



**MARCH 19, 2019**

**Item No. 9**

**AUTHORIZATION TO INCREASE THE FUNDING AMOUNT OF THE LATHROP PHASE 1  
PREDEVELOPMENT LOAN TO LATHROP COMMUNITY PARTNERS LLC**

Address: Julia C. Lathrop Homes Phase 1 Rental  
Property bounded by Diversey Parkway on the north, Damen Avenue on the east, 2  
blocks south of Diversey Parkway, and Leavitt Street on the west.

Alderman: Ward: 1<sup>st</sup>  
Ward: 32<sup>nd</sup>

Presenters: Ann McKenzie, Chief Development Officer  
Tracy Sanchez, Deputy Chief Development

**Recommendation**

It is recommended that the Board of Commissioners (Board) authorize the Chief Executive Officer or his designee to: 1) Increase the funding amount of the Lathrop Phase 1 Predevelopment Loan to Lathrop Community Partners LLC by an amount not to exceed \$1,840,850; 2) Amend the Lathrop Phase 1 Predevelopment Loan Agreement to increase the funding amount and extend the maturity date; and 3) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

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

**Funding**

Office of Development Budget

**Compliance**

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

**Background**

The CHA Board approved the selection of Lathrop Community Partners, LLC, an Illinois limited liability company (LCP) on October 19, 2010 and CHA entered into a Contract for Redevelopment of Julia C. Lathrop Homes with LCP on October 1, 2011.

LCP originally borrowed \$3,441,283.75 for predevelopment expenses related to Lathrop Phase I, which was approved by the Chicago Housing Authority's Board of Commissioners on May 16, 2014 (Resolution No. 2014-CHA-49). At the closing of Phase IA, there remained an outstanding balance of \$3,197,153 on the original predevelopment loan. However, \$2,500,000 of those funds was escrowed to address the National Park Services (NPS) requirement that the exterior work on all of the rehabbed buildings comply with historic requirements. The only building north of Diversey (commonly referred to as the T-Building) not included in Phase 1A was required to be completed in a timely manner. By the creation of the escrow, CHA and LCP reassured NPS that funds would be available for the exterior historic work allowing NPS to issue the Part III certification needed for the historic tax credits allocated for Phase 1A. This portion of the Phase 1 loan was not repaid or otherwise accounted for at the Phase 1A closing and remains in escrow until the work on the T-Building is completed.

Currently, LCP is seeking to close on financing on Phase 1B and 1C which will consist of 223 units in both existing historic buildings and new construction buildings. The original predevelopment loan did not contemplate the vast size of Phase 1 so additional predevelopment funds are needed for predevelopment costs.

Pre-rehabilitation (2009 photos):



Rehabbed Building and New Building Under Construction (2018):



**Development Entities**

Lathrop Community Partners LLC(LCP) was selected as the master development team in January 2010, and consists of 3 team members: Related Midwest, Bickerdike Redevelopment Corp., and Heartland Housing. In October 2011, LCP entered into a development agreement with the CHA.

**CHA Financing**

The subject resolution will authorize CHA to increase the funding amount of the Phase 1 predevelopment loan by an amount not to exceed \$1,840,850. The proposed predevelopment loan increase will not exceed 75% of eligible third-party costs for rental units only, consistent with U.S. Department of Urban Development cost control guidelines and regulation. The loan funds will help fund a portion of predevelopment costs which include but are not limited to architect, engineering, design development and construction documents, permit fees, legal services, surveys, and market studies. All predevelopment loan repayment funds to CHA will be converted to construction/permanent loan funds at the Phase 1B and 1C real estate closing transactions. LCP will cover the remaining 25% of eligible predevelopment costs.

Respectfully Submitted:

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Ann McKenzie  
Chief Development Officer

**RESOLUTION NO. 2019-CHA-**

**WHEREAS,** The Board of Commissioners of the Chicago Housing Authority has reviewed the Board Letter dated March 19, 2019, entitled "Authorization to increase the funding amount of the Lathrop Phase 1 Predevelopment Loan with Lathrop Community Partners LLC"

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

**THAT,** The Board of Commissioners authorizes the Chief Executive Officer or his designee to: 1) Increase the funding amount of the Lathrop Phase 1 Predevelopment Loan with Lathrop Community Partners LLC by an amount not to exceed \$1,840,850; 2) Amend the Lathrop Phase 1 Predevelopment Loan Agreement to increase the funding amount and extend the maturity date; and 3) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

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