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PLANNING & COMMUNITY
DEVELOPMENT DEPARTMENT

A MARKET STUDY FOR THE PROPOSED

PARKVIEW
212 DUNTON AVENUE
ARLINGTON HEIGHTS, IL 60004

MAY 21, 2014

PREPARED FOR

PARKVIEW DUNTON, LLC



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May 21, 2014

Ms. Katie Kreifels
Parkview Dunton, LLC
900 West Jackson Boulevard, Suite 2W
Chicago, Illinois 60607

Re: Limited Market Study for the Proposed Parkview Apartments


Dear Ms. Berzac:

Development Strategies is pleased to present the attached limited market study for Parkview, a mixed-income community in Downtown Arlington Heights, Illinois. As part of this assessment, we analyzed various characteristics of the site including neighborhood trends, local rental housing supply and needs, and anticipated product demand.

As proposed, the subject property will provide 45 one-, two, and three-bedroom units at affordable and market rates. Downtown Arlington Heights offers excellent access to services, amenities, and transit, and the larger area has exhibited a significant need for affordable housing units. Steadily rising rents at market rate properties in the area and the absence of significant new affordable housing development has created pent up demand for a property of this type. The subject will fill a much needed gap in the provision of affordable housing in Arlington Heights and will redevelop a currently underutilized site in Downtown.

Development Strategies appreciates the opportunity to assist you with this market study. Should you or your associates have any questions about the following study, please call. We will be glad to hear from you.

Yours very truly,


Brad Beggs, MA
Principal

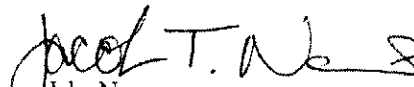

Jake Narup
Analyst

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- Certification
- Qualifications

PROJECT OVERVIEW

The purpose of this report is to provide a market study for the Village of Arlington Heights for the proposed Parkview, a mixed-income community in Downtown Arlington Heights, Illinois. As part of this assessment, we analyzed various characteristics of the site including neighborhood trends, local rental housing supply and needs, and anticipated product demand. The subject property will provide 45 one-, two, and three-bedroom units at affordable and market rates in a newly-constructed even-story building.

Site Location

The property will include three parcels containing 0.40 acre of land located at 212-220 North Dunton Avenue in Arlington Heights. The site is located near the center of Downtown Arlington Heights and has excellent access to nearby services, amenities, retail shopping, and public transportation. It is planned to be developed with an seven-story apartment building with two floors of indoor. The site is bound to the north by West Eastman Street followed by a church, to the east by North Duncan Avenue and the mixed-use Hancock Square development, to the south by retail development, and to the west by condominiums.

Neighborhood Overview

The subject property is located in the mixed-use neighborhood of Downtown Arlington Heights. The immediate neighborhood contains high-density residential uses with a mix of condominiums and apartments. There are scattered commercial uses along Dunton Avenue including mainly small offices and restaurants. Uses along Eastman Road to the north of the subject include churches, condo buildings, and small office buildings. The Arlington Heights station of the METRA commuter rail line is located one block south of the subject site. The location of the station has supported the high density residential development of several blocks within walking distance. East Northwest Highway also runs parallel to the commuter rail line and serves as the main commercial corridor through Arlington Heights and other nearby Chicago suburbs. The highway is lined with a mix of residential neighborhoods, large scale retail, and industrial uses. The neighborhoods surrounding Downtown are largely developed with single-family homes on a traditional street grid.

Downtown includes several large parking garages that serve commuters and apartment residents. Commercial uses are mainly contained within the street level retail spaces of these buildings, while a few older shopping centers and small commercial buildings remain. The north side is occupied by two large apartment buildings, a condo building, and parking garage, with about one block of older traditional retail store fronts. The area south of the commuter rail line is more densely developed with a wider variety of restaurants and shops. The subject location is ideal for apartment development as the Downtown area is attractive, and a wide variety of restaurants shops and services are located within walking distance.

Most of the single-family homes in the neighborhood surrounding Downtown were built in the 1920s or 1930s, but are maintained in good to excellent condition. Homes range widely in price from about \$350,000 to \$700,000.

Condominium units in the neighborhood are also in good to excellent condition and range in price from \$250,000 to \$350,000. However, most of the condos currently listed for sale are in foreclosure or bank owned. Suburban shopping centers are located along Northwest Highway and nearby Rand Road. Rand Road includes a Target, Walmart, Trader Joes and other big box anchor stores as well as the recently redeveloped Randhurst Village shopping mall. All of these uses are located about 2.5 miles north and east of the subject.

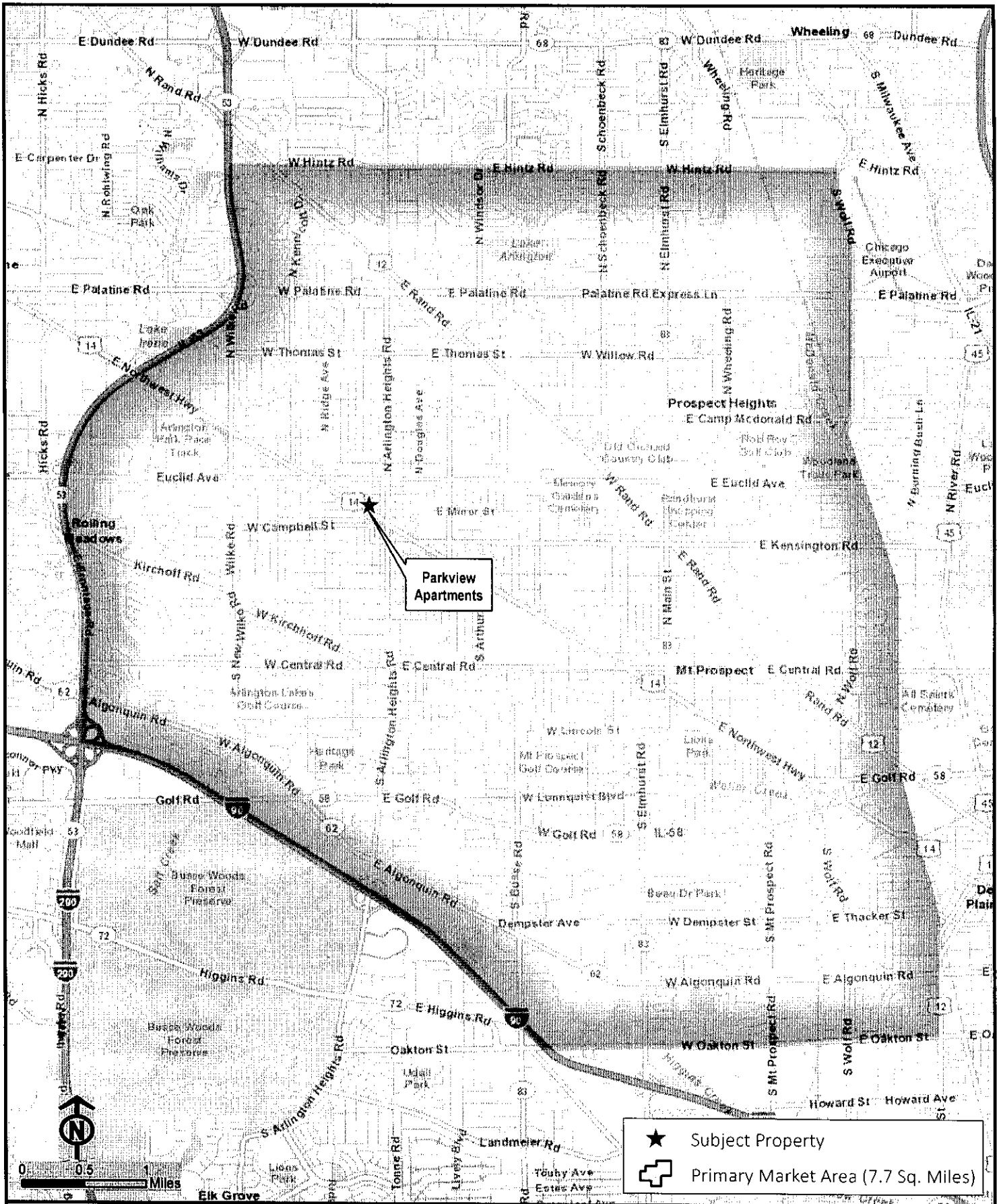
Overall, the subject property has a very attractive location in a largely mixed-use neighborhood with close proximity to transit, shopping, schools and parks.

Market Area Definition

The primary market area (PMA) is typically defined as the smallest geographic area that is generally expected to generate between 70 to 80 percent of the support for the proposed project. It is separated from adjacent market areas by natural and manmade barriers such as rivers, highways, railroads, major arteries, or a marked difference in the socioeconomic makeup of the neighborhood or area. The primary market area has been determined by: 1) Interviews conducted with area apartment managers, city officials, real estate agents, and area developers; 2) Demographic analysis; and 3) Field analyst observations.

The primary market area is irregular-shaped and bound by Illinois Route 53 to the west, Interstate 90 and West Oakton Street to the south, Wolf Road and a rail line to the east, and Hintz Road to the north. It contains 38.2 square miles and portions of several neighboring communities, including Rolling Meadows, Prospect Heights, and Mount Prospect. Notable uses include Chicago Executive Airport near the PMA's northeast corner, and significant light industrial development near Oakton Street along the market area's southern boundary. Illinois Route 53 contains eight lanes and forms a natural boundary to the west, providing access throughout the northwest suburbs. Due to the shortage of quality affordable housing throughout the area, a quality product at the proposed location would likely draw tenants from a significant distance.

A map of the primary market area is located on the following page.



LAND SALES

Parkview Apartments
Arlington Heights, IL

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May 2014

HOUSEHOLD TRENDS

As of 2012, there were approximately 72,901 housing units in the PMA, 94 percent of which were occupied. This figure is comparable to the village of Arlington Heights, and slightly higher than the county, MSA, and state. Approximately 65 percent of all housing units in the market area are contained within attached or detached single-family homes, while 19 percent of housing units are contained within multi-family structures containing 20 or more units. There are relatively few duplex, triplex, and four-family structures in the market area, as only ten percent of all housing units are contained within structures with two to nine units.

About a quarter of all households within the PMA are occupied by renters, which is well below comparable proportions of the county, MSA, and state. Demographics in the area indicate relatively small *College Age* (ages 18 to 24) and *Early Workforce* (ages 35 to 34) cohorts, both of which are likely to rent. In addition to high rates of homeownership, the median age in the PMA is the highest of the selected geographies (41.6).

The median value of housing in the PMA is \$293,574, which is higher than Cook County, the MSA, and the state. The median value of housing in Arlington Heights is the highest of the five study areas (\$323,534).

An overview of household characteristics in the study areas is summarized in the table below.

Household Overview

Description	Arlington				
	PMA	Heights	Cook County	Chicago MSA	Illinois
Housing Units (2012)	72,901	32,944	2,184,070	3,811,890	5,319,707
Occupied Housing Units (2012)	68,665	30,905	1,974,480	3,495,249	4,860,603
Occupancy Rate	94%	94%	90%	92%	91%
Housing Units by Units in Structure (2000)					
1, Detached	58%	57%	40%	51%	58%
1, Attached	6%	8%	5%	6%	5%
2	1%	0%	12%	8%	7%
3 or 4	2%	2%	10%	8%	7%
5 to 9	7%	7%	9%	7%	6%
10 to 19	6%	5%	6%	5%	4%
20+	19%	20%	17%	13%	10%
Mobile Home	1%	0%	1%	1%	3%
Other	0%	0%	0%	0%	0%
Tenure of Occupied Housing Units (2012)					
Percent of Owner Occupied Units	75%	77%	57%	65%	66%
Percent of Renter Occupied Units	25%	23%	43%	35%	34%
Median Housing Value (2012)	\$293,574	\$323,534	\$230,042	\$215,761	\$181,098

© ESRI, 2014

Availability of Affordable Housing Options

Affordable housing options in northwest Cook County are limited. Only one LIHTC property is located within the PMA, and only six of approximately 120 total units at the property are reserved for low-income households.

According to the HUD LIHTC Database, the 25 nearest LIHTC properties to Arlington Heights are located an average of 10.5 miles from Downtown. Approximately a third of these properties target senior households, and very few offer three-bedroom units that cater to larger households. Huntington Square is the nearest affordable property to the subject site (3.6 miles southeast), and includes 324 units, while a number of senior properties are scattered throughout surrounding communities including Elk Grove Village, Hoffman Estates, and Schaumburg. There is a significant housing gap for low- and moderate-income family households in Arlington Heights, as rental units in the area consist of market rate apartments, Section 8 contract units in larger market rate developments, and affordable senior apartments.

Competitive Market Positioning

The survey of competitive market rate properties indicates that they are generally well-occupied with occupancy rates averaging 95 percent. Average rents in the area are well beyond the financial means of most low- and moderate-income households. Market rate one-bedroom units average \$1,405 and two-bedroom units average \$1,825. Three-bedroom units are limited in the market, with most located in larger apartment communities to the south and east of the city center. Three-bedroom units at the two properties surveyed average \$1,874. The majority of rental properties in Arlington Heights were constructed in the 1970s and 1980s but have been well-maintained, with many units recently renovated and marketed as upscale or luxury living options. One Arlington is a large-scale redevelopment project converting a former Sheraton hotel into 214 luxury units. The project began pre-leasing in April 2014 and has a targeted occupancy date of August 2014.

The following table provides a summary of relevant rent information for the selected properties and a comparison to the subject's proposed rents.

Parkview

SUMMARY OF SELECTED RENTAL PROPERTIES

	Occ. Rate	# of Units	One-Bedroom			Two-Bedroom			Three-Bedroom		
			Avg. Rent	Size (SF)	Rent PSF	Avg. Rent	Size (SF)	Rent PSF	Avg. Rent	Size (SF)	Rent PSF
Market Rate Properties											
1 Dunton Tower	92%	216	\$1,625	785	\$2.07	\$1,968	1,100	\$1.79	-	-	-
2 Hancock Square	96%	409	\$1,544	801	\$1.93	\$1,748	975	\$1.79	-	-	-
3 Arlington Gardens Apartments	96%	150	\$790	560	\$1.41	\$945	680	\$1.39	-	-	-
4 Central Park East	97%	204	\$1,370	790	\$1.73	\$1,690	1,106	\$1.53	-	-	-
5 Willow Bend Apartments	96%	328	\$1,169	875	1.336	\$1,589	1,075	\$1.48	\$2,300	1,550	\$1.48
6 Tanglewood of Arlington Heights	100%	828	\$858	624	\$1.38	\$1,133	864	\$1.31	\$1,448	1,128	\$1.28
7 One Arlington	N/A*	214	\$2,480	980	\$2.53	\$3,700	1,450	\$2.55	-	-	-
Total/Average	97%	2,349	\$1,405	747	\$1.82	\$1,825	1,036	\$1.76	\$1,874	1,339	\$1.40
Subject Property - Proposed Rents											
60% AMI Units	-	-	\$774	N/A	N/A	\$929	N/A	N/A	\$1,072	N/A	N/A
Market Rate Units	-	-	\$1,300	N/A	N/A	\$1,600	N/A	N/A	\$2,100	N/A	N/A

* Property began pre-leasing in April 2014

METHODOLOGY TO QUANTIFY DEMAND

To determine the demand for the property, we must first estimate the number of households that are qualified and eligible by income to live in the property. Maximum incomes are set for each income group by the state housing agency using HUD median income estimates. ESRI provides estimates of the current number of households by income and also projects the growth in households for the next five years. ESRI also provides household income projections by age of householder.

Once we have established the number of households eligible for each unit type, we exclude homeowner households from the estimate with current tenancy status estimates provided by ESRI. Once the estimate of qualified (eligible) renter households is established, the number of units serving that market may be divided by the total qualified (eligible) household estimate to determine the penetration rate for the project. The number of units that will serve the primary market area is divided by the total number of qualified renter households to calculate the property's penetration rate. The penetration rate is the number of units relative to the total households qualified to rent them.

$$\text{Penetration Rate} = \text{Units to Serve the Market} \div \text{Total Existing Qualified Renter Households}$$

Acceptable penetration rates vary by property type and project location. Generally speaking, they should fall below ten percent for a project to be considered an acceptable risk. This ensures that proposed projects do not flood or over saturate the market with new units. Higher rates are sometimes acceptable for existing properties where existing tenants may occupy newly renovated units.

Penetration rates are useful in determining demand for affordable rental housing. However, they do not consider that each consumer is not immediately available to utilize a product, nor increases in demand.

For example, many renters are locked into annual lease agreements and cannot act on a new product offered in the market until their lease is up. New renters are being added to the market every year. Therefore, a capture rate must be determined.

To determine the capture rate for the project, we convert existing demand into annual demand. There are two parts to this estimate. First, we estimate annual turnover in rental units to convert the preceding estimate of total demand to an estimate of existing annual demand in the market. Second, we utilize ESRI projections to estimate the growth in the number of qualified households over the next five years, which is then converted to an estimate of the annual increase in demand (by dividing by five).

The capture rate is then calculated by dividing the number of units serving the market by the sum of the existing demand and projected growth in demand.

$$\text{Capture Rate} = \text{Proposed Units Serve the Market} \div (\text{Annual Demand} + \text{Growth in Qualified Renter HHs})$$

In the following paragraphs we will describe the process of measuring demand generated by each income group, and then summarize our findings in tables at the end of this section. Calculations will be made for both the PMA and SMA. We will first analyze qualified household demand followed by eligible household demand.

MARKET DEPTH ANALYSIS

We have estimated the income levels of households able to afford the subject's rental rates. This analysis is based on the HUD income limits for 2014; however, the latest demographic data available from ESRI represents 2012 estimates and 2017 projections. To establish the minimum income limits, we have used the lowest priced units, which are the one-bedroom units at 60 percent AMI with a gross rent of \$774. Households should allocate no more than 35 percent of income towards housing costs; therefore, the minimum income is \$26,537 [$\$774 \div 35\% \times 12$ months].

Maximum income limits for LIHTC units are based on household sizes and HUD income limits. For the purposes of this report, we have assumed an average household size of 1.5 persons per bedroom.

The maximum and minimum income calculations for each unit type are summarized in the following table.

Affordability Analysis - Qualified Households

Unit Type	Average Household Size	2014	Proposed	2012		2017	
		Max. Gross Rent	LIHTC Gross Rents*	Minimum Income	Maximum Income	Minimum Income**	Maximum Income**
60% AMI							
1 BR	1.5	\$828	\$774	\$26,537	\$32,600	\$30,978	\$38,055
2 BR	3.0	\$994	\$929	\$31,851	\$39,100	\$37,181	\$45,643
3 BR	4.5	\$1,148	\$1,072	\$36,754	\$45,150	\$42,905	\$52,705
Market Rate							
1 BR	1.5	NA	\$1,300	\$52,000	\$70,000	\$60,702	\$81,714
2 BR	3.0	NA	\$1,600	\$64,000	\$85,000	\$74,710	\$99,224
3 BR	4.5	NA	\$2,100	\$84,000	\$100,000	\$98,056	\$116,734

*Includes utility allowance

**2017 Incomes based on an ESRI's estimated annual increase of 3.35% in PMA

Primary Market Area Income Distribution

We have used the income distribution information provided by ESRI and summarized it in the following table to determine the number of qualified households in the market for the subject property.

Household Income	2012 Estimate		2017 Projection	
Total Households	68,666		70,023	
<\$15,000	4,184	6%	3,862	6%
\$15,000-\$24,999	5,534	8%	4,039	6%
\$25,000-\$34,999	5,561	8%	4,198	6%
\$35,000-\$49,999	8,050	12%	6,830	10%
\$50,000-\$74,999	13,380	19%	12,081	17%
\$75,000-\$99,999	10,414	15%	13,759	20%
\$100,000-\$149,999	13,309	19%	15,293	22%
\$150,000-\$199,999	4,417	6%	5,711	8%
\$200,000+	3,817	6%	4,249	6%
Median HH Income	\$69,016		\$80,565	

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Qualified Households

Using the information for the PMA, we have determined the total number of income qualified households for the subject's LIHTC units to be 10,154. In 2017, the number of income qualified households is expected to decrease slightly to 9,826. The estimated number of households with incomes in the proposed range of affordability for the subject's market rate units is 24,873, and is expected to increase to 25,787 by 2017.

Demand from Renter Portion of the Market

To further quantify the demand for the subject property, we have excluded owner-occupied housing from our analysis. ESRI estimates that about 25 percent of all households in the PMA rent their housing. Due to the high cost of housing in the area and large number of affluent households, we expect that low-income households comprise a large portion of this population. Therefore, we have estimated a significantly higher percentage of 70 percent for our renter household adjustment for the subject's affordable units. We have maintained a renter household adjustment of 25 percent for the subject's market rate units.

Household Size Ratio

Typically, one-bedroom units are occupied by one or two people, two-bedroom units are occupied by two to four people, and three-bedroom units are occupied by three to six people. We have further adjusted the number of qualified household by considering the number of households that would typically be interested in living at the subject based on household size. According to ESRI data, up to 60 percent of households in the PMA contain one or two persons, 63 percent of households consist of two to four people, and 39 percent of households consist of three to six. Overall, the project can accommodate households with one to six persons, which represents about 99 percent of all households. We have utilized these percentages as our household size ratio for each respective unit type.

Tenant Turnover

Our survey of apartment managers in the area found that approximately 30 percent of tenants in the market move each year. This is an important indicator, because when applied to the household demand, it provides the number of qualified households that would annually be actively looking for rental housing similar to the subject property.

Proposed Unit Mix

The Village of Arlington Heights Affordable Rental Housing Guidelines suggests that 15 percent of units in mixed-income developments of more than 26 units be retained as affordable. Under the proposed mix of 45 total units, this would add approximately seven affordable units to the market. This would have a negligible impact on meeting the PMA's total demand for affordable units of approximately 10,000 households. Taking this into consideration, the market demand is significant enough to support a substantially greater number of LIHTC units. To illustrate this, we have summarized our calculations from income-qualified households in the primary market area in a scenario in which all of the subject's units are retained at affordable rents.

Summary of Demand from Income-Qualified Households

Primary Market Area	60% AMI			
	1 BR Units	2 BR Units	3 BR Units	Total Demand
ESRI Estimate of 2012 Qualified Households	3,372	3,951	4,506	10,154
Renter Household Ratio	70%	70%	70%	70%
Household Size Ratio	60%	63%	39%	99%
Qualified Renter Households	1,416	1,742	1,230	7,036
Subject Units Serving Income Group	9	24	12	45
Demand from Primary Market Area	80%	80%	80%	80%
Subject Units Serving PMA	7	19	10	36
Indicated Penetration Rate (Units ÷ Eligible Renter HHs)	0.5%	1.1%	0.8%	0.5%
Estimated Annual Unit Turnover	30%	30%	30%	30%
Annual Demand from Existing Households	425	523	369	2,111
ESRI Projection of 2017 Qualified Households	3,079	3,853	4,538	9,826
Renter Household Ratio	70%	70%	70%	70%
Household Size Ratio	60%	63%	39%	99%
Projected Five-year Increase in Demand	(123)	(43)	9	(227)
Projected Annual Increase in Demand	(25)	(9)	2	(45)
Total Qualified Households in Market Annually	400	514	371	2,065
Subject Units Serving PMA	7	19	10	36
Indicated Capture Rate (Units ÷ Eligible Renter HHs)	1.7%	3.7%	2.7%	1.7%

Ideal penetration rates are below five percent and capture rates are below 15 percent. Due to the relatively small number of units being added to the market and strong demand, the subject's overall penetration rate is 0.5. The capture rate is equally strong, at 1.7. Adjustments to the proposed unit mix would cause a nominal change in these figures, but would not affect our recommendation. In practice, demand for affordable housing in the PMA is sufficient to support a property several times the subject's proposed size.

While demand figures for affordable three-bedroom units are most salient, the subject's mid-rise construction is not conducive to housing families with children, and we recommend including only a modest number of units of this type. In a mixed-income scenario, market rate three-bedroom units should comprise a relatively small portion of the unit mix, as most households meeting the minimum income requirements for affordability would likely choose alternative residential options, such as condominiums or single-family homes. The strongest demand for one-bedroom apartments will be derived from young professionals and couples attracted to the subject's Downtown location. We expect the bulk of the subject's demand to be for two-bedroom units, which will appeal to a wide variety of households including also couples, growing families, and senior households looking to downsize.

CONCLUSIONS AND RECOMMENDATIONS

Overall, the subject will be a very desirable product. Downtown Arlington Heights offers excellent access to services, amenities, and transit, and the PMA has exhibited a significant need for affordable housing units. Steadily rising rents at market rate properties in the area and the absence of significant new affordable housing development has created pent-up demand for a property of this type. The subject will fill a much needed gap in the provision of affordable housing in Arlington Heights and will redevelop a currently underutilized site in Downtown.

Appendix

- **Survey of Selected Rental Properties**
- **Assumptions and Limiting Conditions**
- **Certification**
- **Qualifications**

**SELECTED PROPERTY #1
MARKET RATE**

DUNTON TOWER

55 South Vail Avenue
Arlington Heights, IL 60005

Date Contacted:
05/08/2014

Melissa
847-506-0200



Unit Mix/Current Rents

Unit Type	Number	Vacant	Avg. Size	Avg. Rent	Rent/SF
Studio	N/A	N/A	600 SF	\$1,455	\$2.43
1-BR/1-Ba	N/A	N/A	785 SF	\$1,625	\$2.07
2-BR/2-Ba	N/A	N/A	1,100 SF	\$1,968	\$1.79
Total	216	15			

Total Units:	216	Distance from Subject:	0.3 mile southwest	
Built/Renovated:	1990s	Section 8 Vouchers:	Accepted	
Current Occupancy:	93%	Type of Utilities:	All electric	
Absorption:	Not applicable	Utilities Included in Rent: *		
Rent Increases:	No recent increases	<input type="checkbox"/> Water	<input type="checkbox"/> Hot water	<input type="checkbox"/> All electricity
Concessions:	None	<input type="checkbox"/> Sewer	<input type="checkbox"/> Heat	<input type="checkbox"/> Cable/satellite
Waiting List:	None	<input type="checkbox"/> Trash	<input type="checkbox"/> All gas	<input type="checkbox"/> Internet
Unit Amenities:		Community Amenities:		
<input checked="" type="checkbox"/> Refrigerator	<input type="checkbox"/> Ceiling fans	<input checked="" type="checkbox"/> On-site management	<input type="checkbox"/> Playground	
<input checked="" type="checkbox"/> Oven/range	<input checked="" type="checkbox"/> Balcony/patio (some)	<input checked="" type="checkbox"/> Community room	<input type="checkbox"/> Sport courts	
<input checked="" type="checkbox"/> Dishwasher	<input type="checkbox"/> Washer/dryer hookups	<input checked="" type="checkbox"/> Laundry facilities	<input type="checkbox"/> Picnic/BBQ area	
<input type="checkbox"/> Disposal	<input type="checkbox"/> Washer/dryer in unit	<input checked="" type="checkbox"/> Business center	<input checked="" type="checkbox"/> Swimming pool	
<input type="checkbox"/> Microwave	<input checked="" type="checkbox"/> Walk-in closets	<input checked="" type="checkbox"/> Fitness center	<input type="checkbox"/> Off-street parking	
<input type="checkbox"/> Wall a/c	<input type="checkbox"/> Extra storage	<input type="checkbox"/> Elevator	<input checked="" type="checkbox"/> Garage parking (\$65)	
<input checked="" type="checkbox"/> Central a/c	<input type="checkbox"/> Other (see comments)	<input type="checkbox"/> Secure entry	<input type="checkbox"/> Other (see comments)	

Comments:

*No utilities are included in rent.

**SELECTED PROPERTY #2
MARKET RATE**

HANCOCK SQUARE

180 North Arlington
Heights Road
Arlington Heights, IL
60004

Date Contacted:
05/08/2014

Property Manager
866-212-3840



Unit Mix/Current Rents

Unit Type	Number	Vacant	Avg. Size	Avg. Rent	Rent/SF
Studio	N/A	N/A	608 SF	\$1,350	\$2.22
1-BR/1-Ba	N/A	N/A	801 SF	\$1,544	\$1.93
2-BR/2-Ba	N/A	N/A	975 SF	\$1,748	\$1.79
Total	409	17			

Total Units:	409	Distance from Subject:	0.1 mile southeast	
Built/Renovated:	1988	Section 8 Vouchers:	Accepted	
Current Occupancy:	94%	Type of Utilities:	Gas and electric	
Absorption:	Not available	Utilities Included in Rent: **		
Rent Increases:	Incr. \$90 (April 2014)*	<input type="checkbox"/> Water	<input type="checkbox"/> Hot water	<input type="checkbox"/> All electricity
Concessions:	None	<input type="checkbox"/> Sewer	<input type="checkbox"/> Heat	<input type="checkbox"/> Cable/satellite
Waiting List:	None	<input type="checkbox"/> Trash	<input type="checkbox"/> All gas	<input type="checkbox"/> Internet
Unit Amenities:		Community Amenities:		
<input checked="" type="checkbox"/> Refrigerator	<input type="checkbox"/> Ceiling fans	<input checked="" type="checkbox"/> On-site management	<input type="checkbox"/> Playground	
<input checked="" type="checkbox"/> Oven/range	<input checked="" type="checkbox"/> Balcony/patio (some)	<input checked="" type="checkbox"/> Community room	<input type="checkbox"/> Sport courts	
<input checked="" type="checkbox"/> Dishwasher	<input type="checkbox"/> Washer/dryer hookups	<input type="checkbox"/> Laundry facilities	<input checked="" type="checkbox"/> Picnic/BBQ area	
<input type="checkbox"/> Disposal	<input checked="" type="checkbox"/> Washer/dryer in unit	<input checked="" type="checkbox"/> Business center	<input checked="" type="checkbox"/> Swimming pool	
<input checked="" type="checkbox"/> Microwave	<input type="checkbox"/> Walk-in closets	<input checked="" type="checkbox"/> Fitness center	<input type="checkbox"/> Off-street parking	
<input type="checkbox"/> Wall a/c	<input checked="" type="checkbox"/> Extra storage	<input type="checkbox"/> Elevator	<input checked="" type="checkbox"/> Garage parking (\$75)	
<input checked="" type="checkbox"/> Central a/c	<input type="checkbox"/> Other (see comments)	<input checked="" type="checkbox"/> Secure entry	<input type="checkbox"/> Other (see comments)	

Comments:

*The rent increase was for 2-BR units only. **No utilities are included in rent.

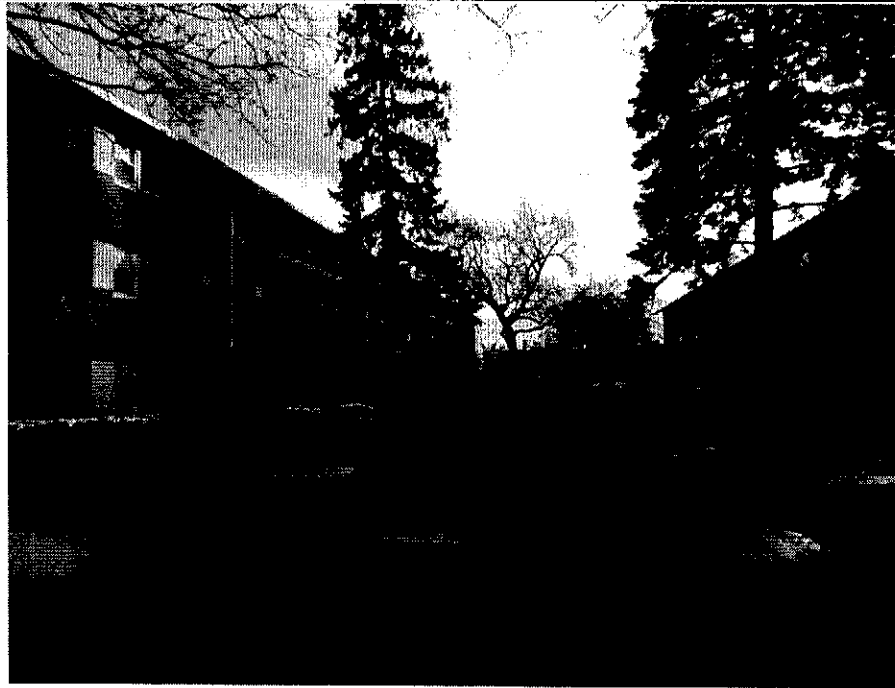
**SELECTED PROPERTY #3
MARKET RATE**

**ARLINGTON GARDENS
APARTMENTS**

501 West Euclid Avenue
Arlington Heights, IL 60004

Date Contacted:
05/09/2014

847-255-2200



Unit Mix/Current Rents

Unit Type	Number	Vacant	Avg. Size	Avg. Rent	Rent/SF
1-BR/1-Ba	N/A	N/A	560 SF	\$790	\$1.41
2-BR/2-Ba	N/A	N/A	680 SF	\$945	\$1.39
Total	150	6			

Total Units:	150	Distance from Subject:	0.4 mile northwest	
Built/Renovated:	1970s	Section 8 Vouchers:	Not accepted	
Current Occupancy:	96%	Type of Utilities:		
Absorption:	Not applicable	Utilities included in Rent:		
Rent Increases:	No recent increases	<input checked="" type="checkbox"/> Water	<input type="checkbox"/> Hot water	<input type="checkbox"/> All electricity
Concessions:	None	<input type="checkbox"/> Sewer	<input checked="" type="checkbox"/> Heat	<input type="checkbox"/> Cable/satellite
Waiting List:	None	<input type="checkbox"/> Trash	<input type="checkbox"/> All gas	<input type="checkbox"/> Internet
Unit Amenities:		Community Amenities:		
<input type="checkbox"/> Refrigerator	<input type="checkbox"/> Ceiling fans	<input checked="" type="checkbox"/> On-site management	<input type="checkbox"/> Playground	
<input type="checkbox"/> Oven/range	<input type="checkbox"/> Balcony/patio	<input type="checkbox"/> Community room	<input type="checkbox"/> Sport courts	
<input type="checkbox"/> Dishwasher	<input type="checkbox"/> Washer/dryer hookups	<input checked="" type="checkbox"/> Laundry facilities	<input type="checkbox"/> Picnic/BBQ area	
<input type="checkbox"/> Disposal	<input type="checkbox"/> Washer/dryer in unit	<input type="checkbox"/> Business center	<input type="checkbox"/> Swimming pool	
<input type="checkbox"/> Microwave	<input type="checkbox"/> Walk-in closets	<input type="checkbox"/> Fitness center	<input checked="" type="checkbox"/> Off-street parking	
<input type="checkbox"/> Wall a/c	<input checked="" type="checkbox"/> Extra storage	<input type="checkbox"/> Elevator	<input type="checkbox"/> Garage parking	
<input type="checkbox"/> Central a/c	<input type="checkbox"/> Other (see comments)	<input type="checkbox"/> Secure entry	<input type="checkbox"/> Other (see comments)	

Comments:
None

**SELECTED PROPERTY #4
MARKET RATE**

CENTRAL PARK EAST

1551 East Central Road
Arlington Heights, IL 6005

Date Contacted:
05/08/2014

Kathy
866-242-0356



Unit Mix/Current Rents

Unit Type	Number	Vacant	Avg. Size	Avg. Rent	Rent/SF
1-BR/1-Ba	N/A	N/A	790 SF	\$1,370	\$1.73
1-BR/1-Ba	N/A	N/A	938 SF	\$1,522	\$1.62
2-BR/2-Ba	N/A	N/A	1,106 SF	\$1,690	\$1.53
Total	204	6			

Total Units:	204	Distance from Subject:	1.6 miles southeast
Built/Renovated:	1986	Section 8 Vouchers:	Accepted
Current Occupancy:	97%	Type of Utilities:	All electric
Absorption:	Not applicable	Utilities Included in Rent: *	
Rent Increases:	Upon lease renewal	<input type="checkbox"/> Water	<input type="checkbox"/> Hot water
Concessions:	None	<input type="checkbox"/> Sewer	<input type="checkbox"/> Heat
Waiting List:	Yes	<input type="checkbox"/> Trash	<input type="checkbox"/> All gas
Unit Amenities:		<input type="checkbox"/> All electricity	
<input checked="" type="checkbox"/> Refrigerator	<input checked="" type="checkbox"/> Ceiling fans	<input type="checkbox"/> Cable/satellite	
<input checked="" type="checkbox"/> Oven/range	<input checked="" type="checkbox"/> Balcony/patio	<input type="checkbox"/> Internet	
<input checked="" type="checkbox"/> Dishwasher	<input type="checkbox"/> Washer/dryer hookups	Community Amenities:	
<input checked="" type="checkbox"/> Disposal	<input checked="" type="checkbox"/> Washer/dryer in unit	<input type="checkbox"/> On-site management	<input type="checkbox"/> Playground
<input checked="" type="checkbox"/> Microwave	<input type="checkbox"/> Walk-in closets	<input checked="" type="checkbox"/> Community room	<input type="checkbox"/> Sport courts
<input type="checkbox"/> Wall a/c	<input checked="" type="checkbox"/> Extra storage	<input type="checkbox"/> Laundry facilities	<input checked="" type="checkbox"/> Picnic/BBQ area
<input checked="" type="checkbox"/> Central a/c	<input type="checkbox"/> Other (see comments)	<input checked="" type="checkbox"/> Business center	<input checked="" type="checkbox"/> Swimming pool
		<input checked="" type="checkbox"/> Fitness center	<input checked="" type="checkbox"/> Off-street parking
		<input checked="" type="checkbox"/> Elevator	<input checked="" type="checkbox"/> Garage parking
		<input type="checkbox"/> Secure entry	<input checked="" type="checkbox"/> Other (see comments)

Comments:

*No utilities are included in rent. This property also offers an on-site car wash and nature trail.

**SELECTED PROPERTY #5
MARKET RATE**

WILLOW BEND APARTMENTS

2850 Southampton Drive
Rolling Meadows, IL 60008

Date Contacted:
05/08/2014

Sebastian
847-598-4146



Unit Mix/Current Rents

Unit Type	Number	Vacant	Avg. Size	Avg. Rent	Rent/SF
1-BR/1-Ba	N/A	N/A	875 SF	\$1,169	\$1.34
2-BR/1.5-Ba	N/A	N/A	1,075 SF	\$1,589	\$1.48
3-BR/2-Ba	N/A	N/A	1,550 SF	\$2,300	\$1.48
Total	328	13			

Total Units:	328	Distance from Subject:	2.4 miles southwest	
Built/Renovated:	1969/2009	Section 8 Vouchers:	Not accepted	
Current Occupancy:	96%	Type of Utilities:	Gas and electric	
Absorption:	Not applicable	Utilities Included in Rent: *		
Rent Increases:	No recent increases	<input type="checkbox"/> Water	<input type="checkbox"/> Hot water	<input type="checkbox"/> All electricity
Concessions:	None	<input type="checkbox"/> Sewer	<input type="checkbox"/> Heat	<input type="checkbox"/> Cable/satellite
Waiting List:	Yes	<input type="checkbox"/> Trash	<input type="checkbox"/> All gas	<input type="checkbox"/> Internet
Unit Amenities:		Community Amenities:		
<input checked="" type="checkbox"/> Refrigerator	<input type="checkbox"/> Ceiling fans	<input checked="" type="checkbox"/> On-site management	<input checked="" type="checkbox"/> Playground	
<input checked="" type="checkbox"/> Oven/range	<input checked="" type="checkbox"/> Balcony/patio (some)	<input checked="" type="checkbox"/> Community room	<input type="checkbox"/> Sport courts	
<input checked="" type="checkbox"/> Dishwasher	<input checked="" type="checkbox"/> Washer/dryer hookups	<input checked="" type="checkbox"/> Laundry facilities	<input checked="" type="checkbox"/> Picnic/BBQ area	
<input checked="" type="checkbox"/> Disposal	<input checked="" type="checkbox"/> Washer/dryer in unit**	<input checked="" type="checkbox"/> Business center	<input checked="" type="checkbox"/> Swimming pool	
<input checked="" type="checkbox"/> Microwave	<input checked="" type="checkbox"/> Walk-in closets	<input checked="" type="checkbox"/> Fitness center	<input checked="" type="checkbox"/> Off-street parking	
<input type="checkbox"/> Wall a/c	<input checked="" type="checkbox"/> Extra storage	<input type="checkbox"/> Elevator	<input checked="" type="checkbox"/> Garage parking	
<input checked="" type="checkbox"/> Central a/c	<input type="checkbox"/> Other (see comments)	<input type="checkbox"/> Secure entry	<input checked="" type="checkbox"/> Other (see comments)	

Comments:

*No utilities are included in rent. **Washers and dryers are included in the 2-BR and 3-BR units. This property also offers a dog park.

**SELECTED PROPERTY #6
MARKET RATE**

**TANGLEWOOD OF ARLINGTON
HEIGHTS**

2134 South Goebbert Road
Arlington Heights, IL 60005

Date Contacted:
05/09/2014

Tony
857-593-1160



Unit Mix/Current Rents

Unit Type	Number	Vacant	Avg. Size	Avg. Rent	Rent/SF
1-BR/1-Ba	N/A	0	624 SF	\$858	\$1.38
2-BR/1-Ba	N/A	0	848 SF	\$1,113	\$1.31
2-BR/1.5-Ba	N/A	0	864 SF	\$1,133	\$1.31
2-BR/2-Ba	N/A	0	924 SF	\$1,163	\$1.26
3-BR/2-Ba	N/A	0	1,128 SF	\$1,448	\$1.29
Total	835	0			

Total Units: 835
Built/Renovated: 1971/Continuous
Current Occupancy: 100%
Absorption: Not applicable
Rent Increases: Incr. \$20 (April 2014)
Concessions: None
Waiting List: None
Unit Amenities:

- Refrigerator
- Oven/range
- Dishwasher
- Disposal
- Microwave
- Wall a/c
- Central a/c
- Ceiling fans
- Balcony/patio
- Washer/dryer hookups
- Washer/dryer in unit
- Walk-in closets
- Extra storage
- Other (see comments)

Distance from Subject: 3.0 miles south
Section 8 Vouchers: Accepted
Type of Utilities: All electric

Utilities Included in Rent: *

- Water
- Sewer
- Trash
- Hot water
- Heat
- All gas
- All electricity
- Cable/satellite
- Internet

Community Amenities:

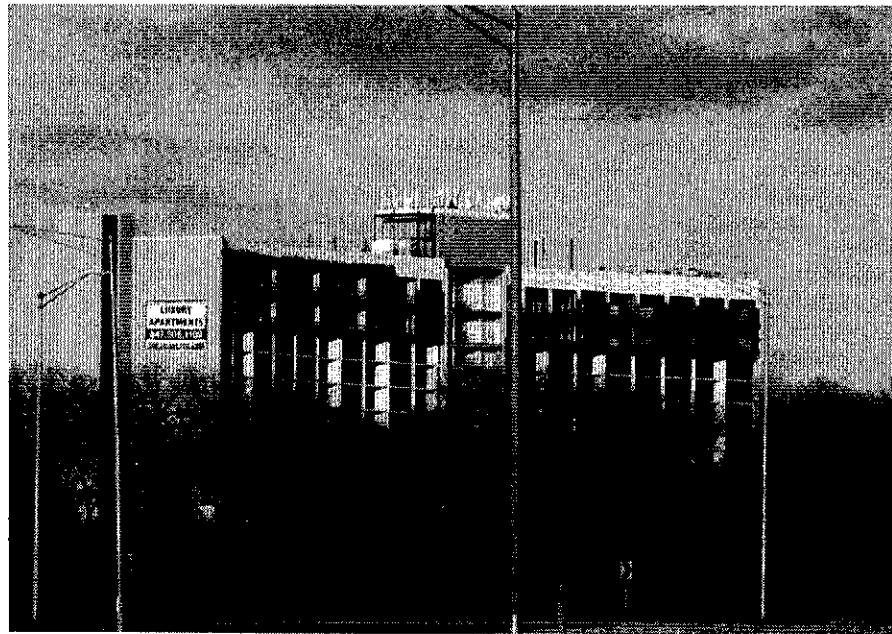
- On-site management
- Community room
- Laundry facilities
- Business center
- Fitness center
- Elevator
- Secure entry
- Playground
- Sport courts
- Picnic/BBQ area
- Swimming pool
- Off-street parking
- Garage parking
- Other (see comments)

Comments:

*No utilities are included in rent.

**SELECTED PROPERTY #7
MARKET RATE****ONE ARLINGTON**3400 West Euclid Avenue
Arlington Heights, IL 60005Date Contacted:
05/09/2014

847-305-1102

**Unit Mix/Current Rents**

Unit Type	Number	Vacant*	Avg. Size	Avg. Rent	Rent/SF
Studio	N/A	N/A	660 SF	\$1,665	\$2.52
1-BR/1-Ba	N/A	N/A	980 SF	\$2,480	\$2.53
2-BR/2-Ba	N/A	N/A	1,450 SF	\$3,700	\$2.55
Total	214	N/A			

Total Units:	215	Distance from Subject:	2.2 miles west	
Built/Renovated:	2014	Section 8 Vouchers:	Not accepted	
Current Occupancy:	N/A	Type of Utilities:	All electric	
Absorption:	Not disclosed	Utilities Included in Rent:		
Rent Increases:	Not applicable	<input type="checkbox"/> Water	<input type="checkbox"/> Hot water	<input type="checkbox"/> All electricity
Concessions:	None	<input type="checkbox"/> Sewer	<input type="checkbox"/> Heat	<input type="checkbox"/> Cable/satellite
Waiting List:	None	<input type="checkbox"/> Trash	<input type="checkbox"/> All gas	<input type="checkbox"/> Internet
Unit Amenities:		Community Amenities:		
<input checked="" type="checkbox"/> Refrigerator	<input type="checkbox"/> Ceiling fans	<input checked="" type="checkbox"/> On-site management	<input type="checkbox"/> Playground	
<input checked="" type="checkbox"/> Oven/range	<input checked="" type="checkbox"/> Balcony/patio	<input type="checkbox"/> Community room	<input type="checkbox"/> Sport courts	
<input checked="" type="checkbox"/> Dishwasher	<input type="checkbox"/> Washer/dryer hookups	<input type="checkbox"/> Laundry facilities	<input type="checkbox"/> Picnic/BBQ area	
<input checked="" type="checkbox"/> Disposal	<input type="checkbox"/> Washer/dryer in unit	<input type="checkbox"/> Business center	<input type="checkbox"/> Swimming pool	
<input checked="" type="checkbox"/> Microwave	<input type="checkbox"/> Walk-in closets	<input type="checkbox"/> Fitness center	<input type="checkbox"/> Off-street parking	
<input type="checkbox"/> Wall a/c	<input type="checkbox"/> Extra storage	<input type="checkbox"/> Elevator	<input type="checkbox"/> Garage parking	
<input checked="" type="checkbox"/> Central a/c	<input type="checkbox"/> Other (see comments)	<input type="checkbox"/> Secure entry	<input checked="" type="checkbox"/> Other (see comments)	

Comments:

Property began pre-leasing in April 2014. This property also has a sky deck, pet salon, and yoga studio.

ASSUMPTIONS AND LIMITING CONDITIONS

This economic analysis and study of housing needs is subject to the following limiting conditions and assumptions:

1. Information provided by various secondary sources is assumed to be accurate. However, this information cannot be guaranteed or construed to represent judgments by the consultant. Such information and the results of its application by the consultant are subject to change without notice.
2. The future course of the Cook County economy is based on our current understanding of the market and representations made to us. The future course of residential development is difficult to predict and our forecast is subject to change, although we deem our projections as reasonable given current information available.
3. We have analyzed the current economic conditions in Cook County and have taken them into consideration in making our projections. However, should the local, regional, or national economies suffer a major recession or depression; this will have a material effect on our projections.
4. Our analyses, opinions, and conclusions were prepared in conformance with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, of which Brad Beggs is a designated member.

CERTIFICATION

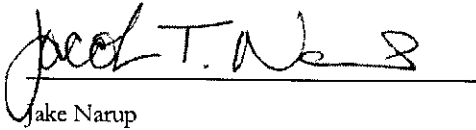
1. Neither Development Strategies nor any of its employees has any identity of interest with any member of the sponsor's development team.
2. Neither Development Strategies nor any of its employees has any ownership interest in the project.
3. Our fee for preparation of this study does not rely in any way on the recommendations contained herein.
4. Development Strategies agrees to answer any questions regarding this market study.
5. We have personally inspected the market area of the proposed development, including the site of the proposed development and each of the competitive properties.

Development Strategies, Inc.



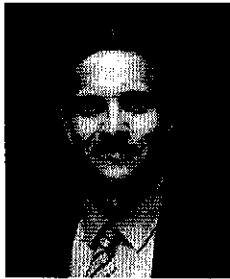
A handwritten signature in black ink, appearing to read "Brad Beggs", written over a horizontal line.

Brad Beggs, MAI



A handwritten signature in black ink, appearing to read "Jake Narup", written over a horizontal line.

Jake Narup



CAREER SUMMARY AND BACKGROUND

Brad is principal-in-charge of Development Strategies' real estate consulting division and also leads the firm's appraisal practice. With education in architecture, business, and construction management—in addition to over 20 years' tenure with Development Strategies—he brings a high level of expertise and credibility to each project.

He is a recognized expert in real estate valuation and has provided testimony in a variety of cases where the accurate value of property has been an issue. The valuations provided for these cases are easy to defend, as Brad uses his experience and the resources of Development Strategies to build a strong case for his conclusions.

His knowledge of the national real estate market has been a valuable asset that the firm has used in many consulting assignments. Brad has conducted or lent his experience to a wide variety of appraisals, market analyses, feasibility studies, highest and best use analyses and other projects requiring economic research and data analysis. He is an approved appraiser and market analyst for many lending institutions, state and local housing agencies, and the United States Department of Housing and Urban Development (HUD).

Brad acknowledges the great value and efficiency technology affords our industry and he is responsible for ensuring Development Strategies' computer network and information systems assist our professionals in making the best use of their time and resources. He was instrumental in creating a full time staff position for a Geographic Information Systems (GIS) professional who now assists with nearly every project handled by the firm.

EDUCATION

Master of Business Administration
Washington University's John M.
Olin School of Business, 1991

All coursework completed and
examinations passed for Master of
Construction Management
Washington University's Sever Institute
of Engineering

Bachelor of Arts
Washington University School of Archi-
tecture, 1990

REGISTRATIONS

State of Missouri Certified
General Real Estate Appraiser
RA 002973

State of Illinois Certified
General Real Estate Appraiser
153001237

State of Michigan Certified
General Real Estate Appraiser
1201074684

State of Indiana Certified
General Real Estate Appraiser
CG40500281

State of Tennessee Certified
General Real Estate Appraiser
00004616

Temporary license status in several
states

PROFESSIONAL ASSOCIATIONS

Member of the Appraisal Institute

Habitat for Humanity of St. Louis
Board of Directors
Project Development Committee

The Urban Land Institute (ULI)
District Council Executive Committee

Missouri Growth Association
Board of Directors

EXPERIENCE AND REPRESENTATIVE ASSIGNMENTS

Brad has been involved with various market and investment value appraisal assignments of multifamily residential, commercial, industrial, and institutional properties, including vacant land as well as mixed-use projects, primarily in the Midwestern United States. He is recognized as an expert in the field of affordable, mixed-income, mixed-use, and market rate housing and has completed work on projects throughout the United States.

He is actively involved in the following types of projects:

- Expert testimony given in federal court, circuit court, and numerous depositions and condemnation hearings regarding issues of value. Non-testimony assistance provided in a number of additional court cases.
- Valuations involving low-income housing and historic tax credits, grants, and favorable financing.
- Valuation and commentary on value methodology provided for real estate tax appeal cases.
- Market studies, rent comparability studies, and repositioning analyses for Section 8 and other deeply subsidized housing projects.
- Market and feasibility analyses, including focus group discussions and surveys, for various single-family and multiple-family housing developments in urban, suburban, and small town settings.
- Market and investment value appraisals of HOPE VI public housing redevelopment projects in many cities.
- Market analysis and redevelopment plans for numerous mixed-use districts including retail, office, hotel, and residential uses.
- Hotel market studies and appraisals.
- Valuation of special use properties, including schools, museums, sports facilities, concert halls, theatres, churches, etc.
- Highest and best use analysis for a wide variety of properties in all types of locations.



DEVELOPMENT STRATEGIES®

guiding effective decisions in real estate, community, and economic development

CAREER SUMMARY AND BACKGROUND

Jake's experience is based in neighborhood development and outreach, where his work has focused on creating cohesive communities through resident empowerment. He works with the research team on various projects that include demographic and economic analyses, market research, and other research assignments.

Jake has been involved in a variety of projects including market studies, economic impact analyses, corridor studies, feasibility analyses, and various other projects. Prior to joining Development Strategies, Jake worked as a university research assistant in public policy, contributing to various neighborhood development initiatives in the city of St. Louis. Previously, he was a staffer in a community organizing office performing research and community outreach duties to assess the health impacts of environmental pollution in low-income neighborhoods.

REPRESENTATIVE ASSIGNMENTS

Market Studies

- Examine the feasibility of various proposed Low Income Housing Tax Credit (LIHTC) developments and/or rehabs in many states throughout the country including Missouri, Illinois, Pennsylvania, California, Michigan, the District of Columbia, and others.
- Compile demographic and housing data for market reports, including the creation and organization a database for affordable housing complexes in the St. Louis region.
- Examining the feasibility for potential residential and mixed-use development by gathering and analyzing data for sites in the St. Louis, Chicago, and Kansas City regions.
- Assessing market support for the reuse of the historic National Maritime Building in Manhattan, New York as a mixed-use medical facility.

Economic Impact Analysis

Data collection and research modeling economic impacts for the remediation and redevelopment of the River City Business Park, a brownfield site located in St. Louis, Missouri.

Neighborhood Plans

Provide market analysis and strategies, as well as economic strategies to help revitalize neighborhoods and districts.

Corridor Plans

Data collection and analysis for the future development of several nodes and neighborhoods in Kansas City, Missouri and Kansas, City, Kansas. Analysis of demographic and income projections, rental housing , for-sale housing, office space and retail demand.

Appraisals

Contributed to appraisals of newly built or rehabilitated multi-family and mixed-use properties in many cities including St. Louis, Chicago, Pittsburgh, Detroit, Kansas City, Los Angeles, Milwaukee, and others.

EDUCATION

- Master of Urban Affairs, Saint Louis University, St. Louis, MO, 2013
- Bachelor of Arts, Sociology and Political Science, University of Illinois, Champaign, IL 2011

