

**City of Chicago  
Department of Community Development**

**STAFF REPORT  
TO THE  
COMMUNITY DEVELOPMENT COMMISSION  
REQUESTING DEVELOPER DESIGNATION  
April 14, 2009**

**I. PROJECT IDENTIFICATION AND OVERVIEW**

Project Name:	Wrightwood Senior Apartments
Applicant Name:	79 <sup>th</sup> Street Limited Partnership
Project Addresses:	2801 W. 79 <sup>th</sup> Street (building) 2751-57 W. 79 <sup>th</sup> Street (parking lot)
Ward and Alderman:	18th Ward, Lona Lane
Community Area:	Ashburn
Redevelopment Project Area:	79 <sup>th</sup> Street/Southwest Highway
Requested Action:	TIF Developer Designation
Proposed Project:	The construction of a six-story, 85-unit seniors' residence. and an adjacent parking lot. 76 units will be rent-restricted and 9 units will have unrestricted rents.
TIF Assistance:	\$2,950,000; approximately 14% of total project costs.

**II. PROPERTY DESCRIPTION**

Addresses:	2801 W. 79 <sup>th</sup> Street (building) 2751-57 W. 79 <sup>th</sup> Street (parking lot)
Location:	The building site is on the south side of 79 <sup>th</sup> Street between California and Mozart Avenues.  The separate parking lot will be at the southeast corner of 79 <sup>th</sup> & California.

Tax Parcel Numbers: Building: 19-36-107-054-0000 and 19-36-107-055-0000  
Parking Lot: 19-36-200-001-0000 through  
19-36-200-003-0000

Land Area: Building: 33,415 square feet

Parking Lot: approximately 9,200 square feet

There will 44 parking spaces – 25 immediately behind the building and 19 at the southeast corner of 79<sup>th</sup> & California.

Current Use: Vacant

Current Zoning: RM-6

Environmental Condition: A Phase I of the building site dated September 17, 2006 found no evidence of recognized environmental conditions in connection with the property.

A Phase I of the site for the parking lot dated September 17, 2008 found no evidence of recognized environmental conditions in connection with the property.

### **III. BACKGROUND**

On March 3, 2008 the developer applied to the then Department of Housing (DOH) for HOME funds and to the then Department of Planning and Development (DPD) for TIF assistance to construct a senior residence in the Ashburn community. On October 30, 2008 IHDA awarded \$1,425,000 in federal Low Income Housing Tax Credits (LIHTC) to the development.

The Ashburn area is home to over 39,500 Chicago residents (13,147 households.) Almost 6,400 (8.2%) community residents are over the age of 65. The median income for the area is \$48,647, while the median household net worth is \$79,294. The median monthly rent was \$563 in 2000. According to the City of Chicago's senior housing plan, the Ashburn community area has a deficit of 873 low-income units targeted to households earning between 30% - 60% of the area median income and a deficit of 603 very low income units for seniors earning below 30% of the median income.

On May 26, 2007 a sales contract in the amount of \$1,100,000 for the purchase of 2801 W. 79<sup>th</sup> Street (the building site) was executed between WSA Investments LLC (the current owner) and 79<sup>th</sup> Street Development LLC. 79<sup>th</sup> Street Development LLC subsequently assigned its interest in the contract to 79<sup>th</sup> Street LP. The closing on the site for the building will occur at the time of the finance closing for the development.

3 Diamonds Development closed on the purchase of the land for the parking lot from Firststar Builders LLC on December 5, 2008. The purchase price was \$200,000.

#### **IV. PROPOSED DEVELOPMENT TEAM**

**Development Entity:** The project is a limited partnership between co-general partners NHS Wrightwood Inc. (.0051%) and 79<sup>th</sup> Street Development LLC (.0049%); and a Limited Partner entity (99.99%) to be formed when the LIHTCs are syndicated. NHS Wrightwood is 100% owned by NHS Redevelopment Corp. 79<sup>th</sup> Street Development LLC is 100% owned by 3 Diamond Development.

One of 3 Diamond Development's principals, Ben Klein, has extensive experience developing and managing nursing homes and supportive living facilities in Illinois and Missouri. Overall, he owns and manages more than 1,200 skilled beds and one supportive living facility.

As the non-profit partner in this project, NHS Redevelopment Corporation will provide overall development guidance to the project, as well as help assist with community contacts in the Wrightwood neighborhood to help bring existing services to the project.

**Consultants:** 79<sup>th</sup> Street Limited Partnership has assembled a highly qualified team to plan and carry out the proposed development. This team includes:

- Cubellis, MGDF – an architectural firm which has also participated in the design and construction oversight of more than a dozen senior housing communities.
- Fred Teitelbaum Construction Company - a respected general contractor in the Chicago area that has worked on many affordable housing projects, consistently completing projects on-time and on-budget. They are particularly familiar with a senior affordable product, having been the general contractor on several Senior Suites projects.
- Ludwig and Company - property manager of senior housing developments in Illinois.
- The tax credit syndicator is not yet chosen.

#### **V. PROPOSED PROJECT**

**Project Overview:** Wrightwood Senior Apartments is a proposed 85-unit affordable housing development (approximately 74,000 square feet) for seniors aged 62 and older. The project will consist of 76 rent-restricted studio, one- and two-bedroom units, available to seniors with annual incomes between \$7,000 and \$36,000. The project also includes an additional 9 unrestricted units available to all senior households. The 76 rent-restricted units will be available for households earning 60% or less of the Area Median Income.

Rents for the affordable units, which include heat, range from \$168 for a studio to \$800 per month for a two-bedroom. In addition, the project received a preliminary commitment for project based voucher rental assistance for 17 units so that those residents will only pay 30% of their income toward rent.

Alderman Lona Lane of the 18<sup>th</sup> Ward and community groups, including Wrightwood Improvement Association, have identified the lack of affordable senior housing as a high priority for the Wrightwood neighborhood, and the 18<sup>th</sup> Ward in general. Wrightwood Senior Apartments has been designed specifically for this aging population and the building design allows for an abundance of social space. The first floor includes the following community spaces:

- Lobby / sitting area
- Dining lounge area with warming kitchen
- Computer room / library
- Fitness room
- Wellness center
- Outdoor patio
- Laundry facilities

Each floor also has laundry facilities. Additionally, Wrightwood Senior Apartments will incorporate green design elements through the construction and design of the building. The property manager will also help residents organize a Resident's Council to plan social events for all the building's occupants.

The development includes 25 surface spaces in the parking lot behind the building and an additional 19 spaces across the street in a paved lot. The 44 total parking spaces (a 1:2 ratio) exceeds City of Chicago zoning requirements (1:3 ratio). In addition, approximately 12 street parking spaces are available immediately around the building

The project is expected to close on financing and begin construction in Summer 2009. Construction will take approximately 12 months, completing in Summer 2010. Units are expected to be fully occupied by December 2010.

**Residential Unit Profile:** The following table provides a detailed description of the proposed project. The subject property will provide a total of 85 rental units. 5 rental units, or 6% of the total, will be affordable for households earning no more than 15 percent of the area median income. 4 units, or 5% of the total, will be available for renters between 16% - 30% AMI. 17 units will have project based vouchers whereby renters will pay no more than 30% of their income for rent. 50 units, or 78% of the total, will be available for renters earning up to 60% of AMI. These units will satisfy the Chicago affordable housing ordinance, which requires a minimum of 20 percent affordable units in projects receiving City financial assistance, including TIF. 9 rental units, or 11% of the total, will have unrestricted rents. The Department of Community Development has reviewed and approved the affordable unit rents. The City requires a 30 year affordability period when it provides financial assistance to a development.

### Unit Profile

Unit Type	Number	Income Levels Served	Size sf	Monthly Rent*
Studio	5	Affordable at 15% AMI	470	\$168
1 BR	4	Affordable at 30% AMI	550	\$388
1 BR	46	Affordable at 60% AMI	550	\$655
1 BR**	13	Affordable at 60% AMI	550	\$750
1 BR	7	Unrestricted	550	\$750
2 BR	4	Affordable at 60% AMI	700	\$800
2 BR**	4	Affordable at 60% AMI	700	\$865
2 BR	2	Unrestricted	700	\$865

\* Tenants pay the following utilities: cooking (gas) and other electric/lighting. Heat (gas) is paid by the owner.

\*\* Section 8 Project Based Voucher units

**Environmental Features:** The design meets the City's basic energy efficiency standards. The most significant green items are the 'green' roof (100% of net roof space), the solar hot water and the permeable pavers in the parking areas. The proposed developer will install a green roof for the net roof area not encumbered by mechanical equipment or solar panels. The proposed developer will also install an Energy Star H.V.A.C. system, Energy Star appliances and a highly efficient lighting system. The roof insulation is R44. Wall insulation is R21.

### VI. FINANCIAL STRUCTURE

The greatest portion of funds for this development will come from the sale of federal low-income housing tax credits (LIHTC), a program administered by IHDA. The equity is paid in tranches. A portion of the equity is funded at closing, with the rest funded at various stages of completion and occupancy. Details of the tax credit equity funding schedule will be a part of the Operating Agreement between limited partners. DCD will review and approve this operating agreement and the pay-in schedule therein.

DCD will also fund, probably through HOME funds, the next largest share of the cost of this development. HOME funds are federal dollars administered by DCD to aid in the funding of low-income housing developments. There is no debt repayment with a HOME loan until after 30 years. Interest is typically set between 0% and 3%.

TIF dollars represent the third largest share of funds and are being requested to reimburse the developer for site acquisition among other TIF-Eligible Project Costs. The City, through the Department of Community Development intends to provide a total of \$2,950,000 in TIF assistance toward the project. The assistance will be provided either through the issuance of a TIF Note at a market based interest rate and/or a combination of existing Area-Wide increment from the 79<sup>th</sup> Street/Southwest Highway Tax Increment Finance Redevelopment Project Area fund.

The developer has a preliminary commitment from JPMorgan Chase to provide a \$1,172,000 first mortgage loan with market rate currently estimated at 7.5%.

A deferred developer fee of \$375,000 is also a source of funds. This fee conforms to both the City’s and IHDA’s standard underwriting and is considered a source of equity for LIHTC purposes and increases the amount of tax credits the development can claim.

The following table identifies the sources and uses of funds.

**Sources and Uses of Funds**

Sources	Amount	% of Total
Tax Credit Equity	\$9,975,000	47%
DCD HOME Loan	\$6,191,385	29%
TIF	\$2,950,000	14%
Private Loan	\$1,172,000	6%
Other (ARC/MAUI, Deferred Developer Fee)	\$853,000	4%
Total Sources	\$21,141,385	100%

Uses			Amount	\$/sqft of Bldg
Land Acquisition			\$1,356,932	\$18.09
Hard Costs			\$15,458,990	\$206.12
Soft Costs				
Developer Fee	\$1,000,000	4.7%		
Deferred Developer Fee	\$375,000	1.8%		
Architectural Fees	\$647,675	3.1%		
Lenders' Fees / Interest	\$929,242	4.4%		
Legal Fees	\$203,851	1.0%		
Marketing/Advertising	\$85,000	0.4%		
Permit Expediter	\$25,000	0.1%		
As-Is Plats & Surveys	\$20,000	0.1%		
Accountant -- General	\$30,000	0.1%		
Consultant - Financial	\$225,000	1.1%		
Appraisal & Market Study	\$20,000	0.1%		
Phase I Environ. Report	\$35,000	0.2%		
Title & Recording Fees	\$25,000	0.1%		
Hazard Insurance	\$70,000	0.3%		
Real Estate Taxes	\$30,000	0.1%		
All Reserves	\$604,695	2.9%		
Total Soft Costs	\$4,325,463	20.5%		\$57.67
<b>Total Development Cost</b>			<b>\$21,141,385</b>	<b>\$281.89</b>

**VII. PUBLIC BENEFITS**

The proposed project will provide the following public benefits.

**Affordable Housing:** The project will provide 85 new affordable housing units for seniors, 76 of which are affordable.

**Property Taxes:** The project will expand the tax base because the investment in the property will result in an increase in its assessed value.

**Environmental Features:** The building will incorporate a green roof, solar hot water system, water permeable pavers in parking lot, Energy Star H.V.A.C systems, Energy Star appliances, a highly efficient lighting system, and will meet L.E.E.D. indoor air quality requirements.

**Permanent Jobs:** The project is estimated to generate 5 permanent jobs in on-site program staff and maintenance. The Mayor's Office for Workforce Development (MOWD) has been informed of the project and work with the developer on job training and placement.

**Construction Jobs:** The project will produce 30 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 eight associations of minority contractors 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 Lane endorses the project and has provided a letter of support (see exhibits for copy). Prior to the formal zoning/RPD process, 79<sup>th</sup> Street Limited Partnership worked closely with the Alderman's office to ensure community input. The project was presented to various community representatives during February 2008 to ensure the development would not be met with opposition. The Committee on Zoning met on January 24, 2008. The subsequent City Council meeting was held on Feb. 6, 2008. There was no opposition at either public hearing.

## **IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN**

The proposed project is located in the 79<sup>th</sup> Street / Southwest Highway Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment plan:

- Creation of new housing opportunities for City residents, including senior citizens.
- Encouragement of new residential uses around existing and proposed commuter rail

stations.

- Revitalization of key commercial areas and elimination of underutilized commercial areas, to serve the surrounding residential communities.
- Reduction or elimination of those conditions which qualify the Project Area as a conservation area.
- Contribution to the economic well being of the City.

The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the development of affordable senior rental housing. 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, the Department of Community Development 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 City policy that no business will be conducted with a development entity whose principal partner(s) 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.

## **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 recommends that the CDC recommend to the City Council the designation of 79<sup>th</sup> Street Limited Partnership as Developer for the development of Wrightwood Senior Apartments at 2801-25 W. 79<sup>th</sup> Street, 7900-10 S California and 7901-11 S Mozart.

**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