

**City of Chicago
Department of Planning and Development**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
NOVEMBER 18, 2008**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name: Shop N Save Fresh Market

Applicant Name: Archer Advisors, LLC

Project Address: 5829 South Archer Avenue

Ward and Alderman: 23rd Ward/Michael Zalewski

Community Area: Garfield Ridge (56)

Redevelopment Area: Archer/Central Tax Increment Financing Redevelopment Area

Requested Action: TIF Developer Designation

Proposed Project: Redevelopment of vacant grocery store

TIF Assistance: \$3,000,000

II. PROPERTY DESCRIPTION

Address: 5829 South Archer Avenue

Location: South side of Archer Avenue between Lotus and Central Avenues

Tax Parcel Numbers: 19-09-317-086-0000, 087-0000 and 088-0000

Land Area: Approximately 5.75 acres (250,000 square feet)

Current Use: Vacant, approximately 62,000 square foot grocery store, with paved surface parking lot and truck loading dock area. The masonry building was originally constructed in 1985 but has been vacant since Dominick's closed the store in March 2007.

Current Zoning: C2-1 (Motor Vehicle-Related Commercial District) and M1-1 (Limited Manufacturing/Business Park District)

Proposed Zoning: B3-1 (Community Shopping District)

Environmental Condition: The subject property is not now, nor ever was, under the ownership of the City of Chicago. On behalf of the Department of Planning and Development, on July 29, 2008, the Department of Environment conducted a review of the existing environmental reports and concluded that the remediation authorized by the previous owner, Dominick's Finer Foods, was sufficient. Furthermore, DOE concluded that the finding of No Further Remediation for this site, by the Illinois Environmental Protection Agency, was valid. DOE did require that Archer Advisors, LLC provide the City with a copy of the Property Owner Certification of the NFR Letter, per IEPA requirements, as ownership of this site has changed.

III. BACKGROUND

In 1982, Dominick's Finer Foods acquired this approximately 5.75-acre site for the construction of a new 61,558 square foot grocery store. This store remained in service to the Garfield Ridge community until March 2007, when Dominick's parent company, Safeway Foods, ceased operations at this location.

In November 2007, Archer Advisors, LLC purchased this store for \$8,300,000 from Safeway. This sale and proposed project are an example of the benefits of the ordinance passed by City Council which resulted in grocery stores being unable to maintain a deed restriction on former places of operation. Archer Advisors approached the Department of Planning and Development with their renovation concept for the South Archer Avenue location, variations of which had already been operational in Bridgeview, Des Plaines, Niles and Schaumburg.

The redevelopment being proposed would include a complete renovation of this outdated and vacant facility through the replacement of the roof, HVAC system, windows, refrigeration equipment, flooring and the construction of a new 2,000 square foot entryway. This full-service grocery store will contain a deli, on-site bakery, meat department with a meat smoker, fresh fish, seafood and produce, eastern European-specific groceries, as well as, basic food items that smaller grocery stores do not stock. Current local grocery options are limited to four neighborhood stores, all under 16,000 square feet with none, or limited, fresh produce, meat or bakery features; one major grocery store is located within four miles, however, it is in a neighboring suburb.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Archer Advisors, LLC is wholly owned by Richard Machnicki and the husband and wife team of Cezary and Eva Jakubowski. Mr. Machnicki has a 50% stake in this entity and Mr. and Mrs. Jakubowski each have a 25% interest. They currently own and operate four other

Shop N Save Fresh Markets in the Chicago metropolitan area:

- Bridgeview – 8847 South Harlem Avenue, operational since September 2008
- Des Plaines – 518 Metropolitan Way, operational since August 2005
- Niles – 229 Golf Mill Center, operational since February 2002
- Schaumburg – 830 West Golf Road, operational since June 2005

Consultants:

- Architect – Alan R. Schneider Architects, P.C.
- Accountant – Letke & Associates

V. PROPOSED PROJECT

Project Overview: Archer Advisors, LLC is proposing that their new Shop N Save Fresh Market will be housed in a completely renovated version of the existing, yet vacant, former Dominick’s Finer Foods. The existing masonry and glass structure is approximately 62,000 square feet and has a 300-space parking lot and a nearly 33,000 square foot truck loading area.

The redevelopment being proposed would include a complete renovation of this outdated grocery store, as well as, the parking lot and loading docks. The building’s reconstruction will result in the installation of a new roof, HVAC system, windows, refrigeration equipment, flooring and the construction of a 2,000 square foot entryway. The 300-space parking lot and 33,000 square foot loading area will be repaved and landscaped to meet the City’s ordinance requirements. This full-service grocery store will contain a deli, on-site bakery, meat department with a meat smoker, fresh fish, seafood and produce, eastern European-specific groceries, as well as, basic food items that smaller grocery stores do not stock.

A plat of survey, site plan, landscape plan, typical floor plan and front elevations and renderings are provided as exhibits to this report.

Environmental Features: This building will be reconstructed so that it will achieve LEED for Commercial Interiors Certification.

VI. FINANCIAL STRUCTURE

Archer Advisors, LLC will be the sole owner of this land and building and will manage all operations of the Shop N Save Fresh Market. This project will be financed through equity from the three partners of Archer Advisors, conventional bank loans (a letter of interest from a lender is attached to this report in the exhibits) and \$3,000,000 in Tax Increment Financing assistance. This \$3,000,000 TIF grant represents approximately 20% of the total project cost of \$15,026,238 and is necessary to close the gap created by the large rehabilitation costs, made more significant due to numerous years of deferred maintenance on this building while it was under the control of Safeway and Dominick’s. The increment will come from two sources, \$1,000,000, which will be generated by this site’s PINs, and \$2,000,000, which will come from area-wide available increment. No TIF proceeds will be distributed until a Certificate of Completion has been issued for this project by the Department of Planning and Development.

Payment would be divided equally over a ten-year period of time (i.e. \$300,000 annually) provided that Archer Advisors adheres to the stipulations of the City Council-approved Redevelopment Agreement, namely maintenance of their job number threshold (listed below) and the uninterrupted site usage as a grocery store.

The following table identifies the sources and uses of funds related to this project:

<u>Sources</u>	<u>Amount</u>	<u>% of total</u>
Equity	\$2,626,238	17.48%
Construction Financing	\$2,000,000	13.31%
Permanent Financing	\$10,400,000	69.21%
Total Sources	\$15,026,238	100%
<u>Uses</u>	<u>Amount</u>	<u>\$/sf of Building*</u>
Land Acquisition (\$33.20/sf of land)	\$8,300,000	\$134.83
Furniture, Fixture and Equipment	\$1,950,000	\$31.67
Hard Costs	\$2,735,250	\$44.43
Soft Costs		
Architect=s Fee (4.90% of soft costs)	\$100,000	
General Contractor Fee (0.67% of total costs)	\$100,000	
Legal and Accounting Fees (0.27% of total costs)	\$40,000	
Loan Interest (7.21% of total costs)	\$1,082,813	
Other Soft costs (4.78% of total costs)	\$718,175	
Environmental Testing (0.2% of other soft costs)	\$1,500	
Appraisal (0.69% of other soft costs)	\$5,000	
Insurance (2% of other soft costs)	\$15,000	
Common Area Maintenance (6% of other soft costs)	\$43,500	
Building Permits (6.61% of other soft costs)	\$47,500	
Title Transfer/Recording (10% of other soft costs)	\$70,000	
Soft Cost Contingency (13.5% of other soft costs)	\$97,190	
Real Estate Taxes (61% of other soft costs)	\$438,485	
Total Soft Costs (13.58% of total costs)	<u>\$2,040,988</u>	<u>\$33.15</u>
Total Uses	\$15,026,238	\$244.09

*Gross building area is 61,558 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: The project will achieve LEED for Commercial Interiors Certification.

Permanent Jobs: The project will generate at least 86 full-time equivalent permanent jobs in all operational areas of the grocery store, from managers of the store and the meat and seafood departments, to cashiers and stock clerks. Those jobs will be created by December 31, 2009. Furthermore, 86 full-time equivalent jobs must be retained beginning December 31, 2009 and ending on the 10th anniversary of the issuance of the Certificate of Completion. The Mayor=s Office for Workforce Development has been informed of the project and is working with the developer on job training and placement. A copy of the memo to MOWD explaining this project is attached as an exhibit to this report.

Construction Jobs: The project will produce 75 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 copy of the notification letter and the post office receipts for the mailing of 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.

VIII. COMMUNITY SUPPORT

Alderman Michael Zalewski endorses this project, the proposed TIF assistance level and the necessary zoning change. He has provided the departments of Planning and Development and Zoning with letters of support for these items, copies of which are included in the exhibits section of this report. The alderman also held a meeting on May 8, 2008 with the Vittum Park Civic League and Archer Advisors, LLC to introduce the project to the community. A copy of the story about this meeting is included as an exhibit to this report.

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the Archer/Central Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area=s redevelopment plan:

- Stabilization and enhancement of the real estate and sales tax base of the City and other taxing districts;
- Improvement of the appearance of the commercial and industrial properties through building façade renovation/restoration, restoration of deteriorated signage and public and private improvements that will have a positive visual impact;
- Creation of new job opportunities within the Area; and,
- Employment of residents from within the Area as well as adjacent neighborhoods and

redevelopment project areas.

The implementation strategy for achieving the plan=s goals envisions the need to provide TIF financial assistance for the reuse of a vacant building in serviceable condition for new commercial use. The proposed project also conforms to the plan=s land use map, which calls for commercial development at the subject site.

X. CONDITIONS OF ASSISTANCE

If the proposed resolution is approved by the Community Development Commission, the Department of Planning and Development 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 DPD 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 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 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.

XI. RECOMMENDATION

The Department of Planning and 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 recommends that the Community Development Commission recommend to the City Council the designation of Archer Advisors, LLC as Developer for the development of Shop N Save Fresh Market at 5829 South Archer Avenue.

