

**City of Chicago  
Department of Planning and Development**

**STAFF REPORT  
TO THE  
COMMUNITY DEVELOPMENT COMMISSION  
REGARDING  
A PROPOSED NEGOTIATED SALE OF CITY-OWNED PROPERTY  
AND DESIGNATION OF DEVELOPER  
DECEMBER 11, 2007**

**I. PROJECT IDENTIFICATION AND OVERVIEW**

Project Name: Hancock House Senior Housing

Applicant Name: Hancock House, L.L.C.

Developer: Source Works Development, L.L.C.  
(a member of Hancock House, L.L.C.)

Project Address: 12045 S. Emerald

Ward and Alderman: 34<sup>th</sup>, Carrie M. Austin

Community Area: West Pullman

Redevelopment Project Area: 119<sup>th</sup> and Halsted TIF District

Requested Action: Negotiated sale of vacant land and  
(See wording from Ed's form) TIF

Proposed Project: Hancock House is a proposed 89-unit new construction development for seniors to be located at 12045 S. Emerald Street in the 34<sup>th</sup> Ward. The seven-story building will consist of 13 studio units and 76 one-bedroom units. The units will be available to a mixed-income tenancy, with units reserved for those making 30%, 50%, and 60% of the Area Median Income, as well as market rate rents. The developer intends to apply to the Department of Housing's MAUI program to set aside 15 of the units for tenants with less than 30% of AMI.

Appraised Market Value: \$310,000 (\$7.00 per square foot.)

TIF Developer Designation- Residential 10-05

Sale Price: \$1.00

Assistance

Land Write-Down \$309,999

TIF Assistance: \$900,000

## **II. PROPERTY DESCRIPTION**

Address: 12045 S. Emerald Street  
12052-56 S. Emerald Street  
12051-55 S. Halsted Street

Location: The site is located just east of Halsted Street and just north of the Metra tracks on a quiet residential street on the 12000 block of South Emerald Avenue. All of the proposed parcels are vacant. The building is to be located adjacent to the Major Woods bicycle and walking path. The building's parking lot will provide spaces for 33 cars.

Tax Parcel Numbers:	<u>PIN</u>	<u>Address</u>	<u>Land Area (SF)</u>
	25-28-108-019-0000	12055 S. Halsted	6,765
	25-28-108-018-0000	12051 S. Halsted	3,075
	25-28-108-040-0000	12056 S. Emerald	1,722
	25-28-108-039-0000	12054 S. Emerald	3,075
	25-28-108-038-0000	12052 S. Emerald	3,075
	25-28-109-010-0000	12045 S. Emerald	27,434

Land Area: The six lots range from 1,722 square feet to 27,434 square feet. Total area of all six lots is 45,146 square feet, or 1.04 acres.

Current Use: All six lots have been vacant for several years.

Current Zoning: The lots on Emerald Street are currently zoned RS-3, a Residential Single Unit District; the lots on Halsted are currently zoned B3-1, a low-density General Business District.

Proposed Zoning: The developers are in the process of applying for a Planned Development designation that is appropriate for the density and use of this multi-unit residential development.

Environmental Condition: The Chicago Department of Environment (DOE) is conducting

an environmental review. Applicant will be responsible for testing and remediation if necessary.

**Inventory Profile:**

The City of Chicago acquired the main parcel at 12045 S. Emerald Avenue through condemnation in 2000. The City of Chicago acquired the remaining five of the parcels through the Tax Reactivation Program between 2001 and 2005.

**III. BACKGROUND**

Hancock House Senior Apartments is patterned from the Wheeler House Senior Apartments development that has been developed and managed by Source Works Development. That project, located at 1450 W. 69<sup>th</sup> Street opened in 2003. The success of Wheeler House encouraged Bishop Jerry L. Jones of Brownlow, Belton, Sullivan, Arms, (BSSA), to partner with Source Works Development to create Hancock House, L.L.C. in order to build this senior building near his church in the Beverly/Washington Heights neighborhood. BSSA, the 501(c)(3) non-profit arm of Hancock House, L.L.C., has been involved in the planning process and will acquire ownership of the building in Year 16 of the project.

**IV. PROPOSED DEVELOPMENT TEAM**

**Development Entity:**

Developer:	<b>Source Works Development, L.L.C.</b>
General Partners: (0.01%)	Source Works Development (49%) (Brigite Grossman, managing member of GP) Brownlow, Belton, Sullivan, Arms, NFP (51%)
Limited Partner: (99.99%)	LIHTC Syndicator (TBD)

**Co-Owner / Property Manager / Developer**

Brigite Grossman, Source Works Development

Brigite Grossman has been involved in the development, construction, and operation of facilities serving the elderly for 20 years. SWD have extensive background in the field and currently have a nursing facility in Woodlawn. They are partners on one other DOH property – Wheeler House, 1450 West 69<sup>th</sup> Street, West Englewood. Wheeler House has been operating successfully since its opening in January 2003.

**Co-Owner**

Brownlow, Belton, Sullivan, Arms, NFP

Brownlow, Belton, Sullivan Arms NFP (BBSA) is the 501(c)(3) arm of the Pentecostal Churches of the Apostolic Faith (PCAF). This international ministry organization represents over 300 churches throughout the world. BBSA was formed specifically to help the housing needs of seniors. They have been

fundraising since their inception for this specific purpose.

**Consultants:**

Finance Consultant:	Lighten-Gale Group / Virginia Pace
Architect:	Cox Limited
General Contractor:	TBD
Developer’s Counsel:	Katten Muchin Rosenman LLC / Howard M. Richard
Property Management:	SW Management
Lead Lender:	Harris Bank
Syndicator:	TBD

**General Contractor**

Linn-Mathes, Inc.

[www.linn-mathes.com](http://www.linn-mathes.com)

Linn-Mathes Inc. has invested eight decades in perfecting their building techniques and has constructed quality projects of all types including several affordable housing projects across the Chicagoland area. With many successful senior housing projects completed, Linn-Mathes Inc. understands the unique requirements and issues involved in constructing housing for the elderly. Linn-Mathes served as the General Contractor on another DOH property – Wheeler House, 1450 West 69<sup>th</sup> Street, West Englewood.

**Architect**

Cox, LTD

Cox Limited is a Chicago-based Architecture, Planning, Interior Design, and Consulting Firm established in 1972 to provide special in-depth services to Housing and Senior Services. In combination with their architecture, their area of expertise include Facility Master Planning, Programming, Physical Plant Assessment, Project Budgeting/Scheduling, Computer Assisted Design/Graphics (CADD), Value Engineering/Life Cycle Costing, Equipment Planning and Procurement assistance, Space Planning, Interior Design and Furnishings/Fixtures coordination. Recent projects include Wheeler House Independent Senior Living building in Chicago, Assisted Living Facility in Morton Grove, Glenview Terrace Nursing and Rehabilitation Center in Glenview, and Northern Illinois Medical Center in McHenry.

**Property Manager**

SW Management, Brigitte Grossman

Brigitte Grossman has been involved in the development, construction, and operation of facilities serving the elderly for 20 years. SWM have extensive background in the field and currently have a nursing facility in Woodlawn. They are partners on one other DOH property – Wheeler House, 1450 West 69<sup>th</sup> Street, West Englewood. Wheeler House has been operating successfully since its

opening in January 2003.

**Finance Consultant**

Virginia Pace, Lighten-Gale Group

[www.housingdeveloper.com](http://www.housingdeveloper.com)

Maggy Tinucci, Lighten-Gale Group

Lighten-Gale Group (LGG), a consulting firm in business since 1999, has extensive experience in coordinating financing and project management services related to the development of affordable, market rate and mixed income housing. LGG specializes in multi-family affordable housing but also coordinates other creatively financed projects. LGG is coordinating all of the private and public financing for this project.

**Legal Counsel – Organizational**

[www.kattenlaw.com](http://www.kattenlaw.com)

Katten Muchin Rosenman, LLP, Howard Richard

KattenMuchinRosenman, LLP, has extensive experience in all aspects of real estate practice, with particular experience in developments involving governmental subsidies, such as bond financing, federally-insured multi-family financing and low-income housing tax credits. The attorney's working on this project have substantial background in tax, with extensive experience in entity formations, tax credit syndications and equity financings of partnerships and limited liability companies. They have represented lenders, governmental agencies, investors, developers, non-profit corporations, assisted living facilities and tax credit syndicators in a variety of transactions utilizing complex financing structures, including tax-exempt bonds, low-income housing tax credits, historic rehabilitation tax credits, secured and unsecured loans, government grants and HUD program funds.

KattenMuchinRosenman, LLP, will primarily serve as the tax credit attorneys on the project.

**Legal Counsel – Zoning**

[www.shefskylaw.com](http://www.shefskylaw.com)

Shefsky & Froelich, Jack Guthman

Shefsky & Froelich maintains a wide-ranging real estate practice, representing developers requiring zoning changes and other relief as a precondition to the development process. During the past decade, Mr. Guthman has acted as zoning counsel for the developers of more than 30 million square feet of major Chicago properties. The scope of Mr. Guthman's activities includes landmark, vacation, dedication and easement, traffic and transportation, water and sewer, aviation and legislative matters as they relate to development in every sector of Chicago and in municipalities throughout the metropolitan area. During his career, he has

represented clients in hundreds of negotiations with and public hearings before government bodies, including state and local boards, commissions, the Illinois General Assembly and the U.S. Congress. His experience includes 17 years as a member of the Chicago Zoning Board of Appeals, the last 12 of those years as its Chairman.

Shefsky & Froelich will primarily serve as the zoning attorneys on this project, and will facilitate working with the City of Chicago to rezone the site into a PD, appropriate for the proposed project.

## **V. PROPOSED PROJECT**

### **Project Overview**

Hancock House is a seven-story, brick and masonry building. The exterior of the building will feature architectural details such as dual colored bricks with varying textures to enhance its appearance. Large windows in common areas will allow residents to look out onto the landscaping around the building, and out onto the adjacent public bike and walking trail. A covered driveway will provide shelter for residents leaving and entering the building.

The focal point of the building is a large atrium in the center of the complex. This “Atrium Elderly” concept provides an affordable housing product that uniquely meets the needs of the senior market. The atrium opens the interior of the building to natural light and landscaping. Apartment units are located along one side of the atrium and along two short corridors connected to the atrium. The ground floor of the atrium is designed as an all-weather gathering place. Amenities include a community room for special gatherings and meetings, a fully-functioning community kitchen, a fitness room, and a computer workstation.

A landscaped parking lot will provide access to Halsted Street and can accommodate 33 cars. A Metra train station is located across the street from the parking lot and provides quick and convenient access to the Chicago loop.

The developer wishes to begin construction in the fall of 2008, with completion in approximately 18 months. A site plan, floor plan, and elevations are provided as exhibits to this report.

### **Unit Profile**

The following table provides detailed information about the affordable and market rate components of the proposed project. The project will provide a total of 89 rental units, of which 80 units, or 90 percent will be affordable to households earning up to a range of 30 percent to 60 percent of area median income. These units will easily satisfy the Chicago affordable housing ordinance, which requires 10 percent affordable units in projects receiving City assistance in the form of a land write-down or 20 percent affordable units in projects receiving TIF assistance. The Department of Housing has reviewed and approved the rents of the affordable units.

*See following page.*

<b>Unit Type</b>	<b>Number</b>	<b>Market/ Affordable</b>	<b>Size SF</b>	<b>Monthly Rent / SF</b>	<b>Monthly Rent*</b>
<b>Studio</b>	5	Affordable at 15% AMI**	470	\$0.36	\$168
<b>Studio</b>	6	Affordable at 30% AMI**	470	0.78	366
<b>Studio</b>	2	Affordable at 50% AMI	470	1.06	500
<b>1 BR</b>	2	Affordable at 15% AMI**	550	0.32	175
<b>1 BR</b>	2	Affordable at 30% AMI**	550	0.70	386
<b>1 BR</b>	37	Affordable at 50% AMI	550	1.14	625
<b>1 BR</b>	26	Affordable at 60% AMI	550	1.23	675
<b>1 BR</b>	9	Market	550	1.32	725
<b>Total</b>	<b>89</b>				

\* Tenants pay for household electric only.

\*\* Developer intends to apply to DOH for MAUI funds which will allow rents at 15% and 30% of AMI

### **Environmental Features**

This project meets the Department of Housing’s Affordable Housing Green/Energy Efficiency guidelines .The project will incorporate green technology and features wherever possible.

- § 50% Green Roof
- § Reflective Roof Coating
- § Super-insulated building envelope with brown cellulose wall insulation
- § Low-E glazing on windows
- § Extensive use of natural daylighting for interior common spaces
- § Automatic dimming control of common area electric lighting
- § Energy Star appliances
- § Native species landscaping
- § Landscaped patio and connection to bike/walking path
- § Pervious concrete paving for parking lot
- § Considering geothermal heating and cooling
- § Considering solar hot water collectors

**VI. FINANCIAL STRUCTURE**

The Department of Housing has preliminarily set aside \$3,952,921 in loan funds and \$800,000 in 9% Low Income Housing Tax Credits, creating an additional \$11,430,000 in Low Income Housing Tax Credit equity to be provided by a low income housing tax credit syndicator yet to be determined.

*DPD proposes providing TIF assistance in the amount of \$900,000 for TIF-eligible expenses. The funding will be in the form of a \$150,000 cash payment from existing increment and two taxable Notes. The first Note for \$550,000 will be issued at Certificate of Completion. The second Note, for \$200,000 will be issued when all 89 units are leased and occupied. In addition the City is offering a land write-down of \$1,209,999. The total subsidy from the TIF funding and land write-down represents 6.3% of the total development cost of the project. The TIF Notes will be repaid from 95% of the Project PINs.*

This project is located in a blighted area of the West Pullman community. The new construction of this building will significantly improve the economic viability of the surrounding area. This project would not be possible but for the TIF financing.

The following tables identify the sources and uses of funds.

**Sources and Uses of Funds**

<b>SOURCE OF FUNDS</b>	<b>AMOUNT</b>	<b>RATE</b>	<b>TERM/ AMORT</b>	<b>STATUS</b>	<b>PER UNIT (89)</b>	<b>% of PROJECT</b>
First Mortgage Harris Bank	\$ 750,000	7.25%	22/30	Pending	\$8,427	3.9
DOH HOME	3,952,921	0.00%	22/ Balloon	Pending	44,415	20.5
DOH ARC	750,000		20/ Balloon	Pending	8,427	3.9
IHDA Trust Fund	1,000,000		20/ Balloon	Pending	11,236	5.2
Illinois Donation Tax Credit Equity	318,750			Pending	3,582	1.7
TIF	900,000	7.25%	15/ Balloon	Pending	10,112	5.0
LIHTC (9%) Equity Syndicator TBD	11,430,000			Pending	128,427	59.8
<b>TOTAL</b>	<b>\$19,101,671</b>				<b>\$214,626</b>	<b>100.0%</b>



<b>USE OF FUNDS</b>	<b>AMOUNT</b>	<b>PER UNIT (89)</b>	<b>PER SF (74,116 SF)</b>	<b>% of PROJECT</b>
<b>Acquisition</b>	\$1	\$0	\$0	0
<b>Construction</b>	15,920,200	178,879	214.80	83
<b>Soft Costs</b>	2,046,082	22,990	27.61	11
<b>Developer's Fee</b>	1,135,388	12,757	15.32	6
<b>Total</b>	<b>\$19,101,671</b>	<b>\$214,626</b>	<b>\$257.73</b>	<b>100.0</b>

## **VII. PUBLIC BENEFITS**

The proposed project will provide the following public benefits.

**Affordable Housing:** The project will create 89 affordable housing units for a minimum of 30 years.

**Property Taxes:** This project will return these parcels back to the tax rolls and will generate increased tax increment through the improvements made to the now vacant parcels.

**Permanent Jobs:** The project is estimated to generate 3 permanent jobs. The Mayor's Office for Workforce Development (MOWD) has been informed of the project and work with the developer on job training and placement.

**Construction Jobs:** The project will produce 25 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 eight 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 Carrie Austin endorses the project and has provided a letter of support (see exhibits for copy). Alderman Austin has requested that this project be presented at a community meeting held in conjunction with the proposed zoning amendment needed as part of the development

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

The proposed project is located in the 119<sup>th</sup>/Halsted Tax Incremental Financing ("TIF") Redevelopment Plan and Project Area, established pursuant to ordinances approved by the City Council on February 6, 2002.

The proposed project conforms to the Redevelopment Goals and Objectives of the Plan to include a comprehensive and coordinated area-wide investment in new public and private improvements and facilities. Implementation of the Goals and Objectives are essential for the successful redevelopment of the Project Area; as well as the elimination of conditions that have impeded redevelopment of the Project Area in the past. The success of the Plan will spur the revitalization of existing housing and institutional community development. The implementation strategy for achieving the plan's goals envisions the sale of City land for residential development. The proposed project also conforms to the plan's land use map which calls for residential development at the subject site.

## **X. CONDITIONS OF SALE**

If the proposed resolution is approved by the CDC, DPD will release a public notice announcing the proposed sale and seeking alternative development proposals. The public notice will be published in one of Chicago's metropolitan newspapers at least once for each of three consecutive weeks. If no responsive alternative proposals are received within 30 days of the publishing of the first notice, the department will accept a good faith deposit from the proposed developer, and a redevelopment agreement will be negotiated. 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. Before today's action is presented to the City Council for approval, the department will conduct a thorough background check of all principals having an ownership interest of 7.5 percent or greater, and of the boards of directors and trustees of non-profit organizations. Similar background checks will be conducted on the development entity itself.

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 redevelopment agreement will include a development timetable.

## **XI. RECOMMENDATION**

The Department of Planning and Development has thoroughly reviewed the proposed project,

TIF Developer Designation- Residential 10-05

the qualifications of the development team, the financial structure of the project, the need for public assistance, its public benefits, and the project's conformance with the redevelopment area plan, and DPD recommends that the CDC approve the sale of 12045, 12052, and 12054 S. Emerald Avenue, and 12051 and 12055 S. Halsted Street to Brownlow, Belton, Sullivan Arms NFP for the development of Hancock House and recommends the designation of Source Works Development, L.L.C. as Developer.

**EXHIBITS**

Redevelopment Area Map  
Neighborhood Map or Aerial  
Survey or Plat  
Site Plan  
Typical Floor Plan  
Front Elevation or Rendering  
Sample M/WBE Letter  
Copies of M/WBE Certified Letter Receipts  
Copy of Residential Developer License  
Letter of Interest from Lender  
Community Letters of Support  
Alderman's Letter of Support