



# City of Chicago



SO2017-5403

Office of the City Clerk

## Document Tracking Sheet

<b>Meeting Date:</b>	6/28/2017
<b>Sponsor(s):</b>	Emanuel (Mayor)
<b>Type:</b>	Ordinance
<b>Title:</b>	Loan agreement with Marshall 1232 LLC for residential and multi-family housing
<b>Committee(s) Assignment:</b>	Committee on Finance

**SUBSTITUTE**  
**ORDINANCE**

**WHEREAS**, the City of Chicago (the "City"), a home rule unit of government under Section 6(a), Article VII of the 1970 Constitution of the State of Illinois, has heretofore found and does hereby find that there exists within the City a serious shortage of decent, safe and sanitary rental housing available to persons of low and moderate income; and

**WHEREAS**, the City has determined that the continuance of a shortage of affordable rental housing is harmful to the health, prosperity, economic stability and general welfare of the City; and

**WHEREAS**, the City has certain funds available from a variety of funding sources ("Multi-Family Program Funds") to make loans and grants for the development of multi-family residential housing to increase the number of families served with decent, safe, sanitary and affordable housing and to expand the long-term supply of affordable housing, and such Multi-Family Program Funds are administered by the City's Department of Planning and Development ("DPD"); and

**WHEREAS**, Marshall 1232 LLC, an Illinois limited liability company ("Borrower") the co-managers and members of which are Marshall-Michaels LLC, an Illinois limited liability company, and Better Tomorrows-Marshall LLC, an Illinois limited liability company (of which Michaels Community Services Corporation d/b/a Better Tomorrows, a New Jersey not-for-profit corporation, is the sole member or owner), owns or will acquire real property commonly known as 1232 N. LaSalle Drive, Chicago, Illinois (the "Property"); and

**WHEREAS**, DPD has preliminarily reviewed and approved the making of a loan to Borrower in an amount not to exceed \$5,026,384 (the "Loan"), to be funded from Multi-Family Program Funds, and not from the proceeds of tax-exempt bonds or governmental obligations, pursuant to the terms and conditions set forth in Exhibit A attached hereto and made a part hereof, which Borrower shall utilize to help construct and develop the affordable housing Project (as defined in Exhibit A), which will contain, upon completion, approximately 90 single room occupancy (SRO) dwelling units for low- and moderate-income families, each unit of which will have a private bath and kitchen; now, therefore,

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:**

**SECTION 1.** The above recitals are expressly incorporated in and made a part of this ordinance as though fully set forth herein.

**SECTION 2.** Upon the approval and availability of the Additional Financing as shown in Exhibit A hereto, the Commissioner of DPD (the "Commissioner") and a designee of the Commissioner (collectively, the "Authorized Officer") are each hereby authorized, subject to approval by the Corporation Counsel as to form and legality, to negotiate, enter into and execute such agreements, including a regulatory agreement, and instruments, and perform any and all acts as shall be necessary or advisable in connection with the implementation of the

Loan. The Authorized Officer is hereby authorized, subject to the approval of the Corporation Counsel, to negotiate any and all terms and provisions in connection with the Loan which do not substantially modify the terms described in Exhibit A hereto. Upon the execution and receipt of proper documentation, the Authorized Officer is hereby authorized to disburse the proceeds of the Loan to the Borrower and/or one or more related, affiliated entities of the Borrower.

**SECTION 3.** To the extent that any ordinance, resolution, rule, order or provision of the Municipal Code of Chicago (the "Municipal Code"), or part thereof, is in conflict with the provisions of this ordinance, the provisions of this ordinance shall control. If any section, paragraph, clause or provision of this ordinance shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the other provisions of this ordinance. Section 2-45-110 and Section 2-45-115 (A) - (F) and Section 2-45-115 (H) - (V) of the Municipal Code shall not apply to the Project or the Property; provided, however, that if the Loan includes funds from the Affordable Housing Opportunity Fund defined in Section 2-45-115 (G) of the Municipal Code, then notwithstanding Section 2-45-115 (B) of the Municipal Code, the Project, including the related affordability restrictions imposed by the Additional Financing as shown in Exhibit A hereto, qualifies as "affordable housing" for purposes of Section 2-45-115 (G) of the Municipal Code.

**SECTION 4.** To the extent that any ordinance, resolution, rule, order or provision of the Municipal Code, or part thereof, is in conflict with the provisions of this ordinance, the provisions of this ordinance shall control. If any section, paragraph, clause or provision of this ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this ordinance. To the extent that the Borrower directly or indirectly receives any funding sources in connection with the Project which require the restriction of the rental of some or all of the Property's residential dwelling units to certain categories of veterans, the provisions of Chapter 5-8 of the Municipal Code which prohibit discrimination based on "military status" because of "the fact of discharge from any such branch of the armed forces of the United States, the State of Illinois or any other state" as provided in subsection 3 of the definition of "military status" in Section 2-160 -020 of the Municipal Code of Chicago, shall not apply to the Project or the Property.

**SECTION 5.** This ordinance shall be effective as of the date of its passage and approval.

## EXHIBIT A

**BORROWER:** Marshall 1232 LLC, an Illinois limited liability company ("Borrower"), the co-managers and members of which are Marshall-Michaels LLC, an Illinois limited liability company, and Better Tomorrows-Marshall LLC, an Illinois limited liability company (of which Michaels Community Services Corporation d/b/a Better Tomorrows, a New Jersey not-for-profit corporation, is the sole member or owner), and others to be hereafter selected as members.

**PROJECT:** Acquisition and rehabilitation of a building located at 1232 N. LaSalle Drive, Chicago (the "Property"), which will contain, upon completion, approximately 90 single room occupancy (SRO) dwelling units for low- and moderate-income families. Each unit will have a private bath and kitchen.

**LOAN:**

Source:	Multi-Family Program Funds
Amount:	Not to exceed \$5,026,384
Term:	Not to exceed 42 years
Interest:	Zero percent per annum
Security:	Non-recourse loan; junior mortgage on the Property (the "City Mortgage")
Encumbrances:	Regulatory Agreement between City and Borrower

### ADDITIONAL FINANCING:

1. **Amount:** Not to exceed \$7,775,595 ("Permanent Loan"), provided that the Permanent Loan amount may be reduced by the Illinois Housing Development Authority ("IHDA") prior to the date on which the Permanent Loan will be funded in or about 2019 (the amount by which the Permanent Loan is reduced is the "Permanent Loan Shortfall"). If such a reduction occurs, IHDA may fund the Permanent Loan Shortfall as an additional subordinate loan described below as the "Contingent Shortfall Loan."

**Term:** Not to exceed 40 years, or another term acceptable to the Authorized Officer

**Source:** IHDA, through its Risk Share Program or another source acceptable to the Authorized Officer

**Interest:** A fixed rate or rates of interest based on IHDA's published Federal Financing Bank (FFB), not to exceed 10% per annum, or another rate or rates acceptable to the Authorized Officer

- Security: Regulatory Agreement, a first mortgage on the Property senior to the lien of the City Mortgage, a Delivery Assurance Mortgage subordinate to the lien of the City Mortgage, which Delivery Assurance Mortgage lien shall be released concurrently with the funding of the Permanent Loan, a pledge of rental subsidy agreements and agreements to enter into rental subsidy agreements and/or or other security acceptable to the Authorized Officer
2. Amount: Not to exceed \$21,000,000 (the "Bridge Loan")  
 Term: Not to exceed 30 months, or another term acceptable to the Authorized Officer  
 Source: Bank of America, N.A., or another source acceptable to the Authorized Officer  
 Interest: A variable rate or rates of interest equal to LIBOR (London Interbank Offer Rate) plus 275 basis points, or another rate or rates acceptable to the Authorized Officer  
 Security: A first mortgage on the Property senior to the lien of the City Mortgage, a pledge of capital contributions and membership interests, a pledge of rental subsidy agreements and agreements to enter into rental subsidy agreements, and/or or other security acceptable to the Authorized Officer
3. Amount: Not to exceed \$2,000,000 (the "Trust Fund Loan")  
 Term: Not to exceed 42 years, or another term acceptable to the Authorized Officer  
 Source: IHDA Trust Fund, or another source acceptable to the Authorized Officer  
 Interest: Not to exceed one percent per annum  
 Security: Regulatory agreement, a subordinate mortgage on the Property junior to the lien of the City Mortgage, and/or or other security acceptable to the Authorized Officer
4. Amount: Not to exceed \$2,000,000 (the "Contingent Shortfall Loan"); when fully disbursed, the sum of the Permanent Loan, Trust Fund Loan and Contingent Shortfall Loan shall not exceed \$9,775,595.  
 Term: Not to exceed 40 years, or another term acceptable to the Authorized Officer  
 Source: IHDA Administrative Funds, or another source acceptable to the Authorized Officer  
 Interest: A fixed interest rate not to exceed ten percent per annum  
 Security: A subordinate mortgage on the Property junior to the lien of the City Mortgage, a Regulatory Agreement, and/or or other security acceptable to the Authorized Officer.

5. Low-Income  
Housing Tax  
Credit  
("LIHTC")  
Proceeds: Approximately \$14,245,764, all or a portion of which may  
be paid in on a delayed basis and used, among other  
purposes, to retire all or a portion of the Bridge Loan  
Source: To be derived from the syndication of approximately  
\$1,461,250 LIHTC allocation by IHDA
6. Historic  
Tax  
Credit  
("HTC")  
Proceeds: Approximately \$2,828,584, all or a portion of which may be  
paid in on a delayed basis and used to retire all or a  
portion of the Bridge Loan  
Source: To be derived from the syndication of approximately  
\$3,329,651 HTC allocated by the federal government
7. Amount: \$100  
Source: Co-Manager

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CHICAGO July 26, 2017

To the President and Members of the City Council:

Your Committee on Finance having had under consideration

A substitute ordinance authorizing the authority to enter into and execute a Loan Agreement with Marshall 1232, LLC.

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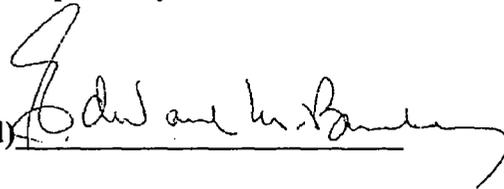
Amount of the Loan  
Not to exceed: \$5,026,384

Having had the same under advisement, begs leave to report and recommend that your Honorable Body pass the proposed Substitute Ordinance Transmitted Herewith

This recommendation was concurred in by \_\_\_\_\_ (a viva voce vote) of members of the committee with \_\_\_ dissenting vote(s).

Respectfully submitted

(signed)



Chairman