

**City of Chicago
Department of Community Development**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
June 8, 2010**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name: Nico Holdings, LLC – 222 W Adams

Applicant Name: Nico Holdings, LLC

Project Address: 222 W. Adams

Ward and Alderman: 2nd, Alderman Robert Fioretti

Community Area: Loop, 32

Redevelopment Project Area: LaSalle Central

Requested Action: TIF Developer Designation

Proposed Project: Relocation of Nico Holdings, LLC corporate headquarters into and redevelopment of portions of 222 W Adams – currently 22.4% vacant.

TIF Assistance: \$1,945,000 toward build-out and \$350,000 recruitment and training reimbursement

II. PROPERTY DESCRIPTION

Address: 222 W Adams

Location: Northeast corner of Adams and Franklin

Tax Parcel Numbers: 17-16-209-008-0000

Land Area: 14,698 Square Feet.

Current Use: Nico Holdings will occupy 32,420 sq ft of the 1.1 million square foot building

Current Zoning: Planned Development No. 365

III. BACKGROUND

The Property is located within the LaSalle Central Tax Increment Financing Redevelopment Project Area (the “Area”), which was established by the City Council on November 15, 2006. The Area is located within the Loop Community Area and 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.

The Property, 222 West Adams Street is located on the northeast corner of West Adams Street and South Franklin Street. The building was constructed in 1992, is known as the USG Building and along with the AT&T Corporate Center, is located in Planned Development 365 zoning district.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity:

Nico Holdings, LLC is a proprietary trading firm active in exchange-traded and over-the-counter markets, including spot and derivative contracts. Nico’s initial focus on Treasury options has been augmented over the past decade to include trading operations in energy, agricultural products, metals, equity indices, and a number of interest rate-related products.

The company was founded in 1996 by Peter J. Meyer, a resident of Wilmette, who began trading under his own name. In December of 1999, he formed Nico Trading, Inc., an S Corporation owned 100% by Mr. Meyer. The company opened in its current form in 2008 as Nico Holdings LLC. Nico Holdings LLC is 97% owned by Nico Trading, Inc. Mr. Meyer retains 100% ownership of Nico Trading, Inc. Two other principals, Bryan Harakh and Yike Xu, own the remaining 3% of Nico Holdings. The company is headquartered in Chicago at 311 S. Wacker Drive.

The company currently has 81 employees, 79 of whom are located in the Chicago area. The remainders are housed in the company’s New York City office. Employees include traders; financial engineers; software; operations and technology personnel; as well as back office and administrative staff. The flat corporate structure is designed to encourage collaboration.

Consultants: Nico Holdings, LLC has retained Grubb & Ellis as its broker and owner's representative in connection with the relocation. OWP/P is the architect of record for the Project.

V. PROPOSED PROJECT

Project Overview:

Nico Holdings has ambitious growth plans for the coming years. Job growth figures are outlined in the table below. It is instituting an ongoing annual recruiting program and will be looking to add an average of over 17 to 18 new employees each year. The majority of the new hires would be traders, financial engineers, and technology personnel. Nico is also developing an internship program for juniors and seniors in college and expects to launch this program in 2011

Table 1. Nico Holdings Job Growth Table

Year	Relocated Jobs	Created / New Jobs [1]	Total Jobs [2]
2010	79	0	79
2011^[3]	79	18	97
2012	79	17	114
2013	79	18	132
2014	79	17	149
2015	79	18	167
2016	79	17	184
2017	79	18	202
2018	79	17	219
2019	79	18	237
2020	79	17	254

[1] The Created/New Jobs numbers are annual goals, it is not necessary that the Developer satisfy this number annually.

[2] The Total Jobs numbers is an annual requirement, it is necessary that the Developer satisfy this number annually.

[3] 1st year after the issuance of the Certificate of Completion.

To accommodate the growth, Nico Holdings is relocating to 222 W. Adams. It has negotiated a 12-year lease of 32,420 RSF. The space is being designed to accommodate 164-184 employees. This additional space would allow Nico to reach its full employment projection of 254 by 2020. 222 W. Adams was built in 1992 and is owned by Tishman Speyer. The office building is 35 stories; Nico's space would be on the 15th floor.

Total build-out costs of the space are \$10,155,020. The space was previously occupied and has been returned to shell condition. Thus, no demolition is required.

In addition to the improvements to occupied space, Nico's operations require additional cooling capacity to the base building. The requirement is for 90 tons of cooling capacity to be added exclusively for the use of Nico. Tishman Speyer estimates this cost at \$380,000. The upfront cost is to be borne by the lessor. Given that this investment is specific to the requirements of Nico, was part of Nico's stated terms in negotiating rent for the space, and is of little or no use to subsequent users not engaged in computer-

intensive activities, the recovery of this cost is surely reflected in the negotiated rental rate offer, and therefore is a cost to Nico.

Workforce Development

The City intends to offer up to \$350,000 in reimbursement for recruitment and training activities identified in an “Employment Plan”, developed in partnership with the Department of Community Development’s Workforce Solutions Unit and Nico Holdings. This plan has been developed to leverage the TIF assistance for job creation and maximize the recruitment, training and hiring of Chicago residents.

In the Employment Plan, the City has designated up to \$50,000 to be used on a contract with a City Delegate Agency to conduct customized outreach and recruitment services for Nico Holdings. The Delegate Agency will be selected to work with Nico Holdings and provide customized recruitment activities based on the developer’s specific skill and job requirements. The goal will be to create a pool of qualified candidates for Nico Holdings who are (or potentially will become) Chicago residents.

In addition, a maximum of \$300,000 will be allocated for eligible training activities. Eligible activities include direct training costs under the categories of instruction/tuition, material and supplies. Training reimbursement is contingent upon an annual submission of an approved training plan and paid receipts after the training is completed. Training reimbursement is not to exceed \$100,000 annually unless written approval is granted. The annual training plan includes detailed information about the proposed training for that year.

VI. FINANCIAL STRUCTURE

The City, through the Department of Community Development (“DCD”), intends to enter into a redevelopment agreement (“RDA”) with Nico Holdings, LLC to provide tax increment financing for an amount not to exceed \$1,945,000 for interior build out (the “TIF Amount”) and \$350,000 for job training (the “Job Training Amount”). This represents 20.4% of total project costs. The per job subsidy of the TIF funds equates to approximately \$9,035 per job.

Nico Holdings, LLC has its roots downtown and recognizes the conveniences offered by the City, causing it to choose 222 W. Adams as its favored location. However, the company is aware of the potential cost savings available at suburban locations, primarily driven by lower real estate cost and property taxes. Gross rent range for competitive space in suburban locations ranged from \$22 to \$30 per square foot compared to approximately \$35 per square foot at 222 W. Adams.

Though its primary stakeholder would have an easier commute to a suburban location, downtown is very convenient for the existing employee base. Nico can most effectively compete for labor with a downtown location and a single location would be logistically superior to a split Chicago/Suburban configuration. Given these preferences, TIF funding to offset a portion of the additional costs of being located downtown would support a decision to remain entirely in the City.

Nico Holdings, LLC plans to fund the Project using a combination of cash reserves and a tenant improvement allowance from the landlord. The following tables summarize sources and uses and project budget.

Table 3. Sources and Uses of Funds

SOURCES OF FUNDS		
Equity	Total	% total project costs
Developer Equity	\$7,655,725	75.4%
Other Equity (Landlord)	\$2,499,295	24.6%
Developer Funding of Training Expense	\$1,096,600	
TOTAL SOURCES OF FUNDS	\$11,251,620	100%
USES OF FUNDS		
	Total	\$ / SF of Building
Soft Costs/Fees	\$930,832	\$28.71
Soft Cost Contingency	\$42,400	\$1.31
Hard Construction Costs	\$6,047,334	\$186.53
Hard Cost Contingency	\$308,700	\$9.52
Furniture, Fixtures & Equipment	\$2,641,054	\$81.46
Other (FFE Contingency)	\$184,700	\$5.70
Training	\$1,096,600	n/a
TOTAL USES OF FUNDS	\$11,251,620	

[1] Total Build Out

\$10,155,020

\$313.23 / sq ft

Table 4. Nico Holdings LLC Budget Detail

	Account Totals		Division Totals	
	Total	Per SF	Total	Per SF
SOFT COSTS				
PROFESSIONAL DESIGN FEES				
Architect	\$186,993	\$5.77		
Structural Engineer	\$5,500	\$0.17		
MEP Engineer	\$273,879	\$8.45		
Communications Consultant	\$111,540	\$3.44		
Miscellaneous Consulting Fees ¹	\$196,420	\$6.06	\$774,332	\$23.88
PROJECT MANAGEMENT AND LEGAL FEES				
Project Management Consultant	\$51,500	\$1.59		
Legal	\$75,000	\$2.31	\$126,500	\$3.90
MISCELLANEOUS CONSTRUCTION FEES				
Landlord charges ²	\$30,000	\$0.93	\$30,000	\$0.93
SOFT CONTINGENCY				
Professional design	\$24,800	\$0.76		
Consulting	\$10,100	\$0.31		

Relocation cost	\$7,500	\$0.23	\$42,400	\$1.31
TOTAL SOFT COSTS	\$973,232	\$30.02	\$973,232	\$30.02
HARD COSTS				
CONSTRUCTION				
Tenant Construction	\$5,611,834	\$173.10		
Security System	\$55,500			
90-ton HVAC	\$380,000	\$11.72	\$6,047,334	\$186.53
HARD CONTINGENCY				
Construction	\$308,700	\$9.52	\$308,700	\$9.52
TOTAL HARD COSTS	\$6,356,034	\$194.34	\$6,356,034	\$196.05
FURNITURE, FIXTURES AND EQUIPMENT				
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Furniture	\$1,000,000	\$30.85		
Furnishings	\$16,210	\$0.50		
Telephone/Data Communications Equip.	\$1,612,969	\$49.75		
Building and Interior Signage	\$11,875	\$0.37	\$2,641,054	\$81.46
FFE CONTINGENCY				
Furniture, fixtures & equipment contingency	\$184,700	\$5.70	\$184,700	\$5.70
TOTAL FFE COSTS	\$2,825,754	\$87.16	\$2,825,754	\$87.16
TOTAL CONST.COST with CONTINGENCY	\$10,155,020	\$312	\$10,155,020	\$313

1 Includes security, sound, video conferencing, lighting, acoustics, etc.

2 Includes charges incurred during construction such as draining sprinkler lines, paying a security guard to be in loading dock area after hours, etc.

VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits:

Short and Long-Term Jobs:

- **Permanent Jobs:** The project will retain 79 headquarters jobs, 49 of which belong to City of Chicago residents. Over the next ten years, the project will create an additional 175 full time permanent jobs and the developer estimates that 55% of the new jobs created will be filled by Chicago residents.
- **Construction Jobs:** The project will produce 56 temporary construction jobs.
- **Indirect/Induced Jobs:** Through the use of economic impact multipliers, the applicant estimates that 75 additional jobs in the City of Chicago will be induced by the Project and an additional 284 jobs in other parts of Cook County.

Property Tax Revenues:

- Unadjusted for inflation, the property tax payment during the 12-year lease term is estimated to be \$3 million compared to \$1.9 million in TIF Assistance.

Environmental Features

- The project will be certified LEED Commercial Interior standards.

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 twenty 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 endorses the project. A letter of support is attached to this report.

The Chicago Loop Alliance has provided a letter of support for the project.

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The Project is located in the LaSalle Central Tax Increment Financing Redevelopment Project Area. The Project will satisfy the following goals of the redevelopment plan:

- Provide resources for the rehabilitation and modernization of existing structures.
- Promote the Redevelopment Project Area as a center of employment and commercial activity, through the attraction and retention of major employers and corporate headquarters.
- Encourage environmentally-sensitive development, including development that achieves LEED certifications.
- Support job training programs and increase employment opportunities for City residents.

X. CONDITIONS OF ASSISTANCE

If the proposed resolution is approved by the CDC, DCD will negotiate a Redevelopment Agreement (RDA) with the Developer. The RDA will incorporate the parameters of the proposed project as described in this staff report.

It is DCD 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. Before today's action is presented to the city council for approval, the department will conduct a thorough background check of all principals having an ownership interest of 7.5 percent or greater, and of the boards of directors and trustees of non-profit organizations. Similar background checks will be conducted on the development entity itself.

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

XI. RECOMMENDATION

DCD 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 DCD recommends that the CDC recommend to the City Council the designation of Nico Holdings, LLC as developer for redevelopment up to 32,420 square feet of office space in the Building. DCD also requests that the Commission provide DCD with authority to negotiate, execute and deliver on the City's behalf, a redevelopment agreement and a grant agreement with Nico Holdings, LLC for the Project.

EXHIBITS

Redevelopment Area Map

Neighborhood Maps and Aerial

Typical Floor Plan

Renderings

Organizational Chart

Employer Personnel Needs Assessment Form

Community Letters of Support

Alderman's Letter of Support

M/WBE Letter and Copies of M/WBE Certified Letter Receipts

Economic Disclosure Statement

Familial Relationships EDS Affidavit Appendix A