

**City of Chicago
Department of Community Development**

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

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name: Clifton-Magnolia Apartments

Applicant Name: Community Housing Partners X L.P.

Project Address: 4416-26 N. Clifton and 4416-22 N. Magnolia

Ward and Alderman: 46th Ward – Alderman Shiller

Community Area: Uptown, Community Area #3

Redevelopment Project Area: Wilson Yard TIF District

Requested Action: TIF Developer Designation

Proposed Project: The project will involve the acquisition and rehabilitation of two buildings containing a total of 59 units of affordable multi-family rental units.

TIF Assistance: \$4,265,000

II. PROPERTY DESCRIPTION

Address: 4416-26 N. Clifton and 4416-22 N. Magnolia

Location: Scattered.

Tax Parcel Numbers: 14-17-224-016 (Clifton site)
14-17-124-016 (Magnolia site)

Land Area:	19,809 square feet (Clifton site) 17,712 square feet (Magnolia site)
Current Use:	Both apartment buildings are fully occupied.
Current Zoning:	RT-4 Residential Two-Flat, Townhouse and Multi-Use District.
Environmental Condition:	The Illinois Housing Development Authority has ordered an environmental study. It is anticipated to be complete the first week of February 2010.

III. BACKGROUND

These two properties, which offer 59 units of project based Section 8 housing for families, are among the few remaining low-income family rental properties in the Uptown community. The properties are at risk of loss to the affordable housing supply because the private investors who developed the properties in the 1980's have expressed their desire to exit the partnerships and realize the market values that are available in Uptown. If the proposed project does not go forward, it is likely that the ownership entity will opt out of the project based Section 8 contract and convert the buildings to market rate condominium ownership. These buildings are a vital affordable housing resource in the Uptown community. Revitalizing and preserving these 59 units prevents displacement of low-income families and contributes to maintaining a mixed-income community.

4416-26 North Clifton is a 3-story building containing 35 apartments. 4416-22 North Magnolia is a 3-story building containing 24 apartments. Both buildings are fully occupied. The properties are located in an area that is improved with a mixture of commercial, institutional, and residential uses. Residential uses within the immediate area predominantly consist of older, low-rise multifamily structures. To the north of the Clifton building is a 3-story apartment building; to the south is a 7-story condominium building; across the street to the east is a 2-story institutional building; and across the alley to the west is a 3-story apartment building. The Magnolia building is surrounded on the north, south, across the street to the east, and across the alley to the west by 3-story apartment buildings.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Community Housing Partners X L.P., an Illinois limited partnership consisting of Voice of the People in Uptown, Inc. and the Chicago Community Development Corporation as co-general partners, was formed to acquire and preserve as affordable housing the 59-unit apartment complex known as the Clifton Magnolia Apartments. The Chicago Community Development Corporation (CCDC) is an Illinois corporation organized for the purpose of acquisition, development, rehabilitation and preservation of existing multifamily affordable

housing. Voice of the People is a not-for-profit community based 501(c)3 that develops and manages quality, affordable housing for low- and moderate-income individuals and families in Chicago's Uptown community. The developer is licensed by the City as a Residential Developer.

Consultants: The General Contractor is Burling Builders, Inc.; The Architect is Landon Bone Baker Architects; Metroplex will be Property Management; and the Attorney is Duane Morris LLC.

V. PROPOSED PROJECT

Project Overview: This project will involve the acquisition and rehabilitation of two buildings, located at 4416-26 North Clifton and 4416-22 North Magnolia, containing a total of 59 multi-family rental units. Unit sizes in the two buildings will be comprised of the following: 645 square feet for a one bedroom, 850 square feet for a two-bedroom, 1000 square feet for a three-bedroom, and 1480 square feet for a four-bedroom. The buildings are of a typical Chicago courtyard design, and are of masonry construction with a wood frame floor and roof structure.

The property presently provides housing for very large, very low income families and also will provide for 10% of the existing units to house families in need of supportive services. The rehabilitation plan will further provide for approximately \$50,000 per unit in physical improvements including new roofs, windows, kitchens and upgrades to existing HVAC systems, and building amenities such as a computer center and exercise room. The property will be preserved as affordable housing for at least an additional 35-year term.

Situated along the west side of Clifton Avenue, the Clifton building is approximately 35,300 square feet in size and contains 35 apartments (9 one-bedrooms, 17 two-bedrooms, 6 three-bedrooms, and 3 four-bedrooms). The basement has laundry facilities, mechanical rooms and open unused floor area. Situated along the west side of Magnolia Avenue, the Magnolia building is approximately 38,096 square feet in size and contains 24 apartments (12 two-bedrooms and 12 three-bedrooms). The basement has laundry facilities, mechanical rooms and open unused floor area.

The rehabilitation at Clifton Magnolia Apartments will be conducted with residents maintaining occupancy of their units at all times. All units will be habitable with fully functioning utilities at the end of each work day. Residents will be assisted in preparing their units for construction. Movers and packers will be provided, as needed, to pack resident's belongings; to move personal property within the apartment; or to secure storage lockers on the site. Assistance will be provided to move the resident's belongings back into place when the renovation is complete. Hospitality suites will be available to residents while their unit is under construction to prepare meals and to have access to bathroom facilities. There will be no displacement, permanent relocation or offsite temporary relocation in connection with the Clifton Magnolia rehabilitation. Tenants will not incur any out-of-pocket costs in connection with the rehabilitation.

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 59 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 affordable units in projects developed on land sold by the City or 20 percent affordable units in projects receiving TIF assistance. The department has reviewed and approved the affordable unit rents.

Unit Profile

Unit Type	Number	Market/ Affordable	Size-sf	Monthly Rent/sf*	Monthly Rent*
1 bed/1 bath	9	Affordable @ 60% AMI	645	\$1.47	\$952
2 bed / 1 bath	17	Affordable @ 60% AMI	850	\$1.27	\$1083
2 bed / 1 bath	12	Affordable @ 60% AMI	850	\$1.50	\$1281
3 bed / 1 bath	6	Affordable @ 60% AMI	1000	\$1.27	\$1271
3 bed / 1 bath	12	Affordable @ 60% AMI	1000	\$1.48	\$1485
4 bed / 2 bath	3	Affordable @ 60% AMI	1480	\$.92	\$1364

*Section 8 Rents: The rent indicated above is the total Section 8 contract rent received by the owner after subsidy and tenant payment of 30% of adjusted gross income. Tenant payment for both rent and utilities does not exceed 30% of adjusted gross income.

*Utilities are not included in the monthly rents above. Tenants at 4416-26 Clifton pay electric, gas for heat, and cooking gas. Water heating and water service are paid by the building. Tenants at 4416-22 Magnolia are responsible for electric and cooking gas. Heat, water heating and water service are all paid by the building.

Environmental Features: Energy efficiencies will include upgraded insulation; high efficiency windows; energy efficient pre-sealant and weather stripping; and high efficient, high seer AC condensers.

VI. FINANCIAL STRUCTURE

The proposed project consists of the rehabilitation of two very low-income affordable rental buildings. To finance the project, the Developer proposes to use \$4,265,000 in TIF funding. The TIF funds will be in the form of a lump-sum payment of \$1,765,000 paid into a construction escrow at closing, and a \$2,500,000 Note issued at project completion. The Note will be repaid over the remaining life of the TIF using increment from area-wide PINs in the Wilson Yard TIF. The TIF funds represent 26% of the total project costs estimated at \$16,408,866 and are needed because of the high level of affordability (units at 30-50% AMI) in this project.

In addition to TIF funds, the Project has received an award of Low Income Housing Tax Credits (LIHTC) from IHDA in the amount of \$953,085. Alliant Capital Ltd. is the anticipated equity syndicator of the LIHTC's and has proposed a pay-in rate of \$.65/\$1.00. The LIHTC's are expected to generate approximately \$6,195,053 in equity, a portion of which will retire a \$5,000,000 construction loan from Chase Bank at project completion. Finally, IHDA anticipates providing \$580,000 in Trust Fund monies to facilitate the rehabilitation of these units.

The following table identifies the sources and uses of funds.

Sources and Uses of Funds

<u>Sources</u>	<u>Amount</u>	<u>% of total</u>
IHDA Risk Share Loan	\$6,311,817	38.4
TIF Payment at Closing	1,765,000	10.7
LIHTC Equity	6,195,053	37.8
IHDA Trust Fund	580,000	3.5
IHDA Subordinate Debt (TCAP)	1,132,311	6.9
Deferred Fee	424,685	<u>2.7</u>
Total Sources	\$16,408,866	100%

<u>Uses</u>	<u>Amount</u>	<u>\$/sf of Building*</u>
Land Acquisition (\$222.19 per sf of land)	\$8,337,000	\$113.58 psf
Hard Costs	3,913,314	\$53.32 psf
Soft Costs		
Architect's Fee (7% of hard costs)	259,560	
Accounting (cost certification)	10,000	
Environmental Report	22,000	
Title and Recording	45,000	
Construction Period Interest	450,000	
Construction Insurance and Taxes	125,000	
TIF Consultant and Developer Services	79,000	
Market Study	30,931	
Reserves	548,600	
Developer Fee (10% of total project cost)	1,654,292	
IHDA Fees	215,969	

Tax Credit Fees	85,100	
Misc. Financing Fee	171,100	
Legal Fees (1% of total costs)	180,000	
Tenant Relocation (temporary) & Tenant Service Programming	150,000	
Tax and Insurance Escrow	76,000	
Other soft costs (.31% of total costs)	51,000	
Total Soft Costs (25% of total costs)	\$4,158,552	<u>\$56.66 psf</u>
Total Uses	\$16,408,866	\$223.57psf

*Gross building area of the two buildings is 73,396 sq. feet.

VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits.

Affordable Housing: The project will preserve 59 existing affordable housing units.

Environmental Features: Energy efficiencies will include upgraded insulation; high efficiency windows; energy efficient pre-sealant and weather stripping; and high efficient, high seer AC condensers..

Construction Jobs: The project will produce 30 to 40 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.

VIII. COMMUNITY SUPPORT

Alderman Shiller endorses the project and has provided a letter of support (see exhibits for copy).

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the Wilson Yards Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment

plan: Provide needed incentives to encourage a broad range of improvements in preservation, rehabilitation and new development, and create an environment that stimulates private investment in appropriate new construction and rehabilitation. The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the development of 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, DCD 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 DCD 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 of the redevelopment agreement will not occur before the City Council has approved the agreement, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing. The redevelopment agreement will include a development timetable.

XI. RECOMMENDATION

The Department of Community Development has thoroughly reviewed the proposed project, the qualifications of the development team, the financial structure of the project, its need for public assistance, its public benefits, and the project's conformance with the redevelopment area plan, and DCD recommends that the CDC recommend to the City Council the designation of Community Housing Partners X L.P. as Developer for the development of Clifton Magnolia Apartments at 4416-26 N. Clifton and 4416-22 N. Magnolia.

EXHIBITS

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
Community Letters of Support
Alderman's Letter of Support