



CITY OF STERLING, ILLINOIS

# Lincoln Highway Business District

Eligibility Study and Business District Plan

FINAL REPORT | April 21, 2021



**CITY OF STERLING, IL**  
**Lincoln Highway Business District**

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# 1. Introduction

The City of Sterling, Illinois (the "City") engaged SB Friedman Development Advisors ("SB Friedman") to conduct an eligibility study and prepare a business district plan for the proposed Lincoln Highway Business District (the "Business District" or "Area") under the provisions of the Illinois Business District Development and Redevelopment Law (65 ILCS 5/11-74.3-1 et seq., as amended) (the "Act").

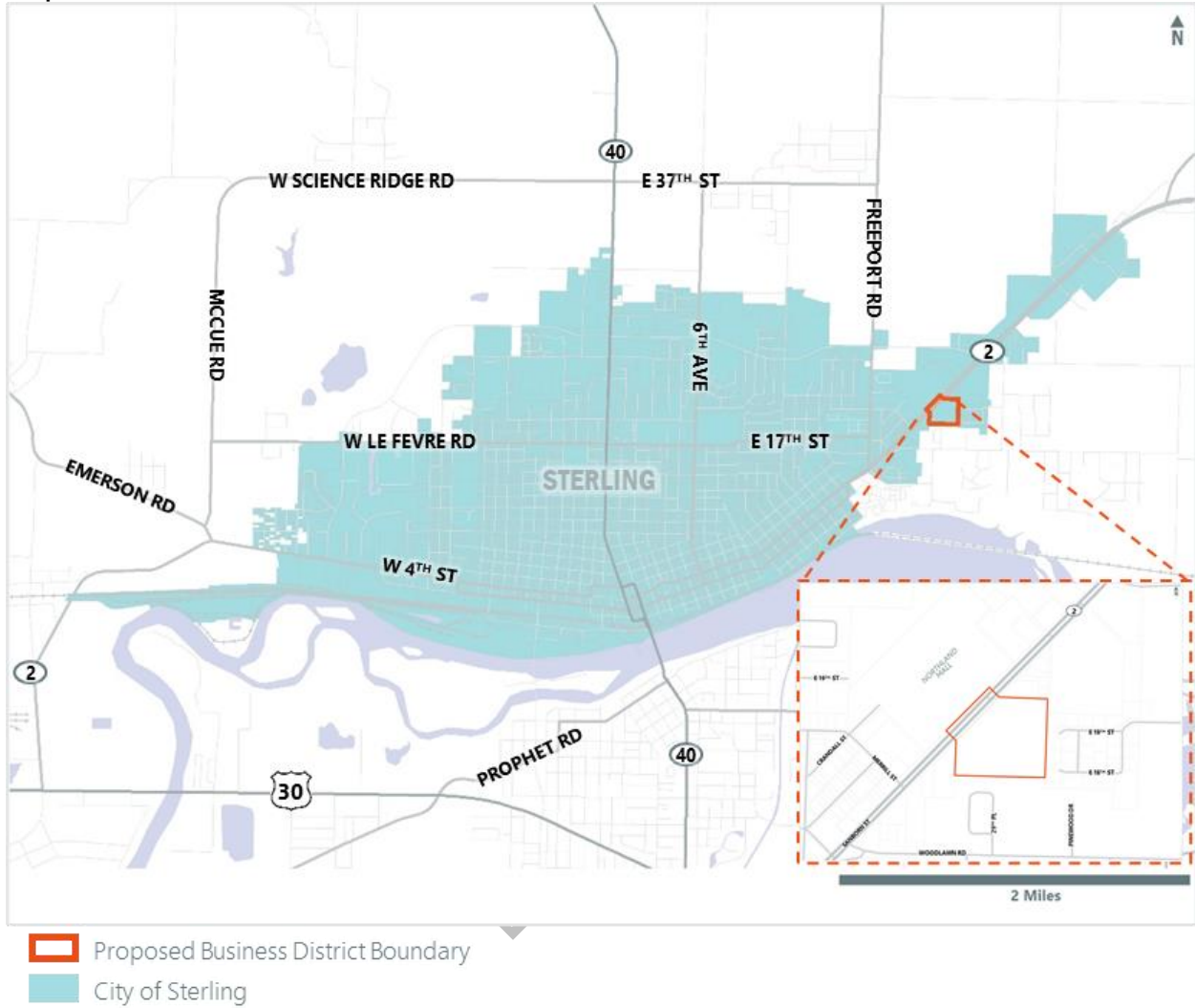
This document (the "Report") includes two major parts: (1) information on the eligibility factors and other findings necessary to designate the area as a business district under the Act (the "Eligibility Study"); and (2) the Business District Plan (the "Plan"). SB Friedman has prepared this Report with the understanding that the City would rely on its findings and conclusions in proceeding with the designation of the proposed Business District and the adoption and implementation of the Plan in compliance with the Act.

## The Proposed Business District

The proposed Business District encompasses the former Kmart site, located on Lincoln Highway (Illinois State Road 2) southeast of the Northland Mall. The proposed Business District consists of one parcel, located at 2901 Lincolnway. The Area contains approximately 15.0 acres, of which approximately 1.8 acres are non-parcelized rights-of-way.

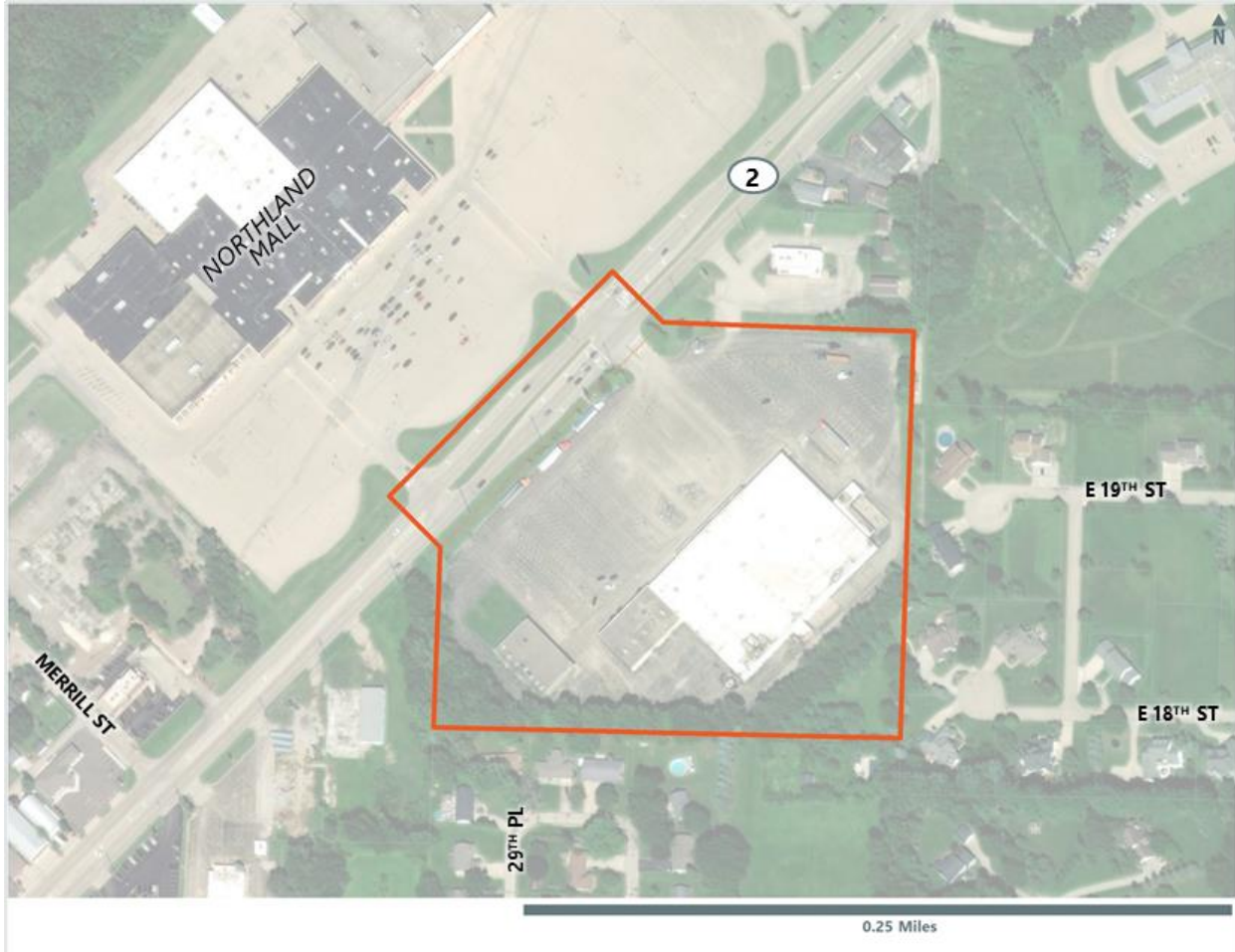
The location of the proposed Business District is displayed in **Map 1** on the following page, with a more detailed boundary presented in **Map 2**. The legal description of the proposed Business District and a list of the Property Index Number (PIN) are included in **Appendix 1** and **Appendix 2**, respectively.

Map 1: Context



Sources: City of Sterling; Esri; SB Friedman; Whiteside County

Map 2: Proposed Business District Boundary



-  Proposed Business District Boundary
-  Proposed Business District Parcel

Sources: City of Sterling; Esri; SB Friedman; Whiteside County

## 2. Eligibility Study

The proposed Business District suffers from deteriorated site improvements. These characteristics appear to be hindering the economic potential of the proposed Business District. In order to enhance its economic viability, it is critical that the physical conditions of the proposed Business District be improved. So long as site improvements are deteriorated, the economic viability of the proposed Business District will likely continue to be challenged. The proposed Business District will benefit from a strategy that improves physical conditions and addresses deteriorating roadways, allowing for economic growth and redevelopment.

The eligibility findings presented herein cover events and conditions that were determined to support a finding that the Area qualifies as a “blighted area” under the Act.

### Eligibility Provisions of the Illinois Business District Development and Redevelopment Act

In order to impose taxes within a business district, a municipality must find that the area meets the “blighted area” provision under the Act and satisfies several other findings and tests. These eligibility criteria are summarized below.

#### BLIGHTED AREA DEFINITION

A business district can be considered a blighted area under the Act by the predominance of at least one of the following five factors:

- Defective, Non-Existent or Inadequate Street Layout
- Unsanitary or Unsafe Conditions
- Deterioration of Site Improvements
- Improper Subdivision or Obsolete Platting
- Existence of Conditions which Endanger Life or Property by Fire or Other Causes

In addition, the presence of the factor(s) must have at least one of the following four effects on the business district:

- Retard(s) the Provision of Housing Accommodations
- Constitute(s) an Economic or Social Liability
- Constitute(s) an Economic Underutilization of the Area
- Constitute(s) a Menace to the Public Health, Safety, Morals or Welfare

#### OTHER REQUIRED FINDINGS AND TESTS

Four additional findings and tests are required for designation of a business district:

- **Lack of Growth and Development through Private Investment.** The City is required to evaluate whether a business district has been subject to growth and development through investment by

private enterprises and must substantiate a finding of lack of such investment prior to establishing a business district.

- **“But For” the Creation of a Business District, Area Would Not Be Redeveloped.** The City must find that the area would not reasonably be anticipated to be developed or redeveloped without the adoption of the business district plan.
- **Contiguity of Parcels.** The boundary of a business district must contain contiguous parcels that are directly and substantially benefited by the plan.
- **Conformance to the Plans of the City.** A business district plan must conform to the comprehensive plan of the City.

## Methodology Overview

SB Friedman conducted the following analyses to determine whether the proposed Business District qualifies as a blighted area, as defined by the Act:

- Parcel fieldwork in March 2021 documenting external property conditions of properties and infrastructure;
- Analysis of historic trends in equalized assessed value for the last six years (five year-to-year periods) for which data are available and final (2014-2019) from the Whiteside County Assessor;
- Review of GIS parcel shapefile data from Whiteside County; and
- Review of the 2006 Sterling Comprehensive Plan (“2006 Comprehensive Plan”)

The parcel was examined for eligibility factors consistent with the blighted area requirements of the Act. SB Friedman evaluated the eligibility factors and analyzed the spatial distribution of the eligibility factors. The eligibility factors were linked to the tax parcel and buildings using aerial photographs, property files created from field observations, and record searches. The information was then graphically plotted on a parcel map of the proposed Business District to establish the distribution of eligibility factors, and to determine which factors were present to a meaningful extent and reasonably distributed to evaluate their predominance throughout the proposed Business District.

## Eligibility Findings

### BLIGHTED AREA FINDING

SB Friedman’s research indicates the proposed Business District qualifies as a blighted area due to the predominance of the following factor:

- Deterioration of Site Improvements

Physical deterioration of surface improvements and/or buildings was observed on the parcel. Catalogued surface improvement deterioration included cracking or crumbling parking lots, roads, and walkways. Building deterioration observed on the parcel included partial demolition of internal improvements, damage to building walls, and damage to building soffits. Deterioration of surface improvements and buildings may indicate that the proposed Business District lacks investment and can make it more difficult to attract new businesses or consumers. This factor was found to be meaningfully present and reasonably distributed throughout the

proposed Business District. **Map 3** displays the spatial distribution of deterioration throughout the proposed Business District.



Map 3: Deterioration of Site Improvements



Sources: City of Sterling; Esri; SB Friedman; Whiteside County

## Effect of Blighting Factors on the Proposed Business District

It appears the present blighting factors have the following effect on the proposed Business District:

- Constitute an Economic Underutilization of the Area

### ECONOMIC UNDERUTILIZATION OF THE AREA

An evaluation of change in property value over time is one of the clearest indicators of whether an area is meeting its economic potential or is being economically underutilized. SB Friedman analyzed the change in the equalized assessed value (EAV) – property value as determined by the Whiteside County Assessor – of the proposed Business District from 2014 to 2019 relative to the remainder of the City.

Since 2014, the proposed Business District declined by 42.2% in EAV, while the balance of the City grew by 5.0%, as shown in **Table 1** below. The decline in EAV within the proposed Business District since 2014 suggests that deterioration may be affecting the economic potential of the area, reducing its commercial appeal to both businesses and consumers. Thus, we conclude that the deterioration of site improvements have contributed to the economic underutilization of the Area.

**Table 1: Year-to-Year Growth in EAV of Proposed Business District and City from 2014 – 2019**

|  | 2014      | 2019       |
|--|-----------|------------|
| Proposed Business District Parcels EAV                                   | \$613,848 | \$355,032  |
| Percent Change   | ---       | -42.2%     |
| City EAV Less Proposed Business District Parcels                         | \$167.9 M | \$176.3 M  |
| Change in City EAV Less Proposed Business District Parcels               | ---       | 5.0%       |
| <b>Proposed Business District Parcels Growth Less Than City Balance?</b> | ---       | <b>YES</b> |

Source: SB Friedman; Whiteside County Assessor

## Other Required Findings and Tests

In addition to finding of blight, the Act specifies four separate required findings and tests for designation. SB Friedman’s research, as described below, indicates that the proposed Business District satisfies these requirements.

### 1. LACK OF GROWTH AND DEVELOPMENT THROUGH PRIVATE INVESTMENT

Overall growth in property value within the proposed Business District has declined from 2014 to 2019, while the growth in property value within the remainder of the City has increased during the same time period, as described above and shown in **Table 1**. This metric indicates a lack of growth through private investment in the proposed Business District.

The proposed Business District currently has a vacancy rate of 90%. This is driven by the vacant 84,000-square-foot retail building at 2901 East Lincolnway, which housed Kmart until January 2014. Since Kmart’s departure, the proposed Business District has struggled to attract an anchor tenant to the vacant retail building, which has led to deferred maintenance in the proposed Business District and limits the marketability of the proposed Business District.

There has been no new construction and expansion within the proposed Business District over the past five years, indicating that the private market has been unable to support substantial new development without public assistance.

**Finding:** *The proposed Business District on the whole has not been subject to growth and development through investment by private enterprises.*

## 2. “BUT FOR” THE CREATION OF A BUSINESS DISTRICT, AREA WOULD NOT BE REDEVELOPED

Without the support of public resources, the redevelopment objectives for the proposed Business District would most likely not be realized. The Area-wide improvements and development assistance resources needed to upgrade existing infrastructure and support new development and redevelopment are extensive and costly. The private market, on its own, has shown little ability to absorb all such costs. The City has limited capacity to fund capital improvements of the sort that appear necessary to remove blighting factors.

Given the overall decline in property value, excessive vacancies, limited new private investment, and existing site deterioration, it appears unlikely that significant private investment would occur in the Area without creation of the Business District.

**Finding:** *The Area would not reasonably be anticipated to be developed or redeveloped without the adoption of the Business District Plan.*

## 3. CONTIGUITY OF PARCELS

**Finding:** *All parcels in the Area are contiguous and are expected to directly and substantially benefit from the Business District Plan.*

## 4. CONFORMANCE TO THE PLANS OF THE CITY

**Finding:** *Based on a review of the 2006 Comprehensive Plan, the Business District Plan conforms to the City's 2006 Comprehensive Plan for development of the municipality as a whole.*

## Summary of Findings

SB Friedman found that the proposed Business District qualifies to be designated as a “blighted area.” The proposed Business District is blighted due to the predominance of deterioration of site improvements, which contribute to an economic underutilization of the area. The proposed Business District also satisfies the four separate findings and tests required for designation.

## 3. Business District Plan

### Redevelopment Needs of the Proposed Business District

The economic potential of the proposed Business District is currently hampered by deterioration of site improvements. Investment in infrastructure and improvements in roadways, parking and sidewalks in the Area are necessary to increase the economic viability within and adjacent to the proposed Business District. The existing conditions of the Area suggest four major redevelopment needs for the proposed Business District:

- Rehabilitation of existing buildings;
- Infrastructure and capital improvements;
- Resources for new development; and
- Site preparation.

This Business District Plan identifies tools for the City to support the improvement of the proposed Business District through provision of necessary infrastructure improvements and other public and private improvements to best serve the interests of the City, local business owners and residents.

The public and private improvements outlined in this Business District Plan will create an environment conducive to economic growth and development within the proposed Business District and City overall.

### Goal and Objectives

The overall goal of the Business District Plan is to reduce or eliminate conditions that qualify the proposed Business District as a blighted area under the Act and to provide the direction and mechanisms necessary to create a vibrant commercial and mixed-use district that will strengthen the economic base and enhance the quality of life of the Area and City as a whole.

The following five objectives support the overall goal of area-wide revitalization of the proposed Business District:

- Enhance the City's tax base by encouraging investment and redevelopment within the proposed Business District;
- Foster the construction, improvement, replacement and/or repair of public infrastructure;
- Provide improved pedestrian and bicycle access throughout the proposed Business District;
- Promote the improvement of façades and signage within the proposed Business District; and
- Promote private investment within the City.

Public and private improvements throughout the Area will increase the economic viability of businesses within and adjacent to the proposed Business District. The overall redevelopment is expected to affect each of the properties in the proposed Business District.

## Powers of the Municipality

The Act grants municipalities various powers to designate, implement and maintain a business district. In addition to the powers a municipality may now have, a municipality shall have the following powers:

- To make and enter into all contracts necessary or incidental to the implementation and furtherance of a business district plan, as more fully set forth in 65 ILCS 5/11-74.3-3(1);
- To acquire by purchase, donation, or lease, and to own, convey, lease, mortgage, or dispose of land and other real or personal property or rights or interests within the business district, as more fully set forth in 65 ILCS 5/11-74.3-3(2) and 65 ILCS 5/11-74.3-3(2.5);
- To clear any area within a business district by demolition or removal of any existing buildings, structures, fixtures, utilities, or improvements, and to clear and grade land;
- To install, repair, construct, reconstruct, or relocate public streets, public utilities, and other public site improvements within or without a business district which are essential to the preparation of a business district for use in accordance with a business district plan;
- To renovate, rehabilitate, reconstruct, relocate, repair, or remodel any existing buildings, structures, works, utilities, or fixtures within any business district;
- To construct public improvements, including but not limited to buildings, structures, works, utilities, or fixtures within any business district;
- To fix, charge, and collect fees, rents, and charges for the use of any building, facility, or property or any portion thereof owned or leased by the municipality within a business district;
- To pay or cause to be paid business district project costs, as more fully set forth in 65 ILCS 5/11-74.3-3(8). Such eligible project costs are defined in the following section. As per 65 ILCS 5/11-74.3-3(8.5), the Act also empowers the City to utilize up to 1% of the revenue from a business district retailers' occupation tax and service occupation tax and/or a hotel operators' occupation tax ("porting") for business district eligible costs from another business district that is:
  - contiguous to the business district from which the revenues are received;
  - separated only by a public right of way from the business district from which the revenues are received; or
  - separated only by forest preserve property from the business district from which the revenues are received if the closest boundaries of the business districts that are separated by the forest preserve property are less than one mile apart.
- To apply for and accept grants, guarantees donations of property or labor or any other thing of value for use in connection with a business district project;
- To impose a retailers' occupation tax and a service occupation tax in the business district at a rate not to exceed 1.0% of the gross receipts from the sales made (to be imposed only in 0.25% increments) for the planning, execution, and implementation of business district plans and to pay for business district project costs as set forth in the business district plan approved by the municipality; and
- To impose a hotel operators' occupation tax in the business district at a rate not to exceed 1.0% of the gross receipts from the sales made (to be imposed only in 0.25% increments) for the planning, execution, and implementation of business district plans and to pay for the business district project costs as set forth in the business district plan approved by the municipality.

## Financial Plan

### ELIGIBLE COSTS

Under the Act, eligible business district project costs include all costs incurred by the municipality, other governmental entity or nongovernmental entity in the furtherance of the business district plan, and may include:

- Costs of studies, surveys, development of plans and specifications, implementation and administration of a plan, and personnel and professional service costs including architectural, engineering, legal, market, financial, planning, or other professional services, provided no charges for professional services may be based on a percentage of tax revenues received by the municipality;
- Property assembly costs, including but not limited to, acquisition of land and other real or personal property or rights or interests therein, and specifically including payments to developers or other nongovernmental persons as reimbursement for property assembly costs incurred by that developer or other nongovernmental person;
- Site preparation costs including but not limited to, clearance, demolition or removal of any existing buildings, structures, fixtures, utilities, and improvements, and clearing and grading of land;
- Costs of installation, repair, construction, reconstruction, extension, or relocation of public streets, public utilities, and other public site improvements within or without the business district which are essential to the preparation of the business district for use in accordance with the business district plan, and specifically including payments to developers or other nongovernmental persons as reimbursement for site preparation costs incurred by the developer or nongovernmental person;
- Costs of renovation, rehabilitation, reconstruction, relocation, repair or remodeling of any existing buildings, improvements and fixtures within the business district, and specifically including payments to developers or other nongovernmental persons as reimbursement for costs incurred by such developer or nongovernmental person;
- Costs of installation or construction within the business district of buildings, structures, works, streets, improvements, equipment, utilities, or fixtures, and specifically including payments to developers or other nongovernmental persons as reimbursements for such costs incurred by such developer or nongovernmental person;
- Financing costs, including but not limited to all necessary and incidental expenses related to the issuance of obligations, payment of any interest on any obligations issued under the Act that accrues during the estimated period of construction of any redevelopment project for which obligations are issued and for not exceeding 36 months thereafter, and any reasonable reserves related to the issuance of those obligations; and
- Relocation costs to the extent that a municipality determines that relocation costs shall be paid or is required to make payment of relocation costs by federal or state law.

### ANTICIPATED PROJECT COSTS

The estimated eligible costs of this Business District Plan are shown in **Table 2** below. The total Business District Project Costs (“Project Costs”) shown in **Table 2** provides an upper limit on expenditures that are to be funded

using Business District revenues, exclusive of capitalized interest, issuance costs, interest, and other financing costs. Additional funding in the form of county, state and federal grants, private developer contributions, porting of funds from contiguous business districts, and other outside sources may be pursued by the City as a means of financing improvements and facilities that are of benefit to the general community.

**Table 2. Project Costs**

| Eligible Cost Categories [1]  | Budget              |
|---|---------------------|
| <b>Professional Services</b><br>(including studies, surveys, legal, architectural, engineering, marketing, etc.)  | \$200,000           |
| <b>Property Assembly</b><br>(including acquisition, reimbursement for developer assembly costs)   | \$500,000           |
| <b>Site Preparation</b><br>(including clearance, demolition, clearing & grading)  | \$650,000           |
| <b>Public Works Installation, Repair or Construction</b><br>(within or without Business District, which are essential to the Plan, including streets, utilities and other public site improvements) | \$3,600,000         |
| <b>Renovation or Rehabilitation of Existing Buildings, Improvements and Fixtures</b><br>(including reconstruction, relocation, repair and remodeling)   | \$4,000,000         |
| <b>Construction or Installation of Buildings, Improvements, Fixtures, Equipment or Utilities</b><br>(within the Business District)  | \$1,100,000         |
| <b>Financing Costs</b><br>(including expenses related to issuance, interest and reserves related to obligations)  | \$100,000           |
| <b>Relocation Costs</b><br>(to the extent municipality deems necessary or is required by federal or State law)  | \$150,000           |
| <b>TOTAL PROJECT COSTS [2] [3]</b>  | <b>\$10,300,000</b> |

[1] Costs are shown in 2021 dollars and shall be adjusted from time to time to reflect changes in the cost of living, as measured by the U. S. Department of Labor's Consumer Price Index.

[2] Increases in estimated Total Project Costs of more than 5%, after adjustment for inflation from the date this Business District Plan is approved, are subject to the amendment procedures as provided under the Act.

[3] Adjustments may be made among line items in the budget without amendment, as provided under the Act.

Each individual project cost will be reevaluated in light of Business District goals as it is considered for public financing under the provisions of the Act. The totals of line items set forth in **Table 2** are not intended to place a limit on the described expenditures. Adjustments may be made in line items within the total, either increasing or decreasing line item costs because of changed redevelopment costs and needs. Within the total Project Costs limit, adjustments to the estimated line item costs in **Table 2** are expected and may be made by the City without amendment to this Plan.

The Project Costs described above are intended to further the goals outlined in this Plan and will benefit the owners and tenants of commercial businesses in the proposed Business District, as well as City residents and patrons of local businesses.

## Anticipated Sources of Funds to Pay Project Costs

As required by the Act, the City shall establish and maintain a Business District Tax Allocation Fund (the “Fund”) to which Business District revenues generated through the Business District Retailers’ Occupation Tax and Business District Service Occupation Tax shall be deposited or credited. The Business District Taxes shall be administered as provided in the Act. Project Costs are to be reimbursed using the Fund, as described below.

### **BUSINESS DISTRICT RETAILERS’ OCCUPATION TAX**

A Business District Retailers’ Occupation Tax will be imposed upon persons engaged in the business of selling tangible personal property at retail (excluding property titled or registered with an agency of the State of Illinois government) in the District at a rate of 1.0% of the gross receipts from the sales made in the course of such business. The tax may not be imposed on food for human consumption that is to be consumed off the premises from which it is sold (other than alcoholic beverages, soft drinks, and food that has been prepared for immediate consumption), prescription and nonprescription medicines, drugs, medical appliances, modifications to a motor vehicle for the purposes of rendering it usable by a disabled person, and insulin, urine testing materials, syringes, and needles used by diabetics, for human use.

### **BUSINESS DISTRICT SERVICE OCCUPATION TAX**

A Business District Service Occupation Tax will be imposed upon all persons in the District engaged in the business of making sales of service, who, as an incident to making those sales of service, transfer tangible personal property within the Business District, either in the form of tangible personal property or in the form of real estate as an incident to a sale of service. This tax will be imposed at a rate of 1.0% and may not be imposed on food for human consumption that is to be consumed off the premises from which it is sold (other than alcoholic beverages, soft drinks, and food that has been prepared for immediate consumption), prescription and nonprescription medicines, drugs, medical appliances, modifications to a motor vehicle for the purposes of rendering it usable by a disabled person, and insulin, urine testing materials, syringes, and needles used by diabetics, for human use.

### **OTHER SOURCES OF FUNDS**

Other sources of funds that may be used to pay for development costs and associated obligations issued or incurred include land disposition proceeds, state and federal grants, investment income, private investor and financial institution funds, and other lawful sources of funds and revenues as the municipality and developer from time to time may deem appropriate.

The proposed Business District may be or become contiguous to, or be separated only by a public right-of-way from, one or more other business districts created by the City in accordance with the Act (65 ILCS 5/11 74.4 4 et. seq.). The City may utilize Business District tax revenues received from the Business District to pay eligible costs, or obligations issued to pay such costs, in such other business districts, and vice versa. The amount of revenue from the proposed Business District made available to support such business districts, when added to all amounts used to pay eligible business district project costs within the proposed Business District, shall not at any time exceed the total Project Costs described in **Table 2** of the Plan.



If necessary, the plans for other business districts that may be or already have been created under the Act may be drafted or amended, as applicable, to add appropriate and parallel language to allow for the transfer and utilization of relevant business district tax revenues between such districts.

## **ISSUANCE OF OBLIGATIONS**

To finance Project Costs, the City may issue bonds or obligations secured by the anticipated Business District Retailers' Occupation Tax and Business District Service Occupation Tax generated within the proposed Business District, or such other bonds or obligations as the City may deem as appropriate.

All obligations issued by the City pursuant to this Plan and the Act shall be retired in the manner provided in the ordinance authorizing issuance of such obligations, by the receipts of taxes from the proposed Business District and by any other revenue designated or pledged by the City. The final maturity date of any such obligations that are issued may not be later than 20 years from their respective dates of issue or the dissolution of the Business District, whichever is earlier.

In addition to paying Project Costs, Business District revenues may be used for the scheduled and/or early retirement of obligations, as provided in the ordinance issuing such obligations. As provided in the Act, following payment or reimbursement for all Project Costs, any surplus funds in the Fund will be deposited into the City's general corporate fund.

## **Establishment and Term of District**

Pursuant to the Act, the term of the proposed Business District shall not exceed 23 years from the date the ordinance approving this Plan and designating the District is approved. The Business District Retailers' Occupation Tax and Business District Service Occupation Tax will be imposed for no longer than the term of the Business District.

## **Provisions for Amending Plan**

This Plan may be amended pursuant to the provisions of the Act.

# Appendix 1: Boundary Legal Description

## OF PROPERTY DESCRIBED AS:

Part of the Southwest Quarter of Section 14, Township 21 North, Range 7 East of the Fourth Principal Meridian, City of Sterling, Whiteside County, Illinois, described as follows:

Beginning at a point on the east line of said Southwest Quarter of Section 14, said point being the southeast corner Tax Parcel 11-14-376-007 and also being on the easterly extension of the north line of Sunny Acres Subdivision; thence West on the south line of said Tax Parcel and said easterly extension and the north line of said Sunny Acres Subdivision, to the northwest corner of said Sunny Acres Subdivision; thence North parallel with the East line of said Southwest Quarter, to the southeasterly right of way line of S.B.I. Route 6 (IL Route 2); thence Northwest perpendicular to said right of way line, to the northwesterly right of way line of said S.B.I. Route 6 (IL Route 2); thence Northeasterly, on said northwesterly right of way line to the intersection of a line being perpendicular to said right of way line from the northerly corner of said Tax Parcel; thence Southeasterly on said perpendicular line, to the northerly corner of said Tax Parcel; thence East on the north line of said Tax Parcel, to said east line of the Southwest Quarter; thence South on said east line, to the Point of Beginning.

## Appendix 2: PIN in Proposed Lincoln Highway Business District

| Parcel        |
|---------------|
| 11-14-376-007 |

Sources: SB Friedman; Whiteside County

## Appendix 3. Limitations of Engagement

The Eligibility Study covers events and conditions that were determined to support the designation of the proposed Business District as a “blighted area” under the Act at the completion of our field research in March 2021 and not thereafter. SB Friedman’s findings do not consider events or conditions that may have occurred after completion of field research, including, without limitation, governmental actions and additional development.

This Report summarizes the analysis and findings of the consultant’s work, which, unless otherwise noted, is solely the responsibility of SB Friedman. The City is entitled to rely on the findings and conclusions of the Report in designating the Area as a business district under the Act. SB Friedman has prepared the Report with the understanding that the City would rely on the findings and conclusions of this Report in proceeding with the designation of the proposed Business District and the adoption and implementation of the Plan in compliance with the Act.

The Report is based on estimates, assumptions, and other information developed from research of the market, knowledge of the industry, and meetings during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the Report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved will necessarily vary from those described in our Report, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the Report to reflect events or conditions which occur subsequent to the date of the Report. These events or conditions include, without limitation, economic growth trends, governmental actions, additional competitive developments, interest rates, and other market factors. However, we will be available to discuss the necessity for revision in view of changes in economic or market factors.

Preliminary Business District revenue projections were prepared for the purpose of estimating the approximate level of revenues that could be generated by proposed projects and other properties within the proposed Business District and from inflationary increases in sales. These projections were intended only to assist in preparing a budget for the Business District Plan.

As such, our Report and the preliminary projections prepared under this engagement are intended solely for your information, for the purpose of establishing a business district. These projections should not be relied upon for purposes of evaluating potential debt obligations or by any other person, firm or corporation, or for any other purposes. Neither the Report nor its contents, nor any reference to SB Friedman, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document intended for use in obtaining funds from individual investors, without prior written consent.