May 16, 2014

AUTHORIZATION TO 1) ENTER INTO A PREDEVELOPMENT LOAN AGREEMENT WITH LATHROP COMMUNITY PARTNERS, LLC IN AN AMOUNT NOT TO EXCEED $3,441,283; 2) EXECUTE A PRELIMINARY COMMITMENT LETTER FOR LATHROP PHASE I; AND 3) EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND PERFORM SUCH ACTIONS AS MAY BE NECESSARY OR APPROPRIATE TO IMPLEMENT THE FOREGOING

To the Honorable Board of Commissioners:

RECOMMENDATION
It is recommended that the Board of Commissioners (Board) authorize the Chief Executive Officer (CEO) or his designee to 1) Enter into a Predevelopment Loan Agreement with Lathrop Community Partners, LLC (Developer) in an amount not to exceed $3,441,283; 2) Execute a Preliminary Commitment Letter for Lathrop Phase I; and 3) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

The Chief Housing Officer, Office of the General Counsel and Department of Procurement and Contracts have completed all necessary due diligence to support submission of this initiative and recommend approval of this item accordingly.

CORPORATE GOAL #1
The proposed development supports the Chicago Housing Authority’s (CHA) corporate goal to reimagine the Plan Forward by redeveloping Lathrop Homes into a mixed-income site, and coordinate public and private investments to develop healthy, vibrant communities.

FUNDING
Not to exceed $3,441,283 of CHA General Funds

M/W/DBE & SECTION 3 PARTICIPATION – Compliance Affidavits on File

GENERAL BACKGROUND
Julia C. Lathrop Homes (Lathrop Homes) was constructed in 1938, under the Neighborhood Composition Rule, which dictated that public housing developments would be comprised of the racial make-up of the neighborhoods in which they were located. The original residents were composed of exclusively white tenants. Lathrop Homes was one of the original three “demonstration projects” which were the first public housing developments in the City. The development contains 31 low-rise buildings with a total of 925 units on 32 acres of land on the north side of Chicago. The site boundaries include Clybourn Avenue, Wellington Avenue, Damen Avenue, and the Chicago River. In February 2012, Lathrop Homes was listed on the
National Register of Historic Places. The original Plan for Transformation anticipated rehabilitation of Lathrop Homes as part of a group of ten family properties that were not subject to HUD’s Section 202 viability assessment and not slated for demolition. In FY2002-FY2006 annual plans, CHA indicated a determination for rehabilitation or redevelopment was still under consideration. Beginning with the FY2007 annual plan, CHA indicated the site would be redeveloped as mixed-income housing. Currently 187 remaining families with a Right of Return have indicated a preference for Lathrop Homes replacement housing.

Procurement
On January 7, 2010 CHA/Habitat issued the RFQ for a master planning developer and property management team. In September 2010 Lathrop Community Partners, LLC, a master development team consisting of Heartland Housing, Inc., Related Midwest, LLC, Bickerdike Redevelopment Corporation, Magellan Development Group, LLC and Ardmore Associates, LLC was selected. On October 1, 2011 the Lathrop Community Partners (LCP) entered into a Master Development Agreement.

Lathrop Phase I Development
Phase I plans include the historic redevelopment of 14 buildings on the north side of Diversey. Phase I also includes plans to demolish two existing buildings, one located at the southwest corner of Diversey and Damen, the other at the opposite northwest corner, to be replaced with two new mid-rise, mixed-use residential and commercial buildings. The total number of units in Phase I are to be determined.

Lathrop Predevelopment Loans
The proposed $3,441,283 CHA loan for Phase I will not exceed 75% of eligible Lathrop Phase I third party predevelopment costs consistent with the United States Department of Housing and Urban Development (HUD) cost control guidelines. The total Phase I predevelopment budget is $4,864,377 and the Developer will cover the remaining 25% of costs. This Phase I loan will help fund predevelopment costs including architectural and engineering design development and construction documents, permit fees, technical reports, surveys and related real estate services. All Phase I predevelopment funds loaned will be repaid in full to CHA at the Phase I transaction closing. These repayment funds will then become available for remaining redevelopment phases, with the initial predevelopment loan acting as a revolving predevelopment loan for future phases.

Lathrop Phase I Preliminary Commitment
With approval of this resolution, CHA plans to execute a Preliminary Commitment Letter to provide CHA funds for both capital development costs and annual operating costs for its public housing units. The annual operating subsidy will provide funds to cover all operating costs allocable to the CHA units in Lathrop Phase I. The Preliminary Commitment Letter will be valid for one year in order to allow the Developer to secure development and construction financing from other sources. Once all financing is secured, the full development and finance plans for Lathrop Phase I will be submitted to CHA Board prior to submission for HUD’s review and approval to close and start construction on Phase I.
The Board actions recommended in this item comply in all material respects with all applicable CHA board policies and all applicable federal procurement regulations.

The Chief Housing Officer concurs with the recommendation to 1) Enter into a Predevelopment Loan Agreement with Lathrop Community Partners, LLC in an amount not to exceed $3,441,283; 2) Execute a Preliminary Commitment Letter for Lathrop Phase I; and 3) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

The CEO/President recommends approval to 1) Enter into a Predevelopment Loan Agreement with Lathrop Community Partners, LLC in an amount not to exceed $3,441,283; 2) Execute a Preliminary Commitment Letter for Lathrop Phase I; and 3) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.
RESOLUTION NO. 2014-CHA-49

WHEREAS, the Board of Commissioners has reviewed the Board Letter dated May 16, 2014 entitled Authorization to 1) Enter into a Predevelopment Loan Agreement with Lathrop Community Partners, LLC in an amount not to exceed $3,441,283; 2) Execute a Preliminary Commitment Letter for Lathrop Phase I; and 3) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT, the Board of Commissioners has reviewed the Board Letter dated May 16, 2014 entitled Authorization to 1) Enter into a Predevelopment Loan Agreement with Lathrop Community Partners, LLC in an amount not to exceed $3,441,283; 2) Execute a Preliminary Commitment Letter for Lathrop Phase I; and 3) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

This award is subject to the Developer’s compliance with CHA’s MBE/WBE/DBE, Section 3 and insurance requirements.

APPROVED
MAY 20 2014
Board of Commissioners