



Office of the City Clerk

City Hall
121 N. LaSalle St.
Room 107
Chicago, IL 60602
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Legislation Text

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2017

Andrea M. Valencia, City Clerk 121 North LaSalle Street
Room 107
Chicago, Illinois 60602

RE: \$7,200,000 Multi-Family Housing Revenue Bonds (Lawn Terrace Preservation Project), Series 2017

Dear Ms. Valencia:

Attached is the Notification of Sale which is required to be filed with your office pursuant to Section 8 of the ordinance authorizing \$7,200,000 Multi-Family Housing Revenue Bonds (Lawn Terrace Preservation Project), Series 2017, which was passed by the City Council on September 14, 2016. Please direct this filing to the City Council.

Carole L. Brown Chief Financial Officer

NOTIFICATION OF SALE

\$7,200,000

City of Chicago Multi-Family Housing Revenue Bonds (Lawn Terrace Preservation Project), Series 2017

March 15, 2017

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To: The City Council of the City of Chicago

Please be advised that responsive to authority contained in the Ordinance adopted by the City Council (the "City Council"; of the City of Chicago (the "City") on September 14, 2016 (the "Ordinance"), providing for the execution and delivery of (i) the Bond Issuance Agreement dated as of March 1, 2017 (the "Bond Issuance Agreement") among the City, BMO Harris Bank, N.A., as bondholder (the "Bank"), and BMO Harris Bank, N.A. as fiscal agent (the "Fiscal Agent"), and the sale pursuant thereto of \$7,200,000 aggregate principal amount of Multi-Family Housing Revenue Bonds (Lawn Terrace Preservation Project), Series 2017 (the "Bonds"), and (ii) the Loan Agreement dated as of March 1, 2017 (the "Loan Agreement") between the City and Lawn Terrace Preservation, L.P., an Illinois limited partnership (the "Borrower"), providing for the making of a loan (the "Loan"; by the City of the proceeds of the Bonds to the Borrower, the Bond Issuance Agreement and the Loan Agreement were entered into by me, as the Chief Financial Officer, on behalf of the City with the Bondholder. Capitalized terms not otherwise defined herein, including the Appendices hereto, and defined in the Ordinance have the meaning ascribed to them therein or in the Bond Issuance Agreement, as applicable.

The Ordinance provides that (i) the Bonds may be issued in an aggregate principal amount not to exceed \$8,000,000; (ii) the maximum term of the Loan shall not exceed forty (40) years from the date of execution and delivery of the Bonds; (iii) the interest rate on the Bonds shall not exceed the lesser of 12% or the maximum rate of interest allowable under state law, payable on the interest payment dates set forth in the Bond Issuance Agreement, provided that, subject to such limitation, the Bonds may bear interest at variable interest rates computed from time to time at such rates and on such basis as shall be determined by reference to an established market index as shall be identified in the Bond Issuance Agreement; (iv) the Bonds shall be dated, shall be subject to redemption prior to maturity, shall be payable in such places and in such manner and shall have such other details and provisions as are prescribed by the Bond Issuance Agreement. The administrative fee that may be charged by DPD in connection with the delivery and administration of the Bond Issuance Agreement and the Bonds which may be charged and collected shall initially be an amount equal to 1.5% of the original principal amount of the Bonds payable upon issuance of the Bonds plus an ongoing compliance fee of 15 basis points (0.0015%) of the outstanding principal amount, accruing monthly and payable semi-annually.

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The aggregate original principal amount of the Bonds is \$7,200,000; the Bonds are issued on a single series and mature on the earliest of the first day of the month which is 17 years following the Conversion Date, or November 1, 2035. The interest rate, redemption provisions and other details of the Bonds are further described in the attached Appendix A and in the Bond Issuance Agreement. BMO Harris Bank, N.A., a national banking association, is the purchaser of the Bonds and has been appointed as the Fiscal Agent for the Bonds. I

have determined that the sale of the Bonds to the Bank and the Bank's appointment as Fiscal Agent for the Bonds is desirable and in the best interests of the City. The final forms of the Bond Issuance Agreement and the Loan Agreement and exhibits to both of them are attached as Appendices B and C, respectively.

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NOTIFICATION OF SALE

APPENDIX A- NOTIFICATION OF SALE

**\$7,200,000 City of Chicago Multi-Family Housing Revenue Bonds
(Lawn Terrace Preservation Project), Series 2017**

INTEREST RATE

During the Initial Period, the unpaid portion of the principal amount of the Bonds that has been advanced shall bear interest at the Initial Period Interest Rate. During the Permanent Period, the unpaid portion of the principal amount of the Bonds shall bear interest at the Permanent Interest Rate. Interest on the

outstanding principal balance of the Bonds shall be calculated by multiplying (a) the actual number of days elapsed in the period for which the calculation is being made by (b) a daily rate based on a 360-day year (that is, the Initial Period Interest Rate, the Permanent Interest Rate or the Past Due Rate, as then applicable, expressed as an annual rate divided by 360) by (c) the outstanding principal balance. The parties acknowledge this will result in a higher rate of interest than if interest were calculated based on a 365-366 day year and waives any right to object to said basis of calculation. The accrual period for calculating interest due on each Interest Payment Date shall be the calendar month immediately prior to such Interest Payment Date.

If any amount payable by the Borrower under the Loan Agreement or the Borrower Note is not paid when due (without regard to any applicable grace periods), such amount shall thereafter bear interest at the Past Due Rate to the fullest extent permitted by applicable law. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable on demand, at the Past Due Rate.

"Initial Period" means the period from the Closing Date to but excluding the Conversion Date.

"Initial Period Interest Rate" means a per annum floating rate equal to the lesser of (i) 74% times the sum of (a) the LIBOR Monthly Rate, plus (b) 2.47%, increasing or decreasing with each increase or decrease of the LIBOR Monthly Rate, and (ii) the Maximum Rate.

"LIBOR Monthly Rate" shall mean the one-month London Interbank Offered Rate (LIBOR) as reported on Bloomberg Financial Market's terminal screen entitled "Official ICE LIBOR Fixings" as reported two London Business Days prior to the effective date, unless such rate is no longer available or published, in which case such rate shall be at a comparable index rate selected by the Bondholder with notice to the Borrower, provided that in no event shall the "LIBOR Monthly Rate" be less than 0.00%. "London Business Day" means any date on which dealings in U.S. dollar deposits are transacted in the London interbank market. The Bondholder shall

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determine the LIBOR Monthly Rate based on the foregoing, and its determination thereof shall be conclusive and binding except in the case of manifest error. Notwithstanding the foregoing, in no event shall the LIBOR Monthly Rate be less than zero.

"Maximum Rate" means twelve percent (12%) per annum.

"Past Due Rate" means a fluctuating rate per annum equal to the LIBOR Monthly Rate plus five hundred (500) basis points, but in no event greater than the Maximum Rate.

"Permanent Interest Rate" means the lesser of (a) a per annum floating rate equal to (i) 74% times the sum of (a) the LIBOR Monthly Rate, plus 2.27% increasing or decreasing with each increase or decrease of the LIBOR Monthly Rate, plus (b) 3.15% swap cost, and (ii) the Maximum Rate.

"Permanent Period" means the period from the Conversion Date (as defined in the Bond Issuance Agreement) to the Maturity Date.

REDEMPTION

Optional Redemption. The Bonds are subject to optional redemption prior to maturity on any Business Day by the Issuer pursuant to the request of the Borrower in accordance with Section 3.1(a) of the Loan Agreement, in whole or in part (and, if in part, at the direction of the Borrower as to the principal amount to be redeemed), at a redemption price of 100% of the principal amount thereof being redeemed, without premium, plus accrued interest to the date fixed for redemption. To effect such redemption, the Borrower shall give written notice to the Bondholder and the Issuer not less than 2 Business Days prior to the applicable redemption date. The Borrower may withdraw any such notice, and revoke the election made therein, by giving written notice of such withdrawal and revocation to the Bondholder and the Issuer on or before the date fixed for redemption. Any partial redemption of the Bonds shall be applied pro rata amongst all principal amortization payments, except as otherwise agreed by the Borrower and the Bondholder.

Mandatory Redemption. The Bonds are subject to mandatory redemption prior to maturity on any Business Day by the Issuer in whole or in part, at a redemption price of 100% of the principal amount thereof being redeemed plus accrued interest to the date fixed for redemption, and without premium, upon the occurrence of any of the events set forth below:

(a) Within 5 days following the Completion Date, to the extent of any excess amounts on deposit in the Construction Fund or the Construction Escrow on

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the Completion Date which are not set aside for the payment of Costs of the Project not then due and payable (as provided in Section 9.4 of the Loan Agreement);

b) within 5 days following the Completion Date, in the principal amount of \$1,163,926, from moneys held in the Cash Collateral Fund and the Developer Fee Fund;

c) to the extent the Borrower Collateral Documents provide that the proceeds of any insurance or condemnation payment received with respect to the Project be applied to the prepayment of the Borrower Note and the redemption of Bonds;

d) on the Conversion Date, in the principal amount of \$2,886,074 from proceeds of the second Capital Contribution under the Limited Partnership Agreement and amounts held in the Developer Fee Fund and to the extent proceeds thereof are insufficient for such purpose, from other funds provided by the Borrower or Guarantor;

e) in whole, within 30 days following the occurrence of a Determination of Taxability.

If for any reason the redemption under (d) above does not occur because the Conversion Date conditions have not been met, all proceeds of the third Capital Contribution made by the Limited Partner under the Limited Partnership Agreement shall nevertheless be applied to a partial redemption of the Bonds in the amount of such contribution.

All initially capitalized terms which are not otherwise defined herein shall have the meanings set forth in the Bond Issuance Agreement.

PAYMENT

The Bonds are payable solely from Revenues and otherwise in accordance with the provisions of the Bond Issuance Agreement attached to this Notification Of Sale as Appendix B.

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