

Odelson, Sterk, Murphey, Frazier & McGrath, Ltd.

3318 West 95th Street – Evergreen Park, Illinois 60805
Phone (708) 424-5678 ~ Fax (708) 741-5053
JBM Direct Dial (708) 634-0266
JBM e-mail: jmurphey@osmfm.com

CONFIDENTIAL Memorandum

VIA E-MAIL

To: President Alsberry
Dante Sawyer

Fr: John B. Murphey

Date: July 11, 2022

Re: Calumet Country Club/ Follow-Up

I am ordering copies of the loan documents for this property. The entity which was formed for this property is called W & E Ventures.

The mortgages secure two PINs. PIN 29-30-300-005 is the large PIN for the majority of CCC. PIN 29-30-300-103 is the perimeter piece along Dixie Highway.

I remember reading All the President's Men and then watching the follow-up movie. But who cracked the case was Deep Throat, repeatedly telling Woodward and Bernstein to "follow the money." Here is one supposition about what's going on. For ease of reading, "Mr. Brown" refers to the current owner. Mr. Black refers to the local investors.

1. Mr. Brown is a sophisticated out-of-state commercial and industrial developer. Brown bought CCC and has a \$2.5 million dollar mortgage against it. Property taxes are estimated to be \$750,000.00 when the second installment comes out. Assume Brown has sunk \$250,000.00 into the project for soft costs for engineering, title, legal, survey and the like, all connected with the failed Homewood project. Mr. brown needs \$3 million just to break even.

2. The project is currently undevelopable for any use other than the golf course, because it has access to no municipal utilities.

3. Brown needs annexation, zoning plus incentives from Hazel Crest. Brown has no ability to get these entitlements from Hazel Crest.

4. Therefore, Brown solicits Mr. Black. Mr. Black has no comparable industrial development experience, and therefore likely has no access to capital markets for the necessary financing for a large-scale project.

5. However, Mr. Black is depending on political influence to get the entitlements.

6. Therefore, Mr. Black fronts the deal, attempting to induce the Village to approve the deal based on all sorts of “perimeter property promises” that can’t be guaranteed or enforced and appear quite speculative. In particular:

A. The strip of Dixie Highway from I-80 is not a particularly attractive location for retail, even fast food. It will be less so when regular customers will be competing with hundreds of trucks on Dixie Highway (see calculation below).

B. What is the basis there would be a hotel market at 175th and Dixie? The impact of the casino is speculative; people traveling east on I-80 will stay on I-80 to Halsted and get hotel lodging as part of the casino project.

C. Why does the developer think there is any sort of market for an athletic field at the southeast corner of this property? Bremen Hillcrest High School and Rich Central High School are nearby and both have athletic fields which are not over utilized.

D. Who would want to live in a condo adjacent to a massive warehouse project? There is no condo market. Only apartments are being built. Who would rent at this location? The property is in a challenged elementary district. How will these children get to school? As to high school, this property is in Thornton.

E. The architect’s illustration appears to show the water park as being an indoor 12-month facility. What market is there for such a facility and who will invest?

F. Gotham Greens seems like the only game in town for aquaponics. Has anybody talked to Gotham Greens to see if there is really a market for an aquaponics facility with subsidiary retail? Who is going to navigate a warehouse park just to buy greens, when they are available at the grocery store?

7. On the other hand, there still appears to be a strong market for industrial warehousing. In fact, Mr. Brown has repeatedly asserted over the last three years that there is no market for anything other than warehousing at this site.

8. Let's assume Mr. Black succeeds getting the entitlements. Now the property for warehousing purposes has a market value of (let's say) \$20 million dollars. That leads to the next question – the so-called joint venture between Mr. Black and Mr. Brown is supposedly 51% -- 49%. But...51% of what? 49% of what?

9. The first thing that will happen is that this new venture is going to have to borrow the money for the warehousing end of the project. They are going to have to buy the real estate. Mr. Brown's existing entity is going to get paid an amount equal to at least the money Brown has put into it. That will be a given. In other words, the purchase price the new entity is going to pay will make Mr. Brown's existing entity whole. Brown will have preliminary achieved a bail-out from Hazel Crest for what, as of now, has been a bad investment.

10. Now we have a new entity which owns this property. No lender is going to lend money to this project based on the speculative proposed perimeter uses. Construction and permanent financing will only be obtained based on the industrial warehouse uses. Mr. Brown has the access to that capital; Mr. Black does not.

11. With that in mind, I did some calculations based on the site plan submitted by this new entity. This entity is proposing a total of 14 warehouse buildings as follows:

No. of Buildings	Square Footage
6	99,600
6	50,693
1	58,072

Therefore, the developer is proposing a total industrial square footage of 1,059,430. The site plan tells us nothing about parking.

12. By way of comparison, the ClayCo project at 183rd Street west of Cicero is one very large building with a total of 1,033,450 square feet and 239 parking stalls. The largest Logistics – Country Club Hills building which is being leased to the SC Johnson Cleaning Products Co. is 809,000 square feet.

13. I then looked at the site plan for Diversified which you shared with the Board. That site plan showed 4 industrial buildings with a total square footage of 695,900 square feet. Therefore, the current site plan shows industrial square footage 52.2% greater than what was shown by Diversified.

JBM/sml