

**City of Chicago
Department of Housing and Economic Development**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
JANUARY 11, 2011**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name: Hazel Winthrop Apartments

Applicant Name: Community Housing Partners XV L.P.

Project Address: 4509 N. Hazel Street/852 W. Sunnyside Avenue,
4426 N. Magnolia Avenue,
912-14 W. Montrose Avenue, and
4813 N. Winthrop Avenue.

Ward and Alderman: 46th Ward – Alderman Shiller

Community Area: Uptown, Community Area #3

Redevelopment Project Area: Wilson Yard TIF District, Lawrence/Broadway TIF District

Requested Action: TIF Developer Designation

Proposed Project: The project will involve the acquisition and rehabilitation of four buildings containing a total of 30 units of affordable multi-family rental units.

TIF Assistance: \$5,900,000

II. PROPERTY DESCRIPTION

Addresses: 4509 N. Hazel/852 W. Sunnyside, 912-14 W. Montrose,
4426 N. Magnolia and 4813 N. Winthrop

Location: Scattered sites in Uptown.

Tax Parcel Numbers: 14-17-223-014 (Hazel/Sunnyside site)
14-17-228-020 (Montrose site)
14-17-124-015 (Magnolia site)
14-08-415-017 (Winthrop site)

Land Area: 9,189 square feet (Hazel/Sunnyside site)
6,304 square feet (Montrose site)
8,496 square feet (Magnolia site)
7,583 square feet (Winthrop site)

Current Use: All four apartment buildings are fully occupied.

Current Zoning: The Magnolia and Winthrop sites are zoned RT-4 Residential Two-Flat, Townhouse and Multi-Use District. The Montrose and Hazel/Sunnyside sites are zoned RM5 Residential Multi-Unit District.

Environmental Condition: There are no environmental issues at any of the 4 buildings.

III. BACKGROUND

These four properties, which offer 30 units of project-based Section 8 housing for families, are among the few remaining low-income family rental properties in the Uptown community. The apartments are a series of two, three and four-bedroom units. 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 30 units prevents displacement of low-income families and contributes to maintaining a mixed-income community.

4509 N. Hazel/852 W. Sunnyside is a 3-story building containing 12 apartments. 912-14 W. Montrose is a 3-story building containing 6 apartments. Four parking spaces are provided for residents on a first-come, first served basis. 4426 N. Magnolia is a 3-story building containing 6 apartments. Four parking spaces are provided for residents on a first-come, first served basis. 4813 N. Winthrop is a 3-story building containing 6 apartments. Eight parking spaces are provided for residents on a first-come, first served basis. All buildings are fully occupied. The properties are located in an area that is improved with a mixture of commercial, institutional, and residential uses.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Community Housing Partners XV 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 30-unit apartment complex known as the Hazel Winthrop Apartments. The developer is licensed by the City as a Residential Real Estate Developer. 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. CCDC was founded, in part, with the goal of developing resident and community-based strategies for preservation of the existing inventory of HUD-subsidized multifamily housing developments in the Chicago area. Organized in 1988, CCDC is wholly owned by its principals and has established itself as an innovative development company capable of implementing development proposals responsive to community and resident needs, in Chicago and other locations.

CCDC is a general partner for project partnerships which own 2,234 units of affordable housing. Since 1992 CCDC has provided technical assistance to owners, resident groups and not-for-profit organizations for the preservation of HUD-insured multifamily housing resulting in the preservation of 5,000 apartments at risk of loss to the affordable housing stock. CCDC acquired and rehabilitated the first prepayment eligible project in Illinois under Title II of the Housing Act of 1987 (ELIHPA), a 231-unit high-rise located in Chicago's Uptown neighborhood and served as consultant for the first Plan of Action in the country processed and approved by HUD under Title VI of the 1990 Housing Act (LIHPRHA).

Utilizing their extensive knowledge and workings of various HUD, municipal and housing authority programs, CCDC staff have placed the company in a leadership position both in the City of Chicago and on a national basis. CCDC has been a leading advocate for the direction of policies intended to target limited federal and municipal resources to the creative preservation and rehabilitation of existing HUD-subsidized multifamily housing in the Chicago area and nationally.

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. It began in 1968 as a protest against the displacement of 500 families. VOICE was able to find new homes for 250 of these families, and in the process began its career as a housing developer by developing, rehabilitating, and managing its own buildings.

For 38 years, Voice of the People has worked for and with low-income individuals and families in Uptown to create quality affordable housing, to protest displacement of families by higher priced housing, and to speak out for improved community services. In addition to developing quality, affordable housing, VOICE's goal is to develop people. VOICE offers its tenants a number of opportunities to learn about housing and community related issues, thereby gaining leadership skills to enhance their participation in their own building tenant councils. VOICE has developed and rehabilitated 14 properties (6-flats and courtyards) in Uptown. These properties provide 177 families with attractive, affordable units, which accent the surrounding neighborhood.

Community Housing Partners XV LP will utilize Metroplex, Inc. as the Property Management firm for the Hazel-Winthrop Apartments. Run by Mr. Sheldon Baskin, Metroplex, Inc. and its affiliates, have managed more than 13,000 units of rental housing in Illinois and throughout the country. Since 1971, Mr. Baskin has been a principal in over 150 multifamily housing developments as well as a number of office, retail, loft and hotel properties.

Consultants: The General Contractor is Burling Builders, Inc.; The Architect is Landon Bone Baker Architects, and the Attorney is Duane Morris LLP.

Previous Developer Projects Receiving CDC Approval:

February 2010---Clifton-Magnolia Apartments. This project consists of 59 units of affordable located within two buildings (4416-26 N. Clifton and 4416-22 N. Magnolia). The rehabilitation of these properties should be completed by August 2011.

September 2006---Uptown Preservation Apartments (UPA). UPA consists of 77 units of affordable housing spread over three mid-rise buildings (900 W. Windsor Avenue, 4431 N. Clifton Avenue and 927 W. Wilson Avenue). Rehabilitation of this project was completed in April 2008.

Other City-funded Projects by this Developer:

Prior developments have included the following: Archer Avenue Senior Residence – 2928 S. Archer – 55 units, Barbara Jean Wright Court Apartments – 1354 S. Morgan – 268 units, 6100 Wabash Apartments – 6100 S. Wabash Avenue – 24 units.

V. PROPOSED PROJECT

Project Overview: This project will involve the acquisition and rehabilitation of four buildings containing a total of 30 multi-family rental units. The buildings are located at 4509 N. Hazel Street/852 W. Sunnyside Avenue, 4426 N. Magnolia Avenue, 912-14 W. Montrose Avenue, and 4813 N. Winthrop Avenue. The buildings are of masonry construction with a wood frame floor and roof structure.

The property presently provides housing for very large, very low income families. The rehabilitation plan will further provide for approximately \$64,000 per unit in physical improvements including new roofs, windows, kitchens and upgrades to existing HVAC systems, and building amenities such as a family activities center and exercise room. The property will be preserved as affordable housing for at least an additional 40-year term.

The rehabilitation at Hazel Winthrop 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. A hospitality suite 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 30 rental units of which 30 units or 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.

Unit Profile

Unit Type	Number	Size/sf	Monthly Rental/sf	Monthly Rent
2BR 1Bath	8	1196	\$0.956	\$1118*
3BR 1Bath	17	1411	\$0.917	\$1295*
4BR 1Bath	5	1622	\$0.921	\$1495*

*There is a Section 8 HAP contract for the buildings which allows tenants to pay 30% of their adjusted monthly income for rent, and the HAP subsidy pays the remainder rent. At closing, the developer will apply for an extension of the existing Section 8 HAP contract. If approved, the extension will go for a 20-year term. The rents reflected in this chart are inclusive of the 30% the tenant is paying.

Tenant Paid Utilities

Unit Type	Average Monthly Utility
2BR	\$100
3BR	\$193
4BR	\$168

Environmental Features: Energy efficient apartment furnaces with efficient high seer ac condensers, energy efficient hot water heater, energy efficient thermally broken windows, upgraded insulation, energy efficient pre-sealant and weather stripping detailing and specifications.

VI. FINANCIAL STRUCTURE

This project preserves 30 occupied affordable rental units located in four buildings in the Uptown Community. The project financing consists of tax-exempt bonds issued by the City of Chicago, TIF funds, general partner equity and tax credit equity. A new FHA mortgage of approximately \$4,315,000 under FHA’s Section 221(d)(4) program will be issued. Of the \$4,315,000, \$2,590,000 will be supported by Net Operating Income (NOI), and \$1,725,000 will be supported by Tax Increment Funds (TIF). The bridge bond will have a principal amount of \$1,500,000, and be used during the construction period. It will be repaid with limited partner equity pay-ins. 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 4% credits will generate \$2,888,669 of equity; \$1,500,000 will be used to repay the bridge bond, and the remaining \$1,388,669 will be used for the project with a portion paid at closing, and the remainder funded at various stages throughout construction to completion and finally to occupancy. The developer will also defer developer fee of \$150,000. The developer will have a ten year period in which to collect the fee provided the buildings are performing in the black.

TIF funds will represent 51% of the financing and will be used to reimburse the developer for acquisition and rehabilitation expenses related to the project. The City and the Borrower will execute a TIF Redevelopment Agreement (RDA) that provides for a lump-sum cash payment of TIF funds in the amount of \$4,188,406 at closing, and increment to support \$1,725,000 in mortgage over the remaining life of the TIF district. The payments will be derived from area-wide increment generated within the Wilson Yard TIF district and approximately \$2 million from the adjacent Lawrence/Broadway TIF district. Available increment will be defined as that from the Project PINs as well as area-wide increment from the Wilson Yards TIF district beginning with the first collection after the closing of the RDA.

The following tables identify the sources and uses of funds:

SOURCES:		
Lender / Partner	Amount	% of Total Dev Costs
Permanent Financing (Bonds)	\$ 4,315,000	37.0%
Bridge Financing (Bonds)	\$ 1,500,000	13.0%
City of Chicago – TIF Funds	\$ 4,188,406	36.0%
Deferred Developer Fee	\$ 150,000	1.0%
Tax Credit Equity	\$ 1,388,669	13.0%
TOTAL	\$11,542,075	100%

USES:			
HARD COSTS :	AMOUNT:	PERCENT:	\$/SQ. FT. OF BLDG

Buildings/Land Acquisition	\$ 5,675,000	49%	\$ 78.43
Construction	2,255,400	19%	\$ 31.17
Construction Contingency	194,500	2%	\$ 2.69
Total Hard Costs:	\$ 8,124,900	70%	\$ 112.29
SOFT COSTS:			
Architect & Engineering Fees	170,000	.01%	\$ 2.35
Relocation Costs	95,000	.01%	\$ 1.31
Accounting/Legal Fees	170,000	.02%	\$ 2.35
Bond Costs	306,000	3%	\$ 4.23
Construction Period Interest	200,000	1%	\$ 2.76
Construction Inspection and Insurance Fees	10,000	.001%	\$.14
1 st Mortgage Financing Fees	358,500	3%	\$ 4.95
Other Lender Fees	270,445	3%	\$ 3.74
Reserves & Escrows	842,230	7%	\$11.64
Deferred Developer Fee	150,000	1%	\$ 2.07
Developer Fee	775,000	7%	\$ 10.71
Other	70,000	.01%	\$.97
Total Soft Costs	\$ 3,417,175	30%	\$ 47.23
Total Development Cost	\$11,542,075	100.00%	\$159.52

*See attached sheet for the breakdown of bond costs and reserve and escrow fees.

Note: combined gross sq. ft. for the project is 72,356

VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits.

Affordable Housing: The project will preserve 30 existing affordable housing units.

Environmental Features: Energy efficient apartment furnaces with efficient high seer ac condensers, energy efficient hot water heater, energy efficient thermally broken windows, upgraded insulation, energy efficient pre-sealant and weather stripping detailing and specifications.

Permanent Jobs: The project is estimated to retain 5 permanent jobs in management and maintenance of the property.

Construction Jobs: The project will produce 50 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).

The project also has the endorsement of Organization of the Northeast and State Representative Gregory Harris. (See exhibits for copies of support letters).

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in both the Wilson Yard and Lawrence/Broadway Tax Increment Financing Redevelopment Project Areas. 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, DHED 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 DHED 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 DHED recommends that the CDC recommend to the City Council the designation of Community Housing Partners XV L.P. as Developer for the development of Hazel Winthrop Apartments located at 4509 N. Hazel Street/852 W. Sunnyside Avenue, 4426 N. Magnolia Avenue, 912-14 W. Montrose Avenue, and 4813 N. Winthrop Avenue.

***HAZEL-WINTHROP APARTMENTS BREAKDOWN OF COSTS:**

BOND COSTS:

Rating Agency	\$ 15,000
Trustee	10,000
Underwriter	80,000
Underwriter's Counsel	55,000
Bond Counsel	60,000
Fees related to Issuance	86,000
SUB-TOTAL:	\$306,000

Negative Arbitrage	\$300,000
TOTAL:	\$606,000

RESERVES AND ESCROWS:

TIF Reserve	\$365,000
Section 8 Reserve	382,230
Replacement Reserve	30,000
Real Estate Escrow	35,000
Insurance Escrow	30,000
TOTAL:	\$842,230

EXHIBITS

Redevelopment Area Maps
Photographs
Site Plan
Typical Floor Plan
Front Elevation or Rendering
Sample M/WBE Letter
Copies of M/WBE Certified Letter Receipts
Developer License
Ownership Structure
Alderman's Letter of Support
Community Letters of Support
Resolution