

**City of Chicago
Department of Community Development**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
September 14, 2010**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	Coyote Logistics, LLC, as tenant within the Green Exchange
Applicant Name:	Same
Property Owner	Gx Chicago, LLC. Baum Development (David and Douglas Baum)
Project Address:	Leased premises within The Green Exchange 2543-45 W. Diversey Ave
Ward and Alderman:	1, Proco "Joe" Moreno
Community Area:	Logan Square, 22
Redevelopment Project Area:	Addison South TIF
Requested Action:	TIF Developer Designation
Proposed Project:	A 64,656 square foot corporate headquarters relocation from two facilities outside the city of Chicago. Coyote will create a minimum 300 new and retained full time jobs at the Green Exchange.
TIF Assistance:	\$2,000,000

II. PROPERTY DESCRIPTION

Address:	Leased premises at 2543-45 W. Diversey Ave.
Location:	Diversey Ave at Kennedy Expressway
Tax Parcel Numbers:	13-25-404-001
Land Area:	77,848 square feet
Current Use:	Vacant, four-story, landmark manufacturing building. The Green Exchange is fully permitted and work is expected to re-start in 2010.
Current Zoning:	PD 1094
Environmental Condition:	Phase 1 assessment was performed. No recognized environmental conditions were identified.

III. BACKGROUND

In early 2010, Baum Development, owners of the Green Exchange, began tenant negotiations with Coyote Logistics, LLC to locate their corporate headquarters into the Green Exchange from two facilities outside the city of Chicago and become the anchor tenant in the development. In April of 2010, the Department of Community Development (DCD) met with representatives of Coyote Logistics to discuss financial incentives that would attract their company to Chicago from an alternative location in Alpharetta, Georgia. In late May of 2010, Coyote submitted an application for TIF assistance to DCD.

The Green Exchange is a four-story landmark building that formerly housed the Frederick Cooper Lamp Company until they went out of business in 2004. It is a \$56,000,000 commercial real estate development designed to bring together a mix of businesses focused on environmental sustainability. The Green Exchange was presented to and approved by the CDC in December of 2009 and authorized by the City Council on May 12, 2010. Specifically, a TIF deal was executed that designated Gx Chicago, LLC the developer of the property and authorized the developer to receive a \$15 million HUD 108 Loan Guarantee that would be repaid with \$10 million in TIF and the remaining \$5 million repaid with project revenues. The request for TIF assistance was the direct result of the project's \$35 million construction loan being reduced to \$20 million by the

lender.

The project is located in the 1st Ward, within the Addison South TIF and is fully permitted. It is pre-certified as a LEED Gold redevelopment by the U.S Green Building Council and Baum is committed to pursuing LEED Platinum. The building has a total of approximately 227,450 square feet of space for lease. To date, there are 24 leases in place that will occupy 92,000 square feet. With the inclusion of Coyote Logistics as anchor tenant in the Green Exchange, the building will become 69% occupied and the total amount of space leased will rise to 156,656 square feet.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Coyote Logistics, LLC is a global third-party logistics (“3PL”) company with a network of offices around the world. Coyote uses proprietary software and transportation technology tools to create truckload, intermodal, “less than truckload” shipment, ocean, and air-based solutions for the demands of today’s challenging shipping supply chains - based on client needs and transportation provider capacity. They do not maintain a transportation fleet or operate a warehouse and/or distribution center. Founded in 2006 and incorporated in Delaware, Coyote is currently the fastest growing 3PL company. Its growth is due both to organic expansion and multiple mergers and acquisitions, including the recent merger of General Freight Services (“GFS”). GFS was a competitor based in Alpharetta, Georgia.

Coyote Logistics believes America’s producers of goods approach their supply chains in a vacuum. One distributor’s truck passes another moving empty in the same lane but in the opposite direction, wasting money and harming our fragile ecology. Coyote helps curb this waste by overlaying their customers’ supply chains. For example, they load one customer’s beer shipment in another customer’s soft drink truck instead of that truck going home empty. Or a big box retailer truck might haul toothpaste on its return trips. Coyote makes these matches happen hundreds of times every day. Every time this happens, two of their customers are able to cut down on carbon emissions while saving money on shipping costs. They believe their concept is "saving green while being green".

As a result of the GFS merger, Coyote now operates two headquarters—Coyote’s headquarter campus in Lake Forest, Illinois with 140 employees, and the GFS headquarters in Alpharetta, Georgia, an international logistics hub, with 75 employees. In order to consolidate these two facilities, and in order to accommodate future growth, Coyote desires to expand its headquarters operation and eliminate the inefficiencies related to operating in two locations in two states. To achieve this, Coyote will combine their headquarter operations into a single facility within the Green Exchange even though Coyote is still contractually obligated to lease its current office space in Alpharetta, Georgia until 2015.

Consultants: Partners by DESIGN, Inc. is the architect for the project. They have extensive and award-winning experience throughout Chicago in several business types including Corporate, Insurance, Technology, Advertising/Public Relations, Healthcare, Financial/Banking, Law, Non-Profit and Retail. Some of their works include CDW Computer Centers Inc., Northwestern Memorial Hospital, Applegate Thorne-Thompson, Northern Trust, Maryville Academy, Mercedes Benz of Chicago and many more. A full list of projects can be found within this report. MB Real Estate work with Coyote in selecting a general contractor and will oversee the build out of the Coyote space

V. PROPOSED PROJECT

DCD will enter into a Tax Increment Financing (TIF) Redevelopment Agreement (RDA) with Coyote Logistics, LLC for the purpose of providing an incentive to Coyote Logistics to relocate their corporate headquarters in the City of Chicago and within the Green Exchange for a minimum period of 10 years. Coyote will lease and occupy approximately 64,656 square feet of space on the third floor of the building. In addition to locating their headquarters in the Green Exchange, Coyote would initially relocate/retain 140 full-time employees (FTE's) from Lake Forest, Illinois to their headquarters facility at the Green Exchange. During the first two years of occupancy, Coyote will also create 160 new jobs at the Green Exchange - approximately 80 in year one and 80 in year two. As a result, Coyote will increase their total number of FTE's at the headquarters to 300. The lease will have an initial term of 10 years and 10 months commencing on or about April 1, 2011 with occupancy no later than June 30, 2011. Coyote will also have the right to expand into approximately 40,000 square feet of additional space during the term of the lease. In connection with its occupancy of the space, Coyote will construct substantial tenant improvements necessary to permit the company to take possession of the space in accordance with the terms of the lease. In return, the City intends to reimburse Coyote for a portion of their TIF-eligible improvements in an amount not to exceed the lesser of \$2,000,000 or 30.1% of the total project costs, currently estimated to be \$6,649,745.

By moving into the Green Exchange, Coyote will not only bring a high-tech, growing business with a high-talent employee pool to an industrial neighborhood, but will also jump start the completion and occupation of the Green Exchange. Most of Coyote's employees are college-educated professionals. The newly recruited employees and employees transferring from the Lake Forest and Georgia offices may decide to move into the City of Chicago, increasing nearby property values and supporting neighborhood businesses. Currently, 66 employees working in Lake Forest live in the city of Chicago.

Environmental Features: The Green Exchange is pre-certified to achieve LEED Gold Certification by the U.S Green Building Council and Baum believes the building will qualify for

LEED Platinum. Under either standard, at 275,884 square feet, the Green Exchange would become the largest green business community in the country and the first LEED Platinum industrial redevelopment in the City of Chicago. Sustainable features include a 15,000 square foot green roof with 90 solar thermal panels that will supply the domestic hot water for the building, a 41,000 gallon storm water management system, and a state of the art sustainable escalator that uses 30% less energy than standard models. Other features include excellent water conservation by using 37.5% less potable water than a comparable building using traditional energy systems and using LED lighting throughout the building.

VI. FINANCIAL STRUCTURE

The City, through the Department of Community Development, intends to provide the Developer with TIF assistance in an amount not to exceed the lesser of \$2,000,000 or 30.1% of the Total Project Costs, estimated to be \$6,649,745. This assistance equates to \$6,667 per job. The TIF-eligible expenses will be reimbursed from existing increment, and/or bond funds, in the Addison South Redevelopment Project Area Tax Increment Allocation Fund. The assistance, a total of \$2,000,000, will be provided through the issuance of a Taxable Developer Note on the basis of retaining the relocated and created jobs at the Coyote Space according to job requirements. The Taxable Note will be subordinate to any existing obligations within the Addison South TIF. Coyote will be required to maintain the jobs for a minimum period of ten (10) years from the issuance of a Certificate of Completion for the project.

The State of Illinois, Department of Commerce & Economic Opportunity (DCEO) has already committed \$75,000 in job training dollars, EDGE Tax Credits worth \$2.4 million, and \$250/\$500 training reimbursement dollars per each existing/new full-time job created. The value of the EDGE Tax Credits closes the financial gap between the costs of doing business in Illinois vs. Georgia. Ultimately, the Illinois EDGE Tax Credit is essential to Coyote's decision to relocate and expand its' headquarter operations within Illinois. Without it, Coyote would be inclined to undertake the project in Georgia, where it already has the requisite space and would enjoy a lower cost of doing business. The State of Georgia and the City of Alpharetta have indicated their firm interest in Coyote's relocation outside of Illinois.

There are several factors that DCD considered in underwriting Coyote's request for TIF assistance. In turn, due to the inefficiencies created by maintaining two headquarter operations, Coyote had to weigh the costs and benefits of (1) maintaining and expanding its headquarters in Illinois or (2) relocating its operations to Alpharetta, Georgia where they would be adjacent to their competitors and conveniently situated near their logistics partners. Additionally, Coyote was obligated to lease its current office space in Alpharetta, Georgia until 2015 making the benefits of staying in Georgia appear more attractive than the cost of relocating to Chicago. Another site selection criteria for the new Coyote headquarters was based on a cost benefit analysis of each location offset by the incentives offered by each jurisdiction. Coyote indicated

that the cost of doing business in Illinois was substantially higher than in Georgia because the recent acquisition of GFS in Alpharetta, Georgia allowed Coyote to locate to a facility that had 35,000 feet of move-in ready office space that was leased until 2015.

Additionally, and particularly important to Coyote's business operations, the Green Exchange space requires significant renovation to update the communication infrastructure in the building. To update the communication infrastructure will require the installation of miles of high-speed fiber-optic cables from the AT&T hub. Due to the nature of Coyote's business, (all operations require a high volume of digital data transmission and reception) the installation of fiber-optic cable is essential. The installation of this cable will not only benefit Coyote, but will also enable the surrounding community to connect to the fiber-optic cable lines at a significantly lower cost, once Coyote absorbs the cost of laying the infrastructure.

Sources and Uses of Funds

<u>Sources</u>	<u>Amount</u>	<u>% of Total Sources</u>
Bank/Construction Loan (Wells Fargo)	\$2,770,385	41.66%
Other Financing (TI Allowance)	<u>\$3,879,360</u>	<u>58.34%</u>
Total Sources	\$6,649,745	100.00%
<u>Uses</u>	<u>Amount</u>	<u>\$/SF of Tenant Space*</u>
Hard Costs		
Tenant Construction	3,897,908	\$60.29
Demolition	16,200	\$0.25
General Contractor Fee	60,786	\$0.94
General Conditions	114,637	\$1.77
Hard Cost Contingency	<u>155,005</u>	<u>\$2.40</u>
Total Hard Costs	4,244,536	\$65.65
Soft Costs/Fees		
Architect (8% of hard costs)	320,147	\$4.95
Consultant Fees (10% of total costs)	633,000	\$9.79
Legal/Accounting (1% of total costs)	50,000	\$0.77
Insurance (1% of total costs)	40,000	\$0.62
Permits (1% of total costs)	40,000	\$0.62
Project Management (1% of total costs)	85,000	\$1.31
Construction Period Interest (3% of total cost)	185,000	\$2.86
Misc. Soft Costs (2% of total costs)	133,608	\$2.07
Soft Cost Contingency (4% of total costs)	<u>243,494</u>	<u>\$3.77</u>
Total Soft Costs (26% of total costs)	1,730,249	\$26.76
Equipment	560,577	\$8.67
Furniture and Fixtures	114,383	\$1.77
Total Uses	6,649,745	\$102.85

*Initial Lease is for 64,656 square feet

VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits.

Property Taxes: The project will expand the tax base by return of a vacant manufacturing facility to the tax rolls.

Sales Taxes: This development will house new retail businesses that will generate new sales tax revenue.

Environmental Features: The Green Exchange will offer a unique collection of eco- friendly businesses focused on the environment. The project will be the first industrial renovation to achieve a LEED Gold Certification in the City of Chicago.

Permanent Jobs: Coyote will create/retain a minimum of 300 permanent jobs. In addition, they have expressed interest in job training and placement programs and will work with DCD's Workforce Solutions Division to further these opportunities.

Construction Jobs: The project will produce 75-100 temporary construction and consultant jobs.

Affirmative Action: The developer will comply with the requirements of the Chicago Affirmative Action Ordinance which requires contract participation by Minority owned business enterprises at a level of 24% of total construction hard costs, and participation of Women owned business enterprises at a level of 4% of total construction hard costs. The developer has provided notification of the proposed project, by certified mail, to eight associations of minority and women owned contractors. A sample version of the letter and copies of the post office receipts for the certified letters are presented as exhibits in this report.

City Residency: The developer will comply with the requirements of the City of Chicago Residency Ordinance which requires 50% of all construction hours be worked by city residents. The developer will also comply with the City of Chicago's Prevailing Wage requirement.

VIII. COMMUNITY SUPPORT

1st Ward Alderman Proco "Joe" Moreno endorses the action and has provided a letter of support.

In addition, the Logan Square Chamber of Commerce and the LEED Council are in support of this action. See exhibits for copies of support letters.

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN/COMMUNITY PLAN

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

Addison South TIF

- This action is consistent with the Addison South TIF Plan established in 2007 for the following reasons:
 - Provide for the orderly transition from obsolete uses to economically sustainable land development patterns.
 - Encourage private investment, especially improvements to industrial and commercial property.
 - Reduce or eliminate deleterious conditions.
 - Encourage redevelopment on parcels that are underutilized and vacant.
 - Encourage the preservation and reuse of historic buildings.
 - Create an attractive environment that encourages new industrial and commercial development and increases the tax base.

LISC New Communities Program: *Logan Square: A Place to Stay, a Place to Grow.*

This action is consistent with the LISC Plan for the following reasons:

- **Strategy 4:** Revitalize key commercial corridors by working with elected officials, businesses and property owners.
- **Strategy 5:** Support industrial retention and business development, and provide coordinated job training, job placement and financial education for community residents.
- **Strategy 6:** Improve the health, safety and well being of Logan Square residents and families.

The proposed project also conforms to the plan's land use map, which calls for mixed-use development at the subject site.

X. CONDITIONS OF ASSISTANCE

If the proposed resolution is approved by the CDC, DCD 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 DCD 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 of the redevelopment agreement will not occur before the City Council has approved the agreement, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing. The redevelopment agreement will include a development timetable.

XI. RECOMMENDATION

The Department of Community 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 DCD recommends that the CDC recommend to the City Council the designation of Coyote Logistics, LLC as Developer, and anchor tenant within the Green Exchange located at 2543-45 W. Diversey Ave.

EXHIBITS

Community Area Map
Redevelopment Area Map
Neighborhood Aerial Map
Green Exchange Final Rendering
Green Exchange Final Rendering/Courtyard
Green Exchange Site Plan
Green Exchange Elevations (2)
Green Exchange Prior Conditions Photos (2)
Green Exchange Current Conditions Photos (2)
Coyote Rendering
Coyote Floor Plans
Architect's Project Experience & Case Studies (5)
MB Real Estate Letter of Intent
Wells Fargo Financial Capacity Letter
Sample M/WBE Letter
Copies of M/WBE Certified Letter Receipts
Organizational Chart
Community Letters of Support
Alderman's Letter of Support
Resolution w/ Exhibit A
EPNA Form