	AGENDA ITEM EXECUTIVE SUMMARY		Agenda Item number: 7a
	Title:	Discussion Concerning Carriage Oaks Senior Complex	
	Presenter:	Mark Koenen and John McGuirk	
Meeting: Government Operations Committee		Date: December 17, 2018	
Proposed Cost: \$NA		Budgeted Amount: \$NA	Not Budgeted: <input type="checkbox"/>
<p>Executive Summary <i>(if not budgeted please explain):</i></p> <p><u>Request-</u> Essex Corporation, proposed buyer, of d/b/a Carriage Oaks (1500 S. 14th Street), is requesting the City to approve their purchase of the senior independent living not-for-profit facility from Carriage Oaks of St Charles.</p> <p><u>Background-</u> In 1996 the City and Township of St Charles accepted the role of “sponsor member(s)” for Carriage Oaks. For your information, residents of the facility are “resident members”. Essex Corporation is looking for the City and Township to approve this property transaction. The City and Township have had representatives (sponsors) historically on the Carriage Oaks board.</p> <p>The City issued industrial revenue bonds (IRB) originally for this residential development to lower “buy-in” ownership for seniors. With a sale of Carriage Oaks the outstanding IRB would be paid off.</p> <p>If the sale were to be approved by the Township, City and residents it would likely proceed to conclusion. The result would indicate Carriage Oaks would be a market rate apartment complex; not a "buy in" senior complex. For your information, the resident members voted on November 15 (70 “yes” and 9 “no”) to approve the sale. The Township, sponsor member, considered this sale at their December 15 meeting and unanimously approved the property sale contingent on indemnity language satisfying their legal counsel. The transaction needs the City approval to proceed.</p>			
<p>Attachments <i>(please list):</i></p> <p>Letter regarding Essex Corporation request</p>			
<p>Recommendation/Suggested Action <i>(briefly explain):</i></p> <p>Discussion of the request and Council Committee to consider a recommendation.</p>			

Michael C. Schilken
cc Mike 12/14/18

Michael C. Schilken

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October 24, 2018

Mayor Raymond P. Rogina
City of St. Charles
2 E. Main Street
St. Charles, IL 60174

Township Supervisor
1725 Dean Street
St. Charles, IL 60174

Re: Carriage Oaks Member Meeting November 15, 2018

Dear Mayor and Township Supervisor:

Our law firm represents Essex Corporation, the proposed buyer of the assets of Carriage Oaks of St. Charles, d/b/a Carriage Oaks, an Illinois not for profit corporation. Carriage Oaks is a senior independent living facility located in St. Charles, Illinois. Please know that Rick T. Petesch of Mickey, Wilson, Weiler, Renzi & Andersson, represents Carriage Oaks in this transaction.

Under the original organizational documents for the not for profit corporation (organized in 1996), the City of St. Charles, and the Township of St. Charles, were identified as the two "Sponsor Members" for the corporation. All of the residents of the senior living facility make up the "Resident Members" for the corporation.

The purpose of our communication to each of you is to advise you that in order for the corporation to sell its assets to our client, two thirds (2/3rds) of the Resident Members, and two thirds (2/3rds) of the Sponsor Members need to vote or consent to the sale. The meeting of all of the members will occur as set for in the enclosed notice.

Enclosed herewith are the following items:

1. A Notice of Special Meeting of the Members of Carriage Oaks;
2. A Proxy Form for proxy voting on November 15, 2018; and

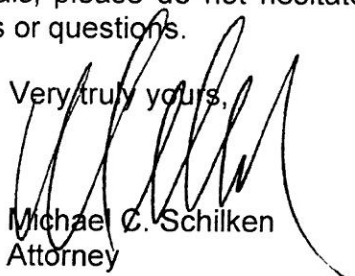
Mayor Raymond P. Rogina
Township Supervisor
October 24, 2018
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3. A copy of a letter provided to the resident members of Carriage Oaks from our client, Essex Corporation.

Please know that our law firm will forward additional information to you regarding the organization of the Carriage Oaks, and some information regarding the sale proposal. Our goal is to have both the City of St. Charles, and the Township of St. Charles approve the sale transaction as a Sponsor Member.

As you review the enclosed materials, please do not hesitate to contact either myself or Rick Petesch with your comments or questions.

Very truly yours,



Michael C. Schilken
Attorney
FOR THE FIRM

MCS/gat

cc: John M. McGuirk
jmc@hmcpc.com
Mr. Frankie Pane

**NOTICE OF SPECIAL MEETING
OF THE BOARD OF DIRECTORS AND THE MEMBERS
OF
CARRIAGE OAKS OF ST. CHARLES D/B/A
CARRIAGE OAKS**

The Board of Directors for Carriage Oaks does hereby call a special meeting of the Members of Carriage Oaks as follows:

Place: Carriage Oaks, 1500 S. 14th Street, St. Charles, Illinois 60174

Day: Thursday, November 15, 2018

Hour: 10:00 a.m.

Purpose: To have further discussion and have all Members of the not for profit corporation vote upon the sale of the assets of Carriage Oaks, other than in the usual and regular conduct of its business, with an eventual liquidation of the not for profit corporation.

Attached to this notice is a Proxy form which you may use to vote by proxy. If you vote by proxy, your vote will be cast according to your direction by Virginia Swanson. You may vote in person at the meeting if you wish.

You may turn in your Proxy to the Carriage Oaks office on or before November 15, 2018 at 9:00 a.m.

Please know that Members shall not be allowed to vote or participate in the special meeting through the use of a conference telephone or interactive technology.

The date for determining Members entitled to notice of the Member's special meeting herein, and to vote at the special meeting shall be October 25, 2018.

Dated the 25th day of October, 2018.

By Order of the Board of Directors,

PROXY

_____, (the "Member") being a member of Carriage Oaks of St. Charles d/b/a Carriage Oaks ("Carriage Oaks") hereby constitutes and appoints Virginia Swanson, President of Carriage Oaks, as such Member's attorney and proxy agent (the "Agent"), with full power of substitution, to attend, vote, and act for the Member at the special meeting of members of Carriage Oaks to be held on Thursday, November 15, 2018 at 10:00 A.M. (the "Special Meeting") and at any adjournment or postponement thereof.

At the Special Meeting, on behalf of the Member, the Agent shall vote

_____ In favor of

_____ Against

The sale of Carriage Oaks as described in the notice of meeting received October 25, 2018.

The undersigned revokes any prior proxy for such Special Meeting and ratifies and confirms all that its attorney and Agent may lawfully do by virtue hereof. Receipt of the Notice of Special Meeting of Members and Proxy is hereby acknowledged.

IN WITNESS WHEREOF, this proxy was executed on this _____ day of _____, 2018.

Member's Signature

Member's Signature (if applicable)



Essex Communities

October 25, 2018

Dear Carriage Oaks Resident(s) and/or Representatives,

As part of the ongoing discussion with the proposal by Essex to purchase Carriage Oaks so it can be transitioned into a rental community and have necessary maintenance and improvements performed, please find the four following documents enclosed in this envelope:

- This letter
- An announcement of a Special Meeting of the Members for the sole purpose of discussing and voting on the proposal
- An updated summary of the basic terms of the proposal and how they impact you financially
- A proxy form to cast your vote in favor or against the proposal

We have received a significant amount of positive support for this proposal, and have also had a couple of common concerns expressed. In wanting to find a way to address the concerns some residents have expressed, Essex met with its preferred lender to discuss a plan for how we could address those concerns. Thanks in part to the flexibility and understanding of our preferred lender, I am excited to let you know that the proposal has been updated to reflect two key changes, both of which benefit current Carriage Oaks residents:

- Any member who purchased their membership under the Option B plan, paying both the Entrance Fee and the Supplemental Fee will have their Supplemental Fee paid for at 100% of the value at which it was purchased. What this means is under this proposal both Option A and Option B members will receive 90% of the current value of the Entrance Fee (which is comprised of the amount of the Entrance Fee originally paid plus any board-approved factor increases during the time of membership), and for those who purchased their membership under the Option B plan they will also receive back 100% of their Supplemental Fee portion. We feel this is an important update to the proposal to ensure members are treated equitably.
- Current Carriage Oaks residents who sign a lease to remain at Carriage Oaks under the proposed lease structure will sign a month-to-month lease that locks in the rent rate through 12/31/2020. If the proposal is approved at the November 15th Special Meeting and closing takes place on 1/31/2018 as proposed, this would fix the rent rate for current Carriage Oaks residents for 23-months, which represents an increase of 11 months over what was previously discussed. The proposed change from entrance fee to rental, if approved, will take place February 1st, 2018. Please review your summary sheet to see specific financial and timing information.

We recognize the new rent rates under the proposal are a significant step-up from the monthly charge rates under the entrance fee program, but when you consider the

value of additional services and utilities included in the proposal, the amount of interest earned each month by investing the proceeds from having your entrance fee funds back in your accounts, and knowing that even if the proposal is not accepted Carriage Oaks residents will be faced with a large monthly charge increase in 2019 due to known operating cost increases, the difference between the proposed rent rate and the monthly charge rate isn't nearly as significant. Additionally, under the proposal you will have peace of mind in knowing that you only have to give 30 days' notice to move out and have no further financial obligation to the community, as opposed to now you are required to pay your monthly charge while waiting for your membership to transfer. As we all know Carriage Oaks is now experiencing vacancy and increased time to transfer memberships, and that is without the addition of several hundred new independent living and senior apartment units under development in our market. We are already aware of multiple instances within Carriage Oaks' market of other entrance fee communities having current residents whose units are available for transfer offering incentives to prospects that total one year's worth of monthly charges because of how difficult it is becoming to transfer independent living entrance fee memberships. Carriage Oaks even had a resident who was forced to default on their membership (lose all rights to their entrance fee) because they could not afford to pay for the monthly charges while waiting for the membership to transfer. The market is changing quickly, and with this proposal we are shifting the financial risk from residents to Essex.

We encourage you to give thoughtful consideration before voting on this proposal. You have until Thursday, November 15th at 9:00am to turn in your proxies to Executive Director Cheryl King in the administrative offices. Rest assured that regardless of the outcome of the vote Essex will continue to be your property manager and your amazing staff will remain at Carriage Oaks. Essex and your staff will continue to look out for the best interests of Carriage Oaks and our valued residents, which is why we are putting this proposal before you for you to make the decision.

If you have any further questions, please feel free to contact Executive Director Cheryl King in the administrative offices and she can assist you, or she can put you in touch with Carriage Oaks' attorney Rick Petesch.

Sincerely,

A handwritten signature in black ink, appearing to read 'F. J. Pane', with a stylized flourish at the end.

Frankie J. Pane
Essex Communities