



# City of Chicago



O2018-657

Office of the City Clerk

## Document Tracking Sheet

**Meeting Date:** 1/17/2018

**Sponsor(s):** Emanuel (Mayor)

**Type:** Ordinance

**Title:** Support of Class L tax incentive for property(s) at 404 W Harrison Street and 433 W Van Buren St (Old Main Post Office building)

**Committee(s) Assignment:** Committee on Finance

## ORDINANCE

**WHEREAS**, the City of Chicago (the "City") is a home rule unit of government under Section 6(a), Article VII of the 1970 Constitution of the State of Illinois authorized to exercise any power and perform any function pertaining to its government and affairs; and

**WHEREAS**, the Cook County Board of Commissioners has enacted the Tax Incentive Ordinance, Classification System for Assessment, as amended from time to time (the "County Ordinance"), which establishes the Class L property tax classification to encourage the preservation and rehabilitation of certain historically and architecturally significant buildings, which will enhance the general character of real estate in the county and contribute to the economic well-being of the county by increasing the level of economic activity, increasing employment opportunities and contributing to the long-term growth of the real property tax base; and

**WHEREAS**, 601 W Companies Chicago LLC, a Delaware limited liability company (the "Owner"), is the owner of the historic building (the "Building") located at 404 West Harrison Street, Chicago, Illinois 60607 (also known as 433 West Van Buren Street, Chicago, Illinois, 60607), and said Building commonly known as the Old Main Post Office Building, as more precisely described in Exhibit 1 attached hereto and hereby made a part hereof (the land and improvements thereon being herein referred to as the "Project Real Estate"); and

**WHEREAS**, the City Council of the City (the "City Council") is concurrently seeking the designation of the area encompassing the Building as a Chicago Landmark pursuant to the criteria established in Section 2-120-580 et seq. of the Municipal Code of Chicago, and such designation as a Chicago landmark meets the definition of landmark pursuant to the County Ordinance; and

**WHEREAS**, the Owner proposes to rehabilitate the Building thereby preserving the historic building, increasing employment opportunities in the area and contributing to the long-term growth of the real property tax base (the "Project"); and

**WHEREAS**, the redevelopment objective of the City in connection with the Project Real Estate is to restore the exterior of the deteriorating historic building, rehabilitate the interior of a long-vacant building, and enhance the City's property tax revenue; and

**WHEREAS**, the Owner intends to use the Building for commercial purposes after the Project is completed by operating the Building as a modernized efficient office building, including a retail base, that will cater to office users seeking expansive and open-floor layouts office with associated amenities, including a fitness center and spa, indoor parking, a restored main lobby with retail services, and a roof deck with tenant lounges and recreation facilities, conference center, food and beverage dining and indoor entertainment venue (the "Intended Use"); and

**WHEREAS**, it is anticipated that the Project may require a transfer of a beneficial interest in the Owner to one or more entities who will receive an allocation of federal historic rehabilitation tax credits ("Tax Credit Investors"); and

**WHEREAS**, the Owner has applied to the Office of the Assessor of Cook County, Illinois (the "Assessor"), for designation of the Project Real Estate as a Class L classification eligible for certain real estate tax incentives pursuant to the County Ordinance; and

**WHEREAS**, pursuant to the County Ordinance, the Class L classification is available to real estate which is to be used for commercial or industrial purposes and which (1) is a Landmark (as defined in the County Ordinance); and (2) has undergone Substantial Rehabilitation (as defined in the County Ordinance), which constitutes an investment by the owner of at least 50 percent of the building's full market value as determined by the Assessor in the assessment year prior to the commencement of the Substantial Rehabilitation; and the Class L incentive shall apply to the building only, except that if the entire building has been vacant and unused for at least 24 continuous months prior to the filing of the eligibility application with the Assessor, the land upon which the building is situated shall be eligible for the incentive; and

**WHEREAS**, the County Ordinance requires that, in connection with the filing of a Class L eligibility application with the Assessor, an applicant must obtain from the unit of local government in which the real estate is located, an ordinance or resolution which expressly states, among other things, that the local government: 1) has determined that the incentive provided by Class L is necessary for the Substantial Rehabilitation of the property; 2) supports and consents to the granting of the incentive; and 3) has reviewed and accepted its Preservation Commission's (as defined in the County Ordinance) written recommendation of the project for the Class L incentive, specifying the project budget and proposed scope of the work, which meets or exceeds the Standards of the United States Department of the Interior for Rehabilitation, Preservation, Restoration, and Reconstruction of historic properties; and

**WHEREAS**, the City is a Certified Local Government as defined in the County Ordinance and has established the City of Chicago Commission on Chicago Landmarks (the "Landmarks Commission"), and such Landmarks Commission is a Preservation Commission (as defined in the County Ordinance); and

**WHEREAS**, on October 5, 2017 the Landmarks Commission issued a written recommendation of the Project to the City Council, conditioned upon a final determination by the City Council to designate the building as a Chicago landmark, recommending that the Project be approved by the Assessor for the Class L incentive, a copy of which is attached hereto as Exhibit 2 and hereby made a part hereof; and

**WHEREAS**, the Project Real Estate has not been occupied and used for the 24-month period prior to the filing of the Class L eligibility application with the Assessor making the land upon which the Building is situated eligible for the incentive; and

**WHEREAS**, the Department of Planning and Development of the City ("DPD") has reviewed the proposed Project, has determined that it meets the necessary eligibility requirements for Class L designation, and hereby recommends to City Council that the City expressly determine by ordinance, among other things, that: 1) the incentive provided by Class L is necessary for the Substantial Rehabilitation of the Project Real Estate; 2) the City supports and consents to the granting of the incentive; and 3) the City has reviewed and accepted the Landmarks Commission's written recommendation of the Project for the Class L incentive, specifying the Project budget and proposed scope of the work, and specifying that the Project meets or exceeds the Standards of the United States Department of the Interior for Rehabilitation,

Preservation, Restoration, and Reconstruction of historic properties; **now, therefore,**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:**

**SECTION 1.** The above recitals are hereby expressly incorporated as if fully set forth herein.

**SECTION 2.** The City hereby determines that the incentive provided by Class L is necessary for the Substantial Rehabilitation of the Project Real Estate.

**SECTION 3.** The City hereby expressly supports and consents to the granting of the Class L incentive. The City's support and consent to the grant of certification for the Class L incentive for the Project Real Estate is expressly conditioned upon the substantial completion of the Project as proposed by the Owner and approved by the City, both upon completion of the Substantial Rehabilitation of the Project Real Estate and during the term of the Class L incentive.

**SECTION 4.** The Project is anticipated to be completed by December 31, 2021. The Commissioner of DPD (the "Commissioner") or a designee of the Commissioner (together with the Commissioner, an "Authorized Officer") shall have discretion to extend the construction completion date by issuing a written extension letter in response to a written request from the Owner. To the extent that the Project Real Estate is not rehabilitated, used or maintained during the term of the Class L incentive in a manner which is substantially consistent with the approved Project or Use, as determined by the Authorized Officer, the Authorized Officer is hereby authorized to take such steps as may be necessary and appropriate to withdraw the City's support and consent to the Class L incentive, which may cause the Class L certification to be terminated or revoked.

**SECTION 5.** The City has reviewed and hereby accepts the Landmarks Commission's written recommendation of the Project for the Class L incentive, which specifies the Project budget and proposed scope of the work, and which specifies that the Project meets or exceeds the Standards of the United States Department of the Interior for Rehabilitation, Preservation, Restoration, and Reconstruction of historic properties, a copy of which is attached hereto as Exhibit 2 and made a part hereof.

**SECTION 6.** The Economic Disclosure Statement, as defined in the County Ordinance, has been received and filed by the City.

**SECTION 7.** The Authorized Officer is hereby authorized to deliver a certified copy of this Ordinance to the Assessor and to furnish such additional information as may be required in connection with the filing of the application by the Owner with the Assessor for Class L designation of the Project Real Estate.

**SECTION 8.** The Authorized Officer is hereby authorized to enter into and execute such instruments and agreements, and perform any and all acts as shall be necessary or advisable in connection with the Project including such other terms and conditions as may be imposed or approved in connection with the Project by the Authorized Officer.

**SECTION 9.** The Authorized Officer is hereby authorized to approve minor changes in the scope of work and budget delineated on (Sub) Exhibits A and B to Exhibit 2 hereof, provided

that changes in the Building conditions warrant such changes and will not change the suitability of the Project Real Estate for the Use (all as determined in the sole discretion of the Authorized Officer). Changes to the Project budget delineated on (Sub) Exhibit A to Exhibit 2 shall not require prior City approval provided that the Project is substantially completed in accordance with the scope of work defined in (Sub) Exhibit B to Exhibit 2 and achieves the minimum investment required for Class L eligibility.

**SECTION 10.** Upon request by the Owner for a final determination of the eligibility of the Project Real Estate for the Class L incentive by the Landmarks Commission pursuant to the County Ordinance upon completion of the Substantial Rehabilitation of the Project Real Estate, the Authorized Officer shall verify that the work performed substantially conforms to the Project approved by the City and that the Project Real Estate is eligible for the Class L incentive (the "Final Determination").

**SECTION 11.** Any conveyance of all or a portion of the Project Real Estate by the Owner before the Final Determination shall render the support and consent of the City for the Class L incentive set forth hereunder in connection with the Project null and void. Any renewed support and consent of the City for the Class L incentive contemplated in connection with the Project undertaken by a successor in interest to the Owner of the Project Real Estate prior to the Final Determination shall require additional authorization by the City Council. Any change prior to the Final Determination in the direct owners in excess of 7.5% of the Owner or who constitute the direct or indirect controlling parties of the Owner, as determined by the Corporation Counsel (an "Ownership Change"), shall render the support and consent of the City for the Class L incentive set forth hereunder in connection with the Project null and void, unless such Ownership Change is approved by the Authorized Officer in his or her discretion. This Section shall not apply to the transfer of a beneficial interest in the Owner to Tax Credit Investors with respect to the Project, or to the transfer of a leasehold interest in the Project Real Estate to a master tenant entity owned in whole or in part by one or more Tax Credit Investors, provided that such transfers do not involve a change to the direct or indirect controlling parties of the Owner.

**SECTION 12.** No permit fee waiver(s) pursuant to Section 2-120-815 of the Municipal Code of Chicago from the City related to the Project Real Estate shall be granted to the Owner during the rehabilitation of the Project and prior to the expiration of the Class L incentive related to the Project Real Estate.

**SECTION 13.** To the extent that any ordinance, resolution, order or provision of the Municipal Code of Chicago, or part thereof, is in conflict with the provisions of this Ordinance, the provisions of this Ordinance shall be controlling. If any section, paragraph, clause or provision shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

**SECTION 14.** This Ordinance shall be effective from and after its passage and approval.

**EXHIBIT 1**

**LEGAL DESCRIPTION**  
(Subject to final title and survey)

LOT 11 (EXCEPT THE WEST 20 FEET THEREOF) IN RAILROAD COMPANIES' RESUBDIVISION OF BLOCKS 62 TO 76, INCLUSIVE, 78, PARTS OF 61 AND 67 AND CERTAIN VACATED STREETS AND ALLEYS IN SCHOOL SECTION ADDITION TO CHICAGO, BEING A SUBDIVISION OF SECTION 16, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

Permanent Index Number: 17-16-130-001-0000

Address commonly known as: 404 West Harrison Street, Chicago, Illinois, 60607 (also known as 433 West Van Buren Street, Chicago, Illinois 60607)

**EXHIBIT 2**

Commission on Chicago Landmarks  
Recommendation to the City Council

See attached

**CITY OF CHICAGO  
COMMISSION ON CHICAGO LANDMARKS  
October 5, 2017**

**RECOMMENDATION TO THE CITY COUNCIL THAT  
A CLASS L REAL ESTATE TAX REDUCTION BE APPROVED FOR**

**401-439 W. Van Buren Street, 401-535 S. Canal Street, and 400-436 W. Harrison Street  
Old Chicago Main Post Office Building**

**To the Mayor and Members of the City Council of the City of Chicago:**

**Whereas**, the Commission on Chicago Landmarks (the "Commission") has reviewed an application for the proposed exterior and interior rehabilitation of the building at 401-439 W. Van Buren Street, 401-535 S. Canal Street, and 400-436 W. Harrison Street (the "Building," and its rehabilitation, the "Project"), pursuant to the Cook County Real Property Assessment Classification Ordinance, as amended (the "County Ordinance"), and its requirements governing the Class L real estate tax incentive (the "Class L"); and

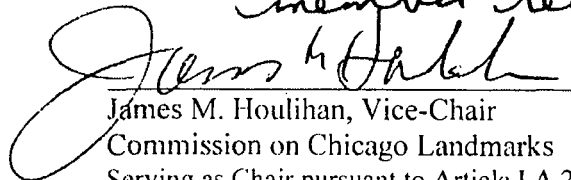
**Whereas**, the Building was preliminarily recommended as a Chicago Landmark by the Commission on October 5, 2017; now, therefore

**THE COMMISSION ON CHICAGO LANDMARKS HEREBY:**

1. Incorporates the above recitals; and
2. Finds, based on the Project's budget and proposed scope of work, incorporated herein and attached as Exhibits A and B respectively, that the Project meets or exceeds the *Secretary of the Interior's Standards for the Rehabilitation of Historic Buildings*; and
3. Finds that the Project meets the eligibility criteria for the Class L incentive specified in the County Ordinance; and
4. Recommends, conditioned upon a final determination by the Commission and the City Council to designate the building as a Chicago Landmark, that the Project be approved for the Class L incentive.

The above recommendation was passed

*5-0 with one Commission member recusing himself.*

  
James M. Houlihan, Vice-Chair  
Commission on Chicago Landmarks

Serving as Chair pursuant to Article I.A.2.b. of the Rules and Regulations

Dated: October 5, 2017



**EXHIBIT A****Old Chicago Main Post Office Building**

401-439 W. Van Buren Street, 401-535 S. Canal Street, and 400-436 W. Harrison Street

**Class L Project Budget**

	<b>Total Cost</b>	<b>Class L Ineligible*</b>	<b>Class L Eligible</b>
Façade Restoration	\$ 17,000,000	\$ 6,124,303	\$ 10,875,697
Façade Cleaning	\$ 825,000	\$ -	\$ 825,000
Window Restoration and Replacement	\$ 13,000,000	\$ 13,000,000	\$ -
Roof Replacement	\$ 9,000,000	\$ 3,526,866	\$ 5,473,134
Roof Deck Amenities	\$ 8,000,000	\$ -	\$ 8,000,000
Site Improvements	\$ 2,000,000	\$ 2,000,000	\$ -
Demolition and Abatement	\$ 29,000,000	\$ 29,000,000	\$ -
Elevator replacement and modernization	\$ 17,000,000	\$ 10,936,641	\$ 6,063,359
Postmaster Office Renovation	\$ 2,000,000	\$ -	\$ 2,000,000
Historic Lobby restoration	\$ 8,000,000	\$ 8,000,000	\$ -
Spec Suites	\$ 8,500,000	\$ 8,500,000	\$ -
Conference Center	\$ 2,500,000	\$ -	\$ 2,500,000
Fitness Center	\$ 2,500,000	\$ -	\$ 2,500,000
Food Hall and Dining Facilities	\$ 3,000,000	\$ -	\$ 3,000,000
Tenant Lounge	\$ 3,500,000	\$ -	\$ 3,500,000
Common Areas and Washrooms	\$ 11,000,000	\$ -	\$ 11,000,000
Electric	\$ 21,000,000	\$ -	\$ 21,000,000
HVAC	\$ 40,000,000	\$ 13,727,531	\$ 26,272,469
Staircases	\$ 2,300,000	\$ -	\$ 2,300,000
Sprinklers and Fire Alarms	\$ 8,000,000	\$ -	\$ 8,000,000
Amtrak ventilation system - repairs and replacement	\$ 6,000,000	\$ 6,000,000	\$ -
Contingency	\$ 29,000,000	\$ 13,920,000	\$ 15,080,000
<b>Total Hard Costs</b>	<b>\$ 243,125,000</b>	<b>\$ 114,735,341</b>	<b>\$ 128,389,659</b>
<b>Soft Costs</b>			
Engineering	\$ 15,000,000	\$ 7,200,000	\$ 7,800,000
Architects	\$ 7,500,000	\$ 3,600,000	\$ 3,900,000
Consulting and Legal	\$ 3,500,000	\$ 3,500,000	\$ -
Construction Management	\$ 14,000,000	\$ 6,720,000	\$ 7,280,000
Capitalized Operating Expenses (during construction and buildout period)	\$ 9,000,000	\$ 9,000,000	\$ -
<b>Total Soft Costs</b>	<b>\$ 49,000,000</b>	<b>\$ 30,020,000</b>	<b>\$ 18,980,000</b>
<b>Total Project Budget</b>	<b>\$ 292,125,000</b>	<b>\$ 144,755,341</b>	<b>\$ 147,369,659</b>

\*Class L Ineligible Costs include work that was performed prior to the Landmarks Commission recommendation to address critical life/safety and emergency access conditions at the building.

## EXHIBIT B

### OLD CHICAGO MAIN POST OFFICE BUILDING (401-439 W. Van Buren Street, 401-535 S. Canal Street, and 400-436 W. Harrison Street)

#### SCOPE OF THE WORK

**General** All work affecting the significant historical and architectural features shall be done in accordance with the following:

- The City of Chicago's building permit review procedures and the Landmarks Ordinance, 2-120-580 et seq. of the Municipal Code of Chicago.
- The review and approval of the Commission.
- The U.S. *Secretary of the Interior's Standards for the Rehabilitation of Historic Buildings* (the "Standards") and the *Guidelines for Alterations to Historic Buildings and New Construction*, adopted by the Commission on March 7, 1992.
- Rehabilitation drawings prepared by Gensler dated September 11, 2017, Line of Sight Study dated January 20, 2017; and any Commission/PRC conditions of approval that may occur during the duration of the project.

**Required Approvals** All work must be submitted to the Commission staff for prior review and approval. The Commission staff may require as part of its review, as appropriate, material samples, paint colors and finishes, shop drawings, specifications, mock-ups, test patches, and control samples.

#### **Required Work**

*Exterior* work shall include:

- All masonry exterior facades will be repaired and restored. Masonry that is too damaged to repair will be replaced in-kind.
- Terra cotta spandrel panels will be repointed.
- Aluminum spandrel panels will be repaired as necessary.
- Masonry will be cleaned in areas identified in WJE report and exhibits dated September 26, 2017. Other areas of the building exterior will be cleaned as needed, consistent with a high-class downtown historic office building.
- Historic entrances and storefronts will be repaired and restored. Revolving doors will be repaired and augmented to be code compliant. Doors that cannot be restored will be replaced in-kind. Non-historic swing doors will be replaced with accessible compliant doors.
- Multi-paned storefront windows at the two-story base of the building will be retained and repaired. Storefront windows that cannot be repaired will be replaced to match.
- All windows above the 2<sup>nd</sup> floor will be replaced.
- All roofing will be replaced and new insulation will be added.
- Rooftop amenity spaces will be installed including a vegetative green roof covering 50% of the net roof area. This will require the existing rooftop structure to be reinforced to support the increased loads.

**Interior** work shall include:

Demolition/Abatement:

- Non-historic elements, equipment and machinery will be demolished. Hazardous materials will be safely abated.

Elevators and Stairs:

- Existing elevator banks serving the North Building will be refurbished and modernized with new elevator equipment, cabs, and hoist way doors and frames. Marble wainscoting at these lobbies will be retained and restored.
- Other existing elevators, both freight and passenger, will be modernized and refurbished.
- One new bank of elevators shall be added in a new location to provide passenger service.
- Existing stair locations will be retained, with the exception of one stair to be demolished. The entry configurations will be updated to allow for areas of rescue assistance as required by code. Handrails shall be replaced as required to meet code.
- Three new stairs will be added to meet code required exiting requirement.
- Escalators will be installed where required to augment elevator service to connect the north and south halves of the first floor of the building separated by the Eisenhower Expressway.

Ground Floor:

- The historic two-story main lobby will be restored.
- Food and beverage and retail venues will be developed in the north half of the ground floor beyond the main lobby.
- Loading, parking and utility space will be provided in the south half of the ground floor.

Second Floor:

- Tenant amenity spaces including a conference center, a lounge, a fitness center and spa will be constructed.
- Parking will be constructed in the south portion of the building.

Third-Twelfth Floors:

- New tenant rest rooms will be provided.
- Majority of space will be rehabilitated for large open office spaces.

**MEP/FP** work shall include:

- Installation of a new hot water heating plant.
- Installation of new dedicated outdoor air units.
- Installation of a new central fan system.
- Installation of new electrical service and distribution.
- Installation of new emergency generator to serve building life-safety systems.
- Installation of new chilled water and condenser water distribution systems.

- Installation of new fire pump, risers and main fire suppression distribution systems.
- Installation of new domestic water service, house pumps, risers and main distribution systems.
- Installation of new life safety systems.
- Installation of new security system.
- Installation of new direct digital control system.
- Installation of new voice and data risers.

Work shall occur in accordance with permit drawings for the Project, to be reviewed and approved by the staff of the Commission on Chicago Landmarks. The applicant intends to certify the building with the U.S. Green Building Council for Leadership in Energy and Environmental Design (LEED) Silver.

**Additional work** not required by the Class I., but to be undertaken by the owner, includes the restoration and reuse of the former Post Master's Office and Conference Room Suite on 4<sup>th</sup> floor and restoration of select historic corridors.



FIN.

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OFFICE OF THE MAYOR  
CITY OF CHICAGO

RAHM EMANUEL  
MAYOR

January 17, 2018

TO THE HONORABLE, THE CITY COUNCIL  
OF THE CITY OF CHICAGO

Ladies and Gentlemen:

At the request of the Commissioner of Planning and Development, I transmit herewith an ordinance authorizing a Class L tax status for property located on West Van Buren/South Canal and West Harrison streets.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

Mayor

CHICAGO February 28, 2018

**To the President and Members of the City Council:**

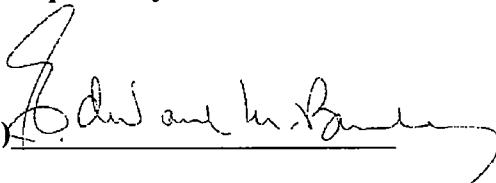
**Your Committee on Finance having had under consideration** an ordinance authorizing the approval of a Class L Real Estate Incentive Classification for the property located at 404 W Harrison Street and 433 W Van Buren Street (Old Main Post Office Building) for 601 W Companies Chicago LLC.

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**Having had the same under advisement, begs leave to report and recommend that your Honorable Body pass the proposed Ordinance Transmitted Herewith**

This recommendation was concurred in by \_\_\_\_\_ (a **viva voce vote**) of members of the committee with \_\_\_ dissenting vote(s).

**Respectfully submitted**

(signed) 

**Chairman**

APPROVED

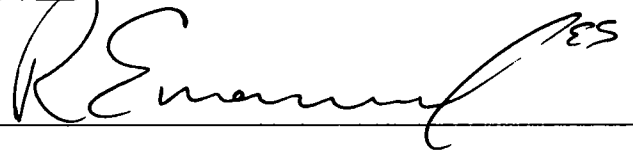


CORPORATION COUNSEL

DATED:

3/7/18

APPROVED



MAYOR

DATED:

3/7/18