



November 14, 2013

**\$15,500,000**  
**The Lodge of Northbrook, Inc.**

<b>REQUEST</b>	<p><b>Purpose:</b> Bond proceeds will be used by <b>The Lodge of Northbrook, Inc.</b> (the “<b>Borrower</b>”, the “<b>Corporation</b>” or “<b>The Lodge</b>”) to (i) pay off a construction loan for Phase I, a 3-story brick, 58-unit senior living community located at Founders Drive and Kamp Drive in Northbrook, Illinois; (ii) finance a Phase II, 4-story brick, 20-unit senior living community attached to Phase I; and (iii) pay certain expenses incurred in connection with the issuance of the Bonds.  <b>Program:</b> Conduit 501(c)(3) Revenue Bonds  <b>Extraordinary Conditions:</b> None.</p>			
<b>BOARD ACTIONS</b>	<p>Final Bond Resolution  Preliminary Bond Resolution approved 10/11/2011  Yeas: 10; Nays: 0; Abstentions: 0; Absent 3 (Durburg, Leonard, Zeller); Vacancies:2</p>			
<b>MATERIAL CHANGES</b>	<p>This project was first presented to the Board in October, 2011 and approved for \$13,000,000 for Phase I only. A Phase II is now included and the not-to-exceed amount has increased slightly.</p>			
<b>JOB DATA</b>	2 Current jobs	5 New jobs projected		
	N/A Retained jobs	80 Construction jobs projected		
<b>DESCRIPTION</b>	<ul style="list-style-type: none"> <li>• Location: Northbrook, Illinois (Cook County/Northeast Region)</li> <li>• The Lodge of Northbrook has completed Phase I, containing 58 units and common areas and services located on Founders Drive and Kamp Drive in Northbrook. Phase II, containing 20 units will commence construction in November. The Lodge is designed around the needs and wants of seniors who want to take advantage of home ownership atmosphere without all the responsibility and liability that comes with home ownership. Essex Corporation, as developer of the community, brings substantial expertise to the The Lodge of Northbrook, having designed, built, and managed three similar projects in the Chicago area as well as 30+ senior residences throughout the Midwest.</li> </ul>			
<b>CREDIT INDICATORS</b>	<ul style="list-style-type: none"> <li>• Direct Purchase by Great Western Bank.</li> </ul>			
<b>SECURITY</b>	<ul style="list-style-type: none"> <li>• First deed of trust and assignment of rents and leases.</li> </ul>			
<b>MATURITY</b>	<ul style="list-style-type: none"> <li>• Not later than 30 years after anticipated 2013 issuance date.</li> </ul>			
<b>SOURCES AND USES</b>	<b>Sources:</b>	<b>Uses:</b>		
<b>ESTIMATED</b>	<b>IFA Bonds</b>	\$15,500,000	Land Costs	\$948,075
	Entrance Fees	<u>19,017,991</u>	New Construction	23,608,342
			Absorption/Debt Service Reserve	1,009,783
			Furniture/Equipment	499,000
			Architectural & Engineering	631,380
			Legal & Financing	817,175
			Professional/ Marketing	6,512,587
			Capitalized Interest	<u>491,649</u>
	<b>Total</b>	<b><u>\$34,517,991</u></b>	<b>Total</b>	<b><u>\$34,517,991</u></b>
<b>RECOMMENDATION</b>	<p>Credit Review Committee recommends approval.</p>			

**ILLINOIS FINANCE AUTHORITY  
 BOARD SUMMARY  
 November 14, 2013**

**Project: The Lodge of Northbrook**

**STATISTICS**

Project Number:	H-SL-TE-CD-8500	Amount:	\$15,500,000 (not-to-exceed)
Type:	501(c)(3) Bonds	IFA Staff:	Pam Lenane and Nora O'Brien
Location:	Northbrook, Illinois	County/Region:	Cook County/ Northeast

**BOARD ACTION**

Final Bond Resolution	
Conduit 501(c)(3) Bonds	No extraordinary conditions
Credit Review Committee recommends approval	No IFA funds at risk

**VOTING RECORD**

Preliminary Bond Resolution approved 10/11/2011  
 Yeas: 10; Nays: 0; Abstentions: 0; Absent: 3 (Durburg, Leonard, Zeller); Vacancies: 2

**PURPOSE**

Bond proceeds will be used by **The Lodge of Northbrook, Inc.** (the “Corporation” or the “Borrower”) to (i) repay the Borrower’s construction loan, the proceeds of which were used to (i) pay or reimburse the Borrower for, or refinance certain indebtedness the proceeds of which were used for, the payment of certain costs of acquiring, constructing, renovating, remodeling and equipping certain “projects” (as such term is defined in the Act) for the Borrower’s housing complex for the elderly located in Northbrook, Illinois; (ii) the acquisition, construction, renovation and refinancing of various other capital improvements and equipment related to the complex; and (iii) pay certain expenses incurred in connection with the issuance of the Series 2013 Bonds and the refinancing of the construction loan, all as permitted by the Act (collectively, the “Financing Purposes”).

**IFA PROGRAM AND CONTRIBUTION**

501(c)(3) Bonds are a form of municipal bond financing that 501(c)(3) corporations can use to finance capital projects that will be used to further their charitable mission. IFA’s issuance will convey federal income tax-exempt status on interest earned on the Bonds paid to bondholders, thereby reducing the Borrower’s interest expense.

**VOLUME CAP**

501(c)(3) Bonds do not require Volume Cap.

**ESTIMATED SOURCES AND USES OF FUNDS**

<b>Sources:</b>		<b>Uses:</b>	
IFA Bonds	\$15,500,000	Land Costs	\$948,075
Entrance Fees	<u>19,017,991</u>	New Construction	23,608,342
		Absorption/Debt Service	
		Reserve	1,009,783
		Furniture/Equipment	499,000
		Architectural & Engineering	631,380
		Legal & Financing	817,175
		Professional/Marketing	6,512,587
		Capitalized Interest	<u>491,649</u>
<b>Total</b>	<b><u>\$34,517,991</u></b>	<b>Total</b>	<b><u>\$34,517,991</u></b>

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**JOBS**

Current employment:	2	Projected new jobs:	5
Jobs retained:	N/A	Construction jobs:	80

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**FINANCING SUMMARY/STRUCTURE**

Security: First deed of trust and assignment of rents and leases.

Structure: The plan of finance contemplates a Direct Purchase Bond by Great Western Bank. The Bonds will be issued to take-out a bank construction loan on this proposed project upon completion and to finance a second phase of construction.

Interest Rate: 3.95%

Interest Modes: Variable adjusted every 5 years

Current Rating: The Bonds will not be rated.

Maturity: 30 Years

Estimated Closing Date: November, 2013

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**PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)**

Bond proceeds will be used by **The Lodge of Northbrook, Inc.** (the “**Corporation**” or the “**Borrower**”) to (i) repay the Borrower’s construction loan, the proceeds of which were used to (i) pay or reimburse the Borrower for, or refinance certain indebtedness the proceeds of which were used for, the payment of certain costs of acquiring, constructing, renovating, remodeling and equipping certain “projects” (as such term is defined in the Act) for the Borrower’s housing complex for the elderly located in Northbrook, Illinois; (ii) the acquisition, construction, renovation and refinancing of various other capital improvements and equipment related to the complex; and (iii) pay certain expenses incurred in connection with the issuance of the Series 2013 Bonds and the refinancing of the construction loan, all as permitted by the Act (collectively, the “Financing Purposes”).

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**BUSINESS SUMMARY**

Background: **The Lodge of Northbrook** (the “**Borrower**”) is an Illinois not-for-profit 501(c)(3) organization that was incorporated on August 16, 2011 to provide residential facilities for the aged. The facilities are designed to meet the needs of the aged, including suitable housing, physical and mental health care, civic, cultural and recreational activities, and an overall environment conducive to dignity and independence. Phase I of The Lodge of Northbrook is a three-story brick building designed around the needs and wants of seniors who want to take advantage of home ownership atmosphere without all the responsibility and liability that comes with home ownership. Phase II will be connected to Phase I and accommodate 20 units.

According to US Census data, there are 9,372 households with people over 65 years of age and annual incomes over \$35,000 living within a 3-mile radius of the project site.

The units are now priced with entrance fees ranging from \$97,500 to \$607,320 and monthly fees ranging from \$921 to \$4,415. Prospective residents typically use equity generated from the sale of their homes to pay the entrance fee. Residents may enroll in a meal plan for an additional charge. Residents paying a supplemental fee equal to the entrance fee will receive a 35% discount in the standard monthly fee, which the developer believes provides a 6% return. The entrance and supplemental fees are returned to residents (or their estate) upon leaving the community from payments made by new incoming residents.

The site is zoned appropriately ("RS").

The Developer: **Essex Corporation ("Essex" or the "Developer")**, a Nebraska corporation, is the project developer and administrator pursuant to a development and management agreement with The Lodge of Northbrook.

Essex Corporation has been active in designing, developing, constructing, marketing, financing and managing senior housing since its inception in 1976. The company offers its services to not-for-profit (or for-profit) sponsors on a bundled or unbundled basis and on a turn-key or joint venture format.

Essex has developed over 3,000 senior housing units in 11 states in the West and Midwest, in projects ranging in size from \$500,000 to \$25,000,000. Essex Corporation currently manages projects similar to The Lodge of Northbrook.

Essex Corporation was the developer for The Reserve of Geneva, a senior living facility financed with IFA Bonds in 2004 and 2008. All payments on The Reserve of Geneva project (owned by another entity, but pre-developed with the assistance of Essex) have been made as scheduled as of 10/1/2013.

The Investor: Great Western Bank has experience in the acquisition, holding, selling and otherwise dealing with a portfolio of federally tax-exempt mortgage revenue bonds which have been issued to provide construction and/or permanent financing of senior housing properties.

Great Western Bank was founded in 1907 as a hometown community bank. Now a regional leader with approximately 200 locations. Great Western Bank is the flagship for the United States banking operations of their parent company, National Australia Bank Limited (NAB). They currently are part of a AA-/Aa2 (S&P and Moody's, respectively) rated financial institution.

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**ECONOMIC DISCLOSURE STATEMENT**

Applicant: The Lodge of Northbrook  
2220 Founders Drive  
Northbrook, IL 60062

Website: <http://www.lodgeofnorthbrook.com>

Project name: The Lodge of Northbrook (Series 2013)

Organization: 501(c)(3) Not-for-Profit Corporation

State: Illinois

Board Members: Martha Marra  
Karen Gilbert  
Jenanne Rock

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**PROFESSIONAL & FINANCIAL**

Borrower's Counsel:	Kutak Rock LLP	Omaha	Howard Frederick Hahn
Bond Counsel:	Baird Holm	Omaha	Chuck Addy
Bond Purchaser:	Great Western Bank	Omaha	Gordon Harnish
Market Feasibility	Maxfield Research, Inc.	Minneapolis	Mary Bujold
Accountant:	Lutz & Company	Omaha	Shawn Wederquist
Architect:	JSSH Architects, Inc.	Minnentonka	Roger Johnson
General Contractor:	McShane Construction Company	Chicago	Matt Dougherty
IFA Counsel:	Ice Miller	Chicago	Jim Snyder
IFA Financial Advisor:	Public Financial Management, Inc.	Chicago	Shannon Williams

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**LEGISLATIVE DISTRICTS**

Congressional:	9	Janice Schakowsky
State Senate:	9	Jeffrey M. Schoenberg
State House:	17	Daniel K. Biss

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### SERVICE AREA

The Lodge of Northbrook's primary service area includes the city of Northbrook, IL and its surrounding community.

