

**CITY OF CHICAGO
COMMUNITY DEVELOPMENT COMMISSION
JULY 8, 1997**

**DEPARTMENT OF PLANNING AND DEVELOPMENT
SUMMARY SHEET**

**The Chicago Theatre Group, Inc., d/b/a The Goodman Theatre
Central Loop Tax Increment Financing District**

Action Requested:

- 1) Approve the advertisement of the Department of Planning and Development's intention to negotiate a Redevelopment Agreement with The Chicago Theatre Group, Inc., an Illinois not for profit corporation, d/b/a The Goodman Theatre ("Goodman") for the use of incremental tax revenues or bond proceeds secured by the incremental tax revenues for the redevelopment of property within the Central Loop Tax Increment Redevelopment Project Area;
- 2) Authorize a request for alternate proposals; and
- 3) Recommend to the City Council of the City of Chicago the designation of Goodman as the developer if no other responsive alternate proposals are received.

Address/Location:

180 and 190 N. Dearborn St. (commonly known as the Selwyn and Harris theaters); the Garrick Garage property; the site of the former Woods Theater (commonly referred to as the southeast corner of Block 35); Couch Place; and the north-south alley located west of the Selwyn and Harris theaters

Redevelopment Project Area:

Central Loop Tax Increment Redevelopment Project Area

Proposal:

Development of The New Goodman Theater Center ("Center") which includes the new construction of an 800 to 850-seat theater; the renovation and reconstruction of the existing Selwyn and Harris theaters, including the restoration and preservation of their facades, to accommodate a smaller, more flexible 400-seat theater as well as related theater support and programming space; and development of the vacant northwest corner of Randolph and Dearborn Streets to accommodate lobby, restaurant, and retail uses complementary to the development of the Center.

Amount of Financial Assistance:

The City intends to provide Goodman with an amount not to exceed \$18,800,000 which represents 35.3% of total project costs (now estimated at \$53,200,000) to be funded from incremental tax revenues or bond proceeds secured by incremental tax revenues for TIF-eligible costs. In addition, the City shall demolish the Garrick Garage to grade level.

Redeveloper:

The Chicago Theatre Group, Inc., d/b/a The Goodman Theatre

Ward: Alderman Burton F. Natarus, 42nd Ward

Issues: None Identified

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COMMUNITY DEVELOPMENT COMMISSION MEETING
July 8, 1997

STAFF REPORT

MR. CHAIRMAN AND MEMBERS OF THE COMMISSION:

The Resolution before you requests that you:

- 1) Approve the advertisement of the Department of Planning and Development's intention to negotiate a Redevelopment Agreement with The Chicago Theatre Group, Inc., an Illinois not for profit corporation, d/b/a The Goodman Theatre ("Goodman"), for the use of incremental tax revenues or bond proceeds secured by the incremental tax revenues for the redevelopment of property within the Central Loop Tax Increment Redevelopment Project Area;
- 2) Authorize a request for alternate proposals; and
- 3) Recommend to the City Council of the City of Chicago the designation of Goodman as the developer if no other responsive alternate proposals are received.

BACKGROUND:

The property to be redeveloped is located within the Central Loop Tax Increment Financing Redevelopment Project Area (see attached map). On December 10, 1996, immediately following a public hearing, the Community Development Commission ("CDC") recommended approval of the expansion of the Near North Tax Increment Redevelopment Project Area to create an expanded redevelopment project area referred to as the Central Loop Tax Increment Financing Redevelopment Project Area ("Area"). The Area was established by the City Council on February 7, 1997.

The site proposed for redevelopment includes the Selwyn and Harris theaters, the Garrick Garage property, Couch Place, the north-south alley located west of the Selwyn and Harris theaters, and the former Woods Theater property. It generally represents the eastern half of the city block that is commonly referred to as Block 35. Excluding the north-south alley located west of the Selwyn and Harris theaters, all of the property is controlled by the City. The north-south alley will be acquired for the benefit of the proposed redevelopment project pursuant to previously negotiated redevelopment agreements.

DEVELOPMENT PROJECT:

The proposed redeveloper is the Chicago Theatre Group, Inc., d/b/a The Goodman Theatre ("Goodman"). The Goodman Theatre is a regional not-for-profit theater company located in

Chicago that was founded in 1925. The organization is a 501(c)3 corporation governed by its 50 member Board of Trustees which is known as the Chicago Theatre Group, Inc.

The Goodman is proposing to develop The New Goodman Theatre Center ("Center") on the eastern half of Block 35 which has historically been the site of theaters and movie houses. The Center will combine an architecturally significant new structure with the renovation and reuse of the landmark Selwyn and Harris theaters. The project entails the construction of a new 800 to 850-seat theater; renovation and reconstruction of the existing Selwyn and Harris theaters, including the restoration and preservation of their facades, to accommodate a smaller, more flexible 400-seat theater as well as related theater support and programming space; and the development of the former Woods Theater site to accommodate lobby, restaurant, and retail uses complementary to the development of the Center. The proposed redevelopment will require the demolition of the Garrick Garage as well as the vacation of Couch Place and the vacation of the north-south alley located west of the Selwyn and Harris theaters.

The Goodman is pursuing the development of the Center because its current facility located at 200 South Columbia Drive is inadequate. According to information provided by Goodman, a 1986 renovation study of the current theater concluded that the facility was completely out of date and incapable of supporting a major theater company into the next century. While the existing facility was considered a state-of-the-art theater in 1925, it is now virtually obsolete in terms of size, equipment, and technology. Like any enterprise, Goodman is looking to provide contemporary technology as well as equipment and facilities necessary to retain and attract the finest theater artists; run a more efficient operation; and play to a larger audience. In addition, the new Center will increase Goodman's ability to deliver educational and community programs.

DEAL STRUCTURE:

The City intends to negotiate a redevelopment agreement with Goodman, and provide Goodman with an amount not to exceed \$18,800,000 which currently represents 35.3% of the total estimated project cost of \$53,200,000 to be funded from incremental tax revenues or bond proceeds secured by incremental tax revenues for TIF-eligible costs. In comparison with contemporary theaters in other cities, this level of public support on a per seat basis is similar. In addition, the City agrees to demolish the Garrick Garage to grade level. The attached term sheet specifies the sources and uses of funds associated with the redevelopment project.

As part of the deal, the City anticipates entering into a 99-year ground lease with Goodman for the property for \$1.00 per year. The Goodman reserves the right, subject to the City's approval, to sublease a portion of the property to an entity that shall develop the restaurant and retail uses complementary to the development of the Center.

CONFORMANCE WITH REDEVELOPMENT PLAN:

The uses proposed by Goodman are consistent with the Central Loop Tax Increment Financing Redevelopment Plan and Project (the "Plan"). The Plan states that cultural and entertainment uses are permitted throughout the Area but "... should be encouraged in proximity to the Chicago Theater, the Oriental Theater, and the Selwyn/Harris Theaters. . ." Additionally, the Plan states that related retail uses such as restaurants and pubs should be located among and in proximity to cultural and entertainment destinations.

In addition, implementation of the project proposed by Goodman will help the City to realize the following general goals and development and design objectives of the Plan.

General Goals

- Improve the quality of life in the Area, the Loop, and the City by eliminating the influences and manifestations of physical and economic deterioration and obsolescence within the Area.
- Create an environment within the Area which will contribute more positively to the health, safety, and general welfare of the City, and preserve or enhance the value of properties adjacent to the Area.
- Increase the real estate and sales tax base for the City and other taxing districts having jurisdiction over the Area.

Development and Design Objectives

- Expand and improve cultural, educational, and entertainment opportunities in the Area.
- Encourage developments which increase pedestrian traffic throughout the day and evening.
- Reinforce and increase the appeal of the Area to tourists, visitors, and residents.
- Provide new development that complements other new and recently renovated existing development.
- Reinforce the architectural and historical characteristics of the Area.
- Reinforce the distinctive identity of areas by encouraging well-designed in-fill development.

BENEFITS:

The development of the Center is an important project to both the redevelopment of the Area and the creation of a downtown theater district. In combination with Livent's redevelopment and operation of the Oriental Theater and Disney's operation of the Chicago Theater, the New Goodman Theatre Center will serve to create a major market for live theater in downtown Chicago, helping to attract development of other theaters as well as additional retail, dining, and entertainment establishments.

The development of a permanent, live theater market will ultimately bring a significantly larger number of people downtown, helping to fulfill the City's objective, as reflected in the Plan, of creating a downtown with a strong evening and weekend presence. Because of this effect, and as evidenced by the experience of other cities, the synergy of these three theaters located in close proximity to each other would actually help other theaters in the area as the market for live theater expands. In addition to the added traffic that the proposed Goodman project would bring to the Loop, it will help create substantial excitement as well as the critical mass that will enhance the current potential for development within the northern Loop area.

The anticipated specific benefits associated with the Center are as follows:

- The direct economic benefit is estimated to be \$9,700,000 annually, or \$77,600,000 over the remaining life of the Central Loop tax increment financing district.
- The Center is anticipated to create indirect "spin-off" revenues that will accrue to various businesses in the Chicago area in the amount of \$187,016,000 over the remaining life of the Central Loop tax increment financing district.
- The Center is expected to create approximately 320 construction jobs, and 1,500 permanent jobs in the theater.

RECOMMENDATION:

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

1. Approve the advertisement of the Department of Planning and Development's intention to negotiate a Redevelopment Agreement with The Chicago Theatre Group, Inc., an Illinois not for profit corporation, d/b/a The Goodman Theatre ("Goodman"), for the use of incremental tax revenues or bond proceeds secured by the incremental tax revenues for the redevelopment of property within the Central Loop Tax Increment Redevelopment Project Area;
2. Authorize a request for alternate proposals; and
3. Recommend to the City Council of the City of Chicago the designation of Goodman as the developer if no other responsive alternate proposals are received.

Support for this project has been expressed by Greater State Street Council, the Chicago Central Area Committee, the State Street Commission, the Landmarks Preservation Council of Illinois, and Alderman Natarus.

TERM SHEET

Project Description: The Goodman Theatre ("Goodman") is proposing to develop The New Goodman Theatre Center ("Center") on the eastern half of Block 35 which has historically been the site of theaters and movie houses. The site proposed for redevelopment includes the Selwyn and Harris theaters, the Garrick Garage property, Couch Place, the north-south alley located west of the Selwyn and Harris theaters, and the site of the former Woods Theater. The project entails the construction of a new 800 to 850-seat theater; renovation and reconstruction of the existing Selwyn and Harris theaters, including the restoration and preservation of their facades, to accommodate a smaller, more flexible 400-seat theater as well as related theater support and programming space; and development of the former Woods Theater site for new construction accommodating lobby, restaurant, and retail uses complementary to the development of the Center.

The proposed redevelopment will require the demolition of the Garrick Garage as well as the vacation of Couch Place and the vacation of the north-south alley located west of the Selwyn and Harris theaters. The City will demolish the Garrick Garage to grade level. In addition, the City will enter into a 99-year ground lease for \$1.00 per year with Goodman.

Total Project Cost: \$53,200,000

Sources

The Goodman Theatre*	\$34,400,000
City of Chicago (TIF Funds)	<u>\$18,800,000</u>
TOTAL	\$53,200,000

Uses

Land Assembly Costs	\$ 425,000
Construction/Renovation	\$38,657,900
Architecture/Engineering Services	\$ 4,153,000
Development Management Services	\$ 2,009,000
Cost Consultant Services	\$ 221,000
Environmental/Structural Studies, Surveys, FF&E, Utility Relocation	\$ 3,060,000
Soft Costs (Legal, Accounting, Marketing)	\$ 1,370,000
Financing Costs (Issuance Costs, Capitalized Interest)	<u>\$ 3,304,100</u>
TOTAL	\$53,200,000

*The Goodman Theatre sources of funds are derived from contributions, tax-exempt bonds backed by a letter of credit from a consortium of banks including the First National Bank of Chicago/NBD, the Northern Trust Company, and Harris Trust and Savings Bank, and other sources.