

**VILLAGE OF SKOKIE  
OLD ORCHARD CENTER  
BUSINESS DISTRICT PLAN**

**Prepared by:**

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**Prepared for consideration by:**

**Village of Skokie, Illinois**

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Old Orchard Center  
Business District Plan**

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**EXHIBITS**

- Exhibit A      Legal Description, Permanent Tax Index Numbers (PINs) and Common Addresses for the Properties within Old Orchard Center Business District
- Exhibit B      Map of the Boundaries of the Old Orchard Center Business District
- Exhibit C      Existing Land Uses within the Boundaries of the Old Orchard Center Business District
- Exhibit D      Parcel Map of the Old Orchard Center Business District

## **I. INTRODUCTION**

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### **A. Background**

The Village of Skokie, Illinois (the “Village”) was incorporated in 1888 as “Niles Centre” and later renamed the Village of Skokie in 1940. It grew rapidly during the post-war era and reached a population of 69,432 by 1990. Since that time and according to the U.S. Census Bureau, growth has tapered off with population levels reaching 64,784 in 2010. Today, the Village is a community of approximately 66,700 residents (per the 2020 Census), having grown by approximately three percent (3 %) over the past decade. Skokie is in Cook County, Illinois, and situated approximately 15 miles north of the City of Chicago’s Central Business District. The total area of the Village is 10.06 square miles and is bordered by Evanston to the east, Chicago to the southeast and southwest, Lincolnwood to the south, Niles to the southwest, Morton Grove to the west, Glenview to the northwest, and Wilmette to the north. Skokie is a uniquely diverse community evidenced by the fact that there are typically over 90 different languages spoken in the homes of the Village’s school-age families in any given year. Recent notable recognitions for Skokie include being named in the Top 50 American Suburbs for Education, Top 8 Places to Buy a Home by Crain’s Chicago Business and Top 10 Best Neighborhoods and Suburbs by Chicago Magazine.

The Village is historically known for its strong manufacturing and retail commerce base and is a net importer of jobs with a daytime population estimated at 75,000 people. The Village also contains other important assets. First, Skokie benefits from a broad and deep array of municipal services, including being the first community in the nation to simultaneously achieve accredited public works, police and fire departments. Secondly, a number of sizable employers are located within Village limits (e.g., Westfield Old Orchard Shopping Center, NorthShore University HealthSystem/Skokie Hospital, the Illinois Science + Technology Park (ISTP), Federal Mogul/Tenneco, Amazon, and High School District 219), and is in close proximity to Northwestern University. Finally, the Village has a number of transportation amenities, including access to Interstate 94 at three junctures, Metra’s commuter rail service just west of Village boundaries, Chicago Transit Authority’s commuter rail service to Dempster Avenue and on Oakton Street, in Downtown Skokie). O’Hare International Airport is located approximately twelve miles west of the Village.

Additionally, the Village has many quality of life amenities, such as the North Shore Center for the Performing Arts, which hosts hundreds of performances each year that draw from the greater Chicago and North Shore area. The award-winning Skokie Park District and Skokie Public Library provide year-round access to outstanding recreational and educational programming at public spaces and historical sites throughout the Village, and the renowned Northshore Sculpture Park and Illinois Holocaust Museum and Education Center draw thousands of visitors from out of town annually. While difficult to quantify in economic terms, these cultural amenities enhance the commercial areas and make the general area more attractive to residents and businesses alike. Another important asset is the 23-acre ISTP campus, located in Downtown Skokie, which employs over 1,600 workers representing over 20 international and domestic life science

companies as well as startups doing important work in the bioscience, healthcare, and technology industries.

Skokie is also the home of Westfield Old Orchard (“Old Orchard” or the “Center”) which is one of the country's first outdoor shopping centers and is currently the third largest mall by total square footage (1.7 million square feet) in Illinois. Old Orchard is the largest contributor to the sales tax base of the Village and to the property tax base of other various taxing bodies within Skokie. Located directly proximate to the highly travelled I-94 expressway, Old Orchard is anchored by several national department stores and home to multiple restaurants, specialty retailers, boutique shops, and other entertainment venues, with a current total of 140 tenants. Additionally, Old Orchard is home to an 89,000 square foot multi-tenant professional office building which includes corporate and medical offices.

Over the past decade, however, Old Orchard has experienced lagging sales and a low volume of potential tenants, resulting in fewer recruitment/expansion opportunities. These circumstances are due to a number of factors, most significantly the growing property tax burden associated with being located within Cook County, in addition to aged and obsolete existing physical conditions, the devastating effects of COVID-19 and changing consumer demand. These factors have led to increased longer-term vacancies among major anchors and a sustained lack of private investment within the Center. Seeking to guide this once vibrant and growing (in terms of overall real estate and sales taxes generated) regional shopping center towards a stronger future, Old Orchard Urban Limited Partnership (the “Developer” or “Westfield”) and the Village have been reviewing several options available in which to partner this effort.

The Village, in partnership with the Developer has determined that to preserve and enhance the tax base, Old Orchard would benefit from the utilization of a business district designation as specifically provided for in 65 ILCS 5/11-74.3-1 et. seq., (the “Business District Act”). Upon approval, proceeds available from the business district will be used to support a redevelopment plan under consideration by the Developer. Grant Thornton, LLP (“Grant Thornton”) has been retained by the Developer to assist the Village in preparing the business district plan for the proposed redevelopment highlighted above.

## **B. Business District Background**

The Business District Act authorizes Illinois municipalities to designate an area within the municipality as a specialized business district designed to promote certain development or redevelopment of property within the boundaries. The creation of a business district is a method of facilitating development or redevelopment of certain commercial areas, in part, by utilizing separate service occupation and Illinois retailers' occupation and/or hotel operators' occupation tax revenues that are generated in those areas to pay for necessary public improvements and other eligible business district project costs. A business district must be a contiguous area (i.e., the properties within the area border each other) and include only tax parcels of real property that will directly and substantially benefit from the proposed plan. To impose additional taxes on a business district, the area must be found to be a “blighted area,” as defined in the Business District Act.

### **C. The Powers of the Village**

The Business District Act authorizes Illinois municipalities to designate an area within the municipality as a business district to promote economic development. To institute a business district, the municipality must establish a business district plan approved by the corporate authorities of the municipality after a public hearing. In accordance with the Business District Act, the Village may exercise the following powers in carrying out a business district development plan (65 ILCS 5/11-74.3-3):

- (1) To make and enter into all contracts necessary or incidental to the implementation and furtherance of a business district plan. A contract by and between the municipality and any developer or other nongovernmental person to pay or reimburse said developer or other nongovernmental person for business district project costs incurred or to be incurred by said developer or other nongovernmental person shall not be deemed an economic incentive agreement under 65 ILCS 5/8-11-20, notwithstanding the fact that such contract provides for the sharing, rebate, or payment of retailers' occupation taxes or service occupation taxes (including, without limitation, taxes imposed pursuant to subsection (10)) that the municipality receives from the development or redevelopment of properties in the business district. Contracts entered into pursuant to this subsection shall be binding upon successor corporate authorities of the municipality and any party to such contract may seek to enforce and compel performance of the contract by civil action, mandamus, injunction, or other proceeding.
- (2) Within a business district, to acquire by purchase, donation, or lease, and to own, convey, lease, mortgage, or dispose of land and other real or personal property or rights or interests therein; and to grant or acquire licenses, easements, and options with respect thereto, all in the manner and at such price authorized by law. No conveyance, lease, mortgage, disposition of land or other property acquired by the municipality, or agreement relating to the development of property, shall be made or executed except pursuant to prior official action of the municipality. No conveyance, lease, mortgage, or other disposition of land owned by the municipality, and no agreement relating to the development of property, within a business district shall be made without making public disclosure of the terms and disposition of all bids and proposals submitted to the municipality in connection therewith.
- (2.5) To acquire property by eminent domain in accordance with the Eminent Domain Act.
- (3) To clear any area within a business district by demolition or removal of any existing buildings, structures, fixtures, utilities, or improvements, and to clear and grade land.
- (4) To install, repair, construct, reconstruct, or relocate public streets, public utilities, and other public site improvements within or without a business district which are essential to the preparation of a business district for use in accordance with a business district plan.

- (5) To renovate, rehabilitate, reconstruct, relocate, repair, or remodel any existing buildings, structures, works, utilities, or fixtures within any business district.
- (6) To construct public improvements, including but not limited to buildings, structures, works, utilities, or fixtures within any business district.
- (7) To fix, charge, and collect fees, rents, and charges for the use of any building, facility, or property or any portion thereof owned or leased by the municipality within a business district.
- (8) To pay or cause to be paid business district project costs. Any payments to be made by the municipality to developers or other nongovernmental persons for business district project costs incurred by such developer or other nongovernmental person shall be made only pursuant to the prior official action of the municipality evidencing an intent to pay or cause to be paid such business district project costs. A municipality is not required to obtain any right, title, or interest in any real or personal property to pay business district project costs associated with such property. The municipality shall adopt such accounting procedures as shall be necessary to determine that such business district project costs are properly paid.
- (8.5) Utilize up to 1 percent of the revenue from a business district retailers' occupation tax and service occupation tax imposed under paragraph (10) and a hotel operators' occupation tax under paragraph (11) of Section 5/11-74.3-3 in connection with one business district for eligible costs in another business district that is:
  - (A) contiguous to the business district from which the revenues are received.
  - (B) separated only by public right of way from the business district from which the revenues are received; or
  - (C) separated only by forest preserve property from the business district from which the revenues are received if the closest boundaries of the business districts that are separated by the forest preserve property are less than one mile apart.
- (9) To apply for and accept grants, guarantees, donations of property or labor or any other thing of value for use in connection with a business district project.
- (10) If the municipality has by ordinance found and determined that the business district is a blighted area under the Business District Act, to impose a retailers' occupation tax and a service occupation tax in the business district, in accordance with the Business District Act, for the planning, execution, and implementation of business district plans and to pay for business district project costs as set forth in the business district plan approved by the municipality.
- (11) If the municipality has by ordinance found and determined that the business district is a blighted area under the Business District Act, to impose a hotel operator's tax in

the business district, in accordance with the Business District Act, for the planning, execution, and implementation of business district plans and to pay for business district project costs as set forth in the business district plan approved by the municipality

Pursuant to the Business District Act, the service occupation and retailers' occupation taxes may be imposed at a rate not to exceed one percent (1%) of the gross receipts from sales of tangible personal property within the business district and must be imposed in quarter percent (0.25%) increments. The service occupation and retailers' occupation taxes may not be imposed on "tangible personal property titled or registered with an agency of this State's government or food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks, and food that has been prepared for immediate consumption), prescription and nonprescription medicines, drugs, medical appliances, modifications to a motor vehicle for the purposes of rendering it usable by a disabled person, and insulin, urine testing materials, syringes, and needles used by diabetics, for human use." The hotel operators' occupation tax may be imposed at a rate of not to exceed one percent (1%) of the gross rental receipts from the rental leasing or letting of hotel rooms within the business district (excluding, however, gross rental receipts from the rental leasing or letting of a hotel to permanent residents, as defined in the Hotel Operators' Occupation Tax Act), must be imposed in quarter percent (0.25%) increments. These service occupation and retailers' occupation taxes, if imposed, shall be collected by the Illinois Department of Revenue and then disbursed to the Village. The hotel operators' occupation tax shall be administered and collected by the Village.

In accordance with the Business District Act, the Plan sets forth the necessity for, the objectives of, and the development program for the Business District in the Village. All exhibits to this Plan are incorporated herein by this reference thereto.

#### **D. About the Proposed Old Orchard Center Business District**

The Village has identified an area that includes the Old Orchard Center, generally bounded by Old Orchard Road to the north, Golf Road to the south, Lawler Avenue to the west, and Skokie Boulevard to the east, and legally described in Exhibit A attached hereto and made a part hereof, and graphically depicted on the map attached hereto as Exhibit B and made part hereof (the "Business District") that would benefit from the utilization of a business district designation as specifically provided for in the Business District Act.

The Business District is comprised of over 1.7 million square feet of commercial development that includes big box retailers such as Macy's, Nordstrom, and Bloomingdale's. Other uses include various smaller retailer, restaurant, office, open area recreation, and entertainment uses. Old Orchard originally opened in 1956 and various additions were constructed and redeveloped over the years. The Center was originally opened in 1956 with two retail locations, a Marshall Field's and the Fair Department Store (later named Montgomery Wards), along with an office tower, which stands today. The North and West parking garages were constructed in 1978. As retailers and mall operators struggled in the late 1980s and 1990s, so did Old Orchard. In 1991, the new ownership implemented a major investment in the Center which included the demolition of a vacant Montgomery Ward store to make room for a 200,000 square foot Nordstrom store as well

as 100,000 square feet for the addition of 62 new stores, and the relocation and expansion of Lord & Taylor, which opened in 1993. While the Nordstrom store opened in 1994, the formal reopening of the Center took place in 1995, with the opening of Bloomingdale's, Barnes & Noble Booksellers, the five-story parking garage, and movie theaters. The Developer acquired an interest in the Center in 2002 and there was an additional renovation project in 2007. Westfield merged with Unibail-Rodamco in 2018. Since 2007, no significant investment has occurred within the Center.

The Center is beginning to experience larger vacancies due to current retail market trends and the obsolete design of the Center. For example, the 116,800 square feet Lord & Taylor store closed in May 2018 and the Developer has been unable to attract a permanent replacement tenant (or tenants) for the building. Since 2018, the Developer has worked with multiple potential tenants that expressed interest in the space. The Developer provided the following reasons for the inability to lease the property: poor site lines (an indicator of obsolete design); high property tax burden; high cost of business; lack of leasing capital to assist with development; and lack of adjacent parking. Additionally, a 10,000 square feet McCormick & Schmick's restaurant also closed in 2018, and the Developer has worked diligently to relet the space and the above reasons repeatedly came up in those discussions as impediments to securing a new tenant for the property. Beyond general economic conditions and the various site impediments, one of the major impediments to development is the property tax burden in Cook County, which is creating an undue cost burden on the Center. As discussed later in this Business District Redevelopment Plan (the "Plan"), the property tax burden at the Center eclipses the appropriate ratios compared to other Developer owned properties as well as nationally accepted industry averages.

To assist the Developer by offsetting this high-cost property tax burden, the Village is supportive of the creation of the proposed Business District. The Developer is the principal landowner with the exception of the parcels owned by Macy's.

The Plan developed in conjunction with the Village is an initial step in an effort to partner with the Developer to maintain and grow retail and commercial advantage in the Village, solidify Old Orchard as the premier shopping destination on Chicago's North Shore (the "North Shore"), grow the property and sales tax base, and maintain its standing as one of the largest employers in the community. Given recent market trends affecting retail trade, as well as the negative trends toward brick-and-mortar retail, the Village believes additional support is required to promote and accelerate redevelopment efforts of Old Orchard and enhance economic growth in the Village.

## **E. Village Goals and Objectives**

### **Village Goals**

- Provide for the implementation of economic development and redevelopment strategies that benefit the Village and its residents.

- Encourage positive and economically feasible redevelopment of the existing Old Orchard Shopping Center, including, but not limited to the vacant properties and under-utilized facilities in the center.
- Preserve and strengthen the property tax base for overlapping taxing jurisdictions and sales tax base of the Village.
- Create new jobs and retain existing jobs for the Village and area residents.
- Facilitate and promote environmentally focused investments and initiatives that advance the Skokie Environmental Sustainability Plan.
- Coordinate redevelopment within the Village in a comprehensive manner.

### Village Objectives

- Unlock the potential of Old Orchard to be the premier (e.g., “Best in Class”) shopping destination on the North Shore of Chicago.
- Increase customer visits to Old Orchard focusing on non-Village resident patronage.
- Create an improved shopping experience for Old Orchard customers, a more diverse tenant mix, and improved dining options to ensure its long-term success in the Village.
- Reduce the operating costs of Old Orchard to encourage increased investment in the property and create the opportunity for additional development within or adjacent to the Business District.
- Prevent future vacancies and encourage the redevelopment of the former Lord & Taylor and other vacant spaces.
- Promote environmentally sustainable investments in commercial development projects and promoting adaptive reuse of existing buildings.
- Promote and/or enhance retail business occupancy within existing buildings and structures through the utilization of applicable funds for eligible capital improvements
- Facilitate right-of-way and private roadway improvements, public transportation, parking, and access related agreements and enhancements within the Business District.
- Address physical deficiencies of facilities, infrastructure, and obsolescence of the Center.
- Create a stronger environment for investment by Developer.

## **II. QUALIFICATION OF THE BUSINESS DISTRICT**

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Pursuant to the Business District Act, the Village may designate a specific area of the Village as a business district, with the authority to levy additional taxes, but only after the holding of a public hearing, pursuant to due public notice, and the making of a formal finding as to the following:

- the business district as a whole has not been subject to growth and development through investment by private enterprises and would not reasonably be anticipated to be developed or redeveloped without the adoption of the business district development or redevelopment plan;
- the business district plan conforms to the comprehensive plan for the development of the municipality as a whole; and
- the business district is a blighted area that, by reason of the predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire or other causes, or any combination of those factors, retards the provision of housing accommodations or constitutes an economic or social liability, and economic underutilization of the area, or a menace to the public health, safety, morals, or welfare.

The Business District, as it currently exists, demonstrates factors which support its qualification as a “blighted area” pursuant to the Business District Act. These include 1) improper subdivision or obsolete platting and 2) deterioration of site improvements. The presence of these factors is described below. Their presence alone, and in combination, constitute an economic liability and economic underutilization of the area as a whole.

### Improper Subdivision or Obsolete Platting

Due to initial Center planning, including the configuration for large department store anchors and circulation between such uses, the repositioning of space for smaller or different uses may be needed to implement the Plan. The Center was originally designed with tax parcels which are generally very large in size and of irregular size and shape, as reflected in the map attached hereto as Exhibit D. The infrastructure to support the Center, such as the existing easements, public right-of-ways, ingress/egress points, and retention areas were constructed to support these large tax parcels. To support additional growth and development within the Center, these items may require a subdivision which is more consistent with current market standards. Such subdivision may be complicated by the deficiencies in these elements and may require further coordination with new improvements to align to future uses within the Business District. Other specific observations that may be considered as impediments to implementing the Plan, are detailed in the following observations:

- Redevelopment of the property in lots or blocks which reflect the current property description boundaries may not be feasible unless modifications occur. The existing platting has not

addressed the need for multiple uses within larger lots, cross-connections to neighboring parcels, and a review of access to adjacent major and secondary arterials based on new uses may require evaluation.

- The limited access points and roadways may require reconstruction or reconfiguration as new uses and re-development occurs within the Center. This may require a plat of subdivision that accommodates linkages between the various parcels as part of a unified plan for redevelopment as they were not constructed to modern development standards.
- The existing land division was designed to support past economic conditions which are no longer practical in today's retail development economy. Much of the Center was originally subdivided to support large commercial businesses including anchor stores, smaller in line tenants located between anchors, and perimeter out lots. Current economic trends and market conditions point to a different configuration or uses that may require revised subdivision or uses in order to conform to market conditions.
- Coordinated and comprehensive redevelopment within the Business District as a whole may also necessitate the construction of internal walkways and street improvements throughout the area which do not exist at this time. Along with minimizing the impact on existing rights-of-way, such improvements would be necessary to obtain adequate traffic circulation within and across proposed uses in the Business District.

#### Deterioration of Site Improvements

Deterioration is present in areas located within the proposed Business District as a result of deferred capital improvement projects combined with aging structures. For example, due to lack of available investment capital, the Village has observed deferred elevator modernization, surface area parking improvements, need for parking deck upgrades, and need for cosmetic landscaping projects to offset the deterioration of the area. Some specific examples include the following which were observed through visual surveys of the Business District:

- Vacant Properties: The Developer has not secured a tenant for an economically feasible lease in either the Lord & Taylor or the McCormick & Schmick's locations since 2018. As each tenant will have different site requirements, the Developer has not made investments in the property since 2018. The fact that both of these properties have remained vacant over the past three plus years is quite noticeable given the appearance and deterioration of the exterior of both sites. Lack of visibility of the L&T property has also proved problematic in leasing the building.
- Office Tower: The office tower (89,000 square feet.), which dates back to the original construction of the Center, is over 60 years old. While this building serves as the beacon of the Center, due to its age, the façade of this structure requires significant improvement and is in a state of deterioration. Further, through visual examination, deterioration is present in the interior of the property with various examples of cracked tiling and other flooring

deterioration. Finally, the elevators are outdated and require a significant amount of renovation.

- Surface Lot / Parking Structures: Throughout the surface parking areas and the parking structures, numerous examples of deterioration are present. Visual inspection revealed weeds protruding through surface improvements, potholes, and surface cracking throughout the property. Further, the parking structures had several areas of cracked concrete, chipping paint on doors and walls, rust, algae appearing to grow on overhangs, and outdated elevators which require renovation.
- Public Restrooms: The Center has three public restrooms that have not been updated since construction and have suffered significant deterioration over time, however capital has only been designated to update one of the three, deferring the other two to a later date.
- Miscellaneous Observations: Visual inspection revealed several buildings that had chipped painting on the exterior; loose pavers that are out of place with weeds protruding; water damage around the base of several of the retail structures, and rust along the walkway connecting the Center to the parking garage.

The presence of the above factors, and in combination, constitute an economic liability and economic underutilization of the area as a whole. The presence of the ongoing vacancies, age of structures, obsolete design, lack of growth and development, and declining sales and property tax revenue, all as described below, allows for the finding of economic liability and economic underutilization as provided in the definition of “blighted area” pursuant to the Business District Act.

#### Economic Liability and Economic Underutilization

The Center is the largest single contributor to the property tax base of the Village as well as Skokie Elementary School District 68 and Niles Township Community High School District 219. If the Center were to continue to experience increasing vacancies or conditions remain which limit capital investment, this would likely pose a significant threat to the economic health of the Village as well as the other taxing districts. As outlined in this section, a number of factors are present which create an economic liability for the Village. Such contributing factors include the following: age of structures, vacancies, obsolete design, declining sales and property tax revenue, and lack of growth and development.

#### *Age of Structures*

The Center was originally built in 1956, and various additions were constructed and redeveloped between 1956 and 1991. During this time, two major construction projects were implemented at the Center: 1) the North and West parking garages were constructed in 1978; 2) in 1991, Old Orchard expanded and remodeled allowing for the addition of 62 new stores. When evaluating the Center in its entirety, the age of structures is as follows:

**Table 1.0: Age of Structures**

Use	Square Feet (Est)	Percentage of Total Square Feet	Age
Retail (Main)	975,000	82%	48 years*
Office	89,000	8%	62 years
Lord & Taylor (vacant)	116,800	10%	26 years

*\*NOTE: The age depicted in the retail section is a weighted average of multiple buildings located on a single parcel and is based on square feet of occupation.*

Due to the age of the structures within the Center, a significant amount of capital investment is required to maintain its operations and upkeep. Therefore, it limits the amount of capital available for investments designed to grow and enhance the Center. As discussed previously, the Center has not received significant capital investment since 2007, with the exception of modest investment in 2012 which was a cosmetic improvement in the common area and addition of a children’s play area. As the age of the buildings continues to increase, the level of capital required for ongoing maintenance also increases.

*Vacancies within the Center*

As of the date of this Plan, the Center suffers from the fact that approximately 21 percent (21%) (approximately 350,000 square feet) of the gross leasable area is vacant or occupied by temporary users. The largest vacancies are the former Lord & Taylor store and the former McCormick & Schmick’s restaurant. Since Lord & Taylor’s departure from the property in May 2018, the Developer has indicated that it has been unable to secure a long-term tenant in an economically feasible lease to completely occupy the building. Instead, due to current economic conditions and the requirements of the space (such as inadequate fire suppression), the Developer has entered into a short-term, below-market lease with a virtual reality gaming operator that is utilizing less than 50 percent (50%) of the leasable square feet. Further, the temporary tenant is under a 10-day termination clause in the event a long-term retail user can be identified. Due to the small amount of square footage currently being occupied by a short-term, below-market lease tenant, and in line with the above definition of excessive vacancies, the Developer considers the property excessively vacant from a leasing perspective. Secondly, the large restaurant on the north end of the mall, formerly occupied by McCormick & Schmick’s was also vacated in 2018, and as of the date of this Plan, the Developer has not filled the vacancies for many of the reasons detailed in this section of the Plan. These two significant vacancies support the finding that the Center has not been subject to private growth and development.

While it is necessary to attract major new tenants, it is also vital to retain existing tenants to avoid future vacancies. Retailers are closely examining their footprint and the Center needs to remain competitive to retain the long-standing, reliable retailers currently on site.

### *Obsolete Design*

The Developer has indicated that the Center was state-of-the-art when originally constructed in 1956. However, when considering more contemporary and modern design, in today's standards, the Center is not ideal for a modern outdoor shopping destination. Based on interviews with the Developer's executive representatives, the Developer believes that the Center is not attractive to many tenants for several reasons. To begin with, the common area spaces are considered very antiquated when compared to other more modern centers in the market. As an example, some of the common area surrounded by small retail shops is covered by a low canopy which limits light and the exterior attractiveness of the retail in this area of the Center. This limits the amount of natural light that is prevalent for shoppers which is not consistent with how modern facilities are constructed. The Developer has indicated that, given the overall economic conditions prevalent, it has deferred updating this area of the Center as it will take a significant amount of capital investment to redesign the area.

In order to attract luxury retailers, big box, and other users which shoppers desire given current tastes and preferences, tenants expect visibility from multiple angles across the development, which is more consistent with modern design factors. For example, the former Lord & Taylor space is not located in a visible section of the Center, as it has obstructed sight lines from Old Orchard Road and Skokie Boulevard, and it is situated behind a large parking structure. This is the case for the entire back end of the development and is a contributing factor to the other large vacancy of the former McCormick & Schmick's. Along these same lines, the Developer has communicated that one consistent reason for tenants not selecting the former Lord & Taylor space is lack of surface parking around the specific location. A study performed by the Village indicated that the Center has over 650 excess parking spots around the Center, however, these spots are not conveniently located for demand. This specific location was added more than 50 years after the original construction of the Center, more modern designs would include adequate parking for a retailer of this size. Further, since the Center is unable to physically expand, and is land locked, redesigning the parking allotment is not economically feasible.

### *Declining Sales & Property Tax Revenue*

Declining economic viability within the Business District represents an economic liability to the Village and its residents. As an example, the closure of the Lord & Taylor space, along with the inability to find a replacement tenant, is an indicator of the financial stress currently impacting brick-and-mortar retailers. This closure, as well as other economic and public health conditions, has contributed to an overall decline in sales volume, which has a negative impact on the generation of sales and property tax dollars for the Village and the other taxing jurisdictions. The Center is the largest property tax contributor to the Village, as well as Skokie School District 68 and Niles Township Community High School District 219. Given the state of the sales tax revenue, along with the value of the Center from a property tax perspective and the inability to maintain and expand the current level of tax collections, major capital investments are required. Should the Center continue at its current levels, it is likely that the tax base may continue to shrink, and the net result would be a significant impact to the Village and school district budgets given the percentage of the respective budgets made from revenue generated from the Center.

The following tables illustrate that the economic value of the Center has remained relatively flat over the past five years, prior to the COVID-19 pandemic. The lack of growth in economic conditions at the Center represents an economic liability for both the community and the property owners. The tables below represent sales tax and property tax generated by the properties within the business district over the past five years.

**Table 2.0: Estimated Annual Sales and Local Sales Tax Collections**

Year	Annual Sales	Sales Tax Remitted	YOY Change
2016	\$545,387,305	\$55,902,199	N/A
2017	\$529,246,680	\$54,247,785	(2.96%)
2018	\$524,790,812	\$53,791,058	(0.84%)
2019	\$548,209,325	\$56,191,456	4.46%
2020	\$353,595,014	\$36,243,489	(35.50%)

*\*Source: Old Orchard Urban Limited Partnership*

**Table 3.0: Annual Property Tax Collections**

Year	Property Tax Remitted	YOY Change
2016	\$15,761,534	N/A
2017	\$16,561,154	5.07%
2018	\$16,279,418	(1.07%)
2019	\$15,137,099	(7.02%)
2020	\$13,923,549	(8.02%)

*\*Source: Office of the Cook County Clerk Abstract of Valuations, Levies, Tax Rates, and Tax Extensions Equalized Assessed Valuations Less Exemptions*

As evidenced in Table 2.0 and Table 3.0 above, prior to the COVID-19 pandemic, sales were stagnant year over year, despite inflation, which demonstrates that the Center was not performing at optimal levels, when compared to other properties within the real estate portfolio of the Developer. Further, the Center has seen dramatic drops in both property value and sales as a result of the COVID-19 pandemic. In fact, in just one year the sales tax decline was approximately 35 percent (35%) and the property tax reduction was approximately eight percent (8%). Further, the pandemic is anticipated to have a lasting impact on the brick-and-mortar retail industry. In fact, through the first six months of 2021, the end of year sales are expected to be approximately 80 percent (80%) of the pre-pandemic levels. This decline translates to reduced tax collections by the Village and the other relevant taxing districts. Given the importance of tax collections to the Village and other taxing districts, the possibility of allowing the Center to continue to decline may adversely impact future government and other taxing district services.

*Lack of Growth & Development*

As previously mentioned in the Plan, the last accretive investment made at the Center within the proposed Business District was made in 1991, by a previous owner. This investment included the construction of the expansion that was the former Lord & Taylor location. Since 1991, the Center has received modest renovation investment, but the primary reason for capital investment in the

Center has historically been maintenance capital with the exception of a cosmetic improvement in the common area and addition of a children’s play area in 2012. With retail, opportunities for expansion and investment are driven by sales resulting from activities within the property. As detailed in Table 2.0, sales have been relatively flat over the five-year period and experienced its biggest decline in year five. Coupled with the high property tax burden, the Developer is unable to invest the capital required to grow sales within the Center. For all of these reasons, the Developer has deferred several capital projects such as surface lot improvements, parking deck enhancements, restroom refreshes, and elevator improvements. Failure to make such investments limits the ability to attract more customers and higher quality tenants.

In various places within this Plan, the high property tax burden is referenced as a barrier to development and the ability of the Developer to deploy capital into the Center. The Developer uses property tax expense as a percentage of tenant occupancy costs as a measure. For the Center (pre-COVID), this ratio stood at approximately 38 percent (38%), which is the highest percentage in the flagship portfolio of the Developer. Further, using ICSC US national data (pre-COVID), this ratio is approximately 12 percent (12%) for all retail shopping centers tracked by ICSC. According to the Developer, this high cost limits the amount of leasing capital (i.e., tenant improvement allowance and landlord work) that is made available to improve the property and make capital investments required to secure new tenants in the Center. This is evident by the annual sales depicted in Table 2.0.

Further evidence of the lack of growth in development at the Center is the growth in equalized assessed value (“EAV”) of the Center when compared to the overall growth of the Village as a whole. This metric is a common method to evaluate a property by comparing it to the growth of the community in which it operates. Over the course of the past five assessment years, the EAV of the Center has declined by approximately 3.8 percent (3.8%) whereas the Village has experienced growth of approximately 16.25 percent (16.25%) over the same period.

**Table 4.0: Comparisons of Equalized Assessed Value (Center vs. Skokie)**

<b>Tax Year</b>	<b>EAV of BD</b>	<b>5-Year Cumulative % Change</b>	<b>EAV of Village*</b>	<b>5-Year Cumulative % Change</b>
2016	\$171,408,369		\$2,438,309,542	
2017	\$177,259,141		\$2,485,448,498	
2018	\$175,898,628		\$2,434,645,731	
2019	\$179,158,468		\$2,776,378,150	
2020	\$164,899,169	(3.8%)	\$2,834,532,480	16%

*\*Source: Office of the Cook County Clerk Abstract of Valuations, Levies, Tax Rates, and Tax Extensions Equalized Assessed Valuations Less Exemptions*

Findings

As part of this Plan's preparation, the Village hereby makes a formal finding that the Business District is a "blighted area" pursuant to the requirements of the Business District Act due to the obsolete platting and deterioration of site improvements outlined in this section which are present

within the Business District (this finding is also included in Section VIII) and, furthermore, that the Business District constitutes an economic liability and economic underutilization of the area to the Village in its present condition and use.

### **III. BUSINESS DISTRICT DESCRIPTION**

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#### **A. General Description**

The proposed Business District area is generally bounded by Old Orchard Road to the north, Golf Road to the south, Lawler Avenue to the west, and Skokie Boulevard to the east. The area is legally described in Exhibit A attached hereto and made part hereof, and graphically depicted on the map attached hereto as Exhibit B and made part hereof.

#### **B. Legal Description**

The legal description is included in Exhibit A and includes only parcels of real property that will be directly and substantially benefited by this Plan.

#### **C. Business District Name**

The official name of the Business District is the Old Orchard Center Business District.

### **IV. BUSINESS DISTRICT REDEVELOPMENT**

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#### **A. General Project Description**

The Developer has indicated that certain public and private improvements within the Old Orchard Center Business District (the “Project”) are intended to transform the Center into the premier shopping destination on Chicago’s North Shore. Due to the distress of other regional shopping centers in trade area, a unique opportunity exists to implement a real estate and marketing strategy to consolidate retail in the North Shore trade area. The Developer’s multi-faceted plan involves various improvements to optimize the tenant mix within the Center, prevent future and remove existing vacancies, and improve the customer and shopping experience. As part of this strategy to optimize the tenant mix, the Developer is considering strategic investments designed to attract tenants in the following major areas: luxury, health and wellness, improved dining experiences, investments in arts & culture, and entertainment experiences. Such investments are designed to achieve these goals and enhance the tax base available to the Village and other taxing districts. **If the Project is fully implemented, along with other strategic investments, the Developer’s goal is to grow retail sales at the Center from its pre-COVID average of approximately \$500 million to over \$1 billion during the life of the Business District.**

To support the Project and assist with implementation of the strategy, the Village intends to enter into an agreement with the Developer to provide certain public and private improvements in the

Business District to enhance the immediate area and to serve the needs of development. Such projects may include, but are not limited to, the following items:

- Improvements to the Center, including but not limited to such items as building systems replacements or upgrade (e.g., HVAC, fire suppression, electrical, or data service) façade or entry way renovation, remodeling of common areas, assistance with tenant buildouts, addition of new signage, landscaping, and lighting, and other building or site improvements that may be necessary and allowable under the Business District Act.
- Demolition and/or site preparation for the purposes of new construction or renovation of existing structures. Although this is a possible component of the Project, the Center is not expected to increase gross leasable area at this time.
- Professional fees including, but not limited to, legal, architectural, engineering, and marketing fees that are necessary for implementation of the Plan.
- Promotional activities designed to improve the customer experience and increase customer utilization at the Center.
- Projects related to improving the transportation infrastructure servicing the Business District.

As part of the Developer's parent's BetterPlaces2030 global initiative, the Developer is committed to various initiatives designed around three key pillars: 1) cutting carbon emissions by 50 percent (50%) across the business by 2030; 2) being a catalyst for growth in the communities in which they operate; and 3) promoting diversity and inclusion throughout the business. The Developer reviews all investment projects through this lens and aligning the objectives of each investment to this strategy. While plans remain in the development stage, the company is focused on four key environmental objectives within the Business District:

- Minimizing environmental impacts through innovative design and construction;
- Collaboration with tenants and contractors for efficient resource use;
- Promote access to public transportation and sustainability mobility; and
- Contributing to greener cities by promoting biodiversity.

Additional information about the BetterPlaces2030 initiative can be located at the following URL: <https://www.urw.com/en/csr/better-places-2030>

The objective of the Plan is to advance the goals of the Village, including the enhancement of the business opportunities, increasing sales tax, and increasing the amount of commercial activity within the Village. It is important to note that the above-mentioned plan is a framework for the financial participation of the Village in the Project. This Plan is subject to future amendment by the Village should the goals and objectives change in the future.

To facilitate the Project, the Village and the Developer will negotiate a redevelopment agreement which will include the terms of economic development assistance for certain projects in the Business District. The Project is anticipated to be undertaken by the Developer only upon creation of the Business District. The Developer will use funds allocated through the Business District for Business District Project Costs, as defined in the Business District Act.

**B. Estimated Budget Allocations**

Estimated Business District Project Costs for the next 10 years are shown below in table 5.0. Adjustments to these cost items may be made without amendment to the Plan. The costs represent estimated amounts and do not represent actual Village commitments or expenditures. Rather, they are a ceiling on possible expenditures of Business District funds in the Business District. Associated planning, architect/engineering, legal and other professional costs may be included within each line item.

**Table 5.0  
Estimated Business District Project Costs  
Old Orchard Center Business District**

<b>Description (3)</b>	<b>Estimated Costs (1) (2)</b>
Interior costs resulting in improvement to real property	\$ 50,000,000
New building construction	\$ 18,000,000
Site preparation costs	\$ 9,000,000
Planning, legal, and professional services and costs related to marketing the Center, as well as costs associated with administration and implementation of the Plan	\$ 5,500,000
Public construction and improvements	\$ 1,000,000
Relocation costs	\$ 500,000
<b>Total Estimated Costs (4)</b>	<b>\$ 84,000,000</b>

Notes: (1) All project cost estimates are in 2022 dollars.

(2) The budgeted amounts are estimates, and may be adjusted, in accordance with the Business District Act, as the Plan is implemented.

(3) The amounts provided are for Business District Project Costs, and do not reflect additional expenses resulting from private investment within the Business District.

(4) Estimated costs, as outlined in the table, shall not be increased by more than 5 percent (5%), adjusted for inflation, as of the date of the approval of the Plan by the Village Board, per the Business District Act.

Adjustments to the estimated line-item costs above are expected. The individual costs will be reevaluated considering the nature of the private development and resulting tax revenues. Adjustments to these cost items may be made without amendment to the Plan if the Total Estimated Costs remain unchanged. However, if the Total Estimated Costs exceed the amount allowable under the Business District Act, the Village may amend the Plan.

### **C. Private Development Actions**

The Village has a commitment to be prudent regarding the use of public resources in the assistance of economic development activities. Accordingly, Village assistance to economic development projects located within the Business District, as generally described above, will require Village review of the need for public assistance and the Village Board of Trustees will need to approve the terms of assistance in a redevelopment agreement with the Developer. Private development actions must conform to the Village's Business District Policy Criteria set forth in Section IV.D. below.

The Developer will need to evidence capacity to implement the proposed project and it must conform to the appropriate Village planning provisions. The Village seeks to expand and diversify its economic and tax base. Accordingly, the project must serve to improve the economic tax base of the Village.

### **D. Business District Policy Criteria**

The Village has established the following policy criteria to guide development activities within the Business District:

- Preserve and create an environment within the Business District which will promote the economic and social welfare of the Village including opportunities for new retail/commercial growth and for retention of existing commercial activities.
- Exercise powers provided for under the Business District Act in the promotion of the public interest and enhancement of the tax base and tax revenues to the Village.
- Enhance the economic well-being and strengthen the retail/commercial sector within the Business District by encouraging private investment and reinvestment through public financing vehicles, if necessary, to increase business activity, attract sound and stable commercial growth, create, and retain job opportunities and enhance and diversify the tax base.
- Address the need for economic feasibility, cost efficiency and economies of scale in development through encouragement of coordinated development of projects and, where applicable through prudent and appropriate acquisition and assemblage of parcels.
- Provide necessary public infrastructure that enhances the Business District to create a more modern and attractive service and/or shopping environment to encourage and support private investment.
- Establish adequate and safe vehicular and pedestrian circulation and provide adequate parking in locations easily accessible for patrons and other users of commercial activities.

- Advance the goals and policies as set forth within the Village's Comprehensive Plan and the Village's Economic Development Strategy.

## **V. VILLAGE PUBLIC FINANCING ASSISTANCE**

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The principal property owners within the Business District communicated an infusion of capital investment is needed to overcome the economic condition to fully implement the Project. As a result, the property owners are requesting assistance through the formation of a Business District in an effort to provide a source of capital that will offset the high property tax burdens of the area and provide a source to fee up investment capital. Such capital will be used to attract new retailers, improve the tenant mix, and create enhancements to the shopping experience in an effort to expand the economic base of the Village and attracting additional shoppers.

To support the Project, the Village intends to enter into a redevelopment agreement with the Developer to implement the Plan. The public financing will be provided through the implementation of a one percent (1%) retailers' occupation tax on retail sales and services within the Business District. Such funds will be utilized for the Project and Eligible Costs as defined with in the Business District Act. It is contemplated that Village assistance will be limited to the amounts required to implement the Project in a feasible and fiscally prudent manner. The Project must conform to applicable Village building codes and practices. Further, the Village will implement a governance process to provide conditions under which it will provide development incentives. Such process and conditions will be governed in the adoption of the Plan and redevelopment agreement to be considered simultaneously.

## **VI. SOURCES OF FUNDS TO PAY DEVELOPMENT PROJECT COSTS**

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Upon designation of the Business District by Village ordinance, the Village intends to impose the Service Occupation Taxes and Retailer's Occupation Taxes provided for by the Business District Act, within the Business District at a rate of one percent (1%) of gross sales for the term of the Business District, not to exceed 23 years (the " Business District Taxes") as provided for in the Business District Act. Said Business District Taxes shall be the source of funding for paying Business District Project Costs within the Business District.

A separate Village ordinance shall also be adopted by the Village's Board of Trustees that will create a separate fund entitled the "Old Orchard Center Business District Tax Allocation Fund" to receive the Business District Taxes from the Illinois Department of Revenue. Pursuant to the Business District Act, all funds received from these taxes must be deposited into this special fund.

## **VII. ESTABLISHMENT AND TERM OF THE BUSINESS DISTRICT**

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The establishment of the Business District shall become effective upon adoption of an ordinance by the Village's Board of Trustees adopting this Plan and designating the Business District. Development agreements between the Village and any developers or other private parties shall be consistent with the provisions of the Business District Act and this Plan.

Pursuant to the Business District Act, the Business District Taxes described in Section VI may not be imposed for more than twenty-three years. It is expected that the Business District shall expire upon the termination of the imposition of the Business District Taxes.

### **VIII. FORMAL FINDINGS**

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Based upon the information described in Section II, and the attached Exhibits, the Village's Board of Trustees hereby finds and determines as follows:

- The Business District is a "blighted area" as defined in the Business District Act by reason of the predominance of deterioration of site improvements, and improper subdivision or obsolete platting;
- The Business District Plan conforms to the Village's Comprehensive Plan for the development of the municipality as a whole;
- The proposed Business District is a contiguous area;
- The Business District constitutes an economic liability to the Village in its present condition and use; and
- The Business District overall has not been subject to growth and development by private enterprises or would not reasonably be anticipated to be developed or redeveloped without the adoption of this Plan.

### **IX. PLAN AMENDMENTS**

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The Village's Board of Trustees may amend this Plan from time to time by adopting an ordinance providing for such amendment, in accordance with the requirements of the Business District Act, and the holding of an additional public hearing, if required by the Business District Act.