

**DEPARTMENT OF HOUSING
CITY OF CHICAGO**

**COMMUNITY DEVELOPMENT COMMISSION MEETING
SEPTEMBER 11, 2001**

**26TH STREET AND DR. MARTIN LUTHER KING DRIVE
RESIDENTIAL PROJECT - DEVELOPER DESIGNATION**

SUMMARY SHEET

Actions

Requested:

- 1) Grant authority to publish a notice of the intention of the City to negotiate a Redevelopment Agreement with South Park Plaza, Incorporated, and/or an entity to be formed ("South Park") for the use of tax increment revenues for the residential redevelopment of a site located at the southwest corner of 26th Street and Martin Luther King Jr. Drive (the "Project"), located within the Bronzeville TIF area (the "Area"); and
- 2) Approve a request for alternative proposals for the residential redevelopment of the Site; and
- 3) Recommend to the City Council of the City of Chicago the designation of South Park as developer of the Project if no responsive alternate proposals are received.

Project:

Residential redevelopment of the CHA Prairie Courts Apartments, 2616 S. Martin Luther King Jr. Drive, as a 134-unit rental development with associated parking and landscaping.

Location:

The Site is bounded by 26th street on the north, 29th Street on the south, Prairie Avenue on the west and Dr. Martin Luther King Jr. Drive on the east.

Site Area:

The Site, entirely owned by the Chicago Housing Authority, consists of two parcels and encompasses 9.34 acres.

Developers:

South Park Plaza, Inc. consisting of Woodlawn Community Development Corporation, general partner and the National Equity Fund, limited partner. South Park Plaza Incorporated, and/or an entity to be formed, will be an Illinois not-for-profit corporation, an affiliate of and controlled by Woodlawn Community Development Corporation (WCDC), an Illinois not-for-profit corporation.

8001372

- Type of Development:** Construction of two four story mid-rise buildings and forty-six townhouses containing 134 units of affordable housing. One hundred thirty-four parking spaces will be provided on-site.
- Ward/ Alderman:** The Site is located in the City's 2nd Ward, Alderman Madeline Haithcock. Alderman Haithcock has provided a letter of support for this designation.
- Type/Level of Assistance:** TIF funds in the form of a pay-as-you-go reimbursement, in an amount not to exceed \$2,834,575 (projected to support annual debt service payments of \$142,000 for 20 years). Annual TIF increment will be used to repay a portion of a FHA secured \$8,174,882 bond issuance for the project. No upfront TIF funds will be used in this project.
- Summary:** The City seeks to designate South Park as the developer for the 2616 South Dr. Martin Luther King Drive site in the Bronzeville Tax Increment Financing Redevelopment Project Area. TIF increment will be used together with project revenue (rental income), a FHA Mortgage, DOH HOME funds, FHLB-AHP funds and tax credit equity to provide funds for the construction of these affordable rental housing units.
- Issues:** The Department of Housing is not aware of any issues that would negatively impact this project or the designation of this developer.
- Project Benefits:** South Park Plaza project will bring high-quality, well-managed affordable units to a strong, stable middle- and upper-middle class residential base already in the area, as part of the City's goal of creating viable mixed-income communities with replacement of dilapidated CHA housing.

**COMMUNITY DEVELOPMENT COMMISSION MEETING
SEPTEMBER 11, 2001
2616 SOUTH MARTIN LUTHER KING DRIVE**

STAFF REPORT

Mr. Chairman and members of the Commission:

The resolution before you requests that the Commission:

- 1) Grant authority to publish a notice of the intention of the City to negotiate a Redevelopment Agreement with South Park Plaza, Incorporated, and/or an entity to be formed ("South Park") for the use of tax increment revenues for the residential redevelopment of a site located at the southwest corner of 26th Street and Martin Luther King Jr. Drive (the "Project"), located within the Bronzeville TIF area (the "Area"); and
- 2) Approve a request for alternative proposals for the residential redevelopment of the Site; and
- 3) Recommend to the City Council of the City of Chicago the designation of South Park Plaza, Inc. as developer of the Project if no responsive alternate proposals are received

Background:

Formed in 1960 by its founding president, Dr. Arthur Brazier, and with the assistance of a well-known community organizer, Saul Alinsky, The Woodlawn Organization (TWO) worked to mobilize the Woodlawn residents and began to go to merchants, landlords and city bureaucrats to find solutions and make changes to salvage their rapidly deteriorating neighborhood. As they continued to grow, the organization branched out to utilize federal funding for social services, head start and early childhood development programs as well as mental health programs.

In the 1970's, TWO took on a new challenge, "to create a new structure that would continue to hold the organization accountable to its community-based constituency, but would also address the concerns of its funders". From this challenge came the need to create a separate entity. In 1972, The Woodlawn Community Development Corporation (WCDC) was formed. Under the new organization the ultimate aim was to make Woodlawn a viable mixed-income community by bringing moderate and middle income families into the neighborhood.

To date, TWO operates a \$10 million social service network that offers a myriad of services from education and training to substance abuse and rehabilitation. WCDC has rehabilitated or constructed over 1,700 apartment units and homes for low and moderate income families and individuals, senior citizens and physically and mentally challenged residents of Woodlawn. Their collective motto is "Community Engineers in a Company of 1st Choice....Building People, Building Homes, Building Communities".

WCDC managed the Prairie Courts housing complex, an existing 326-unit Chicago Housing Authority (CHA) city-state development. When redevelopment efforts of the public housing stock began on the near West side with Henry Horner Homes and continued on the near North side with the Cabrini-Green housing complex, Prairie Courts was looked at as the development that would be the premiere transition effort for the south side of Chicago.

The property to be redeveloped is located within the Bronzeville Tax Increment Financing Redevelopment Project Area. Currently, Prairie Courts contains one high-rise and several low rise structures that will be demolished to make way for the South Park Plaza housing complex. The redevelopment, which will house 134 units, will consist of 2 one-bedrooms, 106 two-bedrooms, 22 three-bedrooms and 4 four-bedroom units located in a combination of mid-rise buildings and townhouses. There will be two mid-rise buildings each containing forty-four (44) units and two sets of townhouses that will contain a total of forty-six (46) units. Private common landscaped open space and at least one off-street at grade parking space for each unit will be provided.

The subject neighborhood which is known as Douglas Park is bounded by 26th street on the north, 29th on the south, Prairie Avenue on the west and Martin Luther King Jr. Drive on the east. The residential developments consist of multi-family units, condominiums and high rise developments. The site is well situated with respect to transportation both to downtown Chicago and other parts of the city and metropolitan area. The CTA bus line operates along Michigan Avenue which is west of the site, Martin Luther King Jr. Drive which is east of the site and Indiana Avenue which is south of the site. The nearest rail lines to the South Park Plaza site are the Green line (stop at 35th and Indiana) and the Red line (stop at Cermak and Wentworth). Access to Lake Shore Drive, a primarily north-south lakefront roadway, and Interstate 90/94 is available from a number of east-west streets in the area.

Immediately north of the subject site is Mercy Hospital and Michael Reese Medical Center is to the east. There is also an elementary school (John B. Drake) in the area at 29th street and two high schools (Paul L. Dunbar and DeLaSalle) located south of the site.

The site is also flanked with other housing complexes that are cornerstones of the neighborhood. Prairie Shores is northeast of the site and the South Commons apartment and condominium development is to the west. The Lake Meadows housing complex sits south of the site.

The area has a shopping center located at the intersection of Martin Luther King Jr. Drive and 35th street which houses a Jewels Food Store and Walgreens plus 18 other stores, restaurants and service outlets. Smaller food stores in the area include the Prairie Shores Market and Elite Foods which is located in the South Commons housing complex. There is also a Bronzeville Market and Deli on the southwest corner of 35th and Martin Luther King Jr. Drive.

Proposed Development:

The Department of Housing has received a proposal from South Park Plaza, Inc. to begin the process of redevelopment. The proposal consists of the construction of two four-story mid-rise buildings and forty-six townhouses containing 134 units of affordable rental housing with 134 parking spaces provided on-site.

Location:

The building(s) will be constructed on approximately 9.34 acres of land located at 2616 S. Martin Luther King Jr. Drive.

EXHIBIT I

**2616 S. Martin Luther King Jr. Drive
Project Budget
Sources and Uses Table**

Sources:

First Mortgage:	
Developers Mortgage (FHA insured)	
Bonds (series A)	\$ 6,867,000
Bonds (series A) - TIF Funds	\$ 1,307,882
(TIF increment in the amount of \$142,000 annually will be pledged along with Project income to secure payment on this bond series.)	
Second Mortgage:	
DOH HOME Funds	\$ 8,006,629
Third Mortgage:	
FHLB-AHP Funds	\$ 500,000
Federal 4% Tax Credits:	
Syndicator (cash)	\$ 8,824,565
Deferred Developer Fee	\$ 1,200,697
Earnings on Bond Investment	\$ 165,000
Sponsor Equity Contribution	<u>\$ 100,000</u>
Total Sources	\$26,971,773

Uses:

Acquisition Costs:	\$ -0-
Construction:	
Site Work, Construction	\$21,266,200
Professional:	
Architectural, Legal, Accounting	\$ 793,000
Financing Costs & Fees:	
Interest, Bond Costs	\$ 1,703,876
Escrows:	
Reserves	\$ 578,000
Developer's Fee	\$ 2,190,697
Other Soft Costs	<u>\$ 440,000</u>
Total Uses	\$26,971,773

Timing:

If necessary approvals are received, an early construction start may be granted in December 2001. Full construction will commence early spring, 2002 and will be completed by summer, 2003.

Developer:

The project will be developed by South Park Plaza Incorporated and/or an entity to be formed whose principle is Woodlawn Community Development Corporation. Woodlawn Community Development Corporation has rehabilitated, constructed and/or managed over 1700 residential units of low and moderate income housing.

Costs:

The total development cost of this project is expected to be \$26,971,773. The sources and uses for the project are detailed on Exhibit 1.

City Funding Commitment:TIF Increment

The proposed developer has requested a TIF assistance in the amount of \$142,000 annually for 20 years, for a total of \$2,834,575. Annual payments will be made from each year's increment. These funds, together with cash flow from the project, will be dedicated to pay debt service on a FHA secured bond issue.

DOH HOME Funds

The Department of Housing will allocate up to \$8,006,629 in its Federal HOME funds to provide a second mortgage for the project. This amount is the minimum amount necessary to make the project feasible.

Tax Credits

Because of the use of bond financing, the Project will be eligible to receive Federal Low Income Housing Tax Credits. These credits are generated by the bonds and are not a part of the City's annual allocation. The award will be in the amount of 4% of the "Tax Credit Basis of the Project" and will be for a period of 10 years.

Acquisition:

The buildings are owned by CHA. CHA will provide a warranty deed for the existing buildings (to be demolished by WCDC), and provide a sixty (60) year land lease with a leasehold interest in the land at South Park Plaza (formerly Prairie Courts).

Community Process:

In order to gain community support for the redevelopment efforts at Prairie Courts, WCDC with the coordination of the CHA has met with and gained the support of the Local Area Council (LAC). The LAC has been kept apprised of the continued efforts to secure financing in order to make the plan a reality. WCDC has also notified and informed the School-Community

representative at the Chicago Public School's Drake Elementary School and has notified the Manager at the South Commons housing development (to the west of the proposed site) of the plans for redevelopment.

WCDC continually updates Alderman Haithcock about the redevelopment plans and financing arrangements. The Alderman has been supportive of these efforts and continues to keep the community informed about future plans.

Recommendation:

Based on its review of the proposed project, the Department of Housing recommends that the Community Development Commission take the following actions, as embodied in the attached Resolution:

- 1) Grant authority to publish a notice of the intention of the City to negotiate a Redevelopment Agreement with South Park Plaza, Incorporated, and/or an entity to be formed ("South Park") for the use of tax increment revenues for the residential redevelopment of a site located at the southwest corner of 26th Street and Martin Luther King Jr. Drive (the "Project"), located within the Bronzeville TIF area (the "Area"); and
- 2) Approve a request for alternative proposals for the residential redevelopment of the Site; and
- 3) Recommend to the City Council of the City of Chicago the designation of South Park as developer of the Project if no responsive alternate proposals are received

**COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO**

**RESOLUTION NO. 00-CDC-
AUTHORITY TO PUBLISH NOTICE
OF THE INTENTION OF THE CITY OF CHICAGO
TO NEGOTIATE A
REDEVELOPMENT AGREEMENT WITH
SOUTH PARK PLAZA INC., AND/OR AN ENTITY TO BE FORMED
WITHIN THE
BRONZEVILLE REDEVELOPMENT PROJECT AREA,**

AND

TO REQUEST ALTERNATIVE PROPOSALS,

AND

**RECOMMEND TO
THE CITY COUNCIL OF THE CITY OF CHICAGO FOR
THE DESIGNATION OF
SOUTH PARK PLAZA INC., AND/OR AN ENTITY TO BE FORMED
AS THE DEVELOPER IF NO OTHER
RESPONSIVE ALTERNATIVE PROPOSALS ARE RECEIVED**

WHEREAS, the Community Development Commission (the "Commission") of the City of Chicago (the "City") has heretofore been appointed by the Mayor of the City with the approval of its City Council (referred to herein collectively with the Mayor as the "Corporate authorities") (as codified in Section 2-124 of the City's Municipal Code) pursuant to Section 5/11-74.4-4(k) of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65ILCS 5/11-74.4-1 et seq.) (The "Act"); and

WHEREAS, the Commission is empowered by the Corporate Authorities to exercise certain powers enumerated in Section 5/11-74.4-4(k) of the Act; and

WHEREAS, the City Council, upon the Commission's recommendation pursuant to the Act, may enact three ordinances on October 10, 2001 pursuant to which the City may approve and adopt a certain redevelopment plan and project (the "Plan") for the Bronzeville Redevelopment Project Area (the "Area"), designate the Area as a redevelopment project area and adopt tax increment allocation financing for the Area. The street boundaries of the Area are described on Exhibit A hereto; and

WHEREAS, South Park Plaza, Inc. and/or an entity to be formed (The "Company"), has presented to the City's Department of Housing ("DOH") a proposal for redevelopment of the Area or a portion thereof that is in compliance with the Plan, consisting of the construction of two story and four story mid-rise buildings and forty-six townhouses. The property will contain 134 units which will consist of two (2) one bedroom units, one hundred six (106) two-bedroom units, twenty-two (22) three-bedroom units and four (4) four-bedroom units. Thirty-four units (25%) will be affordable to households at or below 50% of area median income and one hundred units (75%) will be affordable to households at or below 60% of area median income. One hundred thirty-four parking spaces will be provided on-site; and

WHEREAS, pursuant to Section 5/11-74.4-4(c) of the Act, the City may not enter into any agreement regarding redevelopment within the Area without first making public disclosure of the terms of such agreement and all bids and proposals related thereto and providing reasonable opportunity for any person to submit an alternative proposal or bid; and

WHEREAS, DOH requests the authority of the Commission to make the required disclosure by publishing notice substantially in the form set forth as Exhibit B hereto (the "Notice") in the Chicago Sun-Times or the Chicago Tribune, being newspapers of general circulation within the Area; and

WHEREAS, DOH requests that the Commission recommend to City Council that the Company be designated as the developer for the Project and that DOH and the Department of Planning and Development (DPD) be authorized to negotiate, execute and deliver a redevelopment agreement with the Company for the Project, if no responsive alternative proposals are received by DPD within fourteen days after publication of the Notice; now, therefore,

BE IT RESOLVED BY THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF CHICAGO:

- Section 1. The above recitals are incorporated herein and made a part hereof.
- Section 2. The Commission hereby authorizes DOH to publish the Notice.
- Section 3. The Commission hereby recommends to City Council that the Company be designated as the developer for the Project and that DOH and DPD be authorized to negotiate, execute and deliver on the City's behalf a redevelopment agreement with the Company for the Project, so long as no responsive alternative proposals are received by DPD within the time recited above.
- Section 4. If any provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this resolution.

Section 5. All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.

Section 6. This resolution shall be effective as of the date of its adoption.

Section 7. A certified copy of this resolution shall be transmitted to the City Council.

ADOPTED: _____, 2001

Attachments: Exhibit A, Street Boundary Description
Exhibit B, Form of Notice requesting alternative Proposals

EXHIBIT A

Street Boundary Description of the
Bronzeville Tax Increment Financing
Redevelopment Project Area

The Area consists of approximately 491 acres and is generally bounded by 25th street on the north, by 40th Street on the south, by Calumet Avenue, Indiana Avenue, South State Street and Wentworth Avenue on the west, and by Dr. Martin Luther King Drive and Lake Park Avenue on the east.

EXHIBIT B

PUBLIC NOTICE is hereby given by the Community Development Commission ("CDC") of the City of Chicago (the "City") pursuant to section 5/11-74.4-4 (c) of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1 et seq.) (The "Act"), that the City's Department of Housing (DOH) and the City's Department of Planning and Development ("DPD") intends to negotiate a redevelopment agreement (the "redevelopment agreement") with South Park Plaza, Inc. and/or an entity to be formed (the "Company") pursuant to which the City intends to provide the Company with a TIF subsidy of approximately \$142,000 per year of incremental tax revenues for a period of 20 years, or bond proceeds secured by such incremental tax revenues. These funds will be used for the TIF-eligible acquisition, construction and/or interest costs associated with the redevelopment project located at 2616 South Martin Luther King Jr. Drive located in the Bronzeville Redevelopment Project Area. The project will contain 134 units which will consist of 2 one-bedroom units, 105 two-bedroom units, 23 three-bedroom units and 4 four-bedroom units. Thirty-four units (25%) will be affordable to households at or below 50% of area median and one hundred units (75%) will be affordable to households at or below 60% of area median income. One hundred thirty-four parking spaces will be provided on-site.

THE CITY HEREBY INVITES ALTERNATIVE PROPOSALS FOR THE REDEVELOPMENT OF THE SITE FOR CONSIDERATION BY THE CITY.

The documents listed below related to the Area and the Project are available for public inspection on or before September 12th, 2001 at the offices of DPD, 10th Floor, 121 N. LaSalle, Chicago, Illinois between the hours of 9:00 a.m. and 4:00 p.m. Monday through Friday:

- (i) "Bronzeville Tax Increment Financing Redevelopment Project and Plan"
- (ii) a terms sheet showing all proposed material terms of the Redevelopment Agreement as of the date hereof, including but not limited to an estimated Project budget setting forth the amount of financial assistance the City intends to provide to the Company for the Project; and
- (iii) the terms of all bids and proposals received, if any, by the City related to the Project and the Redevelopment Agreement.

Please contact Robert Ruhloff at DPD at (312) 744-9478 to review these materials and for information regarding the form required for proposals submitted to the City. Those submitting alternative proposals must be financially and otherwise qualified to complete the Project. The City reserves the right to reject any and all proposals. Proposals will be received by the City at DPD's offices, 10th Floor, 121 N. LaSalle, Chicago, Illinois 60604, until October 1st, 2001 at 10:00 a.m., at which time all alternative proposals will be opened.

Joseph Williams, Chairman
COMMUNITY DEVELOPMENT COMMISSION
City of Chicago

TERM SHEET

SOUTH PARK PLAZA INC., AND/OR AN ENTITY TO BE FORMED

Bronzeville Tax Increment Financing ("TIF") Redevelopment Project Area (the "Area")

South Park Plaza Inc. has entered into an agreement with the Chicago Housing Authority (CHA) to rehabilitate a 9.34 acre parcel located within the boundaries of the Bronzeville Redevelopment Project Area. The site is bounded by 26th street on the north, 29th street on the south, Prairie Avenue on the west and Dr. Martin Luther King Jr. Drive on the east. The property contains certain existing structures which will be demolished to allow for the new facilities. The Developer proposes to construct 134-units of rental which will consist of 2 one-bedrooms, 106 two-bedrooms, 22 three-bedrooms and 4 four-bedrooms located in a combination of mid-rise buildings and townhouses. There will be two mid-rise buildings each containing forty-four (44) units and two sets of townhouses that will contain a total of forty-six (46) units. Private common landscaped open space and at least one off-street at grade parking space for each unit will be provided.

The City will provide TIF funds in the form of a pay-as-you-go reimbursement, in an amount not to exceed \$4,180,000 (projected to support annual debt service payments of \$209,000 for 20 years). Annual TIF increment will be used to repay a portion of a FHA secured \$9,147,000 bond issuance for the project. No upfront TIF funds will be used in this project. The TIF subsidy provided to the Developer is subject to the Developer's successful compliance with DOH funding requirements. No payments will be made unless the Developer has provided evidence of TIF-eligible expenses and has met all applicable conditions and requirements of the Redevelopment Agreement including, but not limited to, MBE/WBE, prevailing wage, City resident hiring standards, etc. Disbursement is also subject to incremental tax funds being available. The City retains the right to review draw requests which must be accompanied by, among other things, customary lien waivers and sworn statements, MBE/WBE subcontractor contract amounts and certification letters as a prerequisite to disbursement.

Sources and Uses of Funds:

<u>Use of Funds:</u>	
Acquisition Costs:	\$ -0-
Construction:	
Site Work, Construction	\$21,266,200
Professional:	
Architectural, Legal, Accounting	\$ 793,000
Financing Costs & Fees:	
Interest, Bond Costs	\$ 1,703,876
Escrows:	
Reserves	\$ 578,000
Developer's Fee	\$ 2,190,697
Other Soft Costs	<u>\$ 440,000</u>
Total Uses	\$26,971,773

Sources of Funds:

First Mortgage:

Developers Mortgage (FHA insured)	
Bonds (series A)	\$ 6,867,000
Bonds (series A) - TIF Funds	\$ 1,307,882
(TIF increment in the amount of \$142,000 annually will be pledged along with Project income to secure payment on this bond series.)	

Second Mortgage:	
DOH HOME Funds	\$ 8,006,629
Third Mortgage:	
FHLB-AHP Funds	\$ 500,000
Federal 4% Tax Credits:	
Syndicator (cash)	\$ 8,824,565
Deferred Developer Fee	\$ 1,200,697
Earnings on Bond Investment	\$ 165,000
Sponsor Equity Contribution	<u>\$ 100,000</u>
Total Sources	\$26,971,773

Uses: