

**CITY OF CHICAGO
DEPARTMENT OF PLANNING AND DEVELOPMENT**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
DECEMBER 8, 2015**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	4901 W Irving Park
Applicant Name:	Irving Park Property Holdings, LLC
Project Address:	4901, 4925 and 4939 W Irving Park
Ward and Alderman:	45 th Ward, John Arena
Community Area:	Portage Park (15)
Redevelopment Project Area:	Portage Park TIF
Requested Action:	TIF Developer Designation
Proposed Project:	Redevelopment of three vacant buildings in Six Corners Shopping District into 71,330 square feet of commercial space
Purpose of Project:	The purpose of the project which is a \$15.1 million dollar investment, is to achieve the following: (1) reactivate a vacant site in the Six Corner Shopping District; (2) create an anchor to the shopping district's western gateway
TIF Assistance:	\$2,000,000 (14.2% of total project costs)

II. PROPERTY DESCRIPTION

Address:	4901, 4925 and 4939 W Irving Park
Location:	Southwest Corner of Irving Park Road and Lamons Avenue
Tax Parcel Numbers:	See Attached List of PINs

Ownership: The Developer, Irving Park Property Holdings, LLC, has a contract to purchase from Irving Park Properties, LLC and Irving Park Properties II, LLC, but it has not been executed or recorded.

Land Area: 118,877 square feet

Current Use: The three buildings are all vacant

Current Zoning: B1-2, Neighborhood Shopping District

Proposed Zoning: Same

Environmental Condition: A Phase I Environmental Site Assessment completed in October 2008 found no indications of Recognized Environmental Conditions documented for 4901 W Irving Park Road. An April 30, 2013 Phase I Environmental Site Assessment for the property at 4925 West Irving Park Road found no indications of recognized environmental conditions documented. A Phase II Environmental Site Assessment completed in August 2009 for 4939 W Irving Park recommended additional soil sampling. Remediation for limited soil contamination at 4939 W Irving Park was completed in 2009. A No Further Remediation letter was issued by the Illinois Environmental Protection Agency Site Remediation Program on March 11, 2011 for 4939 W Irving Park Road.

III. BACKGROUND

The proposed project is located within the Portage Park community area, which is located on the City's northwest side. The community's population grew steadily through the early part of the 20th Century as roadways and streetcar infrastructure expanded to the northwest side. By 1940, the population had reached 66,357.

As population grew, retail and commercial offering expanded around the intersection of Milwaukee Avenue, Cicero Avenue, and Irving Park Road, commonly known as Six Corners. Sears opened a store in Six Corners in 1938 and remains an anchor in the shopping district. Coupled with the Portage Theater, which opened in the 1920s, Six Corners became one of the premier shopping and entertainment districts outside of the Loop. As shopping centers developed in neighboring suburbs in recent decades, Six Corners experienced a loss of retailers along its commercial corridors.

Even with fluctuations in the population, 56,513 in 1990 then up to 65,340 in 2000, Portage Park has remained an attractive location for working and middle class families. Average household size grew from 2.47 in 1990 to 2.8 in 2010 as did median household income. Chicago

Metropolitan Agency for Planning (CMAP) MetroPulse estimates for 2013 show Portage Park's population at 63,586 with a median household income of \$53,557, well above the estimated \$47,270 for the City. A steady increase in Hispanics or Latinos likely contributed to the rebound in 2000. Hispanics or Latinos currently represent the largest minority group, comprising 43% of the population or 27,362 residents.

In recent years, there is a renewed interest in Six Corners as new residential development is constructed and national retailers open locations. In the late 2000s, the Klee building on the northwest corner of Cicero and Milwaukee Avenues was completely renovated with City assistance and converted into 64 condominium units and 20,000 square feet of commercial space. Named Klee Plaza, the commercial space is anchored by Jimmy John's, the Vitamin Shoppe and Pearle Vision. Chipotle opened a free-standing location in 2014 on Irving Park Road and PetSmart and Famous Footwear opened in the Marketplace at Six Corners shopping center. The area is also seeing new residential development. In addition to Klee Plaza, the Kilpatrick Renaissance, a 98 unit senior residence financed with City assistance, opened in 2014 next to the Marketplace at Six Corners.

Despite continued investment, Irving Park Road west of the intersection is challenged with storefront vacancies. There are currently 14 storefront vacancies on this stretch of Irving Park. The largest building is the former Bank of America complex at 4901 West Irving Park Road, which occupies nearly a half-city block between North Lamon and Lavergne Avenues. The building was constructed in early 1970 by Midwest Federal Savings and Loan. Multiple banks occupied the building over the years. Bank of America owned the building until 2013, but had vacated it in 2011.

The building has remained vacant for the last four years. The prolonged vacancy has led to deterioration of the building. While the building shell remains in sound condition, the interior needs a complete renovation including new building mechanicals, the exterior needs façade renovations and new roof and windows.

A key feature of the former 4901 W Irving Park building is a 300-seat auditorium-style theater on the upper floor. It was once home to the Northwest Chicago Film Society. Movies were screened in the theater until 2010. Northwest Chicago Film Society currently screens films at Northeastern Illinois University. Preservation of the theater space for theater and arts groups is widely supported by the community and local alderman.

Recognizing its history and importance as a neighborhood shopping district, the Department of Planning and Development commissioned the Six Corners Economic Development Master Plan in 2012. The Plan, which was approved by the Chicago Plan Commission in 2013, identified a number of key strategies for redevelopment including "attract more retail stores and businesses to Six Corners that appeal to the diversity of households in the Trade Area" and "plan for the redevelopment of key opportunity sites."

National retailers have recently located east of the intersection, likely because of larger available sites. Given its size and location on Irving Park Road, the site's redevelopment was characterized as an opportunity to establish an anchor at the western end of Six Corners in the Plan. The Plan

states “A reuse and re-tenanting of the existing two-story building Bank of America complex would be a major contribution to the Six Corners business district, activating a largely vacant and underutilized block.”

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Irving Park Property Holdings, LLC, an Illinois Limited Liability Company was formed by Mr. Charles Cui, who is the sole owner. Mr. Cui has been in real estate development since 1998. His portfolio includes the acquisition and development of more than 20 commercial properties in the Chicago metropolitan area, including shopping centers, free-standing banks, and restaurants. He has also developed multi-unit residential apartment buildings in Chicago, Grayslake, Niles, Morton Grove, and Glenview. Recent development projects include:

- 22,000 SF shopping center, anchored by Starbucks and Subway located in Carol Stream, IL (2007), which is fully occupied;
- Free-standing 4,300 SF Chase Building, which was completed in 2007, located in Grayslake, IL. Chase Bank signed 30 year lease till 2037; and
- 9,350 SF Advance Auto Parts freestanding building located in Grayslake, IL, which was completed in September, 2012. Advance Auto signed 15 year lease till 2027.

Patrick Daly of the Daly Group, LLC, who built more than 1 billion SF retail around the country over the years, will be responsible for construction management.

Consultants: Laube Companies, TIF consultant; DLA Piper, attorney

V. PROPOSED PROJECT

Project Overview: The proposed redevelopment project site consists of three vacant buildings on the 4900 block of W Irving Block. The main building is the former Bank of America bank building at 4901 W Irving Park, which has a gross building area of 63,502 square feet. Adjacent to the bank building is 4925 West Irving Park, a vacant 5,000 square foot single story retail building. The third building is 4939 West Irving Park, an obsolete one-story auto garage building with a building area of 5,000 square feet.

The proposed redevelopment plan is to renovate the vacant bank building and the adjacent 4925 W Irving Park building into approximately 67,430 square feet of retail, commercial and office space. The bank building will have approximately 62,307 square feet of leased space. The major tenant, Binny’s Beverage Depot, will occupy the entire first floor. Retro Fitness will occupy the entire lower level and a portion of the second floor, and a movie theater and art center will occupy the second floor. The theater and arts space would be renovated to “vanilla box” standard and rented to theater and arts groups at a nominal rate. Preservation of the theater space for theater and arts groups is widely supported by the community and local alderman. The second floor will also initially have other office tenants.

The 4925 W Irving Park building will be an approximately 5,123 square foot restaurant initially

leased to Elly's Pancake House. There is an existing parking lot behind these buildings that will provide approximately 173 parking spaces for the entire project. The developer will demolish the one-story building at 4939 West Irving Park Road and replace it with a new, approximately 3,900 square foot commercial building that will be leased to Culver's.

Site plans and elevations have been provided as exhibits to this report.

Environmental Features: The developer will comply with the City's Landscape Ordinance, provide a 100% green roof and will exceed ASHRAE standards.

VI. FINANCIAL STRUCTURE

The City of Chicago, through its Department of Planning and Development, proposes to enter into a Tax Increment Financing Redevelopment Agreement with Irving Park Property Holdings, LLC to reimburse the Developer for a portion of the TIF-eligible costs in an amount up to a maximum of \$2,000,000, which is approximately 14.2% of the Total Project Cost, currently estimated to be \$14,106,174.

TIF assistance for the project will allow for the redevelopment of approximately 11,700 square feet of space for community theater and arts groups and for complementary businesses. The developer will lease this space, which is approximately 16.5% of the total square feet of the project, for significantly below retail market rate. The effect of the reduced rent for the arts space is a below acceptable market rate of return on the project and the developer will not move forward with the project without TIF assistance. The arts space is an important component of the project for the community and for revitalizing the area into a shopping and entertainment destination.

The City Funds will be provided as a reimbursement for acquisition, rehabilitation, as well as other related TIF-eligible costs. The TIF-eligible expenses will be reimbursed from up to 95% of the available increment generated from only the Project PINs in the Portage Park Redevelopment Project Area Tax Increment Allocation Fund.

<u>SOURCES</u>		<u>% of Total Cost</u>
Equity*	\$5,287,161	35.00%
Debt	<u>\$9,819,013</u>	65.00%
TOTAL SOURCES:	\$14,106,174	
 *TIF Cash (will reimburse developer equity)	 \$2,000,000	 14.18%
 <u>USES</u>		
Acquisition	\$5,859,794	
Hazardous Material Removal	\$70,000	
Demolition	\$50,000	
Site Prep	\$1,376,000	
 <u>HARD COSTS</u>		 <u>\$/sf of buildings</u>
Concrete	\$85,020	\$1.19
Masonry Repair	\$170,040	\$2.38
Carpentry	\$255,955	\$3.59

Steel/metals		\$102,024	\$1.43
Signage		\$13,424	\$0.19
Hollow Metal and Finish Hardware		\$31,323	\$0.44
Drywall		\$241,636	\$3.39
Ceiling		\$61,751	\$0.87
Cabinetry and Millwork		\$8,949	\$0.13
Fireproofing		\$17,899	\$0.25
Roofing		\$429,575	\$6.02
New Windows		\$205,838	\$2.89
Storefront		\$313,232	\$4.39
Overhead Doors		\$13,424	\$0.19
Special Door Automatics		\$25,953	\$0.36
Floor prep and tile		\$51,907	\$0.73
Hard tile		\$42,063	\$0.59
Carpet		\$61,751	\$0.87
Toilet partitions and accessories		\$40,273	\$0.56
Painting		\$101,129	\$1.42
Fence		\$22,374	\$0.31
Elevators		\$340,080	\$4.77
Electric		\$402,727	\$5.65
Plumbing		\$259,535	\$3.64
HVAC		\$407,201	\$5.71
Sprinklers		\$259,535	\$3.64
Fire alarm systems		\$42,063	\$0.59
Caulking		\$13,424	\$0.19
Awnings		\$40,273	\$0.56
TOTAL HARD COSTS:		\$4,060,380	\$56.92

SOFT COSTS

Architecture & Engineering	2.4%	of hard costs	\$97,000
Project Management	1.8%	of hard costs	\$75,000
General Contractor	7.6%	of hard costs	\$310,000
Developer Fee	19.0%	of hard costs	\$770,000
Appraisal	0.1%	of total costs	\$15,000
Market Study	0.0%	of total costs	\$5,000
Legal Fees	1.1%	of total costs	\$150,000
Title & Closing	1.1%	of total costs	\$158,000
Survey	0.1%	of total costs	\$10,000
Building Permits	0.4%	of total costs	\$50,000
Insurance	0.2%	of total costs	\$30,000
Loan Fees & Lender Inspection	1.7%	of loan	\$170,000
Leasing Commission	3.5%	of total costs	\$500,000
Soil Testing	0.2%	of total costs	\$30,000
Environmental Testing	0.1%	of total costs	\$10,000
Marketing	0.1%	of total costs	\$10,000
RE Taxes, Construction	2.1%	of total costs	\$300,000
TOTAL SOFT COSTS:	19.1%	of total costs	\$2,690,000

TOTAL USES (TOTAL PROJECT COST): **\$14,106,174** **\$197.76**

Payment of City Funds for the project will be provided through pay-as-you-go payments without interest, in five (5) equal, annual payments contingent upon the completion of the project and the

availability of increment from the project PINs. The Annual Payments will commence upon the issuance of a Certificate of Completion for the Project and annually thereafter as follows:

<u>Annual Payment</u>	<u>Timing</u>	<u>TIF Funds Payment*</u>
Annual Payment #1	Issuance of Certificate	\$400,000
Annual Payment #2	1st anniversary of issuance of Certificate	\$400,000
Annual Payment #3	2nd anniversary of issuance of Certificate	\$400,000
Annual Payment #4	3rd anniversary of issuance of Certificate	\$400,000
Annual Payment #5	4th anniversary of issuance of Certificate	\$400,000
TOTAL CITY FUNDS:		\$2,000,000

*The actual amount may vary depending on the final certified total project cost and the amount of TIF-Eligible expenses incurred for the Project.

To the extent TIF funds are insufficient in any year to make the full annual payment, and to the extent TIF funds are available in any subsequent year, the City will make up the difference such that the full \$2,000,000 in aggregate annual payments shall be made. The TIF funds will be reduced on a dollar for dollar basis if the total project cost falls below \$14,106,174. Such reduction shall be made from the first annual payment and, if necessary, successive annual payments.

VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits:

Theater/Arts Center: The project will preserve theater space and provide space to community theater and arts groups for nominal rent.

Permanent Jobs: The Project is expected to create 100 to 150 permanent jobs.

Construction Jobs: The project will produce 75 to 100 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 and 4% by woman-owned business enterprises. The developer has provided notification of the proposed project, by certified mail, to several associations of minority and women contractors. A sample version of the letter and copies of the post office receipts for the certified letters are presented as exhibits to this report.

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

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.

VIII. COMMUNITY SUPPORT

45th Ward Alderman John Arena endorses the project and has provided a letter of support (see exhibits for copy).

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the Portage Park Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment plan:

1. Enhance the tax base of the Redevelopment Project Area;
2. Reduce or eliminate deleterious conditions within the Project Area; and
3. Promote new investment in the business district in the form of both high quality new development and the rehabilitation and/or renovation of existing property.

The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the project.

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 CDC, DPD 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 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 will not occur before the City Council has approved the redevelopment agreement, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing. The documents 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 DPD recommends that the CDC recommend to the City Council the designation of Irving Park Property Holdings, LLC as Developer for the redevelopment of 4901, 4925, and 4939 W Irving Park Road.

EXHIBITS

TIF Project Assessment Form
Redevelopment Area Map
Neighborhood Aerial
List of PINs
Site Plan
Floor Plans
Elevations
Sample M/WBE Letter
Copies of M/WBE Certified Letter Receipts
Aldermanic Letter of Support

TIF PROJECT SCORECARD

4901 W. Irving Park

4901 W. Irving Park

Redevelopment of three buildings in Six Corners Shopping District into 71,330 square feet of commercial space. The purpose of the project which is a \$14.1 million dollar investment, is to achieve the following: (1) reactivate a long vacant site in the Six Corner Shopping District; (2) create an anchor to the shopping district's western gateway.

Type of Project: Retail

Developer: Irving Park Property Holdings, LLC

Total Project Cost: \$14,106,174

Timeline for Completion: 2017

TIF Funding Request: \$2,000,000

Project Status: December 2015 CDC

TIF District: Portage Park

RETURN ON INVESTMENT BENCHMARKS

Advances Goal of Economic Development Plan YES or NO

Develop and deploy neighborhood assets to align with regional econ growth

Jobs Created/Retained

125 created

Advances Goal of TIF District YES or NO

An environment which will contribute more positively to the health, safety and general welfare of the Area & the surrounding community

Affordable Housing Units Created/Preserved

Not applicable

Addresses Community Need YES or NO

Reactivate a vacant site in the Six Corner Shopping District.

Return on Investment to City

Not applicable

FINANCIAL BENCHMARKS

Other Funds Leveraged by \$1 of TIF
\$6.05

Financing Structure Equity \$5,287,161
Debt \$9,819,013

Types of Other Funding Leveraged YES or NO

developer equity and bank loan

RDA TERMS

Payment Schedule:
annual payments paid over 5 years

Monitoring Term of Agreement:
10 years

Taxpayer Protection Provisions YES or NO

RDA terms must be met or TIF funds to be returned.

OTHER CONSIDERATIONS

