**CITY OF CHICAGO**
**DEPARTMENT OF PLANNING AND DEVELOPMENT**

**STAFF REPORT**
**TO THE**
**COMMUNITY DEVELOPMENT COMMISSION**
**REQUESTING AUTHORITY TO DESIGNATE THE SUCCESSFUL RESPONDENT**
**TO A REQUEST FOR PROPOSALS,**
**TO APPROVE THE SALE OF THE LAND**
**AND TO DESIGNATE THE SUCCESSFUL RESPONDENT AS DEVELOPER**
**JULY 14, 2015**

## I. PROJECT IDENTIFICATION AND OVERVIEW

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| Project Name: | Clybourn Division |
| Property Address: | 454-466 W. Division Street / 1200-1226 N. Clybourn Avenue |
| Ward and Alderman: | 27th / Walter Burnett, Jr. |
| Community Area: | Near North Community Area (#8) |
| Redevelopment Area: | Near North TIF Redevelopment Area |
| Requested Action: | Designate the successful respondent to the RFP, approve the sale of the land, and designate the respondent as Developer |
| Successful Respondent: | BMD-1, LLC |
| RFP Development Goal: | To create a quality environment that is stable, secure, and sustainable, with amenities services and other attributes that attract a diverse range of incomes and backgrounds and foster a cohesive, mixed-income community. |
| Proposed Development: | As Part of CHA's 'Plan Forward' (formerly known as the Plan for Transformation), Clybourn Division will be the acquisition and construction of a single, seven-story elevator building, that will contain a mix of studios, one-, and two-bedroom units on floors three through seven, as well as one, three-bedroom unit on the third floor. Commercial space, including a daycare center, and a restaurant, will be on the ground floor. There will |

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| | be a total of 84 units with twenty-six (26) for public housing tenants, sixteen (16) affordable to households at 60% of area median income (AMI) and below, ten (10) units for households at 80% AMI, and thirty-two (32) for market rate renters. The first floor will house a daycare facility, restaurant, and retail spaces, and the second floor will contain fifty-five parking spaces; five of which will be handicap accessible. There will be an additional 20 off-street outdoor parking spaces in the rear of the building as well. |
| Target Price: | $3,200,000 |
| Offer Price: | $25,000.00 |
| Write-down: | $3,175,000 |
| TIF Assistance: | $8,100,000 |
| RFP Key Dates: | RFP Issued: September 20, 2010<br>Responses Due: December 17, 2010 |

**II. PROPERTY DESCRIPTION**

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|---|---|
| Address: | 454-466 W. Division Street / 1200-1226 N. Clybourn Avenue. |
| Location: | Northwest corner of Division Street and Clybourn Avenue. |
| Property Identification Numbers: | 17-04-142-001-0000; 17-04-142-002-0000;<br>17-04-142-003-0000; 17-04-142-004-0000;<br>17-04-142-006-0000; 17-04-142-007-0000;<br>17-04-142-008-0000; 17-04-142-009-0000;<br>17-04-142-010-0000; 17-04-142-011-0000;<br>17-04-142-012-0000; 17-04-142-013-0000;<br>17-04-142-014-0000; 17-04-142-015-0000. |
| Land Area: | 41,880 square feet or 0.961 acres |
| Current Use: | City Farms – an urban, sustainable organic farm, that sells its produce to local chefs and to the public from an on-site market stand. |

Current Zoning: C1-5, Neighborhood commercial district.

Proposed Zoning: Planned Development – 1278 was approved and published on May 6, 2015.

Environmental Condition: Phase I & II reports conducted by Pioneer indicates the site has various combinations of VOCs, polynuclear aromatic hydrocarbons (PNAs), and total RCRA 8 metals with PH and/or total recoverable petroleum hydrocarbons (TRPH). Additionally, Pioneer noted the past use of the northern portion of the subject property was used as a filling station and automotive repair facility, and the southern portion was documented as having an underground storage tank (UST) system. Therefore, based on the documentation suggesting the potential presence of USTs on portions of the site, Pioneer recommends the performance of a ground penetrating radar (GPR) survey on the subject property following the removal of the existing topsoil that is mounded above sidewalk grade.

The land will be sold as-is with no warranties or representations as to its environmental condition, and it will be the responsibility of Clydiv, LLC to complete any remediation that may be required by the City or the Illinois EPA. The redevelopment agreement with Clydiv, LLC will include release and indemnification language protecting the City from liability.

Inventory Profile: The City acquired the parcels via warranty deeds in February 2004.

## III. DEVELOPMENT GOALS AND OBJECTIVES

The Department of Planning and Development established goals and objectives for the RFP. The goals were intended to ensure that the chosen submission will be compatible with the City's objectives of revitalizing valuable urban land, creating new development in sympathetic relationship with the surrounding community, accommodating the needs of the community, and fostering additional new development along the Clybourn Division corridor, and in the surrounding community.

The development goals were designed to ensure the long-term viability of the development and the surrounding neighborhood, and preserve the long-term affordability of the public housing and affordable units, while maximizing meaningful community participation in the development and operation of the project. The selected developer will need to maximize the use of private financing, and provide a financial return on public investments, as well as minimize the use of public housing operating subsidies, and provide employment opportunities for Cabrini-Green public housing residents. Other development goals are as follows:

- provide adequate, effective and efficient supportive services to residents of the development;
- Disperse accessible units and units for all income groups throughout the development, in a variety of housing types and sizes;
- Ensure that public housing units are externally indistinguishable from other units and that all housing adheres to high quality design and construction standards;
- Encourage environmentally friendly design including energy efficient design and the use of green roofs;
- Provide high quality property management and ensure the highest level of security and well-being for all residents of the development.

**Development Principles and Preferred Uses:** The following major principles were established to guide development of the property.

- Development governed by requirements of Consent Decree;
- 50% market-rate units, 30% public housing units and 20% affordable units;
- Rental strongly preferred;
- First floor childcare and/or retail development encouraged.

**Development Incentives:** Given the limited amount of public funding available for the redevelopment of public housing, the extent to which respondents have been able to leverage public housing development funds with sources of private funds, such as developer equity or developer debt or some combination of the two will be an important element in determining which development team will be selected. The City will consider proposals that request financial assistance in the form of Low Income Housing Tax Credits (LIHTCs), Donations Tax Credits, tax-exempt bond financing, and loans funded by Community Development Block Grants (CDBG), and/or HOME.

The amount of TIF assistance provided to a project is a function of the increased tax revenue that will be generated by the project over the remaining life of the TIF district, the demonstrated need for financial assistance, and the existence of eligible development costs.

**Urban Design and Environmental Goals:** The City expects that the proposed development will fulfill the urban design and environmental goals as follows:

The project should be designed, both in site and building, to be positively responsive to both existing construction as well as to anticipate the project's impact on future development of the surrounding community.  It should be innovative in response to its programmatic needs, and a high level of invention should be evident in all aspects of design including uses, site plan, open space, and architecture.  It should contribute to Chicago's tradition of excellence in design and should seek to create an improved public experience.

The landscape design shall comply, at a minimum, with the Chicago Landscape Ordinance. Special consideration will be given to proposals which exceed the minimum standard and include a variety of landscape materials and a range of details that give human-scale to the development and enhance the pedestrian experience at ground level.  Additionally, such elements as flower boxes on window ledges, ivy on walls, wrought iron fencing, balconies, awnings, dog runs and a wide variety of trees and other landscaping materials are encouraged.

Off-street parking requirements should conform to the existing zoning or the zoning classification sought by the developer.  Given the density of the site, much of the parking may need to be in structure.

The City expects the developer to employ, to the greatest practical extent, techniques that lessen the environmental impact of the project and result in a development that will be efficient to operate, require fewer resources to build and maintain, and that will protect the building occupants' health and well-being.

## IV.  MARKETING OF THE RFP

The RFP was released on September 20, 2010, and a public notice announcing the release was published in the Chicago Sun-Times on September 19th, September 26th, and October 3, 2010.  The department marketed the property in the following ways: a flyer was distributed to a list of interested parties (developers, attorneys, architects, community development corporations, community organizations, real estate consultants, and financial institutions); a general news release was issued by the department; a display sign was posted on the site from September 2010 to December 2010.  DPD distributed copies of the RFP document, and approximately 14 interested parties attended the pre-bid conference held on October 14, 2010.

Once BMD-1, LLC was chosen as the developer, an application for loan funds from the City of Chicago was submitted in an open-funding round that was held in June 2011.  Due to the amount of applications received and the limited amount of public funding available, a five-year pipeline was established.  Clybourn Division was selected as a 2015 project.

## V. RESPONSE TO THE RFP

The department received two submission packages in response to the RFP. The responding development entities are identified and their proposals briefly described below.

| Entity Name | Proposal |
|---|---|
| BMD-1, LLC | The proposed project will be the acquisition and construction of a single, six-story elevator building, that will contain a mix of one, two, and three bedroom units on floors two through six, and commercial space, including a day care center, and restaurant, on the ground floor. There will be 77 units with twenty-four (24) for public housing tenants, fifteen (15) affordable to households at 60% of area median income and below, and thirty-eight (38) for market rate renters. All 77 units will be visitable, and there will be provisions for at least four wheel chair accessible units, and two hearing and visually impaired units. There will be a total of 80 parking spaces; 59 for residents and 21 for retail/commercial use. |
| Mercy Housing Lakefront | The proposed project will be the acquisition and construction of 60 rental units configured with one to four bedrooms, with 50% reserved for market rate, 30% for public housing families, and 20% affordable to families at 60% AMI and below. The first floor will include parking and an entrance lobby for the apartments. Approximately 7,000 to 10,000 s.f. will be dedicated to retail/commercial uses. |

## VI. EVALUATION OF RESPONSES

The department evaluated the proposals according to the criteria outlined in the RFP document. Based on that evaluation, DPD recommends that BMD-1, LLC be designated the successful respondent to the RFP. Their proposal best satisfies the goals and objectives of the RFP for the following reasons: create a quality environment that is stable, secure and sustainable, with amenities services and other attributes that attract a diverse range of incomes and backgrounds and foster a cohesive, mixed-income community; Maximize meaningful community participation in the development and operation of the project; Ensure the long-term viability of the development and the surrounding neighborhood and preserve the long-term affordability of the public housing and affordable units; Partnership with childcare provider or provide adequate first floor space for community childcare center; Disperse accessible units and units for all income groups throughout the development, in a variety of housing types and sizes; Encourage an environmentally friendly design including energy efficient design and the use of green roof; Encourage a meaningful development partnership with the Cabrini LAC. Ownership participation for the LAC is encouraged. The remaining proposal was not selected for the following reasons: higher development costs, the unit mix for the various income groups were not dispersed evenly throughout the proposed building; no dedicated space for a daycare facility.

## VII. SELECTED DEVELOPMENT TEAM

**Development Entity:** Clydiv, LLC, an Illinois LLC, is the owner, of which Clydiv Manager, LLC is the managing member. At closing, a "To Be Determined" (TBD) entity will be admitted as the investor member. Clydiv Manager, LLC members are Brinshore PL, LLC, an Illinois LLC, and Michaels Chicago Holding Company, LLC, an Illinois LLC. Brinshore PL, LLC members are Brinshore Development, LLC, an Illinois LLC as a member, as well as Big Heart Realty, LLC, an Illinois LLC. Michaels Chicago Holding Company, LLC consists of sole member, Michael Levitt. Brinshore Development, LLC's members are RJS Real Estate Services, Inc., an Illinois corporation, and Brint Development, Inc., an Illinois corporation. Big Heart Realty, LLC's sole member is Peter Levavi. RJS Real Estate Services, Inc.'s President and Owner is Richard J. Sciortino, and Brint Development, Inc.'s President and Owner is David B. Brint. The developer's organization chart is included in the exhibits.

The Brinshore Development, LLC, which is a private firm, was founded in 1994 and specializes in the development of affordable, mixed-income and market rate housing, throughout the Midwest.

Prior to co-founding Brinshore Development, principals David Brint and Richard Sciortino each gained a decade worth of real estate development experience in affordable housing. To date, Brinshore Development has completed over 50 tax credit funded projects comprised of over 4,000 apartments and homes. Their headquarters are located in Northbrook, Illinois.

The Michaels Development Company (MDC) is a private sector firm with over 40 years of experience in affordable housing. Founded in 1963, MDC specializes in all aspects of housing development, from conception through construction completion, ownership, and operations. The sole principal of MDC is Michael J. Levitt.

At one point, MDC focused almost exclusively on developing federally assisted housing set aside for low and moderate income individuals and families. As a result, 100 of the properties owned by MDC affiliates are subsidized through the Section 8 project-based rental assistance program. MDC also has extensive experience in financing affordable housing with HOPE VI Federal financing. Although their headquarters are located in Marlton, NJ, MDC has regional offices in Chicago, Hawaii, Lodi, and Los Angeles California.

**Consultants:**

**Architect:** Pappageorge Haymes Partners was established in 1981, and is known for their collaborative, client-oriented approach to building types which includes single-family homes, high-rises, mixed-use developments, and creative adaptive re-use of structures across the United States. They are well-known to DPD, and have worked on several of the CHA transformation mixed-income transactions.

**General Contractor:** McShane Construction's mission is to partner with their clients, employees, designers, subcontractors and communities to create highly-functional and sustainable facilities with ingenuity and integrity. Established in 1984, McShane has a portfolio that extends from Chicago, to Texas, to California and beyond. They too are well-known to DPD and have completed several transactions; Casa Maravilla (senior housing), Hairpin Lofts and the Logan Square Community Arts Center (affordable housing in a historic building), and Park Douglas (mixed-income housing), are just a few.

**Property Manager:** Interstate Realty Management (IRM), is an Accredited Management Organization (AMO) that provides marketing, maintenance, social, administrative, accounting, financial property and asset management services for over 250 companies. Their mission and goals are to provide housing that instills resident pride in their community, deliver supportive services that enhance the quality of life for their residents, balance the needs of residents and owners to ensure financially viable properties, exceed the objectives and requirements established by governmental bodies, regulatory agencies, owners and lenders, and to promote and facilitate open and clear communication. The Michaels' Development Corporation is the parent company of IRM.

Additionally, as part of the mixed-income development, Clybourn Division tenants will receive services under The Chicago Housing Authority's (CHA) Family Works Program. CHA's contracted provider for this development is Holsten Human Capital, and they will work together with Interstate Realty Management to provide a wide array of services to the tenants, including employment, training and placement services, case management, clinical treatment services, and other services that will assist and allow residents to succeed and progress toward self-sufficiency. Interstate Realty Management will also provide conflict resolution, money management and referrals to other necessary services to residents.

## VII. PROPOSED PROJECT

**Project Overview**: As Part of CHA's 'Plan Forward' (formerly known as the Plan for Transformation), the Clybourn Division development will be the acquisition and new construction of a single, seven-story elevator building, that will contain 84 rental units, 75 parking spaces, and retail on the ground floor, which will include a daycare center and restaurant.

The structure will sit on the northwest corner of Clybourn and Division Street in the near north area known as Cabrini. The units will be housed on floors three through seven, and will consist of 26 for public housing tenants, 16 affordable to households at 60% area median income (AMI) and below, ten units for households at 80% AMI, and 32 for market rate renters. The second floor will contain fifty-five interior parking spaces; five of which will be handicapped accessible, and the remaining 20 parking spaces will be on-site exterior, located in the rear of the building. The first floor will house the daycare, a restaurant, and other retail shops which will front Clybourn Avenue, and entry for the residential will be accessed off of Division Street. Additionally, the building will contain various indoor and outdoor amenities for residents, and provisions for bike storage.

**Neighborhood Overview:** The redevelopment of this property is central to the City's overall redevelopment plan for the immediate area and will complete the landscape at the prominent northwest corner of Division Street and Clybourn Avenue.

The subject is located in the Near North Chicago Community Area. The Near North Community Area is bounded on the south by the North Branch of the Chicago River, on the east by the lakefront, on the west by the Chicago River and on the north by North Avenue.

Unlike the remaining areas of Cook County, the Near North Community area and most of its closet surrounding community areas saw large increases in their population in the last decade. The loop area led the way with a 78.70% increase in residents followed by the Near West Side (+18.20%) and the Near North Community (+10.50%).

The Near North Redevelopment Initiative (NNRI), which was drafted in 1997, included the expansion of Seward Park to Division street, the construction of the police station at Larrabee and Division streets, the construction of a high school (Walter Payton Academy), elementary school (Jenner), and commercial space at Clybourn and Division, which at the time, was to be anchored by a Dominick's food store. All of the proposed items have since come to fruition. Although all Dominick's stores closed, the large space is now anchored by a Jewels' Food store.

The Primary Market Area (PMA) for the Clybourn and Division development is known as Cabrini-Green, and is defined by the community areas of Lincoln Park, Near North, West Town and the Loop. It is an irregular area roughly bounded by Diversey Avenue on the north, the lakefront on the east, Western Avenue on the west, and Roosevelt Road on the south.

According to the Market Study, it is anticipated that 50% of the new residents will come from the PMA. However, because the neighborhood is extremely convenient to the center of the city, new residents may come from all over the city. Additionally, persons new to Chicago tend to gravitate to the Near North, Lincoln Park and other neighborhoods lining Chicago's north lakefront.

The household count in the Near North Community area has changed from 51,677 in 2010 to 52,127 in the current year, a change of 0.39% annually. The five-year projection of households is 53,525, a change of 0.53% annually from the current year total. Average household size is currently 1.53, compared to 1.52 in the year 2010. The number of families in the current year is 14,181 in the Near North area.

Currently, 36.8% of the 61,670 housing units in the Near North Community area are owner occupied; 47.7% are renter occupied; and 15.5% are vacant. In the U.S., 56.5% of the housing units in the area are owner occupied; 32.1% are renter occupied; and 11.4% are vacant. In 2010, there were 62,313 housing units in the area – 37.2% owner occupied, 45.7% renter occupied, and 17.1% vacant. The annual rate of change in housing units since 2010 is -0.46%. The median home value in the area is $325,319, compared to a median home value of $167,749 for the U.S. in five years. The median value is projected to change by 2.90% annually to $375,287.

Current median household income is $76,656 in the Near North Community area, compared to $50,157 for all U.S. households. Median household income is projected to be $91,371 in five years, compared to $56,895 for all U.S. households. Current average household income is $108,754 in this area, compared to $68,162 for all U.S. households. Average household income is projected to be $131,096 in five years, compared to $77,137 for all U.S. households. The current per capita income is $70,239 in the area, compared to the U.S. per capita income of $26,409, and, the per capita income is projected to be $85,346 in five years, compared to $29,882 for all U.S. households.

The market area age distribution shows a diverse division with 15.9% between the ages of 0-17, 7.4% between the ages of 18-24, 41.9% between the ages of 25-44, 26.1% between the ages of 45-64, and 8.7% age 65 and over. As the percentage totals show, 42 percent of the population in the market area was aged 25 to 44; the prime age category for apartment rental.

The market area includes a wide variety of housing types, from high-rise rental and condominium buildings to single-family homes. Although Townhouses have become the most popular type of new housing in the market area over the past two decades. One block west of the subject property at 625 West Division, Gerding-Edlen is constructing an 244,000 s.f., 18-story, 240-unit mixed-income, mixed-use tower, that is expected to be completed by fall 2015. Parkside of Old Town which sits on the south side of Division street, is a mixed-income development that consists of condominiums, townhomes, and rental buildings. Additionally, Parkside of Old Town reintroduced the traditional two- and three-flat building types.

While the market area is an affluent area with more than one-third of the households in the market earning $100,000 and more in 2010, 51,856 (37.4%) earned less than $50,000, with almost one-fifth (27,022) of the households earning less than $25,000.

The subject property is located just west of Chicago's Clybourn Corridor, one of the busiest and most densely developed areas in the Near North Community Area. The Clybourn Corridor is moving south and spilling farther onto side streets. With the economic recovery entering its fourth year, the north side retail district is seeing some retail expansion.

Just east of the site is a strip mall that is now anchored by a Jewels-Osco Food store that moved-in after all of the Dominick's Food stores closed. Other strip-mall tenants include a Starbucks, AT&T phone store and a Panera Bread Bakery-Café which is located on the southeast portion of the mall at Division and Sedgwick streets.

The Target store at Division and Larrabee streets opened in October 2013, and measures 190,000 square feet. The three-story store, which extends the Clybourn Corridor retail district by more than half a mile, is built over a ground-level parking lot with 360 spaces. The second floor is sales space and the third floor houses the stock area.

Left in limbo after the real estate market cratered, the $260M New City development at the corners of Clybourn and Halsted street, is currently under construction, and is a development venture led by Chicago-based firms Structure Development LLC and Bucksbaum Retail Properties LLC. The New City project will include 360,000 square feet of retail space, a 19-story, 199-unit apartment building, 40,000 square feet of medical office space and a 1,100 vehicle garage. Anchor tenants besides Mariano's and ArcLight movie theater will include Dick's Sporting Goods, and Eddie Bauer. New City still has 60,000 square feet of small-shop space left to lease-up.

These new developments are in addition to retailers that have already established themselves in the expanding retail corridor including Apple, Inc., Nordstrom Rack, Williams-Sonoma, DSW Shoe Store, Anthropologie and Sephora cosmetics, just to name a few. Additionally, the area includes one of the largest Whole Foods Market grocers, which is located on Fremont Street; just ¾ miles northwest of the proposed Clybourn Division transaction.

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 84 rental units of which 42 units or 50 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 in projects receiving TIF assistance.

**Unit Profile**

| Unit Type | Number | Market/ Affordable | Size-sf | Monthly Rent/sf* | Monthly Rent* |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Studio w/bath | 2 | Market Rate | 700 s.f. | $1.29 | $900.00 |
| Studio w/bath | 2 | Affordable 60% AMI | 700 s.f. | $0.92 | $642.00 |
| Studio w/bath | 1 | Affordable 80% AMI | 700 s.f. | $1.21 | $850.00 |
| 1 bed/1 bath | 1 | Market Rate | 800 s.f. | $1.38 | $1,100.00 |
| 1 bed/1 bath + Den | 7 | Market Rate | 1,075 s.f. | $1.12 | $1,200.00 |
| 1 bed/1 bath | 4 | Affordable 60% AMI | 800 s.f. | $0.84 | $675.00 |
| 1 bed/1 bath | 2 | Affordable 80% AMI | 800 s.f. | $1.16 | $925.00 |
| 1 bed/1 bath + Den | 3 | Affordable 80% AMI | 1,075 s.f. | $0.91 | $975.00 |
| 1 bed/1 bath | 9 | CHA/PH | 800 s.f. | $0.50 | $400.00 |
| 2 bed/1 bath | 19 | Market Rate | 1,150 s.f. | $1.39 | $1,600.00 |
| 2 bed/1 bath + Den | 3 | Market Rate | 1,176 s.f. | $1.45 | $1,700.00 |
| 2 bed/1 bath | 10 | Affordable 60% AMI | 1,150 s.f. | $0.70 | $806.00 |
| 2 bed/1 bath | 3 | Affordable 80% AMI | 1,150 s.f. | $0.98 | $1,125.00 |
| 2 bed/1 bath + Den | 1 | Affordable 80% AMI | 1,176 s.f. | $1.00 | $1,175.00 |
| 2 bed/1 bath | 16 | CHA/PH | 1,150 s.f. | $0.35 | $400.00 |
| 3 bed/2 bath | 1 | CHA/PH | 1,349 s.f. | $0.30 | $400.00 |

* Tenant paid utilities: electric cooking, air conditioning, and other electric.

The affordable rent paid by the tenant is based on the tenant's income and not on market comparables. The maximum rent for each defined "affordable" income level is published annually by the US Department of Housing and Urban Development and listed according to building construction type (i.e. apartment, townhouse, house), number of bedrooms and household size. Rent per square foot is not considered except that HUD housing quality standards and Chicago zoning and building codes set minimum room and unit sizes. Different federal funding development and operating support sources may have different maximum income and rent restrictions.

When developers determine the rent to charge for a project that is using HUD program subsidies through one of the City of Chicago's Multifamily Financing programs, the developer is required to establish market-area rents by commissioning a market study of the targeted market area. The developer is allowed to charge the lesser of HUD-estimated Fair Market Rent or the rent cap by income group (i.e., the 60% rent), but must also take into consideration the localized rent for the development's targeted market area, which is often much lower than the HUD FMR, and may be the same as, or even lower than, the "affordable" rent levels.

**Environmental Features:** The project will incorporate green features which will include Minimum R-19 exterior wall insulation, insulated headers, advanced air sealing package, solar thermal hot water boosting gas hot water, energy star advanced lighting package, recycled/recovered content gypsum wallboard, insulated exterior doors, permeable materials for all walkways, patios, and driveways, energy star labeled roofing materials, energy star rated programmable thermostat, insulated exterior doors, low toxic adhesives, natural or recycled-content carpet pad, minimal VOC content paint and finishes, water based lacquer finishes on woodwork and water-based urethane finishes.

**Urban Design Features:**

- Project will be built to the property line along Division Street and Clybourn Avenue to reinforce the existing streetwall north of the subject site with the tallest parts of the development near the intersection of Division and Clybourn.
- Project will provide retail uses on the ground floor along Clybourn Avenue.
- Project will provide parking located behind the building with no lots fronting Clybourn or Division Street.
- Project will create community and common open-space for residents.
- Project will provide a daycare facility on the first floor.

## VIII. FINANCIAL STRUCTURE

**Residential Component:** The residential portion of the development will be funded with various sources of equity, public financing, and private financing.

The sale of 9% low income housing tax credits, which will be issued by the City, will generate $12,901,610 or 42% of equity for the benefit of the project. The equity will be paid in traunches at various milestones, with the first payment coming at closing, and the remainder funded at stages throughout construction to completion, and finally at occupancy of the building.

Tax Increment Financing (TIF) assistance in the amount of $8,100,000, will be used for TIF-eligible expenses. The TIF funding will be in the form of four cash payments – three made during construction, and one made at certificate of completion. The TIF assistance will come from area-wide increment in the Near North TIF, and is needed to off-set the cost of developing a housing project in which 52 of the 84 units will be public housing replacement and/or affordable. TIF assistance will represent approximately 21% of the total residential costs.

The Chicago Housing Authority (CHA) will provide a loan of $8,100,000, and Citibank will provide $1,476,000 in the form of a deferred loan that will not require any interest or principal payments until maturity.

A $6.5M first mortgage with a 30-year term and interest rate of 8% will be used for both the residential and commercial components of this transaction.

**Commercial Component:** The commercial portion of the development will also be funded with the following financing:

Illinois Affordable Housing Tax Credits (IAHTC), better known as Donation Tax Credits (DTCs), will fund 19% of the development costs. The City land is viewed as a donation, and 50% of the land value (less acquisition cost, and environmental costs) or $2,117,610, is the amount of DTCs that are to be sold to generate $1,905,910 of equity for the project.

A Deferred Developer fee of $73,888, and cash equity from the developer in the amount of $10,100.

The following table identifies the sources and uses of funds.

**SOURCES OF FUNDS:**

| Residential Sources: | Amount: | % of Residential Sources: | % of Total Sources: |
|---|---|---|---|
| First Mortgage* | $ 580,213 | 03% | 01% |
| TIF Funds | $ 8,100,000 | 25% | 21% |
| CHA Funds | $ 8,100,000 | 25% | 21% |
| Citibank | $ 1,476,000 | 05% | 04% |
| 9% Tax Credit Equity | $12,901,610 | 42% | 33% |
| **RESIDENTIAL SUBTOTAL:** | **$31,157,823** | **100%** | **80%** |

| Commercial Sources: | Amount: | % of Commercial Sources: | % of Total Sources: |
|---|---|---|---|
| First Mortgage* | $ 5,919,787 | 75% | 15% |
| DTC Equity | $ 1,905,910 | 23% | 04% |
| Deferred Developer Fee | $ 73,888 | 01% | 01% |
| Owner Equity – Cash | $ 10,100 | 01% | 00% |
| **COMMERCIAL SUBTOTAL:** | **$ 7,909,685** | **100%** | **20%** |

**TOTAL SOURCES:** **$39,067,508**

***The $6.5M first mortgage will be used for both components of this transaction.**

| **COMBINED USE OF FUNDS:** | | |
|---|---|---|
| **Uses:** | **Amount:** | **$/sf of Building** |
| Land Acquisition | $ 25,000 | $ 0.16 |
| **Hard Costs:** | | |
| Construction | $27,689,020 | $182.18 |
| Contingency | $ 1,261,949 | $ 8.30 |
| Environmental Remediation | $ 125,000 | $ 0.82 |
| Private Utilities | $ 125,000 | $ 0.82 |
| Site Work (clearing, grading, fencing) | $ 701,300 | $ 4.61 |
| Winter Conditions | $ 100,000 | $ 0.66 |
| **Total Hard Costs:** | **$30,002,269** | **$197.39** |
| **Soft Costs:** | | |
| Architect's Fees | $ 763,300 | $ 5.02 |
| Legal Fees: Lender, CHA, Dev. | $ 670,000 | $ 4.41 |
| DPD Fees | $ 266,125 | $ 1.75 |
| Bridge loan interest and fees | $ 1,164,681 | $ 7.66 |
| Reserves & Escrows | $ 1,806,073 | $ 11.88 |
| Developer Fee | $ 2,258,535 | $ 14.86 |
| Commercial Leasing Expenses | $ 309,708 | $ 2.04 |
| Commercial Tenant Improvements | $ 775,459 | $ 5.10 |
| Other Soft Costs* | $ 1,026,358 | $ 6.75 |
| **Total Soft Costs:** | **$ 9,040,239** | **$ 59.47** |
| **TOTAL USES:** | **$39,067,508** | **$257.04** |

**Gross building area is 151,991 square feet.**

*****The 'Other Soft Costs' line item includes but is not limited to the following items: surveys, market study, appraisal, geotechnical testing, furniture, fixture and equipment, marketing and security.

## IX. PUBLIC BENEFITS

The proposed project will provide the following public benefits.

**Affordable Housing:** The project will provide 84 new rental units; 42 of which will be affordable to households at 60% Area Median Income (AMI) and below levels.

**Property Taxes:** The project will expand the tax base by returning a tax exempt property to the tax rolls.

**Sales Taxes:** The project will expand the City's tax base with the creation of new retail businesses on site.

**Environmental Features:** The project will incorporate the following green features:

- Minimum R-19 exterior wall insulation;

- Insulated headers;
- Advanced air sealing package;
- Solar thermal hot water boosting gas hot water;
- Energy star advanced lighting package;
- Recycled/recovered content gypsum wallboard;
- Insulated exterior doors;
- Permeable materials for all walkways, patios, and driveways;
- Energy star labeled roofing materials, energy star rated programmable thermostat, and insulated exterior doors;
- Low toxic adhesives, natural or recycled-content carpet pad;
- Minimal VOC content paint and finishes, water based lacquer finishes on woodwork and water-based urethane finishes.

**Construction Jobs:** The project will produce 200 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.

**Permanent Jobs:** The project is estimated to generate 50 permanent jobs; 46 of which will be in the daycare/retail industries, and four of which will be a part of property management. The property management jobs will consist of a full-time property manager, full-time assistant manager, full-time maintenance chief, and full-time maintenance assistant. The department's workforce development specialists will work with the developer on job training and placement.

## X. COMMUNITY SUPPORT

Alderman Burnett endorses the action and has provided a letter of support (see exhibits for copy).

## XI. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the Near North Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment plan: eliminate blighted conditions, increase the number of rental units for a variety of income levels, employ project area residents in construction jobs, and strengthen the economic well-being of the project area. The proposed project also conforms to the plan's stated goals and the plan's land use map, which calls for residential/institutional/commercial employment or parks and open space development at the subject site. The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the development of the Clybourn Division mixed-income rental development.

## XII. CONDITIONS OF SALE

All RFP respondents provided a good faith deposit along with their RFP submission packages. The deposits for the non-selected respondents will be returned. The offer for sale of the City land was advertised at the time the RFP was released, and no additional public notice of the proposed sale is required. With the approval of CDC, DPD will negotiate a redevelopment agreement with the successful respondent. 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 of the sale of the property 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.

## XIII. RECOMMENDATION

The Department of Planning and Development has evaluated all of the submissions to the RFP, and recommends that BMD-1, LLC be designated the successful respondent. DPD has thoroughly reviewed the proposed project, the qualifications of the development team, the financial structure of the project, its public benefits, and the project's conformance with the RFP and the redevelopment area plan. DPD also recommends that the CDC approve the sale of 454-466 W. Division Street / 1200-1226 N. Clybourn Avenue to Clydiv, LLC for development of a single, seven-story elevator building that will contain 84-rental units, commercial space, and approximately 75 off-street parking spaces, the allocation of $8.1M in TIF funds and recommends the designation of Clydiv, LLC as Developer.

## EXHIBITS

TIF Project Assessment Form
TIF Annual Report
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
Letter of Interest from Lender
Community Letters of Support
Alderman’s Letter of Support