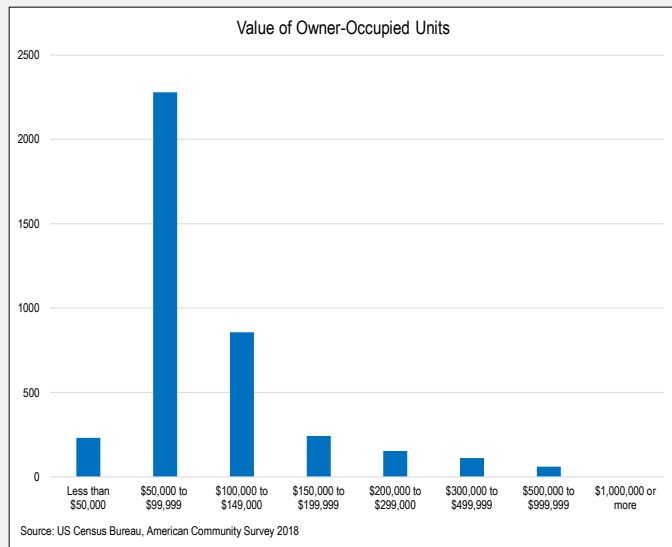
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Housing Prices

The chart provides information on the value of homes owned by current Sterling residents as of 2018.

- 58% of homes are valued in the \$50,000 to \$99,000 range
- 22% are valued in the 100,000 to \$149,000 range
- There are no homes valued at more than \$1,000,000 in Sterling

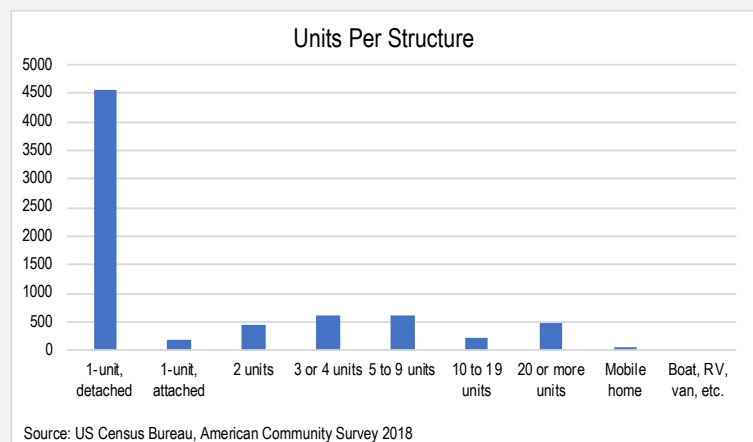


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Types of Homes

The table to right provides information on the types of homes owned by current Sterling residents as of 2018. 82% of homes are built as single-family homes. 3- or 4-unit homes and mobile homes both make up 7% of the current housing supply.



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Sterling Single Family Supply Analysis

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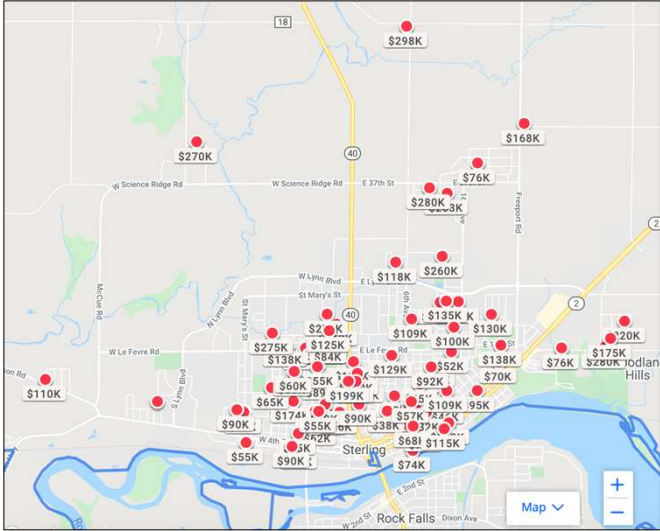


Single Family Residential For Sale

As shown on the map from Zillow, the single-family homes for sale in Sterling are heavily concentrated outside of downtown Sterling.

There are roughly 78 homes for sale within a 5-mile radius from the Project sites. The prices of these homes vary from \$29,000 to \$298,000 and range in size from 1,000 SF – 4,000 SF.

While there is a strong concentration of single-family homes in the Sterling area, conversations with stakeholders indicated that the supply of single-family homes is lacking in quality.



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Multifamily Market Analysis

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Sterling Area Multifamily Market Overview

HSP relied on residential brokers and stakeholder interviews to better understand the Sterling residential market.

According to interviews and research, rent for residential units in Sterling have increased by roughly 2% in the past year. Average rents in this residential market range from \$462 to \$598. These rents and sizes take into consideration all apartments in Sterling and Rock Falls.

HSP believes that residential housing at this Project sites would most likely be in the higher range of the Sterling market rents but would not aim to outpace the market.

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Sterling Area Multi Family Rent Trends

Beds	Avg SF	Avg Rent
Studio	414	\$462
1 BR	707	\$542
2 BR	936	\$598

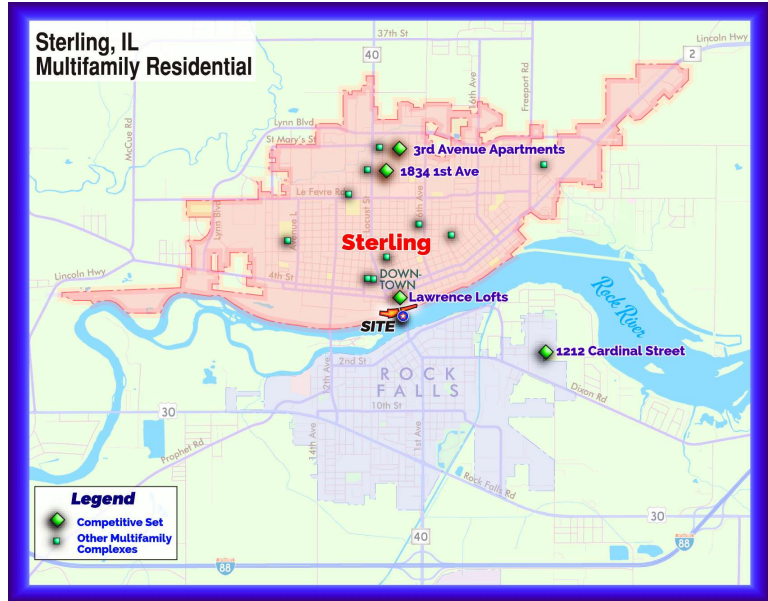
Source: REMAX, Apartments.com



Multifamily Supply Analysis

The multifamily supply in the Sterling area is scattered throughout the city limits. The most recent development in the downtown area was the Lawrence Lofts. The success that Lawrence Lofts has had emphasizes the need for quality multi family units in the downtown area. The supply of multi family units on the Rock Falls side of the river is scarce. New multifamily units at the Project sites would have the opportunity to pull people over to Sterling from Rock Falls.

The location of the Project sites will be an added amenity to newly developed multifamily units.



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Sterling Multi Family Comps

Address	City	Unit SF	Monthly Rent	Price/SF	Beds	Baths
1212 Cardinal St	Rock Falls	1,200	\$850	\$0.71	2	1.5
3rd Avenue Apartments	Sterling	1,033	\$750	\$0.73	2	1
1834 1st Ave	Sterling	920	\$750	\$0.82	2	1
Lawrence Lofts	Sterling	780	\$670	\$0.86	2	-
Average		983	\$755	\$0.78	2	1

Source: Apartments.com, REMAX

Comparable Properties

HSP has identified four multifamily comparable projects in the Sterling area. The average size of these 2-bed apartments is roughly 983 square feet. These 2-bed apartments are renting for an average of \$755 per month.

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1834 1st Ave – Sterling

Year Built: N/A

2 Bedroom Rent: \$750/month

SF: 920

Notes:

There are four units available at this apartment complex renting at \$750 per month. These units all have one bathroom and include a full kitchen, and in-unit washer and dryer.

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Lawrence Lofts – Sterling

Year Built: 2017

2 Bedroom Rent: \$670/month

SF: 780

Notes:

Lawrence Lofts is a 20-unit mixed income apartment complex located in downtown Sterling. The complex features a mix of Studio, 1-bedroom, and 2-bedroom units that vary in size from 484 square feet to 780 square feet. Majority of these units are labeled as subsidized affordable housing. The units range in price from \$311/month to \$670/month. Lawrence Lofts has limited availability and reached capacity quickly after they opened.

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Residential Market Interviews

HSP interviewed Sterling area stakeholders, brokers, and tourism officials to better understand the residential supply and demand in Sterling and how residential would potentially benefit this riverfront development. Key findings from these interviews are listed below:

- There is a **major demand for housing**, in general, in the Sterling and Rock Falls area. Many stakeholders mentioned that any sort of market rate housing is getting occupied right after opening. Market rate housing has been defined by many stakeholders as rental units that range from \$700/month to \$1,000/month.
- Conversations with major employers in the area indicated that many **mid-level employees are choosing to commute** a long distance or live in a rental house during the week due to the lack of quality residential supply in Sterling. Major employers are spending millions of dollars every year on hotel rooms and rental homes for managers and executives that cannot find a quality place to call home in Sterling.
- Brokers in the area indicated that **current residential units are achieving tremendous occupancies** and quality units along the riverfront could follow this pattern and push the rate ceiling in the market. Interviews also highlighted that there is a need for 2-bedroom and 3-bedroom units, specifically. Brokers believe that these unit types on the riverfront can achieve monthly rental rates ranging from \$700/month to \$1,200/month.
- The **current market for corporate apartments and corporate rentals consists of apartments and single-family homes** that major employers rent out. These rentals range from one-bedroom units to small single-family homes and these major employers are renting them out in the range of \$20,000/year to \$35,000/year depending on quality.

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Residential Implications

HSP examined the residential market dynamics in Sterling and the relevant market area and found that:

- **The current, available single-family and multifamily options in the area are occupied or of little quality.** There is a clear demand, from multiple stakeholder groups, for improved housing in the Sterling area. Specifically, many stakeholder groups mentioned a need for market rate residential units.
- **Capturing the demand from major employers and millennials** looking for affordable places to live will be a major factor in the success of this mixed-use development.
- The **walkability of the Project sites to downtown** will appeal to many demographics and provide an array of retail, restaurant, and entertainment options, on top of what the Project sites are proposing to offer, for residents.
- HSP believes that quality residential units would be successful at the Project sites, including both market-rate apartments as well as corporate short-term apartments. **Creating a critical mass**, with retail and restaurant options on site, and linking it to the already established downtown will enhance the community feel of Sterling.
- The location of these residential units, along with the quality, will help them achieve strong rates when compared to market competitors.

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Retail & Restaurant Market Analysis

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Concept Overview: Retail & Restaurant

Land Requirement:	Varies
Use Frequency:	Consistent
Time of Day:	Day / Evening
Weekday / Weekend:	Both
Seasonality:	Year round
Ownership:	Private
Target Demo:	Multiple
Market Area:	Local

HSP Conclusions:

HSP believes that a mixture of retail, restaurants and space for pop-up uses will be critical to establishing the riverfront as a destination. This concept may take multiple forms.

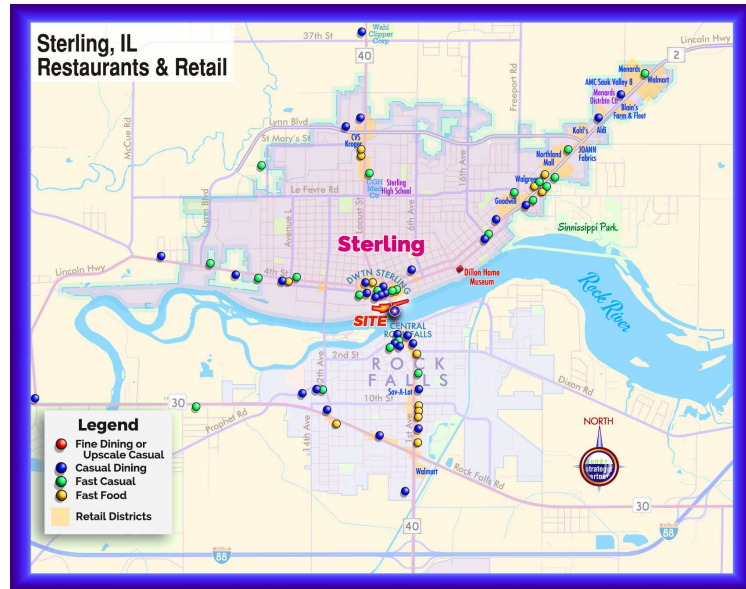
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Retail & Restaurant Node Analysis – Sterling Area

The major restaurant nodes in the area are in downtown Sterling and along Route 40 in Rock Falls. The local food and beverage supply within roughly two miles of the Project sites mainly consists of American, Mexican, pizza, and fast food restaurants. While Rock Falls has restaurants spread throughout the city, most of Sterling's restaurants are located in the southern part of the city.

The major retail nodes are located in east Sterling along Route 2. There are few retailers located in Rock Falls and west of 16th Avenue in Sterling.



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Retail & Restaurant Leakage 15-Minute Drive Time

In order to determine the potential opportunities and challenges facing new retail and food and beverage options at the sites, HSP reviewed available leakage data for a 15- and 45-minute drive time radius from the sites in Sterling. Retail and restaurant leakage analysis, produced by ESRI, is indicated through a leakage (green) or surplus (red) of specified retail categories within a certain drive time. The green numbers indicate a demand for a certain retail category that is not being met, while the red numbers indicate the supply outweighing the demand.

This drive time mainly covers the Sterling and Rock Falls area. Keeping the local market engaged is very important for success of this Project.

The 15-minute drive time leakage analysis indicates unmet demand (leakage) in a few notable categories. Based on this leakage analysis, there is demand for restaurants and lifestyle stores within the local market.

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Sterling Retail/Restaurant Leakage Report - 15-Minute Drive Time					
	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
2017 Industry Summary					
Retail Trade	\$421,094,528	\$531,020,428	-\$109,925,900	-11.5	197
Motor Vehicle & Parts Dealers	\$9,114,642	\$115,454,307	-\$106,339,665	-12.5	30
Furniture & Home Furnishings Stores	\$13,323,182	\$11,207,268	\$2,115,914	8.6	9
Electronics & Appliance Stores	\$15,419,385	\$6,778,425	\$8,640,960	38.9	10
Bldg Materials, Garden Equip. & Supply Stores	\$29,606,752	\$35,169,445	-\$5,562,693	-8.6	16
Food & Beverage Stores	\$69,335,875	\$81,224,707	-\$11,888,832	-7.9	23
Health & Personal Care Stores	\$28,485,783	\$25,311,045	\$3,174,738	5.9	16
Gasoline Stations	\$44,894,878	\$25,311,045	\$19,583,833	27.3	10
Clothing & Clothing Accessories Stores	\$21,198,196	\$75,994,179	-\$54,796,983	-66.4	17
Sporting Goods, Hobby, Book & Music Stores	\$10,657,133	\$5,873,175	\$4,783,958	28.9	0
General Merchandise Stores	\$71,161,491	\$129,530,443	-\$58,368,952	-29.1	12
Miscellaneous Store Retailers	\$15,699,982	\$15,705,729	-\$5,747	0.0	39
Nonstore Retailers	\$11,515,699	\$3,147,818	\$8,367,881	57.1	4
Food Services & Drinking Places	\$44,453,511	\$43,402,563	\$1,050,948	1.2	84
Special Food Services	\$1,101,158	\$206,278	\$894,880	68.4	4
Drinking Places - Alcoholic Beverages	\$1,457,703	\$2,751,342	-\$1,293,639	-30.7	17
Restaurants/Other Eating Places	\$41,894,650	\$40,444,943	\$1,449,707	1.8	64
Total Retail Trade and Food & Drink	\$465,548,039	\$574,422,991	-\$108,874,952	3.8	281
Total Retail Trade	\$421,094,528	\$531,020,428	-\$109,925,900	-11.5	197
Total Food & Drink	\$44,453,511	\$43,402,563	\$1,050,948	20.1	84

Source: ESRI

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Retail & Restaurant Leakage 45-Minute Drive Time

The retail and restaurant leakage analysis of a 45-minute drive time from the Project sites shows windows for opportunity. This analysis indicates a leakage of many retail industries, meaning that there is more demand for retail and restaurant than there is supply of. This drive-time starts to incorporate many other towns, including Clinton and Dixon. Although these two towns are developing themselves, there is major demand for many of the retail categories listed.

Attracting non-residents from areas like Clinton and Dixon will be extremely important to this Project's success.

4/7/2020

Sterling Retail/Restaurant Leakage Report - 45-Minute Drive Time					
2017 Industry Summary	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Retail Trade	\$1,965,001,913	\$1,641,025,441	\$323,976,472	9.0	780
Motor Vehicle & Parts Dealers	\$431,343,957	\$332,204,721	\$99,139,236	13.0	108
Furniture & Home Furnishings Stores	\$58,810,617	\$27,757,765	\$31,052,852	35.9	39
Electronics & Appliance Stores	\$68,963,961	\$19,709,132	\$49,254,829	55.5	31
Bldg Materials, Garden Equip. & Supply Stores	\$140,985,274	\$117,575,743	\$23,409,531	9.1	99
Food & Beverage Stores	\$327,285,895	\$311,323,683	\$15,962,212	2.5	99
Health & Personal Care Stores	\$131,840,290	\$91,460,580	\$40,379,710	18.1	53
Gasoline Stations	\$211,317,923	\$352,208,116	-\$140,890,193	-25.0	66
Clothing & Clothing Accessories Stores	\$90,053,671	\$90,165,509	-\$111,838	-0.1	47
Sporting Goods, Hobby, Book & Music Stores	\$48,230,113	\$17,626,172	\$30,603,941	46.5	51
General Merchandise Stores	\$326,496,345	\$238,499,157	\$87,997,188	15.6	43
Miscellaneous Store Retailers	\$77,462,301	\$34,507,904	\$42,954,397	38.4	134
Nonstore Retailers	\$52,211,565	\$7,986,959	\$44,224,606	73.5	10
Food Services & Drinking Places	\$197,084,284	\$159,471,478	\$37,612,806	10.5	382
Special Food Services	\$4,949,697	\$619,711	\$4,329,986	77.7	7
Drinking Places - Alcoholic Beverages	\$7,233,909	\$10,193,117	-\$2,959,208	-17.0	71
Restaurants/Other Eating Places	\$184,900,678	\$148,658,650	\$36,242,028	10.9	303
Total Retail Trade and Food & Drink	\$2,162,086,197	\$1,800,496,918	\$361,589,279	9.1	1,162
Total Retail Trade	\$1,965,001,913	\$1,641,025,441	\$323,976,472	9.0	780
Total Food & Drink	\$197,084,284	\$159,471,478	\$37,612,806	10.5	382

Source: ESRI

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✓ Retail & Restaurant Market Interviews

HSP interviewed Sterling area stakeholders, brokers, and tourism officials to better understand the retail and restaurant supply and demand in Sterling and how retail and restaurant development will potentially benefit the riverfront development. Key findings from these interviews are listed below:

- Multiple interviews with brokers suggested that newly constructed retail space could achieve rates ranging from \$20/SF to \$25/SF NNN in the best-case scenario. Newly constructed restaurant space would achieve rates roughly 30% higher than retail. These brokers indicated that the **retail at the sites should be majority restaurant-focused**.
- Sterling already has big box retailers such as Kohl's, Menards, and Walmart. The Northland Mall currently has a high vacancy rate and retailers have been leaving. **Unique, lifestyle-oriented retail and restaurant may perform well and is scarce in the area.**
- Multiple interviews with stakeholders in the area indicated that retail and food and beverage should be a component, in some fashion, of this mixed-use development.

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Retail & Restaurant Implications

HSP examined the retail and restaurant market dynamics in Sterling and the relevant market area, as well as comparable developments and found that:

- **Creating a critical mass** of food and beverage and retail options creates a gravitational pull that gives people (and other development types) reason to be in an area for an extended time.
- **Food and beverage and retail offerings are essential building blocks** of most mixed-use developments. HSP believes that a mix of retail relying heavily on food and beverage will perform well at this Project sites. The correct mix of retail options will be essential for success at the Project sites.
- There is **opportunity for unique, higher-end restaurants and lifestyle retail** because the Sterling restaurant market has not recently seen new, innovative offerings.
- The 15-minute and 45-minute drive time leakage analysis indicates that **many retail categories are showing unmet demand**. Some of these categories include health and fitness, restaurants, and sporting goods stores. Leaving room for pop-up retail options could spice up the overall retail mix and attract new visitors.

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Office Market Analysis

4/7/2020



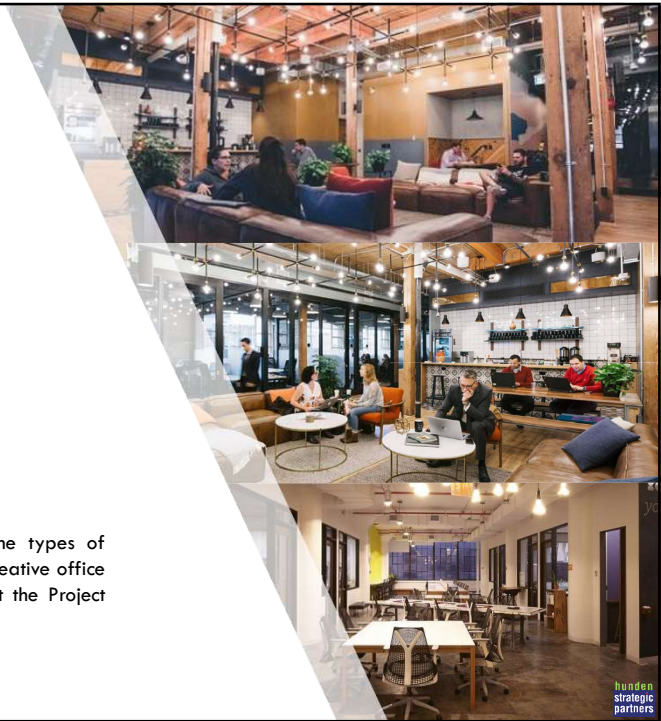
Concept Overview: Office

Land Requirement:	Small (< 5 acres)
Use Frequency:	Consistent
Time of Day:	Day
Weekday / Weekend:	Weekday
Seasonality:	Year round
Ownership:	Private
Target Demo:	Adult Professionals
Market Area:	Local

HSP Conclusions:

Due to the current conditions of the office market and the types of companies located in Sterling, HSP believes that phasing in creative office space or maker's space would be the most viable option at the Project sites.

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102 E Rock Falls Road – Rock Falls

Year Built: 1977/2016 (renovation)

Type: Class B

Total SF: 11,299

Asking Rate: \$14.00/SF Modified Gross

Notes:

These office spaces were recently renovated in 2019 and are within one mile of the Interstate. This 1-story building has 12 private offices, 6 workstations, 2 conference rooms, and 60 surface parking spaces. Along with these features, there is an atrium with collaborative space and flowing water features.

4/7/2020



1901 1st Ave – Sterling

Year Built: 1999

Type: Class C

Total SF: 3,150

Asking Rate: \$15.75/SF Gross (includes utilities)

Notes:

This 3,150-square foot office building features 10 private offices, common areas, two conference rooms, and a kitchen. This 1-story building can office up to 26 employees.

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Office Market Interviews & Implications

HSP interviewed Sterling area brokers to better understand the office market supply and demand in the Sterling area and how a partial office development would benefit the riverfront development. Key findings from these interviews and market analysis are listed below:

- The **office market is extremely limited** in Sterling to small, outmoded offices. Major employers in the area mainly utilize large industrial campuses to office employees.
- There are no new office developments in Sterling that are relevant. The market consists of office/retail spaces, in strip mall type locations, that range from 1,000SF – 3,000SF. These spaces range from \$8 - \$12.50/SF NNN. CAM and Insurance at these spaces range from \$1.75/SF to \$3.50/SF. These spaces are primarily being leased by start-ups and retail services, such as cell phone stores.
- HSP believes that **Class B creative office space at the Project sites would capture the most demand**. Phasing in creative office space could potentially create a campus-like feel, after the supportable amenities (retail/restaurant and residential) are established.
- HSP believes that **office space will need to be phased into the Project** after more amenities are added. Creating a critical mass at the Project sites will help to establish a live/work/play environment.

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Meeting & Event

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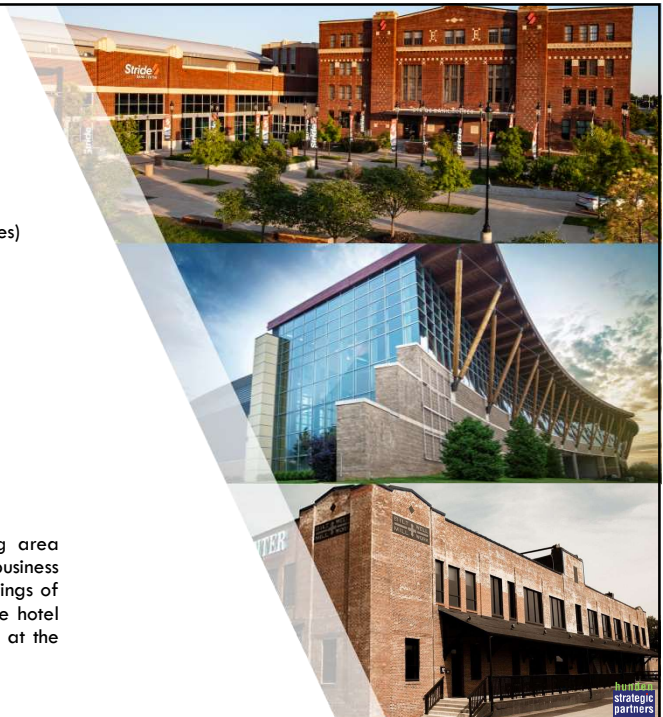
Concept Overview: Meeting & Event Facility

Land Requirement:	Small / Med (< 5 – 20 acres)
Use Frequency:	Episodic
Time of Day:	Day /Night
Weekday / Weekend:	Both
Seasonality:	Year round
Ownership:	Public
Target Demo:	Adult Professionals
Market Area:	Metro

HSP Conclusions:

The supply of banquet and event facilities in the Sterling area consists of community assets that are not designed to host business meetings or large events. There is a large demand for meetings of 30-50 people in the area, so an event center or conference hotel with meeting rooms and banquet space could be beneficial at the Project sites.

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Local Meeting & Event Supply

Sterling does not have a large supply of traditional meetings and event facilities, though there are some community assets that are used to fill existing demand for meetings, entertainment and events.

These facilities, as they are not purpose-built, are primarily used by community groups and local organizations. The gap in the market offers an opportunity to develop a flexible meeting facility able to capture value-driven groups that Sterling has not been able to accommodate.

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Local Meeting & Event Facilities

Venue	Address	Type of Function Space	Banquet Capacity
McCormick Event Center	205 E. Third St., Rock Falls IL 61071	Banquet/Event Center	600
Days Inn by Wyndham Rock Falls	2105 1st Ave, Rock Falls, IL 61071	Banquet Hall	275
Post House Ballroom	100 W 2nd St, Dixon, IL 61021	Banquet Hall	250
Deer Valley Country Club	3298 Hoover Road, Deer Grove IL 61243	Country Club	220
Brandywine	441 IL Route 2, Dixon IL 61021	Banquet/Event Center	200
Rock River Golf and Pool	3901 Dixon Road, Rock Falls IL 61071	Country Club	200
Candlelight Inn	2907 North Locust St, Sterling, IL 61081	Banquet Hall	100
Smoked on 3rd	14 E 3rd St, Sterling, IL 61081	Restaurant	n/a

Source: Hunden Strategic Partners

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Local Meeting & Event Supply

The adjacent map shows the local supply of various facilities, including restaurants and community assets that are currently being used to accommodate the demand for events and meetings.

As shown, several are many miles away from Sterling.

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Local Meeting & Event Supply

As mentioned, given the lack of traditional meetings and event facilities in Sterling, existing demand is being accommodated by local community assets that have function space.

Restaurants & Banquet Halls – Local restaurants and banquet halls, including Smoked on 3rd, Candlelight Inn, Brandywine and the Post House Ballroom all host banquets, weddings and other private events.

Country Clubs – Another nontraditional source of meeting space in the Sterling area are country clubs. Deer Valley Country Club and the Rock River Golf and Pool both provide function space for meetings and small events.

Community Assets – Other types of community facilities, including the CGH Medical Center and the Sterling Rock Falls YMCA have meeting rooms available for rent for local use.

Local Schools – Sterling High School and Sauk Valley Community College are the primary venues for hosting performing arts and entertainment-based events.



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Days Inn by Wyndham Rock Falls, Illinois

4/7/2020

Distance from Sites: 2.2 miles

Total Function Space: 3,745 SF

The Days Inn by Wyndham in Rock Falls, Illinois is the closest and most directly competitive hotel and meetings facility to the project sites. The hotel features 117 guest rooms as well as a 3,745-square foot banquet hall that can accommodate up to 400 attendees standing, or 275 with banquet seating. The space can also be divided up into a maximum of six meeting rooms.

Overall, the quality of the facility is low, and the hotel dated. Its performance suggests that there is demand for small events and meetings in the area, but the supply is so lacking that groups are resorting to substandard venues. A modern facility with a flexible configuration and the amenities that corporate groups have come to expect could draw demand across the river to Sterling.

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McCormick Event Center Rock Falls, Illinois

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The McCormick Event Center is a recently completed project in Rock Falls, Illinois that was scheduled to open in February of 2020. At the time of this report, that grand opening has been delayed.

The event center can accommodate up to 600 guests and has a full catering kitchen. Though exact specifications were not available for this event center, it appears to be designed as a large banquet hall/flat floor event center.

The building is connected to The Industrial Restaurant, which acts as an in-house caterer for the facility.

As a large industrial style building, it may not be as conducive to certain types of events.

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Regional Meeting & Event Supply

Regionally, Sterling competes with Rockford and the Quad Cities for events and meetings.

The adjacent table profiles the most relevant meetings market facilities that are within 70 miles of Sterling. Most of these facilities are conference hotels, though there are a few standalone event and expo centers.

Regional Meeting & Event Facilities									
Venue	Location	Distance from Destination (Miles)	Total Meeting Space SF	Largest Room	Maximum Capacity	Banquet Capacity	# of Meeting Rooms	Total Exhibit Space SF	# of Guest Rooms
QCCA Expo Center	Rock Island, IL	56.3	65,000	4,600	5,500	4,000	2	60,000	-
Isle Hotel & Waterfront Convention Center	Bettendorf, IA	57	40,000	14,190	1,700	912	16	15,000	509
Embassy Suites by Hilton Rockford Riverfront	Rockford, IL	53.5	23,000	7,426	800	550	16	-	160
Riverview Inn and Suites Cliffbreakers	Rockford, IL	59.1	23,000	14,400	1,700	900	9	23,000	84
Tebala Event Center	Rockford, IL	66.1	16,288	7,500	938	546	6	-	-
Stoney Creek Hotel & Conference Center	Moline, IL	53.8	12,000	4,800	450	400	10	-	140
Radisson Quad City Plaza Hotel	Davenport, IL	64.5	12,000	7,812	665	550	9	7,800	221
Grizzly Jack's Grand Bear Resort	North Utica, IL	68.1	11,000	6,000	660	496	9	11,000	92
Comfort Inn & Suites Rochelle	Rochelle, IL	39.1	10,125	4,250	451	357	4	-	93
Wild Rose Casino & Resort	Clinton, IA	32.2	10,000	10,000	900	400	1	-	60
TaxiSlayr Center	Moline, IL	54	10,000	9,250	800	500	8	-	-
Radisson Hotel & Conference Center	Rockford, IL	67.7	10,000	10,000	725	450	8	10,000	114
Mendota Civic Center	Mendota, IL	38.5	8,401	5,600	450	400	4	-	-
Starved Rock Lodge & Conference Center	Oglesby, IL	69.2	5,002	2,244	200	120	7	-	70
Hilton Garden Inn Rockford	Rockford, IL	67.9	4,000	3,395	440	220	5	-	135
Days Inn by Wyndham Princeton	Princeton, IL	40.1	3,600	3,600	300	250	1	-	36
Average		55	22,241	8,102	1,042	691	8		170

Source: Hunden Strategic Partners

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Regional Meeting & Event Supply

The adjacent map shows the regional competitive supply of meetings and event facilities.

As shown, there is almost no supply within a 45-minute drive time of Sterling. However, within an approximate 60-minute drive time, Sterling competes with both Rockford and the Quad Cities, both of which have a healthy supply of meetings and event facilities.



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QCCA Expo Center Rock Island, Illinois

4/7/2020

Distance from Sites: 56.3 miles
Total Function Space: 65,000 SF

The QCCA Expo Center is owned and operated by the Quad City Conservation Alliance, a not for profit conservation alliance by five local conservation clubs founded in 1984.

The Expo Center is a 60,000-square foot exhibition center with a 4,600-square foot auditorium that has a seating capacity of 500 used for consumer trade shows and special events.

There are no adjacent hotel rooms at the QCCA Expo Center, though the Rock Island Holiday Inn Hotel and Conference Center is nearby.

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Isle Hotel & Waterfront
Convention Center
Bettendorf, Iowa

4/7/2020

Distance from Sites: 57 miles

Total Function Space: 40,000 SF

Hotel Rooms: 509

The Quad-Cities Waterfront Convention Center opened in 2009 and is located in downtown Bettendorf. It is adjacent and attached to the Isle Casino Hotel. The facility accommodates a range of meetings and events for groups from 50 to 1,500.

The function space is split across the two facilities:

- The Waterfront Convention Center has 24,000 square feet of meeting space with up to eight private meeting areas.
- The Isle Casino Hotel has an additional 15,000 square feet of meeting space.

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Embassy Suites by Hilton
Rockford, Illinois

4/7/2020

Distance from Sites: 53.5 miles

Total Function Space: 23,000 SF

Hotel Rooms: 160

The Embassy Suites by Hilton Rockford Riverfront & Rockford Conference Center, located in downtown Rockford near the Main Street District, will open in Summer 2020. The hotel is being built within the former Amerock Building, a 104-year-old historic factory building.

In addition to the 160-room hotel, there will also be a 13,000-square foot conference center adjacent to the new hotel. The main ballroom will consist of 7,400 square feet of meeting space to accommodate up to 550 people. The conference center will host meetings, weddings, reunions, exhibits, training sessions, symposiums, and conferences. This redevelopment has many similarities to the Project site in Sterling. It was an old building that was redeveloped using historic tax credits.

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Riverview Inn and Suites & Cliffbreakers Events

Rockford, Illinois

4/7/2020

Distance from Sites: 59.1 miles

Total Function Space: 23,000 SF

Hotel Rooms: 84

The Riverview Inn and Suites is a historic riverfront hotel in Rockford, along the Rock River. The hotel features 84 rooms and is adjacent to the Cliffbreakers Event Center.

Cliffbreakers Events is a flexible, 22,000-square foot conference center and meetings/event space, which can accommodate groups of 10 to 1,700. The largest space available is 14,400 square feet, though the space can be flexibly divided into up to nine meeting rooms.

The facility is a bit dated and therefore has lost events to newer facilities.

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Stoney Creek Hotel & Conference Center

Moline, Illinois

4/7/2020

Distance from Sites: 59.1 miles

Total Function Space: 23,000 SF

Hotel Rooms: 140

The Stoney Creek Hotel & Conference Center is located on the banks of the Mississippi River, just off I-74 and the Arsenal Bridge in downtown Moline.

The property is comprised of a 140-room hotel with 12,000-square feet of flexible meetings and event space. The function space can be divided into up to 10 meeting rooms, which can accommodate up to 450 attendees.

The hotel has a lodge aesthetic and lends itself to a resort like atmosphere for corporate events.

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Meetings Market Interviews

HSP interviewed Sterling area stakeholders and industry professionals to better understand the meeting facility supply and demand in Sterling and how a meeting facility or meeting space would potentially benefit the riverfront development. Key findings from these interviews are listed below:

- Interviews indicated that **there is latent demand that is having to go elsewhere due to lack of quality and size of spaces that the Sterling area currently offers.**
- Local stakeholders in the Sterling area mentioned that besides small meeting spaces at the YMCA and at CGH medical center, there is little to no other meeting space in the area. **Stakeholders indicated that they would use quality meeting space for meetings and corporate events.**
- These **interviews suggested flexible meeting space** that would be flexible to host all types of events. These interviews also emphasized the use of the riverfront and nature to enhance the atmosphere of the meeting space.
- Local restaurants and banquet halls are currently accommodating demands for weddings and special events, while the local high school and college are accommodating community arts groups and the occasional regional act. A space that is flexible enough to accommodate entertainment as well as events could be of use to the community and act as a draw to the riverfront. **Though these facilities have been able to accommodate the demand generated by local organizations, the lack of a purpose-built facility will leave Sterling unable to induce outside groups and events.**

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Meetings Market Implications

HSP examined the meetings and events market surrounding Sterling to better understand how it might support and benefit from a meetings or event facility:

- Meetings and event facilities are expensive to build, operate and maintain, and their success is often based on the destination within which they are located. Since a facility in Sterling would need to compete with other established event facilities in Rockford and the Quad Cities, **it would be especially difficult to support a large event facility under the current local market conditions.**
- That said, a facility that could accommodate meetings primarily as well as occasional events could be a complimentary use within the Riverfront depending on flexibility and design.
- A **flexible facility would help to induce usage on a more consistent basis** than likely any other investment, other than perhaps a concert venue.
- If meeting rooms and a ballroom space were to be developed as part of the Riverfront plan, the proposed **hotel** will directly benefit from them.

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Flex Market Analysis

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Other Flexible Uses

In this section, HSP will analyze examples of comparative placemaking developments, trending urban development types and uses that may enhance a mixed-use development on the Sterling riverfront. Examples include maker spaces, food halls, vertical farms, and other unique uses designed to engage and entertain guests but also designed around community.

- The most successful mixed-use developments **engage locals and tourists alike and attract new investment**, new talent and new business. These concepts can be incorporated into a development on the sites to enhance Sterling in many ways.
- **The fabric of traditional downtowns is evolving** with the evolution of technology and the coming of age of younger generations. To this point, HSP has observed that public communal spaces have become a focal point for many communities across the nation. Younger generations are often in search of more authentic experiences and access to “clean food” and modern technology in lieu of traditional shopping and dining experiences.
- **Maker spaces and incubators**, while not often profitable in the private market without philanthropic or public subsidy, are gaining popularity as young, educated workers seek a place to innovate.

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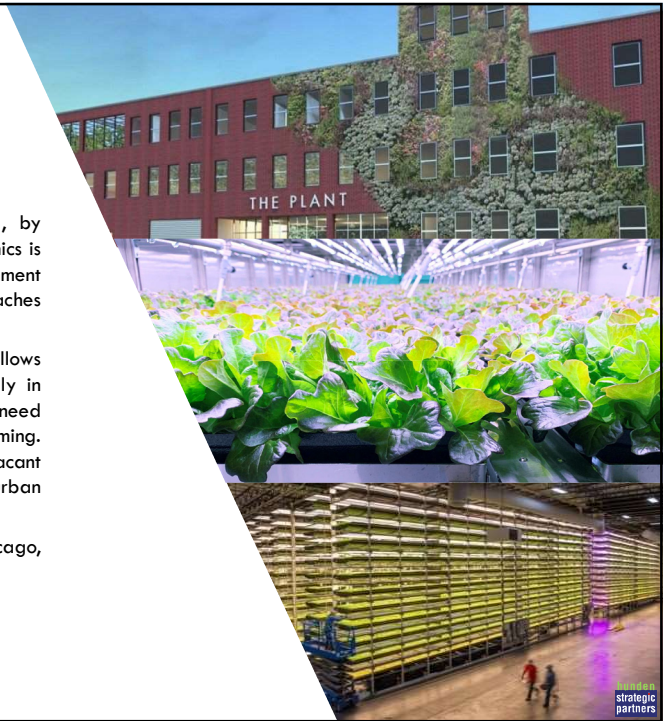
Concept Overview: Hydroponics & Vertical Farming

Hydroponics is a method of growing plants without soil, by instead using minerals in a water solvent. Similarly, Aeroponics is the process of growing plants in an air or mist environment without the use of soil or an aggregate medium. Both approaches to growing has led to a rise in **vertical farming**.

Controlled environment agriculture is on the rise, as it allows people to grow full crops of food, often stacked vertically in small spaces, anywhere in the world, year-round. There is no need for pesticides, and it is a more sustainable method of farming. Farmers use unconventional spaces, and frequently vacant industrial buildings, to fit acres of farmland into a single urban building.

Examples of successful vertical farms include The Plant in Chicago, and the national chain 80 Acres Farms.

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✓ Feedback – Hydroponics

HSP interviewed investors in hydroponic industry to better understand how a partial hydroponics development would benefit the riverfront development. Key findings from these interviews and market analysis are listed below:

- The **hydroponics industry is growing rapidly** and has been developed in many physical fashions. Tables with PVC pipes or hanging plants are the most common in the industry. Along with many different physical ways to grow product, many growers diversify themselves by growing different kinds of herbs, fruits, and vegetables.
- **Developments can range in size** from a couple thousand square foot facilities to a couple hundred thousand square foot facilities.
- Discussions with a hydroponics group in Georgia indicated that they do 900 – 1,100 heads of lettuce per week in their 2,000-square foot greenhouse facility.
- Natural light is a key ingredient to keep costs low at a hydroponics facility. Without natural light, companies invest in grow lights that can be pricey.
- Tying a partial hydroponics development into a mixed-use development like The Plant in Chicago, that has food and beverage offerings can create an ecosystem. The hydroponics can supply fresh herbs, fruits, and vegetables to the development's restaurants. This eliminates waste and delivery fees.
- Construction costs for these developments range from \$7/SF to \$10/SF for just the build out. This cost does not include equipment.

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Concept Overview: Server Farms

A server farm or server cluster is a collection of computer servers – usually maintained by an organization to supply server functionality far beyond the capability of a single machine. Server farms often consist of thousands of computers which require a large amount of power to run and to keep cool.

There is currently a surge in demand for data centers being fueled by a change in thinking by companies about how they handle their computing needs. They're moving more of their software and data from their own computer hardware to "the cloud," or server farms operated by Amazon, Microsoft, IBM, Google and others. Another huge driver is consumers streaming video to phones, tablets, computers and TVs. Cloud and media providers are demanding large amounts of capacity on short notice, pushing data center owners to build more aggressively.

The surge in remote working during the COVID-19 pandemic is also going to drive data storage and server farms.

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Feedback – Server Farms

- The top three markets for server farms in the US, in terms of megawatts, are Northern Virginia, Dallas/Fort Worth, and Chicago, respectively.
- **Data centers can provide economic benefits** such as improved power grids and telecommunications systems, which in turn help attract more companies and jobs.
- In these times, businesses need more computing capabilities, which in turn means more server space. Companies that are currently housing their servers on their own properties for years are seeking to move them to data center developments. These developments provide upgraded security, connectivity, a reliable power supply, and around-the-clock support for these companies.
- A common theme being seen among data center developers is taking **old buildings or sites that can support massive amounts of equipment and transform them into a hub of power and connectivity**. One example of this is an old coal-fired power plant in Hammond, IN that was recently renovated into a data center. This building measured 105,000 square feet and the investment for this project was roughly \$36 million.
- Many **companies located on the West coast are seeking out server farm sites in Midwestern states**, where there is ample space and lower property costs.
- While there may be some opportunity for this at the riverfront redevelopment, **this venture does require a large footprint and would not drive visitation** to the sites by residents or visitors.

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Concept Overview: Maker Spaces

A new and emerging global real estate development trend is the advent of maker spaces. While this is a name with a broad definition, it generally includes collaborative, public work spaces where people gather to create and make all manner of things, from old tech (woodwork, glass, metal, pottery, fabric, etc.) and new tech-oriented items, such as science, technology/software, engineering, and math (STEM)-related items. These are often incubators of new and emerging businesses or a chance for a hobby to become a career for specialists and experts in specific products.

A major selling point of maker spaces is that they offer visitors the use of "maker equipment" such as 3D printers, laser cutters, CNC machines, hot irons, sewing machines, computers, white boards, and hand tools, among others. Such spaces are open to all age groups including school children, college students, young adults, and entrepreneurs; but a successful makers space incorporates all these groups into one.



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✓ Feedback – Maker Spaces

- **Business Models.** Maker spaces can have various business models, from those that act more like incubators with low-cost spaces for rent, to those that are more admissions-oriented, offering kids and adults things to do and construct or play with based on a daily fee. Others act more like a cooperative or club where members pay dues to participate.
- **Incubators.** Maker spaces can also be tech or business incubator spaces. These are often supported by universities or non-profits with the intent of providing low-cost space to incubate all manner of businesses (primarily focused on transferring new ideas and technology to viable businesses).
- **Requirements.** The spaces share common items like support administration, office machines, internet and other items that all users can access. Tech and other incubators can be considered maker spaces, depending on a variety of factors.

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Concept Overview: Adult Beverage Market

Throughout the country, adult beverage experiences are driving tourism and providing locals with leisure opportunities. Wineries, breweries and distilleries are tourism staples and account for a notable share of the tourism traffic in many peer markets and could provide an attractive experience for any future riverfront development.

- **Beer tourism** is on the rise, and relative to wine tourism, is a new trend that has gained popularity over the last five years. Brewery experiences are often paired with recreational activities, live concerts, and fine-dining.
- **Craft distillery tourism** is also on the rise, though spirits movement still lags local wine or beer. This is due, in part, to the fact that it is still illegal to distill at home, which means honing the hobby before going pro is a major challenge. As a result, fewer start-ups are entering the market.
- **Successful adult beverage destinations need additional programming.** Trivia nights, music, and games all provide added value to brewery customers and enhance the experience.

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✓ Feedback – Adult Beverage Experiences

- **Access to the riverfront would be a positive.** Many of the most successful adult beverage experiences reach destination status due to their natural surrounding. The riverfront location can improve the aesthetics of the facility and increase the attractiveness to visitors.
- **All ages taprooms and dog-friendly spaces increase access for young families.** Most breweries profiled recognized that the craft beer market is largely made up of young professionals and their new families. Catering specifically to these groups by making establishments family friendly is an important aspect of the craft beer culture.
- **Destination breweries are gaining popularity.** While a majority of craft breweries do not have the funds or even the desire to build a hotel or expand to “destination” proportions, many mid-sized breweries around the country are opening up their own concept hotels. Upcoming developments from Dogfish Brewing and Stone Brewing are coming to market soon.

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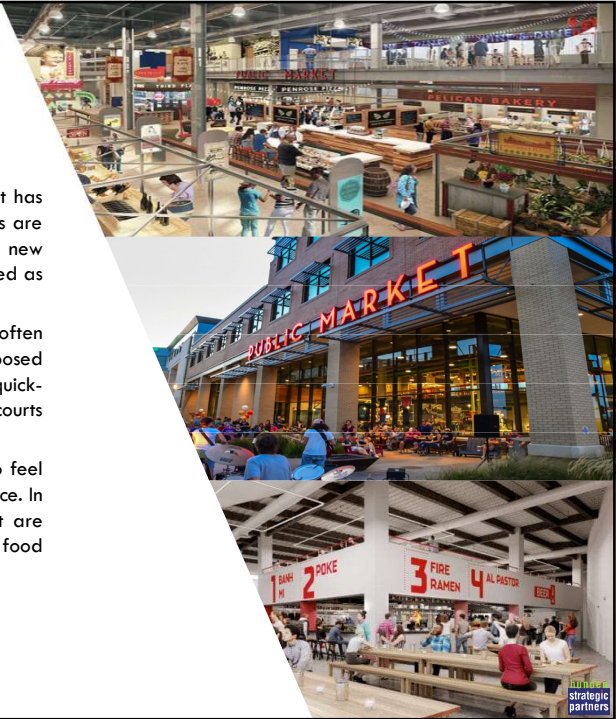
Concept Overview: Food Halls

Food Halls are the 21st Century re-imagination of a concept that has been around for many years: food courts. Real estate developers are now beginning to see food halls as anchor tenants for new developments. Specifically, developers have seen food halls succeed as anchors to high-density office and residential developments.

In concept, food halls are straightforward developments that are often located in a post-industrial space, feature high ceilings with exposed wiring and visible air ducts, and offer guests more than a dozen quick-serve food options. What really sets food halls apart from food courts is their ability to offer and promote authenticity.

Food halls need a critical mass of tenant options for the public to feel like they can have a wide variety of choice in cuisine and experience. In order to make them more viable, music, bars and entertainment are highly recommended by food hall consultants to help transition the food hall from daytime to evening patronage.

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✓ Feedback – Food Halls

- Criteria for food hall success include **density, walkability, destination feel, and decent weather.**
- Critical mass is achieved through a minimum of ten vendors, each with a footprint of about 350-500 SF.
- Communal kitchen operations can reduce costs to individual vendors.
- At least 50% of the development should be dedicated to public seating space.
- If trying to entice an operator – give them the **three key pillars** (or at least one):
 - The Bar – owner runs and keeps all profit
 - The Coffee
 - The Taco Concept
- **Additional recommendations:**
 - License concepts instead of leases with a tenant that may fail. Allows landlord to move or close out tenants.
 - Gross lease - Percentage rent should aim for 25% of gross to go in tenant's pocket.
 - Don't allow vendors to have too much space.
 - Any vented space can't be moved. Need water gas and power for each space.
 - Some national tenants mixed with some local tenants but be flexible to where tenants can be replaced easily.
 - New concepts have shared kitchen space to increase efficiency.

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Chapter 3: Preliminary Recommendations

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SWOT

- Strengths
 - Committed Leadership
 - Riverfront, Gateway and Prime Artery Location
 - Corporate presence
 - Medical presence
- Weaknesses
 - Lack of Existing Commercial activity
 - Local Market Size Relative to Building Sizes
- Opportunities
 - Riverfront
 - Affordable
 - Historic Tax Credits
- Threats
 - Cross-River Competition
 - Train Noise
 - Accessibility / Parking

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Key Indicators and Implications

There are key elements and indicators that exist at the sites that are similar to other challenged former industrial sites in peer markets around the country. HSP reviewed the situation and discusses how these realities can and have been transformed in other situations.

- **Local Demographics.** The size and strength of the local market will influence project viability relative to current day-to-day use. Sterling prides themselves on being a hard-working community and their demographics are heavily influenced by the major employers in the area. The ability to capture this strong workforce's spending could help increase these numbers. The population in Sterling has been declining in recent years due, in part, to the lack of quality housing options and supportable amenities in the area. The city is missing out on latent demand due to lack of quality housing and quality of life assets that are found in nearby larger cities. *This site development can help to solve this gap.*
- **Tourism/Events/Recreation.** Tourism and events provide a corollary to day-to-day local market use by providing episodic use for events, festivals and recreation (nights and weekends). The location of the Project sites will allow for the riverfront to become a part of downtown Sterling, rather than blocking off the riverfront from downtown Sterling as it currently does. This will provide the opportunity for event programming between downtown Sterling and the riverfront and increase the walkability of the community.
- **Riverfront Activity.** Most of the activity along the Riverfront currently is currently restricted by the Project sites. While the actual river might not lend itself to water sports and recreation activities, enhancing the quality of riverfront will create a destination and community feel. Beautifying the riverfront and adding a Riverwalk would help create this destination.

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Key Indicators and Implications

The existing supply and demand for uses in the immediate area is indicative of current market conditions for each use. Comparable developments of a single use type or mixed-use project provide several helpful datapoints: how a project performs once built, the types of locations and markets for such a use and general indications.

- **Existing Supply of Uses.** Single-Family and Multifamily housing is limited, with very little new, quality supply. Many of the hotel rooms are located across the river in Rock Falls and there is also latent demand staying elsewhere in the region. The existing supply of retail and restaurant options can be found around the downtown area and near major rural intersections/interchanges. In general, nearly every type of use is under-supplied, which inhibits growth and compresses latent demand to other larger cities, instead of capturing the existing and potential demand.
- **Existing Demand.** Most of the demand for real estate uses is currently being generated by locals or Rock Falls residents. As mentioned throughout this presentation, major employers in the area drive a large amount of demand for the Sterling and Rock Falls area. These major employers are currently renting houses and apartments and booking hotel room nights in the area. There is an existing demand for quality banquet space and meeting rooms. There is some apparent pent-up demand for retail and restaurants, and an enhanced riverfront with quality retail options could pull people from cities like Clinton and Dixon.
- **Site and Access.** The location of the site, in terms of walkability to downtown, is very positive. However, the adjacent train noise and likely parking needs are challenges to overcome. Producing a creative way to enhance accessibility and suppress on-site noise will be keys to the Project's success.

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Adaptive Reuse Mixed-Use District Overview

Across North America and throughout the world, many communities have faced the same issue as Sterling regarding decaying or heavy industrial Riverfront areas. Development has been attempted in a wide variety of ways, places and times, and with varying levels of success. When approaching a redevelopment of the Riverfront, it is important to understand not just what has been built, but also the tools and processes that were utilized. It is only through this understanding that communities can pinpoint what drives success.

Communities that have redeveloped industrial areas and/or superfund sites often share some similar through lines, regardless of the actual project. The process for the most successful projects include:

- Joint realization by both the public and private stakeholders that redevelopment is a priority area
- Various tools and district incentive options are put in place to allow the public to induce private development to come into a pioneering area that they would not have otherwise touched due to risks
- An entity is formed to help manage that process and to create a clean and safe environment, produce and manage events, and act as both an overall marketing entity as well as a steward of the area
- A realistic phased approach is undertaken to induce development

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✓ How Time Spent by User Group Influences Development Area Timing

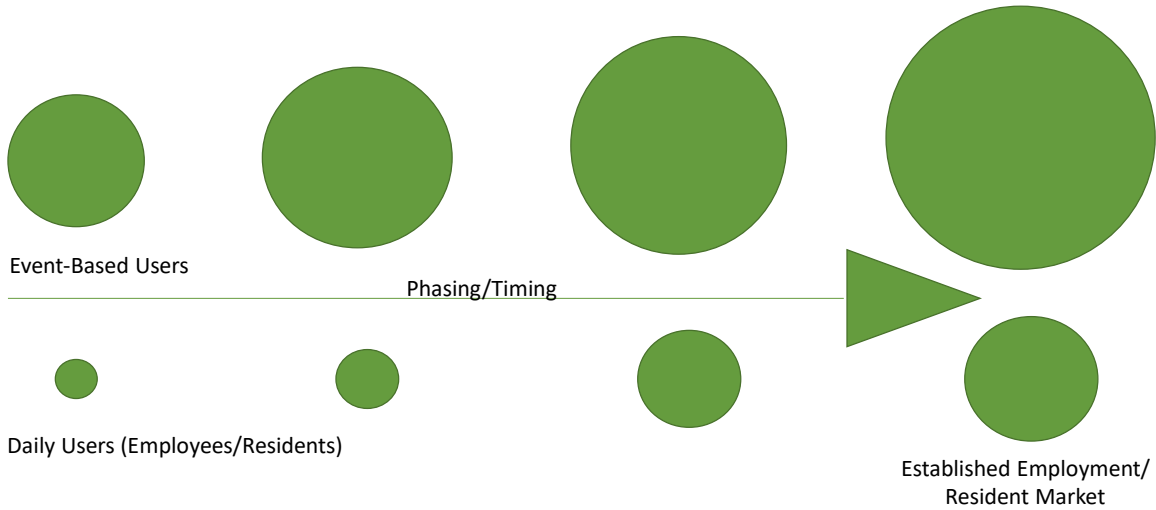
Redevelopment areas that start from essentially little to no existing uses, employment, strong demographics, tourism tend to develop in the same way.

- Areas like Sterling's begin with a small population of daily and overnight users (employees and residents) and a large population of very short-term users.
- By increasing the number of times that short-term uses occur (increase events),
- Increasing the length of time that visitors and users stay (provide food/beverage for pre-/post activity), a nighttime and weekend marketplace becomes more sustainable (although still fragile and susceptible if crime occurs in the redevelopment area).
- Once this night/weekend area is established, this increases the likelihood that daily users (employers/employment) move in, which supports more daytime restaurant, support retail and positively influences perception of crime, safety for residents. Ultimately, residents move in alongside businesses; first rental, then owner-occupied.
- Once long-term residential investment occurs, ownership/stewardship of quality of place is established and transfers over from the redevelopment entity to the local owners (residents, businesses).

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✓ How Time Spent by User Group Influences Development Area Timing



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✓ Preliminary Recommendations

Sterling Riverfront Redevelopment Preliminary Recommendations					
Phase I	Unit	Low	High	Notes	Max Parking
Multifamily Residential	Units	50	75	Market rate residential, corporate usage	125
Hotel - Upper Midscale	Keys	60	80	Hampton Inn, Holiday Inn Express with banquet space?	80
Conference Center Ballroom	SF	4,500	6,000	Fits Sit-Down Functions of up to 400; divisible	160
Conference Center Meeting Rooms	SF	3,600	4,800	Modules of 800 SF or 1,200 SF are ideal	incl. w/ballroom
Retail/Restaurant	SF	25,000	40,000	70/30 mix of restaurant and pop-up retail	40
Rooftop Event Space	SF	6,000	9,000	Indoor/Outdoor - River views	240
Riverwalk				Linear park along river on one or more levels	
Phase 2	Unit	Low	High	Notes	Max Parking
Multifamily Residential	Units	50	75	Market rate residential, corporate usage	100
Creative Office	SF	15,000	30,000	Start-up space and meeting rooms	250
Hydroponics Space	SF	20,000	40,000	Variety of products. Experiential?	25
Server Farm	SF	30,000	150,000	Data Storage	25

Source: Hunden Strategic Partners

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Preliminary Recommendations

- **Density of Related Uses.** Especially with buildings so vast as the two structures in Sterling, it is important to cluster the related uses together so that they create synergy. At this time, HSP is recommending that all non-industrial uses should be clustered in the Lawrence Brothers building in as close a proximity to each other as possible, so that all user types can easily see and access all options. Industrial and flex uses like data storage and hydroponics are likely better accommodated in the Stanley National building. The Lawrence Brothers building has more historic appeal for active uses, while the Stanley National building is more modern and likely suited for industrial uses.
- **Apartments.** The development of traditional apartments, that can be used as corporate apartments as well, at the Project sites is needed in the market. The other support amenities recommended (Riverwalk, restaurants, retail, event space, fitness/gym) will enhance the attractiveness of living on site. Many stakeholders, such as major employers and tourism officials, indicated that quality, market rate residential units would be beneficial to many different groups of Sterling residents.
- **Hotel.** There is dislocation of hotel supply and demand today, with only the Holiday Inn Express providing the quality of supply needed for much of today's demand. Other options are too low of quality, too far away, older, non-branded, or some combination. There is currently (pre-virus) a backlog of corporate users wanting rooms at the Holiday Inn Express on weeknights. The Lawrence Brothers building could host a unique, branded and upscale (select service) option for visitors. It dovetails well with the meeting and ballroom space recommended as well.

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Preliminary Recommendations

- **Conference Center Ballroom and Meeting Rooms** – There is a demand for quality banquet/ballroom space in the Sterling area and a lack of quality, flexible supply. Such a venue here would have real character and pairs nicely with the hotel and other amenities. A quality ballroom space with meeting rooms could draw an array of event types. Meeting rooms for up to 50 people are in high demand.
- **Retail/Restaurant** – A strong mix of retail and (mostly) restaurant at the Lawrence Brothers building will be key to the Project's success. Retail and restaurant options help create a critical mass at mixed-use developments that attract many types of users and support many types of uses. The Sterling area is lacking quality food and beverage options and many stakeholders indicated that experiential food and beverage, such as a brewery or distillery would have success.
- **Creative Office** at the Project sites would create a live/work/play environment. While many companies in the area office at industrial, there is a need for small, quality office. River views enhance the appeal.
- **Rooftop Event Space** – A rooftop event space or event space that takes in the river views would add character and appeal to this mixed-use Project. Hotels have been seeing an increase in group business, specifically from weddings, so a quality space like this could be a major player in the group business market and support the hotel (and office) uses.
- **Hydroponics and Server Farm Space** – The hydroponics and server farm industries are rapidly increasing. Hydroponics can also be an experiential tourism draw.

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Thank You

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For further information about Hunden Strategic Partners,
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Hunden Strategic Partners is a full-service real estate development advisory practice specializing in destination assets.

With professionals in Chicago, San Diego, Indianapolis and Minneapolis, HSP provides a variety of services for all stages of destination development in:

- Real Estate Market & Financial Feasibility
- Economic, Fiscal & Employment Impact Analysis (Cost/Benefit)
- Organizational Development
- Public Incentive Analysis
- Economic and Tourism Policy/Legislation Consulting
- Research & Statistical Analysis
- Developer Solicitation & Selection

The firm and its principal have performed more than 700 studies over the past 20 years, with more than \$4.5 billion in built, successful projects.

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COMPLETE FINANCIAL PROFORMAS

Lawrence Hardware - Buildings 1 & 2

Mixed use - Hotel, Conference Center

6/9/2020

Property Valuation	Total	
Total A.G. Building Sq. ft.	105,784	
Current FMV (2019)	337,084	<i>estimated, working backwards from most recent tax bill</i>
Current value per SF	3.19	
Future value per SF	57.00	
Future FMV Estimate (2035)	6,029,688	
Value based on NOI/Cap rate of 10%	6,845,087	
Base Property Tax (2019)	-	
Future Property Tax Estimate	221,317	<i>11.0115% tax rate</i>
Financial Input		
Annual Gross Potential Income, first year	94,080	
Operating Expenses, first year	406,413	
Loan to Value ratio	80%	
Stated Annual Interest rate	4.75%	
Loan Term (years)	20	
Percent of price in improvements	82%	
After tax, Real Discount rate	2%	
Cap Rate assumed at date of sale	12%	
Transaction costs as % of sales price	9%	
Cap Rate at Purchase	12%	
Project Financing		
Loan Amount	5,476,070	
Equity Required	4,653,107	
Mortgage Loan Constant	7.86%	
Total Development Costs	31,020,715	
Total Sources	31,020,715	
TIF Funding		
Current Property Tax	-	<i>would need to expand Rock River TIF or Dtown West CBD</i>
Future Property Tax	221,317	<i>RR TIF expires 2027</i>
Remaining TIF Levy Years	23	<i>West CBD expires 2020</i>
Projected TIF Equity	5,090,302	
TIF Factor	90%	
Net TIF Proceeds	4,581,272	

Lawrence Hardware - Buildings 1 & 2

Mixed use - Hotel, Conference Center

Development Costs

		Total Costs	
Land Costs			
Acquisition Costs		1	
Closing Costs		2500	
Appraisal		500	
Holding Costs			
Total Land Costs		3,001	
Fees/Permits/Studies			
Building Fees and Permits	1.00%	198,956	
Surveys/Soils/Variance	0.15%	29,843	
Environmental Assessment		47,500	
Arch/Eng./Civil Design	10.00%	1,989,557	
Arch & Eng. Reimb.	0.05%	9,948	
Total F/P/S Costs		2,275,803	
Direct Construction Costs			
Construction Costs		19,895,565	
FFE		1,423,500	
Building Sales Tax Waiver		(609,578)	
Contractor O+P, Contingency		3,780,157	
Total Direct Constr. Costs		23,066,144	
Indirect Construction Costs			
Builder's Risk/Liability Insurance	1.50%	298,433	
Real Estate Taxes		-	
Legal	0.75%	149,217	
Total Indirect Const. Costs		447,650	
Start Up Costs			
Operating Reserve		500,000	
Marketing and Payroll		500,000	
Inventory and Technology		500,000	
Total Start Up Costs		1,500,000	
Financing Costs			
Construction Loan Interest	5.00%	994,778	
Construction Loan Fees	1.20%	276,794	
Construction Lender Legal	0.00%	-	
Permanent Loan Fees/Closing Costs	0.50%	115,331	
Title & Recording Costs	0.15%	34,599	
Total Financing Costs		1,421,502	
Total Development Costs (Pre Dev. Fee)		28,714,101	
Deferred Developer Fee	10.00%	2,306,614	<u>Cost/SE</u>
Total Development Costs		31,020,715	\$293

Lawrence Hardware - Buildings 1 & 2

Costs

	Keys	Gross SF/Units	Constr. Cost / SF or Unit	Cost Estimate	
Site and Building Envelope					
Site Costs				50,000	
Demo		139,744	3	419,232	
5 Stop Elevator (3)		3	180,000	540,000	
Roofing				528,900	
Dock Demo				110,000	
Misc. Exterior Repairs				90,000	
Window Removal & Temp Enclosure				94,891	
Window Replacement				1,270,200	
Exterior Conc Column, Sills, base & parapet & paint repair				2,814,782	
Exterior Brick Masonry Repair				50,000	
Build-Out					
Lower Level					
Restaurant		4,000	150	600,000	
Outdoor Deck Dining		1,500	50	75,000	
Exposed Riverwalk		2,500	50	125,000	
Kitchen		2,300	150	345,000	
Hotel Back of House		7,600	120	912,000	
Hotel Lobby/Office		1,500	140	210,000	
Lobby Furniture				120,000	
First Floor					
Hotel		11,257	130	1,463,410	
Guestrooms	19		16,000	304,000	
Guest Bathrooms	19		3,500	66,500	
Common Area		2,400	120	288,000	
Meeting Space		1,792	150		268,800 FUTURE
Meeting Space Lobby		2,030	150		304,500 FUTURE
Shipping/Receiving		1,670	80	133,600	
Exterior Deck		2,400	50	120,000	
Second Floor					
Hotel		11,227	130	1,459,510	
Guestrooms	18		16,000	288,000	
Guest Bathrooms	18		3,500	63,000	
Common Area		2,855	120	342,600	
Hotel Back of House, Catering, Storage		2,400	120	288,000	
Meeting Space Lobby		4,320	120	518,400	
Meeting Space		8,000	150	1,200,000	
Common Area Corridors		4,925	120	591,000	
Covered Roof Deck		4,050	60	243,000	
Third Floor (Building 1 only)					
Hotel		11,129	130	1,446,770	
Guestrooms	18		16,000	288,000	
Guest Bathrooms	18		3,500	63,000	
Common Area		2,400	120	288,000	
Fourth Floor (Building 1 only)					
Hotel		11,129	130	1,446,770	
Guestrooms	18		16,000	288,000	
Guest Bathrooms	18		3,500	63,000	
Common Area		2,400	120	288,000	
Subtotal				19,895,565	
Enterprise Zone - Materials Sales Tax Waiver				(609,578)	
Contractor's Overhead/Profit	9.00%			1,790,601	
Construction Contingency	10.00%			1,989,557	
Direct Construction Costs Total				23,066,144	
					<u>Cost/SF</u> <u>Total FFE</u>
					\$218 1,423,500

Lawrence Hardware - Buildings 1 & 2

Mixed use - Hotel, Conference Center

Building Operating Expenses

	Monthly	Annual	% of Annual G.O.I
Management			
Property Management Fee	9,194	110,331	5.00%
Security	396	4,747	1.00%
Total Management	9,590	115,078	6.00%
Administration			
Accounting	396	4,747	1.00%
Legal	396	4,747	1.00%
Total Administration	791	9,494	2.00%
Maintenance			
Supplies	198	2,373	0.50%
Repairs Contract	1,187	14,241	3.00%
Pest Control	99	1,187	0.25%
Grounds Contract (snow/landscaping)	396	4,747	1.00%
Interior Painting	396	4,747	1.00%
Total Maintenance	2,275	27,295	5.75%
Utilities			
Water/Sewer	396	4,747	1.00%
Total Utilities	396	4,747	1.00%
Insurance			
Property & Liability Insurance	1,187	14,241	3.00%
Total Insurance	1,187	14,241	3.00%
Taxes			
Real Estate Taxes	18,443	221,317	46.62%
Business Tax and License	791	9,494	2.00%
Total Taxes	19,234	230,811	48.62%
Contingency	396	4,747	1.00%
Total Operating Expenses	33,868	406,413	
Total Gross Operating Income	39,558	474,696	

	Monthly	Annual	% of Annual G.O.I
Hotel Operating Expense - Payroll			
Administration	8,660	103,916	6.00%
Housekeeping	5,773	69,277	4.00%
Laundry	14,433	34,639	2.00%
Front Desk	7,216	86,596	5.00%
Event Management	7,938	95,256	5.50%
Misc	2,887	34,639	2.00%
Taxes/Benefits	9,742	116,905	30% of incomes of admin-event mgmt
TOTAL OP EXPENSE - PAYROLL	56,648	541,227	
Hotel Room Expense			
Linen & Laundry	2,165	25,979	1.50%
Comp Food & Beverage	3,969	47,628	2.75%
TOTAL ROOM EXPENSE	6,134	73,607	
Hotel Other Expense			
Reservations		25,979	1.50%
Phone/Telecom	2,887	34,639	2.00%
Electric/Utility	5,773	69,277	4.00%
Repairs & Maintenance	3,247	38,968	2.25%
TOTAL OTHER EXPENSE	11,907	168,863	
Hotel Gen & Admin			
Advertising & Sales	10,825	129,894	7.50%
Franchise Fees	17,319	207,831	12.00%
Credit Card Fees	5,484	65,813	3.80%
TOTAL GEN & ADMIN	33,628	403,539	
Hotel Fixed Charges			
Insurance	5,051	60,617	3.50%
Personal Property Tax	3,608	43,298	2.50% RE taxes accounted for in commercial/residential op expenses
TOTAL FIXED CHARGES	8,660	103,916	
Total Operating Expenses Hotel	116,977	1,291,150	
Total Gross Operating Income Hotel	144,327	1,731,925	includes vacancy

Lawrence Hardware - Buildings 1 & 2

Mixed use - Hotel, Conference Center

Rent Schedule

	Unit Gross SF	Unit Net SF	Monthly Rental Rate	Annual Rental Rate	Monthly Income	Annual Income
Commercial						
LL - Restaurant		4,900	1.60	19.20	7,840	94,080
LL - Kitchen		4,000	1.60	19.20	6,400	76,800
LL - Outdoor Deck Dining		1,500	1.60	19.20	2,400	28,800
Second Floor - Meeting Space		8,000	1.40	16.80	11,200	134,400
Second Floor - Meeting Space Lobby		4,320	1.40	16.80	6,048	72,576
Second Floor - Covered Roof Deck		4,050	1.40	16.80	5,670	68,040
<i>Subtotal</i>						474,696
Hotel						
2nd - 4th Floors		Keys 73		Avg Rate 130	Monthly 284,700	Annual 3,463,850
TOTAL INCOME						3,938,546

Lawrence Hardware - Buildings 1 & 2

Mixed use - Hotel, Conference Center

Tax Credit Analysis

Uses	Total Costs	Federal HTC Eligible	State HTC Eligible
Land/Acquisition Costs	3,001 -		
Fees/Permits/Studies	2,275,803	2,275,803	2,275,803
Direct Construction Costs	23,066,144	18,472,065	18,472,065 <i>removes FFE</i>
Indirect Construction Costs	447,650	447,650	447,650
Rent-Up Costs	1,500,000	1,500,000	1,500,000
Financing Costs	1,421,502	1,421,502	1,421,502
Developer Fee	2,306,614	2,306,614	2,306,614
Total Uses	31,020,715	26,423,635	26,423,635

Federal HTCs	State HTCs
26,423,635	26,423,635
20%	25%
\$ 0.80	\$ 0.80
4,227,782	5,284,727
	3,000,000 CAP

Sources	Total Estimate	
Private Equity	4,653,107	15%
Gap	9,357,142	30%
Conventional Loan	5,476,070	18% <i>80% of future value</i>
ReBuild Grant	2,000,000	6%
Federal HTCs	4,227,782	14%
State HTCs	3,000,000	10%
Deferred Developer Fee	2,306,614	7%
Total Sources	31,020,715	

Lawrence Hardware - Buildings 1 & 2

Mixed use - Hotel, Conference Center

Cash Flow Analysis

Assumptions

Income Inflation - Commercial	2%							
Vacancy Rate - Commercial	5%							
Vacancy Rate - Hotel	50%	45%	48%	40%	38%	38%	38%	35%
Operation Expense Inflation Factor	3%							

	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	
Income								
Commercial	474,696	484,190	493,874	503,751	513,826	524,103	534,585	
Hotel	3,463,850	3,533,127	3,603,790	3,675,865	3,749,383	3,824,370	3,900,858	
Gross Income	3,938,546	4,017,317	4,097,663	4,179,617	4,263,209	4,348,473	4,435,442	
Vacancy - Commercial	(23,735)	(24,209)	(24,694)	(25,188)	(25,691)	(26,205)	(26,729)	
Vacancy - Hotel	(1,731,925)	(1,766,564)	(1,801,895)	(1,837,933)	(1,874,691)	(1,912,185)	(1,950,429)	
Pay-as-you-go TIF	199,186	199,186	199,186	199,186	199,186	199,186	199,186	
<i>Effective Gross Income</i>	2,382,072	2,425,730	2,470,261	2,515,682	2,562,012	2,609,268	2,657,470	
Total Gross Income	2,382,072	2,425,730	2,470,261	2,515,682	2,562,012	2,609,268	2,657,470	
Operating Expenses								
Operating Expenses (Commercial)	(406,413)	(418,606)	(431,164)	(444,099)	(457,422)	(471,144)	(485,279)	
Operating Expenses (Hotel)	(1,291,150)	(1,329,885)	(1,369,781)	(1,410,875)	(1,453,201)	(1,496,797)	(1,541,701)	
NOI Before Debt Service	684,509	677,240	669,316	660,709	651,390	641,327	630,491	
Cash Available for Debt Service	684,509	677,240	669,316	660,709	651,390	641,327	630,491	
Permanent Loan Debt Service	(430,148)	(430,148)	(430,148)	(430,148)	(430,148)	(430,148)	(430,148)	
Cash Flow After Debt Service	254,361	247,092	239,168	230,561	221,242	211,180	200,343	
Deferred Developer Fee	0	(153,774)	(153,774)	(153,774)	(153,774)	(153,774)	(153,774)	
Cash Available for Distribution	254,361	93,317	85,394	76,787	67,467	57,405	46,569	
	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	
Loan Amortization Schedule								
Balance Owed, beginning of year	5,476,070	5,306,035	5,127,924	4,941,352	4,745,919	4,541,202	4,326,761	
Annual Mortgage Payment	430,148	430,148	430,148	430,148	430,148	430,148	430,148	
Interest Portion of Payment	(260,113)	(252,037)	(243,576)	(234,714)	(225,431)	(215,707)	(205,521)	
Amortization of principal	170,035	178,111	186,571	195,434	204,717	214,441	224,627	
Balance Owed, end of year	5,306,035	5,127,924	4,941,352	4,745,919	4,541,202	4,326,761	4,102,135	
	Year 0 2022	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029
Project Worth (R.O.I.)								
Real Cash Flow to Owner (w/Dev. Fee)	(4,653,107)	254,361	247,092	239,168	230,561	221,242	211,180	200,343
Down Payment/Reversion R.O.I.	(4,653,107)	5%	2%					
Debt-Service Coverage Ratio		1.59	1.57	1.56	1.54	1.51	1.49	1.47

35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
545,276	556,182	567,306	578,652	590,225	602,029	614,070	626,351	638,878	651,656	664,689	677,983	691,542
3,978,875	4,058,452	4,139,621	4,222,414	4,306,862	4,392,999	4,480,859	4,570,477	4,661,886	4,755,124	4,850,226	4,947,231	5,046,175
4,524,151	4,614,634	4,706,927	4,801,066	4,897,087	4,995,029	5,094,929	5,196,828	5,300,764	5,406,780	5,514,915	5,625,214	5,737,718
(27,264)	(27,809)	(28,365)	(28,933)	(29,511)	(30,101)	(30,703)	(31,318)	(31,944)	(32,583)	(33,234)	(33,899)	(34,577)
(1,989,437)	(2,029,226)	(2,069,811)	(2,111,207)	(2,153,431)	(2,196,500)	(2,240,430)	(2,285,238)	(2,330,943)	(2,377,562)	(2,425,113)	(2,473,615)	(2,523,088)
199,186	199,186	199,186	199,186	199,186	199,186	199,186	199,186	199,186	199,186	199,186	199,186	199,186
2,706,636	2,756,785	2,807,937	2,860,112	2,913,330	2,967,613	3,022,982	3,079,458	3,137,063	3,195,821	3,255,753	3,316,885	3,379,239
2,706,636	2,756,785	2,807,937	2,860,112	2,913,330	2,967,613	3,022,982	3,079,458	3,137,063	3,195,821	3,255,753	3,316,885	3,379,239
(499,837)	(514,832)	(530,277)	(546,185)	(562,571)	(579,448)	(596,831)	(614,736)	(633,178)	(652,174)	(671,739)	(691,891)	(712,648)
(1,587,952)	(1,635,590)	(1,684,658)	(1,735,198)	(1,787,254)	(1,840,871)	(1,896,097)	(1,952,980)	(2,011,570)	(2,071,917)	(2,134,074)	(2,198,097)	(2,264,039)
618,847	606,363	593,002	578,729	563,506	547,294	530,053	511,741	492,315	471,730	449,940	426,897	402,551
618,847	606,363	593,002	578,729	563,506	547,294	530,053	511,741	492,315	471,730	449,940	426,897	402,551
(430,148)	(430,148)	(430,148)	(430,148)	(430,148)	(430,148)	(430,148)	(430,148)	(430,148)	(430,148)	(430,148)	(430,148)	(430,148)
188,699	176,215	162,854	148,581	133,358	117,146	99,905	81,593	62,167	41,582	19,792	(3,251)	(27,597)
(153,774)	(153,774)	(153,774)	(153,774)	(153,774)	(153,774)	(153,774)	(153,774)	(153,774)	0	0	0	0
34,925	22,440	9,080	(5,193)	(20,416)	(36,628)	(53,869)	(72,181)	(91,607)	41,582	19,792	(3,251)	(27,597)
Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
4,102,135	3,866,838	3,620,365	3,362,185	3,091,741	2,808,451	2,511,704	2,200,862	1,875,256	1,534,182	1,176,908	802,664	410,642
430,148	430,148	430,148	430,148	430,148	430,148	430,148	430,148	430,148	430,148	430,148	430,148	430,148
(194,851)	(183,675)	(171,967)	(159,704)	(146,858)	(133,401)	(119,306)	(104,541)	(89,075)	(72,874)	(55,903)	(38,127)	(19,506)
235,296	246,473	258,180	270,444	283,290	296,746	310,842	325,607	341,073	357,274	374,245	392,021	410,642
3,866,838	3,620,365	3,362,185	3,091,741	2,808,451	2,511,704	2,200,862	1,875,256	1,534,182	1,176,908	802,664	410,642	0
Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
188,699	176,215	9,080	(5,193)	(20,416)	(36,628)	(53,869)	(72,181)	(91,607)	41,582	19,792	(3,251)	(27,597)
1.44	1.41	1.38	1.35	1.31	1.27	1.23	1.19	1.14	1.10	1.05	0.99	

Lawrence Hardware

Buildings 1 & 2

Lower Level	Restaurant, Hotel Lobby, Riverfront
1st Floor	Hotel & Event Space
2nd Floor	Hotel & Event Space
3rd Floor	Hotel
4th Floor	Hotel

Assumes 73 hotel rooms, 16,370 SF of conference space

Total Development Costs

Construction Costs	\$ 23,066,144
Addtl Development Costs	\$ 7,954,571
	\$ 31,020,715

Income

	Keys	Nightly Rate	Annual Rent/SF	Annual Income
Hotel	73	130	14.40	\$ 3,463,850
	SF	Monthly Rent/SF	Annual Rent/SF	Annual Income
Event Space	16,370	1.40	16.80	\$ 275,016
Restaurant	10,400	1.60	19.20	\$ 199,680
				\$ 3,938,546

Vacancy

Hotel (50% in Year 1, 38% Year 4)	\$ (1,731,925)
Event Space & Restaurant (5%)	\$ (23,735)

Operating Expenses

Hotel	\$ (1,291,150)
Event Space & Restaurant	\$ (406,413)

Annual Mortgage Payment

Based on 20 year loan, 4.75% interest	\$ (430,148)
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Add'l Income

Plus pay as you go TIF (1st Year)	\$ 199,186
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Net Income

\$ 254,361

Sources

Equity	\$ 4,653,107	15%
Loan (4.75%, 20 years)	\$ 5,476,070	18%
Federal HTC (20% at \$0.80)	\$ 4,227,782	14%
State HTC (25% at \$0.80)	\$ 3,000,000	10%
Deferred Developer Fee (50%)	\$ 2,306,614	7%
Rebuild IL Grant	\$ 2,000,000	6%
Gap	\$ 9,357,142	30%
	\$ 31,020,715	100%

Return on Investment

Year 1	5%
Year 2	1%

Additional Incentives Included

Building Materials Sales Tax Waiver	\$ (609,578)
Pay-as-you-go TIF (90%)	\$ 4,581,272

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Lawrence Hardware - Building 4

Mixed Income Residential, Commercial

5/29/2020

Property Valuation	Total	
Total A.G. Building Sq. ft.	52,128	
Current FMV (2019)	168,542	<i>estimated, from most recent tax bill for property</i>
Current value per SF	3.23	
Future value per SF	40.00	
Future FMV Estimate (2035)	2,085,120	
Value based on NOI/Cap rate of 10%	2,395,310	
Base Property Tax (2019)	-	
Future Property Tax Estimate	76,534	<i>11.0115% tax rate</i>

Financial Input

Annual Gross Potential Income, first year	340,944
Operating Expenses, first year	149,837
Loan to Value ratio	80%
Stated Annual Interest rate	4.75%
Loan Term (years)	20
Percent of price in improvements	82%
After tax, Real Discount rate	2%
Cap Rate assumed at date of sale	12%
Transaction costs as % of sales price	9%
Cap Rate at Purchase	12%

Project Financing

Loan Amount	1,437,186
Equity Required	1,286,435
Mortgage Loan Constant	7.86%
Total Development Costs	12,864,349
Total Sources	12,864,349

TIF Funding

Current Property Tax	-	<i>assume new 23 year TIF</i>
Future Property Tax	76,534	
Remaining TIF Levy Years	23	
Projected TIF Equity	1,760,272	
TIF Factor	90%	
Net TIF Proceeds	1,584,245	

Lawrence Hardware - Building 4
Mixed Income Residential, Commercial

Development Costs

		Total Costs	
Land Costs			
Acquisition Costs		1	
Closing Costs		2500	
Appraisal		500	
Holding Costs			
Total Land Costs		3,001	
Fees/Permits/Studies			
Building Fees and Permits	1.00%	85,541	
Surveys/Soils/Variance	0.15%	12,831	
Environmental Assessment		47,500	<i>95,000 for whole building</i>
Arch/Eng./Civil Design	10.00%	855,407	<i>incl. HTC consult</i>
Arch & Eng. Reimb.	0.05%	4,277	
Total F/P/S Costs		1,005,556	
Direct Construction Costs			
Construction Costs		8,554,071	
Building Materials Sales Tax Waiver		(282,284)	
Contractor O+P, Contingency		1,625,273	
Total Direct Constr. Costs		9,897,060	
Indirect Construction Costs			
Builder's Risk/Liability Insurance	1.50%	128,311	
Real Estate Taxes		-	
Legal	1.00%	85,541	
Total Indirect Const. Costs		213,852	
Reserves			
Replacement Reserves		15,750	\$450/unit
Operating Reserve		128,625	\$3675/unit
Total Rent-Up Costs		144,375	
Financing Costs			
Construction Loan Interest	5.00%	427,704	
Construction Loan Fees	1.20%	118,765	
Construction Lender Legal	0.00%	-	
Permanent Loan Fees/Closing Costs	0.50%	49,485	
Title & Recording Costs	0.15%	14,846	
Total Financing Costs		610,799	
Development Costs Subtotal		11,874,643	
Site Costs Subtotal		-	
Total Development Costs (Pre Dev. Fee)		11,874,643	
Deferred Developer Fee	10.00%	989,706	<i>Cost/SE</i>
Total Development Costs		12,864,349	\$247

**Lawrence Hardware - Building 4
Costs**

	Keys	Gross SF/Units	Constr. Cost / SF or Unit	Cost Estimate
Site Costs and Building Envelope				
Site Costs				50,000
Demo		52,128	3	156,384
3 Stop Elevator		1	160,000	160,000
Roofing		15940	15	239,100
Dock Demo				110,000
Window Removal & Temp Enclosure				64,872
Window Replacement				712,000
Exterior Conc Column, Sills, base & parapet & paint repair				393,625
Exterior Brick Masonry Repair				16,480
Build-Out				
Lower Level				
Residential		5,000	140	700,000
Parking Garage		9,900	80	792,000
Residential/Boiler Room		1,575	150	236,250
Common Area		1,240	120	148,800
First Floor				
Residential Apartments		16,212	140	2,269,680
Second Floor				
Residential Apartments		17,892	140	2,504,880
		Subtotal		8,554,071
		51,819		(282,284)
Enterprise Zone - Materials Sales Tax Waiver				
Contractor's Overhead/Profit	9.00%			769,866
Construction Contingency	10.00%			855,407
Direct Construction Costs Total				9,897,060

assume 40% of cost above is material x 8.25% IL sales tax rate

Lawrence Hardware - Building 4

Mixed Income Residential, Commercial

Building Operating Expenses

	Monthly	Annual	% of Annual G.O.I
Management			
Property Management Fee	1,421	17,047	5.00%
Security	284	3,409	1.00%
Total Management	1,705	20,457	6.00%
Administration			
Accounting	284	3,409	1.00%
Legal	284	3,409	1.00%
Total Administration	568	6,819	2.00%
Maintenance			
Supplies	142	1,705	0.50%
Repairs Contract	852	10,228	3.00%
Pest Control	71	852	0.25%
Grounds Contract (snow/landscaping)	284	3,409	1.00%
Interior Painting	284	3,409	1.00%
Total Maintenance	1,634	19,604	5.75%
Utilities			
Trash Removal	213	2,557	0.75%
Water/Sewer	284	3,409	1.00%
Total Utilities	497	5,967	1.75%
Insurance			
Property & Liability Insurance	852	10,228	3.00%
Total Insurance	852	10,228	3.00%
Taxes			
Real Estate Taxes	6,378	76,534	22.45%
Business Tax and License	568	6,819	2.00%
Total Taxes	6,946	83,352	24.45%
Contingency	284	3,409	1.00%
Total Operating Expenses	12,486	149,837	
Total Gross Operating Income	28,412	340,944	

Lawrence Hardware - Building 4
Mixed Income Residential, Commercial

Rent Schedule

	Net SF	Monthly Rental Rate	Annual Rental Rate	Monthly Income	Annual Income
Market Rate Residential					
LL - 3rd Floor Apts (15)	12,520	1.20	14.40	15,024	180,288
LIHTC Residential					
LL - 3rd Floor Apts (20)	20,548	<i>see LIHTC tab for calc</i>		13,388	160,656
TOTAL INCOME					340,944

Lawrence Hardware - Building 4
Mixed Income Residential, Commercial
Tax Credit Analysis

Uses	Total Costs	Federal HTC Eligible	State HTC Eligible
Land/Acquisition Costs	3,001 -		
Fees/Permits/Studies	1,005,556	1,005,556	1,005,556
Direct Construction Costs	9,897,060	9,897,060	9,897,060
Indirect Construction Costs	213,852	213,852	213,852
Rent-Up Costs	144,375	144,375	144,375
Financing Costs	610,799	610,799	610,799
Developer Fee	989,706	989,706	989,706
Total Uses	12,864,349	12,861,348	12,861,348

Federal HTCs	State HTCs
12,861,348	12,861,348
20%	25%
\$ 0.80	\$ 0.80
2,057,816	2,572,270

Sources	Total Estimate		Future Value NOI/Cap Rate
Private Equity	1,286,435	10%	<u>2,395,310</u>
Conventional Loan	1,437,186	11%	
Gap	2,280,948	18%	
LIHTC	2,734,842	21%	
Federal HTCs	2,057,816	16%	
State HTCs	2,572,270	20%	
Deferred Developer Fee	494,853	4%	
Total Sources	12,864,349	100%	

Lawrence Hardware - Building 4

Mixed Income Residential, Commercial

Cash Flow Analysis**Assumptions**

Income Inflation - Residential	2%
Vacancy Rate - Residential	6%
Operation Expense Inflation Factor	3%

	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	
Income								
Market Rate Units	180,288	183,894	187,572	191,323	195,150	199,053	203,034	
LIHTC Units	160,656	163,869	163,869	163,869	163,869	163,869	163,869	
Gross Income	340,944	347,763	351,441	355,192	359,019	362,922	366,903	
Vacancy - Market Rate Units	(10,817)	(11,034)	(11,254)	(11,479)	(11,709)	(11,943)	(12,182)	
Vacancy - LIHTC Units	(9,639)	(9,832)	(9,832)	(9,832)	(9,832)	(9,832)	(9,832)	
Pay-as-you-go TIF	68,880	68,880	68,880	68,880	68,880	68,880	68,880	
<i>Effective Gross Income</i>	389,368	395,777	399,235	402,761	406,358	410,027	413,769	
Total Gross Income	389,368	395,777	399,235	402,761	406,358	410,027	413,769	
Operating Expenses								
Operating Expenses	(149,837)	(154,332)	(158,962)	(163,730)	(168,642)	(173,702)	(178,913)	
NOI Before Debt Service	239,531	241,446	240,273	239,030	237,715	236,325	234,856	
Cash Available for Debt Service	239,531	241,446	240,273	239,030	237,715	236,325	234,856	
Permanent Loan Debt Service	(112,892)	(112,892)	(112,892)	(112,892)	(112,892)	(112,892)	(112,892)	
Cash Flow After Debt Service	126,639	128,554	127,381	126,139	124,824	123,433	121,964	
Deferred Developer Fee	0	(65,980)	(65,980)	(65,980)	(65,980)	(65,980)	(65,980)	
Cash Available for Distribution	126,639	62,574	61,401	60,158	58,843	57,453	55,984	
Loan Amortization Schedule								
Balance Owed, beginning of year	1,437,186	1,392,561	1,345,816	1,296,851	1,245,559	1,191,832	1,135,552	
Annual Mortgage Payment	112,892	112,892	112,892	112,892	112,892	112,892	112,892	
Interest Portion of Payment	(68,266)	(66,147)	(63,926)	(61,600)	(59,164)	(56,612)	(53,939)	
Amortization of principal	44,625	46,745	48,965	51,291	53,728	56,280	58,953	
Balance Owed, end of year	1,392,561	1,345,816	1,296,851	1,245,559	1,191,832	1,135,552	1,076,599	
Project Worth (R.O.I.)	Year 0 2022	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029
Real Cash Flow to Owner (w/Dev. Fee)	(1,286,435)	126,639	128,554	127,381	126,139	124,824	123,433	121,964
Down Payment/Reversion	(1,286,435)							
R.O.I	10%	5%						
Debt-Service Coverage Ratio		2.12	2.14	2.13	2.12	2.11	2.09	2.08

Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
207,094	211,236	215,461	219,770	224,165	228,649	233,222	237,886	242,644	247,497	252,447	257,496	262,646
163,869	163,869	163,869	163,869	163,869	163,869	163,869	163,869	163,869	163,869	163,869	163,869	163,869
370,963	375,105	379,330	383,639	388,035	392,518	397,091	401,755	406,513	411,366	416,316	421,365	426,515
(12,426)	(12,674)	(12,928)	(13,186)	(13,450)	(13,719)	(13,993)	(14,273)	(14,559)	(14,850)	(15,147)	(15,450)	(15,759)
(9,832)	(9,832)	(9,832)	(9,832)	(9,832)	(9,832)	(9,832)	(9,832)	(9,832)	(9,832)	(9,832)	(9,832)	(9,832)
68,880	68,880	68,880	68,880	68,880	68,880	68,880	68,880	68,880	68,880	68,880	68,880	68,880
417,586	421,479	425,450	429,501	433,633	437,847	442,146	446,530	451,002	455,564	460,217	464,963	469,804
417,586	421,479	425,450	429,501	433,633	437,847	442,146	446,530	451,002	455,564	460,217	464,963	469,804
(184,280)	(189,808)	(195,503)	(201,368)	(207,409)	(213,631)	(220,040)	(226,641)	(233,440)	(240,444)	(247,657)	(255,087)	(262,739)
233,306	231,671	229,948	228,133	226,224	224,216	222,106	219,889	217,562	215,121	212,560	209,876	207,065
233,306	231,671	229,948	228,133	226,224	224,216	222,106	219,889	217,562	215,121	212,560	209,876	207,065
(112,892)	(112,892)	(112,892)	(112,892)	(112,892)	(112,892)	(112,892)	(112,892)	(112,892)	(112,892)	(112,892)	(112,892)	(112,892)
120,414	118,779	117,056	115,242	113,332	111,324	109,214	106,997	104,670	102,229	99,669	96,985	94,173
(65,980)	(65,980)	(65,980)	(65,980)	(65,980)	(65,980)	(65,980)	(65,980)	(65,980)	0	0	0	0
54,434	52,799	51,076	49,261	47,352	45,344	43,234	41,017	38,690	102,229	99,669	96,985	94,173
Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
1,076,599	1,014,846	950,159	882,400	811,423	737,074	659,193	577,613	492,158	402,644	308,878	210,658	107,772
112,892	112,892	112,892	112,892	112,892	112,892	112,892	112,892	112,892	112,892	112,892	112,892	112,892
(51,138)	(48,205)	(45,133)	(41,914)	(38,543)	(35,011)	(31,312)	(27,437)	(23,378)	(19,126)	(14,672)	(10,006)	(5,119)
61,753	64,686	67,759	70,978	74,349	77,881	81,580	85,455	89,514	93,766	98,220	102,885	107,772
1,014,846	950,159	882,400	811,423	737,074	659,193	577,613	492,158	402,644	308,878	210,658	107,772	0
Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
120,414	118,779	51,076	49,261	47,352	45,344	43,234	41,017	38,690	102,229	99,669	96,985	94,173
2.07	2.05	2.04	2.02	2.00	1.99	1.97	1.95	1.93	1.91	1.88	1.86	

	Item totals	Acquisition	Development	Total
Tax Credit Allocation Calculation				
TDC		\$3,001	\$12,861,348	\$12,864,349
Subtract Non-depreciable costs		\$3,001	\$413,011	\$416,012
Land	\$3,001			
Reserves	\$144,375			
Tax opinion & other legal	\$85,541			
1st mortgage and TC fees	\$183,096			
Subtract Ineligible Financing		\$0	\$0	\$0
Federal financing with below market int rate	\$0			
Grants	\$0			
Equals Eligible Basis		\$0	\$13,274,359	\$13,274,359
Add Basis Boost	30%	\$0	\$3,982,308	\$3,982,308
Equals Adjusted Eligible Basis		\$0	\$17,256,667	\$17,256,667
Multiplied by Applicable Fraction	54%			
Minus market rate units	24%			
Minus commercial space	21%			
Equals Qualified Basis		\$0	\$9,377,458	\$9,377,458
Multiplied by Actual LIHTC Rate (4% or 9%)	<i>Novogradac Tax Credit %</i>	3.17%		
Equals Annual LIHTC Amount		\$0	\$297,265	\$297,265
Expected Allocation		\$0	\$297,265	\$297,265
Equity Payment Calculation				
Annual Tax Credit Amount				\$297,265
Multiplied by the TC Price				\$0.92
Equals Total Equity Generated				\$2,734,842
Area Median Income Whiteside County (2018 - ACS)		\$53,828		

Summary by AMI

AMI	Units	%
30%	8	32%
40%		0%
50%	14	56%
60%	3	12%
	<hr/>	
	25	100%

LIHTC/Affordable Units

#	Bedrooms	Set Aside	# Units	Area (SF)	Total SF	Utility Allowance	Net Rent	Monthly Rent	Sec 42 Gross Rent Limit	% of Limit
	1	30%	3	750	2250	\$67	\$306	\$918	\$373	100%
	1	50%	7	750	5250	\$67	\$555	\$3,885	\$622	100%
	1	60%	3	750	2250	\$67	\$680	\$2,040	\$747	100%
	2	30%	5	800	4000	\$76	\$371	\$1,855	\$447	100%
	2	50%	7	800	5600	\$76	\$670	\$4,690	\$746	100%
			25		19350			\$13,388		

Income & Rent Limits

Effective Date: 4/24/2019
 County: Whiteside

Illinois [NOTE: verify 2020 limits](#)

To Populate Unit Mix table

County Median Income	Income Percentages										# BR	AMI Limit	# of units	Rent		
	120%	100%	80%	60%	75%	50%	45%	40%	35%	30%					25%	
1 Person	\$ 35,000	\$ 46,500	\$ 37,200	\$ 27,900	\$ 34,875	\$ 23,250	\$ 20,925	\$ 18,600	\$ 16,275	\$ 13,950	\$ 11,625	1	30%	5373	3	5373
2 Persons	\$ 63,720	\$ 53,100	\$ 42,480	\$ 31,860	\$ 39,825	\$ 26,550	\$ 23,895	\$ 21,240	\$ 18,585	\$ 15,930	\$ 13,275	1	50%	5622	4	5622
3 Persons	\$ 71,640	\$ 59,700	\$ 47,760	\$ 35,820	\$ 44,775	\$ 29,850	\$ 26,865	\$ 23,880	\$ 20,895	\$ 17,910	\$ 14,925	1	60%	5747	1	5747
4 Persons	\$ 79,560	\$ 66,300	\$ 53,040	\$ 39,780	\$ 48,725	\$ 33,150	\$ 29,835	\$ 26,520	\$ 23,205	\$ 19,890	\$ 16,575	1	80%	5996	0	
5 Persons	\$ 86,040	\$ 71,700	\$ 57,360	\$ 43,020	\$ 53,775	\$ 35,950	\$ 32,265	\$ 28,680	\$ 25,095	\$ 21,510	\$ 17,925	2	30%	5447	2	5447
6 Persons	\$ 92,400	\$ 77,000	\$ 61,600	\$ 46,200	\$ 57,750	\$ 38,500	\$ 34,650	\$ 30,800	\$ 26,950	\$ 23,100	\$ 19,250	2	50%	5746	6	5746
7 Persons	\$ 98,760	\$ 83,300	\$ 65,840	\$ 49,380	\$ 61,725	\$ 41,150	\$ 37,035	\$ 32,920	\$ 28,805	\$ 24,690	\$ 20,575	2	60%	5895	0	
8 Persons	\$ 105,120	\$ 87,600	\$ 70,080	\$ 52,560	\$ 65,700	\$ 43,800	\$ 39,420	\$ 35,040	\$ 30,660	\$ 26,280	\$ 21,900	2	80%	51,194	0	

II. UNIT RENT RESTRICTIONS (INCLUDES UTILITIES)

0 Efficiency	1,395 \$	1,162 \$	930 \$	697 \$	871 \$	581 \$	523 \$	465 \$	406 \$	348 \$	290
1 1 Bedroom	\$ 1,494	\$ 1,245	\$ 996	\$ 747	\$ 933	\$ 622	\$ 560	\$ 498	\$ 435	\$ 373	\$ 311
2 2 Bedroom	\$ 1,791	\$ 1,492	\$ 1,194	\$ 895	\$ 1,119	\$ 746	\$ 671	\$ 597	\$ 522	\$ 447	\$ 373
3 3 Bedroom	\$ 2,070	\$ 1,725	\$ 1,380	\$ 1,035	\$ 1,293	\$ 862	\$ 776	\$ 690	\$ 603	\$ 517	\$ 431
4 4 Bedroom	\$ 2,310	\$ 1,925	\$ 1,540	\$ 1,155	\$ 1,443	\$ 962	\$ 866	\$ 770	\$ 673	\$ 577	\$ 481
5 5 Bedroom	\$ 2,548	\$ 2,123	\$ 1,699	\$ 1,274	\$ 1,592	\$ 1,061	\$ 955	\$ 849	\$ 743	\$ 637	\$ 530

Charts \$ 1 140.00%

1 Person	Click to Show	27,840	38,976
2 Person	Click to Show	31,800	44,520
3 Person	Click to Show	35,760	50,064
4 Person	Click to Show	39,720	55,608
5 Person	Click to Show	42,900	60,060
6 Person	Click to Show	46,080	64,512
7 Person	Click to Show	49,260	68,964
8 Person	Click to Show	52,440	73,416

23,250	26,550	29,850	33,150	35,850	38,500	41,150	43,800
46500	53100	59700	66300	71700	77000	82300	87600
27900	31860	35820	39780	43020	46200	49380	52560
27900	31860	35820	39780	43020	46200	49380	52560

Lawrence Hardware

Building 4

Lower Level	Interior Parking and Apartments
1st Floor	Apartments
2nd Floor	Apartments
<i>Assumes 25 apartments, 15 market rate and 20 affordable</i>	

Total Development Costs

Construction Costs	\$ 9,897,060
Addtl Development Costs	\$ 2,967,289
	\$ 12,864,349

Income

	Net SF	Monthly Rent/SF	Annual Rent/SF	Annual Income
Market Rate Units				
15 units	12,520	1.20	14.40	\$ 180,288
Affordable Units				
20 units	20,548	<i>varies according to AMI</i>		\$ 160,656
				\$ 340,944

Vacancy

Apartments (6%)	\$ (20,457)
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Operating Expenses

Parking + Apartments	\$ (149,837)
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Annual Mortgage Payment

Based on 20 year loan, 4.75% interest	\$ (112,892)
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Add'l Income

Plus pay as you go TIF	\$ 68,880
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Net Income

\$ 57,759

Sources

Equity	\$ 1,286,435	10%
Loan (4.75%, 20 years)	\$ 1,437,186	11%
LIHTC	\$ 2,734,842	21%
Federal HTC (20% at \$0.80)	\$ 2,057,816	16%
State HTC (25% at \$0.80)	\$ 2,572,270	20%
Deferred Developer Fee (50%)	\$ 494,853	4%
Gap	\$ 2,280,948	18%
	\$ 12,864,349	100%

Return on Investment

Year 1	10%
Year 2	5%

Additional Incentives Included

Building Materials Sales Tax Waiver	\$ (282,284)
Pay-as-you-go TIF	\$ 1,584,245

Stanley-National, Buildings 2 & 5

Market Rate Residential

5/29/2020

Property Valuation	Total	
Total A.G. Building Sq. ft.	69,660	
Current FMV (2020)	674,167	
Current value per SF	9.68	
Future value per SF	53.00	
Future FMV Estimate (2035)	3,691,980	4,131,251
Value based on NOI/Cap rate of 10%	4,131,251	
Base Property Tax (2020)	-	2019 tax was \$25,059
Future Property Tax Estimate	135,501	11.0115% tax rate

Financial Input

Annual Gross Potential Income, first year	683,194
Operating Expenses, first year	282,387
Loan to Value ratio	80%
Stated Annual Interest rate	4.75%
Loan Term (years)	20
Percent of price in improvements	82%
After tax, Real Discount rate	2%
Cap Rate assumed at date of sale	12%
Transaction costs as % of sales price	9%
Cap Rate at Purchase	12%

Project Financing

Loan Amount	3,305,000
Equity Required	2,078,180
Mortgage Loan Constant	7.86%
Total Development Costs	13,854,536
Total Sources	13,854,536

TIF Funding

Current Property Tax	-	assume new 23 year TIF
Future Property Tax	135,501	
Remaining TIF Levy Years	23	
Projected TIF Equity	3,116,513	
TIF Factor	90%	
Net TIF Proceeds	2,804,862	

Stanley-National, Buildings 2 & 5

Market Rate Residential

Development Costs

		Total Costs	
Land Costs			
Acquisition Costs		1	
Closing Costs		2500	
Appraisal		500	
Holding Costs			
Total Land Costs		3,001	
Fees/Permits/Studies			
Building Fees and Permits	1.00%	94,815	
Surveys/Soils/Variance	0.15%	14,222	
Environmental	0.05%	4,741	
Arch/Eng./Civil Design	10.00%	948,154	<i>incl. HTC consult</i>
Arch & Eng. Reimb.	0.05%	4,741	
Total F/P/S Costs		1,066,673	
Direct Construction Costs			
Construction Costs		9,481,540	
Building Materials Sales Tax Waiver		(312,891)	
Contractor O+P, Contingency		1,801,493	
Total Direct Constr. Costs		10,970,142	
Indirect Construction Costs			
Builder's Risk/Liability Insurance	1.50%	142,223	
Real Estate Taxes		-	
Legal	1.00%	94,815	
Total Indirect Const. Costs		237,039	
Reserves			
Replacement Reserves		2,550	\$50/unit
Operating Reserve		20,496	3% gross revenue
Total Rent-Up Costs		23,046	
Financing Costs			
Construction Loan Interest	5.00%	474,077	
Construction Loan Fees	1.20%	131,642	
Construction Lender Legal	0.00%	-	
Permanent Loan Fees/Closing Costs	0.50%	54,851	
Title & Recording Costs	0.15%	16,455	
Total Financing Costs		677,025	
Development Costs Subtotal		12,976,925	
Site Costs Subtotal		-	
Total Development Costs (Pre Dev. Fee)		12,976,925	
Deferred Developer Fee	8.00%	877,611	<i>Cost/SF</i>
Total Development Costs		13,854,536	\$199

Stanley-National, Buildings 2 & 5
Costs

	Keys	Gross SF/Units	Constr. Cost / SF or Unit	Cost Estimate
Site Costs and Building Envelope				
Site Costs				50,000
Parking Lot				60,000
Demo		69,660	3	208,980
Building 5 Demo				250,000
5 Stop Elevator		1	160,000	160,000
Roofing		14,032	15	210,480
Build-Out				
Residential		58,620	140	8,206,800
Common Area		2,794	120	335,280
		Subtotal		9,481,540
Enterprise Zone - Materials Sales Tax Waiver <i>assume 40% of cost above is material x 8.25% IL sale:</i>				(312,891)
Contractor's Overhead/Profit	9.00%			853,339
Construction Contingency	10.00%			948,154
Direct Construction Costs Total				10,970,142

Stanley-National, Buildings 2 & 5

Market Rate Residential

Building Operating Expenses

	Monthly	Annual	% of Annual G.O.I
Management			
Property Management Fee	2,847	34,160	5.00%
Security	569	6,832	1.00%
Total Management	3,416	40,992	6.00%
Administration			
Accounting	569	6,832	1.00%
Legal	569	6,832	1.00%
Total Administration	1,139	13,664	2.00%
Maintenance			
Supplies	285	3,416	0.50%
Repairs Contract	1,708	20,496	3.00%
Pest Control	142	1,708	0.25%
Grounds Contract (snow/landscaping)	569	6,832	1.00%
Interior Painting	569	6,832	1.00%
Total Maintenance	3,274	39,284	5.75%
Utilities			
Trash Removal	427	5,124	0.75%
Water/Sewer	569	6,832	1.00%
Total Utilities	996	11,956	1.75%
Insurance			
Property & Liability Insurance	1,708	20,496	3.00%
Total Insurance	1,708	20,496	3.00%
Taxes			
Real Estate Taxes	11,292	135,501	19.83%
Business Tax and License	1,139	13,664	2.00%
Total Taxes	12,430	149,164	21.83%
Contingency	569	6,832	1.00%
Total Operating Expenses	23,532	282,387	
Total Gross Operating Income	56,933	683,194	

Stanley-National, Buildings 2 & 5

Market Rate Residential

Rent Schedule

Market Rate Residential	Net SF	Monthly Rental Rate	Annual Rental Rate	Monthly Income	Annual Income	Unit #
Building 2	25,872	1.20	14.40	31,046	372,557	24
Building 5	21,572	1.20	14.40	25,886	310,637	27
	47,444		TOTAL INCOME		683,194	51

Stanley-National, Buildings 2 & 5

Market Rate Residential

Tax Credit Analysis

Uses	Total Costs	Federal HTC Eligible	State HTC Eligible
Land/Acquisition Costs	3,001 -		
Fees/Permits/Studies	1,066,673	1,066,673	1,066,673
Direct Construction Costs	10,970,142	10,970,142	10,970,142
Indirect Construction Costs	237,039	237,039	237,039
Rent-Up Costs	23,046	23,046	23,046
Financing Costs	677,025	677,025	677,025
Developer Fee	877,611	877,611	877,611
Total Uses	13,854,536	13,851,535	13,851,535

Federal HTCs	State HTCs
13,851,535	13,851,535
20%	25%
\$ 0.80	\$ 0.80
2,216,246	2,770,307

Sources	Total Estimate	
Private Equity	2,078,180	15% <i>Future Value based on NOI/Cap Rate</i>
Conventional Loan	3,305,000	24% 4,131,251
Gap	2,826,594	20%
Federal HTCs	2,216,246	16%
State HTCs	2,770,307	20%
Deferred Developer Fee	658,209	5%
Total Sources	13,854,536	

Stanley-National, Buildings 2 & 5

Market Rate Residential

Cash Flow Analysis

Assumptions

Income Inflation - Residential	2%
Vacancy Rate - Residential	10%
Operation Expense Inflation Factor	3%

	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	
Income								
Market Rate Residential	683,194	696,857	710,795	725,011	739,511	754,301	769,387	
Gross Income	683,194	696,857	710,795	725,011	739,511	754,301	769,387	
Vacancy - Market Rate Units	(68,319)	(69,686)	(71,079)	(72,501)	(73,951)	(75,430)	(76,939)	
Pay-as-you-go TIF	121,951	121,951	121,951	121,951	121,951	121,951	121,951	
<i>Effective Gross Income</i>	736,825	749,122	761,666	774,460	787,510	800,821	814,399	
Total Gross Income	736,825	749,122	761,666	774,460	787,510	800,821	814,399	
Operating Expenses								
Operating Expenses	(282,387)	(290,859)	(299,585)	(308,572)	(317,829)	(327,364)	(337,185)	
NOI Before Debt Service	454,438	458,263	462,081	465,888	469,681	473,457	477,214	
Cash Available for Debt Service	454,438	458,263	462,081	465,888	469,681	473,457	477,214	
Permanent Loan Debt Service	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	
Cash Flow After Debt Service	194,828	198,654	202,472	206,279	210,072	213,848	217,604	
Deferred Developer Fee	0	(87,761)	(87,761)	(87,761)	(87,761)	(87,761)	(87,761)	
Cash Available for Distribution	194,828	110,893	114,711	118,517	122,310	126,087	129,843	
	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	
Loan Amortization Schedule								
Balance Owed, beginning of year	3,305,000	3,202,379	3,094,882	2,982,280	2,864,329	2,740,775	2,611,353	
Annual Mortgage Payment	259,609	259,609	259,609	259,609	259,609	259,609	259,609	
Interest Portion of Payment	(156,988)	(152,113)	(147,007)	(141,658)	(136,056)	(130,187)	(124,039)	
Amortization of principal	102,622	107,496	112,602	117,951	123,554	129,423	135,570	
Balance Owed, end of year	3,202,379	3,094,882	2,982,280	2,864,329	2,740,775	2,611,353	2,475,783	
	Year 0 2022	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029
Project Worth (R.O.I.)								
Real Cash Flow to Owner (w/Dev. Fee)	(2,078,180)	194,828	198,654	202,472	206,279	210,072	213,848	217,604
Down Payment/Reversion R.O.I	(2,078,180)							
	9%	5%						
Debt-Service Coverage Ratio		1.75	1.77	1.78	1.79	1.81	1.82	1.84

Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
784,775	800,470	816,480	832,809	849,465	866,455	883,784	901,459	919,489	937,878	956,636	975,769	995,284
784,775	800,470	816,480	832,809	849,465	866,455	883,784	901,459	919,489	937,878	956,636	975,769	995,284
(78,477)	(80,047)	(81,648)	(83,281)	(84,947)	(86,645)	(88,378)	(90,146)	(91,949)	(93,788)	(95,664)	(97,577)	(99,528)
121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951
828,248	842,374	856,782	871,479	886,469	901,760	917,356	933,264	949,490	966,041	982,923	1,000,142	1,017,706
828,248	842,374	856,782	871,479	886,469	901,760	917,356	933,264	949,490	966,041	982,923	1,000,142	1,017,706
(347,301)	(357,720)	(368,451)	(379,505)	(390,890)	(402,617)	(414,695)	(427,136)	(439,950)	(453,149)	(466,743)	(480,745)	(495,168)
480,947	484,654	488,331	491,974	495,579	499,143	502,661	506,128	509,540	512,893	516,180	519,397	522,539
480,947	484,654	488,331	491,974	495,579	499,143	502,661	506,128	509,540	512,893	516,180	519,397	522,539
(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)
221,338	225,045	228,722	232,365	235,970	239,534	243,051	246,519	249,931	253,283	256,571	259,788	262,929
(87,761)	(87,761)	(87,761)	(87,761)						0	0	0	0
133,577	137,284	140,960	144,604	235,970	239,534	243,051	246,519	249,931	253,283	256,571	259,788	262,929
Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
2,475,783	2,333,773	2,185,018	2,029,197	1,865,974	1,694,999	1,515,902	1,328,298	1,131,783	925,933	710,306	484,436	247,837
259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609
(117,600)	(110,854)	(103,788)	(96,387)	(88,634)	(80,512)	(72,005)	(63,094)	(53,760)	(43,982)	(33,740)	(23,011)	(11,772)
142,010	148,755	155,821	163,222	170,976	179,097	187,604	196,515	205,850	215,628	225,870	236,599	247,837
2,333,773	2,185,018	2,029,197	1,865,974	1,694,999	1,515,902	1,328,298	1,131,783	925,933	710,306	484,436	247,837	0
Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
221,338	225,045	140,960	144,604	235,970	239,534	243,051	246,519	249,931	253,283	256,571	259,788	262,929
1.85	1.87	1.88	1.90	1.91	1.92	1.94	1.95	1.96	1.98	1.99	2.00	

Stanley-National

Buildings 2 & 5

Lower Level	3 Apartments (Bldg 5), Storage
1st Floor	12 Apartments
2nd Floor	12 Apartments
3rd Floor	12 Apartments
4th Floor	12 Apartments
<i>Assumes 51 apartments, all market rate. HTC's for all improvements</i>	

Total Development Costs

Construction Costs	\$ 10,970,142
Addtl Development Costs	\$ 2,884,395
	\$ 13,854,536

Income

	Net SF	Monthly Rent/SF	Annual Rent/SF	Annual Income
Market Rate Units				
51 units	47,444	1.20	14.40 \$	683,194
Vacancy				
Apartments (10%)				\$ (68,319)
Operating Expenses				
Apartments				\$ (282,387)
Annual Mortgage Payment				
Based on 20 year loan, 4.75% interest				\$ (259,609)
Add'l Income				
Plus pay as you go TIF				\$ 121,951
Net Income				\$ 194,828

Sources

Equity	\$ 2,078,180	15%
Loan (4.75%, 20 years)	\$ 3,305,000	24%
Federal HTC (20% at \$0.80)	\$ 2,216,246	16%
State HTC (25% at \$0.80)	\$ 2,770,307	20%
Deferred Developer Fee (75%)	\$ 658,209	5%
Gap	<u>\$ 2,826,594</u>	20%
	\$ 13,854,536	

Return on Investment

Year 1	9%
Year 2	5%

Additional Incentives Included

Building Materials Sales Tax Waiver	\$ (312,891)
Pay-as-you-go TIF	\$ 2,804,862

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Stanley-National, Buildings 2 & 5

Market Rate Residential

5/29/2020

Property Valuation	Total	
Total A.G. Building Sq. ft.	69,660	
Current FMV (2020)	674,167	
Current value per SF	9.68	
Future value per SF	53.00	
Future FMV Estimate (2035)	3,691,980	4,131,251
Value based on NOI/Cap rate of 10%	4,131,251	
Base Property Tax (2020)	-	2019 tax was \$25,059
Future Property Tax Estimate	135,501	11.0115% tax rate

Financial Input

Annual Gross Potential Income, first year	683,194
Operating Expenses, first year	282,387
Loan to Value ratio	80%
Stated Annual Interest rate	4.75%
Loan Term (years)	20
Percent of price in improvements	82%
After tax, Real Discount rate	2%
Cap Rate assumed at date of sale	12%
Transaction costs as % of sales price	9%
Cap Rate at Purchase	12%

Project Financing

Loan Amount	3,305,000
Equity Required	2,078,180
Mortgage Loan Constant	7.86%
Total Development Costs	13,854,536
Total Sources	13,854,536

TIF Funding

Current Property Tax	-	assume new 23 year TIF
Future Property Tax	135,501	
Remaining TIF Levy Years	23	
Projected TIF Equity	3,116,513	
TIF Factor	90%	
Net TIF Proceeds	2,804,862	

Stanley-National, Buildings 2 & 5

Market Rate Residential

Development Costs

		Total Costs	
Land Costs			
Acquisition Costs		1	
Closing Costs		2500	
Appraisal		500	
Holding Costs			
Total Land Costs		3,001	
Fees/Permits/Studies			
Building Fees and Permits	1.00%	94,815	
Surveys/Soils/Variance	0.15%	14,222	
Environmental	0.05%	4,741	
Arch/Eng./Civil Design	10.00%	948,154	<i>incl. HTC consult</i>
Arch & Eng. Reimb.	0.05%	4,741	
Total F/P/S Costs		1,066,673	
Direct Construction Costs			
Construction Costs		9,481,540	
Building Materials Sales Tax Waiver		(312,891)	
Contractor O+P, Contingency		1,801,493	
Total Direct Constr. Costs		10,970,142	
Indirect Construction Costs			
Builder's Risk/Liability Insurance	1.50%	142,223	
Real Estate Taxes		-	
Legal	1.00%	94,815	
Total Indirect Const. Costs		237,039	
Reserves			
Replacement Reserves		2,550	\$50/unit
Operating Reserve		20,496	3% gross revenue
Total Rent-Up Costs		23,046	
Financing Costs			
Construction Loan Interest	5.00%	474,077	
Construction Loan Fees	1.20%	131,642	
Construction Lender Legal	0.00%	-	
Permanent Loan Fees/Closing Costs	0.50%	54,851	
Title & Recording Costs	0.15%	16,455	
Total Financing Costs		677,025	
Development Costs Subtotal		12,976,925	
Site Costs Subtotal		-	
Total Development Costs (Pre Dev. Fee)		12,976,925	
Deferred Developer Fee	8.00%	877,611	<i>Cost/SF</i>
Total Development Costs		13,854,536	\$199

Stanley-National, Buildings 2 & 5
Costs

	Keys	Gross SF/Units	Constr. Cost / SF or Unit	Cost Estimate
Site Costs and Building Envelope				
Site Costs				50,000
Parking Lot				60,000
Demo		69,660	3	208,980
Building 2 Partial Demo				250,000
5 Stop Elevator		1	160,000	160,000
Roofing		14,032	15	210,480
Build-Out				
Residential		58,620	140	8,206,800
Common Area		2,794	120	335,280
		Subtotal		9,481,540
Enterprise Zone - Materials Sales Tax Waiver <i>assume 40% of cost above is material x 8.25% IL sale:</i>				(312,891)
Contractor's Overhead/Profit	9.00%			853,339
Construction Contingency	10.00%			948,154
Direct Construction Costs Total				10,970,142

	Keys	Gross SF/Units	Constr. Cost / SF or Unit	Cost Estimate
Site Costs and Building Envelope				
Site Costs				50,000
Parking Lot				60,000
Demo		30,720	3	92,160
Building 1 Demo				250,000
Roofing		7,680	15	115,200
Build-Out				
Residential		30,720	140	4,300,800
		Subtotal		4,868,160
Enterprise Zone - Materials Sales Tax Waiver <i>assume 40% of cost above is material x 8.25% IL sale:</i>				(160,649)
Contractor's Overhead/Profit	9.00%			438,134
Construction Contingency	10.00%			486,816
Direct Construction Costs Total				5,632,461

Stanley-National, Buildings 2 & 5

Market Rate Residential

Building Operating Expenses

	Monthly	Annual	% of Annual G.O.I
Management			
Property Management Fee	2,847	34,160	5.00%
Security	569	6,832	1.00%
Total Management	3,416	40,992	6.00%
Administration			
Accounting	569	6,832	1.00%
Legal	569	6,832	1.00%
Total Administration	1,139	13,664	2.00%
Maintenance			
Supplies	285	3,416	0.50%
Repairs Contract	1,708	20,496	3.00%
Pest Control	142	1,708	0.25%
Grounds Contract (snow/landscaping)	569	6,832	1.00%
Interior Painting	569	6,832	1.00%
Total Maintenance	3,274	39,284	5.75%
Utilities			
Trash Removal	427	5,124	0.75%
Water/Sewer	569	6,832	1.00%
Total Utilities	996	11,956	1.75%
Insurance			
Property & Liability Insurance	1,708	20,496	3.00%
Total Insurance	1,708	20,496	3.00%
Taxes			
Real Estate Taxes	11,292	135,501	19.83%
Business Tax and License	1,139	13,664	2.00%
Total Taxes	12,430	149,164	21.83%
Contingency	569	6,832	1.00%
Total Operating Expenses	23,532	282,387	
Total Gross Operating Income	56,933	683,194	

Stanley-National, Buildings 2 & 5

Market Rate Residential

Rent Schedule

<i>Market Rate Residential</i>	Net SF	Monthly Rental Rate	Annual Rental Rate	Monthly Income	Annual Income	Unit #
Building 2	25,872	1.20	14.40	31,046	372,557	24
Building 5	21,572	1.20	14.40	25,886	310,637	27
	47,444		TOTAL INCOME		683,194	51

Stanley-National, Buildings 2 & 5

Market Rate Residential

Tax Credit Analysis

Uses	Total Costs	Federal HTC Eligible	State HTC Eligible
Land/Acquisition Costs	3,001 -		
Fees/Permits/Studies	1,066,673	533,337	533,337
Direct Construction Costs	10,970,142	5,337,681	5,337,681
Indirect Construction Costs	237,039	118,519	118,519
Rent-Up Costs	23,046	11,523	11,523
Financing Costs	677,025	338,512	338,512
Developer Fee	877,611	438,806	438,806
Total Uses	13,854,536	6,778,377	6,778,377

Federal HTC	State HTC
6,778,377	6,778,377
20%	25%
\$ 0.80	\$ 0.80
1,084,540	1,355,675

Sources	Total Estimate	
Private Equity	2,078,180	15% <i>Future Value based on NOI/Cap Rate</i>
Conventional Loan	3,305,000	24% 4,131,251
Gap	5,372,931	39%
Federal HTCs	1,084,540	8%
State HTCs	1,355,675	10%
Deferred Developer Fee	658,209	5%
Total Sources	13,854,536	

Stanley-National, Buildings 2 & 5

Market Rate Residential

Cash Flow Analysis

Assumptions

Income Inflation - Residential	2%
Vacancy Rate - Residential	10%
Operation Expense Inflation Factor	3%

	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029
Income							
Market Rate Residential	683,194	696,857	710,795	725,011	739,511	754,301	769,387
Gross Income	683,194	696,857	710,795	725,011	739,511	754,301	769,387
Vacancy - Market Rate Units	(68,319)	(69,686)	(71,079)	(72,501)	(73,951)	(75,430)	(76,939)
Pay-as-you-go TIF	121,951	121,951	121,951	121,951	121,951	121,951	121,951
<i>Effective Gross Income</i>	736,825	749,122	761,666	774,460	787,510	800,821	814,399
Total Gross Income	736,825	749,122	761,666	774,460	787,510	800,821	814,399
Operating Expenses							
Operating Expenses	(282,387)	(290,859)	(299,585)	(308,572)	(317,829)	(327,364)	(337,185)
NOI Before Debt Service	454,438	458,263	462,081	465,888	469,681	473,457	477,214
Cash Available for Debt Service	454,438	458,263	462,081	465,888	469,681	473,457	477,214
Permanent Loan Debt Service	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)
Cash Flow After Debt Service	194,828	198,654	202,472	206,279	210,072	213,848	217,604
Deferred Developer Fee	0	(87,761)	(87,761)	(87,761)	(87,761)	(87,761)	(87,761)
Cash Available for Distribution	194,828	110,893	114,711	118,517	122,310	126,087	129,843

	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029
Loan Amortization Schedule							
Balance Owed, beginning of year	3,305,000	3,202,379	3,094,882	2,982,280	2,864,329	2,740,775	2,611,353
Annual Mortgage Payment	259,609	259,609	259,609	259,609	259,609	259,609	259,609
Interest Portion of Payment	(156,988)	(152,113)	(147,007)	(141,658)	(136,056)	(130,187)	(124,039)
Amortization of principal	102,622	107,496	112,602	117,951	123,554	129,423	135,570
Balance Owed, end of year	3,202,379	3,094,882	2,982,280	2,864,329	2,740,775	2,611,353	2,475,783

	Year 0 2022	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029
Project Worth (R.O.I.)								
Real Cash Flow to Owner (w/Dev. Fee)	(2,078,180)	194,828	198,654	202,472	206,279	210,072	213,848	217,604
Down Payment/Reversion R.O.I	(2,078,180)	9%	5%					
Debt-Service Coverage Ratio		1.75	1.77	1.78	1.79	1.81	1.82	1.84

Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
784,775	800,470	816,480	832,809	849,465	866,455	883,784	901,459	919,489	937,878	956,636	975,769	995,284
784,775	800,470	816,480	832,809	849,465	866,455	883,784	901,459	919,489	937,878	956,636	975,769	995,284
(78,477)	(80,047)	(81,648)	(83,281)	(84,947)	(86,645)	(88,378)	(90,146)	(91,949)	(93,788)	(95,664)	(97,577)	(99,528)
121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951	121,951
828,248	842,374	856,782	871,479	886,469	901,760	917,356	933,264	949,490	966,041	982,923	1,000,142	1,017,706
828,248	842,374	856,782	871,479	886,469	901,760	917,356	933,264	949,490	966,041	982,923	1,000,142	1,017,706
(347,301)	(357,720)	(368,451)	(379,505)	(390,890)	(402,617)	(414,695)	(427,136)	(439,950)	(453,149)	(466,743)	(480,745)	(495,168)
480,947	484,654	488,331	491,974	495,579	499,143	502,661	506,128	509,540	512,893	516,180	519,397	522,539
480,947	484,654	488,331	491,974	495,579	499,143	502,661	506,128	509,540	512,893	516,180	519,397	522,539
(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)	(259,609)
221,338	225,045	228,722	232,365	235,970	239,534	243,051	246,519	249,931	253,283	256,571	259,788	262,929
(87,761)	(87,761)	(87,761)	(87,761)						0	0	0	0
133,577	137,284	140,960	144,604	235,970	239,534	243,051	246,519	249,931	253,283	256,571	259,788	262,929
Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
2,475,783	2,333,773	2,185,018	2,029,197	1,865,974	1,694,999	1,515,902	1,328,298	1,131,783	925,933	710,306	484,436	247,837
259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609	259,609
(117,600)	(110,854)	(103,788)	(96,387)	(88,634)	(80,512)	(72,005)	(63,094)	(53,760)	(43,982)	(33,740)	(23,011)	(11,772)
142,010	148,755	155,821	163,222	170,976	179,097	187,604	196,515	205,850	215,628	225,870	236,599	247,837
2,333,773	2,185,018	2,029,197	1,865,974	1,694,999	1,515,902	1,328,298	1,131,783	925,933	710,306	484,436	247,837	0
Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040	Year 19 2041	Year 20 2042
221,338	225,045	140,960	144,604	235,970	239,534	243,051	246,519	249,931	253,283	256,571	259,788	262,929
1.85	1.87	1.88	1.90	1.91	1.92	1.94	1.95	1.96	1.98	1.99	2.00	

Stanley-National

Buildings 2 & 5

Lower Level	3 Apartments (Bldg 5), Storage
1st Floor	12 Apartments
2nd Floor	12 Apartments
3rd Floor	12 Apartments
4th Floor	12 Apartments
<i>Assumes 51 apartments, all market rate. Assumes no HTCs for Building 2 improvements</i>	

Total Development Costs

Construction Costs	\$ 10,970,142
Addtl Development Costs	\$ 2,884,395
	\$ 13,854,536

Income

	Net SF	Monthly Rent/SF	Annual Rent/SF	Annual Income
Market Rate Units				
51 units	47,444	1.20	14.40	\$ 683,194
Vacancy				
Apartments (10%)				\$ (68,319)
Operating Expenses				
Apartments				\$ (282,387)
Annual Mortgage Payment				
Based on 20 year loan, 4.75% interest				\$ (259,609)
Add'l Income				
Plus pay as you go TIF				\$ 121,951
Net Income				\$ 194,828

Sources

Equity	\$ 2,078,180	15%
Loan (4.75%, 20 years)	\$ 3,305,000	24%
Federal HTC (20% at \$0.80)	\$ 1,084,540	8%
State HTC (25% at \$0.80)	\$ 1,355,675	10%
Deferred Developer Fee (75%)	\$ 658,209	5%
Gap	\$ 5,372,931	39%
	\$ 13,854,536	

Return on Investment

Year 1	9%
Year 2	5%

Additional Incentives Included

Building Materials Sales Tax Waiver	\$ (473,540)
Pay-as-you-go TIF	\$ 2,804,862

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HARDWARE DISTRICT



Appendix C
Existing Conditions Photos



COLTON

180

HO

RVA















3-05-02

3-504



3-05-02



ALL EMPTY

ENTECH

ENTECH





72422

72421

CAP 2 TON

**SAFETY
QUALITY
PRODUCTION**

CAP 3 TON



72422

72421

CAP 2 TON

P 3 TON

**SAFETY
QUALITY
PRODUCTION**



FIRE
EXTINGUISHER



FIRE
EXTINGUISHER



72416

72417

CAP 20000 LBS



72416

72417

CAP 20000 LBS













1ST AVE.

NO RIGHT
TURN
ON RED

LAWRENCE
HARDWARE

LAWRENCE
HARDWARE

NO RIGHT
TURN
ON RED
PARKING
PERM. USE











