

For TIF Developer Designation:

Lawrence/Kedzie TIF REDEVELOPMENT PROJECT AREA (WARD 33)

Request authority for the Department of Housing to negotiate a redevelopment agreement with ROOTS ALB Limited Partnership for redevelopment of the property located at 3557 W Lawrence Avenue in the Lawrence/Kedzie Tax Increment Financing Redevelopment Project Area, and to recommend to the City Council of the City of Chicago the designation of ROOTS ALB Limited Partnership as Developer.

James O'Connell

**City of Chicago
Department of Housing**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
March 9, 2021**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name: Metropolitan Apartments

Applicant Name/Developer: ROOTS Development, LLC

Borrower/Owner Name: ROOTS ALB Limited Partnership

Project Address(es): 3557 W Lawrence Avenue

Ward and Alderman: 33rd / Rossana Rodriguez Sanchez

Community Area: Albany Park

Redevelopment Project Area: Lawrence/Kedzie

Requested Action: TIF Developer Designation

Proposed Project: Newly constructed, 50-unit multifamily development with 42 affordable units for families earning between 30 and 60% AMI, and 8 units market rate. MAUI rental subsidies would support 16 units, which enable targeting to households at 30% of AMI and, potentially, 15%. Ground floor commercial is to be dedicated to a not-for-profit daycare center.

Appraised Market Value: \$1,650,000 “as is value” based on appraisal dated 6/24/2020

TIF Assistance: \$2,500,000

II. PROPERTY DESCRIPTION

Address: 3557 W Lawrence Avenue

Location: SE Corner of W. Lawrence Avenue and N. Central Park Avenue, in Albany Park, four blocks west of the Kimball CTA station.

Tax Parcel Numbers: 13-14-200-001; 13-14-200-002; 13-14-200-003;

Land Area: 0.38 acres

Current Use:	Vacant since at least 2007
Current Zoning:	B3-2
Proposed Zoning:	B3-5
Environmental Condition:	<p>A <u>draft</u> Phase 1 Environmental Site Assessment was completed by Vertex Companies, Inc. on May 1, 2020. The following was noted:</p> <ol style="list-style-type: none"> 1. Vertex did not identify any of the following during its assessment. <ol style="list-style-type: none"> a. Hazardous substances or petroleum products b. Existing USTs or ASTs c. Asbestos-containing materials (ACMs) d. Lead-based paint e. No mention of sound levels 2. Vertex did identify the following environmental issues: <ol style="list-style-type: none"> a. Former UST: Leaking underground storage tank (LUST) during removal in 2002 (IEPA NFR issued in 2003) b. Likely contaminants typically identified in Chicago fill such as polynuclear aromatic hydrocarbons (PNAs) c. Historical recognized environmental conditions d. Environmental clearance from 2FM will be requested, and final clearance will be a condition of closing 3. IEPA issued a NFR letter on August 15, 2003 following removal of an UST with holes in 2002 <ol style="list-style-type: none"> i. Sampling did not include chlorinated solvents, groundwater, indoor air inhalation, and vapor intrusion. AIS therefore recommended a Phase II be ordered.

III. BACKGROUND:

On October 11, 2019 ROOTS ALB Limited Partnership submitted an application for the subject property, as part of DOH's 2019 QAP.

Neighborhood Overview: Albany Park is bounded by Foster Avenue and the north branch of the Chicago River to the north, Montrose, Elston and Lawrence Avenues to the south, the north branch of the Chicago River to the east, and the Edens Expressway to the west. The surrounding Albany Park Community Area is a mix of 2-4 story apartment buildings along side streets, and ground-floor commercial along major corridors with residential above.

The subject site's location with respect to major thoroughfares, public transportation, and access to employment make it appropriate for affordable housing. Access to the site is excellent via public transportation or automobile. The CTA Kimball Brown Line station is approximately .25 miles to the east along Lawrence, while the CTA 81 bus serves Lawrence Avenue with connections to the Blue and Red Lines, as well as Metra UP-North and UP-Northwest lines. The CTA 82 bus also serves the nearby Kimball, running south as far as 32nd Street. Located on the SE corner of W Lawrence Avenue and N Central Park Avenue, the project site is 3.6 miles west of Lake Shore Drive, 1.9 miles west of I-90 via

Lawrence, and 1.5 miles northwest of I-90 via Foster Avenue

The nearest large-format grocery store is Jewel-Osco, located at Foster and Pulaski, 1 mile to the northwest of the site, while a large number of small, specialty and ethnic grocery stores exist within walking distance along both Lawrence and Kedzie. The nearest full-service pharmacy is Walgreens, located ½ mile west of the site, the nearest library is ½ mile northeast, and the nearest US Post Office is ¼ east on Lawrence.

A market analysis provided the following information, with the Market Area (MA) being bounded by Peterson Avenue to the north, Western Avenue to the east, Addison Street to the south, and Cicero Avenue and I-94 to the west. It includes parts of Albany Park, North Park, Lincoln Square, Irving Park, West Ridge, Forest Glen, Portage Park, and the North Center Community Areas.

Within the MA, both the population and number of households have decreased from 2010 to 2019. Demographic data vendor Esri projects a population of 147,638 for the MA, a decrease of 0.1% or 86 people, but a 9% decrease since 2000 and an additional 0.8% decrease over the next five years. By comparison, the City as a whole is projected to grow by 0.2% over the next five years. While there is construction of large, new residential buildings, the population decline is attributed to the de-conversion of small rental properties into single-family homes. Households, estimated at 54,628 with an average of 2.66 people, have increased 0.6% since 2010, but are projected to decline by 0.7% over the next five years.

The median age in the MA is 35.7 years versus 34.6 years for the entire City of Chicago. The population is projected to show aging for both the MA and the City as a whole.

There is a wide income range within the MA, itself characterized as working class, with 32.4% of households earning \$100,000 or more, and 22.8% of MA households (10,000 households) earning less than \$35,000. 44.8% of households earn between \$35,000 and \$99,000 per year.

IV. PROPOSED DEVELOPMENT TEAM:

Developer/Project Sponsor:	ROOTS Development, LLC
Owner:	ROOTS ALB Limited Partnership
General Contractor:	Clark Construction
Sponsor:	TBD
Architect:	Urban Works
Property Manager:	Realty & Mortgage
Borrower's Attorney:	DLA Piper
Historic Consultant:	N/A
Social Service Provider:	N/A

Development Entity: ROOTS ALB Limited Partnership will be the Owner/Borrower for this project. ROOTS ALB GP, LLC will serve as general partner with 0.01% interest, of which there are two members – Concordia Place (5%) and Celadon Holdings III, LLC (Managing Member) (95%), itself owned by Scott Henry (51%) and Aron Weisner (49%). A limited partner (TBD) will control 99.99% interest.

Experience: Celadon (Scott Henry) is known to DOH and has completed several projects in Chicago, including New City Supportive Living, Pulaski NSP, and Vernon NDP. A 9% LIHTC deal at 11941 S. Parnell,

the 60-unit West Pullman Elementary School, was also recently placed in service.

Consultants: Other development team members include:

Architect: UrbanWorks. UrbanWorks is a Chicago based architecture firm with demonstrated expertise in architecture, interior design, and urban planning. The firm’s project experience ranges from Education to, Parks and Recreations, Municipal, Commercial and Residential. Prior clients include the cities of Evanston, Gary, and Chicago, as well as CPS, CHA, CDOT, and the Chicago Department of Aviation.

General Contractor: Clark Construction. Based in Chicago, Clark has a portfolio that extends across the United States, within sectors including healthcare, mass transit, tunnels and mines, and residential and mixed-use. While known throughout Chicago for high-profile commercial and residential projects, they have not previously worked with DOH on an affordable housing project.

Property Manager: Realty & Mortgage. Based in Chicago, Realty & Mortgage manages over 6,000 rental and condominium housing units, as well as 250,000 sq. ft of commercial space, and has experience managing past HUD, IHDA, and DOH-financed projects.

V. PROPOSED PROJECT

Metropolitan Apartments will provide 50 units of new, multifamily housing with 42 affordable units for families earning between 30 and 60% AMI, and 8 units market rate. MAUI rental subsidies will support 16 units, which enable targeting to households at 30% of AMI and, potentially, 15%. 6,500 sf of the ground floor commercial space will be built out for a daycare operated by Concordia Place, a not-for-profit organization, at no charge to Concordia. Daycare services will target low-income families. The developer has signed a 15-year MOU with Concordia to lease the space for \$1/year. The development will include 23 parking spaces.

Residential Unit Profile:

The following table provides a detailed description of the proposed project, which will provide 50 units of housing, 42 of which are low-income housing. Trust Fund MAUI rental subsidies would support 16 units, which enable targeting to households at 30% of AMI and, potentially, 15%. The site is currently vacant and as such, no units (0%) are currently occupied.

PROPOSED Rental Unit Profile; Accessible Units: 10 type-A (20% of each bedroom size); 40 type-B (20% of each bedroom size).

Unit Type	Number of Units	Affordability	Size-sf	Monthly Rent/sf	Monthly Rent (a)
1 bed/1 bath	12	60% AMI	687	\$1.38	\$950
2 bed/1 bath	16	30% AMI	973	\$1.37	\$1,332
2 bed/1 bath	10	60% AMI	973	\$1.18	\$1,147
2 bed/1 bath	7	Market Rate	973	\$1.68	\$1,638
3 bed/2 bath	4	60% AMI	1,358	\$0.97	\$1,324
3 bed/2 bath	1	Market Rate	1,358	\$1.39	\$1,893

(a) Tenant paid utilities: gas heat, gas cooking, gas water heating, and other electric

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Environmental Features: The rehab will incorporate the following energy saving features:

- High performance building enclosures;
- Continuous insulation;
- PV panels, if possible;
- ENERGY STAR windows and doors;
- Low-VAC interior finishes.

VI. FINANCIAL STRUCTURE

Metropolitan Apartments will receive funds from the following sources:

1. A 1st mortgage \$5,540,000 (Merchants Capital)
2. A TIF loan/grant not to exceed \$2,500,000
3. General partner equity totaling \$10,000
4. IAHTC credits resulting in \$841,750 in equity (DOH)
5. Deferred developer fee of \$329,632
6. 9% LIHTC credits resulting in \$12,683,750 in equity (DOH)

The following table identifies the sources and uses of funds:

<u>SOURCES:</u>	<u>Amount</u>	<u>% of TDC</u>
1st Mortgage	\$ 5,540,000	25%
FHLB AHP	\$ -	0%
City - HOME	\$ -	0%
TIF	\$ 2,500,000	11%
CLIHTF	\$ -	0%
Seller Note (donated value)	\$ -	0%
IL Donation Tax Credit Equit	\$ 841,750	4%
LIHTC Equity	\$ 12,683,750	57%
GP Equity	\$ 10,000	0%
Deferred Dev Fee	\$ 329,632	1%
ComEd Energy Grant	\$ 242,920	1%
Total Sources	\$ 22,148,052	100%

<u>USES:</u>	<u>Amount</u>	<u>\$/SF of Building*</u>
Land Acquisition	\$ 1,430,000	\$ 21

Hard Costs

Construction	\$ 15,667,840	\$ 235.26
Const Contingency	\$ 749,892	\$ 11.26
Total Hard Costs	\$ 16,417,732	\$ 247

Soft Costs

Architect's Fee	\$ 1,056,840	\$ 16
Engineering Fees	\$ 27,950	\$ 0
Loan Origination Fee	\$ 110,000	\$ 2
Legal Fees	\$ 355,000	\$ 5
Marketing Fees	\$ 25,000	\$ 0
Loan Interest	\$ 644,157	\$ 10
Environmental	\$ 23,500	\$ 0
Reserves	\$ 535,873	\$ 8
Tax Credit Issuer Fees	\$ 80,000	\$ 1
Bond Issuance Fees	\$ -	\$ -
Developer Fee	\$ 1,000,000	\$ 15
Other soft costs	\$ 442,000	\$ 7
Total Soft Costs	\$ 4,300,320	\$ 65

Total Uses	\$ 22,148,052	\$ 333
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VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits.

Affordable Housing: 84% of the rental residential units in this development are rent restricted for and

are to be occupied by households whose income is 60% or less of area median income. The project will result in 26 units of affordable housing at or below 60% AMI, 16 at or below 30% AMI, and 8 remaining at market-rate.

Environmental Features: Environmentally friendly features have been incorporated as part of the building's construction, including passive enclosure strategies such as continuous insulation (modular design), incorporation of on-site PV panels if allowable, low-VOC interior finishes, energy efficient exterior materials, ENERGY STAR windows and doors, and high efficiency mechanical systems. The project will achieve the required 100 points under the Chicago Sustainable Development Policy.

Permanent Jobs: The project is estimated to generate 8 new permanent jobs in on-site program staff and maintenance, with 6 related to Concordia childcare staff, and 2 related to property management and maintenance. 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 approximately 8 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.

VIII. COMMUNITY SUPPORT

The developer entered into a Community Benefits Agreement with Communities United to organize Renters Organizing Ourselves to Stay (ROOTS), and CU will advocate and help identify tenants for the project. Additionally, a letter from the alderman exists showing support. No further evidence of community outreach is present.

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is in conformance with Lawrence/Kedzie TIF Redevelopment Plan goals to "encourage the replacement of obsolete commercial and industrial buildings with a mix of market rate and affordable housing in appropriate locations."

X. CONDITIONS OF ASSISTANCE

If the proposed resolution is approved by the CDC, DOH 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 DOH policy that no business will be conducted with a development entity where any principal has outstanding municipal debts (such as unpaid parking tickets, unpaid water bills, unpaid business

licenses, and others), is in arrears on 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 deal will not occur before the City Council has approved the project, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing.

XI. RECOMMENDATION

This project meets the Department of Housing's goals and guidelines by supporting the creation and retention of affordable housing for low and very low-income residents.

I have reviewed the proposed request, the qualifications of the development team, the financial structure of Phase I of this project, the need for public assistance, its public benefits, and recommend approval of the requested actions listed on Page One of this Executive Summary.

James C. O'Connell
March 9, 2021

EXHIBITS

TIF Project Assessment Form
TIF Data Integrity Form
Redevelopment Area Map
Neighborhood Map or Aerial
Site Plan
Front Elevation or Rendering
Sample M/WBE Letter
Copies of M/WBE Certified Letter Receipts
Ownership Organization Chart
Community Letters of Support

**COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO**

RESOLUTION NO. 20 - CDC -

**AUTHORIZATION TO NEGOTIATE A
REDEVELOPMENT AGREEMENT WITH ROOTS ALB Limited Partnership**

**AND
RECOMMENDATION TO
THE CITY COUNCIL OF THE CITY OF CHICAGO
FOR THE DESIGNATION OF ROOTS ALB Limited Partnership
AS DEVELOPER**

WHEREAS, the Community Development Commission (the "Commission") of the City of Chicago (the "City") has heretofore been appointed by the Mayor of the City with the approval of its City Council (the City Council referred to herein collectively with the Mayor as the "Corporate Authorities") as codified in Section 2-124 of the City's Municipal Code; and

WHEREAS, the Commission is empowered by the Corporate Authorities to exercise certain powers enumerated in Section 5/11-74.4-4(k) of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1 et seq.), (as amended from time to time, the "Act"); and

WHEREAS, the City Council, upon the Commission's recommendation pursuant to Resolution 99-CDC-258 and pursuant to the Act, enacted three ordinances on February 16, 2000 pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the Lawrence/Kedzie Redevelopment Project Area (the AArea@), designated the Area as a redevelopment project area and adopted tax increment allocation financing for the Area. The street boundaries of the Area are described on Exhibit A hereto; and

WHEREAS, ROOTS ALB Limited Partnership and/or its affiliated entities (the "Developer"), has presented to the City's Department of Planning and Development (the "Department") a proposal for redevelopment of the Area or a portion thereof that is in compliance with the Plan, consisting of the construction of a newly built, 50-unit multifamily development with 12 1-BDRM, 16 2-BDRM, and 4 3-BDRM units, ranging from 30% - 60% AMI, and 7 2-BDRM and 1 3-BDRM units at market rate (the "Project"). Ground floor commercial space is also present, and will be dedicated to a not-for-profit daycare center; and

WHEREAS, HED requests that the Commission recommend to City Council that the Developer be designated as the developer for the Project and that the Department be authorized to negotiate, execute and deliver a redevelopment agreement with the Developer for the Project; now,

therefore,

BE IT RESOLVED BY THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF CHICAGO:

- Section 1. The above recitals are incorporated herein and made a part hereof.
- Section 2. The Commission hereby recommends to City Council that the Developer be designated as the developer for the Project and that the Department be authorized to negotiate, execute and deliver on the City's behalf a redevelopment agreement with the Developer for the Project.
- Section 3. If any provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this resolution.
- Section 4. All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.
- Section 5. This resolution shall be effective as of the date of its adoption.
- Section 6. A certified copy of this resolution shall be transmitted to the City Council.

ADOPTED: _____, 20__

Attachment: Exhibit A, Street Boundary Description

EXHIBIT A

Street Boundary Description of the
Lawrence/Kedzie Tax Increment Financing
Redevelopment Project Area

The Area is generally bounded by W Bryn Mawr Avenue on the north, the North Branch Chicago River on the east, W Wilson Avenue on the south, and N Harding Avenue on the west.



Metropolitan Apartments

33rd Ward – Alderman Rossana Rodriguez Sanchez
Lawrence/Kedzie TIF – Albany Park Community Area
Requested Action: TIF Developer Designation

3/09/2021 CDC

Draft – Staff policy deliberation – Not for circulation

Aerial Map



Metropolitan Apartments Zoning Schools



Draft – Staff policy deliberation – Not for circulation



Street View – SE from Lawrence & Central Park





Project Summary

- Metropolitan Apartments will provide 42 new-construction affordable units for families earning between 30 and 60% AMI in the Albany Park neighborhood, and 8 units market rate. Rental subsidies would support 16 units, which enable targeting to households at 30% of AMI and, potentially, 15%;
- Project will provide 12 1-BDRM, 33 2-BDRM, and 5 3-BDRM units;
- 6,500 sf first floor commercial space will be built out for a daycare operated by Concordia Place, a not-for-profit organization, leased at \$1/year. Daycare services will target low-income families, and the developer has signed a 15-year MOU;
- The project was to be built offsite at Skender's modular factory and assembled onsite, but Clark Construction is now G.C. and it will be a traditional build.
- The development will include 13 parking spaces.



Community Engagement

- Communications with 33rd Ward Office
 - Meetings with Ald. Rossana Rodriguez Sanchez and/or staff on monthly basis since early 2019
 - Ald. Rossana has supported the project from outset, and has provided letters of support
 - Ald. Carlos Ramirez-Rosa of neighboring 35th Ward has also attended community meetings and is supportive
- Community Organizations Contacted
 - Communities United (supports)
 - Autonomous Tenants Union (supports)
 - Albany Park Neighbors (ongoing communication; support pending)
- Community Meetings Held
 - 2/4/2020 – Ward Community Advisory Committee Meeting
 - 4/9/2020 – CDZD Kickoff Meeting
 - 5/7/2020 – Neighborhood-led Organization Meeting
 - 7/28/2020 – CDZD Update Meeting
 - 9/24/2020 – Final CDZD Plan Review

★ Financing

<u>SOURCES:</u>	<u>Amount</u>	<u>% of TDC</u>
1st Mortgage	\$ 5,540,000	25%
FHLB AHP	\$ -	0%
City - HOME	\$ -	0%
TIF	\$ 2,500,000	11%
CLHTF	\$ -	0%
Seller Note (donated value)	\$ -	0%
IL Donation Tax Credit Equit	\$ 841,750	4%
LIHTC Equity	\$ 12,683,750	57%
GP Equity	\$ 10,000	0%
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Const Contingency	\$ 749,892	\$ 11.26
Total Hard Costs	\$ 16,417,732	\$ 247
Soft Costs		
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Engineering Fees	\$ 27,950	\$ 0
Loan Origination Fee	\$ 110,000	\$ 2
Legal Fees	\$ 355,000	\$ 5
Marketing Fees	\$ 25,000	\$ 0
Loan Interest	\$ 644,157	\$ 10
Environmental	\$ 23,500	\$ 0
Reserves	\$ 535,873	\$ 8
Tax Credit Issuer Fees	\$ 80,000	\$ 1
Bond Issuance Fees	\$ -	\$ -
Developer Fee	\$ 1,000,000	\$ 15
Other soft costs	\$ 442,000	\$ 7
Total Soft Costs	\$ 4,300,320	\$ 65
Total Uses	\$ 22,148,052	\$ 333

★ Financing, Cont'd

TIF-FUNDED IMPROVEMENTS

Category	Project		TIF Eligible Cost**
	Budget Amount*	% TIF Eligible	
Land Acquisition	\$ 1,350,000	0%	\$ -
Public Works or Site Improvements	\$ -	50%	\$ -
Affordable Housing Unit Hard Costs	\$ 12,598,186	50%	\$ 6,299,093
Environmental Remediation	\$ 55,000	100%	\$ 55,000
Eligible soft costs related to construction			
Architect-Design	\$ 756,140	50%	\$ 378,070
Architect-Supervision	\$ 300,700	50%	\$ 150,350
Engineer	\$ 27,950	50%	\$ 13,975
Soft Interest	\$ 644,157	30%	\$ 193,247
Total			<u>\$ 7,089,735</u>

* With the exception of Land, Project Budget amounts above are based upon 42 affordable units

**Notwithstanding the total of TIF eligible costs, the assistance to be provided by the City shall not exceed \$2500000

MBE/WBE BUDGET

Project Hard Costs	\$ 16,417,732
Project Soft Costs (Arch., Eng, soil testin)	\$ 1,084,790
Project MBE/WBE Total Budget	<u>\$ 17,502,522</u>
Project MBE Total at 26%	\$ 4,550,656
Project WBE Total at 6%	\$ 1,050,151

★ Renderings



Draft – Staff policy deliberation – Not for circulation

