



March 19, 2019

Item No. 7

**RECOMMENDATION TO APPROVE AN INDUCEMENT RESOLUTION FOR PRELIMINARY APPROVAL FOR THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS TO FINANCE THE ACQUISITION, CONSTRUCTION AND REHABILITATION OF 1221 WEST SHEWIN AVENUE**

Addresses: 1221 West Sherwin

Ward: 49

Presenter: Ann C. McKenzie, Chief Development Officer

**Recommendation**

It is recommended that the Board of Commissioners (BOC) of the Chicago Housing Authority (the "Authority") approve the following Resolution. The Resolution constitutes "official intent" for the purposes of compliance with federal tax law requiring governmental action for purposes of future reimbursement of capital expenditures from the proceeds of revenue bonds to be issued at a later date by the City of Chicago or the Authority of not to exceed \$15,000,000 in aggregate principal amount of its Multifamily Housing Revenue Bonds in one or more series (the "Bonds"). The issuance of the Bonds at a later date will be subject to further action and approval by the Authority following the negotiation of terms and the documentation of the transaction as mutually agreed upon by the Authority and an entity to be determined by the Authority or one of its affiliates (the "Borrower").

**Funding**

No funding from CHA is required for this action. The Bonds would be issued to provide funds to be applied to make a loan to the Borrower in a principal amount not to exceed \$15,000,000 to finance the acquisition, construction, rehabilitation and equipping an eight-story multifamily building located at 1221 West Sherwin Avenue in Chicago, Illinois 60626, which will consist of approximately 57 residential rental dwelling units for low-income families (the "Project") to be owned by the Borrower.

**Background**

The Bonds, when and if issued in the future, will be subject to a final approving resolution of the Authority and the Bonds when and if issued will be special limited obligations and will not be a general obligation of the Authority.

This Resolution shall be deemed to constitute a declaration of the Authority's official intent pursuant to Treasury Regulation Section 1.150-2 to permit the Borrower to be reimbursed from proceeds of the Bonds for all qualified expenditures for the Project paid during the period beginning sixty (60) days prior to the date hereof until the date of issuance of the Bonds.

Respectfully Submitted:

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Ann McKenzie  
Chief Development Officer

**RESOLUTION NO. 2019-CHA-**

**WHEREAS,** the Board of Commissioners has reviewed the Board Letter dated March 19, 2019 entitled “Recommendation to approve an inducement resolution for preliminary approval for the issuance of multifamily housing revenue bonds to finance the acquisition, construction, and rehabilitation of 1221 W. Sherwin Avenue.”

**WHEREAS,** the Chicago Housing Authority (the “Authority”) is organized and validly existing under and by virtue of the laws of the State of Illinois, 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, including without limitation in the Act, to issue its revenue bonds for the purposes set forth in the Act and to permit the expenditure of the proceeds thereof to finance the costs of the development, rehabilitation, and renovation of multifamily rental housing located in the jurisdiction of the Authority.

**WHEREAS,** The Internal Revenue Code of 1986, as amended (the “Code”), and the regulations promulgated thereunder (the “Regulations”) provide that bonds may be issued by state and local governmental entities for the purpose of financing qualified residential rental housing and, assuming compliance with the provisions of the Code and the Regulations, interest on such bonds is excludable from gross income for purposes of federal income taxation.

**WHEREAS,** Regulation Section 1.150-2 provides, among other things, that certain capital expenditures made prior to the issuance of bonds may be later reimbursed from the proceeds of a subsequent issuance of bonds if, within 60 days of such expenditure, the issuer adopts an “official intent” as prescribed in Regulation Section 1.150-2.

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

**THAT,** An entity to be determined by the Authority or one of its affiliates (the “Borrower”) will be the Borrower under a loan by the Authority of the proceeds from the issuance of its Multifamily Housing Revenue Bonds, in one or more series, in an aggregate amount not to exceed \$15,000,000 (the “Bonds”), for the acquisition, construction, rehabilitation and equipping of an eight-story multifamily building located at 1221 West Sherwin Avenue in Chicago, Illinois 60626, which will consist of approximately 57 residential rental dwelling units for low-income families (the “Project”) to be owned by the Borrower, and the Borrower or the Authority or its affiliate have made or anticipate making certain expenditures of its own funds in connection with the acquisition of the Project

that they would like to have reimbursed from the proceeds of the Bonds, when and if the Bonds are subsequently issued.

The Authority is willing to adopt this Resolution for the purpose of expressing its “official intent” pursuant to the Code and the Regulations, to issue the Bonds for purposes of financing the Project, subject to the Authority and the Borrower agreeing to the terms and conditions necessary to issue the Bonds. Should the Authority and the Borrower agree to such terms and conditions satisfactory to the Authority and consistent with applicable law, the issuance of the Bonds would be subject to the adoption by the Authority of one or more final bond resolutions.

At the time of the adoption of this Resolution, it is the Authority’s intention consistent with prior practices and discussions with bond counsel to keep open all options for permanent financing, including the reimbursement of costs spent through a future issuance of tax-exempt bonds.

Based upon the foregoing, the Authority has the reasonable expectation that the Bonds will be issued and a portion of the proceeds from such Bonds will be used to reimburse eligible capital expenditures made by the Borrower or the Authority or its affiliate in connection with the Project. As a result, this Resolution expresses the “official intent” of the Authority pursuant to Regulation Section 1.150-2.

**Implementation.** This Resolution does not constitute any contractual or other obligation of the Authority to finance costs of acquisition, construction, rehabilitation and equipping of the Project.

**Severability.** The provisions of this Resolution are declared to be severable and if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions.

**Repeals.** All resolutions or parts of resolutions in conflict with this Resolution are repealed to the extent of such conflict.

**Effective Date.** This Resolution shall take effect immediately upon its adoption.

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Eugene E. Jones, Jr.  
Chief Executive Officer  
Chicago Housing Authority