



**January 19, 2020**

**Item No. 11**

**RECOMMENDATION TO RE-ISSUE AND SELL MULTIFAMILY HOUSING REVENUE NOTES (ONE OR MORE SERIES) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$35 MILLION FOR CAROLINE HEDGER APARTMENTS**

**Property Name:** Caroline Hedger Apartments  
**Address:** 6400 - 6418 N. Sheridan  
**Ward:** 49th  
**Alderman:** Maria Hadden  
**Presenter:** Ann McKenzie, Chief Development Officer

**Recommendation**

The Acting Chief Executive Officer recommends that the Board of Commissioners of the Chicago Housing Authority (CHA) in its capacities as the Board of Commissioners of the CHA, authorized representative for Chicago Housing Administration LLC (CHA LLC), and authorized representative for Caroline Hedger Housing Development, LLC (1) Re-issue Multifamily Housing Revenue Notes (one or more series) in an aggregate amount not to exceed \$35,000,000 (the "Notes"); (2) Execute and deliver all documents in connection with the issuance and sale of the Notes; and; (3) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

The requested action in this item complies in all material respects with all applicable CHA Board of Commissioner's policies and all applicable federal procurement laws. Staff have completed all necessary due diligence to support the submission of this initiative.

**Property Summary**

<b>Building Name</b>	<b>Owner</b>	<b>Residents Served</b>	<b>RAD Units</b>
Caroline Hedger Apartments	Caroline Hedger Housing Development, LLC	Seniors	449

**Funding**

No additional CHA funding needed.

## **Background**

Caroline Hedger Apartments is a 26-story designated senior housing building located at 6400 - 6418 N. Sheridan. The building, which contains 449 units (reduced from the former 450 to accommodate access to a new roof deck on the community room), was built in 1962 and is located on an approximately .5-acre site. The site was reduced from 1.5-acres with the closing of the Concord at Sheridan, the adjacent development approved by the CHA Board of Commissioners in May, 2017 (2017-CHA-54). The building was subsequently deeded to Caroline Hedger Housing Development, LLC, in November 2018 as approved by the CHA Board of Commissioners in March 2018 (2018-CHA-16).



On June 11, 2014 (2014-CHA-62), the CHA Board of Commissioners approved a contract with Madison Construction to perform comprehensive modernization and life safety of the building (the “Project”). The costs for this rehabilitation was approximately \$44 Million. At the time of the initial resolution for modernization of the property, it was the CHA’s intention to keep open all options for permanent financing, including the reimbursement of costs spent through the potential future issuance of tax-exempt bonds.

Bonds were issued as part of a financing of the Property. The permanent loan associated with such bonds was expected to commence in May 2019. The tenant file low income housing tax credit documentation was not completed in May 2019 so the construction period lender agreed to extend its loan and the permanent lender agreed to a later conversion to permanent. In order to maintain the tax exemption for the bonds and maintain the negotiated interest rate for the permanent loan, the permanent lender has requested a reissuance of the bonds.

**Development Entities and the Plan**

A CHA controlled entity serves as the developer and CHA created new ownership entity known as Caroline Hedger Housing Development, LLC (the “Owner” or “CHHD”). Bonds will be re-issued, and the Owner will borrow the funds from the CHA with the proceeds used to reimburse CHA for capital costs spent on the Project pursuant to Treas. Reg. §1.150-2. The purpose of the Owner is to acquire, own, and operate Caroline Hedger Senior Apartments. The rehabilitation is completed and has been in service in 2018. Pursuant to the operating agreement governing CHHD, LLC, the designated officers of CHHD, LLC are the (Acting) Chief Executive Officer, the Chief Financial Officer, and the Chief Legal Officer, respectively, of the CHA (the “CHHD, LLC Designated Officers”), as they are for CHA LLC. CHHD, LLC Designated Officers have authority to conduct the day-to-day affairs of CHHD, LLC subject to the control of the CHA Board of Commissioners. In addition, certain significant actions set forth in the operating agreement require approval by the CHA Board of Commissioners.

The attached resolution authorizes the reissuance of the bonds, as requested by the permanent lender.

Respectfully Submitted:

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Ann McKenzie  
Chief Development Officer

**RESOLUTION NO. 2020-CHA-**

**WHEREAS,** the Chicago Housing Authority, a municipal corporation and a body politic and corporate duly organized and validly existing under and by virtue of the laws of the State of Illinois (collectively, the "Authority"), including without limitation the Housing Authorities Act, 310 ILCS 10/1 et seq., and all laws amendatory and supplemental thereto, including in particular the Local Government Debt Reform Act, 30 ILCS 350/1 et seq. (the "Act"), is authorized by the laws of the State of Illinois (the "State"), including without limitation in the Act, to issue its revenue Bonds and Notes for the purposes set forth in the Act and to permit the expenditure of the proceeds thereof to finance or refinance the costs of the development, rehabilitation, and renovation of multifamily rental housing located in the jurisdiction of the Authority; and

**WHEREAS,** the Authority previously issued its Multi-Family Housing Revenue Notes (the "Initial Notes") in the amount of \$35,000,000 and loaned the proceeds thereof to Caroline Hedger Housing Development, LLC (the "Borrower") to finance the costs of the acquisition, rehabilitation, and renovation of Caroline Hedger Senior Apartments Project consisting of 449 rental units of public housing in Chicago, Illinois (the "Senior Apartments Project"); and

**WHEREAS,** at the time the Initial Notes were issued it was the intention of all parties that at the end of the short-term tax-exempt rate, the Initial Notes would convert to a long-term (20 year) permanent tax-exempt rate (the "Permanent Loan"); and

**WHEREAS,** upon the issuance of the Initial Notes, the short-term obligation (the "Governmental Lender Note") provided for a six month maturity at which time the Governmental Lender Note would convert to the Permanent Loan; and

**WHEREAS,** while the Permanent Loan was described in the documents, it was not clear that it was to be tax-exempt; and

**WHEREAS,** the Borrower has requested that the Authority amend the Initial Notes and the documents related thereto (the "Authority Documents") in order to reflect that the Permanent Loan is tax-exempt; and

**WHEREAS,** the Initial Notes, the proceeds of which were used to finance a portion of the costs of the Senior Apartments Project will be refinanced through the issuance by the Authority of its Multi-Family Housing Revenue Refunding Notes (the "Notes") which will be tax-exempt; and

**WHEREAS,** a determination has been made by the Authority that the Senior Apartments Project constitutes "multifamily rental housing" within the meaning of the Act and that the financing and refinancing thereof will meet the public purposes of the Acts; and

**WHEREAS,** pursuant to and in accordance with the provisions of the Act, the Authority is now prepared to proceed with the refinancing of a portion of the costs of the Senior Apartments Project through the amendment of the Authority Documents and the reissuance of the Initial Notes through the issuance of the Notes; and

**WHEREAS,** certain income and other rental restrictions required by Sections 42 and 142(d) of the Internal Revenue Code of 1986, as amended (the "Code") related to the Senior Apartment Project will be specified in one or more amended and restated Land Use Agreement and tax related documents;

**THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE CHICAGO HOUSING AUTHORITY:**

**THAT,** the Acting Chief Executive Officer, or his designee, is authorized to execute all documents needed to amend the Authority Documents in order to refund the Governmental Lender Note and cause the Permanent Loan to be tax-exempt;

**THAT,** the Board hereby delegates to the Acting Chief Executive Officer or his designee, authority to select a bond or note purchaser and related fiscal agent, provided that such selection is made within the parameters of the Authority's procurement practices;

**THAT,** the Acting Chief Executive Officer, or his designee, is authorized to execute all documents in order to amend the Authority Documents and refund the Initial Notes in an aggregate amount not to exceed \$35,000,000 (the "Refunding Notes") in substantially the same form as documents previously approved in connection with the issuance and sale of the Authority's other multifamily housing revenue notes to a purchaser and related fiscal agent as approved by the Acting Chief Executive Officer;

**THAT,** the Board hereby delegates to the Acting Chief Executive Officer or his designee, authority to negotiate and accept the terms and provisions of all financing documents on behalf of the Authority, provided that such terms and provisions shall be within the parameters of the Act and any applicable Authority policies and practices;

**THAT,** the Acting Chief Executive Officer, or his designee, is authorized to execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing; and

**THAT,** within thirty (30) days of closing the latest of the transactions authorized in this Resolution, the Acting Chief Executive Officer shall file, with the Board Secretary for distribution to the Commissioners, a report setting forth the final terms of the transactions.

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James L. Bebley  
Acting Chief Executive Officer  
Chicago Housing Authority