

**City of Chicago**

**STAFF REPORT  
TO THE  
COMMUNITY DEVELOPMENT COMMISSION  
REQUESTING DEVELOPER DESIGNATION  
September 9, 2014**

**I. PROJECT IDENTIFICATION AND OVERVIEW**

Project Name: Quad Communities Arts and Recreation Center

Applicant Name: The Community Builders, Inc. (TCB)

Project Address: Generally bounded by the Southwest Corner of 35<sup>th</sup> Street and Cottage Grove Avenue

Ward and Alderman: 4<sup>th</sup> Ward, William Burns

Community Area: Oakland

Redevelopment Project Area: Bronzeville TIF

Requested Action: TIF Developer Designation

Proposed Project: The new construction of an approximately 30,000 square foot athletic, recreational, arts, educational and community facility that will include a gymnasium with one basketball court, fitness center, indoor pool, flexible multi-use art, educational, and community space, and approximately 12 parking spaces.

TIF Assistance: \$4,300,000

**II. PROPERTY DESCRIPTION**

Address: 435 East 35<sup>th</sup> Street

Location: Southwest Corner of 35<sup>th</sup> Street and Cottage Grove Avenue.

Tax Parcel Numbers:

17-34-402-067	17-34-402-076
17-34-402-068	17-34-405-032

Land Area: Approximately 3.55+ acres.

Current Use: Vacant Land and part of Ellis Park

Current Zoning:	RM-5: Residential Multi-unit District and POS-1: Regional or Community Park District
Proposed Zoning:	POS-1 Parks and Open Space District
Environmental Condition:	TCB conducted an Environmental Review of the site and concluded that for disposition of the property there was a finding of no significant impact.

### **III. BACKGROUND**

The proposed project is located within the Bronzeville TIF, in the Oakland Community Area, and within the 4<sup>th</sup> Ward.

The Bronzeville Tax Increment Finance Redevelopment Project Area is 581 acres in size and was designated on November 4, 1998. The purpose of the designation was to provide resources that support the rehabilitation of existing structures and incentives for new construction on vacant and underutilized land. Priorities include historic preservation, business expansion, and cultural projects that promote the area's attractiveness as a place to live and do business. Goals also include an increase of rental and owner-occupied residential structures and initiatives that establish links to Chicago tourism and convention industries. The Redevelopment Area has an abundance of vacant lots, which presents numerous opportunities for development throughout the TIF.

The Bronzeville Redevelopment Project Area is located on the South side of Chicago. The redevelopment project area is generally bounded by 25<sup>th</sup> Street to the north, Cottage Grove and Lake Shore Drive to the east, the Dan Ryan Expressway and State Street to the west, and 40<sup>th</sup> Street to the south. The Oakland community's general boundaries are 35<sup>th</sup> Street on the north, 43<sup>rd</sup> Street on the south, Cottage Grove on the west and Lake Shore Drive to the east.

The population of the Oakland Community area is approximately 5,587.

In the 1970s, Oakland experienced a declining economic base. Public housing projects such as Ida B. Wells, once the pride of the community, became crime-infested. The former Oakland Theatre located in the heart of Oakland near 39th and Cottage Grove became the headquarters of the notorious El Rukn street gang. The City of Chicago demolished many of the dilapidated buildings, and vacant lots were left scattered throughout the community. Oakland's average income fell below the poverty level as middle-class residents moved further south. Based on recent Census information, the Oakland Community Area medium income in 2010 was \$27,649 as compared to the City's medium income of \$43,628.

During the 1990s, under the leadership of Robert Lucas, the Kenwood-Oakland Community Organization (KOCO) rehabilitated several buildings in the community and successfully

pressured the City to invest in Oakland. Beginning in 1994, the North Kenwood–Oakland Conservation Community Council cosponsored the Kenwood-Oakland Parade of Homes, which helped the further development of single-family houses, townhouses, and rehabbed buildings. The majority of Oakland’s residents are low-income families.

The area which is four miles south of the Loop continues to see neighborhood transformation with housing redevelopment by the Chicago Housing Authority. This redevelopment program known as Plan Forward: Communities that Work, is the new strategic plan for the Chicago Housing Authority (CHA), is the blueprint for the agency’s current and future work. It expands on the foundation laid by the Plan for Transformation, the plan that has guided CHA’s work since 2000, and it considers the impact of the shifting dynamics of the national and local economy on CHA residents and properties. With Plan Forward, CHA’s new approach Communities that work has produced over 25,000 units of housing as a new mixed-used community. Several of these residential developments, such as Oakwood Shores, Park Boulevard, Lake Park Crescent and Legends South, which started in 2004, are located in and around the project area. New and planned development is also occurring with the Shops and Loft at 47<sup>th</sup> and Cottage Grove, a mixed-use development that is under construction and the Rosenwald project which will include rental apartments, commercial and community space at a long vacant landmarked building at 4600 S. Michigan.

In 2013, TCB submitted an application to DPD for TIF assistance for the development of an athletic, recreational, arts, educational, and community facility in the Oakland neighborhood next to the Oakland Shores CHA transformation project. The Bronzeville TIF Redevelopment Project area boundary was amended to include the project site. The development team is requesting \$4,300,000 in TIF assistance.

Concurrently with the acquisition of the Chicago Board of Education property and the Chicago Park District property, the City will ground lease the assembled parcels to a new entity (the “Project Entity”) to be created by the Chicago Park District and TCB for the purpose of securing New Markets Tax Credit (“NMTC”) financing for the project. Although the Project Entity will construct and own the project, it will enter into a sublease agreement with the Park District to operate the facility in order to comply with NMTC regulations,. At the end of the 7-year NMTC compliance period, the City will terminate the ground lease and transfer the property to the Park District.

This project will be a great addition to the Oakland, and neighboring community areas. It will develop vacant property in the community, create new jobs and provide a unique use for the community.

The redevelopment proposal has the support of Alderman William Burns of the 4<sup>th</sup> Ward

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

**Development Entity:** The Community Builders Inc. d/b/a TCB Illinois NFP Inc., is a non-profit development organization, Bartholomew J. Mitchell III is the President and CEO.

The Community Builders, Inc. (TCB) is the leading nonprofit developer of mixed-income housing in the United States. Their mission is developing, financing and operating high-quality housing and implementing neighborhood self-help initiatives to drive economic opportunity for residents. Since 1964, they have constructed or preserved over 320 affordable and mixed-income housing developments and secured over \$2.5 billion in project financing from public and private sources. Today, they own or manage more than 10,000 apartments in 14 states and Washington, D.C. TCB is headquartered in Boston with regional hubs in Chicago and Washington. TCB currently employs over 400 people. Its Chicago office is located at 135 S. LaSalle Street.

The Chicago Park District is the oldest and (financially) largest park district in the U.S.A, with a \$385 million annual budget. It has the distinction of spending the most per capita on its parks, even more than Boston in terms of park expenses per capita. The district is an independent taxing authority as defined by Illinois State Statute and is considered a separate (or "sister") agency of the City of Chicago.

The Chicago Park District oversees more than 580 parks with over 8,100 acres of municipal parkland as well as 24 beaches, 77 pools, 11 museums, two world-class conservatories, 16 historic lagoons and 10 bird and wildlife gardens that are found within the city limits. A number of Chicago Park District parks are located in the vicinity of or even adjacent to a number of Chicago Public Schools. This design was done in order to make it easier for public school students and faculty to incorporate school assignments or physical activities into the learning experience.

#### **Consultants:**

Applegate & Thorne-Thomsen, P.C.  
626 W. Jackson Blvd., Suite 400  
Chicago, IL 60661

Laube Consulting Group, LLC  
200 S. Wacker Drive, Suite 3100  
Chicago, IL 60606

Nia Architects, Inc.  
500 Park Blvd #800,  
Itasca, IL 60143

Booth Hansen  
Civil Engineer

## **V. PROPOSED PROJECT**

**Project Overview:** The developer is proposing the construction of a new 30,000 square feet athletic, recreational, arts, educational, and community facility located in the Oakland neighborhood, next to the Oakwood Shores CHA transformation project. The facility will provide a center to serve the residents of Oakland, Kenwood, Douglas, and Grand Boulevard. It will offer arts and recreational programs for youth, adults, seniors, and families living in these communities. After-school and summer programs for youth will also be provided.

The building will feature a gymnasium with one basketball court, flexible multi-use art, educational, and community space, fitness center, indoor pool, lobby/gallery/meeting hall and locker rooms. The facility will also provide 12 parking spaces for employees of the center.

The building will have two entry ways, one at the north and the south sides of the building. The ground level houses lobby, main office, pool, locker rooms, club rooms, gymnasium, fitness center, vending area and reception area. The second level will house the roof top terrace and building mechanicals.

A site plan, floor plans and elevations are provided as exhibits to this report.

**Environmental Features:** The developer will build the recreation center to LEED standards and exceed the Storm Water Ordinance requirements.

The project will be designed to baseline LEED certification requirements.

## **VI. FINANCIAL STRUCTURE**

The City intends to negotiate a redevelopment agreement with the Developer for TIF assistance in an amount not to exceed \$4,300,000 or 24.48% of the final total Project costs. In addition to being paid from funds in the Bronzeville TIF, funds will also be ported from the 47th & Halsted TIF District. The TIF assistance will be paid throughout construction from an escrow account funded at closing, with the final payment coming upon the issuance of a Certificate of Completion for the Project. The Project will also receive \$5,267,328 in New Markets Tax Credits ("NMTC"), or 29.98% of total Project costs. The goal of NMTC is to spur revitalization efforts of low-income and impoverished communities across the United States and Territories. The NMTC Program provides tax credit incentives to investors for equity investments in certified Community Development Entities ("CDE"), which invest in low-income communities.

The credit equals 39% of the investment paid out (5% in each of the first three years, then 6% in the final four years, for a total of 39%) over seven years (more accurately, six years and one day of the seventh year) . A CDE must have a primary mission of investing in low-income communities and persons.

The following table identifies the sources and uses of funds.

### Sources and Uses of Funds

<u>Sources</u>	<u>Budget</u>	<u>% of Total Sources</u>
CHA Capital Funds	\$8,000,000	45.54%
TIF Funds	\$4,300,000	24.48%
NMTC	\$5,267,328	29.98%
<b>Total Sources</b>	<b>\$17,567,328</b>	<b>100.00%</b>

<u>Uses</u>	<u>Amount</u>	<u>\$/Per Square Foot*</u>
Hard Costs		
Construction of Rec Center	\$10,152,090	\$338.40
Sewer Relocation	\$638,308	21.28
General Conditions	\$647,424	\$21.58
Contractor Overhead	\$215,808	\$7.19
Contractor Profit	\$647,424	\$21.58
Other – Security Cameras	\$200,000	\$6.67
Hard Cost Contingency	\$615,052	\$20.50
<b>Total Hard Costs</b>	<b>\$13,116,106</b>	<b>\$437.20</b>

Soft Costs/Fees				
Architecture Fees	\$934,791	7.13%	% of Hard Costs	\$31.16
Engineering Fees	\$105,018	0.80%	% of Hard Costs	\$3.50
Environmental Testing	\$12,600	0.07%	% of Total Costs	\$0.42
Appraisal	\$10,400	0.06%	% of Total Costs	\$0.35
Permits	\$10,000	0.06%	% of Total Costs	\$0.33
Surveys	\$24,000	0.14%	% of Total Costs	\$0.80
Legal	\$475,000	2.70%	% of Total Costs	\$15.83
Title and Recording	\$30,000	0.17%	% of Total Costs	\$1.00
Audit and Cost Certification	\$50,000	0.28%	% of Total Costs	\$1.67
Insurance	\$30,000	0.17%	% of Total Costs	\$1.00
FF&E	\$220,000	1.25%	% of Total Costs	\$7.33
TIF Amendment	\$203,365	1.16%	% of Total Costs	\$6.78

Financing Costs	\$905,713	5.16%	% of Total Costs	\$30.19
Operational Reserve	\$623,000	3.55%	% of Total Costs	\$20.77
Developer Fee	\$800,000	4.55%	% of Total Costs	\$26.67
Soft Cost Contingency	\$17,335	0.10%	% of Total Costs	\$0.58
<b>Total Soft Costs</b>	<b>\$4,451,222</b>	<b>25.34%</b>		<b>\$148.37</b>
<b>Total Uses</b>	<b>\$17,567,328</b>			<b>\$585.58</b>

\*Project is 30,000 square feet

## **VII. PUBLIC BENEFITS**

The proposed project will provide the following public benefits.

**Permanent Jobs:** The project is estimated to create 12 jobs, including 8 full time and 4 part time jobs. The department's workforce development specialists will work with the developer on job training and placement.

**Construction Jobs:** The project will produce approximate 80-120 temporary construction jobs.

**Environmental Features:** The project will incorporate LEED standards and exceed the Storm Water Ordinance requirements.

**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 William Burns endorses the project and has provided a letter of support (see exhibits for copy). The project was discussed with the community at a meeting held on May 1, 2014 at James R. Doolittle Jr. High School. The project was also presented at a meeting at the CHA headquarters to the CHA residents. The project was received very favorably in both meetings. The following organizations endorse the project: Quad Communities Development Corporation, The Chicago Housing Authority, (See exhibits for copies of support letters).

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

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

- Provide resources and incentives for new construction on vacant and underutilized land;
- Cultural projects that promote the area's attractiveness as a place to live and do business;
- Provide for recreational amenities for neighborhood residents

The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the development of the new construction of an approximately 30,000 square foot arts and recreation center.

## **X. CONDITIONS OF ASSISTANCE**

If the proposed resolution is approved by the CDC, DPD 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 DPD 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 will not occur before the City Council has approved the redevelopment agreement, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing. The documents will include a development timetable.



## **XI. RECOMMENDATION**

The Department of Planning and 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 DPD recommends that the CDC recommend to the City Council the designation of TCB, Inc. as Developer for the development of approximately 30,000 square arts and recreation center and parking at 435 E. 35<sup>th</sup> Street.

**EXHIBITS**

TIF Project Assessment Form  
Redevelopment Area Map  
Neighborhood Map or Aerial  
Site Plan  
Front Elevation or Rendering  
Sample M/WBE Letter  
Copies of M/WBE Certified Letter Receipts  
Alderman's Letter of Support