

**City of Chicago
Department of Planning and Development**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REGARDING
A PROPOSED NEGOTIATED SALE OF CITY-OWNED PROPERTY
AND DESIGNATION OF DEVELOPER
NOVEMBER 13, 2018**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	Uptown Theatre
Applicant Name:	Farpoint Acquisitions, LLC and Uptown HM Investments, LLC (and/or affiliate entities)
Project Address:	4816 N Broadway and 1130 W Lawrence
Ward and Alderman:	46 th Ward, Alderman James Cappleman
Community Area:	Uptown (3)
Redevelopment Project Area:	Lawrence/Broadway
Requested Action:	Negotiated sale of 1130 W Lawrence and designation of Developer
Proposed Project:	Redevelopment of the historic Uptown Theatre
Goal of Project:	Rehabilitate and reopen the historic, landmarked Uptown Theatre. Contribute to the creation of an Uptown Entertainment District.
Estimated Market Value: (Appraisal to come)	\$4,000,000 - \$4,500,000 (\$129 - \$145 per square foot)
Sale Price:	\$1
Estimated Acquisition Assistance:	\$3,999,999 - \$4,499,999
TIF Assistance:	\$13,000,000

II. PROPERTY DESCRIPTION

4816 N Broadway

Address: 4816 N Broadway

Location: North Broadway and West Lawrence

Tax Parcel Numbers: 14-08-320-007-0000; 14-08-320-011-0000;
14-08-320-013-0000

Land Area: 32,778 s.f.

Current Use: Vacant theater

Current Zoning: B3-3/B3-5

Proposed Zoning: Planned Development

Environmental Condition: N/A

1130 W Lawrence

Address: 1130 W Lawrence

Location: North Broadway and West Lawrence

Tax Parcel Numbers: 14-08-414-039-8001; 14-08-414-040-8001;
14-08-414-042-8001

Land Area: 31,000 s.f.

Current Use: Parking lot

Current Zoning: B3-5/C2-3

Environmental Condition: The City may require the applicant to obtain a Phase I environmental report prior to closing, and based on the conclusions of that report the City may also require submission of a Phase II analysis. The land will be sold “as-is” with no warranties or representations as to its environmental condition, and it will be the responsibility of the selected respondent to complete any remediation that may be required by the City or the Illinois EPA. The redevelopment agreement

with the applicant will include release and indemnification language protecting the City from liability.

Inventory Profile:

City-owned paid parking lot

III. BACKGROUND

The Uptown Theatre is located at 4816 N Broadway, near the intersection of Broadway and Lawrence in the Uptown Community Area. The community area is bounded by Foster Avenue to the north, Lake Michigan to the east, Montrose Avenue and Irving Park Road to the south, and Ravenswood Avenue and Clark Street to the west.

The population of Uptown is 55,137. The demographic mix is 55.1 percent White, 20.8 percent Black, 11.6 percent Hispanic, 8.8 percent Asian, and 3.8 percent Other. The median household income is \$45,711.

The Uptown Theatre was designed by Rapp and Rapp and built as part of the Balaban and Katz Theater Corporation in 1925. The large, ornate theater was used for movies, stage shows, and live concert performances. In December 1981, the Theatre was closed and has since experienced significant deterioration. Due to its historic nature, the Theatre was designated a Chicago Landmark in 1991 and is listed on the National Register of Historic Places. Several attempts have been made to restore the Theatre but none has yet been successful.

The Uptown Theatre is in the Lawrence/Broadway TIF District. This district was created in 2001 to encourage development and redevelopment opportunities which will reestablish an entertainment-oriented, mixed-use area. By restoring a theater that has been vacant for nearly four decades, this project will contribute to the revitalization of the neighborhood and is vital to the City's plan to promote an Uptown Entertainment District.

The neighborhood will also benefit from current and upcoming infrastructure projects. An ongoing Chicago Department of Transportation streetscape improvement project for North Broadway and West Lawrence will add a new plaza at the nearby intersection of Broadway and Racine and make the area more pedestrian friendly. Additionally, the Chicago Transit Authority ("CTA") plans to completely rebuild the Lawrence Red Line station as part of its Red and Purple Modernization ("RPM") Program.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Farpoint Acquisitions, LLC and Uptown HM Investments, LLC (and/or affiliate entities)

Consultants: DLA Piper

V. PROPOSED PROJECT

Project Overview: The Developer has proposed a \$75,000,000 rehabilitation and upgrade of the historic Uptown Theatre. When completed, the space will be one of Chicago's premier live-event venues with a capacity of approximately 4,000 as reserved seating and 5,800 as general admission. The building has suffered significant deterioration while sitting vacant since the early 1980s. Planned improvements include increasing capacity, interior improvements, building systems, the demolition and rebuilding of back-of-house functions, and extensive façade restoration.

Event planning for the restored theater will be run by Jam Productions, the largest independent producer of live entertainment in the United States. Jam has worked with the top names in the music industry for the past 40 years. In addition to concerts, Jam also plans to host comedy, dance, and other special events.

The project is anticipated to create 206 temporary construction positions as well as 14 full-time and up to 181 part-time jobs at the Theatre.

In addition, the City intends to enter into a negotiated sale to convey the parking lot at 1130 West Lawrence Avenue. This parking lot is owned by the City and is currently being leased to the CTA. As part of the RPM Program, the CTA will completely rebuild the Lawrence Red Line station and will use this parking lot as a construction staging ground. Upon the completion of the CTA's work, the City will convey the property to the Developer or a related entity controlled by the Developer for \$1 for parking and other uses.

Environmental Features: The Developer is seeking Property Assessed Clean Energy (PACE) financing for the Project to fund energy efficiency improvements.

VI. FINANCIAL STRUCTURE

The City intends to enter into a Tax Increment Financing ("TIF") Redevelopment Agreement ("RDA") with the Developer for the purpose of providing an incentive to develop, own, and maintain the project for a minimum of 10 years.

The City intends to reimburse the Developer for a portion of its TIF-eligible costs in an amount not to exceed \$13,000,000 (the "City Funds"), which is approximately 17.33 percent of the Total Project Costs, currently estimated to be \$75,000,000. The City Funds will be provided as a reimbursement for TIF eligible costs.

- Concurrent with the closing of the RDA, the City will deposit \$9,750,000 into a construction escrow. The Developer will be eligible to receive payments of \$3,250,000 at fixed project milestones after the completion of 25 percent, 50 percent, and 75 percent of the Project. The Developer will be required to submit documentation to the City in order to demonstrate that sufficient TIF eligible costs have been incurred.

- The remaining City Funds will be provided as a payment of \$3,250,000 upon issuance of the Certificate of Completion for the Project. These funds will not be placed in an escrow account.

The Developer will be required to adhere to a compliance period of at least 10 years from receiving a Certificate of Completion. Provided that there is an occupancy covenant, the Developer will be allowed two, non-consecutive 12-month cure periods during the compliance period to correct a deficiency. If the Developer fails to cure the deficiency by the end of the cure period, the City shall have the right to cease TIF payments, recapture the full amount of all previous payments of TIF funds, and terminate the RDA.

In addition to TIF, the Developer is also pursuing other public funding streams for the Project, including Property Assessed Clean Energy (PACE) Financing, Build Illinois Bonds, Historic Tax Credits, and City of Chicago Adopt-a-Landmark funds.

The following table identifies the sources and uses of funds.

<u>Sources</u>	<u>Amount</u>	<u>% of total</u>
Equity	\$10,000,000	13.3%
Senior Debt	\$16,338,179	21.8%
Property Assessed Clean Energy (PACE) Financing	\$13,962,574	18.6%
TIF	\$13,000,000	17.3%
Build Illinois Bonds	\$10,000,000	13.3%
Adopt-a-Landmark	\$3,000,000	4.0%
Monetized Historic Tax Credits	\$8,699,247	11.6%
Total Sources	\$75,000,000	100%
<u>Uses</u>	<u>Amount</u>	<u>\$/sf of</u>
Acquisition	\$4,133,000	\$126 psf
Hard Construction Costs	\$51,223,717	\$1,563 psf
Furniture, Fixtures, & Equipment	\$4,550,000	\$139 psf
Soft Costs		
Architecture/Engineering (4.6% of total costs)	\$3,463,600	
Development Fees (3.9% of total costs)	\$2,961,865	
Admin/Professional/Marketing (2.6% of total costs)	\$1,967,300	
Financing Costs (1.5% of total costs)	\$1,143,210	
<u>Other Soft Costs (3.7% of total costs)</u>	<u>\$2,746,405</u>	
Total Soft Costs (16.4% of total costs)	\$12,282,380	
Project Contingency (3.7% of total costs)	\$2,810,903	
Total Uses	\$75,000,000	\$2,228 psf

VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits.

Theater: The project will revive the historic Uptown Theatre which has sat vacant since December 1981 and will catalyze the growth of a Theater District in the neighborhood.

Eliminate Vacancy: The project will eliminate a large vacant commercial space in the heart of the Uptown Theater District.

Property Taxes: The project will expand the tax base by returning a tax exempt property to the tax rolls.

Environmental Features: The Developer is seeking Property Assessed Clean Energy (PACE) financing for the Project to fund energy efficiency improvements.

Permanent Jobs: The project is estimated to generate 14 full-time and up to 181 part-time jobs at the Theatre. The department's workforce development specialists will work with the developer on job training and placement.

Construction Jobs: The project will produce 206 temporary construction jobs.

Affirmative Action: The Developer will comply with the requirements of Chicago's affirmative action ordinance, which requires contract participation of 26% by minority-owned business enterprises (MBEs) and 6% 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.

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 James Cappleman has provided a letter of support endorsing this project and the proposed TIF assistance level.

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

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

- The enhancement of Uptown and Edgewater as multi-cultural, economically diverse,

affordable and mixed-use communities that are fostered by the creation and preservation of affordable, low cost, and mixed-income housing, business, community and performing arts, entertainment uses and commercial opportunities.

- The elimination of the influences and manifestations of physical and economic deterioration and obsolescence within the Project Area.
- The establishment of the Project Area as a dynamic commercial, retail and residential destination location for living, shopping, entertainment, community and performing arts and employment.
- The preservation of the historic and architecturally significant character of the Project Area.
- An environment which will preserve or enhance the value of properties within and adjacent to the Project Area, improving the real estate and sales tax base for the City and other taxing districts having jurisdiction over the Project Area.

X. CONDITIONS OF SALE

If the proposed resolution is approved by the CDC, DPD will release a public notice announcing the proposed sale and seeking alternative development proposals. The public notice will be published in one of Chicago's metropolitan newspapers at least once for each of three consecutive weeks. If no responsive alternative proposals are received within 30 days of the publishing of the first notice, the department will accept a good faith deposit from the proposed developer, and a redevelopment agreement will be negotiated. The redevelopment agreement will incorporate the parameters of the proposed project as described in this staff report.

It is DPD 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 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 Planning and Development has thoroughly reviewed the proposed project, the qualifications of the development team, the financial structure of the project, the need for public assistance, its public benefits, and the project's conformance with the redevelopment area plan, and DPD recommends that the CDC approve the sale of 1130 West Lawrence to Farpoint Acquisitions, LLC and Uptown HM Investments, LLC (and/or affiliate entities) and recommends the designation of Farpoint Acquisitions, LLC and Uptown HM Investments, LLC (and/or affiliate entities) as Developer for the Uptown Theatre.

EXHIBITS

TIF Project Scorecard

TIF Map

Neighborhood Map

Site Plan

Elevation

Alderman Letter of Support

Community Letters of Support

Resolution