

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

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION**

October 9, 2018

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name: Avenue O Industrial Park

Applicant Name: NP Avenue O, LLC

Project Address: West of Avenue O/South of 116th St.

Ward and Alderman: 10th Ward, Alderman Susan Garza

Community Area: South Deering, Hegewisch, and East Side

Redevelopment Project Area: 116th/Avenue O TIF

Requested Action: TIF Developer Designation

Proposed Project: Develop a 2,260,000 square foot business park in multiple phases.

Goal of Project: Return a vacant site to a productive use. Provide industrial jobs to City residents.

TIF Assistance: \$42,400,000 Avenue O Industrial Park
\$9,600,000 Burley Ave.

II. PROPERTY DESCRIPTION

Street Boundaries: The area is generally bounded by 114th Street on the north, 122nd Street on the south, Avenue O on the east, and the Calumet River on the west.

Location: West of Avenue O/South of 116th St.

Tax Parcel Numbers: 26-19-200-032 26-19-200-041 26-19-202-023

| | | |
|---------------|---------------|---------------|
| 26-19-202-024 | 26-19-203-024 | 26-19-203-022 |
| 26-19-206-043 | 26-19-206-044 | 26-19-206-045 |
| 26-19-206-046 | 26-19-206-047 | 26-19-206-048 |
| 26-19-206-049 | 26-19-207-001 | 26-19-207-002 |
| 26-19-207-003 | 26-19-207-004 | 26-19-301-004 |
| 26-19-301-005 | 26-19-301-009 | 26-19-301-010 |
| 26-19-400-012 | 26-19-400-013 | 26-19-400-014 |
| 26-19-400-015 | 26-19-400-016 | 26-19-400-017 |
| 26-19-400-018 | 26-19-401-003 | 26-19-401-005 |
| 26-19-401-008 | 26-30-200-006 | 26-30-200-008 |
| 26-30-200-010 | 26-30-201-006 | 26-30-201-011 |

Land Area: 196 acres

Current Use: Vacant land

Current Zoning: PMD 6

III. BACKGROUND

NP Avenue O, LLC intends to acquire the vacant site located west of Avenue O and south of 116th St. and develop a 2,260,000 square foot industrial park. The site was previously occupied by LTV Steel who operated a steel mill at the location. LTV Steel ultimately shuttered the steel mill in 2001.

The Project is generally situated within a heavy industrial district. The primary industrial user in the area is the Ford Chicago Assembly Plant, which is Ford's oldest continually-operated automobile manufacturing plant. The area to the east of the Avenue O Industrial Park is mostly free standing commercial and industrial buildings as well as professional offices. The area to the south is occupied by multi-tenant industrial buildings. The area to the west is mostly made up of the Calumet River. The area to the north is mostly vacant industrial land.

In order to facilitate the development of the subject property the City's Department of Planning and Development is designating the 116th/Avenue O Tax Increment Financing Redevelopment Project Area and Redevelopment Plan. The purpose of the designation is also to develop vacant parcels, and revitalize industrial space in this area. The general boundaries of the redevelopment area are 114th Street on the north, 122nd Street on the south, Avenue O on the east, and the Calumet River on the west. The area contains approximately 196 acres of land

The 116th/Avenue O TIF Redevelopment Project and Redevelopment Plan ("Plan") was first filed on June 1st, 2018. The Plan was approved at the Community Development Commission hearing on August 14th, 2018 and at the Chicago Plan Commission hearing on August 16, 2018. The proposed designation of the Plan is subject to approval by the City Council on October 31st 2018.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity:

NP Avenue O, LLC is an entity created by NorthPoint Development to develop the property into Avenue O. NorthPoint Development is a privately held real estate development firm based in Kansas City, which specializes in the development of Class A industrial, senior housing, multifamily and self-storage facilities. NorthPoint is one of the most active industrial development firms in the country having developed over 40,000,000 square feet of Class A industrial product since its inception in 2012. NorthPoint's business parks adhere to strict architectural guidelines including high quality materials, lighting, landscaping, setbacks, building materials and fencing standings that ensure the business parks are high quality, cohesive places to work and do business.

They are led by CEO Nathaniel Hagedorn and locally by Director of Development Tom George. Notable projects include: Lebanon 65, in Lebanon, IN, a 741,000 square-foot industrial warehouse, the Fort Wayne Logistics Center in Fort Wayne, IN, a 96 acre industrial site next to the GM Fort Wayne Assembly Plant and the Lansing Logistics Center in Lansing MI, a 260 acre master planned industrial park that will accommodate 3,000,000+ square feet of industrial space. Additionally, they current own and operate the Chicago Ford Campus, a 2,813,260 square-foot industrial park.

Consultants:

TIF Consultant:

Laube Companies
200 S Wacker Dr. Suite 3100
Chicago, IL 60606

V. PROPOSED PROJECT

Project Overview:

The Project will contain 2,260,000 square feet of industrial park space (the "Project"). It will include up to 6 multi-tenant buildings which will be built in up to 6 Phases. Construction on phase 1 is expected to begin in the second quarter of 2019 and be completed in the fourth quarter of 2020. The buildings are currently planned to be built on speculation without full tenancy at the beginning of construction. The Developer anticipates multiple occupants for each building of the Project made up of manufacturing, assembly, and distribution tenants.

In order to receive the full amount of TIF, the Project will need to create a 3 new full time equivalent employees ("FTEs") per 10,000 square feet of complete space.

The City intends to reimburse the Developer for a portion of its TIF-eligible costs in an amount not to exceed \$42,400,000 (the "City Funds"), which is 29.9% of the Total Project Costs,

currently estimated to be \$164,459,066; (the “TPC”). The City Funds will be provided, primarily, as a reimbursement for the redevelopment of the Project. Additionally the City will compensate the Developer to construct Burley Ave in the vicinity of the Project. Burley Avenue will be built to CDOT standards and will then be dedicated to the City.

V. LAND ACQUISITION

No parcels have been identified for land acquisition

VI. FINANCIAL STRUCTURE

The project will be financed with a mix of investor equity and debt. The City intends to reimburse the Developer for a portion of its TIF-eligible costs in an amount not to exceed \$52,000,000 for construction of all phases; inclusive of \$9.6 million in TIF provided for the construction of Burley Avenue. The City is providing up to 29.9% of the total cost of development. The reimbursement will come from increment generated by the Project PINs and will be provided through a Pay-As-You-Go structure to the extent the increment generated by the Project is available. Of the increment generated from the Project PINs no more than 75% will be made available for payment. Without the TIF funds this project could not be financed and would not generate an acceptable level of return on investment. The Developer assumes all risk that sufficient increment will be generated by the Project. The City has no obligation to fund any shortfall and will not port funds from an adjacent TIF.

The Developer will comply with an ongoing Operations Covenant to ensure the Developer shall continuously operate the Project in the manner agreed upon with the City of Chicago. Additionally the Developer will comply with an ongoing Jobs Covenant requiring that the Project has created the minimum number of required jobs. If the Developer does not create the required number of jobs then the amount of TIF paid will be reduced.

The following table identifies the Project’s proposed sources and uses of funds:

| <u>Sources</u> | <u>Amount</u> | <u>% of total</u> |
|-------------------------|-----------------------|-------------------|
| Equity | \$57,560,673 | 35% |
| Debt | <u>\$106,898,393</u> | <u>65%</u> |
| Total Sources | \$164,459,066 | 100% |
| | | |
| <u>Uses</u> | <u>Amount</u> | |
| Land Acquisition | \$12,600,000 | |
| Total Hard Costs | \$ 91,634,737 | |
| Total Soft Costs | \$ 29,510,231 | |
| Total Site Prep | <u>\$ 30,814,097</u> | |
| Total Development Costs | <u>\$ 164,459,066</u> | |

VII. PROJECT BENEFITS

The proposed Project will provide the following benefits:

Permanent Jobs: The project is estimated to generate 660 permanent full time jobs.

Construction Jobs: The project will create between 650 temporary construction jobs.

Infrastructure Features: The project will provide for new public infrastructure including, but not limited to, the construction of Burley Avenue and 122nd Street.

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. 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.

Environmental Features: The project will be subject to the Chicago Sustainable Development Policy.

IX. COMMUNITY SUPPORT

Alderman Garza endorses the project and has provided a letter of support

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the 116th/Avenue O Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the Redevelopment Plan:

- Encourage productive use of underutilized and vacant property
- Eliminate blighting conditions which prevent further development of the Area
- Encourage use of environmentally sustainable design standards
- Stimulate private investment
- Restore and enhance the property tax base within the Area
- Encourage sales tax producing enterprises in the Area

The implementation strategy for achieving the goals of the Plan includes the need to provide TIF financial assistance to create jobs and spur development in the Project Area.

The proposed project also conforms to the plan's 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, DPD 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 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. 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

The Department of Planning and Development has thoroughly reviewed the proposed project, the qualifications of the development team, the financial structure of the project, its need for public assistance, and DPD requests that the CDC recommend to the City Council the designation of NP Avenue O, LLC as the Developer for the vacant parcel West of Avenue O and South of 116th St.

EXHIBITS

Neighborhood Map or Aerial
TIF Map
Survey or Plat
Site Plan
Sample M/WBE Letter
Copies of M/WBE Certified Receipts
Alderman's Letter of Support