TIF Developer Designation- Non-residential 2-14

# City of Chicago Department of Planning and Development

# STAFF REPORT TO THE COMMUNITY DEVELOPMENT COMMISSION REQUESTING DEVELOPER DESIGNATION June 10, 2014

### **I. PROJECT IDENTIFICATION AND OVERVIEW**

Project Name:	UI LABS: Digital Manufacturing Design Innovation Institute
Applicant Name:	UI LABS
Project Address:	1333 N. Hickory Ave.
Ward and Alderman:	32 <sup>nd</sup> , Scott Waguespack; 27th, Walter Burnett, Jr. (2015)
Community Area:	Near North Side – (8)
Redevelopment Project Area:	Goose Island
Requested Action:	TIF Developer Designation
Proposed Project:	UI LABS is proposing to redevelop vacant space of the former Republic Windows and Doors site located at 1333 N. Hickory Ave. into the new hub for the nation's Digital Manufacturing and Design Innovation Institute. The facility will also be the headquarters for UI LABS, a Chicago-based non-profit research, commercialization collaborative, bringing industries, universities and government together to apply real solutions to today's most important business, economic and cultural challenges.

Goal of Project:	Redevelop 94,470 square feet of space in the building located at 1333 N. Hickory Ave. The space will house the Digital Manufacturing Design Innovation Institute and serve as the headquarters for UI LABS. The project will build-out space to provide highly flexible, programmable space for physical and virtual seminars, lectures, symposia workshops and offices.
TIF Assistance:	\$10 million

## **II. PROPERTY DESCRIPTION**

Address:	1333 N. Hickory Ave
Location:	Southwest Corner of Hickory and Evergreen Avenues.
Tax Parcel Numbers:	17-05-205-028-0000
Land Area:	94, 470 square feet of space
Current Use:	Vacant space in a partially occupied 360,000 square feet building.
Current Zoning:	Planned Manufacturing District (PMD) #3
Environmental Condition:	The property does not require environmental remediation

# **III. BACKGROUND**

On February 25, 2014, President Obama announced UI LABS' DMDII, citing the nation's need for advanced manufacturing technology. After 18 months-long national competition, UI LABS' proposal for a Digital Manufacturing Design Innovation Institute (DMDII) in Chicago was successful, resulting in a \$70 million cooperative agreement with the U.S. Department of Defense (DoD). The DoD agreement will ultimately leverage cost sharing commitments from leading manufacturing companies including General Electric, Rolls-Royce, Procter & Gamble, Dow, Lockheed Martin, Siemens, Boeing, Deere, Caterpillar, Microsoft, Illinois Tool Works , PARC and others, have partnered with leading universities, local government and community organizations to launch this \$320 million institute. The deal requires an early local match because DoD funds cannot be used for tenant improvements.

A search of available space in modern (built after 1990, 24+ clear ceilings) buildings led to the space in Goose Island facility. The building built in 1998, by its former owner and user Republic Windows and Doors, experienced vacancy and underutilization when the business ceased operations in 2008. The area's PMD zoning provides a stable environment conducive to industrial operations which prevail on the Island and helped protect the Institute's designated space from conversion to more commercially profitable uses, given its proximity to the central business district. In fact approximately 100 businesses \_\_\_\_\_\_ industrial businesses are located on the Island, about 75 of which are industrial or industrial related such as Big Bay Lumber, Burhop Box and Packaging, Five Star Hotel Laundry and Waste Management. Goose Island is also home to Kendall College and Wrigley's Global Innovation Center. Kendall College offers programs in Business Management, Culinary Arts, Education and Hospitality Management. Wrigley's Global Innovation Center opened its doors in 2005 as a facility for product research and development and in 2012 became the company's global headquarters as well.

The area is served by the City's delegate agency of the Local Industrial Retention Initiative (LIRI) program. DMDII's occupancy will reduce vacancy and underutilization of space originally caused by the business failure of Republic Windows and Doors. The DMDII is particularly compatible with its educational, research and industrial neighbors. This property was subject to previous CDC action when in on May 14, 1996 CDC approved assistance for development of the building by its former owner.

### IV. PROPOSED DEVELOPMENT TEAM

**Development Entity:** UI LABS is an independent Illinois not-for-profit research, training, and commercialization center based in Chicago, designed to bring together top-flight academic leaders and students with leading businesses in innovative academic-industry partnerships that pair cutting-edge research with real commercial applications. UI LABS is the development entity. Principals of UI LABS are Warren E. Holtsberg, Chairman/President of the Board and Caralynn V. Nowinski, Secretary & Treasurer. UILABS through its various consultants and contractors will be in charge of development. UI LABS was formed in March of 2013.

Warren E. Holtsberg is Head of Portfolio Management at The Tokarz Group Advisers LLC, an investment advisory group and Vice Chairman at Illinois Ventures LLC which was created to catalyze the creation and accelerate the early development of technology based companies. Mr. Holtsberg has government experience having held senior executive positions in Aviation, Defense and Intelligence communities.

Caralynn Nowinski, who has a medical degree from the University of Illinois, and most recently, served as Associate Vice President for Innovation & Economic Development for the university. There, she helped find ways for U of I research, students and technology to contribute to the local economy. She shares her education as a company founder and her vision for Illinois' startup environment.

Ms. Nowinski was co-founder and Acting CEO of bio-technology company. She later worked at venture capital firms Sikich Investment Banking, ARCH Development Partners and Midwest Venture Partners. In April 2014 Ms. Nowinski assumed the role of Executive Director/Chief Operating Officer of UI LABS.

**Consultants:** Attorney for the project is Edwards Wildman Palmer, LLP of Chicago, IL, JLL, Inc. (formerly Jones Lang LaSalle) will provide real estate broker and project manager services, Skidmore, Owings & Merrill LLP will serve as project architect

### V. PROPOSED PROJECT

**Project Overview**: UI LABS will build-out 94,470 square feet of space in the 360,000 square feet of the former Republic Windows and Doors building at 1333 N. Hickory Ave. on Goose Island. The building is a modern one-story steel, masonry and glass industrial building. The Institute will build an entrance to its space at the north façade of the building. The facility has clerestory bays which draw natural light into the building's space. The design of the Institute's space will leverage these natural daylight bays to create an interior space environment which exemplifies and is conducive to the collaboration and innovation which is to take place at the facility. UI LABS along with its development partners JLL, Inc. and Skidmore, Owings & Merrill LLP, have committed to meeting LEED Certified standards and achieving Energy Star rating. The space will comply with Americans with Disabilities Act. Construction will make significant modifications to the north entrance, Eastern outer wall and northern outdoor portions of the building and site, including installation of windows on the eastern portion of the building and parking area and walkway canopy on the north side of the building. A maximum of 80 parking spaces will be provided for the Institute's exclusive use, as well as three loading docks.

The project will create 50 temporary construction and 10 permanent jobs will be created in 2014, with expected job growth to more than 20 in 2016. Construct ruction is scheduled to start October 2014 and be completed by the end January 2015.

### VI. FINANCIAL STRUCTURE

The City of Chicago (the "City"), through its Department of Planning and Development ("DPD"), intends to negotiate a Tax Increment Financing ("TIF") Redevelopment Agreement (the "RDA") with UI LABS. The City, through DPD, intends to provide UI LABS with TIF assistance in an amount not to exceed \$10,000,000 (the "City Funds"),

which is approximately 60.6% of Total Project Costs, which are currently estimated to be \$16,500,000. TIF funds will only be used to reimburse the Developer for TIF eligible costs associated with tenant improvements/build-out costs, which are expected to be approximately \$11,900,000. The TIF-eligible expenses will be from existing increment, and/or bond funds, in the Goose Island Redevelopment Project Area Tax Increment Allocation Fund as well as ported funds from the adjacent North Branch South Redevelopment Project Area Tax Increment Allocation Fund.

The City will provide up to \$10,000,000 of City Funds through construction draws on terms reasonably acceptable to the City (the "<u>Payments</u>"). Payments will be made as TIF eligible expenses are incurred and subsequently verified by DPD. It is anticipated that the payment of City Funds will be concurrent with the DCEO Funds of \$6,500,000.

### Occupancy and Operations Covenant

UI LABS shall maintain their headquarters and continuously operate in the City for a minimum of ten years from the date of issuance of the Certificate of Completion. If the UI LABS decides in its sole discretion to terminate the lease, it will be required to establish a new place of business in the City for remainder of the 10 year duration, and the City will not be obligated to provide any additional funds.

The following table identifies the sources and uses of funds.

### Sources and Uses of Funds

Sources			Amount
<u>% of total</u>			
DCEO Grant		\$6,500,000	39%
TIF Funds		\$10,000,000	<u>61%</u>
Total Sources		\$16,500,000	100%
Uses		<u>Amount</u>	<u>\$/Square Feet*</u>
Hard Costs (Tenant Build-out)		\$11,900,000	\$125.97 psf
Furniture, Fixtures & Equipment		\$2,400,000	\$25.40 psf
Soft Costs			
-Archit. & Eng. (8% of hard costs)	\$1,100,000	)	
-General Contractor Fee (2% of total costs	s)\$300,000	)	
-Legal, Title, Closing (2% of total costs)	\$300,000	)	
-Other soft costs (3% of total costs)	\$500,000	<u>)</u>	
Total Soft Costs (13% of total costs)		\$2,200,000	<u>\$23.29 psf</u>
Total Uses		\$16,500,000	\$174.66 psf

\*Leased Area is 94,470 square feet

TIF Developer Designation- Non-residential 2-14

### VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits

**Property Taxes:** The project will expand the tax base because the investment in the property will result in an increase in its assessed value.

**Environmental Features:** The project will incorporate sustainable design and will achieve LEED certification.

**Permanent Jobs:** The project is estimated to generate 20 permanent jobs in DMDII operations and management. The department's workforce development specialists will work with the developer on job training and placement.

Construction Jobs: The project will produce approximately 50 temporary construction jobs.

Affirmative Action: The developer will comply with the requirements of Chicago=s affirmative action ordinance, which requires contract participation of 24% by minority-owned business enterprises (MBEs) and 4% by woman-owned business enterprises (WBEs). The developer has provided notification of the proposed project, by certified mail, to several associations of minority and women contractors. A sample version of the letter and copies of the post office receipts for the certified letters are presented as exhibits to this report.

**City Residency:** The developer will comply with the requirements of Chicago's city residency ordinance, which requires that at least half of all construction-worker hours be filled by Chicago residents. The developer will also comply with the requirement that all construction jobs are paid the prevailing wage.

## VIII. COMMUNITY SUPPORT

Aldermen Scott Waguespack and Walter Burnett, Jr. endorse the project.

### **IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN**

The proposed project is located in the Goose Island Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment plan:

- Continue to develop and strengthen Chicago's industrial base;
- Eliminate remaining blighting conditions which prevent further development of the Redevelopment Project Area;
- Increase revenue generation from vacant land and underutilized buildings on Goose

Island and restore and enhance the tax base,

- Create job opportunities; and
- Encourage participation of women and minorities in the development of the Redevelopment Project Area.

The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the development of a Digital Manufacturing Design Innovation Institute. The proposed project also conforms to the plan's land use map, which calls for industrial development at the subject site.

# X. CONDITIONS OF ASSISTANCE

If the proposed resolution is approved by the CDC, DPD will negotiate a redevelopment agreement with the developer. The redevelopment agreement will incorporate the parameters of the proposed project as described in this staff report.

It is DPD policy that no business will be conducted with a development entity whose any principal has outstanding municipal debts (such as unpaid parking tickets, unpaid water bills, unpaid business licenses, and others), is in arrears of child support payments, or who is a debtor in bankruptcy, a defendant in a legal action for deficient performance, a respondent in an administrative action for deficient performance, or a defendant in any criminal action.

Closing will not occur before the City Council has approved the redevelopment agreement, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing. The documents will include a development timetable.

## XI. RECOMMENDATION

The Department of Planning and Development has thoroughly reviewed the proposed project, the qualifications of the development team, the financial structure of the project, its need for public assistance, its public benefits, and the project's conformance with the redevelopment area plan, and DPD recommends that the CDC recommend to the City Council the designation of UI LABS as Developer for the build-out of space for the Digital Manufacturing Design Innovation Institute at 1333 N. Hickory Ave.

TIF Developer Designation- Non-residential 2-14

### **EXHIBITS**

TIF Project Assessment Form Redevelopment Area Map Neighborhood Map or Aerial Survey or Plat Sample M/WBE Letter Copies of M/WBE Certified Letter Receipts Aldermanic Letters of Support

# **TIF PROJECT SCORECARD**

# UI LABS 1333 North Hickory

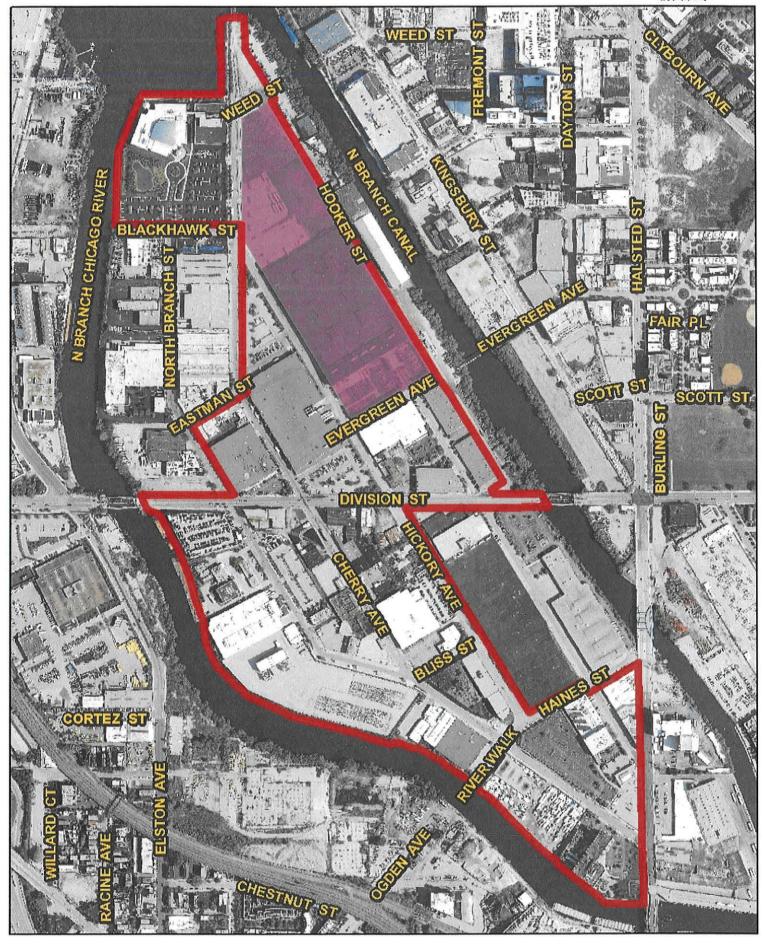
The Developer will lease approximately 94,470 square feet of space at the facility located at 1333 North Hickory, the former Republic Windows and Doors location, on Goose Island. The space will be the headquarters of UI LABS, a Chicago-based not for profit research and commercialization collaborative. The facility will be connected to a network of manufacturing research sites across the country and will apply cutting edge mobile, cloud, and high performance computing technologies to today's manufacturing industry. UI LABS received a \$70,000,000 grant from the US Department of Defense.

T	ype of Project: Industrial	Developer: UI LABS
T	otal Project Cost:\$16,500,000	Timeline for Completion: February 2015
T	TF Funding Request: \$10,000,000	Project Status: CDC 06/10/2014
T	IF District: Goose Island	
	RETURN ON IN	VESTMENT BENCHMARKS
	Advances Goal of Economic Development Plan YES	or NO Jobs Created/Retained Jobs Created Permanent Jobs: 20
	Leading advanced manufacturing hub	Construction Jobs: 50
1.15	Advances Goal of TIF District YES or NO	Affordable Housing Units Created/Preserved
	Hub for industrial and manufacturing uses	NA
iller E Lee	Addresses Community Need YES or NO	Return on Investment to City NA
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	FINANC	TAL BENCHMARKS
	Other Funds Leveraged by \$1 of TIF \$1.65	Financing Structure The City to provide up to \$1,000,000 in TIF (\$2,000,000 from the Goose Island TIF District, and \$2,000,000 protect from North Branch South TIF
	Types of Other Funding Leveraged YES or NO	\$8,000,000 ported from North Branch - South TIF District).
	DCEO Funds: \$6,500,000	
		RDA TERMS
	Payment Schedule: Construction draws, frequency to be determined	Monitoring Term of Agreement: 10 year Operating Covenant. iod per Monitoring and Compliance
	Taxpayer Protection Provisions YES or NO	
	NA	
	OTHER	CONSIDERATIONS

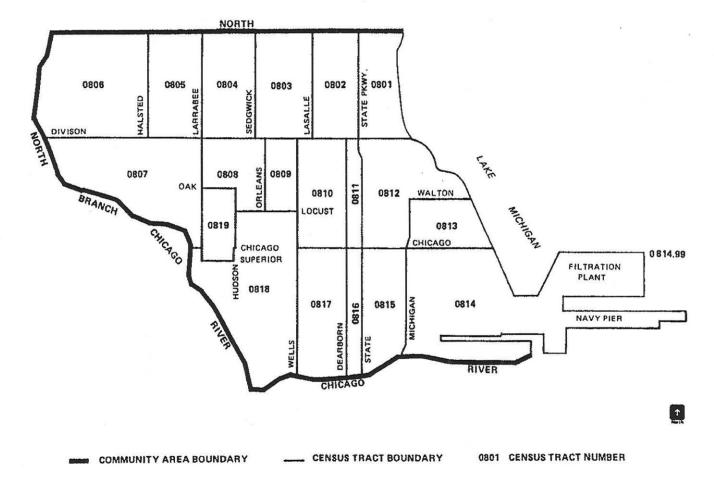
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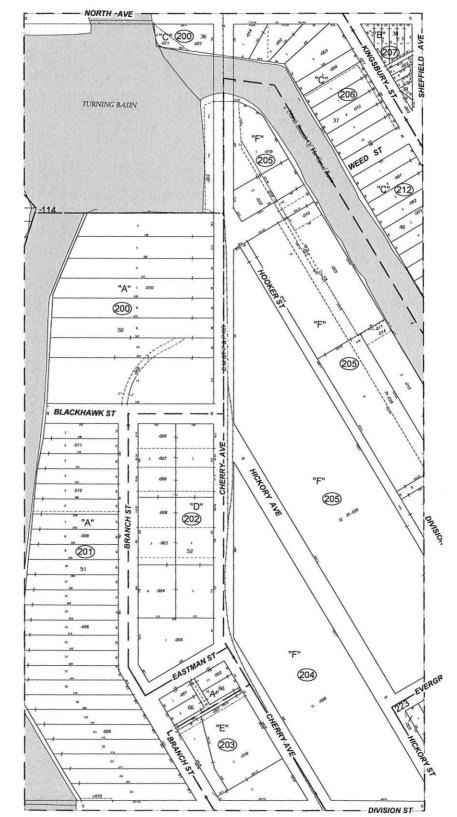
### ACCESS FROM SURROUNDING NEIGHBORHOODS AND THE CITY

LABS OF DIGITAL MANUFACTURING & DESIGN INNOVATION INSTITUTE

FACILITY UPDATE | 28 MAY, 2014 | Skidmore, Owings & Merrill LLP 4

**39-14-5A** 17-5

W 1/2 NE 1/4 SEC 5-39-14 NORTH & WEST



"A" ELSTON'S ADD. TO CHICAGO in the W.1/2 of the N.E.1/4 of sea.5-39-14 of Elston's Add., (see "A"). Ante-Fire. Rec. May 11, 1855.

"B" JOHN YALE'S RESUB. of Biks. 38, 39, 40, 42, 43, 44, 45, 57, 58, 59, 60, 61&72 of Elston's A dd. (see "A").Anti-Fire. Rec. Jun 24, 1871.

"C" CHICAGO LAND CO.'S RESUB. of Blk. 36, 37, 46, 47, 48, 55, 56, 62, 63, 70, 71, 74, & 84, together with Let 1 of Blk. 30, all in Elston's Add. (see "A"). Rec. Jun 11, 1873 Doc. 104948.

"D" OWNER'S SUB. of Blk. 52 of Elston's Add. (See "A"). Rec. Jul 11, 1890 Dec. 1301303.

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"A" ELSTON'S ADD. TO CHICAGO in sec. 5-39-14. Ante-Fire. Rec. May 11, 1855.

"B" E. PRUSSING'S SUR. of Bik. 41 of Elston's Add. to chicago (see "A"). Ante-Fire. Rec. May 25, 1868.

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"E" JOHN A. YALE'S SECOND RESUB. of Blk. 43 in Elaton's Adal. to Chicago (see "A"). Rec. Sep 17, 1873 Doc. 122836.

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"G" JOHNSON'S & CARLON'S RESUB. of Bik. 57 of John A Yale's Resub. (see "C") Rec. Jun 1, 1910 Dec. 4571265.

"H<sup>4</sup>" "H<sup>4</sup>" THE SENG CO: S RESUB. of part of Yale's Resub. of Bik. Sv in Elston's Add. to Chicago (see "A"). Rec. Aug 15, 1910 Dec. 4610401.

"J" RESUB: of Lot 1 in Johnson & Carlson's Resub. of Blk, 57 (ace "G") Rec. Jun 17, 1914 Doc. 5439093.

"K" RESUR. of Lots 23, 24, & 25 of J. A. Yale's Resub, of Bik. 45 of Elston's Add. to Chicago (see "A"). Rec. Aug 24, 1917 Doc. 6179056.

"L" Blackhawk-Halsted Subdivision of Block 59 in Elsion Addition to Chicago (See "A") Rec. Nov I, 2011 Doc. 1130520057.

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Rec. 0/13/		22544073
Rec. 9/14/2		25731029
Rec. 10/8/2		8131095
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JLL Project and Development Services 200 E. Randolph Drive, Chicago, Illinois 60601 tel +1 312 228 3621

June 6, 2014

Black Contractors United Ms. Belinda Henderson 1200 Marshfield Street Calumet Park, IL 60827

### **VIA CERTIFIED MAIL**

#### RE: UI LABS

Dear Ms. Henderson:

The purpose of this letter is to inform your organization of potential contracting opportunities associated with the construction of certain improvements at the property at 1333 N. Hickory Avenue, Chicago, Illinois (the "Property"). UI LABS plans to locate its headquarters in downtown Chicago and in connection therewith, construct tenant improvements to approximately 94,000 square feet of office and manufacturing space at the Property. The project is anticipated to require the participation of trades such as electrical, mechanical, plumbing, fire protection, carpentry, painting and others. There will be a minimum 24% MBE and 4%WBE participation on this project. Construction is anticipated to begin in October 2014.

I am the project coordinator and can be reached at 1-312-228-3621. While the bidding process is not anticipated to begin for several months, I am available to answer questions and/or meet with representatives of your organization regarding the budget (once finalized), schedule and contracting opportunities for the project. At your request, I will provide your organization with one copy of the project bid documents (including plans and specifications).

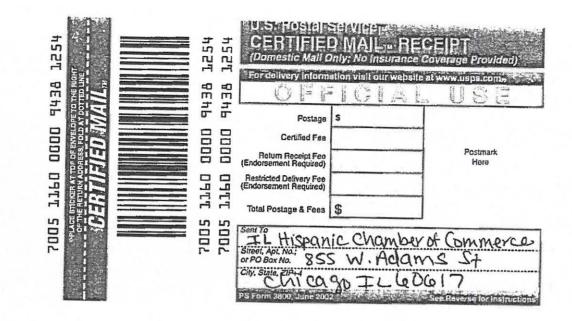
Please make your member companies aware of this project so that they may submit bids for appropriate subcontracting opportunities. Should you have any questions, do not hesitate to contact me at the number listed below.

Sincerely,

pille

Jim Plummer Managing Director

Cc: Caralyn Nowinski – UI LABS Marty Malone – UI LABS Meredith O'Connor - JLL



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY		
<ul> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse</li> </ul>		] Agent ] Addressee	
<ul> <li>so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	B. Received by (Printed Name) C. Dat	e of Delivery	
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Mr. Omar Duque 855 W Adams St Chicago ILGD617	3. Service Type       I Certified Maii       Registered       Receipt for N       Insured Mail       C.O.D.	Aerchandise	
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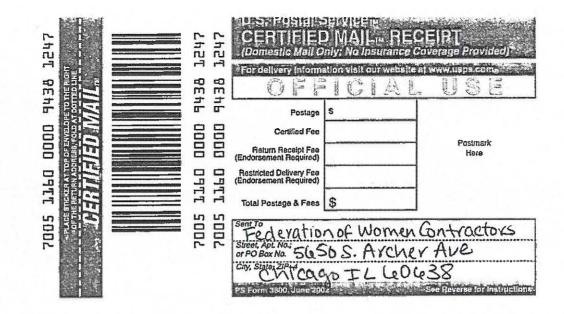
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**Domestic Return Receipt** 

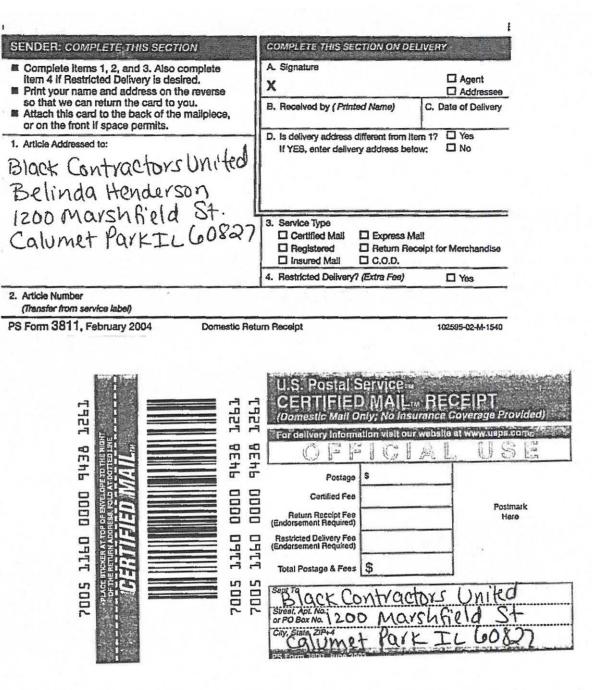
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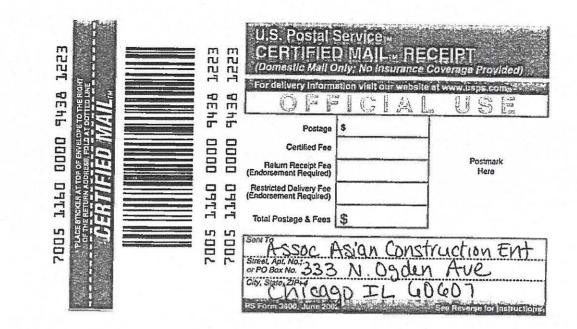
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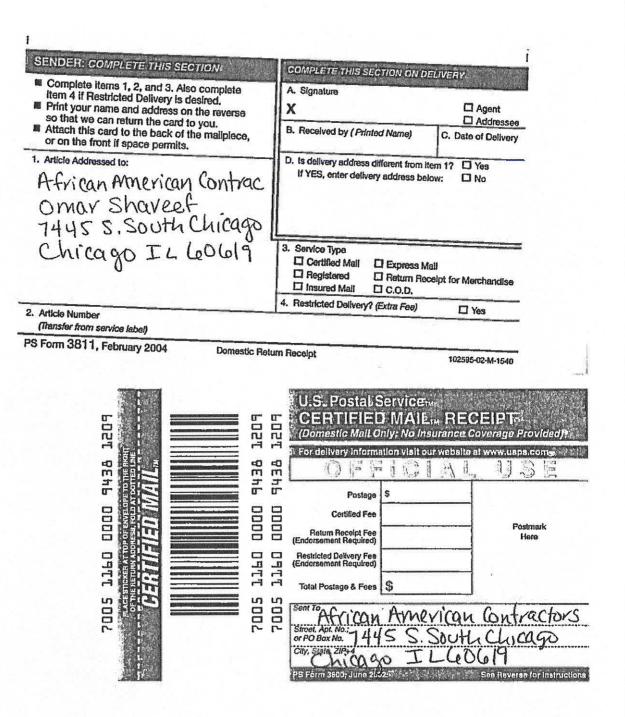




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Aldermanic support Letters will be attached to Staff Report for CDC hearing

## COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF CHICAGO

### **RESOLUTION NO. 14 - CDC -**

### AUTHORIZATION TO NEGOTIATE A REDEVELOPMENT AGREEMENT WITH UI LABS

### AND

### RECOMMENDATION TO THE CITY COUNCIL OF THE CITY OF CHICAGO FOR THE DESIGNATION OF UI LABS AS DEVELOPER

WHEREAS, the Community Development Commission (the "Commission") of the City of Chicago (the "City") has heretofore been appointed by the Mayor of the City with the approval of its City Council (the City Council referred to herein collectively with the Mayor as the "Corporate Authorities") as codified in Section 2-124 of the City's Municipal Code; and

WHEREAS, the Commission is empowered by the Corporate Authorities to exercise certain powers enumerated in Section 5/11-74.4-4(k) of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1 et seq.), (as amended from time to time, the "Act"); and

WHEREAS, the City Council, upon the Commission's recommendation pursuant to Resolution 96-CDC-29 and pursuant to the Act, enacted three ordinances on July 10, 1996 pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the Goose Island Redevelopment Project Area (the Area), designated the Area as a redevelopment project area and adopted tax increment allocation financing for the Area. The street boundaries of the Area are described on Exhibit A hereto; and

WHEREAS, UI LABS(the "Developer"), has presented to the City's Department of Planning and Development (the "Department") a proposal for redevelopment of the Area or a portion thereof that is in compliance with the Plan, consisting of the construction of the build-out of space to house the Digital Manufacturing Design Innovation Institute and UI LABS headquarters (the "Project"); and

WHEREAS, DPD requests that the Commission recommend to City Council that the Developer be designated as the developer for the Project and that the Department be authorized to negotiate, execute and deliver a redevelopment agreement with the Developer for the Project; now, therefore,

# BE IT RESOLVED BY THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF CHICAGO:

- <u>Section 1.</u> The above recitals are incorporated herein and made a part hereof.
- <u>Section 2.</u> The Commission hereby recommends to City Council that the Developer be designated as the developer for the Project and that the Department be authorized to negotiate, execute and deliver on the City's behalf a redevelopment agreement with the Developer for the Project.
- <u>Section 3.</u> If any provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this resolution.
- <u>Section 4.</u> All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.
- <u>Section 5.</u> This resolution shall be effective as of the date of its adoption.
- Section 6. A certified copy of this resolution shall be transmitted to the City Council.

ADOPTED: \_\_\_\_\_, 20\_\_\_

Attachment: Exhibit A, Street Boundary Description

### EXHIBIT A

Street Boundary Description of the Goose Island Tax Increment Financing Redevelopment Project Area

The general street boundary of the Area is an area bounded on the west by the East Bank of the North Branch of the Chicago River from Halsted to Division, then east along the northern side of Division Street to North Branch Street, then northwest to Eastman Street, then northeast to Cherry Avenue and north on Cherry Avenue to Blackhawk Street, then west to the East Bank of the North Branch of the Chicago River and north to the northern most 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 Division Street and then heads west to Hickory Avenue, then southeast to Haines Street, then northeast to Halsted Street, then south along the western side of Halsted to the east Bank of the North Branch of the Chicago River.