

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

Greenwood Associates LLC -Office Project - Summary Sheet

March 28, 2000

Action Requested:

- 1) Approve the Advertisement of the Department of Planning and Development's intention to negotiate a Redevelopment Agreement with Greenwood Associates L.L.C., for the use of TIF funds for the rehabilitation of an existing commercial building and construction of three new one-storey buildings for office space at 1111 East 87th Street.
- 2) Approve a request for alternate proposals; and
- 3) Recommend the designation of Greenwood Associates L.L.C. as developer if no responsive alternate proposals are received.

Project/Redevelopment:

TIF assistance with the rehabilitation of the existing commercial office building and construction an additional 47,000 square feet in three buildings.

Address: 1111 East 87th Street

Type of Assistance:

TIF funds in an amount not to exceed \$2,600,000, to be funded from TIF increment from the project site. Increment would secure a taxable City of Chicago note for Phase I and II of the development.

Redevelopers:

Greenwood Associates L.L.C., part of Newcastle Properties, owner and developer of the site and an experienced building developer and manager of commercial shopping centers.

SUMMARY

TIF assistance with the rehabilitation of the existing office building and construction of an additional 28,000 square feet in two buildings. The site is in the Stony Island / Burnside TIF District (see attached map).

Ward: 8 **Alderman:** Lorraine Dixon

Issues: None identified.

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COMMUNITY DEVELOPMENT COMMISSION MEETING

March 28, 2000

Greenwood Associates L.L.C. - Office Center Project

Stony Island / Burnside TIF District

Developer Designation - Staff Report

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 Greenwood Plaza Associates L.L.C. for TIF assistance with the rehabilitation of an existing office building and construction of three new office buildings at 1111 East 87th Street. The site is in the Stony Island / Burnside TIF District (see attached map);
2. Request alternative proposals; and
3. Recommend to the City Council of the City of Chicago the designation of Greenwood Plaza Associates L.L.C. as the developer if no responsive alternative proposals are received.

BACKGROUND:

Greenwood Place Development (the "Project") represents a unique development opportunity to introduce a high quality, attractive and sustainable office plaza to the community area. As one of the first major private investments in the area in years, the Greenwood Place sets a high standard of development and would serve as a catalyst for a new era of development in Chatham.

The development team is made up of Greenwood Associates, via Newcastle Properties as agent; contacts are Herb Saywitz, Principal, Newcastle Properties and Greenwood Associates Rick Allen, Vice President, Newcastle Properties, at 33 Skokie Boulevard, Suite 101, Northbrook, IL 60062. Telephone: (847) 480-9700; Fax: (847) 480-9703

The Greenwood property encompasses 8.5 acres at 1111 E. 87th Street in Chicago. The Greenwood Place development project consists of several components, all originating with the redevelopment of the predominantly vacant, 75,900 sq. ft. Greenwood Plaza shopping center at 87th Street and Greenwood Avenue. Greenwood Plaza, owned and managed by

Greenwood Associates, has operated for much of the last decade with serious vacancy levels of 80 to 90 percent. The anchor tenant, Arrow Lumber, closed its doors in 1996 and mid-sized tenants left not long thereafter. With the shopping center nearly vacant, and retail tenants showing no interest in the site, re-use of the site was necessary.

The foundation of the Project is the conversion and re-use of the 75,000 sq. ft. former shopping center building to a completely refurbished, multi-tenant office building offering large spaces up to 17,000 sq. ft. in size. To complement the redeveloped office building, a second phase of development includes three buildings (to be constructed) to accommodate additional complementary uses within the office park. The development also includes additional parking located in a well lighted, attractively landscaped environment.

The project is located within the Stony Island Commercial and Burnside Industrial Tax Increment Financing Redevelopment Project Area and is consistent with the objectives intended for the area as identified in The Stony Island Commercial Burnside Industrial Corridors Tax Increment Financing Redevelopment Project and Project adopted March 5, 1998. These include:

Promote business retention and new employment development throughout the industrial district.

Where feasible, repair and rehabilitate existing buildings.

Reuse vacant buildings in serviceable condition for new business or industrial uses.

Where rehabilitation is not feasible, demolish deteriorated existing buildings to allow for new industrial development.

Locate building, service and loading areas away from front entrances and major streets where possible.

Encourage parking, service and support facilities which can be shared by multiple industries.

Encourage decorative metal fencing around the perimeter of industrial sites to provide street level identity and enhance public safety.

Ensure safe and convenient access to the industrial subareas for trucks, autos and public transportation.

Promote high quality and harmonious architectural and landscape design.

Project Narrative

The Project consists of approximately 113,000 of rentable sq. ft. on a site of 8.5 acres. Development of the project includes the demolition of a 47,500 sq.ft. vacant, industrial building (the Stuart Hooper building) as well as a portion of the former Greenwood Plaza building. The Project requires approximately 10,000 sq.ft. of the Greenwood Plaza building to be demolished to accommodate additional entrances and parking areas.

Extensive interior and exterior refurbishment of the remaining 65,000 sq.ft of the former shopping center includes twelve tenant spaces ranging from 1,100 s.f. to nearly 17,000 s.f. in size. Approximately 47,000 sq. ft. of new construction will be provided in three buildings on the south portion of the site, approximately 15,000 s.f. in size. All new buildings are designed on a modular basis to accommodate tenants with different space requirements. The site includes approximately 160 parking spaces at a ratio of 1.3 spaces per thousand s.f. of office space. An illustration of the Project is included.

The Project consists of two phases. The first phase (now complete) includes the renovation of the former shopping center and the second phase involves the construction of the three new office buildings.

As a commercial retail use, the former Greenwood Plaza shopping center was failing to retain commercial tenants. Hindered by its location within an industrial district and lacking the presence of a major anchor, the site would continue to go underutilized and attract marginal tenants. Re-use of the property for an office plaza, while an appropriate and much needed use in the area, is challenged by several site constraints. The building itself requires significant improvements to its appearance, interior and exterior layout, and building systems. The original site of the former shopping center was insufficient in size to provide parking for the renovated office building and required the acquisition and demolition of the former Stuart Hooper building immediately south.

One of the original tenants, Aldi Foods, had a lease that carried over to the new building with a five year extension available. With the continued operation of the Aldi Foods store, complete refurbishment of the building and site is not possible. Additionally, the presence of a commercial food operator in the midst of an office park serves as a deterrent to optimum marketing of the site. To resolve this conflict of uses within the site, Aldi Foods was relocated and the space renovated to the same standards as the remainder of the building.

As the first of this type of development to enter the Chatham community and possibly the south side of Chicago, the Project carries significant risk. Despite the apparent demand and market for an office development of this type, the location of the Project will certainly dictate a lower lease rates than received by comparable developments in the northern and western suburbs of Chicago. To accommodate more reasonable rental rates, market incentives such as pre-construction discounts and generous build-out allowances are needed.

Request for City Assistance

The Developer brings to the Project expertise in coordinating real estate development, financing, construction, marketing, leasing and property management activities to achieve both its own goals as well as those of the City. In order to create a high quality project, offering first class, modern office and medical space in a secure and stable environment, the Developer is requesting City assistance of \$2,600,000.

The total cost of the Project is estimated to exceed \$15 million, which represents an investment not made in the area for many years. To make the Project feasible, TIF assistance is sought to bridge pricing gaps and provide some of the acquisition, renovation and relocation cost support that will enable the Project to be priced competitively in the rental market. Additional City assistance is planned in the form of street infrastructure improvements that will enhance accessibility and appearance of the Project. The Project has not received a Cook County real estate tax reduction and, in the event that TIF assistance is awarded to the Project, the ownership or tenants would not seek such a reduction of the term of the TIF assistance as provided for by the City.

Time Constraints

With an award from the U.S. General Services Administration to create new office space for a regional office of the Social Security Administration, and the support of the 8th Ward Alderman, Lorraine Dixon, the Project was launched in 1999. With the first phase underway, TIF assistance is needed to ensure the completion of the entire development within a reasonable time. The scheduling for the Project has accommodated both phases to be completed by 2001.

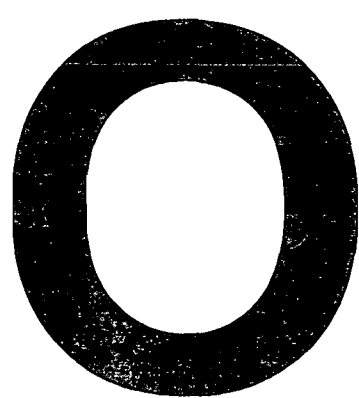
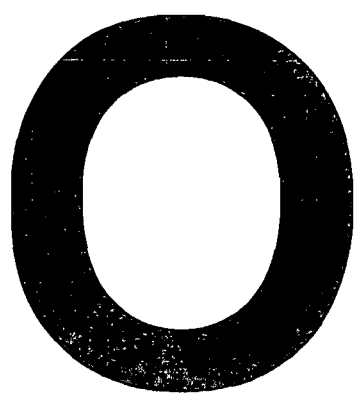
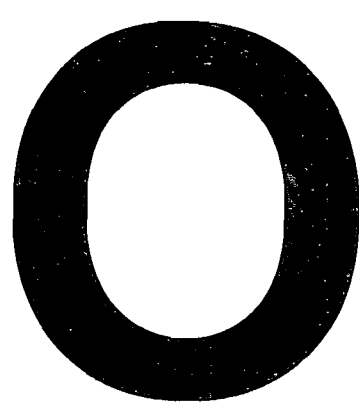
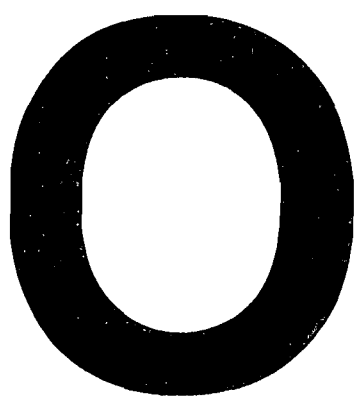
Eligible costs would consist of acquisition, demolition, site preparation, and street infrastructure costs associated with the project. Because there are currently no outstanding bonds for the TIF District and the requested assistance can be supported with the increment to be generated by the site, the developer and the City are proposing a City of Chicago Note.

The Department of Planning and Development plans to advertise its intention to designate the developer for the site and the use of tax increment financing in support of the development, and will invite alternative proposals to be submitted within fourteen (14) days of the date of the first publication of the advertisement. If no other acceptable proposals are received before the expiration of the advertising period, without further action by the Community Development Commission the designation of Greenwood Associates L.L.C. as the developer and the use of tax increment financing will be recommended to the City Council for its approval. The Department of Law will negotiate a redevelopment agreement for approval by the City Council which will govern the use of the tax increment financing funds and the redevelopment of the property. Support for this project has been expressed by the Alderman and the community. The developer has sent notification of the project to MBE / WBE contractor associations.

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 Greenwood Associates L.L.C. for TIF assistance for the rehabilitation and redevelopment of the building and site at 1111 East 87th Street;
2. Request alternative proposals; and
3. Recommend to the City Council of the City of Chicago the designation of Greenwood Associates L.L.C. as the developer if no other responsive alternative proposals are received.



Greenwood Plaza
Terms Sheet - Sources and Uses of Funds

Sources:	
Equity	\$2,000,000
Mortgage Loan	\$13,206,599
Net Operating Income / rent-up period	<u>\$275,000</u>
Total Sources	\$15,481,599
Uses:	
Land	\$750,000
Site Work	\$761,820
Shell	\$7,747,500
Tenant Improvements	\$2,977,920
Fence, Security and Other Costs	<u>\$474,393</u>
Total Construction Costs	\$12,711,633
Architect / Engineering / Consultants	\$342,074
Marketing / Leasing	\$110,000
Legal / Accounting	\$80,000
Relocation Expense	\$400,000
General Conditions / Contractor Fee	\$629,111
Leasing Commissions	\$336,780
Interest Expense / Constrution and Rent-up	\$712,000
Mortgage Loan Costs	<u>\$160,000</u>
Total Leasing, Loan, Other	\$2,769,966
Total Uses	\$15,481,599

STATE OF ILLINOIS)
)SS
COUNTY OF COOK)

CERTIFICATE

I, Raymond Redell, the duly authorized, qualified and Assistant Secretary of the **Community Development Commission of the City of Chicago**, and the custodian of the records thereof, do hereby certify that I have compared the attached copy of a Resolution adopted by the **Community Development Commission of the City of Chicago** at a Regular Meeting Held on the 28th Day of March, 2000 with the original Resolution adopted at said meeting and recorded in the minutes of the Commission, and do hereby certify that said copy is a true, correct and complete transcript of said Resolution.

Dated this the 28th Day of March, 2000



ASSISTANT SECRETARY
Raymond Redell

COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO

RESOLUTION NO. 00 - CDC - 49

AUTHORITY TO PUBLISH NOTICE
OF THE INTENTION OF THE CITY OF CHICAGO
TO NEGOTIATE A
REDEVELOPMENT AGREEMENT WITH

GREENWOOD ASSOCIATES LIMITED PARTNERSHIP

WITHIN THE
THE STONY ISLAND COMMERCIAL
AND BURNSIDE INDUSTRIAL CORRIDORS
TAX INCREMENT FINANCING
REDEVELOPMENT PROJECT AREA,

AND

TO REQUEST ALTERNATIVE PROPOSALS,

AND

TO RECOMMEND TO
THE CITY COUNCIL OF THE CITY OF CHICAGO
THE DESIGNATION OF
GREENWOOD ASSOCIATES LIMITED PARTNERSHIP
AS THE DEVELOPER IF NO
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 Commission's recommendation pursuant to Resolution 98-CDC-45 and pursuant to the Act, enacted three ordinances on June 10, 1998, pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the Stony Island Commercial and Burnside Industrial Corridors Redevelopment 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 are described on Exhibit A hereto; and

WHEREAS, Greenwood Associates Limited Partnership (the "Company"), has presented to the City's Department of Planning and Development ("DPD") a proposal for rehabilitation of an existing 65,000 square foot office building with new construction of three additional office buildings with associated parking and street improvements (the "Project") on a site located at 1111 East 87th Street (the "Site"); and

WHEREAS, pursuant to Section 5/11-74.4-4(c) 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, being a newspaper 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 the Company be designated as 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

Company 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.

Section 6. This resolution shall be effective as of the date of its adoption.

Section 7. A certified copy of this resolution shall be transmitted to the City Council.

ADOPTED: March 28, 2000

Attachments: Exhibit A, Description of the Area
 Exhibit B, Form of Notice requesting Alternative Proposals