

Executive Summary

950 N LAVERGNE, CHICAGO, ILLINOIS 60651



Applicant: (Principals)

Name: Mario Lane
Street Address: 1039 S DEARBORN
City, State, Zip Code: Chicago, IL
Phone numbers (office, cell): 312-296-9910
Email address: GREGERGJP2006@YAHOO.COM

Project Description:

PURCHASE AND REMODEL OF 19 UNITS, 9-1 bedroom 1 baths Units, 7-2 bedroom, 1 bath units, 3-3- bedroom 1 bath units – Property is currently 74% OCCUPIED 5 vacancies

Type of Financing:

80% After Rehab Financing , ARV=\$1,083,016
FINANCING BASED ON AFTER REHABBED VALUE OF THE PROPERTY

Amount Requested:

NEW MORTGAGE AMOUNT =80% OF ARV OF \$1,083,016= \$866,416

Itemized Use of Funds:

\$499,000 PAYOFF SELLER
\$298,300 REHAB AND CONSTRUCTION BUDGET
\$64,981 LOAN FEES AND POINTS

Collateral:

PROPERTY CONSISTS OF ONE 19 UNIT 4 STORY BRICK BUILDING PROPERTY WITH A FULL AND FULL CLEAN BASEMENT, EACH APARTMENT CONSISTS OF ONE BEDROOM, 1 BATH, KITCHEN, AND LIVING ROOM,

Guarantors:

MARIO LANE

Management Background:

Seasoned Real Estate Professionals with 10 Years of Rehab Experience, including Profit and Loss Responsibility.

We have rehabbed over 20 Apartments and houses in the Chicago land area over the past 10 years.. The project is a 19 unit 4 story building, in Chicago Illinois. The building is 74% occupied but has an excellent long term opportunity for property value increases with targeted rehab, sustained lease up and rent increases, and expense reduction provided through targeted capital improvements in plumbing/heating and sewer systems. We intend to strategically rehabilitate the property and increase the habitable space by utilizing the basement areas.

We will separate all utilities, removing a centralized heating system, and implementing individual tenant controlled HVAC furnaces in each unit. We will upgrade all kitchens and baths in the existing 19 units and create 2-700 square foot garden apartments in the basement.

We have rehabbed over 20 Apartments and houses in the Chicago land area over the past 10 years..

Financial Information:

The monthly financial analysis is as follows: Proforma Income Analysis:

Monthly Cash Flow Analysis

19 UNIT 950 North Lavergne, Chicago IL

REO Sale at 499k, 5 year Balloon

12% Cap rate VALUED AT : \$1,083,016.67 ARV

		as is	
	Proforma per Month	Current Month	Annual
Rental Income			
9-1 bedroom apts	\$6,525.00	\$6,300.00	\$75,600.00
7-2 bedroom apts	\$5,950.00	\$5,600.00	\$67,200.00
3-3 bedroom apts	\$3,150.00	\$2,700.00	\$32,400.00
add 2 - 2 bedroom garden apts add to Bsmt	\$1,450.00		-
Vacancies	\$2,049.00	\$3,750.00	\$45,000.00
Non Pays	\$510.00	\$700.00	\$8,400.00
Total Potential Income	\$17,075.00	\$1,850.00	\$175,200.00
<u>Total Collected Income</u>	<u>\$14,516.00</u>	<u>\$1,850.00</u>	<u>\$121,800.00</u>
Expenses (Actual)			
Taxes	\$800.00	\$800.00	\$9,600.00
Insurance	\$408.33	\$408.33	\$4,900.00
Maintenance salary	\$475.00	\$175.00	\$2,100.00
Management at 5%	\$315.00	\$315.00	\$3,780.00
Water/Sewer	\$250.00	\$312.50	\$3,750.00
GAS Hot Water/Heat	\$250.00	\$1,250.00	\$15,000.00
Replacement Reserves	\$475.00		-
Repairs	\$500.00		
Common Electric	\$212.50	\$250.00	\$3,000.00
			-
Total Estimated Expenses	\$3,685.83	\$3,510.83	\$42,130.00
			-
Net Operating Income	\$10,830.17	\$(1,660.83)	\$(19,930.00)
Annual NOI	\$129,962.00	\$(19,930.00)	
Value Based on 12% Cap Rate	\$1,083,016.67	(199,300.00)	
NEW Mortgage@ 14.5% 30 yr fixed INTEREST ONLY	\$866,413.33	\$12,996.20	\$155,954.40
Net Cash Flow after Debt service	\$(2,166.03)	\$(14,657.03)	\$(175,884.40)
DSCR	0.833333333	-0.127793765	
Net Cash Flow Before Refinance	\$10,830.17	\$(1,660.83)	\$(19,930.00)
New Refinance at 7.5%	\$866,413.33	\$2,830.00	
Net profit after refinance to New loan	\$8,000.17		
Profit/unit after Refi	\$571.44		

The property is located at 950 N Lavergne, Chicago, IL 60651. The property is a 4 story 19 unit apartment building built in 1915. Rents are currently averaging \$768.00 per month and after remodeling of the 19 units and expansion and creation of 2 garden apartments into the basement rents can be increased to an average of 813.00 per unit.

The creation of 2 new garden apartments in the basement will bring in rents of \$725 per unit respectively. This rental income shown is non subsidized, except for the 3 bedroom units, which at \$1050 per unit, is subsidized rents/month. Subsidized rents utilizing Section 8 vouchers would result in \$150-175 more per month per unit in the 2 and 1 bedroom units, but that is not reflected in the Pro-forma.

The city of Chicago does not have rent control. This is the excellent investment opportunity to rehab this property and capitalize on it's huge annual incomes. The exterior is Brick. Currently the property is 74% occupied. Fully occupied the property will generate \$15,000 per month in Pro forma gross income. After the addition of 2 new garden apartments in the basement, the property will generate over \$17,000 per month in gross rental income. Projected expenses are \$3700 /month leaving projected monthly Net Operating Income at \$10,000 per month, or \$129,000 per year.

Remodeling expenses are estimated at \$298,000 for upgrading of all units, including common areas, electric plumbing, separate HVAC, exterior, and exterior as well as the construction of 2 garden apartments in the basement.





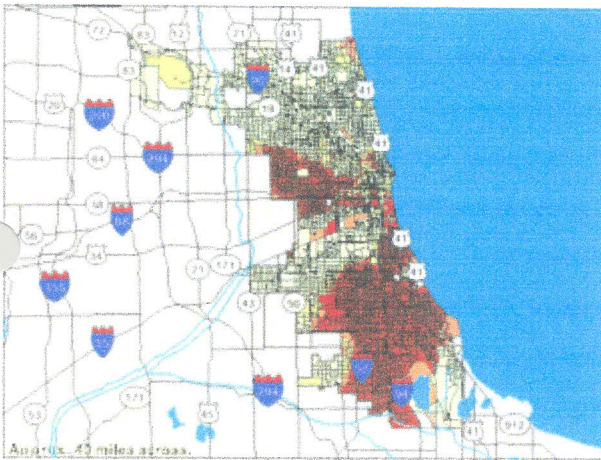
The property is located in the North Austin Neighborhood of Chicago, a diverse and vibrant area of growth. With proper advertising and pricing we will be able to appeal to this submarket. We propose a gradual increase to rents over the next year, while at the same time reducing expenses through effective management, prompt and professional maintenance, and a focused approach at utilities expense reduction. The building is within a very short walking distance to a park and 6 mile drive to Lake Michigan. The property is surrounded by churches, schools, nice single family houses, and multi family homes. There are colleges, major highways, public transportation, lots of convenience stores and a major shopping area within 2-15 minutes by foot or by vehicle.

As of the 2000 United States Census, The City of Chicago contained over 2,896,016 people, 1,061,928 households, and 632,909 families. More than half the population of the State of Illinois lives in the Chicago metropolitan area.

The population density of the city itself was 12,750.3 people per square mile (4,923.0/km²), making it one of the nation's most densely populated cities. There were 1,152,868 housing units at an average density of 5,075.8 per square mile (1,959.8/km²). Of the 1,061,928 households, 28.9% have children under the age of 18 living with them, 35.1% were married couples living together, 18.9% had a female householder with no husband present, and 40.4% were non-families. The median income for a household in the city was \$38,625, and the median income for a family was \$46,748. Males had a median income of \$35,907 versus \$30,536 for females. Below the poverty line are 19.6% of the population and 16.6% of the families.

The racial makeup of the city was 41.97% white, 36.77% black, 4.35% Asian, 0.06% Pacific Islander, 0.36% Native American, 13.58% from other races, and 2.92% from two or more races. 26.02% of the population were Hispanic of any race, 21.72% of the population was foreign born; of this, 56.29% came from Latin America, 23.13% from Europe, 17.96% from Asia and 2.62% from other parts of the world. The 2007 community survey for the U.S. Census showed little variation. Chicago has the fifth highest foreign-born population in the country.

The main ethnic groups in Chicago include African, Irish, German, Italian, Mexican, Arab, English, Bulgarian, Greek, Chinese, Indian, Filipino, Lithuanian, Polish, Romanian, Serbian, Swedish, Ukrainian, Dutch and Puerto Rican. Many of Chicago's politicians have come from this massive Irish population, including the current mayor, Richard M. Daley. Poles in Chicago constitute the largest ethnically Polish population outside of the Polish capital, Warsaw, making it one of the most important Polonia centers, a fact that the city celebrates every Labor Day weekend at the Taste of Polonia Festival in Jefferson Park. The Chicago Metropolitan area is also becoming a major center for Indian Americans and South Asian Americans. Chicago has the third largest South Asian population in the country, after New York City and San Francisco.



Thematic map of black population centers. This is the largest non-white ethnic group in the city of Chicago.

While most of Chicago and its surrounding area are generally regarded as being somewhat racially segregated, Chicago's unique culture arises from it being a melting pot, with nearly even percentages of European Americans and African Americans as well as sizable populations of Hispanics and

Asians. The European American, African American and Hispanic communities extend radically outward from the center of the city, one result of which is the heavily gerrymandered 4th congressional district.

Germans have comprised a major portion of ethnic whites in Chicago since the beginning of the city's history. In 1900, 470,000 Chicagoans—one out of every four residents—had either been born in Germany or had a parent born there. Although their numbers had dropped because of reduced emigration from Germany, World War I had made it unpopular to acknowledge one's German heritage, 22 percent of Chicago's population still did so in 1920.^[8] One of the most distinct of these German groups were the Volga Germans, or ethnic Germans living along the Volga River in Russia where they largely clustered in Jefferson Park on the city's Northwest Side.

Coming to the area mostly between the years 1907-1920, by 1930 450 families of Volga German families were living in this area, most of whom originated from *Wiesenseite*



Polish market in Chicago

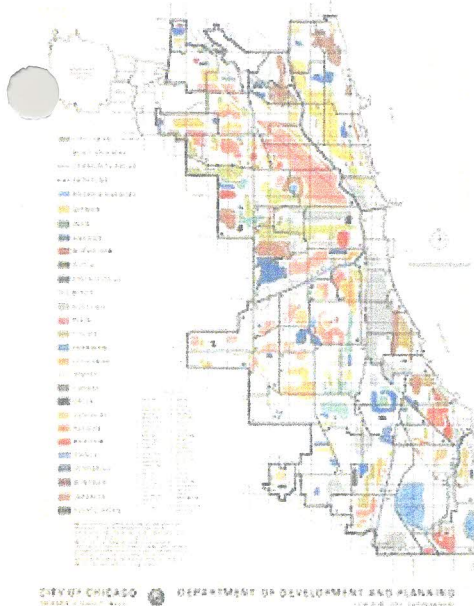
Poles in Chicago constituted the largest ethnically Polish population outside of Warsaw before 1918 when Poland reemerged as an independent state, making it one of the most important Polonia centers today, a fact that the city celebrates every Labor Day weekend at the Taste of Polonia Festival in Jefferson Park.^[7] The Southwest Side is home to the largest concentration of Góral (Carpathian highlanders) outside of Europe; it is the location of the Polish Highlanders Alliance of North America. The city also has a large Assyrian population, numbering as many as 80,000^[10] and is the location of the seat of the head of the Assyrian Church of the East, Mar Dinkha IV. Chicago also hosts the headquarters of the largest Lutheran body in the United States, the Evangelical Lutheran Church in America. It has the second largest Mexican American population in the U.S. behind Los Angeles. The city is the home to a large Romanian American community with more than 100,000.

The Chicago Metropolitan area is also becoming a major center for Indian Americans and South Asian Americans. Chicago has the third largest South Asian American population in the country, after New York City and San Francisco. The Devon Avenue corridor on Chicago's north side is an example of this, as it is one of the largest South Asian neighborhoods in North America. There are also around 185,000 Arabs in Chicago and with the majority located in the suburban parts of Cook County around Chicago. There are about 75,000 more Arabs who live in the five counties around Cook County including Lake, Kendall, Will, and DuPage.

As of the 2007 US Census American Community Survey the largest European ancestries were:

- Irish: (201,836)
- German: (200,392)
- Polish: (179,868)
- Italian: (96,599)
- English: (60,307)

COMMUNITY SETTLEMENT MAP FOR 1950



1950 Ethnic Map of Chicago

Chicago also has a massive Irish American population, with many residing on its South Side. The early years of Chicago coincided with the significant rise in Irish immigration in the 1830s. Some Irish already lived in Chicago when it was incorporated as a city in 1837. In the next few years Irish numbers grew rapidly particularly after the arrival of refugees from the Great Famine. By 1850 Irish immigrants accounted for about one-fifth of the city's population. Many of the city's politicians have come from this population, including current mayor Richard M. Daley. Historically, and to this day, there has been particularly substantial Irish American presence in Chicago's Fire and Police Departments. The Irish have been a fundamental part of the city for over 150 years. They laid the foundations for many of the city's Roman Catholic churches, schools and hospitals. To this day, the Irish are still very much active in the city's politics. One can notice the sheer size of the community on daily basis but especially on St. Patrick's Day.

Polish people in Chicago have been very prevalent from the city's early history and were influential in the economic and social development of Chicago. Today Poles in Chicago make up the largest ethnically Polish population of any city outside of Poland making it one of the most important centers of Polonia, a fact that the city celebrates every Labor Day weekend at the Taste of Polonia Festival in Jefferson Park. The Southwest Side is home to the largest concentration of Gorals (Carpathian highlanders) outside of Europe. The southwest side is also the location of the Polish Highlanders Alliance of North America. Many Polish churches are found in Chicago, built in the Polish Cathedral style of architecture, and can be seen from the Kennedy Expressway, other roadways, public transportation routes, as well as in the neighborhood street.

One of Chicago's largest Euro-American groups are of German origin. When the Great Plains opened up for settlement in the 1830s and '40s, many German immigrants stopped in Chicago to earn some money before moving on to claim a homestead. Those with skills in demand in the city could — and often did — stay. From 1850, when Germans constituted one-sixth of Chicago's population, until the turn of the century, people of German descent constituted the largest ethnic group in the city, followed by Irish, Poles, and Swedes. In 1900, 470,000 Chicagoans — one out of every four residents — had either been born in Germany or had a parent born there. By 1920, their numbers had dropped because of reduced emigration from Germany but also because it had become unpopular to acknowledge a German heritage, although 22% of Chicago's population still did so.

Chicago has one of the largest concentrations of Italian Americans in the US, with more than 500,000 living in the metropolitan area. Chicago has the third largest Italian American population in the United States, behind only New York and Philadelphia. Chicago's Italian community has historically been based along the Taylor Street and Grand Avenue corridors on the West Side of the city, there are significant Italian populations scattered throughout the city and surrounding suburbs. While the best-known Chicagoan of Italian descent is probably still Al Capone, Italian Americans have contributed to Chicago's cultural, political, civic and economic scene.

Other prevalent European ethnic groups include the Czechs, and Ukrainians. At the turn of the 20th century, Chicago was the third-largest Czech city in the world, after Prague and Vienna.^[18] There are approximately 14,000 Ukrainians living within the Chicago city limits^[19]. There is a large African American population located mostly on Chicago's South and West Sides. The Chicago metropolitan area has the third largest African American population, behind only New York City and Atlanta. Chicago has a small community of Swedish Americans. Swedish Americans make up 0.9% of Chicago's population, and they number at 23,990.^[20] After the Great Chicago Fire, many Swedish carpenters helped to rebuild the city, which led to the saying "the Swedes built Chicago."^[21] Swedish influence is evident in Andersonville on the far north side.

The city has a large population of Bulgarians (about 200,000+), Lithuanians, Croats, Greeks and the second largest Serbian population of any city in the world. Chicago has a large Romanian American community with more than 100,000, as well as a large Assyrian population with about 80,000. The city is the seat of the head of the Assyrian Church of the East, Mar Dinkha IV, the Evangelical Covenant Church, and the Evangelical Lutheran Church in America headquarters.^[11]

Chicago has the third-largest South Asian population in the United States, especially many Indians and Pakistanis who live in the city. The Devon Avenue corridor on the north side is one of the largest South Asian neighborhoods/markets in North America. Chicago has the second-largest Puerto Rican population in the continental United States,¹ after New York City, and the second largest Mexican population in the United States after Los Angeles.

There are about 185,000 Arabs in Cook County with another 75,000 in the five surrounding counties. Chicago is the center of the Palestinian and Jordanian immigrant communities in the United States.

The city saw an increase of 20,606 people from July 1, 2007 to July 1, 2008 according to census data. This marks the second consecutive year of population increase, while still not yet returning to the official Census 2000 population level.

Households

Chicago Demographics

<u>2000 Census Data</u>	Chicago	Illinois	US
Total population	2,896,016	12,419,293	281,421,906
Population, percent change, 1990 to 2000	+4.0%	+8.6%	+13.1%
Population density	12,750.3/mi ²	223.4/mi ²	79.6/mi ²
Median household income (1999)	\$38,625	\$46,590	\$41,994
Per capita income (1999)	\$20,175	\$23,104	\$21,587
Bachelor's degree or higher	25.5%	26.1%	24.4%
Foreign born	21.7%	12.3%	11.1%
White	41.97%	73.5%	75.1%
Black	36.77%	15.1%	12.3%
Hispanic/Latino origin (of any race)	26.02%	12.3%	12.5%
Asian	4.35%	3.4%	3.6%

There are more 1,061,928 households, of which 28.9% have children under the age of 18 living with them, 35.1% were married couples living together, 18.9% had a female householder with no husband present, and 40.4% were non-families. Of all households, 32.6% are made up of individuals and 8.7% had someone living alone who was 65 years of age or older. The average household size was 2.67 and the average family size was 3.50.

Of the city population, 26.2% were under the age of 18, 11.2% were from 18 to 24, 33.4% are from 25 to 44, 18.9% from 45 to 64, and 10.3% 65 years of age or older. The median age was 32 years. For every 100 females there were 94.2 males. For every 100 females age 18 and over, there were 91.1 males.

The median income for a household in the city was \$38,625, and the median income for a family was \$42,724. Males had a median income of \$35,907 versus \$30,536 for females. The per capita income for the city was \$20,175. Below the poverty line were 19.6% of the population and 16.6% of the families. Of the total population, 28.1% of those under the age of 18 and 15.5% of those 75 and older were living below the poverty line.

Population estimates in 2008 put the number of people in the city proper at 2,853,114, while suburban populations continue to grow, with estimates at 9,785,747 for the combined city and suburbs.

AREA ECONOMIC ANALYSIS

COOK COUNTY AREA ANALYSIS

COOK County POPULATION

Chicago is located in Cook County, Illinois, the second largest county in the United States. The population of Cook County decreased at a compounded annual rate of -0.40% from 2004 to 2009. For the same time period, the State of Illinois grew at a compounded annual rate of approximately 0.29%. Over the last ten years Cook County's average annual compound change was -0.27%, compared to 0.40% for the State of Illinois.

Looking ahead, both Cook County and the State of Illinois are anticipated to experience future population estimates reflecting greater decrease for Cook County and lesser growth for the State of Illinois. For the period 2009 to 2019, the populations of Cook County and the State of Illinois are expected to decrease by an average annual compound rate of -0.40% and 0.11%, respectively. For the next five years, the population of Cook County should grow slower than the ten year average.

INCOME

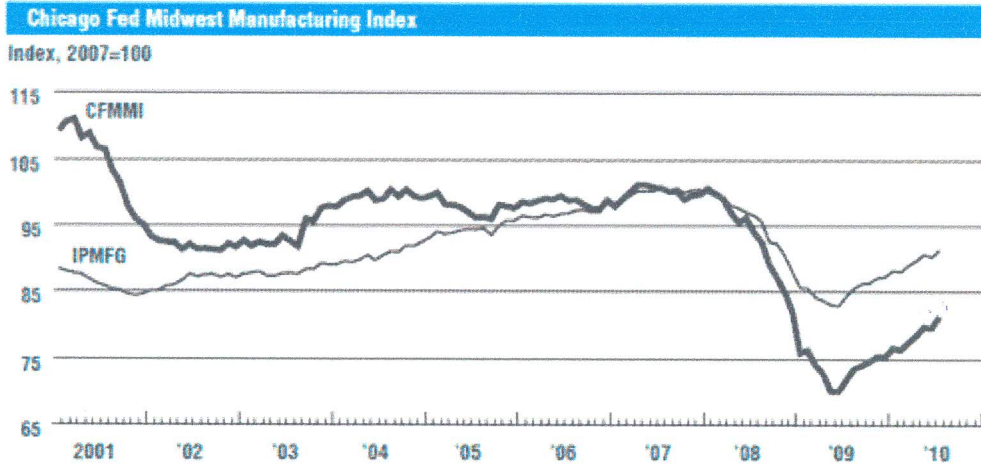
Personal income is a significant factor in determining the real estate demand in a given Market. From 2004 to 2009, Cook County's income grew at an average annual compound rate of 1.18%, compared to the State of Illinois's average annual compound growth rate of 0.87%.

The two market areas displayed a similar pattern in per capital income growth over the last ten years. Cook County's average annual compound growth rate was 1.23% as compared to 0.92% for the State of Illinois.

Projections for the next five and ten year periods reflect growth rates for Cook County that are parallel to the anticipated gains for the State of Illinois. For the two time frames, 2009 to 2014 and 2009 to 2019, Cook County is anticipated to experience 2.45% and 1.87% average annual growth rates, respectively, compared to the projected growth rates for the State of Illinois of 2.46% and 1.89%

An examination of income per household reveals that, historically, Cook County has experienced a growth rate above that of the State of Illinois. Future projections predict similar growth for Cook County compared to the State of Illinois. In absolute dollars, Cook County's personal income historically has been above that of the State of Illinois, both on per capita and per household basis.

Midwest Industrial Production:



As of August 26, 2010

Chicago Fed Midwest Manufacturing Index and U.S. Industrial Production Index, 2007 = 100

The Economic Recession of 2008 reduced overall U.S and Midwest Industrial Production in all manufacturing areas as measured by the Chicago Federal Reserve from 2007-through 2009. Midwest Industrial production and U.S Industrial Production has increased starting in 2009 and continues to expand albeit at a slower rate. Expansion of Midwest Industrial Production bodes well for future personal income growth and the occupancy of apartments.

Property Description:

MULTIFAMILY,, 19 UNITS 20,108 SF, LOT SIZE= 10,064 SF, YEAR, built in 1915

Property Address:

950 N Laverne, Chicago, IL 60651

After Rehabbed Value:

\$1,083,016 2010, After Rehabbed Value

Current Anticipated Appraisal:

Basis for appraisal: Appreciation Upgrades Other (please specify):
ARV=\$866,416

Price:

\$499,000 LIST PRICE

Loan To Value (LTV) Wanted:

**80% of \$1,083,016 After Rehabbed Value
= Rehab and Acquisition Loan of \$866,416**

For Purchases:

1. Purchase Price:\$499,000
2. Loan Fees @ 6.5% 64,981
3. Construction Costs \$298,000
4. Seller Concessions:1%
5. Contract Expiration Date (60 Days, November 15, 2010)

For Construction or Development Requests:

\$298,000 Budget for rehab of 19 units plus construction of 2 garden apartments, including plumbing , electrical, HVAC, fixtures, interior/exterior, roof etc..

Existing Loans on Subject Property:

\$499,000 LIST PRICE

Property Current Net Annual Income before Mortgage/Depreciation:

\$1,083,016 ARV Based on Proforma Net Operating Income of \$129,962 and 12% Cap Rate

Any Contracts Pending to Improve Income?

NO PENDING CONTRACTS

Exit Strategy/Preferred Payback Period/Special Terms Preferences:

We will rehab the property, completing the remodeling within a 4 months timeframe. Rental income will be increased significantly after completion of the remodeling. We will refinance based on comparables of \$1,100,000 with the projected value being **\$1,100,000.**, and Net Operating Income of \$129,000 with a 12% Capitalization rate. Based on a 80% Loan to value on a new loan of **\$880,000**, the underlying debt will be paid off with a new loan. We project this refinance to be completed within 1 year.