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**MARKET AND ECONOMIC ANALYSIS
AND POLICY RECOMMENDATIONS
FOR THE NORTH AVENUE COMMERCIAL CORRIDOR**

**A Report to
The Village of Oak Park**

from

GRUEN GRUEN + ASSOCIATES

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EXECUTIVE SUMMARY

INTRODUCTION

The Village of Oak Park retained Gruen Gruen + Associates (GG+A) to conduct a market and economic reconnaissance of North Avenue between Harlem Avenue and Austin Avenue. GG+A's research and analysis was directed toward providing an initial information base and strategic framework for a successful planning and implementation program to enhance the North Avenue study area. This analysis included consideration of present trends in the study area and an evaluation of the likely impacts of the Illinois Department of Transportation's proposed program to widen North Avenue to highway standards. The demands that are now responded to in the area are identified and other potential demands forecast. The real estate economics of the area are modeled and the effect of Village of Oak Park and City of Chicago regulations on the determinants of private investment actions considered. Public policy changes and actions to encourage improvements in the area and to mitigate the negative impacts of the construction of the proposed street expansion are recommended.

LAND USE AND PROPERTY VALUE TRENDS

Based on an identification and assessment of land use and property value trends (refer to Chapter II), the rate of decline in the North Avenue study area appears to have significantly slowed. Portions of the study area do not presently have a positive locational image. The study area's locational values, however, improve as one moves west from Austin Avenue toward Harlem Avenue. Some development within the study area is functionally obsolete in that it cannot successfully compete well for today's demands. Accordingly, high rates of vacancy and tenant turnover, and low rental rates apply to commercial space in these locations. The area also includes examples of underutilized sites, unkept properties, and uses that might be characterized as negative externalities. (Negative externalities are factors that discourage the success of



neighboring stores, services, and offices). Examples also exist, however, of interior and exterior remodeling, and the demolition of obsolete space, and the redevelopment of land parcels into new uses and buildings.

Sales prices and transaction activity for property within the study area may have peaked between 1985 and 1989. While there have been signs that portions of the area have declined significantly in the past, current trends in property sales, assessed valuation, land use change and tenant turnover suggest the area's decline is significantly slowing. Efforts to revitalize the study area's commercial, office, and retail functions would be both timely and can be effective. It is important to take steps to do so now because the potential widening of North Avenue would generate significant negative impacts that the study area is not in a strong enough economic position to withstand. These adverse impacts, if not mitigated against, could result in the resumption of a more marked rate of deterioration of the study area.

RETAIL DEMAND

Demographic and income trends for the identified market area suggest that high population and income growth is unlikely to occur to augment demand in the market area for retail goods and services (refer to Chapter IV).

The households located within the market area from which the study area can draw, have experienced an inflation-adjusted decline in annual income of about ten percent between 1984 and 1993. This market area, which consists of approximately 54,400 households with an estimated 1992 total annual income of about \$1.9 billion, still constitutes a significant source of spendable dollars. Sales data by major retail category for all of Oak Park, and for the Oak Park side of the North Avenue study area, indicate that the retail and service uses in the study area are not effectively competing with the strong, and increasing, new supply options serving the market area from locations outside the study area. As discussed in Chapter IV, while our interviews indicate that some River Forest residents shop in portions of the study area, the River Forest zip code was not included



in the market area because it would cover an area much larger than the area now served, and therefore would overstate the potential demand from River Forest-based consumers. Therefore, our research indicates that by not including the River Forest zip code area, we may somewhat understate the potential income available from middle- and upper-income households for expenditures on goods and services in the study area.

Demands for goods and services in the study area are increasingly derived from a lower proportion of middle- and upper-income consumers. That is, sellers of goods and services in the study area serving relatively lower- to middle-income households are doing better than those serving more affluent groups. The reduction in the study area's penetration of middle-income shoppers appears to be due to a combination of factors. These include: (1) increasing concerns about security; (2) inadequate amounts and configuration of parking; (3) stores that cater primarily to a lower-income customer base, which discourages upper- and middle-income residents from shopping within the study area; while (4) new competing retail agglomerations elsewhere are increasingly attracting their expenditures. While overall, the middle- and upper-income segment is underserved, some stores within the study area continue to attract these consumers. In addition to offering convenient locations, these stores tend to provide high levels of service and products and have a high degree of identity and tenure.

Certain present City of Chicago and Village of Oak Park planning policies and regulations such as restrictions on store sizes, use exclusions, and parking requirements that encourage the provision of an inadequate amount of parking, are in conjunction with the foregoing trends and shifts, and physical constraints associated with many sites, making

it difficult for some property owners to make the adaptations needed to successfully compete with alternative supply options. If the necessary environment is created, and the use exclusions and size limitations removed, and additional parking encouraged, then demand is likely to exist in the study area for value-oriented uses as well as event-oriented retail uses. These latter uses might include indoor game centers catering to younger-aged children, sporting good stores with participatory play activities, and movie

theater complexes. Demand may also exist for restaurants and food establishments. Synergies between agglomerations of recreational retailing uses and restaurants would likely serve to augment demand capture rates.

Other potential sources of retail demand for the study area include:

1. Retail goods and services including "home and hearth", children's wear and shoe stores targeted toward the family market, especially near the Sears store;
2. Convenience uses that do not compete with big-box retail and super grocery stores (e.g., specialty bakery and other food stores, business service centers, etc.); and possibly
3. Specialty building and home-related product stores that provide superior levels of product, value, and service.

OFFICE DEMAND

GG+A's analysis of the employment trends and forecasts suggests that it is reasonable to anticipate less than robust office space demand stemming from increases in Oak Park-based employment between now and 2010 (refer to Chapter V).

Study area office space is not competitive with alternative locations. Three primary factors work to reduce the competitive appeal of the North Avenue study area as an office space location. Parking requirements for office space have not encouraged the development of sufficient parking space to satisfy the typical parking requirements of office users. Concerns about safety, or perceptions of increasing crime, also contribute to increasing turnover and high vacancy conditions with respect to office sublocations within the study area.



Height and FAR limitations, in concert with physical constraints, and the historical evolution of the study area, work to limit the development or redevelopment of buildings designed to accommodate large users seeking to consolidate backroom office workers, or to accommodate the expansion of users that initially require smaller amounts of space.

Sources of demand that the study area could potentially capture include medical uses. Another potential source of demand for study area office space includes business and professional service users, who primarily serve home-based businesses, other small businesses, and residents in the immediate area. Some of the home-based businesses may outgrow their residential offices. These businesses may be attracted to the relatively low-cost, smaller units of space in buildings that are near their residences. They may see this space option as the best way to satisfy business and family responsibilities. Price sensitive tenants, who cannot afford office space in downtown Oak Park, but who wish to have an Oak Park address, in order to have strong identity and access to a wide market area constitute another potential source of demand for study area office space.

THE REAL ESTATE ECONOMICS THAT APPLY

The interplay of the applicable real estate economics, the relative lack of demand for the kind of space that exists in some parts of North Avenue today, the supply competition, and certain present City of Chicago and Village of Oak Park planning regulations do not facilitate the transition from increasingly obsolete to more desirable and competitive land uses and properties (refer to Chapter VI). Some existing property owners may be encouraged to minimize maintenance and other costs, and permit their properties to deteriorate, in order to wring out whatever income that remains. Obtainable rents do not facilitate remodeling to comply with ADA requirements, erection of parking decks to resolve parking constraints, or other investments to improve the competitive position of property in the study area.

The real estate economics estimated to apply to the redevelopment of property suggest that if land can be assembled at prices close to those being charged today for individual



parcels, then potential for private redevelopment exists. It will be feasible for some owners to agglomerate uses by altering their physical positioning, or by acquiring additional property, so that traffic can pull in and park directly in front of commercial facilities offering neighborhood-serving convenience goods and services. It is also probable that new agglomerations of medical uses and facilities will be feasible to create through private investment. To facilitate the realization of this potential, however, the Village of Oak Park will need to adopt a proactive stance to encourage assemblage and to reduce the identified parking and security constraints. We recommend that the Village selectively use T.I.F. and condemnation powers when necessary to facilitate assemblage and to encourage the implementation of owner participation programs wherever possible.

RECOMMENDED POLICY ACTIONS

GG+A recommends that the Village of Oak Park and City of Chicago work together to devise and implement a strategic action plan that improves the physical environment and lessens parking and security constraints (refer to Chapter VII). Policy actions and regulatory changes should be adopted that would also facilitate property owners responding to available demands. These recommended actions and changes include encouraging parcel assemblage so as to support the private redevelopment and development of property into more competitive uses. Would-be assemblers and redevelopers of new convenience retail and service, or medical office space redevelopment agglomerations, or innovative larger-scale value- and/or event-oriented retail and recreational retail developments could be encouraged if variances in existing regulations were granted for such projects that create no more traffic or other problems than the currently allowed uses. We suggest that rather than initiate wholesale public redevelopment, that when needed, the Village use its redevelopment powers to assist private developers of desirable projects with assemblage. One key role of the strategic action planning process we recommend will be to help identify desirable and feasible projects. Particular attention should be paid, whenever possible to assist owner/developers, who already control a significant portion of the sites for such projects, to acquire "holdouts" at fair market prices with all costs to be borne by the

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owner/developers, so that a single small property owner cannot stop an owner-sponsored project that would benefit the study area.

Regulatory constraints that inhibit beneficial adaptations in response to market demands should be altered. Constraints that should be removed include use exclusions that would not create disamenities and size limitations on individual business establishments because such regulations have the effect of legislating tendencies toward obsolescence. In addition, Chicago and Oak Park might treat property owners and would-be assemblers of large-scale, more competitive projects more flexibly with respect to height or density regulations. The Village of Oak Park may also wish to allow many, if not all of the 17 uses under B-2 zoning that applies to the southwest block of the study area to be permitted uses under the B-1 zoning that applies to the remaining blocks within the study area. Furthermore, consider responding affirmatively to well-thought-out proposals for property conversions to multi-family, higher-density residential uses, given the relatively weak office space market conditions.

We also strongly recommend that the Village of Oak Park work with the Illinois Department of Transportation to mitigate the damages that would be done by the widening of North Avenue. Mitigation steps include encouraging the State to acquire some entire parcels rather than "partial takings", which would produce overly shallow lots. Portions of acquired parcels could then be conveyed back to the Village for parking, or to adjoining property owners for redevelopment that will include adequate parking. This approach could not only help to actually improve the area by providing alternative parking and creating value-enhancing redevelopment opportunities, but would also be the most cost-effective approach for the State, because it would avoid extremely high severance damages typically associated with partial takings.



CHAPTER I

INTRODUCTION

STUDY PURPOSE

The Village of Oak Park is concerned that portions of North Avenue between Harlem Avenue on the west and Austin Avenue on the eastern end of the commercial corridor appear to be economically stagnant or even in decline. Visual signs of deterioration are apparent at some locations within this commercial corridor. The area has also experienced increased turnover and vacancies at some locations. To the extent these outward manifestations denote a downward trend in the commercial base of North Avenue, Oak Park could be faced with a deteriorating tax base. In addition, the area's potential continued deterioration could negatively impact the high-value residential areas proximate to the commercial corridor.

Gruen Gruen + Associates (GG+A) was asked to undertake a market and economic reconnaissance of the North Avenue corridor in order to complete an independent assessment of conditions and trends in the area, and to the degree these trends are undesirable, to identify their causes. GG+A was also requested to identify potential opportunities for improvements in the area and to recommend actions for Oak Park to consider employing to encourage beneficial redevelopment and tenanting of the study area. Recommended policy actions relate to GG+A's estimates of those market demands and constraints, and real estate economics that exist today, and are anticipated to exist in the future.

The study we conducted for the Village of Oak Park, therefore, includes the following three objectives:

1. Assess the types of land use, density and tenure changes occurring or likely to occur, and identify the factors underlying such changes absent any public policy changes or actions;



2. Identify the market demands that pertain to North Avenue and consider the type of market-viable redevelopment or development options that would enhance the economic vitality of the area; and
3. Identify the type of changes in public policy or activities that the Village of Oak Park and the City of Chicago might cost-effectively employ to encourage beneficial redevelopment, development and tenanting activities.

WORK COMPLETED

In order to accomplish the study objectives, GG+A performed the following work tasks:

1. Inspected the study area and its environs, and reviewed applicable zoning regulations;
2. Reviewed secondary time-series demographic and socioeconomic data as well as available assessed valuation, property sales, tenant turnover, and retail sales tax data to identify patterns of economic change with respect to land use, density, and tenure and to evaluate sales performance of the area;
3. Conducted interviews with Village of Oak Park Community Development and Planning staff, the Director of the Oak Park Chamber of Commerce, study area property owners and developers, and knowledgeable local real estate brokers as well as tenants to identify market opportunities and constraints and to obtain information and insights on the underlying factors or determinants of the land use/real estate trends found to apply to the study area (a list of those individuals with whom we spoke is contained in Appendix A);
4. Synthesized the results of the analysis of secondary data and interviews to reach judgements about the types of land uses and products for which demand may exist, and the character or environment needed to competitively satisfy these



demands;

5. Analyzed the relevant real estate economics of prototypical projects given the conditions that exist and evaluated the potential feasibility of prototypical redevelopment options, with a set of uses and type of product that could be considered for portions of North Avenue, in light of identified market demands; and
6. Applied the market and economic insights gained from the research and analysis undertaken in the foregoing tasks to identify public policies and actions that could be potentially employed to encourage beneficial development or redevelopment.

REPORT ORGANIZATION

Chapter II describes the North Avenue study area with respect to its distinct sublocations and use components. Changes in the assessed valuation for the study area as a whole, and by its submarkets, are identified and described. The identified property sale trends and the primary motivations for owners seeking to sell property within the study area are outlined. Chapter II also includes an analysis of use turnover by type and location.

Chapter III summarizes the principal Village of Oak Park and City of Chicago policies and regulations that affect both current and future land uses, and development, redevelopment, remodeling and maintenance decisions and actions.

The demand for retail space within the North Avenue study area is evaluated in Chapter IV. This chapter introduces the critical population, household, and income trends influencing demand that pertains to the study area. This chapter describes the market potential, in terms of estimated income by the household and geographic segments, that comprise the market area for the study area. The region's escalation in the amount of



retail space and shifts in the type of such retail supply are identified and evaluated with particular emphasis on their implications for changes in land uses in the study area. The manner in which these changes are combining with present policies and regulations to alter consumer shopping patterns, supply conditions and sources of demand in the study area are described. This chapter compares the estimated market potential to actual retail taxable sales by primary retail sector for all of Oak Park, and for the study area. This chapter concludes by identifying potential sources of demand that could be captured within the study area, provided the environment identified to be needed to satisfy such changes is created, and assuming potential changes in certain regulations affecting land use and real estate activity.

Chapter V presents our assessment of the demand for office space within the North Avenue study area. The key employment trends that influence the demand for office space area are evaluated. The supply conditions, and the factors, including regulatory conditions, underlying changes in the North Avenue study area office space land uses and supply are identified. Chapter V concludes with a forecast of potential sources of demand for office space within the study area given the identified constraints on study area office space demand and development, redevelopment and remodeling actions.

Chapter VI presents an analysis of the real estate economics found to relate to the determinants of the land uses changes in the area discussed in the prior chapters. The real estate economics of alternative prototypical land use and development options are considered. Based on the real estate economics found to apply, inferences are drawn concerning the type of private sector real estate decisions and actions that have, and are likely to be adopted, under present policies. We then identify the real estate economics that would pertain under the assumption that more flexible regulations are instituted.

Chapter VII concludes the report by outlining implications for policy suggested by the analysis of the real estate economics that applies to the study area. This chapter includes specific recommendations concerning regulatory and other local actions and



marketing/use strategies that could be considered to encourage beneficial development, redevelopment, remodeling and tenanting activity.



CHAPTER II

LAND USE AND PROPERTY VALUE TRENDS IN THE NORTH AVENUE STUDY AREA

DESCRIPTION OF THE NORTH AVENUE STUDY AREA

The North Avenue study area is located between Harlem Avenue and Austin Avenue. The south side of North Avenue is the northern most border of the Village of Oak Park while the north side of North Avenue is within the limits of the City of Chicago. North Avenue is a four-lane state highway. Map 1 delineates the study area and shows the 42 individual blocks that comprise the study area.

Based on data supplied by the Oak Park Community and Development Planning Department, we estimate that the Oak Park portion of the study area contains approximately 435,000 square feet of commercial space. The Chicago portion of North Avenue contains the two largest properties. A 244,000-square-foot Sears' store is located at the northwest corner of North Avenue and Harlem Avenue. The headquarters and main branch of St. Paul Federal Savings Bank, which consists of approximately 80,000 square feet, is located between Normandy and Rutherford Streets. The bank occupies an additional 41,550 square feet of space on North Avenue, proximate to its main facility. Much of this additional space is located on the Oak Park side. An active area commercial real estate broker estimates that the study area contains approximately 125,000 square feet of multi-tenant office space and about 100,000 square feet of retail space. Many of those commercial buildings in the study area, whose ground floor make up all or a significant share of total floor area, can be used as either office or retail space.

Table 1 shows for the Oak Park side of North Avenue, as of 1993, the approximate number of commercial property owners and parcels by block. Seventy-three (73) commercial property owners collectively own 138 tax parcels of property on North Avenue. Most blocks have multiple owners and parcels. Blocks 11, 20 and 21 have the highest number of multiple owners and separate parcels. Some property owners,

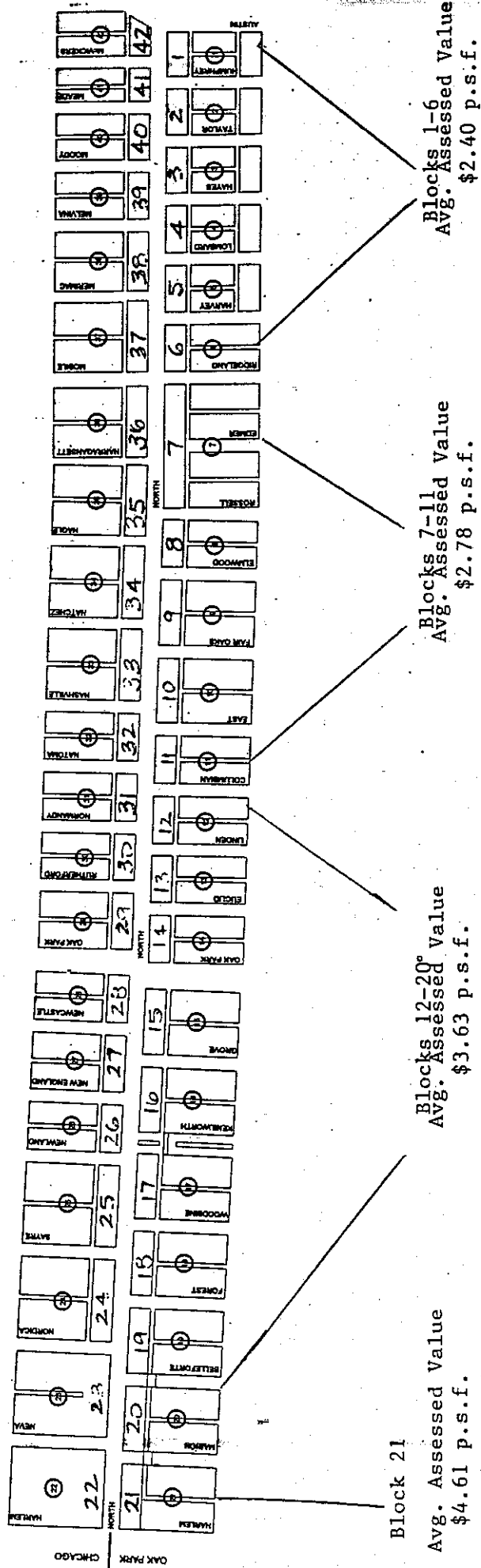




Gruen Gruen + Associates

MAP 1

North Avenue Study Area by Block



Sources: Village of Oak Park Community Development and Planning Department;
Gruen Gruen + Associates.

TABLE 1

**Number of Oak Park Property
Owners and Parcels by Block as of 1993**

<u>Block</u>	<u>Street Range</u>	<u>Number of Property Owners</u>	<u>Number of Parcels</u>
1	Austin - Humphrey	1	1
2	Humphrey - Taylor	4	6
3	Taylor - Hayes	3	4
4	Hayes - Lombard	3	3
5	Lombard - Harvey	1	1
6	Harvey - Ridgeland	1	1
7	Ridgeland - Edmer	1	2
8	Edmer - Rossel	2	11
9	Rossel - Elmwood	4	10
10	Elmwood - Fair Oaks	2	5
11	Fair Oaks - East	9	11
12	East - Columbian	4	8
13	Columbia - Linden	2	5
14	Linden - Euclid	4	9
15	Euclid - Oak Park	1	4
16	Oak Park - Grove	5	8
17	Grove - Kenilworth	4	12
18	Kenilworth - Woodbine	3	3
19	Woodbine - Forest	3	9
20	Forest - Belleforte	8	12
21	Belleforte - Marion	7	11
22	Marion - Harlem	<u>1</u>	<u>2</u>
TOTAL		73	138

Sources: Village of Oak Park Planning Department; Gruen Gruen + Associates.



however, control entire blocks. For example, First Bank of Oak Park owns all of block 1 in which its North Avenue branch is located. Jewel owns all of the commercial space on block 5, where it closed a Jewel Grocery store, and is now adapting the facility for reuse as an Osco Drug store. Block 7 is also controlled by one owner, who is developing a second phase of a retail strip center. Block 22, the site of the other retail strip center within the study area, is also under a single ownership. On the Chicago side of North Avenue, Sears and St. Paul Federal Savings Bank, own the entire blocks on which their facilities are located.

The North Avenue study area consists of diverse uses that are frequently associated with many older commercial strip developments. We found that portions of the study area do not presently have a positive locational image. In particular, as one moves east from Ridgeland Avenue toward Austin Avenue, one finds increasing examples of underutilized sites, unkept properties, and some uses that might be characterized as creating negative externalities. Examples of such uses include taverns, and hub cap, gun, "beeper" and pawn shops.

A consensus exists among those we interviewed that, in general, the Oak Park side of North Avenue has a more favorable locational image than the Chicago side of North Avenue. On average, buildings on the Oak Park side tend to be better maintained, and of a higher functional quality and appearance, than buildings on the Chicago side of North Avenue.

While the Chicago side of the North Avenue study area may contain more examples of properties that appear to be suffering from deferred maintenance, poor landscaping and unattractive signage, the results of our interviews and inspections suggest that in general, many buildings on both sides of North Avenue, have outdated construction and design as well as limited parking.

It is important to recognize, however, that examples of demolition of obsolete buildings, and redevelopment of individual land parcels into new uses and buildings do exist. Two



relatively recent examples of this kind of redevelopment activity are located in the western portion of the study area. On block 21, an owner-user acquired two adjoining, obsolete buildings, demolished extensive portions of them, and redeveloped the site into a single, new high quality medical facility. On the Chicago side, just east of the Sears' property, a vacant, older commercial property that formerly housed a record store, was acquired, demolished and redeveloped into a new company-owned Boston Chicken outlet. The retail strip center referred to in the previous section constitutes another example of the demolition of obsolete space and redevelopment of such property into new buildings and new uses. (This developer took creative steps in augmenting his parking supply to resolve his parking constraint.) Examples of exterior and interior remodeling of existing buildings also exist. Sears recently completed a \$2 million interior remodeling of its store. St. Paul Federal Savings Bank has also regularly remodeled its interior space. An owner of an office building located at block 9 also completed remodeling of tenant improvements.

The level and speed of the traffic on North Avenue is such that the study area offers only a limited "billboard" effect for those driving by on both sides of the street. Metered street parking presently exists on both sides of North Avenue. The ability to provide parking in the rear of properties is constrained further. In many instances, the availability of parking that does exist in the rear is not clearly identified. The high traffic volume makes it difficult for pedestrians to safely and conveniently cross the street.

North Avenue is located further away from the train transit services and freeway access than is downtown Oak Park and other business districts south of North Avenue. Many types of office and retail users tend to prefer locating in buildings in downtown Oak Park, or west of the study area, rather than on North Avenue. North Avenue, however, is still considered to have reasonably good expressway access, public transportation, and enjoys high traffic counts. North Avenue also has a strong identity, is readily accessible to O'Hare Airport, and the wider City of Chicago market.

HISTORIC CHANGE IN ASSESSED VALUATION

According to data provided by the Village of Oak Park Community Development and Planning Department, between 1982 and 1986, equalized assessed valuation for the Oak Park side of North Avenue increased by approximately 25.4 percent, from \$10,502,517 to \$13,168,343. This growth exceeded the approximately 22.5 percent average growth experienced during this period by all business districts in Oak Park. The average annual rate of growth for North Avenue during this period was 5.8 percent.

Between 1986 and 1991, equalized assessed valuation for the Oak Park side of North Avenue increased by approximately 15 percent (from \$13,168,343 to \$15,133,599), while the average growth for all business districts in Oak Park increased by approximately 32 percent. The average annual rate of growth for North Avenue during this period was 2.8 percent.

Between 1990 and 1993, North Avenue's equalized assessed valuation increased by approximately 18.9 percent, from \$15,422,963 to \$18,331,463. The average growth for all business districts for this period was 19.2 percent, which only slightly exceeded the change for North Avenue. The relative improvement in North Avenue's performance may be attributed to its assessed valuations reflecting the sales activity associated with the upward real estate cycle of the latter half of the 1980's, and a decrease in the high growth experienced by the other districts as the result of this recessionary period.

As a proportion of total equalized assessed valuation for all Oak Park business districts, North Avenue's share marginally increased from 15.1 percent in 1982 to 15.5 percent in 1986. Between 1986 and 1990, however, North Avenue's share of the equalized assessed valuation decreased by almost 12 percent, from 15.5 percent to 13.7 percent. Between 1990 and 1993, North Avenue's share stabilized, slightly decreasing from 13.74 percent to 13.70 percent.

North Avenue's proportion of Oak Park's overall tax base decreased by approximately 24



percent, from 3.7 percent of the total tax base in 1982 to 2.8 percent of the total tax base in 1991.

ASSESSED VALUATIONS/DIFFERENCES IN LOCATIONAL VALUES WITHIN STUDY AREA

Locations within which users pay similar prices for similar types of buildings tend to indicate distinct submarkets within an area. This is because land values tend to be a function of differences in locational values. In order to identify whether differences in locational values and therefore, submarkets exist within the study area and if so, how these sublocations vary, we evaluated assessed valuation data.

Table 2 presents the assessed value per square foot of land area by block on the Oak Park side of North Avenue for 1993. The assessed land values for the entire Oak Park portion of the study area range from a low of \$1.12 per square foot in block 6 to a high of \$6.55 for block 22. The assessed values by block indicate value differences by sublocation. Blocks 1 through 6, which are on the east end of the study area, have assessed land values below \$3.00 per square foot. These blocks have an average assessed land value of \$2.40 per square foot. Each block, on blocks 7 through 11, exceeds the average assessed land value for blocks 1 through 6. Assessed land values for blocks 7 through 11 range from \$2.55 to \$3.05 per square foot with an average assessed value of \$2.78 per square foot. This average exceeds the average assessed land value for blocks 1 through 6 by approximately 16 percent.

The block with the lowest assessed land value for blocks 12 through 20, the west end of the study area, exceeds by six percent the highest assessed land value for any of blocks 1 through 11. Blocks 12 through 20 range in value from \$3.24 to \$4.28 per square foot. The assessed land value for these blocks average \$3.63 per square foot. This average is 31 percent higher than the average for blocks 7 through 11, and 51 percent higher than the average for blocks 1 through 6. Blocks 21 and 22 have the highest assessed land values (\$4.61 per square foot and \$6.55 per square foot,



TABLE 2**Assessed Land Value by Oak Park Block: 1993**

<u>Block</u>	<u>Net Value Per Square Foot</u> \$
1	2.51
2	2.56
3	2.58
4	2.71
5	2.89
6	1.12
AVERAGE ASSESSED VALUE	2.40
7	3.04
8	2.69
9	2.55
10	3.05
11	2.57
AVERAGE ASSESSED VALUE	2.78
12	3.24
13	3.66
14	3.67
15	3.67
16	4.28
17	3.58
18	3.60
19	3.41
20	3.59
AVERAGE ASSESSED VALUE	3.63
21	4.61
22	6.55

Sources: Village of Oak Park Planning Department; Gruen Gruen + Associates.

respectively) of all blocks in the study area.

The assessed land value data is consistent with the results of our interviews with respect to the locational image of North Avenue. The study area's locational value improves as one moves west from Austin Avenue toward Harlem Avenue.

Table 3 shows the net change, by block, that occurred between 1991 and 1993, in the assessed value of commercial building improvements for all blocks on the Oak Park side of the study area. While there is wider variation in assessed valuations of commercial space within and between blocks than for assessed valuations of land, the assessed valuation data for commercial space, also identifies the locational value differences within the study area.

None of the blocks from 12 through 22 experienced a decline in their commercial assessed valuations between 1991 and 1993. All of these blocks increased in assessed value. The increase for these blocks averaged 22.3 percent (assessed valuations of these blocks' commercial space increased from \$9.62 per square foot as of 1991, to \$11.76 per square foot as of 1993). Blocks 7 through 11 experienced the highest rate of change at 26.7 percent, increasing from an averaged assessed value of \$9.34 per square foot for 1991 to \$11.83 per square foot for 1993. Blocks 1 through 6 experienced a 21.4 percent increase in the average assessed value. These blocks also had the lowest average assessed value of \$7.88 per square foot in 1993. This average is about one-third less than the average assessed value for the remainder of the study area. Changes in the assessed valuations of commercial space indicate that blocks 1 through 6, located east of Ridgeland Avenue, have a lower locational value than other portions of the study area.

Our interviews with the Township Assessor, several property owners and other knowledgeable individuals, and spot checks of properties, that were subject to steep valuation increases or decreases, suggest that significant changes in assessed valuations, were in most cases, attributable to property sales, major construction activity,



TABLE 3

Assessed Commercial Value by Oak Park Block: 1991-1993

<u>Block</u>	<u>1993 Commercial Value Per Square Foot</u>	<u>1991 Commercial Value Per Square Foot</u>	<u>Percent Change 1991 - 1993</u>
	\$	\$	%
1	7.30	6.54	11.6
2	7.77	7.20	7.9
3	12.83	4.33	196.3
4	12.73	9.53	33.6
5	7.02	7.22	-2.8
6	3.46	2.22	55.9
AVERAGE ASSESSED VALUE	7.88	6.49	21.4
7	13.11	5.72	129.2
8	9.95	8.42	18.2
9	6.17	6.93	-11.0
10	20.05	10.66	89.9
11	12.00	13.73	-12.6
AVERAGE ASSESSED VALUE	11.83	9.34	26.7
12	11.33	10.20	11.1
13	12.90	12.51	3.1
14	14.07	12.25	14.9
15	17.40	15.15	14.9
16	13.03	12.37	5.3
17	12.30	10.08	22.0
18	11.23	9.75	15.2
19	7.85	5.80	35.3
20	13.80	10.50	31.6
21	13.54	8.27	63.7
22	8.23	6.74	14.3
AVERAGE ASSESSED VALUE	11.76	9.62	22.3

Sources: Village of Oak Park Planning Department; Gruen Gruen + Associates.



and changes in occupancy. For example, as a result of Jewel closing the grocery store on block 5, this block has one of the lowest assessed values within the study area. Block 8 has the second highest assessed value, and one of the highest increases in assessed valuation, as the result of the development of a new strip retail center on the block. The commercial assessed valuation of block 21 increased by approximately 64 percent between 1991 and 1993. Block 21 is the site at which two adjoining buildings were acquired, demolished (except for parts of their shells), and extensively redeveloped into a high quality medical facility.

PROPERTY SALES AND VALUES

Table 4 presents the number of sales and average sales price of properties by block for two time periods: 1984 to 1989 and 1990 to 1994. The data shown in this table is based on a review of the Oak Park Township Assessor's records and estimates of commercial square footage for individual buildings provided by the Community Development and Planning Department. From 1984 to 1989, 33 property sales were completed. Only 11 property sale transactions occurred from 1990 to 1994. (But this was a recessionary period in which financing was hard to come by, as compared with the go-go period of the 1980's.)

Properties located on blocks 2, 11, 14, 17, 20 and 21 were the subjects of three or four sales each while blocks 16 and 18 experienced two sales each. Blocks with multiple parcels and owners were the subjects of relatively more sales activity than blocks with fewer parcels and owners.

Some properties were sold more than once between 1984 and 1994. The most recent sales prices for three properties exceeded those realized on prior sales. The most recent sales prices for two properties that were sold more than once during the period were less than prices obtained on prior sales.

Sales prices varied widely within and between blocks in the study area. On average,



TABLE 4

Property Sales by Oak Park Block: 1984-1994

<u>Block</u>	<u>1984-1989</u>		<u>1990-1994</u>	
	<u>Number of Sales</u>	<u>Price Range (\$P.S.F.)</u>	<u>Number of Sales</u>	<u>Price Range (\$P.S.F.)</u>
1	1	20	0	---
2	3	25-60	1	66
3	1	24	0	---
4	1	38	0	---
8	1	22	1	Not avail.
9	1	27	1	40
10	1	37	0	---
11	4	53-75	2	63-77
12	1	18	0	---
14	3	41-75	0	---
15	1	20	0	---
16	2	12-48	1	73
17	3	Not avail.	1	44
18	2	34	0	---
20	3	18-64	1	Not avail.
21	4	33-40	2	21-36
22	1	44	0	---
TOTAL	33		10	

Sources: Oak Park Township Assessor's Office; Gruen Gruen + Associates.



however, sales prices tended to be lower for properties located near Austin than those nearer Harlem. For example, blocks 1, 2, 3, 8, and 9, include sales for property at prices lower than \$30 per square foot. In only one instance, did a property sell for more than \$40 per square foot. Conversely, blocks 11, 14, 16, 20 and 21 all contained properties that sold for in excess of \$40 per square foot with several sales reported to have occurred at \$75 per square foot. This sales data is consistent with the conclusions concerning the relative locational values suggested by the assessed valuation data presented in the preceding section.

The sales data collected suggests that activity and prices for property sold appeared to peak between 1985 and 1989, with most properties selling for between \$31 and \$75 per square foot.

Based on our interviews with and data supplied by local real estate brokers, and our inspection of the area, as of July 1994, at least 19 properties are available for purchase. Five of the properties are located on various portions of the Chicago side of the study area. More properties on the Chicago side, particularly near Austin Avenue, may be for sale than we have identified. Fourteen of the properties are located on the Oak Park side. The properties range in size from about 1,000 square feet to 14,000 square feet of floor area. The asking prices range from \$25 per square foot for a 6,000-square-foot building on block 12 that has been available since June 1992 to \$99 per square foot for a 1,000-square-foot commercial building on block 11 that has been available since August 1993. The asking prices for two properties on blocks 2 and 3, plus a Chicago property across the street, range from \$50 and \$60 per square foot. Seven properties on blocks 11, 12, 14, 16, 18, 20 and 21 range in asking price from about \$50 to \$75 per square foot. Many of the properties listed for sale have been on the market for a relatively extended period of time.

The relatively few sales that have occurred in the 1990's, despite the relatively high number of properties available for purchase, suggest that many owners have been unhappy with the offering prices, or have failed to obtain offers, due to the significant



difference between the seller's expectations and the prices buyers are willing to pay. As one consequence of this, some of these owners will seek decreases in their property taxes as they come to a full realization that their properties are not worth as much as they had thought or hoped.

A number of North Avenue properties, including several of the larger office and retail properties, have within the last few years been foreclosed upon. According to an active area broker, the 52,000-square-foot office building located at 1515 North Harlem, immediately south of and adjacent to block 22, was foreclosed upon, and subsequently purchased in 1993, for a price equal to \$10.68 per square foot.

One of the most recent sales that occurred in the last two years concerned a 2,000-square-foot one-story building located on block 16. This property, which was reported to be in good condition and to contain 10 parking spaces (for a high parking to space ratio of one parking space for every 200 square feet of floor area), was sold for \$52.50 per square foot (versus an asking price \$67.50 per square foot). The purchaser was an owner-user who relocated from block 1. As mentioned above, another case of an owner-user purchase concerned the acquisition of the two adjoining, obsolete buildings in block 21 for approximately \$34 per square foot. The user subsequently extensively demolished and redeveloped the acquired properties into a high quality medical facility. The recent sales activity indicates that user-occupants, are by far the primary buyers or prospective purchasers of North Avenue properties.

MOTIVATIONS OF PROPERTY OWNERS SEEKING TO SELL

The large number of properties for sale suggests the question: Why are the existing owners seeking to sell their properties?

While individual circumstances and motivations do vary, the results of our interviews with property owners, developers, real estate brokers, owners-users as well as the Director of



the Oak Park Chamber of Commerce, and with staff of the Village of Oak Park Planning and Development staff, suggest key underlying factors are influencing some property owners to seek to sell their properties: These factors include: (1) an inadequate amount and configuration of parking space; (2) perception or fear of increasing crime; and (3) obsolete buildings and associated low rents with relatively high property taxes.

It is an American truism that wherever the commercial agglomeration, or the amount or placement of parking, lack of sufficient parking is almost always a major tenant complaint. North Avenue, however, does appear to have a genuine parking problem that will need to be dealt with if the area is to maintain itself as a viable business district - particularly if the Illinois Department of Transportation (IDOT) does expand North Avenue in the future, and thereby eliminates street parking. Both parking accessibility and availability make it difficult for shoppers to "conveniently" shop or employees or visitors of office users to "conveniently" park. Many buildings lack a sufficient amount of parking to reach a profitable occupancy. The 52,000-square-foot building referred to in the previous section, for example, includes only one parking space for every 743 square feet of building area. A 11,000-square-foot office building on North Avenue contains only one parking space in the rear of the property for every 1,200 square feet of office space. Typical density ratios are one employee for every 250 square feet of floor area. This ratio may frequently result in inadequate parking even if the applicable property complies with the current land use regulations of one parking space for every 500 square feet of building area.

Many tenants and owners we interviewed also expressed significant concern about the possibility of IDOT taking away metered, street parking to widen North Avenue to add another lane of traffic. Many tenants and owners fear that this road expansion would increase traffic speed and congestion and reduce the already inadequate supply of parking. These results would adversely affect their ability to attract and retain tenants and customers. The IDOT expansion would also make it that much harder for pedestrians to cross the street and would further reduce the limited billboard affect. We agree with these observations.

Some doctors and others tenants have relocated beyond the study area, further west on North Avenue, as a result of increasing experiences with crime or concerns about safety. This insecurity contributes in particular to the presently poor locational image of the Austin area sublocation. Concern about crime, which seems to be genuine based on North Avenue having, according to the Community Development and Planning Department, the fourth highest crime rate in Oak Park, is a significant constraint and exacerbates the effect of the parking constraint. It is difficult to attract and retain office users, if security is perceived to be a problem and parking is neither adequate in amount nor conveniently located. Restaurants, in particular, tend to suffer if parking is not conveniently accessible and potential patrons are insecure, especially at night, about walking to and from the restaurants. For example, an operator of a restaurant on the Chicago side indicated that sales have declined due to vacancies in adjacent store fronts as well as the inadequate amount of conveniently-located parking. Evening sales have declined because the vacancies create a sense of less activity and security in the area, which in turn, results in decreases in walk-in traffic. This restaurant is not open during lunch because of the lack of parking and the feeling that lunch trade will be light.

Increasing obsolescence of existing space is another factor motivating some owners to sell their properties. Physically, some North Avenue space is no longer attuned to the needs of users, or their customers. Some users have moved further west on North Avenue beyond the study area because they need larger configurations of space or additional parking than is readily available within the study area. Several office users have relocated to downtown Oak Park buildings with larger floor plates than those in their existing buildings on North Avenue. The depth of Oak Park blocks also make it difficult to aggregate sufficient acreage or buildings to facilitate larger-scale developments. Most parcels are too shallow to accommodate large users or big-box retailers and their parking requirements. In addition, only one building on the street has an elevator. Many of the two-story buildings do not comply with ADA requirements.



INDICATED CHANGES IN SPACE USE

Turnover by Type of Use

Table 5 shows the estimated turnover by type of use that took place on North Avenue between 1984 and 1994. The data is based on business license and building permit data provided by the Village of Oak Park Community Development and Planning Department. The table presents two time intervals: 1984 to 1989 and 1990 to 1994. The first column in each interval shows the number of stores by type of use that closed. The second column shows the number of stores opened for a particular use during the same time interval. Column five shows the net change in movement with any use grouping. Column six is the summation of columns one through four. It shows the total number of events (both openings and closings) that took place during the ten year interval for each use.

While the data shown on Table 5 concerning turnover by use in the study area is probably insufficient to serve as a basis for good quantitative forecasts of changes taking place, it does strongly suggest the direction and type of changes taking place. Furthermore, the data does permit us to conclude that in terms of number of users on the Oak Park side, business and professional services, healthcare services, personal services and food and beverage are the greatest number of use types in the study area.

Of the businesses that could be classified by use type, a net loss of 48 businesses occurred during the ten year period. Only one category, recreational, had a positive gain (1). Most of the losses occurred in three categories: clothing (11), personal services (10), and business and professional services (11). Healthcare services had a large number of openings and closings, but only one net loss. Between 1984 and 1989, there was a total net loss of 39 businesses. Between 1990 and 1994, only a net loss of 11 businesses occurred.

Clothing and personal services experienced the highest net business loss. These losses



TABLE 5

Turnover by Type for Oak Park: 1984-1994

Type	<u>1984-1989</u>		<u>1990-1994</u>		<u>Net Change 1984 - 1994</u>	<u>Total Events</u>
	<u>Closed</u>	<u>Opened</u>	<u>Closed</u>	<u>Opened</u>		
Clothing	5	0	6	0	-11	11
Food and Beverage	8	2	6	6	-2	22
Household Furnishings & Electronics	8	3	4	1	-8	16
Music and Sporting Goods	2	1	4	1	-4	8
Specialty	3	0	2	4	-1	9
Automotive	2	2	0	0	0	4
Personal Services	9	1	13	11	-10	34
Recreational	0	0	0	1	1	1
Healthcare Services	7	5	21	22	-1	55
Business and Professional Services	19	10	27	25	-11	81
Contractors	0	1	3	1	-1	5
TOTAL	64	25	87	78	-48	246

Sources: Village of Oak Park Planning Department; Gruen Gruen + Associates.

are probably due to the lack of foot traffic and spillover from other tenancies that do not attract joint shopping trips. Business and professional services also had a high net loss.

Turnover by Block

Table 6 has the identical format as the previous table, but presents the estimated number of turnovers by block rather than by use type. As was the case for the data we presented on values and sales, the information gives us a feel for the relative strength and weaknesses within the study area.

Most of the net business losses occurred in blocks 9, 10, (two of the largest concentrations of multi-tenant two-story office space) and 20. These blocks also had the highest number of total openings and closings during the ten year time period.

More than two-thirds or 82 of the 120 total net losses occurred between 1984 and 1989, while only 38 of the net losses occurred between 1990 and 1994.

On balance, the analysis of the data and results of the interviews presented above points to stabilizing economic conditions in the study area, or at least to a decrease in the rate of decline for most of the blocks in the portion of North Avenue studied. The turnover of businesses both by use type and by block resulted in a smaller net loss between 1990 and 1994 than between 1984 and 1989. In addition, North Avenue's share of equalized assessed valuation for all Oak Park business districts also declined much less between 1990 and 1993 than for previous time periods and its rate of increase in assessed valuation between 1991 and 1993 exceeded that of previous periods. This increase may be due in part to the assessed valuations reflecting the peak sales activity in the late 1980's. Property values appear to have peaked, however, and are likely on a downward trend.

The conditions and value shifts in supply discussed above suggest that the rate of decline is significantly slowing and signs of stabilization are evident. The area does not



TABLE 6

Turnover by Block for Oak Park: 1984-1994

Block	Street Range	1984-1989		1990-1994		Net Change 1984 - 1994	Total Events
		Closed	Opened	Closed	Opened		
1	Austin - Humphrey	5	1	2	1	-5	9
2	Humphrey - Taylor	4	2	2	2	-2	10
3	Taylor - Hayes	2	0	5	3	-4	10
4	Hayes - Lombard	2	0	4	3	-3	9
5	Lombard - Harvey	0	0	1	0	-1	1
6	Harvey - Ridgeland	0	0	1	0	-1	1
7	Ridgeland - Edmer	4	0	7	7	-4	18
8	Edmer - Rossel	5	1	1	0	-5	7
9	Rossel - Elmwood	7	3	31	15	-20	56
10	Elmwood - Fair Oaks	11	2	14	8	-15	35
11	Fair Oaks - East	5	1	7	5	-6	18
12	East - Columbian	5	3	3	3	-2	14
13	Columbia - Linden	1	0	0	1	-1	1
14	Linden - Euclid	1	0	2	0	-3	3
15	Euclid - Oak Park	4	0	0	1	-3	5
16	Oak Park - Grove	3	0	7	4	-6	14
17	Grove - Kenilworth	1	2	2	2	1	7
18	Kenilworth - Woodbine	2	0	1	1	-2	4
19	Woodbine - Forest	13	1	16	9	-19	39
20	Forest - Belleforte	16	5	5	7	-9	33
21	Belleforte - Marion	7	2	2	4	-3	15
22	Marion - Harlem	10	3	3	3	-7	19
TOTAL		108	26	116	78	120	328

Sources: Village of Oak Park Planning Department; Gruen Gruen + Associates.

appear strong enough, however, to resist the negative impacts likely to be generated by a widening of the street. If traffic speed is increased and parking removed, in the absence of any other changes, conditions within the study area are likely to resume deterioration. Therefore, we believe that this makes it particularly important that the Village take steps now to strengthen the area. Second, the Village should attempt to reach an understanding with the IDOT to mitigate the harmful effects of the proposed widening of the street by including programs to add parking and facilitate redevelopment as part of the street widening program. In the absence of such a mitigation program, the severance damages arising from the plans of the IDOT are likely to be severe in the long run. In order to gain insight into what can or should be done, this report summarizes in the next chapters the existing policies that effect development, the relevant demand conditions that should be responded to, and the real estate economics that apply.



CHAPTER III

VILLAGE OF OAK PARK AND CITY OF CHICAGO POLICIES AND REGULATIONS LIKELY TO AFFECT DEVELOPMENT AND REDEVELOPMENT OF THE NORTH AVENUE STUDY AREA

Land use planning policies and regulations affect land uses and real estate decisions by facilitating or constraining the responses that owners of property can make to market and physical conditions. The first two sections of this chapter describe the current Village of Oak Park and City of Chicago land use and zoning regulations. The third section keys in on those regulations and policies that are particularly influencing changes in land use or lack of adaptive reuse and maintenance in the study area. The final section describes Oak Park's redevelopment powers and their potential to encourage private actions likely to strengthen the agglomeration of consumer-oriented uses on North Avenue.

VILLAGE OF OAK PARK POLICIES AND REGULATIONS

The key planning and zoning regulations that influence land use trends and development and redevelopment on the Oak Park side of the study area include the following:

- Height Limit - 45 feet (this equates to 3 to 4 stories)
- Floor Area Ratio (FAR) - None
- Floor Area/Size Limit - None
- Parking - One parking space is required for every 500 square feet of floor area. Except for limited two-hour parking on certain side streets, parking is prohibited on streets south of North Avenue.



- **Zoning/Use -**

Block 22, at the corner of Harlem Avenue and North Avenue, is designated to be within a "B-2" General Business District, the regulations of which "are intended to protect areas where the principal use is for a variety of business establishments, and to provide guidelines for development of similar business uses...".

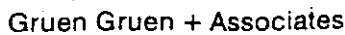
All other blocks within the study area are included in the "B-1" zoning classification. The regulations for the "B-1" General Business District "are intended to protect the predominantly office-service-retail character of certain areas...". "B-1" zoning excludes 17 uses that are permitted under "B-2" zoning. These exclusions include catering services, dry cleaning establishments, greenhouses, handicraft shops, hospitals and clinics for animals, hotels, light distributing operations, pet shops, recording studios, rental shops for household equipment, repair shops for electrical and electronic equipment, theaters, and upholstery shops. Uses that are not permitted under either zoning classification include wholesalers, drive-in restaurants, automobile service/repair stations, automobile or other vehicle dealerships, as well as jazz clubs, dinner theaters, and dance clubs.

CITY OF CHICAGO POLICIES AND REGULATIONS

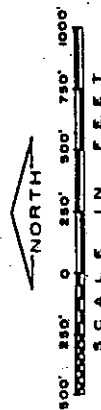
Map 2 shows the zoning districts with respect to the Chicago side of the study area.

The key land use and zoning regulations that affect both current and future land uses





**Zoning Districts for the City of Chicago,
Side of North Avenue Study Area**



Source: City of Chicago Zoning Ordinance.

and development activities for the Chicago side of the study area include the following:

- **Height Limit -** None (height is influenced by FAR densities)
- **Floor Area Ratio (FAR) -** 1.2 FAR for all zoning designations within the study area, except for a 2.2 FAR for "B3-2" zoning.
- **Floor Area/Size Limit -** Individual business establishments may not exceed 21,875 square feet in study area locations within "B2-1" and "B4-1" zoning districts.
- **Parking -**

For bank, business, or professional and public administration office space, one parking space is required for every 500 square feet of floor area in excess of 4,000 square feet.

For retail space, one parking space is required for every 400 square feet of floor area in excess of 4,000 square feet.
- **Zoning/Use -** A variety of zoning districts apply to the study area. Most of the Chicago side is zoned either B2-1, B3-1, B4-1 or B5-1.

"B4-1" is a "Restricted Service District". This District is "designed to furnish areas served by Restricted Retail Districts with a variety of necessary services and goods" whose uses are not permitted in the "Restricted Retail Districts". Permitted uses include amusement, automobile service stations, restaurants



with live entertainment, theaters and any uses permitted in the "B2-1 - B2-5" District. As noted above, a cap of 21,875 square feet applies to individual businesses within this district. Special uses subject to approval from the Board of Appeals include automobile dealerships, "drive-in" or "drive-through" facilities, taverns, entertainment cabarets, and pawnshops.

"B2-1", is a "Restricted Retail District". This District is "designed to cater to the needs of a relatively larger consumer population than served by the Local Retail Districts, and so a wide variety of business uses are permitted for both daily and occasional shopping". The size limitation applies to this zoning. Exclusions include drive-in, entertainment or recreational-oriented, and wholesale uses.

"B5-1" is a General Service District". General Service Districts are "designed to furnish areas served typically by General Retail Districts with a wide variety of services (and goods) incompatible with the uses allowed in such General Retail Districts...". Permitted uses include those permitted under "B4-1 to B4-5" zoning.

"B3-1" are "General Retail Districts" designed to cater to the needs of larger consumer populations than served by the Restricted Retail Districts and are "characterized by large establishments generating



larger volumes of vehicular and pedestrian traffic."
All uses permitted in "B2-1 to B2-5" Districts are
permitted in "B3-1" Districts.

POLICIES AND REGULATIONS THAT PARTICULARLY INFLUENCE LAND USE AND REAL ESTATE ACTIVITY IN THE STUDY AREA

Some of the most important ways public policies and regulations influence land use trends and real estate activity in the study area include the following:

1. The zoning that applies to portions of the study area permits pawn shops, taverns, newspaper shacks, hubcap stores, "beeper" shops and other uses that could be termed disamenities. Paradoxically, the zoning excludes a variety of uses that would probably have none of or substantially less negative externalities than some of the uses that are permitted. The present zoning, for example, excludes theaters, and other entertainment- and recreational-oriented uses at certain locations on the Chicago side, and at all locations other than Block 22 on the Oak Park side. Limitations exist on the size of businesses at certain locations on the Chicago side. These exclusions and limitations constrain development, redevelopment or remodeling and tenancing options potentially available to owners to employ to changing market conditions. Some of these exclusions (including the prohibition of hotels on the Oak Park side) may also work to reduce the potential tax revenue that might accrue to both the City of Chicago and the Village of Oak Park, absent such exclusions;
2. The zoning regulations also discourage residential uses, particularly higher-density uses. This use limitation further constrains the potential development alternatives potentially available to property owners;
3. The height and FAR limitations work to limit the development (and redevelopment and expansion) of larger-scale, multi-story office, or other facilities;



4. The City of Chicago regulations that restrict the size of businesses in certain locations, exclude super grocery stores, and big-box, value-oriented tenancies;
5. A lack of conformity exists between the Chicago and Oak Park zoning regulations. The Chicago regulations permit at certain locations, automobile dealers, repair stations and taverns, while these uses are not permitted under Oak Park regulations. Theaters, and other recreational and entertainment-oriented uses are permitted on parts of the Chicago side, but are excluded on the Oak Park side of North Avenue. This lack of conformity discourages location-specific synergistic and compatible agglomerations of sets of uses;
6. For some uses, the parking requirements may be too low in relation to the amount of permitted building space;
7. "Burglar bars" are permitted on both sides of North Avenue. According to our interviews, these devices create a negative, unsafe image. Burglar bars are manifestations of owners (and tenants) increasing concerns about crime. The image conveyed by increasing numbers of burglar bars makes it more difficult to attract and retain tenants and their customers and may, therefore, discourage remodeling and maintenance actions; and
8. The zoning regulations may not relate well to the increasing blurring in the manufacturing and distribution chain that has produced wholesaling/retailing hybrids.

VILLAGE OF OAK PARK'S POWERS TO FACILITATE DEVELOPMENT, REDEVELOPMENT, AND REMODELING

The Village of Oak Park possesses a variety of legal powers, economic development programs, and financing mechanisms to facilitate private development, redevelopment and remodeling actions. These include the following:



1. Powers of eminent domain and condemnation to acquire property, to form more buildable parcels;
2. Ability to establish Tax Increment Financing (TIF) Districts for the purpose of funding infrastructure or land assembly associated with redevelopment;
3. Ability to form Special Service Areas, through additional ad-valorem taxes, that can be used to provide additional services such as public improvements, facade improvements, marketing programs, extra security services, and the like to specific areas;
4. Participation in the Community Development Block Grant (CDBG) program, under which funds received directly from the federal government can be used to purchase property and write-down their acquisition costs; and
5. Retail Rehab Grant program, which provides for grants for up to one-third of the cost of interior rehabilitation for tenant improvements.

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CHAPTER IV

THE DEMAND FOR RETAIL SPACE IN THE NORTH AVENUE STUDY AREA AND THE NATURE OF THE COMPETITION FACED

This chapter reviews the relevant population and income trends, which are among the basic determinants of retail demand. We describe the market potential, in terms of estimated income, for the primary market area from which the study area can draw, including the geographic and household income segments that comprise this market. Reference is also made to some of the changes in the competitive supply that affect the ability of North Avenue businesses to attract customers and that point to the need for adaptations to changing consumer preferences. We then compare market demand potential to indications of actual retail sales trends in the retail sector of Oak Park, and for the Oak Park side of North Avenue. Finally, in light of the assessment of demographic, demand and supply conditions, the potential types of additional demand that the study area could potentially capture are identified.

POPULATION AND HOUSEHOLD TRENDS FOR OAK PARK, CHICAGO, AND COOK COUNTY

During the 1980's, significant shifts occurred in the distribution of the Chicago region's population. The Census figures indicate that the Chicago region's population is dispersing away from the City of Chicago, and its inner-ring suburbs, to outlying suburbs and exurban communities, particularly those located in the west and northwest areas of the region. Indicative of this trend is the decline in the City of Chicago's share of the six county region's population, from 42.3 percent in 1980 to 38.0 percent, as of 1990. Collectively, the five "collar" counties of DuPage, Kane, Lake, McHenry, and Will, (whose population in the past decade, increased by about 16.5 percent or 306,000 persons), share of the region's population increased from 26 percent to 30 percent.



Table 7 presents past and forecast population and household change for the Village of Oak Park, the City of Chicago, and Cook County. During the past decade, Chicago's population declined by 7.4 percent, or approximately 221,000 persons. Cook County's population declined less than that of Chicago because suburban Cook County's population increased by about 2.2 percent, or 72,000 persons.

Consistent with this shift in population distribution, Oak Park has experienced a population decline that is typical of closer-in suburbs. In the past decade, Oak Park's population declined by 1,239 persons, or 2.3 percent. Oak Park is forecast by the Northeastern Illinois Planning Commission (NIPC) to continue to experience a slow decline in population by 1,133 persons, or 2.1 percent between 1990 to 2010.

Between 1990 and 2010, Chicago's population is forecast to increase by 371,274 persons, or 13.3 percent. This forecast may be optimistic given Chicago's four-decades long population loss. The forecast may, however, reflect an anticipated substantial growth in foreign immigration and minority births. Illinois, along with New Jersey, is projected to rank after California, Texas, and Florida, as major destinations for international migrants. In 1992, Chicago was the fourth most popular destination choice of immigrants. This growth, however, is typically accompanied by an increase in average household size (stemming from two sources: larger family household size and households doubling or tripling up within a single housing unit). As discussed below, an increase in average household size is not forecast to occur. Between 1990 and 2010, NIPC forecasts that Cook County will grow by 462,333 persons, or 9.1 percent. Suburban Cook County, then, is expected to increase in population by almost 4.0 percent.

In the past decade, Chicago and Cook County both experienced decreases in their number of households. Chicago lost 72,489 households, or 6.6 percent of its household base. The number of households in Cook County decreased by 4,766, or 0.3 percent. Suburban Cook County, then, registered a 67,723 increase in the number of its households. The number of households in Oak Park increased by 140, or 0.8 percent. NIPC forecasts that the number of households in Oak Park will increase, between 1990





TABLE 7

Population and Households of the Village of Oak Park,
Cook County and the City of Chicago: 1980 - 2010

Area	1980 Number	1990 Number	2010* Number	Absolute Change 1980-1990	Percent Change 1980-1990	Absolute Change 1990-2010	Percent Change 1990-2010
Oak Park							
Population	54,887	53,648	52,513	-1,239	-2.3%	-1,135	-2.1%
Households	22,511	22,651	23,570	140	0.6%	919	4.1%
Avg. HH Size	2.44	2.37	2.23				
City of Chicago							
Population	3,005,100	2,783,726	3,155,000	-221,374	-7.4%	371,274	13.3%
Households	1,093,400	1,020,911	1,266,200	-72,489	-6.6%	245,289	24.0%
Avg. HH Size	2.75	2.73	2.49				
Cook County							
Population	5,253,700	5,105,067	5,567,400	-148,633	-2.8%	462,333	9.1%
Households	1,879,400	1,874,634	2,228,000	-4,766	-0.3%	353,366	18.9%
Avg. HH Size	2.80	2.72	2.50				

*Northeastern Illinois Planning Commission forecast.

Sources: U.S. Bureau of the Census; Northeastern Illinois Planning Commission; Gruen Gruen + Associates.

and 2010, by 9,191, or 4.1 percent. Chicago and Cook County, are forecast to grow during this same period by 245,289 households (24.0 percent) and 353,366 households (18.9 percent), respectively. For Chicago and Cook County, a population increase as well as a decrease in average household size, may account for the forecasted increase in their number of households.

During the 1980's, all of the jurisdictions experienced a decrease in average household size. Oak Park has the lowest average household size. Oak Park's average household size decreased from 2.44 to 2.37 persons per household, while Chicago's average household size decreased from 2.75 to 2.73 persons per household. The average household size in Cook County decreased by 2.80 to 2.72 persons per household. The decrease in average household size probably accounts for the increase in number of households in Oak Park, given its slight decrease in population. The decrease in the average household size in the City of Chicago may reflect a polarized pattern of some middle class residents moving out of the City upon the birth of a child or second child, while minorities with larger-sized households are more likely to remain in the City. Census data concerning household size by race appears to support this hypothesis. Between 1980 and 1990, household size in the City decreased from 2.36 to 2.27 persons per household. During this period, black households fell in average household size from 3.10 to 2.98 persons per household, while Asian and Hispanic households increased from 2.99 and 3.66 to 3.02 and 3.84 persons per household, respectively,

Table 8 shows the shift that occurred between 1980 and 1990 in the racial composition in Oak Park. In the past decade, the number of whites in Oak Park decreased by 5,914, or 13 percent. In 1980, whites comprised approximately 86 percent of Oak Park's population. In 1990, whites made up approximately 77 percent of Oak Park's population. During the 1980's, Oak Park's black population increased by 4,002, or 67 percent, to comprise by 1990, approximately 19 percent of Oak Park's total population, an increase from about 11 percent in 1980. The Asian/Pacific Islander population increased by 467 people, which equates to a 35 percent increase. The proportion of the Asian/Pacific Islander population, relative to the total population of Oak Park, increased to 3.5 percent





TABLE 8

Persons in Households by Race for Village of Oak Park

	<u>All</u>	<u>White</u>	<u>Black</u>	<u>Hispanic Origin¹</u>	<u>Asian/ Pacific Islander</u>	<u>American Indian</u>	<u>Other Race</u>
1980							
Number Persons in Household	54,887	47,158	5,942	1,360	1,339	75	373
Persons Per Household	2.44	2.40	2.41	2.97	2.87	Not avail.	Not Avail.
1990							
Number Persons ¹ in Household	53,648	41,244	9,944	1,626	1,806	84	570
Persons Per Household	2.37	2.35	2.30	Not avail.	2.76	Not avail.	Not avail.

¹Persons of Hispanic origin may be of any race.

Sources: U.S. Bureau of the Census; Gruen Gruen + Associates.

in 1990, up from about 2.4 percent, as of 1980.

As of 1990, the household sizes of Asians in Oak Park averaged 2.76 persons per household, while Hispanic households averaged 2.97 persons per household. These groups have larger average household sizes than whites, whose average household size declined from 2.40 individuals per household in 1980, to 2.23 persons per household in 1990, and blacks, whose average household size in Oak Park, declined from 2.41 persons per household in 1980, to an average of 2.30 persons per household in 1990. This latter trend suggests blacks, who typically have larger average household sizes than whites, that reside in Oak Park are more likely to be middle-income (and such households are also likely to have smaller families). This inference is supported by Census data which indicates that in 1990, black median household income in Oak Park was \$31,567, or 62 percent higher than black median household income in Chicago, which was \$19,498.

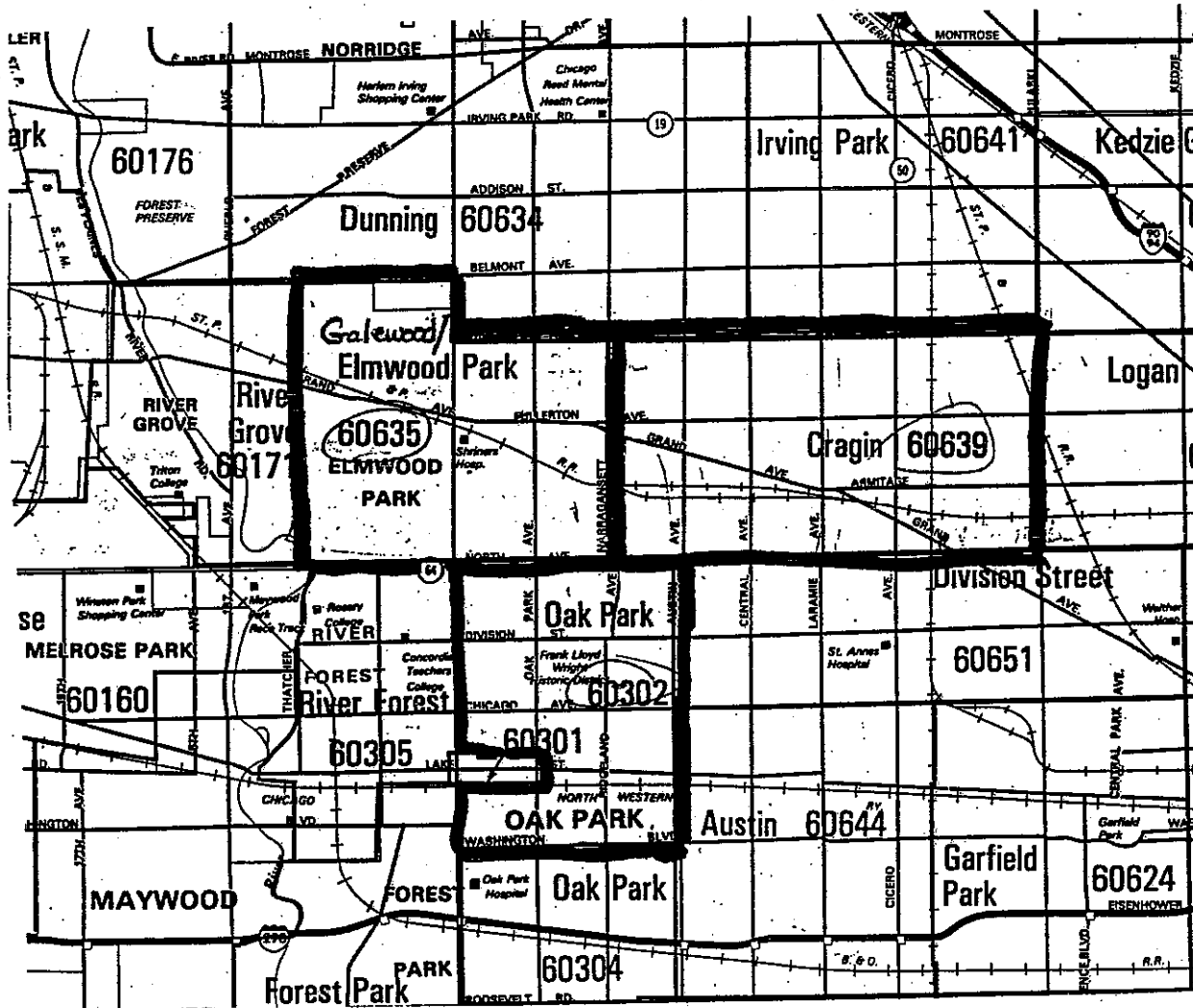
POPULATION, HOUSEHOLD AND INCOME TRENDS WITHIN THE NORTH AVENUE STUDY AREA

The data presented in this section was drawn from the CACI 1993 and 1984 Sourcebooks of Demographics and Buying Power for Every Zip Code in the U.S.A. These sources were used because they provide, based on our market research, a readily available approximation of the geographic areas that can be served by the study area. Our interviews suggests that most businesses in the study area are serving customers within a one- to two-mile radius. Three zip code areas covering a one- to two-mile area around North Avenue were selected to approximate the geographic trade area from which consumers could be attracted to North Avenue. Map 3 delineates North Avenue's market area. While our interviews indicate that some River Forest residents shop in portions of the study area, the River Forest zip code was not included in the market area because it would cover an area much larger than the area now served, and would therefore overstate the potential demand from River Forest-based consumers. Therefore, our research indicates that by not including the River Forest zip code area, we may



MAP 3

Market Area by Zip Codes: 60302, 60639, 60635



Sources: Chicagoland 8 County Zip Code Map, Creative Sales Corporation; Gruen Gruen + Associates.



somewhat understate the potential income available from middle- and upper-income households for expenditures on goods and services in the study area.

Table 9 presents for the years, 1984 and 1993, median household income and number and size of households for each of the zip codes areas. All median income has been stated in 1993 dollars in order to present more realistic estimates of actual spendable income. Between 1984 and 1993, residents of the 60302 Oak Park zip code area enjoyed an almost seven percent inflation-adjusted increase in median household income, from \$39,435 in 1984 to \$42,079 in 1993. Households in the 60635 Elmwood Park/Galewood and the 60639 west side of Chicago zip code areas, respectively, experienced a ten percent and nine percent decrease in average median income.

The most significant changes in median household income for all market areas occurred from 1984 to 1990. The rate of change slowed considerably between 1990 and 1993, a period of a national economic recession. Households in the Chicago and Elmwood Park/Galewood zip code areas experienced a larger decline in 1993 spendable dollars between 1980 and 1990 than between 1990 and 1993. From 1990 to 1993, these two zip codes experienced a flat to slight decrease in spendable dollars in terms of median household income. Residents in the Chicago zip code area experienced less than one percent growth in median household income between 1990 and 1993. Households in the Elmwood Park/Galewood zip code area experienced a 2.2 percent decrease in median income during the same period. Households in the Oak Park zip code area, however, experienced an approximately 8 percent increase in spendable dollars between 1980 and 1990, but like households in the other two zip code areas, experienced a slight drop in spendable dollars between 1990 and 1993.

The Oak Park zip code area has a higher median household income and lower average household size than the other two zip code areas. This suggests that, on average, Oak Park has higher-wage workers with smaller families to support.

Table 10 shows, for the 1984 to 1998 period, past and forecast change in the population

TABLE 9

Median Household Income and Number of
Households in 1993 Constant Dollars by Zip Code Area

Zip Code Area	1984	1990	1993	Absolute Change 1984-1993	Percentage Change 1984-1993
60639 (West side of Chicago)¹					
Number of Households	25,119	23,556	24,041	-1,078	-4.3%
Average Household Size	2.63	3.15	3.14		
Median Household Income (1993 \$)	\$33,039	\$30,126	\$30,148	-\$2,891	-8.8%
60635 (Galewood, Montclare, and Elmwood Park)²					
Number of Households	15,687	15,182	15,322	-365	-2.3%
Average Household Size	2.47	2.51	2.50		
Median Household Income (1993 \$)	\$41,944	\$38,712	\$37,833	-\$4,111	-9.8%
60302 (North Oak Park)³					
Number of Households	15,878	14,863	15,027	-851	-5.4%
Average Household Size	2.16	2.24	2.23		
Median Household Income (1993 \$)	\$39,435	\$42,709	\$42,072	\$2,637	6.7%

¹Area bounded by Narragansett, Pulaski, North and Diversey Streets. Encompasses portion of west side of City of Chicago.

²Area bounded by North, Diversey in Chicago, Belmont in Elmwood Park, Narragansett and Thatcher Streets. Encompasses Village of Elmwood Park and neighborhoods of Galewood and portion of Montclare in Chicago.

³Area bounded by North, Washington, Austin and Harlem Streets. Encompasses North Oak Park.

Sources: U.S. Bureau of the Census; The Sourcebook of Zip Code Demographics: 1993, CACI Marketing Systems; Gruen Gruen + Associates.



TABLE 10

Population by Race
by Zip Code Area

Zip Code Area	1984	1990	1993	1998	Absolute Change 1990-1998	Percentage Change 1990-1998
60639 (West side of Chicago)¹						
Total Population	66,085	74,209	75,573	77,681	3,472	4.7%
% White	79.5%	57.0%	54.9%	NA		
% Black	0.8%	18.2%	18.3%	NA		
% Asian/Pacific	—	2.7%	3.0%	NA		
% Hispanic Origin	—	43.4%	44.8%	NA		
60635 (Galewood, Montclare and Elmwood Park)²						
Total Population	38,728	38,056	38,306	38,692	636	1.7%
% White	98.4%	94.6%	94.0%	NA		
% Black	0.0%	1.0%	1.1%	NA		
% Asian/Pacific	—	1.9%	2.2%	NA		
% Hispanic Origin	—	7.2%	7.7%	NA		
60302 (North Oak Park)³						
Total Population	34,332	33,298	33,572	33,994	696	2.1%
% White	83.4%	76.6%	75.4%	NA		
% Black	11.7%	19.3%	20.0%	NA		
% Asian/Pacific	—	2.9%	3.3%	NA		
% Hispanic Origin	—	3.4%	3.6%	NA		

¹Area bounded by Narragansett, Pulaski, North and Diversey Streets. Encompasses portion of west side of City of Chicago.

²Area bounded by North, Diversey in Chicago, Belmont in Elmwood Park, Narragansett and Thatcher Streets. Encompasses Village of Elmwood Park and neighborhoods of Galewood and portion of Montclare in Chicago.

³Area bounded by North, Washington, Austin and Harlem Streets. Encompasses North Oak Park.

Sources: The Sourcebook of Zip Code Demographics: 1993 and 1984, CACI Marketing Systems; Gruen Gruen + Associates.

by racial composition for each zip code area. As of 1993, in the three zip codes, approximately 70 percent of the population is white; 26 percent is Hispanic and 14 percent black.

Between 1984 and 1990, the Chicago zip code area experienced a 28 percent decrease in the number of whites and an over 2,000 percent increase in the number of blacks. This extremely rapid rate of change in racial composition slowed considerably between 1990 and 1993. During this latter period, the proportion of whites in this zip code area declined from 57.0 percent to 54.9 percent, while the proportion of blacks increased by only 0.1 percent.

Between 1984 and 1993, the Elmwood Park/Galewood zip code remained stable and homogeneous with regard to racial composition. The proportion of whites declined from 98.4 percent in 1984, to 94.6 percent in 1990. Between 1990 and 1993, the proportion of whites only marginally declined by 0.6 percent.

*what
about
Hispanic?*

The Oak Park zip code area experienced a significant shift in its racial composition. The proportion of whites in this zip code area decreased from 83.4 percent in 1984 to 76.6 percent in 1990. During this period, the proportion of blacks increased from 11.7 percent to 19.3 percent. This rate of change stabilized between 1990 and 1993. By 1993, blacks comprised about 20 percent of Oak Park's population.

TOTAL AVAILABLE INCOME IN THE MARKET AREA

Table 11 presents the market potential in terms of total available income from each zip code area, based on median household income for each area (in 1993 constant dollars) for 1984 through 1993. During this period, the identified market area experienced an inflation-adjusted decline in annual income of approximately ten percent. The three zip code areas contained approximately 54,400 households, which are estimated to have a total annual income in 1993 of about \$1.9 billion. In 1984, these zip code areas contained approximately 56,700 households and had total available income of \$2.1





TABLE 11

Total Available Income in
1993 Constant Dollars by Zip Code Area: 1984-1993

Zip Code Area	1984	1990	1993	Absolute Change 1984-1993	Percentage Change 1984-1993
60639 (West side of Chicago) ¹					
Total Available Income (1993 \$)	\$829,906,641	\$709,648,056	\$724,788,068	-\$105,118,573	-12.7%
60635 (Galewood, Montclare and Elmwood Park) ²					
Total Available Income (1993 \$)	\$657,975,528	\$587,725,584	\$579,677,226	-\$78,298,302	-11.9%
60302 (North Oak Park) ³					
Total Available Income (1993 \$)	\$626,148,930	\$634,783,867	\$632,215,944	\$6,067,014	1.0%
TOTAL AVAILABLE INCOME FROM ALL ZIP CODE AREAS	\$2,114,031,099	\$1,932,157,507	\$1,936,681,238	-\$177,349,861	-8.4%

Sources: U.S. Bureau of the Census; The Sourcebook of Zip Code Demographics: 1993,
CACI Marketing Systems; Gruen Gruen + Associates.

billion.

In 1984, total income by zip code area was allocated as follows: (1) Chicago zip code area - 39 percent; (2) Elmwood Park/Galewood zip code area - 31 percent; and (3) Oak Park zip code area - 30 percent. Oak Park's share of the market area income increased between 1984 and 1993. Total available income in 1993 was allocated as follows: (1) Chicago zip code - 37 percent; (2) Elmwood Park/Galewood zip code - 30 percent; and Oak Park zip code area - 33 percent.

Table 12 presents the percentage of households by income category for each zip code area. The west side of Chicago is characterized by low- to lower- middle-income households. Elmwood Park/Galewood consists of some lower- and higher-income households, but predominantly includes a broad range of middle-income households. Oak Park has the highest level of polarization, with an almost equal proportion of low-income and upper-income households and a broad distribution of middle-income households. Over 60 percent of the total available income for goods and services comes from the Oak Park and Elmwood Park/Galewood zip code areas, whose households are primarily middle-income ones.

The west side of Chicago has the highest proportion of under \$15,000 households at 22.2 percent. The Elmwood Park/Galewood and Oak Park zip code areas have 14.4 percent and 11.7 percent, respectively, in this low income category. For all areas, the highest proportion of households falls in the \$25,999 to \$49,999 income category with Chicago at 38.2 percent; Elmwood Park at 39.0 percent; and Oak Park at 35.1 percent. Chicago only has 2.3 percent of its households with incomes above \$100,000 while Elmwood Park/Galewood and Oak Park have 5.5 percent and 12.8 percent, respectively, of its households in this high income category.

The demographic and household income trends suggest that high growth in population and income is unlikely to occur in the foreseeable future to augment demand in the

TABLE 12

**Household Income in 1993
by Zip Code Area**

<u>Household Income Category</u>	<u>60639 Zip Code¹ %</u>	<u>60635 Zip Code² %</u>	<u>60302 Zip Code³ %</u>
Less than \$15,000	22.2	14.4	11.7
\$15,000 - 24,999	18.2	13.4	11.7
\$25,000 - 49,999	38.2	39.0	35.1
\$50,000 - 99,999	19.1	27.7	28.7
\$100,000 - 149,999	1.8	4.7	7.8
\$150,000 or more	0.5	0.8	5.0

¹Area bounded by Narragansett, Pulaski, North and Diversey Streets. Encompasses portion of west side of City of Chicago.

²Area bounded by North, Diversey in Chicago, Belmont in Elmwood Park, Narragansett and Thatcher Streets. Encompasses Village of Elmwood Park and neighborhoods of Galewood and portion of Montclare in Chicago.

³Area bounded by North, Washington, Austin and Harlem Streets. Encompasses North Oak Park.

Sources: The Sourcebook of Zip Code Demographics: 1993, CACI Marketing Systems;
Gruen Gruen + Associates.



market area for retail goods and services. In addition, a reduction in the amount of available income for retail goods and services has and will continue to occur, as on an inflation-adjusted basis, a higher percentage of shrinking, or slowly-growing income is devoted to housing, education, transportation and healthcare. An example of this shift in the allocation of income concerns housing. Based on the 1990 Census, between 1980 and 1990, in constant 1990 dollars, the median value of Elmwood Park owner-occupied housing increased by eight percent, from \$108,949 to \$116,300 while median household incomes declined during this period. In Oak Park, whose income growth performance was strong, as average household income increased by 24 percent, the value of owner-occupied housing increased by 27 percent from \$108,949 to \$138,700.

The relatively slow growth in household formation, decreasing average household size, and tightening of available income for retail goods and services may work to reduce the demand for "big ticket" household appliances, furnishings, and other goods typically associated with growth in new households, household income and increasing family size. Although relatively evenly distributed, Oak Park's share of potential income for retail expenditures is increasing relative to that of the other two areas.

CHANGING CONSUMER SHOPPING PATTERNS AND DEMAND PREFERENCES FOR NORTH AVENUE

Our research suggests that demand for goods and services in the study area is increasingly coming from a decreasing proportion of middle- and upper-income customers. Examples of this trend include the First Bank of Oak Park and St. Paul Federal Savings Bank, which have stable and declining deposit bases, respectively, and are shifting from loan and investment product-oriented to transactions-type businesses with more employees needed to serve retail customers. St. Paul has experienced a significant decline in middle- to upper-income Oak Park and River Forest customers due to their concerns about safety. St. Paul's free checking account, which formerly served to generate business for investment and other products from Oak Park and River Forest middle- and higher-income customers, now attracts lower-income residents from east of



Austin Avenue. While both banks have increased security costs and pay relatively high property taxes, both branches appear to have successfully adapted to this trend.

As suggested by our analysis of differences in locational values and assessed valuations, the area from Narragansett Street east to Austin Avenue is tending to concentrate on serving lower-income households. The North Ridge shopping center at Ridgeland Avenue has successfully targeted these households. A developer with whom we spoke indicated that Del Ray Foods is seeking to open a convenience grocery and produce market at the site of a vacant 28,000-square-foot bowling alley property across from the North Ridge shopping center. We were told that Del Ray Foods intends to attract customers from the west side of Chicago.

Boston Chicken has seen its sales shift increasingly in favor of lower-income customers. Boston Chicken is also opening a new store in the River Forest Town Center, at which, it anticipates capturing a higher proportion of Oak Park and River Forest residents.

Sears, which has seen its sales increase since remodeling its store, finds that over 50 percent of the customers come from within a two mile radius, including Chicago, Elmwood Park, River Forest and Oak Park. Its primary market, however, is extending further east into the west side of Chicago due to other Sears' store closings in this part of Chicago. Sears' customer profile is presently about 50 percent white, 30 percent black, and 20 percent Hispanic. Sears is attracting an increasingly higher proportion of Hispanic customers who come from Chicago. Sears' market research indicates that Hispanics have very traditional shopping patterns and an average household income of between \$25,000 and \$46,000.

Another conclusion that our research and analysis supports, is that goods and services in the study area serving relatively lower- to middle-income households are doing better than those serving more affluent groups. The parking constraint, security concerns, and lack of shops and services that appeal to high-end customers, combined with the market area's decline in terms of population, average household size and income partially

account for this trend. This shift to less expensive and more convenience goods and services is also due to the supply competition that is more attuned to consumer preferences and the consumer shopping pattern shifts. The reduction in middle-income shoppers from Oak Park and River Forest appears to also be due to a combination of pull and push factors. The increasing concerns about security, inadequate parking, and stores that cater primarily to a lower-income customer base, repels many of these residents while competing new shopping agglomerations serve to attract these customers.

There are, however, established stores on North Avenue that still attract middle- to upper-income Oak Park and River Forest residents. These stores provide high levels of service and products, and are convenient to area residents. For example, a paint and decorating store located toward Harlem Avenue on the Oak Park side of North Avenue, attracts a majority of its customers from Oak Park and River Forest. It offers these customers higher quality products and better service than big-box home improvement stores provide. This store has increased staffing to provide superior customer service, including the capability to efficiently process many small transactions, and handle peaks in business activity that typically occur over the weekend. A children's shoe store, also located toward Harlem Avenue, attracts local residents with higher-quality, higher-priced products and better service than is available at big-box or discount stores. This store, however, has felt the competition from Nordstrom's opening at Oak Brook Center as well as discount outlets. It increasingly draws customers from a smaller trade area who are seeking convenience. These kind of tenants have typically been on North Avenue for many years and have a high degree of identity.

Consistent with the shift to lower-priced, convenience goods and services, it also appears that the trade area of the study area may be shrinking. This trend reflects that the actual draw area of any commercial area is predicated on its tenancies and size. Market areas are dynamic and tend to change as a function of the type and supply of other commercial areas. The travel time people are willing to endure varies, depending upon the size of the shopping area, and the relative uniqueness and attractiveness of its

tenancies and shopping environment. It appears that most retail and office uses in the study area are serving local residents within about a two mile trade area. There are some tenancies that appear, however, to have more of a regional trade area. For example, a specialty bowling shop that has been located within the study location for many years, is reported to attract customers from throughout the Chicago region. In addition, some of the medical uses on the street are reported to have a relatively wide trade area.

RETAIL SALES TRENDS IN OAK PARK AND THE NORTH AVENUE STUDY AREA

Table 13 shows changes in Oak Park's total taxable sales by major retail sales category from 1991 to 1993. The activities that are included in each sales category are defined in Appendix B. The figures presented are in reported dollars and have not been adjusted for inflation. Oak Park experienced about a 7.5 percent increase in total sales. If inflation is vectored in, however, total retail sales grew by only 1.1 percent. As discussed in Chapter V, the growth in the number of employed residents in Oak Park may have translated to the maintenance of overall retail sales in a period of escalating retail space and tightening of disposable income. Sales for the category Agriculture and Extractive, or what might be appropriately termed "All Other Activities" includes the following items which generate retail taxable sales: (1) Museums and art galleries; (2) Audio and video media and sales; (3) Sporting goods; (4) Beauty and barber shop supplies; (5) Auctions; (6) Medical supplies; and (7) Newspapers, periodicals, and books. Sales of this category increased 70 percent and comprise 43 percent of the net increase in retail sales for the period. (We recommend that the Village of Oak Park identify the specific sources that account for this significant increase). General merchandise, drug and other retail stores, and eating and drinking places were the other categories, that primarily contributed to the growth in overall retail sales. Food and automotive account for 52 percent of total sales. These two categories, coupled with two others - drug and other stores, and eating and drinking places - account for 77 percent of Oak Park's total 1993 sales. Fortunately, the latter three categories are growing in sales. Food category sales, however, are decreasing. This downward trend may be due to a number of major grocery stores



TABLE 13

Retail Sales By Type of Store:
Village of Oak Park
(In \$000's)¹

Type of Store ²	1991 \$	1992 \$	1993 \$	Percent of Total 1993	Percent Change 1992-1993	Percent Change 1991-1993
Apparel	15,035	13,869	13,865	4.8%	-0.0%	-7.7%
General Merchandise	8,120	9,285	9,191	3.2%	-1.0%	13.2%
Drug & Other Retail	34,364	34,695	38,649	13.4%	11.4%	12.5%
Food	81,484	78,032	75,872	26.3%	-2.8%	-6.9%
Eating & Drinking Places	28,856	30,546	34,298	11.9%	12.3%	18.9%
Furniture, Household, & Electronic Equipment	10,280	9,631	8,362	2.9%	-13.2%	-18.7%
Lumber, Building & Hardware	6,922	5,858	7,321	2.5%	25.0%	5.8%
Automotive & Service Stations	71,042	72,254	74,395	25.8%	3.0%	4.7%
Manufacturing	5,601	6,745	5,897	2.0%	-12.5%	5.3%
All Other Activities	12,092	12,725	20,581	7.2%	61.7%	70.2%
TOTAL ALL OUTLETS	268,755	273,640	288,431	100.0%	5.4%	7.3%
TOTAL ALL OUTLETS (1993 constant \$)	285,430	278,619	288,431			

¹Figures by store type have not been adjusted for inflation.

²See Appendix for store definitions.

Sources: Village of Oak Park Planning Department; Gruen Gruen + Associates.

opening outside of Oak Park's boundaries, which capture sales from Oak Park residents. The Village of Oak Park should be concerned about this decline in food sales because it is a high component of Oak Park's total sales, and therefore, a significant sales tax generator for the Village. Furniture, household and electronic equipment sales declined by almost 19 percent and apparel declined by 8 percent. These categories may have declined as the result of the opening of "category-killer" retailers emphasizing these goods, outside Oak Park's jurisdiction, but conveniently accessible by Oak Park residents.

Table 14 presents 1993 sales by retail category for Oak Park businesses on North Avenue. Sales in 1993 total approximately \$19,827,000. North Avenue's sales comprise about 7 percent of Oak Park's total sales. Sales in the automotive and filling station category exceed \$5,000,000, or about 26 percent of total Oak Park North Avenue study area sales. This category exceeds the next highest sales category, drugs and other retail, by about 32 percent. Drugs and other retail, and eating and drinking places, comprise about 18 percent (\$3,457,000) and 15 percent (\$3,058,000), of the Oak Park portion of the study area sales, respectively. Automotive, drug and other retail, and eating and drinking places, then, comprise about 65 percent of North Avenue's sales. While these sectors also represent major sales categories for all of Oak Park, the fourth main category for all of Oak Park, food, represents less than two percent of the Oak Park portion of the study area sales. The agriculture and extractive category makes up three percent of Oak Park study area 1993 sales, versus seven percent of sales for all of Oak Park. Whereas, general merchandise, furniture and household furnishings, and lumber and building supplies, constitute 19.3 percent, 18.0 percent and 31.9 percent, respectively, of total Oak Park sales, collectively, these three categories account for only about 30 percent of North Avenue's sales. This lower proportion of sales within the study area for these categories is consistent with the implications of the population and income trends in the preceding section, and also relates to the changing supply conditions and altered shopping patterns discussed in the next section.

Our research presented above indicates that although the study area has an estimated

TABLE 14

**Retail Sales by Type of Store:
North Avenue Study Area¹
(In \$000's)**

<u>Type of Store</u> ²	<u>1993</u> \$	<u>Percent of</u> <u>North Avenue Total</u>	<u>Percent of</u> <u>Oak Park Total</u>
Apparel	1,517	7.6%	10.9%
General Merchandise	1,772	8.9%	19.3% ²
Drug & Other Retail	3,457	17.4%	8.9%
Food	371	1.9%	0.5%
Eating & Drinking Places	3,058	15.4%	8.9%
Furniture, Household, & Electronic Equipment	1,508	7.6%	18.0%
Lumber, Building & Hardware	2,335	11.8%	31.9% <i>Licht's</i>
Automotive & Service Stations	5,066	25.6%	6.8%
Manufacturing	144	0.7%	2.4%
All Other Activities	<u>599</u>	<u>3.0%</u>	<u>3.0%</u>
TOTAL	19,827	100.0%	6.8%

¹Oak Park businesses only; does not include Chicago side of study area.

²See Appendix for store definitions.

Sources: Village of Oak Park Planning Department; Illinois Department
of Revenue, Local Tax Allocation Division; Gruen Gruen + Associates.



market area with about \$2 billion of available income, only a small portion of that amount is being spent on goods and services within the study area. Therefore, while this finding is not at all surprising given the alternative shopping and service opportunities available in the area, it is important to recognize that the North Avenue study area does have potential access to a much larger consumer demand than it is now capturing. However, as will be discussed next, the competition for North Avenue Avenue merchants and service providers is both strong and growing.

ESCALATION AND SHIFTS IN THE SUPPLY OF RETAIL SPACE

National and local retailing trends are working to intensify the competition for North Avenue. As retailers respond to changes in technology and consumer demand, we have seen a proliferation of big-box and warehouse club retailers and discount, off-price, high-volume types of stores and new types of centers including power center, factory outlet, and various hybrid centers entering the market. The less adaptive, well-located and financed of the existing merchants will be forced out and the vacancy rate at marginal centers or commercial areas will likely continue to increase. Marginal operators are in trouble regardless of what new projects may be built in the region; but these new projects accelerate the shakeout process.

According to a recently prepared master plan for Oak Park's central business district, approximately 267,000 square feet of retail/commercial space exists in Oak Park's downtown. Some of this space competes with commercial and retail space in the North Avenue study area. More important, supply competition is increasing from Elmwood Park, River Forest, and Melrose Park, as these neighboring communities upgrade their commercial uses along North Avenue. Many of the big-box and warehouse type stores referred to above have opened in projects along North Avenue, further west of the study area. These areas contain sufficient acreage and parcel depth to accommodate larger-scale developments, and the parking required for high-volume operations.

Table 15 identifies the competitive regional shopping malls, power centers and



TABLE 15

Regional, Community and Neighborhood Centers
in North Avenue Study Area's Market Area

<u>Center</u>	<u>Type</u>	<u>Total GLA (Sq. Ft.)</u>	<u>Anchors & Primary Tenants</u>	<u>Anchor GLA (Sq. Ft.)</u>
Bricktown Mall Chicago Opened 1979	Regional	871,229	Jewel/Osco J.C. Penney K Mart Montgomery Ward	90,400 198,622 118,701 179,978
Winston Plaza Melrose Park Opened 1960	Community	400,000	Marshall's Office Max Service Merchandise Builder's Square	27,080 23,500 58,000 NA
Fretter Square Melrose Park Opened 1989	Neighborhood	46,000	Fretter's Superstore	19,280
Elmwood Commons Elmwood Park Opened 1989	Neighborhood	17,000	Kinko's White Hen Pantry	NA NA
North Tower Plaza Elmwood Park Opened 1988	Neighborhood	26,087	Blockbuster Video	NA
River Forest Town Center River Forest Opened 1994	Neighborhood	90,000	Whole Food Super Crown Walgreens	25,000 NA NA

Sources: Shopping Center Directory, 1993; Gruen Gruen + Associates.

community and neighborhood shopping centers located within two miles of the study area. The table identifies the gross leasable area (GLA) of the regional mall and power center projects, their anchor tenants and the GLA of the anchor tenants' stores, as well as primary tenancies and GLA of the neighborhood centers. Stand alone big-box outlets have and will continue to be developed that compete with the study area for sales. For example, Pep Boys, the auto parts category killer, and Home Depot, the leading big-box home improvement operator, have recently built new stores in Chicago near the 871,000 square foot Bricktown Mall that is within the same market area as that of North Avenue. Circuit City, which relatively recently located on Grand Avenue in Chicago, has negatively affected the sales of Coconuts Music which is located in the strip center at the corner of Harlem Avenue and North Avenue. Because it is a category killer, Circuit City can afford to offer lower prices on tapes and CD's as a traffic-enhancing, loss leader to its main electronics business.

North Tower Plaza and Elmwood Commons are two examples of newer strip centers in Elmwood Park that are capturing sales from Oak Park, River Forest and Elmwood Park residents. North Tower Plaza, located along North Avenue just west of the study area, has maintained a 95 to 100 percent occupancy rate with sales per square foot above \$200. Base rents for this 26,000-square-foot center, which contains one parking space for every 220 square feet of retail space, range from \$18.00 to \$20.00 per square foot. Tenants are also responsible for paying their proportionate shares of operating expenses, insurance, and real estate taxes. Blockbuster is the anchor tenant and draws Oak Park residents who pass up a closer video store to them on North Avenue.

Elmwood Commons, a 17,000-square foot-center with one parking space for every 280 square feet of floor space, has also maintained a high occupancy rate. Base rents for this center average in the high teens. This center contains a large Kinko's copy and computer center, several bank and financial service branches, a convenience grocery store, and even an apparel store. According to our interviews, each of these centers has lower taxes than the two centers in the study area. In addition, these centers have more parking and are located in a more secure environment, and therefore enjoy high levels

of foot traffic and positive spillover. This, in turn, leads to high sales, and an ability to pay higher rents than those found to apply to North Avenue retail space.

Most recently, River Forest Town Center, a 90,000-square-foot community center with a Super Crown, Pet Care and Whole Earth Food Grocery store has opened at Lake Street and Harlem Avenue in River Forest. The Crown Book store in the strip center at the corner of Harlem Avenue and North Avenue closed as the result of the Super Crown opening in the River Forest Town Center. Super Crown is reported to have relocated to this new center to better compete with the increasing supply of other super bookstores in the region, and to be in a larger and more competitive shopping agglomeration, with access to a wider market.

New projects and expansions of regional shopping centers have also been built in downtown Chicago and Oak Brook. These centers capture some of the demand for middle and upper-middle income goods from Oak Park and River Forest residents, especially from those residents who work in these areas.

In sum, the study area's retail space is competing with many new, and dominant supply alternatives. While the Sears' store, whose sales are not reflected in the sales data reviewed in the preceding section, and certain other tenancies appear to be successfully competing for consumer expenditures, it appears that overall, the study area is not capturing a significant share of potential market demand, and is not competitive with the new supply options.

POTENTIAL SOURCES OF RETAIL DEMAND

Based on our analysis of the underlying determinants of demand and supply conditions, demand is likely to exist in the study area for value-oriented uses as well as event-oriented retail uses. These latter uses might include indoor game centers catering to younger-aged children, sporting goods with participatory play activities and movie theater complexes.

who is doing this?

The addition of such attractions will work to increase demand for additional restaurants. Further, although we did not have access to turnover data for the Chicago side of the street, our research leads us to believe that some restaurants and other fast-food outlets on this side of North Avenue have also had reasonably long tenure. According to our interviews, Elmwood Park and Galewood residents have particularly supported the conveniently-located moderately-priced restaurants in the study area.

Other potential sources of retail demand for the study area include:

1. Retail and services including "home and hearth", children's wear and shoe stores targeted toward the family market, especially near the Sears' store;
2. Convenience goods and services that provide unique products and service and do not compete with big-box retail and large grocery stores; and possibly
3. Building and home-related product stores that provide superior levels of product, value, and service.

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CHAPTER V
DEMAND FOR OFFICE SPACE
WITHIN THE NORTH AVENUE STUDY AREA

EMPLOYMENT TRENDS

Table 16 shows for the years, 1980 and 1990, the number of employed residents for Oak Park, Chicago, and Cook County. This data suggests a shift from urban to suburban employment. During the 1980's, the number of employed residents in the City of Chicago declined by 9,312, or less than one percent. The number of employed residents in Cook County increased by only 88,674, or less than one percent. This indicates that the number of employed residents in suburban Cook County increased over the ten year period by 97,986 persons. The number of employed residents in Oak Park increased by 2,552, or a 9.1 percent increase. This gain in employment likely relates to the increase in Oak Park median household income experienced in the past decade.

Table 17 presents for the years, 1990 through 2010, the number of persons employed or forecast to be employed in Oak Park, by industry category. Drawn from Northeast Illinois Planning Commission (NIPC) employment forecast data, this data differs from the data in the previous table. This data indicates the change in the number of persons employed - that is, the number of jobs - in Oak Park rather than the number of Oak Park residents who are employed, irrespective of the location of their workplace. Total employment in Oak Park is forecast to increase from 17,312 jobs in 1990, to 18,608 jobs in 2010. This equates to a 7.5 percent employment growth during the twenty year period.

An increase in employment, accompanied by a slowdown in population and household growth discussed in Chapter V, may reflect that some residents find it easier to work closer to home, rather than commuting to Chicago or other suburban employment locations. This behavior would be consistent with a national trend for people, particularly female wage earners who are often most responsible for rearing children, wishing to work



TABLE 16

**Employed Residents: Village of Oak Park,
Cook County and the City of Chicago: 1980 and 1990**

<u>Area</u>	<u>1980 Number</u>	<u>1990 Number</u>	<u>Absolute Change 1980-1990 %</u>	<u>Percent Change 1980-1990</u>
Oak Park	28,191	30,743	2,551	9.1%
City of Chicago	1,190,989	1,181,677	-9,312	-0.8%
Cook County	2,280,950	2,369,624	88,674	0.4

Sources: U.S. Bureau of the Census; Gruen Gruen + Associates.



TABLE 17

Employment in Oak Park by Industry Group: 1990-2010

<u>Industry Group</u>	<u>1990</u> <u>#</u>	<u>2000</u> <u>#</u>	<u>2010</u> <u>#</u>	<u>Absolute Change</u> <u>1990-2010</u>	<u>Percent Change</u> <u>1990 - 2010</u> <u>%</u>
Government	2,253	2,514	2,551	298	13.2
Manufacturing	337	306	285	-52	-15.4
Finance, Real Estate and Insurance & Services	8,310	8,310	8,769	459	5.5
Transportation, Communication and Utilities & Wholesale Trade	1,009	1,014	1,038	29	2.9
Retail Trade	3,914	3,958	4,055	141	3.6
Other ¹	1,489	1,637	1,910	421	28.3
TOTAL	17,312	17,739	18,608	1,296	7.5

¹Other consists of construction, mining and self-employed.

Sources: Northeastern Illinois Planning Commission; Gruen Gruen + Associates.

closer to their homes.

Downward shifts are projected in manufacturing employment. Upward shifts are projected for the remaining categories with the largest increase forecast for Other employment of 28.3 percent between 1990 and 2010. This category consists of construction, mining and self-employed. Many residents employed in this industrial category are likely to work in non traditional offices, or at home in the case of some of the self-employed. Jobs in finance, insurance and real estate (FIRE) as well as professional services, tend to be highly correlated with office space consumption. These office-space prone categories, account for 48 percent of Oak Park employment in 1990. Government and retail trade account for another 36 percent of employment in Oak Park.

*could back
to the trends*

FIRE and services, however, are not expected to account for any new employment growth between 1990 and 2000. Between 2000 and 2010, these categories are expected to account for 459 new jobs, or about 53 percent of the 869 new jobs projected for Oak Park. Services, however, include business types not frequently associated with the consumption of office space. During the remainder of this decade, 261 jobs or slightly more than 60 percent of new employment growth in Oak Park is expected to come from increases in government employment. Between 2000 and 2010, growth in government employment is projected to be only 1.5 percent. The NIPC employment forecast suggests that demand for Oak Park office space will not be significantly enhanced by office space-prone employment growth. The data suggests that it is reasonable to anticipate less than robust office space demand derived from Oak Park-based employment increases between now and 2010.

SUPPLY CONDITIONS AND FACTORS CONTRIBUTING TO THE LAND USE/REAL ESTATE DYNAMICS FOUND TO EXIST

Oak Park contains the largest amount of office space in the near western suburbs. Downtown Oak Park contains about 567,000 square feet of office space. Another concentration of office space proximate to Lake Street and Harlem Avenue, consists of about 125,000 square feet. Downtown Oak Park is reported to have an office space

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vacancy rate of about 18 percent. The office node around Lake Street and Harlem Avenue is reported to have a vacancy rate of about 15 percent. According to an active real estate broker in the area, many of the larger, multi-tenant speculative office buildings in these two areas have been foreclosed upon over the last few years. Gross annual rents for this office space are reported to average \$12 per square foot to \$14 per square foot.

The North Avenue study area is estimated to contain approximately 125,000 square feet of office space. According to our interviews, among office space submarkets in Oak Park, North Avenue has the highest office space vacancy rate at 25 percent. Absorption, or the consumption of office space, is reported to have been negative for the last five years. This negative absorption is consistent with the tenant turnover data, which indicated that closings of business and professional service tenancies exceeded openings in these historic office space-consuming employment categories.

Based on our interviews, operating expenses typically range from \$5.00 to \$5.50 per square foot and real estate taxes average \$3.00 to \$4.50 per square foot. Net rents for study area office space, then, or what is available to pay mortgage debt, make improvements and repairs, pay brokerage commissions, and provide an economic return on investment, ranges from zero to \$2 per square foot. These extremely low rents reflect the effects of an oversupply of office space in the overall Oak Park office space market and that the study area office space is not competitive with alternative locations. These rents are insufficient to amortize the costs of remodeling, expansion, or new development, and also likely account in part for the increasing signs at some locations of deferred maintenance.

The downtown and Lake Street and Harlem Avenue concentrations of office space, are considered more desirable locations than office space in the North Avenue study area. Compared to the study area, these locations have a more positive locational image, better access to transportation system linkages and mass transportation, and more of the kinds of services and amenities tenants, and their employees, prefer. While not deemed



"Class A", many of the buildings located in downtown Oak Park have larger floor plates, and better building systems and improvements, and more services than do buildings located in the North Avenue study area.

Because of the low rents prevailing for office space in the downtown and Lake Street and Harlem Avenue submarkets, and their comparative advantages, the high majority of prospective tenants for Oak Park office space opt to locate in downtown or at Lake Street and Harlem Avenue. In addition, several relatively large tenants have been reported to have relocated from buildings within the study area to buildings in downtown Oak Park or other office locations. They did so, in order to obtain larger space configurations than are available in buildings within the study area. A representative of St. Paul Federal Savings Bank with whom we spoke, indicated that the bank could not obtain 25,000 square feet of office space in a single building in North Avenue that it required in order to consolidate several departments of backroom office space workers "under a single roof". As a result, the bank relocated from its headquarters on North Avenue, approximately 100 workers to office space on Cumberland Avenue in Chicago.

As suggested by the review of turnover and property sale trends, three primary factors are working to reduce the competitive appeal of North Avenue as an office space location. Parking requirements for office space have not encouraged the development of sufficient parking space to satisfy the typical parking requirements of office users for their employees and visitors.

Height and FAR limitations, in conjunction with physical constraints, and the historical evolution of the study area, work to limit the development or redevelopment of buildings, large enough (with appropriate building systems, interior improvements, and services), to serve as potential locations for relatively large users seeking to consolidate backroom office workers, or to accommodate the continued growth and expansion of users that initially require smaller amounts of space. Thus, as will be discussed further in the next chapter, given the real estate economics that apply to many of these buildings, the supply of North Avenue office space is likely to become increasingly, functionally and

aesthetically obsolete. If not arrested, this creates a problematic relationship between low rents and inadequate maintenance and upgrading. Under these conditions, price tends to become the primary "selling point" and frequently, market capture opportunities are limited to price sensitive users, who may in some cases, also represent marginal uses.

The other factor identified to contribute to the increasing turnover and high vacancy conditions with respect to study area office space concerns crime, or the perception of increasing crime. Panhandling, and the more serious, but less frequent, situations involving robberies, car jackings and hold-ups at gun point, mentioned to us by those we interviewed, create feelings of insecurity and fosters a negative locational image. Several brokers and developers with whom we spoke, referred to specific instances of medical users listing their property within the study for sale, and relocating to alternative locations, outside the study area, as a result of increasing concerns about security. Others with whom we spoke also mentioned their concerns about safety as influencing their perceptions of the locational image of the study area.

POTENTIAL SOURCES OF OFFICE SPACE DEMAND

The above dynamics serve to constrain demand and new development, redevelopment and remodeling of office space within the study area. As discussed in Chapter II, however, examples of remodeling, and redevelopment of office space do exist.

While there appears to have been a high turnover of medical uses within the study area, the net loss was quite minimal. A large number of medical professionals and healthcare-related service and supply users remain within the study area. If as part of the recommended strategic action planning process, the Village of Oak Park can facilitate the aggregation of parcels and buildings, as was accomplished by Dr. McCarthy of the Oak Park Eye Center, then, the results of our analysis of the secondary data and our interviews, suggest additional demand can likely be captured for outpatient clinics, chiropractor, opthamologists/optometrists, podiatrists, pediatricians, and dentists. These



users depend upon on being conveniently located to a reasonably high portion of their client base. They also typically require highly trafficked and accessible locations. Furthermore, as the result of cost containment and the downsizing and restructuring of many hospitals, these users tend to not be encouraged to locate in hospital facilities, but to locate within a reasonable travel time to them.

A second potential source of demand for medical office space may originate from doctors seeking attractively priced space, with improvements and equipment available for prices less than replacement costs. These demanders may typically be seeking second locations, to supplement locations within the City of Chicago, and may also be less well established in their particular fields.

Another potential source of demand for study area office space, includes business and professional service users, who primarily serve home-based businesses, other small businesses and residents in the immediate area.

Home-based workers are disproportionately professionals and managers, who might otherwise occupy multi-tenant office space. Some of Oak Park home-based businesses may benefit from continued corporate downsizing and outsourcing. Some of these businesses may outgrow their home-based offices, and relocate to commercial buildings within the study area. They may be attracted to the relatively low-cost, smaller units of space that are near their residences. They may see this space option as the best way to satisfy business and family responsibilities.

Finally, as alluded to above, another source of potential demand includes price sensitive tenants, who cannot afford office space in downtown Oak Park, but who wish to have an Oak Park address, in order to have strong identity and access to a wide market area. Some of these tenants capitalize on lower average office space costs, so that dollars saved, can be used to purchase additional advertising, inventory, and/or price discounts, that give them competitive advantages over firms with higher space costs.



CHAPTER VI

REAL ESTATE ECONOMICS OF THE NORTH AVENUE STUDY AREA

REAL ESTATE ECONOMICS THAT APPLY TO STUDY AREA PROPERTY UNDER THE STATUS QUO AND UNDER ALTERED POLICIES AND REGULATIONS

Much of the prior discussion focuses on gaining an understanding of the demographic, socioeconomic, and other factors that shape the demands to which the study area can and does respond. We have also reviewed the land use/real estate conditions, and land use policy and zoning regulations that apply to the study area. From the perspective of a real estate investor, all of these forces come together to shape the real estate economics that apply to property. This chapter begins with a discussion of the real estate economics that relate to the determinants of land use changes. Identifying the real estate economics that apply to the study area provides a framework for estimating how present public policies and regulations affect property development, redevelopment, remodeling, and maintenance decisions of owners and would-be buyers facing the identified market conditions and physical constraints. Analysis of the real estate economics permits inferences to be made as to the type of options available to property owners, and the kind of actions they have, or might take in the future, assuming the status quo, or changes in public policies and actions. The policy implications that follow reflect consideration of the applicable real estate economics in the light of forecast market conditions and alternative planning policies and regulations.

In addition to providing a basis for drawing generalizations about the manner in which the existing real estate economics on North Avenue work to influence the investment decisions of owners and would-be owners, the examples of the models we present also demonstrate a tool that would be useful if the Village decides to implement any of the recommendations of this report. By using models, along the lines of those presented in



this chapter, it is possible to evaluate the effect of changes in policy and the degree to which they alter the feasibility and value of specific redevelopment options.

We first consider the type of real estate investment decisions and behavior associated with the ownership and operation of a prototypical existing commercial property within the study area, under present market conditions and land use policies and regulations. This can be characterized as a typical "As-Is" situation. We then consider the real estate economics that likely pertains to the purchase of existing land and buildings, demolition of obsolete building improvements, and redevelopment of the acquired property. The redevelopment option analyzed considers the possibility of property owners making an attempt to agglomerate uses by altering their physical positioning, or by acquiring additional property, so that traffic can pull in and park directly in front of commercial facilities (similar to the two retail projects that have been developed) offering convenience goods and services.

We do this to compare alternative uses or actions, among a set of choices or options available to property owners, and to identify whether redevelopment along the lines set forth above, is market-viable.

REAL ESTATE ECONOMIC ANALYSIS OF "AS-IS" SCENARIO

Table 18 presents the cash flow forecast and underlying assumptions for the "As-Is" scenario, the purchase and operation of a prototypical, existing North Avenue property. This represents a real estate investment analysis to get a feel for the position of an owner under present conditions. Based on review of block-by block data, and our interviews, and inspections, for purposes of this analysis, we assume that a prototypical block on the Oak Park side of the North Avenue study area, consists of 43,750 square feet of gross land area (350' x 125'). Applying the 10-foot rear set-back requirement results in a net land area of 40,250 square feet.



TABLE 18

**Cash Flow Forecast For Purchase
of Prototypical Existing North Avenue Property**

ASSUMPTIONS:

Gross Land Area (Sq. Ft.) In Prototypical Block	43,750
Net Land Area (Sq. Ft.) In Prototypical Block	40,250
Net Land Area (Sq. Ft.) For "As-Is" Scenario	20,125
Estimated Building Area (Sq. Ft.)	14,000
All Cash Purchase (\$ psf)	\$32.00
Annual Reserve For Maintenance, Repair Tenant Improvement, & Leasing Commission Costs (\$ psf)	\$1.50
Gross Base Rent (\$ psf)	\$11.00
Annual Escalation Rate On Base Rent	3%
Operating Expenses Per Square Foot	\$5.00
Real Estate Taxes Per Square Foot	\$4.00
Rate of Increase In Operating Costs	5%
Assumed Vacancy Rate	15%
Capitalization Rate	12%
Discount Rate	10%

CASH FLOW SUMMARY:

	CLOSING (\$)	Year 1 (\$)	Year 2 (\$)	Year 3 (\$)	Year 4 (\$)	Year 5 (\$)	Year 6 (\$)	Year 7 (\$)	Year 8 (\$)	Year 9 (\$)	Year 10 (\$)	Year 11 (\$)
All Cash Purchase	\$448,000											
Revenues:												
Base Rent		130,900	130,900	130,900	130,900	130,900	130,900	130,900	130,900	130,900	130,900	130,900
Fixed Annual Increases In Base Rent		3,927	3,927	3,927	3,927	3,927	3,927	3,927	3,927	3,927	3,927	3,927
Tenants' Share of Increases in Operating Expenses and Real Estate Taxes		6,300	12,915	19,861	27,154	34,811	42,852	51,295	60,159	69,467	79,241	
Total Revenues		130,900	141,127	147,742	154,688	161,981	169,638	177,679	186,122	194,988	204,294	214,068
Operating Expenses:												
Operating Expenses		70,000	73,500	77,175	81,034	85,085	89,340	93,807	98,497	103,422	108,593	114,023
Real Estate Taxes		56,000	58,800	61,740	64,827	68,068	71,472	75,045	78,798	82,738	86,874	91,218
Total Operating Expenses		126,000	132,300	138,915	145,861	153,154	160,811	168,852	177,295	186,159	195,467	205,241
Operating Income		4,900	8,827	8,827	8,827	8,827	8,827	8,827	8,827	8,827	8,827	8,827
Maintenance, Repair, Tenant Improvement, and Leasing Commission Costs		21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Net Cash Flow (Including Sales Proceeds of Property in Year 11)	(448,000)	(16,100)	(12,173)	(12,173)	(12,173)	(12,173)	(12,173)	(12,173)	(12,173)	(12,173)	(12,173)	73,658

INVESTMENT ANALYSIS:

PRESENT VALUE OF PROPERTY CASH FLOW AND SALE	(\$52,686)
RETURN ON EQUITY	-21.27%

Source: Gruen Gruen + Associates.



In order to readily compare the two alternatives, and to reflect the amount of land (and associated building space) that would likely be considered a reasonable first phase of redevelopment, assuming the property could be acquired in the first place, from what would likely be more than one original owner, the analysis reflects the purchase of one-half of the prototypical block.

Based on our research, we assume that 14,000 square feet of commercial space exists on 20,124 square feet of land.

We assume an all cash purchase price equal to \$32 per square foot, or \$448,000. This price is consistent with a price paid for a reasonably comparable property that was subsequently redeveloped, at a significant cost, into high-quality medical space. This price is also almost double the \$16.67 per square foot value that results from capitalizing at 12 percent the current, forecast net operating income generated by the existing property.

Based on our market research, we estimate a base rent of \$11 per square foot. We estimate operating expenses at \$5 per square foot and real estate taxes of \$4 per square foot. In addition to paying base rental rates, tenants are expected to pay their proportionate share of increases in the property's operating expenses and real estate taxes over a current base year. In addition, we estimate that base rent shall increase at three percent per year, an escalation factor that is considered optimistic in today's market environment. Operating expenses and real estate taxes are forecast to increase five percent per year. A vacancy rate of 15 percent, or 2,100 square feet is postulated, although the vacancy rate for the overall study area is reported to be approximately 25 percent. We have allowed for annual maintenance, repair, tenant improvement, marketing and leasing commission costs, that are excluded from ordinary operating expenses that can be passed on to tenants, in an amount equal to \$1.50 per square foot. This sum is significantly below what would be required to perform any material upgrading, or maintenance of the property. Finally, we have stipulated a holding period of ten years, and the sale of the property in the 11th year, based on a capitalization rate,

*Analysis assumes pure real estate investment analysis
User would have added incentives
no? eg. McCarthy*

or required yield on investment of 12 percent.

These market, operating and financial inputs produce an operating income of \$4,900 in year 1, and \$8,827 annually, thereafter. When the reserve for maintenance, repairs, tenant improvements, and leasing commission costs is taken into account, net operating cash flow for year 1 equals a negative \$16,000, and for each year, thereafter, a negative \$12,173. On a present value basis, assuming a ten percent discount rate, the cash flow from the acquisition, operation, and eventual sale of the property, generates a negative present value of approximately \$52,600, or about a 21 percent negative return on the equity investment.

The analysis of the "As-Is" scenario indicates that current rent levels do not facilitate owners completing the remodeling necessary to put properties in compliance with ADA requirements. Furthermore, parking decks are not an economically viable remedy to alleviate parking constraints for many owners because prevailing rents are not high enough to amortize construction costs. The analysis of the "As-Is" scenario also suggests that one option some existing property owners may be encouraged to take is to cut maintenance and other costs to the bone, and permit their properties to continue to deteriorate in order to wring out whatever income that remains. This option is particularly likely for owners of small properties with obsolete space, inadequate parking, or in an area with a poor locational image, such as the subarea east of Ridgeland Avenue. The indications that such undermaintenance may be encouraged for some existing property owners suggests that there is a danger that sections of the North Avenue study area could deteriorate in the future.

If some existing owners, with a relatively low cost basis do elect such an undermaintenance strategy, this might ultimately result in the decline in assessed valuation and property tax revenues.



ANALYSIS OF THE REAL ESTATE ECONOMICS FOR THE REDEVELOPMENT SCENARIO

While market and land use policy and regulatory conditions, and the physical circumstances of a particular property do vary by location in the study area, property owners tend to share a common motivation to seek to improve and benefit, if not maximize their own economic well-being. Property owners typically seek to maximize their return on investment. One reference point for this is supportable land value. Next, we model the real estate economics that would apply to one approach to the redevelopment of property on North Avenue. The example used to test the feasibility of assembling property to redevelop in response to the market opportunities suggested by our analysis is a neighborhood-serving convenience goods and services project. We model it to evaluate whether such a project might result in a profitable increase in the value of land.

Using this supportable land value yardstick, Table 19 presents the results for a postulated prototypical redevelopment option. The financial simulations for this alternative are contained in Appendix C. We have assumed that the developer of this alternative would elect to exceed the current parking requirements of one space for every 500 square feet of floor space. We have assumed a parking to floor space ratio of one parking space for every 400 square feet of building area. This is consistent with the parking to floor area ratio pertaining to the retail center at the corner of Harlem Avenue and North Avenue, but is less than the ratios of the Elmwood Park strip centers referred to in Chapter IV. We would note as well that the developer of the North Ridge Center augmented its parking supply by making arrangements to share parking with the church across the street and by incorporating a former public cul-de-sac into the center. Based on the prevailing setback regulations, the higher parking ratio, and the assumption of 350 square feet of land for each parking space, a redevelopment of an entire prototypical block could consist of 21,350 square feet of single-story space and 54 parking spaces. We have analyzed a first phase of one-half this amount of space and parking - 10,675 square feet of rentable space and 27 parking spaces.



TABLE 19
Residual Land Value of
Redevelopment Scenario for Study Area

<u>Development Option</u>	<u>Estimated Value of Property</u>	<u>Building Sq. Ft.</u>	<u>Parking Spaces</u>
Redevelopment	\$443,633	10,675	27

who would be interested in space of this size?

Source: Gruen Gruen + Associates.

The retail center at Harlem and North Avenues is reported to typically obtain \$16 per square foot rentals from large tenants and \$18 to \$20 per square foot for smaller shop space. Rents for larger spaces at the North Ridge Center are reported to range from \$10 to \$13 per square foot. Rents for smaller tenancies are reported to average about \$16 per square foot. In both cases, tenants also pay their proportionate share of operating expenses and real estate taxes. We have estimated that the redevelopment option could obtain net annual rents of \$15 per square foot. Based on our market research and in light of the conservative forecast of the initial obtainable base rental rate, base rent is projected to increase two and one-half percent per annum. The rentable space is projected to be absorbed over the course of three years, with 75 percent of the space occupied upon completion of construction, which is expected to take one year; and 95 percent of the space to be leased by the second year of operation.

Base building construction costs for the 10,675 square foot commercial center are estimated to be \$48 per square foot. This includes the basic shell, store fronts, demising partitions, and utilities brought to the space. This also includes costs of demolition of \$3 per square foot, which is consistent with the costs reportedly experienced by the developer of the North Ridge Center, and with permit records we reviewed for demolition of the space that was turned into a medical facility on block 21. We estimate that it will cost \$1,500 per space to develop surface parking and associated landscaping. Tenant



improvements costs are estimated at \$10 per square foot. These costs are projected to be incurred as the space is leased. Leasing commissions are estimated to be \$3.00 per square foot for every square foot of space leased. Operating expenses and real estate taxes, respectively, are estimated to be \$1.25 per square foot and \$6.25 per square foot. Real estate taxes are higher for this alternative, compared to the "As-Is" scenario, due to new construction, while operating expenses are lower due to a more efficient design and newness of the space. We have assigned \$4.00 per square foot of such costs as fixed costs and \$3.50 per square foot as variable costs.

The stipulated financial parameters are as follows:

*we can already
offset
this* →

- Construction loan at 9.5 percent, 1.5 points
- Permanent loan at 9.5 percent, no points, 20 year term
- Internal rate of return (IRR) - 15 percent
- Capitalization Rate in 12th year - 10 percent
- Investor equity - 25 percent of property and project costs
- Federal and State Income Tax Rate - 39 percent
- Federal and State Capital Gains Tax Rate - 21 percent

The estimated rents, absorption rates, capital and operating costs, and stipulated financial terms for the amount of space to be initially redeveloped have been used to structure the underlying assumptions made in the real estate investment analysis. The investment results of the postulated redevelopment alternative were simulated through GG+A's real estate investment cash flow simulation model, REALISM™. The simulations projected the financial results, including the residual land value (or in other words, the amount a developer could afford to pay for the land based on the cash flow that results from a given set of cost and revenue forecasts and stipulated financial terms) from the viewpoint of a prospective developer. A land residual value was calculated that would permit an investor who contributed 25 percent equity to earn a 15 percent internal rate of return, if the redevelopment project was held for 12 years. The results of the simulations indicates that the implementation of the postulated redevelopment option would generate a residual land value of \$443,633.



The positive residual land value indicates that the redevelopment project can pay for the property acquisition and subsequent redevelopment costs, and earn the specified return. This suggests that the Village of Oak Park should use its parking authority and T.I.F. powers to help augment the parking supply on North Avenue and facilitate assemblage where needed, to make desirable developments feasible. Therefore, policies directed toward stimulating private redevelopment to strengthen the ability of the area to attract and serve customers might encourage an upward economic trend.



CHAPTER VII

RECOMMENDED POLICY ACTIONS

Although situated within a relatively larger consumer market, the competition from other locations has placed the North Avenue study area in a vulnerable position. To avoid its potential downward slide, steps should be taken in the near term, and with respect to the State highway expansion program, to encourage the revitalization of the area. While the potential for remodeling and redevelopment that will strengthen the competitive attraction of the study area exists, the status quo also contains incentives for disinvestments in existing properties that may work to diminish the study area's ability to attract customers to its stores, offices, and other commercial uses. Moreover, since the study area contains an inadequate amount of parking and many sites cannot readily be redeveloped, the proposed widening of the street by the Illinois Department of Transportation could, in the absence of countervailing action, further reduce the area's competitive position, so as to significantly accelerate tendencies for deterioration. Below, we recommend policy actions to facilitate the economic and fiscal enhancement of the study area.

RECOMMENDATIONS TO IMPROVE THE PHYSICAL ENVIRONMENT AND TO LESSEN PARKING AND SECURITY CONSTRAINTS

As the competition from non on-the-ground store space increases, it will be increasingly important for shopping to be perceived as fun, safe, and relatively hassle free. Conveniently located services and amenities, in secure environments, enhance the competitive appeal of office space. Concerns about safety, unavailability of conveniently located parking, less than clean streets and sidewalks discourage shopping as well as the attraction and retention of office space users. Planning policies and regulations will need to anticipate the potential shifts to catalog and non-store alternatives that may become increasingly significant by 2000 and beyond as well as reflect the increased supply competition. Therefore, the Village of Oak Park and the City of Chicago should jointly try to encourage the kind of environment needed to attract new uses and retain

desirable existing uses. Specific recommended actions are:

Handfed?

1. As covered earlier in this report, the widening of North Avenue could have serious negative consequences. If Oak Park and Chicago are unsuccessful in reaching an accommodation with the Illinois Department of Transportation (IDOT), it is likely to be very difficult to maintain a neighborhood shopping and office district, irrespective of the other public actions that may be taken. To avoid the damage that will be done to the parcels not taken by the State and encourage proactive action, we recommend that the Village contact the Illinois Department of Transportation to set up a program to mitigate the damage that would otherwise be done by the street widening program. In some cases, this will mean that rather than "a partial taking" which would leave overly short lots, the State should be encouraged to buy entire parcels and then convey portions of lots back to the Village for parking, or to adjoining property owners for redevelopment that will include the provision of parking. In the long run, such a program would not only avoid putting a nail in the economic coffin of the area, it would also likely be the most cost-effective approach for the State. This is because if such mitigation actions are not taken, the State will probably find itself paying very high severance damages for partial takings that cripple the economic vitality of entire parcels because it will decrease parking, redevelopment potential, and the billboard effect;

2. Evaluate the potential desirability and practicality of establishing or enhancing a "police beat" on both sides of the street;

*in progress,
non?*

3. Consider discouraging "burglar bars", and substituting other security measures for same;

*tried to do, got
hung up w/
Mr. Heise*

4. Consider installing banners, planters, additional lighting, and taking other actions, which improve the general appearance of the study area, especially if they do not induce significant cost increases as tenants and owners require relatively low rents to compete with alternative locations; and
5. Consider encouraging more lighted facade signage, to increase the sense of security at night, and in light of the limited "billboard effect", be flexible with respect to requests for signage permits or variances.

really?

*really?
needed?
(our ordinance too
strict)*

RECOMMENDATIONS FOR A STRATEGIC REVITALIZATION ACTION PLAN AND REGULATORY CHANGES

We recommend that the City of Chicago and Village of Oak Park work together to bring each jurisdictions' policies and regulations that apply to the study area into conformity with each other. This would preclude policies and regulations of the respective jurisdictions from working at cross purposes, and would maximize the potential for planning regulations to facilitate beneficial and synergistic development, remodeling, and tenanting actions. Cooperatively devise and implement a strategic action plan that improves the physical environment and lessens parking and security constraints and adopts the kinds of recommended policy actions and regulatory changes outlined herein.

Encourage Parcel Assemblage and Property Aggregation

To stem the tide of future obsolescence, Oak Park might wish to take a proactive stance toward encouraging development and redevelopment of new and rehabilitated properties through its redevelopment powers described in Chapter III. We are not recommending, however, at this time, that Oak Park provide specific subsidies to individual projects, but rather, where beneficial, exercise its powers to encourage assemblage, augment the

parking supply and to stimulate private investment and development activity.

Rather than wholesale public redevelopment, we recommend that when needed, the Village assist private developers of desirable projects to acquire holdouts at fair market prices so that a single small property owner cannot stop an owner sponsored project that would benefit the study area. Specifically, we suggest that Oak Park establish a policy of assisting property owners, who already control about 75 percent of the lands needed to site a desirable redevelopment, to acquire remaining property at fair market prices with all costs to be borne by the owner/developer. Using its ability to assist with assemblage to encourage private owner implemented redevelopment is particularly appropriate where by doing so, the Village will facilitate responses to demands that are underserved, and and therefore, encourage private actions that serve to enhance the economic vitality of the area and the Village fisc.

fiscally (?)

*which?
guidelines?* Under present policies and regulations, some remodeling of existing space will be sufficiently remunerative to preclude more dramatic redevelopment, expansion, or conversion to other uses. Furthermore, some agglomeration of new uses, and conversions of existing buildings, will continue to take place. Some properties within the study area, however, are too small and obsolete for even a relatively minor investment in remodeling to prove rewarding. Owners of these increasingly uncompetitive properties may minimize maintenance and operating costs, and permit their properties to deteriorate, in order to wring out whatever income can be thereby generated.

In these cases, combining adjacent lots at prices that make redevelopment feasible should be encouraged. It is important to recognize blocks with multiple owners and separate parcels are more difficult than those with fewer owners and associated parcels to assemble for development or redevelopment. Innovative larger-scale developments will require the assemblage of properties, capable of efficiently-serving as sites for new competitive uses. Would-be assemblers and redevelopers of the kind of new convenience retail and service, or medical office space redevelopment agglomerations, or innovative larger-scale value- and/or event-oriented retail developments, could be

encouraged, if Oak Park and Chicago adopted policies that would allow variances in existing regulations in cases where redevelopment or rehabilitation would work to facilitate new viable uses that create no more traffic or other problems than the status quo.

Strategies for Capturing Demands

The kinds of activities and uses for which demand is likely to exist, as identified in Chapters IV and V, if the environment needed to capture that demand can be provided, include value-oriented tenancies and eating and recreational retailing places, and other shops and services that primarily serve the middle range of potential consumers. Catering primarily to the low-income market segments, will cause a continuing decline in the penetration of nearby middle- and upper-income customers.

Food service establishments, with large day- and night-time draws, sporting good shops with participatory play activities, and other event-oriented retail uses referred to in the section in Chapter IV on retail demand, might serve to expand the trade area, increase penetration in the immediate area, attract consumers from the middle- and upper-middle income submarkets, and create opportunities for cross-over shopping. It should be noted that nighttime and weekend activities are less likely to create the traffic and parking impacts than major work day-time draws would be expected to encourage. Weekend and evening-oriented activities such as movie theaters, as well as recreational activities geared to younger-aged children, would represent complementary uses to weekday activities. Such complementary uses would encourage shared parking, which is desirable given the identified parking constraint, and would enhance the sense of security and create positive spillover for restaurants in the study area. It should be recognized, however, that this marketing strategy, would constitute a pioneering effort.

what does this mean - that it would be very difficult?
A second strategy is to recognize and capitalize on the family market. Tenancies could include moderately-priced children's wear and shoe stores.

Marketing efforts could also be appropriately directed toward maintaining and building upon an existing strength by encouraging additional medical uses. These uses induce foot traffic, and tend to have an extended trade area, and therefore, create positive spill-over opportunities. In addition, many medical users can locate in either ground-floor, retail-oriented facilities, or in multi-story office space complexes.

**Alter Regulatory Constraints
That Inhibit Beneficial
Adaptations in Response to Market Demands**

Furthermore, present regulatory constraints that inhibit beneficial adaptations in response to market demands should be altered. These constraints include the use exclusions and size limitation on individual business establishments discussed previously. Such regulations have the effect of legislating tendencies toward obsolescence. They do so by constraining owners' ability to adapt to changing demand conditions, even in those cases where it would be possible for example, to give consumers the super grocery store and other value-oriented tenancies that many prefer and patronize even if they have to travel to nearby areas to do so.

In addition, to encourage desirable larger-scale, more competitive developments, Chicago and Oak Park might treat property owners and would-be assemblers more flexibly with respect to height or density regulations.

The Village of Oak Park may also wish to consider allowing many, if not all of the 17 uses under B-2 zoning to be permitted uses under B-1 zoning. Planning and zoning regulations should also reflect the significant retailing trend concerning the continuing blurring between types of stores and centers (e.g., discount, off-price, big-box, club stores and hybrid wholesale/retail operations).

Finally, consider responding affirmatively to well-thought-out proposals for property conversions to multi-family, higher-density residential uses, given the relatively weak office space market conditions. These redevelopment proposals might include senior housing

*I think
this is
a good
idea*



facilities, which already exist within the study area. Consider studying the market and economic feasibility and the associated fiscal, economic and traffic impacts with respect to multi-story, higher-density redevelopment projects.



APPENDIX A

LIST OF INDIVIDUALS INTERVIEWED

Rita Andolino, Director, Galewood/Montclare Community Organization
Chuck Battaglia, Facilities Manager/Vice President, First Bank of Oak Park
Richard Blaurock, Developer, C.S.M., The Repairman, Inc.
Donna Bondi, Broker, Merrill Becker Knoll & Associates
Jim Butler, Facilities Manager, St. Paul Federal Savings Bank
Jeff Freedman, Broker, Sheldon Good
Matt Ellin, Manager, Boston Chicken
Theresa Gallinaro, Broker, David King & Associates
Galen Gockel, Assessor, Oak Park Township
Mr. Gotskind, Owner, Gotskind Shoes
Krista Grimm, Economic Development Administrator, Village of Oak Park
Tim Hague, Vice President, Bern Realty
Karen Herman, Director, Oak Park Chamber of Commerce
David King, Broker, David King & Associates
Rosemarie Kuhl, Broker, Merrill Becker Knoll & Associates
John Labaj, Director of Community and Economic Development, Village of Oak Park
Mike Loft, Franchisee/Owner, Edwardo's Restaurant
James McCarthy, M.D., Owner, Oak Park Eye Center
Bill Merrill, Director of Planning, Village of Oak Park
Joel Morris, Manager, J.C. Licht
Phil Richey, Zoning Officer, Village of Oak Park
Jerry Rovel, Manager, Sears
Janice Sipes, Mid America Asset Management, North Tower Plaza
Vincent Sperduto, Vice President, St. Paul Federal Savings Bank
David Stone, Vice President, M&J Wilkow
Vera Vazir, Owner, Verdi's Restaurant
Fred Zinke, Senior Planner, Village of Oak Park



APPENDIX B

DEFINITIONS OF RETAIL SALES CATEGORIES

KOB'S GROUPED BY CATEGORIES

PAGE 1

REPORT DATE: JANUARY 17, 1992

KOB'S ASSIGNED TO GROUP 1 -- GENERAL MERCHANDISE

KOB BUSINESS ACTIVITY
2020 DEPARTMENT STORES
2021 MAIL ORDER HOUSES
2022 VENDING MACHINES
2023 DOOR-TO-DOOR / TRANSIENT SELLING

KOB'S ASSIGNED TO GROUP 2 -- FOOD

KOB BUSINESS ACTIVITY
2120 GROCERY STORES
2121 SPECIALTY FOOD STORES
2122 CONVENIENT STORES WITHOUT GASOLINE SALES
4001 FOOD

KOB'S ASSIGNED TO GROUP 3 -- DRINKING AND EATING PLACES

KOB BUSINESS ACTIVITY
2080 FAST FOOD RESTAURANTS
2081 RESTAURANTS WITH ALCOHOLIC BEVERAGES
2082 RESTAURANTS WITHOUT ALCOHOLIC BEVERAGES
2083 CATERING / BANQUET HALL
2084 DRINKING PLACES WITH PACKAGED LIQUOR
2085 DRINKING PLACES WITHOUT PACKAGED LIQUOR
3360 HOTELS, MOTELS, BED AND BREAKFASTS
3361 TRAILER PARKS, RECREATIONAL CAMPGROUNDS

KOB'S ASSIGNED TO GROUP 4 -- APPAREL

KOB BUSINESS ACTIVITY
2001 CLOTHING AND SHOE STORES
2003 FURRIERS AND FUR STORES
3020 CLEANING AND REPAIR SERVICE - APPAREL
4040 APPAREL

KOB'S ASSIGNED TO GROUP 5 -- FURNITURE, HOUSEHOLD, AND RADIO

KOB BUSINESS ACTIVITY
2140 FURNITURE STORES
2141 FLOOR COVERING, DRAPERY, AND UPHOLSTERY STORES
2142 CHINA, GLASSWARE, METALWARE STORES
2143 APPLIANCE STORES
2160 MUSICAL INSTRUMENTS AND SHEET MUSIC
2162 TELEVISIONS, VCR'S. AND STEREOS
3021 CLEANING AND REPAIR SERVICE - FURNITURE AND CARPETING
3080 ELECTRICAL EQUIPMENT REPAIR
3100 BICYCLES, WATCHES, JEWELRY REPAIR, LOCKS
4044 FURNITURE

KOB'S ASSIGNED TO GROUP 6 -- LUMBER, BUILDING, AND HARDWARE

KOB BUSINESS ACTIVITY

1001 BUILDING CONTRACTORS - COMMERCIAL
1002 BUILDING CONTRACTORS - RESIDENTIAL
1003 SPECIAL TRADE CONTRACTORS
1004 ROAD BUILDING
1005 CONST. SERVICES (EXCAVATION, DRILLING)
2060 LUMBER, HARDWARE, AND MATERIALS
2061 HEATING, PLUMBING, & ELECTRICAL SUPPLIES
2062 PAINT, GLASS, AND WALLPAPER
2100 FARM AND GARDEN
2181 DAILY / SHORT-TERM RENTALS
2183 LONG-TERM EQUIP LEASING (CONST./FARM)
4020 LUMBER, ELECTRICAL, PLUMBING, HARDWARE

KOB'S ASSIGNED TO GROUP 7 -- AUTOMOTIVE AND FILLING STATIONS

KOB BUSINESS ACTIVITY

2040 AUTOMOBILES, NEW AND USED -- DEALERS
2041 AUTOMOBILES, USED ONLY -- DEALERS
2042 TRUCKS AND TRAILERS -- DEALERS
2043 MOTORCYCLES -- DEALERS
2044 AIRCRAFT -- DEALERS
2045 BOATS -- DEALERS
2047 RECREATIONAL VEHICLE DEALERS -- DEALERS
2048 PARTS STORES
2049 OIL, LUBE, AND TUNE-UP CENTERS
2050 GASOLINE STATIONS
2051 GASOLINE STATIONS / MINI-MARTS
2052 TRUCK STOPS
2180 AUTOS, TRUCKS, TRAILERS, AIRCRAFT, BOATS
3060 AUTO REPAIR, PARKING, WASHING, BODY SHOP
4042 MACHINERY, EQUIPMENT, AND MOTOR VEHICLES
5122 PETROLEUM BULK SALES AND TERMINALS

KOB'S ASSIGNED TO GROUP 8 -- DRUGS AND OTHER RETAIL

KOB BUSINESS ACTIVITY

2002 JEWELRY STORES
2024 ANTIQUE STORES / SHOWS
2025 FLEA MARKETS, PAWN SHOPS, SECOND HAND
2046 MOBILE AND MODULAR HOMES -- DEALERS
2101 FUEL AND PETROLEUM PRODUCTS
2102 COMPUTER EQUIPMENT SOFTWARE AND SUPPLIES
2103 OFFICE EQUIPMENT, FURNISHINGS, SUPPLIES
2123 ICE DEALERS
2124 DRUG STORES
2125 LIQUOR STORES
2126 TOBACCO STORES
2163 CAMERA AND PHOTO EQUIPMENT & SUPPLIES
2164 SPORTING GOODS AND TOYS
2165 BOOKS, NEWSPAPERS, AND MAGAZINES
2166 FLORISTS

KOB'S ASSIGNED TO GROUP 8 -- DRUGS AND OTHER RETAIL (cont.)

KOB BUSINESS ACTIVITY
2167 GIFTS, NOVELTIES, AND SOUVENIRS
2168 SEWING, ARTS, AND CRAFTS
2182 LONG-TERM EQUIP LEASING (BUS./ MEDICAL)
4002 LIQUOR
4003 TOBACCO
4041 DRUGS AND CHEMICALS
4043 PAPER

KOB'S ASSIGNED TO GROUP 9 -- AGRICULTURE AND EXTRACTIVE

KOB BUSINESS ACTIVITY
1 FOOD CROPS
2 NON-FOOD CROPS (FOREST PRODUCTS, ETC.)
3 ANIMALS - FOOD (FISH, POULTRY, ETC.)
4 ANIMALS - NON-FOOD (PETS, HORSES, ETC.)
5 FOOD CROP SERVICES (CUSTOM APPLICATIONS)
6 NON-FOOD SERVICES (LAWN CARE, GARDENING)
7 ANIMAL SERVICES (KENNELS, VETERINARIANS)
8 FARM SERVICE COMPANIES, GRAIN ELEVATORS
2026 MUSEUMS, ART GALLERIES
2161 AUDIO & VIDEO MEDIA SALES & RENTALS
2200 MINERAL, PETROLEUM, AND GAS
2201 PETROLEUM AND GAS FIELD SERVICES
3001 SPECTATOR SPORT. EVENTS, MOVIE THEATRES
3002 PARTICIPATIVE SPORTS ACTIVITY
3022 CLEANING AND REPAIR SERVICE - LAUNDRIES AND DRY CLEANING
3023 BARBER AND BEAUTY SHOPS
3024 FUNERAL AND CEMETERY SERVICE
3025 HOUSEHOLD / DOMESTIC SERVICES
3026 COMMERCIAL PHOTOGRAPHY, PHOTO LABS
3040 NEWSPAPERS, PERIODICALS, AND BOOKS
3041 PRINTING AND RELATED SERVICES
3120 ADVERTISING
3121 LEGAL, ACCOUNTING, FINANCIAL, MANAGEMENT
3122 ENGINEERING, DESIGNING, AND DECORATING
3123 JANITORIAL, EXTERMINATING, TRASH DISP.
3124 DUPLICATING, ADDRESSING, MAILING, STENO.
3125 AUCTIONS AND AUCTIONEERS
3126 TRAVEL AGENCIES
3127 SECURITY AND INVESTIGATION SERVICES
3141 AIR - PASSENGER AND FREIGHT
3143 MOTOR FREIGHT, HOUSEHOLD MOVERS, ETC.
3144 REFRIGERATED WAREHOUSES & FOOD LOCKERS
3180 BANKING, CREDIT, AND FINANCIAL INST.
3200 TRUSTS
3201 EXEMPT ORGANIZATIONS
3202 ESTATES
3220 FEDERAL GOVERNMENT
3221 STATE GOVERNMENT
3222 MUNICIPAL AND COUNTY GOVERNMENTS
3223 AIRPORTS
3224 LIBRARIES
3240 INSURANCE COMPANIES

KOB'S ASSIGNED TO GROUP 9 -- AGRICULTURE AND EXTRACTIVE (cont.)

KOB BUSINESS ACTIVITY

3241 INSURANCE AGENTS / SERVICES
3260 NONPROFIT MEMBERSHIP ORGANIZATIONS
3280 REALTORS, BROKERS, AND DEVELOPERS
3281 BUILDING MANAGEMENT COMPANIES, MALLS
3320 TECHNICAL, VOCATIONAL, TRADE SCHOOLS
3322 ELEMENTARY, SECONDARY, AND HIGHER EDUC.
3340 MEDICAL PROFESSIONALS, DOCTORS, CLINICS
3341 HOSPITALS
3342 NURSING HOMES
3343 MEDICAL SERVICES & SUPPLIES
4060 METALS & MINERALS, SCRAP/WASTE MATERIALS

KOB'S ASSIGNED TO GROUP 10 -- MANUFACTURERS

KOB BUSINESS ACTIVITY

2104 INDUSTRIAL EQUIPMENT AND SUPPLIES
2105 RETAIL BUSINESS EQUIPMENT AND SUPPLIES
2106 CONSTRUCTION/MINING EQUIPMENT & SUPPLIES
2107 MEDICAL EQUIPMENT & SUPPLIES (NON-DRUG)
3140 RAILROADS, PIPELINES, BARGELINES, ETC.
3142 TAXICABS AND BUSES
3160 TELEPHONE, PAGING, RADIO, TV, MOVIES
3300 ELECTRICAL, GAS, AND WATER COMPANIES
5001 SOFT DRINKS, CARBONATED WATERS, SYRUPS
5002 ALCOHOLIC BEVERAGES
5020 FOOD PRODUCTS
5040 TOBACCO PRODUCTS
5060 APPAREL AND NON-APPAREL
5080 LOGGING AND MILLING
5081 PAPER PRODUCTS
5082 FURNITURE AND FIXTURE PRODUCTS
5083 OTHER WOOD PRODUCTS AND WOOD PRESERVING
5100 CHEMICAL PRODUCTS INCLUD. CONSUMER ITEMS
5120 PETROLEUM REFINING
5121 PAVING & ROOFING MATERIALS
5140 RUBBER AND PLASTICS PRODUCTS
5160 LEATHER PRODUCTS
5180 GLASS PRODUCTS
5181 CEMENT, CONCRETE PRODUCTS
5182 POTTERY PRODUCTS
5183 CLAY AND NON-METALLIC PRODUCTS
5200 METALWORKS, FOUNDRIES, SMELTING, ETC.
5220 CUTLERY, BOLTS, STAMPINGS, AMMUNITION
5240 MACHINERY EXC ELECTRICAL & TRANS. EQUIP
5260 ELECTRICAL MACHINERY, EQUIPMENT & PARTS
5280 TRANSPORTATION EQUIPMENT
5300 MOBILE AND MODULAR HOMES MANUFACTURING
5320 PRECISION INSTRUMENTS: INDUSTRIAL
5321 PRECISION INSTRUMENTS: MEDICAL
5322 PRECISION INSTRUMENTS: CONSUMER PRODUCTS
5340 JEWELRY AND SILVERWARE
5360 SPORTING GOODS AND TOYS
5380 BUSINESS EQUIPMENT AND SUPPLIES

APPENDIX C

BASIC INPUTS SECTION**REALISM FINANCIAL SIMULATION FOR REDEVELOPMENT SCENARIO****PROJECT NAME:**

Project Heading: Prototypical Redevelopment
Version Analyzed: Phase I
File Name: QPNARED

Analyst: Aaron N. Gruen
Case Number: C841

INVESTMENT & RELATED:

Equity % of Project Total: 25%

Equity as a Value: \$0

Land Value: \$0
(This must be \$0 when calculating the
Land Residual.)

Net Present Value Discount Rate: 15.0%
(This should be equal to Target Return
(IRR) Rate listed below when calculating
the land residual.)

Target Return (IRR) Rate: 15.0%
IRR Calculated in Year: 12
(Only required for a Land Residual
calculation NOT for IRR calculations.)

Reinvestment Rate: 7.0%
(Only used to show what After Tax Cash
Flows could earn if reinvested. Not used in
IRR calculations.)

Annual Cost Escalator 0.00%
(Used to increase operating expenses.)

FINANCING INFORMATION:

Mortgage Amount: \$0
(Otherwise Mortgage Amount will be
equal to project value minus Equity)

Mortgage Rate: 9.5%
Mortgage Term: 20
Year Taken: 2

Construction Loan Rate: 9.5%
Construction Loan Points: 1.5%

TAX AND RELATED:

Depreciation Term: 31.5

Federal Tax Rate: 36%
State Tax Rate: 3%
Federal Capital Gains Tax Rate: 28%
State Capital Gains Tax Rate: 3%

Cap Rate New: 10%
Cap Rate in 40 Years: 15%

OTHER:

Number of Construction Years (1,
2, or 3): 1

Construction Soft Costs (A&E) as a
Percentage of Construction
(exclusive of land)

Year 1: 15%
Year 2: 0%
Year 3: 0%

Division of Equity over Construction
Period

Year 1: (100% Construction Cost) 100%
Year 2: (0% Construction Cost) 0%
Year 3: (0% Construction Cost) 0%

RESULTS SUMMARY

C841: Prototypical Redevelopment

Phase I

File Name: OPNARED

	Total	Year 1	Year 2	Year 3
Land Residual or Land Value:	443,633			
Project Value:	666,711			
Hard Construction Costs	552,900	552,900	0	0
Points (1.50 Percent)	9,538	9,538	0	0
A & E Costs (Extra/Soft Costs)	82,935	82,935	0	0
Financing Costs (Interest at 9.50 Percent)	21,338	21,338	0	0
Total Project Value:	1,110,344			
Equity	277,586	277,586	0	0
Permanent Loan:	832,758			
Annual Debt Service	94,499			
Depreciation	21,165			
Internal Rate of Return in Year 12	15.0%			

ANNUAL RESULTS SUMMARY

C841: Prototypical Redevelopment

Phase I

File Name: OPNARED

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
COMBINED CASH FLOWS									
Operating Income Section									
Net Operating Income (NOI)		(42,700)	5,338	127,933	161,535	167,529	173,672	179,968	186,422
Debt Service									
Interest	0	0	94,499	94,499	94,499	94,499	94,499	94,499	94,499
Principal	0	0	79,112	77,650	76,050	74,297	72,378	70,276	67,975
Beginning Principal Balance	0	0	15,387	16,848	18,449	20,202	22,121	24,222	26,523
Principal Due	832,758	832,758	832,758	817,371	800,523	782,074	761,873	739,752	715,530
	832,758	832,758	817,371	800,523	782,074	761,873	739,752	715,530	689,006
Depreciation	0	0	21,165	21,165	21,165	21,165	21,165	21,165	21,165
Income Tax (State & Federal)	0	0	0	11,356	25,085	28,106	31,250	34,525	37,940
Net After Tax Cash Flow (ATCF)	0	(42,700)	(89,161)	22,079	41,952	44,924	47,923	50,944	53,984
Sales Value Calculation									
Cap Rate		10.0%	10.0%	10.0%	10.1%	10.3%	10.4%	10.5%	10.6%
Market Value		(427,000)	53,375	1,279,332	1,595,410	1,634,424	1,673,943	1,713,983	1,754,563
Book Value		666,711	645,546	645,546	624,380	603,215	582,049	560,884	539,718
Capital Gains		0	(592,171)	633,786	971,030	1,031,210	1,091,894	1,153,099	1,214,844
Capital Gains Tax (State & Federal)		0	(183,573)	196,474	301,019	319,675	338,487	357,461	376,602
Take Out From Sales (After Tax Sales Profit)		(1,259,758)	(580,424)	282,335	512,317	552,877	595,704	640,993	688,955
Investment Criteria									
IRR on After Tax Cash Flow		-	-	-15.44%	13.23%	14.06%	14.49%	14.73%	14.87%
(- = calculation cannot be made within 100 iterations)									
Net Present Value (at a 15.00 Percent Discount Rate)		(1,373,951)	(784,812)	(145,771)	(14,506)	(10,212)	(6,832)	(4,247)	(2,352)
ATCF Reinvested at 7.00 Percent Annually (Cumulative)		0	(44,195)	(139,570)	(126,488)	(91,922)	(51,860)	(5,890)	46,425
Debt Coverage Ratio Based on NOI		0.00	0.06	1.35	1.71	1.77	1.84	1.90	1.97

ANNUAL RESULTS SUMMARY

C841: Prototypical Redevelopment

Phase I

File Name: OPNARED

COMBINED CASH FLOWS

Operating Income Section

Net Operating Income (NOI)

Debt Service

Interest

Principal

Beginning Principal Balance

Principal Due

Depreciation

Income Tax (State & Federal)

Net After Tax Cash Flow (ATCF)

Sales Value Calculation

Cap Rate

Market Value

Book Value

Capital Gains

Capital Gains Tax (State & Federal)

Take Out From Sales (After Tax Sales Profit)

Investment Criteria

IRR on After Tax Cash Flow

(- = calculation cannot be made within 100 iterations)

Net Present Value (at a 15.00 Percent Discount Rate)

ATCF Reinvested at 7.00 Percent Annually (Cumulative)

Debt Coverage Ratio Based on NOI

	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net Operating Income (NOI)	193,038	199,819	206,769	213,893	221,195	228,680	236,352	244,215	244,215
Debt Service									
Interest	94,499	94,499	94,499	94,499	94,499	94,499	94,499	94,499	94,499
Principal	65,456	62,637	59,675	56,367	52,745	48,778	44,435	39,678	34,470
Beginning Principal Balance	29,043	31,802	34,823	38,132	41,754	45,721	50,064	54,820	60,028
Principal Due	689,006	659,963	628,161	593,338	555,206	513,452	467,732	417,667	362,847
	659,963	628,161	593,338	555,206	513,452	467,732	417,667	362,847	302,819
Depreciation	21,165	21,165	21,165	21,165	21,165	21,165	21,165	21,165	21,165
Income Tax (State & Federal)	41,503	45,223	49,112	53,181	57,441	61,907	66,593	71,515	73,546
Net After Tax Cash Flow (ATCF)	57,037	60,097	63,158	66,214	69,255	72,274	75,260	78,202	76,171
Sales Value Calculation									
Cap Rate	10.8%	10.9%	11.0%	11.1%	11.3%	11.4%	11.5%	11.6%	11.7%
Market Value	1,795,700	1,837,412	1,879,717	1,922,633	1,966,179	2,010,372	2,055,232	2,100,777	2,078,428
Book Value	518,553	497,388	476,222	455,057	433,891	412,726	391,560	370,395	349,230
Capital Gains	1,277,147	1,340,024	1,403,495	1,467,576	1,532,287	1,597,646	1,663,672	1,730,382	1,729,199
Capital Gains Tax (State & Federal)	395,915	415,407	435,083	454,949	475,009	495,270	515,738	536,418	536,052
Take Out From Sales (After Tax Sales Profit)	739,821	793,843	851,296	912,478	977,717	1,047,370	1,121,826	1,201,511	1,239,558
Investment Criteria									
IRR on After Tax Cash Flow	14.95%	14.99%	15.00%	15.00%	14.99%	14.96%	14.93%	14.90%	14.70%
(- = calculation cannot be made within 100 iterations)									
Net Present Value (at a 15.00 Percent Discount Rate)	(1,055)	(278)	52	(4)	(390)	(1,059)	(1,967)	(3,077)	(9,211)
ATCF Reinvested at 7.00 Percent Annually (Cumulative)	105,548	171,969	246,207	328,810	420,358	521,462	632,768	754,956	888,742
Debt Coverage Ratio Based on NOI	2.04	2.11	2.19	2.26	2.34	2.42	2.50	2.58	2.58

ANNUAL RESULTS SUMMARY

C841: Prototypical Redevelopment

Phase I

File Name: OPNARED

COMBINED CASH FLOWS

Operating Income Section

Net Operating Income (NOI)

Debt Service

Interest

Principal

Beginning Principal Balance

Principal Due

Depreciation

Income Tax (State & Federal)

Net After Tax Cash Flow (ATCF)

Sales Value Calculation

Cap Rate

Market Value

Book Value

Capital Gains

Capital Gains Tax (State & Federal)

Take Out From Sales (After Tax Sales Profit)

Investment Criteria

IRR on After Tax Cash Flow

(- = calculation cannot be made within 100 iterations)

Net Present Value (at a 15.00 Percent Discount Rate)

ATCF Reinvested at 7.00 Percent Annually (Cumulative)

Debt Coverage Ratio Based on NOI

	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net Operating Income (NOI)	252,276	260,537	269,006	277,688	286,583	295,702	305,049	314,631	324,451
Debt Service	94,499	94,499	94,499	94,499	0	0	0	0	0
Interest	28,768	22,523	15,686	8,199	0	0	0	0	0
Principal	65,731	71,975	78,813	86,300	0	0	0	0	0
Beginning Principal Balance	302,819	237,088	165,113	86,300	0	0	0	0	0
Principal Due	237,088	165,113	86,300	0	0	0	0	0	0
Depreciation	21,165	21,165	21,165	21,165	0	0	0	0	0
Income Tax (State & Federal)	78,914	84,571	90,540	96,845	111,767	115,324	118,969	122,706	126,536
Net After Tax Cash Flow (ATCF)	78,863	81,468	83,967	86,342	174,815	180,378	186,080	191,925	197,915
Sales Value Calculation									
Cap Rate	11.9%	12.0%	12.1%	12.2%	12.4%	12.5%	12.6%	12.7%	12.9%
Market Value	2,124,426	2,171,144	2,218,603	2,266,821	2,315,819	2,365,616	2,416,233	2,467,691	2,520,009
Book Value	328,064	306,899	285,733	264,568	264,568	264,568	264,568	264,568	264,568
Capital Gains	1,796,362	1,864,246	1,932,870	2,002,254	2,051,251	2,101,049	2,151,666	2,203,123	2,255,441
Capital Gains Tax (State & Federal)	556,872	577,916	599,190	620,699	635,888	651,325	667,016	682,988	699,187
Take Out From Sales (After Tax Sales Profit)	1,330,466	1,428,115	1,533,113	1,646,123	1,679,931	1,714,291	1,749,217	1,784,723	1,820,822
Investment Criteria									
IRR on After Tax Cash Flow	14.67%	14.63%	14.59%	14.56%	14.51%	14.48%	14.45%	14.43%	14.41%
(- = calculation cannot be made within 100 iterations)									
Net Present Value (at a 15.00 Percent Discount Rate)	(10,517)	(11,954)	(13,497)	(15,124)	(16,893)	(18,389)	(19,652)	(20,714)	(21,604)
ATCF Reinvested at 7.00 Percent Annually (Cumulative)	1,029,790	1,183,499	1,350,663	1,532,115	1,728,727	2,030,672	2,359,510	2,717,269	3,106,120
Debt Coverage Ratio Based on NOI	2.67	2.76	2.85	2.94	0.00	0.00	0.00	0.00	0.00

ANNUAL RESULTS SUMMARY

C841: Prototypical Redevelopment

Phase I

File Name: OPNARED

COMBINED CASH FLOWS

Operating Income Section

Net Operating Income (NOI)

Debt Service

Interest

Principal

Beginning Principal Balance

Principal Due

Depreciation

Income Tax (State & Federal)

Net After Tax Cash Flow (ATCF)

Sales Value Calculation

Cap Rate

Market Value

Book Value

Capital Gains

Capital Gains Tax (State & Federal)

Take Out From Sales (After Tax Sales Profit)

Investment Criteria

IRR on After Tax Cash Flow

(- = calculation cannot be made within 100 iterations)

Net Present Value (at a 15.00 Percent Discount Rate)

ATCF Reinvested at 7.00 Percent Annually (Cumulative)

Debt Coverage Ratio Based on NOI

	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Operating Income Section									
Net Operating Income (NOI)	334,517	344,835	355,411	366,251	377,362	388,751	400,425	412,390	0
Debt Service	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0
Beginning Principal Balance	0	0	0	0	0	0	0	0	0
Principal Due	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
Income Tax (State & Federal)	130,462	134,486	138,610	142,838	147,171	151,613	156,166	160,832	0
Net After Tax Cash Flow (ATCF)	204,056	210,349	216,801	223,413	230,191	237,138	244,259	251,558	0
Sales Value Calculation									
Cap Rate	13.0%	13.1%	13.3%	13.4%	13.5%	13.6%	13.7%	13.9%	14.0%
Market Value	2,573,210	2,627,315	2,682,346	2,738,325	2,795,275	2,853,219	2,912,179	2,972,181	0
Book Value	264,568	264,568	264,568	264,568	264,568	264,568	264,568	264,568	264,568
Capital Gains	2,308,642	2,362,747	2,417,778	2,473,757	2,530,707	2,588,651	2,647,612	2,707,613	0
Capital Gains Tax (State & Federal)	715,679	732,452	749,511	766,865	784,519	802,482	820,760	839,360	0
Take Out From Sales (After Tax Sales Profit)	1,857,531	1,894,863	1,932,835	1,971,460	2,010,756	2,050,737	2,091,420	2,132,821	0
Investment Criteria									
IRR on After Tax Cash Flow	14.39%	14.38%	14.37%	14.36%	14.36%	14.36%	14.35%	14.35%	13.74%
(- = calculation cannot be made within 100 iterations)									
Net Present Value (at a 15.00 Percent Discount Rate)	(22,347)	(22,965)	(23,477)	(23,898)	(24,242)	(24,522)	(24,747)	(24,926)	(43,344)
ATCF Reinvested at 7.00 Percent Annually (Cumulative)	3,528,391	3,986,575	4,483,347	5,021,570	5,604,313	6,234,862	6,916,741	7,653,720	8,449,843
Debt Coverage Ratio Based on NOI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

