

**DEPARTMENT OF PLANNING AND DEVELOPMENT  
CITY OF CHICAGO  
COMMUNITY DEVELOPMENT COMMISSION  
February 9, 1999**

**SUMMARY SHEET**

**ACTION**

- REQUESTED:**
- (1) Authorize the Department of Planning and Development to negotiate a Redevelopment Agreement with State CITE L.L.C. for the redevelopment of a site located at 14 E. Jackson Boulevard; and
  - (2) Recommend to the City Council of the City of Chicago the designation of State CITE L.L.C. as the developer.

**PROJECT**

**SUMMARY:** The Chicago Information Technology Exchange (CITE) project entails the rehabilitation of the Lytton Building, located at 14 E. Jackson Boulevard, for the purpose of establishing a building with high technology infrastructure (high speed data transmission fibers) and amenities (e.g. video conferencing) for use by new and established small information technology (IT) companies. The project will entail the rehabilitation of the building's interior and exterior resulting in the following: 1) 23,000 square feet of ground floor retail space, 2) 235,000 square feet of office space (floors 2 - 18), and 3) 15,000 square feet of training/conference/recreational space (basement level). It will include the renovation of the exterior terra cotta of the building, resulting in a useful life of at least 50 years; the installation of high speed data transmission fibers that run vertically (within risers) through all 18 floors of the building; the installation of new electrical and mechanical systems; the installation of new and upgraded elevators; and the build out of 30,000 square feet of space to enable small IT companies to set up operations within 48 hours, or lease space on a short-term basis. Renovation of the building will be undertaken in two phases.

**LOCATION:** The project site is the Lytton Building which is located at 14 E. Jackson Boulevard at the northeast corner of State Street and Jackson Boulevard in the Central Loop Redevelopment Project Area.

**DEVELOPER:** State CITE, L.L.C.

**TYPE OF**

**ASSISTANCE:** The City intends to reimburse the developer for TIF-eligible costs in an amount not to exceed the lesser of \$8,000,000 or 21.9% of the total project costs (now estimated at \$36,521,000). This reimbursement would be funded from bond proceeds and/or from incremental taxes. Disbursement of TIF funds will occur pursuant to draw requests, generally submitted monthly by the developer in accordance with an escrow agreement, for reimbursement of approved TIF-eligible costs expended on the project. Disbursement of any TIF funds is subject to the developer meeting all applicable conditions and requirements of the Redevelopment Agreement including, but not limited to, MBE/WBE, prevailing wage, City residency, and job creation/retention requirements.

**PROJECT**

**BENEFITS:** The redevelopment of the historically significant Lytton Building, which is currently an underutilized, Class C office building that is 60% vacant, into Chicago's first Information Technology Center will help to fulfill the goals of the Central Loop TIF Redevelopment Plan; and to serve as a catalyst in the creation of an Infotech District to promote the growth and consolidation of the region's information technology businesses. Fostering information technology companies is strategic to the long-term growth and competitiveness of Chicago's economy.

**WARD/**

**ALDERMAN:** 42nd Ward/Alderman Burton Natarus

**ISSUES:** None

**COMMUNITY DEVELOPMENT COMMISSION MEETING  
February 9, 1998**

**STAFF REPORT REGARDING A RESOLUTION**

**GRANTING AUTHORITY TO**

**NEGOTIATE A  
REDEVELOPMENT AGREEMENT WITH  
STATE CITE L.L.C.  
FOR REDEVELOPMENT OF A SITE  
LOCATED AT 14 E. JACKSON BOULEVARD  
IN THE  
CENTRAL LOOP  
REDEVELOPMENT PROJECT AREA,**

**AND**

**TO RECOMMEND TO  
THE CITY COUNCIL OF THE CITY OF CHICAGO  
THE DESIGNATION OF  
STATE CITE L.L.C.  
AS THE DEVELOPER**

**MR. CHAIRMAN AND MEMBERS OF THE COMMISSION:**

The Resolution before you requests that you:

1. Grant authority to negotiate a redevelopment agreement with STATE CITE L.L.C. for redevelopment of a site located at 14 E. Jackson Boulevard in the Central Loop Redevelopment Project Area (see attached maps); and
2. Recommend to the City Council of the City of Chicago the designation of STATE CITE L.L.C. as the developer.

**BACKGROUND:**

The Department of Planning and Development (DPD) issued the Information Technology Center (Infotech) Request for Proposals (RFP) on 4/20/98. The primary goal of the RFP was to identify a developer and/or property owner to redevelop an old, under-utilized or empty building with at least 100,000 square feet of space into Chicago's first Information Technology (IT) Center. The Central Business District and adjacent areas were identified in the RFP as the preferred location and buildings with historical significance were preferred. This project would be the catalyst to developing an IT District in Chicago. DPD received four proposals on August 8, 1998. An evaluation committee determined that the proposal submitted by Brijus Properties best met the requirements of the RFP and rejected the other three proposals. Steven Levin is the President of Brijus Properties and the managing member of State Cite L.L.C. The project site is the Lytton Building, located at 14 E. Jackson Boulevard within the Central Loop Tax Increment Financing (TIF) District. Currently, the Lytton Building is on the national register of historic places and is only 40% occupied.

**CONFORMANCE WITH THE REDEVELOPMENT PLAN**

The redevelopment of the Lytton Building by State CITE, L.L.C. into an Infotech Center is consistent with the Central Loop Tax Increment Financing Redevelopment Plan and Project (the "Plan") in terms of land use, and the furthering of the Plan's goals and objectives which focus on the reuse of Class C office buildings, the preservation of historic properties, the reinforcement of the Loop as a regional employment center, and the enhancement of the central business district as a vibrant area throughout the day and night. Implementation of this project will bring into active use an underutilized Class "C" office building of historic importance, which is located in the Loop Retail Historic District, and will provide for uses that contribute to the vibrancy of the Loop area and serve as a catalyst to promote the growth and consolidation of the region's information technology businesses. Fostering information technology companies is strategic to the long-term growth and competitiveness of Chicago's economy.

**DEVELOPMENT PROJECT:**

STATE CITE L.L.C. (the "Developer"), a limited liability company, is proposing an Infotech project that entails rehabilitation of the Lytton Building for the purpose of establishing a building with high technology infrastructure (high speed data transmission fibers) and amenities (e.g. video conferencing) for use by new and established small IT companies. The rehabilitated Lytton Building is proposed to be named the CITE, the Chicago Information Technology Exchange. The rehabilitation involves (1) 23,000 square feet of retail space on the ground (first) floor, (2) 235,000 square feet of office space, and (3) 15,000 square feet of training/conference/recreational space in the basement. The rehabilitation will be in two phases.

Phase 1 includes (1) 131,000 sq. ft. of office space on floors 2-8 and 17-18, (2) 15,000 sq. ft. of training/conference/recreational space in the basement, and (3) 23,000 sq. ft. of retail space on the ground floor. Phase 1 entails the following: 1) renovation of floors B, 2-8 & 17-18 into finished floor plate walls and cement floors, which are currently vacant except for part of the 8<sup>th</sup> floor which is occupied by the property management company; 2) renovation of the exterior terra cotta of the whole building, resulting in a useful life of 50 years; 3) installation of high speed data transmission fibers that run vertically (within risers) through floors 2-8 with capacity to service all 18 floors; 4) installation of new electrical and mechanical systems service floors B-8 with the capacity to service

all 18 floors; 5) installation of new elevators to service floors B-8 and upgrades to the existing elevators servicing floors 8-16; 6) installation of video conferencing and network equipment rooms on each floor; and 7) installation of a large video wall in the lobby illustrating the websites of tenants. However, before any occupancy occurs, approximately 30,000 square feet of space will be built-out into the following two types of space: 1) minimally 1½ floors or 22,500 sq. ft. of built-out space with no furniture, divided into sections of 1,500 to 3,000 square feet, to be leased by small companies to enable them to set up their operations within 48 hours; and 2) at most ½ a floor or 7,500 sq. ft. of “office-hotel” space, which is finished office/cubicle space with furniture to be leased on a very short term basis (e.g. 2 weeks, one month or month-to-month). The remaining floors on 2-8 will be improved, if needed, as leases are executed with new tenants, according to new tenants’ specifications.

As part of Phase 1, an initial provider of high speed data transmission fibers will install these fibers, at their own cost, as part of the IT infrastructure of the building. This provider is Allied Riser Communications, Inc. (ARC) which offers affordable rates for their services. Having IT infrastructure in place before occupancy of IT tenants will allow tenants to set up their operations quickly and at affordable rates. However, the Lytton building will permit a competitive environment in which ARC’s competitors and complimentary service providers may also install their equipment to service tenants of the Lytton building.

Phase 2 entails renovation of 104,000 square feet of office space on floors 9-16. These floors are currently leased to existing tenants. The majority of these tenants are health related and social service nonprofit organizations. These floors will be renovated as existing leases terminate and new leases are executed with new tenants. The renovation will be according to the new tenants’ specifications. Depending on the new tenant which could be an IT tenant or a professional services company supporting IT tenants (e.g. IT legal services), the renovation would vary from finished walls and cement flooring to finished offices/partitions with carpeting.

The types of tenants that are permitted in the Lytton building will be restricted. Tenants on floors 2-8 will be restricted to IT tenants only. IT tenants are defined as small companies with less than 300 employees or large companies that desire to locate less than 200 of their IT staff in downtown Chicago. These companies are engaged in computing, software development, Internet services, telecommunications and website content development to create products and services which can be used by customers and business users. These products and services include the study, design, development, implementation, support or management of computer-based information systems, particularly software applications and computer hardware.

Space on the ground floor will be restricted to a mix of retail tenants that provide services or products that IT tenants need proximity to, and that IT tenants highly desire, such as: 1) a reproduction/facsimile/stationary services company that is open for business 24 hours a day; 2) a café/coffee house that serves sandwiches and similar food that is open late hours or preferably 24 hours; and 3) a Restaurant-Bar with full seating and lounge. Other types of retail tenants would be subject to DPD approval. In the event that the market demand for any of these types of retail tenants does not exist and the developer provides evidence of such, DPD shall provide a new definition of permitted retail tenants.

The developer must target IT tenants for floors 9-16, once existing leases expire and the space becomes available to lease to new tenants. DPD prefers to have IT tenants only in the Lytton building and to locate non-IT tenants, such as professional services supporting IT tenants, in nearby office space. However, non-IT tenants may be permitted and may be subject to DPD approval, but would be limited to occupying approximately 26,000 square feet (approximately two floors on floors 9-16) of space. The types of non-IT tenants that would be considered for inclusion in the building are the following types of companies that specialize in servicing IT companies: 1) legal services; 2) accounting services; 3) marketing; 4) IT associations; 5) IT Chambers of Commerce; 6) IT advocacy groups. Other types of non-IT tenants are subject to DPD approval. Any extension of this square footage limitation would be subject to DPD approval.

The project schedule for Phase 1 to prepare for initial occupancy is from April 1999 to December 31, 1999. The renovation affecting the basement and floors 2-8 is anticipated to start in April 1999 with a completion date of September 30, 1999. The renovation of the exterior would be completed approximately by December 31, 1999. The renovation of the retail space is anticipated to start no later than November 1, 1999 and be completed by December 31, 1999. In addition, during phase 1, approximately 125 temporary construction jobs will be created and at least 285 full-time equivalent permanent jobs are anticipated to be created.

The project schedule for Phase 2 extends from approximately October 1, 1999 to approximately December 31, 2006, due to the staggering of the expiration dates of the leases of existing tenants. One lease expires in October 1999. Most of the other leases expire in the year 2004.

In terms of site control, the developer and seller have agreed to terms for the sale and purchase of the Lytton building. In terms of potential tenants, the developer is in discussions with several IT companies including one which is a website auction house, whose operations have recently grown tremendously and who has recently received much positive coverage in the Wall Street Journal. It is the developer's intention and expectation that leases with new IT tenants would be executed prior to construction, because of the interest already expressed by various IT companies. However, construction will begin if this is not the case, with the expectation that execution of leases with new IT tenants is imminent.

#### **DEVELOPMENT ENTITY**

Currently, Steven Levin owns 100% of the L.L.C. However, this will change. While Mr. Levin's net worth enables him to devote 100% of the equity required for this project, he intends to raise approximately 49% of the equity through the syndication of historic tax credits and from private investors that will be non-managing members of the L.L.C. The amount of remaining equity required for this project will come from Mr. Levin's funds. Mr. Levin has used similar structures in his other projects. Once finalized, the structure of the L.L.C. will be revised accordingly. Mr. Levin is confident that he will be able to secure his equity sources in order for this project to be completed as proposed.

Mr. Levin is a licensed attorney and real estate broker with eighteen (18) years of commercial real estate management and development experience. His company currently owns and manages office buildings in downtown Chicago (155 N. Wacker Drive), Matteson, Schaumburg and Deerfield. The building in Schaumburg is a high tech, 140,000 square foot office building.

While the developer does not have experience working on City funded projects and meeting the City's requirements, he has signed an affidavit that commits him to meeting the City's compliance requirements regarding 25%/5% MBE/WBE, prevailing wage, city residency and job creation/retention. To create a development team that will meet the City's compliance requirements, the developer has secured McClier as the architect on the project. McClier has extensive experience in working on City funded projects, including the renovation of the historic Reliance building. In addition, the developer is in the process of sending letters describing the project to numerous contractor associations, identified by DPD, and he is also in the process of scheduling a meeting with DPD's monitoring services area to receive information regarding the City's compliance requirements.

**COMMUNITY OUTREACH/SUPPORT:**

Throughout the RFP process and during negotiations with the developer over twenty (20) IT companies have been involved in a variety of ways, including participating in several focus groups conducted by DPD, and were in support of an IT project in downtown Chicago. The most recent focus group of IT companies that provided feedback on this project was conducted on 1/16/99. These IT companies expressed support for this project. The following organizations are also in support of this project: The Illinois Coalition, the Chicago Software Association, the Near South Planning Board, State Street Council, and the Chicagoland Chamber of Commerce. In addition, Alderman Burton Natarus has been briefed on this project and is in support of it.

**FINANCIAL ASSISTANCE:**

DPD intends to reimburse the developer for TIF-eligible costs in an amount not to exceed \$8,000,000 or 21.9% of the total project costs (now estimated at \$36,521,000) (see attached Exhibit 1). This reimbursement would be funded from the Central Loop TIF district's bond proceeds and/or from incremental taxes. There will be draw requests, submitted monthly by the developer in accordance with an escrow agreement, that request disbursement of TIF funds for reimbursement of TIF eligible costs expended on the project. Disbursement of any TIF funds is subject to the developer meeting all applicable conditions and requirements of the redevelopment agreement including, but not limited to, MBE/WBE, prevailing wage, City residency, and job creation/retention requirements.

**CITY PROCESS:**

The Department of Planning and Development will recommend to the City Council for its approval the authorization to negotiate a redevelopment agreement with STATE CITE L.L.C. for redevelopment of a site located at 14 E. Jackson Boulevard and the designation of STATE CITE L.L.C. as the developer and the use of tax increment financing for this project. The Department of Law will negotiate a redevelopment agreement with STATE CITE L.L.C. for approval by the City Council which will govern the use of the tax increment financing funds and the redevelopment of the property.

**RECOMMENDATION:**

The Department of Planning and Development recommends that the Community Development Commission take the following actions, as embodied in the attached resolutions:

1. Grant authority to negotiate a redevelopment agreement with STATE CITE L.L.C. for redevelopment of a site located at 14 E. Jackson Boulevard in the Central Loop Redevelopment Project Area; and
2. Recommend to the City Council of the City of Chicago the designation of STATE CITE L.L.C. as the developer.

**EXHIBIT 1  
PROJECT BUDGET**

**SOURCES**

Equity	\$ 8,521,000*
Lender Financing	\$20,000,000
TIF Assistance	<u>\$ 8,000,000</u>
<b>TOTAL SOURCES:</b>	<b>\$36,521,000</b>

**USES**

Acquisition	\$11,500,000
Hard Costs	
Demolition	\$ 375,000
Environmental Remediation	\$ 500,000
Infrastructure	\$ 270,000
Technology Equipment	\$ 2,195,000
Exterior Renovation	\$ 2,393,000
Construction	\$ 8,952,000
Tenant Improvements	\$ 3,778,000
General Contractor Fee	<u>\$ 400,000</u>
Hard Costs Subtotal:	\$18,863,000
Soft Costs	
Architect/Engineer	\$ 350,000
Legal	\$ 100,000
PR/Marketing/Advertising	\$ 245,000
Leasing	\$ 819,000
Other Soft Costs	\$ 2,527,000
Developer's Fee	<u>\$ 500,000</u>
Soft Costs Subtotal:	\$4,541,000
Contingency-(Hard and Soft Costs (4.3%))	<u>\$ 1,003,000</u>
<b>TOTAL USES:</b>	<b>\$36,521,000</b>

\*: Sources of equity are developer funds, historic tax credit sale, and private investor funds

\*\* : DPD intends to reimburse the developer for TIF-eligible costs in an amount not to exceed \$8,000,000 or 21.9% of the total project costs (now estimated at \$36,521,000). This reimbursement would be funded from the Central Loop TIF district's bond proceeds and/or from incremental taxes.



## **EXHIBIT A**

### Street Boundaries of the Area

Street Boundaries: The general street boundary description of the Area is an area bounded on the west by the East Bank of the North Branch of the Chicago River from N. Halsted St. to W. Division St., then east along the northern side of W. Division St. to N. North Branch St., then northwest to W. Eastman St., then northeast to N. Cherry Ave. and north on N. Cherry Ave. to W. Blackhawk St., then west to the East Bank of the North Branch of the Chicago River and north to the northernmost tip of Goose Island. The Area then runs southeast along the west line of Waste Management Corporation's property all the way to the southern side of W. Division St. and then heads west to N. Hickory Ave., then southeast to W. Haines St., then northeast to N. Halsted St., then south along the western side of N. Halsted St. to the East Bank of the North Branch of the Chicago River.

Street Address: 930 W. Evergreen Ave., Chicago, IL., 60622

## EXHIBIT B

**PUBLIC NOTICE** is hereby given by the Community Development Commission ("CDC") of the City of Chicago (the "City") pursuant to Section 5/11-74.4-4(c) of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1 et seq.) (1993) (the "Act"), that the City's Department of Planning and Development ("DPD") intends to negotiate a redevelopment agreement (the "Redevelopment Agreement") with Trade Associates Group, Ltd. ("TAG"), an Illinois Corporation, and/or Mr. Norman Glassberg (the "Owner," of TAG), pursuant to which the City intends to provide financial assistance to TAG and/or Owner, using tax increment financing bond proceeds pursuant to the Act, for eligible costs, which consisting of pre-development activities (land acquisition, building demolition, environmental remediation, seawall reconstruction, etc.) and the construction of an approximately 100,000 square foot warehouse and distribution facility and an approximately 20,000 square foot office component, (the "Project"), located at 1070 and 1092 N. North Branch Street, in Chicago, Illinois (the "Project"), located within the Goose Island Redevelopment Project Area (the "Area") established pursuant to the Act. The Area is to be redeveloped exclusively for industrial uses. The street boundaries of the Area are as follows:

Street Boundaries: The general street boundary description of the Area is an area bounded on the west by the East Bank of the North Branch of the Chicago River from N. Halsted St. to W. Division St., then east along the northern side of W. Division St. to N. North Branch St., then northwest to W. Eastman St., then northeast to N. Cherry Ave. and north on N. Cherry Ave. to W. Blackhawk St., then west to the East Bank of the North Branch of the Chicago River and north to the northernmost tip of Goose Island. The Area then runs southeast along the west line of Waste Management Corporation's property all the way to the southern side of W. Division St. and then heads west to N. Hickory Ave., then southeast to W. Haines St., then northeast to N. Halsted St., then south along the western side of N. Halsted St. to the East Bank of the North Branch of the Chicago River.

THE CITY HEREBY INVITES ALTERNATIVE PROPOSALS FOR THE REDEVELOPMENT OF THE SITE FOR CONSIDERATION BY THE CITY.

The documents listed below related to the Area and the Project are available for public inspection at the offices of DPD, Room 1000, City Hall, 121 North LaSalle Street, Chicago, Illinois, on or before February 12, 1999, between the hours of 9:00 a.m. and 4:00 p.m. Monday through Friday:

(i) The Goose Island Redevelopment Project Area Tax Increment Allocation Finance Program Redevelopment Plan and Project (the "Plan"), and any amendments thereto, which constitutes the City's redevelopment plan for the Area;

(ii) A term sheet showing all proposed material terms of the Redevelopment Agreement as of the date hereof, including but not limited to an estimated Project budget setting forth the amount of financial assistance the City intends to provide to TAG and/or Owner for the Project; and

(iii) the terms of all bids and proposals received, if any, by the City related to the Project and the Redevelopment Agreement.

Please contact Robert C. Madiar of DPD at (312) 744-0068 or Dennis Vicchiarelli at (312) 744-4709, to review these materials and for information regarding the form required for proposals submitted to the City. Those submitting alternative proposals must be financially and otherwise qualified to complete the Project. The City reserves the right to reject any and all proposals. Proposals will be received by the City at DPD's offices, Room 1000, City Hall, 121 North LaSalle Street, Chicago, Illinois 60602, until February 26, 1999 at 2:00 p.m., at which time all alternative proposals will be opened and reviewed.

**Elvin E. Charity, Chairman**  
**COMMUNITY DEVELOPMENT COMMISSION**  
**City of Chicago**