

**DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF CHICAGO**

330 South Michigan, LLC

**Summary Sheet
330 South Michigan in the Central Loop TIF
November 10, 1998**

Action Requested:

- 1) Approve the Advertisement of the Department of Planning and Development's intention to negotiate a Redevelopment Agreement with 330 South Michigan, L.L.C., for the use of TIF funds for the redevelopment of a site at 330 South Michigan; and
- 2) Approve a request for alternate proposals; and
- 3) Recommend the designation of 330 South Michigan, L.L.C. as developer if no responsive alternate proposals are received.

Developer: 330 South Michigan, LLC (60% L.D. d'Angelo Enterprises, Ltd., 17% MPC I Investment Company I, L.L.C., and 23% Todd Logan, individual)

Address: 330 South Michigan

Summary of Redevelopment Project:

The developer proposes to upgrade and renovate the lower 14 floors of office space in the 20-story building. The developer is being required by the City's Fire Prevention Department to bring the lower office floors up to the same Life/Safety code that is required for the upper 6 floors that are being converted to residential use. This is an extraordinary cost the developer did not foresee when first contemplating this project.

Type of Assistance:

The City will provide in assistance the lesser of \$2,030,000 or the actual cost of complying with Life/Safety requirements. Without the proposed TIF assistance, the project is not expected to reach fruition due to the extraordinary costs related to bringing the lower 14 floors of the building up to code.

Ward: 42nd

Alderman: Burton F. Natarus

COMMUNITY DEVELOPMENT COMMISSION MEETING
November 10, 1998

STAFF REPORT
330 South Michigan Avenue, L.L.C.
Central Loop TIF Redevelopment Project Area

MR. CHAIRMAN AND MEMBERS OF THE COMMISSION:

The Resolution before you requests that you:

1. Grant authority to publish notice of the intention of the City of Chicago to negotiate a redevelopment agreement with 330 South Michigan Avenue, L.L.C. for the rehabilitation of the lower 14 floors of the property located at 330 South Michigan in the Central Loop TIF (see attached map); and
2. Request alternative proposals; and
3. Recommend to the City Council of the City of Chicago the designation of 330 South Michigan, L.L.C. as the developer if no alternative proposals are received.

BACKGROUND:

The following goals are identified in the Central Loop TIF Redevelopment Plan approved by City Council in 1997:

- Encourage developments which increase pedestrian traffic throughout the day and evening.
- Expand the residential population of the redevelopment project area
- Stimulate private investment in rehabilitation and adaptive reuse of existing buildings.

The following description of the proposed development project shows the project is in conformance with these goals and the overall redevelopment plan for the Central Loop.

THE PROPERTY:

The subject property is located at 330 South Michigan Avenue, on the northwest corner of Michigan Avenue and Van Buren Street. The 20-story building was designed by Holabird & Roche and completed in 1912. The developer of the site was Robert Hall McCormick and, consequently, the building is often referred to as the McCormick Building. The Class C property contains 463,000 square feet of net rentable office space, and 15,000 square feet of retail space on the first floor.

THE DEVELOPER AND PROJECT:

The proposed developer is a limited liability corporation comprised of the following entities:

<u>Entity</u>	<u>% of Ownership</u>
L.D. d'Angelo Enterprises, Ltd., an Illinois corporation	60.08%
MPCI Investment Company I, L.L.C., an Illinois limited liability company	16.66%
Todd Logan, individual	23.26%

The developer purchased the property in 1996 with a plan to convert the upper six floors to residential use and upgrade the lower floors for continued use as office space. The developer contemplated a residential component for the property due to the McCormick Building's desirable mix of a good central location, distinctive architecture, proximity to cultural and entertainment venues and panoramic views of Lake Michigan and Grant Park. Also, the building benefits from large floor plates and good lighting compared to other Class C office buildings in the East Loop. For these reasons the developer felt the excellent views provided on the upper floors made the space ideal for residential conversion and the lower floors could continue to provide high quality Class C office space in the Loop.

The developer's redevelopment plan calls for separate entrances and elevators for the different uses in the building. Before construction commences on the condominiums next year, the developer will have split the property into two different tax parcels -- one for the residential portion and one for the office portion. This is the first time such "compartmentalization" of an existing office building into office and residential use has been proposed in the downtown area. Given the novelty of the mixed use project, at the commencement of the project the developer did not know what costs were involved in bringing the building up to code.

During the development of the plans and specifications for the project, the developer entered into discussions with the City Fire Department and Department of Buildings regarding life/safety issues for the property. After negotiations that spanned over a year and a half, the developer was informed that the City was requiring them to sprinkler the entire building at the higher code level required for the residential portion of the building. Therefore, the cost of sprinklering the lower 14 floors for office use is significantly greater than planned. In order to allow for an economically viable office component, the Department proposes to assist the developer with the extraordinary costs related to bringing the office portion of the building up to proper life/safety code. Costs associated with the Life/Safety upgrade are as follows:

Sprinkler and fire pump	\$ 280,000	
Immediate Life/Safety upgrades	\$ 750,000	(fire alarm system, stair enclosures, emergency power system, elevator upgrades, design fees)
Remaining Life/Safety upgrades to be made as leases roll over	<u>\$1,000,000</u>	(same breakout as above)
	\$2,030,000	

The Department will provide in assistance the lesser of \$2,030,000 or the actual cost of complying with Life/Safety requirements (see attached term sheet). Without the proposed TIF assistance, the project is not expected to reach fruition in a timely manner due to the extraordinary costs related to bringing the lower levels of the building up to code.

PUBLIC BENEFITS:

- Retains 400 office jobs
- Creates 100 construction jobs
- Preserves historic facade and lobby (developer is pursuing landmark status)
- Promotes pedestrian traffic throughout the day and evening
- Allows for the adaptive reuse of a building with 25% vacancy
- Expands the residential population in the Central Loop area

The developer has signed affidavits indicating a commitment to comply with all City requirements regarding M/WBE, City residency, and prevailing wage. The developer will also commit in the Redevelopment Agreement to a program that will increase the participation of disadvantaged persons and/or firms in the maintenance and operation of the building.

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 publish notice of the intention of the City of Chicago to negotiate a redevelopment agreement with 330 South Michigan Avenue, L.L.C. for the rehabilitation of the lower 14 floors of the property located at 330 South Michigan in the Central Loop TIF (see attached map); and
2. Request alternative proposals; and
3. Recommend to the City Council of the City of Chicago the designation of 330 South Michigan, L.L.C. as the developer if no alternative proposals are received.

330 South Michigan Avenue, L.L.C.
Central Loop TIF Redevelopment Project Area ("Area")
Basic Terms

330 South Michigan Avenue, L.L.C. (the "Developer") intends to rehabilitate the lower 14 floors of their property located at 330 South Michigan Avenue, on the northwest corner of Michigan Avenue and Van Buren Street. The completion of the project will result in the upgrade and renovation of 311,736 square feet of Class C office space.

The City intends to provide the developer on a pay-as-you-go basis an amount not to exceed \$2,030,000 without interest for the cost of upgrading the life/safety standards in the office portion of the building. The assistance will come in the form of reimbursements to the developer for costs incurred that are specifically related to the upgrade of the life/safety systems in the lower 14 floors of the building.

Specific provisions related to the City's remedies upon default, the discontinuance of operations, the sale or transfer of interest in the property by the Developer, refinancing, casualty or condemnation of the project, and other conditions will be addressed in the redevelopment agreement.

SOURCES AND USES OF FUNDS

<u>SOURCES</u>		<u>USES</u>	
Debt	\$18,670,000	Acquisition	\$13,429,083
Equity	\$ 2,638,030	Tenant improvements	\$ 3,017,638
TIF Grant	<u>\$ 2,030,000</u>	Life/Safety improvements	\$ 2,030,000
TOTAL PROJECT COSTS	\$23,338,030	New elevators & cab finishes	\$ 671,000
		Office lobby & entrance renovation	\$ 300,000
		ADA improvements	\$ 100,000
		Roof replacement (office allocation)	\$ 227,000
		Misc. repairs and capital items	\$ 520,000
		Corridor and elevator lobbies	\$ 232,000
		Contingency	\$ 100,000
		Associated soft costs	\$ 75,000
		Interest costs, deferred fees re: financing	<u>\$ 2,636,309</u>
		TOTAL PROJECT COSTS	\$23,338,030

COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO

RESOLUTION NO. 98-CDC-__

AUTHORITY TO

PUBLISH NOTICE
OF THE INTENTION OF THE CITY OF CHICAGO
TO NEGOTIATE A
REDEVELOPMENT AGREEMENT WITH
330 SOUTH MICHIGAN, LLC
FOR A SITE LOCATED AT 330 SOUTH MICHIGAN
WITHIN THE
CENTRAL LOOP REDEVELOPMENT PROJECT AREA,

AND

TO REQUEST ALTERNATIVE PROPOSALS,

AND

RECOMMEND TO
THE CITY COUNCIL OF THE CITY OF CHICAGO
THE DESIGNATION OF
330 MICHIGAN, LLC
AS THE DEVELOPER IF NO OTHER
RESPONSIVE ALTERNATIVE PROPOSALS ARE RECEIVED

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 (referred to herein collectively with the Mayor as the "Corporate Authorities") (as codified in Section 2-124 of the City's Municipal Code) pursuant to 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.) (1993) (the "Act"); 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 Act; and

WHEREAS, the City Council, upon the Commercial District Development Commission's recommendation pursuant to Resolution 96-CDC-81 and pursuant to the Act, enacted three ordinances on February 7, 1997, pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the Central Loop project area (the "Area"),

designated the Area as a redevelopment project area and adopted tax increment allocation financing for the Area (such ordinances, collectively, the "TIF Ordinances"). The street boundaries of the Area and street address, if available, are described on Exhibit A hereto; and

WHEREAS, 330 South Michigan, LLC (the "Company"), has presented to the City's Department of Planning and Development ("DPD") a proposal for the redevelopment of the Area or a portion thereof that is in compliance with the Plan, consisting of substantial rehabilitation of the office portion (lower 14 floors) of the property generally located at 330 South Michigan Avenue (the "Project"); and

WHEREAS, pursuant to Section 5/11-74.4-4© of the Act, the City may not enter into any agreement regarding redevelopment within the Area without first making public disclosure of the terms of such agreement and all bids and proposals related thereto and providing reasonable opportunity for any person to submit an alternative proposal or bid; and

WHEREAS, DPD requests the authority of the Commission to make the required disclosure by publishing notice substantially in the form set forth as Exhibit B hereto (the "Notice") in the Chicago Sun-Times or the Chicago Tribune, being newspapers of general circulation within the Area; and

WHEREAS, DPD requests that the Commission recommend to City Council that the Company be designated as the developer for the Project and that DPD be authorized to negotiate, execute and deliver a redevelopment agreement with the Company for the Project, if no responsive alternative proposals are received by DPD within fourteen days after publication of the Notice; now, therefore,

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

Section 1. The above recitals are incorporated herein and made a part hereof.

Section 2. The Commission hereby authorizes DPD to publish the Notice.

Section 3. The Commission hereby recommends to City Council that, subject to the condition described below, the Company be designated the developer for the Project and that DPD be authorized to negotiate, execute and deliver on the City's behalf a redevelopment agreement with the Companies for the Project, so long as no responsive alternative proposals are received by DPD within the time recited above.

Section 4. 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.

Section 5. All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.

EXHIBIT A

Street Boundaries of the Area

Central Loop TIF Street Boundary Description

The Area is irregularly shaped and generally bounded by Wacker Drive on the north, Michigan Avenue on the east, Congress Parkway on the south, and Dearborn, LaSalle, and Franklin Streets on the west.