

**City of Chicago
Department of Community Development**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
December 13, 2011**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	Sara Lee Corporation
Applicant Name:	MeatCo
Project Address:	400 S. Jefferson
Ward and Alderman:	Robert Fioretti, 2 nd Ward
Community Area:	W. Loop
Redevelopment Project Area:	Canal/Congress TIF District
Requested Action:	Tax Increment Financing (TIF) Assistance
Proposed Project:	Corporate Headquarters/ Relocation from Downers Grove
TIF Assistance:	\$5,000, 000 to \$6,500,000

II. PROPERTY DESCRIPTION

Address:	400 S. Jefferson
Location:	The building is located in the W. Loop at 400 S. Jefferson.
Tax Parcel Numbers:	17-16-126-001-0000 and 17-126-013-0000
Current Use:	400 S. Jefferson is a vacant multi-story office building.
Current Zoning:	DX-7

III. BACKGROUND

The project site, 400 S. Jefferson is a multi-story vacant building constructed in 1946. The building was designed by Alfred S. Alschuler whose most visible work is the London Guarantee Building, a designated Chicago Landmark, located at 360 N. Michigan. The building was built occupied initially by the Newman-Rudolph Lithographing Company from 1946 through at least 1966.

The United States Army also occupied a portion of the subject property from the 1960's through the 1970's as an induction center for draftees.

The annex portion of the property was constructed in 1967 and used as a printing facility for billing statements by Comedy. Several printing companies and other office/commercial tenants have occupied portions of the building since the 1960's; however the building has been substantially vacant and underutilized for at least a decade.

It is also important to note that the Department of Housing and Economic Development's Historic Preservation staff has reviewed the building and the development proposal and concluded that due to the existing building's structural constraints and the rehabilitation necessary to convert the former lithography plant into offices, the necessary changes might not meet historic guidelines. However, the project will adaptively reuse this vacant structure within the spirit of the original design intent while meeting today's energy and office requirements.

Sara Lee Corporation ("Sara Lee") traces its lineage to 1939, when Nathan Cummings acquired C.D. Kenny Company, a wholesale distributor of sugar, coffee and tea in Baltimore, and created Consolidated Foods Corporation. In 1956 Consolidated Foods Corporation bought a company known as Kitchens of Sara Lee and the Sara Lee name was adopted for the entire company in 1985.

In early 2010, Sara Lee announced a plan to split itself into two "pure play" companies by spinning off its International Beverage division ("Coffee Co"). The remaining portions of Sara Lee will consist of its North American Retail and North American Foodservice Divisions ("MeatCo"). Among the products produced by MeatCo include some of America's most recognized brands such as Jimmy Dean, Hillshire Farm and Ballpark Franks. As a result of this restructuring, rather than continuing to share space with Coffee Co, MeatCo is considering a move of its corporate headquarters from its current location in Downers Grove to Chicago's West Loop area because the company believes the move would provide it with the competitive edge of being headquartered in a global city, and present the company with a higher marketing profile.

Sara Lee retained Colliers International to assist with the relocation of its headquarters facility, and has selected the 400 S. Jefferson St. as its Chicago location. Sara Lee is in the process of negotiating a lease with Sterling Interests LLC, the contract purchaser of the Property ("Landlord") for between 200,000 and 220,000 square feet. Sara Lee also retained Bryan Cave LLP to assist in negotiations with the City with regard to financial assistance related to its potential relocation.

Sara Lee anticipates significantly higher build out costs for the move to Chicago over a 10 year period) when compared to remaining in its Downers Grove headquarters.

Sara Lee seeks assistance from the City of Chicago in the amount of \$5 million-\$6.5 million in Canal/Congress TIF funds to help defray some of its anticipated office build-out costs of \$ 30 million. Should the City approve this request, Sara Lee (aka Meat Co) will move its headquarters to Chicago's West Loop area and house 500 employees at 400 S. Jefferson. In addition, MeatCo anticipates hiring up to an additional 150 employees within the five (5) year period after it occupies the premises (which are anticipated to be January, 2013).

All or a significant majority of the initial 500 employees are expected to be relocated directly from Sara Lee's current facility in Downers Grove... Without TIF, none of these employees would be relocated to the City.

In addition to the 500 employees Sara Lee intends to relocate to its new Chicago headquarters, Sara Lee may also create up to an additional 150 jobs within five years after it moves to the West Loop. The total number of new jobs located in the City would be 500-650.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Sara Lee Corporation/MeatCo.

Consultants: Colliers International, an international real estate and advisory firm; Bryan Cave LLP, an international law firm

Architect: Gina Berndt/ Perkins and Will

V. PROPOSED PROJECT

Sara Lee would enter into an office lease with Sterling Interests LLC as landlord of the 400 South Jefferson Building. Sara Lee would lease approximately 200,000-220,000 square feet of commercial office space on the first through fourth floors an initial period of 15 years (the "MeatCo Space").

In connection with its occupancy of the building, MeatCo would construct substantial tenant improvements necessary to permit MeatCo to take possession of the space in accordance with the terms of the lease. The project includes the build-out of the MeatCo Space and the use of the space as Headquarters for MeatCo. Initial occupancy of the MeatCo Space would be expected to occur by early 2013.

In addition to locating its Headquarters at the Property, the MeatCo would initially relocate 500 total full-time equivalent (FTE) employees of at the Headquarters. Within five-year period from completion of the office build-out, and Heed's issuance of a Certificate of Completion, MeatCo may increase its total number of employees at the Headquarters by an additional 150 FTE's and would be required to maintain a minimum of 500 FTE's through the term of the agreement.

MeatCo would create jobs at the Headquarters for a period of at 10 years from the issuance of the Certificate of Completion as summarized above.

Financial Assistance

The City of Chicago, through its Department of Housing and Economic Development, intends to enter into a Tax Increment Financing Redevelopment Agreement with Sara Lee/MeatCo for the purpose of providing an incentive to the company to locate its new headquarters in the City at 400 S. Jefferson Street and to maintain the headquarters at this location for a minimum of 10 years.

As part of the project the Developer would locate a minimum of 500 total full-time equivalent employees of Sara Lee/MeatCo at the new headquarters. The company anticipates creating a total of 650 new FTE's at the property during the life of the Agreement. The City intends to reimburse the Developer for a portion of its TIF-eligible costs in an amount not to exceed the lesser of \$6,500,000 or 21.56% of the Total Project Costs, currently estimated to be \$30,142,963. The City Funds will be provided, primarily, as a reimbursement for tenant improvement/build-out costs, which are expected to cost approximately \$21,283,963 as well as other related TIF-eligible costs. The City anticipates that TIF-eligible expenses will be reimbursed from existing increment, and/or bond funds, in the Canal/Congress Redevelopment Project Area Tax Increment Allocation Fund in the following manner:

A total of \$5,000,000 of City Funds will be provided through five equal, annual payments on the basis of creating 500 jobs at 400 S. Jefferson, which Sara Lee/MeatCo must create and retain for a period of ten years from the issuance of a Certificate as a condition of the payments(s).

In addition, a total of \$1,500,000 of City Funds will be provided through a single payment on, or about, the 6th Anniversary of the Certificate on the basis of creating 650 jobs at the Sara Lee/MeatCo Space.

Sources and Uses of Funds

<u>Sources</u>	<u>Amount</u>	<u>% of total</u>
Developer Equity	\$16,142,963	53.55%
Landlord's Tenant Improvement	<u>\$14,000,000</u>	46.45%
 Total Sources	 \$30,142,963	 100%
 <u>Uses</u>	 <u>Amount</u>	 <u>\$/sf of Building*</u>
Hard Costs		
Millwork	\$2,400,000	\$12.00 psf
Glass and Glazing	\$1,600,000	\$8.00 psf
Carpentry	\$1,760,000	\$8.80 psf
HVAC	\$2,800,000	\$14.00 psf

Electrical	\$3,840,000	\$19.20 psf
Communications	\$880,000	\$4.40 psf
Project labor	\$320,000	\$1.60 psf
Roof deck	\$962,963	\$4.81 psf
Misc. hard costs	\$5,760,000	\$28.80 psf
<u>Hard costs Contingency</u>	<u>\$960,000</u>	<u>\$4.80 psf</u>
Total Hard Costs	\$21,282,963	\$106.41 psf
Soft Costs		
Architect's Fee (3.95% of hard costs)	\$840,000	\$4.20 psf
Consulting Fee (0.53% of total costs)	\$160,000	\$0.80 psf
Legal Fees/Accounting (0.40% of total costs)	\$120,000	\$0.60 psf
Insurance (0.04% of total costs)	\$12,000	\$0.06 psf
Permits (0.69% of total costs)	\$208,000	\$1.04 psf
Project Management (0.66% of total costs)	\$200,000	\$1.00 psf
Misc. soft costs (0.13% of total costs)	\$40,000	\$0.20 psf
<u>Soft Cost Contingency (0.85% of total costs)</u>	<u>\$80,000</u>	<u>\$0.40 psf</u>
Total Soft Costs (5.51% of total costs)	\$1,660,000	\$25.58 psf
Total Construction Costs	\$22,942,963	
Equipment	\$1,600,000	\$8.00 psf
Furniture and Fixtures	<u>\$5,600,000</u>	<u>\$28.00 psf</u>
Total Uses	\$30,142,963	\$150.71 psf

*Gross building area is 200,000 square feet

VII. PUBLIC BENEFITS

The proposed Project would provide substantial public benefits that contribute to the economic vitality and global competitiveness of Chicago and the Loop:

High-Value Jobs, Global Competitiveness and Regional Vitality

The Project would relocate 500 high-value jobs from Downers Grove to the West Loop. These jobs have a collective payroll of approximately \$54 million. Such high-wage, highly skilled professional jobs are critical to maintaining and enhancing Chicago's competitive position in the global economy.

Positive Image Impacts

The substantial private investment in the City by such a major corporation as MeatCo is good news for Chicago in an otherwise challenging economic environment. This transaction reinforces the fact

that downtown Chicago is still the primary place where corporations do business in the region, especially firms such as MeatCo that value Chicago's strong international connections.

Spending Impacts from New Jobs

Research by the International Council of Shopping Centers (ICSC) has found that downtown office workers spend an average of \$6,274 per worker per year during the workday. Using this assumption, the 500 MeatCo workers relocated into Chicago will collectively spend approximately \$3,137,000 per year on lunches, dinners, drinks, and shopping errands. This is new sales revenue that would be taxed by the City.

Permanent Jobs: The developer will locate a minimum of 500 total full- time equivalent employees of Sara Lee/MeatCo to this location. The company anticipates creating a total of 650 new FTE's at this site during the life of the Agreement.

Construction Jobs: approximately 120

Affirmative Action: MeatCo would 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).

City Residency: MeatCo would 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. MeatCo would also comply with the requirement that all construction jobs are paid the prevailing wage...

Environmental Features: Attain LEED Commercial Interior certification.

VIII. COMMUNITY SUPPORT

Alderman Robert Fioretti has been informed of the project and is present today to support the project

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

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

- Reduce or eliminate those conditions which qualify the Project area as a conservation area.
- Strengthen the economic well-being of the Project Area by increasing taxable values.

- Create an environment which stimulates private investment in the upgrading and expansion of existing businesses and construction of new business, residential and commercial facilities.
- Provide needed incentives to encourage a broad range of improvements in business retention, rehabilitation and new development.

X. CONDITIONS OF ASSISTANCE

If the proposed resolution is approved by the CDC, HED 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.

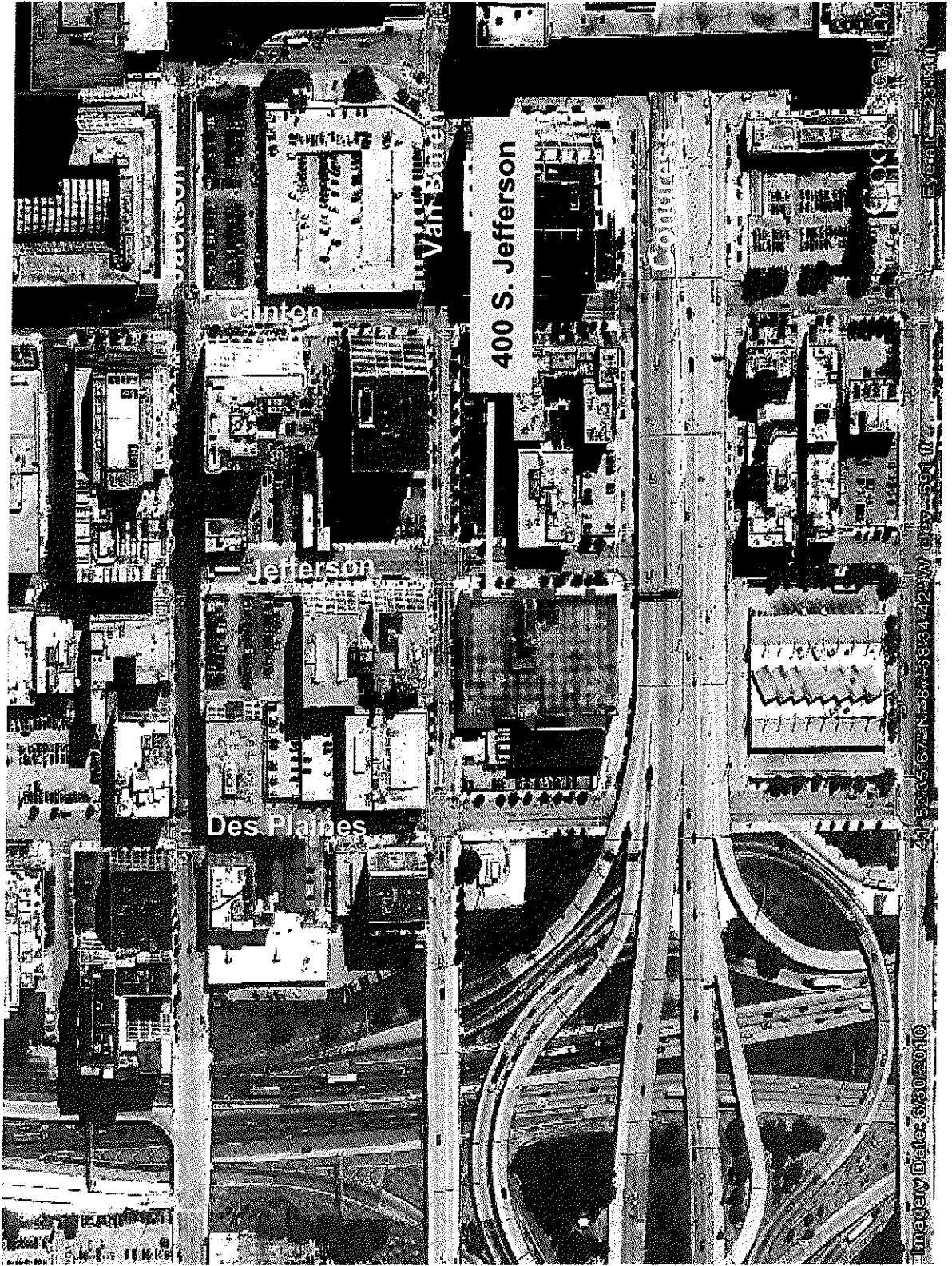
It is HED policy that no business will be conducted with a development entity whose any principal has outstanding municipal debts (such as unpaid parking tickets, unpaid water bills, unpaid business licenses, and others), is in arrears of child support payments, or who is a debtor in bankruptcy, a defendant 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 redevelopment agreement.

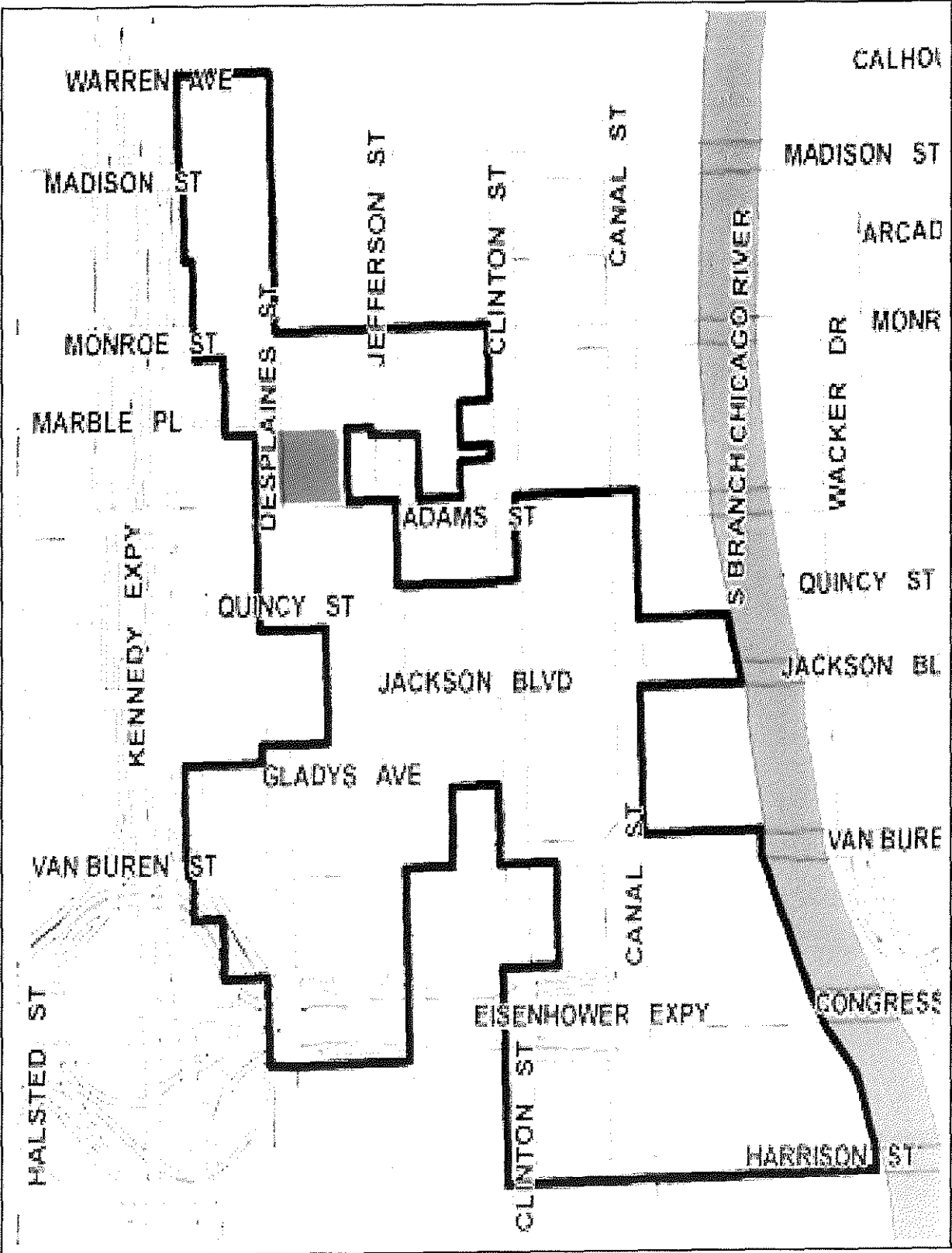
XI. RECOMMENDATION

The Department of Housing and Economic 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 HED recommends that the CDC recommend to the City Council the designation of Sara Lee /MeatCo as Developer for the development of a Corporate Headquarters at 400 S. Jefferson.

Site Location



Canal Congress TIF Map



Sara Lee Corporation
3500 Lacey Road
Downers Grove, IL 60515-5424

+1.630.598.6000

December 7, 2011



BY CERTIFIED MAIL

African American Contractors Association
3901 S. State Street, Suite 103
Chicago, Illinois 60609
Attn: Omar Shareef

Re: 400 S. Jefferson Street

Dear Mr. Shareef:

Sara Lee Corporation ("Sara Lee") is pleased to announce the redevelopment of a portion of floors 1-4 of the property located at 400 S. Jefferson Street, Chicago, Illinois (the "Premises") as a corporate headquarters for a new company to be formed from Sara Lee. The Premises consists of approximately 200,000 square feet of space which will be developed into corporate offices (the "Project").

Sara Lee has not yet identified a general contractor for the Project but anticipates selecting its general contractor by the end of February 2012. It is anticipated that the project will require participation of trades such as carpentry, electrical, mechanical, plumbing, and others. The preliminary hard costs for the build out of the Premises are estimated to be \$21.2 million, of which at least 24 percent shall be subject to minority business enterprise (MBE) participation and four percent will be subject to women business enterprise (WBE) participation. It is anticipated that construction of the project will be between June and December 2012.

At your request, the general contractor, once selected, will meet with a representative of your organization to present the project budget and schedule. At your request, the general contractor will also provide your organization with one copy of the project bid documents (including plans and specifications).

Sara Lee is requesting that you make your member companies aware of this exciting project so that they may submit bids for appropriate subcontracting opportunities. Should you have any questions, please call Gina Berndt at Perkins & Will at (312) 596-6829.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Hunter".

Brian Hunter, Vice-President
Sara Lee Corporation

cc: Dept. of Housing and Economic Development, City of Chicago

TO:
Mexican American Chamber of Commerce
Attn: Juan Ochoa
111 W. Washington Street
Chicago, IL 60602

TO:
Black Contractors United
Attn: Edward T. McKinnie
400 W. 76th Street
Chicago, IL 60620

TO:
Federation of Women Contractors
Attn: Beth Dorja
5650 S. Archer Avenue
Chicago, IL 60638

SENDER:
Karl Marschel
REFERENCE:
Contractors Letter

SENDER:
Karl Marschel
REFERENCE:
Contractors Letter

SENDER:
Karl Marschel
REFERENCE:
Contractors Letter

7196 9008 9040 0622 0311
PS Form 3800, January 2005

7196 9008 9040 0622 0360
PS Form 3800, January 2005

7196 9008 9040 0622 0793
PS Form 3800, January 2005

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	Restricted Delivery	1.15
	Restricted Delivery	0.00
	Total Postage & Fees	4.44

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TO:
African American Contractors Association
Attn: Omar Shareef
3901 S. State Street, Suite 103
Chicago, IL 60609

TO:
Assn of Asian Construction Enterprises
Attn: Perry Nackachi
333 N. Ogden Avenue
Chicago, IL 60607

SENDER:
Karl Marschel
REFERENCE:
Contractors Letter

SENDER:
Karl Marschel
REFERENCE:
Contractors Letter

7196 9008 9040 0621 7403
PS Form 3800, January 2005

7196 9008 9040 0622 0694
PS Form 3800, January 2005

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TO:
Hispanic Amer. Constr. Industry
Assn. Attn: Paul Cerpa
901 W. Jackson Blvd., Suite 205
Chicago, IL 60607

TO:
Women Business Development
Center Attn: Hedy Ratner
8 S. Michigan Avenue, Suite 400
Chicago, IL 60603

SENDER:
Karl Marschel
REFERENCE:
Contractors Letter

SENDER:
Karl Marschel
REFERENCE:
Contractors Letter

7196 9008 9040 0622 0946
PS Form 3800, January 2005

7196 9008 9040 0622 0854
PS Form 3800, January 2005

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**COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO**

RESOLUTION NO. __ - CDC -

**AUTHORIZATION TO NEGOTIATE A TIF
REDEVELOPMENT AGREEMENT WITH SARA LEE CORPORATION
AND
RECOMMENDATION TO
THE CITY COUNCIL OF THE CITY OF CHICAGO
FOR THE DESIGNATION OF SARA LEE CORPORATION
AS DEVELOPER**

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 (the 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; 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 Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1 et seq.), (as amended from time to time, the "Act"); and

WHEREAS, the City Council, upon the Commission's recommendation pursuant to Resolution 06-CDC-72 and pursuant to the Act, enacted three ordinances on November 11, 1998, pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the Canal/congress Redevelopment Project Area (the "Area"), designated the Area as a redevelopment project area and adopted tax increment allocation financing for the Area. The street boundaries of the Area are described on Exhibit A hereto; and

WHEREAS, Sara Lee Corporation (the "Developer"), has presented to the City's Department of Housing and Economic Development ("HED") a proposal for redevelopment of the Area or a portion thereof that is in compliance with the Plan, consisting of the tenant build-out of the approximately 200,000 square feet for the relocation of their corporate headquarters at a property located at 400 S. Jefferson (the "Project"); and

WHEREAS, HED requests that the Commission recommend to City Council that the Developer be designated as the developer for the Project and that HED be authorized to negotiate, execute and deliver a redevelopment agreement with the Developer for the Project; now, therefore,

EXHIBIT A

Street Boundary Description of the
Canal/Congress Tax Increment Financing
Redevelopment Project Area

The Area is generally bounded on the north by Madison, Monroe and Adam Streets; on the south by Congress Parkway and Harrison Street; on the east by Clinton and Canal Streets and the South Branch of the Chicago River; and on the west by the Kennedy Expressway and Desplaines Street.