



Office of the City Clerk

City Hall
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Legislation Details (With Text)

File #: O2018-2346
Type: Ordinance
Status: Passed
File created: 3/28/2018
In control: City Council
Final action: 4/18/2018
Title: Second loan restructuring for K-FAM LLC regarding rehabilitation of property at 1826 S Avers Ave for use as affordable housing
Sponsors: Emanuel, Rahm
Indexes: Loan & Security
Attachments: 1. O2018-2346 (V1).pdf, 2. O2018-2346.pdf

| Date | Ver. | Action By | Action | Result |
|-----------|------|----------------------|---------------------|--------|
| 4/26/2018 | 1 | Office of the Mayor | Signed by Mayor | |
| 4/18/2018 | 1 | City Council | Passed | Pass |
| 4/16/2018 | 1 | Committee on Finance | Recommended to Pass | |
| 3/28/2018 | 1 | City Council | Referred | |

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, pursuant to the Community Development Block Grant Program, Year XXI, which had been created by the Housing and Community Development Act of 1974, the City received an allocation of funds from the U.S. Department of Housing and Urban Development ("Multi-Program Funds") to make loans and grants to expand the long-term supply of affordable housing through acquisition and rehabilitation in low- and moderate-income areas, to be administered by the City's Department of Housing, which Department has been succeeded by the City's Department of Planning and Development ("DPD"); and

WHEREAS, pursuant to an ordinance approved by the City Council of the City (the "City Council") on August 2, 1995 and published in the Journal of Proceedings of the City Council for such date at pages 5261-5266 thereof (the "Original Ordinance"), the City made a loan of Multi-Program Funds on January 8, 1996 in the principal amount of \$205,437, with an interest rate of zero (0%) percent per annum and a term not to exceed 22 years (the "Loan"), to three (3) individuals, Donna A. Kruei, Irene Kruei and Roger L. Kruei, jointly and severally (collectively, the "Original Borrower"); and

WHEREAS, the proceeds of the Loan were used to finance a portion of the costs of rehabilitation of a building located at 1826 S. Avers Avenue, Chicago (the "Property"), to provide six (6) units of affordable housing; and

WHEREAS, the Loan was evidenced by a note which was secured by, among other things, that certain Junior Mortgage, Security Agreement and Financing Statement dated as of January 8, 1996, made by the Original Borrower in favor of the City and recorded with the Office of the Recorder of Deeds of Cook County, Illinois (the "Recorder's Office") on January 10, 1996 as document number 96026393 (the "Mortgage"), and that certain Regulatory Agreement dated as of January 8, 1996 between the City and the Original Borrower and recorded with the Recorder's Office on January 10, 1996 as document number 96026391 (the "Regulatory Agreement"); and

WHEREAS, the Mortgage is subordinate to a certain mortgage dated as of January 8, 1996 and recorded with the Recorder's Office on January 10, 1996 as document number 96026392 that secured a loan by Community Investment Corporation to the Original Borrower in the amount of \$104,000 (the "Original Senior Loan"); and

WHEREAS, in 2007, Irene KrueL died, causing the Original Borrower to be comprised of Donna A. KrueL and Roger L. KrueL, jointly and severally; and

WHEREAS, pursuant to an ordinance approved by the City Council on February 13, 2013 and published in the Journal of Proceedings of the City Council for such date at pages 46145-46147 thereof (the "First Amending Ordinance"), the City approved a restructuring of the Loan in a manner that (1) would replace the Original Borrower with a limited liability company as successor borrower, (2) would not alter the principal balance of the Loan, (3) would not alter the interest rate of the Loan, (4) would not extend the maturity date of the Loan, and (5) would not alter the priority of the lien of the Mortgage (the "First Restructuring"); and

WHEREAS, since the date of the First Amending Ordinance, (1) the First Restructuring did not occur, (2) the Loan matured in 2016, with a then-outstanding principal balance of approximately \$145,000, and said amount has not yet been repaid, (3) the Original Senior Loan matured in 2016 but has not been fully repaid by the Original Borrower, (4) the Property has developed additional rehabilitation needs, and (5) the Original Borrower assigned its ownership of the Property to K-FAM LLC, an Illinois limited liability company, the sole members of which are Donna A. KrueL and Roger L. KrueL (the "Successor Borrower"); and

WHEREAS, the Successor Borrower now desires to refinance the Original Senior Loan by entering into a new senior loan in a principal amount not to exceed \$270,000 (the "New Senior Loan"), the proceeds of which will be used, among other things, to retire the Original Senior Loan and to rehabilitate the Property, and to execute a mortgage (the "New Senior Mortgage") in connection with the Property in favor of a new senior lender acceptable to the Authorized Officer (as hereinafter defined), and has requested that the City approve the proposed refinancing of the Original Senior Loan and a restructuring of the Loan; and

WHEREAS, DPD desires to approve a restructuring (the "Second Restructuring") of the Loan in a manner that (1) will assign the Loan note, the Mortgage, the Regulatory Agreement and other documents associated with the Loan to the Successor Borrower, (2) will not change the amount of the Loan, (3) will not change the interest rate of the Loan, (4) will extend the maturity date of the Loan to a term of 30 years or the maturity date of the New Senior Loan, whichever is longer, (5) will forgive all accrued default interest and loan-related penalties, if any, (6) will subordinate the lien of the Mortgage to the lien of the New Senior Mortgage, and (7) will extend the termination date of the Regulatory Agreement to a date that shall not exceed the maturity date of the Loan (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 Second Restructuring is hereby approved as described above. The Commissioner of DPD, 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 amendments, 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 amendments, 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 3. 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 Second Restructuring (collectively, the "Owner") 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 Second Restructuring.

SECTION 4. To the extent that any ordinance, resolution, rule, order or provision of the Municipal Code, or part thereof, conflicts 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.

OFFICE OF THE MAYOR

CITY OF CHICAGO

RAHM EMANUEL
MAYOR

March 28, 2018

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 the execution of a loan renewal and re-subordination agreement regarding property located at 1826 South Avers.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

Mayor

CHICAGO April 18, 2018

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 Second Loan Restructuring Agreement with K-FAM LLC.

02018-2346

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

Respectfully submitted Chairman

This recommendation was concurred in by

(a (viva voce vote

of members of the committee with

dissenting vote(s)