

# Village of Itasca

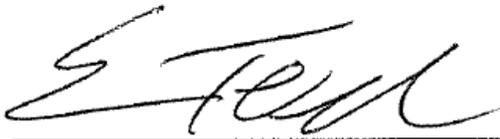
550 W. Irving Park Rd., Itasca, Illinois 60143-2018

## Special Meeting of Village Board and Plan Commission

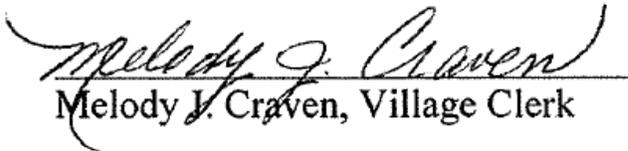
1. Call To Order
2. Roll Call Of Village Board And Plan Commission
3. Pledge Of Allegiance
4. Audience Participation
5. New Business
  - a. Discussion And Possible Action On Market Analysis And Recommendations For The Intersection Of Irving Park Road And Rohlwing Road, Prepared By Business Districts Inc.

Documents: [COVER MEMO TO VB AND PC 030916.PDF](#), [ITASCA MARKET ANALYSIS AND RECOMMENDATIONS FINAL.PDF](#)

6. Adjournment



Evan Teich, Village Administrator



Melody J. Craven, Village Clerk



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## Memorandum

**TO:** Village President Jeff Pruyn, Itasca Board of Trustees, and  
Itasca Plan Commission

**FROM:** Nancy Hill, Community Development Director

**DATE:** March 9, 2016 for  
March 16, 2016 Special Village Board and Plan Commission Meeting

**RE:** Market Analysis and Recommendations for the Intersection of Irving Park Road  
and Rohlwing Road

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Attached for your review is a market analysis completed by Business Districts, Inc. (BDI) on the behalf of the Village of Itasca. The Village contracted with BDI to provide an independent assessment for the area bounded by Rohlwing Road on the east, Irving Park Road on the south, Baker Drive on the west, and the rail road tracks on the north. At the Joint Village Board and Plan Commission meeting on Wednesday, March 16, 2016, BDI will provide an overview of the study.

To briefly summarize, BDI met with staff and conducted interviews the main property owners, Village President Jeff Pruyn, and Plan Commission Member Jeff Holmes, who is also a commercial broker. BDI also reviewed market data, evaluated potential uses for the area, assessed strengths, opportunities, and challenges for the properties within the context of market trends, and developed site-specific development calculations and revenue projections. The document concludes with summary recommendations based on the above-described results.

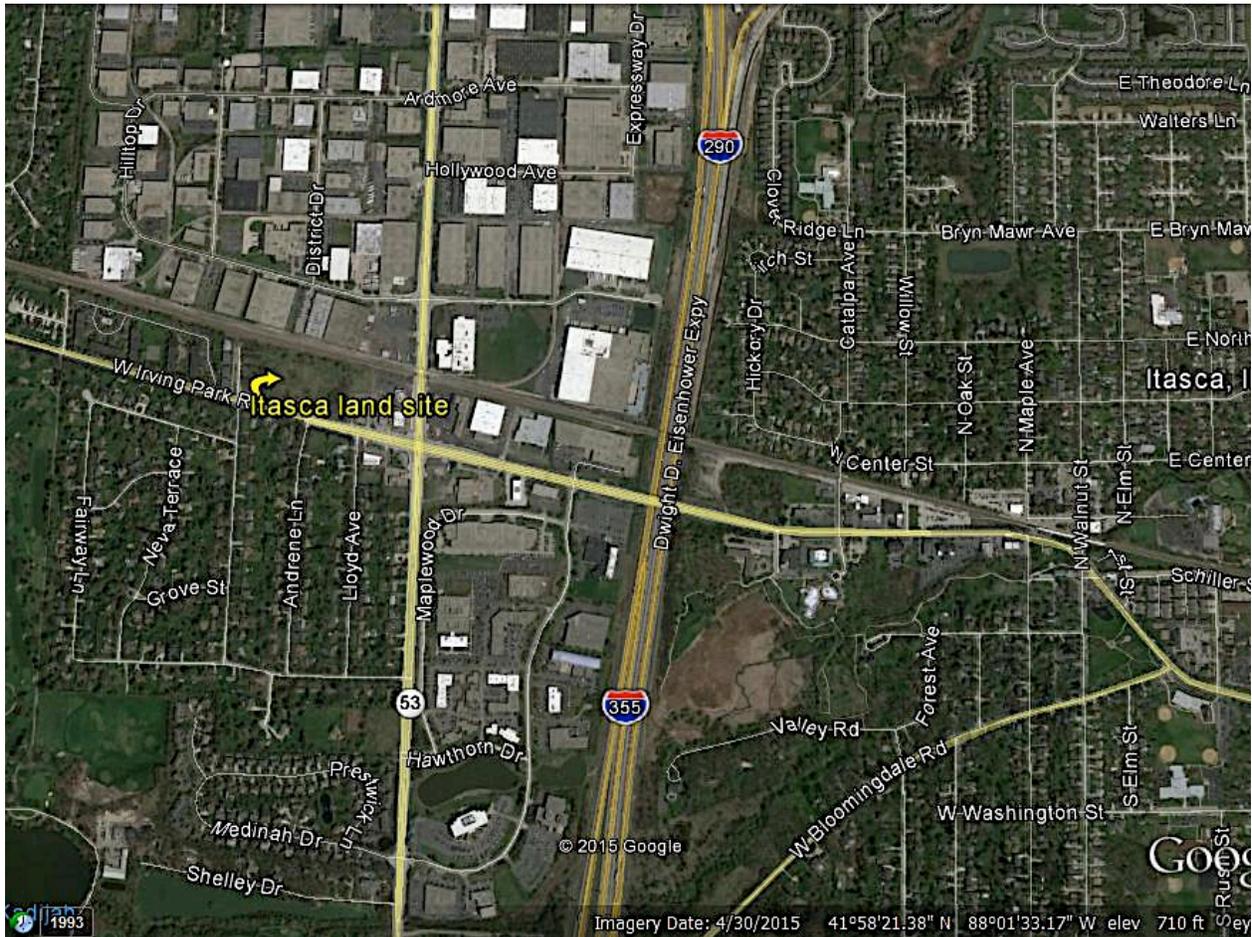
Overall, the market analysis suggests that industrial development represents the strongest current market opportunity. The industrial market is very strong right now, with rents increasing, and industrial firms expanding. Further, the site and market characteristics at this site inhibit retail and/or restaurant development, due to insufficient depth and size to appeal to retailers, lack of access and sufficient traffic, inadequate demographics, and, most importantly, area rents do not support the economics required for successful development. Office development is unlikely because of the glut of vacant office space in the area.

Certain site characteristics inhibit residential development. Multi-family may be the most likely residential scenario at the site, as the surrounding uses diminish the site's appeal when compared to better located, similar redevelopment sites.

In the recent past, there has been a mixed reaction on the part of the Village Board and Plan Commission to industrial uses at this intersection. In its report, BDI outlines some opportunities that could be of significant benefit to the Village in the long-run should the property develop as industrial, including the possibility of attracting a sales tax generating end user. BDI also suggests that if the Village were to create a TIF District to include the subject properties, as well as other properties on Irving Park Road east of this area, TIF increment from the development of these properties could be earmarked to support development and redevelopment of other key properties in the TIF. It could also fund other activities at the intersection, such as public infrastructure projects that would otherwise be funded through the Village's General Fund.

No formal action is expected to be taken at the meeting. This is an opportunity to ask questions and provide staff with feedback on how to move forward. Should you have any questions, please contact me or Shannon Malik, Planner III, in advance of the meeting.

**Market Analysis and Recommendations**  
**Village of Itasca, Illinois**  
**Intersection of Irving Park Road and Rohlwing Road**  
**(Including the vacant site at 1349 West Irving Park Road, Itasca)**



*Submitted by Business Districts, Inc. (BDI)*



## Overview and Background

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In July 2015, Business Districts, Inc. (BDI) was approached by Hamilton Partners with a request to perform an independent market analysis for a site on Irving Park Road west of Rohlwing Road (1349 W. Irving Park Road in Itasca). Hamilton Partners had recently entered into a contract to purchase the land, and Hamilton Partners does not believe that this site's current zoning allows for the market to positively respond for development. Hamilton Partners has a proposed use which would require a zoning change. With Hamilton Partners approval, BDI suggested that the study be done under the oversight of the Village of Itasca in order to assure transparency, which all parties required.

Subsequently, the Village of Itasca asked BDI to complete a market analysis for the study area bounded by Rohlwing Road on the East, Irving Park Road on the South, Baker Drive on the West, and the Milwaukee Road rail tracks on the North with a particular emphasis on the site under contract to Hamilton Partners. The area and site are shown in the cover illustration. This market analysis examines the optimal use(s) for the primary parcel under consideration and provides an overview of the other sites located within this study area. As part of this analysis, BDI considers the study area's market context within Itasca and the region, given Hamilton Partners' proposal for the largest of the study area's parcels, and the nearby existing uses, including those at the northwest (NW), northeast (NE), southeast (SE), and southwest (SW) corners of the Irving Park Road/Rohlwing Road intersection.

## The Market Analysis Process

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The Scope of Services contract with BDI, approved by the Village of Itasca, included the following:

- I. **Project Initiation:** BDI met with Village staff to confirm the scope of work, complete plans for all project work, and review any previously completed market information and planning studies relevant to the study area.
- II. **Interviews:** Based on a schedule created with the Village of Itasca, BDI interviewed the following: the property owner and their commercial broker representative of the largest parcel (the parcel under contract with Hamilton Partners); the proposed developer (Hamilton Partners) for the Irving Park Road site; Itasca's Mayor; a Village Plan Commission member who is also a commercial broker; Village staff; and a property owner at the northwest corner of Rohlwing Road/Irving Park Road. The purpose of these interviews was to identify owner objectives, ascertain business and investment interest in the study area, and to discuss current market conditions, trends, and perceptions affecting the study area.
- III. **Baseline Market Data:** Using the Experian national demographic database, U.S. Census Bureau reports, American Community Survey data, Illinois Department of Revenue sales tax reports, Illinois Department of Transportation traffic counts, and any other reliable sources identified with Village staff, BDI compiled a statistical picture of market characteristics and logical markets for the study area. BDI also examined area traffic generators and regional market trends for each use as part of this task. Analysis of this Baseline Market Data is included in the Market Analysis by Use section of this report
- IV. **Market Analysis By Use:** BDI evaluated all potential uses for study area parcels. This evaluation identified the market opportunities and constraints for all uses (i.e. residential, retail, industrial, and office). With a current proposal for an industrial development on the study area's largest parcel, BDI considered whether there is sufficient demand, given the area's nearby uses.

- V. **Strengths, Opportunities, and Challenges:** BDI assessed the existing strengths, opportunities, and challenges for the Irving Park Road site, the study area, and their context within the Village of Itasca to reflect emerging economic conditions, market information, and project interview results.
- VI. **Site Development Calculations and Revenue Projections:** BDI developed site-specific estimates similar to the proposed development for the 1349 West Irving Park site and a sample retail development estimate to illustrate current retail development requirements.
- VII. **Summary Recommendations:** Applying the above results, BDI developed the summary recommendations that conclude this analysis.

The following are the results of BDI's market analysis. This market analysis will be discussed with staff and invited guests as part of a summary power point presentation at a date to be determined. Subsequently, as directed by Village staff, BDI will present findings to the Plan Commission and the Village's Board of Trustees.

## Interview Summary

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- The 1349 West Irving Park Road site was the location for a proposed mixed-use development (The Pinnacle) in 2007, just before the start of the Great Recession. The Pinnacle development was never built, and American Midwest Bank subsequently acquired the site through foreclosure. The bank still owns the property and has retained a regional commercial broker for some period of time in an effort to sell/develop the site. The bank/broker have had some mild inquiries about the site but nothing substantial. The broker has received significant input relative to the difficulties of the site for a variety of uses in addition to their own review of the marketability of the site within the proximate market. Pending Village review, the bank has entered into a land contract with Hamilton Partners and is supportive of the proposed development.
- Successful businesses had previously operated near the Rohlwing Road/Irving Park Road intersection. In recent years, businesses have moved out, ownership has changed, and the intersection has declined in appearance. All interviewees frequently noted the growing success of other nearby high traffic cluster areas, such as Lake Street and the Thorndale corridor, as difficult competition for the study area.
- The proposed developer (Hamilton Partners) outlined their review of the 1349 West Irving Park Road site for various uses, detailing the reasons that multiple uses were rejected and the proposed industrial use was selected.
- Selected Village staff and officials outlined their view of the distressed intersection. While individuals were hopeful about the intersection drawing high quality retail, they were also realistic about the challenges of the study area vs. other areas in Itasca and in the proximate region. Similar objectivity specific to residential and office development on the vacant site at the intersection was also expressed.
- The owner of the property east of the vacant site (NW corner of Irving Park Road and Rohlwing Road) pointed out that they own other similar, successful industrial and retail developments in the regional area. During the last year, this owner has reached out to multiple potential retail and service business tenants in order to fill their vacancies. However, they have had no success in this effort. The owner of this property does not feel their site is either large enough or suitable for office or residential uses. The owner does feel that their site is suitable for an industrial use, given the proximate uses. The owner raised the possibility of an industrial user

operating with a ‘showroom’ component. Such a user could generate some sales tax revenue for the Village through certain product sales. The owner’s property does not include the neighboring Subway store and the liquor store also located at the NW corner of Irving Park/Rohlwing. These businesses and the underlying real estate have a common owner, and it is assumed these businesses will continue to operate by that common owner.

- The current zoning for the vacant site and the neighboring site to its east (NW corner of Irving Park and Rohlwing Roads) envisions “neighborhood commercial” and was approved in July 2015 as part of the approval of Itasca’s new Comprehensive Plan. The vision for these sites as contemplated in the Comprehensive Plan is being tested by this overall market analysis.

## Market Analysis by Use

The Village of Itasca has always been recognized as both a prime location for commerce and industry and for its quaint residential neighborhoods. These descriptions reflect the Village’s commitment to business growth and its citizens. In understanding the optimal use for 1349 West Irving Park Road, the site’s characteristics must be examined in the context of current market realities. These realities, specific to each potential use, frame the type of development that will occur and can succeed at this site and in the study area. The following analysis considers the potential for retail (including restaurants), office, industrial, and residential uses at the site and the market implications specific to the site.

### Market for Retail Uses

#### Demographics

The demographics for the site are shown in Table 1 below. The site’s address (1349 West Irving Park Road) is the center point for the market geographies displayed. Maps of these geographies follow Table 1 and appear in Figures 1 and 2.

Table 1: Site Demographics

Selected Demographics	Radii				
	Village	0.5 Mile	3-Mile	5-Minute	20-Minute
Total Population	8,888	958	84,801	11,493	1,047,957
Total Households	3,495	403	32,270	4,539	387,699
Household Size	2.5	2.4	2.6	2.5	2.7
Median Age	41.5	41.3	42.4	41.8	38.4
Population Density (per Sq. Mi.)	1,746.97	1,217.63	2,993.40	1,796.06	3,401.70
Rental Occupied Housing Units	24.3%	47.1%	23.6%	32.9%	26.4%
Employees	19,959	3,009	54,082	15,876	694,841
Average Household Income	\$111,069	\$81,403	\$97,174	\$104,051	\$95,536
Median Household Income	\$86,253	\$58,741	\$74,797	\$77,850	\$71,222
Per Capita Income	\$43,811	\$34,220	\$37,122	\$41,176	\$35,461
Total Retail Demand	\$82,121,946	\$8,135,157	\$738,227,260	\$103,331,994	\$8,854,331,012

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Figure 1: .5 and 3-Mile Radii

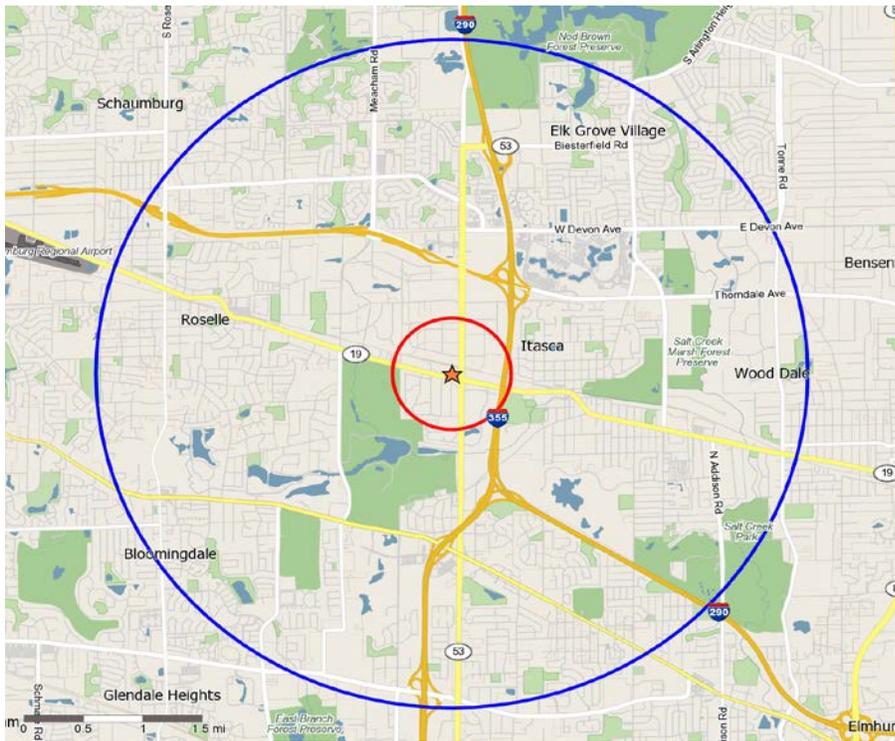
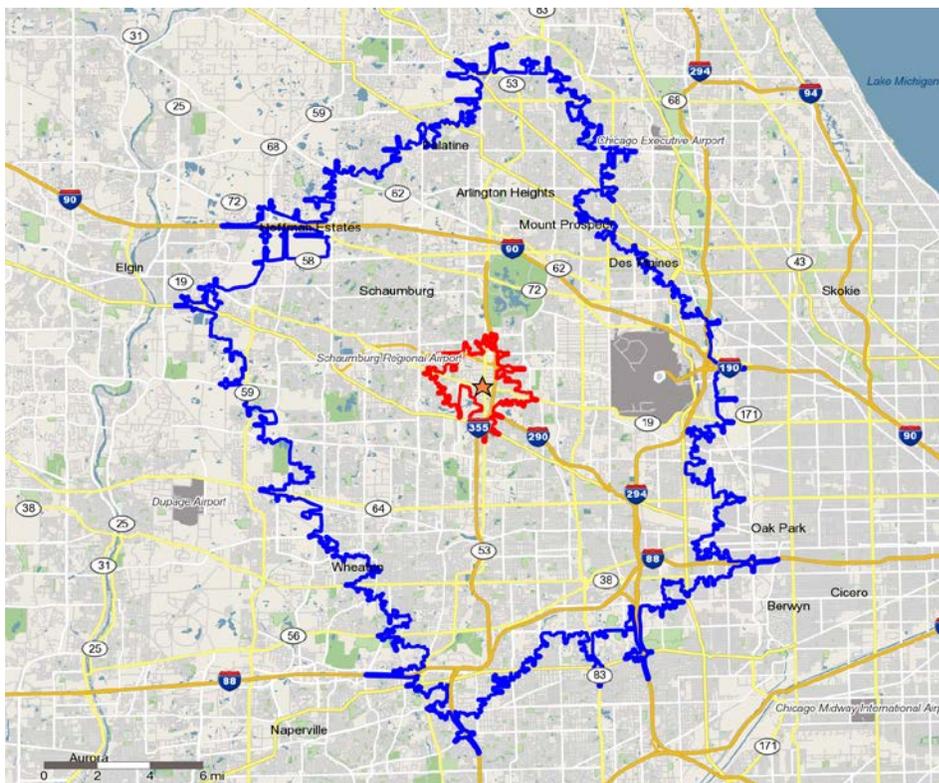


Figure 2: 5 and 20-Minute Drive Times



The five (5) markets in Table 1 can be defined as follows:

- **Village, or Community:** In most communities, residents identify with their local community and with those businesses located within their community. Residents often make a conscious choice to patronize these retail businesses first.
- **Pedestrian:** Residents within .5-mile can readily walk to a nearby commercial district or retail center. Their proximity typically produces more frequent trips to and a greater proportion of household spending to the center, assuming an adequate nearby population and easy pedestrian access.
- **Developer:** This 3-mile radius reflects its use as an important indicator of a suitable market area for a successful retail or restaurant location, particularly for regional or national chain retailers. As larger retailers increasingly apply proprietary data analytics to more precisely target potentially successful sites, these market demographics will become less important.
- **Convenience:** This convenience market represents a 5-minute drive, or a 10-minute bike ride, to any commercial district or retail center. When a consumer can drive to make a needed purchase within five-minutes, visits to that retail area become routine, assuming an adequate selection of quality goods is available. Convenience shoppers represent the core market for most retail centers, or clusters, given their frequent use of that commercial district.
- **Destination:** A 20-minute destination drive time indicates the typical trip for customers seeking out a certain business or unique commercial district. Businesses gaining smaller percentages of their sales from the community and convenience markets are generally considered destination businesses. For retail centers, destination retailers and restaurants offer unique products that attract shoppers and diners from this larger geography. Customers from this destination market also generate sales for adjacent businesses. Those businesses attracting destination customers also provide unique experiences and contribute to that commercial area's distinctive character, differentiating the district from other retail options.

Three (3) of the Table 1 market geographies for this Irving Park Road site lack sufficient populations, residential and employee, to support retail development. These markets include the Village, the pedestrian, and the convenience drive time markets. Within these markets, population densities are low, resulting from the varied non-residential uses proximate to the site. While incomes are generally adequate within these markets, the low numbers of households equate to low retail spending power within each market.

The developer and the destination markets are challenged in a different way. While these two (2) markets have satisfactory demographic characteristics, the quality of the site's nearby retail and restaurant uses is challenged. No destination businesses, as described above, exist in any of the nearby centers at the Rohlwing/Irving Park Road intersection. These centers include vacancies and multiple non-sales tax generating service businesses. In identifying and selecting their locations, successful retailers and restaurants choose to locate near other successful business clusters to share customers and to increase their potential to attract more customers from a broader area. From a retail development perspective, retailers are reducing the numbers and sizes of 'bricks and mortar' stores and are selecting only the best available locations in their preferred markets.

Figure 3 displays the traffic counts near the site.



Table 2: Village Sales Tax Data

Municipal Sales Tax				
	2012	2013	2014	2015 (1/1 thru 6/30)
Total Municipal Sales Tax	\$3,219,968	\$3,210,134	\$3,018,643	\$1,441,101
Non-Retail Sales Tax	\$1,954,963	\$1,731,008	\$1,616,915	\$825,718
% Non-Retail Sales of Total	60.7%	53.9%	53.6%	57.3%

Sources: Illinois Department of Revenue; BDI.

Depending upon the reporting period, 50-60% of the Village’s sales tax revenues are generated from non-retail categories, including construction and design-related businesses selling taxable products. The largest traditional retail category, Drugs and Miscellaneous Retail, includes substantial non-retail store sales. These non-retail store sales represent product sales from retailer-owned facilities with a Village of Itasca address that do not directly serve customers from a storefront, but these product sales are subject to retail sales tax collection.

**Market Implications for Retail Development**

The site and market characteristics at this site inhibit retail and/or restaurant development. The site itself lacks sufficient depth and size to appeal to retailers. The site lacks access to sufficient traffic. Irving Park and Rohlwing Roads do not function as retail feeder roads, based upon their lack of traffic. Access to and visibility from both roads at the site is difficult.

The demographics and traffic counts specific to this site lack sufficient residential and daytime populations and average daily traffic to support retail development. Successful retailers also locate near other strong retailers in successful retail centers and corridors. The site’s adjacent retail centers include vacancies and marginal (and often non-sales tax generating) tenants, inhibiting new and quality retail and restaurant tenant attraction. Area rents also do not support the economics required for successful retail or restaurant development.

The following ‘back of the envelope’ calculation (Table 3) compares a hypothetical retail development at the site at the \$30 PSF rate with the site area’s current asking rents of about \$10 PSF. This estimate does not include any land acquisition costs and ignores the site’s identified physical limitations as a retail location. Assumptions also include a fully occupied center with only retail tenants—an optimistic scenario, given current occupancy and vacancy trends. Construction costs were obtained from RSMeans, a cost estimator, and reflect average costs for retail store construction in the Chicago market. The value calculation assumes an 8% capitalization rate applied to the annual net operating income.

Table 3: ‘Back of Envelope’ Retail Development Estimate

Example	SF	Construction and Parking Cost	Rental Rate	Annual Net Operating Income	Value	Gap
Retail at Current Market Rents	120,000	\$18,600,000	\$10	\$780,000	\$9,750,000	-\$8,850,000
Retail at Developer Required Rents	120,000	\$18,600,000	\$30	\$2,340,000	\$29,250,000	\$10,650,000

At current market rates, the estimated cost of development exceeds the value of the development, creating a gap nearly \$9 million. The developer noted rents result in additional value that can accommodate land acquisition costs, likely variations in construction costs, and other project costs.

Two (2) other factors are important in understanding why retail development will not occur at this site:

- The national developer considering this site has extensive experience in local and national retail development. Their retail site location experts have identified the site as unsuitable for successful retail or restaurant development.
- The broader retail sector has and will continue to experience seismic shifts in how retailers of all sizes and formats operate and succeed. The exponential growth in e-commerce is the most notable trend, resulting in smaller store footprints. The U. S. is overbuilt, or ‘over-stored,’ with significant excess retail space, particularly in suburban markets. Like the Irving Park Road site, this excess space is often at inferior locations and either vacant or occupied by non-retail uses. Given these intertwined market facts, retailers or restaurants now select only the best locations suiting their business requirements.

### Market for Office Uses

With decreasing unemployment rates, the demand for Class A office space has increased slightly regionally and nationally since the recent recession. Negotiated lease rates remain low, and vacancy rates remain high throughout the Chicago region. The sub-market including Itasca (Northwest Suburbs) is compared with the overall Chicago suburban office market in Table 4. Market data for both markets and each class of office space (A, B, and C) within those markets are included. Class A office space is defined as lease space in the best office buildings and locations competing for the strongest tenants and commanding above average rents, with Classes B and C as less desirable.

Table 4: Office Market

Submarket	Rentable Building Area SF	Direct Vacant SF	Total Vacancy Rate (%)	Q3 2015 Net Absorption SF	2015 Net Absorption SF	Under Construction SF	Gross Asking Lease Rates (\$/SF/Yr)
Northwest Suburbs	26,956,204	5,700,727	21.8	-103,318	-8,363	0	\$20.03
Class A	12,043,267	1,880,228	16.6	24,528	128,262	0	\$23.56
Class B	8,812,819	2,136,881	24.6	2,490	2,785	0	\$19.82
Class C	6,100,118	1,683,618	27.8	-130,336	-139,410	0	\$15.53
Total Suburban	106,682,279	20,135,095	19.6	184,786	394,212	0	\$21.72
Class A	39,495,559	5,256,069	14.3	290,882	561,784	0	\$26.59
Class B	43,096,193	9,637,038	23.1	-35,147	-138,737	0	\$21.23
Class C	24,090,527	5,241,988	22.0	-70,949	-28,835	0	\$16.67

Source: CBRE Suburban Office MarketView Q3 2015, BDI.

Overall, there is no office space under construction in the Chicago suburban market. Chicago suburban office vacancy rate is 19.6%; the comparable rate for the Northwest Suburbs sub-market is 21.8%. This sub-market also continues to experience negative absorption of available space, primarily in Class C.

Asking leasing rates continue to be depressed. For the most recent quarter, negative absorption was 103,318 SF. Regionally, tenants continue to move from Class B to Class A lease space, given the willingness of owners to lease at lower rates comparable to available Class B space. Gross asking rents in the Northwest Suburbs are lower than the Chicago suburban average asking rents. Asking rents in Itasca’s office submarket remain less than the overall suburban Chicago market average (\$20.03 versus \$21.72).

### Market Implications for Office Development

New office development at the site is unlikely given the 5.9 million SF of available office lease space in the Village’s sub-markets, based upon CBRE’s research. No new office is under construction in any of the Chicago suburban markets. New office development will likely not occur until available space is absorbed and asking rents and tenant demand increase.

### Market for Industrial Uses

The Chicago region’s industrial market continues to improve and strengthen, as it has since 2012. The availability rate<sup>1</sup> for the regional industrial market is 6.8%. Increased demand has resulted in the construction of new speculative and build-to-suit industrial buildings throughout Chicago’s submarkets, in addition to the absorption of vacant existing space.

Data for Itasca’s industrial sub-market and for the Chicago region are compared in Table 5.

Table 5: Industrial Market

Submarket	Rentable Building Area SF	Availability Rate (%)	Vacancy Rate (%)	YTD User Sales SF	YTD Leasing Activity SF	YTD Net Absorption SF	Under Construction (SF)	Average Net Asking Lease Range (\$/SF/Yr)
North DuPage County	32,139,272	10.8	7.9	163,835	1,756,507	518,580	275,680	\$4.95 to \$6.25
Chicago Metro Area	1,125,877,989	6.6	4.7	8,215,443	26,790,204	12,140,051	8,004,482	\$4.73

Source: CBRE Industrial MarketView Q3 2015, BDI.

Lease renewals are not reflected within the availability rate shown above. While Itasca’s submarket (North DuPage County) indicates a reduced availability rate for the third quarter 2015, additional new transactions anticipated by year-end are expected to again reduce that rate. Asking rents within the submarket are among the three (3) strongest within the Chicago region. These two (2) other markets border Itasca’s submarket.

Market data from Colliers International for third quarter 2015 includes Itasca within two (2) different submarket geographies (the O’Hare and Central DuPage submarkets) than the above CBRE data. These two markets have declining vacancy rates of 5.35% and 7.07% with asking rents of \$5.54 PSF and \$5.17

<sup>1</sup> The availability rate is the amount of available space for lease within a market. This rate includes vacant space, space available for sublease, space currently occupied and available for sublease, and lease space that will become available within 90 days. The availability rate is not the same as the vacancy rate, which is defined as the percentage of vacant space available for lease or sublease within any market.

PSF, respectively. The Central DuPage market has the highest sales price PSF for industrial properties (\$72.14) of any Chicago market.

### **Market Implications for Industrial Uses**

The Village is well known as a center of commerce and industry. Of the potential uses under consideration for the 1349 West Irving Park Road site, an industrial option represents the strongest current market opportunity. Industrial real estate market characteristics are strong--rents are increasing, and industrial and logistics firms are expanding. The site is located near rail tracks, other industrial uses, and established truck traffic routes to nearby interstate highways.

### **Market for Residential Uses**

Current residential rental rates in Itasca range from \$.96-\$1.30 PSF. Single family homes for rent near the site rent at about \$1.30 PSF. The Village recently approved its first residential rental development in many years. The rents at this 300-unit development will exceed \$2 PSF, the generally accepted regional rental rate for Chicago area investment, at this new development.

The current median sales price for Itasca homes and condominiums is \$269,000, representing a 12% increase over 2014. The sales prices for larger homes located in the Village typically exceed \$500,000. No new residential construction was listed. Current listings also include 22 residential properties in pre-foreclosure or foreclosure. (Sources: trulia.com and zillow.com)

### **Market Implications for Residential Uses**

Certain site characteristics again inhibit residential development. The presence of the rail tracks and nearby industrial uses would discourage any single-family home development. Any multi-family or senior housing development would be isolated from amenities and from any nearby residential neighborhoods. The appearance of the areas surrounding the site also limits the site's appeal as a residential location. While multi-family or other housing types, assuming the site meets the requirement of an experienced developer that would retain project ownership, may be possible at the site, the surrounding uses diminish the site's appeal when compared with better located, similar redevelopment sites.

## **Strengths, Challenges, and Opportunities**

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This following describes the strengths, challenges, and opportunities for the subject site. Identifying local strengths, challenges, and opportunities serves as the basis for translating market research and stakeholder observations about the Itasca site into development recommendations. These factors represent both existing conditions and market realities specific to this site.

### **Strengths**

- The Village has a strong and established reputation as an important location for employment, including industrial firms. The Village is also located within one of the region's most active industrial real estate submarkets.

- The site is adjacent to an existing large industrial cluster and highly accessible to the local and regional road and rail system.
- Recent developer interest in the site reflects the Itasca area's active industrial market. The national developer interested in the site for an industrial use has significant expertise in industrial development, is Itasca-based, and has access to capital to finance any proposed industrial development.
- The proposed developer and the owner of the parcels east of this site have similar and related development experience. This property owner to the east is also interested in developing their site.

## Challenges

- As the Village's western gateway, all four (4) corners of the Irving Park Road/Rohlwing Road intersection appear tired and vacant. There has been minimal market interest in lease space and redevelopment at the site and nearby.
- Bloomington, IL-based Heartland Bank and Trust Company is acquiring the site's current bank owner, American Midwest Bank. As new ownership becomes responsible for non-performing loans in the loan portfolio, priorities for the sale of the site may change, resulting in more uncertainty.
- The owner of the parcels and shopping center located at the northwest corner of Irving Park Road/Rohlwing Road plans to continue business operations at that location, inhibiting larger site assembly.
- Retail development at the site faces multiple market-related obstacles. These obstacles include insufficient populations, site size, uncertain economics, and few nearby successful retailers and restaurants. In addition, the national developer considering this site's development also has extensive experience in local and national retail development. Their retail experts have identified the site as unsuitable for successful retail development for the same reasons outlined in this report.
- Any residential development for this site is also challenged. While the railroad tracks are important to certain industrial development, they are less amenable to residential development. As with retail, the site cannot support the development of sufficient housing units at current market rental rates to appeal to investor markets or to justify new construction.
- Potential office development at the site is unlikely for years. Office vacancies in Itasca's sub-market exceed 20%. Negative absorption of lease space remains a significant factor in this regional market.

## Opportunities

- Successful site development will increase real estate tax revenues and the Village's employment base.
- Given the Village's history, the attraction of non-retail sales tax generating businesses at these sites is possible. The owner of the site to the east of 1349 Irving Park Road is considering possible industrial uses with a 'showroom' component. This product 'showroom' may generate retail sales tax, supplementing the current sources of Village sales tax revenues.
- New tax revenues from successful development could be used to improve the appearance of nearby development, making the intersection more attractive and creating a better gateway into the Village.

- The Village may wish to engage the property owners at all three of the other corners of the Rohlwing/Irving Park intersection to understand their ownership objectives and consider developing a formal plan for the areas adjacent to the intersection.
- In considering potential development at the subject site, the Village has the opportunity to study and understand existing traffic patterns and revisit regulatory issues, such as zoning or permitted uses, which reflect market realities and the Village’s strengths.

## Site Development Calculations and Revenue Projections

The Market Analysis by Use section details why the site will not attract new retail, office, or residential uses, and therefore, no sample development estimates are provided. The following industrial ‘back of the envelope’ calculation applies typical industrial market lease rates and costs for Itasca’s market to a sample project similar in size to Hamilton Partners’ proposed industrial development.

Table 6: Industrial ‘Back of the Envelope’ Calculation

Use	SF	Estimated Total Project Cost	Net Rental Rate	Annual Net Operating Income	Value at Cap Rate	Gap	Estimated Total Annual Real Estate Tax Revenue	Estimated Annual Real Estate Tax Revenue to Village
Industrial with User Office	120,000	\$10,851,000	\$6.50	\$780,000	\$14,182,000	\$3,331,000	\$262,000	\$15,500

As noted in the Market for Industrial Uses section of this analysis, this estimate reflects current positive market demand for industrial space in the Itasca area. This sample calculation is indicative and specific to the assumptions made to develop this estimate. This estimate generally illustrates a favorable relationship between development costs and market characteristics supporting investment in industrial properties. The Total Cost estimate shown in Table 6 includes construction and site-related costs, including land acquisition. The construction cost estimates are based upon data from RSMMeans and the industrial market research sources described in this report. The capitalization rate, or cap rate, is applied to the net operating income to estimate the value of this income stream. This 5.5% rate is based upon data from similarly sized industrial developments. Assuming such a development would occur, the Village’s estimated real estate tax revenue (at the Village’s current tax rate) would exceed \$15,000. Other Village revenues sources, such as permit and inspection fees, are excluded.

## Summary Recommendations

This analysis does not evaluate the quality of the Hamilton Partners’ development proposal. Hamilton Partners is well known nationally and regionally for their real estate developments, and they are particularly well known in Itasca. The established reputation of Hamilton Partners in concert with the Village of Itasca’s normal development review process is more than adequate to evaluate the proposal. Hopefully, the analysis provided will be helpful in evaluating this significant change to the

Comprehensive Plan vision for the 1349 West Irving Park Road site and the NW corner of the Rohlwing Road/Irving Park Road intersection.

The market analysis gauges and documents the probability of development at this site for uses intended in the Comprehensive Plan, as well as other non-industrial uses and to highlight the overall challenges related to the entire intersection of Irving Park/Rohlwing Roads.

The glut of office space in the area at lease rates, offered below the quality of the space (i.e. discounted “A” and high “B” space), precludes office development in the foreseeable future. This site is not competitive with these sites. The analysis also documents the options for high quality rental residential (multi-family rental) in the region and the Strengths, Opportunities, and Challenges analysis summarizes the reasons why this site would not support such development. It was also clear in the interviews that the Village of Itasca would not accept low to low-mid quality residential construction.

Finally, the analysis summarizes the market reasons why higher quality retail would not pursue this site, when compared with other sites in the region, and the rent levels required to support new construction. Achieving these required rent levels for new development are neither realistic nor probable for this site in BDI’s view.

It is always possible that an unusual development exception might occur at the 1349 West Irving Park Road site. However, this unusual exception would have to involve: great flexibility from the current bank owner; an entrepreneurial developer willing to put a large amount of their capital at risk; entrepreneurial tenants that do not require the same metrics as the typical successful retail center; and some preliminary new tenant understanding of the possibility of successful “co-tenants” (i.e. what is the future of the NW corner of the intersection and, to some extent, the NE intersection?). All are very difficult factors to predict. The Village would need to analyze these unusual exceptions on a case-by-case basis should they occur.

The market analysis also suggests that consolidation (of retail uses) at the intersection would be good:

- A high quality industrial development on the site would be attractive, could be compatible with the surrounding uses; and revenue producing in the short, intermediate and long term.
- While not directly part of this study, the interviews suggested that a high quality smaller industrial development to the site’s east at Irving Park and Rohlwing would also provide the same benefits. Such a development is not assured, but the current owner, who is very experienced, has concluded that it is the only reasonable option at this time.
- This would leave three (3) sites/corners for further work acknowledging that the Village would like to pursue long term prospects for an overall intersection upgrade:
  - The Subway store and the liquor store. Assuming they are viable businesses (and the interviewees suggested they are), the Village might learn more about their long-term plans and the possibilities to improve the corner either through landscaping or façade improvements.
  - The retail center at the NE corner. The interviews suggested it is new ownership. It would be good to find out the plans of the owner; overall ownership strength; and opportunities, if any, for Village assistance. If there is to be any successful “neighborhood commercial” at this intersection, this is the most likely place. However, it will take time and learning more about ownership objectives would be a good start.

- The SW corner is a vacant gas station. For reasons suggested in the market analysis, consolidation not expansion at the intersection is the most logical move. Accordingly, the Village might review an option to eliminate the use and create a welcoming gateway feature at the corner. Perhaps a smaller similar feature on the SE corner may be possible.
- Finally, if new development were to occur in the short term at the NW corner at one or both sites, it may be interesting to see if any of this new tax revenue could be “earmarked” for the initiatives outlined above at the other areas of the intersection. In short, is it possible that a municipal tool, such as Tax Increment Financing (TIF), might be used to take advantage of new industrial development revenue increment in order to support other activities at the intersection? Again, exactly what activities might be involved and the potential capability of the existing property owners to successfully partner with the Village in a public-private partnership is not determined at this time.

This market analysis views the Hamilton Partners’ proposal as addressing an appropriate use within market realities and consistent with multiple uses to the north and northeast. Also, while an unusual exception is always possible, the market analysis could not find common market requirements as a match for this site for retail or office or for residential uses that would meet Itasca’s quality requirements. BDI did not assess the probability of other non-traditional uses, such as senior living, not-for-profits, churches, nursery’s, or day care centers, or their viability from the Village’s point of view. Such speculation was not intended to be part of this market analysis. BDI would be pleased to discuss this market analysis with the Village further.