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Derek –

Thank you for your confidence in our team & interest in the proposal. We are extremely excited for the opportunity and this project. Below & attached, please find our responses to the questions from your initial review of the project. Should any other questions arise, or if you would like additional clarification on any of the information provided below do not hesitate to reach out.

1. The estimate budget for the proposed project is \$150 million. Can Frontier Development please provide a preliminary proforma and explain how the revenues from the project will justified the initial investment?

[Please see attached preliminary program.](#)

2. Can Frontier Development please provide a preliminary budget?

[Please see attached preliminary program.](#)

3. The proposal requests the City participate in the project via a TIF and revenue sharing financing. Does Frontier Development expect the City to issue bonds to finance the project or implement a pay-as-you go approach?

[The Partnership is requesting that the City issue tax increment revenue bonds. The bonds will not be a general obligation of the City and will not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation. A holder of the bonds will not have the right to compel the exercise of any taxing power of the City for payment on the bonds. The bonds shall be payable solely from incremental tax revenues pledged by the City to the bonds.](#)

[The bonds will be underwritten and sold to a limited number of institutional investors who have adequate experience to evaluate the merits and risks of the bonds. The City's issuance and sale of the bonds will be contingent on the Partnership's ability to provide evidence of financing, necessary equity, construction contracts and permitting among other customary conditions precedent.](#)

[In addition, the Partnership is requesting the ability to receive a subordinate developer note in the event the proceeds of the tax increment revenue bond are insufficient to produce a market rate of return on the project.](#)

4. The proposal includes an underground parking garage with 133 stalls. As mentioned in the Request For Proposal document, this site is encumbered with bedrock and floodplain? Does Frontier Development see this as major obstacle to underground parking and meeting the

parking requirement? If it is determined that underground parking is not financially feasible, are there other solutions to ensure the parking requirement is met?

The floodplain is a manageable obstacle as it relates to sub-surface parking. We have anticipated the cost of removing bedrock in our budget & this site remediation would be a TIF eligible cost. We are also prepared to explore raising the elevation of the parking by adding freeboard to the building and/or raising the plaza if cost/conditions are prohibitive beyond a certain depth. We would also be open to identifying opportunities to add offsite parking via the TIF to meet the parking requirements independent of the feasibility of the proposed underground parking.

5. The development includes a 164-luxury room hotel. What would the target market be for the hotel? Why does Frontier Development believe this size of hotel would be successful?

We have engaged HVS to complete a feasibility study and will remit this to the city upon completion. Additionally, our development is designed to provide the opportunity for flexing hotel suites into residential components & vice versa to adjust to market demands.

The program for the hotel is based on our team's significant experience in the suburban hospitality market in both design & operations. Currently the driving force behind St. Charles tourism is the wedding business. Youth sports, corporate business events, and "day trippers" engaging in large scale events hosted in the City, social media & active lifestyle pursuits are also significant drivers of hotel stays in the area. Currently, 5 of the major hotels in St. Charles are projecting a 90-92% occupancy trend on the weekends through October. We believe the demand generators will be sufficient to support an additional & unique luxury hotel experience.

The level of service, a world class spa, 5,225 square foot ballroom and robust event programming on the plaza, coupled with the new retail venues will create a true destination in and of itself. The development will be holistically additive to St. Charles' tourism industry.

6. The development includes four restaurants. Please explain why Frontier Development believes four restaurants can be successful without negatively impacting the existing downtown restaurants.

The development proposes 4 unique hospitality venues. Currently, the 4 concepts are anticipated to be some version of a:

- Hotel bar & restaurant - Kitchen will also accommodate banquet events and room service.
- Small throwback steak house
- Upscale rooftop cocktail lounge
- French style patisserie, focused on breakfast/lunch service with coffee and a full-service bakery. This component will have flexibility to create European styled food carts and kiosks in the plaza.

In total the proposed concepts will add around 250 dinner service seats to the existing restaurant stock in town. Of the 4 proposed concepts 3 will be managed by a group already operating a successful restaurant in town. Based on local demographics, and proprietary evidence of the ability to attract customers from multiple markets, there is currently substantial room for growth in the hospitality industry without harming established businesses in the area. As we continue to build a critical mass of elevated dining experiences, that reach will expand along with the customer base & success of all local business. The added visitor volume generated by the hospitality nature of the new development will be the primary driving force of the new venues and be additive to the existing businesses in town.

7. The project includes a 85,000 square foot outdoor plaza. How would routine maintenance and event programing be addressed? Does Frontier Development expect the City to maintain ownership of the plaza area?

The outdoor plaza is a important component of our revenue model. Accordingly, maintenance & ownership will be private, exclusive of the riverwalk. Our development team will retain a qualified operator to manage the programming and maintenance of the plaza. We will collaborate closely with the City and Business Alliance to ensure the space offers a diverse schedule of events that is inclusive of and serves the community. When there are no structured events, alfresco dining will bring energy to the space, which will remain open for public enjoyment and community gathering.

8. While the project includes a 85,000 square foot outdoor public plaza, there is not a lot of green space. Are there any options that could be explored which would expand green space?

We are open to exploring the use of features such as moveable planters to incorporate softer green elements into the space. We can also consider additional greenspace or trees around the areas directly in front of the residences & east of city hall. However, the use of hardscaping for the plaza was a deliberate design decision, harkening to iconic classical European town centers & punctuated by City Hall. It maximizes the flexibility of the space for a multitude of uses.

The Plaza is envisioned as a community gathering place, providing ample opportunities for multiple special events uses such as farmer's markets, car shows and art fairs. It also offers an ideal setting for weddings or as a stage for musical and theatrical events. All these activities become part of the fabric of the community.

9. The primary structure in the conceptual plan runs the length of Riverside Ave blocking the river views from Riverside and State Avenue. Is this a necessity to the development? Is Frontier Development open to adjustments which would provide more river views?

The design fully engages Route 64, Riverside and Cedar Ave as the main Gateway providing significant visibility to and from the Plaza with City Hall as it's central focal point.

The vertical elements of the development were intentionally oriented to the east of the site to actively engage the users of the hotel, restaurants, and plaza with the river walk & open space. These components will provide maximum opportunity for public enjoyment of the Riverwalk & open space better than a differently oriented site plan could.

We envision Riverside Ave from Main St and going east on Cedar Ave up to 3rd Ave being revitalized into a robust retail corridor. There are ample building opportunities for redevelopment to engage this activity. Patrons will be fully immersed in these areas creating significant foot traffic and interaction with the Plaza's gateway.

The ability to embed the parking deck into the hillside, along with the electric plant make the NE corner of the property the ideal area to have parking and deliveries that do not conflict with retail and pedestrian experiences. This area is not considered to be a key entry point to the development. The layout of the buildings, particularly in this corner where the hotel and residential components converge, allows for the necessary flexibility in our uses (as described in #5).

Apartment Preliminary Unit Mix
Plaza San Carlos

Unit Mix Per Floor:

	<u>Quantity</u>	<u>RSF Per Floor</u>	
Ground Floor	7	7,635	
Level Two	16	16,490	
Level Three	28	28,750	
Level Four	28	28,750	
Level Five	28	28,750	
Total SF		110,375	
Total Units:	107	1,032	SF/Unit (Avg.)

Operating Proforma (000's):

		Year 1 (Stabilized)		
<u>Operating Proforma (000's):</u>				
Gross Rents	<table><tr><td>\$3.00</td><td>per SF per month @ 110,375 RSF</td></tr></table>	\$3.00	per SF per month @ 110,375 RSF	\$ 3,974
\$3.00	per SF per month @ 110,375 RSF			
Parking Income	<table><tr><td>\$80.00</td><td>(219 space @ \$80.00/month @ 90%)</td></tr></table>	\$80.00	(219 space @ \$80.00/month @ 90%)	189
\$80.00	(219 space @ \$80.00/month @ 90%)			
Other Income	<table><tr><td>\$350.00</td><td>annually per unit</td></tr></table>	\$350.00	annually per unit	37
\$350.00	annually per unit			
Total Revenue		4,200		
Vacancy Allowance	<table><tr><td>5.0%</td><td></td></tr></table>	5.0%		(210)
5.0%				
Net Revenue		3,990		
Operating Expenses	<table><tr><td>\$6,000</td><td>per unit</td></tr></table>	\$6,000	per unit	(640)
\$6,000	per unit			
RE Taxes & Insurance	<table><tr><td>\$5,000</td><td>per unit</td></tr></table>	\$5,000	per unit	(535)
\$5,000	per unit			
Net Income - Apartments		<u>\$ 2,815</u>		
Ground Floor Retail - Net Rent (9,000 SF @ \$40.00)		360		
Total Net Income		<u>\$ 3,175</u>		
Project Value (@4.75% cap rate)		<u>\$ 63,500</u>		

Plaza San Carlo Preliminary Budget

Stacking Plan (SF)

Ground Floor	
Floors 2-6: Hotel	
Total	

<u>Total SF</u>	<u>Apartments & Retail</u>	<u>Luxury Hotel</u>
53,665	27,630	26,035
245,895	127,430	118,465
299,560	155,060	144,500

Project Budget (000's)

Land		
Parking, Foundation, and Deck		
Precast Parking Structure		
Demolition & Permits		
Hard Costs - Above Deck		
Hard Costs - Performance Stage (allow.)		
Hard Cost - Contingency	5.00%	of hard costs
Construction Management Fees	1.00%	of hard costs
Architectural & Engineering Fees	3.00%	of hard costs
Other Consultants		
Interior Design		
Development Fee	3.00%	of total project costs
Project Administration & Management	27	months at \$30,000
F,F&E (amenity space; lobby) (164 keys)		
Low Voltage & OSE		
Loan Fees	1.00%	of loan
Lender Fees & Costs	1.25%	of loan
C.P. Interest Reserve	3.5% / 5.0%	interest at 50% for 24 mos.
C.P. Insurance		
C.P. Real Estate Taxes		
Marketing & Models / Pre-Opening		
Soft Cost Contingency		
Working Capital		
HUD Required Reserves (Debt Service & IOD)		
Total Project Budget		

<u>Total</u>	<u>Apartments & Retail</u>	<u>Luxury Hotel</u>
\$ -	\$ -	\$ -
14,700	14,700	-
6,600	6,600	-
500	300	200
90,000	46,500	43,500
1,500	-	1,500
5,750	3,500	2,250
1,150	700	450
3,450	2,100	1,350
300	150	150
500	100	400
4,000	2,000	2,000
810	405	405
5,420	500	4,920
900	300	600
1,050	670	380
1,315	840	475
4,400	2,500	1,900
300	180	120
200	100	100
1,200	500	700
1,455	655	800
600	300	300
1,000	-	1,000
\$ 147,100	\$ 83,600	\$ 63,500

Project Capitalization (000's)

Senior Loan (Apts./Retail/Stage @ 75%; Hotel @ 65%)	
Sponsor Equity	
TIF Contribution	
Total Capitalization	

\$ 103,975	\$ 62,700	\$ 41,275
22,100	4,100	18,000
21,025	16,800	4,225
\$ 147,100	\$ 83,600	\$ 63,500

Hotel Preliminary Room Mix and Operating Proforma (5.0 Star Product; 4.5 Star Service)

Room Mix Per Floor:

	<u>Bays</u>	<u>Quantity</u>	<u>%</u>	<u>Unit RSF</u>	<u>Total RSF</u>	<u>Target ADR</u>	<u>Total Annual Room Revenue Potential</u> (000's):
Deluxe King	40	40	24.4%	350	14,000	\$240	\$3,504
Junior King Suite	39	39	23.8%	465	18,135	\$280	\$3,986
Junior Queen - Queen	34	34	20.7%	465	15,810	\$280	\$3,475
Executive King Suite	24	24	14.6%	535	12,840	\$325	\$2,847
One Bedroom Suite (2 bay)	48	24	14.6%	840	20,160	\$375	\$3,285
V.P. Suite (3 bay)	6	2	1.2%	1,250	2,500	\$600	\$438
Presidential Suite (4 bay)	4	1	0.6%	1,930	1,930	\$750	\$274
Total	195	164	100.0%		85,375		\$17,808
					521	SF/Unit (Avg.)	\$297.50 ADR (Avg.)

Hotel Proforma:

Gross Revenue	\$297.50	ADR at 65.0% occ.	(000's)	\$ 11,575
F&B Revenue (Restaurant/Bar, Banqueting, and Catering)				4,000
Music Venue				500
Total Revenue				16,075
Operating Expenses & Fees			(11,092)	
Net Operating Income			\$ 4,983	31.0% of total revenue
EBITDA Per Key			\$ 30,386	
Value at 7.25% cap rate:			\$ 66,445	
Per Unit Value			\$ 405,153	