

**CITY OF CHICAGO
COMMUNITY DEVELOPMENT COMMISSION
SEPTEMBER 29, 1998**

**AUTHORITY TO SELL THE BLOCK 36 PROPERTIES
(10 WEST RANDOLPH STREET, 150 NORTH STATE STREET, 156 NORTH STATE
STREET, 160 NORTH STATE STREET, AND 162-170 NORTH STATE STREET)
WITHIN THE CENTRAL LOOP REDEVELOPMENT PROJECT AREA
TO THE ART INSTITUTE OF CHICAGO, AN ILLINOIS NOT-FOR-PROFIT
CORPORATION**

SUMMARY SHEET

ACTION

- REQUESTED:**
1. Authorize the Department of Planning and Development to enter into a redevelopment agreement with the Art Institute of Chicago, an Illinois Not-for-Profit Corporation, for the sale and redevelopment of the "Block 36 Properties" (10 West Randolph Street, 150 North State Street, 156 North State Street, 160 North State Street, and 162-170 North State Street); and
 2. Approve the sale of the Block 36 Properties to the Art Institute of Chicago for redevelopment as specified in the redevelopment agreement.

PROJECT: Central Loop Tax Increment Financing Redevelopment Project Area

LOCATION: Northwest Corner of Randolph Street and State Street

PROPOSAL: Sale for \$3.6 million of the Block 36 Properties to the Art Institute of Chicago for redevelopment as a mixed-use facility with approximately 300 student apartments to house 490 students, the Art Institute's Film Center, a live performance venue for productions such as "Shear Madness", and retail and restaurants on the first three floors. The Butler Building, 162-170 North State Street, will be renovated and will be connected to a new 16-story structure on the corner. The Art Institute also intends to incorporate the neighboring Old Heidelberg Building at 14 West Randolph Street, which is not City-owned.

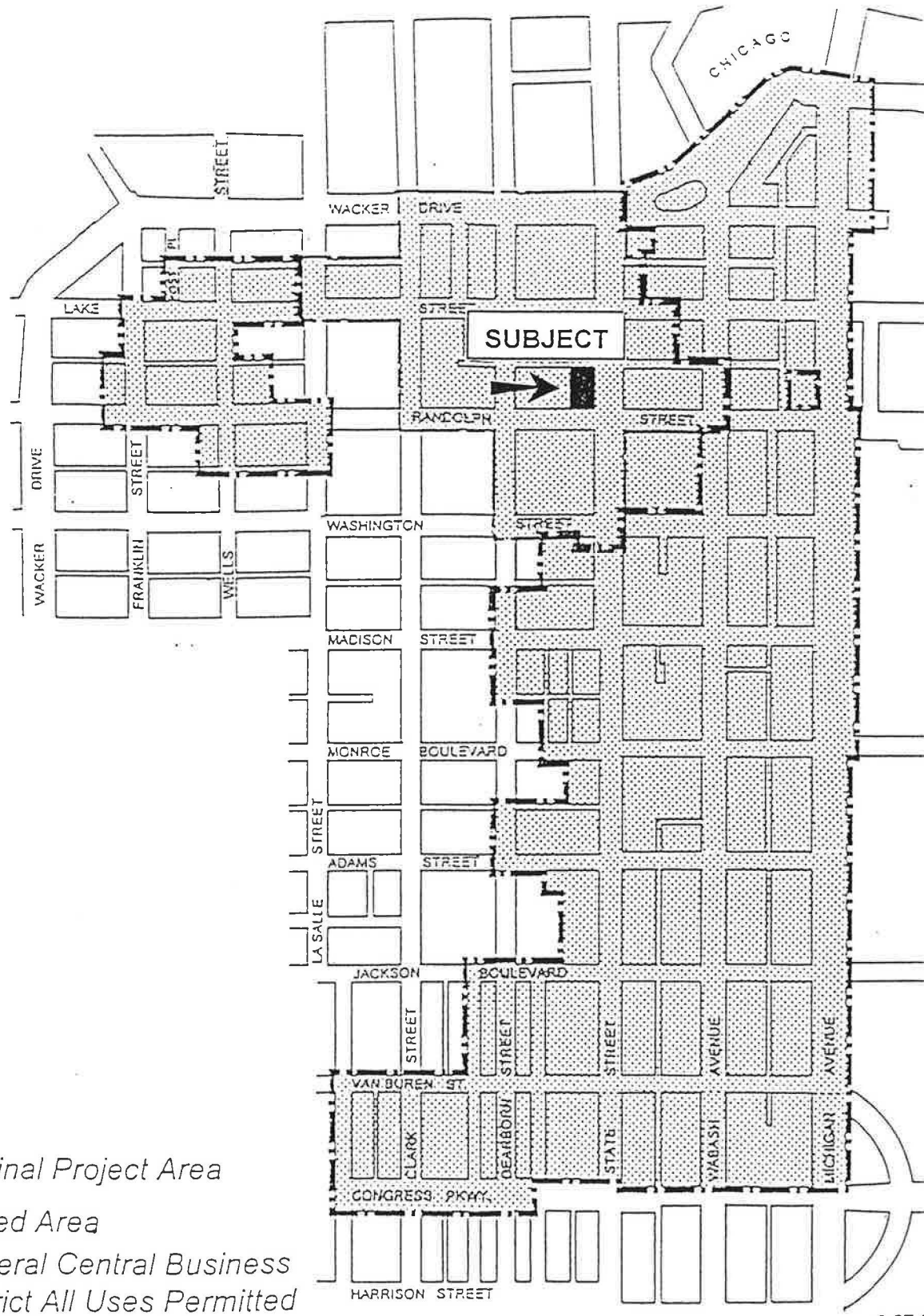
**AMOUNT OF
FINANCIAL
ASSISTANCE:**

None

REDEVELOPER: The Art Institute of Chicago


**WARD/
ALDERMAN:** 42nd
Burton Natarus

ISSUES: None anticipated.



-  Original Project Area
-  Added Area
-  General Central Business District All Uses Permitted

Figure 2
Land Use Plan

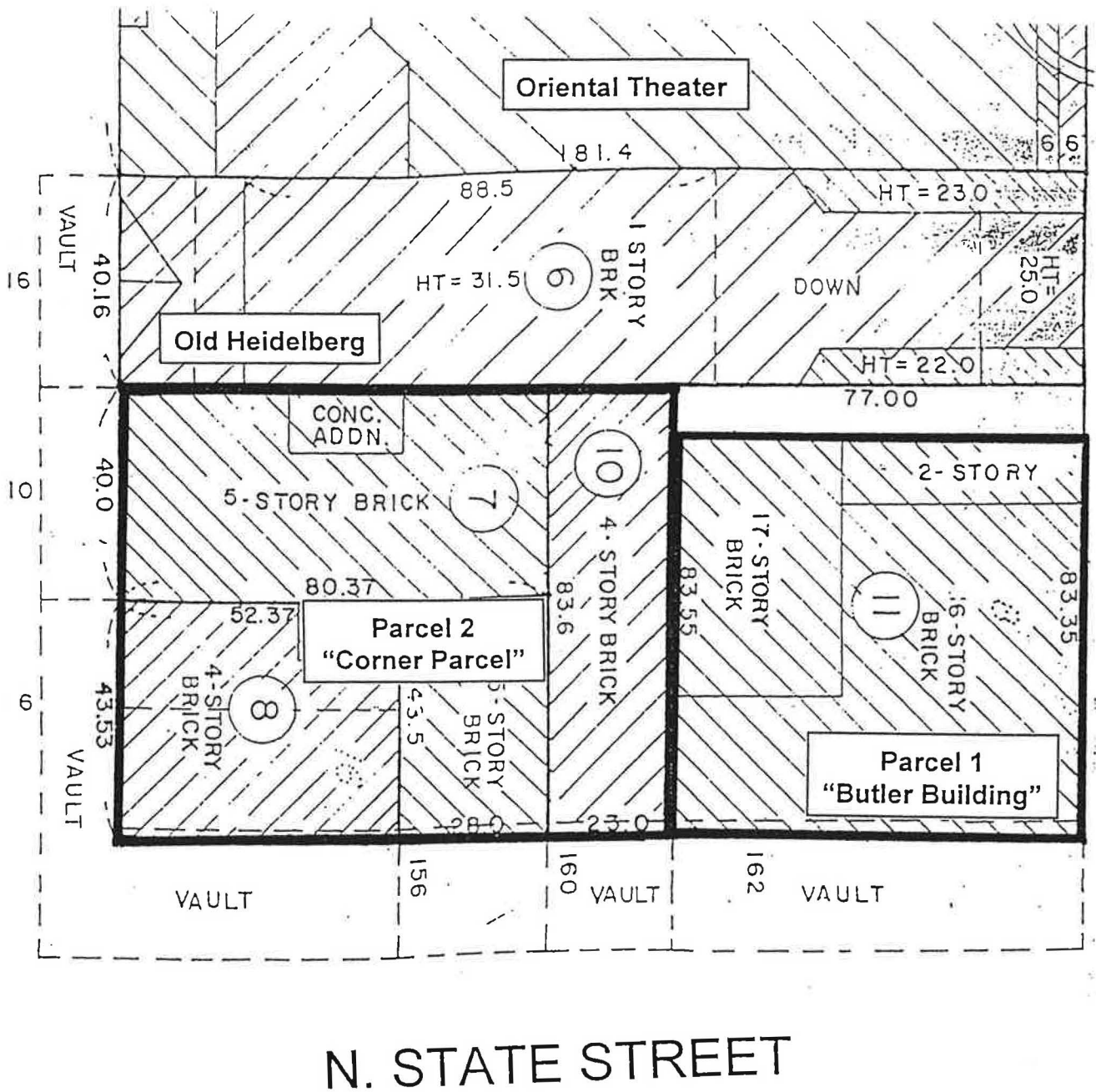
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North 

Central Loop City of Chicago, Illinois

Tax Increment Financing Redevelopment Project

Prepared By: Trkla, Pettigrew, Allen & Payne, Inc.

W. RANDOLPH ST.



Parcel 2: Corner Parcel			Area
160 N. State	84	23	1,923
156 N. State	44	28	1,218
150 N. State	44	52	2,280
10 W. Randolph	40	80	3,215
Parcel 2: Total			8,635

Parcel 1: The Butler Building			Area
162 N. State	84	77	6,433

Note: numbers are rounded.

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STAFF REPORT

MR. CHAIRMAN AND MEMBERS OF THE COMMISSION:

The Resolution before you requests that the Community Development Commission authorize the sale of the "Block 36 Properties" (10 West Randolph Street, 150 North State Street, 156 North State Street, 160 North State Street, and 162-170 North State Street) to the Art Institute of Chicago, an Illinois Not-For-Profit Corporation, for \$3,600,000 with no financial assistance. The Resolution also requests that you authorize the Department of Planning and Development ("DPD") to entering into a redevelopment agreement, on behalf of the City, with the Art Institute on terms agreeable to DPD and the Corporation Counsel.

BACKGROUND:

The Block 36 Properties (10 West Randolph Street, 150 North State Street, 156 North State Street, 160 North State Street, and 162-170 North State Street), on the northwest corner of State and Randolph streets, are located within the Central Loop Tax Increment Financing Redevelopment Project Area. See attached maps. The site is located at one of the most prominent and visible corners of one of Chicago's most visited shopping streets and at the center of the emerging downtown Theater District.

In order to effect the successful and appropriate redevelopment of this corner, the City initiated acquisition of the properties in 1993. Acquisition was completed in early 1998. Subsequently, DPD requested and received approval of the Community Development Commission pursuant to Resolution N. 98-CDC-38, on April 14, 1998, to issue and advertize a Request for Proposals ("RFP") for the sale and redevelopment of the Block 36 Properties. DPD issued the RFP on April 20, 1998, advertising in local publications.

The RFP was issued in the context of the City of Chicago's "Vision for Greater State Street: Next Steps" and the Central Loop TIF Redevelopment Plan. One of the goals of both plans is to bring new life to State Street and downtown by: 1) rehabilitating historic structures; 2) filling vacant upper stories of buildings with people-intensive uses; and 3) in some cases, removing dilapidated, underutilized buildings and replacing them with high-quality, contextual buildings that will reinforce the image of vitality, quality and permanence that is associated with State

Street and the Loop. Because of the prominent location which calls for a heightened sensitivity to both design and building usage, the RFP featured detailed design standards for both the rehabilitation of existing structures, as well as new construction, as developed in the "Vision for Greater State Street: Next Steps."

The RFP described the Block 36 Properties as being comprised of two parcels. Parcel 1 included the Butler Building, located at 162-170 N. State Street, which was built in 1924 and was typical of the "high-rise specialty shops" buildings constructed in the Loop throughout the 1910s and 1920s. The RFP called for the rehabilitation and re-tenanting or conversion of the Butler Building. Preferred uses prescribed were a restaurant or retail use at grade, and a "people intensive use" (or mix of uses) in the upper stories.

Parcel 2 included the four buildings south of the Butler Building including: 160 N. State Street, 156 N. State Street, 150 N. State Street, 10 W. Randolph Street. The RFP recommended that the redevelopment of Parcel 2 include uses that complement the surrounding retail, theater, and entertainment district. Proposers were encouraged to explore the incorporation of the facades of 156 N. State Street and 160 N. State Street.

The minimum bid price for Parcel 1 was \$2,000,000. The minimum bid price for Parcel 2 was \$1,000,000 (assuming 4 FAR -- based on the minimum height guideline recommended in the "Vision Plan"), plus \$100,000 per additional unit of proposed FAR. As part of the redevelopment agreement, the RFP stated that DPD will require that any FAR allowed in building permits not exceed the amount of FAR purchased. Proposals comprising both parcels were encouraged. Therefore, the minimum bid price for proposals encompassing both Parcel 1 and Parcel 2 was 20% less than the total of the two parcels' minimum bids. In addition, the City encouraged proposers to consider the feasibility of incorporating the privately-owned structure located at 16 W. Randolph Street currently occupied by Ronnie's Steak House, also known as the Old Heidelberg Building.

The City held a pre-submittal conference on May 15, 1998, and conducted a tour of the Butler Building for interested parties. Responses to the RFP were due on July 6, 1998.

RFP RESPONSES:

DPD received five responses to the RFP. The proposals included:

Art Institute of Chicago and Smithfield LLC: New construction of a 16-story building which when combined with the renovated Butler Building will provide 262 student apartments for 400 students, 9,000 sq.ft. of retail, and the Art Institute's Film Center. The purchase price offered was \$3.6 million with no TIF request. The total project cost was \$37 million.

Randolph Development LLC (All Chicago LLC): New construction of a 4-story building with 27,500 sq. ft. of retail space, restaurants and several film festivals including the Chicago International Film Festival on the corner, with the possible reuse of the 160 and 156 N. State facades. The Butler Building would be converted to a 76-unit rental apartment building. The

plan incorporated the Old Heidelberg building. The purchase price offered was \$2.4 million with approximately \$6.65 million in City financial assistance requested. The total project cost was \$29.7 million.

State Street Venture (The Prime Group Inc., Horizon Group Properties Inc., and The Klutznick-Fisher Group): Demolition of all the properties including the Butler Building and the Old Heidelberg Building for a three-story retail development of about 90,000 sq. ft. The purchase price offered was \$2.4 million with no TIF request. The total project cost was \$20 million.

Dalan Development and East Lake Management & Development: New construction 33,800 sq.ft. of retail space at the corner. The Butler Building was to be converted into a 128-room hotel. The purchase price offered was \$2.4 million with \$1 million in City financial assistance requested. The total project cost was \$13 million.

Theater Center Venture (R. M.Chin & Associates, Inc. and Everest Partners LLC): New construction of 33,600 sq.ft. of retail space at the corner plus restaurants. The Butler Building would be converted into 66 residential apartments. The purchase price offered was \$2.4 million with \$12.4 million in City financial assistance requested. The total project cost was \$33.5 million.

EVALUATION PROCESS AND CRITERIA:

An Evaluation Committee, comprised of DPD staff, staff representatives from other City departments, and CDC Commissioner Alphonse Guajardo (non-voting member), was appointed by DPD to review the proposals based upon the following criteria (not listed in order of importance):

1. Quality of the redevelopment concept, and conformity of that concept to the goals, objectives, requirements, and parameters set forth in this RFP, including the Design Guidelines.
2. Completeness and responsiveness of the proposal.
3. Professional and Technical competence as evidenced by:
 - a. Professional qualifications and specialized experience of development team;
 - b. Current and past performance of the development team on similar projects.
4. Project completion schedule.
5. Economic development benefits to the City and economic feasibility of the project.
6. Respondent's financial qualifications including a proven ability to obtain financing for similar projects and the amount of equity the respondent includes in its proposal.
7. Total investment contemplated, purchase price offered, and public assistance requested, if any.
8. The level and quality of the Affirmative Action Plan for participation by Minority and Women business enterprise (MBE/WBE) firms.
9. Quality and completeness of hiring strategy for Chicago residents in conjunction with the Chicago Hiring Ordinance.
10. Compliance with applicable Laws, Ordinances, and Statutes.

After reviewing the proposals and evaluating them based upon the above criteria, the Evaluation Committee made a recommendation to short-list the two strongest proposals, the Art Institute of Chicago and Randolph Development LLC. The three remaining proposers were rejected for key non-responsive elements, such as infeasibility, inexperience, subsidies required, demolition of total site; these proposers were notified in writing. The two short-listed proposers were sent letters requesting clarifications and additional information, and DPD staff then met with both groups individually. Based upon those meetings, some revisions were made such that the proposals evolved to the following.

Modifications to the Randolph Development LLC proposal resulted in a proposal with 46,000 sq.ft. of retail space, including 18,400 sq.ft. of restaurant, pub, and cabaret space; and a reduction of 12 apartments to a total of 64 apartments (to accommodate a mix of 1-bedroom and 2-bedroom units). Total development cost decreased from \$29.7 million to \$26.8 million. The project would raise an estimated \$518,000 of real estate taxes annually, and \$360,240 of net city sales taxes. The purchase price of \$2.4 million remained unchanged, but the TIF request was reduced to \$3.25 million (12.1%).

The proposal by the Art Institute of Chicago was modified as follows: increased amount of combined retail and restaurant space to 40,000 sq. ft.; additional student apartments to house 78 more students for a total of 490 students in approximately 300 apartments; live theater space that could be used for the "Shear Madness" production company in addition to the Film Center; a redesign to provide a stronger street-level presence and landscaping; and the intention to incorporate the privately-owned Old Heidelberg property into the development. The total development cost increased from \$37 million to \$49 million while the \$3.6 million purchase price and lack of TIF request remained the same. The project will raise an estimated \$286,000 of real estate taxes annually, and \$283,290 net city sales taxes. The project expects to renovate the Butler Building for occupancy in September 1999 and have the retail space open for the 1999 holiday season. The corner building student apartment will be ready for occupancy September of 2000.

The team proposed for the redevelopment of the Block 36 Properties is the same that renovated the Chicago Building, a designated Chicago Landmark at 7 W. Madison, for reuse as a Residence Hall for the School of the Art Institute. The conversion of the Chicago Building was successfully completed in a short seven months. This team also developed the Toys-R-Us store immediately to the south of the Chicago Building. Key team members include: Smithfield Properties LLC wholly owned by W. Harris Smith (developer), Booth Hansen Associates (architect), Mid-America Realty (retail broker), and Wooten Construction (general contractor). The *Chicago Sun Times* awarded this development with the Developer of the Year Award for Design Build Construction in 1997.

Smithfield and Mr. Smith individually has developed more than \$100 million worth of commercial property in the last three years in the City of Chicago. Some of the projects include several sites on Goose Island, Webster Place (a 100,000 sq. ft. retail complex at Webster and Clybourn), the Belden (a mixed-use retail/residential project at Clark and Belden streets), and

several properties in River North including Kingsbury Center (a 145,000 sq. ft. retail/office development at Kingsbury and Hubbard).

DPD recommends that the City enter into a redevelopment agreement with the Art Institute for the following reasons:

- the 16-story corner building which contributes to a higher purchase price and a true 24-hour life for the area;
- the ability to complete the project with no subsidies and an aggressive development schedule; and
- the development team's proven experience with similar redevelopment projects.

While the Randolph Development project is estimated to generate \$300,000 more in direct property and sales tax revenue on an annual basis (since the Art Institute is a not-for-profit corporation), it would take 14 years for the Randolph Development project to yield the same fiscal benefit as that of the Art Institute due to the higher purchase price and absence of TIF request .

CONFORMANCE WITH REDEVELOPMENT PLAN:

The redevelopment of the Block 36 Properties is consistent with the Central Loop Tax Increment Financing Redevelopment Plan and Project ("Central Loop Plan") established by the City Council on February 7, 1997.

The implementation of the Art Institute of Chicago's proposal will help the City realize the following goals and objectives, which are contained in the Central Loop Plan:

General Goals

1. Improve the quality of life in the Area, in the Loop, and the City by eliminating the influences and the manifestations of physical and economic deterioration and obsolescence within the Area.
2. Create an environment within the Area which will contribute more positively to the health, safety, and general welfare of the City, and preserve or enhance the value of properties adjacent to the Area.
3. Increase the real estate and sales tax base for the City and other taxing districts having jurisdiction over the Area.

Development and Design Objectives

4. Encourage developments which increase pedestrian traffic throughout the day and evening.
5. Reinforce and increase the appeal of the Area to tourists and other visitors as well as residents of the City.

6. Reinforce the architectural and historical characteristics of the Area.
7. Protect the most significant buildings and districts through landmark designation and, as appropriate, restoration, rehabilitation, renovation and adaptive re-use.

Project benefits are multiple; the rehabilitation and re-tenanting of the largely vacant Butler Building will add life to State Street and downtown, and save an historic structure. Redevelopment of Parcel 2 will result in the removal of blighted uses and dilapidated structures. The sale of City-owned buildings will return them to the tax rolls. Investment in this corner will create incremental increases in property taxes, and sales and other tax revenues. Development of this corner with uses that complement the adjacent theater uses will make downtown more lively and vibrant. The student housing/ retail/ restaurant/entertainment uses are consistent with the "24-hour downtown" concept implicit both in the Central Loop Plan and the State Street Vision Plan.

ECONOMIC BENEFIT ANALYSIS:

The proposed development will result in the following estimated benefits:

- Direct tax revenues to the City, including real estate, and sales taxes from the retail, restaurant, and entertainment in excess of \$5 million by 2008.
- 350 construction jobs
- 135 permanent positions for retail, restaurant, theater, and student housing operations.
- \$14.6 million will be spent in Chicago during the construction period.
- Between 1999 and 2004, the project will spend approximately \$20 million dollars in operations expenses such as food, supplies, and services.
- By the year 2001, student resident expenditures will generate about \$4 million of output, translating into just over 50 jobs and \$1.8 million of income.

Affirmative Action; Economic Opportunities:

The Art Institute of Chicago and Smithfield LLC will be pro-active in achieving a minimum 25% MBE and 5% WBE participation for this project. Both the Art Institute and Smithfield have successful affirmative action histories and strong records of working closely with minority- and women-owned businesses on projects.

RECOMMENDATION:

The Department of Planning and Development recommends that the Community Development Commission authorize the sale of the Block 36 Properties to the Art Institute of Chicago for the amount of \$3,600,000 conditioned upon the city entering into a redevelopment agreement on terms agreeable to DPD and the Corporation Counsel, as embodied in the attached resolution.

Support for this project has been expressed by the Greater State Street Council, the State Street Commission, The Friends of Downtown, and Alderman Natarus.

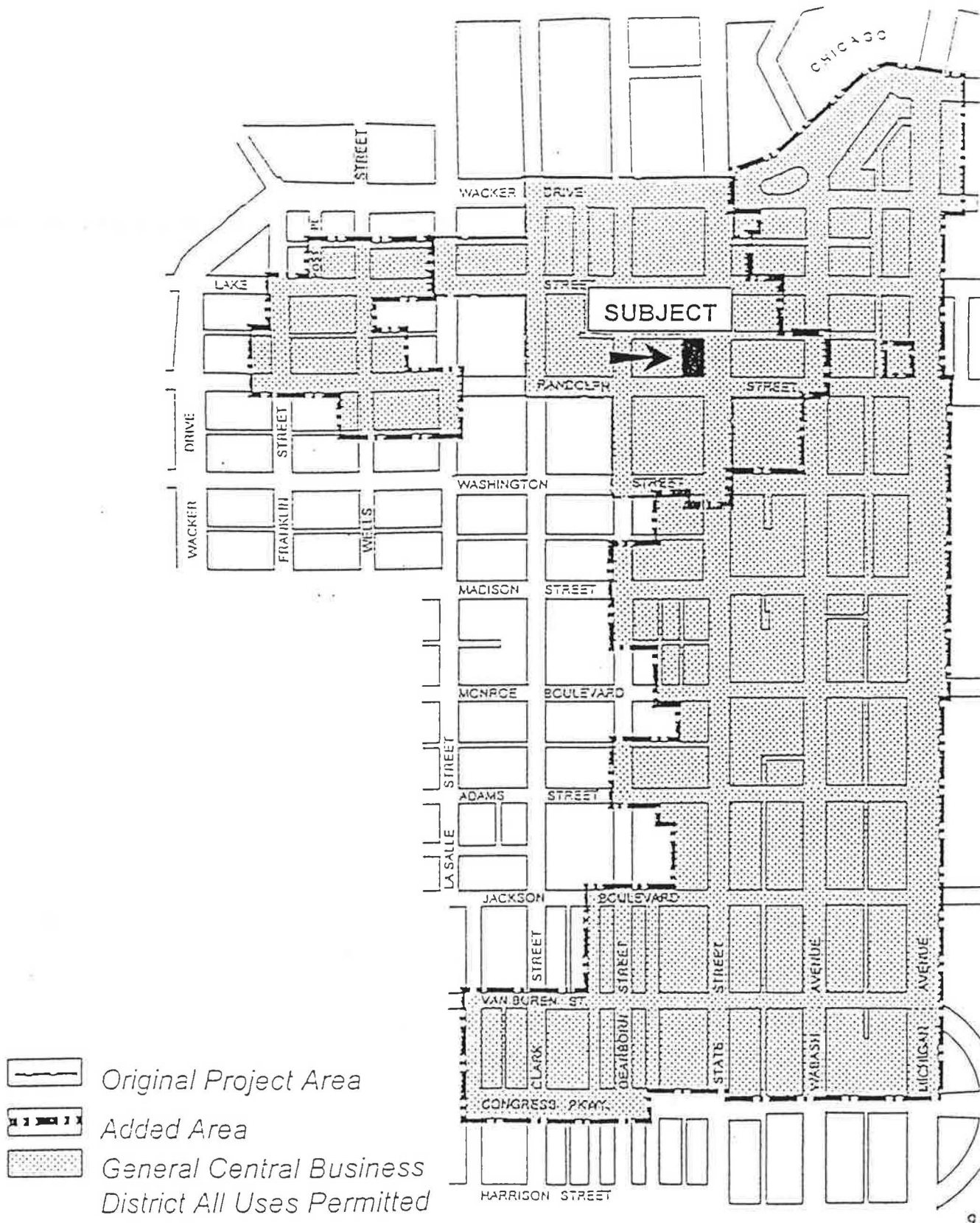


Figure 2
Land Use Plan

COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF CHICAGO

RESOLUTION NO. 98-CDC__

**AUTHORITY TO SELL THE BLOCK 36 PROPERTIES
(10 WEST RANDOLPH STREET, 150 NORTH STATE STREET, 156 NORTH STATE
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TO THE ART INSTITUTE OF CHICAGO, AN ILLINOIS NOT-FOR-PROFIT
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WHEREAS, the Commission has heretofore been appointed by the Mayor of the City with the approval of its 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) pursuant to 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.) (1993) ("Act"); 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 Act; and

WHEREAS, the Central Loop Tax Increment Financing Redevelopment Plan and Project ("TIF Plan") was approved by the City Council on February 7, 1997, pursuant to the Act; and

WHEREAS, the City's Department of Planning and Development ("DPD") requested and received authority by the Commission pursuant to resolution 98-CDC-38 to issue a Request for Proposals ("RFP") for the conveyance and redevelopment of the Block 36 Properties; and

WHEREAS, DPD advertised the City's intention to sell the Parcels on April 20, 1998; and

WHEREAS, DPD received five responses to the RFP by the July 6, 1998 deadline; and

WHEREAS, based upon staff and community review, DPD has determined the proposal of the Art Institute of Chicago, an Illinois not-for-profit corporation ("Developer") was very responsive to the RFP and in conformance with the TIF Plan; and

WHEREAS, DPD requests the authority of the Commission to sell the Block 36 Properties (10 West Randolph Street, 150 North State Street, 156 North State Street, 160 North State Street, and 162-170 North State Street in the City of Chicago) to the Art Institute of Chicago for the amount of \$3,600,000; *now, therefore,*

BE IT RESOLVED BY THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF CHICAGO THAT:

Section 1. The preambles hereto are incorporated herein as if set out in full.

Section 2. The Commission hereby authorizes the sale of the Block 36 Properties to the Art Institute of Chicago for the amount of \$3,600,000 conditioned upon the City entering into a redevelopment agreement with the Developer on terms agreeable to DPD and the Corporation Counsel.

Section 3. This resolution shall be effective as of the date of its adoption.

Section 4. A certified copy of this resolution shall be transmitted to the City Council.

ADOPTED: