



TRACY CROSS & ASSOCIATES, INC.

**MARKET RESEARCH ANALYSIS
VILLAGE OF LINCOLNSHIRE**

TO: Mayor and Board of Trustees
Village of Lincolnshire

CC: Ms. Anne Kane and Mr. Bob Irvin
Village of Lincolnshire

FROM: G. Tracy Cross and Erik A. Doersching
Tracy Cross & Associates, Inc.

SUBJECT: Community Impact Analysis
The Erickson Campus at Lincolnshire

DATE: July 9, 2003

At the request of the Village of Lincolnshire, Tracy Cross & Associates, Inc. provided selected research services to determine the *potential community impact* of Erickson Retirement Communities' proposed senior housing campus to be developed along the east side of Milwaukee Avenue, south of Half Day Road in the village of Lincolnshire. This "issue specific" analysis focuses solely on the following five questions:

- 1) Will the proposed Erickson Retirement Campus have a detrimental effect on the housing values in the village of Lincolnshire?
- 2) How will the demographics of the voting population change with the addition of the Erickson Retirement Campus; and what is the likelihood that voting patterns will change?
- 3) Will the proposed Erickson Retirement Campus lower the test scores and performance of students in the village?
- 4) Can the proposed Erickson Retirement Campus model be compared to Del Webb's Sun City model in Huntley, Illinois?
- 5) What will occur in the event that Erickson Retirement Communities were to file for bankruptcy during the development of its Lincolnshire campus?

***The Proposed
Development***

As conceptualized by Erickson Retirement Communities, the proposed Lincolnshire continuing care retirement community will consist of 1,902 units developed within 60 acres of a larger 92.0-acre land parcel located on the east side of Milwaukee Avenue, north of Aptakisic Road and south of Riverside Drive

REAL ESTATE MARKET ANALYSIS

currently in unincorporated Lake County. Developed in phases, a total of 1,538 independent living units, 128 assisted living units, and 236 skilled nursing beds will be available upon completion. The 1,538 independent units will be constructed in three neighborhoods, each featuring four or five residential buildings containing individual community rooms but interconnected by indoor pedestrian walkways. The assisted living units and skilled nursing beds will be located in a separate complex.

The campus itself will feature a gated entrance, passenger buses, staffed medical clinic, inter-faith worship center, indoor aquatics center, health club, auditorium, TV studio, and conference center, as well as various hobby rooms and computer labs. In addition, the community will include beauty salons, convenience stores, and banking facilities.

Entrance fees for individual residences are expected to range from \$123,000 to \$400,000+, an equity position which is fully refundable. Monthly service fees, to be determined at a later date, will fluctuate on the basis of services required per resident.

Question #1:

Will the proposed Erickson Retirement Campus have a detrimental effect on housing values in the village of Lincolnshire?

Answer:

The development of the Erickson Retirement Campus will not affect the value of housing nearby. This conclusion can be supported by investigations of home values in areas surrounding seven larger (100+ units) senior housing communities which, to assure statistical reliability of resale information, have been open for less than seven years. To illustrate:

- The seven sampled communities include: Lake Forest Place in Lake Forest; The Garlands of Barrington in Barrington; Classic Residence by Hyatt in Glenview; Hearthstone in Arlington Heights; Village at Victory Lakes in Lindenhurst; Brighton Gardens in Burr Ridge; and Marian Village in Lockport. Home values in all areas immediately surrounding these facilities have *increased* since the opening of the facility. As outlined in the following text table, ownership residences proximate to the investigative properties have witnessed median value increases ranging from a low of 4.1 percent to a high of 10.4 percent per year:

HOME VALUE ANALYSIS - SELECTED AREAS

Senior Housing Facility	Location	Project Size	Year Opened	Median Value of Nearby For Sale Housing Units ⁽¹⁾		
				Year Project Opened	2002	Annual Change
Lake Forest Place	Lake Forest	280	1997	\$413,654	\$523,605	+4.7%
The Garlands of Barrington	Barrington	282	1999	290,501	361,039	+7.2%
Classic Residences by Hyatt	Glenview	296	1999	262,655	347,904	+9.4%
Hearthstone	Arlington Heights	100	1997	169,926	238,263	+6.8%
Village at Victory Lakes	Lindenhurst	140	1997	132,808	177,000	+5.8%
Brighton Gardens	Burr Ridge	100	1996	332,075	620,335	+10.4%
Marian Village	Lockport	143	1996	180,229	230,023	+4.1%

⁽¹⁾ Includes single family, townhome and condominium residences in the neighborhoods immediately surrounding the subject property.

Source: Multiple Listing Service of Northern Illinois and Tracy Cross & Associates, Inc.

- More importantly, in all but two instances, the rate of appreciation among those homes most proximate to a senior housing facility *met* or *exceeded* the annual increase noted for the host municipality as a whole:

COMPARATIVE ANALYSIS - HOME VALUES

Senior Housing Facility	Location	Project Size	Year Opened	Annual Change in Area Home Values ⁽¹⁾	
				Local Area	Host Municipality
Lake Forest Place	Lake Forest	280	1997	+4.7%	+7.4%
The Garlands of Barrington	Barrington	282	1999	+7.2%	+6.5%
Classic Residences by Hyatt	Glenview	296	1999	+9.4%	+9.8%
Hearthstone	Arlington Heights	100	1997	+6.8%	+4.5%
Village at Victory Lakes	Lindenhurst	140	1997	+5.8%	+6.4%
Brighton Gardens	Burr Ridge	100	1996	+10.4%	+5.8%
Marian Village	Lockport	143	1996	+4.1%	+1.8%

⁽¹⁾ Includes single family, townhome and condominium residences in the selected areas.

Source: Multiple Listing Service of Northern Illinois and Tracy Cross & Associates, Inc.

Question #2:

How will the demographics of the voting population change with the addition of the Erickson Retirement Campus; and what is the likelihood that voting patterns will change?

Answer:

With the development of the Erickson Campus, it is certain that the median age of the voter in Lincolnshire will increase over time. It is, however, very unlikely that voting patterns will change substantially in terms of local issues:

- First, if the Erickson Campus were not introduced, the “voting age” population base of Lincolnshire in 2010 would likely total just over 5,000. Coupling this projection with the expected maturation of the area in terms of age shows that the majority of the local population (79.6 percent) would fall within the broad age category of 35 to 74 years with Lincolnshire’s median age standing at 52 years. Because voting probability generally increases with age, the median age of a voter in Lincolnshire *without* the Erickson Campus would stand at 54 years as highlighted below:

**Market Research Analysis
Village of Lincolnshire
The Erickson Campus at Lincolnshire
Lincolnshire, Illinois**

**VOTING POPULATION BY AGE
VILLAGE OF LINCOLNSHIRE - 2010
(WITHOUT THE PROPOSED ERICKSON CAMPUS)**

Age Category	Population Village of Lincolnshire (2010 Est.)	Expected To Vote By Age Group (Percent)	Applied to Lincolnshire	
			Voters	Percent Of Total
18-24	262	32.3	85	2.8
25-34	297	43.7	130	4.3
35-44	911	55.0	501	16.5
45-54	1,287	62.3	802	26.5
55-64	1,142	66.8	763	25.2
65-74	640	69.9	447	14.8
75+	462	64.9	300	9.9
Totals:	5,001	---	3,028	100.0

Median Age of Lincolnshire Voter in 2010 = 54 Years

Source: U.S. Census Bureau: *Reported Voting and Registration, by Sex and Single Years of Age: November 2000*; Claritas, Inc.: *Population By Age Report*; and Tracy Cross & Associates, Inc.

With the addition of the Erickson Campus, the population in Lincolnshire by 2010 would be 42.0 percent higher than the expected population base without the facility. In addition, this increase would be fully represented by persons over the age of 75. Under this scenario, and after a recalculation of age groups and voter representation, the median age of a voter within the village would stand at 63 years as highlighted below:

**VOTING POPULATION BY AGE
VILLAGE OF LINCOLNSHIRE - 2010
(WITH THE PROPOSED ERICKSON CAMPUS)**

Age Category	Population Village of Lincolnshire (2010 Est.)	Expected To Vote By Age Group (Percent)	Applied to Lincolnshire	
			Voters	Percent Of Total
18-24	265	32.3	86	2.0
25-34	300	43.7	131	3.0
35-44	920	55.0	506	11.5
45-54	1,300	62.3	810	18.5
55-64	1,154	66.8	771	17.5
65-74	646	69.9	452	10.3
75+ ⁽¹⁾	2,516	64.9	1,632	37.2
Totals:	7,101	---	4,388	100.0

Median Age of Lincolnshire Voter in 2010 = 63 Years

⁽¹⁾ Assumes that 10.0 percent of existing population aged 75+ will move into the Erickson facility and be replaced by a proportionate number of people in other age categories.

Source: U.S. Census Bureau: *Reported Voting and Registration, by Sex and Single Years of Age: November 2000*; Claritas, Inc.: *Population By Age Report*; and Tracy Cross & Associates, Inc.

- While the median age of the population and, in turn, the voter will increase, it is our opinion that the voting patterns of the new populace will not change dramatically from the patterns that would be established without the Erickson Campus:
- Like other Erickson communities, the point of origin of the expected resident at its Lincolnshire Campus will emanate from a more localized area of between five and ten miles. And, while it is impossible to predict the voting patterns of seniors on issues seven years from now, it is logical to assume that these localized residents will carry the same weighting that they always have in terms of the issues at hand.
- More importantly, and lending support to our general opinion, are the trends seen in other Erickson locations. At its Charlestown and Oak Crest Village communities in Baltimore County, Maryland, for example, where these two retirement campuses comprise their own voting districts, residents voted consistently, and sometimes more favorably, than the overall population on County bond issues related to schools, parks and public works. As outlined below, in a 2002 election, the residents of Charlestown and Oak Crest Village were more supportive on the various issues:

VOTING PATTERNS - 2002 ELECTION

Bond Issues	Baltimore County All Voting Districts				Charlestown Retirement Comm. First Election District Precinct 16 Legislative District 12A Congressional District 7 Council District 1				Oak Crest Village Eleventh Election District Precinct 15 Legislative District 8 Congressional District 2 Council District 6			
	For	Percent	Against	Percent	For	Percent	Against	Percent	For	Percent	Against	Percent
Question D - County Ordinance - School Borrowing - \$71,675,000	179,606	77%	52,842	23%	819	79%	220	21%	957	78%	277	22%
Question E - County Ordinance - Parks, Preservation and Greenways Borrowing - \$5,550,000	170,703	75%	57,795	25%	757	75%	258	25%	843	72%	326	28%
Question F - County Ordinance - Public Works Borrowing - \$67,658,000	175,494	78%	50,448	22%	830	82%	182	18%	947	80%	243	20%
Question G - County Ordinance - Operational Buildings Borrowing - \$29,106,000	155,117	70%	66,799	30%	710	73%	259	27%	808	71%	334	29%
Question H - County Ordinance - Refuse Disposal Borrowing - \$2,250,000	163,800	73%	59,585	27%	782	79%	205	21%	893	77%	269	23%
Question I - County Ordinance - Community College Borrowing - \$14,520,000	152,644	68%	73,324	32%	715	71%	292	29%	807	69%	362	31%
Question J - County Ordinance - Agricultural and Rural Land Preservation Borrowing - \$4,500,000	163,967	73%	60,865	27%	764	76%	246	24%	866	74%	305	26%
Question K - County Ordinance - Waterway Improvement Borrowing - \$2,530,000	174,679	77%	51,911	23%	796	79%	216	21%	949	79%	248	21%
Question L - County Ordinance - Community and Economic Improvement Borrowing - \$2,000,000	146,649	66%	76,324	34%	650	67%	320	33%	698	62%	432	38%

Source: Baltimore County Board of Elections

- Further support for our opinion is provided by voting trends witnessed at the *On Top of the World* retirement community located in Clearwater, Florida. As outlined below, residents at On Top of the World, which comprises a total of three voting districts, voted consistent with the host Pinellas County on various issues related to schools:

VOTING PATTERNS: 2002 ELECTION - ON TOP OF THE WORLD

Constitutional Amendments	Issue	Pinellas County				On Top of the World			
		For	Percent	Against	Percent	For	Percent	Against	Percent
Number 8	Voluntary Universal Pre-Kindergarten Education	187,786	60%	126,304	40%	1,506	58%	1,086	42%
Number 9	Amendment to Reduce Class Size	141,588	45%	175,050	55%	1,022	39%	1,597	61%
Number 10	Local Trustees and Statewide Governing Board to Manage Florida's University System	197,293	66%	102,073	34%	1,612	65%	870	35%

Note: On Top of the World was selected arbitrarily because it was large enough to constitute its own voting precinct or precincts.

Source: Pinellas County, Florida Supervisor of Elections Board

Question #3:

Will the proposed Erickson Retirement Campus lower the test scores and performance of students in the village?

Answer:

While it is difficult to answer this question empirically given the inability to review test score histories that would show a direct relationship between the two variables, it is our professional opinion that the proposed Erickson Campus *would not* negatively impact test scores or the performance of students:

- The Erickson community will produce *no* school-age children. As such, it cannot directly influence the schools from a participation/representation standpoint.
- The additional tax revenue generated from the Erickson Campus for local school districts can only have a positive influence on these schools considering no children accompany this increased revenue.
- Finally, as outlined in the following text table, interviews with school and village officials from several areas where senior housing facilities have been introduced indicated absolutely no impact on test scores or student performance:

SCHOOL IMPACT SURVEY

School District	Local Senior Facility	<i>Question to local officials: Has the senior housing campus had a negative impact on school test scores or student performance?</i>	
		Yes	No
225	Classic Residence by Hyatt ⁽¹⁾		X
205	Marian Village ⁽¹⁾		X
207	Oakton Arms ⁽¹⁾		X
Northeast Area	Oak Crest Village ⁽²⁾		X
⁽¹⁾ Denotes a Chicago area facility. ⁽²⁾ Denotes an Erickson Campus.			

Source: Tracy Cross & Associates, Inc.

Question #4: Can the proposed Erickson Retirement Campus model be compared to Del Webb's Sun City model in Huntley, Illinois?

Answer: These two communities, while catering to the more mature consumer, are decidedly different for the following reasons:

- First and foremost, Sun City is an *active adult* community targeting buyers typically 55 to 74 years of age. The proposed Erickson Campus is a continuing care retirement community (CCRC) directed toward a much older segment of the market (*i.e.*, aged 75+).
- As an age-restricted master-planned community, which includes a highly-amenitized, lifestyle-oriented, recreational environment, Sun City Huntley exemplifies the true meaning of a *destination-point development*. In fact, couples and individuals aged 55 and older are emanating to Del Webb's community from areas throughout the entire Chicago metropolitan region, and even elsewhere around the country. The proposed Erickson Campus is expected to be more localized in terms of its market draw (*i.e.*, within a 5-10 mile radius).
- At Sun City, buyers are typically still employed and extremely active. At the proposed Erickson Campus, most individuals will be retired and moderately active.
- At Sun City, an active lifestyle including golf and other sources of recreation is the key component to residency. At the Erickson Campus, while independence and lifestyle are certainly important elements, the security of "continuing care" is one of the more important factors.

- Sun City Huntley consists primarily of single family detached product forms with fee simple ownership. At the Erickson Campus, multi-family product forms will represent 100 percent of the product portfolio, and will be marketed under an entrance fee/monthly service charge arrangement or a rental equivalent.

- Sun City residents can choose whether or not they want to maintain their own property and unit. At the Erickson Campus, the community will be 100 percent maintenance-free.

Question #5: **What will occur in the event that Erickson Retirement Communities were to file for bankruptcy during the development of its Lincolnshire Campus?**

Answer: According to officials at the Village of Lincolnshire, because the Erickson Campus is attempting to re-zone the property under a planned unit development/special use scenario, any changes to the project type, project size, project ownership, etc. would require a re-submittal to the Village Board. In other words, the project is protected from becoming anything other than what is being proposed without receiving the appropriate approval.