

**CITY OF CHICAGO
DEPARTMENT OF COMMUNITY DEVELOPMENT**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
February 9, 2010**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name: Parkside of Old Town – Cabrini Phase II Rental

Applicant Name: Parkside Nine Phase II, LP

Project Addresses: 544 West Oak Street

Ward and Alderman: 27th Ward – Alderman Walter Burnett

Community Area: Near North Community Area (#8)

Redevelopment Project Area: Near North TIF

Requested Action: TIF Developer Designation

Proposed Project: Financial assistance for the construction of a seven story mid-rise elevator building containing 112 rental units (39 CHA replacement, 53 affordable to households earning 60% or less of area median income, and 20 market rate units) with one to five bedrooms and a first floor commercial space. Six units will be located in the attached townhomes at the base of the midrise, 106 units will be located within the midrise.

TIF Assistance: \$8,216,100

II. PROPERTY DESCRIPTION

Addresses: 544 West Oak Street

Location: Near North Side

Tax Parcel Numbers: 17-04-304-027-0000

Land Area: approximately 164,501 square feet

Current Use: Vacant - CHA land

Current Zoning: Planned Development approved by zoning 1/12/2006.

Environmental: A Phase I & II environmental site assessment was completed by Wight and Company in May 2005. Several potential hazards may exist

TIF Developer Designation – Parkside of Old Town
Cabrin Rental – Phase II
Parkside Nine Phase II, L.P.

due to past operations on the site including a paint factory, electric coil manufacturing and other manufacturing operations. The site will be entered into the State Voluntary Remediation Program to bring to residential standards.

III. BACKGROUND

The redevelopment of this property is central to the City's overall redevelopment plan for the immediate area. The 1997 Near North Redevelopment Initiative (NNRI) plan proposed several items which have since come to fruition including the expansion of Seward Park to Division Street, the construction of the police station at Larrabee and Division Streets, the construction of Walter Payton Academy, Jenner Elementary, and the Dominick's-anchored commercial space at Clybourn and Division.

On June 30, 2008, the developer applied to the Department of Community Development (DCD) for loan funds to help construct a mixed-income, multi-family rental building at Larrabee and Oak streets in the Near North Community Area. This proposed project (Phase II of a two-phase rental) will be a carbon copy of the Phase I rental building located immediately north. The development will consist of 112 units in one mid-rise elevator building, with a space for commercial on the ground floor. The unit breakdown will consist of one to five bedrooms with the following income mix:

- 39 CHA replacement,
- 53 affordable at 60% and below area median income (AMI), and
- 20 market rate

The proposed site is located at the northeast corner of Oak and Larrabee and is within the larger Parkside of Old Town development - bound by Larrabee Street to the west, Division Street to the north, Oak Street to the south and Orleans Street (Seward Park) to the east. The redevelopment, two miles north of the Loop, has benefited from tremendous growth in recent years and is in close proximity to numerous commercial businesses, restaurants, churches, schools and existing housing. Parkside of Old Town is well served by CTA trains and bus routes including:

- the Clark and Division Red Line subway is ½ mile east ;
- the Sedgwick and Chicago/Franklin Brown Line elevated stations are within a mile;
- the Division Street bus directly serves the north side of the site;
- the Halsted, Clark and LaSalle Street buses are within a short walking distance; and
- the Sedgwick Street bus operates nearby during the morning and evening rush hours.

The Dan-Ryan and Kennedy Expressways are accessed off of the Ohio Street Feeder ramp approximately one mile south of the site and Division Street entrance approximately one mile west.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Parkside Associates, LLC is the master developer for the Cabrin Extension North project. The developer for the phase two rental is Parkside Nine Phase II, LP, an Illinois limited partnership, and Parkside Nine Phase II, LLC, whose sole member is Parkside Associates, LLC, an Illinois limited liability company (The "Managing Member"), consisting of Holsten Real Estate Development, an Illinois corporation, and the Cabrin-Green LAC Community Development Corporation, an Illinois not-for-profit corporation. Holsten Real Estate Development Corporation owns a sixty percent (60%) membership interest in the Managing Member and the Cabrin Green LAC Community Development Corporation owns a forty percent (40%) membership interest in the Managing Member.

TIF Developer Designation – Parkside of Old Town
Cabrini Rental – Phase II
Parkside Nine Phase II, L.P.

At the time of closing on the construction financing, Parkside Nine Phase II, LLC will be the general partner and Alliant Capital, Ltd. or an entity acceptable to the City will replace Parkside Nine Phase II, LP as the limited partner.

Experience: The Holsten Real Estate Development Corporation is one of Chicago's leading for-profit developers and managers of affordable and single-room-occupancy housing, and has over 26 years of experience in developing and managing over 3,200 housing units. Prior developments have included but are not limited to the Rosemont (1601 W. Rosemont - 122 units), the Lakeland (4541 N. Sheridan - 110 units), the Norman (1325 W. Wilson - 154 units), and the Cromwell (5718 N. Winthrop - 75 units), in addition to the Sutherland and the South Shore, developed jointly with Century Place Development Corporation. The Sutherland, South Shore, Rosemont, and the Midwest were all financed with DCD low-income housing tax credits, conventional bank first mortgages, and second mortgages from IHDA. Additionally, Holsten completed the Bryn Mawr/Belle Shore in 1998-1999 which is fully occupied. Holsten successfully manages all the projects after rehab for the long-term, and has an accounting and management system tailored to meet the needs of these types of projects. As a property manager, Holsten's primary goal is to protect ownership's investment for the entire team.

Other City-funded Projects by this Developer:

North Town Village (NTV), which is located in the Near North Redevelopment Area is a mixed income, CHA replacement housing development which consists of 261 units of rental and for-sale housing in a combination of town homes, duplexes, coach houses, a seven-story mid-rise building, a 12-unit condominium building, and six and eight flats. Funding for this project came from a variety of City, State and Federal funding sources. The development was completed in October 2002, and was the first of its kind where mixed income developments were erected to infuse CHA replacement units, affordable units and market rate units.

Hilliard Homes, located near Chinatown in the South Loop is a mixed-income, CHA replacement housing development which consists of 654 rental units in four towers: two family and two senior. Funding for this project came from a variety of City, state and federal funding sources. The development was completed in 2006.

Holsten's most recent rehabilitation development is the Lawndale Restoration project. Located on the west side of Chicago, the Lawndale Restoration consists of ten different buildings which will restore and bring a total of 170 living units up to city code.

Wilson Yards is a mixed use development under construction in Uptown consisting of a senior building with 98 one-bedroom units, a family building consisting of 80 units, and retail space including Target and ALDI stores. This project is scheduled to be complete Spring 2010 and fully occupied by the end of 2010.

Holsten Management also successfully served as the City's heat receiver from 1994 - 2000.

The Cabrini-Green LAC Community Development Corporation is a not-for-profit entity formed in 2005 to provide housing and services to the residents of the redeveloped Cabrini-Green area. The not-for-profit consists of current residents of Cabrini-Green and is lead by Marvin Edwards.

TIF Developer Designation – Parkside of Old Town
 Cabrini Rental – Phase II
 Parkside Nine Phase II, L.P.

Other development team members include:

Architect: Fitzgerald & Associates and Smith and Smith Architects
General Contractor: Linn-Mathes
Property Manager: Holsten Real Estate
Developer’s Counsel: Applegate & Thorne-Thomsen, P.C.
 Charity & Associates
 Mandel Legal Aid Clinic

Developer’s Accountant: Legal Assistance Foundation of Metropolitan Chicago
 Reznick Group

Other – CHA Counsel: LaRue Little & Pamela Cash
CHA Outside Counsel: Albert Whitehead & Associates

V. PROPOSED PROJECT

Project Overview:

The 112-unit Phase II rental for Parkside of Old Town will be located on the Near North side of Chicago. The building wraps the corner of Larrabee and Oak and features six townhome units attached to the building’s base facing the interior landscaped courtyard. The building will contain a community room, exercise room, laundry, bike storage, and commercial space. Parking will be included on the ground floor and second level of the building.

A site plan, floor plans and elevations are provided as exhibits to this report.

Residential Unit Profile: The following table provides a detailed description of the proposed project. These rent levels will satisfy the Chicago affordable housing ordinance, which requires 10 percent affordable units in projects receiving City assistance in the form of a land write-down, or 20 percent affordable units in projects receiving TIF assistance. The affordable units are available to households earning no more than 60% of the area median income. The affordability period for these units is at least 30 years. The Department of Community Development has reviewed and approved the affordable unit rents. Rents for public housing/CHA units are governed by HUD rules and regulations and as such, are not discretionary on the developer’s or the City’s part.

Parkside Phase II Rental Unit Profile

TYPE	Sq Ft	Total CHA	RENT CHA	Total 50-60% AMI	RENT 50-60% AMI	Total Mkt. Rate	RENT Mkt. Rate
1 bed/1 bath	803	5	\$340	31	\$ 800	-	-
1 bed/1 bath	803	-	-	-	-	10	\$1,200
2 bed/1 bath	1,116	29	\$340	21	\$ 950	-	-
2 bed/1 bath	1,116	-	-	-	-	10	\$1,500
3bed/1.5 bath	1,503	4	\$340	1	\$1,100	-	-
5 bed/2 bath	2,272	1	\$340	-	-	-	-
TOTAL:	-	39	-	53	-	20	-

Environmental Features:

This project will incorporate green features including permeable pavement covering 50% or more of the parking spaces, high efficiency heating and hot water, high insulation windows and the walls using 25% or more recycled-content insulation, insulated heaters, and a gearless elevator.

VI. FINANCIAL STRUCTURE

This development will be funded with various sources of public as well as private financing. Forty-three percent (43%) or \$17,883,212 of the funds will come from the sale of federal low income housing tax credits (LIHTC), administered by DCD. The equity generated from the sale of these tax credits will be paid into the project in tranches. A portion will be paid at closing, and the remainder will be funded at various stages throughout construction to completion and finally to occupancy. The details of the funding schedule will be a part of the Operating Agreement between the Parkside Nine Phase II Limited Partnership, and their tax credit partner. Prior to closing, DCD will review and approve the Operating Agreement.

DCD has preliminarily set-aside \$3,710,019 in loan funds, and the Chicago Housing Authority (CHA) Board approved the commitment of \$7,776,000 in Hope VI, general and/or other public housing funds on October 14, 2009

TIF dollars of \$8,216,100 will represent 20% of the financing and will be used to pay for, or reimburse the developer for, TIF eligible project costs. During construction and lease-up, the TIF funds will be bridged by a CHA Capital Fund Recovery Competition (CRFC) loan, which are stimulus funds awarded to the CHA by HUD, for use in this project. After construction completion, the project will receive five equal payments of \$1,643,220. The first cash payment will be made March 1st in the year after the issuance of the Certificate of Completion. The payments will be derived from the project PINS of the Parkside of Old Town site.

Illinois Affordable Housing Tax Credits (IAHTC), better known as Donations Tax Credits (DTC), will fund 5% of the development costs. The CHA land is viewed as a donation, and 50% of the land value, or \$2,500,000, is the amount of DTCs.. Alliant, or an entity acceptable to the DCD Commissioner, will purchase the credits, and will sell them to JP Morgan Chase to generate \$2,050,000 of equity for the project.

The following tables identify the sources and uses of funds:

SOURCES:		
Lender / Partner	Amount	% of Total Dev Costs
Alliant Capital, LLC	\$2,086,000	5.0%
IL Donation Tax Credits	\$2,050,000	5.0%
City of Chicago – DCD Funds	\$3,710,019	9.0%
HOPEVI, General and/or other public housing funds	\$7,776,000	18.0%
City of Chicago – TIF Funds	\$8,216,100	20.0%
Tax Credit Equity	\$17,883,212	43.0%
TOTAL	\$41,721,331	100.00%

TIF Developer Designation – Parkside of Old Town
 Cabrini Rental – Phase II
 Parkside Nine Phase II, L.P.

	PHASE 2A	Percent	\$/Sq. Ft. of Bldg. [1]
HARD COSTS RESIDENTIAL :			
Construction: residential	\$ 28,750,609	69.1%	\$ 174.77
Contingency: residential 5%	\$ 1,437,530	3.5%	\$ 8.74
TOTAL HARD COSTS RESIDENTIAL :	\$ 30,188,139	72.6%	\$ 183.51
SOFT COSTS:			
Architect - Master Plan	\$ 335,000	0.8%	\$ 2.04
Architect - Design, Permit Process	\$ 370,350	0.9%	\$ 2.25
Architect - Supervision	\$ 60,000	0.1%	\$ 0.36
Architect - Misc.	\$ 35,000	0.1%	\$ 0.21
Architect - Consultants (Engineering, Etc.)	\$ 169,000	0.4%	\$ 1.03
Part 2 Fee - New City Code	\$ 32,000	0.1%	\$ 0.19
Private Utilities	\$ 300,000	0.7%	\$ 1.82
Utility Relocation	\$ 1,725,000	4.1%	\$ 10.49
Concrete, Rebar and Masonry Testing	\$ 85,000	0.2%	\$ 0.52
Legal Fees - Partnership	\$ 300,000	0.7%	\$ 1.82
Legal Fees - Syndicator	\$ 160,000	0.4%	\$ 0.97
Legal Fees-Lender	\$ 185,000	0.4%	\$ 1.12
Legal Fees - Zoning	\$ 15,000	0.0%	\$ 0.09
Consultant - TIF	\$ 35,000	0.1%	\$ 0.21
Accounting	\$ 80,000	0.2%	\$ 0.49
Market Study/Appraisal	\$ 25,000	0.1%	\$ 0.15
Survey/Plat of Subdivision	\$ 45,000	0.1%	\$ 0.27
Environmental Reports	\$ 5,000	0.0%	\$ 0.03
Construction Period Taxes	\$ 200,000	0.5%	\$ 1.22
Construction Period Insurance	\$ 250,000	0.6%	\$ 1.52
Real Estate Tax Escrow	\$ 80,000	0.2%	\$ 0.49
Insurance Escrow	\$ 70,000	0.2%	\$ 0.43
Title & Recording	\$ 50,000	0.1%	\$ 0.30
Lender's Fees- 1st Mortgage	\$ 230,000	0.6%	\$ 1.40
Equity Bridge Loan Interest	\$ 1,200,000	2.9%	\$ 7.29
Tax Credit Fees	\$ 122,500	0.3%	\$ 0.74
Permit/Application Fees	\$ 90,000	0.2%	\$ 0.55
Marketing and Leasing	\$ 190,000	0.5%	\$ 1.16
Bridge Lender Fees	\$ 230,000	0.6%	\$ 1.40

TIF Developer Designation – Parkside of Old Town
 Cabrini Rental – Phase II
 Parkside Nine Phase II, L.P.

Construction Period Carry Costs	\$ 80,000	0.2%	\$ 0.49
TIF Financing Costs	\$ 296,483	0.7%	\$ 1.80
PH Unit Rent Reserve	\$ -	0.0%	\$ -
Lease-Up Reserve	\$ 450,000	1.1%	\$ 2.74
Operating Reserve	\$ 800,000	1.9%	\$ 4.86
Developer Fee	\$ 3,132,858	7.5%	\$ 19.04
TOTAL SOFT COSTS	\$ 11,433,191	27.4%	\$ 69.50
USES OF FUNDS: TOTAL Residential	\$ 41,621,331	99.8%	\$ 253.02
DEVELOPMENT COSTS COMMERCIAL			
Commercial Space - soft costs	\$ 100,000	0.2%	\$ 0.61
TOTAL DEVELOPMENT COSTS COMMERCIAL:	\$ 100,000	0.2%	\$ 0.61
TOTAL DEVELOPMENT COST	\$ 41,721,331	100%	\$ 252.80

[1] Total Building Sq. Ft 164,501

VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits.

Affordable Housing: The project will provide 112 new rental housing units for families in a mixed income development. Of the 112 units, 87 (78%) will be affordable to households earning 60% of AMI and below and 5 (4%) will be affordable to public housing families earning up to 80% of AMI.

Environmental Features: Environmentally friendly features have been incorporated into the design of the building, including permeable materials, with 50% or more of the parking spaces covered with permeable pavers, high efficiency heating and hot water, high insulation values in the windows and the walls using 25% or more recycled-content insulation, insulated heaters, and a gearless elevator.

Permanent Jobs: The project is estimated to generate four permanent jobs as follows: Site Manager 100% time; Human Capital 100% time; Maintenance Worker 100% time, and one Section 3 (resident) hire in accordance with the Chicago Housing Authority's support of this project. The Mayor's Office for Workforce Development (MOWD) has been informed of the project and will work with the developer on job training and placement.

Construction Jobs: The project will produce 75 temporary construction jobs.

Affirmative Action: The developer will comply with the requirements of Chicago's affirmative action ordinance, which requires contract participation of 24% by minority-owned business enterprises (MBEs) and 4% by woman-owned business enterprises (WBEs). The developer has provided notification of the proposed project, by certified mail, to eight associations of minority contractors and women contractors. A sample version of the letter and copies of the post office receipts for the certified letters are presented as exhibits to this report.

City Residency: The developer will comply with the requirements of Chicago's city residency ordinance, which requires that at least half of all construction-worker hours be filled by Chicago residents. The developer will also comply with the requirement that all construction jobs are paid the prevailing wage.

TIF Developer Designation – Parkside of Old Town
Cabriní Rental – Phase II
Parkside Nine Phase II, L.P.

VIII. COMMUNITY SUPPORT

Alderman Burnett endorses the project and has provided a letter of support (see exhibits for copy). Additional community support includes the Near North Development Corporation, the Cabriní-Green Local Advisory Council, and By The Hand Club which is an after school program for 1st to 12th graders run by the Moody Church and the Cabriní-Green Ministry.

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the Near North Tax Increment Financing Redevelopment Project Area. The implementation strategy for achieving the Near North Redevelopment plan's goals include: reducing or eliminating blighted conditions; increasing the number of rental units for a variety of income levels; employing Project Area residents in construction jobs; and strengthening the economic well-being of the project area. The proposed project also conforms to the plan's stated goals and the plan's land use map, which calls for residential/ institutional/ commercial employment or parks and open space development at the subject site.

X. CONDITIONS OF ASSISTANCE

If the proposed resolution is approved by the CDC, DCD will negotiate a redevelopment agreement with the developer incorporating the parameters of the proposed project as described in this staff report.

It is City policy that no business will be conducted with a development entity whose principal has outstanding municipal debts (such as unpaid parking tickets, unpaid water bills, unpaid business licenses, and others), is in arrears of child support payments, or who is a debtor in bankruptcy, a defendant in a legal action for deficient performance, a respondent in an administrative action for deficient performance, or a defendant in any criminal action.

Closing of the redevelopment agreement will not occur before the City Council has approved the agreement, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing. The redevelopment agreement will include a development timetable.

XI. RECOMMENDATION

The Department of Community Development has thoroughly reviewed the proposed project, the qualifications of the development team, the financial structure of the project, the need for public assistance, its public benefits, and the project's conformance with the redevelopment area plan, and DCD recommends that the CDC recommends to the City Council the designation of Parkside Nine Phase II L.P. as Developer for the development of Parkside of Old Town at the Cabriní North Extension Property located at 544 West Oak Street.