

STATEMENT OF LEXINGTON HOMES FOR PURCHASE OF
THE 940-970 MADISON STREET PARCEL IN
THE
VILLAGE OF OAK PARK, ILLINOIS

25 JANUARY 2017

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BY

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Lexington Homes, as an experienced homebuilder in the Chicago metropolitan area for over 58 years, is honored to present its Proposal to develop the 940-970 Madison site in the **Village of Oak Park**. The details of our proposal are as follows:

1. Lead Contact Person

Bill Rotolo, Vice President

Acquisitions and Entitlements

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2. Project Concept

The Lexington approach to the 940-970 Madison site is to develop an owner occupied urban townhome community similar to other communities that we have developed recently in the downtown districts of the Village of Morton Grove, and the Cities of Park Ridge, Des Plaines and Rolling Meadows, as well as in the Bridgeport and Hyde Park neighborhoods in the City of Chicago. On the enclosed site plan, there are 21 units shown. The decision was made to site the units parallel to Madison Street to provide a strong, aesthetically pleasing architectural presence on this vital thoroughfare in the Village, and also to enhance the side elevations to recognize the importance of the Madison Streetscape (these elevations can be modified to fit the Village's image for the site—we are not locked in stone on these). The view along Madison will be heavily landscaped, no garages or driveways, and can be enhanced further with ornamental street lights, street furniture, street trees, planters, etc. in keeping with the Madison Streetscaping plan that the Village has already promulgated.

The proposed units will be very similar to those at Lexington Square in Bridgeport, and at Lexington Shore in Hyde Park. The exterior materials are all masonry, with brick as the primary material on the fronts, sides and rears, with stone accents, and some bay windows with metal cladding. All units will have 3 or 4 bedrooms, a minimum of 2.5 baths (additional bath

optional), 2 car garages, a bonus room on the first level, fee simple ownership, and an HOA to manage all common elements, including landscaping, snow removal and exterior maintenance. Roof top decks will also be available. The density of the community, at 22.83 units per acre is in keeping with other “in-town” type townhome developments, with walkability to transit, shops, government and private services, etc.

3. Statement of Understanding

Per the Village goals, Lexington’s proposed community contains pedestrian paths linking each unit to Madison Street, Clinton Avenue and the alley between Clinton and Home Avenue. The front yards along Madison will be heavily landscaped, and we will work with the Village to ensure that the Madison Streetscape design guidelines are followed. We have not prepared a landscaping plan at this time, as we thought it best to work with the Village and OPDC to develop the best possible streetscaping plan if we are the successful bidders on the RFP.

No retail component is being planned. The site is too small for a mixed use, and the retail environment along this portion of Madison has historically been weak. The existing retail strip east of the alley on the property illustrates this point, as it has not been a highly successful retail venture.

4. Firm/Team Description

The Principals/Owners of Lexington Homes are Ronald Benach, Jeff Benach, and Wayne Moretti. Bill Rotolo is the Vice-President of Land Acquisitions and Entitlements, and therefore will be the primary lead on this RFP, and all subsequent entitlement matters. Resumes describing the areas of responsibility and experience of all four team members are attached.

Lexington Homes has a long and deep history in the homebuilding industry in the metro area. The company, and its predecessor operations (Concord Homes, 3H Homes) has built over 40,000 units since 1962 when Ronald Benach started building new homes in the Chicago area. In most years from that date, Mr. Benach’s homebuilding operations were either the largest of all the builders in Chicago, or certainly amongst the top 3 in the region. While big does not make you great, Mr. Benach’s companies have a very strong tradition of quality, durability, and recognition. Lexington has a strong history of redeveloping underutilized sites in older suburban communities such as this property in Oak Park. We have done very similar communities in Park Ridge (purchase of City’s old Public Works garage, and replacing it with 25 urban townhomes; site had some contamination, which Lexington mitigated), Morton Grove (purchased an old factory site near the commuter rail station, and built 36 urban townhomes), and Des Plaines (58 urban townhomes on a site with a shuttered banquet hall, a nearly empty strip retail center, and a former grocery store that had been turned into a church), amongst many others. Even today, with our newest communities, we get repeat customers of people who grew up in a Lexington, Concord, or 3H home. Our homes literally have won hundreds of industry awards, and have proudly stood the test of time. Our multi-family for-sale communities especially are a source of deep pride for the owners, as driving through them today, one sees richly landscaped, well maintained homes and open spaces.

Currently, Lexington has nine communities in the metro area, both in the City of Chicago and the suburbs, the latter being all in the north and northwest parts of Cook County, except for one townhome community in Vernon Hills, Lake County. A copy of the current communities under development is attached. Also attached is a comprehensive spreadsheet by project showing production, sales, and cost of each community, including projections for 2017.

As mentioned, there are nine communities that are currently being marketed, and another five to six are in the entitlement phase and expected to open in 2017-18. We will sell and build over 120 homes this year, with projections for several hundred in 2018 and beyond. It is very difficult to predict what will happen with these new communities, as local politics influence the final details of the community, and the national and local economies determine the pace of sales and construction. Prior to the Great Recession, Lexington's entities typically built over 1000 units a year, and as the economy and homebuilding in the region strengthen, Lexington has the interest and resources to expand again.

If Lexington were the successful bidder for the Madison Street site, it is likely that our construction and sales personnel that built and sold in the communities we have in the northwest suburbs presently would be utilized to manage the operation there. Tom Meyer is our Vice President of Operations, and handles all vertical construction. John Agenlian is our Direction of Land Development, and is responsible for all infrastructure. Jeff Benach is Principle, and Ex. Vice President of Sales and Marketing, and would oversee sales operations. If Lexington were the successful bidder for Central and Main, it would be very easy for us to gear-up immediately.

In terms of timing, and a construction timeline, we would hope to complete entitlements and design reviews by mid-summer and start construction soon thereafter. We would hope that demolition and clean-up of the site would be completed by then, so that foundation and infrastructure work could begin by the end of August or early September. A temporary sales trailer would be put on the site at this same time, and sales would begin perhaps by October 1, 2017. The model and first production building could be completed by December or January, 2018, and subsequent units completed in four months after start. With a projected sales pace of approximately 2 per month, the community would be sold out in 10 months, and constructed completed by the end of 2018.

Lexington has no known conflicts, legally, financially or otherwise with the purchase of the Madison Street site.

5. Organization, Structure and Workload

The legal name of the entity the would build, manage and market the community would be Lexington Homes, LLC, or a site specific subsidiary that would be wholly owned by Lexington

Homes, with the legal form being a Limited Liability Company incorporated in the State of Illinois. The date of establishment of Lexington was 2007. The address is 1731 N. Marcey Street, Suite 200, Chicago, IL 60614, and the officers, again, are Ronald Benach, Jeff Benach, and Wayne Moretti.

6. Past Development Experience and Financial Resources

As mentioned, Lexington's experience in the homebuilding and real estate development industries in the Chicago metro area are vast. Current holdings, besides the nine communities under active development include shopping centers, suburban and downtown apartments, offices, industrial and mixed use buildings, and vacant land in Chicago and Phoenix. Its financial resources are also quite extensive. Audited financial statements are available, if necessary, but not attached to this proposal due to their length and complexity. We have cash on hand to easily cover the proposed offering price of \$1,050,000, which is based on a purchase price of \$50,000/unit for each of the 21 proposed units. We have attached our latest bank statement from The Private Bank showing our cash on hand from just the one bank, which was \$6,717,764.45 as of Dec 31, 2016 (latest statement available). This cash purchase would easily fund the loan required to build out the entire proposed project as well. Lexington would seek a development loan to complete the construction of the community.

7. Development Proposals

- a. Site plan showing 21 units attached. The product type is similar to the units built at other communities nearby, as stated above, although the elevations have been enhanced, as many details have been added. The design remains a 3 story building, with a 2 car, rear loaded garage on an alley system. There will be two models—what we call the 410 Plan (The Grant at our Lexington Square IV community in Chicago/Bridgeport):

3 or 4 Beds
2.5 Baths
2217 Sq. Ft.
\$455,000

And the 420 Plan (The Buckingham in Bridgepor):

3-4 Beds
2.5 Baths
2507 Sq. Ft.
\$500,000

-These prices are tentative, of course, and will be finalized only after actual bids have been let, and final costs realized.

- b. Renderings and elevations are attached, and are very similar to those at other Lexington townhome communities as noted above.
c. We believe the proposal meets all the goals and objectives of the RFP.
d. Estimated Development Budget:
Cost of Land: \$1,050,000 total, or \$50,000 per unit for 21 units

Cost of Land Development: \$1,115,000 total, or \$55,000/unit (est.)
Cost of Construction (hard cost only): \$4,669,056, or \$222,336/unit (est.)
Overhead (historically @20% of retail sales price): \$476,429 ave base price per unit
times 21 units = \$10,005,009, 20%=\$2,001,001

This proposal assumes that the site will be cleared of all buildings and have a clean environmental certification through the Illinois EPA, to residential standards. If that is not the case, Lexington will have to factor the cost of demolition and environmental clean-up into the equation, and our offering price would be commensurately less than the \$1,050,000 proposed here. Until we have an estimate of what that cost is, we cannot propose an “as is” offer. We could do that during the due diligence period, however.

8. Anticipated Construction Start

Lexington would be prepared to begin construction immediately after the entitlements are approved. It is presumed that this effort could begin in late August, and follows the schedule outlined above, with a model opening in December or January, 2018, and construction completing on the entire community by the end of 2018.

This schedule assumes the site is cleared and cleaned upon closing. If Lexington is the entity undertaking the demolition and environmental clean-up of the property, this time frame will be extended by the amount of time it takes to get the necessary demolition permits, and the No Further Remediation letter (or equivalent) to residential standards. This could possibly push the construction start into 2018.

9. Sales and Construction Pace

Lexington projects that this project will take about 10 months to sell out, and 18 months from start to finish for construction to be completed. A detailed financial and construction plan will be prepared if Lexington is chosen as the successful bidder.

10. Payments to Village for Land

Lexington would pay the entire proposed \$1,050,000 purchase price in cash at the closing-transfer of deed from the Village/OPDC to Lexington. Normally, this is about 45 days after completion of all entitlements/Village ordinances, etc.

11. Overall Projected Financial Benefits to the Village

Besides the \$1,050,000 purchase price, the financial benefits to the Village would include the property tax revenue to both the Village and other taxing bodies. It is estimated that the typical tax bill will be in the range of \$10,000. If the Village tax rate is about 10% of the total tax bill, that will generate about \$1,000/yr for each unit, or \$21,000 for the entire development per year, after any TIF expenditures are deducted. Additional revenues to the Village would include water and sewer revenue, revenue from surtaxes on utilities, Vehicle sticker revenue, and the additional sales tax realized from the new residents shopping at retail outlets in the Village. The other property taxing bodies, especially the school districts, will realize substantial estimated tax dollars per year of over \$200,000. This is especially important, as these townhome units do not generate very many, if any, school age children. Lexington can generate more accurate numbers after we have more specific values.

ATTACHMENTS

1. SITE PLAN
2. LETTER OF INTENT
3. ELEVATIONS
4. FLOOR PLANS-The Grant
5. FLOOR PLANS-The Buckingham
6. INTERIOR PHOTOS
7. BANK STATEMENT, DEC. 2016
8. PRO-FORMA
9. PROJECT LISTS, SALES AND DEVELOPMENT COSTS PER PROJECT