

**Community Development Commission Meeting
March 28, 2000
43rd Street - Cottage Grove Avenue**

Staff Report

**Approve The Advertisement of the
Department of Housing's
Intention to Negotiate a Redevelopment Agreement With
Hearts United Phase II Limited Partnership
For the Use of Tax Increment Revenue For The Redevelopment of The
43rd Street/Cottage Grove Avenue Tax Increment
Redevelopment Project Area**

**Approve the Request for Alternative Proposals for the
Redevelopment of the
43rd Street/Cottage Grove Avenue Tax Increment
Financing Redevelopment Project Area**

**Designate Hearts United Phase II Limited Partnership
as a Developer in the
Tax Increment Financing Redevelopment Project Area
If No Other Responsive Proposals are Received**

Good Afternoon, Mr. Chairman and Members of the Commission. My name is Clare Leary and I work for the Department of Housing. The resolution before you requests that the Commission

- 1) Approve the advertisement of the Department of Housing's intention to negotiate a Redevelopment Agreement with Hearts United Phase II Limited Partnership for the use of tax increment revenue for the redevelopment of the 43rd Street/Cottage Grove Avenue Tax Increment Redevelopment Project Area.
- 2) Approve the request for alternative proposals for the redevelopment of the 43rd Street/Cottage Grove Avenue Tax Increment Financing Redevelopment Project Area.
- 3) Designate Hearts United Phase II Limited Partnership as a developer in the Tax Increment Financing Redevelopment Project Area if no other responsive proposals are received.

Background:

The proposed Project Area is roughly bordered by 47th Street on the South, 39th Street on the North, Cottage Grove Avenue on the East and Vincennes Avenue on the West. The Area is approximately 200 acres in size covering an area of 34 blocks. The Area is located within the City's Grand Boulevard Community.

The loss of jobs in the Community, coupled with a lack of investment, has combined to create a neighborhood characterized by deteriorated housing stock and vacant parcels of land.

Recognizing the need for intervention in and around the Area, the Department of Planning drafted the Cottage Grove-43rd Street Redevelopment Plan. This Plan was approved by the CDC in May, 1997. The Plan enumerated several goals of the City of Chicago for the Area. Among these are: (1) coordinate and encourage residential and related development that meets the needs of the residents of Grand Boulevard and its surrounding communities; (2) reduce or eliminate blighting conditions in the Redevelopment Area; (3) provide sound economic development in the Redevelopment Area; and (4) create an environment that stimulates private investment in new construction, expansion, and rehabilitation.

Proposed Development

The Department of Housing has received a proposal from Hearts United Phase II Limited Partnership to begin the process of redevelopment. The proposal consists of the construction of 107 units of rental housing in 6-flats and rowhouses.

Location:

As indicated on this site map, the development will take place between East 40th Street and East 44th Street. This area is located in the northern half of the 43rd Street/Cottage Grove Avenue Tax Increment Financing District. The Department of Housing will concentrate the development so as to create a bigger impact and encourage private investment in the immediate area.

Timing:

If necessary approvals are received, construction on the project will commence in the fall of 2000 and will be completed by Spring, 2002.

Developer:

The Project will be developed by Bonheur Development Corporation, Fred Bonner President. Mr. Bonner has formed the Hearts United Phase II Limited Partnership which has the Bonheur Development Corporation as a General Partner. As a **developer**, Mr. Bonner has developed 600 units of housing, including 150 units in the Hearts United Phase I development in this same TIF district. In addition, Mr. Bonner has served as a consultant in the construction or rehabilitation of 18 other development projects. The Department of Housing has reviewed the proposal and believes that Bonheur Development Corporation is capable of completing the project it has proposed.

Costs:

The total development cost of this project is expected to be approximately \$15,961,156. The sources and uses for the project are detailed on Exhibit I.

City Funding Commitment:

TIF Increment

The Proposed Developer has requested a TIF subsidy of up to \$3,400,000. These funds, together with cash flow from the Project, will be dedicated to pay debt service on a bond issue. Bonds will be issued to provide "up front" funds for construction. A table of the estimated Redevelopment Project Costs is attached as Exhibit II.

DOH HOME Funds

The Department of Housing will allocate up to \$4,854,553 of its Federal HOME funds to provide a second mortgage for the project. This amount is the maximum 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. In order to derive up front funding, the project developer will sell these credits to a syndicator. This sale is expected to net approximately \$2,952,938.

Land

The City will convey parcels of land to the Developer for construction. The Department of Housing has determined that none of the parcels are of a value to exceed \$20,000. As these parcels are to be used for affordable housing, the Department of Housing proposes to convey these parcels to the developer for the cost of \$1.00 each. Exhibit III contains the addresses and PIN's of the City-owned parcels to be conveyed to the developer for this project.

Acquisition:

The Proposed development will not require the acquisition of property. All buildings are to be built on vacant City-owned property.

Community Process:

The Department of Housing, together with Alderman Preckwinkle's Office made a presentation of the project to the Mid South Planning Commission on Tuesday, April 21, 1998. The Mid South Planning Commission was responsible for advertising this meeting.

A second meeting to discuss the project and the developer was held at the King Center on Tuesday, April 28, 1998. Alderman Preckwinkle's Office distributed many hundreds of flyers to individual homes, businesses and churches in order to advertise this meeting.

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) Approve the advertisement of the Department of Housing's intention to negotiate a Redevelopment Agreement with Hearts United Phase II Limited Partnership for the use of tax increment revenue for the redevelopment of the 43rd Street/Cottage Grove Avenue Tax Increment Redevelopment Project Area.
- 2) Approve the request for alternative proposals for the redevelopment of the 43rd Street/Cottage Grove Avenue Tax Increment Financing Redevelopment Project Area.
- 3) Designate Hearts United Phase II Limited Partnership as a developer in the Tax Increment Financing Redevelopment Project Area if no other responsive proposals are received.

Exhibit I

**43rd Street/Cottage Grove Avenue TIF
Sources and Uses Table**

Sources:

First Mortgage:	\$5,457,000
Prairie Mortgage - HUD Insured	
1 st Mortgage Discount	(109,140)
Second Mortgage:	4,854,553
DOH HOME funds*	
CHA Capital	2,805,805
Federal 4% Tax Credits Equity	2,952,838
Bonheur Development	<u>100</u>
Total Sources:	\$15,961,256

Uses:

Construction Costs:	\$12,051,000
Construction, Site Improvements	
Professional:	1,392,797
Architectural, Legal	
Financing:	671,915
Interest, Bond Costs	
Escrows:	870,444
Reserves	
Developer's Fee	950,000
Acquisition Costs	<u>25,000</u>
Total Uses:	\$15,961,156

*(Could be replaced in part by \$1,000,000 in EZ funds)

Exhibit II

**43rd Street/Cottage Grove Avenue TIF
Estimated Redevelopment Project Costs**

<u>Eligible Expense</u>	<u>Estimated Cost</u>
Analysis, Administration Studies, Surveys, Legal, Etc,	\$ 500,000
Property Assembly	
Acquisition	\$ 6,000,000
Site Prep and Demolition	\$ 3,500,000
Rehabilitation of Existing Buildings	\$ 5,000,000
Public Works and Improvements	
Streets and Utilities	\$35,000,000
Parks and Open Space	\$ 2,500,000
Relocation	\$ 1,500,000
Taxing Districts Capital Costs	\$ 2,500,000
Job Training	\$ 500,000
Developer/Interest Costs	<u>\$30,000,000</u>
Total Redevelopment Costs	\$87,000,000

The above costs are estimated and may vary. Amounts included in on line item may be moved to another line item or another category of eligible redevelopment project costs. There is no guarantee that the TIF will generate funds sufficient to satisfy this budget. This budget should be regarded as a determination of need within the Project Area.

Exhibit III

HEARTS II: LOT LIST AND NOTES				
Site No.	Ownership	Address	PINs	
1	CHA	550 E. 41st Street	20-03-210-046	
	CHA	550 E. 41st Street	20-03-210-075	part of PIN
2	CHA	701-17 E. 41st Street	20-03-215-001	
	CHA	701-17 E. 41st Street	20-03-215-002	
	CHA	701-17 E. 41st Street	20-03-215-003	
	CHA	701-17 E. 41st Street	20-03-215-004	
	CHA	701-17 E. 41st Street	20-03-215-005	
	CHA	701-17 E. 41st Street	20-03-215-006	
3	CHA	723-39 E. Bowen Street	20-03-219-021	
	CHA	723-39 E. Bowen Street	20-03-219-022	
	CHA	723-39 E. Bowen Street	20-03-219-023	
4	City of Chicago	628-36 E. Bowen Street	20-03-214-038	
	City of Chicago	628-36 E. Bowen Street	20-03-214-039	
	City of Chicago	628-36 E. Bowen Street	20-03-214-040	part of PIN
6	City of Chicago	630-634 E. 42nd Street	20-03-218-042	
	City of Chicago	630-634 E. 42nd Street	20-03-218-043	
	City of Chicago	630-634 E. 42nd Street	20-03-218-044	
7	City of Chicago	636 East 42nd Street	20-03-218-045	
9	City of Chicago	4207-13 S. St. Lawrence	20-03-224-005	
	City of Chicago	4207-13 S. St. Lawrence	20-03-224-006	
	City of Chicago	4207-13 S. St. Lawrence	20-03-224-007	
	City of Chicago	4207-13 S. St. Lawrence	20-03-224-008	
10	City of Chicago	519-23 East 42nd Place	20-03-223-009	
	City of Chicago	519-23 East 42nd Place	20-03-223-010	
12	City of Chicago	4239-41 S. St. Lawrence	20-03-224-019	
13	City of Chicago	600-02 East 43rd Street	20-03-224-021	
14	City of Chicago	606-08 East 43rd St.	20-03-224-022	
	City of Chicago	606-08 East 43rd St.	20-03-224-023	
16	City of Chicago	601-03 East 43rd St.	20-03-403-001	
18	City of Chicago	4311-15 S. St. Lawrence	20-03-403-004	
	City of Chicago	4311-15 S. St. Lawrence	20-03-403-005	
	City of Chicago	4311-15 S. St. Lawrence	20-03-403-006	
19	City of Chicago	4356-58 S. Champlain	20-03-403-036	part of PIN
	City of Chicago	4356-58 S. Champlain	20-03-403-037	
	City of Chicago	4356-58 S. Champlain	20-03-403-038	
20	City of Chicago	4313-15 S. Champlain	20-03-404-006	
	City of Chicago	4313-15 S. Champlain	20-03-404-007	
21	City of Chicago	701-27 East 43rd Street	20-03-405-001	
	City of Chicago	701-27 East 43rd Street	20-03-405-002	
	City of Chicago	701-27 East 43rd Street	20-03-405-003	