

SANDRICK LAW FIRM LLC

June 3, 2015

Mr. Michael Mertes
Director of Economic Development
33 South Arlington Heights Rd
Arlington Heights, IL 60005

Re: Request for Additional Data – Midwest Industrial Funds
Address: 3 W. College Dr., Arlington Heights
PIN: 03-08-316-004

Dear Michael:

Thank you for the opportunity to supply additional information relative to our request for a 6b Property Tax Incentive for the above referenced property. The rationale for granting my client a 6b Incentive is simple real estate economics. The current tax liability for 2014, payable 2015, is \$123,520 or \$3.81 psf. This is based on a taxable market value of approximately \$1,600,000. This type of tax liability will deter almost any purchaser from ever considering the property for owner-occupancy or investment purposes.

Midwest Industrial Funds (MIF) proposes to purchase the subject for \$960,000. This value would result in a tax liability of \$2.30 per square foot. However, as you know, MIF plans to invest an approximate \$500,000 more in the post-closing improvements. This significant amount of capital investment is needed to make the subject "market ready". This does not include additional improvement money that is typically needed for any specific tenant improvements. The total taxable value could exceed \$1,600,000. The base building renovation capital needed of \$500,000 is supported by MIF's contractor estimate previously submitted. MIF is willing to enter into an agreement with the Village of Arlington Heights to ensure those items identified in their contractor estimate from Principle Construction dated 5/4/15 are completed by the end of 2015.

Even assuming a low taxable market value of only \$1,250,000, the proposed tax liability would still be approximately \$100,000 or \$3.00 per square foot. The Assessor's value will most likely be around \$1,600,000. Considering market rents are \$6.00 to \$6.25 psf (including taxes and operating expenses), this only leaves \$3+/- psf in net operating income after payment of taxes and operating expenses. This would project to a 6% annual return on capital on an unleveraged basis (negative return after payment of any traditional debt that would be placed on the property) which isn't even close to the market return warranted to justify the capital risk and all of the time needed to complete projects of this nature. As you can see, this simply makes the purchase cost prohibitive to MIF or anybody else looking to acquire the subject and spend the necessary capital needed to bring the building up to market standards. Without the 6b, MIF will be forced to terminate their contract if it is not approved.

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The current occupant is downsizing their operations, in part, due to the high annual tax liability associated with this property and the building will be sold at some point in future to MIF or another end-user. Any knowledgeable end-user will request a 6b Incentive in light of the current tax liability and condition of the subject.

We believe it is in the Village's long-term benefit for MIF to purchase this building. The major advantage of MIF purchasing this property on a speculative basis as compared to other potential buyers is that they will commit to the necessary capital improvements that will be required to make this building market ready and a viable asset for years to come.

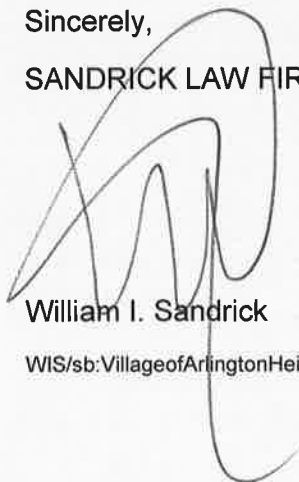
You have seen firsthand on your inspection the condition of the subject. In its current state, the subject simply cannot be leased and would therefore sit vacant for a prolonged period. There is no guarantee right now that anyone other than MIF would spend the necessary capital to renovate the subject to bring it up to a market ready standard and one that would be acceptable to the Village of Arlington Heights.

The granting of the 6b Incentive to an investor/developer with MIF's track record, expertise and willingness to commit renovation capital will greatly enhance the long-term market viability of this asset. The reinvestment in older facilities is a crucial component to extend the life of assets in aging industrial parks and to keep Arlington Heights industrial parks competitive, vibrant and able to attract high quality companies to occupy them for years to come.

Should you need any additional information or documentation, please feel free to give me a call. I thank you for your help and cooperation with this matter.

Sincerely,

SANDRICK LAW FIRM LLC

A large, stylized handwritten signature in dark ink, appearing to be 'W. I. Sandrick', is written over the printed name and extends downwards towards the footer.

William I. Sandrick

WIS/sb:VillageofArlingtonHeights.3WCollegedr.6b

10 Year Property Tax Projections

3 W. College Dr., Arlington Heights

03-08-316-004

Based on FMV of \$1,600,000

	With 6b	Without 6b
2016	48,304	124,360
2017	49,753	128,090
2018	51,245	131,933
2019	52,783	135,981
2020	54,366	139,968
2021	55,997	144,167
2022	57,676	148,492
2023	59,407	152,947
2024	61,189	157,535
2025	63,025	162,261

- Based on 3% increases in equalized tax rate
- 2010-2013 increase was 13%