

**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
REQUESTING DEVELOPER DESIGNATION**

November 10, 2020

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	Friend Health Medical Center
Applicant Name:	Friend Health Title Holding Corporation
Project Address:	6250 S. Cottage Grove Ave.
Ward and Alderman:	20 th Ward, Alderman Jeanette Taylor
Community Area:	Woodlawn, 42
Redevelopment Project Area:	Woodlawn & West Woodlawn TIF Districts
Requested Action:	Negotiated sale of 700 E. 63 rd St. and TIF Developer Designation
Proposed Project:	A construction of a 128,000 square foot medical campus, including the redevelopment of an existing commercial building into an approximately 45,000 square foot health clinic and the new construction of an 83,000 square foot medical annex building with a parking structure on currently vacant land.
Goal of Project:	To bring a health center to a medically underserved area and improve health outcomes for residents of the community. Rehabilitate a vacant commercial building and develop a vacant parcel of land. To further redevelop the intersection of 63 rd St and Cottage Grove Avenue.
Estimated Market Value:	\$291,000 (\$15.00 per square foot)

Sale Price: \$1

Estimated Acquisition Assistance: \$290,999

TIF Assistance: Up to \$8,000,000

II. PROPERTY DESCRIPTION

CITY PROPERTY					
Address	PIN	Size (s.f)	Current Use	Current Zoning	Proposed Zoning
700 E. 63rd St.	20-15-422-027	19,400	Vacant Land	B3-3	B3-3
DEVELOPMENT PROPERTY					
Address	PIN	Size (s.f)	Current Use	Current Zoning	Proposed Zoning
6250 S. Cottage Grove	20-15-423-034	32,556	Vacant Commercial Building	B3-3	B3-3
6250 S. Evans Ave.	20-15-422-028	13,152	Vacant Land	B3-3	B3-3

III. BACKGROUND

Friend Family Title Holding Corporation plans to acquire the vacant commercial building and land located at 6250 S. Cottage Grove Ave. and 6250 S. Evans Ave. as well as the City-owned lot at 700 E. 63rd St. and plans to develop a 127,000 square foot medical campus. The site currently consists of a large vacant parcel and a vacant Cosmo Beauty Supply store. The City acquired the vacant parcel at 700 E. 63rd St. in 1998 and the site has remained vacant since then.

The City has been working to revitalize Woodlawn and the Department of Planning and recently released the Woodlawn Plan Consolidation Report, which combines the findings of 12 community-driven studies conducted since 2005. Specifically within the Report, two of the recommendations call for greater density along 63rd Street and around the CTA Green Line station at Cottage Grove and to prioritize mixed use development along 63rd Street and Cottage Grove Avenue, and particularly at the intersection of these two streets, to re-establish a neighborhood center, neighborhood serving commerce, and other amenities the community desires.

In 2016, the City, through the Department of Planning and Development, assisted the financing of the Woodlawn Station mixed-use development at the north-east corner of the intersection and DPD hopes that this project will serve as a catalyst for future development at or near the intersection.

The Woodlawn neighborhood has a total population of 22,925 with 9,213 households. The neighborhood demographic is predominantly Black non-Hispanic (82.9%), with smaller portions of White non-Hispanic (8.1%), Hispanic or Latino (3.3%), and Asian non-Hispanic (3.7%). Woodlawn's median household income is \$26,415, less than Chicago's median income which is \$55,198. The neighborhood is a mix of residential, commercial, institutional, transportation, and open space, while the intersection of 63rd and Cottage Grove Avenue is predominantly commercial usage.

IV. PROPOSED DEVELOPMENT TEAM

Friend Health Title Holding Corporation is a single purpose entity created for the redevelopment of the Friend Health Medical Campus. It is wholly owned by Friend Family Health Center, Inc., a network of community health centers created in 1997, with a number of offices across the City in Woodlawn, Hyde Park, West Elsdon, Grand Boulevard, and New City. The Developer has also retained DL3 Realty to manage the development of the medical campus, who has completed other projects such as the development of the Whole Foods in Englewood and the Jewel-Osco in Woodlawn.

Consultants:

Legal Services

Elizabeth D. Santis, P.C.
1040 W. Adams St., Unit 220
Chicago, IL 60606

Development Consultant

DL3 Realty
200 S. Wacker Dr., Suite 3100
Chicago, IL 60606

Architect

Moody Nolan
Chicago, IL

General Contractor

Powers & Sons
5040 S. State St.
Chicago, IL 60609

V. PROPOSED PROJECT

The Developer intends to purchase the vacant parcel at 700 E. 63rd Street from the City of Chicago and adjacent vacant lot and commercial building to the east from a private party.

The Developer is proposing to redevelop the commercial building and vacant land into a 128,000 square foot medical campus consisting of the redevelopment of the commercial building into a 45,000 square foot health clinic and the development of an 83,000 square foot medical annex building on the vacant land. The medical annex building will contain office space, a dental suite, community space, and retail space as well as a 138-space parking deck.

VI. LAND ACQUISITION

Friend Health Title Holding Corporation plans to purchase the vacant lot at 700 E. 63rd St. from the City of Chicago for \$1 and the neighboring vacant land and commercial building from a private seller for \$3,882,652.

VII. FINANCIAL STRUCTURE

The project will be financed with a mix of equity, debt, and New Market Tax Credit funds. The City intends to reimburse the Developer for a portion of its TIF-eligible costs in an amount not to exceed \$8,000,000. The TIF funds plus the \$290,999 land write-down are approximately 22% of the Total Project Cost, currently estimated to be \$37,393,610. The reimbursement will come from increment generated from the Woodlawn TIF District and will be provided to the Developer in three payments; the first payment of \$2,000,000 paid into construction escrow, the second payment of \$4,000,000 upon receipt of the Certificate of Completion, and the third payment of \$2,000,000 coming on the anniversary of the Certificate of Completion. The RDA will have a 10-year compliance period. If the Developer defaults on the RDA, the City will suspend future disbursement of TIF payments and/or seek reimbursement of funds already paid.

The following table identifies the Project's proposed sources and uses of funds:

SOURCES	AMOUNT	% OF TOTAL
Equity	\$9,042,784	24.18%
Debt	\$12,000,000	32.09%
New Market Tax Credits	\$8,350,826	22.33%
TIF	\$8,000,000	21.39%
Total Sources	\$37,393,610	100.00%

USES	DEVELOPER BUDGET	% OF TOTAL
Acquisition		
City Property	\$1	0.00%
Private Property	\$3,882,651	10.38%
Total Acquisition	\$3,882,652	10.38%

Hard Costs		
Site Work (Demolition, Excavation, Foundation)	\$1,836,253	4.91%
Environmental	\$200,000	0.53%
Construction	\$17,341,143	46.37%
General Conditions, Insurance, Fees	\$2,819,292	7.54%
FF&E	\$1,829,190	4.89%
Other Hard Costs	\$366,000	0.98%
Hard Cost Contingency	\$1,707,432	4.57%
Total Hard Costs (\$203.90 psf GBA)	\$26,099,310	69.80%

Soft Costs/Fees		
Developer Fee	\$1,780,648	4.76%
Architect/Engineering/Structural Review	\$1,340,500	3.58%
Legal & Permits	\$335,000	0.90%
Lender Fees	\$167,500	0.45%
Closing Costs on Land	\$76,850	0.21%
Interest Reserve	\$900,000	2.41%
Operating Reserve	\$120,000	0.32%
Other Soft Costs	\$257,500	0.69%
Soft Cost Contingency	\$159,868	0.43%
New Market Tax Credit Costs	\$2,273,782	6.08%
Total Soft Costs	\$7,411,648	19.82%

Total Project Costs	\$37,393,610	100.00%
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VIII. CITY PROTECTION

The Developer will comply with an ongoing operations covenant to ensure that the development is continuously operated as a medical campus. Additionally, starting at Certificate of Completion, the Developer will comply with an ongoing occupancy covenant that requires that the health clinic remains open and that no less than 75% of the project remains occupied. If the

Developer does not maintain the required occupancy or operations, then it will be an Event of Default and the City will cease payment of TIF and/or demand repayment of the TIF funds already paid out.

IV. PROJECT BENEFITS

The proposed Project will provide the following benefits:

Improve Health Outcomes: The project will bring a health center to a federally recognized medically underserved area, leading to improved health outcomes for the community. Friend Health's patient profile is 96% African American and/or Hispanic and predominantly serve those on Medicaid (77% of patients). With the new campus, Friend Health will be able to provide expanded services like immediate acute care, OB/GYN services, imaging, and dental care. Friend Health will also continue to conduct testing for COVID and has performed 8,000 tests.

Neighborhood Catalyst: The project will eliminate a large vacant commercial space on a critical intersection within the neighborhood. This project is second project of four planned projects that will see all four corners of the intersection of 63rd & Cottage Grove redeveloped. DPD believes that those projects, in conjunction with the CTA's planned reconstruction of the Cottage Grove station, will act as a catalyst for further development and continued stabilization of the corridor.

Job Creation: The project is estimated to retain 233 and create 43 permanent full-time jobs and create 50-75 temporary construction jobs. The Developer will also aspire to hire from the community.

Activation of Vacant Property: The project will rehabilitate a large vacant commercial building and develop a parcel of land vacant.

Construction Compliance: 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. The Developer will also 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 and will be required to pay prevailing wage.

X. COMMUNITY SUPPORT

Alderdwoman Taylor hosted two virtual community meetings on October 22nd and October 29th and representatives from DPD and the development team were available to discuss the project and the City's involvement.

XI. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in both the West Woodlawn and Woodlawn Tax Increment Financing Redevelopment Project Areas. The proposed project will satisfy the following goals of the Redevelopment Plans:

West Woodlawn Redevelopment Plan Goals & Objectives:

- Leverage public resources to stimulate private investment in rehabilitation of existing structures and new development
- Provide opportunities for minority-owned businesses to share in job opportunities associated with redevelopment, particularly in the design and construction industries

The implementation strategy for achieving the goals of the Plan includes the need to develop vacant and underutilized sites and to provide financial assistance for property assembly and site preparation.

The proposed project also conforms to the plans' land use map, which calls for commercial mixed use development at the subject site.

Woodlawn Redevelopment Plan Goals & Objectives:

- Retain and strengthen the business community within the Woodlawn Area
- Concentrate commercial uses near the intersection of 63rd Street and Cottage Grove Avenue to reduce the surplus of land and buildings committed to such use
- Provide land for adequate off-street parking to enhance the different development areas within the Woodlawn Area

The implementation strategy for achieving the goals of the Plan includes providing financial assistance to encourage the private sector to undertake redevelopment and rehabilitation projects and other improvements.

The proposed project also conforms to the plans' land use map, which calls for mixed use development at the subject site.

XII. CONDITIONS OF ASSISTANCE

If the proposed resolution is approved by the CDC, DPD will release a public notice announcing the proposed sale seeking alternative development proposals. The public notice will be published in one of Chicago's metropolitan newspapers at least once for each of three consecutive weeks. If no responsive alternative proposals are received within 30 days of the publishing of the first notice, the department will accept a good faith deposit from the proposed developer, and a redevelopment agreement will be negotiated. 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. Before today's action is presented to the City Council for approval, the Department will conduct a thorough background check of all principals having an ownership interest of 7.5 percent or greater, and of the boards of directors and trustees of non-profit organizations. Similar background checks will be conducted on the development entity itself.

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.

XIII. 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, and DPD requests that the CDC recommend to the City Council the sale of 700 E. 63rd Street to Friend Health Title Holding Corporation, recommend the designation of Friend Heath Title Holding Corporation as the Developer for the project, and authorize DPD to negotiate, execute, and deliver a redevelopment agreement with Friend Health Title Holding Corporation.

EXHIBITS

Neighborhood Map or Aerial
TIF Map
Site Plan
Rendering
Sample M/WBE Letter
Copies of M/WBE Certified Receipts