July 21, 2020

Item No. 11

AUTHORIZATION TO EXTEND THE LOAN AGREEMENT WITH PARKSIDE ASSOCIATES, LLC. IN THE AMOUNT OF ONE MILLION DOLLARS

Presenter: Michael J. Gurgone, Chief Investment Officer

Recommendation
It is recommended that the Board of Commissioners authorize the Chief Executive Officer or her designee to extend the loan agreement with Parkside Associates, LLC through June 30, 2022.

CHA proposes extending the maturity date from December 31, 2020 to December 31, 2022. The principal amount outstanding is One Million Dollars ($1,000,000). Interest would continue to be charged at an annual simple interest rate of 4%, payable quarterly with principal due at maturity.

The requested action complies in all material respects with all applicable federal, state and local laws, and Chicago Housing Authority board policies. Staff have completed all necessary due diligence to support the submission of this initiative.

Compliance: N/A

Funding
No additional funding required

Background
Parkside Associates, LLC is the CHA-procured development team responsible for the redevelopment of the former Cabrini-Green Extension North site and is led by Peter Holsten. In 2009, the CHA joined a collective effort involving the City of Chicago, the U.S. Department of Housing and Urban Development (“HUD”), J.P. Morgan Chase Bank (“Chase Bank”) and Parkside of Old Town LLC, which is comprised of the Holsten Development Corporation (“Holsten”) and the Cabrini Green LAC Community Development Corporation. The partnership was formed in order to prevent Chase Bank from foreclosing on its construction loan with Parkside of Old Town, LLC. With HUD’s approval, the CHA acquired the discounted construction loan note from Chase Bank for $11 million, which was collateralized by 70 market-rate units at Parkside of Old Town Phase 1A For-Sale development site.

Together, Holsten and the CHA successfully marketed and sold all of the units, earning the CHA a $4.5 million profit. In December 2016, the CHA Board approved under Resolution No 2016-CHA-126 a loan to Parkside Associates for $1.5 million with a three-year maturity at 4% simple
interest annually and maturing on December 31, 2020. These funds were used to pay an investor creditor who had an investment lien interest in the undeveloped For-Sale portion of the Cabrini property which CHA needed to develop. As a result of satisfying the debt owed to the investor creditor, this effort led to the successful closing of Parkside 4 Phase II rental development now under construction.

Developer fees for the project are the collateral for this loan and $500,000 was repaid this year. However, Parkside will not generate additional developer fees until 2021. Therefore, a request is being made to extend the $1,000,000 loan through June 30, 2022. All interest payments are current.

Respectfully Submitted:

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Tracey Scott
Chief Executive Officer
Resolution No. 2020-CHA-

WHEREAS, the Board of Commissioners of the Chicago Housing Authority has reviewed the Board Letter dated July 21, 2020 entitled “Authorization to extend the Loan Agreement with Parkside Associates, LLC in the amount of One Million Dollars.”

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

THAT, the Board of Commissioners hereby authorizes the Chief Executive Officer or her designee to extend the loan with Parkside Associates, LLC in the amount of One Million Dollars ($1,000,000) through June 30, 2022, with an annual interest rate of 4.0%, paid quarterly and principal due at maturity on June 30, 2022.

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Angela Hurlock
Chairperson
Chicago Housing Authority