



# City of Chicago



O2015-5478

Office of the City Clerk

## Document Tracking Sheet

<b>Meeting Date:</b>	7/29/2015
<b>Sponsor(s):</b>	Emanuel (Mayor)
<b>Type:</b>	Ordinance
<b>Title:</b>	Loan assumption, modification and subordination for Diversey Limited Partnership regarding multi-family housing residential project at 712 W Diversey Pkwy
<b>Committee(s) Assignment:</b>	Committee on Finance

## ORDINANCE

**WHEREAS**, the City of Chicago (the "**City**") is a home rule unit of government under Section 6(a), Article VII of the 1970 Constitution of the State of Illinois and as such may legislate as to matters which pertain to its local government and affairs; and

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

**WHEREAS**, the City received certain funds from the United States Department of Housing and Urban Development to make loans and grants to expand the long-term supply of affordable housing through, among other things, acquisition, new construction, reconstruction and moderate and substantial rehabilitation in low- and moderate-income areas; and

**WHEREAS**, on December 23, 1996, the City made a loan of funds in the principal amount of \$1,073,955, with an interest rate of three percent per annum (the "**Loan**"), to Diversey Neighborhood Development Corporation, an Illinois not-for-profit corporation ("**Borrower**") which were used to provide for the acquisition and rehabilitation of a multi-family housing residential project by the Borrower located generally at 712 West Diversey Parkway, Chicago, Illinois 60614 (the "**Property**"); and

**WHEREAS**, the Loan was secured by, among other things, that certain Junior Mortgage Security Agreement and Financing Statement dated as of December 23, 1996, made by the Borrower in favor of the City (the "**Mortgage**"), which was subsequently made subordinate to a senior loan in the original principal amount of \$800,000 secured by a mortgage on the Property (the "**Senior Loan**") that was initially held by The Equitable Life Assurance Society of the United States, and was subsequently acquired by U.S. Bank National Association as successor in interest to the Federal Deposit Insurance Corporation, Receiver for Park National Bank, successor by merger to Regency Savings Bank, F.S.B., assignee of The Equitable Life Assurance Society of the United States; and

**WHEREAS**, the Borrower restructured the Senior Loan pursuant to that certain Loan Modification Agreement entered into on June 21, 2013, and the City restructured the Loan in order to extend the maturity date of the Loan and subordinate the Loan to the modified Senior Loan as evidenced by a written consent to the Senior Lender's Loan Modification Agreement executed by the City on June 21, 2013 and by the First Amendment to City Loan Documents executed by the City and Borrower on June 21, 2013; and

**WHEREAS**, the Borrower now desires (i) to further amend the terms of the Loan, (ii) to sell and convey the Property to Diversey Limited Partnership, an Illinois limited partnership (the "**New Borrower**"), of which Diversey GP, NFP, an Illinois not-for-profit corporation, is the sole general partner ("**General Partner**"), and (iii) to obtain certain additional financing in connection with the Property; and

**WHEREAS**, Heartland Housing, Inc., an Illinois not-for-profit corporation ("**Heartland**"), is the sole member of the General Partner; and

**WHEREAS**, the City's Department of Planning and Development ("**DPD**") desires to approve an amendment to the terms of the Loan in a manner which (1) will not alter the principal

balance of the Loan, (2) will extend the maturity date of the Loan, (3) will impose and extend certain affordability restrictions against the Property, and (4) will alter the repayment terms of the Loan (collectively, the "Amendment"); and

**WHEREAS**, the New Borrower intends to acquire the Property and assume the Loan (as amended by the Amendment, the "**Amended Loan**"), and DPD desires to approve the acquisition of the Property and the assumption of the Amended Loan by the New Borrower; and

**WHEREAS**, it anticipated that the Amendment will take place prior to the transfer of the Loan to the New Borrower and that the Amendment shall not be dependent upon the completion of the Restructuring (as defined below); and

**WHEREAS**, the New Borrower intends to rehabilitate and improve the Property in order to preserve it as affordable housing, and in connection therewith has obtained or will obtain certain additional financing in the form of both new debt as well as equity generated by the allocation of low-income housing tax credits by the Illinois Housing Development Authority (the "**Additional Financing**"); and

**WHEREAS**, a portion of the Additional Financing is anticipated to be debt senior to the Loan in amounts not to exceed \$12,500,000 in construction financing from Citibank, N.A. and, following completion of the rehabilitation and repairs, \$3,000,000 in permanent financing from Citibank, N.A. (the "**New Senior Debt**") as well as debt subordinate to the Loan including a seller financing loan and an additional approximately \$1,200,000 permanent financing loan from Citibank, N.A. (collectively, the "**New Subordinate Debt**"; together with the New Senior Debt referred to as the "**New Debt**") all of which New Debt may be secured by security documents approved by the Commissioner (the "**Commissioner**") of DPD or a designee of the Commissioner (each an "**Authorized Officer**"); and

**WHEREAS**, the Borrower and the New Borrower have requested that the City approve the transfer of the Property from the Borrower to the New Borrower, the assumption of the Amended Loan by the New Borrower, and a further restructuring of the Amended Loan which will accommodate the Additional Financing, including the subordination of the Amended Loan to the New Senior Debt; and

**WHEREAS**, DPD desires to approve a restructuring (the "**Restructuring**") of the Amended Loan in a manner which (1) will authorize the transfer of the Property from the Borrower to the New Borrower, (2) will allow the assumption of the obligations of the Borrower under the Amended Loan by the New Borrower, and (3) will consent to the Additional Financing, (4) will subordinate the lien of the Mortgage to a lien securing the New Senior Debt and permit the New Subordinate Debt (collectively, the "**Material Terms**"); 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.** The Amendment is hereby approved as described above. The Authorized Officer is hereby authorized, subject to approval by the Corporation Counsel, to enter into and execute such agreements and instruments, and perform any and all acts as shall be necessary or advisable, in connection with the implementation of the Amendment.

**SECTION 3.** The Restructuring is hereby approved as described above. The Authorized Officer is hereby authorized, subject to approval by the Corporation Counsel, to enter into and execute such agreements and instruments, and perform any and all acts as shall be necessary or advisable, in connection with the implementation of the Restructuring. Each Authorized Officer is hereby authorized, subject to approval by the Corporation Counsel, to enter into and execute such agreements and instruments, and perform any and all acts as shall be necessary or advisable in connection with any future restructuring of the Loan which does not substantially modify the Material Terms.

**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.

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



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OFFICE OF THE MAYOR  
CITY OF CHICAGO

RAHM EMANUEL  
MAYOR

July 29, 2015

TO THE HONORABLE, THE CITY COUNCIL  
OF THE CITY OF CHICAGO

Ladies and Gentlemen:

At the request of the Commissioner of Planning and Development, I transmit herewith an ordinance authorizing a loan assumption, modification and subordination for Diversey, Ltd.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

Mayor

CHICAGO September 24, 2015

**To the President and Members of the City Council:**

**Your Committee on Finance having had under consideration**

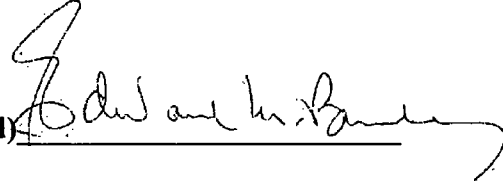
An ordinance authorizing the Commissioner of the Department of Planning and Development to enter into and execute a Loan Modification and Subordination Agreement for Diversey Limited Partnership.

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**Having had the same under advisement, begs leave to report and recommend that your Honorable Body pass the proposed 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**

APPROVED

*Steph R. Patta*

CORPORATION COUNSEL

APPROVED

*Ruben E. Emanuel, SRP*

9/30/15 Mayor