

**City of Chicago
Department of Community Development**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
March 10, 2009**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	Commerce Clearing House (CCH) TIF Financing
Applicant Name:	CCH
Project Address:	4025 W. Peterson
Ward and Alderman:	39 th Ward, Alderman Margaret Laurino
Community Area:	North Park
Redevelopment Project Area:	Peterson Pulaski TIF Redevelopment Area
Requested Action:	TIF Developer Designation
Proposed Project:	Acquisition, Rehab and reuse of an existing Industrial Building
TIF Assistance:	\$5,000,000

II. PROPERTY DESCRIPTION

Address:	4025 W. Peterson
Location:	Southwest Corner of Peterson Pulaski
Tax Parcel Numbers:	13-03-405-002 13-03-405-022 13-03-405-023 13-03-405-026
Land Area:	7.1 acres
Current Use:	4025 W. Peterson is improved with a 220,000 square foot,

two-story, masonry building. The building was constructed in 1954. The property includes two paved, accessory parking lots.

CCH occupies the property. They operate their manufacturing and maintain offices at this site with 460 employees. Their headquarters is in Riverwoods Illinois. Although they are operating in the property it is antiquated and requires significant modernization. No major renovations have been made on the property since 1954. In addition to the need to upgrading building systems the interior is not laid out in a manner conducive to a contemporary work environment.

Although the property is not historically significant, it is a prominent building at the Peterson Pulaski intersection and is the first impression people have of the Peterson Pulaski Industrial Corridor.

Current Zoning: M2-1

Proposed Zoning: CCH will operate under the existing zoning M2-1.

Environmental Condition: CCH had a phase I report completed for the property. The property contains asbestos and the remediation is part of the scope of work for the project.

III. BACKGROUND

CCH provides tax and business law information through the production of over 700 publications; in print and electronic format. They were established in 1912, the year the US Federal Income tax was created. In addition to their production which takes place at 4025 W. Peterson they have offices they have an office in Riverwoods Illinois, and an office on North LaSalle Street in downtown Chicago. In April 2008 they purchased the subject property they had leased and occupied.

The subject property is 7.1 acres and is improved with a 220,000 square foot, two-story property and includes two paved parking lots with 444 parking spaces. A private street, Thorndale, bisects CCH's property separating the two parking lots. There is an easement on Thorndale which requires the street remain and allowing access to other property within the Industrial Corridor.

Alderman Margaret Laurino, the Peterson Pulaski Business and Industrial Council and the former Department of Planning had been working with CCH for two years encouraging them to maintain their operations in the City of Chicago. It is important to the City to retain CCH's 460 jobs. 47% of the employees are City residents. It is also important to the City to preserve the Industrial Corridor to ensure that it remains an employment center long term.

The property is located on the southwest corner of Peterson Pulaski and is the gateway to the Peterson Pulaski Industrial Corridor. The boundaries are roughly Peterson, Pulaski, Bryn Mawr and Rogers. To the north of the property is primarily commercial property with some manufacturing. To the east of the property is institutional and open space. To the west of the property is commercial and residential.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: CCH will be overseeing their renovation. They have hired the following consultants to assist them with their project.

TIF Consultants: Johnson Research Group, Chicago, Illinois
Johnson Research Group has extensive experience working with the former Department of Planning and Development on TIF Feasibility Plans, TIF increment analysis' and consultants TIF applicants.

Architect: Thomas Kapusta, Chicago, Illinois

Landscape Consultant: Brickman, Mundelein, Illinois

Roofing Consultant: Van Doorn, Elk Grove, Illinois

V. PROPOSED PROJECT

Project Overview:

CCH will renovate and modernize the 220,000 square foot property including interior building systems, warehouse, office, production spaces and interior. Renovations include:

- Roof repairs and installation of a LEED reflective roofing system
- Installation of sprinkler systems and fire doors
- Repairs to elevators, escalators, HVAC, loading docks
- Upgrade Electrical and Plumbing
- Upgrade business and IT systems, phone systems, data closet and network upgrade
- Asbestos abatement and re-insulation of building
- New windows, doors, transoms
- Installation of new generator
- Renovation will achieve LEED Certification
- Improvements to the surface parking lots bringing them in compliance with the landscape ordinance.

CCH will be the only occupant of the building. The renovation will take approximately one year

and is projected to be completed in September 2010.

A site plan and elevation are provided as exhibits to this report.

Environmental Features: The CCH Redevelopment project will be consistent with the City's Sustainable Development Policy. CCH will achieve LEED certification.

VI. FINANCIAL STRUCTURE

The Developer is financing this project entirely out of equity. The City, through its Department of Community Development (DCD), will reimburse Developer for TIF eligible land acquisition costs associated with the Project. The amount of TIF assistance is limited to the lesser of \$5,000,000, or, 23.5% of the actual certified cost of the Project. The TIF assistance will be provided in the form of a Note issued at project completion with annual payments funded from future annual increment within the entire Peterson/Pulaski TIF area. The TIF assistance is needed due to both the high cost of acquisition and the extensive cost to renovate an outdated industrial facility for use as a contemporary publishing operation.

Sources

Corporate Equity	\$21,253,113
Total Sources	\$21,253,113

Uses

		<u>\$/sf of Building*</u>
Acquisition (\$ 37.48 per sf of land)	\$ 13,000,000	\$ 63.11 psf
Site Preparation	\$ 348,400	\$ 1.69 psf
Hard Costs of Construction	\$ 7,253,813	\$ 35.21 psf
Soft Costs		
Architectural and Plans (2% of hard costs)	\$ 150,000	
Civil Engineering and Plans (.6% of total costs)	\$ 125,000	
General Legal, TIF & Accounting (.3% of total costs)	\$ 55,000	
LEED Consultant (.1% of total costs)	\$ 30,000	
Development Consultant (.2% of total costs)	\$ 44,000	
Permits and City Inspection Fee (.04% of total costs)	\$ 10,000	
Compliance Monitoring (.2% of total costs)	\$ 45,000	
Project Management (.3% of total costs)	\$ 65,000	
Signage (Building and District) (.4% of total costs)	\$ 75,000	
Soft Cost Contingency (8% of soft costs)	\$ 51,900	
Total Soft Costs (3% of total costs)	\$ 650,900	\$ 3.16 psf
Total Uses	\$ 21,253,113	\$ 103.17 psf

*Gross building area is 206,000 sq. ft.

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 CCH renovation will obtain LEED Certification. Some environmental features include energy efficient furnaces, water heaters, lighting and the installation of a LEED reflective roof.

Permanent Jobs: The project is estimated to retain 460 jobs and create an additional 40 permanent full time jobs within a year after project completion. The department's workforce development specialists will work with the developer on job training and placement.

Construction Jobs: The project will produce approximately 30 temporary full time construction jobs.

Industrial Corridor Identifiers: The Peterson Pulaski Business and Industrial Council (PPBIC) commissioned Land Design Collaborative (LDC) to develop a master landscape and signage plan for the Peterson Pulaski Industrial Corridor. PPBIC and LDC worked with the office of Alderman Laurino, The Chicago Department of Transportation and the former Department of Planning to establish the Plan in 2008. CCH has committed to paying for an identifier and its installation for the SW corner of Peterson and Pulaski. CDOT is currently developing the Industrial Corridor identifier.

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

Alderman Margaret Laurino endorses the project and has provided a letter of support (see exhibits for copy). The project was presented to the community at a Peterson Pulaski Business and Industrial Council meeting held on March 6, 2009. The public was invited to the presentation. The PPBIC endorses the project. (See exhibits for copies of support letters).

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

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

- Retain and enhance the existing industrial business in the redevelopment area
- Create new job opportunities

- Facilitate business retention and rehabilitation of existing businesses.

One strategy for achieving these goals has been the implementation of a Small Business Improvement Fund (SBIF) program in the TIF Redevelopment Area. Supporting the CCH redevelopment project which contemplates the rehabilitation of an existing Industrial building is also in furtherance of these goals.

The CCH project is also consistent with the Urban Land Institute (ULI) Technical Assistance Panel (TAP) which was completed in 2005 and the Peterson Pulaski Master Landscape and Signage Plan which was completed in 2008

Subsequent to the establishment of the TIF, the Urban Land Institute (ULI) conducted a TAP in the TIF Area. The TAP also recommended the City continue to support rehabilitation of existing industrial buildings. Further, the TAP recommended the City market the Industrial Corridor through landscaping and Signage.

The Peterson Pulaski Business and Industrial Council (PPBIC) commissioned Land Design Collaborative (LDC) to develop a master landscape and signage plan for the Peterson Pulaski Industrial Corridor. PPBIC and LDC worked with the office of Alderman Laurino, The Chicago Department of Transportation and the former Department of Planning to establish the Plan in 2008.

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

Commerce Clearing Housing (CCH) as Developer for the rehabilitation and reuse of the property located at 4025 W. Peterson within the Peterson Pulaski TIF.

EXHIBITS

Redevelopment Area Map
Neighborhood Map or Aerial
Survey or Plat
Site Plan
Typical Floor Plan
Front Elevation or Rendering
Sample M/WBE Letter
Copies of M/WBE Certified Letter Receipts
Lender's Letter of Interest
Community Letters of Support
Alderman's Letter of Support