



**APPRAISAL REPORT
NORTH PARK VILLAGE APARTMENTS
CHICAGO, ILLINOIS 60646**

AS OF JULY 1, 2016

**PREPARED FOR:
CITY OF CHICAGO
CHICAGO, ILLINOIS**

City of Chicago Project #20151215
AREA File # 2108A-43



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July 20, 2016

Stephen Stults
Assistant Commissioner
Department of Fleet and Facility Management
City of Chicago
30 North LaSalle Street, Suite 300
Chicago, Illinois 60602

TEL: 312.742.5282
FAX: 312.744.7390

RE: North Park Village Apartments
Chicago, Illinois 60646
City of Chicago Project No. 20151215

Dear Mr. Stults:

In accordance with your Notice to Proceed dated March 18, 2016 and our Task Order Cost Proposal dated December 22, 2015, Applied Real Estate Analysis (AREA), Inc. has performed an appraisal of the captioned property in accordance with the terms and conditions of the Master Consulting Agreement (Specification No. 96087) with the City of Chicago.

Attached to this letter you will find an appraisal report based on a complete appraisal process that identifies the property rights analyzed, defines value, and includes the facts, data, and reasoning underlying our opinion. The attached report sets forth all of the terms (imposed by the assignment or by the undersigned) affecting the analyses, opinions, and conclusions.

Please do not hesitate to contact us if you have any questions regarding our findings and conclusions. We thank you for the opportunity to be of service.

Respectfully submitted,

APPLIED REAL ESTATE ANALYSIS, INC.

A handwritten signature in black ink, appearing to read 'A. Andy Prodanovic', is written over a light blue horizontal line.

A. Andy Prodanovic, MAI
Director of Valuation Services
CERTIFIED GENERAL REAL ESTATE APPRAISER
ILLINOIS LICENSE No. 553.000250; EXPIRES SEPTEMBER 30, 2017

EXECUTIVE SUMMARY

PROPERTY IDENTIFICATION:

Chicago Project Number	20151215
Property Name	North Park Village Apartments
Location	Building H, North Park Village
Address	5801 North Pulaski Road Chicago (Cook County), Illinois 60646
Property Index Number (PIN)	Part of 13-02-300-010-0000
Owner	City of Chicago
Purpose of the Appraisal	Current "as is" market value of the fee simple interest in the property (land and building) based on the hypothetical condition as though the property were a conventional market-rate property with no tenancy restrictions.
Current Use	Age and income-restricted rental apartment building.
Highest and Best Use	Unrestricted market-rate rental housing.
Site Description	The subject property is part of the ±60.5-acre North Park Village enclave. For purposes of this analysis, roughly six acres were apportioned to the subject property. We were not provided with a plat of survey or concept plan of the apportioned land. North Park Village is part of the former ±160-acre Municipal Tuberculosis Sanitarium, which is bounded by Peterson, Bryn Mawr and Central Park avenues and Pulaski Road.
Zoning	Planned Development No. 184, Residential-Institutional-Cultural Planned District
Improvement Description	
Property Type	Three 2½-story and part one-story (full basement) and one 4½-story (full basement), reinforced concrete-constructed, elevator-equipped buildings, that are connected by one-story corridors, and features 180 rental apartment units.
Gross Building Area	253,759 square feet
Occupancy	100%

Improvement Description (contd.)

Year Built/Condition The sanitarium was constructed circa World War I and was shuttered in 1974; the subject buildings were subsequently retrofitted to accommodate senior independent living rental housing and reportedly opened for occupancy in 1982; average condition¹.

Parking ±116 surface parking spaces (including six handicap spaces; 0.64:1 indicated parking ratio)

Unit Mix/Size

<u>Unit Type</u>	<u>No. of Units</u>	<u>Unit Size</u> (sq. ft.)	<u>Total Net Rentable Area</u> (sq. ft.)
0 Bedroom/1 Bath	32	517	16,558
1 Bedroom/1 Bath	142	715	101,565
2 Bedroom/1 Bath	6	<u>1,091</u>	<u>6,548</u>
Total/Average	180	693	124,671

VALUE INDICATIONS:

Cost Approach	Not applied
Sales Comparison Approach	\$17,100,000
Income Capitalization Approach	\$16,400,000
Final Conclusion of Value	\$16,500,000 ¹
Date of Report	July 20, 2016
Date of Valuation	July 1, 2016
Date of Property Viewing	May 20, 2016
Estimated Exposure Period	6 to 9 months
Special Limiting Conditions and Assumptions	See <i>Statement of Assumptions and Limiting Conditions</i> in Chapter I—Introduction.

¹ The 2015 PCNA report identified the need for: a civil engineer to assess the issue concerning improper drainage around the buildings and water infiltration into the basements; a structural engineer to assess moisture infiltration in the basement at the 3000 Building and the widening expansion joint at the 4000 Building; an assessment of the roof leaks; and, an evaluation of the galvanized water pipe network. These assessments may determine that significant repairs and replacements are needed that could have a negative impact on the value of the property.

SUBJECT PROPERTY PHOTOGRAPHS



View of main entrance to North Park Village Apartments.



View of one of the 2½-story buildings at North Park Village Apartments that features walk-out garden units.

SUBJECT PROPERTY PHOTOGRAPHS



View of 4½-story building at North Park Village Apartments.



View of one of the courtyards.

TABLE OF CONTENTS

	Page
<i>Letter of Transmittal</i>	
<i>Executive Summary</i>	
<i>Subject Property Photographs</i>	
Chapter I. INTRODUCTION	1
Chapter II. AREA OVERVIEW	8
Chapter III. PROPERTY DESCRIPTION	25
Chapter IV. HIGHEST AND BEST USE ANALYSIS	33
Chapter V. INTRODUCTION TO THE VALUATION PROCESS	36
Chapter VI. SALES COMPARISON APPROACH	37
Chapter VII. INCOME CAPITALIZATION APPROACH	45
Chapter VIII. RECONCILIATION AND FINAL ESTIMATE OF VALUE	58
Chapter IX. CERTIFICATION	60

APPENDIX

Additional Subject Property Photographs
Apartment Building Sales Data Sheets and Photographs
Qualifications

CHAPTER I.

INTRODUCTION

NATURE OF THE ASSIGNMENT

Identification of the Property

The subject property, identified as North Park Village Apartments, consists of a 180-unit, apartment complex comprised of three 2½-story (plus basement) and one 4½-story (plus basement) buildings. The subject property is part of the ±60.5-acre North Park Village enclave, which is part of the former ±160-acre Municipal Tuberculosis Sanitarium. The sanitarium was constructed circa World War I and was shuttered in 1974; the subject buildings were subsequently retrofitted to accommodate senior independent living rental housing and reportedly opened in 1982. Residents are both age- and income-restricted. For purposes of this analysis, roughly six acres were apportioned to the subject property. The common address for the subject property is 5801 North Pulaski Road, Building H, Chicago, Illinois 60646.

Legal Description

We were not provided with a legal description for the apportioned six-acre tract. The subject property is part of a larger Cook County Property Index Number (PIN) identified as 13-02-300-010-0000.

Purpose and Function of the Appraisal

Applied Real Estate Analysis (AREA), Inc. was engaged by the Department of Fleet and Facility Management of the City of Chicago to prepare an appraisal of North Park Village Apartments. The purpose of the appraisal is to estimate the current “as is” market value of the fee simple interest in the property (land and building), based on a hypothetical condition as though the property were a conventional market-rate property with no tenancy restrictions. The function of this appraisal report is to assist the City of Chicago with a public offering concerning the potential leasing of the subject property. We prohibit the use of this report for any other purpose unless authorized by AREA.

Appraisal Report Format

The depth of discussion contained in this report is specific to the needs of the client and the intended use of the appraisal. This report has been prepared in accordance with the terms and conditions of the Master Consulting Agreement (Specification No. 96087) with the City

of Chicago and our Task Order Cost Proposal dated December 22, 2015 that was prepared in response to the Task Order Proposal Request dated December 15, 2015. It was prepared in accordance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which includes the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of The Appraisal Foundation.

Scope of the Appraisal

The scope of the appraisal consisted of: observing the grounds, the buildings' exteriors, representative apartment units and common areas at the subject property; obtaining and analyzing demographic and economic data concerning the Chicago metropolitan area and the subject submarket; collecting and analyzing real estate market data available about Chicago's residential apartment market; collecting and analyzing information on recent apartment building; and, finally, applying appropriate valuation techniques to develop a final value conclusion. Both the income capitalization approach and the sales comparison approach were applied in estimating the value of the subject property. The cost approach to value was deemed to be an unreliable value indicator due to the age of the structures and the inherent difficulty in estimating depreciation, including functional and external obsolescence. The "as though market-rate" rental analysis focused on currently available or recently leased apartment units located in the subject property's submarket. The research and analysis for this report was conducted during the period of May 20, 2016 through July 15, 2016.

Definitions

A widely accepted definition of *market value* that is used by agencies that regulate federally insured financial institutions in the United States pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, is cited in The Appraisal of Real Estate, Fourteenth Edition, 2013, published by the Appraisal Institute, as follows:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they considered their own best interests;
3. a reasonable time is allowed for exposure in the open market;

4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and,
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

The market value estimate of the property is based on the condition observed on the date of our property visit, as it physically and legally exists, subject to the hypothetical conditions, assumptions, or qualifications specified herein.

Market Rent is defined by the U.S. Department of Housing and Urban Development (HUD) as:

"The rent that a knowledgeable tenant would most probably pay for the federally-assisted units as of the date of this report, if the tenants were not receiving rental subsidies and rents were not restricted by HUD or other government agencies."

Property Rights Appraised

The property rights appraised include the fee simple estate of the land and building, as unencumbered by the existing tenant leases. The fee simple estate is defined in The Appraisal of Real Estate, Fourteenth Edition, 2013, published by the Appraisal Institute, as follows:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

In accordance with the scope of services, the subject property was valued based on a hypothetical condition as though the property was a conventional market-rate property with market-level rents and expenses.

Ownership and Property History

A title commitment policy was not provided for review. It is assumed that the subject property is owned by the City of Chicago. The Cook County Recorder of Deeds' records show no records of transfer of ownership within the past five years. We understand that the property is not currently being offered for sale.

Date of Value

The date of value is July 1, 2016, based on fieldwork and research conducted during the period of May 20, 2016 through July 15, 2016. The date of issue of this report is July 20, 2016.

Date of Property Visit

AREA Director of Valuation Services, A. Andy Prodanovic, MAI, and Senior Appraiser Elizabeth Halemba toured the grounds, representative apartment units, building support areas and common areas at the subject property on May 20, 2016. Senior Appraisers Thomas Rodgers, SRA, MAI and Ronald Becker, MAI did not tour the interior, but did view the grounds and building exteriors.

Statement of Competency

Ms. Halemba has been involved in real estate since 1982 and has valued apartment properties throughout the Chicagoland area. Mr. Prodanovic has been an active appraiser for over 38 years and has valued suburban and urban apartment properties—including age- and income-restricted properties—throughout the country, including numerous apartment properties throughout the Chicagoland area. Messrs. Rodgers and Becker have been active appraisers for over 35 years and have valued suburban and urban apartment properties throughout the Chicagoland area. The qualifications for Mr. Prodanovic are included in the *Appendix*.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

The estimate of value furnished will be limited as follows:

- The title to the subject property is assumed to be marketable and the property is free and clear of all liens and encumbrances, except as noted.
- No liability is assumed for matters that are legal or environmental in nature.
- Ownership and management are assumed to be in competent and responsible hands.
- The described physical condition of the improvements is based on visual observation and a Project Capital Needs Assessment (PCNA) report prepared by EBI Consulting dated December 4, 2015. The PCNA report rated the subject property as being in fair to good physical condition. It is assumed that there are no hidden or unapparent physical conditions affecting value. The gross building area and net leasable area were abstracted from the PCNA report.

- The improvements are assumed to be designed and built in accordance with local zoning and building ordinances (or variances thereof granted at the time of construction), as well as all applicable federal, state, and local laws and regulations. Any plans, diagrams or drawings provided are intended solely to facilitate understanding and are not meant to be used as reference in matters of survey. The legal description furnished should be verified with the aid of qualified legal counsel.
- This report specifically excludes the impact on marketability or value of underground storage tanks, contaminated soils, or other environmental situations caused by such a condition. Applied Real Estate Analysis (AREA), Inc., is not qualified to detect hazardous waste and/or toxic materials. Any comment by AREA that might suggest the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment.
- The appraisal was prepared for the purpose stated and should not be used for any other purpose.
- All direct and indirect information supplied by the City of Chicago and other parties involved in the data collection process concerning the subject property is assumed to be true and accurate. No responsibility is assumed for information supplied by others, although any such information cited is believed to be reliable and correct.
- The signatories shall not be required to give further consultation or testimony, or appear in court or at any public hearing with reference to the property appraised, unless prior arrangements have been made with the client.
- Possession of this report, or a copy thereof, or any part thereof, does not carry with it the right of publication, nor may it be used by anyone but the party for whom it has been prepared without the prior written consent and approval of Applied Real Estate Analysis, Inc.
- None of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm with which he is connected or any references to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, news media, sales media, or any other public means of communication without the prior written consent and approval of Applied Real Estate Analysis, Inc.
- No responsibility is assumed for the accuracy of any descriptions of physical materials and conditions pertaining to the property, or for any damages sustained in connection with actual or potential deficiencies or hazards such as, but not limited to, inadequacies or defects in the structure, design, mechanical equipment or utility services associated with the improvements; air or water pollution; noise; flooding, storms or wind; traffic and other neighborhood hazards; radon gas, asbestos, natural or artificial radiation, or toxic substances, whether on or off the premises.

- This report is intended to be read and used as a whole and not in parts. Separation of any section or page from the main body of the report is expressly forbidden and invalidates the report.
- Where the property being considered is part of a larger parcel or tract, any values reported relate only to the portion being considered and should not be construed as applying with equal validity to other portions of the larger portion or tract.
- Any projections of future rents, expenses, net operating income, mortgage debt service, capital outlays, cash flows, inflation, capitalization rates, discount rates, or interest rates are intended solely for analytical purposes and are not to be construed as predictions of Applied Real Estate Analysis, Inc. They represent only the judgment of the authors as to the assumptions likely to be used by purchasers and sellers active in the marketplace, and their accuracy is in no way guaranteed.
- This appraisal is based on the present condition of the national and local economies, the present purchasing power of the dollar, and financing rates as of the date of this analysis.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA, nor have we deducted ADA compliance expenses. It is assumed that the costs to cure any ADA deficiencies would be minimal, and would be expended as part of normal maintenance and repair of the property. However, if it is determined after a formal compliance survey is prepared for the subject property that it will require significant capital expenditures in order to meet ADA requirements, and that this would negatively impact the value presented in this report, we reserve the right to review our value conclusion and alter it accordingly.
- The value presented in this report does include certain personal property (i.e., furniture, fixtures, or equipment) that is commonly found in residential rental apartment properties such as kitchen appliances, rental unit and common area furnishings, and equipment. These items contribute to the total value of the property, estimated at less than \$150,000.
- This report was obtained from Applied Real Estate Analysis, Inc., and consists of “trade secrets and commercial or financial information,” which is privileged and confidential and exempt from disclosure under 5 U.S.C. (b) (4). This report shall not be shown to any third party without the consent and approval of the appraiser. Should the report be shown to a third party not authorized, the client agrees to hold the appraiser, Applied Real Estate Analysis, Inc. harmless from any liability that might arise from such unauthorized use, including reasonable attorney fees for defense of action.

- **Important Appraisal Issues.** The value estimate contained in this report is contingent upon the following special conditions. AREA reserves the right of review and revision in the event that a material change in the following information is later indicated.
 - Due to the size of the property, representative units of the primary apartment unit types were viewed and a unit-by-unit inspection was not conducted. The condition of the property as described herein is based on our observations and the aforementioned Project Capital Needs Assessment (PCNA) report prepared by EBI Consulting, dated December 4, 2015.
 - Recognizing that a title insurance policy nor current plat of survey were not available for review, for purposes of this analysis, it is assumed that the subject property is not encumbered with any easements, encroachments or other encumbrances that would have a detrimental impact on the marketability or value of the property.
 - AREA was not provided with an environmental audit report or a soil test report. Therefore, for purposes of this analysis, it is assumed that the property is not affected by atypical environmental or soil conditions that would have an adverse impact on the value of the property.
 - Unit net rentable areas were obtained from the aforementioned PCNA report and are assumed to be reasonably accurate.
 - The PCNA report identified the need for: a civil engineer to assess the issue concerning improper drainage around the buildings and water infiltration into the basements; a structural engineer to assess moisture infiltration in the basement at the 3000 Building and the expansion joint at the 4000 Building; an assessment of the roof leaks by a qualified roofing contractor; and, an evaluation of the galvanized water pipe network. These assessments may determine that significant repairs and replacements are needed that could have a negative impact on the concluded value of the property.

CHAPTER II.

AREA OVERVIEW

CHICAGO METROPOLITAN AREA

Introduction

Because the subject property is located in Chicago and is strongly influenced by the Chicago metropolitan area, we have included an overview of the entire region. A **Regional Map** depicting the subject property's location is presented on the following page.

The Chicago metropolitan area includes the six counties located in the northeastern corner of Illinois. The region is bounded by 60 miles of Lake Michigan shoreline to the east and extends outward 45 to 50 miles to the north, south, and west. This area contains approximately 2,900 square miles, with the city of Chicago covering 228 square miles of the total.

Economic Diversity

The Chicago metropolitan area has one of the world's most diversified economies—with significant strengths in manufacturing, finance, health care, wholesale and retail trade, transportation, and the business service sector. This diversity is a key factor in the city's long-standing health and ability to avoid the boom-and-bust cycles that often trouble other large cities. Though not resistant to downturns in the national economy, the Chicago metropolitan area has always rebounded—either by expanding existing businesses or by economic restructuring.

Key factors in the overall strength of Chicago's regional economy are its large and highly skilled labor force; a central location with excellent air and rail transportation; excellent commuter rail transportation into the Chicago central business district; affordable rental and for-sale housing (compared to such high-cost areas as New York, Boston, Washington, D.C., Los Angeles, and San Francisco); and a strong mix of financial institutions led by the financial and commodities futures markets—among the largest in the world.

Chicago's economic base contains over 40,000 different manufacturing and service-related firms. The almost endless range of goods manufactured or processed in the region includes basic steel, auto assembly, machine tools, pharmaceuticals, a wide range of food and household products, electrical components, and computer equipment.

Regional Map



Lake Michigan

Subject Property

Central Business District

Chicago



In addition, the region is one of the leading health care, educational, and financial centers in the country. Also contributing to Chicago's diversified economy is the large tourist and visitor trade, a result of the city's exceptional recreational and cultural attractions, as well as its extensive trade show and convention facilities. During 2014, 50.2 million people visited Chicago as visitors and tourists. A total of \$13.7 billion was generated by these visitors, which in turn resulted in \$871 million in tax revenues for the state and local governments.

Financial Strength

Chicago's many stock, commodity, and monetary exchanges establish the city as an international financial trading center. The exchanges headquartered in Chicago include the Chicago Stock Exchange, the CME Group (from the 2007 merger of the Chicago Mercantile Exchange and the Chicago Board of Trade), the International Monetary Market, and the Chicago Board of Options Exchange. Chicago leads the world in commodity trading, handling over 90% of the futures contracts traded in the world. The Federal Reserve Bank of the United States and all of the nation's top 10 banks have offices in Chicago. Since the late-1980s, over 50 foreign banks have established offices in Chicago, serving as an indication of the city's international and financial importance.

Fortune magazine has consistently ranked Chicago among the top 10 cities in the world for business. Many prestigious Fortune 500 companies are headquartered in greater Chicago. Because of its highly skilled labor force and diversified population base, Chicago has long been known as a superior location for businesses.

Transportation Hub

Chicago has been a major transportation hub because of its central location and network of air, water, rail, and highway systems. The primary airport in Chicago, O'Hare International, is one of the world's busiest due to its volume of passenger traffic. The city's other major airport is Midway, which has greatly expanded its passenger load due to the presence of several leading discount airline operators. Privately operated airports throughout the region provide additional service for non-commercial pilots and corporations. Chicago has a vast infrastructure of highways. The area is served by nine interstate expressways (55, 57, 80, 88, 90, 94, 290, 294, 355) which have contributed to a strong local trucking industry. Cargo transportation is also available by water via Lake Michigan, which provides access to the St. Lawrence Seaway via the Great Lakes to the northeast, and via the Chicago and Illinois rivers to the south. Also, Chicago and Illinois have an extensive railway system, over which approximately 25 million tons of goods are shipped yearly.

The metropolitan area enjoys an extensive public transportation system consisting of the Chicago Transit Authority (CTA), the Regional Transportation Authority (RTA), several commuter railroad lines providing service throughout the city and surrounding suburbs. There are also several local rail lines (METRA) providing service throughout the city and surrounding suburbs. There are also several local rail lines serving some of the industrial sections of the city.

Population

The six-county Chicago Metropolitan Statistical Area (MSA)—as well as the larger eight-county Consolidated Metropolitan Statistical Area (CMSA)—is a mature urban metropolis that had healthy population growth during the 1990s, at a rate significantly higher than took place during the previous two decades. Census data shows that between 1970 and 1980, the population of the six-county region (including the city of Chicago) increased by only 1.8%, and that the increase during the 1980s was only slightly greater at 2.2%. However, between 1990 and 2000 the growth rate was 11.4%, bringing the area's population to nearly 8.1 million residents. From 2000 to 2010, the area experienced a population growth of 3%, which resulted in a regional population of 8.2 million.

Population Trends

	1990	2000	2010	2040 (projected)
City of Chicago	2,783,726	2,896,014	2,654,078	3,264,099
Cook County	5,105,067	5,376,741	5,104,393	6,182,487
DuPage County	781,666	904,161	904,784	1,151,007
Kane County	317,471	404,119	508,482	802,231
Lake County	516,418	644,356	682,753	953,673
McHenry County	183,241	260,077	307,113	527,353
Will County	357,313	502,266	669,013	1,215,818
Six-County Metro	7,261,176	8,091,720	8,176,538	10,832,568

Sources: U.S. Census; Chicago Metropolitan Agency for Planning

Population Projections. Population forecasts released by the Chicago Metropolitan Agency for Planning in September 2012 indicate significant growth in the population over the next 30 years. The six-county metropolitan area is expected to grow by 32%, or approximately 2.65 million residents. As in past years, the majority of this growth is expected to be within suburban areas outside of Chicago. However, the shift of the population to the suburbs is not projected to occur as rapidly as it did in the 1990s.

Employment

During the 1970s and 1980s, the Chicago metropolitan area experienced a significant economic restructuring, shifting from an economy based heavily on manufacturing to one based primarily on services. During this period, manufacturing employment declined slowly, while the service sector continued to add new jobs. Total employment in the metropolitan area increased over 433,000 between 1995 and 2000, to over five million workers. Overall employment, which grew at an annual rate of 1.2% in the first half of the decade, increased between 1995 and 2000 at an annual rate of 1.9%.

The service sector accounted for 34.6% of the Chicago area's employment in 2000, an increase from 1995 when it represented 32.3%. Wholesale and retail trade accounted for over 20% of overall employment. Illustrating the long-term shift from manufacturing to services is the fact that manufacturing accounted for 23.3% of total employment in 1980 but had decreased to only 12.5% by 2000.

During the decade between 2000 and 2010, the metropolitan area's labor force grew from 4,765,445 to 4,872,820, a modest increase of only 2.3%. Between 2010 and the latest data available for May 2015 (preliminary) – the labor force count was 4,888,282 – there was an increase of 15,462 workers, or 3.2%.

According to the Chicago Jobs Council's Workforce Development Report, the top five industry sectors in northeastern Illinois include professional and business services (17% of jobs), health and education (13%), government (12%), manufacturing (11%), and retail (11%).

Unemployment

National and local unemployment rates declined steadily through the 1990s, but rose sharply after 2000—a year that saw both a stock-market downturn and a recession. With the recent economic recession that commenced in December 2007 and ended in June 2009, unemployment again trended upward, as indicated by the data in the table on the following page. For the Chicago Metropolitan Area, the annual average number of unemployed workers dropped from 479,916 in 2011 to 445,790 in 2012 and dropped further to 345,576 in 2014. As of February 2016, this number was at 336,824; up from 327,275 in January 2016. Signs of the improving economy are indicated by the falling unemployment rates at the national, regional and local levels as noted in the table on the following page. The slight increase in the Metro Area's unemployment rate and actual number of unemployed is a resultant effect of higher labor participation brought about by the recovery optimism.

Conclusion

The Chicago metropolitan area, like the rest of the nation, underwent an economic recession during the early part of the 1990s. However, in 1994 Chicago's employment again began to grow: new jobs were created and economic conditions became favorable for many types of real estate developments. This period of general economic vitality began softening in 2000, both locally and nationally. On the heels of this slippage, the terrorist attacks of September 11, 2001, and subsequent financial scandals exacted a toll throughout the nation. Generally negative conditions were manifested in the across-the-board unemployment rates for the years 2001 and 2002. However, the Chicago area's diverse economic base helped it recover from prior downturns at a faster pace than in many other parts of the country. The more recent recession of 2007-2009 also resulted in high unemployment, both nationally and throughout the state of Illinois.

Unemployment Trends

<u>Year</u>	<u>U.S.</u>	<u>8-County MSA</u>	<u>Cook County</u>	<u>City of Chicago</u>
2000	4.0%	4.3%	4.8%	5.5%
2001	4.7%	5.4%	6.0%	6.8%
2002	5.8%	6.9%	7.4%	8.3%
2003	6.0%	6.8%	7.4%	8.1%
2004	5.5%	6.3%	6.7%	7.5%
2005	5.1%	5.9%	6.4%	7.1%
2006	4.6%	4.6%	4.8%	5.3%
2007	4.6%	4.9%	5.2%	5.7%
2008	5.8%	6.1%	6.5%	7.0%
2009	9.3%	10.2%	10.3%	10.9%
2010	9.6%	10.6%	10.5%	11.0%
2011	8.9%	9.9%	10.4%	11.3%
2012	8.1%	9.1%	9.3%	10.1%
2013	7.4%	9.0%	9.6%	10.5%
2014	6.2%	7.0%	7.4%	7.7%
2015	5.3%	5.8%	6.1%	6.4%
2015 (Feb)*	5.8%	6.5%	6.7%	6.9%
2016 (Feb)*	5.2%	6.8%	6.9%	7.2%

* Not seasonally adjusted.

Source: Northeastern Illinois Planning Commission; U. S. Department of Labor (BLS); Illinois Department of Employment Security.

THE CITY OF CHICAGO

Chicago, with a 2010 census estimated population of 2.696 million residents, is the third-largest city in the United States (after New York and Los Angeles). After a decade of growth that included its first population increase (4%) in 50 years, accompanied by a boom in condominium construction, the city's population has declined slightly since 2000. Nevertheless, it has maintained its status as a dynamic area able to compete with other major urban centers in the United States and increasingly with major cities in Europe and the Far East.

The city has an employment base of approximately 1.5 million workers. Its largest employment center is made up of the Chicago central business district (the "Loop" and adjacent areas) and the Near North Side—an area that includes the North Michigan Avenue retail/office corridor and River North. The combined employment in what is now referred to as the "Super Loop" is variously estimated to range from 600,000 to 700,000 workers, or 40% to 45% of the city's total employment base.

The Chicago central area is one of the most vibrant downtown business centers in the United States. The business district has over 125 million square feet of office space, a wide range of retail shops and restaurants, and major tourist attractions such as the Willis Tower (formerly known as the Sears Tower), Art Institute, Board of Trade and Chicago Mercantile

Exchange, Navy Pier, and Millennium Park on Michigan Avenue. Major hotels include the Peninsula, Conrad Hilton, Palmer House, Four Seasons, Ritz-Carlton, Park Hyatt, Sofitel, and the Trump International Hotel.

Transportation access to the downtown area is excellent, due to an extensive network of expressways, surface bus service, city rapid rail service, and suburban commuter rail lines that make numerous stops within the city of Chicago. This vast and very viable city transportation network provides downtown employment opportunities to many neighborhood residents who live in the far southern and far northern areas of Chicago. The rest of the employment base is widely dispersed throughout the city. Major employment concentrations outside the Loop include the new Stroger Hospital (formerly Cook County Hospital), University of Illinois, and Illinois Medical Center complex on the Near West Side of the city; the University of Chicago in Hyde Park; and the heavy manufacturing facilities and large rail-yard and warehouse facilities on the city's South Side.

The overall quality of the housing stock in much of Chicago is quite high, ranging from mid-rise and high-rise condominium and rental apartments that line Lake Michigan and Lincoln Park to older but well-maintained single-family residential areas concentrated on the far South and far North sides of the city. A recent trend has been the revitalization and "gentrification" of many older neighborhood areas. This urban redevelopment process, which started on Chicago's North Side in the Lincoln Park and DePaul University neighborhood areas, has increasingly shifted west and south and now includes neighborhoods such as Bucktown, Wicker Park, Dearborn Park, Westgate Mill, the Pilsen area, Bridgeport, Kenwood, Chatham, Hyde Park, and South Shore.

COMMUNITY AREA DESCRIPTION

Although Chicago has traditionally been a city of neighborhoods with distinct characteristics, their boundaries were sometimes difficult to define. A major problem was that they did not conform precisely to the statistical areas defined by the Bureau of the Census or regional and local data collection groups. Recognizing this difficulty, the City of Chicago many years ago mapped the city into 77 community areas with boundaries that generally retain the character of particular neighborhoods, but also conform to census tract boundaries. In more recent years, some areas within these large districts have been given separate neighborhood identities by residents and real estate brokers. Old Town and Streeterville on the city's near north side, Bucktown on the near northwest side, The Island on the far west side, and Pilsen on the near southwest side are examples. Typically, these smaller districts reflect the ongoing development activity and changes in demographics taking place in many areas of Chicago.

Location

North Park Village Apartments is located in the northwest portion of North Park community, approximately eight miles northwest of Chicago's central business district, known as the Loop. The irregular-configured community extends as far north as Devon Avenue (6400 North), the North Branch of the Chicago River and Foster Avenue to the south (roughly 5000 North), the North Shore Channel (approximately 3100 West) to the east, and extends as far west as Cicero Avenue to the west (4800 West). The area includes such well-known sub-neighborhoods as Budlong Woods, Hollywood Park and Pulaski Park, and is primarily residential in character. (The location of North Park Village Apartments is cited on the **Area Map** on the following page.)

Overview

North Park was originally settled by German and Swedish farmers along the south bank of the North Branch of the Chicago River. The area experienced its greatest period of growth in the 1920s, with the influx of Russian and Polish settlers. Most of the area's housing stock dates to this period, and many of the first generation skilled laborers from that period and their children have remained, providing a stable economic base for the area. Commercial growth continued through the mid-1950s, as many small-scale, service-oriented retail buildings were developed along Lincoln, Foster, Kimball, Bryn Mawr and Kedzie avenues.

Demographics

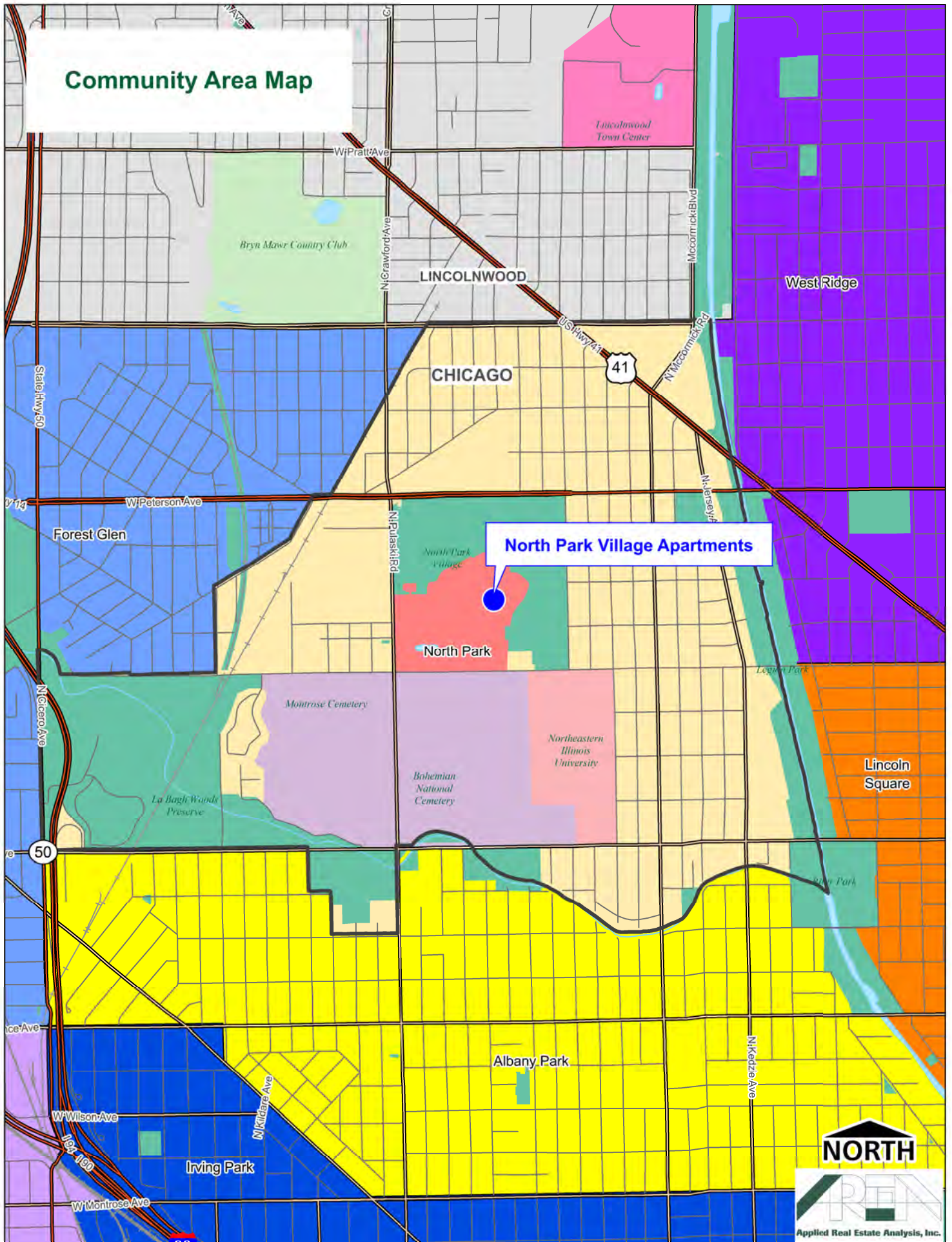
The 2010 U. S. Census reported that the population of the North Park community was 17,931, a decrease of 8.79% from 19,660 persons in 2000, which was a 13.2% increase from the 1990 population of 17,361 residents. The median household income in 2010 for the North Park community was \$53,305.

Development

Retail activity in the area is scattered along Foster, Kimball, Kedzie and Bryn Mawr avenues, many of which are served by public bus routes; with the most intense commercial development focused along Lincoln Avenue in the northeastern portion of North Park. The largest commercial development in the area is on Lincoln Avenue, known as the Lincoln Village Shopping Center. This complex first opened as a community shopping center in 1952, and was fully renovated in 1991. Total net rentable area comprises about 125,000 square feet, with the anchor tenant being "Office Depot", which occupies 24,500 square feet.

Other commercial properties in the North Park community area are primarily small-scale in nature, and provide diverse retail services for the local populace. These businesses are typically housed in single-story commercial buildings, or on the first floor of multi-story commercial/residential properties extending along the aforementioned arterial streets. The neighboring side streets are predominantly improved with good quality homes and smaller apartment buildings, the overwhelming majority of which were built prior to 1950.

Community Area Map



NEIGHBORHOOD SETTING

North Park Village

The relevant neighborhood for this property does not suffer from the usual vagueness regarding boundaries and definition that is common to many properties. Rather, it is emphatically clear that the property's immediate neighborhood is the half-mile square that was once the site for the Chicago Municipal Tuberculosis Sanitarium. This square is bounded by Bryn Mawr Avenue on the south, Central Park Avenue on the east, Peterson Avenue on the north, and Pulaski Road on the west.

Measuring a half-mile by a half-mile, this quarter section contains ± 160 acres. Subtracting the public rights-of-way of the four streets forming its boundaries, the net area is approximately 156 acres.

The City of Chicago acquired the quarter-section of land circa 1911 to establish a tuberculosis sanitarium located within the city, but removed (beyond) the settled neighborhoods of the city. The sanitarium opened circa 1916, and continued in operation until it was shuttered in 1974.

North Park Village Apartments reportedly opened in 1982. It occupies a group of four connected buildings that were originally constructed as part of the sanitarium in the second decade of the 20th century. In other words, the vintage existing buildings were renovated and converted to an alternative use (a redevelopment) as a multifamily rental apartment property for elderly, income-restricted tenants.

The redevelopment of the half-mile square quarter-section in the late 1970s and early 1980s included the sale of two tracts of land for alternative uses. The property retained by the City of Chicago was rechristened *North Park Village*. The relevant neighborhood for the subject property comprises all of North Park Village, with its various types of facilities, and also the three land parcels that are adjacent but transferred to other owners.

Public Transportation

North Park Village is within a now long-established part of Chicago's North Side. But it is not especially well served in regard to access to public transportation. There are CTA bus routes along Pulaski Road (terminating at Peterson Avenue) and Peterson Avenue. Currently, there is only one gate and access driveway for North Park Village. It is located on Pulaski Road, midway between Bryn Mawr and Peterson avenues, or 5800 North.

Consequently, residents have a bit of a walk to reach the Pulaski Road bus stop, and a further walk to reach the Peterson Avenue bus route. The nearest CTA rapid transit line is the terminal of the Brown Line at Lawrence and Kimball avenues. This station is about two miles south and east of the Pulaski Road entry gate at North Park Village.

Aerial Map

W Peterson Ave

N Quaker Rd



North Park Village Apartments

Image courtesy of USGS Earthstar Geographics SIO © 2016



The Jefferson Park station on the CTA Blue Line is about three miles west and south of North Park Village. To reach this station would require a two-bus-route trip. The Irving Park station on the Blue Line is more easily accessible. It is just over two miles south, and can be reached via the southbound Pulaski Road bus.

Within North Park Village, the City of Chicago operates a shuttle bus service for residents.

Components of North Park Village

Most of the northern half of North Park Village is parkland. There are two components of this parkland. Peterson Park is at the southwest corner of Peterson Avenue and Central Park Avenue. The field house for Peterson Park is situated just northeast of North Park Village Apartments. The second, and larger component is the North Park Village Nature Center, which is also owned by the Chicago Park District, but operated separately from Peterson Park. The nature center occupies 46 acres, south of Peterson Avenue and east of Pulaski Road. The building containing the visitors' center for the nature center is located northwest of the North Park Village Apartments.

Aside from parkland, the most significant land use of North Park Village consists of several housing developments. Two of the housing properties are redevelopments of the original sanitarium buildings. These are the subject property, North Park Village Apartments, and the Edward M. Marx Apartments, which is situated directly west of North Park Village Apartments.

Further south are two apartment properties on the north side of Bryn Mawr Avenue. These are both in buildings constructed within the past 35 years. They are named the Prete Apartments and the Senate Apartments. Another apartment development is planned for a site adjacent to the Prete and Senate apartments. The proposed project is named the J. Michael Fitzgerald Apartments. It will provide 63 apartments within a single building, on a 1.65-acre site.

A new access driveway is now under construction extending northward from Bryn Mawr Avenue along the east side of the Prete and Senate apartments. It will connect to the parking lots on the north side of these properties, and it will provide access to the proposed Fitzgerald Apartments. Currently, the only vehicular access into North Park Village is from the east side of Pulaski Road, about two blocks north of Bryn Mawr Avenue. Altogether there are 527 apartments at North Park Village. With the construction of the Fitzgerald Apartments, there will be 590 apartments in this neighborhood.

Other structures at North Park Village include a one-story medical clinic building located on the south side of the main access driveway, just east of the entrance gate. This building was at one time occupied by three health clinics or social service agencies, but it is now vacant.

Just northeast of the former health clinic is a gymnasium building, which was one of the original buildings constituting the tuberculosis sanitarium. The east facade of the building has an attractive Prairie Style design. This building is still in use as a gymnasium.

A brick chapel, also one of the original buildings, is located between the North Park Village Apartments (on the chapel's northeast) and the Senate and Prete apartments (on the chapel's south).

Near the eastern boundary of North Park Village are its maintenance buildings and storage yard, including a large boiler house. These buildings also, for the most part, were built as part of the former sanitarium. A short distance northwest of the maintenance buildings is the field house for Peterson Park. The single building on the nature center grounds is the visitors' center which is located north of the Marx Apartments, and northwest of North Park Village Apartments.

Non-North Park Village Properties

Three properties occupy the half-mile square that was formerly the site of the tuberculosis sanitarium, but are now separately owned.

The largest is the Conservancy Condominium property at the northeast corner of Bryn Mawr Avenue and Pulaski Road. It includes four buildings, each with four stories above a grade-level parking garage, on an 11.13-acre site. Each building has 40 units, for a total of 160 condominiums. Access to this property is through a gated entrance on the north side of Bryn Mawr Avenue.

Sale prices for condominiums have ranged between \$170,000 and \$275,000 for one- and two-bedroom units, and about \$350,000 for three-bedroom units. The buildings were constructed in 1995.

Near the southeast corner of North Park Village is a fairly small high school. The Northside Learning Center occupies two single-story buildings, and it provides specialized instruction for students with intellectual disabilities and impaired adaptive functioning.

The smallest of these three properties is a Chicago Fire Department station house at the southeast corner of Peterson Avenue and Pulaski Road.

Surrounding Properties and Neighborhoods

The site for the municipal tuberculosis sanitarium was acquired in 1911 because this was then an outlying location, with no residential neighborhoods close by. Because this part of the city on the far North Side was outlying, it was also considered an appropriate location for cemeteries. Also, the presence of the North Branch of the Chicago River made this area less attractive for urban development than higher and dryer locations. So it is not surprising that the largest single land use in the immediate vicinity of North Park Village are cemeteries.

The largest nearby cemetery is the Bohemian National Cemetery which is directly south of North Park Village, across Bryn Mawr Avenue, along the east side of Pulaski Road. It extends south to Foster Avenue, and east to Lawndale and Central Park avenues.

Directly west of Bohemian National, across Pulaski Road are the Montrose Cemetery and Saint Lucas Cemetery, and these two facilities extend from Bryn Mawr on the north nearly to Foster Avenue on the south. The smallest cemeteries in the area are the Ridgelawn-Beth El cemeteries. These adjacent properties are directly west of North Park Village, across Pulaski Road, just north of the entrance gate.

The presence of the North Branch of the Chicago River also explains the amount of land in the surrounding area given over to parkland. Nearby parks along the river branch include Field Park, Gompers Park, and the La Bagh Woods Forest Preserve.

Another campus-like property, similar to North Park Village but smaller, is the Felician Sisters Convent. It is located on the north side of Peterson Avenue, opposite North Park Village. The convent grounds extend north to Rogers Avenue, and occupy most of the frontage between Central Park Avenue on the east and Pulaski Road on the west. The several buildings on the convent grounds date from the early part of the 20th century.

Adjacent to the west of the Felician Sisters Convent, just east of the point where Peterson Road and Rogers Avenue meet, is the Northtown Academy charter school. The building here was originally constructed as Good Counsel High School in 1966, and it was operated by the Felician Sisters.

A larger educational institution is Northeastern Illinois University, which is located on the south side of Bryn Mawr Avenue, west of St. Louis Avenue, and it extends south to Foster Avenue. Northeastern Illinois University is adjacent to the east of the Bohemian National Cemetery. On the grounds of the university are the broadcasting studios for WTTW (television) and WFMT (classical radio).

In summary, the area surrounding North Park Village is largely institutional in character. It includes several cemeteries and parks, a public university, a charter high school, a specialized public high school, and a religious convent.

To conclude, we circle around North Park Village, and list in approximate order the major properties and neighborhoods that are directly adjacent. To the north across Peterson Avenue are a religious convent and a charter high school. East of Lawndale Avenue and northeast of North Park Village is a residential neighborhood. Some consider this neighborhood to be part of Hollywood Park or even Peterson Park (which is further east). In any case, it is almost entirely well-maintained single-family homes, and it was developed circa 1955.

Directly east of North Park Village, across Central Park Avenue, is the Hollywood Park neighborhood. It is very similar in character to the neighborhood north of Peterson Avenue mentioned in the preceding paragraph.

South of North Park Village across Bryn Mawr Avenue are the Bohemian National Cemetery and the western part of the Northeastern Illinois University campus.

West across Pulaski Road are the Ridgelawn-Beth El cemeteries, the Peterson & Pulaski Industrial Park, two churches, a Montessori school, and a few service-commercial properties. At the northwest corner of Pulaski and Bryn Mawr is a small and modest residential neighborhood known as Brynford Park. The name for this neighborhood is derived from the first part of Bryn Mawr and the original name for Pulaski Road which was Crawford Avenue.

APARTMENT RENTAL MARKET OVERVIEW

Introduction

North Park Village Apartments is located in one of Chicago's North Side neighborhoods. Most surveys of the apartment market in the Chicago metropolitan area concentrate on either the greater downtown area, lakefront locations, or Chicago's suburbs. Neighborhoods in the city, beyond the greater downtown, represent a more diffused set of market areas. In part this is due to the absence of many large apartments developments; that is, apartment properties with 200 or more units. Characteristic development in most of Chicago's neighborhoods consists of walk-up apartment buildings with less than 50 apartments.

However, it is still worthwhile to provide a summary overview of the Chicago area apartment market overall. Much of the information here is taken from the recent report prepared by Marcus & Millichap, entitled "Multifamily Research Market Report, Chicago Metro Area, Second Quarter 2016."

Overall the apartment market in metropolitan Chicago is performing well. There is substantial construction activity in the suburbs taken as a whole, and an unprecedented volume of construction in and around the downtown, and in a few close-in neighborhoods. In contrast, large sections of the South and West sides continue to lose residents, and as a consequence, the existing housing stock continues to deteriorate, and both single-family homes and apartments buildings continue to be abandoned.

The situation in North Side neighborhoods such as North Park falls in between these two extremes. In summary, the demand for housing in North Park, and in the neighborhoods surrounding it, is strong. The strong demand for housing has reduced vacancies to a low level, and forced a steady rise in rental rates. But this demand has not stimulated the heavy wave of new construction occurring in downtown Chicago, the Near North Side, and the

Near West Side. To summarize these broad trends, the North Park community apartment market is experiencing strong demand, rising rents, low vacancy, but with no apparent threat of over-building.

Employment Background

The steady but unspectacular employment growth in the metro area has pushed rental rates higher, and vacancy rates lower. During 2014 and 2015, overall employment growth in the region has averaged about 1.5% annually. For the first five months of 2016, the monthly year-over-year employment gains have averaged 1.8%. These are positive numbers, and as a consequence, it appears that in 2016 the Chicago region will finally, after nine long years, reach and even exceed the level of employment previously achieved in 2007.

In 2007 regional employment reached 4,645,000. During the deep recession that followed, employment dropped to 4,358,000 in 2010, or a loss of 287,000 jobs (6.2%) from the previous annual peak. Between 2010 and 2015 employment increased by 5.6% over these five years, to 4,603,000. This is a strikingly weak gain for a recovery following a deep recession, but at least it is positive rather than negative. Employment gains have been somewhat stronger over the past two years, and the apartment rental market has been supported by these gains.

Rental and Vacancy Rates

Marcus & Millichap reports an overall vacancy rate for the city of Chicago 4.1%; and 4.0% for the suburbs. Because of the huge volume of construction, vacancy in the city is projected to increase very slightly to 4.2% by the end of 2016. For the suburbs, Marcus & Millichap projects a decrease in vacancy to 3.6% by year end. The amount of new construction in the suburbs is high, by continuing moderate job growth is expected to support sufficient housing demand to absorb the additional supply.

Average effective rents are reported at \$1,625 per month in the city. Despite the heavy new construction, Marcus & Millichap projects an 3.1% increase in rental rates during 2016 in the city. Suburban rents now average \$1,118 per month, after a 5.7% increase during 2015. The projected increase for 2016 is 4.4%, to an average of \$1,167.

Construction Trends

An additional 2,450 apartments were completed in the city over the past four quarters. Currently 14,100 rental apartments are under construction. This is an exceptional level of activity, especially since most of it is occurring in areas of the city that were originally developed in the late 19th or early 20th centuries. These new city projects generally require razing existing buildings, in contrast to most suburban apartment development.

For all of 2016, deliveries of 5,440 apartments are expected in the city, nearly twice the 2,870 apartments completed during 2015. At this time, it appears that completions in 2017 will exceed the number in 2016.

The suburban market added 2,500 new apartments from mid-2015 to mid-2016. For calendar year 2015, 2,935 apartments were added. For 2016, the expected number is 3,360 apartments, which represents an increase of 15% over 2015. The level of new construction in 2016 for the suburban market is the highest in 15 years.

Conclusion

The market fundamentals affecting this property are positive. In North Park and surrounding neighborhoods, demand for rental apartments is strong, and rents have been increasing. There is very little ongoing or anticipated new apartment construction on the far North Side of Chicago. Investment demand for rental apartments is also strong, in part because of the low current interest rates for bonds and related long-term investments.

However, from a broader social, financial, and political perspective, the present view of future trends is not so positive. The nation has experienced a disappointing but long-term economic expansion over the past six years. The federal's government indebtedness continues to grow during the current expansion, with ominous consequences when the next recession occurs. Currently, there are substantial anxieties concerning the continuing durability of this expansion. These fears are in large part fueled by the devastating civil war in Syria and resulting migrations out of that region, terrorists attacks around the world, continued near-war between Ukraine and Russia with threats directed at the Baltic states and Poland, the British exit from the European Union, long-term economic weakness in southern Europe and the lack of successful financial restructuring in that region, and the sharply reduced economic growth in China.

Closer to home, both the City of Chicago and the State of Illinois may well be approaching financial insolvency similar to what has happened in Greece, Venezuela, Puerto Rico, and Detroit. Added to these great concerns is the political and social turmoil within these United States.

Despite the gravity of these concerns, we do not believe that they currently have a perceptible adverse impact on the market demand and investment appeal of properties such as the North Park Village Apartments. There are always perceived threats on the horizon. And our task in providing a market overview is not forecasting the future, but describing existing circumstances, including current investment attitudes of potential investors in this type of property. In summary, current market fundamentals and current investments attitudes are, in our opinion, positive for the North Park Village Apartments.

CHAPTER III. PROPERTY DESCRIPTION

SITE DESCRIPTION

Location	The subject property is located in the approximate center of the former ±160-acre Municipal Tuberculosis Sanitarium and is situated within the ±60.5-acre North Park Village enclave. The former sanitarium is bordered by Peterson Avenue on the north, Bryn Mawr Avenue on the south, Central Park Avenue on the east, and Pulaski Road on the west. Access to the North Park Village enclave is from Pulaski Road.
Shape and Size	The subject property for purposes of this appraisal is apportioned from a larger holding that includes 6,086,849 square feet, or 139.73483 acres. The land area was taken from a Plat of Survey prepared by National Survey Service Inc, dated August 11, 1994 (see exhibit on following page). The subject improvements are to be apportioned from Zone 10 to compromise approximately six acres of land. A plat of survey or concept plan of the apportioned land was not available.
Topography and	The site is generally level and at grade with the surrounding streets.
Drainage	The storm water drainage reportedly does not adequately flow away from the buildings and significant water infiltration consequently occurs in the basement areas during heavy rains, according to the aforementioned PCNA report.
Soils	AREA was not provided with a soil bearing test report, nor an environmental audit report. Hence, it is unknown whether soil conditions would adversely impact development costs. Although we did not detect any soil problems or have reason to believe any exist, we suggest that a soil survey and environmental audit report be conducted and interpreted by a qualified professional to accurately determine soil conditions in the event any new buildings are constructed on the site.

North Park Village Site & Boundary Map

NATIONAL SURVEY SERVICE, INC.

SURVEY NO. N-118648 SURVEY DATE: AUG. 11, 1994
N-122090 STAKE N-122090 STAKE DEC. 11, 1998

Plat of Survey

THE SOUTHWEST 1/4 OF SECTION 2, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, EXCEPTING THEREFROM THE FOLLOWING: THE EAST 33.00 FEET, THE NORTH 50.00 FEET (EXCEPT THE EAST 33.00 FEET), THE SOUTH 50.00 FEET (EXCEPT THE EAST 33.00 FEET), THE WEST 50.00 FEET (EXCEPT THE EAST 33.00 FEET) OF THE WEST 883.00 FEET OF THE NORTH 583.00 FEET OF THE SOUTH 633.00 FEET OF SAID SOUTHWEST 1/4, IN COOK COUNTY, ILLINOIS.
AREA = 6,086,849 SQUARE FEET OR 139,734.83 ACRES.
KNOWN AS: 5801 N. PULASKI ROAD, CHICAGO, ILLINOIS.
SURVEY FOR: CITY OF CHICAGO - DEPT. OF GENERAL SERV.

1. REFER TO GRANT OF CONSERVATION RIGHT IN THE FORM OF AN EASEMENT DATED FEBRUARY 15, 1989, BY THE CITY OF CHICAGO, A HOME RULE MUNICIPALITY OF THE STATE OF ILLINOIS IN FAVOR OF CORPORATION FOR OPEN LANDS, AN ILLINOIS NOT-FOR-PROFIT CORPORATION, AS GENERALLY DESCRIBED IN EXHIBIT A, MADE PART OF IT HEREOF AND RECORDED MAY 24, 1989 AS DOCUMENT NUMBER 89235785.

THE "PROTECTED PROPERTY" IS COMPRISED OF THE FOLLOWING ZONES #1 THROUGH #7 WHICH ARE SHOWN ON EXHIBIT B ATTACHED TO SAID DOCUMENT:

- ZONE 1 - NATURE PRESERVE
- ZONE 2 - PETERSON PARK
- ZONE 3 - ROCK GARDEN
- ZONE 4 - NATURE STUDY AREA
- ZONE 5 - COMMUNITY GARDENING
- ZONE 6 - GENERAL OPEN SPACE
- ZONE 7 - CULTURAL/PUBLIC USES

THE ABOVE ZONES ARE SUBJECT TO COVENANTS AND RESTRICTIONS CONTAINED THEREIN AND FURTHER STATES THAT THE PARTIES UPON COMPLETION OF A FINAL SURVEY WILL RE-RECORD SAID INSTRUMENT TO SUBSTITUTE THE MORE COMPLETE AND PRECISE LEGAL DESCRIPTION SHOWN ON THAT SURVEY IN LIEU OF THE DESCRIPTION ATTACHED TO EXHIBIT A OF SAID DOCUMENT.

2. REFER TO LEASE NUMBER 20087, DATED SEPTEMBER 20, 1993, BY AND BETWEEN THE CITY OF CHICAGO, AN ILLINOIS MUNICIPAL CORPORATION ("LANDLORD"), AND WORLD RELIEF ("TENANT") FOR THE PERIOD BEGINNING ON APRIL 1, 1993 AND ENDING MARCH 31, 1996. THE "PREMISES" BEING AN AREA OF APPROXIMATELY 50,273 SQUARE FEET OF VACANT LAND (EAST GARDEN PLOTS) LOCATED WITHIN ZONE 5 - COMMUNITY GARDENING, SHOWN ON EXHIBIT "A" ATTACHED TO SAID LEASE AND MADE PART OF IT HEREOF.

SAID LEASE AREA IS SUBJECT TO TERMS, COVENANTS, AGREEMENTS AND RESTRICTIONS CONTAINED THEREIN.

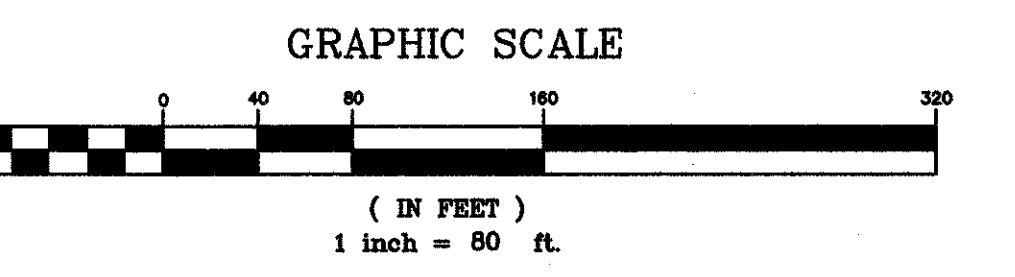
THE FOLLOWING ZONES (8-11) ARE NOT A PART OF THE ABOVE, REFERENCED CONSERVATION EASEMENT.

- ZONE 8 - HUD/SENATE & PRETE
- ZONE 9 - CPS NORTHSIDE LEARNING CENTER
- ZONE 10 - M.P.V. ADMINISTRATION ZONE
- ZONE 11 - FIRE DEPARTMENT/CTA TURNAROUND.

W.F. KAEBER
REGISTERED PROFESSIONAL SURVEYOR
1915 AS DOC. NO. 5571408
ALBANY TERRACE
CHICAGO, ILL.

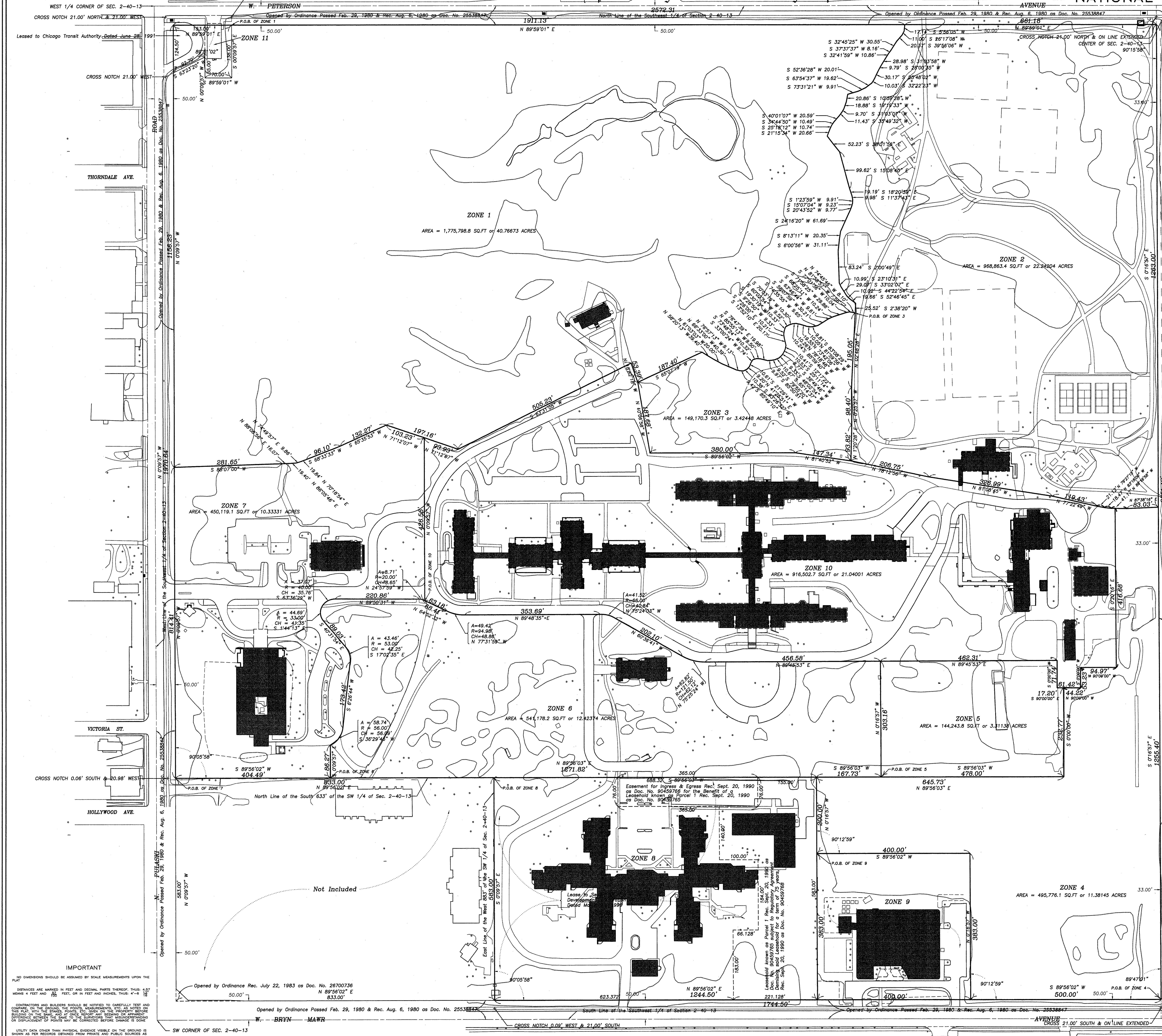
1915 AS DOC. NO. 5571408
ALBANY TERRACE
CHICAGO, ILL.

ADDITION TO
REC. JUL 11, 1994



SURVEY NO. N-122090 STAKE DATE: DEC. 11, 1998
N-118648 SURVEY DATE: AUG. 11, 1994

State of Illinois, Inc.
Mr. Barry Griffin that we have surveyed the above described property in accordance with official records and that the above plat is a true representation of said survey. Dimensions are corrected to a temperature of 62° Fahrenheit.
NATIONAL SURVEY SERVICE, INC.
 ENGINEERS AND LAND SURVEYORS
 128 W. GRAND AVE. 312-944-3400 CHICAGO, ILL. 60610
 BY **Christian H. Prokocinski**
 ILLINOIS PROFESSIONAL LAND SURVEYOR NO. 1607
 DRAWN BY: JAL



IMPORTANT
ALL DIMENSIONS SHOULD BE ASSUMED BY SCALE MEASUREMENTS UPON THE PLAT.
DISTANCES ARE MARKED IN FEET AND DECIMAL PARTS THEREOF; THUS .47 MEANS 4 FEET AND .47 FEET, OR IN FEET AND INCHES, THIS 4'-6 1/2".
CONTRACTORS AND BUILDERS SHOULD BE NOTIFIED TO CAREFULLY TEST AND COMPARE, ON THE SPOT, THE POINTS, MEASUREMENTS, ETC. AS NOTED ON THIS PLAT WITH THE PLAT, OF COURSE, REFERRING TO THE SURVEYOR'S FIELD BOOKS AND RECORDS TO CORRECT ANY DISCREPANCIES OR DISCREPANCIES BETWEEN THE SAME TO THE SURVEYOR'S FIELD BOOKS OR RECORDS OR DISCREPANCIES IN THE PLAT.
UTILITY DATA OTHER THAN PHYSICAL EVIDENCE VISIBLE ON THE GROUND IS SHOWN AS PER RECORDS OBTAINED FROM PRIVATE AND PUBLIC SOURCES AS INDICATED AND SHOULD BE ASSUMED TO BE APPROXIMATE.

Access and Visibility

The apportioned site enjoys vehicular and pedestrian access from Pulaski Road via the main drive that serves the North Park Village enclave. The subject property is positioned in the north-central portion of the enclave and as such enjoys the privacy of the wooded community that is fenced and screened from the aforementioned four perimeter streets. The main asphalt-paved drive that serves North Park Village provides access to the parking areas for North Park Village Apartments and the access drive that serves the main building entrance.

Utilities

The property is served by all public utilities including water (provided by the City of Chicago), sanitary sewer and storm water service (Metropolitan Water Reclamation District of Greater Chicago), natural gas service (Peoples Gas), overhead telephone service (AT&T), broadband cable/internet service and electrical service (Commonwealth Edison).

Nuisances and Hazards

No permanent nuisances or hazards were observed during our site visit.

Flood Zone

The site is located within Zone X, which is outside the 100- to 500-year flood zone, as determined by the Federal Emergency Mapping Agency's Flood Insurance Rate Maps (FIRM), Map Number 17031 C 0401J, dated August 19, 2008.

Seismic Zone

Zone 0, areas with a low risk of seismic activity, as per the 1997 Uniform Building Code.

**Easements/
Encroachments**

AREA was not provided with a title insurance report for review. Hence, we have assumed that the subject property is encumbered by typical utility easements and is not encumbered by other easements or encroachments that would have an adverse affect on its property value.

Site Improvements

The asphalt-paved parking area is configured to reportedly accommodate 116 vehicles, including six designated for handicap use. However, according to the aforementioned PCNA report, there are a total of 96

Site Improvements (contd.)

parking spaces. Other site improvements include: light standards on concrete bases; concrete-paved curbing and walkways, some equipped with metal hand rails; lawn areas; mature trees and shrubs and perennial flowers; precast concrete parking bumpers; benches; and, wall-mounted exterior lighting. Site improvements are in fair to average condition; the parking areas need to be repaved.

Summary/Functional

The subject site will be apportioned from the larger North Park Village campus holding. It enjoys an attractive park-like, wooded setting and is served by a curvilinear access drive that serves the campus. The to-be-apportioned parcel is served by all public utilities, drainage is assumed to be adequate, but for the noted issues that impact the existing buildings, and it enjoys a generally level terrain. In conclusion, the functional utility of the to-be-apportioned site lends itself well to its current use.

IMPROVEMENT DESCRIPTION

The subject property is improved with a 2½-story plus finished basement building, two 2½-story apartment buildings with unfinished basements, and a 4½-story plus finished basement building, containing 180 rental apartment units. Some of the buildings feature one-story sections. The buildings are connected by one-story corridor enclosures and comprise a reported 253,759 square feet of gross building area; 124,671 square feet of net rentable area. The buildings are part of the former 650-bed, 32-building Municipal Tuberculosis Sanitarium complex that was constructed during World War I; some of the buildings reportedly were expanded as recently as 1961. The sanitarium was shuttered in 1974, after medical advances had made TB less of a menace and home treatment preferable. The four buildings that comprise the subject property were subsequently renovated and retrofitted to accommodate senior independent living apartment units that reportedly opened for occupancy in 1982. The following description is based on our review of the available floor plans and a Project Capital Needs Assessment (PCNA) report prepared by EBI Consulting, dated December 4, 2015, as well as our field observations. (Interior and exterior photographs are included in the *Appendix*.)

<u>Unit Type</u>	<u>No. of Units</u>	<u>Average Unit Size</u> (sq. ft.)	<u>Total Net Rentable Area</u> (sq. ft.)
2 Bedroom/1 Bath	6	1,091	6,548
1 Bedroom/1 Bath	142	715	101,565
0 Bedroom/1 Bath	<u>32</u>	<u>517</u>	<u>16,558</u>
Total/Average	180	693	124,671

Building Efficiency Factor	49%
Occupancy	100%
Foundation	Poured-in-place reinforced concrete foundation walls and footings.
Basement	Full; Buildings 1000 and 2000 are finished with walkout garden apartments.
Structural Frame	Reinforced poured-in-place concrete.
Roof	Gable and hip roof sections feature clay tile coverings and some copper decking; flat roof sections feature TPO-membrane coverings; decking is reportedly concrete; drainage is provided by copper gutters and downspouts. Several areas of wood fascia and soffits are decayed and in need of repair.
Floors	Cast-in-place reinforced concrete.
Exterior Walls	Face brick with limestone accent and concrete block back up. Tuckpointing is needed in areas.
Windows	Thermopane, aluminum-frame, hopper and casements, with screens and shades.
Balconies/Patios	The walkout basement garden apartments feature concrete-paved patios .
Typical Layout	Studio units generally feature a living/dining/sleeping area, kitchen and a bathroom. One-bedroom units typically feature a living/dining area, one bedroom and one bathroom. The two bedroom units include a living room, dining room, kitchen, two bedrooms, and one bathroom.
Interior Walls and Ceilings	Typical apartment unit finish consists of painted drywall with a mixture of vinyl and wood baseboards and wood hollow core doors set in metal frames, and painted ±10-foot-high concrete ceilings.

Lighting	Generally incandescent surface-mounted fixtures in apartments and corridors.
Finished Flooring	Vinyl tile in kitchens, ceramic tile in bathrooms, and carpeted living areas.
Corridors	Single- and double-loaded corridors generally featuring carpeted floors, painted gypsum board walls with vinyl baseboards and painted concrete ceilings; some corridors are equipped with hand rails; unit entry doors are solid wood and feature automatic closing mechanisms.
Bathrooms	Standard configuration is a shower with ceramic tile surround, shower head and equipped with grab bars; low-tank water closet; plastic-laminated counter with single-basin; recessed medicine cabinet with mirror; bathrooms are vented.
Kitchens	Standard configuration is wood base cabinets, except under the sink to provide wheelchair access; plastic-laminated counter tops with single or double-bowl stainless steel sinks; wall-hung wood shelving and a limited amount of wall-hung wood cabinets; small frost-free refrigerator; electric-fueled oven/range or built-in cook top and oven; kitchens are vented and feature GFI outlets.
Elevators & Stairways	Four elevators – 2,500-lbs-capacity passenger; interior stairwells; elevators and stairways serve all floors including basements.
Electrical Service	Each building is served by 600-volt, three-phase, three-pole, 1,200-ampere service. Apartments are <u>not</u> individually metered.
Heating, Ventilation and Air Conditioning	Each apartment is equipped with a single-pipe fan coil unit and blower; public areas are equipped with air handling units; heat is provided by six gas-fired Harsco boilers (installed in 2014); cooling is provided by three chillers (installed in 2014).

Hot Water

The complex is served by a solar panel system with six 119-gallon storage tanks, supplemented by two gas-fired AO Smith, 85-gallon commercial water heaters.

Safety/Fire Protection

Each apartment unit is equipped with a hard-wired combination smoke/fire detector; public and support areas are equipped with sprinklers; corridors are equipped with emergency lighting, signage and fire extinguishers; the main building entrance features an intercom door buzzer entry system; common areas are equipped with security surveillance cameras; units are equipped with an emergency pull cord call-for-aid system in the bathrooms and most bedrooms.

Project Amenities

Each building but for the 3000 Building (which contains eight apartments) has a laundry room in the basement; each is equipped with washers and dryers that are operated free of charge. There is an on-site management office, public restrooms, and three “tub” rooms equipped with bathtubs; the main building entrance features a Porte Cochere.

On-Site Parking

Management reports there are 116 surface parking spaces (0.64 parking index); six are marked for handicap use; the PCNA report indicates that there are 116 parking spaces.

Summary of Condition and Functional Utility

The buildings are roughly 100 years old, although they were extensively renovated during the late 1970s and early 1980s in conjunction with the reuse to accommodate senior independent living dwelling units. The aforementioned PCNA report prepared by EBI Consulting notes that the subject property appears to be generally in good to fair condition (based on an excellent/good/fair/poor rating scale) and has been marginally well maintained. The report notes some needed critical repairs totaling \$41,097, as well as non-critical repairs totaling \$276,694. The majority of the non-critical repairs concerns \$218,867 in needed repairs to the building facades. The noted cost of needed critical repairs includes fees to engage qualified structural and civil engineers, and roofing and plumbing contractors to provide assessments of the poor drainage along the perimeters of the buildings and water infiltration into the basements; the widening gap in the expansion joint

between the original building and subsequent addition in the 4000 Building; roof leaks, primarily noted in the 4000 Building; and the galvanized supply and waste plumbing lines that are corroding and have a propensity to backup. It is important to note that these assessments may determine that significant repairs and replacements are needed that could have a negative impact on the concluded value of the property.

The design and functional utility of the subject improvements are considered to be adequate for senior independent living. While the apartments are generally larger than what is commonly found in senior independent living facilities, the sprawling nature of the connected four-building complex is atypical for such facilities. The modest finishes of the apartments are typical of most modern-era, average-quality rental units that were built to provide affordable housing. The complex fulfills a need in the area for affordable rental housing, especially with respect to its senior residents.

ZONING

According to the current City of Chicago zoning ordinance, the subject property is zoned Planned Development No. 184, a Residential-Institutional-Cultural Planned Development. The permitted uses in the PD 184 district include a nature preserve, community park, service core, nature study, senior housing, congregate use public facilities, a fire station and bus turn around, and a public school. The maximum building height for new residential construction cannot exceed two stories. The maximum floor area ratio in the district is 2.0. The maximum number of dwelling units cannot exceed 600. Maximum percent of total site coverage cannot exceed 10%.

REAL ESTATE ASSESSMENTS AND PROPERTY TAXES

The subject property is part of a larger Cook County Property Index Number (PIN) identified as 13-02-300-010-0000. The property is exempt from paying real estate taxes as it is owned by a governmental body—The City of Chicago. Hence, there is no assessment information available for the property.

A sampling of market-rate, elevator-equipped, apartment properties on the city's North Side presented later in this report showed taxes that were paid during 2016 (for tax year 2015) ranging from \$624 to \$1,181 per dwelling unit, or \$0.46 to \$1.53 per square foot of net rentable area.

CHAPTER IV. HIGHEST AND BEST USE ANALYSIS

Highest and Best Use is defined in The Dictionary of Real Estate Appraisal, Fifth Edition (published by the Appraisal Institute, 2010) as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Highest and best use analysis requires consideration of both the highest and best use of the land as if vacant and available for development and the highest and best use as improved with the existing improvements. Four criteria must be examined to determine whether a use represents a property's highest and best use. The requirements are that the use is physically possible, legally permissible, financially feasible, and maximally productive.

HIGHEST AND BEST USE—AS IF VACANT

Legally Permissible Uses

The local zoning ordinance specifies uses to which the subject site could be developed as well as allowable densities, setback requirements, and height restrictions. The subject site is impacted by its PD 184, Residential-Institutional-Cultural Planned Development zoning classification. The permitted uses in the PD 184 district include a nature preserve, community park, service core, nature study, senior housing, congregate use public facilities, a fire station and bus turn around, and a public school. The maximum building height for new residential construction cannot exceed two stories. The maximum floor area ratio in the district is 2.0. The maximum number of dwelling units cannot exceed 600. The maximum percent of total site coverage cannot exceed 10 percent.

Physically Possible Uses

A wide variety of uses are physically possible on the subject site. Soil conditions in the area are generally suitable to support a variety of residential, commercial and mixed-use building types. The site is generally level. The allocated six-acre size and presumed conventional configuration of the site are such that a variety of residential and recreational uses could be constructed on the site.

Financially Feasible Uses

The subject site is located within a larger planned unit development with a variety of permitted uses. The current land-use mix in the immediate area suggests that the most financially feasible use of the subject site, if vacant, is for development with multifamily senior housing.

Most Productive Use

The most financially feasible and productive use of the land, if vacant and as a standalone site, is for multifamily senior housing development in accordance with the permitted uses in the PD 184, Residential-Institutional-Cultural Planned District.

Conclusion

Hence, considering the above analysis, the highest and best use of the site, as if vacant and available for development, is for multifamily senior housing development.

HIGHEST AND BEST USE—AS IMPROVED

Legally Permissible Uses

According to the City of Chicago, the existing buildings conform to the current zoning classification that was granted in January 1994.

Physically Possible Uses

The subject property is improved with four buildings, one being four story high. The current maximum permitted height for new residential buildings is two stories. Therefore, it is substantially taller than what could be constructed under present zoning, and therefore enjoys a premium in utility over any new building that could be constructed on the site under the current zoning restrictions and requirements.

Financially Feasible Uses

This report analyzes the future performance of the subject property. Its hypothetical use as a non age- and income-restricted senior rental apartment facility, i.e. as a conventional market-rate property, is financially feasible as is borne out by the Income Capitalization Approach later in this report.

Most Productive Use

In our opinion, the most productive use of the property, as improved, in this hypothetical valuation is unrestricted market-rate rental housing.

Conclusion

Based upon the above analysis, the highest and best use of the subject property, as improved and under this hypothetical condition, is concluded to be unrestricted market-rate rental housing.

CHAPTER V. INTRODUCTION TO THE VALUATION PROCESS

All three approaches to value—Cost Approach, Sales Comparison Approach, and Income Capitalization Approach—were considered in this appraisal of the subject property. These are the approaches most commonly used in estimating the value of real estate and are recommended by the Appraisal Institute.

The Cost Approach was deemed to be a poor indicator of the current investment value of the subject property due to the age of the improvements and the difficulty to accurately quantify the amount of physical, functional and economic depreciation. Hence, the Cost Approach was not applied.

The Sales Comparison Approach traditionally considers the physical elements of the subject property relative to recently transacted properties, although accurate comparative analysis can be made difficult by the financial complexity of some apartment investments.

The Income Capitalization Approach is the approach most commonly used in estimating the value of income-producing-type real estate. The Income Capitalization Approach is deemed to be most appropriate in the appraisal of the subject property.

The Sales Comparison and Income Capitalization approaches were applied in order to estimate the market value of the unencumbered fee simple interest in the subject property as of July 1, 2016, based on the hypothetical condition as though it was a conventional market-rate property with no tenancy restrictions. Definitions and brief overviews of the methodologies for the valuation techniques that were applied are presented in the ensuing chapters. Assumptions critical to arriving at the final estimate of value are discussed in detail.

CHAPTER VI.

SALES COMPARISON APPROACH

DEFINITION AND DISCUSSION OF METHODOLOGY

The Sales Comparison Approach is defined in The Dictionary of Real Estate Appraisal, Fourth Edition (published by the Appraisal Institute, 2002) as:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales data are available.

The principle of substitution is based on the premise that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming there is no costly delay in making the substitution. Traditional appraisal techniques for estimating value by means of substitution involve the collection and analysis of sales and listing data on properties that have many characteristics similar to those of the property being valued.

Apartment holdings such as the subject property are generally classified as income-producing real estate. As such, the value is strongly influenced by the net income the holding can be expected to generate. Although the Sales Comparison Approach traditionally considers the physical elements of the subject property, accurate comparative analysis can be made difficult by the financial complexity of some apartment investments.

SUMMARY OF APARTMENT BUILDING SALES

North Park Village Apartments is comprised of 180 apartment units located in four connected, elevator-served buildings. The buildings are situated in a park-like setting within the North Park community area on Chicago's northwest side. There are very few apartment complexes of this type and setting within the city of Chicago. We therefore considered sales of typical Chicago apartment buildings that were located the closest to the property, with an emphasis on elevator-served buildings. All of these properties are located on the north side of Chicago, and provide a general picture of the local apartment investment market.

The **Summary of Comparable Apartment Building Sales** table on the following page provides a summary of five recent apartment building sales transactions. Further details pertaining to these sales are included in the *Appendix*. The sales are cited on the accompanying **Building Sales Map**.

ANALYSIS OF APARTMENT BUILDING SALES

Establishment of the most appropriate unit of comparison for the sales comparison analysis is required in order to institute the adjustment process. The prevailing unit of comparison for analyzing apartment building sales transactions is the indicated price per dwelling unit (or, more generically, price per unit). In those cases when the information was available, we have also reported sale prices per square foot of rentable building area and gross income multipliers (GIM). However, only one sales transaction indicated a GIM, and this alternative unit of comparison is therefore not applied in this analysis.

Unit sale prices for these five properties range from \$86,212 to \$146,032 per apartment, and from \$102.22 to \$270.83 per square foot of net rentable building area. Adjustments were applied to the data for variances between the comparable and the subject property for factors such as the interest that was transferred, excess land, terms of sale, time of sale/market conditions, location, building age/condition, building size, etc. These adjustments represent our best judgment based on available market data. In cases where no direct quantifiable adjustment can be derived either through "matched pair" or similar analysis, these adjustments become subjective, providing an indication of our logic in reaching a value conclusion for the subject property. Adjustments are summarized in the **Building Sales Adjustment Grid** shown at the end of this chapter.

Interest Transferred Adjustment. For purposes of this property valuation analysis, we are estimating the fee simple market value of the subject building, including the underlying land, unencumbered by any existing or proposed leases. The comparables must be adjusted to reflect fee simple value. Any leased fee interests of the comparables must be adjusted accordingly.

Although all of the sales were encumbered by tenant leases at the time of sale, it is believed that none of them had extended lease terms that had a significant impact on the sales price. No adjustment for this factor is therefore warranted.

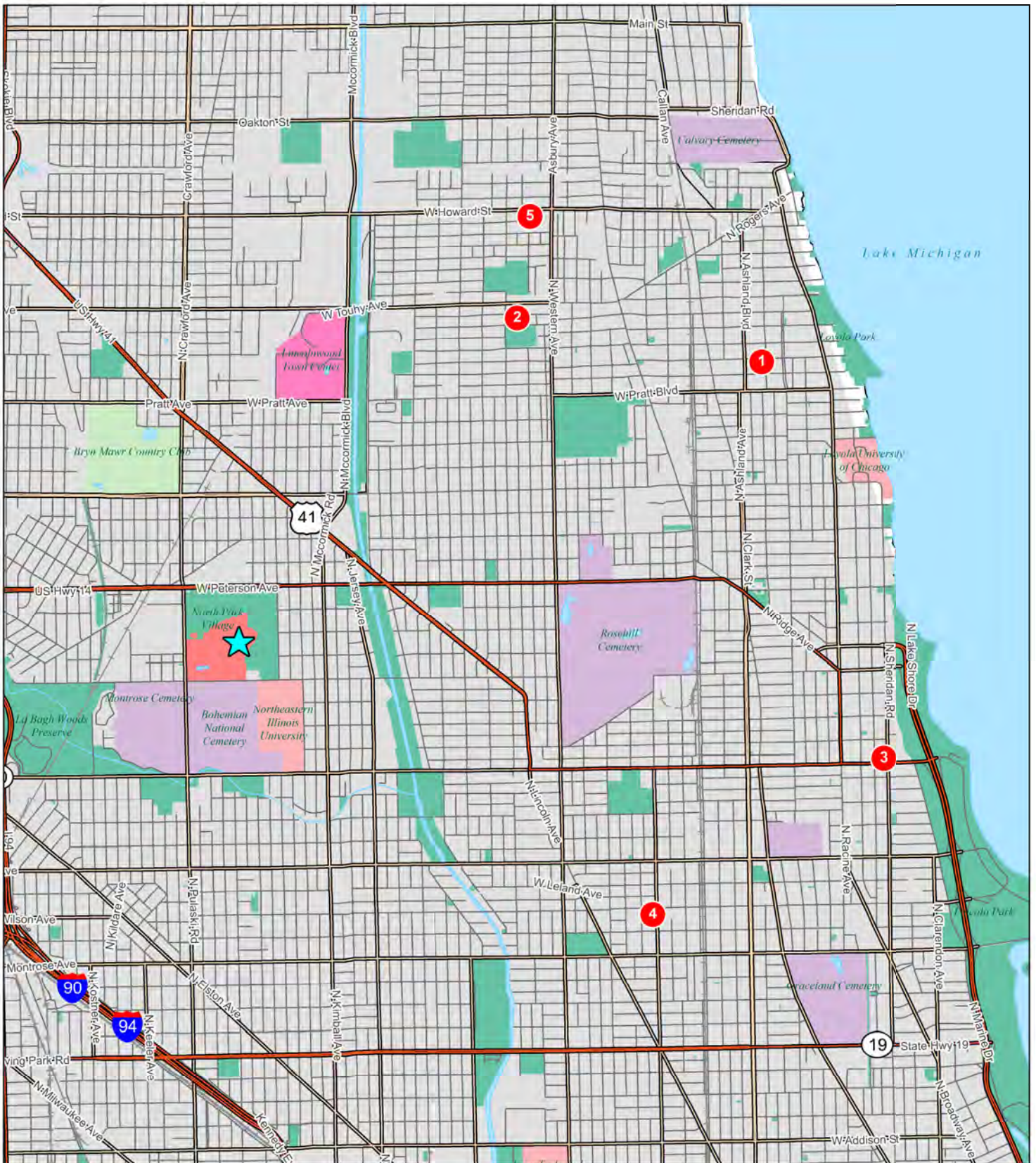
Terms/Conditions of Sale Adjustment. An acquisition price may be affected by certain conditions of sale that are pertinent to a transaction. Related individuals or corporations may buy/sell property at a price that is not consistent with market pricing parameters for various reasons. Distressed individuals or other entities may buy/sell property at a non-market price because of cash flow considerations or timing issues. Favorable financing could influence the price an individual/entity is willing to pay for a building. Adjustments must be made for the above "conditions of sale" to account for a buyer's/seller's pricing parameters in order to equate the comparables to the subject property.

All of the sales were reported to be conventional arms-length transactions and did not require any adjustment for this factor.


SUMMARY OF COMPARABLE APARTMENT BUILDING SALES
North Park Village Apartments

Sale No.	Project Name/Location	Sale Date	Number of Apt. Units	Rentable Residential Area (sq. ft.)	Avg. Unit Size (sq. ft.)	Project Density (units/acre)	Occup. at Time of Sale (%)	Year Built/ No. of Stories	Sale Price			Comments
									Total (\$)	Per Unit (\$)	Per SF (\$)	
Subj	North Park Village Apartments 5801 North Pulaski Road– Building H Chicago, IL 60646	—	32 0 Br 142 1 Br <u>6 2 Br</u> 180	124,671	693	30.0	100%	1911 2½ & 4½	—	—	—	Subject property is improved with four buildings that are served by elevators and connected by one-story corridors; central air-conditioning; on-site parking; and bus shuttle service.
1	6930 North Greenview Chicago, IL 60625	Jan-16	48 Studio 18 1 BR/1B <u>66</u>	33,348	505	423	90%	1932 7	\$5,690,000	\$86,212	\$170.62	This elevator-served building also includes a few ground floor retail spaces. Adjacent improvements consist mostly of 3- and 4-story apartment buildings. No on-site parking.
2	Fitch Commons 2529 West Fitch Avenue Chicago, IL 60645	Jun-15	1 Studio <u>58 1 BR/1B</u> 59	50,000	850	137	Not Avail	1955 5	\$5,725,000	\$97,034	\$114.50	This 5-story, elevator-served building has central air-conditioning. There are about 20 parking spaces at the back of the building.
3	Sheridan-Edgewater 5200 North Sheridan Road (NWC Sheridan Road & Foster Avenue) Chicago, IL 60640	Nov-15	118 Studio 101 1 BR/1B <u>4 2 BR/1B</u> 223	124,047	556	287.5	97%	1920 8	\$21,600,000	\$96,861	\$174.13	An 8-story, elevator-served apartment building that includes some ground floor retail. No on-site parking. This building was originally designed as a hotel.
4	Chatoine Apartments 4546 North Damen Avenue Chicago, IL 60625	Feb-15	66 Studio	26,400	400	331.3	Not Avail	1931 4	\$7,150,000	\$108,333	\$270.83	This 4-story, walk-up building has updated kitchens and baths. No on-site parking.
5	2451 West Howard Street Chicago, IL 60645	Jun-15	5 Studio 20 1 BR/1B 32 2 BR/2B <u>6 3BR/2B</u> 63	90,000	1,429	35.2	90%	1965 5 & part 6	\$9,200,000	\$146,032	\$102.22	This mid-rise, elevator-served building is located at the Chicago-Evanston border. It features updated apartments, in-unit laundry appliances, central HVAC systems and 73 on-site parking spaces.

SOURCE: Compiled by Applied Real Estate Analysis (AREA), Inc.



Building Sales Map

 North Park Village Apartments

 Building Sales

Building Sales

1. 6930 North Greenview Avenue
2. 2529 West Fitch Avenue
3. 5200 North Sheridan Road
4. 4546 North Damen Avenue
5. 2451 West Howard Street

NORTH



Applied Real Estate Analysis, Inc.

Direct Adjustments. A property that has excess land will typically command a higher price in the market due to the added value of that land and the development potential in the future. An adjustment may be required to account for any excess land that may have influenced the sale prices of the comparables, as compared to the subject property. An adjustment must be made to account for any outstanding liens, environmental remediation costs or other atypical outlays which are applicable to the comparables, as these costs have an impact on the buyer's perceived total capital outlay.

No adjustments were necessary for this factor as none of the comparables, nor the subject property, have excess land or characteristics which would require adjustment for this factor.

Time of Sale/Market Conditions Adjustment. Adjustments are necessary to account for inflationary forces in the market (time adjustment) and changes in supply/demand factors (market adjustment) that affect pricing levels. Inflation creates the need to apply an upward adjustment to pricing parameters to account for the long-term upward trend in product value. Changing market conditions reflect either an upward or downward adjustment, depending on investors' perceived economic outlook and the supply/demand relationship in the market. An adjustment is warranted to those comparables with transaction dates during times of market fluctuation to reflect changing market conditions and pricing levels.

Multifamily rental properties had shown increasing values in the years leading up to the 2007-2009 recession. While overall capitalization rates rose with the advent of the recession, capitalization rates have declined significantly during the recovery. Strong demand for apartment properties has increased prices being paid by investors. Upward adjustments for market conditions were applied to Apartment Building Sale Nos. 2, 3, and 4, which sold in 2015.

General Location/Market Area Adjustment. Property values are affected by various locational characteristics in the market. Proximity to major financial and governmental centers, major transportation arteries, service-related establishments, schools, shopping and numerous other factors influence the market value of properties. The comparables must be analyzed and adjusted to account for these locational factors.

Apartment Building Sale Nos. 1, 2 and 5 were adjusted upward accordingly for their inferior locations. Sale No. 3 has Lake Michigan views and Sale No. 4 is in the highly desirable Lincoln Square community area. Both were adjusted downward for these factors.

Building Age/Condition Adjustment. Purchasers are willing to pay higher prices for product that is superior with respect to age and condition. A holding that is in good condition reduces the need for any repair/renovation costs.

Apartment Building Sale Nos. 1, 3 and 4 are of early-20th century vintage construction, whereas Sale Nos. 1 and 5 are mid-20th century vintage. Sale Nos. 3, 4 and 5 were adjusted downward to reflect their superior condition relative to the subject property. Sale Nos. 1 and 2 did not merit an adjustment for this factor.

Functional Utility Adjustment. An adjustment may be required to account for the physical characteristics of a comparable property relative to those of the subject. The utility of a building will affect the rent/price paid, depending on layout, design, unit mix, views, building height, etc. As a result, an adjustment is required for properties which significantly differ from the subject with respect to these factors.

Apartment Building Sale No. 4 is a walk-up building and was adjusted upward for its lack of an elevator. Sale Nos. 1, 3, and 4 have smaller average size units and inferior unit mixes than the subject property, and were adjusted upward accordingly for this factor. Sale Nos. 2 and 5 have larger units and superior unit mixes and were therefore adjusted downward accordingly. All of the comparables were adjusted downward due to the lack of individual metering of electricity usage by residents at North Park Village Apartments.

Occupancy Status Adjustment. An adjustment is necessary to account for any differences in occupancy between the comparables and the subject property. Occupancy directly affects transaction prices, as prudent investors will account for the direct costs (and risks considered with regard to investment appeal) associated with the lease-up of a property. Direct lease-up costs for apartment holdings generally include lost rental income and can include leasing commissions, but usually do not include tenant improvement allowances. The applied adjustments are based on lost rental income and lease-up costs associated with the differences in occupancies between the comparables and the subject property.

Apartment Building Sale Nos. 1 and 5 were adjusted upward to reflect their lower occupancy rates than that which is forecasted for North Park Village Apartments as a market-rate property.

Unit/Project Amenities. Properties with amenities such as air conditioning, basements (for storage), balconies, patios, fireplaces, garages (i.e., on-site parking), etc. will generally command higher rents/prices. As a result, an adjustment may be warranted for properties which differ from the subject with respect to these amenities.

Apartment Building Sale Nos. 1 and 2 were adjusted upward due to their inferior window air conditioning units. Sale No. 5 merited a downward adjustment to reflect its balcony amenity.

Apartment Building Sale Nos. 1, 3, and 4 required upward adjustments due to their lack of on-site parking. Sale No. 5 merited a downward adjustment to reflect its superior garage parking.

An upward adjustment was applied to all of the sales to reflect the subject property's special amenities such as pull cords, grab bars, service coordination, security patrols, and access to the community room that serves the North Park Village enclave. The adjustment to Sale No. 3 was tempered by a downward adjustment to reflect its fitness room.

SALES COMPARISON APPROACH CONCLUSION

After applying the noted adjustments to the five comparable apartment building sales (see the **Building Sales Adjustment Grid** on the following page), the following ranges in value indicators on a price-per-apartment-unit basis are indicated:

	Unadjusted <u>Per-Dwelling Price</u>	Adjusted <u>Per-Dwelling Price</u>
Range	\$ 86,212 to \$146,032	\$87,175 to \$105,179
Average	\$106,892	\$95,712
Median	\$ 97,034	\$94,921
Midpoint	\$116,122	\$96,177

Not one of the comparables is significantly superior to the others for indicating the value of the subject property. Therefore, after considering the results of our analysis, and placing equal weight on all five comparables, we have estimated the unit value for the subject property indicated by the Sales Comparison Approach to be bracketed by the central tendency of the adjusted range, or \$95,000 per dwelling unit. Hence, the indicated value of the subject property by the Sales Comparison Approach is calculated as follows:

$$180 \text{ apartment units @ } \$95,000 \text{ per unit} = \mathbf{\$17,100,000}$$

Building Sales Adjustment Grid

Sale/ Offer No.	Rights Trans- ferred	Terms of Sale	Direct Costs	Time of Sale	Loca- tion	Building Age/ Condition	Func- tional Utility	Occu- pancy Status	Unit/ Project Ameni- ties	Total Net Adjust- ment	Unadjusted Unit Price	Adjusted Unit Price
1	0	0	0	0	+	-	-	+	+	22%	\$ 86,212	\$105,179
2	0	0	0	+	+	0	-	0	+	-0-	\$ 97,034	\$97,034
3	0	0	0	+	-	-	-	0	+	-10%	\$ 96,861	\$87,175
4	0	0	0	+	-	-	+	0	+	-13%	\$108,333	\$94,250
5	0	0	0	0	+	-	-	+	-	-35%	\$146,032	\$94,921

Key: + : Superior - : Inferior 0 : Similar

CHAPTER VII.

INCOME CAPITALIZATION APPROACH

DEFINITION AND DISCUSSION OF METHODOLOGY

The Income Capitalization Approach is defined in The Dictionary of Real Estate Appraisal, Fifth Edition (published by the Appraisal Institute, 2010) as:

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

Apartment properties such as the subject property are classified as income-producing real estate. Income-producing real estate is typically developed, owned, and operated with the objective of creating value by renting space to tenants who will pay rental rates high enough to cover all operating expenses, fixed expenses, and a profit on, as well as a return of, the original investment. Therefore, the value of income-producing real estate will typically be determined by the amount of net income the property can be expected to generate, and the rates of return for such investments. An analysis of the income-generating characteristics of the subject property and how they impact the net income available for providing a return on, and a return of, the original investment is typically considered paramount to potential buyers.

The process of estimating anticipated economic benefits from a particular property requires the estimation of potential income and expenses, as well as debt costs (if applicable), and the selection of the most appropriate capitalization method. The two most commonly utilized methods of processing net income into value are direct capitalization, where an overall rate is extracted directly from market sales in which the net income is known or can be closely approximated, and the discounted cash flow method, whereby anticipated future income streams and a reversionary value are discounted to a net present value estimate. In the valuation of the subject property, it is our opinion that the direct capitalization method is most appropriate because apartment holdings are commonly acquired on a direct capitalization basis and because the revenues and expenses forecasted for the subject facility are relatively stable.

North Park Village Apartments has operated as an age-restricted subsidized apartment property since it opened in 1982. As requested by our client, this valuation is based on the hypothetical assumption that the property is leased as a market-rate multifamily rental apartment property. Because of this important assumption, assuming market-rate rents, the current subsidized rents are not considered in our valuation.

Direct capitalization is a technique within the Income Capitalization Approach that involves estimating rental income, in this case based on our estimates of market rent for each apartment type. Reductions in rental revenue are estimated for vacancies and for collection losses. Miscellaneous income from sources other than rental revenue are considered.

These estimates and calculations result in an estimated effective gross income or revenue. Operating expenses are estimated on a category by category basis. Total estimated operating expenses are deducted from effective gross income, resulting in an estimate of net operating income. This result is converted into an estimate of the property's indicated value by direct capitalization at a market-derived overall capitalization rate. The selected capitalization rate is based on a review of reported overall rates from sales of properties that have a generally similar investment appeal.

Income and expenses are estimated based primarily on the following sources. An essential element of this analysis is the hypothetical assumption that the property is evaluated as if it were fully leased, at or near stabilized occupancy, at market-rate rents. Currently North Park Village Apartments is leased at subsidized rental rates that are substantially below market rent. Relative to estimating the expenses, we relied on the property's financial history for the years between 2012 and 2015, the reported results of a generally comparable property, and the Institute of Real Estate Management's (IREM) survey results for Chicago low-rise properties with more than 24 apartments. The comparable property selected for this analysis is smaller than North Park Village Apartments and located in a different neighborhood. It is a rent-subsidized property, with its tenancy restricted to elderly residents. Despite its differences in size and location, we believe it is useful for evaluating some of the significant expense categories.

INCOME ANALYSIS

Current Market Rent Estimate


We identified local properties proximate to North Park Village Apartments that we felt would present the most reliable indication of current achievable market rental rates, albeit we were unable to locate any comparable age-restricted properties other than congregate-care facilities that offer extensive amenities including meals and housekeeping services. The **Rent Comparability Grids** on the following pages outline the adjustments that were applied to each market rental comparable to derive an adjusted market rental rate for each of the three unit prototypes at North Park Village Apartments. The location of each comparable rental relative to North Park Village Apartments is cited on the accompanying **Rent Comparables Map**.

**Estimates of Market Rent
by Comparison**

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commission

OMB Approval No.2502-0029
(exp.09/30/2016)

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1. Unit Type	2. Subject Property (Address)	A. Comparable Property No. 1 (Address)		B. Comparable Property No. 2 (Address)		C. Comparable Property No. 3 (Address)		D. Comparable Property No. 4 (Address)		E. Comparable Property No. 5 (Address)			
Studio 1 Bath	North Park Village Apartments 5801 North Pulaski Road - Building H Chicago, IL 60646	4585 North Elston Avenue Chicago, IL 60630		3055 West Argyle Street Chicago, IL 60625		3121 West Foster Avenue Chicago, IL 60625		2510 West Thorndale Avenue Chicago, IL 60659					
Characteristics		Data	Data	Adjustment - +	Data	Adjustment - +	Data	Adjustment - +	Data	Adjustment - +	Data	Adjustment - +	
3. Effective Date of Rental	Jul-16	Sep-15			Sep-15		Nov-15		Asking		5		
4. Type of Project/Stories	E / 2 & 4	E / 5			WU/3	25	WU / 3	25	WU/3		35		
5. Floor of Unit in Building	all	1			High 1		High 1		2				
6. Project Occupancy %	100%	N/A			N/A		N/A		N/A				
7. Concessions	None	None			None		None		None				
8. Year Built / Renovated	1911-1961/1982	1920s			1920s/Updated K & B	-25	1920s/Updated K	-20	1930				
9. Sq. Ft. Area	517 (ave)	500 (est)			500 (est)		500		600 (est)				
10. Number of Bedrooms	0	0			0		0		0				
11. Number of Baths	1	1			1		1		1				
12. Number of Rooms	2	2			2		2		3	-10			
13. Balc./Terrace/Patio	No	No			No		No		No				
14. Garage or Carport	Lot	Street	50		Street	50	Street	50	Street	50			
15. Equipment a. AC	Central (elec. Incl.)	None	35		None	35	Sleeve	15	None	35			
b. Range/Oven	Yes	Yes			Yes		Yes		Yes				
c. Refrigerator	Yes	Yes			Yes		Yes		Yes				
d. Disposal	No	No			No		No		No				
e. Microwave	No	No			No		Yes	-5	No				
f. Dishwasher	No	No			No		No		No				
g. Washer/Dryer	In Building	In Building			In Building		In Building		In Building				
h. Carpet/Draperies	Carpet/Blinds	Carpet/Blinds			Carpet/Blinds		Carpet/Blinds		Carpet/Blinds				
i. Pool/Rec.area	Sit. Rm./Com. Rm.	No	10		No	10	No	10	No	10			
16. Services a. Heat/Type	Yes/Gas	No/Electric	22		Yes/ Radiators		Yes/Radiant		Yes/Radiators				
b. Cook/Type	No	No			No		No		No				
c. Electricity	Yes	No	32		No	32	No	32	No	32			
d. Water Cold/Hot	Yes	Yes			Yes		Yes		Yes				
17. Storage	Yes	N/A			Yes		Yes		Yes				
18. Project Location	Good	Fair	100		Average	25	Average	25	Average	25			
19a Other: Condition/Appeal	Average	Average			Average		Average		Average				
19b Other: Unit Features	Pull Cord/Grab Bars	None	30		None	30	Average	30	None	30			
19c Other: Project Features	Security/Serv. Coord.	None	50		None	50	None	50	None	50			
20 Unit Rent per Month		\$575			\$745		\$750		\$795				
21 Total Adjustment			\$329			\$232		\$212		\$262			
22 Indicated Rent		\$904			\$977		\$962		\$1,057				
23 Correlated Subject Rent	\$975	If there are any remarks, check here & add to the back of page.											
Note: In the adjustments column, enter dollar amounts by which the subject property varies from comparable properties. If the subject is better, enter a "Plus" amount and if the subject is inferior to the comparable, enter a "Minus" amount. Use back page to explain adjustments as needed.				Appraiser Signature  A. Andy Prodanovic, MAI			Date (mm/dd/yyyy) 7/20/2016		Reviewer's Signature			Date (mm/dd/yyyy) 7/20/2016	

Previous editions are obsolete

Conclusion PSF = \$1.95

A. Andy Prodanovic, MAI IL #553.000250 form HUD-92273 (07/2003)

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1. Unit Type	2. Subject Property (Address)	A. Comparable Property No. 1 (Address)		B. Comparable Property No. 2 (Address)		C. Comparable Property No. 3 (Address)		D. Comparable Property No. 4 (Address)		E. Comparable Property No. 5 (Address)	
1 Bedroom 1 Bath	North Park Village Apartments 5801 North Pulaski Road - Building H Chicago, IL 60646	6040 North Troy Street Chicago, IL 60659		5335 North California Avenue Chicago, IL 60625		4206 North Pulaski Road Chicago, IL 60641		4843 North Albany Avenue Chicago, IL 60625		4425 North Lawndale Avenue Chicago, IL 60625	
Characteristics	Data	Data	Adjustment - +	Data	Adjustment - +	Data	Adjustment - +	Data	Adjustment - +	Data	Adjustment - +
3. Effective Date of Rental	Jul-16	Apr-16		May-16		Dec-15		May-16		May-16	
4. Type of Project/Stories	E / 2, 3, & 4	E / 5		E / 4		WU / 3	35	WU / 3	35	WU / 3	35
5. Floor of Unit in Building	all	1		2		2		2		High First	
6. Project Occupancy %	100%	N/A		N/A		N/A		N/A		N/A	
7. Concessions	None	None		None		None		None		None	
8. Year Built / Renovated	1911-1961/1982	1971		1956/Recent	-50	1920/Recent	-50	1918/Partial	-25	1930	
9. Sq. Ft. Area	715 (ave)	750		750		850	-40	800		600	40
10. Number of Bedrooms	1	1		1		1		1		1	
11. Number of Baths	1	1		1		1		1		1	
12. Number of Rooms	3	3		3		4	-10	4	-10	3	
13. Balc./Terrace/Patio	No	No		No		No		No		Yes	-10
14. Garage or Carport	Lot	Covered	-20	Street	50	Street	50	Street	50	No	50
15. Equipment a. AC	Central (elec. incl.)	Sleeve	20	None	40	Sleeve	20	None	40	None	40
b. Range/Oven	Yes	Yes		Yes		Yes		Yes		Yes	
c. Refrigerator	Yes	Yes		Yes		Yes		Yes		Yes	
d. Disposal	No	No		No		No		No		No	
e. Microwave	No	No		No		Yes	-5	No		No	
f. Dishwasher	No	No		No		No		No		No	
g. Washer/Dryer	In Building	In Building		In Building		In Building		In Building		In Building	
h. Carpet/Drapes	Carpet/Blinds	Carpet/Blinds		Carpet/Blinds		Carpet/Blinds		Carpet/Blinds		Hardwood?Blinds	-10
i. Pool/Rec.area	Sit. Rm./Com. Rm.	No	10	No	10	No	10	No	10	No	10
16. Services a. Heat/Type	Yes/Gas	Yes/Gas		Yes/Gas		No/Gas	54	Yes/Gas		No/Gas	54
b. Cook/Type	No	No		No		No		No		No	
c. Electricity	Yes	No	40	No	40	No	40	No	40	No	40
d. Water Cold/Hot	Yes	Yes		Yes		Yes		Yes		Yes	
17. Storage	Yes	N/A		Yes		Yes		Yes		Yes	
18. Project Location	Good	Average	25	Average	25	Average	25	Average	25	Average	25
19a Other: Condition/Appeal	Average	Average		Average		Average		Average		Average	
19b Other: Unit Features	Pull Cord/Grab Bars	None	30	None	30	None	30	None	30	None	30
19c Other: Project Features	Security/Serv. Coord.	None	50	None	50	None	50	None	50	None	50
20 Unit Rent per Month		\$800		\$1,000		\$950		\$900		\$900	
21 Total Adjustment			\$155		\$195		\$209		\$245		\$354
22 Indicated Rent		\$955		\$1,195		\$1,159		\$1,145		\$1,254	
23 Correlated Subject Rent	\$1,150	If there are any remarks, check here & add to the back of page.									
Note: In the adjustments column, enter dollar amounts by which the subject property varies from comparable properties. If the subject is better, enter a "Plus" amount and if the subject is inferior to the comparable, enter a "Minus" amount. Use back page to explain adjustments as needed.				Appraiser Signature <i>A. Andy Prodanovic</i> A. Andy Prodanovic, MAI		Date (mm/dd/yyyy) 7/20/2016		Reviewer's Signature		Date (mm/dd/yyyy)	

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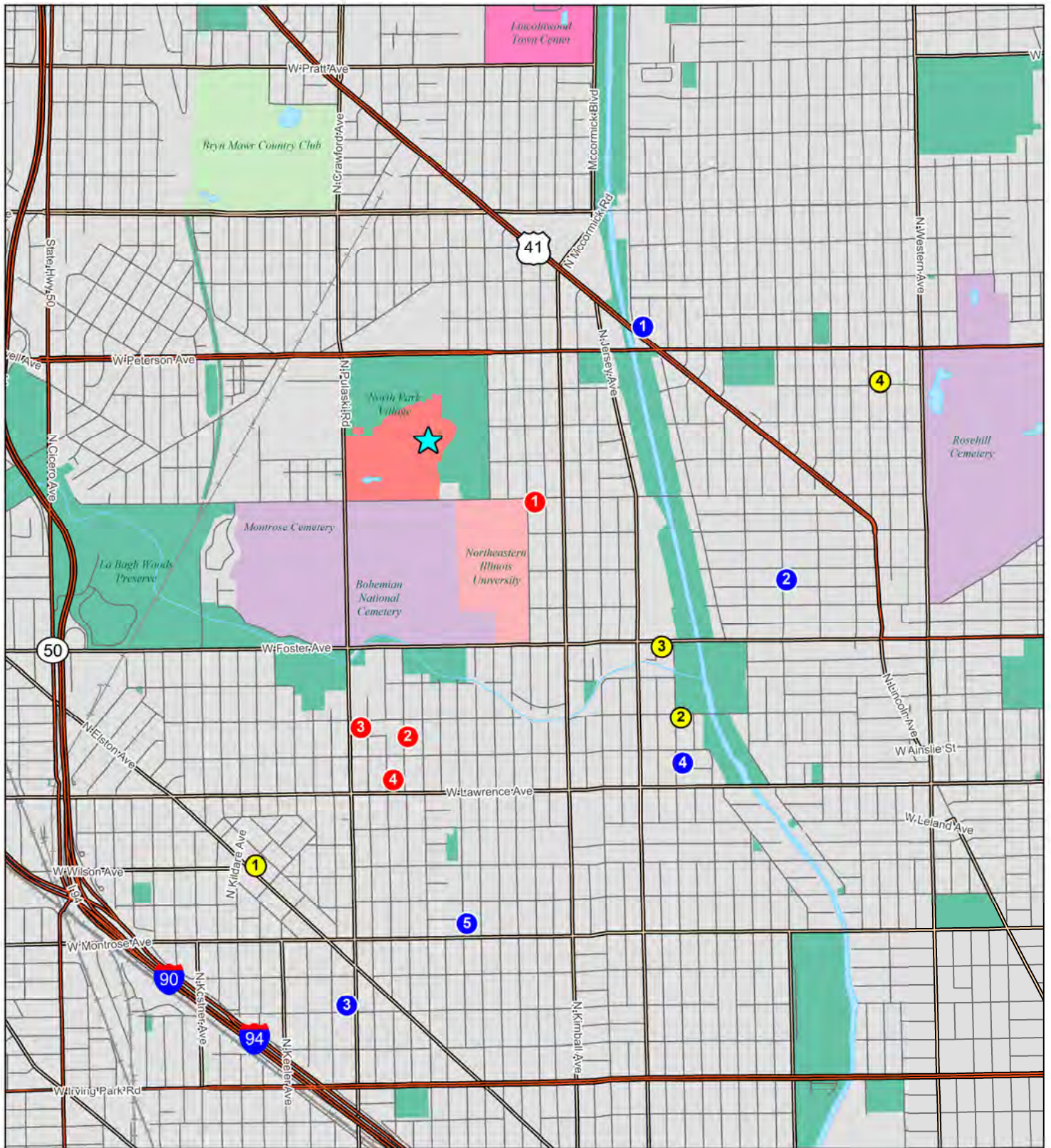
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2 Bedroom 1 Bath	North Park Village Apartments 5801 North Pulaski Road - Building H Chicago, IL 60646	3453 West Bryn Mawr Avenue Chicago, IL 60659		4931 N. Avers Chicago, IL 60625		4944 North Harding Avenue Chicago, IL, 60625		4821 North Springfield Avenue Chicago, IL 60625					
Characteristics		Data		Data		Data		Data		Data			
		Adjustment		Adjustment		Adjustment		Adjustment		Adjustment			
		-		+		-		+		-		+	
3. Effective Date of Rental	Jun-16	May-16		May-16		Mar-16		Asking					
4. Type of Project/Stories	E/2,3,4	WU / 3	35	WU / 2		WU / 3	35	WU/3		25			
5. Floor of Unit in Building	All	2		1		3		High 1					
6. Project Occupancy %	100%	N/A		N/A		N/A		N/A					
7. Concessions	None	None		None		None		None					
8. Year Built / Renovated	1911-1961/1982	1979/Recent	-50	1920's/Recent	-50	1927/Recent	-50	1925/Recent	-50				
9. Sq. Ft. Area	1091 (Ave)	1,000		872	100	839	50	1,000	-50				
10. Number of Bedrooms	2	2		2		2		2					
11. Number of Baths	1	1		1		1		1					
12. Number of Rooms	5	5		4.5	10	4.5	10	4.5	10				
13. Balc./Terrace/Patio	No	5		No		No		No					
14. Garage or Carport	Lot	Lot		Street	50	Street	50	Street	50				
15. Equipment a. AC	Central (elec. Incl.)	Sleeve	25	Central	15	Central	15	Sleeve	25				
b. Range/Oven	Yes	Yes		Yes		Yes		Yes					
c. Refrigerator	Yes	Yes		Yes		Yes		Yes					
d. Disposal	No	No		No		No		No					
e. Microwave	No	No		Yes	-5	No		No					
f. Dishwasher	No	Yes	-10	Yes	-10	No		Yes	-10				
g. Washer/Dryer	In Building	In Building		In Building		In Unit	-25	In Building					
h. Carpet/Draperes	Carpet/Blinds	Hardwood/Blinds	-10	Carpet		Carpet/Blinds		Carpet/Blinds					
i. Pool/Rec.area	Sit. Rm./Com. Rm.	No	10	No	10	No	10	No	10				
16. Services a. Heat/Type	Yes/Gas	Yes/BB		No/Gas	57	No/Gas	57	Yes/Gas					
b. Cook/Type	No	No		No		No		No					
c. Electricity	Yes	No	49	No	49	No	49	No	49				
d. Water Cold/Hot	Yes	Yes		Yes	10	Yes		Yes					
17. Storage	Yes	Yes		No		Yes		Yes					
18 Project Location	Good	Average	25	Average	25	Average	25	Average	25				
19a Other: Condition/Appeal	Average	Average		Average		Average		Average					
19b Other: Unit Features	Pull Cord/Grab Bars	None	30	None	30	None	30	None	30				
19c Other: Project Features	Security/Serv. Coord.	None	50	None	50	None	50	None	50				
20 Unit Rent per Month		\$1,240		\$1,125		\$1,050		\$1,100					
21 Total Adjustment			\$154		\$341		\$306		\$214				
22 Indicated Rent		\$1,394		\$1,466		\$1,356		\$1,314					
23 Correlated Subject Rent	\$1,375	If there are any remarks, check here & add to the back of page.											
Note: In the adjustments column, enter dollar amounts by which the subject property varies from comparable properties. If the subject is better, enter a "Plus" amount and if the subject is inferior to the comparable, enter a "Minus" amount. Use back page to explain adjustments as needed.				Appraiser Signature A. Andy Prodanovic, MAI				Date (mm/dd/yyyy) 7/20/2016		Reviewer's Signature		Date (mm/dd/yyyy)	

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A. Andy Prodanovic, MAI IL #553.000250 form HUD-92273 (07/2003)



Rental Comparables Map

-  North Park Village Apartments
-  Studio Comparables
-  One-Bedroom Comparables
-  Two-Bedroom Comparables

Studio Comps

1. 4585 North Elston Avenue
2. 3055 West Argyle Street
3. 3121 West Foster Avenue
4. 2510 West Thorndale Avenue

One-Bedroom Comps

1. 6040 North Troy Street
2. 5335 North California Avenue
3. 4206 North Pulaski Road

4. 4843 North Albany Avenue
5. 4425 North Lawndale Avenue

Two-Bedroom Comps

1. 3453 West Bryn Mawr Avenue
2. 4931 North Avers Avenue
3. 4944 North Harding Avenue
4. 4821 North Springfield Avenue



By adjusting the rents using the rent comparability grids, we were able to account for any variations between the subject property and the comparables. The adjustment grids outline the adjustments that were applied to each market rental comparable to derive an adjusted market rental rate for the three primary unit prototypes at North Park Village Apartments. Please note that the adjustments that were applied to each comparable represents our best judgment based on all available market data. These adjustments can be very subjective and provide only “directional” assistance to help the reader understand our logic in selecting a market rental value indication for the unit prototypes at North Park Village Apartments. After considering adjustments for unit size, unit and project amenities, and other characteristics, the adjusted rents have the following statistical characteristics:

<u>Unit Type</u>	<u>Range</u>	<u>Average</u>	<u>Median</u>	<u>Midpoint</u>
Studio	\$ 904 - \$1,057	\$975	\$970	\$981
One Bedroom	\$ 955 - \$1,254	\$1,142	\$1,159	\$1,105
Two Bedroom	\$1,314 - \$1,466	\$1,383	\$1,375	\$1,390

After considering the aforementioned factors, we concluded with the following monthly market rents for the units at North Park Village Apartments, which are generally bracketed by the central tendency of the adjusted comparable rents:

<u>Unit Type</u>	<u>Market Rent</u>
Studio	\$ 975
One Bedroom	\$1,150
Two Bedroom	\$1,375

Potential Gross Apartment Base Rental Income

The potential gross apartment rental income, based on the hypothetical condition as though the subject property is leased at market-level rents as of the date of valuation, is estimated as follows:

<u>Unit Type</u>	<u>No. of Units</u>	<u>Estimated Market Rent</u>	<u>Potential Monthly Income</u>	<u>Potential Annual Income</u>
Studio	32	\$ 975	\$ 31,200	\$ 374,400
One Bedroom	142	1,150	163,300	1,959,600
Two Bedroom	6	1,375	8,250	99,000
Total/Average	180	\$1,126	\$202,750	\$2,433,000

Vacancy and Collection Loss Analysis

The investor is primarily interested in the cash revenues that an income property is likely to produce annually over a specified period of time rather than what it could produce if it were always 100% occupied and all of the residents were actually paying their rents in full

and on time. It is normally a prudent practice to expect some income loss, either in the form of actual vacancy or in the form of turnover, nonpayment, or slow payment of rent by residents. The current occupancy of North Park Village Apartments is 100% as an income-restricted holding. The future vacancy as a market-rate property will be a function of the strength of the market, the aggressiveness of on-site management, the size and amenities of the units, and the property's location and general characteristics. A market-standard stabilized vacancy and collection allowance factor of 5% is deemed to be appropriate for the subject property under this hypothetical scenario.

Other Revenue

There are no significant sources of rental revenue for North Park Village Apartments other than the apartment rents. On-site surface parking is provided at no additional cost to the tenants. There is no retail or office space at this property that produces rental income. We are aware of no miscellaneous sources of rental revenue such as party room rentals or short-term (non-lease) rentals. The "tenant assistance payments" listed in the property's financial history for 2012 and 2013 are rent subsidies that are excluded from this analysis because we are valuing the property at market rental rates, with no rental subsidies. Nor are financial revenues derived from interest and dividends earned on financial investments included in the forecast of net operating income that is capitalized into a value indication. Hence, estimated revenue from non-rental sources is relegated to such sources as vending machines, laundry equipment, late fees, credit report charges, and bad check fees. Hence, miscellaneous revenue is estimated based on 1% of the property estimated gross potential rental revenue.

Effective Gross Income

Based on the above analysis, we have estimated the effective gross income (EGI) for the forecasted 12-month period commencing July 1, 2016 as follows:

Potential Gross Apartment Rental Income	\$2,433,000
Less: Vacancy and Credit Loss Allowance (5%)	<u>(121,650)</u>
Effective Gross Income from Apartments	\$2,311,350
Plus: Other Income	<u>24,330</u>
Effective Gross Income (EGI)	\$2,335,680

EXPENSE ANALYSIS

The expense analysis was based on a review of the operating statements for North Park Village Apartments for 2012 through 2015, expense data from a comparable age- and income-restricted, federally-assisted property and survey results from the 2015 edition of the Institute of Real Estate Management's (IREM's) Income/Expense Analysis Report for conventional low-rise apartment buildings containing over 24 units that are located in the Chicagoland area. This data as well as AREA's estimates of income and expense are summarized in the table on the following page.

NORTH PARK VILLAGE APARTMENTS ESTIMATED & HISTORIC INCOME AND EXPENSES									
	North Park Village Reported Results				Comparable Per Unit	IREM Per Unit	AREA'S ESTIMATE		
	2012	2013	2014	2015			Per Unit	Per Unit	Total
Number of apartments	180				84	1,397	180		
Average size (sq. ft.)	693				480	903	693		
Built/renovated	1979				2004	5 properties	1979		
POTENTIAL REVENUE									
Apartment rental revenue	\$ 837,563	\$ 838,510	\$ 895,643	\$ 829,054	\$ 5,953	\$ 12,546	\$ 13,517	\$ 2,433,000	
Tenant assistance payments	14,025	13,032	0	0	857				
Misc. rent/other receipts	30,279	50,500	32,782	67,855	12				
Parking & retail rents						342			
TOTAL POTENTIAL RENT	\$ 881,867	\$ 902,042	\$ 928,425	\$ 896,909	\$ 6,822	\$ 12,869	\$ 13,517	\$ 2,433,000	
Vacancy	350	498				799	608	109,485	
Collection losses	0	13			161		68	12,165	
NET RENTAL REVENUE	\$ 881,517	\$ 901,531	\$ 928,425	\$ 896,909	\$ 6,661	\$ 11,948	\$ 12,841	\$ 2,311,350	
OTHER REVENUE									
Miscellaneous revenue	1,802	3,293			54	1,279	135	24,330	
EFFECTIVE GROSS INCOME	\$ 883,319	\$ 904,824	\$ 928,425	\$ 896,909	\$ 6,715	\$ 13,227	\$ 12,976	\$ 2,335,680	
EXPENSES									
Management fees	\$ 71,280	\$ 81,000	\$ 81,000	\$ 82,151	\$ 500	\$ 664	\$ 519	\$ 93,427	
General administrative	42,156	47,201	46,110	51,673	576	568	289	52,000	
Administrative salaries	98,809	103,188					400	72,000	
Advertising & marketing	472	242					65	11,678	
Electricity	145,558	172,549	159,459	159,519	834	388	917	165,000	
Natural gas			132,509	63,398	464	431	583	105,000	
Water & sewer charges					435	502	500	90,000	
HVAC maintenance & repairs	4,851	11,309						Included below	
Supplies	28,445	42,153			303	145	167	30,000	
Scavenger service	15,552	16,821			48		100	18,000	
Security payroll/contract	92,598	98,951						Included below	
Contracts	28,073	4,764						Included below	
Operating & maintenance			190,598	176,106	1,312	1,083	972	175,000	
Operations payroll	191,826	197,411					833	150,000	
Combined salaries & payroll			296,939	303,668	1,793	1,255		on two lines	
Payroll taxes & benefits	104,042	116,715	123,572	121,721	above	above	372	67,000	
Real estate taxes	0	0	0	0	402	1,923	850	153,000	
Property insurance	9,629	4,781	14,417	14,815	237	194	194	35,000	
Social services staffing			27,759	27,733			167	30,000	
TOTAL EXPENSES	\$ 833,291	\$ 897,085	\$ 1,072,363	\$ 1,000,784	\$ 6,904	\$ 7,153	\$ 6,928	\$ 1,247,105	
Expense ratio	0.94	0.99	1.16	1.12	1.03	0.54	0.53	0.53	
NET OPERATING INCOME	\$ 50,028	\$ 7,739	\$ (143,938)	\$ (103,875)	\$ (189)	\$ 6,074	\$ 6,048	\$ 1,088,575	

The basis for our expense estimates is as follows. Management fees are estimated at 4% of collected revenue, or \$93,427. This percentage is competitive with other large apartment properties on Chicago's North Side. General administrative costs are estimated at \$52,000 based on the historical amounts at North Park Village Apartments. Administrative salaries are estimated at roughly one-third of IREM's combined salaries and payroll line item, or \$72,000. Advertising and marketing is estimated at one-half of one percent of effective gross income, or \$11,678.

Electricity cost is based on the property's history, and estimated at \$165,000. We have only two years' history of costs for natural gas. The 2014 expense was over twice the 2015 expense. We averaged these two numbers, and rounded upward to an estimate of \$105,000. Water and sewer charges are based on the IREM survey at \$500 per apartment, or \$90,000 overall.

HVAC maintenance and repair costs are included in the operating & maintenance line item directly below. The cost of supplies is based on the 2012 and 2013 property results and on the IREM survey. Our estimate for supplies is \$30,000. Scavenger service is based on the property's average costs in 2014 and 2015, rounded upward to \$18,000. The security payroll contract and the contracts line items are folded into the operating & maintenance and operations payroll categories.

Operating & maintenance is obviously a broad category of expenses. Our estimate relies on the IREM average adjusted downward for the separate entry for scavenger service; and we also give some weight to the property's reported costs in 2014 and 2015. Our estimate is \$175,000 or \$972 per apartment.

Operations payroll is estimated at roughly two-thirds of the IREM average for operations payroll, or \$150,000. Payroll taxes & benefits are calculated at 30% of the combined payroll categories and administrative salaries and operations payroll. This calculation is \$72,000 plus \$150,000 times 30% equals \$67,000.

Real estate taxes are obviously a major expense item. The table below lists the properties that we considered in estimating taxes for North Park Village Apartments. The number of units and rentable areas shown below are from CoStar sales profiles; assessments are before the State Equalization Factor is applied.

Property Address	No of Floors / Age	Number of Units / NRA	2015 Assessed Value	2015 AV Per Unit / Per SF NRA	2015 Taxes	2015 Taxes Per Unit / Per SF	2014 AV
6945 N. Ashland	3 & EB / 87	50 / 46,000 plus 6 retail	\$188,374	\$3,767 / \$4.10	\$37,565	\$751 / \$0.82	\$203,352
4546 N. Damen	4 / 84	66 / 28,280 (all studio)	\$236,242	\$3,579 / \$8.35	\$43,290	\$656 / \$1.53	\$191,864
2420 N. Kedzie	4 / 86	52 / 30,000	\$220,280	\$4,236 / \$7.34	\$40,365	\$776 / \$1.35	\$193,358
2451 W. Howard	5 / 50	63 / 90,000	\$406,029	\$6,445 / \$4.51	\$74,403	\$1,181 / \$0.83	\$406,029
2529 W. Fitch	5 / 60	59 / 79,655	\$200,861	\$3,404 / \$2.52	\$36,807	\$624 / \$0.46	\$182,404
6930 N. Greenview	7 / 83	66 / 48,000 plus 1 st Fl Retail	\$233,239	\$3,534 / \$4.86	\$46,510	\$705 / \$0.97	\$213,052

We conclude that the real estate taxes for North Park Village Apartments would be moderately greater than the \$776 per unit at 2420 North Kedzie Boulevard, but substantially less than the \$1,181 per unit at 2451 West Howard Street. Accordingly, real estate taxes for the subject property, as a market-rate property is estimated at \$850 per apartment, or \$153,000.

The estimate for property insurance relies on the IREM survey average of \$194 per apartment, or \$35,000 as rounded.

Because this is an age-restricted property, whether it is subsidized with affordable rents or alternatively operated as a market-rate investment property, we believe it is appropriate to provide some staff support at the facility for social services for the senior residents. We estimate the expense to provide these services based on the property's reported expense in 2014 and 2015, of \$27,759 and \$27,733. Our estimate rounds these numbers upward slightly to \$30,000.

As a market-rate property, total fixed and variable expenses for North Park Village Apartments are estimated to total \$6,928 per dwelling unit on a stabilized basis, \$6,078 if real estate taxes are excluded. This equates to \$10.00 per square foot of net rentable area (NRA); \$8.77 if real estate taxes are excluded. The 2015 IREM report indicates a median operating cost of \$6,171 per unit, or \$6.70 per square foot of NRA; \$4,248 if real estate taxes are excluded, or \$4.61 per square foot of NRA. Chicago elevator buildings from the IREM study reported a median expense level of \$6,447, \$5,011 if real estate taxes are excluded (\$8.62 and \$6.87 per square foot of NRA, respectively). The 2015 IREM study indicated a median operating expense ratio of 44.3% for low-rise buildings with more than 24 units and 36.3% for elevator buildings; our forecast indicates a 53% ratio for North Park Village Apartments.

REPLACEMENT RESERVES

In order to ensure a good maintenance level at North Park Village Apartments, it will be necessary to make periodic expenditures for capital replacements (i.e., for short-lived building components, along with personal property such as appliances). We recognize that these expenditures can fluctuate from year to year, depending on the amount of work required. Reserves for capital replacements are typically set at a rate equivalent to 1.0% to 3.0% of forecasted future revenues, or from \$150 to \$400 per rental unit. We have elected to use a replacement reserve amount of \$350 per dwelling unit, or \$63,000 in our forecast.

NET OPERATING INCOME

Based on the above analysis, net operating income available for debt service that is estimated by deducting the total operating expenses and allowance for replacement reserves from the effective gross income is forecast as follows:

Effective gross income	\$2,335,680
Less: Operating Expenses	1,247,105
Less: Replacement Reserves	<u>63,000</u>
Net operating income	\$1,025,575

SELECTION OF AN OVERALL CAPITALIZATION RATE

The selection of the appropriate overall capitalization rate (OAR) must consider current interest rates on other types of long-term investments, investor yield expectations, the physical, locational, and financial attributes of the property, and the comparative risk involved in the investment. The subject property represents an early 20th century complex that was renovated and retrofitted for apartment use over 30 years ago, it is of above average quality construction, and is in good to fair condition. As a federally-subsidized project, North Park Village Apartments has generally enjoyed occupancies near 100%, and is located in a very desirable part of the city.

Capitalization rates were derived from recent sale transactions of apartment holdings from various sectors in the city. The 10 recent sales indicate overall capitalization rates that ranged between 4.75% and 7.00%, with a mean of 6.09% and a median of 6.27%. Details on the sales are summarized in the table below (further details have been retained in our files). Hence, we conclude that a capitalization rate of 6.25% is appropriate for North Park Village Apartments, under this hypothetical “as market-rate” scenario, due to its desirable location and setting, age, lack of recent updating of the apartments, and the potential for needed repairs and replacements that may be precipitated by assessments made by civil and structural engineers and roofing and plumbing contractors following the recommendation in EBI Consulting’s PCNA report.

COMPARABLE APARTMENT BUILDING SALES Chicago, Illinois

Sale No.	Address	Sale Date	Number of Units	Sale Price	Overall Cap Rate
1	6930 North Greenview Chicago, IL 60625	Jan-16	66	\$5,690,000	6.40%
2	5200 North Sheridan Road Chicago, IL 60640	Nov-15	223	\$21,600,000	5.50%
3	2451 West Howard Street Chicago, IL 60625	Jun-15	63	\$9,200,000	6.27%
4	915 West Wilson Avenue Chicago, IL 60640	Jul-15	197	\$7,700,000	7.00%
5	730 South Clark Street Chicago, IL 60605	Jun-15	298	\$126,000,000	4.75%
7	2420 North Kedzie Boulevard Chicago, IL 60647	May-14	52	\$5,650,000	6.15%
8	2300 South Michigan Avenue Chicago, IL 60616	May-14	94	\$25,200,000	5.13%
9	3912-3928 North Pine Grove Avenue Chicago, IL 60613	Jan-14	56	\$9,700,000	6.83%
10	1545-1559 South State Street Chicago, IL 60605	Oct-15	81	\$20,250,000	6.75%

SOURCE: Compiled by Applied Real Estate Analysis (AREA), Inc.

INCOME CAPITALIZATION APPROACH – “AS MARKET-RATE” – CONCLUSION

The projected net operating income (NOI) resulting from income and expense assumptions discussed earlier are processed into an indication of market value for the property for the hypothetical “as market-rate” valuation scenario. The forecasted stabilized NOI of \$1,025,575 after reserves, capitalized at a market-based overall rate of 6.25%, results in a value indication of \$16,409,200, that is rounded to **\$16,400,000**. The value indication is equivalent to \$91,111 per dwelling unit and a 6.74 gross income multiplier.

CHAPTER VIII.

RECONCILIATION AND FINAL ESTIMATE OF VALUE

Reconciliation involves the correlation of the conclusions reached from the various valuation methodologies, considering the property type involved and the requirements of the appraisal assignment. This process depends on the recognition of the appropriateness and reliability of each approach and the quality and viability of the data obtained. The three approaches to value indicate the following values for the property:

Cost Approach	Not applied
Sales Comparison Approach	\$17,100,000
Income Capitalization Approach	\$16,400,000

The **Cost Approach** estimates the value of the subject property based on the principle of substitution, whereby a buyer is not expected to pay more for the subject property than it would cost to acquire a comparable site providing the same utility as the subject site and replacing the buildings with functionally equivalent structures. The replacement cost new of the structures is then reduced to reflect the impact on utility of items such as physical deterioration and functional and economic obsolescence. The Cost Approach was not applied recognizing that the original construction of these buildings dates back to the early 20th century and they were not originally designed for apartment rental use. The difficulty in accurately estimating depreciation and obsolescence of structures that are that old, severely limits the reliability of the value indication that would be provided by the Cost Approach.

The **Sales Comparison Approach** is often considered to be a good indicator of value, since it reflects the price paid in the marketplace for comparable properties. The sales transactions of buildings utilized in this report from Chicago's North Side represent the best comparables that were available for this analysis. Adequate transaction information was available on these comparables and appropriate adjustments were applied.

Primary reliance in the valuation of investment-grade real estate like the subject property is typically placed on the **Income Capitalization Approach**, which focuses on investors' primary concerns about the property's potential for income generation. This approach is particularly relevant when well-supported revenue and expense data are available and the overall capitalization rate is market-derived.

Given the preceding discussion, it is our conclusion that the market value of the fee simple interest in North Park Village Apartments, based on the hypothetical condition if the subject property was leased at market-level rents and operating expenses were commensurate with conventional market-rate housing, as of July 1, 2016, was:

**SIXTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS
(\$16,500,000)**

It is important to note that the 2015 PCNA report prepared by EBI Consulting identified the need for: a civil engineer to assess the issue concerning improper drainage around the buildings and water infiltration into the basements; a structural engineer to assess moisture infiltration in the basement at the 3000 Building and the widening expansion joint at the 4000 Building; an assessment of the roof leaks; and, an evaluation of the galvanized water pipe network. These assessments may determine that significant repairs and replacements are needed that could have a negative impact on the value of the property.

EXPOSURE TIME

The Appraisal Standards Board (ASB) has defined exposure time as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Based on a three to six month offering period, and an additional three month period for due diligence and to secure financing, a six to nine month period for the exposure period for the subject property seems reasonable.

CHAPTER IX.

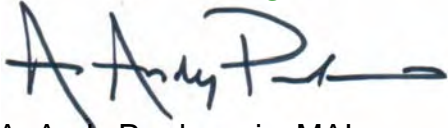
CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The analysis, opinions, and conclusions were developed and this report has been prepared in conformity with the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice* adopted by the Appraisal Standards Board of the Appraisal Foundation.
- AREA Director of Valuation, A. Andy Prodanovic, MAI toured the grounds, building exteriors, representative apartment units and common areas at the subject property on May 20, 2016.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- Elizabeth Halemba toured the grounds, representative apartment units, building support areas and common areas and provided assistance with the collection of building sales data and the production of the report. Thomas Rodgers, SRA, MAI and Ronald Becker, MAI provided assistance with compiling and analyzing market rental data, the forecast of income and expenses and the production of the report.
- AREA has performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- The undersigned has the basic knowledge and experience to properly identify the appraisal problem to be addressed and have taken all steps necessary and appropriate to complete the assignment competently.
- As of the date of this report, A. Andy Prodanovic, MAI has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.

APPLIED REAL ESTATE ANALYSIS, INC.



A. Andy Prodanovic, MAI
Director of Valuation Services
CERTIFIED GENERAL REAL ESTATE APPRAISER
ILLINOIS LICENSE No. 553.000250; EXPIRES SEPTEMBER 30, 2017

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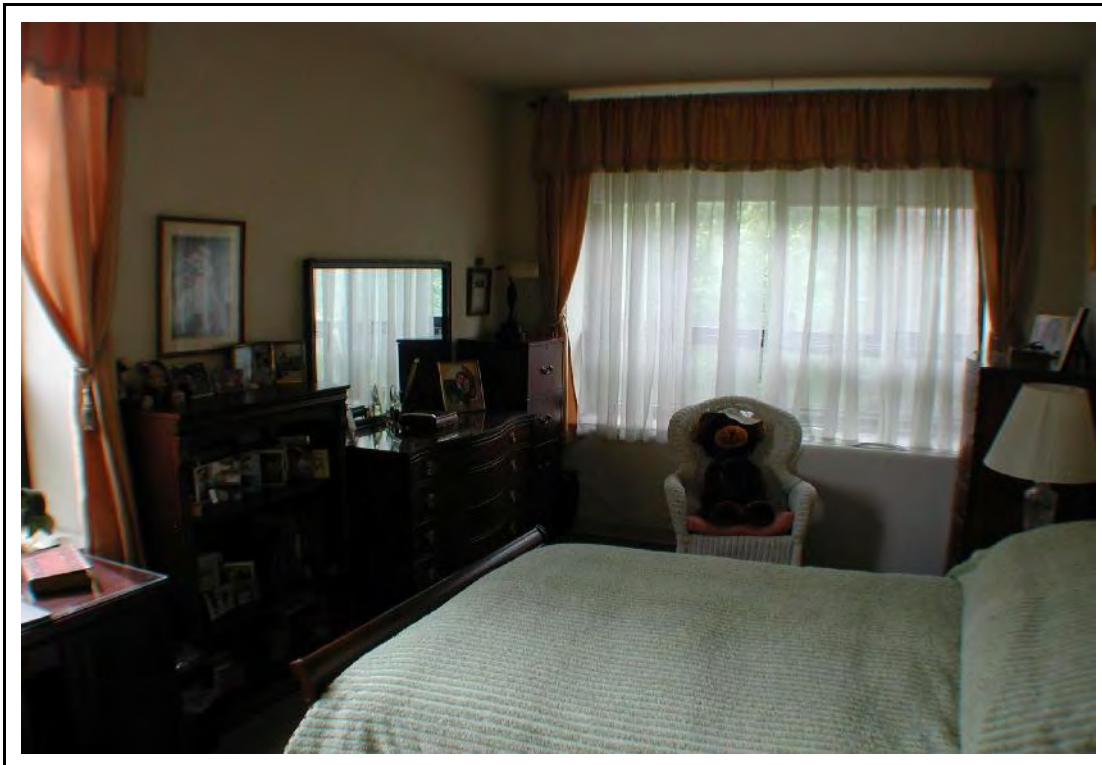
APPENDIX

**ADDITIONAL SUBJECT PROPERTY
PHOTOGRAPHS**

SUBJECT PROPERTY PHOTOGRAPHS



View of typical living room at North Park Village Apartments.

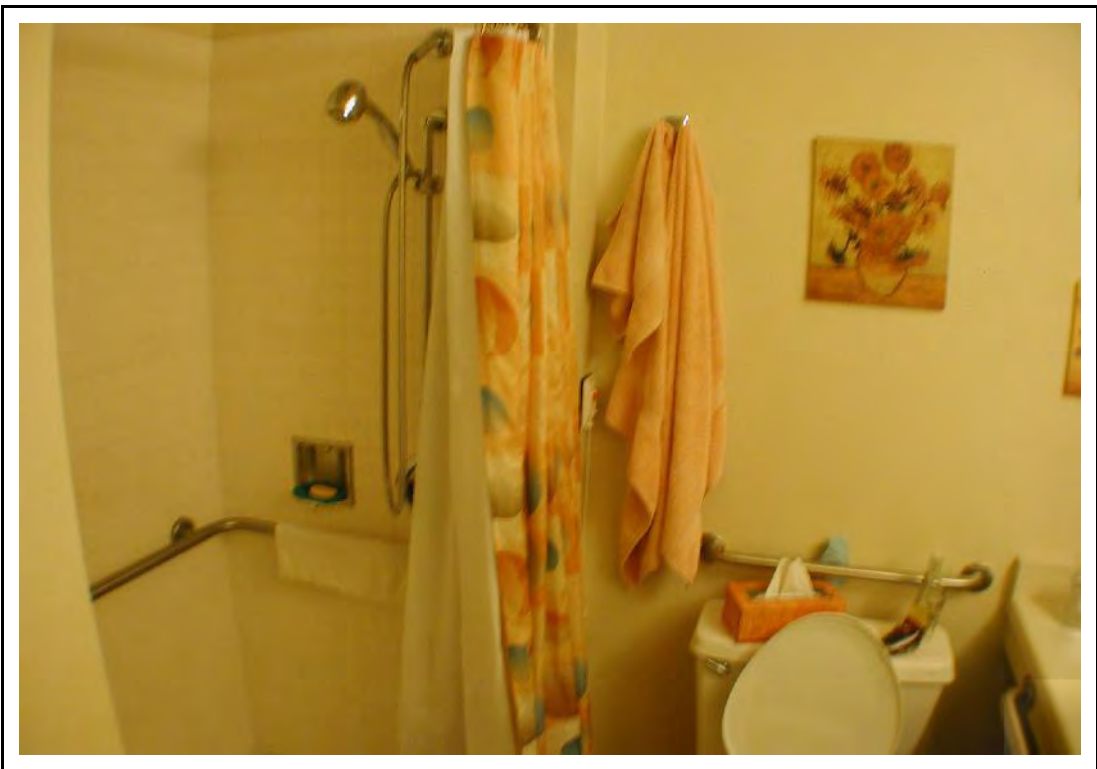


View of typical bedroom at North Park Village Apartments.

SUBJECT PROPERTY PHOTOGRAPHS



View of typical kitchen at North Park Village Apartments.

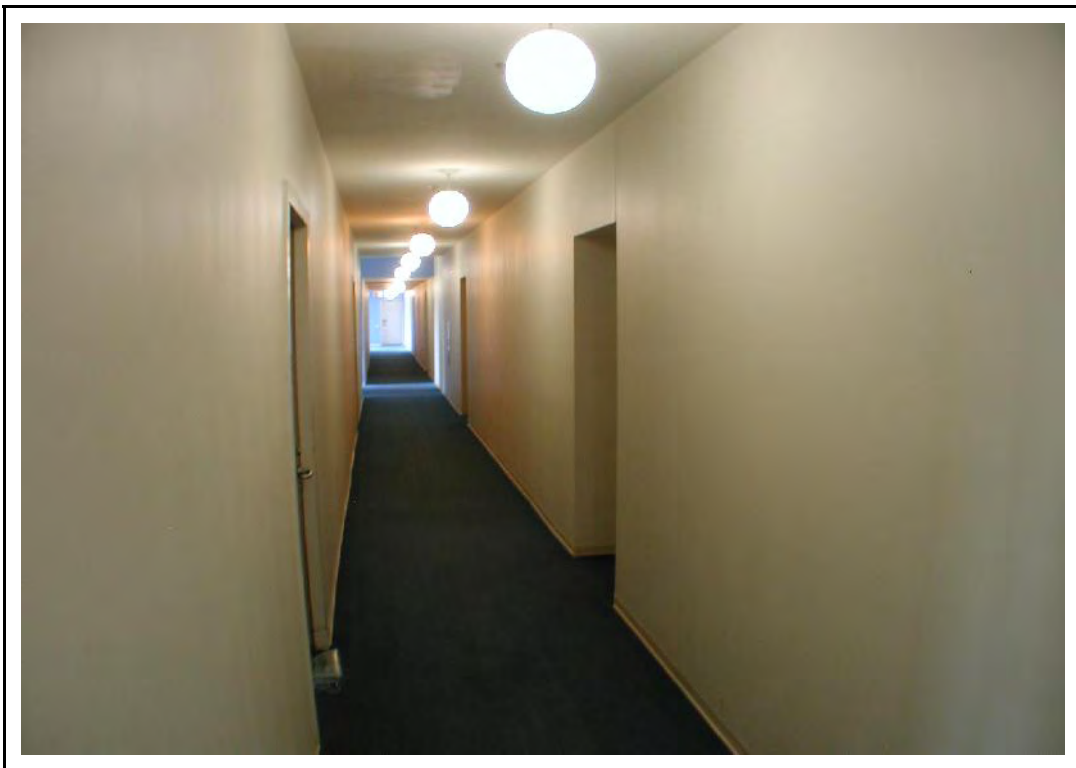


View of typical bathroom at North Park Village Apartments.

SUBJECT PROPERTY PHOTOGRAPHS



View of sitting area off main entrance lobby.



View of typical corridor.

SUBJECT PROPERTY PHOTOGRAPHS



View of typical laundry room.



View of community room located on North Park Village

**APARTMENT BUILDING SALES
DATA SHEETS AND PHOTOGRAPHS**

APARTMENT BUILDING SALE No. 1



LOCATION:

6930 North Greenview Avenue
Chicago, Illinois 60626

TRANSACTION DATA:

Date of Sale:	January 2016
Grantor:	6930 North Greenview LLIC
Grantee:	6930 Greenview, LLC
Estate Transferred:	Leased Fee
Price:	\$5,690,000
Terms:	All cash to the seller
Document No:	1603222020

VALUATION INDICATIONS:

Price per Residential Unit:	\$86,212
Price per Sq. Ft. of NRA:	\$170.62
Gross Income Multiplier (GIM):	10.1
Overall Cap Rate:	6.4%

PROPERTY DESCRIPTION:

Number of Units:	66 apartments.
Site Size:	6,900 sq. ft.
Apartment Density:	423 units per acre
Year Built:	1932
Gross Building Area (GBA):	46,900 sq. ft.
Net Rentable Area (NRA):	33,348 sq. ft.
Average Unit Size:	505 sq. ft.
Other:	Elevator, central heating system, window air-conditioning units. Laundry in building. No on-site parking.

APARTMENT BUILDING SALE No. 1 (contd.)

PROPERTY DESCRIPTION (contd.):

Improvement Description: 7-story, masonry constructed apartment building. Unit mix consists of: 48-Studio and 18-1BR/1 Bath units.

Permanent Index No. (P.I.N) 11-32-115-011

REPORTED OPERATING DATA:

Occupancy:	90%
Average Monthly Rental Rate:	\$715
Potential Gross Income:	\$565,777
Operating Expenses:	\$201,354
Net Operating Income:	\$364,423
Expense Ratio:	35.6%

SOURCE: Public records; CoStar, Realtor.com

APARTMENT BUILDING SALE No. 2



PROPERTY NAME: Fitch Commons
LOCATION: 2529 West Fitch Avenue
Chicago, Illinois 60645
TRANSACTION DATA:
Date of Sale: June 2015
Grantor: Fitch Commons, LLC
Grantee: Maynard-2529 West Fitch, LLC (CLK Properties)
Estate Transferred: Leased Fee
Price: \$5,725,000
Terms: All cash to the seller
Document No.: 1516629075, Special Warranty Deed

VALUATION INDICATIONS:

Price per Unit: \$97,034
Price per Sq. Ft. of NRA: \$114.50
Gross Income Multiplier (GIM): N/A
Overall Cap Rate: N/A

PROPERTY DESCRIPTION:

Number of Units: 59 apartments
Site Size: 18,731 sq. ft.
Project Density: 137.2 units per acre
Gross Building Area (GBA): 79,655
Net Rentable Area (NRA): ± 50,000 sq. ft.
Year Built: 1955
Average Unit Size: 850 sq. ft.
Other: Two elevators, central air-conditioning, parking for approximately 20 cars at the back of the building.

APARTMENT BUILDING SALE No. 2 (contd.)

PROPERTY DESCRIPTION (contd.):

Improvement Description: 5-story, courtyard-type, masonry-constructed apartment building. Unit mix consists of: 1-Studio and 58-1BR/1 Bath units.

Permanent Index No. (P.I.N) 10-36-206-037

REPORTED OPERATING DATA:

Occupancy: Not Available
Average Rental Rates at Time of Sale: Not Available
Effective Gross Income: Not Available
Expenses: Not Available
Net Income: Not Available
Operating Expense Ratio: Not Available

SOURCE: Public records; CoStar

APARTMENT BUILDING SALE No. 3



PROPERTY NAME:	Sheridan-Edgewater Apartments
LOCATION:	5200 North Sheridan Road Chicago, Illinois 60640
TRANSACTION DATA:	
Date of Sale:	November 2015
Grantor:	Kopley Group V, LP
Grantee:	North Sheridan Property Investor, LLC
Estate Transferred:	Leased Fee
Price:	\$21,600,000
Terms:	All cash to the seller
Document No:	1532349242, Special Warranty Deed
VALUATION INDICATIONS:	
Price per Residential Unit:	\$96,861
Price per Sq. Ft. of NRA:	\$174.13
Gross Income Multiplier (GIM):	Not Available
Overall Cap Rate:	5.50%
PROPERTY DESCRIPTION:	
Number of Units:	223 apartments.
Site Size:	33,785 sq. ft.
Apartment Density:	287.5 units per acre
Year Completed:	1920
Gross Building Area (GBA):	164,192
Net Rentable Area (NRA):	124,047 sq. ft.
Unit Size Range:	556 sq. ft. average

APARTMENT BUILDING SALE No. 3 (contd.)

PROPERTY DESCRIPTION (contd.):

Other:	Features 9,000 square feet of ground level retail space. No on-site parking. Lake views from upper floors.
Improvement Description:	An 8-story, elevator-served apartment building with retail at ground level. Unit mix consists of: 118-studio, 101-1BR/1 Bath, and 4-2BR/1 Bath units.
Permanent Index No. (P.I.N)	14-08-212-018

REPORTED OPERATING DATA:

Occupancy:	97%
Average Rental Rate:	\$1,050 for 1 BR
Potential Gross Income:	Not Available
Operating Expenses:	Not Available
Net Operating Income:	\$1,188,000
Expense Ratio:	Not Available

SOURCE: Public records; CoStar.

COMMENTS: At the time of sale, the property was in the process of being updated. The buyer planned to make further improvements, including replacement of all major mechanical systems, elevators, and windows.

APARTMENT BUILDING SALE No. 4



PROPERTY NAME: Chatoine Apartments
LOCATION: 4546 North Damen Avenue
Chicago, Illinois 60625

TRANSACTION DATA

Date of Sale: February 2015
Grantor: Chatoine LLC
Grantee: Damen Building III LLC
Estate Transferred: Leased Fee
Price: \$7,150,000
Terms: Cash to seller.
Document No: 1506435034

VALUATION INDICATIONS:

Price Per Unit: \$108,333
Price Per Sq. Ft of NRA: \$270.83
Gross Income Multiplier (GIM): Not Available
Overall Cap Rate: Not Available

PROPERTY DESCRIPTION:

Number of Units: 66 apartments
Site Size: 8,677 sq. ft.
Apartment Density: 331.2 units per acre
Year Built: 1931
Gross Building Area (GBA): Not Available
Net Rentable Area (NRA): 26,400 sq. ft.
Average Unit Size Range: 400 sq. ft.
Other: Updated kitchens and baths. Laundry facility and extra tenant storage. No on-site parking.

APARTMENT BUILDING SALE No. 4 (contd.)

PROPERTY DESCRIPTION (contd.):

Improvement Description: A 4-story, walk-up apartment building containing all studio units.

Permanent Index No. (P.I.N) 14-18-1128-023

REPORTED OPERATING DATA:

Occupancy: Not Available
Average Rental Rate: Not Available.
Potential Gross Income: Not Available
Operating Expenses: Not Available
Net Operating Income: Not Available
Expense Ratio: Not Available

SOURCE: Public records; CoStar.

APARTMENT BUILDING SALE No. 5



LOCATION: 2451 West Howard Street
Chicago, Illinois 60645

TRANSACTION DATA:

Date of Sale: April 2016
Grantor: Western-Howard Corporation
Grantee: 2451 Howard, LLC
Estate Transferred: Leased Fee
Price: \$9,200,000
Terms: All cash to the seller
Document No: 1612645052, Warranty Deed

VALUATION INDICATIONS:

Price per Residential Unit: \$146,032
Price per Sq. Ft. of NRA: \$102.22
Gross Income Multiplier (GIM): N/A
Overall Cap Rate: 6.27%

PROPERTY DESCRIPTION:

Number of Units: 63 apartments
Site Size: 77,972 sq. ft.
Apartment Density: 35.2 units per acre
Year Completed: 1965
Gross Building Area (GBA): N/A
Net Rentable Area (NRA): 90,000 sq. ft.
Unit Size Range: 1,429 sq. ft. average
Amenities Included: Updated apartments, in-unit washer/dryer, and 73 surface parking spaces (1.16 space/apt. unit).

APARTMENT BUILDING SALE No. 5 (contd.)

PROPERTY DESCRIPTION (contd.):

Improvement Description: 5- and part 6-story, plus 16,000-square-foot unfinished basement, masonry-constructed apartment building of average quality construction. Unit mix consists of: 5-Studio units; 20-1BR/1 Bath units; 32-2BR/2 Bath units; and, 6-3BR/2 Bath units.

Occupancy: 90%

OPERATING DATA:

Rental Rates at Time of Sale:	N/A
Potential Gross Income:	N/A
Operating Expenses:	N/A
Net Operating Income:	\$577,000
CAP Rate:	6.27%
Expense Ratio:	NA

VERIFICATION:

Public records; CoStar.

COMMENTS:

The property was marketed for 3.5 months with an asking price of 10,000,000.

QUALIFICATIONS

A. ANDY PRODANOVIC, MAI
Director of Valuation Services
Applied Real Estate Analysis (AREA), Inc.

Academic

University of Wisconsin—Madison; Bachelor Business Administration; Real Estate and Marketing Majors

Experience

Mr. Prodanovic has been active in real estate appraising and consulting since 1977. His experience includes valuation of fee simple, leased fee, and leasehold interests; debt, equity, and hybrid debt positions; fractional interests; easements; railroad rights-of-way; mixed-use properties; and, partial and full takings for eminent domain actions. A representative sampling of assignments undertaken includes:

- Appraisals were prepared on four properties located in the Illinois Medical District to assist Cook County in their negotiations with Rush-Presbyterian St. Luke's Medical Center. The properties appraised included two laboratory buildings, a shuttered medical school building, and a large tract of vacant land. Rush-Presbyterian had approached Cook County with an interest in the two laboratory buildings, but negotiations subsequently broke off.
- A variety of appraisals prepared for the Real Estate Management Division of Cook County. Most of the assignments have involved surplus land parcels that needed to be valued for disposition purposes. Also valued to assist with its disposition was the former Domestic Violence Courthouse on Chicago's Near South Side, a 1922-vintage, seven-story loft building that was ultimately sold for conversion to residential condominiums.
- Appraisals of historic preservation easements for 14 commercial buildings located in four large Midwestern cities, many of which were converted for residential rental apartment use. At issue in this confidential assignment was the realistic potential for adding floors to these historic buildings and the value of the theoretical development that was lost when an easement prohibiting changes to the facade of the building was donated to a nonprofit organization interested in historic preservation. "Before and after" values were estimated to determine the extent to which the donation of the easements caused a reduction in each building's value.
- Annual valuation of the properties in a closed-end pension fund held by a Chicago-based institution. Properties contained in the fund included super-regional malls, CBD office buildings, and an industrial park.

**A. Andy Prodanovic, MAI
(CONTINUED)**

- Highest-and-best-use analysis of the Lincoln Tower office building in downtown Fort Wayne for a life insurance company that was in the midst of foreclosing on their loan on the property. While it was concluded that an adaptive reuse of the largely vacant office building would not increase its market value, recommendations were presented for enhancing its marketability to facilitate lease-up of the vacant space. Alternative uses that were considered in the analysis included hotel, congregate care, rental apartments, and residential condominiums.
- Real estate tax impact analysis of the proposed renovation and conversion of several landmark downtown Chicago office buildings for residential use. Two scenarios were considered in each analysis: as rental apartment units and as “for sale” condominium units. The studies were used by the developers to help secure TIF funding from the city’s Central Loop TIF District.
- Appraisal of a six-mile stretch of abandoned railway corridor for acquisition and conversion to a bike path by the City of Chicago.
- Market study and appraisal of a high-rise congregate-care facility that was under construction in Chicago. The facility is situated on leased land and involved three separate ownership/contractual interests.
- Valued the leased fee interest in the ground lease underlying a Class A mixed-use office/retail development in downtown Minneapolis.
- Market study and appraisal of a large mixed-use development located in the central business district of a major U.S. city. The development includes over two million square feet of Class A and B office space, nearly 200,000 square feet of retail space, a 400-room luxury hotel, 129 luxury apartments, parking structures, and 19 acres of vacant land.
- Highest and best use analysis of a 28,966-square-foot grocery store situated on a 2.24-acre site located in Chicago. The owner of the property was advised to acquire the leasehold interest from the tenant and retrofit the existing building into a multitenant shopping center and develop the excess land with townhomes.
- Counseling to a manufacturing concern on acquisition of the 124,000-square-foot industrial building it occupied in suburban Chicago. The manufacturer held a favorable leasehold position with a long-term lease at a below-market rent.
- Highest and best use analysis of a 283-acre infill site located at a major interchange along Interstate 17 in Phoenix. Land uses deemed to be most suitable for this tract included: hotel, retail, mid-rise office, garden office, business park, and single-tenant industrial.

A. Andy Prodanovic, MAI (CONTINUED)

- Appraisal and trade area market analysis prepared for construction and lease-up financing on a proposed 478,352-square-foot regional mall. The single-level center was developed by Jacobs, Visconsi & Jacobs Co. in a tertiary market in north-central Michigan.
- Estimates of increases in assessed valuations and tax revenues for numerous tax-increment districts in Illinois and Wisconsin, including analysis for bond issue for the Near North TIF in Chicago.
- Appearance in Circuit Court of Cook County as an expert witness in a quick take hearing on behalf of the Illinois Department of Transportation in a condemnation case concerning a partial taking of a vacant tract of land.
- Appearance in Circuit Court of Cook County as an expert witness on behalf of the Forest Preserve District of Cook County in a condemnation case concerning a public golf course.
- Appearance in Circuit Court of Cook County as an expert witness in a quick take hearing on behalf of the Chicago Department of Transportation in a condemnation case concerning a partial taking of an industrial property.
- Appearance in Kansas City District Bankruptcy Court as an expert witness on behalf of the lender, a major U.S. bank, on a hotel located in north-central Illinois. We were successful in moving the asset out of bankruptcy court so that the lender was subsequently able to foreclose on the property.

Prior to his affiliation with Applied Real Estate Analysis, Mr. Prodanovic was Managing Director for Gloodt Associates, Inc. He was also Senior Vice President and Co-Director of the Chicago office of Real Estate Research Corporation.

Professional Affiliations

Appraisal Institute, MAI Designation
Lambda Alpha International

Licenses/Certifications

State of Illinois, Certified General Real Estate Appraiser, License #553.000250
State of Ohio, Certified General Real Estate Appraiser, License #2006005362
State of Indiana, Certified General Appraiser, License #CG40700464
State of New York, Certified General Real Estate Appraiser, License #46000048327
State of Michigan, Certified General Real Estate Appraiser, License #1201005179

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