

**City of Chicago
Department of Community Development**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
October 12, 2010**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name: Bronzeville Associates Family Apartments

Applicant Name: Bronzeville Associates Limited Partnership.

Project Address: 424, 504, and 516 East 41st Street

Ward and Alderman: 3rd Ward – Alderman Pat Dowell

Community Area: Grand Boulevard

Redevelopment Project Area: Pershing/King

Requested Action: TIF Developer Designation

Proposed Project: This project includes demolishing 60 townhomes and a 2,000 sq. foot community center. The townhomes and the existing community center, over 30 years in age, must be razed due to extensive foundation problems. The developer will rebuild 66 residential units in four three story walk-up buildings. Rents will be restricted to nom more than 60% AMI; however the project operates under a HUD Section 8 Contract that covers all units. The community center will be expanded to a 6,965 sq. ft. facility with recreation and office space.

TIF Assistance: \$4,500,000

II. PROPERTY DESCRIPTION

Address: 424, 504, and 516 East 41st Street

Location: North East Corner of 41st & King Drive.

Tax Parcel Numbers: 20-03-205-033; 20-03-205-034; 20-03-205-035

Land Area: 269,015 square feet

Current Use: The location currently has 60 Rental townhouses and a 2,000 square foot Community Center. These structures, over 30 years in age, must be razed due to extensive foundation problems

Current Zoning: Residential Planned Development #99 Approved by City Council on June 22, 1973.

Proposed Zoning: Not Applicable

Environmental Condition: A Phase I Environmental Site Assessment was completed by EMG in February 2009. No further action or investigation is recommended.

III. BACKGROUND

Bronzeville Associates Family Apartments Phase 1 is the reconstruction of 66 of 90 family units and the expansion of the existing community center from 2000 square feet to 6,900 square feet in the existing Paul G. Stewart (PGS), Phase IV development. PGS IV also includes a 97 unit senior mid-rise building not included in this transaction.

The Paul G. Stewart (PGS) campus was constructed in five phases between about 1975 and 1996. PGS I and II, a total of 420 units, have been re-financed and substantially rehabilitated. The rehabilitation was completed in February 2009. PGS III (190 units) was constructed around 1979 and was re-financed in about 2000 under the HUD mark-to-market program for which the City was the Participating Administrative Entity. PGS IV (187 units, 90 family and 97 senior) was constructed in 1982. The 90 family townhouse units are the subject property. PGS V (96 units) was constructed around 1996. Phases IV and V are the only phases with family units.

The redevelopment of this property is essential to the preservation of affordable project based Section 8 housing. The existing structures need to be razed due to extensive settlement over the years affecting foundations. Attempts have been made to correct the settlement without success. The project was constructed on land acquired through urban renewal and the soils were not properly prepared for construction. The soil problems were aggravated by damage to underground plumbing caused by the settlement which, in turn, accelerated the settlement. Studies completed last summer conclude that the settlement cannot be halted for the existing townhouses and the only solution to preserve the affordable housing is to raze the existing structures, properly prepare the soils and construct new units. This first phase will re-construct 66 apartments in four three-story walk-up structures and the expansion of the existing 2,300

square foot community center to a 6,900 square foot facility. An anticipated second phase will re-construct the remaining 24 units in two three story walk-up structures. The developer anticipates seeking resources for that phase in 2011.

The project is located on regular bus routes and is near two rapid transit stations and there are two area parks within four blocks. There are grocery, pharmacy and medical facilities within two miles of the project. There are three public schools within one mile of the project. The project is 1.23 miles from the Lake Michigan lakeshore and 1.6 miles US Cellular Field. There is a map with the areas marked included in the exhibits.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Bronzeville Associates Limited Partnership will be the ownership entity. The two general partners will be Peoples Co-Op for Affordable Elderly Housing and Bronzeville Housing and Community Development Corporation, which is a 501 (c) (3) entity

Experience: Peoples Consumer Co-Operative has been responsible for the construction and oversight of all five phases, 898 units, of the PGS Campus. The CEO, Fred Bonner has over 40 years of experience in affordable housing consulting, developing, constructing, rehabilitating and managing. Mr. Bonner has worked with many government and private financing sources including HUD-insured loans, tax-exempt bond financing, secondary financing from the City, HOME and CDBG funds, IHDA, HOME funds, and CHA HOPE VI funds as well as equity sources provided through the sale of Low Income Housing Tax Credits.

Other development team members include:

General Contractor	Linn-Mathes, Inc.
Design and Supervising Architect	Lisec & Biederman, LTD
Project Attorney	C. Richard Johnson
TIF Consultant	Johnson Research Group, Inc.
Appraiser/Market Study	Appraisal Research Counselors
Market Study	Applied Real Estate Analysis (AREA)
Soil Testing	Flood Laboratories
Phase I Environmental	EMG, Inc.
Surveyor	Edward J. Molloy & Associates, LTD
Accountant	The Reznick Group
Insurance Agent	Schwartz Brothers Insurance
1 st Mortgage Lender	Prairie Mortgage Company

V. PROPOSED PROJECT

Project Overview:

Bronzeville Associates Limited Partnership will demolish 60 townhomes and a 2,000 square foot community center, and proposes to rebuild 66 units into four three story walk-up buildings. The project is located East of King Drive and 41st Street in the Grand Boulevard Neighborhood.

Each unit will be wired for Internet access, will have a washer and dryer, and a security system (buzzer entry). There will be a tot lot on the east end of the site. The community center will offer meeting and recreational space to residents without charge. The community center offers a summer program that offers education in English, Math and Science and recreation activities including field trips and a children's talent show. The community center will also offer fitness and health classes as well as computer classes.

The buildings will have 100% masonry exteriors, tot lots and extensive open space. Off-street parking for each unit is available on site. A site plan, floor plans and elevations are provided as exhibits to this report

Residential Unit Profile: The following table provides a detailed description of the proposed project. All of the units will be available to tenants whose incomes are at or below 60% AMI. In addition, at least 30% of the units will be available to tenants whose incomes are at 30% AMI. The Department of Community Development has reviewed and approved the unit rents which are based on the Section 8 contract rents. The tenant will pay 30% of his/her income for rent and the difference will be paid under the Section 8 contract.

TYPE	NUMBER	MONTHLY RENT	SQ. FT.	MONTHLY RENT/SF	INCOME GROUP
Two Bedroom/One Bath	13	\$926*	938	\$.99	0% - 30%
Two Bedroom/One Bath	29	\$926*	938	\$.99	51% - 60%
Three Bedroom/One Bath	6	\$1234*	1312	\$.94	0% - 30%
Three Bedroom/One Bath	15	\$1234*	1312	\$.94	51% - 60%
Four Bedroom/Two Bath	1	\$1375*	1509	\$.91	0% - 30%
Four Bedroom/Two Bath	2	\$1375*	1509	\$.91	51% - 60%
Total	66				

*Paul G. Stewart Phase IVA1 has an existing project-based Section 8 contract that is expected to be renewed in 2013. The rent received by the owner under the Section 8 project-based assistance may exceed the rents required under the Low-Income Housing Tax Credit program, as long as the household pays no more than 30% of its adjusted income for rent. Should the Section 8 project-based contract be terminated, the owner would be required to keep 20 units at or below 30% of the area median income and the balance, 46 units, at or below 60% of the area median income.

Environmental Features:

This project will incorporate green initiatives such as storm water management through the installation of rain gardens to reduce storm water runoff, reduce exterior heat islands through the installation of Energy Star labeled roofing materials, and provide greater insulation and highly efficient energy systems. The IHDA checklist for Green Housing Initiatives is included in the

exhibits which details the green components.

VI. FINANCIAL STRUCTURE

For the Bronzeville Associates Family Apartments Phase I project, DCD proposes to provide up to \$4,500,000 in Tax Increment Financing (TIF). TIF assistance will represent 17% of the total project sources and is anticipated to be used to reimburse the developer for TIF eligible expenses related to the construction of the affordable units. TIF assistance will be provided from area-wide increment generated within the 47th and King TIF and ported into the Pershing/King TIF.

Other funding sources proposed by the developer include \$2,296,189 in 9% Low Income Housing Tax Credits (LIHTC's) issued by the Illinois Housing Development Authority (IHDA). Approximately \$16,530,901 in equity is expected to be generated from the issuance of the 9% LIHTC's, which represents 62% of total project sources. Boston Financial, the anticipated syndicator for the LIHTC's, has proposed an equity pay-in rate of \$.72/\$1.00.

The developer has engaged Prairie Mortgage Company to provide a FHA-insured permanent first mortgage loan of \$5,321,000 which represents 20% of project sources. The loan is anticipated to carry an interest rate of 5.75% for a term of 40 years plus the construction period of 14 months.

Sources and Uses of Funds

<u>Sources</u>	<u>Amount</u>	<u>% of total</u>
Tax Credit Equity	\$16,530,901	62%
Prairie Mortgage	\$5,321,000	20%
TIF provided during construction	\$4,500,000	17%
Deferred Developer Fee	<u>\$470,194</u>	<u>1%</u>
Total Sources	\$26,822,095	100%

<u>Uses</u>	<u>Amount</u>	<u>\$/sf of Building*</u>
Site Clearance and Prep	\$335,920	\$3.36 psf
Construction Costs	\$16,574,080	\$166.03 psf
Contingency	<u>\$994,800</u>	<u>\$9.96 psf</u>
Total Hard Costs	\$17,904,800	\$179.36 psf

Soft Costs

HUD Loan Payoff (17% of total costs)	\$4,490,834
Architect's Fee (2% of hard costs)	\$587,668
Lender's Fee (5% of loan)	\$276,692
Legal Fees (1% of total costs)	\$366,370
Relocation (2% of total costs)	\$631,879
Tax Credit Issuer Fee (.5% of total costs)	\$150,902
Const. Loan Interest (.7% of total costs)	\$203,972
Realized Developer Fee (2% of total costs)	\$498,962
Deferred Developer Fee (2% of total costs)	\$470,194
Reserves (2% of total costs)	\$614,560

Const. Period Insurance (.8% of total costs)	\$233,640	
Other soft costs (1% of total costs)	<u>\$391,622</u>	
Total Soft Costs (33% of total costs)	<u>\$8,917,295</u>	<u>\$89.33 psf</u>
Total Uses	\$26,822,095	\$268.69 psf

*Gross building area is 99,824 square feet

VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits.

Affordable Housing: The project will provide for the preservation of 66 family rental housing units for families in two, three and four bedroom units, 100% of the units are under a project based Section 8 contract.

Environmental Features: Environmentally friendly features have been incorporated into the design of the building itself and the site, including rain gardens, reduction of exterior heat islands, energy star roofing materials, insulated exterior doors, recycled content of interior doors and 75% or more recycled-content insulation.

Permanent Jobs: The project is estimated to generate 2 full-time and 1 part-time permanent jobs as follows: 1 Site Manager full time, 2 Janitors (1 Full-time and 1 part time). The department's workforce development specialists will work with the developer on job training and placement.

Construction Jobs: The project will produce 30 temporary construction jobs.

Affirmative Action: The developer and the general contractor 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 and the general contractor will comply with the requirements of Chicago's city residency ordinance which requires that at least half of construction-worker hours be filled by Chicago residents. The developer will also comply with the requirements that all construction jobs are paid the prevailing wage.

VIII. COMMUNITY SUPPORT

Alderman Dowell 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 Pershing/King Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment plan: The project supports the goals and objectives of the Pershing & King TIF District and Redevelopment plan by fostering development in a blighted area. The project also provides affordable housing units for very low income, low income, and moderate income families. The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the development of affordable residential rental units. The proposed project also conforms to the plan's land use map, which calls for affordable residential rental units 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 Bronzeville Associates Limited Partnership as Developer for the development of Bronzeville Associates Family Apartments Phase I, located at 420, 504, and 520 East 40th Street.

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