

COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO

RESOLUTION NO. 00-CDC- 95

AUTHORITY TO PUBLISH NOTICE OF THE
INTENTION OF THE CITY OF CHICAGO TO NEGOTIATE A
REDEVELOPMENT AGREEMENT WITH
MEDINAH TEMPLE, INC., TREE STUDIOS, LLC., AND UNIT BUILDING, INC., WITH
A LIMITED JOINDER TO BE EXECUTED BY FEDERATED DEPARTMENT STORES INC.
FOR REDEVELOPMENT OF THE
MEDINAH TEMPLE, TREE STUDIOS BUILDING AND ANNEXES,
THE UNIT BUILDING, AND THE COURTYARD
WITHIN THE
OHIO/WABASH
REDEVELOPMENT PROJECT AREA

AND

TO REQUEST ALTERNATIVE PROPOSALS FOR THE
REDEVELOPMENT OF THE SITE

AND

CONDITIONAL RECOMMENDATION TO
THE CITY COUNCIL OF THE CITY OF CHICAGO
FOR THE DESIGNATION OF
MEDINAH TEMPLE, INC., TREE STUDIOS, LLC, AND UNIT BUILDING, INC.
AS THE DEVELOPER AND FEDERATED DEPARTMENT STORES INC. AS THE CO-
DEVELOPER
IF NO OTHER
RESPONSIVE ALTERNATIVE PROPOSALS ARE RECEIVED

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 (referred to herein collectively with the Mayor as the "Corporate Authorities") (as codified in Section 2-124 of the City's Municipal Code) pursuant to 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.) (the "Act") ; 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 Act; and

WHEREAS, the City Council, upon the Commission's recommendation pursuant to Resolution 00-CDC-44 submitted to the Commission on March 28, 2000 and pursuant to the Act, enacted three ordinances on June 7, 2000, published in the Journal of Proceedings of the City Council at such date at pages 34464 through 34572, pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the Ohio/Wabash Tax Increment Financing 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, Medinah Temple, Inc, an Illinois corporation, Tree Studios, L.L.C., an Illinois limited liability corporation, and Unit Building, Inc., an Illinois corporation, have presented to the City's Department of Planning and Development ("DPD") a proposal for redevelopment of the Area or that is in compliance with the Plan, consisting of the redevelopment of Medinah Temple for use as a Bloomingdale's home furnishings store, redevelopment of the Tree Studios Building, the upper floor of which is to be maintained as studios for artists and arts-related businesses with a portion of the units to be leased at below market rents, together with redevelopment of the Annexes, the Unit Building, and the Courtyard (the "Project"); and

WHEREAS, pursuant to Section 5/11-74.4-4 (c) of the Act, the City may not enter into any agreement regarding redevelopment within the Area without first making public disclosure of the terms of such agreement and all bids and proposals related thereto and providing reasonable opportunity for any person to submit an alternative proposal or bid; and

WHEREAS, DPD requests the authority of the Commission to make the required disclosure by publishing notice in the form set forth as Exhibit B hereto (the "Notice") in the Chicago Sun-Times or the Chicago Tribune, being newspapers of general circulation within the Area; and

WHEREAS, DPD requests that the Commission recommend to City Council that Medinah Temple, Inc, Tree Studios, L.L.C., and Unit Building, Inc. be designated as the developer for the Project and that DPD be authorized to negotiate, execute and deliver a redevelopment agreement with the Medinah Temple, Inc, Tree Studios, L.L.C., and Unit Building, Inc. for the Project, with a limited joinder to be executed by Federated Department Stores Inc. as the co-developer for the redevelopment of the Medinah Temple portion of the Project, if no responsive alternative proposals are received by DPD within 30 days after publication of the Notice; 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 authorizes DPD to publish the Notice.

Section 3. The Commission hereby recommends to City Council that Medinah Temple, Inc, Tree Studios, L.L.C., and Unit Building, Inc. be designated the developer for the Project, that Federated Department Stores Inc. be designated as a co-developer with respect to the Medinah Temple portion of the Project, and that DPD be authorized to negotiate, execute and deliver on the City's behalf a redevelopment agreement with Medinah Temple, Inc, Tree Studios, L.L.C., Unit Building, Inc., (or such other entity or entities that shall have Albert M. Friedman as its general partner managing member or controlling shareholder) with a limited joinder to be executed by Federated Department Stores Inc. for the Project, so long as no responsive alternative proposals are received by DPD within the time recited above.

Section 4. 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 5. All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.

Section 6. This resolution shall be effective as of the date of its adoption.

Section 7. A certified copy of this resolution shall be transmitted to the City Council.

ADOPTED: September 12, 2000

Attachments: Exhibit A, Street Boundaries of the Area
Exhibit B, Form of Notice requesting Alternative Proposals

EXHIBIT A

Street Boundaries of the Area

Ohio/Wabash Tax Increment Financing Redevelopment Area Boundary Description

The Area is generally bounded by Ontario Street on the north, Ohio Street on the south, Wabash Avenue on the east, and State Street on the west.

EXHIBIT B

PUBLIC NOTICE is hereby given by the Community Development Commission ("CDC") of the City of Chicago (the "City") pursuant to Section 5/11-74.4-4(c) of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1 et seq.) (the "Act"), that the City's Department of Planning and Development ("DPD") intends to negotiate a redevelopment agreement (the "Redevelopment Agreement") with Medinah Temple, Inc, Tree Studios, L.L.C., Unit Building, Inc., with a limited joinder to be executed by Federated Department Stores Inc., pursuant to which the City intends to provide financial assistance using up to a maximum principal amount of \$12,500,000 of tax increment allocation financing ("TIF") revenues pursuant to the Act to one or more of such entities, for a portion of the cost of the redevelopment of the Medinah Temple, Tree Studios Building and Annexes, the Unit Building, and the Courtyard (the "Project"), within the Ohio/Wabash Tax Increment Financing Redevelopment Project Area (the "Area") which was established pursuant to the Act. The Area is generally bounded as follows:

The Area is generally bounded by Ontario Street on the north, Ohio Street on the south, Wabash Avenue on the east, and State Street on the west.

THE CITY HEREBY INVITES ALTERNATIVE PROPOSALS FOR THE REDEVELOPMENT OF THE SITE FOR CONSIDERATION BY THE CITY.

The documents listed below related to the Area and the Project are available for public inspection at the offices of DPD, Room 1000, City Hall, 121 North LaSalle Street, Chicago, Illinois between the hours of 9:00 a.m. and 4:00 p.m. Monday through Friday:

- (i) "The Ohio/Wabash Tax Increment Financing Redevelopment Project and Plan" (the "Plan") (which has attached as exhibits the Ohio/Wabash Redevelopment Project Area Tax Increment Financing Eligibility Study (the "Report") and the Ohio/Wabash Redevelopment Project Area Tax Increment Financing Housing Impact Study (the "Housing Impact Study")), which constitutes the City's redevelopment plan for the Area;
- (ii) a term sheet showing all proposed material terms of the Redevelopment Agreement as of the date hereof, including but not limited to an estimated Project budget setting forth the amount of financial assistance the City intends to provide to Medinah Temple, Inc, Tree Studios, L.L.C., Unit Building, Inc., and Federated Department Stores Inc. for the Project; and
- (iii) the terms of all bids and proposals received, if any, by the City related to the Project and the Redevelopment Agreement.

Please contact Kathy Feingold of DPD at (312) 744-6691 to review these materials and for information regarding the form required for proposals submitted to the City. Those submitting alternative proposals must be financially and otherwise qualified to complete the Project. The City reserves the right to reject any and all proposals. Proposals will be received by the City at

DPD's offices, Room 1000, City Hall, 121 North LaSalle Street, Chicago, Illinois 60602, until September 27, 2000 at 10:00 a.m., at which time all alternative proposals will be opened and reviewed.

Joe Williams, Chairman
COMMUNITY DEVELOPMENT COMMISSION
City of Chicago

CITY OF CHICAGO
COMMUNITY DEVELOPMENT COMMISSION

September 12, 2000

SUMMARY SHEET

- Action Requested:**
- (1) Approve the advertisement of the Department of Planning and Development's intention to negotiate a Redevelopment Agreement with Medinah Temple, Inc., Tree Studios LLC, and Unit Building Inc. (collectively the "Developers") and Federated Department Stores Inc. (the "Co-developer") for the use of Incremental Tax Revenues for the redevelopment of the Medinah Temple, Tree Studios Building and Annexes, the Unit Building, and the Courtyard (the "Project") located within the Ohio/Wabash Tax Increment Financing Redevelopment Project Area (the "Area"); and
 - (2) Authorize a request for Alternative Proposals for the Redevelopment of the Project located within the boundaries of the Area; and
 - (3) Recommend to the City Council of the City of Chicago the designation of Medinah Temple, Inc., Tree Studios LLC, and Unit Building Inc. as the developers and Federated Department Stores Inc. as the co-developer of the Project located within the boundaries of the Area, if no alternative proposals are received.

Address/Location: The proposed Project is located within one full city block bounded by Ohio, Ontario, Wabash and State Streets within the Ohio/Wabash Redevelopment Project Area.

Site Area: The site area contains two main properties and encompasses a total of approximately 3.6 acres including street rights-of-way.

Developer: Medinah Temple, Inc., Tree Studios LLC, and Unit Building Inc., if the "request for proposals" process does not produce any responsible alternative proposals.

Project:

The developers intend to redevelop the historically significant Medinah Temple, Tree Studios Building and Annexes, the Unit Building and the Courtyard. The development will encompass a full city block bounded by Ohio, Ontario, Wabash and State Streets. The project area contains the Medinah Temple on the eastern portion of the block, the Unit Building, the Tree Studios Building (comprised of the State Street portion and two annexes) and an interior outdoor courtyard on the western portion of the block.

Adaptive re-use of the Medinah Temple will be accomplished by a long-term lease to Federated Department Stores for use as a Bloomingdale's Home Store. The Unit Building, an annex located behind Medinah Temple, will be converted to office space for lease. The grade-level retail space of Tree

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Studios will be enhanced and rehabilitated, and basement level space will be extended under the courtyard and is anticipated as use for a restaurant. The upper floors of the Tree Studios will be rehabilitated to the original (1894) condition and maintained as artist studio space. The Annexes will be artist live-work or retail.

Twenty-five percent of the Tree Studios' units will be made available at below-market rents to artists. A broad-based team including representatives of the Developer and the City's Department of Cultural Affairs will select the tenants based upon a pre-determined selection criteria.

An exhibit will be prepared as part of the redevelopment agreement detailing the complete scope of preservation work required as part of the project.

The State Street portion of Tree Studios is currently a Chicago Landmark. As part of the redevelopment agreement, the Developer will agree to landmark the entire block including the Tree Studios Building and Annexes, the courtyard, the Unit Building, and the Medinah Temple Building.

Total Project costs are estimated at \$ 63,618,800 for which the City, through the Department of Planning and Development (DPD), is planning to reimburse the Developer for TIF-eligible hard (construction) and related soft costs associated with the redevelopment of the site in an amount equal to \$12,500,000 of total Project costs. The City's financial assistance will be provided through a taxable TIF Developer Note. The Project will be financed through developer/investor equity, a contribution by Federated Department Stores, lender financing, State financing, and an additional contribution by Federated for construction costs.

It is anticipated that this Project will create 180 full-time equivalent jobs and over 200 construction jobs over the 13 month construction period.

Alderman/Ward: 42nd Ward Alderman Burton Natarus

Issues:

Possible opposition to the Project could come from two small groups: a) current residents of Tree Studios who would not qualify to remain in the below-market rate studios and/or those who would be required to relocate; and b) the most fervent preservationists who would object to the conversion of the interior of Medinah Temple into a another use and would object to a modification of the windows on the building's exterior (to make the Temple more appropriate for retail).

**COMMUNITY DEVELOPMENT COMMISSION MEETING
SEPTEMBER 12, 2000**

STAFF REPORT

**For Property located within the
Ohio/Wabash Tax Increment Financing
Redevelopment Project Area**

MR. CHAIRMAN AND MEMBERS OF THE COMMISSION:

The resolution before the Commission requests the following actions:

- (1) Approve the advertisement of the Department of Planning and Development's intention to negotiate a Redevelopment Agreement with Medinah Temple, Inc., Tree Studios LLC, and Unit Building Inc. (collectively the "Developers") for the use of Incremental Tax Revenues for the redevelopment of the Medinah Temple, Tree Studios Building and Annexes, the Unit Building, and the Courtyard (the "Project") located within the Ohio/Wabash Tax Increment Financing Redevelopment Project Area (the "Area"); and
- (2) Authorize a request for Alternative Proposals for the Redevelopment of the Project located within the boundaries of the Area; and
- (3) Recommend to the City Council of the City of Chicago the designation of Medinah Temple, Inc., Tree Studios LLC, and Unit Building Inc. as the developers of the Project located within the boundaries of the Area, if no alternative proposals are received.

Proposed Developer

Medinah Temple, Inc., Tree Studios LLC, and Unit Building Inc. are newly created entities, each of which is owned by Albert M. Friedman. Albert Friedman is currently negotiating with Marilyn Miglin and Richard Driehaus to participate in the subject entities, both of whom have committed orally to be equity partners in the project.

Medinah Temple, Inc. will buy (a) fee title to the land underlying the Medinah Temple building and (b) a remainder interest in the Medinah Temple building. Medinah Temple Inc. will lease the land to Federated Department Stores Inc. (Federated Department Stores Inc. will buy an estate for years in the Medinah Temple building). Unit Building Inc. will buy fee simple title to the parcel improved with the Unit Building, immediately adjacent to and west of the Medinah Temple building. Tree Studios LLC will buy fee simple title to the Tree Studios parcel (including the Tree Studios Building, Annexes and Courtyard).

Each entity will be managed by Friedman Properties Ltd. through its president Albert M. Friedman. Mr. Friedman has vast experience in the rehabilitation of commercial properties in the Chicago area, including historic properties such as the 54 West Hubbard building and the 500 North Dearborn building

which have achieved national and local landmark recognition.

Background

Tree Studios opened in 1894 providing affordable artist studios with rents subsidized from ground level commercial shops. Philanthropists Judge and Mrs. Lambert Tree were striving to retain artists who had come to Chicago for the World's Columbian Exposition. Tree Studios is still considered to be one of the nation's oldest surviving artists studios in continuous use. Currently there are 43 units, 37 of which are occupied (data current as of the Ohio/Wabash Housing Impact Study), within Tree Studios and its annexes. Use of the units varies from artist studio space (work only), primary residences, and live/work space.

The studio units range in size from 165 to 505 square feet and range in rent from \$450 to \$925 per month, including heat. Multi-studio units (units of two or more studio apartments currently leased under a *single lease and occupied as a single residential unit that has been created by constructing doors between shared walls to combine two or more studio units*) are priced proportionate to their greater size. One-bedroom units range in size from 820 to 1,290 square feet and rent for between \$1,340 and \$1,400 (does not include heat for some units). Two-bedroom units range in size from 1,240 to 1,600 square feet and rent for between \$1,275 and \$1,675 (does not include heat for some units.)

The Tree Studios building was constructed in the Queen Anne style of architecture which was popular in the 1890s. The demand for the studios led to two annexes being built, one on Ohio Street and one on Ontario Street, which were constructed in 1912 and 1913, respectively. The original building and its annexes are arranged around a garden court which still exists today. The only significant change to the Tree Studios complex occurred in 1959, when the courtyard was significantly reduced to accommodate an addition to the Medinah Temple, which since 1912 has occupied the east half of the block where the residence and stables once stood. The oldest portion of the Tree Studios building (fronting State Street) has been designated as a Chicago landmark and the entire complex of Tree Studios and the Annexes is listed on the National and Illinois Register of Historic Places. The Tree Studios building was sold to the Shriners after Judge Tree's death in 1910.

Despite such architecturally significant details, however, the Tree Studios Building currently contains outdated building systems, exhibits deterioration requiring major repairs, and is poorly configured for access and servicing according to modern-day standards.

In 1911, the Medinah Temple Association purchased the east half of the Tree estate to construct a shrine mosque for the Ancient Arabic Order of Nobles of the Mystic Shrine in Chicago. Architects of the building, Noble Harris W. Huehl and Noble Richard G. Schmid created an Arabic-inspired structure with the mission of creating a building which "will surpass in beauty and size any other Shrine in the country." This resulted in a mosque-like design with interior and exterior decorations derived from patterns found in the Ottoman Empire. When it opened, the Medinah Shrine was the largest building constructed in the world by a social organization for use as a meeting place. The building is an exceptional and rare example of Moorish architecture. One of the most distinguished aspects of the building is its 4,200-seat auditorium, embellished with a vaulted dome fifty feet in diameter.

Over the years Medinah Temple has served as a venue for entertainment events, ceremonies, and gatherings of the Shriners as well as other groups. These fundraising and rental opportunities have been

consistent with the Shriners' charitable purposes but also have provided income for the maintenance and operations of the building. However, reduced Shriner membership, obsolescent features of the building and site, and competition from other venues have led to a significant drop in the level of activity and rental marketability of the Medinah Temple. As a result, short and long-term maintenance projects have been increasingly difficult to finance.

Tree Studios and Medinah Temple remain familiar visual landmarks within the River North neighborhood. The combination of residences, workshops, studios and stores contribute to the mixed-use urban character that enhances the vitality of a distinctive neighborhood. Although the buildings are historically significant, they are functionally and economically obsolete, below minimum code standards, underutilized, and have an outmoded layout. As a result, the City is seeking to find an approach to redeveloping the property that would not only alleviate these conditions, but that would also make them economically viable while preserving the architectural and historical integrity of the buildings and courtyard.

The Shriner's had previously negotiated a deal with a developer to sell the property for \$21 million. This project would have involved the demolition of the Medinah Temple and attachment of the landmarked facade of Tree Studios on to a new 3-story retail facility. The City in its desire to preserve these buildings prevented the Shriner's from proceeding with this redevelopment alternative and looked for options that could adaptively re-use the existing structures. The City proceeded to establish a tax increment financing (TIF) district to provide an incentive to prospective developers. While it is unusual to do a stand-alone, single purpose TIF on a speculation basis, it was essential to put in place a financial mechanism to save these historically significant buildings. Mr. Friedman received a contract on the building in January of 2000. Since then the City has worked with Mr. Friedman to address preservation, arts, affordability and economic viability issues.

Property

The property encompasses one full city block bounded by Ohio, Ontario, Wabash and State Streets within the Ohio/Wabash Redevelopment Project Area.

Project Scope

The developer intends to redevelop the historically significant Medinah Temple, Tree Studios Building and Annexes, the Unit Building and the courtyard. The development will encompass a full city block bounded by Ohio, Ontario, Wabash and State Streets. The project area contains the Medinah Temple on the eastern portion of the block, the Unit Building, the Tree Studios Building (comprised of the State Street portion and two annexes) and an interior outdoor courtyard on the western portion of the block.

Adaptive re-use of the Medinah Temple will be accomplished by a long-term lease to Federated Department Stores Inc. (parent company of Bloomingdale's) for use a 120,000 square foot, four-story Bloomingdale's Home Store. This will be Bloomingdale's first stand-alone furniture store. The Unit Building, located behind Medinah Temple, will be elevated by a one and a half story addition and converted to office space for lease. The approximately 11,500 square feet of grade-level retail space in Tree Studios will be enhanced and rehabilitated, and basement level space will be extended under the courtyard for a possible restaurant use. The upper floors of the Tree Studios will be rehabilitated and maintained as work space for artists and related uses (DPD is working with the Department of Cultural

Affairs to create a definition of a “working artist”). There will be a total of 36 units, and approximately twenty-five percent, or approximately nine (9) units, in Tree Studios will be made available at below market rents (slight increase above existing rents) to artists. The developer is working with the City’s Department of Cultural Affairs to establish criteria for eligible tenants and selection of tenants for the affordable units. The eight duplex units in the Annexes of Tree Studios may be used for artist live/work or retail.

Project components include but are not limited to:

Medinah Temple

- Adaptive re-use of the interior of the structure.
- Cleaning and repair of all brick and stone surfaces, including terra cotta ornamentation on the building facade.
- Tuckpointing as needed.
- Preservation of the auditorium ceiling, domes, and proscenium wall on the interior.
- Reconstruction of the two missing onion domes.
- Reconstruction of the missing cornice over the center bay of the east facade.
- Creation of atrium under the interior central dome for viewing from ground level.
- Replacement of doors at principal entryways.
- Repair and restoration of stained glass windows.
- Installation of new utility systems.
- Modification of the lower level windows to allow viewing into the store.
- Rehabilitation of the Unit Building, to be converted to rental office space.

Tree Studios

- Renovating studio spaces
- Cleaning and repair of all brick and stone surfaces, including terra cotta ornamentation on the building facade.
- Tuckpointing as needed
- Repair or replacement of roofs as required and fabrication and installation or repair of gutters and down spouts.
- Cleaning, repair and repainting of decorative metal panels on the building facade and storefronts.
- Repair of storefront display windows and installation of new glass as needed.
- Repair of storefront doors.
- Restoration of the entryways to Tree Studios.
- Restoration of upper floor corridors to original construction
- Repair of terrazzo floors and wood trim.
- Refinishing of exterior trim.
- Restoration of courtyard facades.
- Addressing life safety code issues.

Note: An exhibit will be prepared as part of the redevelopment agreement detailing the complete scope of preservation work required as part of the project.

The State Street portion of Tree Studios is currently a Chicago Landmark. As part of the redevelopment agreement, the Developer will agree to landmark the entire block including the Tree Studios Building and Annexes, the courtyard, the Unit Building, and the Medinah Temple Building.

significant structures and the return of the Tree Studios to artist studios as they were originally intended. This project will also offer the following public benefits:

- Artists and arts-related uses in Tree Studios for the life of the TIF;
- Twenty-five percent of the Tree Studios will provide to artists at below market rents for the life of the TIF;
- Public tours of the upper floors of Tree Studios will be offered several times a year;
- Public access to the courtyard;
- Creation of approximately 180 full-time equivalent jobs, thereby creating employment opportunities for local community residents;
- Creation of sales tax revenue that will benefit the City as a whole;
- Compliance with the City's residency, prevailing wage and MBE/WBE requirements; and
- Creation of an oasis amidst the rapidly developing River North.

Conformance With the Redevelopment Plan

The proposed project is consistent with the goals and objectives set forth in the Ohio/Wabash Tax Increment Financing Redevelopment Area Project and Plan. Specifically, the Plan calls to "preserve the buildings in the Project Area, to the greatest extent possible, feasible, and practicable, creating an environment that will enhance the value of properties within and adjacent to the Project Area" while offering the flexibility to "implement uses that may or may not preserve some of the interiors and exteriors of the buildings." This project will not only enhance the economic viability of the property by maximizing the economic benefit of the uses, but will also conserve, to the greatest extent possible, the unique interior and exterior physical features of the buildings, replace missing historical features, and ensure long-term maintenance and preservation of design standards by landmarking the entire block.

The Plan also calls to "preferably, maintain....residential uses and artists studios or live-work spaces on the upper floors" and to the greatest extent practicable "encourage that at least some portion of the...studios or live-work spaces...be preferably for artists." Although maintaining residential uses in Tree Studios is defined as a priority, the plan allows for the conversion of the studio units for commercial use; the conversion to commercial use was chosen as a way to maximize the economic viability of the project. The studio units within Tree Studios will be converted to commercial use exclusively for artists and arts-related businesses and artist live-work space will be a possible use for the Annex units. And while not specifically addressed in the plan, the CDC Commissioners raised concerns over the affordability of the Tree Studios units. This project will set aside a minimum of eight studio units at below market rates (not yet determined, but suggested as a slight increase over current rental rates) and selection of these tenants will be made with the assistance of the City's Department of Cultural Affairs.

The plan calls to "reduce or eliminate those conditions that qualify the Project Area as a conservation area" stating that "substantial financial investment in rehabilitation will be required to remedy the current conditions of obsolescence, physical deterioration, excessive land coverage and inaccessible layout." The project involves a substantial investment in the rehabilitation of these buildings which will effectively reduce the conditions that qualified the area as a conservation area.

Construction Schedule

Commence project by: November/December 2000

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Complete project by: January 2002

City Requirements

The developer will comply with all City M/WBE, prevailing wage, and city residency requirements. Federated Department Stores Inc. has also agreed to comply with City requirements. The developer is currently participating in the development of the Goodman Theater, which is in compliance with City requirements.

Supporters

This project is supported in full by 42nd Ward Alderman Burton Natarus. Other supporters include the the Landmarks Preservation Council of Illinois and the Chicago Central Area Committee. DPD is continuing to present this proposal to interested organizations and a more complete list of supporters will be presented to the Community Development Commission on September 12, 2000.

RECOMMENDATION:

The resolution before the Commission requests the following actions:

- (1) Approve the advertisement of the Department of Planning and Development's intention to negotiate a Redevelopment Agreement with Medinah Temple, Inc., Tree Studios LLC, and Unit Building Inc. (collectively the "Developers") for the use of Incremental Tax Revenues for the redevelopment of the Medinah Temple, Tree Studios Building and Annexes, the Unit Building, and the Courtyard (the "Project") located within the Ohio/Wabash Tax Increment Financing Redevelopment Project Area (the "Area"); and
- (2) Authorize a request for Alternative Proposals for the Redevelopment of the Project located within the boundaries of the Area; and
- (3) Recommend to the City Council of the City of Chicago the designation of Medinah Temple, Inc., Tree Studios LLC, and Unit Building Inc. as the developers of the Project located within the boundaries of the Area, if no alternative proposals are received.

MEDINAH TEMPLE, INC., TREE STUDIOS LLC, UNIT BUILDING INC., AND FEDERATED DEPARTMENT STORES INC.

Term Sheet

Project Description:

The developers intend to redevelop the historically significant Medinah Temple and Tree Studios buildings and their annexes. The development will encompass a full city block bounded by Ohio, Ontario, Wabash and State Streets. The project area contains the Medinah Temple on the eastern portion of the block, the Unit Building, the Tree Studios Building (comprised of the State Street portion and two annexes) and an interior outdoor courtyard on the western portion of the block.

Adaptive re-use of the Medinah Temple will be accomplished by a long-term lease to Federated Department Stores for use as a Bloomingdale's Home Store. The Unit Building, an annex located behind Medinah Temple, will be converted to commercial space for lease. The grade level retail space of Tree Studios will be enhanced and rehabilitated, and basement level space will be extended under the courtyard for a restaurant use. The upper floors of the Tree Studios and the Annex buildings will be rehabilitated and maintained as artist studio space.

The State Street portion of Tree Studios is currently a Chicago Landmark. As part of the redevelopment agreement, the Developer will agree to landmark the entire block including the Tree Studios Building and Annexes, the courtyard, the Unit Building, and the Medinah Temple Building.

City Funding Commitment to the Developer:

The City, through the Department of Planning and Development (DPD), is planning to reimburse the developer for TIF-eligible costs for the lesser of \$12,500,000 or 20 % of the total project costs (now estimated at \$63,618,800). The financial assistance will be provided through a taxable Developer Note. The note will be issued at closing at market rate interest.

Upon the completion of the Project, the City, in its discretion, may issue tax-exempt TIF bonds to repay outstanding principal and interest on the developer note.

Sources and Uses of Funds:

USES OF FUNDS:

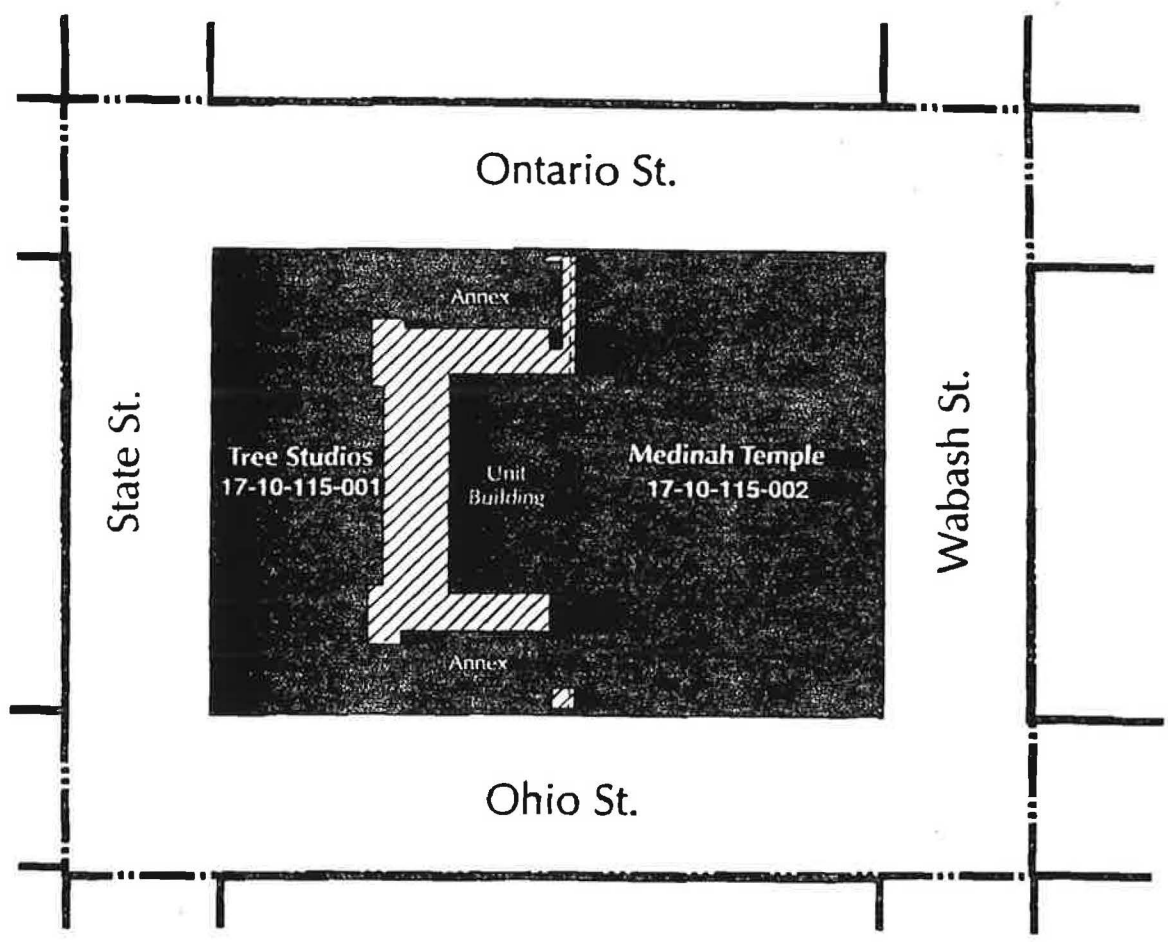
Purchase Price		\$ 21,000,000
Hard Costs:		
Construction	649,000	
Studio Improvements	3,899,900	
Retail Improvements	3,055,700	
Exterior Sitework	250,000	
Cleaning, Tuck Pointing & Roofing	2,501,056	
Total Hard Costs		10,355,656
Soft Costs:		
Interim Financing	810,000	

Financing Fee	180,000	
Closing Costs & Due Diligence	200,000	
Architectural & Engineering	704,344	
Marketing	100,000	
Brokerage Commissions	900,000	
Property Insurance	50,000	
Real Estate Taxes	115,000	
Developer's Fee	1,000,000	
Operating Expenses	100,000	
Contingency	650,000	
Total Soft Costs		4,809,344
Developers Cost/Medinah Interiors		5,175,000
Developers Costs to Restore Domes, Cornice & Terra Cotta		1,160,000
Federated Estimated Construction Costs		21,118,800
TOTAL		\$ 63,618,800

SOURCES OF FUNDS:

Construction/Acquisition Loan	\$ 12,000,000
Owner's Equity	6,000,000
Federated Purchase Contribution	10,500,000
Federated Construction Contribution	21,118,800
State Funding (DCCA)	1,500,000
TIF Net Proceeds (1)	12,500,000
TOTAL	\$ 63,618,800

(1) Developer will be issued note which the developer will finance to get front funding. Upon completion of the project the City may issue a tax-exempt bond which will be used to take out the note.




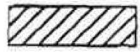

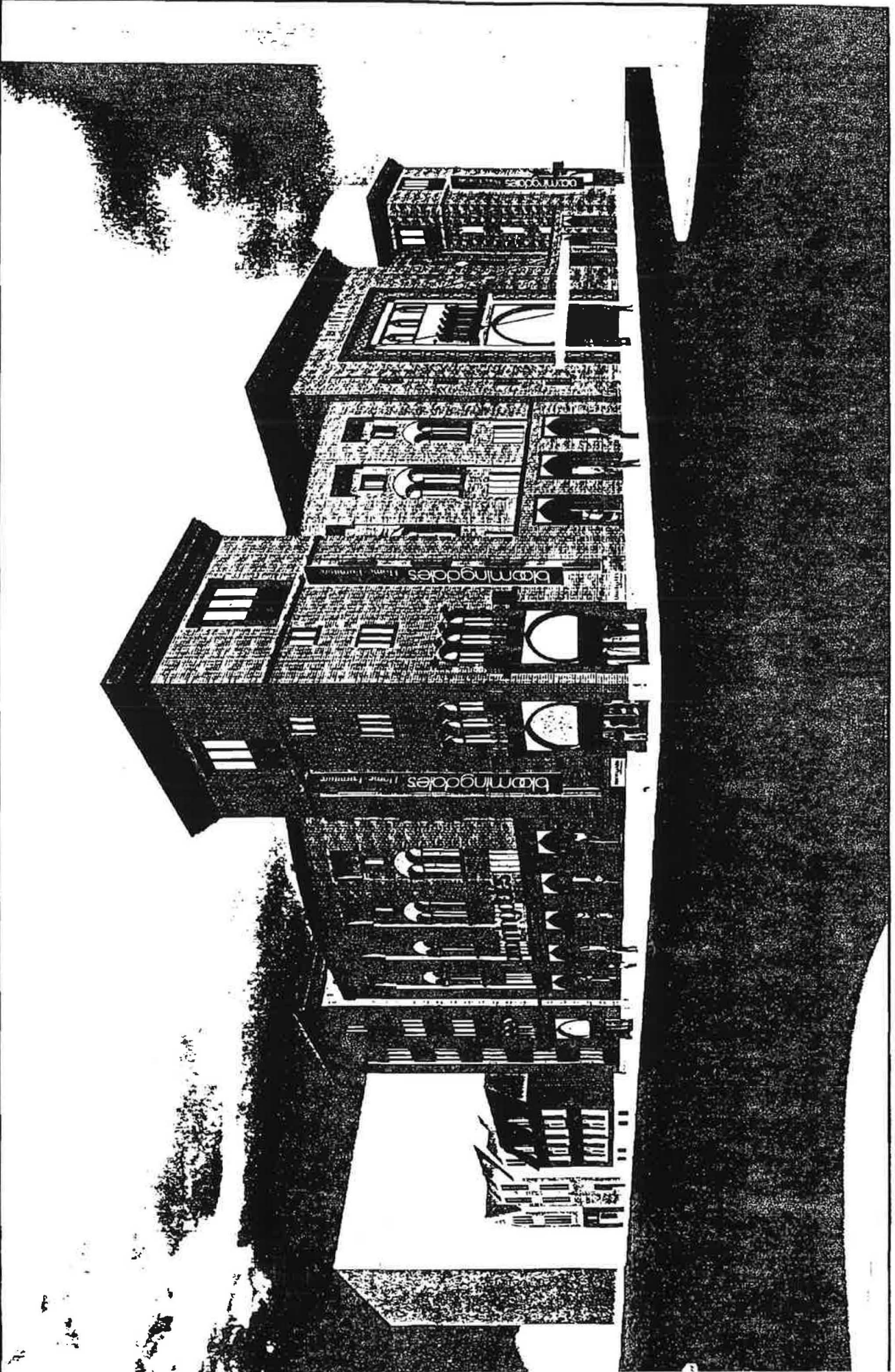
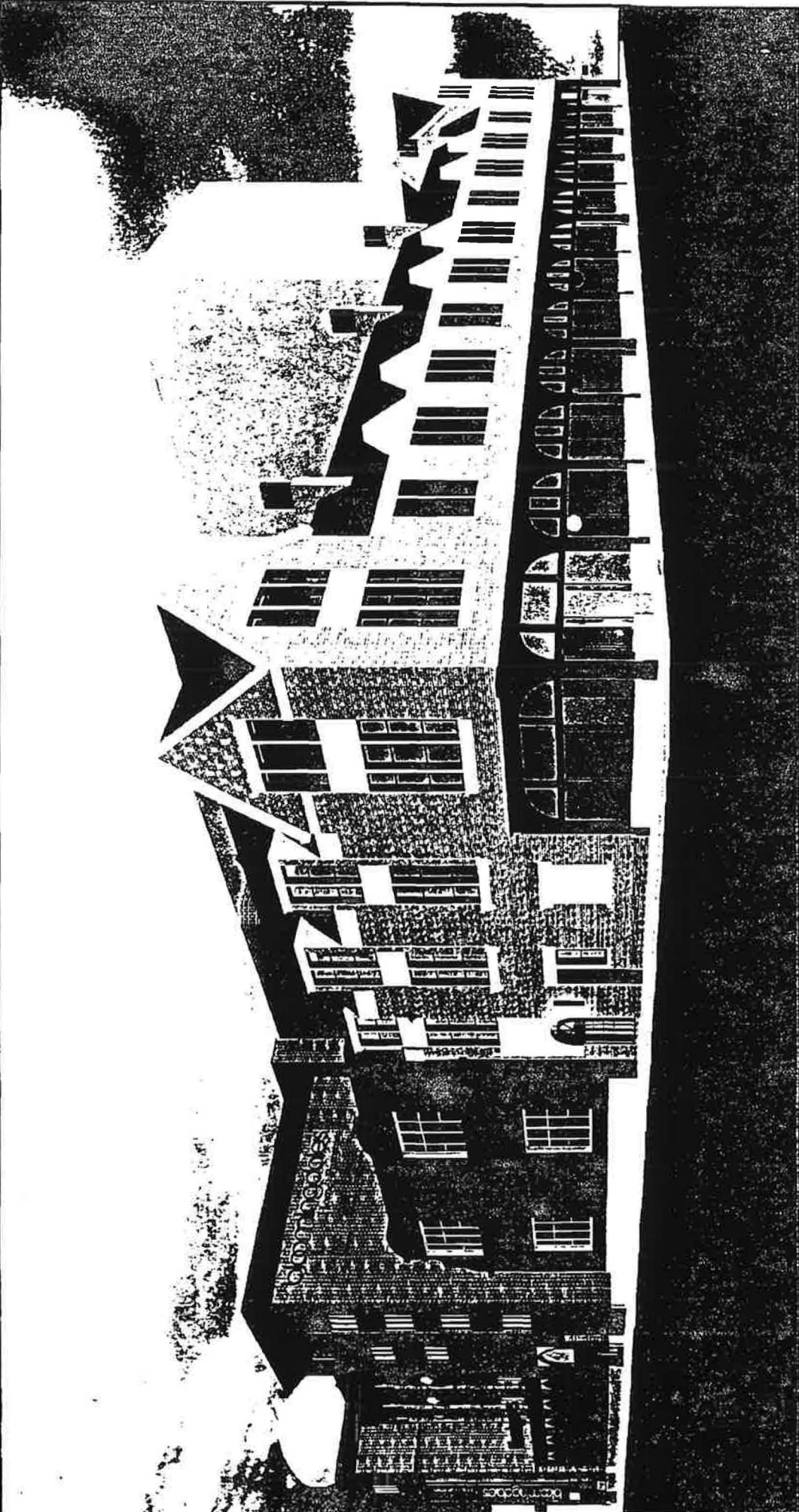
-  Project Area Boundary
-  Courtyard
-  Buildings or Structures
- 17-10-115-001** Property Index Number (P.I.N.)

Figure 1
REDEVELOPMENT PROJECT AREA BOUNDARY

Daytime View @ Wabash & Ohio



Daytime View @ State & Ontario



Aerial View to Courtyard

