



January 11, 2011

UPS Next Day

Mr. Gerald Dietz
Chairman
Lake County Community Development Commission
500 West Winchester Road
Unit 101
Libertyville, Illinois 60048

Re: CDBG FY 2011 Funding Recommendation Denial
Zurich Meadows Senior Apartments - Lake Zurich, Illinois

Dear Mr. Dietz:

We have been informed by Mr. Jonathan Burch that Zurich Meadows' application for CDBG Funds was denied. The reasons for the denial as identified by Mr. Burch are (a) the project has secured funding from other sources and does not need CDBG funds to move forward and (b) if awarded, CDBG funds would be used to increase the development fee. We believe the reasons given do not accurately reflect the project's funding needs and we therefore, respectfully request the Community Development Commission's Executive Committee review the history of the development and its current funding status as presented below and reconsider Staffs decision not to recommend funding for the project.

Zurich Meadows Senior Apartments received CDBG HOME Financing Awards in the amount of \$150,000 (HO766) in the year 2007 and in the amount of \$93,563 (HO866) in year 2008. Funding (construction) of the project was scheduled to take place in March of 2008. Unfortunately, the financial markets crashed resulting in IHDA withdrawing its funding commitments for all new construction projects including the commitments it made to Zurich Meadows. The loss of IHDA funding ultimately resulted in the return of Lake County CDBG HOME Funds for reprogramming.

Throughout years 2008, 2009 and 2010 the Sponsor pursued replacement funding and was ultimately successful in securing approvals for construction and permanent funds through IHDA and from the 1602 Federal Treasury Economic Recovery Program.


Although successful in securing new funds, construction costs rose from the original 2007-2008 budget of \$12,835,000 to \$14,672,000. The sponsor, in order to keep the project viable, has made cash contributions of in excess of \$350,000, reduced development fees from the previously Lake County CDBG approved \$997,253 to \$353,705 and reduced the projects construction contingency from \$700,000 to \$300,000. In the process, the sponsor anticipated being able to secure a reinstatement of the Lake County CDBG funding and/or the award of a new loan of \$150,000.

In requesting a reversal of the recommendation issued by Staff, we ask Members of the Commission consider the following:

- The project is under construction and all sources of funding are in place except for the funds the Sponsor is seeking from Lake County CDBG Program.
- The project's concept and design have been subject only to minor changes since the original funding approvals were issued by the CDC in years 2007 and 2008. Changes made are all of benefit to the project and the seniors it will serve. These include upgrades in construction systems to satisfy greener code requirements including the addition of efficient energy systems, the increase in the number of underground parking spaces and the addition of walking paths around the building.
- From a financial prospective, the changes since September, 2007 are substantial. At the time of the earlier CDBG awards, construction and permanent funding for the project was based on Letters of Intent and/or on conditional commitments. As of this date, all equity and all construction and permanent loans have funded.
- If approved, CDBG funds will be used for construction. In addition, and of extreme importance is the fact that a funding approval will result in a much needed increase to the construction contingency reserve line item. The reserve line item of \$300,000 is low for a project with a hard construction budget of \$14,672,000. We have already encountered unexpected increases in costs from having to reroute the main water lines. The increased costs are in the range of \$58,000. The main water lines Change Order will reduce our construction contingency to \$242,000. Based on this item alone, CDBG funds are crucial to the financial viability of the construction phase of the project.
- The project previously received CDBG funding approvals totaling \$243,563. In hopes of reinstating the previous awards and/or securing a replacement award the sponsor reduced its funding request to \$150,000.

The number of HOME units has not changed and the project's 19 Lake County Project Based Vouchers remain in place. We therefore sincerely hope, the aforementioned coupled with all of the items noted above, will result in the Members of the Commission reaching a decision to reconsider Zurich Meadows' application for funding.

Sincerely,



Philip Moeller
General Partner

Cc. Ms. Evelyn Alexander
Ms. Carol Calabresa
Ms. Cheri Ditzig
Ms. Jean McCue
Ms. Linda Pedersen
Ms. Juliet Carroll