



FULFILLING LIVES Regardless of Challenge

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May 1, 2020

Mr. Doug A. Krieger
City Manager
City of Naperville
400 South Eagle Street
Naperville, Illinois 60540

Dear Doug:

In response to the email from Mike DiSanto sent on Friday, February 7, 2020 related to Resolution No. 19-47, please find below an updated and new request for the incentive available to Little Friends. This Resolution details the incentive opportunity available to Little Friends in return for forfeiting the Certificate of Appropriateness to demolish the Mansion on our property.

You'll note that given the relevance of the information provided in the first letter, much of the detail requested has not changed. What has been updated is the current offer, which is attached, and the formal request for the full incentive being \$562,000. Our current offer is from Ram West Capital in the amount of \$4,500,000 which includes the retention of the Mansion. Combined with the incentive, the value of this offer to Little Friends is \$5,062,000.

You will note that our request this second time around is for the full amount based upon the initial offer we had received from DJK Custom Homes for \$5,250,000. Given the intentions of the incentive was to "bridge the gap" between our best offer without the Mansion, which this offer was what we had before the City got involved with the sale of our property, we believe that we are entitled to the full value of the incentive noted in the resolution above.

The balance of the information below for the most part will be redundant with the initial letter we sent in February 2020. The following addresses the detail requested by Mr. DiSanto in his letter to me.

- OVERVIEW AND TIMELINE OF OFFERS ON THE PROPERTY

As part of the process in pursuit of this specific incentive, we have been asked to provide a list of all bona-fide offers Little Friends has received to purchase the subject property, including when the offers were made, whether the offers are open/active, and which of the offers involved includes retention of the Mansion.

The following is a summary that lists the offers we have received since we began the marketing process:

<u>Organization</u>	<u>Date</u>	<u>Amount</u>	<u>Status</u>
North Central College	12/18/19	\$6,275,000	Purchase Sale Agreement established

Little Friends is a 501(c)(3) not-for-profit organization. Donations are deductible to the fullest extent of current tax law.

and no longer in effect. The College cancelled due to difficulty in getting zoning and a COA for demolition.

Offers as of October 2019/None are still active at this time:

<u>Organization</u>	<u>Amount</u>	<u>Status of Offer</u>
ALPS Enterprises	\$3,000,000	Did not pursue-unreasonably low offer.
DePaulo	\$5,000,000	Required clear and level site at owner's Expense. Considered too low as Little Friends had higher offers with purchaser undertaking demolition.
Hampton	\$4,000,000	Did not pursue - buyer would demo all buildings. Considered to be at same price as DePaulo.
M House	\$4,600,000	Did not pursue - seller to do all demolition of all buildings. Rejected as Little Friends had received higher offers.
McNaughton	\$5,100,000	Rejected as demolition allowance was limited to 300k and Little Friends had estimates of 1.0M for demolition.
Taylor Morrison	\$5,062,000	Was less than market value but did include up to \$1,000,000 in demolition costs.
DJK Custom Homes	\$4,011,000	Only offer to include retention of the Mansion - had other contingencies.

After receipt of the above offers we were contacted by the owner of DJK Custom Homes. We met with The DJK owner on two separate occasions (November 7th and November 21st) to review his plans related to retention of the Mansion. At the second meeting, we received updated proposals that included both an increase in the initial offer with the retention of the Mansion, and a second proposal that assumed everything was demolished. The receipt and timing of when we received these proposals is critical to this evaluation.

Attached as an addendum to this letter are the information sheets that summarize both the updated offers and contingencies associated with what was being proposed. As clearly shown, the contingencies required discussion by DJK directly with the City to get the City's position on what was being requested. Conversations were held with City officials about the contingencies after these offers were made to Little Friends, and DJK made clear they did not want to suffer the same protracted (and expensive) HPC analysis of the new homes to be constructed.

Offers in November 2019 AFTER Little Friends received COA for demolition

<u>Organization</u>	<u>Amount</u>	<u>Status of Offer</u>
DJK Custom Homes	\$4,575,000	Offer includes retention of the Mansion.
DJK Custom Homes	\$5,250,000	Offer does NOT include retention of the Mansion and would include all demolition costs, and contingent upon a more efficient approval of the new home architecture than confronted by DJK on Sleigh Street.

On December 3rd (after the City Council granted permission to demolish the Mansion), the City Council adopted a Resolution that the City would be willing to pay up to \$562,000 as an incentive to any developer who would be willing to retain the Mansion. While the language in the Resolution clearly states the City would work to bridge the difference between the best offer without the Mansion and the best offer with the Mansion, the existence of the Resolution itself affected the bids we received thereafter.

To be clear, we testified at the public hearing that the site would have a fair cash market value of no more than \$5,535,000 if the Mansion could be demolished (density set at 20 units of SFR). This testimony effectively set a limit on the price we could achieve for single family code compliant development following the COA to demolish the Mansion. And because the City incentive was set at \$562,000, the highest price we could achieve with retention of the Mansion was \$4,973,000. It should have come as no surprise to anyone that the highest offer we had received at \$4,950,000 with retention of the Mansion. At the time, the new offer was based upon the density of the development increasing to as many as 42 units, nearly doubling the density proposed for our purely SFR subdivision.

It must be noted that we expressly negotiated a sale transaction with the current buyer conditioned upon the fact that Little Friends would be receiving the full \$562,000 from the City to retain the Mansion. To enable us to reach our goal of attaining offers for the fair market value, this full incentive was expressly factored into what new buyers would offer us and currently is a part of our contract in final stages of negotiation as of today.

In addition to this, when presented with the plan to introduce the incentive to City Council, I was told that HPC approval of COAs for new homes faced a more difficult path than a proposal that included the Mansion being retained. Our highest bidder heard this as well, and in turn because of the challenges this represented working with what he perceived as a "less than cooperative" HPC process, DJK withdrew its \$5,250,000 offer.

After the Resolution was published and the market was made aware of the City's intention to attempt to save the Mansion, the following bids were received in December 2019 for consideration:

<u>Organization</u>	<u>Amount</u>	<u>Status of Offer</u>
ALPS Enterprises	\$3,000,000	Did not pursue.

DePaulo	\$5,000,000	Rescinded offer - they did not want to pursue.
Hampton	\$4,000,000	Rescinded offer - they did not want to pursue.
M House	\$5,947,000	Initial offer to do a joint venture, with risk of sale and leverage for a mortgage on Little Friends. It was not something we could do AND be able to move. We would also have been responsible for \$900K in demolition costs.
M House	\$4,950,000	New offer received that included demolition of the Mansion.
Taylor Morrison	\$5,062,000	Rescinded offer.
DJK Custom Homes	\$4,775,000	Submitted only one offer and it included retention of the Mansion.
DJK Custom Homes	\$5,250,000	Offer which included demolition of all of the buildings was rescinded after DJK spoke to the City due to anticipated time and costs involved with HPC.
Greco DeRosa	\$2,900,000	Included demolition but not pursued.
Lakewest Custom Home	\$4,900,000	Included demolition of the Mansion.
Think Bigger, LLC	\$4,950,000	Offer included retention of the Mansion with a density of nearly double that marketed by Little Friends.

After review of these last and final offers, the best offer received from M House was not practical and did not merit our consideration because of the limitations and risk. The best offer without the Mansion was withdrawn because of the anticipated difficulties with delays tied to involvement with the HPC approval process. The next best offer for consideration was the proposal from Think Bigger, LLC, and this offer included retention of the Mansion as a clubhouse for a duplex and townhome development on the entire block at nearly 40 units.

In terms of what Little Friends expects, our best offer without the Mansion that was legitimate in terms of our ability to implement was the offer from North Central College. I've been told that this is not considered an acceptable offer given it had been canceled prior to the work on the Resolution. If this is the criteria for this Resolution, then the next applicable offer would be the offer made by DJK Custom Homes for \$5,250,000. This was something that could have been done, but was directly influenced by City involvement related to the Resolution and DJK's perception of uncooperative HPC involvement in the approval process if the Mansion was not retained.

At the time these offers were assessed, the best offer was deemed to be provided by Think Bigger, LLC, and because of their offer being \$4,950,000 compared to the best offer that had been received prior to the City's involvement on our sale @ \$5,250,000 DJK Custom Homes without the Mansion, the city had agreed to provide Little Friends an incentive payment equal to \$300,000.

Think Bigger, the buyer at the time, determined that it could not get the variances it needed in a timeframe prior to when it was expected to close on the property. When it became evident that this delay was going to have a negative impact on Little Friends, it was agreed that Think Bigger should rescind their offer and we find a new buyer.

- OVERVIEW OF CURRENT OFFERS**

In February 2020, we requested bids from previously interested parties and received multiple proposals. The following is summary of the proposals we received for the property:

<u>Organization</u>	<u>Amount</u>	<u>Status of Offer</u>
M House	\$4,950,000	Not accepted as was lower than other Would demolish the Mansion
McNaughton	\$4,838,000	Not accepted as was lower than other Would demolish the Mansion
M/I	\$4,565,000	Not accepted as was lower than other Would demolish the Mansion
Ram West Capital	\$4,500,000	Accepted as best offer as it included Retention of the Mansion, enabling City Incentive of \$562,000 to be included Property closing planned for August 21 st Little Friends will stay as lessee until no later than December 31, 2020

I realize there is even more detail in this letter than what was requested. If upon review you have questions, please let me know and I will address them. Otherwise, I appreciate your anticipated time and effort on this. Please know that our agreement to sell our property is contingent upon what we are requesting based upon the resolution in place. Timing is of the essence and a decision is needed quickly related to this request.

Thanks in advance for your time and help with this. I will look forward to hearing from you.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Mikel S. Briggs', with a large, stylized flourish at the end.

Mikel S. Briggs
President & CEO
Little Friends, Inc.

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Purchaser	Price	Earnest Money	Financing	DD	Entitlement	Closing	Note
M House	\$4,950,000	\$50,000		30 days	90 - 120 days	not specified	
McNaughton	\$4,838,000	\$20,000		45 days	150 days with 90 day extension	30 days after approvals in place	Add'l \$80k EM at end of DD.
M/I	\$4,565,000	\$250,000		75 days	150 days	15 days	Entitlements a condition to close and no hard EM if entitlements not approved
Ram West Capital	\$4,500,000	\$100,000		May 25th		21-Aug-20	Entitlements a condition to close and no hard EM noted. Keeping the mansion and Little Friends to keep \$562k city incentive

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this “**Agreement**”) is made and entered into this 23rd day of April, 2020 by and between LITTLE FRIENDS, INC., an Illinois not-for-profit corporation (“**Seller**”), and RAM WEST CAPITAL LLC, an Illinois limited liability company (“**Purchaser**”).

WITNESSETH:

WHEREAS, Seller desires to sell, and Purchaser desires to purchase, the property hereafter described, at the price and on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the recitals and mutual covenants hereafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

PURCHASE AND SALE

1.1 Property. Seller agrees to sell and convey to Purchaser, and Purchaser agrees to buy from Seller, at the price and upon the other terms and conditions hereafter set forth, that certain approximately 3.79 acre parcel of land known as 140 North Wright Street, Naperville, Illinois, which is comprised of the following:

(a) the tract of land more particularly described on **Exhibit A** attached hereto and made a part hereof, together with all of the estate, right, title and interest of Seller in and to any land lying in the beds of any streets, roads or avenues, open or proposed, public or private, and all easements, rights, licenses, privileges, rights-of-way, strips and gores, mineral rights, air development rights, rights of ingress and egress, hereditaments and such other real property rights and interests appurtenant to the foregoing, and all right, title and interest of Seller in and to any unpaid award for the taking by eminent domain of any part of the such land or for damage to such land by reason of a change of grade of any street (collectively, the “**Real Property**”).

(b) the buildings, structures, improvements, fixtures, facilities, installations, machinery and equipment in, on, under or over the Real Property and including, but not limited to, the foundations and footings therefor, elevators, plumbing, air conditioning, heating, ventilating, mechanical, electrical and utility systems, signs and light fixtures, doors, windows, fences, parking lots, walks and walkways and each and every other type of physical improvement to the extent owned, in whole or in part, by Seller, located at, on or affixed to the Real Property and, to the fullest extent such items constitute or are or can or may be construed as realty under the laws of the State of Illinois (collectively, the “**Improvements**”) (the Real Property and the Improvements are hereinafter jointly referred to as the “**Premises**”); and

(c) the personal property, both tangible and intangible, owned by Seller and affixed to the Premises (the “**Personal Property**”), but excluding any non-affixed personal property, which the Seller shall remove prior to Closing.

The Real Property, Improvements and Personal Property are sometimes hereinafter collectively referred to as the “Property”.

ARTICLE II

PURCHASE PRICE; EARNEST MONEY

2.1 Purchase Price. The purchase price (“Purchase Price”) for the Property shall be Four Million Five Hundred Thousand and No/100 Dollars (\$4,500,000.00), payable as set forth in subsections 2.2 and 2.3 below.

2.2 Earnest Money. Within two (2) business days after the full execution of this Agreement, Purchaser will deposit into escrow with Chicago Title Insurance Company, Attn: Colleen Klein, 2441 Warrenville Road, Suite 100, Lisle, Illinois 60532 (the “Escrow Agent”), as initial earnest money hereunder, the sum of Twenty Five Thousand and No/100 Dollars (\$25,000.00) (together with all interest accrued thereon, the “Initial Earnest Money”). If Purchaser has not previously terminated this Agreement, then within two (2) business days after expiration of the Investigation Period (as hereinafter defined), Purchaser shall deposit with Escrow Agent, as additional earnest money hereunder, the sum of Seventy Five Thousand and No/100 Dollars (\$75,000.00) (together with all interest accrued thereon, the “Additional Earnest Money” and collectively with the Initial Earnest Money, the “Earnest Money”). If Purchaser exercises the Extension Option (as hereinafter defined), Purchaser shall deposit with Escrow Agent, as an additional earnest money deposit hereunder, the sum of Fifty Thousand and No/100 Dollars (\$50,000.00) (the “Extension Deposit”). All deposits required by this Section 2.2 shall be held by the Escrow Agent pursuant to the terms of a strict joint order escrow agreement executed by Escrow Agent, Purchaser (or its attorneys) and Seller (or its attorneys). The deposits shall at all times prior to Closing be invested in a federally insured interest bearing account approved by Purchaser in writing, or other account in Purchaser’s discretion. At the Closing, Purchaser shall receive a credit against the Purchase Price for the Earnest Money and Extension Deposit.

2.3 Balance of Purchase Price. The balance of the Purchase Price, plus or minus prorations and adjustments as provided for herein, shall be paid by Purchaser at Closing by wire transfer of immediately collectible funds to the Title Company in escrow for disbursement pursuant to the terms hereof.

ARTICLE III

TITLE INSURANCE; SURVEY

3.1 Title Commitment and Survey. Within ten (10) days after the date hereof, Seller shall deliver to Purchaser and Purchaser’s counsel (i) a commitment for title insurance (the “Commitment”) prepared by Chicago Title Insurance Company, Attn: Colleen Klein, 2441 Warrenville Road, Suite 100, Lisle, Illinois 60532 (the “Title Company”) together with legible copies of all documents referred to therein (the “Exception Documents”). Purchaser shall have the right to obtain, prior to expiration of the Investigation Period an ALTA/ACSM Land Title Survey (the “Survey”) of the Premises prepared by a registered land surveyor licensed in the