



June 10, 2015

Item No. 11

**AUTHORIZATION TO EXECUTE EITHER 1) A PRELIMINARY COMMITMENT LETTER FOR THE CARLING HOTEL FOR PROPERTY RENTAL ASSISTANCE OR 2) A SUPPORT LETTER FOR THE CARLING HOTEL RENTAL DEVELOPMENT TO PROVIDE A CHICAGO HOUSING AUTHORITY LOAN NOT TO EXCEED \$7,799,740**

**To the Honorable Board of Commissioners:**

**RECOMMENDATION**

It is recommended that the Board of Commissioners (Board) approve the attached Resolution authorizing the Chief Executive Officer or his designee to execute either 1) a preliminary commitment letter for The Carling Hotel for Property Rental Assistance or 2) a support letter for The Carling Hotel Rental Development to provide a Chicago Housing Authority (CHA) Loan not to exceed \$7,799,740.

**CORPORATE GOAL**

The proposed preliminary commitment and support letters support Plan Forward Goal #1: coordinating public and private investment to develop healthy, vibrant communities.

The purpose of this resolution is to execute a preliminary letter of commitment or a support letter for The Carling Hotel. Dependent on participation from other financing sources, CHA will provide only one letter which will be valid for one year in order to allow the developer to secure other development and construction financing. Once all financing is secured, the full development plans will be submitted to the CHA Board prior to execution of an Agreement to Enter into a Housing Assistance Payment Contract (AHAP/HAP) or prior to the submission of a development proposal for public housing units to the U.S. Department of Housing and Urban Development (HUD).

**FUNDING:** Housing Choice Voucher Program (HCV) or CHA Loan not to exceed \$7,799,740

**PROPERTY SUMMARY FOR PRA**

<b>Development Name</b>	<b>Community / Ward / Alderman</b>	<b>Developer / Owner</b>	<b>Target Population</b>	<b>Total Units</b>
<b>The Carling</b>	Near North Side/ 27 <sup>th</sup> Ward/Walter Burnett	The Michaels Development Company (MDC)	Individuals	78

**PROPERTY RENTAL ASSISTANCE CONTRACT SUMMARY**

<b>Development Name</b>	<b>Funding</b>	<b>PRA Units</b>	<b>Contract Term</b>	<b>Contract Type</b>	<b>Initial Estimated Contract</b>	<b>Total Estimated Contract</b>	<b>Application Received</b>
<b>The Carling</b>	Housing Choice Voucher Program	39	30 Years	AHAP/ HAP Contract	\$446,940/ year	\$18,131,497 (30 years)	April 2015

### **Proposed Mixed Finance Rental Development**

CHA would submit a development proposal for the acquisition and rehabilitation of the Carling Hotel into a mixed finance rental development that would include 26 public housing units. The acquisition would allow CHA to convey the property to MDC either in fee simple or by ground lease, in order to generate additional donation tax credit equity financing for the transaction. The total estimated development budget for The Carling Hotel rental development is approximately \$24,595,323 and includes the CHA Loan of \$7,799,740.

### **Proposed PRA Development**

- The Carling Hotel currently consists of 155 total Single Room Occupancy (SRO) units. The developer intends to reconfigure the building to 78 studio units.
- Substantial rehabilitation of a 4-story elevator building located in the Near North community area. The new units will be approximately 320-350 square feet.
- Currently none of the units have kitchens and most units do not have full bathrooms.
- The scope of work includes constructing kitchens and full bathrooms in all units and replacement of major building systems including heating electrical, elevators and exterior masonry.
- Target population is individuals. For the PRA scenario, 8 units will be designated for the State Referral Network.
- Building amenities will include a library/reading room, vending snack machines, laundry facilities, secured bicycle parking, individual storage lockers, no-smoking units, on-site property management, secured entrances and common hallways, security cameras and intercom system.

### **Developer Background**

- The Michaels Development company (MDC) was established in 1973 and is an arm of The Michaels Organization, which owns 8 companies that provide various affordable housing services including development, construction oversight, property management, mortgage financing, tax credit syndication and supportive services.
- MDC has developed nearly 51,000 affordable and mixed-income housing units in 34 states, the District of Columbia and the U.S. Virgin Islands, housing over 100,000 people.
- MDC has partnered with CHA on a number of large scale, mixed-income, mixed-use developments including Legends South and Westhaven Park Apartments.
- Linn-Mathes, Inc will be the general contractor and Interstate Realty Management Company (IRM), which is the affordable housing property management arm of The Michaels Organization will be the property manager. IRM's portfolio consists of over 46,000 units nationwide.

### **Conclusion**

The Board action recommended in this item complies in all material respects with all applicable CHA Board policies and all applicable federal laws.

The Chief Property Officer concurs with the recommendation to execute either 1) a preliminary commitment letter for The Carling Hotel Property for Rental Assistance or 2) a support letter for The

Carling Hotel Rental Development to provide a Chicago Housing Authority (CHA) Loan not to exceed \$7,799,740.

The CEO/President recommends the approval to execute either 1) a preliminary commitment letter for The Carling Hotel for Property Rental Assistance or 2) a support letter for The Carling Hotel Rental Development to provide a Chicago Housing Authority (CHA) Loan not to exceed \$7,799,740.

**RESOLUTION 2015-CHA-55**

**WHEREAS,** the Board of Commissioners of the Chicago Housing Authority has reviewed the Board letter dated June 10, 2015 requesting authorization to execute either 1) a preliminary commitment letter for The Carling Hotel for Property Rental Assistance or 2) a support letter for The Carling Hotel Rental Development to provide a Chicago Housing Authority (CHA) Loan not to exceed \$7,799,740;

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

**THAT,** the Board of Commissioners authorizes the Chief Executive Officer or his designee to execute either 1) a preliminary commitment letter for The Carling Hotel for Property Rental Assistance or 2) a support letter for The Carling Hotel Rental Development to provide a Chicago Housing Authority (CHA) Loan not to exceed \$7,799,740.



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