BSB Holdings
2337 S. Michigan

Rehabilitation of a 3-story building into a 5,130 SF micro brewery/tasting room and 3,716 SF office space. Work will include interior improvements and historically sensitive exterior restoration.

**Type of Project:** Commercial

**Developer:** BSB Holdings LLC

**Total Project Cost:** $2,512,000

**Timeline for Completion:** 12 months

**TIF Funding Request:** $628,000

**Project Status:** City Council November 2012

**TIF District:** 24th/Michigan

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### RETURN ON INVESTMENT BENCHMARKS

- **Advances Goal of Economic Development Plan**
  - YES or NO
  - ✔️

  Make Chicago a premier destination for tourism and entertainment

- **Advances Goal of TIF District**
  - YES or NO
  - ✔️

- **Addresses Community Need**
  - YES or NO
  - ✔️

- **Jobs Created/Retained**
  - 3 Permanent, 25 Construction

- **Affordable Housing Units Created/Preserved**
  - NA

- **Return on Investment to City**
  - $600,000 + in property and sales taxes over life of TIF

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### FINANCIAL BENCHMARKS

- **Other Funds Leveraged by $1 of TIF**
  - ✔️ $3

- **Types of Other Funding Leveraged**
  - YES or NO
  - ✔️

- **Financing Structure**
  - Annual Payments

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### RDA TERMS

- **Payment Schedule:**
  - Up to 4 payments, annually after completion

- **Taxpayer Protection Provisions**
  - YES or NO
  - ✔️

  Occupancy and prohibited uses

- **Monitoring Term of Agreement:**
  - 10 years

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### OTHER CONSIDERATIONS
City of Chicago
Department of Housing and Economic Development

STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
August 14, 2012

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name: BSB Holdings, LLC.

Applicant Name: BSB Holdings, LLC.

Project Address: 2337 S. Michigan Avenue

Ward and Alderman: 2nd Ward

Community Area: Near South Side

Redevelopment Project Area: 24th and Michigan Tax Increment Finance District

Requested Action: TIF Developer Designation

Proposed Project: Rehabilitation of an existing three story building. The rehabilitation will include a 5,130 s.f. micro brewery on the 1st floor and half of the 2nd floor. The 3,716 s.f. office space building out will take part of the 2nd floor and the entire 3rd floor.

TIF Assistance: $628,000.00

II. PROPERTY DESCRIPTION

Address: 2337 S. Michigan Avenue.

Location: Approximately at the Northeast corner of South Michigan Avenue and 24th Street.

Tax Parcel Numbers: 17-27-110-012

Land Area: 3,979 sq. ft.
Current Use: The building is currently vacant.

Current Zoning: DS-5

Proposed Zoning: DS-5

Environmental Condition: N/A.

III. BACKGROUND

The Developer approached the City of Chicago’s Department of Housing and Economic Development seeking assistance to renovate an existing building located at 2337 S. Michigan Avenue that has been vacant since 2006.

The project is located within the 24th and Michigan Tax Increment Financial District in the Near South Side Community. The property consists of a three story building that is approximately 8,746 square feet. The property is Zone DS-5, and the proposed use is allowed within this zoning.

The 24th and Michigan Tax Increment Financial District was designated July 1, 1999 and it is comprised of 119 acres. The boundaries of the 24th and Michigan TIF are Cullerton street on the north, the Stevenson Expressway on the south, Prairie Avenue on the East, Wentworth Avenue, and the Metra Northwest Illinois Rail on the west. The 24th and Michigan TIF was created with the intention to improve land uses around the McCormick Place Convention Center as a seamless extension of the South Loop community. Characterized by warehouse buildings, parking lots and mixed-use properties, the area is one of Chicago’s top business destinations due to convention center events and ongoing expansion projects. Revenue from the 119-acre district is being leveraged to improve the area’s pedestrian amenities through streetscape improvements and reduce on-street truck loading. In addition to aiding the preservation of select area buildings, the district is intended to promote educational and institutional development through infrastructure and open space investments.

TIF funded projects within the 24th and Michigan TIF include the Hillard Homes renovation, the Teachers Academy, and the proposed CTA Greenline renovation a project.

The 2337 S. Michigan Avenue project complies with the goals and objectives of the 24th and Michigan TIF of improving the quality of life in Chicago by enhancing the local tax base through the improvement of the Redevelopment Project Area’s economic vitality by reducing and eliminating conditions which qualify the Redevelopment Project area as a blighted area and by encouraging the preservation of the existing architectural character through the use of governmental mechanisms. Encourage sound community and economic development in the Redevelopment Project Area by encouraging private investment, through incentive, in new
commercial and industrial development.

This project is also within the Motor Row Historic District. The Motor Row Historic District Considered to be the largest, intact early "automobile row" in the U.S., Motor Row was home to as many as 116 different makers of automobiles including Ford, Buick, Fiat and Cadillac. Designed by architects such as Holabird & Roche, Philip Maher and Albert Kahn, the buildings located on Motor Row demonstrate how the automobile showroom and related product and service buildings have evolved over time. The Motor Row Historic District includes several buildings along the 1400-2500 blocks of S. Michigan Avenue, the 2200-3400 blocks of S. Indiana Avenue, and the 2200 block of S. Wabash Avenue.

Motor Row Historic District is also designated as a Chicago Landmark District, one of only fifty landmark districts located within the city. While the landmark designation provides legal protection to the area, it more importantly signifies that Motor Row is regarded as a critical part of the City’s history. It also highlights the distinctive theme and high degree of architectural significance found throughout the Motor Row corridor.

The City has completed a street beautification initiative in the Motor Row Historic District, putting into place the necessary infrastructure upgrades and decorative elements.

This project complies with the Motor Rows Historic District goals and objective of preserving the historical integrity of the district by renovating an existing landmark building and meet the Landmark Commission's guidelines and standards for the exterior repairs of the building.

In October 2011, the City of Chicago designated Motor Row District as an entertainment district (the only district with such designation in the City), showing the City’s confidence in and commitment to the development of the area. As a result of this important zoning designation, development activity in the Motor Row District will have an entertainment focus that respects the existing scale and historic character of the district.

This project would contribute to that initiative through the proposed use of a brewery facility which will provide the area with added foot traffic and make the block more inviting to the community.

**IV. PROPOSED DEVELOPMENT TEAM**

**Development Entity:** BSB Holdings LLC is the development entity for the project. It is wholly owned by BSB Management, LLC. The principal is Robert Lassandrello. The tenant will be Big Shoulders Brewery, owned by BSB Holdings, LLC.
Robert Lassandrello is a developer, investor, and a current member of the Chicago Mercantile Exchange. Mr. Lassandrello’s development experience includes the Equestrian Ridge Exchange, a townhouse development in Hickory Hills, Illinois and a single family development in Hinsdale, IL.

The brewery’s owner entity is Broad Shoulder Brewery, a related entity of the BSB Holdings, LLC.

Consultants:
TIF Consultant
Laube Companies
200 S. Wacker Dr., 3100
Chicago, Illinois. 60606

Attorneys
Robert M. Winter
180 N. LaSalle, Ste. 3300
Chicago, IL 60601

V. PROPOSED PROJECT

Project Overview: BSB Holdings, LLC will restore and renovate an approximately 8,746 square foot building. The renovation will accommodate a 5,130 square foot micro brewery and 3,716 square feet of office space. The restoration and renovation of the existing building will encompass both exterior façade improvements and the necessary interior improvements to facilitate the intended use. The interior work will address all three floors of the building. The first floor will contain a bar area and a location for incidental sales of beer for off-site consumption and the micro-brewery. The remaining floors will generally contain the remainder of the craft and microbrewery operation and the office space. The building will comply with the City’s green initiative of LEED certification for the building. Some of the green elements incorporated into the building include: monitored HVAC system, environmentally friendly finishes, pre- and post-consumer recycled materials, solar panels, storm water management, and eventually a green roof (even partial).

The Developer will also set up Broad Shoulders Brewery, a related party entity that will operate the micro-brewery. The operation will include a craft microbrewery operation and a bar area that serves products that have been produced on site. This facility is also planned to offer tours and tastings for private groups, tourists and other private parties. The brewery will have onsite sales and a bar for products produced at the brewery.

VI. FINANCIAL STRUCTURE

The City, through the Department of Housing and Economic Development, intends to reimburse the Developer for their TIF Eligible costs in an amount not exceed the lesser of $628,000 or 25% of the Total project budget, currently estimated to be $2,512,000.00. The City’s assistance will
be provided as up to four cash payments for reimbursement for TIF-eligible costs. The reimbursement will come from area-wide increment in the 24th/Michigan TIF and will occur upon completion and then annually for three years.

Because of the extraordinary costs associated with the project, this development would not move forward without utilizing TIF in order to help bridge the financing gap. The cost of the renovation to the building is not supported by the annual revenues in terms of delivering an adequate return on investment. The exterior work on this project will be costly as the building is located in an historic district and the requirements for rehabilitation work are greater than in other areas of the City. The rehabilitation of 2337 S. Michigan Avenue will be a complement to the Near South Side community.

### Sources & Uses

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*Gross building area is 8,800 square feet*
VII. PUBLIC BENEFITS
The proposed project will provide the following public benefits.

Jobs: The project is estimated to generate 3 permanent jobs and 25 construction jobs.

New Tax Revenue: The project will generate new tax revenue of approximately $65,000 yearly in new sales, liquor, and property taxes.

Utilize an existing vacant landmark building: The project will restore and renovate a vacant landmark building and meet the Landmark Commission's guidelines and standards for the exterior repairs of the building.

This project will also contribute the City’s initiative of designating the Motor Row Historical District into an entertainment venue by providing a brewery use at the site. This will allow more foot traffic through tours of the brewery and tasting events, as well as the brewery’s daily operations.

Environmental Features: Once the project is completed, the building will be a LEED certified.

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 Robert Fioretti supports the project.

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN
The proposed project is located in the 24th and Michigan Avenue Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's
redevelopment plan: Improve the quality of life in Chicago by enhancing the local tax base through the improvement of the Redevelopment Project Areas economic vitality by reducing and eliminating conditions which qualify the Redevelopment Project area as a blighted area and by encouraging the preservation of the existing architectural character through the use of governmental mechanisms. Encourage sound community and economic development in the Redevelopment Project Area by encouraging private investment, through incentive, in new commercial and industrial 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 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 sale of the property will not occur before the City Council has approved the redevelopment agreement, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing. The documents will include a development timetable.

**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 BSB Holdings, LLC as Developer for the rehabilitation of an existing three story building that will accommodate a micro brewery and office space and is located at 2337 S. Michigan Avenue within the 24th and Michigan 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
BSB Holdings LLC – Designated Series B
111 West Jackson, Suite 1530
Chicago, Illinois 60604
(312) 477-0800
Fax: (312) 477-0801

August 1, 2012

Mr. Omar Shareef
African American Contractors Association
7445 S. South Chicago Avenue
Chicago IL 60619

Re: 2337 South Michigan Avenue

Dear Mr. Shareef:

BSB Holdings LLC – Designated Series B (BSB Holdings) is pleased to announce the redevelopment of the property located at 2337 South Michigan Avenue, Chicago, Illinois. The property consists of an 8,000 square foot vacant building that will be redeveloped into a microbrewery and tavern for on-site consumption of the microbrewery’s product.

BSB Holdings has chosen E.T. Mansell Construction Co. to be the general contractor for the project. The project will require participation of trades such as carpentry, electrical, masonry, mechanical, plumbing, roofing and others. Attached to this letter is the project budget which identifies the items subject to minority business enterprise (MBE) participation of 24% and with women business enterprise (WBE) participation of 4%. The attached also includes the estimated project schedule and contact information for the general contractor. Ed Mansell, E.T. Mansell Construction Co., 160 East Wend Street, #A, Lemont, Illinois, 60439, (630) 257-3305.

At your request, the general contractor 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).

BSB Holdings is requesting that you make your member companies aware of this exciting project so that they may submit bids for appropriate sub-contracting opportunities. Should you have any questions, please do not hesitate to call.

Sincerely,

BSB HOLDINGS LLC – DESIGNATED SERIES B

[Signature]
Robert Lassandrello
Member

cc: Ed Mansell, General Contractor
Project Manager, City of Chicago, HED
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**To:**
Hispanic American Construction Industry

**Address:**
901 W. Jackson St., Ste. 805
Chicago, IL 60607

**City:** Chicago
**State:** IL
**Zip:** 60607

**PS Form 3803, August 2000:** See Reverse for Instructions.
November 18, 2011

Mr. Robert Lassandrello
307 Briargate Terrace
Hinsdale, IL 60521
RE: BSB Holdings, LLC, Series B

Dear Mr. Lassandrello,

In regard to your intent to purchase and redevelop property into a Microbrewery at 2337 S. Michigan Avenue, Chicago, in the newly created Entertainment District, which project I understand will financially depend on a TIF grant, please be advised that in the event you are awarded the requisite TIF funds and thus move forward with your project, please consider this a Letter of Interest for commercial financing by BMO Harris Bank. As discussed, this is not a commitment letter; however give the current understanding of the project, we would be very interested in taking the next steps in the process of commercial financing with our institution.

Sincerely,

[Signature]

David G. Wymer
Vice President
BMO Harris Business Banking
630.420.3320
dave.wymer@harrisbank.com
August 14, 2012

Andrew J. Mooney, Commissioner
Department of Housing and Economic Development
121 N. LaSalle, Room 1000
Chicago, IL 60602

Re: TIF Application
BSB Holdings, LLC Project at
2337 S. Michigan Avenue

Dear Commissioner Mooney:

Please be advised that I am in support of TIF assistance for the project located at 2337 S. Michigan Avenue. The assistance is needed in order to restore and rehabilitate a three story landmark building within the 24th and Michigan TIF that has been vacant since 2006.

If you have any questions or concerns regarding this matter, please contact Tim Stevens of my office at (312) 263-9273.

Sincerely,

[Signature]

Robert W. Fioretti
Alderman, 2nd Ward
COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO

RESOLUTION NO. ___ - CDC -

AUTHORIZATION TO NEGOTIATE A
REDEVELOPMENT AGREEMENT WITH BSB HOLDINGS, LLC

AND

RECOMMENDATION TO
THE CITY COUNCIL OF THE CITY OF CHICAGO
FOR THE DESIGNATION OF BSB HOLDINGS, LLC

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 ___-CDC-___ and pursuant to the Act, enacted three ordinances on August 14, 2012 pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the 24th and Michigan 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, BSB Holdings, LLC (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 rehabilitation of an existing three story building that will accommodate a micro brewery and office space and is located at 2337 S. Michigan Avenue within the 24th and Michigan TIF (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,

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 recommends to City Council that the Developer be designated as the developer for the Project and that HED be authorized to negotiate, execute and deliver on the City's behalf a redevelopment agreement with the Developer for the Project.

Section 3. 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 4. All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.

Section 5. This resolution shall be effective as of the date of its adoption.

Section 6. A certified copy of this resolution shall be transmitted to the City Council.

ADOPTED: ____________________, 200_

Attachment: Exhibit A, Street Boundary Description
EXHIBIT A

Street Boundary Description of the
24th and Michigan Tax Increment Financing
Redevelopment Project Area

The Area is generally bounded by Cullerton Street on the north, Prairie Avenue on the east, Stevenson Expressway on the south, and Wentworth Avenue, and the Metra Northwest Illinois Rail on the west.