



Office of the City Clerk

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Legislation Text

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CHICAGO June 17.2015

To the President and Members of the City Council:

Your Committee on Finance having had under consideration

A substitute ordinance authorizing the Commissioner of the Department of Planning and Development to enter into and execute a Loan Modification and Subordination Agreement and to enter into a New Loan Agreement for Newberry Park Preservation Associates, LP.

02015-4235

Amount of New City Loan:

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
of members of the committee with**

Respectfully submitted

Chairman

Document No.

**REPORT OF THE COMMITTEE ON FINANCE TO THE CITY COUNCIL CITY OF CHICAGO
SUBSTITUTE 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, pursuant to the HOME Investment Partnership Program, received from the United States Department of Housing and Urban Development ("HUD") an allocation of funds (the "HOME Funds") to make loans and grants 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

WHEREAS, the City has also received certain funds from HUD 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 ("Multi-Family Funds"); and

WHEREAS, the City Council of the City, pursuant to an ordinance adopted on September 15, 1993, and published at pages 37363 through 37366 of the Journal of the Proceedings of the City Council of the City of Chicago (the "Journal") of that date, authorized the making of a loan from HOME Funds to MRR Limited Partnership, an Illinois limited partnership ("MRR") and LaSalle National Trust, N.A. as Trustee under Trust Agreement dated October 12, 1993 and known as Trust No. 118318 (collectively, along with MRR, the "Original Borrower") in an amount not to exceed \$6,250,860, with an interest rate of zero percent per annum and a term of approximately 22 years (the "Original City Loan") in connection with the Property (as hereinafter defined); and

WHEREAS, Chicago Title Land Trust Company, as successor to LaSalle National Trust, N.A., not personally but solely as trustee under that certain Trust Agreement dated October 12, 1993 and known as Trust No. 118318 (the "Land Trust") is the fee simple owner of the Property and MRR is the 100% beneficial owner of the interests in the Land Trust; and

WHEREAS, on or about January 31, 1994, the City made the Original City Loan to the Original Borrower; which was secured by, among other things, that certain Junior Mortgage, Security Agreement and Financing Statement dated as of January 31, 1994, made by the Original Borrower in favor of the City (the "Original City Mortgage"); and

WHEREAS, the Original City Mortgage was subordinate to that certain Construction Loan Mortgage and Security Agreement with Collateral Assignment of Leases and Rents dated December 1, 1993, securing a

loan in the amount of \$1,655,000, as amended by Modification to Mortgage effective as of December 1, 2013, made by the Original Borrower in favor of Community Investment Corporation, an Illinois not-for-profit corporation; and

WHEREAS, the proceeds of the Original City Loan were used to provide for the financing of a portion of the costs of the construction of a residential rental housing development

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containing 84 units and consisting of three buildings located generally at 1353, 1355 and 1357 S. Blue Island Avenue in Chicago, Illinois (the "Property") and commonly known as Newberry Park Apartments; and

WHEREAS, POAH Newberry Park, LLC, an Illinois limited liability company (the "General Partner"), which is wholly-owned by Preservation of Affordable Housing, Inc., an Illinois not-for-profit corporation ("POAH"), proposed to acquire the Property from the Original Borrower and assume all of the rights and obligations of the Original Borrower with respect to the Original City Loan; and

WHEREAS, pursuant to an ordinance adopted on November 15, 2012, and published at pages 40476 through 40479 of the Journal for that date, the City authorized a restructuring in connection with the Original City Loan ("First Restructuring"); and

WHEREAS, due to unforeseen circumstances, the First Restructuring was never completed; and

WHEREAS, the maturity date of the Original City Loan was extended pursuant to an ordinance adopted by the City Council on November 13, 2013 and published in the Journal for that date at pages 63237 through 63240; and

WHEREAS, the General Partner is the sole general partner of Newberry Park Preservation Associates Limited Partnership, an Illinois limited partnership (the "New Borrower"); and

WHEREAS, the New Borrower now wishes to acquire the Property and assume the Original City Loan from the Original Borrower, and the City's Department of Planning and Development ("DPD") desires to approve the acquisition of the Property and the assumption of the Original City Loan by the New Borrower (the "Acquisition"); and

WHEREAS, it is anticipated that the Acquisition may occur prior to the Second Restructuring (as defined below), and the closing of the Acquisition shall not be dependent on the closing of the Second Restructuring and/or of the New City Loan (as hereinafter defined); and

WHEREAS, DPD desires to approve a restructuring of the Original City Loan after it is assumed by the New Borrower (the "Second Restructuring") in a manner which (1) will not alter the outstanding principal balance of the Original City Loan, (2) may consent to a new senior loan or loans on the Property and subordinate the lien of the Original City Mortgage to the lien of a new senior mortgage or mortgages, (3) may alter the interest rate on the Original City Loan, (4) may extend the maturity date of the Original City Loan, and (5) may alter the repayment terms of the Original City Loan (collectively, the "Material Terms"); and

WHEREAS, DPD has preliminarily reviewed and approved the making of a loan of Multi-Family Funds to the New Borrower in an amount not to exceed \$1,700,000 to be funded from Multi-Family Funds ("New City Loan") in connection with the acquisition and rehabilitation of the Property, pursuant to the terms and conditions set forth in Exhibit A attached hereto and made a part hereof; now, therefore,

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

EXHIBIT A

BORROWER: Newberry Park Preservation Associates Limited Partnership, an Illinois Limited partnership, the general partner of which is POAH Newberry Park, LLC, an Illinois limited liability company, whose sole member is Preservation of Affordable Housing, Inc., an Illinois not-for-profit corporation ("POAH"), and others to be hereafter selected as limited partners.

PROJECT: Acquisition of land and rehabilitation of three buildings located thereon at 1353, 1355 and 1357 South Blue Island in Chicago, Illinois (collectively, the "Project") which will comprise approximately 84 residential dwelling units for low-income and very low-income persons, together with certain common space, offices, and parking.

Source:

Amount:

Term:

Interest:

Security:

Multi-Family Program Funds

Not to exceed \$1,700,000

Not to exceed 42 years

Zero percent per annum

Non-recourse loan; mortgage

on the Property (the "City Mortgage")

ADDITIONAL FINANCING:

Amount: Approximately \$9,500,000 in short term tax exempt cash-collateralized construction bonds (the "IHDA Bonds") and permanent financing in the form of an FHA-insured loan in an amount not to exceed \$6,000,000

Term: Not to exceed 42 years, or another term acceptable to the Authorized Officer

Source: Proceeds from multi-family housing revenue bonds issued by the Illinois Housing Development Authority during the term of the IHDA Bonds, and thereafter proceeds from a loan obtained through the United States Department of Housing and Urban Development Section 221(d)(4) program, or another source acceptable to the Authorized Officer

Interest: A fixed rate of interest not to exceed six percent per annum, or another interest rate acceptable to the Authorized Officer

Security: A mortgage on the Property senior to the lien of the City Mortgage, and/or other security acceptable to the Authorized Officer

2. Amount: Approximately \$3,713,173, all or a portion of which may be paid in on a delayed basis Source: To be derived from the syndication of certain Low-Income

Housing Tax Credits generated by the IHDA Bonds

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3. Amount: Approximately \$1,500,000
Term: Not to exceed 42 years, or another term acceptable to the Authorized Officer
Source: Illinois Housing Development Authority, or another source acceptable to the Authorized Officer
Interest: A fixed rate of interest not to exceed one percent per annum, or another interest rate acceptable to the Authorized Officer
Security: Non-recourse loan; a mortgage on the Property senior to the lien of the City Mortgage, or other security acceptable to the Authorized Officer

4. Amount: Approximately \$200,000
Term: Not to exceed 42 years, or another term acceptable to the Authorized Officer
Source: POAH, derived from funds received from certain energy grants and corporate funds, or another source acceptable to the Authorized Officer
Interest: A fixed rate of interest not to exceed one percent per annum, or another interest rate acceptable to the Authorized Officer
Security: Non-recourse loan; a mortgage on the Property junior to the lien of the City Mortgage, or other security acceptable to the Authorized Officer

5. Amount: \$100
Source: General Partner, or another source acceptable to the Authorized Officer

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 Acquisition is hereby approved as described above. The Commissioner of DPD (the "Commissioner") or a designee of the Commissioner (each, an "Authorized Officer") are each 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 Acquisition.

SECTION 3. The Second 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 Second Restructuring. 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 any future restructuring of the Original City Loan which do not substantially modify the Material Terms.

SECTION 4. Upon the approval and availability of the Additional Financing as shown in Exhibit A hereto, 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 New City 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 New City 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 New City Loan to the New Borrower.

SECTION 5. Notwithstanding anything to the contrary contained in the Municipal Code of Chicago (the "Municipal Code") or any other ordinance or mayoral executive order, no parties other than the owners of the Property as of the date following the date of the closing of the Acquisition (collectively, the "Acquisition Owner"), any legal entities which are direct owners in excess of 7.5% of the Acquisition Owner, and all legal entities who constitute the direct or indirect controlling parties of the Acquisition Owner (as determined by the Corporation Counsel), shall be required to provide to the City the document commonly known as the "Economic Disclosure Statement and Affidavit" (or any successor to such document) in connection with the Acquisition, the Second Restructuring or the New Loan. -

SECTION 6. 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 2-45-110 of the Municipal Code shall not apply to the Acquisition, the Second Restructuring, the Project (as defined on Exhibit A), or the Property.

SECTION 7. This ordinance shall be effective as of the date . . of its passage and approval.