

June 20, 2012

ITEM NO. B1

**AUTHORIZATION TO EXECUTE TWO HOUSING ASSISTANCE PAYMENTS
CONTRACTS FOR: HOWARD APARTMENTS AND 5840 S. DR. MARTIN LUTHER
KING JR. DRIVE**

To the Honorable Board of Commissioners:

Recommendation

It is recommended that the CHA execute two Housing Assistance Payments contracts for:

- 2 units at Howard Apartments with Bickerdike Redevelopment Corp. for working individuals
- 4 units at 5840 S King Drive with Inspiration Corporation for Homeless families

→ **The purpose of these contracts is to increase the supply of long-term, quality affordable housing opportunities in healthy neighborhoods for households on CHA waiting lists.**

Background on Property Rental Assistance (PRA) Program

The 6 units in these proposed HAP contracts will be administered as part of the Property Rental Assistance (PRA) Program. PRA was launched in June 2010 to add 500-650 new CHA units per year through an open web-based application process. PRA program goals are to:

1. Increase the number of affordable housing opportunities in healthy neighborhoods.
2. Ensure long-term affordability in opportunity areas.
3. Provide affordable housing options for working families, seniors and special needs populations.
4. Provide owners with reliable and straightforward rental income for their properties.

All CHA-assisted PRA units count toward the overall 25,000 unit goal in the Plan for Transformation. HUD and the CHA Board of Commissioners approved this designation as part of Amendment 3 to the Amended and Restated MTW Agreement in March 2010.

PRA Evaluation Process

Complete applications for PRA assistance are evaluated in the order received as part of a twice-monthly evaluation committee process. The PRA evaluation committee is comprised of:

- 4 CHA staff in Asset Management, Development Management, Finance and Resident Services
- 1 staff from the Chicago Department of Housing and Economic Development (DHED)
- 1 staff from the Chicago Department of Families and Supportive Services (DFSS).
- Business and Professional People for the Public Interest (BPI) also provide non-voting participation.

All applications are evaluated on 5 criteria: Property Characteristics, Neighborhood, Owner Experience, Manager Experience, and Rent Structure.

PRA Program Status

The PRA portfolio currently includes 3,040 units in 96 developments. The program provides \$20.7 Million in annual HAP payments and currently has a 97.2% occupancy rate.

- In 2010, PRA added 234 units in 9 developments;
- In 2011, PRA added 569 units in 36 developments;
- In 2012, PRA plans to add 650 units to achieve unit count goals in the 2012 Annual Plan.
- So far in 2012, 176 PRA units are under contract or in pipeline.

Howard Apartments Development Information

The property is an existing 49-unit historic building located in the Wicker Park community owned and managed by the Bickerdike Redevelopment Corporation.

Bickerdike acquired and substantially rehabbed Howard Apartments in 1993, preserving the terra cotta façade, the original lobby tiles and other historic elements. The building contains 46 studios and 3 one-bedroom apartments.

In June 2011, the CHA Board of Commissioners approved a 30-year HAP contract for 10 studio units at \$790 per month. The 10 PRA units are 100% occupied and no inspection abatements have occurred.

It is recommended that CHA approve an amendment to the existing HAP contract for 2 additional units. The 2 proposed studio units are vacant and substantially comply with Housing Quality Standards (HQS) requirements.

- **Address:** 1569 N. Hoyne
- **New PRA Units:** 2 studio units
- **Population:** Working Individuals
- **Total PRA units:** 12
- **Total Units:** 49 total units in building
- **Subsidy Ratio:** 24% of building
- **Unit Size:** Approx. 351 sq. ft.
- **Condition:** Substantial rehab in 1993
- **Amenities:** Site amenities include laundry facilities, a 24-hour desk clerk, and lobby community space.
- **Contract Rent:** \$790 per month (includes heating, cooking, and hot water, water, and sewer) Comparable with units in building/neighborhood.
- **Inspection Results:** Substantially comply w/ Housing Quality Standards.



Typical Kitchen



Typical Living Room

The Wicker Park Community Area is 15 minutes from the Loop and is characterized by access to employment and shopping. The building is located on a street that has high priced condos and mansions.

- [illegible]

Bickerdike has successfully operated the Howard Apartments as affordable housing for nearly 20 years for individuals with very low incomes while the surrounding neighborhood has experienced major gentrification. Bickerdike has over 40 years of experience in affordable housing development and has developed 1,110 units in 248 buildings. They currently own and manage 961 rental units in 123 properties.

- **Funding Source:** Housing Choice Voucher Program (Property Rental Assistance)
- **Term:** 30 Years (requested by owner)
- **Initial Annual Contract Amount:** \$94,800/with Amendment \$113,760
- **30-Year Base Contract Value:** \$ 2,844,000/with Amendment \$3,412,800

All of the referrals for these units will come only from CHA's waiting lists until the waitlists are exhausted. The waiting lists include public housing, HCV/PBV and households whose right of return under the Relocation Rights Contract has not been met. 40% of waitlist applicants need a studio or 1 BR; some of which have been on waiting list since 1993.

It is recommended that CHA amend the existing Housing Assistance Payment (HAP) contract for Howard Apartments to provide 2 PRA to working individuals in the Wicker Park community because the proposal meets all four (4) of the program goals:

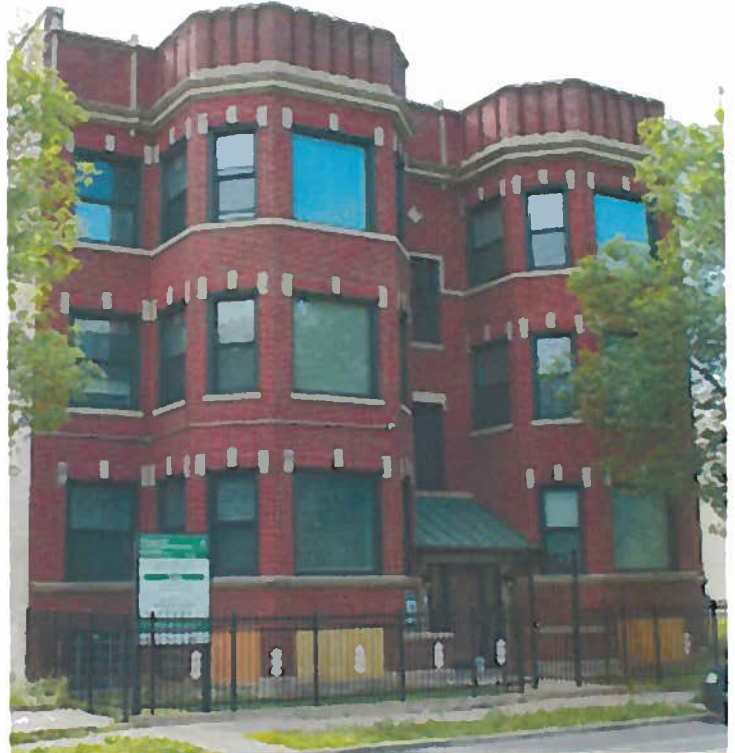
- 60 E. Van Buren Street • Chicago, Illinois 60605-1207 • (312) 742-8500 • www.thecha.org

5840 S. Martin Luther King, Jr. Dr. Development Information

The property is a three-story walk-up brick building that was acquired and renovated as part of the Neighborhood Stabilization Program. The property includes 6 three-bedroom apartments, an accessible one-bedroom apartment, an accessible two-bedroom apartment, laundry facilities, and an office for supportive service staff.

It is recommended that CHA approve 4 PRA units (3 three-bedrooms and 1 one-bedroom), for a 30-year term. If approved, there would be 1 subsidized unit on each floor.

- **Address:** 5840 S. Martin Luther King, Jr.
- **New PRA Units:** 4 (3 3-BR, 1 1-BR)
- **Population:** Homeless Families
- **Total Units:** 8 total units in building
- **Subsidy Ratio:** 50% of units in building
- **Unit Size:** Approx. 846 – 1,351 sq. ft.
- **Condition:** Substantial rehab in 2012
- **Amenities:** 92% efficient furnace, individual heating controls, two ceiling fans, Energy Star refrigerator, gas range/stove, wood-like vinyl plank flooring, and window treatments.
- **Security:** The building is equipped with 6 digital, networked security cameras. Site perimeter fencing and gates.
- **Contract Rent:** \$683- \$946 per month
- **Inspection Results:** All units substantially comply with Housing Quality Standards.



Typical Kitchen with Energy Efficient Appliances



Typical Living Room w/ Bay-Windows facing Park

Neighborhood Information

This block in the Washington Park Community Area is part of a comprehensive effort by the city of Chicago to stabilize neighborhoods.

- Property faces park with ample green space
- Tennis, pool, and basketball across street
- CTA Green Line (3 blocks)
- 2 CTA bus lines nearby
- 20th Aldermanic Ward (Cochran)



Owner / Manager Information

Inspiration Corporation purchased the rehabilitated property under the Neighborhood Stabilization Program in a single-asset entity, 5840 S. Martin Luther King, Drive, LLC.

Inspiration Corporation provides supportive services to 154 housing units through the Chicago Low Income Housing Trust Fund. They also own and operate the Inspiration Café and the Living Room Café that provide employment opportunities and meals. This is Inspiration Corporation's first site where they both own the housing and provide the supportive services.

The building will be managed by Affordable Property Management Specialists. This firm also manages a building 2 blocks north of this site and will have a property manager nearby. The firm has 6 years of affordable property management experience with 250 units under management.

- All owners in the PRA program are reviewed as part of a thorough due diligence process.
 - Code violations, HUD debarred list, City scofflaw, criminal background, & program participation.
- No issues were identified during the review of Inspiration Corporation.

Contract Information

- **Funding Source:** Housing Choice Voucher Program (Property Rental Assistance)
- **Term:** 30 Years (requested by owner)
- **Initial Annual Contract Amount:** \$42,252
- **30-Year Base Contract Value:** \$1,267,560

Waiting List / Occupancy Process

All of the referrals for these units will come only from CHA's waiting lists until the waiting lists are exhausted. The waiting lists include public housing, HCV/PBV and households whose right of return under the Relocation Rights Contract has not been met.

Summary for 5840 S. King Drive

It is recommended that CHA execute a Housing Assistance Payment (HAP) contract for 5840 S. Dr. Martin Luther King, Jr. Drive to provide 4 units of family supportive housing because this proposal leverages private partnerships for housing without capital or service delivery expense.

In addition, the proposal meets 2 PRA program goals:

1. Provide affordable housing options for working families, seniors and special needs populations.
2. Provide owners with reliable and straightforward rental income for their properties.

RESOLUTION 2012-CHA-50

WHEREAS, the Board of Commissioners of the Chicago Housing Authority has reviewed the Board letter dated June 20, 2012 requesting authorization to execute two Housing Assistance Payments Contracts for Howard Apartments and 5840 S. Dr. Martin Luther King Jr. Drive;

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY:

THAT, the Board of Commissioners authorizes the Chief Executive Officer or his designee to (1) amend the Housing Assistance Payments Contract for Howard Apartments and (2) execute a Housing Assistance Payments Contract for 5840 S. Dr. Martin Luther King Jr. Drive; and (3) execute all other documents as may be necessary or appropriate to implement the foregoing.

