City of Chicago
Department of Community Development

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

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	JMC Steel Group National Headquarters
Applicant Name:	JMC Steel Group, Inc. ("JMC")
Project Address:	227 West Monroe Street
Ward and Alderman:	Robert Fioretti, 2nd Ward
Community Area:	Loop
Redevelopment Project Area:	LaSalle/Central TIF District
Requested Action:	Tax Increment Financing (TIF) Assistance
Proposed Project:	Corporate Headquarters/Job Retention and Expansion Consolidation/Relocation
TIF Assistance:	up to $1,120,000

II. PROPERTY DESCRIPTION

Address:	AT&T Center, 277 West Monroe Street, 26th Floor
Location:	The building is located in the Loop, at the south-east corner of Monroe and Franklin
Tax Parcel Numbers:	17-16-209-008 and -012
Current Use:	Completed in 1989, the 227 West Monroe Building (AT&T Center) is a 60-story commercial office building with 1.57 million square feet of Class A office space. The building is owned by Tishman Speyer.
Current Zoning:	Consistent with the Downtown Core (DC) zoning that includes office uses.

III. BACKGROUND

JMC Steel Group, Inc ("JMC") is a manufacturer of piping and tubing with a network of office facilities across the United States and Canada. Founded in 1877 and headquarted in Beachwood, Ohio, the company employs 1,750 individuals producing structural tubing, standard pipes, electrical conduits, sprinkler pipes, fence pipes, galvanized mechanical tubing, fittings and couplings. JMC currently operates two production facilities in Chicago with 336 full-time employees. These include 153 employees at the Wheatland Tube Facility, and 183 employees at the Atlas Tube Facility.

To accelerate growth, JMC recently completed an organizational restructuring intended to broaden the company's target markets to include non-residential, construction, transportation and energy clients. As a result, JMC is considering a move of its corporate headquarters from Ohio to Chicago's 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.

JMC engaged the firm of *True Partners Consulting, LLC*, to assist with the consolidation and relocation of its headquarters facility, and has selected the AT&T Center at 227 W Monroe Street as its Chicago location. JMC has negotiated a contingent 15-year sublease with Citicorp North America, Incorporated ("sub-landlord') and Tishman Speyer ("master-landlord'), for 29,080 square feet of office space on the 26th floor of the AT&T Center.

JMC anticipates significantly higher redevelopment costs for the move to Chicago; $10 million more (over a ten-year period) when compared to reorganizing, renovating, and remaining in its Ohio headquarters. This cost differential includes:

1) Required payments that JMC would have to make toward its existing lease in Ohio;
2) The build-out cost of the new Chicago space; and
3) The higher long-term rent rate of the Chicago Loop location versus Beachwood, Ohio.

JMC seeks assistance from the City of Chicago in the amount of $1.12 million in LaSalle/Central TIF funds to help defray some of its anticipated office build-out costs of $4.7 million. Should the City approve this request, JMC will move its national headquarters to Chicago's Loop area and house 100 employees at 227 W. Monroe within four (4) years of build-out completion, which is expected in early 2012.

Fifty (50) of the 100 headquarters employees would be newly-hired or relocated from Ohio, and the other fifty (50) would be high-level executives and staff relocated from JMC's Chicago Atlas Tube facility. Without TIF, it is likely that these fifty (50) existing Chicago-based executive jobs would relocate to Ohio.

In addition to the 100 employees the company will commit at its new Chicago headquarters, JMC will also commit to retaining 286 employees in its two existing Chicago facilities during the term of the agreement. The total number of new and retained jobs would be 386.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: JMC Steel Group, Inc.
Consultants: True Partners Consulting LLC is a global tax and business advisory firm.

V. PROPOSED PROJECT

JMC would enter into an office sub-lease with Citicorp North America as sub-landlord, and Tishman Speyer as master-landlord of the 227 Monroe Building. JMC would lease approximately 29,080 square feet of commercial office space on the 26th floor for an initial period of 15 years (the "JMC Space").

In connection with its occupancy of the building, JMC would construct substantial tenant improvements necessary to permit JMC to take possession of the space in accordance with the terms of the lease. The project includes the build-out of the JMC Space and the use of the space as the National Headquarters for JMC Steel Group, Inc. Initial occupancy of the JMC Space would be expected to occur by early 2012.

In addition to locating its Headquarters at the Property, the JMC would initially relocate 25 total full-time equivalent (FTE) employees of JMC Steel Group, at the Headquarters. Within a four-year period from completion of the office build-out, and HED's issuance of a Certificate of Completion, JMC would increase its total number of employees at the Headquarters to 100 FTE's and would be required to maintain 100 FTE's through the term of the agreement.

JMC would create jobs at the Headquarters and retain jobs at Wheatland Tube (4435 South western Avenue) and Atlas Tube (1855 East 122nd Street) for a period of at 10 years from the issuance of the Certificate of Completion as summarized in the following table:

Date	HQ Jobs	Retained Wheatland Tube	Retained Atlas Tube	Total Jobs
HQ Opening	25	153	133	311
1 year from Certificate of Completion	60	153	133	346
2 year from Certificate of Completion	75	153	133	361
3 year from Certificate of Completion	85	153	133	371
4 year from Certificate of Completion	100	153	133	386

Environmental Features: The tenant build-out associated with the Project would be LEED certified for Commercial Interiors (LEED CI).

VI. FINANCIAL STRUCTURE

The City of Chicago, through its Department of Housing and Economic Development ("HED"), intends to negotiate a Tax Increment Financing (TIF) Redevelopment Agreement (the "TIF RDA" or the"RDA") with JMC Steel Group, Inc. in connection with the Project. The City intends to provide JMC with TIF assistance in an amount not to exceed $1,120,000, or approximately 23.8% of project costs estimated to be $4,696,602. TIF funds will only be used to reimburse JMC for TIF-eligible costs associated with the renovation of the JMC Space at 227 W. Monroe Street.

TIF-eligible expenses will be reimbursed from existing increment, and/or bond funds, in the LaSalle Central Redevelopment Project Area Tax Increment Allocation Fund in the following manner:

A maximum of $1,120,000 of City Funds will be provided through five (5) equal, annual payments on the basis of retaining the relocated and created jobs at the JMC Space according to the Job Schedule shown in Section V above. JMC must retain the jobs as described in the Jobs Schedule, for a period of ten (10) years from the issuance of a Certificate of Completion. The five equal, annual payments of $224,000 will commence upon the 1-year anniversary of the issuance of the Certificate of Completion, as shown in the following table:

Payment	Term	Amount*
First Annual Payment	1 Year after Certificate	$224,000
Second Annual Payment	2 Years after Certificate	$224,000
Third Annual Payment	3 Years after Certificate	$224,000
Fourth Annual Payment	4 Years after Certificate	$224,000
Fifth/Final Annual Payment	5 years after Certificate	$224,000

*The actual amount of assistance may vary depending on the final certified Total Project Cost and the amount of TIF-Eligible expenses incurred.

Through this proposed TIF RDA, HED also intends to cancel a previous TIF agreement with JMC's subsidiary, Wheatland Tube, through which the City committed TIF assistance of $1.87 million towards a $23.5 million expansion of the company's facilities at 4435 south Western Avenue. The Wheatland construction project was completed, and the City issued a Certificate of Completion and Developer Note on September 30, 2005. To date, $591,000 of the TIF commitment has been paid by the City. No further payments would be made on the Wheatland Tube Developer Note following cancellation of the Wheatland Tube agreement (See Exhibit I for further information).

JMC Steel Group Project Summary

Total Project Costs	$4,696,602
Total TIF (lesser of $1.12m or 23.8% TPC)	$1,120,000
Total Jobs	386
New Jobs (HQ Jobs) – within four years	*50*
Retained Jobs	*336*
Production Jobs Retained	*286*
HQ Jobs Retained	*50*
TIF per total jobs	$2,901
TIF per new job	$22,400
TIF per HQ Job	$11,200

The LaSalle/Central TIF Plan budget has capacity to handle this proposed project as summarized in the estimates that follow:

JMC Steel Group / LaSalle Central TIF

LaSalle Central TIF Plan Budget Capacity	$550,000,000
Current Obligations*	$166,330,210
Proposed Project	$1,120,000
TIF Plan Remaining Capacity	$382,549,790

*estimates based on internal reports including RDAs, CDC approved projects, infrastructure projects, proposed projects, etc

Occupancy and Operations Covenant
Developer must maintain its Headquarters at the Building and continuously occupy and operate within the JMC Steel Space for a minimum of ten (10) years from the date of issuance of the Certificate of Completion. Developer must continuously occupy a minimum of 29,080 square feet at the Property during this period.

The RDA would require that the JMC record the RDA against its Wheatland and Atlas Tube properties, and record the RDA in the Cook County Recorder's general records file against JMC.

If Developer fails to satisfy these requirements, the City shall have the right to terminate the RDA: to exercise any other of its remedies under the RDA, including the right to seek reimbursement of previously paid TIF payments. There will be no cure period for a default under the Occupancy and Operations Covenant.

Employment Covenant
During the 10-year life of the Compliance Period commencing on the date of the issuance of the Certificate of Completion, if JMC falls below the job creation/retention requirements, then:
1. The City will withhold payments for any year JMC is not in compliance with the requirements.
2. The year that JMC is out of compliance will not count toward its10 year stated term, but will be added to the term of the agreement for each year of non-compliance.
3. During the 10-year term, JMC would be entitled to two (2) non-consecutive years of non-compliance.
4. At the third (3rd) year of non-compliance, the City will be under no further obligation to disburse any City Funds to JMC.

LEED Certification Covenant
JMC will provide evidence acceptable to the City that it has received LEED Certification for the JMC Steel Space within 1 year of the date of the Certificate. If a default occurs under the LEED Certification requirement, the City shall have the right to seek reimbursement of $250,000 of the total TIF payments made to JMC through drawing down the L/C; provided, however, that if the City Funds paid to JMC upon issuance of the Certificate were reduced by $250,000 due to anticipated failure to achieve LEED Certification, then this provision shall not apply.

Annual Compliance Reports
JMC must submit an Annual Compliance Report. Failure to submit Report will constitute an Event of Default without notice or opportunity to cure.

Letter of Credit Covenant
If a default has occurred and is not cured within the cure period (if a cure period is available), the City shall have the right to immediately draw down the amount of the L/C according to the schedule below. The initial principal amount of the L/C will equal the amount of the First Annual Payment ($240,000). Each subsequent payment request made by JMC (2nd Annual Payment, 3rd Annual Payment, 4th Annual Payment, and the Fifth/Final Payment) shall be accompanied by a replacement L/C which totals the amount of City Funds previously disbursed plus the amount of City Funds currently requested. The L/C principal amount that will be maintained during the compliance period will be as follows, provided, however, that the Compliance Period and the schedule below shall be extended by one year if a default occurs and is cured by JMC within that year:

At no point through the end of 6th year from the issuance of the Certificate will the amount of the Letter of Credit be less than the City Funds paid to date.

Year	% of Funds
Year 1	100% of City Funds Paid to Date
Year 2	100% of City Funds Paid to Date
Year 3	100% of City Funds Paid to Date
Year 4	100% of City Funds Paid to Date
Year 5	100% of City Funds Paid to Date
Year 6	100% of City Funds Paid to Date
Year 7	80% of City Funds Paid to Date
Year 8	60% of City Funds Paid to Date
Year 9	40% of City Funds Paid to Date
Year 10	20% of City Funds Paid to Date

The reduction in the L/C shall coincide with JMC's submission of the Annual Compliance Report evidencing that all ongoing requirements of the RDA have been satisfied during the preceding year.

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 50 high-value jobs from Ohio and the Chicago production facilities to the Loop. These jobs have a collective payroll of $6.6 million, or $132,800 per job. JMC Steel will continue operations at its Chicago manufacturing facilities at its Wheatland Tube and Atlas Tube facilities. Such high-wage, highly skilled professional jobs are critical to maintaining and enhancing Chicago's competitive position in the global economy. TIF represents a subsidy of $2,901 per job including the 100 jobs that JMC will create over the term of the agreement.

Positive Image Impacts
The substantial private investment in the Loop by such a major global corporation as JMC is good news for Chicago in an otherwise challenging economic environment. This transaction reinforces the fact that the Loop is still the primary place where corporations do business in the region, especially globally-oriented firms such as JMC 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 years during the workday. Using this assumption, the 100 Willis workers relocated into Chicago will collectively spend approximately $627,400 per year on lunches, dinners, drinks, and shopping errands. This is new sales revenue that would be taxed by the City.

Affirmative Action: JMC 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). JMC 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: JMC 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. JMC would also comply with the requirement that all construction jobs are paid the prevailing wage.

VIII. COMMUNITY SUPPORT

Second Ward Alderman Robert Fioretti endorses the Project and has provided a letter of support. World Business Chicago has also endorsed the Project and has provided a letter of support (see exhibits for copies of letters).

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the LaSalle Central Tax Increment Financing Redevelopment Project Area. The proposed project would satisfy the goal of the current redevelopment plan: to reduce or eliminate the conditions that qualify the LaSalle Central RPA as a conservation area (the "Area"), and to provide the mechanisms necessary to support public and private development and improvements in the Area. The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance to promote the Area as a center of employment and commercial activity, through the attraction and retention of major employers and corporate headquarters, and providing assistance to small and growing businesses. The Project also conforms to the redevelopment plan land use map, which calls for commercial development at the subject site.

X. CONDITIONS OF ASSISTANCE

If the proposed resolution is approved by the CDC, HED would negotiate a redevelopment agreement with JMC. The redevelopment agreement would incorporate the parameters of the proposed project as described in this staff report.

It is DCD policy that no business would 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.

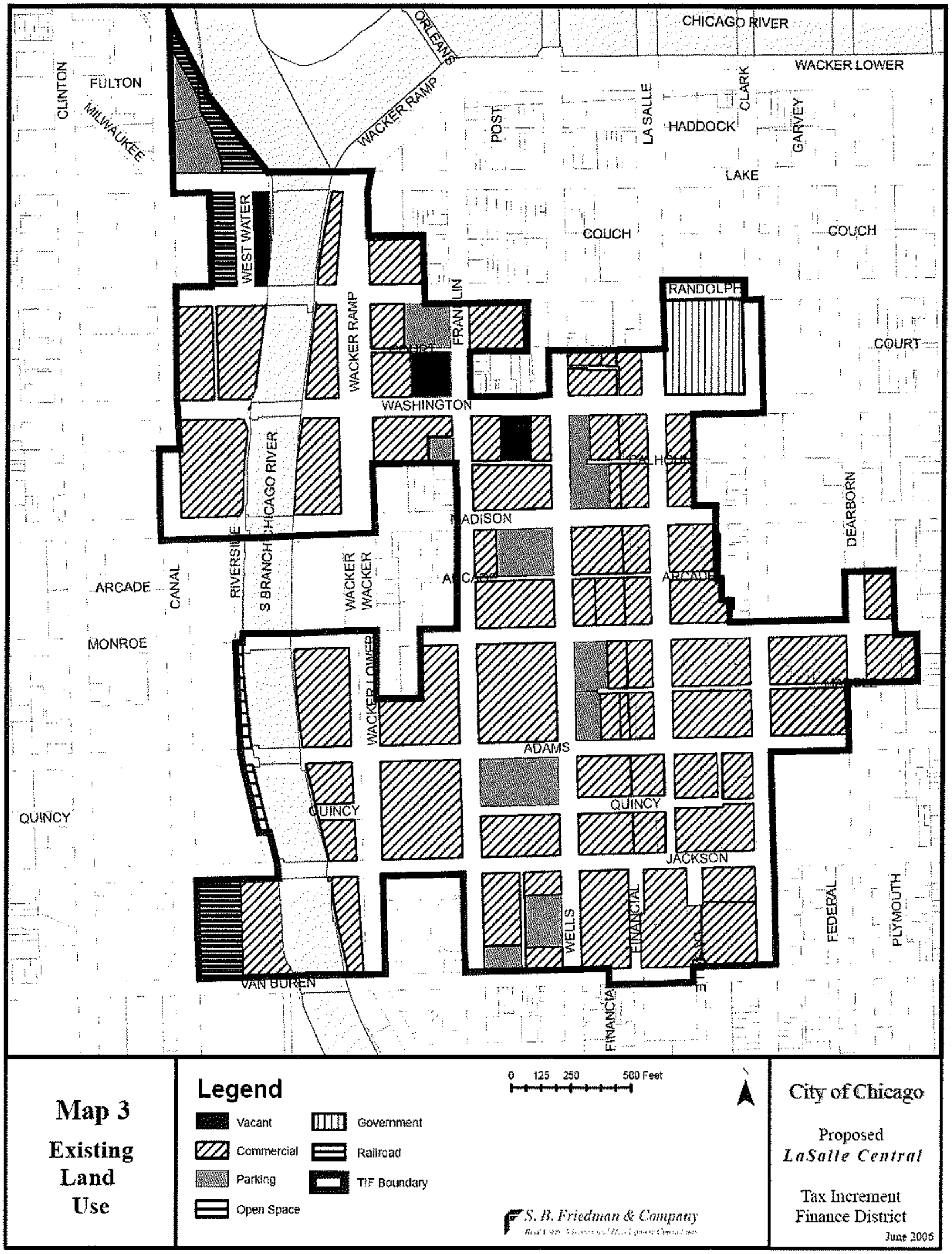
Closing of the redevelopment agreement would not occur before the City Council has approved the agreement, JMC has obtained all necessary City approvals including zoning and building permits, and JMC has presented proof of financing. The redevelopment agreement would include a development timetable.

XI. RECOMMENDATION

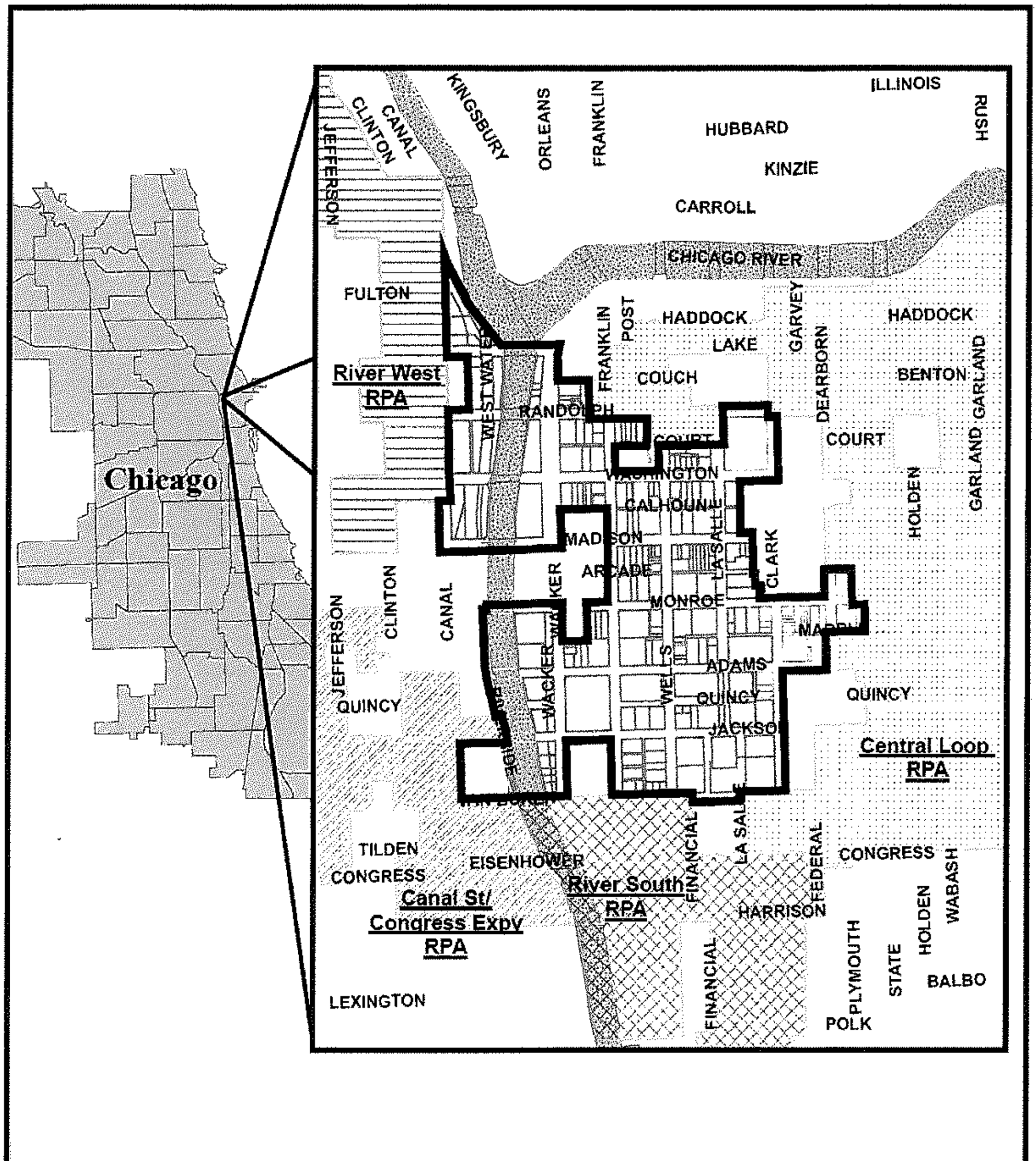
The Department of Housing and Economic Development has thoroughly reviewed the Project, the qualifications of the development team, the financial structure of the project, its need for public assistance, its public benefits, and the project's conformance with the redevelopment area plan, and HED recommends that the CDC recommend to the City Council the designation of JMC Steel Group, Inc as Developer for the tenant improvements for the property located at 277 West Monroe Street.

EXHIBITS

Exhibit A: Redevelopment Area Map
Exhibit B: Neighborhood Map or Aerial
Exhibit C: Typical Floor Plan
Exhibit D: Sample M/WBE Letter
Exhibit E: Copies of M/WBE Certified Letter Receipts
Exhibit F: Organizational Chart
Exhibit G: World Business Chicago Letter of Support
Exhibit H: Alderman's Letter of Support
Exhibit I: JMC-Wheatland Tube RDA,2003



CHICAGO RIVER
WACKER LOWER
FULTON
CLINTON
MILWAUKEE
ORLEANS
WACKER RAMP
POST
LA SALLE
CLARK
HADDOCK
GARVEY
LAKE
WEST WATER
COUCH
COUCH
RANDOLPH
WACKER RAMP
FRANKLIN
COURT
COURT
WASHINGTON
CALHOUN
CHICAGO RIVER
MADISON
DEARBORN
ARCADE
CANAL
RIVERSIDE
S BRANCH
WACKER
WACKER
ARCADE
ARCADE
MONROE
WACKER LOWER
ADAMS
QUINCY
QUINCY
QUINCY
JACKSON
WELLS
FINANCIAL
FEDERAL
PLYMOUTH
VAN BUREN
FINANCIAL
Map 3
Existing Land Use
Legend
Vacant
Commercial
Parking
Open Space
Government
Railroad
TIF Boundary
0 125 250 500 Feet
S. B. Friedman & Company
City of Chicago
Proposed
LaSalle Central
Tax Increment Finance District
June 2006



Map 1

Community Context Map

Legend

Proposed TIF Boundary

PIN Parcels

0 375 750 1,500 Feet

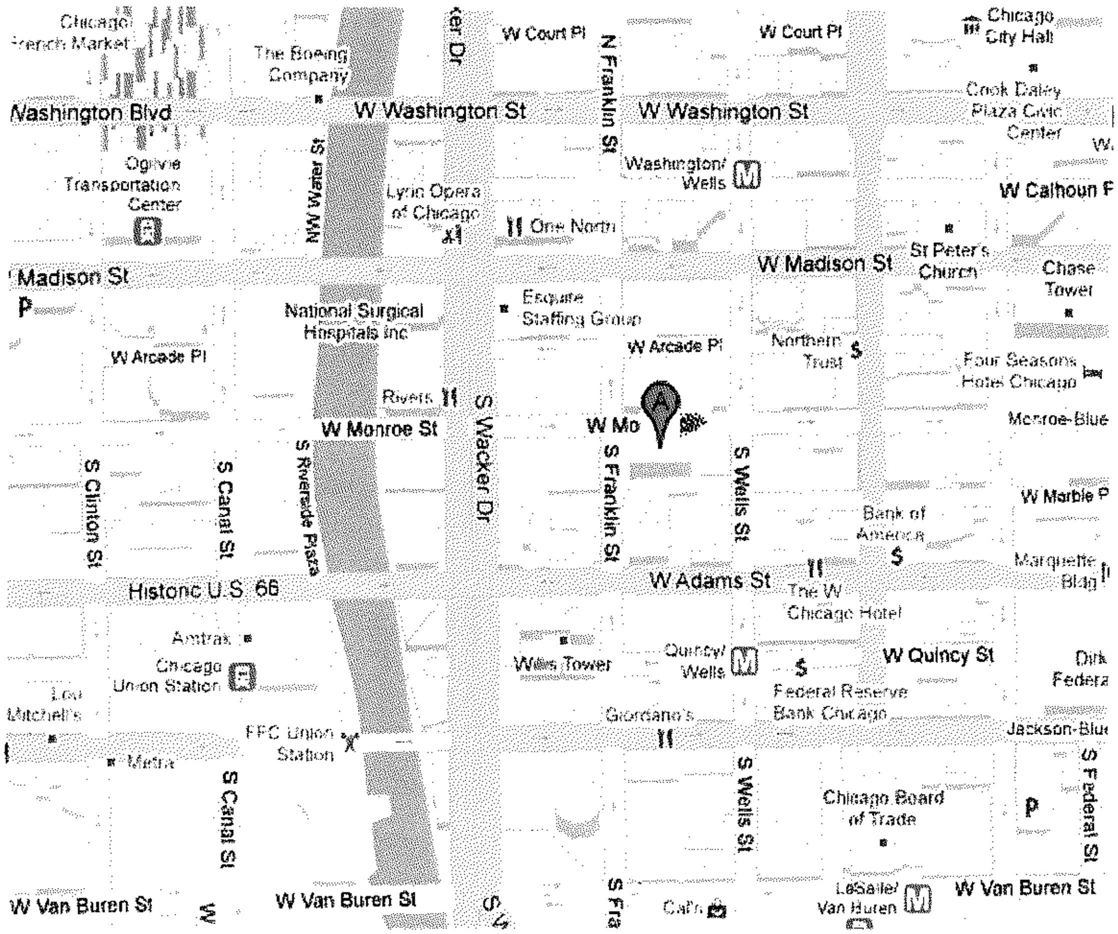
N

S. B. Friedman & Company

City of Chicago
Proposed
LaSalle Central
Tax Increment
Finance District

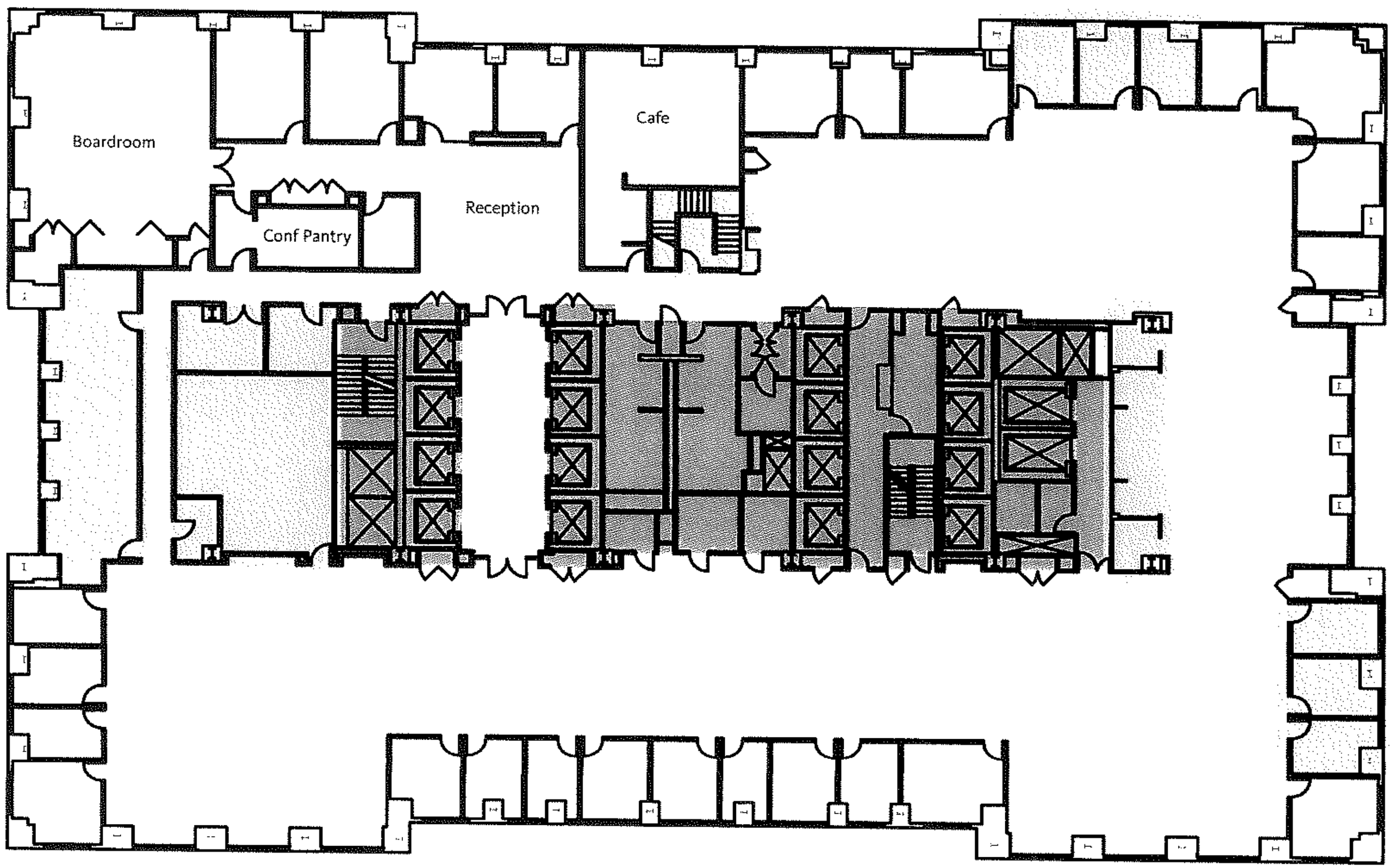
June 2006

Site Location and Map



(A) *227 W. Monroe St., Chicago, Illinois 60606*

Proposed project site
Chicago, Illinois



Areas to be demolished or reconfigured

227 W. Monroe | 27th Floor Existing

JMC Test Fits

JMC Steel Group, Inc. and Subsidiaries
Corporate Structure as of December 31, 2010

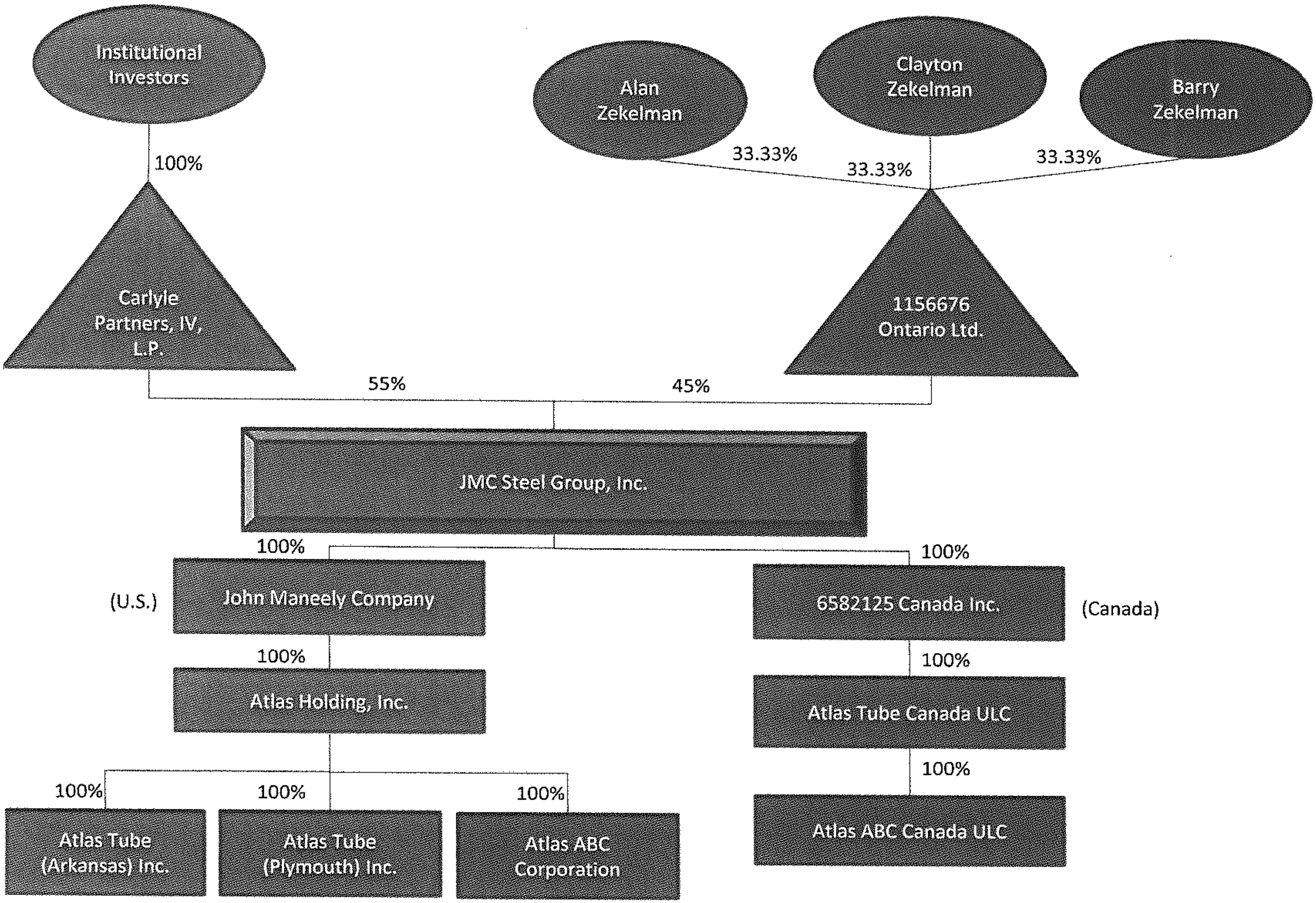


EXHIBIT I.
Summary of JMC-Wheatland RDA, 2003

In 2003, the City entered into a TIF redevelopment agreement with JMC subsidiary, Wheatland Tube. Through this agreement, the City committed $1,869,300 of TIF assistance toward a $23.5 million project (7.9% total project costs) to expand Wheatland's manufacturing and warehousing facility located at 4435 S Western in the 45th & Western TIF facility expansion. Wheatland completed the project and the City issued a Certificate of Completion on 9/30/2005. As part of the agreement, Wheatland was required to maintain employment levels summarized in the table below:

JMC Wheatland Jobs Covenant Section 8.19 of RDA

Year	Total Hours	Total Jobs
Years 1-3	400,000	200
Years 4-5	448,000	224
Years 6-10	472,000	236

Wheatland met this employment requirement for the first four years following project completion, and the City made four corresponding TIF payments, for a total of $591,000 toward the $1.9 million commitment. Following the global real estate crisis at the end of 2008, Wheatland struggled to meet the jobs requirement, coming up short during the past two years. In Year #5 of the agreement, Wheatland had 199 jobs, and in Year #6, 155 jobs. Thus, the City has not made a TIF payment during the past two years.

According to the redevelopment agreement, Wheatland must meet the jobs requirement for ten years, but the ten years do not need to be contiguous. For each year that Wheatland fails to meet the job requirement, an additional year is added to the term of the agreement. However, after three years of failing to meet the job requirement, the City may (but is not required to) terminate future payments.

Since JMC recognizes that it will likely continue to have challenges meeting its job requirement at the Wheatland facility alone, JMC has offered to cancel the Wheatland redevelopment agreement, but include the existing Wheatland jobs and jobs from its Chicago Atlas Tube facility toward a new redevelopment agreement for the corporate headquarters move.

Under a new redevelopment agreement, the maximum TIF payments that JMC and its subsidiaries could receive, including the $591,000 already paid to Wheatland, would be $1.71 million. This revised amount is less than the $1.87 million the City originally committed in the original Wheatland redevelopment agreement.

Additionally, JMC's expanded commitment of 386 jobs at its three Chicago locations is significantly (64%) higher than the 236 maximum jobs committed though the original Wheatland redevelopment agreement. This new job commitment would be for ten years, following completion of JMC's headquarters move, even though the company already met four years of the jobs commitment under the original agreement.

If the City moves forward with a redevelopment agreement for JMC's new headquarters, a total of $1.71 million in TIF assistance ($590,993 previously paid to Wheatland plus the $1.12 million new subsidy) would be leveraged to obtain a commitment of over $28.2 million from JMC and its subsidiaries toward capital investments in Chicago since 2003. The total TIF subsidy would equal 6% of total capital project costs. JMC has agreed that all TIF payments under a new agreement will be secured through a letter(s) of credit to the City equal to the TIF payments.

COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO

RESOLUTION NO. __ - CDC -

AUTHORIZATION TO NEGOTIATE A TIF REDEVELOPMENT AGREEMENT WITH JMC STEELGROUP, INCORPORATED AND RECOMMENDATION TO THE CITY COUNCIL OF THE CITY OF CHICAGO FOR THE DESIGNATION OF JMC STEELGROUP, INCORPORATED 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 15, 2006 and amended and corrected the ordinances on February 7, 2007 and May 9, 2007, pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the LaSalle Central 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, JMC Steel Group, Incorporated (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 26th floor for the relocation of their corporate headquarter at a property located at 227 West Monroe Street (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: September 13, 2011

Attachment: Exhibit A, Street Boundary Description

EXHIBIT A

Street Boundary Description of the
LaSalle Central Tax Increment Financing
Redevelopment Project Area

The Area is generally bounded by Dearborn Street on the east, Van Buren Street on the south, the Chicago River and Canal Street on the west, and portions of the Chicago River, Lake, Randolph and Washington streets on the north.