

July 26, 2022

By Email

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Village of Arlington Heights

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**Re: UrbanStreet Group's Affordable Housing Approach for the
Redevelopment of International Plaza in Arlington Heights**

Bill and Sam:

UrbanStreet Group is excited to undertake the complete redevelopment of the International Plaza Shopping Center in Arlington Heights. We envision this project as a public private partnership that will bring a vibrant new mixed-use project to this site, replacing the largely vacant shopping center. A project of this scale and complexity will require TIF funds and other forms of incentives in order to be economically feasible and we look forward to working with the Village on all aspects of the project to move it forward as soon as possible. We recognize that this site has had several starts and stops over the years and we believe that we have a development team and a proposed plan that will make it happen.

The Village's Inclusionary Housing Ordinance calls for 10%, or 27 affordable rental units in the project. UrbanStreet Group has explored various scenarios to meet or exceed the Village requirement of 10% affordable units. We plan to exceed the requirement by 10 units and provide 37 units.

Based on initial discussions with the Village Staff, we strongly believe that the best way to provide the affordable units is to engage with a professional affordable housing development company that has an excellent track record in community development of workforce and senior housing. This affordable housing developer would build Building #7, which would include 37 affordable rental apartments, exceeding the Village requirement. UrbanStreet as master developer will in turn build 265 market rate units in 6 buildings. We believe partnering with an affordable housing developer makes sense for several reasons:

- A professional affordable housing developer will bring specific experience and expertise in operating its apartment communities to serve seniors, working families, and other tenants with limited income. They are most often mission driven and they own and operate thousands of units with a singular focus on serving their communities with inclusionary housing.
- The workforce housing developer also bring a proven track record of securing Low Income Housing Tax Credits (LIHTC), a widely used and highly successful program, to provide the majority of the capital specifically for these projects at the State and local level. These tax credits are highly competitive and awarded only to the best projects each year developed by the most experienced and professional LIHTC Developers.
- Often, these LIHTC developers receive tax credit awards year after year because affordable housing is their core business and they develop and manage these properties to very high standards. These developers build and also own and operate their communities for at least 15 years, which is the compliance period for the tax credits. Often, at the end of 15 years, they substantially renovate the properties and continue to operate them as workforce housing.

So, we believe that the best way over the long term to develop and operate the affordable component of this large redevelopment project is to partner with a national LIHTC Developer. We have identified companies in this space who are very interested in becoming a part of this project. For example, we are currently negotiating with Northpointe Development, which has a proven track record of delivering high quality workforce housing communities. Attached, is Northpointe's corporate resume. As you may note, a project of 30-50 units is very typical for a LIHTC project and thus fits in well with the 10% requirement for International Plaza. Northpoint is very interested in pursuing this project with us.

1. Ownership structure/development partnership

- UrbanStreet envisions partnering with a national LIHTC developer who will build their own freestanding project as part of the Master Plan. This building will be the same in exterior design, style, and materials as the rest of the multifamily. It may have its own name and branding, but we see it as part of the cohesive whole and really being no different than the other multifamily buildings architecturally. However, it may have a different unit mix based on its tenants, which could be seniors, singles, couples, or families.
- The Master Plan would provide for a subdivided parcel for this project and we anticipate that the LIHTC Developer will own the parcel with cross easements and possible sharing of surface parking across the Master Plan.
- Since we have already identified a LIHTC developer, we envision that their multifamily building will be developed close in time to the market rate component. However, tax credits are awarded once a year in May, so depending on the cycle and

award of the credits, the affordable housing developer may start their project once the 6 market rate buildings are under way.

2. Timeline

- We envision obtaining municipal entitlements for all the multifamily and market rate at one time with some restrictions that would require an affordable project on a specific parcel as part of the master zoning. If one affordable housing group fails to execute their project, we will find another group to do so. The LIHTC program is national in scope, widely used, and proven. Affordable sites are hard to come by and even harder to get entitled. If a site is specifically zoned for affordable units and is a welcome part of the Master Plan, which this would be, we believe several affordable developers will come forward to execute it if one falls through. As mentioned earlier, we envision that the affordable component will run close in time with the market rate and commercial components of the plan. The only difference is that the affordable component will be financed with tax credits which have an annual award cycle

3. Improvements

- UrbanStreet plans to deliver the affordable component site “build-ready” with utilities extended to its property line, graded and cleared for development. UrbanStreet as “master developer will also provide for central stormwater detention for the entire master plan that will accommodate the affordable site. We anticipate that the affordable housing developer will be responsible for its own volume control but will discharge into the central detention pond which is located outside their site.

4. Affordable Project Site Plan, Unit Mix, and Architectural Design

- Our first priority is to partner with an affordable housing developer. We are currently negotiating with Northpoint Development, which plans to develop an affordable housing building of approximately 37 units. As they progress, they will doing their own unit mix planning and will comply with the Village of Arlington Heights requirements for affordable rents.
- UrbanStreet plans to obtain general density, height, and unit count approvals for the affordable building as part of the larger master plan. The affordable housing developer will seek their own site plan approvals. Our goal is for them to have entitlements ideally at about the same time we do for the market rate and commercial components. Due to the cycle time for the tax credits, their approvals will likely come after the market rate site plan approvals by a few months. The affordable housing developer would also see their own building permits.

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- UrbanStreet Group wants the entire development to have a cohesive design, aesthetics, and building materials so that it will be one single development. The affordable housing developer agrees with this approach so we don't see any substantial physical difference between the market rate buildings and the affordable housing building.

All components of this Master Plan including the affordable component, market rate apartments, and commercial components are critical for the project's success as is the public private partnership. So, for UrbanStreet, the affordable component is very important to UrbanStreet as the master developer, which is why we think partnering with an expert in the development, financing, and management of these affordable housing communities is the best approach.

We are happy to meet and discuss further with you.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Dennis".

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