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RESIDENTIAL

HOMAN SQUARE

CHICAGO, ILLINOIS

PROJECT TYPE

A 600-unit, owner-occupied and rental mixed-income neighborhood underway on the original Sears headquarters site in Chicago's troubled North Lawndale community. At buildout, the project will include 1 million square feet of renovated commercial space, public uses, a community center, open space, parks, and amenities.

SPECIAL FEATURES

- Mixed-income residential
- Public/private partnership
- Inner-city infill development
- Holistic approach

DEVELOPERS

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Located between two sets of townhomes, a community park encourages socializing among the residents of Phase I of Homan Square.

Hidrich-Blossing

GENERAL DESCRIPTION

The Shaw Company, with Sears, Roebuck and Co. as its financial partner, is creating a new community of 600 single-family, attached, and apartment homes on the 55-acre former Sears headquarters site in the North Lawndale neighborhood of Chicago. The project will also include renovation of 1 million square feet of existing commercial buildings and development of parks, gardens, and open space. The commercial development is expected to generate business and employment opportunities for residents, and the project will create approximately 3,000 new jobs. The Shaw Company will also facilitate provision of a comprehensive array of community services.

The development goal is to re-create a stable, secure, economically integrated neighborhood. The development partnership also intends and expects Homan Square to be a catalyst for the revitalization of other areas of the North Lawndale community.

Development will occur in phases. Construction began in February of 1994 and will continue through 1999.

THE SITE

Named for Homan Avenue, a major street that traverses the site, Homan Square is located on the city's west side less than five miles from downtown Chicago in the North Lawndale neighborhood. North Lawndale is a low-income, largely minority neighborhood that has lost 60 percent of its population during the past 30 years. Physical and social problems abound. Housing abandonment is widespread in North Lawndale, and half the land is vacant. About 40 percent of working-age adults are unemployed.

The Shaw Company nevertheless felt that the site was well located for a new, large-scale, mixed-income housing development. Housing immediately adjacent to the site is relatively stable, with less vacancy. The site is just a quick commute to downtown Chicago via a nearby Chicago Transit Authority stop or by way of the Eisenhower Expressway, and it is near two large public parks—Douglas Park and Garfield Park, which is currently being redeveloped. The nearby Tri-Taylor, Austin, Oak Park, Pilsen, and Little Village neighborhoods have recently been revitalized. The site is also convenient to a number of major employers, including the University of Illinois at Chicago, the Illinois Medical District (including the Rush Presbyterian St. Luke Medical Center), the Chicago Technology Park, and the new United Center stadium complex. An excellent private school, Providence—St. Mel, serves the area, and the public school district recently began a program to improve local public schools.

The city of Chicago has made substantial investments in infrastructure to support the planned development, including water, sewer, and road improvements. The city is also making investments in the roadways just to the north of Homan Square, to define and enhance those neighborhoods, and it has targeted Roosevelt Road and Kedzie Avenue for commercial revitalization. In addition, the city is providing grants for external improvements to homes in adjoining neighborhoods, and nonprofit groups are offering rehabilitation loans. Neighborhood block clubs have formed to help promote community security.

Private investment in the area is also planned. The block that houses the Community Bank of Lawndale, immediately to the south of the site, will be a new commercial/retail development.

The land and commercial buildings south of Arthington Street, where the project's last two phases of housing will be located, are within a Federal Empowerment Zone, which provides an incentive in the form of an employer tax credit for employers to locate there. The zone also provides funding for certain activities, such as comprehensive job training and other social services.

PROJECT PLANNING

In 1904, Sears, Roebuck and Company built its headquarters on a 55-acre site in North Lawndale, where it eventually employed 15,000 people. The company began moving

employees to its new downtown headquarters in 1974, and by the late 1980s, the 12-block site was abandoned.

Wanting to leave behind a positive image and legacy, Sears initiated discussions with the Shaw Company, which had an impressive track record of successful residential development in inner-city neighborhoods, to redevelop the site in a manner that would be a source of pride to the city and the neighborhood. In 1991, Sears and the Shaw Company formed a nonprofit development partnership—West Side Affordable Housing, Inc.—to transform the abandoned Sears complex into a mixed-income community. Because Sears had maintained the buildings in good condition, they presented an opportunity to create jobs and services as well as housing.

Sears deeded all of the residential property to the development partnership. In addition, two small parcels on the site's northern border were acquired from the city. The partnership gave two and one-half acres of land within the site to the Chicago Park District for a community park. Sears created Homan Arthington Foundation to be the owner of the commercial property. Homan Square Management Company was formed to lease, manage, and develop all of the residential and commercial properties.

The city approved the project as a planned unit development (PUD), which gave the development partnership needed flexibility and the city the ability to renegotiate the project with the developer as measurable milestones (such as number of units constructed) were achieved.

Unknown to Sears, the catalog building, power plant, administration building, testing laboratory, and tower had been designated National Historic Landmarks. As a result, the development partnership had to comply with the requirements of Section 106 of the National Environmental Policy Act. It took 13 months to negotiate the teardown of the catalog plant. The partnership affirmed its commitment to preserve the remaining buildings and agreed to rehabilitate the exterior of the tower consistent with Department of the Interior standards. In addition, soil decontamination was required for Phase I and Phase II.

When work on Homan Square began, the site was cleared and vacant except for the five commercial buildings that would be renovated, a parking garage, the original Sears Tower, and the catalog building (which was later demolished). At the time the site was developed, none of the property housed neighborhood residents, so displacement was not an issue.

RESIDENTIAL DEVELOPMENT

The site plan for Homan Square connects the new residential development to the improvements taking place to the north of the site. To strengthen this connection, project construction began at the northern border of the site.

Housing includes single-family homes, townhouses, row houses, and flats. Though all home designs are intended to be compatible in scale, architecture, and coloration with the surrounding community, variety in design was sought to avoid an identifiable "project" look and to enable the development to flow visually into the surrounding community. To ensure different product designs, the Shaw Company engaged a different design firm to plan each phase of construction.

Residential development has progressed block by block according to the financing available and the partnership's perception of the viability of the market. Sears agreed to provide \$30 million in resources during the first five years, including a subsidy for each home built in the project's first two phases. The first phase, which was completed in March 1995, includes 24 detached homes and 50 rental units consisting of 20 townhouses and five buildings of six flats each. All have been sold or leased and are now occupied. The city invested nearly \$1.5 million in sewers, streets, and sidewalks for the first phase of the development. For-sale homes were subsidized through a \$20,000 per-home forgivable loan from the city's New Homes for Chicago program and through the Sears subsidy, which was also forgivable. The city also has a downpayment assistance program that can be used by income-eligible buyers to pay

bank-related closing costs. In addition, the federal Mortgage Credit Certificate program provides eligible buyers up to \$2,000 per year in tax credits.

The development strategy was to create, in Phase I, a market for new housing in this location and to attract a critical mass of residents to give the project momentum. The subsidies made the for-sale homes a terrific value and attracted buyers. But the city places a limit of 24 units on the number of single-family housing units it subsidizes in any one development in any one year. Because it wanted to offer a larger number of units to a mixed-income population in the first phase, the development partnership also built subsidized rental housing using federal Low-Income Housing Tax Credits (LIHTCs). Initial rental rates were well below market: \$395 per month for a two-bedroom unit, compared to the typical \$550 to \$650 for a two-bedroom unit in an older building; and \$490 for a three-bedroom townhouse. Over the long term, the goal is to enable tenants in rental housing to own their units as subsidies for rental units—and the conditions attached to those subsidies—are phased out.

Phase II is under construction. It consists of 24 subsidized single-family homes, eight buildings of subsidized two-family units (16 units), and 16 market-rate single-family units. Phase III will contain 72 units, of which 58 will be market rate. All housing will be built using a conventional construction loan. Homes in Phase IV will also be unsubsidized. Home prices in the last two phases will be priced between home prices in Phase I and Phase II. In all, approximately 600 housing units will be built at Homan Square.

The Shaw Company acts as a fee-based developer. Sears receives no financial benefit other than at some point not having to hold, maintain, and pay taxes on the property.

COMMERCIAL DEVELOPMENT

All the remaining commercial buildings will be renovated as needed and either sold or leased. The catalog building, except for the original "Sears Tower," has been demolished and will be replaced by housing and a community center. Occupants of the commercial buildings will include private businesses, light industry, public agencies, social service organizations, and promoters of activities to increase the skills and job opportunities of area residents. For example, the city will relocate certain police functions to a 300,000-square-foot building in Homan Square. The regional Chicago Manufacturing Center, a private facility that will provide small- and medium-sized businesses with training and assistance in the use of state-of-the-art technology, equipment, and operating methods, has also located in Homan Square.

Planned community services, which will be offered by various public and private groups, include financial counseling, job readiness training, business startup assistance, health care, family services, adult and child education, fitness programs, and daycare. The community center will also include meeting space for community use.

MARKETING AND MANAGEMENT

During the first three months of Phase I, a special effort was made to market the homes first to North Lawndale residents through flyers, brochures, and presentations at meetings. Then the project was advertised to the general public.

The mixed-income nature of the community has not been a marketing issue, but homebuyers initially expressed concern about the nature of the renters. They were reassured by the fact that all renters go through a screening process that includes a credit check, a review of their financial statements, a home visit, and security checks. All buyers must participate in homeownership counseling.

A residents' association maintains common areas, runs a neighborhood watch program, and serves as a social vehicle for residents.

Three-quarters of the home purchasers are first-time buyers. Nearly 90 percent of home buyers so far are from the city of Chicago, and three-fourths are from North Lawndale and nearby communities.

The subsidized homes in Homan Square's first two phases were priced at approximately \$100,000 per unit. Unsubsidized units started at \$170,000. Phase III homes will be priced between these extremes, at prices that would be affordable to families with incomes between 80 to 120 percent of median income (in Chicago, from \$40,000 to \$63,000). Current buyers of the subsidized homes earn \$44,000 on average and so are within this income range. The income range for Homan Square residents—renters and buyers—is from \$15,000 to \$75,000.

Commercial and residential space are marketed and managed by Homan Square Management Company. Two floors in the administration building have been leased to a variety of tenants, including elected officials, nonprofit organizations, commercial operations, the Rush Primary Care Clinic, the Family Focus Clinic, the Institute for Entrepreneurship, a microlender, and others.

EXPERIENCE GAINED

- Because one of the project's primary goals was to provide as many homeownership opportunities as possible, accurately determining the market for homeownership was crucial to the project's success.
- Value can be created through sensitive design. In developing Homan Square, a conscious effort was made to maintain open space by preserving existing parks and creating new green spaces to ensure an appealing environment.
- Development of such an ambitious inner-city infill project requires a partnership involving the city and other public agencies, the community, local nonprofit organizations, conventional lenders, and others. In this case, the key components of the project team included a committed, experienced developer and a patient corporate player who wanted to "do the right thing"; a strong, focused mayor; and an involved community.
- Security was a primary consideration. During construction, the developer hired security guards. Homes are clustered in an inverted "U" design so that public areas are visible from the street. Home security systems, traffic enhancements, fencing, and community policing efforts also reinforce neighborhood security. A major police facility is planned on an adjacent property.
- The project was financially feasible in part because the land was already assembled and was contributed to the development at no cost.
- Large-scale revitalization of inner-city environments takes substantial time and patience. Because development costs will, inevitably, be higher than anticipated, expenses must be carefully monitored and controlled.

PROJECT DATA

LAND USE INFORMATION

Site area: 54.9 acres

Site area for new housing and park: 37.8 acres

Area for existing Sears Garden: 1.7 acres

Site area for commercial/institutional uses: 15.4 acres

Total residential units: Approximately 600—up to 632 allowed

Total commercial/institutional space: 1 million square feet

RESIDENTIAL DEVELOPMENT PLAN

	<i>Total Units</i>	<i>For-Sale</i>	<i>Rental</i>
Phase I	74 (74) ¹	24 (24)	50 (50)
Phase II	56 (40)	56 (40)	-
Phase III	72 (14)	72 (14)	-
Phase IV	To be determined	-	-

RESIDENTIAL DEVELOPMENT FUNDING

PHASES I, II, AND III (in \$ millions)

<i>Private Sources</i>	\$31.2
Sears, Roebuck and Co.	30.0
LIHTC Equity Investors	1.0
The Shaw Company	.2
<i>HUD</i>	5.2
HOME funds	3.6
CDBG	1.6
<i>City of Chicago</i>	\$4.1
Infrastructure (Phases I and II)	3.0
New Homes for Chicago	1.1
<i>Chicago Park District</i>	.5
Community Park	.5
Subtotal	<u>\$41.0</u>
<i>Individual Home Mortgages</i>	19.0
Total	<u>\$60.0</u>

RESIDENTIAL DEVELOPMENT COSTS

	<i>Direct Costs</i>	<i>Indirect Costs</i>	<i>Total Costs²</i>
Phase I-Single-Family	\$105,000	\$25,000	\$130,000
Phase I-Rental	82,000	20,000	102,000

Phase II-Single-Family (Sub.)	105,000	35,000	140,000
Phase II-Single-Family (Unsub.)	147,000	43,000	190,000

Notes:

¹Numbers in parentheses refer to number of subsidized units.

²Costs refer to costs per unit.

DEVELOPMENT SCHEDULE

Started: 1989

Master Planning Started: 1992

Approvals Secured: 1993

Phase I Started: 1994

Phase I Completed: 1995

Phase II Started: 1995

Phase II Completed: 1996

Phase III Started: 1996

Project Completion Projected: 2000

DIRECTIONS

From O'Hare International Airport: Take I-90 (Kennedy Expressway) to downtown Chicago/I-290 junction. Take I-290 west to Homan Avenue. Go south on Homan Avenue, four blocks to Arthington Street. Project offices are located at 3333 W. Arthington Street.

Driving Time: 45 minutes in non-rush-hour traffic.

The Project Reference File is intended as a resource tool for use by the subscribers in improving the quality of future projects. Data contained herein were made available by the Development team and constitute a report on, not an endorsement of, the project by ULI - The Urban Land Institute.

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Hedrich-Blessing



Homan Square offers affordable single-family detached homes, townhomes, and low-rise apartments. The architecture of the homes blends well into the larger neighborhood context.



Twenty-four single-family homes are included in Phase I of Homan Square. The original Sears Tower, a National Historic Landmark, can be seen in the background.



Across the street from the administration building of the original Sears headquarters can be seen the formal garden, which is included in Phase II of the Homan Square development.



Hedrich-Blessing

Located between two sets of townhomes, a community park encourages socializing among the residents of Phase I of Homan Square.



Anthony May

The cohesion of the community is reflected in the rental apartment buildings, whose architecture closely resembles that of the single-family homes in Homan Square.

