

**DEPARTMENT OF PLANNING AND DEVELOPMENT  
CITY OF CHICAGO**

**Mentor Building, LLC**

**Summary Sheet  
Property Located at  
37-41 South State Street  
June 22, 1999**

**Action Requested:**

1. Grant authority to publish notice of the intention of the City of Chicago to negotiate a redevelopment agreement with Mentor Building, L.L.C. for the rehabilitation and conversion to residential use of the property located at 37-41 South State Street in the Central Loop TIF (see attached map); and
2. Request alternative proposals; and
3. Recommend to the City Council of the City of Chicago the designation of Mentor Building, L.L.C. as the developer if no alternative proposals are received.

**Developer:** Mentor Building, L.L.C.

**Address:** c/o Joseph Freed and Associates  
1400 S. Wolf Road  
Building 100  
Wheeling, IL 60090

**Summary of Redevelopment Project:**

The developer has purchased the property and intends to rehabilitate it to allow for retail use on the lower two floors with residential use on floors 3-17. The retailer occupying the lower two floors will be The Children's Place which designs, manufactures and sells clothing for children from newborn to age 12. The Children's Place has signed a ten-year lease to occupy this space.

The building is an ideal candidate for residential conversion because it has a small floor plate and floor sizes with window lines that divide easily into residential units. The redevelopment project contemplates the creation of a separate residential lobby on the ground floor of the property which will front Monroe Street. Forty-five condominiums with an average of 1,010 square feet will be constructed on the upper 15 floors. The mix of units includes 28 one bedroom units, 14 two bedroom units and 2 three bedroom units. A gym will be constructed in the basement for use by condominium owners.

The Mentor building currently shares mechanical and utility systems with the adjacent Carson Pirie Scott department store. New systems to serve the Mentor Building alone will be constructed as part of this project. The new systems include mechanical and utility systems, HVAC, elevators, electrical, sewer and water systems.

A key element to the project is the renovation and repair of the exterior of the building. The developer will undertake an approximately \$1.7 million facade renovation program that includes the enhancement of the cornice, the replacement and/or repair of missing columns and terra cotta and other activities to closely restore the building to its original condition. Also, as part of this redevelopment proposal the developer will pursue Chicago Landmark status for the property.

**Type of Assistance:**

The City intends to provide the developer with the lesser of \$2.5 million in TIF assistance or 21.7% of the total project costs in certain increments following the completion of certain milestones (e.g., the construction and delivery of the retail space, the construction of one-half the residential units, etc.). Any increase in project costs will be the responsibility of the developer.

**Ward:** 42nd

**Alderman:** Burton F. Natarus

**COMMUNITY DEVELOPMENT COMMISSION MEETING**  
**June 22, 1999**

**STAFF REPORT**  
**Mentor Building, L.L.C.**

**For a Property located at 37-41 South State Street**  
**Central Loop TIF Redevelopment Project Area**

MR. CHAIRMAN AND MEMBERS OF THE COMMISSION:

The Resolution before you requests that you:

1. Grant authority to publish notice of the intention of the City of Chicago to negotiate a redevelopment agreement with Mentor Building, L.L.C. for the rehabilitation and conversion to residential use of the property located at 37-41 South State Street in the Central Loop TIF (see attached map); and
2. Request alternative proposals; and
3. Recommend to the City Council of the City of Chicago the designation of Mentor Building, L.L.C. as the developer if no alternative proposals are received.

**THE PROPOSED DEVELOPER:**

The proposed developer is a limited liability corporation comprised of the following entities for which we have Economic Disclosure Statements on file:

<u>Entity</u>	<u>% of Ownership</u>
Laurance H. Freed	1%
Joseph J. Freed & Associates, Inc.	49%
Centrum-Mentor Limited Partnership	50%

**BACKGROUND:**

The following goals are identified in the Central Loop TIF Redevelopment Plan approved by City Council in 1997:

- Stimulate private investment in rehabilitation and adaptive reuse of existing buildings.
- Encourage developments which increase pedestrian traffic throughout the day and evening.
- Expand the residential population of the redevelopment project area.

A description of the proposed redevelopment project shows the project is in conformance with these goals and the overall redevelopment plan for the Central Loop TIF.

### **THE PROPERTY:**

The subject property is located at 37-41 South State Street, on the northeast corner of State and Monroe Streets. The 17-story building is adorned with terra cotta detailing and a large, ornate cornice. The building was designed by Howard Van Doren Shaw and constructed in 1905, at which time it was one of the tallest buildings in the world. The large windows with floor to ceiling glazing on the lower four floors are considered to have predated the vertical malls of North Michigan Avenue by some seventy years. The floors above the first floor of the property have sat vacant for nearly 15 years.

### **THE REDEVELOPMENT PROJECT:**

The developer has purchased the property and intends to rehabilitate it to allow for retail use on the lower two floors with residential use on floors 3-17. The retailer occupying the lower two floors will be The Children's Place which designs, manufactures and sells clothing for children from newborn to age 12. The Children's Place has signed a ten-year lease to occupy this space.

The building is an ideal candidate for residential conversion because it has a small floor plate and floor sizes with window lines that divide easily into residential units. The redevelopment project contemplates the creation of a separate residential lobby on the ground floor of the property which will front Monroe Street. Forty-five condominiums with an average of 1,010 square feet will be constructed on the upper 15 floors. The mix of units includes 28 one bedroom units, 14 two bedroom units and 2 three bedroom units. A gym will be constructed in the basement for use by condominium owners.

The Mentor building currently shares mechanical and utility systems with the adjacent Carson Pirie Scott department store. New systems to serve the Mentor Building alone will be constructed as part of this project. The new systems include mechanical and utility systems, HVAC, elevators, electrical, sewer and water systems.

A key element to the project is the renovation and repair of the exterior of the building. The developer will undertake an approximately \$1.7 million facade renovation program that includes the enhancement of the cornice, the replacement and/or repair of missing columns and terra cotta and other activities to closely restore the building to its original condition. Also, as part of this redevelopment proposal the developer will pursue Chicago Landmark status for the property.

### **PUBLIC BENEFITS:**

- Allows for the adaptive reuse of a building that has been predominantly for the last 15 years.
- Promotes pedestrian traffic throughout the day and evening.
- Preserves historic facade and lobby (developer is pursuing landmark status).

- Expands the residential population in the Central Loop area.

The developer has signed affidavits indicating a commitment to comply with all City requirements regarding M/WBE, City residency, and prevailing wage. The developer will also commit in the Redevelopment Agreement to a program that will increase the participation of disadvantaged persons and/or firms in the maintenance and operation of the building.

**RECOMMENDATION:**

The Resolution before you requests that you:

1. Grant authority to publish notice of the intention of the City of Chicago to negotiate a redevelopment agreement with Mentor Building, L.L.C. for the rehabilitation and conversion to residential use of the property located at 37-41 South State Street in the Central Loop TIF (see attached map); and
2. Request alternative proposals; and
3. Recommend to the City Council of the City of Chicago the designation of Mentor Building, L.L.C. as the developer if no alternative proposals are received.

**Mentor Building, L.L.C.**  
**Central Loop TIF Redevelopment Project Area ("Area")**  
**Basic Terms**

Mentor Building, L.L.C. (the "Developer") proposes to rehabilitate and convert the 17-story property located at 37-41 South State Street to primarily residential use. The lower two floors of the building will be occupied by a retailer who has signed a 10-year lease.

The City intends to provide the developer with the lesser of \$2.5 million in TIF assistance or 21.7% of the total project costs in increments following the completion of certain milestones (e.g., the construction and delivery of the retail space, the construction of one-half the residential units, etc.). Any increase in project costs will be the responsibility of the developer.

Specific provisions related to the City's remedies upon default, the discontinuance of operations, the sale or transfer of interest in the property by the Developer, refinancing, casualty or condemnation of the project, and other conditions will be addressed in the redevelopment agreement.

**SOURCES AND USES OF FUNDS**

<u>SOURCES</u>		<u>USES</u>	
Initial Equity	\$ 500,000	Acquisition	\$ 1,416,790
Equity - Retail Refinance	\$ 2,250,000	Sitework	\$ 319,000
Construction Loan	\$ 4,435,577	Masonry - Facade Repair	\$ 1,700,000
Net Sales Proceeds	\$ 1,820,583	Metals; Woods & Plastics	\$ 480,200
City TIF Assistance	\$ 2,500,000	Equipment	\$ 128,000
<b>TOTAL SOURCES</b>	<b>\$11,506,161</b>	Thermal & Moisture Protection	\$ 87,000
		Doors, Windows & Hardware	\$ 765,000
		Finishes	\$ 928,000
		Specialties	\$ 57,200
		Elevators	\$ 486,000
		Mechanical Systems	\$ 945,440
		Electrical Systems	\$ 547,500
		Contingency	\$ 682,104
		General Conditions	\$ 362,700
		Soft Costs	\$ 2,586,371
		<b>TOTAL USES</b>	<b>\$11,506,161</b>

COMMUNITY DEVELOPMENT COMMISSION  
OF THE  
CITY OF CHICAGO

RESOLUTION NO. 99-CDC-\_\_

AUTHORITY TO

PUBLISH NOTICE  
OF THE INTENTION OF THE CITY OF CHICAGO  
TO NEGOTIATE A  
REDEVELOPMENT AGREEMENT WITH  
MENTOR BUILDING, LLC  
FOR A SITE LOCATED AT 37-41 SOUTH STATE STREET  
WITHIN THE  
CENTRAL LOOP REDEVELOPMENT PROJECT AREA,

AND

TO REQUEST ALTERNATIVE PROPOSALS,

AND

RECOMMEND TO  
THE CITY COUNCIL OF THE CITY OF CHICAGO  
THE DESIGNATION OF  
MENTOR BUILDING, LLC  
AS THE DEVELOPER IF NO OTHER  
RESPONSIVE ALTERNATIVE PROPOSALS ARE RECEIVED

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 (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) (the "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 City Council, upon the Commercial District Development Commission's recommendation pursuant to Resolution 96-CDC-81 and pursuant to the Act, enacted three ordinances on February 7, 1997, pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the Central Loop project area (the "Area"),

designated the Area as a redevelopment project area and adopted tax increment allocation financing for the Area (such ordinances, collectively, the "TIF Ordinances"). The street boundaries of the Area and street address, if available, are described on Exhibit A hereto; and

WHEREAS, Mentor Building, LLC (the "Company"), has presented to the City's Department of Planning and Development ("DPD") a proposal for the redevelopment of the Area or a portion thereof that is in compliance with the Plan, consisting of the rehabilitation and conversion of the 17-story property located at 37-41 South State Street to primarily residential use (the "Project"); and

WHEREAS, pursuant to Section 5/11-74.4-4(c) of the Act, the City may not enter into any agreement regarding redevelopment within the Area without first making public disclosure of the terms of such agreement and all bids and proposals related thereto and providing reasonable opportunity for any person to submit an alternative proposal or bid; and

WHEREAS, DPD requests the authority of the Commission to make the required disclosure by publishing notice substantially in the form set forth as Exhibit B hereto (the "Notice") in the Chicago Sun-Times or the Chicago Tribune, being newspapers of general circulation within the Area; and

WHEREAS, DPD requests that the Commission recommend to City Council that the Company be designated as the developer for the Project and that DPD be authorized to negotiate, execute and deliver a redevelopment agreement with the Company for the Project, if no responsive alternative proposals are received by DPD within fourteen days after publication of the Notice; 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 authorizes DPD to publish the Notice.

Section 3. The Commission hereby recommends to City Council that, subject to the condition described below, the Company be designated the developer for the Project and that DPD be authorized to negotiate, execute and deliver on the City's behalf a redevelopment agreement with the Companies for the Project, so long as no responsive alternative proposals are received by DPD within the time recited above.

Section 4. 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 5. All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.



Section 7. This resolution shall be effective as of the date of its adoption.

Section 8. A certified copy of this resolution shall be transmitted to the City Council.

ADOPTED: \_\_\_\_\_, 1999

Attachments: Exhibit A, Description of the Area  
Exhibit B, Form of Notice requesting Alternative Proposals

## EXHIBIT B

**PUBLIC NOTICE** is hereby given by the Community Development Commission ("CDC") of the City of Chicago (the "City") pursuant to Section 5/11-74.4-4(c) of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1 et seq.) (1993) (the "Act"), that the City's Department of Planning and Development ("DPD") intends to negotiate a redevelopment agreement (the "Redevelopment Agreement") with Mentor Building, LLC, (the "Company") pursuant to which the City intends to provide financial assistance to the Company, using tax increment allocation financing ("TIF") revenues pursuant to the Act and other sources of funds, for the redevelopment of the Area or a portion thereof that is in compliance with the Plan, consisting of the rehabilitation and conversion of the 17-story property located at 37-41 South State Street to primarily residential use (the "Project") on the northeast corner of State Street and Monroe Street on a site in Chicago, Illinois (the "Site"), within the Central Loop Redevelopment Project Area (the "Area") established pursuant to the Act. The Site is to be redeveloped primarily for residential use. The Area is irregularly shaped and generally bounded as follows:

Waker Drive on the north, Michigan Avenue on the east, Congress Parkway on the south, and Dearbon, LaSalle and Franklin Streets on the west.

### **THE CITY HEREBY INVITES ALTERNATIVE PROPOSALS FOR THE REDEVELOPMENT OF THE SITE FOR CONSIDERATION BY THE CITY.**

The documents listed below related to the Area and the Project are available for public inspection at the offices of DPD, Room 1000, City Hall, 121 North LaSalle Street, Chicago, Illinois between the hours of 9:00 a.m. and 4:00 p.m. Monday through Friday:

- (i) "Central Loop Tax Increment Redevelopment Plan and Project" (the "Plan")
- (ii) a terms sheet showing all proposed material terms of the Redevelopment Agreement as of the date hereof, including but not limited to an estimated Project budget setting forth the amount of financial assistance the City intends to provide to the Company for the Project; and
- (iii) the terms of all bids and proposals received, if any, by the City related to the Project and the Redevelopment Agreement.

Please contact Tyrone Tabing of DPD at (312) 744-0986 to review these materials and for information regarding the form required for proposals submitted to the City. Those submitting alternative proposals must be financially and otherwise qualified to complete the Project. The City reserves the right to reject any and all proposals. Proposals will be received by the City at DPD's offices, Room 1000, City Hall, 121 North LaSalle Street, Chicago, Illinois 60602, until \_\_\_\_\_, 1999 at 10:00 a.m., at which time all alternative proposals will be opened and reviewed.

**Elvin E. Charity, Chairman**  
**COMMUNITY DEVELOPMENT COMMISSION**  
**City of Chicago**