AFFORDABLE HOUSING FINANCE

Chicago Property to be Preserved Under City's SRO Ordinance

The NHP Foundation will rehabilitate the Mark Twain Hotel, maintaining its affordability.

By Donna Kimura June 02, 2016

The NHP Foundation (NHPF) has acquired the old Mark Twain Hotel with plans to rehabilitate and maintain the property as affordable apartments under Chicago's new Single-Room Occupancy (SRO) Preservation Ordinance.

The NHP Foundation will redevelop the Mark Twain Hotel in Chicago, with plans to add kitchens to each unit and community space to the property.

Built in 1932, the approximately 58,000-square-foot building has 152 SRO units and more than 9,000 square feet of retail space.

"Since 1932, the Mark Twain Hotel has been a landmark of the Gold Coast neighborhood. The acquisition and future renovation of the property by The NHP Foundation is an incredibly exciting project for all parties involved," said Richard Burns, NHPF president and CEO, in a statement. "We are proud to be a part of Chicago's efforts to preserve its affordable housing, and we are delighted with the opportunity to significantly improve the property while providing a better quality of life for the residents."

In December 2014, the city passed the SRO Preservation Ordinance, which requires notification to residents in an SRO property that it's being listed for sale and provides information to affordable housing organizations that may be able to preserve the property.

NHPF, a New York–based nonprofit, paid $21 million for the building and plans to spend at least $15 million on renovations.

The acquisition of the Mark Twain Hotel is the largest deal so far under the ordinance, according to Mecky Adnani, vice president of acquisitions and development at NHPF.

The Mark Twain Hotel is in Chicago's Gold Coast district.

"We will now continue our mission to preserve the affordability, to comprehensively rehabilitate, and to fully reposition the Mark Twain in one of the rapidly growing neighborhoods of Chicago," she said. "When done, this property will be a transformed, state-of-the-art SRO facility with amenities and a full array of resident services."

NHPF is working on the redevelopment phase for the project, with plans to add kitchens to each unit and community space to the property. Construction is anticipated to begin in 2017 with the goal of limiting displacement for existing residents. The property will be included in the National Register's Proposed *Residential Hotels in Chicago, 1900–1930* group designation, which recognizes the accommodation from this era as historically significant.

Bellwether Enterprise Real Estate Capital worked with NHPF to bring debt and equity to the transaction from Pembrook Capital Management, the Chicago Community Loan Fund, and U.S. Bancorp Community Development Corp. (CDC).

Pembrook, a commercial real estate investment manager and balance-sheet lender, primarily funded the property acquisition with a $16.6 million loan. Its local investment partner was BMO Harris Bank. The Chicago Community Loan Fund is the junior lender.

“The issue of affordability is very real for residents of American cities as rents and property values rise,” said Stuart J. Boesky, CEO of Pembrook. “After losing 2,200 SRO units between 2011 and 2014, Chicago has taken action to preserve this essential housing resource for the working poor in valuable locations throughout the city. Pembrook is proud to participate in this historic transaction, which is among the first to close under the city’s new SRO rules.”

The city Department of Planning and Development issued Illinois Affordable Housing Tax Credits, also known as donation tax credits, to the project. The tax credits generated were sold to U.S. Bancorp CDC, whose equity was used to acquire the property.

The Red Line station beneath the building underwent a $50 million renovation in September, including installation of elevators and escalators, a new entrance at LaSalle and Division streets, and a new 8,000-square-foot mezzanine. The property is in a mixed-use neighborhood and across from The Sinclair, a residential tower, and Jewel/Osco supermarket construction project that will be completed in 2017.

The Mark Twain property is managed by Heartland Housing, a company of the Heartland Alliance.