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

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
DECEMBER 12th, 2006**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	Barry Callebaut North American Headquarters
Applicant Name:	Barry Callebaut USA LLC
Project Address:	600 West Chicago Avenue
Ward and Alderman:	27 th Ward, Alderman Walter Burnett, Jr.
Community Area:	Near North Community Area (#8)
Redevelopment Project Area:	Chicago-Kingsbury TIF
Requested Action:	TIF Developer Designation
Proposed Project:	TIF assistance for relocation of Barry Callebaut's North American Headquarters from Canada to 600 West Chicago Avenue
TIF Assistance:	\$880,000

II. PROPERTY DESCRIPTION

Address:	600 West Chicago Avenue, 8 th floor
Location:	First year would be 11,207 square feet located on the eighth floor of 600 West Chicago Avenue on the north side of

Chicago Avenue between the North Branch of the Chicago River on the west and Larrabee/Kingsbury Streets on the east

Tax Parcel Numbers: 17-04-501-002-0000,
17-04-300-017-0000, &
17-04-300-019-0000

Land Area: south half of catalog building occupies 169,488 square feet of land

Current Use: A designated Chicago Landmark, this 8 story building contains a variety of office and retail uses

Current Zoning: Planned Development #447

Proposed Zoning: Planned Development #447

Environmental Condition: Renovated as an office building and meeting environmental requirements as such.

III. BACKGROUND

Barry Callebaut is a European chocolate company with its North American headquarters located outside of Montreal (parent of Brach's Confections). They have a plant in St. Albans Vermont. They are looking for a new location for their North American headquarters and are interested in relocating to Chicago, but build-out and rents are much higher in Chicago than in the two other locations they are considering (Dallas and Chattanooga). The TIF assistance would partially offset these additional costs.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Barry Callebaut USA LLC is a manufacturer of high quality cocoa, chocolate and confectionary products. It is a large multi-national company based in Switzerland with over 150 years of experience in making chocolate and other confections. The company as a whole projects \$450 million in sales in North America for 2007.

Consultants:

Attorney:	Seyfarth and Shaw
Architect:	Soloman, Cordwell, Buenz
Engineer:	Environmental Systems Design
Construction Manager:	Developer Resources Inc.

V. PROPOSED PROJECT

Project Overview:

Barry Callebaut seeks to move its North American headquarters from Canada to Chicago to be in a more central location. The proposed new office would function as a headquarters and sales center and, in time, would include a chocolate research and development facility as well as a product education center for employees and customers. While the company has options at existing facilities in Tennessee and Texas, Chicago is an attractive option for the company because of its central location, international airport and transportation infrastructure.

This relocation would create 40 to 50 full-time jobs in the first year and 25 to 35 additional jobs in the second year (a minimum of 80 full-time jobs in the first two years). While the company's long-term development is dependent upon other corporate decisions, up to 130 jobs could be created at the proposed location at the end of 10 years. The company currently employs 6 individuals in a provisional Chicago sales office. The applicant would lease 11,207 square feet on the 8th floor of the 600 West Chicago Building in the first year. By year four, the applicant expects to exercise an option with the owners of the 600 West Chicago Building to occupy a total of 30,120 square feet (including 4,913 square feet for the research and development facility).

The company will incur costs in relocating from Canada and in improving the leased premises. In creating these improvements no new penetrations will be made in the facade of the 600 West Chicago building which is a designated Chicago landmark, but penetrations will be made in the roof to allow for venting for the research and development facility.

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

Environmental Features:

This development will be entirely within an existing structure and -therefore- does not trigger any additional "green" requirements. Developing a facility within an existing structure is environmentally positive.

VI. FINANCIAL STRUCTURE

This will be a streamlined TIF application utilizing funds from the Chicago Kingsbury TIF. The money will be paid out in equal \$176,000 increments for 5 years and totaling \$880,000 (which is 25% of total project costs). Barry Callebaut USA LLC will be the organization receiving the payments although they will be leasing space for a minimum of 10 years within the 600 West Chicago Building. These monies will go towards a portion of the overall tenant improvement costs within the building. Chicago was competing with locations in both Texas and Tennessee where costs were significantly lower for spaces of equal size. These payments will be made

provided that the total number of full-time jobs on site multiplied by \$11,000 is greater than the total payments provided to the applicant. The loan to finance these improvements will be an internal loan from Barry Callebaut USA.

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	\$3,494,536	100%
Total Sources	\$3,494,536	100%
	\$/sq/ft*	\$ 93
<u>Uses</u>	<u>Amount</u>	
Hard Costs	\$2,739,340	
Soft Costs		
Architect's Fee	\$90,360	
Engineering Fee	\$93,372	
Legal Fees	\$113,000	
Other soft costs	\$392,881	
Contingency	\$65,585	
Total Soft Costs (22.1% of total costs)	<u>\$755,196</u>	
Total Uses	\$3,494,536	

*based on occupancy of 30,120 square feet on the 8th floor of 600 West Chicago Avenue

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.

Permanent Jobs: The project is estimated to generate 80 permanent jobs in the next two years and up to 50 additional jobs by the end of the tenth year. The Mayor's Office for Workforce Development (MOWD) has been informed of the project and work with the developer on job training and placement.

Construction Jobs: The project will produce 50 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 eight 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.

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 Walter Burnett 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 Chicago-Kingsbury Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment plan:

- Promote business retention and new employment development throughout the Project Area
- Promote comprehensive, area-wide redevelopment of the Project Area as a planned mixed-use district, allowing a wide range of business, residential, retail, services and public uses
- Reuse vacant buildings in serviceable condition for new businesses, residential uses, or mixed-use development

The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the development of this new office use. The proposed project also conforms to the plan's land use map, which calls for office, open space or light industrial 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. Before today's action is presented to the city council for approval, the department will conduct a thorough background check of all principals having an ownership interest of 7.5 percent or greater, and of the boards of directors and trustees of non-profit organizations. Similar background checks will be conducted on the development entity itself.

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 DPD recommends that the CDC recommend to the City Council the designation of Barry Callebaut USA LLC as Developer for the development of its new North American headquarters at 600 West Chicago Avenue.

EXHIBITS

Redevelopment Area Map
Neighborhood Map or Aerial
Survey or Plat
Site Plan
Typical Floor Plan
Front Elevation or Rendering
Sample M/WBE Letter
Copies of M/WBE Certified Letter Receipts
Lender's Letter of Interest
Community Letters of Support
Alderman's Letter of Support