

**CITY OF CHICAGO  
DEPARTMENT OF PLANNING AND DEVELOPMENT**

**STAFF REPORT  
TO THE  
COMMUNITY DEVELOPMENT COMMISSION  
REGARDING  
A PROPOSED NEGOTIATED SALE OF CITY-OWNED PROPERTY  
AND DESIGNATION OF DEVELOPER  
OCTOBER 13, 2015**

**I. PROJECT IDENTIFICATION AND OVERVIEW**

Project Name: Nelson Mandela Apartments

Applicant Name: Nelson Mandela Apartments, LP, an Illinois Limited Partnership

Project Address:

<b>CITY-OWNED:</b>	<b>SITE:</b>	<b>TIF AREA:</b>
601-603 N. Central Park	A	CCP*
549 N. Drake	B	CCP
614 N. Spaulding	C	CCP
605 N. Sawyer	E	Kinzie
607 N. Sawyer	E	Kinzie
524 N. Troy	F	Kinzie
530 N. Troy	F	Kinzie
3106 W. Franklin	G	Kinzie
3110 W. Franklin	G	Kinzie
3116 W. Franklin	G	Kinzie
3120 W. Franklin	G	Kinzie
3124 W. Franklin	G	Kinzie
3145 W. Franklin	G	Kinzie
<b>PRIVATELY OWNED:</b>	<b>SITE:</b>	<b>TIF AREA:</b>
600 N. St. Louis	D	CCP
602 N. St. Louis	D	CCP
601 N. Sawyer	E	Kinzie

3112 W. Franklin	G	Kinzie
3114 W. Franklin	G	Kinzie

**\*CCP = Chicago/Central Park**

Ward and Alderman: 27<sup>th</sup>/Walter Burnett, Jr.

Community Area: West Humboldt Park

Redevelopment Project Area: Chicago Central Park & Kinzie Industrial Corridor Tax Increment Financing Redevelopment Project Areas

Requested Action: Negotiated sale of vacant City land, \$6,450,503 in TIF financing and designation of Developer.

Proposed Project: New construction of 72-units of affordable rental housing on eight sites in the West Humboldt Park neighborhood. In addition to the units, there will be off-street parking, bicycle storage and common laundry facilities.

Goal of Project: To establish a program of planned improvements designed to retain existing residential uses and promote the area for new residential development.

Appraised Market Value: \$137,000 – City-owned

Sale Price: \$13.00

Acquisition Assistance: \$136,987

TIF Assistance: \$6,450,503

**II. PROPERTY DESCRIPTION**

**Address:**

<b>CITY-OWNED:</b>	<b>SITE:</b>	<b>TIF AREA:</b>
601-603 N. Central Park	A	CCP
549 N. Drake	B	CCP
614 N. Spaulding	C	CCP

605 N. Sawyer	E	Kinzie
607 N. Sawyer	E	Kinzie
524 N. Troy	F	Kinzie
530 N. Troy	F	Kinzie
3106 W. Franklin	G	Kinzie
3110 W. Franklin	G	Kinzie
3116 W. Franklin	G	Kinzie
3120 W. Franklin	G	Kinzie
3124 W. Franklin	G	Kinzie
3145 W. Franklin	G	Kinzie
<b>PRIVATELY OWNED:</b>	<b>SITE:</b>	<b>TIF AREA:</b>
600 N. St. Louis	D	CCP
602 N. St. Louis	D	CCP
601 N. Sawyer	F	Kinzie
3112 W. Franklin	H	Kinzie
3114 W. Franklin	H	Kinzie

Location: Scattered sites in the West Humboldt Park neighborhood. The proposed project will be bound by Franklin Blvd. on the south, Chicago Ave. to the north, Sacramento to the east and Central Park to the west.

Tax Parcel Numbers:

<b>ADDRESS:</b>	<b>P.I.N.</b>	<b>SITES:</b>
<b><u>CITY-OWNED:</u></b>		
601-603 N. Central Park	16-11-208-015	A
549 N. Drake	16-11-217-001	B
614 N. Spaulding	16-11-213-041	C
605 N. Sawyer	16-11-215-037	E
607 N. Sawyer	16-11-215-038	E
524 N. Troy	16-12-106-021	F
530 N. Troy	16-12-106-036	F

3106 W. Franklin	16-12-107-032	G
3110 W. Franklin	16-12-107-031	G
3116 W. Franklin	16-12-107-028	G
3120 W. Franklin	16-12-107-027	G
3124 W. Franklin	16-12-107-026	G
3145 W. Franklin	16-12-109-003	G
<b>PRIVATELY OWNED:</b>	<b>P.I.N.</b>	<b>SITES:</b>
600 N. St. Louis	16-11-209-037	D
602 N. St. Louis	16-11-209-038	D
601 N. Sawyer	16-11-215-021	E
3112 W. Franklin	16-12-107-030	G
3114 W. Franklin	16-12-107-029	G

Land Area: 96,552 square feet

Current Use: Vacant lots formerly used as residential

Current Zoning: Lots for sites A and B are zoned RT-4, Lots for sites C, D, E, and F are zoned RS-3, and Lots for site 'G' are zoned RT-4.

Proposed Zoning: RM4.5 Residential Multi-Unit District for lots A through F was approved by City Council on September 24, 2015, the 'G' lots will remain RT-4.

Environmental Condition: Pioneer Engineering & Environmental Services, Inc. conducted a Phase I of the sites and found that historical investigation indicates prior residential developments were on the sites, and sometime between 1973 and 2000, the structures were demolished. The residential structures on the various subject property parcels, consisted of single-family dwellings and two-story apartment buildings.

Soil borings were located on three separate sites for the project, and the surface cover at the borings consisted of one to eight feet of black or gray and black silty clay topsoil, gray and black or brown and black silty clay fill, or brown gravelly sand fill. Pioneer recommends that a qualified soil technician reconfirm the subgrade soil's suitability during the construction phase of the project, and any unsuitable soil encountered at design footing subgrade should be removed to the depth encountered and replaced with approved engineered fill.

Based on the conclusions of the Phase I report, the City may also require submission of a Phase II analysis. The Department of Facilities and Fleet Management will review the reports and recommend appropriate action, which may require enrolling the sites in the Illinois Environmental Protection Agency's Site Remediation Program (SRP), and receive a Comprehensive No Further Remediation letter prior to occupancy.

The City land will be sold "as-is" with no warranties or representations as to its environmental condition, and it will be the responsibility of the developer to complete any remediation required under the SRP. The redevelopment agreement with the selected developer will include release and indemnification language protecting the City from any liability.

**Inventory Profile:**

The city-owned lots were acquired via Warranty Deeds. The developer has Option Contracts on each of the privately owned lots, and is expected to close on those lots in November, 2015. The combined acquisition costs for the private lots is \$272,000, which gives an average purchase price per lot of \$38,857.

**III. BACKGROUND**

On June 10, 2011, the developer applied to the Department of Planning and Development (DPD) for loan funds, and 9% Low Income Housing Tax Credits (LIHTCs) to help construct affordable multi-family units over scattered sites in the West Humboldt Park neighborhood. The proposed

development will consist of 72 one-to-three bedroom rental apartments for affordable households at the 60% and below area median income (AMI) levels. The in-fill housing will be consistent with the density and land use of the surrounding community, as the buildings will consist of three-flats and six-flats.

The area surrounding the proposed Nelson Mandela Apartments sites are characterized by residential development with some vacant lots and boarded-up buildings. The neighborhood is predominantly residential, with a mixture of single-family and multi-family buildings to the north of West Franklin Boulevard, while the south side of Franklin Boulevard has some housing, but is more institutional with Morton Elementary School, and Westinghouse College Prep./Career Academy. The Richard M. Daley branch of the Chicago Public Library is located less than 0.5 mile north of the proposed development at 733 N. Kedzie Avenue.

The Nelson Mandela Apartments will be situated in an area with some nearby shopping, including convenience and grocery stores. The closest convenience store is located at North Kedzie Avenue, and West Ohio Street, and the nearest full-line grocery store is Aldi which is less than 0.5 miles away at North Kedzie and West Chicago Avenue. The Aldi's is housed in a shopping center, and other stores included in the center consists of a Market Fresh Foods, Foot Locker, Subway, Baskin Robbins, Popeye's, See-Thru Chinese Kitchen, J.J. Fish and Chicken and an America's Best Contacts and Eyeglasses. There are more retail services along Chicago Avenue near Pulaski that includes additional restaurants, and convenience stores. The closest post office is located at 2419 W. Monroe Street, which is within 1.25 miles of the proposed project.

In addition to the services and conveniences, the sites will have excellent regional access. The closest interstate highway interchange is the I-290 (Eisenhower) access ramp at Kedzie Avenue which is 1.25 miles south of the site. The I-290 runs west of Chicago, linking downtown Chicago with the west side of the city and the western suburbs.

The area is well-served by public transportation. Two of the Chicago Transit Authority (CTA) "L" lines serve the sites. The Green line has a stop at Kedzie/Lake, and is less than ½ mile to the south. The Blue line runs east-west along I-290; the closest stop is at Kedzie/Homan, which is just over one mile south of the proposed project. There are four CTA bus routes that directly services the site, and three stops nearby. Those routes include the following:

- 1) Route 82-which runs north-south along Homan/Kimball Avenues and stops at Homan and Franklin;
- 2) Route-65 and 66 which run east-west along Grand and Chicago Avenues;
- 3) Route-94 which runs north-south along California Avenue.

The area has several parks and play lots that are within a mile of the proposed sites. The Snapping Turtle Playlot is on Albany Street between Franklin and Ohio, and the famed Garfield Park and Conservatory is within ½-mile, as is Kells Playground Park and Central Playlot Park. Amenities and services at Garfield Park include baseball fields, fitness centers, gyms, meeting rooms and halls, walking, jogging, and bicycle paths, tennis courts, and the world-renown conservatory. In addition to the Garfield Park and Conservatory, Central Playlot Park is situated on North Central Park just north of Huron Street, and Smith Park, which is ¾ mile of the proposed project, also has pools, a gym, baseball fields, playground and tennis courts. Humboldt Park, one of the largest parks in Chicago, is within one mile on North Humboldt Boulevard, and offers baseball fields, fitness centers, gyms, walking, jogging, and bicycle paths, swimming facilities, tennis courts, and a boat house/refectory building.

Medical facilities in the area includes Sacred Heart Hospital, which is due west of the subject site, and Norwegian American Hospital, which is northeast of the site.

The market area includes the majority of the Humboldt Park and West Town Community Areas on the northwest side of Chicago. The Primary Market Area (PMA), covers the area generally bounded by West Bloomingdale Avenue on the north, North California Avenue on the east, West Lake Street on the south, and North Kenton Avenue on the west. The Secondary Market Area (SMA), extends east of the PMA and is bounded by North Western Avenue on the east, West Bloomingdale Avenue on the north, North California Avenue on the west and the railroad tracks that approximate the extension of West Kinzie Street on the south.

The 2010 Census showed the PMA population at 73,142 which was a 4.6% decrease over the decade. The median age in 2010 was a young 29.3 years, and there was a total of 20,239 households, with the average household size being 3.61 persons. The larger household size in the PMA was caused by the higher share of young children, indicating a strong need for housing with three or more bedrooms. In 2010, the City's median household was estimated to be \$44,879, and the estimated median household income for the PMA was only \$29,965; well below that of the city as a whole, indicating the need for more affordable housing.

In 2010, the SMA's median age was 30.2 years and the population was estimated to be 23,094, which reflected a 0.5% increase over the decade. The average household size for the SMA was 3.02 persons, and the 2010 estimated median household income was \$30,405.

#### **IV. PROPOSED DEVELOPMENT TEAM**

**Development Entity:** Nelson Mandela Apartments LP is an Illinois limited partnership (the "Borrower")

Rockwell Community Development, Inc., a not-for-profit wholly owned subsidiary of Bickerdike Redevelopment Corporation (the “Developer”), will be the general partner of the Owner (Nelson Mandela Apartments LP). At the time of closing on the construction financing, up to 99.99% of the Owner’s investor member interest will be sold to an entity purchasing the Low Income Housing Tax Credits.

Bickerdike Redevelopment Corporation, a not-for-profit community based corporation, was Founded in 1967 by local community organizations, religious groups, residents and other concerned citizens who joined forces to help lead the fight against the deteriorating conditions of Chicago’s near northwest side. Since its inception, Bickerdike has built or rehabilitated more than 1,182 units of housing for low and moderate income individuals and families in the West Town, Logan Square, Hermosa and Humboldt Park communities of Chicago. Their mission is to provide quality affordable housing, fight against gentrification and displacement and promote economic development by creating and preserving jobs.

Bickerdike is a member-based organization representing nearly 720 individuals and 30 organizations. Although most of their housing is for independent individuals and families, they do offer social services. Some of the services they provide include residents council, where tenants represent their sites and act as an intermediary between the greater tenant population and property management; technical assistance through the TACOM program community, where residents can receive referrals to community programs, services and training, and the Cermak Produce at El Mercado, which is a local shopping center developed by Bickerdike that plays an important role in providing jobs and community economic revitalization. At least 75% of the jobs created go to local residents from low-income households

**Other Bickerdike City-funded Projects:**

<b>Project Name:</b>	<b>Date:</b>	<b>No. of Units:</b>	<b>Loan Amount:</b>	<b>Status:</b>
<b>Zapata Apartments</b>	2011	61	\$4,612,967 - TIF	Completed-2013
<b>Rosa Parks Apts.</b>	2008	94	\$3,506,624 – TIF \$7,152,474- HOME	Completed-2009
<b>La Estancia</b>	2005	57	\$6,858,512	Completed-2008
<b>Harold Washington Unity Coop</b>	2004	87	6,341,532	Current

<b>Nuestro Hogar</b>	2002	31	1,857,583	Current
<b>La Paz Apartments</b>	2000	44	3,000,000	Current
<b>Nuestro Pueblo-Scattered Sites</b>	1995	69	4,669,834	Current
<b>Howard Apartments</b>	1993	49	1,402,664	Current
<b>Boulevard Apartments-Scattered Sites</b>	1991	70	1,350,000	Current
<b>West Town Housing Partners</b>	1988	178	1,650,000	Current
<b>1301 N. Greenview</b>	1984	6	100,000	Current

**Consultants:** Bickerdike Redevelopment Corporation has assembled a competent qualified team of professionals to plan and carry out the proposed development. This team includes:

- **Landon Bone Baker** is the architectural firm that has collaborated with Bickerdike on the design and construction oversight of their Rosa Parks Apartments and Harold Washington Unity Co-op. Additionally, Landon Bone Baker has participated in the design and construction of single-family and multi-family housing in and out of the Chicagoland area, as well as been involved with interior office build outs, daycare centers and the Chicago Housing Authorities (CHA) Hope VI revitalization programs.
- **Linn-Mathes, Inc.** established in 1919, this third-generation family-owned business is well versed in new construction, rehabilitation, senior and affordable housing. Some of their other work includes churches, commercial property, hotels and group homes. Over the years, Linn-Mathes has completed several City and CHA Plan-Forward, mixed-income developments with affordable units totaling over 2,100.
- **Applegate Thorne-Thomsen** was founded in 1998 on the belief that “healthy communities are the key to economic opportunity for all residents”. Applegate Thorne-Thomsen specializes in new development as well as preservation and has represented numerous developers on City funded transactions.

## **V. PROPOSED PROJECT**

**Project Overview:** New construction of 72-units of affordable rental housing on eight sites in the West Humboldt Park neighborhood. In addition to the units, there will be off-street parking, bicycle storage, wiring for cable and high-speed internet, window treatments, secured intercom entry systems and common laundry facilities. The development will consist of a series of three and six-unit buildings that will utilize pre-cast construction. All of the proposed units will range in size from approximately 836 gross s.f. to 1,270 gross s.f. Of the 72 units, 15 will be one-bedroom, 36 will be two-bedrooms, and 21 will be three-bedrooms.

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

**Residential Unit Profile:** The following table provides a detailed description of the proposed project. The subject property will provide a total of 72 rental units of which 100 percent will be affordable for households earning no more than 60 percent of the area median income. These units will satisfy the Chicago affordable housing ordinance, which requires 10 percent of the total units to be affordable in projects developed on land sold by the City or 20 percent in projects receiving TIF assistance.

**Unit Profile**

<b>Unit Type</b>	<b>Number</b>	<b>Affordable</b>	<b>Size-sf</b>	<b>Monthly Rent/sf</b>	<b>Monthly Rent*</b>	<b>HUD Fair Market Rent</b>
1 bed/1 bath	15	Affordable 50% AMI	836 s.f.	\$0.85	\$ 711.00	\$ 789.00
2 bed/1 bath	36	Affordable 60% AMI	1,115 s.f.	\$0.79	\$ 880.00	\$ 934.00
3 bed/2 bath	21	Affordable 60% AMI	1,270 s.f.	\$0.81	\$1,033.00	\$1,195.00

\* Tenant paid utilities: electricity, heating and cooking gas.

The affordable rent paid by the tenant is based on the tenant's income and not on market comparables. The maximum rent for each defined "affordable" income level is published annually by the US Department of Housing and Urban Development and listed according to building construction type (i.e. apartment, townhouse, house), number of bedrooms and household size. Rent per square foot is not considered except that HUD housing quality standards and Chicago zoning and building codes set minimum room and unit sizes. Different federal funding development and operating support sources may have different maximum income and rent restrictions.

When developers determine the rent to charge for a project that is using HUD program subsidies through one of the City of Chicago's Multifamily Financing programs, the developer is required to establish market-area rents by commissioning a market study of the targeted market area. The developer is allowed to charge the lesser of HUD-estimated Fair Market Rent or the rent cap by income group (i.e., the 60% rent), but must also take into consideration the localized rent for the development's targeted market area, which is often much lower than the HUD FMR, and may be the same as, or even lower than, the "affordable" rent levels.

**Environmental Features:** The project will incorporate the following green features:

- High efficiency roof insulation (R-49)
- Wall insulation (R-21)
- Energy star windows
- Fluorescent lighting throughout
- Energy-efficient heating and domestic water heating systems
- Energy-star appliances
- Low VOC paints and sealants

## **VI. FINANCIAL STRUCTURE**

Funding for this proposed project will consist of loans and grants secured from various public sources. The sale of 9% low income housing tax credits will generate \$17,820,000 or 66% of equity for the benefit of the project, which will be paid in tranches at various milestones, with the first payment coming at closing, and the remainder funded at stages throughout construction to completion, and finally at occupancy of the building. Portions of those future equity payments will be used to repay the bridge loan that the developer will obtain during the construction period.

TIF funds will be contributed from the Chicago/Central Park and Kinzie Industrial Corridor TIF districts and will account for 24% of the financing. A total of \$6,450,503 in TIF increment will be used to pay or reimburse the Developer for TIF eligible costs, with cash payments being made during construction, and one after 100% completion. The TIF payments will be taken from area-wide incremental taxes collected from the Chicago/Central Park and Kinzie Industrial Corridor TIF Redevelopment project areas, and any available increment from the Project PINS. The first collection will occur during the construction period, after the closing of the RDA. The developer will obtain a loan from a bank or lending institution to bridge the TIF and equity payments. The loan, which will carry a variable interest rate, will have a term of 24-months, plus one, six-month extension if necessary. Upon receipt of the written request and approved supporting documentation from the borrower, loan proceeds will be drawn down on a monthly basis, to pay construction period costs. Payments on the loan during the construction phase will consist of

interest only, and the principal will be repaid with a combination of TIF and future equity payments.

Additionally, the Developer has a preliminary commitment from Citibank to provide a \$637,003 first mortgage loan with market rate terms, as well as \$1,305,000 from Citibank in the form of a deferred loan that will not require any interest or principal payments until maturity. Rounding out the funding sources is a grant from the Federal Home Loan Bank (FHLB) of \$850,000.

**SOURCES AND USES OF FUNDS:**

<b>Sources:</b>	<b>Amount:</b>	<b>% of Total:</b>
First Mortgage	\$ 637,003	2%
Chgo./Central Park TIF Funds	\$ 1,500,000	6%
Kinzie Industrial Corridor TIF	\$ 4,950,503	18%
Citibank	\$ 1,305,000	5%
FHLB Funds	\$ 850,000	3%
G.P. Contribution	\$ 100	.000004%
Tax Credit Equity	\$17,820,000	66%
<b>Total Sources</b>	<b>\$27,062,606</b>	<b>100%</b>

<b>Uses:</b>	<b>Amount:</b>	<b>\$/sf of Buildings*:</b>	<b>% of Total:</b>
Land Acquisition	\$ 257,000	\$ 2.56	01%
Holding Costs	\$ 15,000	\$ 0.15	
<b>Total Acquisition Costs:</b>	<b>\$ 272,000</b>	<b>\$ 2.71</b>	<b>01%</b>
<b>Hard Costs:</b>			
Construction	\$21,378,389	\$ 213.14	79%
Construction Contingency	\$ 966,309	\$ 9.63	04%
<b>Total Hard Costs:</b>	<b>\$22,344,698</b>	<b>\$ 222.77</b>	<b>83%</b>
<b>Soft Costs:</b>			
Architect Fees: Design/Supervision	\$ 670,000	\$ 6.68	02%
Owner's Construction Supervision	\$ 160,000	\$ 1.60	01%
Legal Fees	\$ 187,500	\$ 1.87	01%
Permit/Application Fees	\$ 89,500	\$ 0.89	003%
Title and Recording Fees	\$ 40,000	\$ 0.40	001%
Lender Fees	\$ 207,282	\$ 2.07	01%
TIF Bridge Interest	\$ 321,235	\$ 3.20	01%
Equity Bridge Interest	\$ 543,203	\$ 5.42	02%

City Reservation & Carryover Fees	\$ 90,250	\$ 0.90	003%
Lease-Up & Replacement Reserves	\$ 127,381	\$ 1.27	005%
Operating Reserve	\$ 300,353	\$ 2.99	01%
Real Estate Taxes/Liability Insurance	\$ 78,574	\$ 0.79	003%
Marketing and Leasing	\$ 60,000	\$ 0.60	002%
Construction Taxes and Insurance	\$ 94,547	\$ 0.94	003%
Construction Inspection and Security	\$ 92,000	\$ 0.92	003%
Developer Fee	\$ 1,000,000	\$ 9.97	04%
Other Soft Costs	\$ 384,083	\$ 3.83	01%
<b>Soft Cost Total:</b>	<b>\$ 4,445,908</b>	<b>\$ 44.34</b>	<b>16%</b>
<b>Total Uses:</b>	<b>\$27,062,606</b>	<b>\$ 269.81 psf</b>	<b>100%</b>

\*Gross building area is 100,302 square feet

## **VII. PUBLIC BENEFITS**

The proposed project will provide the following public benefits.

**Affordable Housing:** The project will provide 72 new affordable housing units.

**Property Taxes:** Will expand the tax base by returning tax exempt properties to the tax rolls.

**Environmental Features:** The following green features will be incorporated:

- High efficiency roof insulation (R-49)
- Wall insulation (R-21)
- Energy star windows
- Fluorescent lighting throughout
- Energy-efficient heating and domestic water heating systems
- Energy-star appliances
- Low VOC paints and sealants

**Construction Jobs:** The project will produce 41 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 several associations of minority 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.

**Permanent Jobs:** The project is estimated to generate three permanent jobs that will include a Leasing Agent (100%), Maintenance Worker (75%), and a Janitor (100%). The department's workforce development specialists will work with the developer on job training and placement.

### **VIII. COMMUNITY SUPPORT**

Alderman Burnett endorses the project and has provided a letter of support, as well as Neighborhood Housing Services of Chicago (NHS), and the West Humboldt Park Development Council (WHP) (see exhibits for copies).

### **IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN**

The proposed project is located in the Chicago/Central Park and Kinzie Industrial Corridor Redevelopment Project Areas. The proposed project will satisfy the following goals of the area's redevelopment plan:

- Stimulate private investment in new construction;
- Reduce instances of deterioration, obsolescence, and blight,
- Create affordable housing units;
- Create a building design that is compatible with the surrounding community while enhancing the streetscape system;
- Encourage job training and job creation;
- Enhance the tax base

The implementation strategy for achieving the plan's goals envisions the sale of City land for residential development. The proposed project also conforms to the plan's land use map, which calls for residential development at the subject site.

### **X. CONDITIONS OF ASSISTANCE**

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

It is DPD policy that no business will be conducted with a development entity whose any 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 will not occur before the City Council has approved the redevelopment agreement and the developer has obtained all necessary City approvals including zoning and building permits. The documents will include a development timetable.

## **XI. RECOMMENDATION**

The Department of Planning and 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 DPD recommends that the CDC approve the sale of 14 City-owned lots located on scattered sites in the West Humboldt Park neighborhood to Nelson Mandela Apartments LP for development of The Nelson Mandela Apartments and recommends the designation of Nelson Mandela Apartments LP as Developer.

**City of Chicago  
Department of Planning and Development**

**Internal Loan Committee  
October 27, 2015**

**Affordable Housing Finance Supplement**

**CITY/DPD REQUEST:**

**LOW INCOME HOUSING TAX CREDITS (LIHTC):**

<b>Source:</b>	\$1,800,000 in 9% Tax Credits – City of Chicago
<b>As calculated:</b>	\$17,820,000
<b>Net equity/price:</b>	\$0.99/\$1.00
<b>Syndicator:</b>	Enterprise Community Investment, Inc., or an entity acceptable to the DPD Commissioner

**TIF REQUEST:** A total of \$6,450,503 was approved by the Community Development Commission (CDC) on October 13, 2015. TIF funds will be contributed from the Chicago/Central Park and Kinzie Industrial Corridor TIF districts and will account for 24% of the financing. The TIF increment will be used to pay or reimburse the Developer for TIF eligible costs in four installments, and the payments will be taken from area-wide incremental taxes collected from the Redevelopment project areas, and any available increment from the Project PINS. The first three collections will occur during the construction period, after the closing of the RDA, and the final collection will occur at 100% construction completion.

**LONG TERM AFFORDABILITY:** All of the units will be reserved for tenants at the 60% area median income (AMI) levels and below for 32 years.

**EXCEPTIONS TO DPD POLICY:** Funders, Citibank, N.A., and The Federal Home Loan Bank (FHLB), both require a debt coverage ratio (DCR) above the City's required 1.20 at the outset, so as to ensure a minimum 1.15 DCR in year 15, to keep pace with the cost of operating scattered site buildings. The funders require that the available cash flow be placed in the operating reserve.

**CREDIT REFERENCES:** Credit references for Bickerdike Redevelopment Corporation and Rockwell Community Development, Inc. have been requested and will be a condition of closing. Equifax reports were also requested on October 8, 2015, and received on October 9, 2015. The reports showed no suits, judgments, garnishment, bankruptcies, or other legal actions involving the applicants, and/or no negative public records.

**FINANCIAL STATEMENTS:** Financial statements for years ending December 31, 2013, and December 31, 2014, were provided by Bickerdike Redevelopment Corporation. The statements show capacity to support this new transaction, as each year's revenues exceeded expenses.

**APPRAISAL:** Appraisals conducted by Howard B. Richter & Associates, Incorporated  
Advisor/Appraiser – Howard B. Richter, MAI, AI-GRS

Date: February 26, 2015

As-is: \$155,000 *fee simple interest* (City-owned parcels)

As-is: \$ 32,000 *fee simple interest* (privately-owned parcels)

**STATUS OF OWNERSHIP:** Thirteen of the lots are city-owned that will be transferred to the developer at closing. Five lots are privately-owned, and the developer will close on them in November 2015.

**RELOCATION:** N/A – vacant lots

**MONITORING:** A monitoring meeting will be held prior to the financial closing of this transaction. The developer and general contractor are in good standing on past projects.

**ENVIRONMENTAL CLEARANCE:** Environmental clearance is currently underway and final sign-off will be a condition of closing.

**CONSTRUCTION APPROVAL:** DPD's Construction/Architectural division received the plans, specs and budgets for this proposed project and has given a preliminary approval with an amount not to exceed \$21,424,389, which includes net construction costs of \$19,326,189, general conditions of \$1,159,571 overhead of \$773,048, building permits of \$46,000, and bond premium/LOC fees of \$119,581. Construction contingency is \$966,309. Approval and sign-off of the final budget will be a condition of closing.

**PROJECT FINANCING**  
**(See Attached Pro Forma)**

**NOTES ON THE DEVELOPMENT BUDGET:**

- This proposed project will consist of the new construction of eight buildings, which will contain 72 rental units, community laundry facilities, 50-parking spaces, and provisions for bike storage. All 72 of the units will be targeted to households at the 60% AMI and below levels.
- The general contractor, Linn-Mathes, is a DPD approved contractor that has worked on

several City-funded projects, and is experienced in new construction as well as rehabilitation of residential and commercial properties.

- The cost projections have been reviewed by DPD's Construction and Compliance Division. As built, the buildings will conform to the building codes and will feature accessible and adaptable units to meet accessibility requirements.
- The total hard construction costs are \$21,424,389, and the contingency is \$966,309.
- There is an 18 month construction period for this project.
- There are a total of 15 one-, 36 two- and 21 three-bedroom units with square footages at 836 for a one-bedroom, up to 1,270 square feet for a three-bedroom unit.
- The operating costs are \$7,779 per unit, which is reasonable for scattered site housing.

#### **CONDITIONS FOR CLOSING:**

1. Final Construction Approval
2. Final Monitoring and Compliance memorandum
3. Environmental Clearance Approval
4. Building Permits issued
5. Completed Subsidy Layering Review
6. All due diligence items completed
7. Updated appraisals which the City can rely upon
8. All required funds deposited into escrow account at closing.

#### **DEVELOPMENT/MANAGEMENT ISSUES:**

Bickerdike Redevelopment Corporation has 48 years of experience in affordable housing transactions, and they have built or rehabilitated more than 1,182 units of housing for low and moderate income individuals in the West Town, Logan Square, Hermosa and Humboldt Park communities of Chicago. Their mission is to provide quality affordable housing, fight against gentrification and displacement and promote economic development by creating and preserving jobs. The Nelson Mandela Apartments transaction will be Bickerdike's 12<sup>th</sup> City-funded project.

#### **STRATEGIC IMPORTANCE AND JUSTIFICATION:**

The project clearly meets the Department of Planning and Development's five year plan goals and guidelines by supporting the development of greatly needed rental housing that is affordable to low income households in an area that has seen some growth, but still requires stabilization with the addition of more housing and services.

**EXHIBITS**

TIF Project Assessment Form  
Redevelopment Area Map  
Neighborhood Map or Aerial  
Site Plan  
Typical Floor Plan  
Front Elevation or Rendering  
Sample M/WBE Letter  
Copies of M/WBE Certified Letter Receipts  
Letter of Interest from Lender  
Community Letters of Support  
Alderman's Letter of Support