

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

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
August 8, 2017**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	Taylor Street Library and Apartments
Applicant Name:	Taylor Street LA LLC
Project Address:	1328-50 West Taylor Street
Ward and Alderman:	28 th / Jason Ervin
Community Area:	Near West Side
Redevelopment Project Area:	Roosevelt/Racine
Requested Action:	TIF Developer Designation
Proposed Project:	The Taylor Street Library and Apartments will consist of new construction of a mixed-use, mid-rise building that will contain up-to 73 mixed-income one-, and two-bedroom rental units, community green space and an approximately 15,000 s.f. library.
Goal of Project:	To create affordable housing for low-income, market rate and Chicago Housing Authority (CHA) families, green space and a library for area residents while continuing to revitalize the neighborhood and surrounding areas.
TIF Assistance:	\$7,000,000 – Of which \$4,000,000 will be ported from the Western/Ogden TIF.

II. PROPERTY DESCRIPTION

Address:	1328-50 West Taylor Street
Location:	Northwest corner of West Taylor Street and South Ada Street
Tax Parcel Numbers:	17-17-322-009-0000
Land Area:	37,742 square feet
Current Use:	CHA owned land - currently being utilized as a parking facility.
Current Zoning:	Planned Development - 896
Proposed Zoning:	Planned Development – 896
Environmental Condition:	Environmental Design International Inc. (EDI) performed a Phase I Environmental Site Assessment (ESA) on January 18, 2017, and found that the site was occupied by residential and commercial buildings from 1917 to 2007, and available records show that a portion of a heating plant occupied a portion of the subject site. A smokestack for the plant was identified in the 1950 aerial photograph. By 2007, all buildings had been demolished with only the parking lot remaining. At the time of inspection, there were no potentially hazardous materials or petroleum products observed on the subject property, nor was there any evidence of USTS, ASTS, vent pipes, fill pipes or former cement building foundations.

III. BACKGROUND

The proposed property will be located on the near west side, in Little Italy, an area surrounded by University Village, and the Illinois Medical District neighborhoods. Taylor Street is home to the Italian restaurants Rosebud, Francesca's, Pompeii and Al's No. 1 Italian Beef; Roosevelt Road is the major east-west arterial. Tri-Taylor as it has been commonly known, sits on the western end of Taylor Street and consists of the roughly triangular area bordered by Congress Parkway to the North, Ogden Avenue to the East, Roosevelt Road on the south and railroad tracks on the west. This neighborhood is traditionally an extension of the Little Italy neighborhood to the east and is a residential area for students from the University of Illinois at Chicago (UIC). The area also houses the Chicago Technology Park research center, and Chicago Hope Academy (a private Christian high school).

The Illinois Medical District is one of the largest medical districts in the U.S., and the largest in the state. John H. Stroger Jr. Hospital of Cook County (formerly known as Cook County Hospital), is also one of the largest county-run hospitals in the U.S. University Village/Maxwell Street, is a vibrant neighborhood consisting of residential and retail properties, and University Village along with other major developments such as University Commons and University Station is conveniently located near the UIC Campus. There is a myriad of other schools in and around the area, the Village Leadership Academy, Stem Magnet Academy, St. Ignatius College Preparatory High School, and Urban College Preparatory Academy are but a few. The area is composed of a mix of residential, commercial and public uses. The Fulton River District makes up the northern area of the Near West Side, and is a former manufacturing and current transportation corridor turned residential neighborhood that boasts loft condominiums, high-rise condominiums and apartments. Additionally, The Fulton District is also home to mid- and high-rise business offices, retail shops and restaurants. Sitting on the eastern portion of the area is Greektown, which is located on Halsted Street, and is known for their restaurants and nightlife.

South of the site along Roosevelt Road is a shopping strip mall that houses smaller retail shops, fast food eateries and a Jewel/Osco store.

The area is well served in terms of transportation with access to Interstate 90/94, and I-55, located ½ mile east of the subject with a full interchange at Roosevelt Road. I-290 is ½ mile north of the subject with several on and off ramps along frontage streets. To the south, the local area has access to I-55 via Ashland Avenue. Chicago Transit Authority (CTA) train service runs along the median of I-290 and the area has bus service on Roosevelt Road, Racine Avenue, Halsted Street, Ashland Avenue and Ogden Avenue; all major thoroughfares.

The area total is 5.75 square miles, with a population of 61,768. The demographics consist of 42.6% Caucasian, 30.22% African-American, 10.27% Hispanic 14.82% Asian and 2.00% other. The median age is 31.7 years, and the median household income is \$62,770.00. The area encompasses 14% blue collar workers, and 86% white collar workers. Median home prices are \$256,392, and 62.3% of the households are occupied by renters. The average persons per household are 2.7, and the education level varies with 6% never having attended high school, up to 21% holding graduate degrees.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Taylor Street LA LLC, an Illinois limited liability corporation of which Roosevelt Square Library LLC is the managing member. Roosevelt Square Library LLC is an entity affiliated with Related Midwest.

Related Midwest has over 25 years of experience in real estate transactions with a primary focus

in the planning and development of multi-unit residential and mixed-use projects. The company is diversified with divisions specializing in development, construction, and property management, and is a leading developer and acquirer of luxury housing, government-assisted housing, and mixed-use properties. Its portfolio currently includes 39 affordable properties and over 6,300 units.

Related Midwest was chosen as the master developer for the Roosevelt Square-ABLA Homes redevelopment through a Chicago Housing Authority (CHA) Request for Qualification. As part of the CHA's Plan Forward, Roosevelt Square-ABLA Homes was to produce 2,441 units of mixed-income housing, and approximately 75,000 square feet of retail/commercial space, in six phases on the near west side. To date, 591 homes have been developed, mixed between rental and for-sale, as well as 30,000 square feet of retail and over two miles of new streets. This phase will produce up-to 73 mixed-income units, community green space and an approximately 15,000 square foot library.

Consultants:

Skidmore Owings & Merrill, LLP (SOM) – Founded in 1936, SOM specializes in architecture, interior design, engineering and urban planning, and have completed more than 10,000 projects in over 50 countries. SOM is renowned for their commitment to innovation, design and sustainability, and to date have earned nearly 2,000 awards for their design achievements.

Related Midwest – Although Related Midwest has their own construction “arm” within the company, they continue to vet potential general contractors for the Taylor Street Library and Apartments development.

DLA Piper – A global law firm with lawyers located in more than 40 countries throughout the Americas, Europe, Middle East and Asian Pacific. In the United States, DLA Piper have lawyers in more than 25 offices, with their core practices focusing on corporate and finance; employment; government affairs; intellectual property and technology; litigation and arbitration; real estate, and tax laws. The firm is also committed to contributing the well-being of communities around the world by providing pro-bono work in under-served regions, and providing funds to UNICEF to improve child justice.

V. PROPOSED PROJECT

Project Overview: The Taylor Street Library and Apartments will consist of new construction of a mixed-use, mid-rise building that will contain up-to 73 mixed-income one-, and two-bedroom rental units, community green space and a library. Additionally, there will be off-

street parking for the residents as well as library patrons, bicycle racks, and shared roof terrace. The housing portion will also contain a management office, exercise room and laundry room. The library will be approximately 15,000 square feet, and will offer programming for patrons of all ages. This proposed library will replace the much smaller branch which is located just east of this site on Taylor Street.

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 up-to 73 rental units of which 90% 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 affordable units in projects developed on land sold by the City or 20 percent affordable units in projects receiving TIF assistance.

Unit Profile

UNIT TYPE	NUMBER	MARKET/AFFORDABLE	SIZE-SF	MONTHLY RENT/SF	MONTHLY RENT
1 bed/1 bath	20	CHA/PH	605	\$0.94	\$ 567.00
1 bed/1 bath	23	Affordable at 60% AMI	605	\$1.32	\$ 800.00
1 bed/1 bath	3	Market Rate	605	\$1.98	\$1,200.00
2 bed/1 bath	14	CHA/PH	866	\$0.65	\$ 567.00
2 bed/1 bath	6	Affordable at 60% AMI	866	\$1.10	\$ 950.00
2 bed/1 bath	2	Market Rate	866	\$1.85	\$1,600.00
2 bed/1 bath	2	Market Rate	875	\$1.83	\$1,600.00
2 bed/1 bath	3	CHA/PH	932	\$0.61	\$ 567.00

*Tenant paid utilities – electric and heat

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.

The CHA public housing rents are calculated at 30% of the tenant’s income plus an operating cost subsidy provided by the CHA per terms of an Annual Contributions Contract (ACC). The ACC subsidy is based on the per unit operating cost of the building. The CHA and affordable units will remain affordable for a term of 42 years.

Environmental Features: The building will achieve Energy Star Certification, and will seek LEED Certification. The following green features will be incorporated – green roof, insulated slab edges, energy efficient HVAC system, LED lighting throughout, low-flow fixtures, and metering of energy and water.

VI. FINANCIAL STRUCTURE

The proposed development will provide up-to 73 rental units, approximately 90% will be made available for households at the 60% Area Median Income (AMI) levels and below, and 10% will be market rate-unrestricted units.

The library will be approximately 15,000 square feet and contain spaces for early learning, a children’s area, an adult reading room, and community room.

The development will be financed with various sources, with up-to \$26,000,000 of tax-exempt bonds being issued by the City of Chicago. The tax-exempt financing will have tranches, with tranche “A” of \$21,500,000, being funded first, and will provide construction to permanent phase financing on a draw-down basis. Payments on this tranche will consist of interest only during construction. The permanent portion will consist of a first mortgage of \$1,008,927. This tranche will be cash collateralized by the \$17,000,000 of Chicago Housing Authority (CHA) Capital funds. Tranche “B” will be for additional construction phase only financing. Due to the use of tax-exempt bonds, the project will automatically generate low-income housing tax credits at the 4% level. The use of these credits will generate \$9,948,000 of equity for the benefit of the transaction, with a portion used to repay the bridge bond, and a portion used for the benefit of the project. The equity payments will be funded throughout construction to completion and finally occupancy. Other funding sources consist of a combination of grant and energy funds totaling \$1,215,522 from grants or state funds, such as the Federal Home Loan Bank (FHLB), and Com-

Ed. Com-Ed assumed the Department of Commerce and Economic Opportunity’s (DCEO) discontinued energy-efficiency grant program, and begun taking applications and providing energy grants on June 1, 2017.

Tax Increment Financing (TIF) Funds of \$7,000,000 will also be provided, and will represent 19% of the financing. Of the \$7,000,000, \$4,000,000 will be ported from the Western Ogden TIF. The TIF will be paid in four equal installments of \$1,750,000 – two payments during construction, and two payments in fiscal 2019. The TIF assistance will come from area-wide increment, and will be used to pay or reimburse TIF eligible project costs for the construction of the library portion.

CHA currently owns the land and will provide a long term ground lease. The partnership will own the library for the 15-year tax credit compliance period; however, during that time, the facility will be leased to the City’s Department of Fleet and Facility Management. After the compliance period, the library could then be transferred to the Chicago Public Library.

The following table identifies the sources and uses of funds.

Sources and Uses of Funds

<u>Sources</u>	<u>Amount</u>	<u>Residential</u>	<u>Library</u>	<u>% of total</u>
Sr. Debt	\$ 1,008,927	\$ 1,008,927		3%
CHA Capital Funds	\$17,000,000	\$17,000,000		47%
TIF Funds	\$ 7,000,000		\$ 7,000,000	19%
Com-Ed/DTCs	\$ 1,215,522		\$ 1,215,522	03%
Tax Credit Equity	\$ 9,948,000	\$ 6,691,844	\$ 3,256,156	28%
Total Uses:	\$36,172,449	\$24,700,771	\$11,471,678	100%

<u>Uses</u>	<u>Amount</u>	<u>Residential</u>	<u>Library</u>	<u>\$/sf of Building</u>
Construction Costs	\$27,126,096	\$19,296,525	\$9,185,876	\$319.12
Contingency	\$ 1,356,305			\$ 15.96
Total Hard Costs:	\$28,482,401			\$335.08

Hard Costs are 79% of Total Project Costs (TPC)

Combined Soft Costs:	<u>Amount</u>	<u>\$/sf of Building</u>
Title Transfer (CHA land)	\$ 100,000	\$ 1.18
Architectural Fees (Structural, Design, Consulting)	\$1,839,039	\$ 21.64

Engineering Fees	\$ 345,000	\$ 4.06
Legal Fees (Borrower, CHA, Organizational, Lender, Zoning)	\$ 532,500	\$ 6.26
Survey and Owner Testing	\$ 113,000	\$ 1.33
Zoning (Administrative Fee, USGBC)	\$ 23,000	\$ 0.27
Accounting	\$ 25,000	\$ 0.29
Permit Fees (PD Part II, Foundation, Review & Expediter)	\$ 175,000	\$ 2.06
Open Space, Utility and Landscape Fees	\$ 184,760	\$ 2.18
Consultants (TIF, LEED & Traffic)	\$ 147,000	\$ 1.73
Financing Fees (Investor Due Diligence, Reservation)	\$ 99,740	\$ 1.17
Application Fees	\$ 26,500	\$ 0.31
Construction Loan Fees (Origination, Int. Reserve & Conversion)	\$ 780,000	\$ 9.18
Construction Period Costs	\$ 148,000	\$ 1.74
Environmental (Remediation, Phase I & Geotech)	\$ 85,000	\$ 1.00
Marketing, Market Study and Appraisal	\$ 215,000	\$ 2.53
Developer's Fee	\$2,122,229	\$ 24.97
Reserves (Insurance, R/E Escrow, Replacement)	\$ 168,800	\$ 1.99
Operating and ACC Reserve	\$ 332,480	\$ 3.91
Other	\$ 227,999	\$ 2.68
Total soft costs:	\$7,690,048	\$ 90.48

Soft costs are 21% of TPC

*Gross building area is 85,004 square feet.

VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits:

Affordable Housing: The project will provide up-to 73 new, mixed-income rental units, 66, or 90% of which will be affordable to households at the 60% area median income and below levels.

Environmental Features: The building will achieve Energy Star Certification, and will seek LEED Certification. The following green features will be incorporated – green roof, insulated slab edges, energy efficient HVAC system, LED lighting throughout, low-flow fixtures, and metering of energy and water.

Permanent Jobs: The project is estimated to generate two permanent jobs on the residential side which will consist of a full-time Maintenance technician, and a full-time Occupancy Specialist. The library will add additional full and part-time staff. However, the number of positions for the library is still to be determined. The department's workforce development specialists will work

with the developer on job training and placement.

Construction Jobs: The project will produce 155 temporary construction jobs.

Affirmative Action: The developer will comply with the requirements of Chicago's affirmative action ordinance, which requires contract participation of 26% by minority-owned business enterprises (MBEs) and 6% 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.

VIII. COMMUNITY SUPPORT

Alderman Ervin endorses the project and has provided a letter of support (see exhibits for copy). The project was presented to the community on June 29th and August 3rd. The community embraced the library with an outpouring of enthusiasm as the existing Roosevelt Branch Library is much smaller and outdated. Both support and concerns were expressed with regards to the modern design and height and density of the residential component.

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the Roosevelt/Racine Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment plan: reduce or eliminate blighted conditions, increase the number of rental units for a variety of income levels, employ project area residents in construction jobs, encourage visually attractive buildings, rights-of-way and open spaces that incorporate high design standards, and provide necessary public improvements and facilities in proper relationship to the projected demand for such facilities and in accordance with present-day design standards for such facilities. The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the development of this mixed-use, mixed-income property. The proposed project also conforms to the plan's land use map, which calls for residential, commercial, mixed-use, public/educational, and parks/open space 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, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing. 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, its need for public assistance, its public benefits, and the project's conformance with the redevelopment area plan, and DPD recommends that the CDC recommend to the City Council the designation of Taylor Street LA LLC as Developer for the development of Taylor Street Library and Apartments to be located at 1328-50 West Taylor Street.

EXHIBITS

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