

**CHICAGO
DEVELOPMENT
FUND** ★ ★ ★ ★

THE HATCHERY

**ANNUAL REPORT
2020**

LETTER FROM THE BOARD CHAIR

Chicago Development Fund (CDF), the City of Chicago's New Markets Tax Credits (NMTC) financing entity, had an exciting year, receiving an award of \$55 million in NMTC allocation from the Community Development Financial Institutions (CDFI) Fund, the largest of any municipally-affiliated Community Development Entity (CDE) in this funding round. CDF deployed \$8 million of that award to North Lawndale Employment Network to create a new campus from which to provide a variety of workforce and financial skill development services for members of Low-Income Communities (LICs).

Since its founding in 2005, CDF has utilized the federal NMTC program to bring to fruition Chicago's most vital and challenging redevelopment projects, prioritizing investments on the South and West Sides that:

- ★ Create and retain high-quality accessible jobs;
- ★ Increase access to healthcare, services to at-risk youth, training, and other vital community services; and
- ★ Eliminate food deserts by bringing new retail grocery projects to underserved areas.

CDF has been awarded a total of \$411 million in federal NMTC allocation and as of the end of 2020 has deployed \$364 million of it to support 36 projects, leveraging \$768 million of new investment in Chicago's Low-Income Communities. These projects are anticipated to support nearly 5,700 full-time equivalent (FTE) jobs and provide vital community services to more than 204,000 individuals each year.

Despite the significant challenges stemming from the COVID-19 pandemic with which CDF's portfolio projects were confronted, the projects were resilient, pivoting adeptly to support significant community impacts when people needed them most. For example:

- ★ Method prioritized employee wellbeing by installing a trailer to screen all people for COVID-19 before entering the facility and to provide COVID-19 testing for employees, contractors, and family members, paid for entirely by Method. Additionally, it implemented a generous paid leave policy for COVID-related absences, ensuring that employees who had contracted the disease did not risk spreading the disease at work due to the need for a paycheck.
- ★ Lawndale Christian Health Center's Adult Day Services program ceased all in-person services, shifting to remote engagement for regular participants, many of whom are at high-risk for serious complications from COVID-19 if they contract it. Rather than leaving the building to sit vacant, LCHC repurposed the facility as a COVID testing center initially, and more recently as a vaccination administration site.
- ★ La Casa Norte saw a substantial increase in people needing to access fresh, healthy, no-cost food resulting from rising unemployment. To address that increased need, it worked with its tenant, Lakeview Pantry, to add another day of operations each week for its Fresh Market and Community Café.

CDF's successes would not be possible without the support of our community partners, board members, and elected officials. We look forward to continuing collaboration to support further success in 2021 and beyond.

Maurice D. Cox
Chair of the Board of Directors
Chicago Development Fund



La Casa Norte Pierce House

Photo credit: Tom Harris

TABLE OF CONTENTS ★ ★ ★ ★

01	OVERVIEW	1
02	GOVERNANCE	3
03	INVESTMENT PRIORITIES	5
04	COMMUNITY & ECONOMIC IMPACTS TO DATE	9
05	2020 FUNDING ACTIVITY	11
06	2020 PROJECT UPDATES	12

01 CDF OVERVIEW

Through 2020, CDF has received \$411 million and deployed \$364 million of that allocation to 36 projects in the City of Chicago. This allocation has generated \$113 million in New Markets Tax Credit (NMTC) equity and supported a total of **\$768 million in new investment.**

On July 27, 2005, the Chicago City Council passed a resolution authorizing the creation of CDF, an Illinois not-for-profit corporation. The purpose of CDF is to assist the community and economic development activities of the City of Chicago by using the federal NMTC program to invest in Chicago's Low-Income Communities (LICs). CDF was certified by the Community Development Financial Institutions Fund (CDFI Fund) of the U.S. Treasury as a Community Development Entity (CDE) in August 2005, making it eligible to compete for and use NMTCs.

CDF applies for and is awarded NMTC allocation in a competitive federal NMTC application process. To generate capital for projects, tax credit investors -- typically, large commercial banks that are active in Chicago -- make Qualified Equity Investments (QEIs) into CDF. These QEIs are then used to provide subsidized financing to projects that meet NMTC criteria and CDF's investment priorities.

About New Markets Tax Credits

Congress created the NMTC program in 2000 to incentivize investments that create jobs and provide services in economically disadvantaged areas. The CDFI Fund, a division of the U.S. Department of Treasury, administers the NMTC program. Through 2020, the CDFI Fund has made 1,254 awards totaling \$61 billion in tax credit authority to Community Development Entities (CDEs).

The NMTC program is used primarily to fund commercial, industrial, community facility, and mixed-real estate projects, as well as operating businesses located in qualifying Low-Income Communities. NMTCs can provide "gap financing" of up to approximately 20% of a project's capital costs, usually in the form of low-interest, forgivable debt.

Tax Credit Allocation Authority

CDF has been awarded a total of **\$411 million** in NMTC allocation to date, 89% of which has been used to fund high impact projects. The table below summarizes past awards and the amount of each allocation deployed through December 31, 2020.

ROUND	RECEIVED	CLOSED	REMAINING	CLOSED %
4th (2006)	\$100 M	\$100 M	\$0	100%
7th (2009)	\$55 M	\$55 M	\$0	100%
8th (2011)	\$18 M	\$18 M	\$0	100%
9th (2012)	\$65 M	\$65 M	\$0	100%
11th (2014)	\$43 M	\$43 M	\$0	100%
13th (2016)	\$75 M	\$75 M	\$0	100%
16th (2019)	\$55 M	\$8 M	\$47 M ¹	15%
TOTAL	\$411 M	\$364 M	\$47 M	89%

¹ On January 13, 2021, CDF provided \$8.5 M in NMTC allocation to Covenant House Illinois for its new emergency shelter and homeless services facility in East Garfield Park. On March 4, 2021, CDF provided \$11 M in NMTC allocation to Greater Auburn Gresham Development Corporation for its Healthy Lifestyle Hub. At the time of this report's publication, \$27.5 M of the 16th round allocation has been deployed, leaving 50% to be deployed.



LCHC Adult Day Center
Photo courtesy of Lawndale Christian Health Center

02 CDF GOVERNANCE

The activities of CDF are overseen by a Governing Board and an Advisory Board. The roles and membership of each are briefly summarized in this section. CDF is staffed by the City of Chicago’s Department of Planning and Development (DPD).

Governing Board

The Governing Board is composed of the following nine officials:

- Commissioner of the Department of Planning and Development (Serves as Chair of the Governing Board)
- Director of the Office of Budget and Management
- Chief Financial Officer (or City Comptroller, in absence of a CFO)
- City Treasurer
- Chair of the Committee on Finance of the City Council
- Chair of the Committee on Economic, Capital and Technology Development of the City Council
- Chair of the Committee on the Budget and Government Operations of the City Council
- DPD Employee appointed by the Board Chair
- Chair of CDF’s Advisory Board

The Governing Board met on May 28, 2020 and October 9, 2020.



Flex-N-Gate



Advisory Board

The role of CDF’s Advisory Board is to maintain accountability to Low-Income Communities (LICs) in Chicago and advise CDF’s investment activities in furtherance of the organization’s mission. The LIC representatives on the Advisory Board bring perspective on the investment priorities of Chicago’s underserved neighborhoods through their experience with community development and the local organizations with which they are affiliated. The Advisory Board met on May 14, 2020 and October 2, 2020.

At all times, at least 20% of the Advisory Board’s members must be representatives of LICs, as defined by the CDFI Fund. In practice, CDF maintains a substantially higher level of LIC representation at all times – 78% as of December 31, 2020. The Advisory Board reviews major policies and each proposed investment of CDF’s NMTC resources, making formal recommendations on each to the Governing Board.

The DPD Commissioner serves in an ex-officio capacity on the Advisory Board. Up to eight additional members are appointed by the Mayor and approved by the City Council. As of December 31, 2020, the Advisory Board included eight appointed members, as listed below.

Name	Title & Professional Affiliation
Rafael Leon (Chair)	Executive Director, Chicago Metropolitan Housing Development Corporation
Craig Chico	President & CEO, Back of the Yards Neighborhood Council
Edward Coleman	President & CEO, Bethel New Life
Jaime DiPaulo	President & CEO, Illinois Hispanic Chamber of Commerce
Angela Hurlock	Executive Director, Claretian Associates; and Chairperson, Chicago Housing Authority Board of Commissioners
Maxine Mitchell	Founder and President, Applied Real Estate Analysis, Inc.
Carlos Nelson	Executive Director, Greater Auburn-Gresham Development Corporation
Rev. Richard Tolliver	President & CEO, St. Edmund’s Redevelopment Corporation

03 INVESTMENT PRIORITIES

CDF uses its NMTC allocations to provide much-needed financial assistance to industrial, commercial, institutional, and mixed-use real estate projects in Low-Income Communities on the South and West sides of the City. CDF focuses on three major project types:

Neighborhood Job Creators - Community Facilities - Grocery Retail



Esperanza Health Centers 47th and California

Project Type: Neighborhood Job Creators

Expanding access to quality employment opportunities

CDF invests in projects that serve as vital engines for economic opportunity by supporting high-quality, accessible jobs in their neighborhoods. Through 2020, CDF has provided \$83.2 million in financing for 10 projects in this category.

Examples of recent Neighborhood Job Creator projects:

The Hatchery

- Construction of a 67,000-square-foot kitchen incubator featuring 56 private, rentable kitchens and a variety of shared spaces for emerging food businesses
- Provides tenants with specific services tailored to help them succeed such as assistance with business licensing and networking with industry experts
- Will support 457 retained FTE positions and create over 450 new FTE positions
- Supported over 40 temporary construction jobs

Flex-N-Gate

- Equipment expenditures and leasehold improvements at a new 290,000-square-foot manufacturing facility producing advanced plastic injection molded automotive parts for original equipment manufacturers, particularly Ford Motor Company
- Supports nearly 600 FTEs, 100% of which pay above the living wage
- Equipment installation and facility upgrades created approximately 50 temporary construction jobs



The Hatchery
Photo courtesy of Wight & Company
© 2019 James Steinkamp Photography

Project Type: Community Facilities

Providing healthcare, youth enrichment, and other vital services in Low-Income Communities

CDF supports facilities that provide economically disadvantaged people with key services that improve their quality of life. CDF has closed on financing for 22 such projects through 2020, including job training facilities, health clinics, and projects serving a variety of other needs.

Examples of recent Community Facility projects:

Esperanza Health Centers 47th and California

- Construction of a new 26,100-square-foot medical home for the community in Brighton Park
- Capacity to serve 20,700 unique patients annually with adult and pediatric primary care, behavioral health, and OBGYN services
- Co-located with pharmacy that provides discounted prescriptions to 3,000 people annually and Mujeres Latinas en Accion offers violence prevention programs and supervised visitation to 300 people annually

Gads Hill Center Early Learning Center in Brighton Park

- Acquisition and renovation of a two-story former retail building into the 18,000-square-foot early childhood education facility in Brighton Park
- Provides 124 slots of high-quality childcare for low-income families
- Will offer financial literacy, nutrition, and mental wellness programming to 230 individuals annually at full operations



Gads Hill Center Early Learning Center in Brighton Park

Project Type: Grocery Retail

Expanding access to fresh and healthy foods in underserved neighborhoods

CDF supports the City’s healthy foods access initiatives by providing financing for grocery stores in underserved areas. Through 2020, four such developments have received financing from CDF. Combined, these projects provide their communities with 169,000 square feet of full-service grocery as well as additional retail.

Examples of recent Grocery Retail projects:

Woodlawn Jewel-Osco

- Acquisition and installation of equipment and inventory costs for a new 48,000-square-foot full-service Jewel-Osco grocery store in Woodlawn
- Brings the first full-scale, full-service grocer to Woodlawn in approximately 40 years, offering new access to healthy food and job opportunities
- Nearly 40% of the store’s footprint is dedicated to fresh foods including produce, dairy, meat, and deli
- Supports 260 permanent FTE positions, 100% of which pay a living wage

Jeffery Plaza

- Acquisition of the entire 113,300-square-foot Jeffery Plaza shopping center as well as renovation and equipment purchase and installation for a 62,300-square-foot full-scale Local Market grocery store within the plaza
- Re-tenanted the last remaining vacant former Dominick’s store in Chicago since the chain’s closure in 2014, improving the viability of the shopping center as a whole
- Supports 145 permanent FTE positions, 98% of which are accessible with less than a four-year college degree



Woodlawn Jewel-Osco

04 COMMUNITY & ECONOMIC IMPACTS TO DATE

CDF has directed 100% of its NMTC investments to “Areas of Greater Economic Distress” as defined by the CDFI Fund¹. On average, projects supported by CDF financing are in Census tracts that had median family incomes of 45% of the Chicago area median, poverty rates of 35%, and unemployment rates equivalent to 2.95 times the national average per the relevant American Community Survey at the time of investment. CDF’s 36 projects through 2020 have had a significant impact on Chicago and its residents.

1 Areas of Greater Economic Distress exhibit multiple distress factors, which may include designation as an Enterprise Zone or Tax Increment Financing (TIF) district; income levels that are below 60% of the metropolitan median; environmental contamination or brownfield conditions; unemployment rates over 1.5 times the national average; or poverty rates above 30%.

Jobs

- Created and retained 4,711 FTEs, including 3,946 full-time and 1,282 part-time positions
- 5,654 FTEs will be supported at full operation (1 FTE per \$20,068 in NMTC subsidy)
- \$45,368 average wage for full-time positions
- 98% of full-time positions offer health benefits

Services

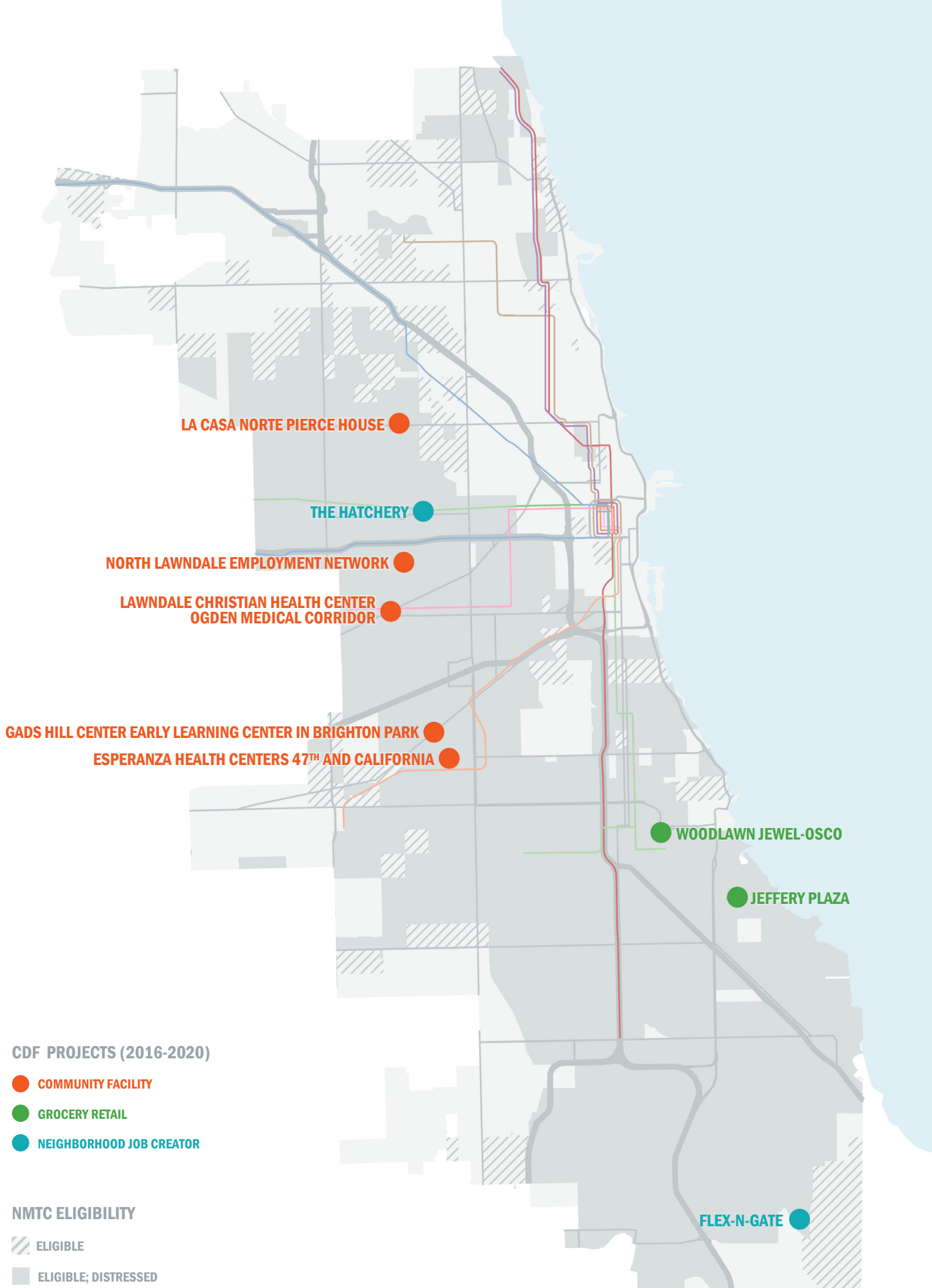
- Anticipated to serve 204,311 clients per year at full operation
- Services include low-cost health care, job training and placement, after-school programs, and education

Healthy Foods

- Provides healthy foods access to over 193,184 residents of USDA-designated Low-Income, Low-Access areas (“Food Deserts”)

Leveraging Private Investment

- Provided \$364 million in NMTC allocation to 36 projects
- Supported \$768 million in total project investment, including:
 - » \$502 million in leveraged private investment (65.35%)
 - » \$113 million in CDF NMTC equity (14.77%)
 - » \$66 million in City of Chicago sources (7.66%)
 - » \$59 million in other NMTC equity (8.56%)
 - » \$28 million in other public sources (3.66%)



05 2020 FUNDING ACTIVITY

North Lawndale Employment Network



CDF NMTC Allocation
\$8 million

Community Area
North Lawndale

Closing Date
December 30, 2020

Scope
Rehabilitation of a 20,189-square-foot former bank building

Sponsor

North Lawndale Employment Network (NLEN) has served residents of Chicago’s North Lawndale and nearby West Side communities for two decades, delivering employment services to those with significant barriers. Its mission is to improve the earnings potential of people in North Lawndale and surrounding communities through innovative employment initiatives that lead to economic advancement and an improved quality of life.

Features

Project components include dedicated spaces for NLEN’s workforce development and financial skills training services, training and event space for NLEN and community members, production space for Sweet Beginnings, LLC’s beelove® honey products, a rooftop apiary, a café, a retail bank, a space for pop-up shops for local entrepreneurs, and a peace garden.

Impact

At full operation, NLEN will provide more than 2,000 unique individuals with a variety of services focused on workforce and financial skill development. Sweet Beginnings (a social enterprise and transitional jobs program) will use production space to train hard-to-employ individuals in the production and sales of honey and honey-based skin care. Wintrust Bank will provide retail banking services and supplemental educational events. The social enterprise café will fill a void in the community by selling coffee, tea, and food. The project is expected to employ 68 FTEs (including 15 as part of the Sweet Beginnings transitional jobs program).

Status

Construction is underway and anticipated to be completed in the third quarter of 2021.

06 2020 PROJECT UPDATES

Shops and Lofts at 47



Overview

In February 2013, CDF provided \$11.75 million in New Markets Tax Credit allocation to Mahogany Shops 47, LLC to support acquisition, site preparation and construction for 55,000 square feet of leasable retail space and associated surface parking. The CDF-financed commercial component—which is part of a larger mixed-use, mixed income project—is anchored by a 41,000 square foot Walmart Neighborhood Market grocery store and full-service pharmacy. The facility opened in October 2014.

Update

In February 2020, the project completed the 7-year NMTC compliance period in good standing, and the financing has now successfully unwound.

Affordable Community Energy (ACE)



Overview

In September 2013, CDF provided \$6.25 million in New Markets Tax Credits allocation to Affordable Community Energy, Inc. (ACE) to support the installation of an array of renewable energy production equipment, including solar panels and combined heat and power generators, and building efficiency improvements, in eleven affordable rental housing properties that are managed by Hispanic Housing Development Corporation (HHDC) and owned by HHDC or affiliates. Work on the project was completed in 2015 and included installation of solar panels, combined heat and power generators, and related energy conservation improvements on 11 affordable housing properties.

Update

In September 2020, the project completed the 7-year NMTC compliance period in good standing, and the financing has now successfully unwound.

Near North Health Service Corporation



Overview

In September 2013, CDF provided \$11.45 million in New Markets Tax Credits allocation to Near North Health Service Corporation to support the construction of a 26,500 square foot LEED Gold certified medical facility at 1520 N. Kostner Avenue. Near North held a ribbon cutting for the facility in November 2013. The project serves over 12,000 patients and facilitates approximately 35,000 annual visits with services including mental health and substance abuse, internal medicine, pediatrics, obstetrics/gynecology, dentistry, case management, and radiology. The facility also offers specialty dental, radiography, and ophthalmology care onsite, rather than referring patients to offsite specialists, to improve patient service.

Update

In September 2020, the project completed the 7-year NMTC compliance period in good standing, and the financing has now successfully unwound.

Breakthrough Urban Ministries



Overview

In November 2013, CDF provided \$13 million in New Markets Tax Credits allocation to Breakthrough Urban Ministries to support work on two distinct facilities: FamilyPlex and the Joshua Center. The 42,500-square-foot FamilyPlex, located at 3219 W. Carroll Avenue, includes a licensed daycare center, library, computer lab, a Federally Qualified Health Center (FQHC) health clinic, gymnasium, and classroom space for youth education programs. The rehabilitation of the 9,500-square-foot Joshua Center, located at 3330 W. Carroll Avenue, includes new space for Breakthrough's homeless shelter for women and an innovative client-choice food pantry. Both portions of the project are complete, and together they provide care for over 5,500 patients, supply healthy food to more than 3,000 people, educate over 475 students, and serve more than 550 homeless women annually.

Update

In November 2020, the project completed the 7-year NMTC compliance period in good standing, and the financing has now successfully unwound.

Chicago Development Fund

Contacts:

Chip Hastings

Managing Deputy Commissioner

Department of Planning and Development

(312) 744-8562

Tony Q. Smith

SB Friedman Development Advisors

Consultant to Chicago Development Fund

(312) 424-4254

Cover: The Hatchery

Photo courtesy of Wight & Company

© 2019 James Steinkamp Photography