

**CITY OF CHICAGO**  
**Community Development Commission**  
**Department of Planning & Development**  
**July 13, 2004**

**SUMMARY SHEET**  
**Stateway Gardens/Park Boulevard**  
**35th/State Tax Increment Financing Redevelopment Project Area**

**Action**

- Requested:** (1) Authorize the Department of Planning & Development (“DPD”) to negotiate a redevelopment agreement with Stateway Associates, LLC (the “Developer”) for the use of tax increment financing incremental tax revenues for the redevelopment of the former Stateway Gardens housing complex. The project site is generally bounded by 35<sup>th</sup> Street (north), State Street (east), 39<sup>th</sup> Street (south), and the Chicago Rock Island and Pacific Railroad (the “Property”). The property is located within the boundaries of the 35th/State Tax Increment Financing Redevelopment Project Area (the “Area”) and
- (2) Recommend to the City Council of the City of Chicago (the “City”) the designation of Stateway Associates, LLC as the Developer for the property within the Area.

**Project:** Stateway Associates, LLC has been selected by the Chicago Housing Authority (“CHA”) to redevelop Stateway Gardens as a mixed income community to be called Park Boulevard. The Redevelopment Agreement between Stateway Associates, LLC, the CHA and The Habitat Company, LLC (the “Receiver”) calls for the construction of 1,316 units. Of the 1,316 total units, 679 are for-sale units (443 market rate and 236 affordable) and 637 are rental units (439 public housing and 198 affordable rental units). 880 units will be located on the Stateway Gardens site within the 35<sup>th</sup>/State Tax Increment Financing Redevelopment Project Area (the “Area”). **This TIF request** will apply to only the first phase (“Phase 1B”) of these 880 units, which equals 311 units. The other 436 units are “off-site” and are located within the Bronzeville TIF District. In addition to the mixed-income residential units, the project will also contain 16,830 s.f. of retail in Phase 1B.

<b>Unit Type</b>	<b>Phase 1B</b>	<b>Phase 2</b>	<b>Phase 3</b>	<b>Total</b>
CHA Rental	100	57	136	293
Affordable For Sale	72	59	67	198
Market Rate For Sale	139	56	124	319
Affordable Rental	-	-	70	70
<b>Total</b>	<b>311</b>	<b>167</b>	<b>402</b>	<b>880</b>
<b>TIF Assistance Request</b>	<b>\$12,039,666*</b>	<b>\$7,590,000</b>	<b>\$8,990,000</b>	<b>\$28,619,000</b>

**Location:** The project site boundary starting north and going clockwise is as follows: West 35<sup>th</sup> Street; South State Street; West 38<sup>th</sup> Street; the alley next west of and parallel to South Dearborn Street; a line 497.26 feet north and parallel to West 39<sup>th</sup> Street; South Dearborn Street; West Pershing Road and the east line of the Chicago Rock Island and Pacific Railroad. The property is located within the boundaries of the 35th/State Tax Increment Financing Redevelopment Project Area.

**Site Area:** 36.47 acres of gross site area

**Developer:** The proposed developer of the project is Stateway Associates, LLC.

**Assistance:** \$12,039,666 million will be provided to the developer in tax increment financing assistance.

**Ward & Alderman:** 3<sup>rd</sup> Ward/Alderman Dorothy J. Tillman

**Issues:** None known

**Public Benefits:** Affordable Housing  
There will be a total of 880 units constructed on this site. Of the 311 units constructed within Phase 1B, 100 will be CHA units, and 72 will be for sale at affordable prices.

Increased Property Tax Revenue  
Currently the site generates no property taxes. As a result of the new development, the project upon stabilization is estimated to generate in excess of \$865,248 annually (used year 2009 as stabilization year on SB Friedman’s projections)

Prevailing Wage, M\WBE, City Residency  
The Developer has agreed to comply with all City ordinances regarding Prevailing Wage, MBE\WBE and City Residency.

Building Green Initiative  
The Developer acknowledges that it is in the public interest to design, construct and maintain all buildings in a manner that promotes and maximizes the conservation of natural resources. The Developer shall use best and reasonable efforts to design, construct and maintain all buildings located within the Property in a manner generally consistent with the Leadership in Energy and Environmental Design (“LEED”) Green Building Rating System. Greenroofs will be located on the flat roofs where feasible.

**MBE\WBE:** The Developer will to comply or surpass the City’s MBE\WBE requirements.

**Community Outreach:** The design and development of this project were the subject of extensive public participation. CHA, the Department of Housing, and the community, including Alderman Dorothy J. Tillman, are in support of this project.

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**MS. CHAIRMAN AND MEMBERS OF THE COMMISSION:**

The Resolution before you requests that the Community Development Commission authorize the Department of Planning & Development (“DPD”) to publish a notice of its intention to negotiate a redevelopment agreement with Stateway Associates, LLC (the “Developer”) for the use of tax increment financing incremental tax revenues for the redevelopment of the former Stateway Gardens housing complex. The property generally bounded by 35<sup>th</sup> Street (north), State Street (east), 39<sup>th</sup> Street (south), and the Chicago Rock Island and Pacific Railroad (the “Property”). The resolution also asks you to recommend to the City Council of the City of Chicago the designation of Stateway Associates, LLC as the Developer of this site.

**Purpose of Resolution**

To provide Tax Increment Financing assistance for the redevelopment of the former Stateway Gardens housing complex in the 3<sup>rd</sup> Ward.

**Background**

This project is part of CHA’s Plan for Transformation of the Stateway Gardens housing complex.

- The Redevelopment Agreement between Stateway Associates, LLC, the CHA and The Habitat Company, LLC (the “Receiver”) calls for the construction of 1,316 units, 880 (on-site units) which will be located on the Stateway Gardens site within the 35<sup>th</sup>/State Tax Increment Financing Redevelopment Project Area (the “Area”). The other 436 units are “off-site” and are located within the Bronzeville TIF District and are not the subject of this request. The CHA will be providing all the land for the development.
- The construction is broken into three phases, with Phase 1B being broken down further into three sub-components of the entire project. Phase 1B is the subject of this request and is comprised of 16,830 s.f. of retail, and 311 mixed-income residential units. The retail component will consist of three buildings (5,541 s.f. in building A1, 3,693 s.f. in building B1, and 7,596 s.f. in building B2). Possible uses of the retail include banking, cleaning, specialty coffee and other. All the retail is located at 35<sup>th</sup> and State in three separate buildings, each with retail on the first floor and condos above. Given the limited square footage of retail, there is adequate street parking available to service it. The retail is actively being leased by Baum Realty.

**Proposed Developers**

The proposed developer of the project is Stateway Associates, LLC, an Illinois liability corporation. Stateway Associates, LLC is owned by four other entities, each with 25% ownership: 1) Mesa Stateway Associates, LLC (which is 100% owned by Mesa Development, LLC), 2) Kimball Hill Stateway, Inc. (which is 100% owned by Kimball Hill Development Company, Inc.), 3) Walsh Ventures Management, LLC (which is 50% owned by Matthew Walsh and 50% owned by Daniel Walsh), 4) NRP Stateway, LLC (which is 100% owned by Neighborhood Rejuvenation Partners, L.P. which is owned 20% by Davis Associates Managers, LLC as general partner and 80% Limited Partners). The Limited Partners are: University of Chicago, John D. & Catherine T. MacArthur Foundation, Aon Corporation, Wilblairco II, LLC, Beneficial Finance Co., Woods Fund of Chicago, Bank One Capital Corp., LaSalle Community Development Corp., Walsh Investors, LLC and Edward Joyce.

**Development Team Experience**

MESA Stateway Associates, LLC was formed in 2000 and like NRP, its focus is on developing mixed income communities. The principals of this corporation, Richard Shields, Shawn Hunt and Richard Hanson, have over eighty years of combined experience in residential and commercial development, major infrastructure and mixed-use development with a portfolio value of approximately \$6 billion.

Kimball Hill Stateway, Inc., founded by David K. Hill and based in Rolling Meadows, Illinois, is a major single family and townhouse builder in the Chicago metropolitan area and is starting to branch out services nationwide. Some area projects include Cobbler's Crossing in Elgin, Illinois, a master plan community consisting of seven neighborhoods containing 1,350 single family and attached homes, and Lake Arlington Town in Arlington Heights, Illinois, a 119 mixed-use residential planned development with 490 single family, townhouses and condominiums.

Walsh Ventures Management, LLC, part of the Walsh Group which was established almost a century ago and headquartered in Chicago, is one the nation's leaders in general contracting, construction management and design of residential, health care, senior housing, athletic, conference center, restoration, entertainment/theater, education, transit, retail and infrastructure projects. Currently, it has work in progress and under contract valued at over \$3 billion.

NRP Stateway LLC's mission is to be a major player in redeveloping economically challenged neighborhoods and create communities that focus on racial and income diversity. It has been a participant of several local projects that focus on creating mixed income communities.

Davis Associates Managers, LLC, founded by principal partner Allison Davis, has had extensive experience with developing affordable and mixed income housing, particularly with DOH and CHA, and retail centers nationwide.

**Proposed Project**

Stateway Associates, LLC has been selected by the Chicago Housing Authority (“CHA”) to redevelop Stateway Gardens as a mixed-income community to be called Parkway Boulevard. The Redevelopment Agreement between Stateway Associates, LLC, the CHA and The Habitat Company, LLC (the “Receiver”) calls for the construction of 1,316 units. Of the 1,316 total units, 679 are for-sale units (443 market rate and 236 affordable) and 637 are rental units (439 public housing and 198 affordable rental units). 880 units will be located on the Stateway Gardens site within the 35<sup>th</sup>/State Tax Increment Financing Redevelopment Project Area (the “Area”). The other 436 units are “off-site” and are located within the Bronzeville TIF District. The construction will be broken down into three phases. In addition to the mixed-income residential units, the project will also contain 16,830 s.f. of retail in Phase 1B.

<b>Unit Type</b>	<b>Phase 1B</b>	<b>Phase 2</b>	<b>Phase 3</b>	<b>Total</b>
CHA Rental	100	57	136	293
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<b>TIF Assistance Request</b>	<b>\$12,039,666*</b>	<b>\$7,590,000</b>	<b>\$8,990,000</b>	<b>\$28,619,000</b>

**\* Today’s CDC Action Request of TIF Assistance is for the \$12,039,666 of Phase 1B only.**

The following describes the sub-components of Phase 1B:

Phase 1B.1- The construction of the following number of buildings will begin in Fall 2004:

- 28 of the 100 CHA rental units
  - 61 of the 211 for-sale units (41 market rate and 20 affordable)
  - Part of the 16, 830 s.f. of retail is scheduled for this Phase 1B.1
- The buildings will be a mix of mid-rises, townhomes, 3 flats, single family, and 5-6 flats

Phase 1B.2- The construction of the following number of buildings will begin in Spring 2005:

- 34 of the 100 CHA rental units
  - 78 of the 211 for-sale units (56 market rate and 22 affordable)
  - Part of the 16, 830 s.f. of retail
- The buildings will be a mix of mid-rises, 3 flats, 4 flats, and 6 flats, townhomes, and single family

Phase 1B.3- The construction of the following number of buildings will begin in Summer 2005:

- The remaining 38 of the 100 CHA rental units
  - The remaining 72 of the 211 for-sale units (42 market rate and 30 affordable)
  - The remainder of the 16, 830 s.f. of retail
- The buildings will be a mix of mid-rises, townhomes, 4 flats and 6 flats

Of the **total** 311 units in Phase 1B, 100 or 32% are CHA rental, affordable to households averaging less than 50% AMI; 72 or 23% are affordable for sale, affordable to households with AMI no greater than 120%; and the remaining 139 or 45% are market rate for sale.

Number	Type of Building	CHA Rental	Affordable For-Sale	Market Rate	Total
6	Mid-rise	61	66	81	<b>208</b>
8	Townhomes	16	0	17	<b>33</b>
13	3,4,5 & 6 Flats	23	6	29	<b>58</b>
12	Single Family	0	0	12	<b>12</b>
<b>39</b>	<b>Total</b>	<b>100</b>	<b>72</b>	<b>139</b>	<b>311</b>
	CHA Rental	<50% of household	\$144,853 - \$259,825	\$154,927-\$393,809	

The development will provide a total of 311 parking spaces. The complex will contain a range of 1 BR to 4BR units with the following average sales prices:

#### Market Rate For-Sale Units

Unit Type	Number	Average Size sf	Average Price per sf	Price	Total Revenue
<b>1 Bed / 1 bath</b>	<b>13</b>	<b>797</b>	<b>\$ 194</b>	<b>\$ 154,927</b>	<b>\$ 2,014,056</b>
<b>2 bed / 1&amp;2 Bath</b>	<b>70</b>	<b>1,136</b>	<b>\$ 194</b>	<b>\$ 220,895</b>	<b>\$ 15,462,680</b>
<b>3 Bed / 2 Bath</b>	<b>52</b>	<b>1,906</b>	<b>\$ 194</b>	<b>\$ 370,534</b>	<b>\$ 19,267,786</b>
<b>4 Bed / 2 bath</b>	<b>4</b>	<b>2,026</b>	<b>\$ 194</b>	<b>\$ 393,809</b>	<b>\$ 1,575,237</b>
<b>Total</b>	<b>139</b>	<b>1,418</b>	<b>\$ 194</b>	<b>\$ 269,406</b>	<b>\$ 38,319,760</b>

### Affordable For-Sale Units

Unit Type	Number	Average Size sf	Market Price	Write Down *	Affordable Price	Total Revenue
1 Bed /1 bath	38	719	\$ 144,853	\$ 0	\$ 144,853	\$ 5,504,430
2 bed / 1&2 Bath	30	981	\$ 186,384	\$ 0	\$ 186,384	\$ 5,591,510
3 Bed / 2 Bath	4	1,368	\$ 259,825	\$ 0	\$ 259,825	\$ 1,039,300
<b>Total</b>	<b>72</b>	<b>864</b>	<b>\$ 168,545</b>	<b>\$ 0</b>	<b>\$ 168,545</b>	<b>\$ 12,135,240</b>

\* TIF is not used to write down the affordable units for Phase 1B

All buildings will have brick veneer or masonry wall systems. The mid-rise buildings will provide balconies, phone security system, washer/dryer hook-ups in each unit, cable access and some indoor or covered parking. The low-rise buildings (townhomes and flats) will have front yards, one-car garages, washer/dryer hook-ups in each unit, cable access and some roof decks. The single-family homes will have front and back yards, two-car garages, washer/dryer hook-ups in each unit, cable access and partial basements. Three new parks will be created for the residents and public. A central park in the middle of the development will create a focal point for the new development. The central park will provide a children's play area, benches and plenty of trees. The central park will be surrounded by twelve single-family homes, four 3-flats, two 6-flats and two mid-rise buildings. Two pocket parks will also be created to the west side of the development. These two parks will act as bookends to two 4-unit townhome buildings.

#### **Deal Structure/Financial Assistance**

The City intends to negotiate a redevelopment agreement with Stateway Associates, LLC for Phase 1B of the deal at this point, and will negotiate future redevelopment agreements for the remaining phases as the development progresses. Building housing of a high quality on this site requires extensive site preparation, environmental remediation and infrastructure redevelopment. The Developer is providing 100 CHA replacement units and affordable for sale units. Because of these extraordinary development costs, without TIF assistance the developer would not be able to finance the project, and it would not be feasible for the area to be developed. In addition to TIF funds, CHA proceeds and tax credits are needed to make the project viable.

The City proposes to provide the Developer with TIF assistance in an amount not to exceed the lesser of \$12,039,666 or 13.84% of the final Project cost, currently estimated at \$87,014,915. The City's TIF financial assistance will be in the form of a TIF Developer Note (the "Note") to be repaid exclusively from future incremental tax revenues generated by the site PINs under its ownership, with a principal value of \$10,000,000. TIF assistance will take two forms. First there will be one or more developer notes with a total principal amount of approximately \$10,000,000. The developer will use these notes to obtain funding which is needed for the construction of the project. The notes will be paid off exclusively from incremental tax revenues generated by the project. The remainder of the TIF (approximately \$2,039,666) will be on a pay as you go basis (without interest). These payments will begun only after the developer notes have been paid off and are subject to the availability of project generated increment.

## Sources and Uses of Funds

<u>Sources</u>	<u>Amount</u>	<u>% of total</u>
Residential & Retail Sale (Funded by construction revolver)	\$45,880,770	53%
CHA Funds	\$13,858,449	16%
TIF Proceeds	\$12,039,666	14%
Tax Credit Equity	\$ 7,690,069	9%
Cash Equity	\$ 5,900,000	7%
CHA Pre-Development Loans	\$ 1,645,961	2%
<b>Total Sources</b>	<b>\$87,014,915</b>	<b>100%</b>

<u>Uses</u>	<u>Amount</u>	<u>\$/sf of All Buildings*</u>
Hard Costs	\$62,357,702	\$129 psf
Soft Cost	<u>Amount</u>	<u>% of Hard Cost</u>
CHA Payment	\$1,532,790	2.5%
Pre-Development costs	\$ 350,559	0.6%
Architects/Engineering Fees	\$2,512,222	4.0%
Legal and Accounting	\$ 547,149	0.9%
Insurance	\$ 208,182	0.3%
Property taxes	\$ 250,000	0.4%
Condo Association Fees	\$ 189,900	0.3%
Permits and City Fees	\$ 250,000	0.4%
Project Overhead	\$1,267,760	2.0%
Marketing	\$3,613,685	5.8%
Sales and Closing Costs	\$1,222,168	2.0%
Retail Leasing	\$ 100,980	0.2%
CHA Soft Costs (Reserves and Management)	\$ 805,000	1.3%
TIF Soft Costs (Design, Consult., Legal, Engin.)	\$ 418,863	0.7%
CSS Job Training	\$ 50,000	0.1%
Soft Cost Contingency (5% o Soft Cost/Dev/Marketing)	\$ 400,446	0.6%
<b>Total Soft</b>	<b>\$13,719,705</b>	<b>\$28 psf</b>
Site and Infrastructure		
Site Prep/ROW improvements/Alley Upgrades	\$ 3,819,761	
Parks	\$ 195,209	
Environmental Remediation (After CHA Commitment)	\$ 750,000	
Building Foundations (Engineered Barrier)	\$ 350,000	
MCI Relocation	\$ 323,000	
On-Site Property Acquisition	\$ 250,000	
Site Cost Contingency	\$ 568,797	
<b>Total Site and Infrastructure</b>	<b>\$ 6,256,767</b>	<b>\$13 psf</b>
Developer Fee (Tax Credit Fee 9%)	\$ 1,612,846	\$3 psf
Financing Cost	\$ 3,067,896	\$6 psf
<b>Total Uses</b>	<b>\$87,014,915</b>	<b>\$181 psf</b>

\*The Gross SF of all 39 buildings including retail and parking equals

482,015

## Profit Analysis

Unit Sales Revenue		
139 market rate units	\$ 38,319,760	
72 affordable units	\$ 12,135,240	
Upgrades	\$ 3,030,000	
Parking Revenue	\$ 1,912,500	
Retail Revenue	\$ 5,018,808	
CHA Funds	\$ 13,858,449	
Tax Credit Equity	<u>\$ 7,690,069</u>	
Total Gross Unit Sales	\$ 81,964,826	
TIF	\$ 12,039,666	
Total Revenue		\$ 94,004,492
Less Cost of Sales		
Closing Costs	\$ 288,750	
Sales Commissions	<u>\$ 933,418</u>	
Total Cost of Sales		\$ ( 1,222,168)
Net Sales Revenue		\$ 92,782,324
Less: Total Project Costs (not including cost of sales)		<u>\$ (85,792,747)</u>
Profit		\$ 6,989,577

### Indicators:

Profit as a Percent of Total Project Costs	8.0%
Profit as a Percent of Gross Sale Revenue	11.5%
Profit as a Percent of Equity Investment	118.5%

### **Developers' Profit and Profit Sharing**

This project is not financially feasible without TIF assistance. Profit, as a percentage of project costs, is modest with the TIF assistance. Although, the agreements between the Developer and the City and CHA will include a profit sharing arrangement, the developer will first be entitled to its developer fee and a reasonable return on its equity before the profit sharing kicks in.

### **Conformance with Plan**

The proposed redevelopment is in conformance with the land use goals and objectives of the 35th/State Tax Increment Financing Redevelopment Project and Plan (the "Plan"). The Plan proposes general residential use on this site.

### **Community Outreach**

The community, including Alderman Tillman, is in support of this project. The proposed development was discussed at the public meeting attended by Alderman Tillman on May 29, 2003 and then again at the public hearing on August 12, 2003 for the designation of the 35th/State TIF.

**Public Benefits:****Affordable Housing**

There will be a total of 311 units constructed on this former CHA site. Of these, 72 will be affordable for-sale units spread among a broad range of income groups and unit types and 100 CHA replacement units.

**Prevailing Wage, MBE\WBE, City Residency**

The Developer has agreed to comply with all City ordinances regarding Prevailing Wage, MBE\WBE and City Residency. They have sent letters to several local MBE/WBE associations to make them aware of the opportunity to participate in this development.

**Building Green Initiative**

The Developer acknowledges that it is in the public interest to design, construct and maintain all buildings in a manner that promotes and maximizes the conservation of natural resources. The Developer shall use best and reasonable efforts to design, construct and maintain all buildings located within the Property in a manner generally consistent with the Leadership in Energy and Environmental Design (“LEED”) Green Building Rating System. Greenroofs will be located on the flat roofs where feasible.

**Recommendations**

The Department of Planning & Development recommends that the Community Development Commission authorize DPD to publish a notice of its intention to negotiate redevelopment agreements with Stateway Associates LLC for the use of tax increment financing incremental tax revenues for the redevelopment of the former Stateway Gardens housing complex. The project site is generally bounded by 35<sup>th</sup> Street (north), State Street (east), 39<sup>th</sup> Street (south), and the Chicago Rock Island and Pacific Railroad (the “Property”). The property is located within the boundaries of the 35th/State Tax Increment Financing Redevelopment Project Area (the “Area”). DPD also recommends to the City Council of the City of Chicago (the “City”) the designation of Stateway Associates, LLC as the Developer for the property within the Area.

**TERM SHEET**

The project site is generally bounded by 35<sup>th</sup> Street (north), State Street (east), 39<sup>th</sup> Street (south), and the Chicago Rock Island and Pacific Railroad (the “Property”). The property is located within the boundaries of the 35th/State Tax Increment Financing Redevelopment Project Area (the “Area”) consisting of 36.47 acres of gross site area.

The Developers, Stateway Associates, LLC, intend to construct a total of 311 housing units in a variety unit types for this phase of the project (Phase 1B). Of these 311 units, 100 will be CHA replacement units, and 211 will be for-sale units, of which 72 will be affordable.

The City proposes to provide the Developer with TIF assistance in an amount not to exceed the lesser of \$12,039,666 or 13.84% of the final Project cost, currently estimated at \$87,014,915. The City’s TIF financial assistance will be in the form of a TIF Developer Note (the “Note”) to be repaid exclusively from future incremental tax revenues generated by the site PINs under its ownership, with a principal value of \$10,000,000. TIF assistance will take two forms. First there will be one or more developer notes with a total principal amount of approximately \$10,000,000. The developer will use these notes to obtain funding which is needed for the construction of the project. The notes will be paid off exclusively from incremental tax revenues generated by the project. The remainder of the TIF (approximately \$2,039,666) will be on a pay as you go basis (without interest). These payments will begun only after the developer notes have been paid off and are subject to the availability of project generated increment.

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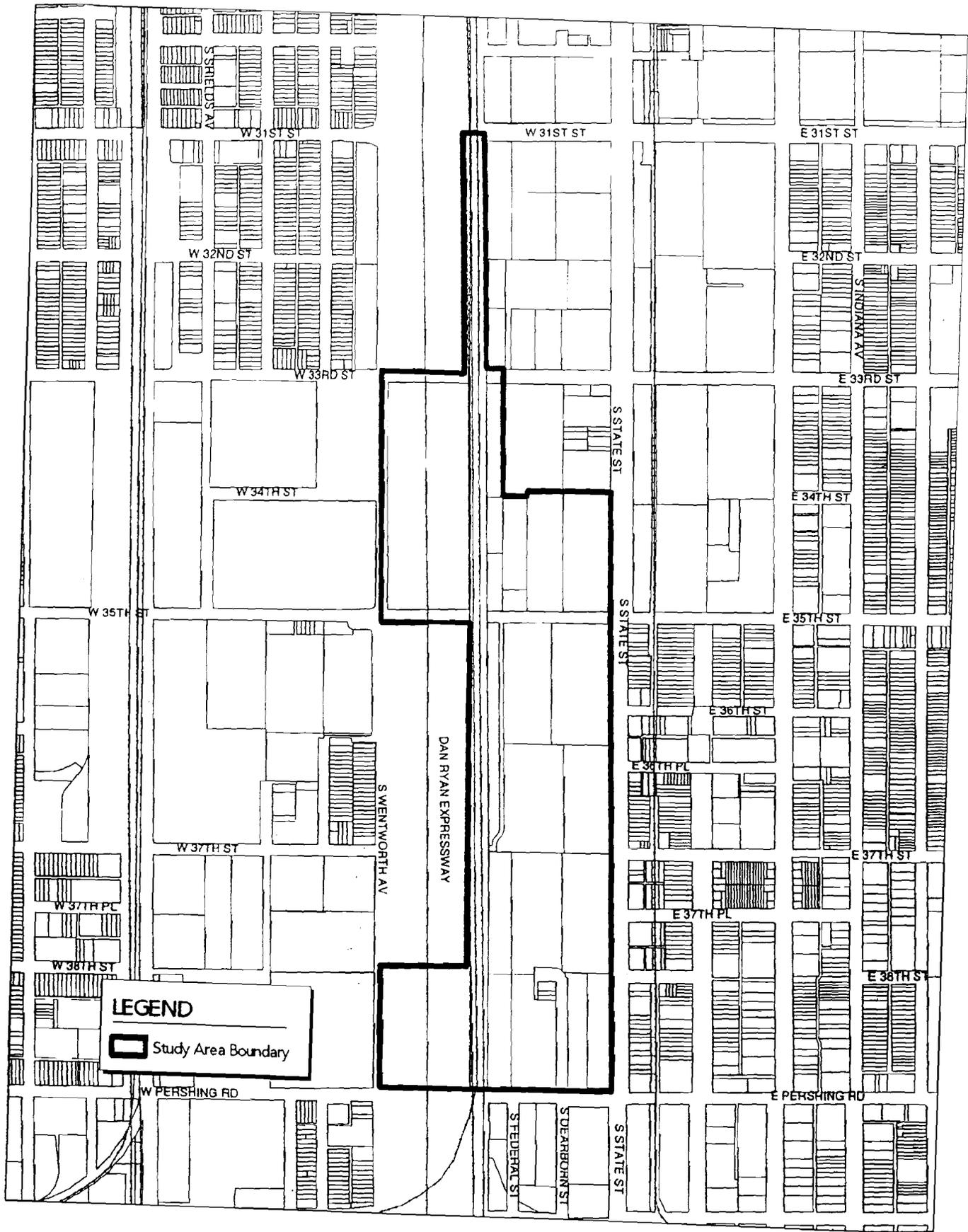
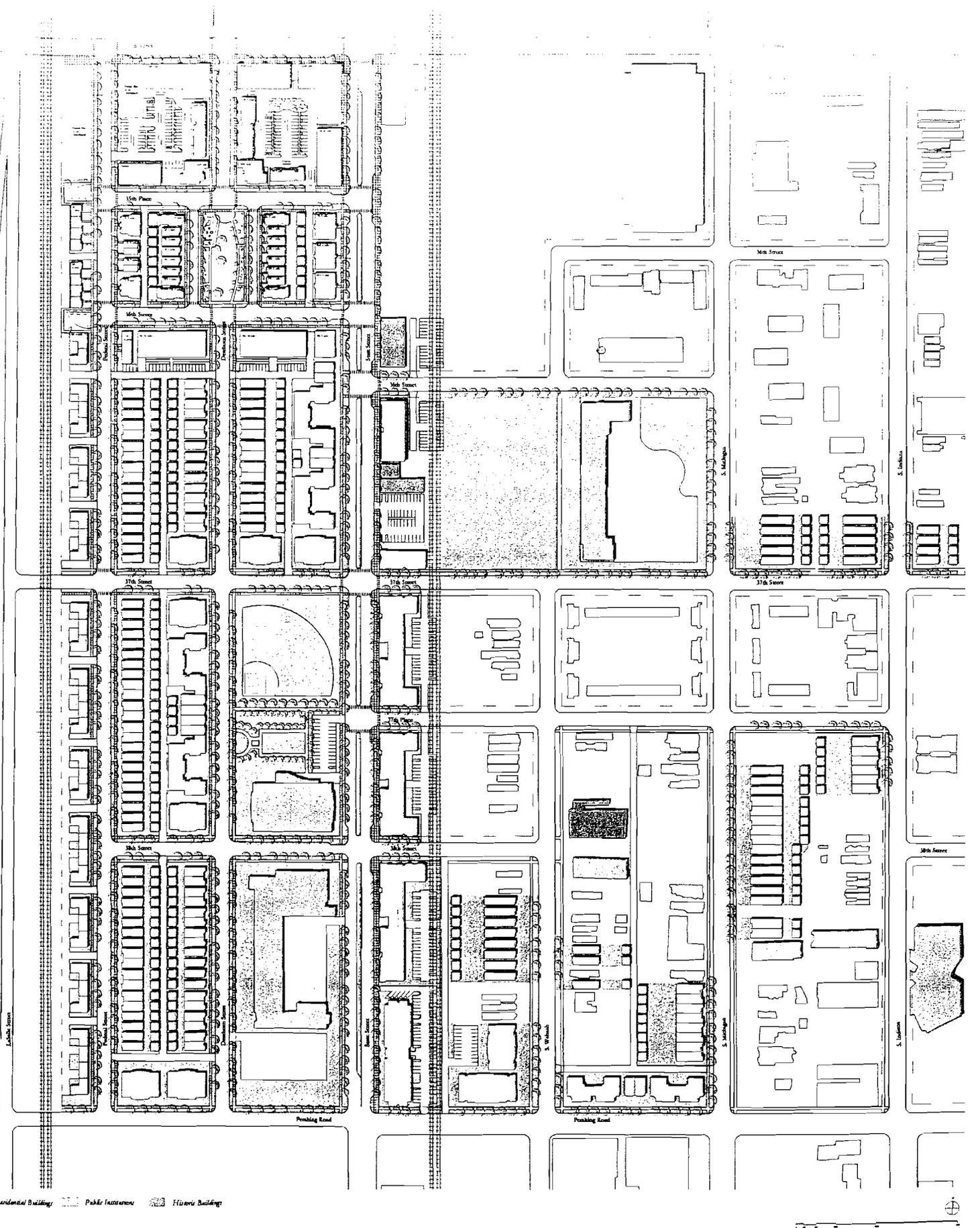


FIGURE A  
**35th/STATE REDEVELOPMENT PROJECT AREA**  
 BOUNDARY MAP





Residential Building
  Public Institution
  Historic Building

Advisory Associates  
 Urban Design & Planning  
 Skidmore, Owings & Merrill LLP  
 Johnson & Lee Architects  
 Landscape Architects  
 Miami McKay Landscape Architects  
 Terry Gruen Design Associates

# Stateway Gardens Master Plan

## Stateway Gardens Redevelopment Plan

Architects  
 Lanning Bone Baker Architects  
 Woon Johnson Architects  
 Johnson & Lee Architects  
 Kathryn Quinn Architects  
 Brock Architecture, Inc.  
 Urban Works, LTD  
 Piegnermid Associates Architects