

**City of Chicago
Department of Community Development**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING AUTHORITY TO DESIGNATE THE SUCCESSFUL RESPONDENT TO A
REQUEST FOR PROPOSALS,
TO APPROVE THE SALE OF THE PROPERTY LOCATED IN THE
LAWRENCE / PULASKI TIF AND TO DESIGNATE THE SUCCESSFUL RESPONDENT
AS DEVELOPER
SEPTEMBER 14, 2010**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	Thai Town
Property Address:	4461 N. Pulaski
Ward and Alderman:	39 th Ward, Alderman Margaret Laurino
Community Area:	Albany Park, Area 14
Redevelopment Area:	Lawrence / Pulaski TIF
Requested Action:	Designate the successful respondent to the RFP, approve the sale of the land, and designate the respondent as Developer
Successful Respondent:	Thai Town Center Inc.
RFP Development Goal:	Reuse of the former 17 th district police station building and creation of new commercial or retail use.
Proposed Development:	Thai Town Center Inc. proposes to rehabilitate and reuse the former 17 th district police station. Thai Town Center will create 6,216 square feet of commercial/retail space to be occupied by a 3,435 square foot Thai Tapas restaurant, a 1,126 square foot Thai Spa and Wellness Center and 655 square feet of office space for the Thai American Association. In addition to these users there will be 1,000 square feet of office space available

for other commercial retail tenants. Thai Town Center Inc. hopes to create a center for Thai Culture in Chicago with the implementation of this project.

The interior of the building will be a gut renovation and build out of tenant spaces. The exterior of the building will be cleaned, new windows, doors and an entry way will be installed, an outdoor deck will be constructed and architectural elements will be added to the facade.

Target Price: \$780,000 (\$62.34 per square foot of land area)

Offer Price: \$ 780,000 for 4461 N. Pulaski

Write-down: Thai Town Center Inc. will pay market value for the property

TIF Assistance: \$1,506,306

RFP Key Dates: RFP Issued: July 27, 2009
Responses Due: October 27, 2009

II. PROPERTY DESCRIPTION

Address: 4461 N. Pulaski

Location: 4461 N. Pulaski is on the southeast Corner of Pulaski and Sunnyside.

Property Identification Numbers: 13-14-121-001
13-14-121-005

Land Area: 4461 N. Pulaski contains 12,512 square feet.

Current Use: 4461 N. Pulaski is the former 17th district police station. It has been vacant since 2005 when the new police station was completed. The interior of the property is in poor condition. The exterior is in fair condition. The property is also improved with concrete parking lot which is not in compliance with the landscape ordinance.

Current Zoning: 4461 N. Pulaski -B1-1 Neighborhood Shopping District.

Proposed Zoning:	Developer will apply for a Commercial zoning classification
Environmental Condition:	The Chicago Department of Environment (DOE) is working with the State of Illinois to obtain a No Further Remediation letter. DOE estimates receipt of this letter within 60 days
Inventory Profile:	The former 17 th district police station was constructed in the early 1920's and has been owned by the City since that time.

III. DEVELOPMENT GOALS AND OBJECTIVES

The Department of Community Development established goals and objectives for the RFP. The goals were intended to ensure that the chosen submission will be compatible with the City's objectives of revitalizing valuable urban land, creating new development in sympathetic relationship with the surrounding community, accommodating the needs of the community, and fostering additional new development along Pulaski Commercial Corridor and in the surrounding community. The development goals are as follows:

- Rehabilitate an existing commercial building
- Provide new neighborhood retail or services
- Visually improve the Pulaski Commercial Corridor
- Preserve a historically significant building including preservation of the Pulaski and Sunnyside elevations

Development Principles and Preferred Uses: The following major principals were established to guide development of the property.

- Rehabilitation and reuse of the existing building
- Preservation of the Pulaski Road and Sunnyside elevations. Work performed on these elevations should preserve the historic character. Historic features should be repaired as possible, and features missing or beyond repair should be replaced in kind to match historic features.

Urban Design and Environmental Goals:

- Encourage pedestrian friendly design through the provision of landscaping and street furniture while also providing adequate safety measures such as lighting.
- Sustainable Development

IV. MARKETING OF THE RFP

The RFP was released on July 27, 2009 and a public notice announcing the release was published in the Chicago Sun Times on 8/6/09, 8/8/09 and 8/14/09. The department marketed the property in the following ways: a RFP announcement was distributed to a list of over 150 interested parties (developers, attorneys, architects, community development corporations, community organizations, real estate consultants, and financial institutions); a listing was placed on LoopNet, a website closely followed by the real estate industry; a general news release was issued by the department; a description of the RFP was placed on DCD's website; DCD announced the RFP at several forums and meetings; and the department contacted several parties that had previously expressed interest in the property.

DCD distributed over 8 copies of the RFP document. Two interested parties attended the pre-bid conference held on August 28, 2009

V. RESPONSE TO THE RFP

The Department received one submission package in response to the RFP from Thai Town Center Inc.

VI. EVALUATION OF RESPONSES

The Department evaluated the proposal according to the criteria outlined in the RFP document. Subsequent to submission of their proposal the Department held several meetings with Thai Town Center Inc. Thai Town Center Inc. submitted a TIF application in May 2010 and DCD began underwriting the financial and architectural aspects of the project.

Based on our evaluation, DCD recommends that Thai Town Center Inc. be designated the successful respondent to the RFP. Their proposal best satisfies the goals and objectives of the RFP for the following reasons:

- The property will be rehabilitated and reused.
- The Pulaski and Sunnyside elevations of the property will be retained and enhanced.
- The Department hopes this project will be a catalyst for additional investment in the Pulaski Corridor.
- The project will bring new businesses that will compliment the existing uses in the community.

VII. SELECTED DEVELOPMENT TEAM

Development Entity: Thai Town Center Inc.

Thai Town Center Inc. was established for the implementation of the subject proposal. Thai Town Center Inc. has not done business with the City before. Principals include Arun Sampanthavivat, Wing (Sunny) Leon and Xi Hong Du.

Arun Sampanthavivat is the internationally renowned chef of Arun's Restaurant located at 4156 N. Kedzie. Arun, along with the American Thai Association and Thai Government have a vision of creating a "Thai Town" destination neighborhood in Albany Park. He has been working with the City to identify a site for several years. He is the President of Thai Town Center Inc. He will be responsible for general project oversight and attracting investors.

Wing (Sunny) Leon has a broad range of professional experience. He has experience in restaurant management and real estate development. Under his company Emerald Homes LLC he constructed 26 condominium units in the Bridgeport Community. Sunny is also the founder of BeeGee Communications and SuncastNetwork Inc.; both telecommunications businesses. Sunny is the Vice President of Thai Town Center and will be responsible for the selection of professionals and contractors for the project.

Xi Hong Du has a broad range of professional experience including real estate development, construction and restaurant management. He currently owns several "China Inn" restaurants, a construction company which installs granite and marble and a landscaping business in China. Xi Hong Du is the treasurer of Thai Town Center. He is responsible for the fiscal management of the project.

Development Team:

Scott Goldstein, Development Consultant
Teska & Associates

Richard Kasemsarn
Architect

Tom Moore
Anderson Moor Law
Zoning Attorney

Tina Dalman
Daspin Aument LLP
Attorney

VIII. PROPOSED PROJECT

Project Overview:

The establishment of a center for Thai culture in Chicago or “Thai Town” is the goal of the proposed project.

Thai Town Center Inc. proposes to rehabilitate and reuse the former 17th district police station. Thai Town Center will create 6,216 square feet of commercial/retail space to be occupied by a 3,435 square foot Thai Tapas restaurant, a 1,126 square foot Thai Spa and Wellness Center and 655 square feet of office space for the Thai American Association. In addition to these users there will be 1,000 square feet of office space available for other commercial retail tenants. Thai Town Center Inc. envisions the creation of Thai Culture destination neighborhood on Chicago’s Northwest Side in the Albany Park Community.

The interior of the building will be a gut renovation and build out of tenant spaces. The exterior of the building will be cleaned, new windows, doors and an entry way will be installed, an outdoor deck will be constructed and architectural elements will be added to the facade.

Thai Town Center Inc. will also purchase 4444 N. Harding and 4452 N. Harding from the City. The Harding properties are adjacent to 4461 N. Pulaski by way of the alley. They are not located in the Lawrence/Pulaski TIF. The Chicago Plan Commission will approve a resolution authorizing the sale of the Harding properties to Thai Town Center. The Harding properties served as a parking lot for the former police station.

The parking on 4461 N. Pulaski and the Harding properties will be reconfigured and constructed in compliance with the landscape ordinance creating 33 parking spaces. A deck will be constructed to create an outdoor eating area. A roof top deck will be created for guests of the spa and green roof will be installed on 25% of the roof area.

The schedule for implementation of the project is as follows

Fall 2010	Legislative approvals: negotiated sale, TIF Financing, Zoning
January 2011	Application for Permits
April 2011- March 2012	Construction and Renovation

A site plan, floor plans and elevation are provided as exhibits to this report.

Environmental Features:

- 25% green roof
- permeable pavers
- installation of a rain garden
- Implementation of a recycling program for all tenants
- Utilization of energy star products and appliances
- Edible roof top garden
- Plan is compliant with the City's sustainable development policy.

IX. FINANCIAL STRUCTURE

Thai Town Center Inc. will develop and own Thai Town Center. Retail spaces will be leased to several tenants. Two tenants, the Thai Tapas Restaurant and Thai Wellness Spa will also be owned by the corporation.

The rehabilitation costs of the former police facility are substantial because of the age of the building, the five year vacancy, and the interior layout and former interior uses in the building such as the detention cells. The layout and structure of the former police station present unique architectural challenges. Additionally today's credit market is making financing for new projects difficult. The City feels that this project merits financial assistance and that the benefits of this Thai cultural center will be felt throughout the entire community. The facility will serve as a small business incubator, creating jobs and increasing the property and sales tax bases.

The City intends to negotiate a redevelopment agreement with the Developer for TIF assistance in an amount not to exceed \$1,506,306 through increment generated by the Project, as well as increment generated by the entire Lawrence/Pulaski TIF district. The Developer will be paid a portion of their TIF assistance through annual payments of Incremental taxes derived from the project PINs, with such annual payments not to exceed \$378,306. There will also be a lump sum cash payment of \$780,000, to be paid from Lawrence/Pulaski area-wide TIF increment, to the Developer upon closing of the TIF RDA or closing on the sale of the City parcels, whichever occurs later. The Developer will also receive a payment of \$348,000, to be funded with area-wide increment from the Lawrence/Pulaski TIF, when they receive a Certificate of Completion for their project.

The City will have a right of reverter on the land, which will act as security for the TIF payments. There will be ongoing performance requirements in terms of jobs and leasing/use of the facility in order for the Developer to receive the annual payments.

Sources and Uses of Funds

<u>Sources</u>	<u>Amount</u>	<u>% of total</u>
Equity	\$1,000,000	29.7%
Construction Loan	\$508,780	15.1%
TIF Bridge Financing	\$1,076,951	32 %
TIF Funds at Closing (Land)	<u>\$780,000</u>	<u>23.2%</u>
Total Sources	\$3,365,730	100%

<u>Uses</u>	<u>Amount</u>	<u>\$/sf of bldg area*</u>
Land Acquisition (\$15 per sf of land)		
4461 N. Pulaski	\$780,000	\$136.84 /sf
4444 N. Harding & 4452 N. Harding	<u>\$300,000</u>	vacant land
Total Land Acquisition Costs	\$1,080,000	
Site Clearance and Preparation	\$60,000	9.65 psf
Hard Costs includes contingency	\$1,655,033	266 psf
Soft Costs		
Architect/Eng Fee (2.8% of hard costs)	\$46,600	
Sustainable Design (1.2%)	\$20,000	
Legal Fees (1% of total costs)	\$20,000	
Environmental (1% of total costs)	\$25,000	
Permit/ Tap Fees/Utilities (.03% of total costs)	\$10,000	
Interest	\$449,118	
Total Soft Costs (4% of total costs)	<u>\$570,718</u>	<u>\$91.84</u>
Total Uses	\$3,365,730	\$541psf

*Gross building area is 6,216 sq.ft.

X. PUBLIC BENEFITS

Property Taxes: The project will expand the tax base by returning a tax exempt property to the tax rolls.

Environmental Features: The project will be compliant with the City's green sustainable policy and will include a 25% green roof. The roof will also contain a garden which will provide herbs for the Thai

Restaurant.

Permanent Jobs: The project is estimated to generate 25-30 new permanent jobs. The department's workforce development specialists will work with the developer on job training and placement.

Construction Jobs: The project will produce 32 temporary construction jobs.

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 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. The developer will also comply with the requirement that all construction jobs are paid the prevailing wage

XI. COMMUNITY SUPPORT

Alderman Margaret Laurino endorses the project and has provided a letter of support (see exhibits for copy). The project was presented to the community at a meeting held on July 28, 2010. The Pulaski / Elston Business Association and the Albany Park Community Center have endorsed the project. (See exhibits for copies of support letters).

XII. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the Lawrence Pulaski TIF Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment plan:

- Promotion of redevelopment of the TIF Area
- Enhance the visual character of the area.
- Revitalization of the area to strengthen its role as a commercial activity center
- Promote job creation and local employment

The implementation strategy for achieving the plan's goals envisions the sale of City land for commercial development. The proposed project also conforms to the plan's land use map, which calls for mixed use development at the subject site.

The Thai Town proposal is also consistent with the Pulaski Elston Revitalization plan completed May

24, 2010. The plan recommends the former police station be rehabilitated.

XIII. CONDITIONS OF SALE

The offer for sale of 4461 N. Pulaski was advertised at the time the RFP was released, and no additional public notice of the proposed sale is required. After approval by the CDC, DCD will negotiate a redevelopment agreement with the successful respondent. The redevelopment agreement 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.

Closing of the sale of the property will not occur before the City Council has approved the redevelopment 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.

XIV. RECOMMENDATION

The Department of Community Development has thoroughly reviewed the proposed project, the qualifications of the development team, the financial structure of the project, the need for public assistance, its public benefits, and the project's conformance with the redevelopment area plan, and DCD recommends that the CDC approve the sale of 4461 N. Pulaski, to Thai Town Center Inc. for redevelopment of the former 17th district police station building for retail and office use recommends the designation of Thai Town Center Inc. as Developer.

EXHIBITS

RFP Submission Comparison Table
Redevelopment Area Map
Neighborhood Map or Aerial
Survey or Plat
Site Plan
Typical Floor Plan
Front Elevation or Rendering
Sample M/WBE Letter
Copies of M/WBE Certified Letter Receipts
Letter of Interest from Lender
Community Letters of Support
Alderman's Letter of Support