

**CITY OF CHICAGO**  
**COMMUNITY DEVELOPMENT COMMISSION**  
March 9, 2004

SUMMARY SHEET

- Action Requested:**
- 1) Designate Chicago Klee Development, LLC (the “Developer”) as the successful respondent to an Request for Proposals (RFP) issued on August 26, 2002 for the adaptive re-use of the Klee Building (Parcel 1), located at 4001-13 North Milwaukee Avenue, and the development of three surrounding parcels (Parcel 2), located at 4022-32 North Cicero Avenue.
  - 2) Request authority to negotiate a Redevelopment Agreement with Chicago Klee Development, LLC (the “Developer”) for the purchase and redevelopment Parcels 1 and 2, and redevelopment of additional property located at 4015 and 4017-21 North Milwaukee Avenue (Parcel 3) (the “Property”), located within the Irving/Cicero Redevelopment Project Area (the “Area”) and;
  - 3) Recommend to the City Council of the City of Chicago the designation of Chicago Klee Development, LLC as the developer of the Project located within the boundaries of the Area.

**Project :** Chicago Klee Development, LLC will rehabilitate the Klee Building, demolish three adjacent buildings, newly construct two new buildings in their place, resulting in a total Project that has 64 residential condominium units, 19,950 square feet of commercial space, 69 residential parking spaces underground and 23 short-term outdoor spaces provided for the customers of the retail merchants.

**Type of Development:** Residential/Commercial

**Location:** The project is located at 4001-13, 4015 and 4017-21 North Milwaukee Avenue and 4022-32 North Cicero Avenue. It is located in the Irving/Cicero Redevelopment Project Area.

**Developer:** Chicago Klee Development, LLC (“CKD”)

**Direct Project Assistance:** The City, through the Department of Planning and Development (DPD), is planning to reimburse the Developer for the TIF-eligible costs by offering the Developer \$983,000 in the form of a developer note that will be issued at closing. The City, through DPD, also intends to sell 4 City-owned tax parcels to CKD for \$200,000, the minimum purchase price stated in the RFP. The appraised value of these parcels is approximately \$1,525,000.

**Alderman/Ward:** 45<sup>th</sup> Ward; Alderman Patrick Levar

**Public Benefits:**

- Preservation of a building that serves as a neighborhood identifier.
- New quality retail stores in the Portage Park neighborhood.
- Rehabilitation of property that will be a catalyst for further private investment in the community.
- Environmental benefits including a green roof and LEED compliance.
- 20% of the units will be reserved for affordable households.

**MBE/WBE:**

The Developer will comply with all requirements regarding the use of minority and women-owned business contractors for the construction/build-out of the Project.

**Issues:**                      None

## STAFF REPORT

### MS. VICE CHAIRMAN AND MEMBERS OF THE COMMISSION:

The resolution before the Commission requests the following actions:

- 1) Designate Chicago Klee Development, LLC (the “Developer”) as the successful respondent to an Request for Proposals (RFP) issued on August 26, 2002 for the adaptive re-use of the Klee Building (Parcel 1), located at 4001-13 North Milwaukee Avenue, and the development of three surrounding parcels (Parcel 2), located at 4022-32 North Cicero Avenue.
- 2) Request authority to negotiate a Redevelopment Agreement with Chicago Klee Development, LLC (the “Developer”) for the purchase and redevelopment Parcels 1 and 2, and redevelopment of additional property located at 4015 and 4017-21 North Milwaukee Avenue (Parcel 3) (the “Property”), located within the Irving/Cicero Redevelopment Project Area (the “Area”) and;
- 3) Recommend to the City Council of the City of Chicago the designation of Chicago Klee Development, LLC as the developer of the Project located within the boundaries of the Area.

### PURPOSE OF THE RESOLUTION:

The purpose of this resolution is to provide Tax Increment Financing in order to foster economic development of a vacant building to revitalize the Area.

### BACKGROUND:

The Klee Building was built in 1930. It is a masonry, five story, commercial building which anchors the Northwest corner of the Six Corners intersection between Milwaukee and Cicero Avenues. Though it is not a landmark, it is significant to the community because of its height and location on the corner. It serves as a neighborhood identifier. When entering the community, people recognize the Klee Building and know they are entering the Six Corners shopping area and the Portage Park neighborhood.

The City purchased the Klee Building and three surrounding tax parcels located at 4022-32 North Cicero Avenue between October 2000 and January 2002. Since then the property has been vacant. In August of 2002 the City’s Department of Planning and Development (DPD) put out a Request for Proposals (RFP) for the purchase and rehabilitation of the Klee Building and the three tax parcels to be developed as one cohesive development. The goal of the RFP was to find an adaptive reuse of the Klee Building and develop the adjacent parcels in a way that is “consistent with the original character of the 1920's pedestrian oriented business district in which it is located.”

In addition to Chicago Klee Development LLC, DPD received two other proposals in response to the RFP. Pusateri Sandberg Development Corporation submitted a proposal to rehabilitate the Klee Building into 34 condominium units for artists on the upper floors of Klee and the creation of retail space on the ground floor. G&A Construction proposed 82 condominium units on the upper floors of Klee and on the upper floors of Parcel 2, and an adjacent property. G&A proposed a commercial use for the ground floor of Klee. (Please see matrix below)

### Klee RFP Proposal Comparison

<b>Proposal Comparison</b>	<b>Chicago Klee Development LLC</b>	<b>Pusateri Sandberg Associates Inc.</b>	<b>G&amp;A Construction and Development Inc.</b>
<b>Development Team</b>	Poter Construction, and SEJ Development	Pusateri Sandberg and Portage Park Center for the Arts	G&A Construction
<b>Project Scope</b>	- 64 condos - 19,500 sq.ft. Retail - Tower Records and restaurant identified	- 34 rental apartments for artists - 12,250 sq.ft. Retail	- 82 condos - 9,250 sq.ft. commercial management office - 3,500 sq.ft. retail
<b>Offer</b>	\$200,000	\$200,000	\$980,000
<b>Total Project Cost</b>	\$17,759,869	\$6,308,000	\$13,998,517
<b>TIF request/ % of TPC</b>	\$1,820,000 10.25%	\$150,000 3%	\$0 0%
<b>Public Benefits</b>	Affordable Housing (20%)	Affordable Housing (88%) LEED Silver Rating	Affordable Housing (20%)

The proposal submitted by Chicago Klee Development, LLC was selected because it had the best retail plan. The Developer had identified, up-front, several national credit retailers to potentially occupy the space. Chicago Klee Development, LLC also owns land adjacent to the Klee Building which is a part of this development making it a more comprehensive project.

#### PROJECT SUMMARY:

**Developer:** Chicago Klee Development, LLC (“CKD”)

CKD is a partnership between Gary Poter, President of Poter Construction and Development Company (“Poter Construction”) and Joseph Oshinski, President of SEJ Development, Inc. (“SEJ”). Gary Poter has developed residential and commercial properties throughout the metropolitan Chicago area for the past 15 years, developing over 1,100 units totaling more than \$120 million, ranging from single family homes to multi-story, multi-unit developments. Before creating SEJ, Joseph Oshinski was a Vice President with Wooton Construction over for 16 years. Mr. Oshinski was also an original founder of Smithfield Properties.

Poter Construction has developed many residential conversions and mixed-use projects. Two comparable projects are the Prospero Residences at 4600 S. Woodlawn which is a residential mixed-use, new construction and a residential rehab conversion of 53 apartments at 4633-45 N. Kedzie. Joseph Oshinski, with his work with Smithfield Properties, has participated in the development of numerous residential, industrial and commercial projects including the Art Institute of Chicago’s student dormitory located at State and Randolph which is also home to the Gene Siskel Film Center, Border’s Books and the Noble Fool Theater.

Pappageorge/Haymes Ltd., is a Chicago-based architectural firm with substantial work in housing and commercial projects. Previous projects include the award winning Old Town Square and the Whole Foods in the Lincoln/Belmont/Ashland Tax Increment Financing district. The General Contractor will be Poter Construction and Development Company.

## Project Scope:

The project includes adaptive reuse of the existing Klee Building, and development of two newly constructed buildings.

CKD will purchase the Klee Building and the property located at 4022-32 N. Cicero Avenue from the City for \$200,000 (the minimum purchase price stated in the RFP). CKD currently owns the property located at 4015 N. Milwaukee (the former "Heller" building), and 4017-21 N. Milwaukee (half the former "Woolworth" building) (please see attached map). With the exception of the Klee Building, these properties are slated for demolition and will be replaced by the two newly constructed buildings.

The Klee Building will be redeveloped using the Portage Park Design Guidelines developed by the Main Street Program in 1998, as well as other design criteria that is outlined in the RFP. CKD will start with selective interior demolition of all existing non-bearing partitions currently in place, and frame the interior walls in conjunction with plans and specifications in order to provide for quality residential construction. All new mechanicals including plumbing, heating, elevator, and electrical components shall be installed, providing for the most energy efficient uses possible. The 32 individual residential units (8 per floor) shall be 100% newly drywalled with insulated backing.

Building #1, a newly constructed building located at 4015 and 4017-21 North Milwaukee Avenue, will be a five-story masonry and steel constructed structure which will contain similar architectural characteristics to the existing Klee Building containing a total of 42,357 square feet. This building will be built with the same floor elevations as the Klee Building to maintain one unified residential corridor between the two structures. Building #1 will contain 4,000 square feet of ground floor retail/commercial, 32 residential condominium units (8 per floor) on the upper floors and underground parking.

Building #2, located at 4022-32 North Cicero Avenue, another newly constructed building, will contain a one-story masonry and steel constructed retail building containing 6,700 square feet. This commercial building shall be built ready for customer build-out, and contain street facades and storefronts similar to the Klee Building to complement its intended use.

A summary of the entire development is reflected as follows:

	<u>Units</u>	<u>Description</u>	<u>Square Feet</u>
Klee Building	12	2 bedroom, 1 ½ bath	910
	4	2 bedroom, 2 bath	1,191
	12	2 bedroom, 2 bath	1,000
	4	2 bedroom, 1 ½ bath	924
	1	Commercial/Retail	9,250
Building #1	4	2 bedroom, 2 bath	1,326
	4	2 bedroom, 2 bath	1,056
	4	2 bedroom, 2 bath	1,252
	4	2 bedroom, 2 bath	948
	8	1 bedroom, 1 ½ bath	697

	8	1 bedroom, 1 ½ bath	793
	1	commercial/retail	4,000
Building #2			
	1	Commercial/Retail	6,700

In total, the development will have 64 residential condominium units, thirteen of which will be reserved for households earning equal to or less than 100 percent of AMI. All units shall have fully appointed kitchens and baths; fully trimmed new doors and hardware. Sixty-nine underground parking spaces will be available for the residential units. The project will also include 19,950 square feet of commercial which will be held by CKD and leased out to commercial tenants. Possible tenants include national credit tenants including Border’s Books and Tower Records, and service-oriented tenants such as a restaurant, a florist, and a bank. Twenty-three short-term outdoor spaces will be provided for the customers of the retail merchants.

The project will also incorporate a green roof which will cover at least 50% of the gross roof area and it is CKD’s intention to meet LEED compliance standards as well.

**DEAL STRUCTURE:**

**Project Cost and Financing (see attached Budget)**

TIF Assistance

The City, through the Department of Planning and Development (DPD), is planning to reimburse the Developer for the TIF-eligible costs by offering the Developer \$983,000 in the form of a developer note that will be issued at closing. The Developer will receive 92.5% of “Excess Increment” in the Irving/Cicero TIF. Excess Increment is defined as the incremental revenue created by the Irving/Cicero TIF that is remaining after paying off the annual debt service on the Irving/Cicero bonds.

Negotiated Sale

The City, through the DPD intends to sell Parcels 1 and 2 (4 individual City-owned tax parcels) to CKD for \$200,000, the minimum purchase price stated in the RFP. The appraised value of these parcels is \$1,525,000.

	Parcel 1 4001-13 N. Milwaukee 13-16-431-011	Parcel 2 4022-32 N. Cicero 13-16-431-021,-022,-028
Land Sq. Ft.	10,450 sf	11,797 sf
Building Area Sq. Ft.	10,368 sf grade level 38,092 sf above grade <b>48,460 sf GBA</b>	<b>7,050 sf GBA</b>

Below Grade Sq. Ft.	10,369 sf	4,442 sf
Current Zoning	B3-3	B3-2
Frontage	150' NE side of Milwaukee 153' W side of Cicero	110.5'

**Prices**

**Affordable For Sale Units:**

No. of Units	BRS	AMI%	Price	SF	HH Size
8	1	100%	\$155,00	79	1.5
5	2	100%	\$175,00	94	3

These prices can be adjusted upward if units do not sell until 2005 and HUD PMSA Affordability data goes up.

Market Rate For Sale Units - market rate units will sell for between \$159,000 for a 697 sf one-bedroom to \$239,900 for a 1,326 sf two-bedroom unit.

Standard features in both affordable and market rate units are the same. Upgrades for market rate units are estimated to cost between \$5,200 to \$7,800 per unit. Underground parking will be available for residential units for \$13,500 per space.

Disbursement is subject to the developer's meeting all applicable conditions and requirements of the redevelopment agreement including, but not limited to, MBE/WBE, prevailing wage, and City residency.

City assistance will be used to subsidize the construction of the affordable residential units and the costs of renovating the Klee Building. If the market rate units sell for significantly more than projected, the TIF amount will be reduced.

**Sources and Uses**

**Uses of Funds:**

Owner Land Acquisition

**Sources of Funds:**

\$1,185,000 First Mortgage  
\$14,974,625

Construction Costs			\$11,351,978	TIF Loan
			\$983,000 <sup>1</sup>	
Public Improvements			\$50,000	Credit Waiver of Permits - CPAN
			\$130,000 <sup>2</sup>	
Green Roof			\$146,850	Credit for Site Improvements - CPAN
Contingency			\$567,599	Owner Equity
			<u>\$2,581,074</u>	
Legal		\$250,000		
Finance and Closing Permits	\$194,500		\$141,900	
Arch & Engineering	\$312,500			
Environmental		\$100,000		
Construction Interest	\$1,103,500			
Sales Commissions	\$790,007			
Developer Fee		\$1,550,000		
Holding Costs		\$535,556		
Closing Costs		<u>\$483,893</u>		
<b>Total</b>			<b>699</b>	<b>\$18,718, Total</b>
			<b>699</b>	<b>\$18,718,</b>

<sup>1</sup>To be reimbursed by TIF in the form of a developer note with market rate interest.

<sup>2</sup>Subject to approval of CPAN program

### Profit Calculation

Sales Proceeds		\$17,555,700
TIF		+ \$ 983,000
Total Project Cost	-	<u>\$18,718,699</u>
Total Profit on Sales		(\$ 179,999)
Developer Fee		+ <u>\$ 1,550,000</u>
Total Developer Profit		\$ 1,370,001
% of TPC		7.3%



## **CONFORMANCE WITH THE REDEVELOPMENT PLAN:**

The Project conforms to the plan and goals of the Irving/Cicero TIF. It contributes to the goals of the plan by providing sound economic development in the project area, eliminating conditions which qualify as blighted in the Redevelopment project area and strengthening the economic well being of the project area as well as the City by increasing business activity and taxable values. The proposed project is also consistent with the approved uses for the Irving/Cicero Redevelopment Tax Increment Finance District, within which the Site is located.

## **COMMUNITY OUTREACH:**

45<sup>th</sup> Ward; Alderman Patrick Levar

A community meeting was held on April 29, 2003 at LaSalle Bank, 4901 W. Irving Park Road and was attend by approximately 150 people.

## **PUBLIC BENEFITS:**

### **Project Benefits**

- Preservation of a building that serves as a neighborhood identifier.
- New quality retail stores in the Portage Park neighborhood.
- Rehabilitation of property that will be a catalyst for further private investment in the community.
- Environmental benefits including a green roof and LEED compliance.
- 20% of the units will be reserved for affordable households.

## **MBE / WBE**

The Developer will comply with all requirements regarding the use of minority and women-owned business contractors for the construction/build-out of the Project. In February of 2004 the Developer notified eight minority and women-owned business associations, by certified mail, of their intent to develop this project. The Developer also met with the Monitoring and Compliance staff in February of 2004 to discuss the monitoring and reporting requirements related to MBE/WBE compliance.

## **RECOMMENDATION:**

The resolution before the Commission requests the following actions:

- 1) Designate Chicago Klee Development, LLC (the "Developer") as the successful respondent to an Request for Proposals (RFP) issued on August 26, 2002 for the adapative re-use of the Klee Building (Parcel 1), located at 4001-13 North Milwaukee Avenue, and the development of three surrounding parcels (Parcel 2), located at 4022-32 North Cicero Avenue.
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3) Recommend to the City Council of the City of Chicago the designation of Chicago Klee Development, LLC as the developer of the Project located within the boundaries of the Area.

**TERM SHEET**

Chicago Klee Development, LLC will rehabilitate the Klee Building, demolish three adjacent buildings, newly construct two new buildings in their place, resulting in a total Project that has 64 residential condominium units, 19,950 square feet of commercial space, 69 residential parking spaces underground and 23 short-term outdoor spaces provided for the customers of the retail merchants.

Chicago Klee Development, LLC was the successful respondent to an RFP put out by the City to develop this site in August of 2002.

**Sources and Uses**

**Uses of Funds:**

Owner Land Acquisition

Construction Costs

Public Improvements

Green Roof

Contingency

Legal	\$250,000
Finance and Closing	\$194,500
Permits	\$141,900
Arch & Engineering	\$312,500
Environmental	\$100,000
Construction Interest	\$1,103,500
Sales Commissions	\$790,007
Developer Fee	\$1,550,000
Holding Costs	\$535,556

**Sources of Funds:**

\$1,185,000  
First Mortgage

\$14,974,625

\$11,351,978  
TIF Loan

\$983,000<sup>01</sup>

\$50,000  
Credit

Waiver of Permits - CPAN  
\$130,000<sup>02</sup>

\$146,850  
Credit

for Site Improvements - CPAN  
\$50,000<sup>2</sup>

\$567,599  
Owner Equity

\$2,581,074

Closing Costs \$483,893

**Total**

**699** **\$18,718,**  
**Total**

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Total Developer Profit		\$ 1,370,001	
% of TPC		7.3%	

**Project Financing**

TIF Assistance

The City, through the Department of Planning and Development (DPD), is planning to reimburse the Developer for the TIF-eligible costs by offering the Developer \$983,000 in the form of a developer note that will be issued at closing. The Developer will receive 92.5% of "Excess Increment" in the Irving/Cicero TIF. Excess Increment is defined as the incremental revenue created by the Irving/Cicero TIF that is remaining after paying off the annual debt service on the Irving/Cicero bonds.

Negotiated Sale

The City, through the DPD intends to sell the 4 City-owned tax parcels to CKD for \$200,000, the minimum purchase price stated in the RFP. The appraised value of these parcels is \$1,525,000.

Total development costs are estimated to be **\$18,718,699**.