

CITY OF CHICAGO
Community Development Commission
Department of Planning & Development
August 13, 2002

Does the \$500k
in financing costs
still apply to
the budget?

SUMMARY SHEET
L'Oréal USA Products, Inc.
Near South Tax Increment Financing Redevelopment Project

Action

- Requested:** (1) Authorize the Department of Planning and Development ("DPD") to negotiate a redevelopment agreement with L'Oréal USA Products, Inc. and/or a related entity to be formed (the "Developer") for the use of tax increment financing bond proceeds and/or incremental tax revenues for the redevelopment of property at 2101 South Wabash Avenue located at the southeast corner of the intersection of South Wabash Avenue and East 21st Street (the Property"), within the boundaries of the Near South Redevelopment Project Area (the "Area"); and
- (2) Conditionally recommend to the City Council of the City of Chicago (the "City") the designation of L'Oréal USA Products, Inc. and/or a related entity to be formed as the Developer for the Property within the Area.

Project: The redevelopment of a six-story brick building with a floor area of approximately 57,600 square feet, situated on approximately 9,400 square feet of land into office space, and research and development facilities for L'Oréal's ethnic beauty division. The building has been vacant for approximately seven years. The complex will include research and development laboratories, facilities for symposia and lectures, office space, and a product-testing salon open for community use.

Location: The property is located at 2101-2105 South Wabash Avenue, in the Near South TIF, and is generally bounded by East 21st Street on the north, East Cermak Road on the south, South Michigan Avenue on the east, and South Wabash Avenue on the west.

Site Area: 9,400 square feet of land; 57,600 square feet of usable floor space on six floors.

Developer: The proposed developer of the project is L'Oréal USA Products Inc., a Delaware corporation, and a wholly owned subsidiary of Paris-based L'Oréal SA.

Assistance: \$2 million in the form of a TIF Developer Note will be provided to the developer. The total project cost is approximately \$11.1 million. Because the project consists of two phases, the Developer will only be entitled to a percentage of the Note after completion of Phase I that is roughly equal to the percentage of TPC expended during the completion of Phase I.

Sales Price: N/A; L'Oréal USA Products, Inc. owns the building.

Ward & Alderman: 2nd Ward; Alderman Madeline L. Haithcock

Issues: N/A

Public

Benefits: Job Creation and Retention
Approximately 30 new jobs will be created over 5 years, and 23 jobs will also be retained. Twenty-one of the new jobs created will go to a team of highly skilled scientists, with an average salary of \$60,000.

Community Development

The Developer will establish a product evaluation center consisting of a 12-seat hair salon open for community use. Clients will receive hair styling services free of charge. The products researched and services offered at this facility are geared toward African-American clients.

Building Design

This project will involve the adaptive reuse of a currently vacant, historically significant building. The rehabilitation of the property will serve to eliminate signs of physical deterioration, which discourage economic development in the Near South Redevelopment Project Area.

MBE/WBE: The Developer has agreed to comply with all City requirements regarding Prevailing Wage, MBE/WBE, and City Residency.

Community

Outreach: The community, including Alderman Haithcock and the Near South Planning Board, is in overwhelming support of this project.

CITY OF CHICAGO
Community Development Commission
Department of Planning & Development
August 13, 2002

STAFF RERORT
L'Oréal USA Products, Inc.
Near South Tax Increment Financing Redevelopment Project

MR. CHAIRMAN AND MEMBERS OF THE COMMISSION:

The Resolution before you requests that the Community Development Commission authorize the Department of Planning and Development ("DPD") to publish a notice of its intention to negotiate a redevelopment agreement with L'Oréal USA Products, Inc. and/or a related entity to be formed (the "Developer") for the use of tax increment financing bond proceeds and/or incremental tax revenues for the redevelopment of the property at 2101 South Wabash Avenue located at the southeast corner of the intersection of South Wabash Avenue and East 21st Street (the "Property"), within the boundaries of the Near South Redevelopment Project Area. The Resolution also asks you to conditionally recommend to the City Council of the City of Chicago the designation of L'Oréal USA Products, Inc. and/or a related entity to be formed as the Developer of this site.

Purpose of Resolution

To provide Tax Increment Financing assistance for the rehabilitation of an existing, vacant building in the 2nd Ward.

Background

The Property to be developed is located within the Near South Redevelopment Project Area (the "Area"), which was established by the City Council on November 28, 1990. The area for the site is generally bounded by East 21st Street on the north, East Cermak Road on the south, South Michigan Avenue on the east, and South Wabash Avenue on the west. The property has been vacant for approximately seven years. The building is listed in the *Chicago Historic Resources Survey* as an "orange" building, which means that it possesses some degree of historic or architectural significance.

Development Project

Proposed Developer

The proposed developer of the project is L'Oréal USA Products, Inc., a Delaware Corporation.

Proposed Development Team

L'Oréal USA Products, Inc., Pepper Construction, KPMG LLP, Piper Rudnick, and Amstadter Architects.

Proposed Project

The project involves the development of a research and development facility for ethnic hair and skin care within a currently unoccupied building. The building has a floor area of 57,600 square

feet, situated on 9,400 square feet of land in the Near South Side community. The Developer's acquisition of Soft Sheen Products in 1998 and Carson Products in 2000 highlighted the importance of investing in cosmetic research for ethnic hair and skin. In mid-year 2000, L'Oréal USA Products, Inc. established its Institute for Ethnic Hair and Skin Research (the "Institute"). The Developer recently purchased the property located at 2101 South Wabash Avenue, where it will house the Institute, the Soft/Sheen Carson Product Development Team, and the product evaluation center.

The Developer plans to redevelop the existing building into a research and development complex containing office, production, processing, servicing, testing, laboratory, and storage uses for the development of its ethnic beauty division. The six-story building contains two elevators (one freight and the other passenger) and a basement. The Development will occur in two phases. Phase one will be completed in 2003. During the first phase of the project, the first, second, fifth and sixth floors of the building will be completed. Phase two will be completed in 2004, and will involve the completion of floors three and four. The proposed facility will also have two 10 foot by 50 foot loading berths. The current Zoning Ordinance does not require any additional parking spaces or loading berths for the proposed facility.

Phase One (2003)	
1 st Floor	Hair salon
2 nd Floor	Mixed use space, including offices, a training center, and research facilities
5 th Floor	Laboratory space, offices and a conference room
6 th Floor	Laboratory space, offices and a conference room
Phase Two (2004)	
3 rd & 4 th Floors	Additional laboratories, offices, and a small library

Deal Structure/ Financial Assistance

The City intends to negotiate a redevelopment agreement with the Developer for the lesser of \$2 million, or 18% of the total project cost estimated at \$11.1 million, from incremental tax revenues, in the form of a Developer Note, generated exclusively by this project's PINs. Considerable physical rehabilitation of the building is needed to successfully complete this project. Because of these extraordinary costs the developer was considering relocating the Institute to New Jersey, where overall build out and operating costs would be cheaper. Without TIF assistance the Developer would not be able to retain and expand the Institute in Chicago. The Developer will contribute corporate capital to fund 100% of the up-front costs of this project. Because the project consists of two phases, the developer will be entitled to 100% of the TIF assistance if the Developer completes Phase II, as well as Phase I.

Site Control

The Developer recently purchased the property and is in complete control of the premises.

Sources of Funds	Phase I	Phase II	Totals
L'Oréal Equity	\$8,700,000	\$2,400,000	\$11,100,000
	\$8,700,000	\$2,400,000	\$11,100,000

Uses of Funds	Phase I	Phase II	Totals
Land/ Building Acquisition	\$2,300,000	\$ 0	\$2,300,000
Physical Rehabilitation	4,800,000	2,200,000	7,000,000
Telecom., Elev., Alarm & Fire Sys.	400,000	0	400,000
Demolition/ Remediation	200,000	0	200,000
Office Furn., Fixture & Equip.	100,000	100,000	200,000
Lab Furn., Fixture & Equip.	400,000	100,000	500,000
Financing Costs	500,000	0	500,000
	\$8,700,000	\$2,400,000	\$11,100,000

Conformance with Plan

The proposed redevelopment is in conformance with the land use goals and objectives of the Near South Tax Increment Financing Redevelopment Project Area and Plan (the "Plan"). The Plan identifies the major land-use category as "mixed-use." The Mixed-Use category includes commercial, residential, retail, institutional, exhibition, parking and related uses.

Community Outreach

The community, including Alderman Madeline Haithcock and the Near South Planning Board, is in overwhelming support of this project.

Public Benefits

Job Creation and Retention

Approximately 30 new jobs will be created over 5 years, and 23 jobs will also be retained. Twenty-one of the new jobs created will go to a team of highly skilled scientists, with an average salary of \$60,000.

Community Development

The Developer will establish a product evaluation center consisting of a 12-seat hair salon open for community use. Clients will receive hair styling services free of charge.

Building Design

This project will involve the adaptive reuse of a currently vacant, historically significant building that was formerly used as a warehouse. The rehabilitation of the property will serve to eliminate

signs of physical deterioration, which discourage economic development in the Near South Redevelopment Project Area.

Recommendations

The Department of Planning and Development recommends that the Community Development Commission authorize DPD to publish a notice of its intention to negotiate a redevelopment agreement with L'Oréal USA Products, Inc. and/or a related entity to be formed (the Developer") for the use of tax increment financing bond proceeds and/or incremental tax revenues for the redevelopment of the property at 2101 South Wabash Avenue located at the southeast corner of the intersection of South Wabash Avenue and East 21st Street (the "Property"), within the boundaries of the Near South Redevelopment Project Area. DPD also requests that you conditionally recommend to the City Council of the City of Chicago the designation of L'Oréal USA Products, Inc. and/or a related entity to be formed as the Developer for this site.

TERM SHEET
L'Oréal USA Products, Inc.

The Project Area is generally bounded by East 21st Street on the north, East Cermak Road on the south, South Michigan Avenue on the east, and South Wabash Avenue on the west. The proposed project is located within the boundaries of the Near South Redevelopment Project Area, and is situated on approximately 9,400 square feet of land.

The Developer, L'Oréal USA Products, Inc. and/or a related entity to be formed, plans to redevelop the existing building into a research and development complex containing office, production, processing, servicing, testing, laboratory, and storage uses for the development of its ethnic beauty division. The project site has been vacant for approximately seven years.

The City, through the Department of Planning and Development (DPD), intends to reimburse the Developer for the TIF-eligible costs for the lesser of \$2 million or 18% of the total project cost, estimated at \$11.1 million. This amount of assistance is the amount the Developer will receive in the form of a Developer Note with a market-based interest rate. Because the project consists of two phases, the Developer will only be entitled to a percentage of the Note after completion of Phase I that is roughly equal to the percentage of TPC expended during the completion of the Phase I.

Source and Uses of Funds

Sources of Funds	Phase I	Phase II	Totals
L'Oréal Equity	\$8,700,000	\$2,400,000	\$11,100,000
	\$8,700,000	\$2,400,000	\$11,100,000

Uses of Funds	Phase I	Phase II	Totals
Land/ Building Acquisition	\$2,300,000	\$ -	\$2,300,000
Physical Rehabilitation	4,800,000	2,200,000	7,000,000
Telecom., Elev., Alarm & Fire Sys.	400,000	0	400,000
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Office Furn., Fixture & Equip.	100,000	100,000	200,000
Lab Furn., Fixture & Equip.	400,000	100,000	500,000
Financing Costs	500,000	0	500,000
	\$8,700,000	\$2,400,000	\$11,100,000

Near South TIF Boundary Map

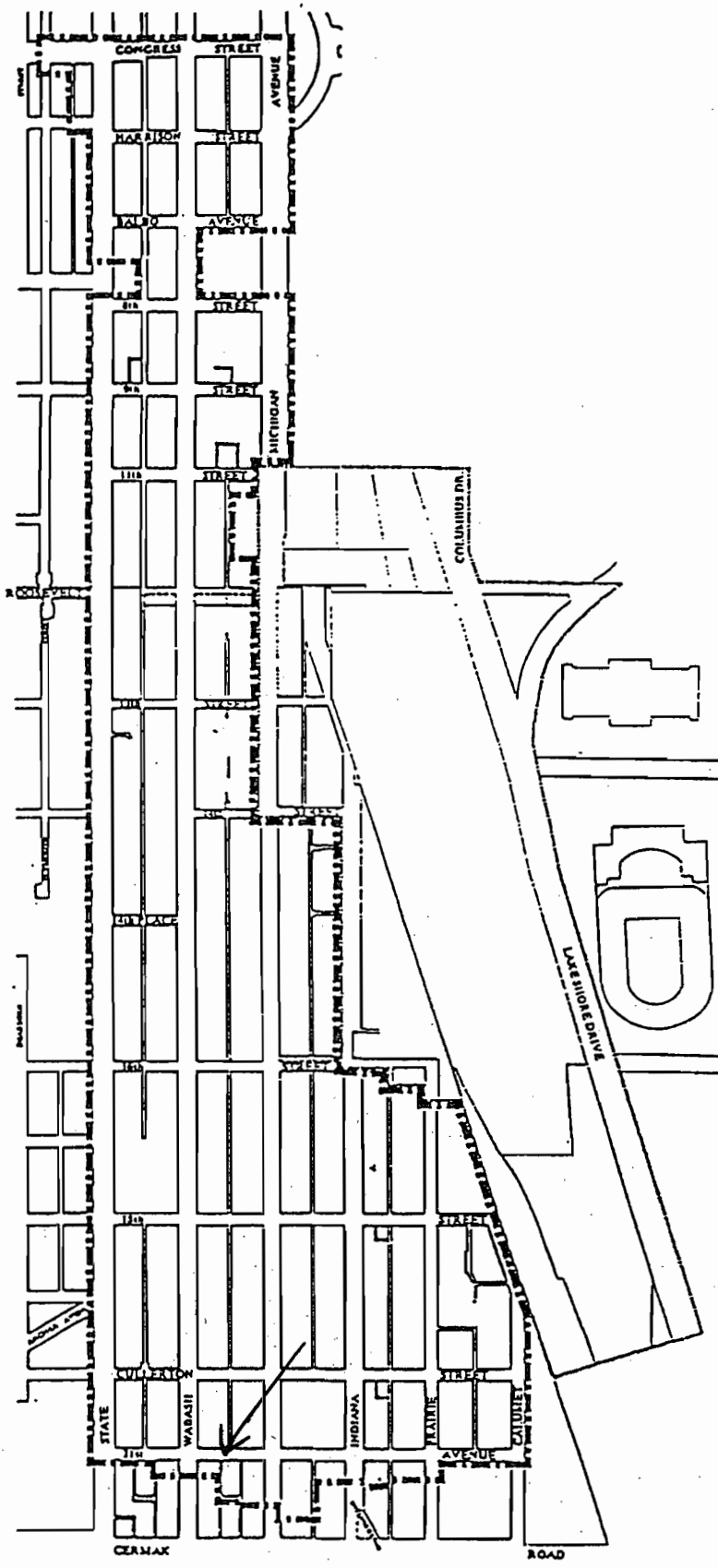


Figure 1
 PROJECT BOUNDARY
 NEAR SOUTH
 TAX INCREMENT FINANCING
 REDEVELOPMENT PROJECT
 City of Chicago, Illinois

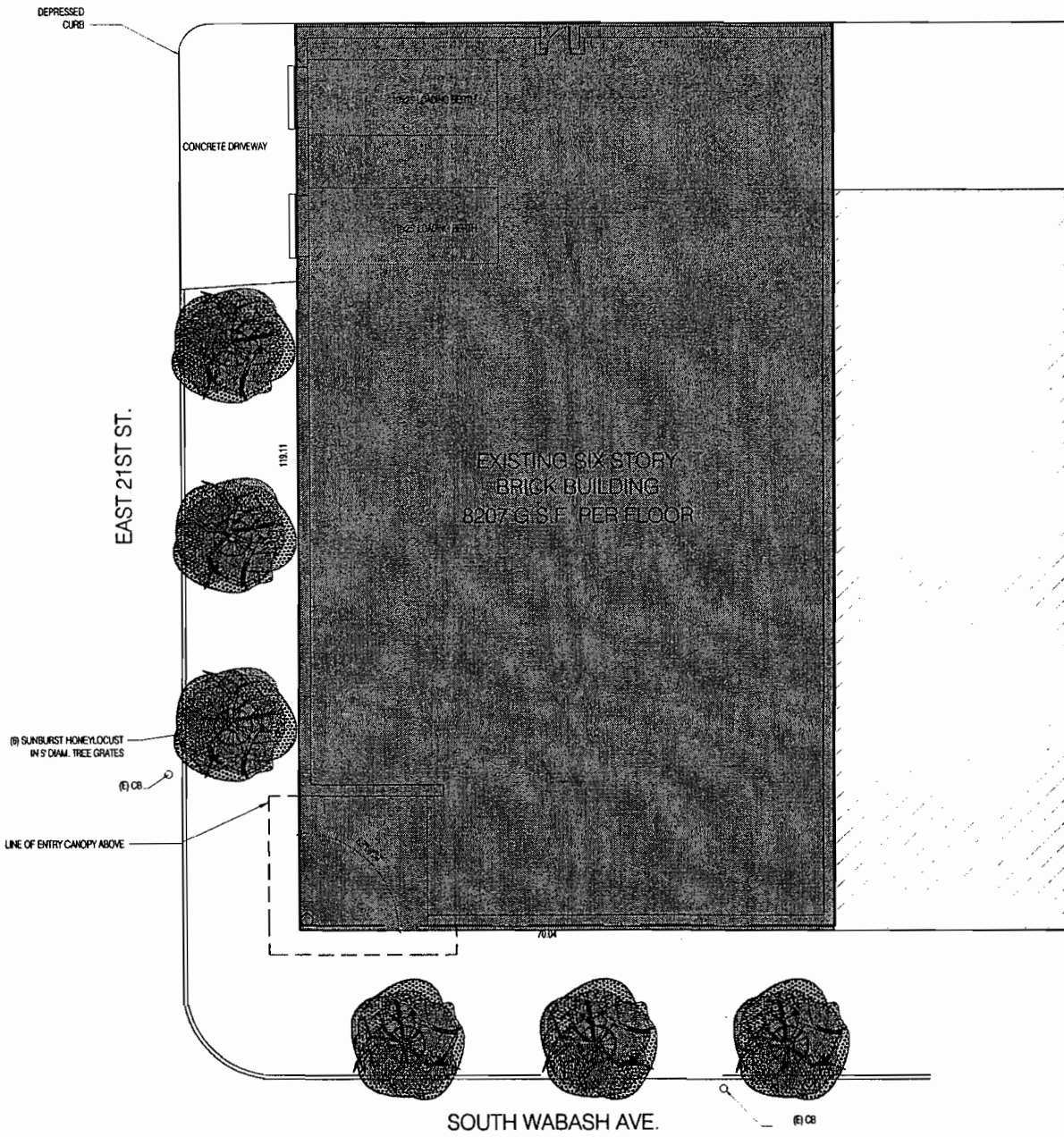
Elevations



L'OREAL INSTITUTE for ETHNIC HAIR & SKIN RESEARCH
AMSTADTER ARCHITECTS
1000 10th Avenue, Suite 1000, New York, NY 10018

Site Plan

12' PUBLIC ALLEY



SITE PLAN

04.03.02

SCALE: 1/16" = 1' - 0"

AMSTADTER ARCHITECTS
200 WEST SUPERIOR, SUITE 400, CHICAGO, IL 60610

Letter of Support

Apr-26-2002 04:23pm

From-ALDR MAELINE HAITHCOCK

17739245950

T-435 P.002/002 F-001



**CITY COUNCIL
CITY OF CHICAGO**

COUNCIL CHAMBER
ROOM 300
121 NORTH LASALLE STREET
CHICAGO, ILLINOIS 60602
TELEPHONE 312-744-6836
FAX 312-744-2022

COMMITTEE MEMBERSHIPS

SPECIAL EVENTS
AND CULTURAL AFFAIRS
(CHAIRMAN)

EDUCATION
(VICE CHAIRMAN)

LICENSE AND CONSUMER PROTECTION
(VICE CHAIRMAN)

AVIATION

BUDGET AND GOVERNMENT OPERATIONS

FINANCE

POLICE AND FIRE

RULES AND ETHICS

MADELINE L. HAITHCOCK

ALDERMAN, 2ND WARD
WARD OFFICES:

449 EAST 35TH STREET
CHICAGO, ILLINOIS 60616
TELEPHONE: (773) 924-0014
FAX: (773) 924-5950

701 SOUTH WESTERN AVENUE
CHICAGO, ILLINOIS 60612
TELEPHONE: (312) 733-8169

April 30, 2002

Alderman William J.F. Banks
Chairman, Committee on Zoning
121 North LaSalle Room 306
Chicago, IL 60602

Re: Application number 13639 - 2101 S. Wabash

Dear Mr. Chairman:

The L'Ore'al Corporation has proposed to locate its Institute for Ethnic Hair and Skin Research at the South-East corner of 21st Street and Wabash in 2nd Ward. Upon reviewing this proposed project I find it refreshing to see the redevelopment of the present unsightly building, into a productive addition to the ward. This proposed facility will not only create jobs for our local economy, but will welcome members of the community to participate and conduct research. I therefore have no objections, and strongly support this proposed project.

If any additional information is needed please do not hesitate to contact me at (773) 924-0014. Thank you.

Sincerely,

Madeline L. Haithcock
Alderman, 2nd Ward

"Building Unity in the Community"



**COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO**

RESOLUTION NO. 02 - CDC -

**AUTHORITY TO NEGOTIATE A
REDEVELOPMENT AGREEMENT WITH
L'ORÉAL USA PRODUCTS, INC.
WITHIN THE
NEAR SOUTH T.I.F. REDEVELOPMENT PROJECT AREA,**

AND

**TO RECOMMEND TO
THE CITY COUNCIL OF THE CITY OF CHICAGO
THE DESIGNATION OF
L'ORÉAL USA PRODUCTS, INC.
AS THE 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 90-CDC-21 and pursuant to the Act, enacted three ordinances on November 28, 1990 pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the Near South Redevelopment 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 are described on Exhibit A hereto; and

WHEREAS, L'Oréal USA Products, Inc. (the "Company"), has presented to the City's Department of Planning and Development ("DPD") a proposal for redevelopment of the Area or

a portion thereof that is in compliance with the Plan, consisting of the construction of a research and development facility for ethnic hair and skin care within a currently unoccupied building (the "Project"); 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; 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 Company be designated as 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 Company 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: _____, 2002

Attachment: Exhibit A, Street Boundary Description

EXHIBIT A

Street Boundary Description of the Area

The Area is generally bounded by Congress Parkway on the north, South Michigan Avenue and South Lake Shore Drive on the east, between East 21st Street and Cermak Road on the south, and South State Street on the west.