RECOMMENDATION TO PROCEED WITH A RENTAL ASSISTANCE DEMONSTRATION PROGRAM TRANSFER OF ASSISTANCE APPLICATION; LOAN NOT TO EXCEED $3,000,000; ENTER INTO TWO PROJECT-BASED VOUCHER HOUSING ASSISTANCE PAYMENT CONTRACTS; AND APPROVE THE TENANT SELECTON PLAN FOR LEVY HOUSE (1221 WEST SHERWIN)

Development Address | Community Area | Alderman / Ward | Target Population | Total Units |
--- | --- | --- | --- | --- |
Levy House 1221 West Sherwin Avenue | Rogers Park | Maria Hadden / 49th Ward | Seniors | 57

Presenters: Eric Garrett, Chief Property Officer
Ann McKenzie, Chief Development Officer
Cheryl Burns, Chief Housing Choice Voucher Officer

Recommendation
It is recommended that the Board of Commissioners (BOC) of the Chicago Housing Authority (CHA) authorize the Chief Executive Officer or her designee to: 1) request Rental Assistance Demonstration (RAD) program project-based voucher (PBV) assistance from former Altgeld Gardens units be transferred for 20 units; 2) execute two housing assistance payment (HAP) agreements, (i) RAD HAP for 20 RAD PBV units, and (ii) HAP for 36 PBV units; 3) loan CHA funds not to exceed $3,000,000; 4) approve the Levy House Tenant Selection Plan, lease and lease riders; 5) amend the CHA Housing choice Voucher Program Administrative Plan to incorporate such documents as an addendum thereto; and 6) execute all other documents as may be necessary or appropriate to implement the foregoing.

The requested actions comply in all material respects with all applicable federal, state and local laws, and CHA BOC policies. Staff have completed all necessary due diligence to support the submission of this initiative.

Compliance
Subject to compliance with M/W/DBE & Section 3 Participation.

Background and Approach
In January 2019, the CHA BOC authorized the acquisition of the 57-unit senior residential building located at 1221 West Sherwin and committed up to $8,500,000 from the CHA line of credit towards preservation. The low-income tenants are at-risk of displacement as the non-profit owner of the property is unable to continue to self-subsidize the units.
After further review by CHA staff, CHA allowed the seller to market the building to other potential purchasers. The seller identified Preservation of Affordable Housing (POAH) as a purchaser and POAH applied to the CHA for rental assistance for the residents and a loan for part of the acquisition and capital work planned.

**Estimated Contracts:**
Two HAP contracts would be issued for the following:

<table>
<thead>
<tr>
<th>Development Owner / Developer</th>
<th>Contract</th>
<th>Contract Term</th>
<th># of Assisted Units</th>
<th>Initial Estimated Contract (Yr 1)</th>
<th>Total Estimated Contract (Term of Contract)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levy House Preservation of Affordable Housing (POAH)</td>
<td>RAD</td>
<td>20 years</td>
<td>20</td>
<td>$246,960*</td>
<td>$6,000,478</td>
</tr>
<tr>
<td>Levy House POAH</td>
<td>PBV</td>
<td>30 years</td>
<td>36</td>
<td>$459,228</td>
<td>$18,629,998</td>
</tr>
</tbody>
</table>

*Assumes approximately $1,104 for a 1BR unit. Actual rents are subject to RAD & PBV program rules.

**Property Profile:** Levy House (1221 W. Sherwin Avenue)

Levy House is a 57-unit, 8-story, elevator building located in the Rogers Park community in a Gautreaux General and Opportunity Area. Originally constructed in the 1950s, the building underwent substantial rehabilitation in 2009. The site is conveniently located near public transportation, medical services, and a vibrant residential community.
RAD PBV is requested for 20 units and PBV through CHA’s PRA program is requested for 36 units. The property is currently almost 100% occupied. Once the units are subsidized under CHA’s programs, tenants will come from CHA-managed wait lists.

Tenants are responsible for all electricity, including cooking. The building will provide heat, water, and appliances. Amenities include an exercise and activity room, as well as on-site laundry, 19 on-site parking spaces, and access to a private beach. Levy House contains 56 one-bedroom units and 1 two-bedroom unit.

**Rental Assistance Demonstration (RAD)**

The U.S. Congress authorized the RAD program in 2012. RAD provides an opportunity for public housing authorities to utilize either Project Based Vouchers (PBV) or Project-Based Rental Assistance (PBRA) contracts to stabilize funding for up to 455,000 units of public housing nationwide. A primary goal of RAD is to use long-term contracts to leverage private financing for capital improvements while preserving affordability.

CHA received a RAD portfolio award from HUD in June 2015 and continues to transition more than 10,000 units of public housing to RAD PBV units. To date, CHA has converted more than 5,000 units to the RAD subsidy. CHA seeks Board of Commissioners approval to submit a formal RAD application to the U.S. Department of Housing & Urban Development (HUD) for Levy House.

A key component of the RAD program that is applicable to the requested approval outlined herein is the permission to transfer subsidy from one property to another. The HUD-authored RAD Notice (PIH-2019-09 PIH-2019-23 (HA)-, (Revision 4)) allows for “Transfer of Assistance”, where a Public Housing Agency (PHA) may partially or fully transfer PBV subsidy from a “Converting Project” to a “Covered Project.” Transfer of Assistance approvals are ultimately determined by HUD.

In July 2016, the CHA Board of Commissioners authorized CHA to use the RAD program to transfer rental assistance from 244 vacant units at Altgeld for the use of building and/or preserving other affordable housing in alternate locations. CHA is identifying additional opportunities to utilize RAD PBV transfer of assistance to provide quality replacement housing options. The CHA Board of Commissioners (BOC) has previously approved this transfer of assistance option from Altgeld to Southbridge (former Harold Ickes site) that will serve 68 CHA eligible residents after the completion of multiple construction phases. Construction for Southbridge Phase I started in January 2020.

**Proposed RAD Financing Plan and CHA Financing**

In addition, to the RAD and PRA PBV rental subsidies, CHA will provide a loan for up to $3,000,000 toward the total project development costs, currently projected to be $14,000,000. Financing sources include tax exempt bonds, equity from the sale of Low-Income Housing Tax Credits (LIHTCs), City of Chicago funding, and a loan from the Chicago Low Income Housing Trust Fund.

The not-to-exceed total CHA funding of $3,000,000 will provide funds for the rehabilitation of CHA’s RAD PBV units.
**Owner/Developer**

Preservation of Affordable Housing (POAH) is an Illinois non-profit corporation and is a CHA prequalified developer. POAH is the owner and operator of more than 11,000 affordable units in 11 states plus the District of Columbia. POAH’s Chicago office has rehabilitated hundreds of affordable units in Chicago and successfully converted two buildings to RAD2 in the Woodlawn community: Butler Lindon Apartments (23 units) and Eddie Mae & Alex Johnson Apartments (18 units).

Respectfully Submitted:

_____________________________________________________
Eric Garrett
Chief Property Officer

_____________________________________________________
Ann McKenzie
Chief Development Officer

_____________________________________________________
Cheryl Burns
Chief Housing Choice Voucher Officer

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James L. Bebley
Chief Operating Officer
WHEREAS, the Board of Commissioners of the Chicago Housing Authority has reviewed the Board Letter dated May 19, 2020 entitled “Recommendation to proceed with a Rental Assistance Demonstration Program Transfer of Assistance Application, Loan not to Exceed $3,000,000; Enter into Two Project-Based Voucher Housing Assistance Payment Contracts; and Approve the Tenant Selection Plan for Levy House (1221 West Sherwin).

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

THAT, the Chief Executive Officer or her designee is authorized to request Rental Assistance Demonstration (RAD) program project-based voucher (PBV) assistance from former Altgeld Gardens units be transferred for 20 units.

THAT, the CHA may loan CHA funds not to exceed $3,000,000.

THAT, the Chief Executive Officer or her designee may execute two Housing Assistance Payment contracts for a total of 20 RAD PBV units and 36 PBV units.

THAT, the 1221 West Sherwin Tenant Selection Plan and lease are approved.

THAT, the CHA Housing Choice Voucher Program Administrative Plan may be amended to incorporate such documents as an addendum thereto.

THAT, the Chief Executive Officer or her designee is authorized to execute all other documents as may be necessary or appropriate to implement the foregoing.

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Angela Hurlock
Chairperson
Chicago Housing Authority