

**City of Chicago
Department of Housing and Economic Development**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
December 13, 2011**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	Experimur
Applicant Name:	Experimur Properties, LLC
Project Address:	4045 S. Morgan
Ward and Alderman:	11 th , James Balcer
Community Area:	New City Community
Redevelopment Project Area:	Stockyards Annex Tax Increment Financing District
Requested Action:	TIF Developer Designation
Proposed Project:	Industrial, bio-technical use. Company performs toxicology testing for pharmaceutical companies.
TIF Assistance:	\$3.7M

II. PROPERTY DESCRIPTION

Address:	4045 S. Morgan
Location:	Generally located at the northeast corner of W. 40 th Street and S. Morgan
Tax Parcel Numbers:	20-05-200-041 and 20-05-200-060
Land Area:	140,715 sq. ft or 3.23 acres

Current Use: The property includes a 72,000 sq.ft. industrial facility situated on 3.23 acres. The building is approximately 35 years old and most recently occupied by the Flexomat Corp.. Experimur rehabilitated the 54,000 sq.ft. of the building into their laboratory and office space. The work included major interior and exterior improvements and improved parking and landscaping.

Current Zoning: Planned Manufacturing District No. 8

Environmental Condition: Property did not require substantial remediation

III. BACKGROUND

The subject project is located within the original footprint of the Union Stockyards. The Stockyards is an active industrial corridor with over 100 businesses employing nearly 10,000 people. The economic downturn has affected this area and vacancy rates have become more common than in previous years. However, there has been recent activity within the industrial corridor, including the new Testa Produce development at 45th and Racine and Gypsum Supply's new warehouse at 42nd and Racine, completed in 2009. The subject property was constructed in the mid-1970s but had become deteriorated when Experimur LLC purchased it in 2009. This project represents a \$17M investment in the industrial corridor while bringing a highly skilled workforce, 26 full time positions, and 24 new jobs expected over the next few years. The biotechnical nature of this company is in keeping with the City of Chicago's goal of increasing these types of jobs and companies in the City.

Experimur provides a key service to pharmaceutical and biotechnology companies without which new pharmaceuticals cannot be developed. The pharmaceutical and biotechnology products currently under development at Experimur encompass medications for diabetes, heart disease, asthma, hypertension and cancer.

Experimur was founded in 2000 and located in leased space in the Michael Reese Hospital complex. Upon the City's purchase of the property in July of 2009, Experimur was forced to accelerate its relocation plans so that the demolition of the Reese complex could proceed. The company was provided with a December 31, 2009 date to vacate the site. Experimur incurred \$750,000 to separate its HVAC and utilities service from the central Reese system as demolition of other parts of the Reese complex proceeded.

Experimur had planned to relocate from the Reese complex prior to the City's acquisition but had to accelerate these plans due to the 12/31/09 deadline. The company purchased the vacant building at 4045 S. Morgan and began renovations and moved in on time to maintain its research timelines and contracts. Due to the need to accelerate the construction project, Experimur did not

have time to secure City financial assistance as originally intended and completed the project with their own equity and conventional financing. In doing so, putting a financial strain on the company as described in Section VI. of this report. The company had to complete the new development within 7 months, as opposed to, 18-24 months for a project of this complexity.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Experimur Properties is a Limited Liability Company acting as the real estate entity which will lease to the operating entity. Over 55% of the ownership includes Nabil Hatoum, and Bernadette Ryan. The remaining twenty (20) members make up the additional ownership percentage. The developer's member organization list is included in the exhibits.

Consultants: Holabird and Root was the architect, Reed Illinois was the general contractor and Johnson Research Group was the TIF consultant.

V. PROPOSED PROJECT

Project Overview: The project includes the complete rehabilitation of 54,000 sq. ft. (Phase I) of a 72,000 sq.ft., industrial facility. The original building is a one- story , 50,000 sq.ft. facility with a masonry exterior and steel structural frame. An addition was constructed in 1999 of approximately 22,000 SF. Work included the complete demolition of interior walls and the build out of new lab space, offices, conference rooms, workout room for employees and kitchen/cafeteria. Details of the redevelopment include: a 22,980 sq.ft. office and Lab, 24,681 sq.ft Vivarium and 6,442 sq.ft. of mechanical/electrical areas.

The building is organized into 3 primary functional zones. Offices and conference rooms to the south, vivarium to the north and laboratories between the two. The primary mechanical and electrical rooms are located in the eastern addition along the south side.

The vivarium is a conventional, general corridor type. It is separated from the office and lab areas by secure card access entries. There is a secure loading dock that accommodates trucks up to a 40' within the building envelope. Holding rooms consist of 14 large animal holding rooms and 20 small animal rooms. A cage wash facility and other support functions are located to the north of the holding rooms. Future expansion is planned to extend into the existing addition to the east (Phase II).

Experimur is anticipating an increase in business activity and expects to build-out the remaining 18,000 sq. ft. (Phase II) of additional space within the next 5 years.

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

Environmental Features: This developments includes the following "green" features: on-site water detention system in the parking lot; generous landscaping using native/adaptive species;

reflective roof system; high performance insulated glass windows; addition of natural light to all office and gathering areas; recycled building materials; including vinyl flooring for labs and office areas; low VOC paints and adhesives. A complete listing of all sustainable and energy efficient features included in Exhibit.

VI. FINANCIAL STRUCTURE

Experimur owns the building at 4045 S. Morgan and has invested heavily in the rehab of the building. The project has thus far been funded with a combination of lender financing provided by Citibank and equity contributed by the Experimur principals and members. Due to the City terminating their lease in 2009 at the former Michael Reese hospital site the Developer had to find a new location quickly. While they were scouting new locations their operations at Michael Reese were compromised due to attempting to operate their laboratory in the midst of a demolition of the larger hospital site. The rehabilitation of the new location turned out to be much more money than originally anticipated, partially as a result of the expedited time frame of the move. Experimur has been working with Citibank to avoid foreclosure on their loan, and Citibank has agreed to forbearance while Experimur has been negotiating the TIF deal with the City.

The City intends to provide Experimur with TIF financial assistance not to exceed \$3.7M. The assistance will be remitted in the following fashion: a \$2.5M payment upon Phase 1 project completion and four subsequent payments of \$300,000, to be made per the chart below. The TIF assistance comprises 21% of the total project costs.

TIF financial assistance is to be paid from incremental tax revenues generated by the Project site PINs (the “Site”), as well as increment generated by the balance of the Stockyards Annex TIF district as described below. TIF eligible costs must be certified prior to receiving any payments.

Amount	Type of City Funds	Requisition Time
\$2,500,000	Phase 1	Issuance of Phase 1 Certificate of Completion (“C.O.C”)
\$300,000	Phase 1	First Anniversary of Issuance of Phase 1 C.O.C.
\$300,000	Phase 1	Second Anniversary of Issuance of Phase 1 C.O.C
\$300,000	Phase 1	Third Anniversary of Issuance of Phase 1 C.O.C.
\$ 300,000 (the “Final Disbursement”)	Phase 2	Issuance of Phase 2 Certificate of Completion

The City has the right to discontinue disbursements of City Funds if the Developer fails to comply with the job retention/creation requirements. In order to receive the disbursements of Phase 1 City Funds the Developer must provide evidence to HED that at least 26 FTEs are employed at the

Facility. In order to receive the Phase 2 Certificate the Developer must provide evidence to HED that at least 45 FTEs are employed at the Facility. For 10 years after the Phase 2 Certificate Year the Developer shall submit an annual report showing that at least 45 FTEs are employed at the Facility.

The City is also pioneering a unique profit sharing concept in this deal. If Experimur experiences annual profits above a certain amount the City will receive 10% of the excess profits. If the business is sold for a profit the City will receive 10% of the sales price after taxes, depreciation, etc. have been deducted. Given the start-up nature of this business and the proposed growth of the research and development industry DHED staff saw this as an unprecedented opportunity to share in any future up-side of this project.

The following table identifies the sources and uses of funds.

Sources and Uses of Funds

<u>Sources</u>	<u>Amount</u>	<u>% of total</u>
Equity	\$2,500,000	15%
Debt (bank name)	<u>\$14,600,063</u>	<u>85%</u>
Total Sources	\$17,100,063	100%

<u>Uses</u>	<u>Amount</u>	<u>\$/sf of Building*</u>
Land Acquisition (\$15 per sf of land)	\$2,200,000	\$30.56 psf
Hard Costs	\$12,155,231	\$80.00 psf
Specialized Equipment	\$1,424,314	
Soft Costs		
Architect's Fee (6% of hard costs)	\$689,162	
Loan Origination Fee (.01% of loan)	\$16,160	
Legal Fees (0.005% of total costs)	\$94,864	
Environmental (.001%)	\$29,675	
Other soft costs (2.0% of total costs)	<u>\$490,647</u>	
Total Soft Costs (18.2% of total costs)	<u>\$1,320,517</u>	<u>\$ 18.34 psf</u>
Total Uses	\$17,100,063	\$237.5 psf

*Gross building area is 72,000 square feet

VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits.

Property Taxes: The project will expand the tax base because the investment in the property will result in an increase in its assessed value.

Environmental Features: See Exhibits for complete list.

Permanent Jobs: The project currently employs 26 FTE and is estimated to generate an additional 29 permanent jobs within the remaining 8 years left on this TIF. Current Experimur staff is composed of experienced scientists with backgrounds including toxicology, chemistry, physiology, biochemistry, histology, pathology, veterinary medicine and molecular biology. They consist mostly of B.S, M.S., D.V.M. and Ph.D. degreed scientists.

Of the 26 full-time employees at Experimur, 11 live in the City of Chicago while the remainder live in surrounding suburbs. The average current salary is \$69,186 with a range of \$24,960 to \$132,038. The majority of salaries are in the \$60,000 - \$80,000 range. The department's workforce development specialists will work with the developer on job training and placement for future hires.

Construction Jobs: The project has produced 110 temporary construction jobs. Phase II is expected to produce 50 temporary construction jobs.

Affirmative Action: Because the Phase I project was completed on an accelerated schedule and before application for financial assistance, the developer did not satisfy 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 RDA will include language obligating the developer to meet the requirements of the Phase I project in Phase II in addition to the participation required by the Phase II work alone.

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.

VIII. COMMUNITY SUPPORT

Alderman James Balcer endorses the project and has provided a letter of support (see exhibits for copy). The following community organization(s) (has/have) endorsed the project: Back of the Yards Neighborhood Council. (See exhibits for copies of support letters).

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the Stockyards Annex Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment plan: encourage industrial development in designated sections of the Redevelopment Area that are located in Stockyards PMD No.8 and foster the City's industrial base. The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the development of biotechnical, high tech and industrial uses. The

proposed project also conforms to the plan's land use map, which calls for industrial development at the subject site.

X. CONDITIONS OF ASSISTANCE

If the proposed resolution is approved by the CDC, HED will negotiate a redevelopment agreement with the developer. The redevelopment agreement will incorporate the parameters of the proposed project as described in this staff report.

It is HED 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 Redevelopment Agreement will not occur before the City Council has approved the redevelopment agreement.

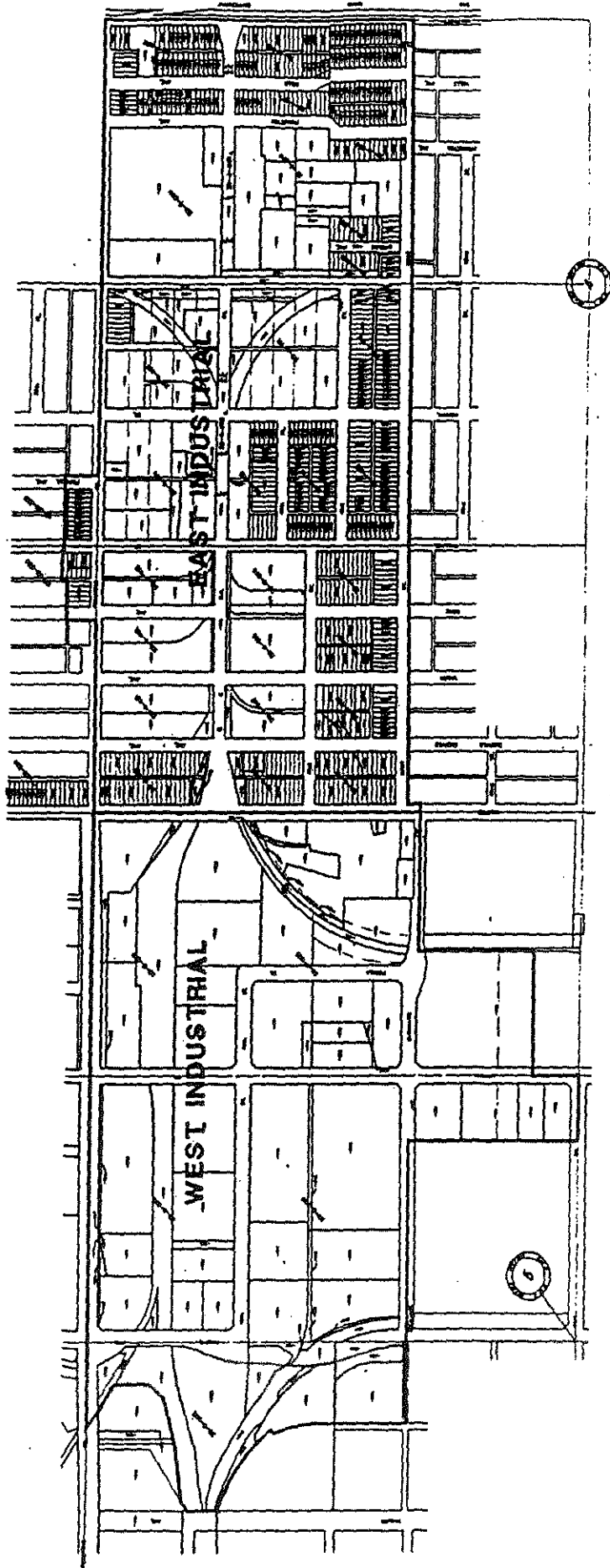
XI. RECOMMENDATION

The Department of Housing and Economic Development has thoroughly reviewed the proposed project, the qualifications of the development team, the financial structure of the project, its need for public assistance, its public benefits, and the project's conformance with the redevelopment area plan, and HED recommends that the CDC recommend to the City Council the designation of Experimur Properties, LLC as Developer for the development of a biotechnical research facility at 4045 S. Morgan.

EXHIBITS

Redevelopment Area Map
Neighborhood Map or Aerial
Typical Floor Plan
Front Elevation or Rendering
Community Letters of Support
Alderman's Letter of Support
Environmental Features
Ownership chart

STOCKYARDS ANNEX TIF DISTRICT



LOUIK SCHNEIDER
& ASSOCIATES, INC.

MANHARD
CONSULTING, INC.

ENGINEERS, SURVEYORS, PLANNERS
AND PROGRAMS PARTNER
1500 W. WASHINGTON ST. CHICAGO, ILL. 60601
PH. 472-2100 FAX. 472-2101

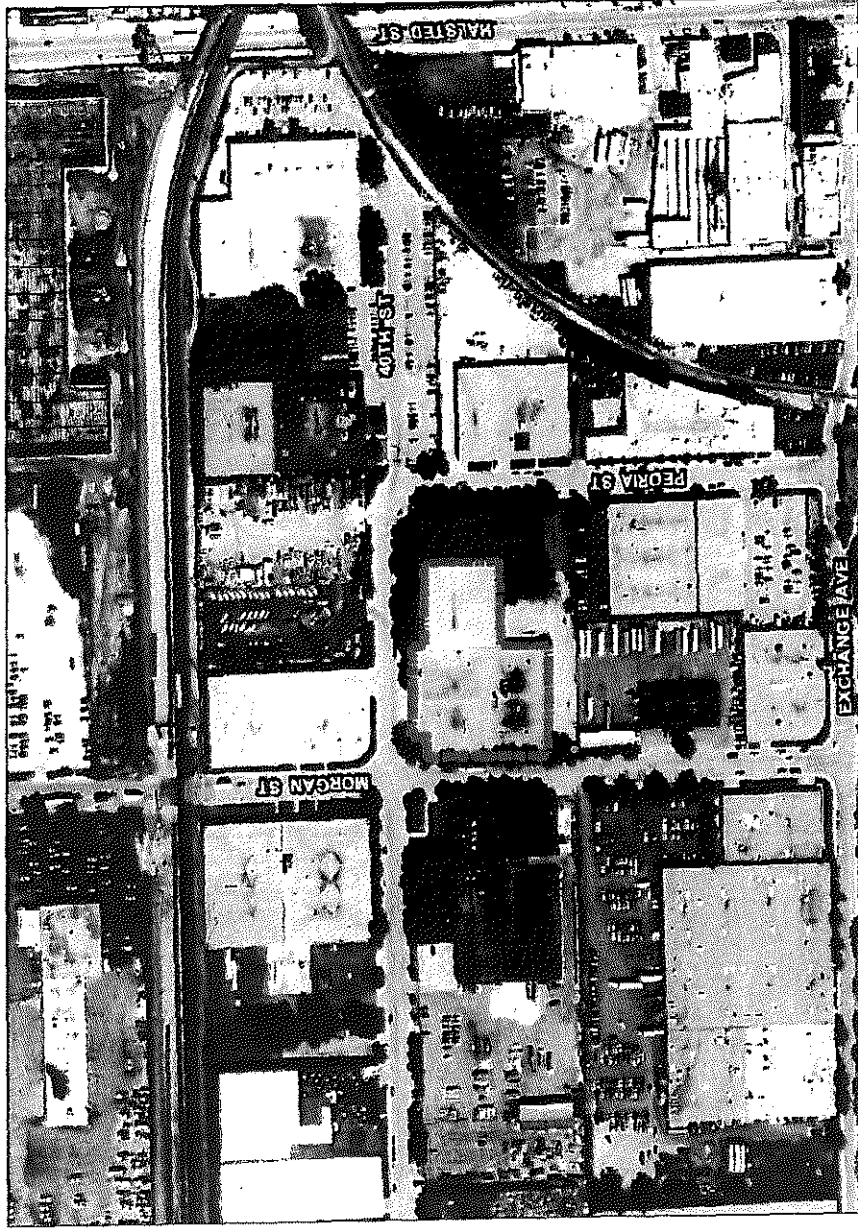
GRAPHIC SCALE



CITY OF CHICAGO

Experimur Properties, LLC - Aerial

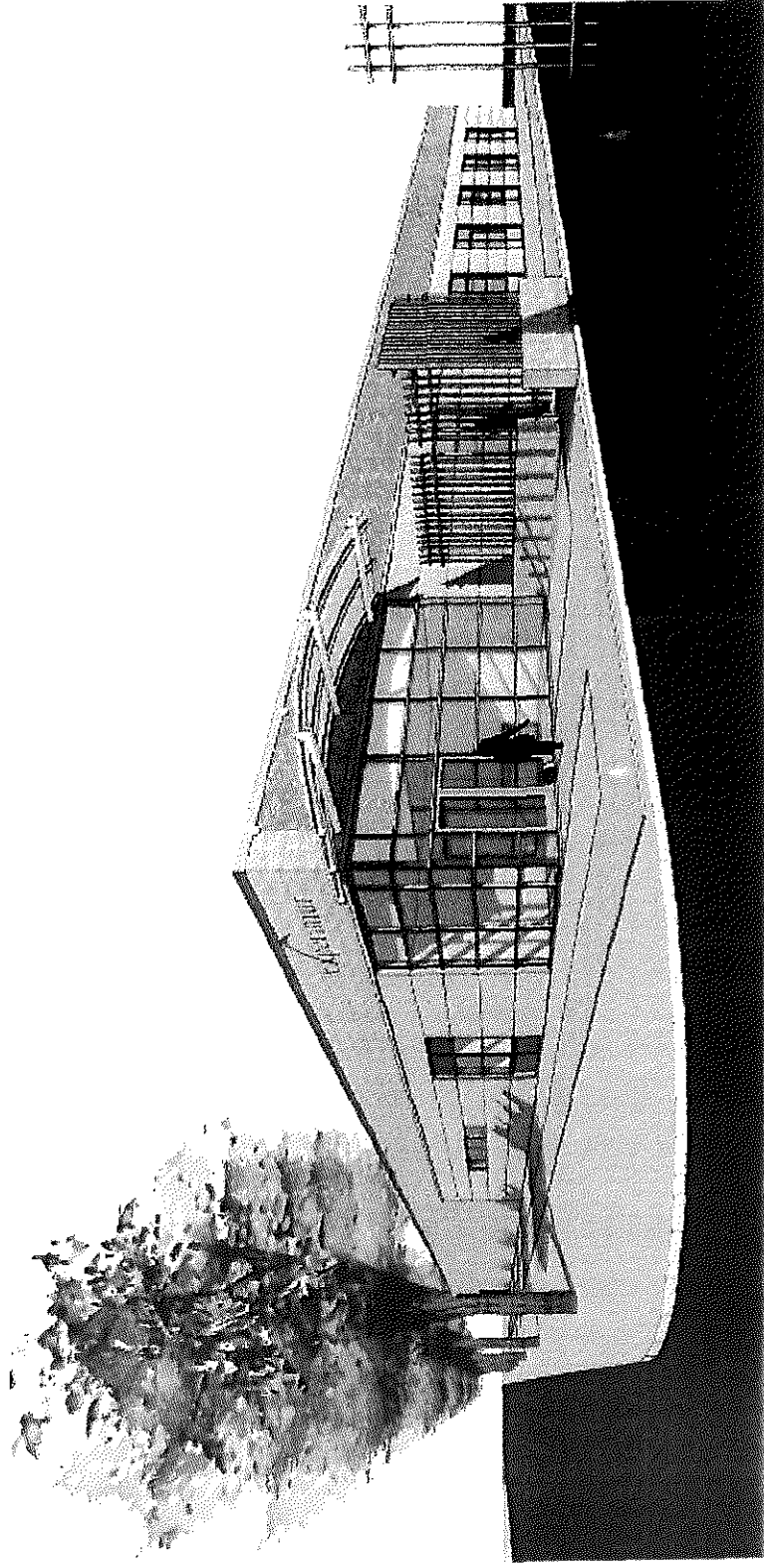
4045 S. Morgan



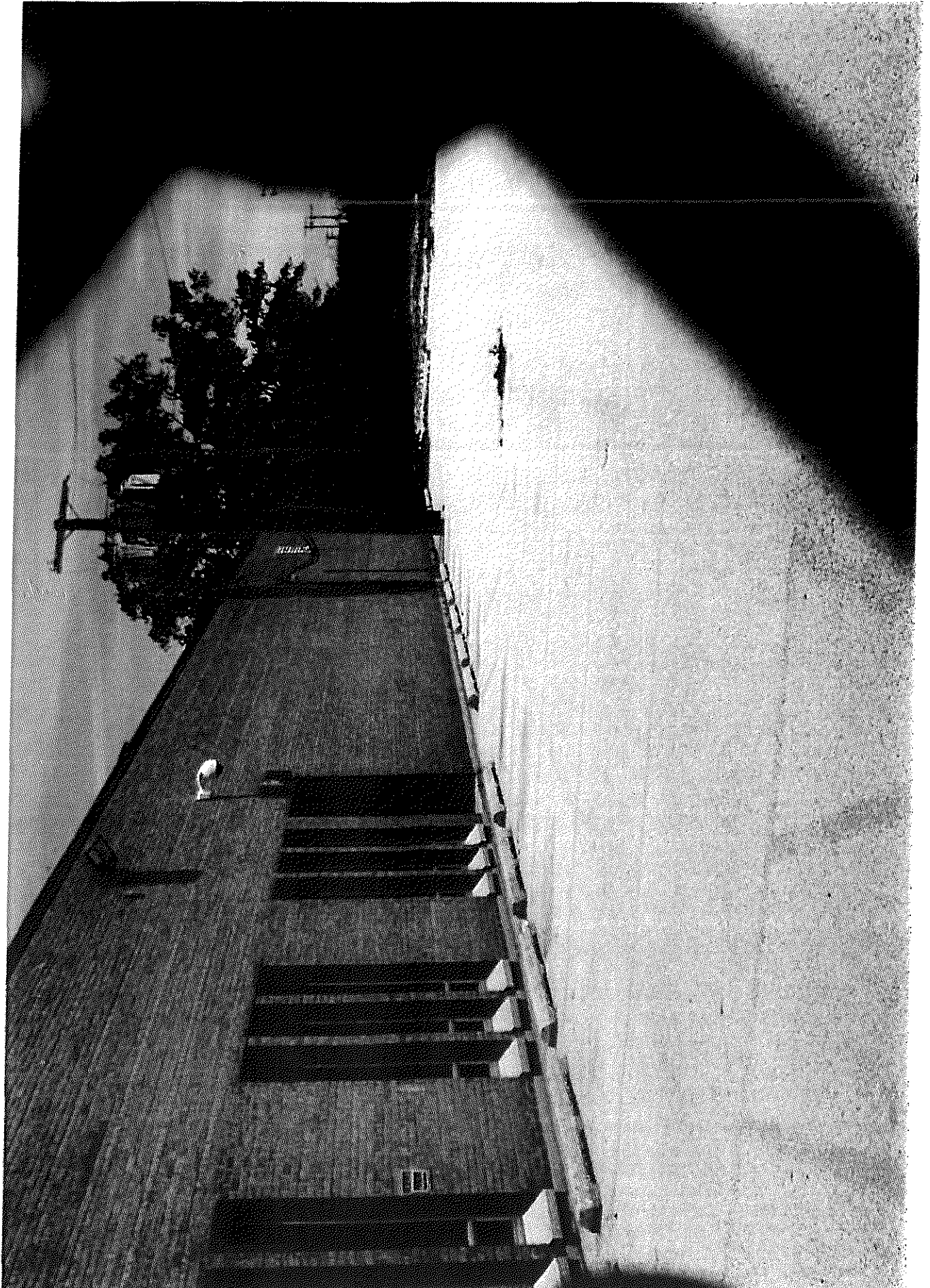


- SPECIALIZED LABORATORIES
- SUPPORT
- RECEPTIONS

Experimur Properties, LLC – Rendering





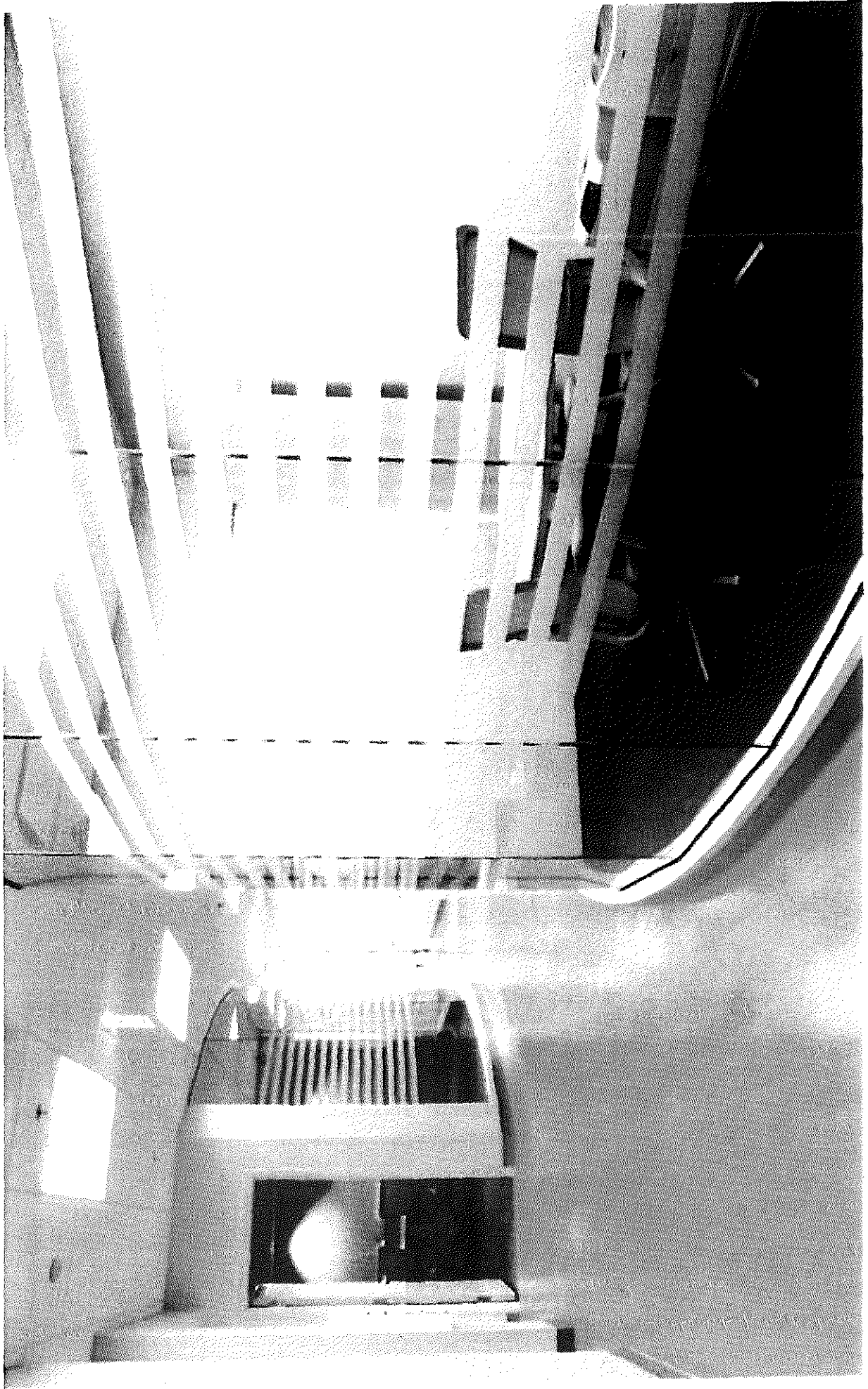


















12/5/2011

Andrew J. Mooney
Commissioner
Department of Housing and Economic Development
121 North La Salle Street, Room 1000
Chicago, Illinois 60602

Dear Commissioner,

I am writing this letter to place my support for financial assistance from the Department of Housing and Economic Development regarding TIF projects for Experimur Toxicology Testing and Research located in the Stockyards Industrial Corridor at 4045 S. Morgan St. They are located in the Stockyards Annex TIF.

The continued support for and development of manufacturers in the Back of the Yards is of vital importance for the creation of job growth and community progress. Please note the support of the Back of the Yards Neighborhood Council in this matter.

Please call me if you have any questions. 773-523-4416 ext. 103.

Sincerely,



Craig Chico
President and CEO, Back of the Yards Neighborhood Council



JAMES A. BALCER

ALDERMAN, 11TH WARD
3659 S. HALSTED ST. 60609
TELEPHONE: (773) 254-6677
FAX: (773) 254-8776

CITY COUNCIL
CITY OF CHICAGO
COUNCIL CHAMBER

SECOND FLOOR, CITY HALL
121 NORTH LASALLE STREET
SUITE 203
CHICAGO, ILLINOIS 60602
TELEPHONE: 312-744-6553

COMMITTEE MEMBERSHIPS

HEALTH, CHAIRMAN
PARKS AND RECREATION
POLICE AND FIRE
COMMITTEE, RULES AND ETHICS
TRANSPORTATION AND THE PUBLIC WAY
BUDGET AND GOVERNMENTAL OPERATIONS
FINANCE
AVIATION
HOUSING AND REAL ESTATE

December 6, 2011

Andrew J. Mooney
Commissioner
Department of Housing and Economic Development
121 North LaSalle Street, Room 1000
Chicago, Illinois 60602

Dear Commissioner Mooney:

Please be advised that I am in full support of providing Tax Increment Financing (TIF) to Experimur Properties, LLC for their biotechnology research facility located at 4045 S. Morgan in the Stockyards Annex TIF district.

For over 10 years, Experimur has been at the forefront of research and development for pharmaceutical and biotechnology companies throughout the United States. This \$18,000,000 investment has kept 26 highly-skilled jobs in the City of Chicago with a commitment to increase that amount to nearly double over the next few years.

Please call me if you have any questions at (773) 254-6677.

Sincerely,

James A. Balcer
Alderman, 11th Ward

July 13, 2011

Dr. Nabil Hatoum, Ph.D.,D.A.B.T.
President
Experimur
4045 S. Morgan Street
Chicago, IL 60609

Re: Experimur
New Laboratory Facility
H&R #15074

Dear Dr. Hatoum:

The new lab facility for Experimur was designed to take advantage of an existing manufacturing/warehouse facility in Chicago's back of the yards neighborhood. The following is a list of design features that contribute to providing an energy efficient sustainably minded facility.

Site

- On site storm water retention system located within the parking lot.
- Access to public transportation within a 5 minute walk.
- Landscaping using native/adaptive species

Building Enclosure

- 100% reuse of existing structure
- High albedo roof (high light reflectance)
- New roof with R20 insulation
- New high performance insulating glass windows.
- New R13 insulation added to existing wall construction. Approx 95% of existing masonry wall retained.
- Natural light provided to all office and gathering areas.

Building Interior

- Air hand dryers
- Interior materials with recycled content include: vinyl flooring for labs and office areas, carpet in offices and conference rooms, floor and wall tiles in toilet rooms and lockers, resilient flooring in exercise room and lay-in ceiling panels in office areas.
- Low VOC paints and adhesives.

Building Systems

- Variable volume lab exhaust system provides a safer user environment by maintaining proper pressure relationships in laboratories. It also substantially increases the efficiency of cooling, heating, humidification, ventilation and filtration systems.
- Point of presence sensors on fume hoods to reduce airflows when hood is not in use, substantially increases the efficiency of cooling, heating, humidification, ventilation and filtration systems.
- Photo sensors on all laboratories with fume hoods will sound an alarm if the fume hood sash is left open and lights are turned off (signaling that room is unoccupied) which reduces air volumes energy requirements.

Dr. Nabil Hatoum, Ph.D.,D.A.B.T.

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July 13, 2011

- Local user switches on all local lab snorkels and ventilated tables to allow airflow to be turned off when snorkel/ventilated table is not in use.
- High efficiency motors and variable frequency drives on all central air handling equipment
- High efficiency air filtration on central air handling systems promote a healthier environment
- Expanded filter areas on central air handling systems to reduce system static pressure and save fan energy
- Fan powered VAV boxes reclaim waste heat from interior spaces to heat perimeter spaces
- Combined lab/office air handling system takes areas that would otherwise be over-ventilated (laboratories) and uses this to help reduce outside air loads for other areas (offices). This provides not only a cleaner environment to office areas but saves significant cooling, heating, humidification, ventilation and filtration costs
- Areas not requiring humidification, such as cage wash areas, are independently ducted to reduce building humidification loads
- Direct digital control system allows extensive monitoring of space temperatures and humidity and provides remote alarming to notify operating personnel whenever parameters are outside normal ranges
- Decentralized animal exhaust systems to minimum system static pressure and save fan energy
- Static pressure reset on central air handling systems to reduce system static pressure to that required by the most demanding VAV/FPVAV box
- Central locker and toilet area exhaust controlled by occupancy sensor and variable frequency drive to reduce system airflows when areas is not in use
- High efficiency condensing boilers with up to 94% thermal efficiency
- Variable speed pumping on central hot water heating system to reduce pumping energy requirements
- High efficiency water cooled chillers
- Chilled water reset and chiller optimization control to reduce cooling energy costs
- Variable speed pumping on central chilled water cooling system to reduce pumping energy requirements
- Variable speed drives on cooling towers to reduce cooling energy requirements
- High efficiency domestic hot water heaters with up to 98% system thermal efficiency
- Sensor operated toilets and urinals save water and promote a healthier environment
- Low flow toilets and urinals
- Sensor operated lavatories save water, energy and promote a healthier environment
- High efficiency lighting with multiple level switching And occupancy sensors

Building Amenities

- Employee work out room equipped with exercise machines
- Employee locker room equipped with showers
- Cafeteria patio dining area with gated garden area for relaxation and opportunity to enjoy the outdoors.

Sincerely,

HOLABIRD & ROOT, LLCJeffrey Case
Principal

Experimur Properties, LLC
Schedule of Members
As of November 24, 2011

Member	%
Nawar & Maria Hatoum	6.31%
Yaser & Razane Wafai	7.57%
Patricia & Michael Biscan	3.04%
Majed and Reem Jandali	7.57%
Marwan El-Faysal	0.95%
Ghafir Family LTD	7.99%
Bernadette Ryan	27.68%
Nabil Hatoum	27.54%
Jane Ryan	1.07%
John Kapeghian	1.10%
Martha Kapeghian	1.10%
Farah Denahan	1.46%
Therese Ryan	0.63%
Susan and Hasan Hannoun	2.57%
Radwan Al-Sabbagh	2.52%
Michael Sullivan	0.73%
Eddie Mallett	0.16%
Total	100.00%

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

RESOLUTION NO. __ - CDC -

**AUTHORIZATION TO NEGOTIATE A
REDEVELOPMENT AGREEMENT WITH EXPERIMUR PROPERTIES, LLC**

**AND
RECOMMENDATION TO
THE CITY COUNCIL OF THE CITY OF CHICAGO
FOR THE DESIGNATION OF EXPERIMUR PROPERTIES, LLC
AS 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 96-CDC-56 and pursuant to the Act, enacted three ordinances on December 11, 1996, pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the Stockyards Annex Redevelopment Project Area (the "Area"), designated the Area as a redevelopment project area and adopted tax increment allocation financing for the Area. The street boundaries of the Area are described on Exhibit A hereto; and

WHEREAS, Experimur Properties, LLC (the "Developer"), has presented to the City's Department of Housing and Economic Development ("HED") a proposal for redevelopment of the Area or a portion thereof that is in compliance with the Plan, consisting of the construction of a biotechnology and toxicology research facility (the "Project"); and

WHEREAS, HED requests that the Commission recommend to City Council that the Developer be designated as the developer for the Project and that HED be authorized to negotiate, execute and deliver a redevelopment agreement with the Developer 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 Developer be designated as the developer for the Project and that HED be authorized to negotiate, execute and deliver on the City's behalf a redevelopment agreement with the Developer 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: _____, 201_

Attachment: Exhibit A, Street Boundary Description

EXHIBIT A

Street Boundary Description of the
Stockyards Annex Tax Increment Financing
Redevelopment Project Area

The Area is generally bounded by Pershing Road on the north, Wentworth Avenue on the east, West Exchange Avenue on the south, and Racine Avenue on the west.