

# Residents take charge in Cabrini Green revamp

by *Melissa Gadowski, '04*

The Chicago Housing Authority (CHA) is in the midst of an ambitious, contentious, multi-year transformation of its troubled high-rise public housing developments into low-rise, mixed-income urban communities. One of the most high-profile of these projects is the redevelopment of Cabrini Green, located on Chicago's North Side, a short way from the Loop and the high-end stores of Michigan Avenue.

The Cabrini Green redevelopment, as currently proposed, would involve the development and operation of a 651-unit housing development, consisting of 195 public housing units, 131 affordable rental units, 106 market-rate rental units, and 219 market rate for-sale units. The development project will also include job training, resident hiring, and social services.

The Askow Housing Initiative became counsel for the Cabrini Green Local Advisory Council (LAC) in 2002. Through earlier litigation, the LAC had negotiated a consent decree under which it would be a partner, or other form of owner, with up to a 50 percent ownership interest in

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the entity chosen to be the developer. Ultimately, the proposal that was selected gave the LAC a 33 percent ownership interest, as well as 33 percent of the development fees and profits. Students in the Housing Initiative work strictly on transactional matters, and we became involved after we were approached to help the LAC set up an affiliate to be involved in the development. To that end, we incorporated Cabrini Green New Beginnings (CGNB), a not-for-profit corporation run by the LAC, and we are currently working on getting the corporation tax-exempt status. This entity will be used to form a series of partnerships and limited liability companies with the two for-profit developers that were selected through a competitive process to be co-developers of the site.

We have also been drafting a term sheet (with a joint venture agreement to follow) reflecting the agreed-upon-terms from the proposal and subsequent negotiations. As the term sheet was being drafted, however, many of the issues became seriously

contended. The for-profit developers and our client are continuing to negotiate—with our assistance and counsel—control issues regarding decision-making processes, control over various aspects of the development process, and terms for adding investors and other forms of project financing. A great deal of progress has been made, but the process may continue for some time. To that effect, the Housing Initiative is working hard to negotiate possible alternatives and to strengthen the term sheet's language so that the LAC through CGNB will be able to play the vital role in this development that its residents demand.

Once the term sheet is finalized, we will draft agreements and contracts for the LAC and loan documents from various lenders. We will negotiate with investors who would join the partnership to take advantage of tax credits, work on the ground lease with the CHA for the underlying land, and structure CGNB's involvement in the project so as to protect its tax-exempt status, among other things. There is much more work to be done on this highly complex transaction.