



City of Chicago



O2017-5378

Office of the City Clerk

Document Tracking Sheet

Meeting Date:	6/28/2017
Sponsor(s):	Emanuel (Mayor)
Type:	Ordinance
Title:	Support of Class L tax incentive for property at 632 N Dearborn St
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, 632 N. Dearborn Resco, LLC, a Delaware limited liability company (the "Owner"), is the owner of the historic building (the "Building") located at 632 North Dearborn Street in Chicago, Illinois, 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) adopted an ordinance on February 26, 1997 designating 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 historic building, rehabilitate the interior, and enhance the City's property tax revenue; and

WHEREAS, the Owner intends to continue to use the Building for commercial purposes after the Project is completed (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 and the underlying land because 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; 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 February 2, 2017, the Landmarks Commission issued a written recommendation of the Project to the City Council 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 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, 2018. 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 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 9. 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 10. 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 10 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 11. 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 12. 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 13. This Ordinance shall be effective from and after its passage and approval.

EXHIBIT 1

LEGAL DESCRIPTION

(Subject to final title and survey)

LOTS 1, 2, AND 3 AND THE SOUTH 22 FEET OF LOTS 14, 15 AND 16 IN BLOCK 23 IN WOLCOTTS ADDITION TO CHICAGO IN SECTION 9, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS

Permanent Index Numbers: 17-09-226-008-0000 and 17-09-226-014-0000

Address Commonly known as: 632 North Dearborn Street, Chicago, Illinois

EXHIBIT 2

Commission on Chicago Landmarks
Recommendation to the City Council

See Attached.

CITY OF CHICAGO
COMMISSION ON CHICAGO LANDMARKS
February 2, 2017

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

632 North Dearborn
(Former Chicago Historical Society)

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

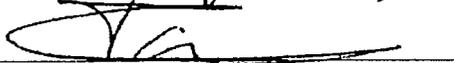
Whereas, the Commission on Chicago Landmarks (the "Commission") has reviewed an application for the proposed exterior and interior rehabilitation of the building at 632 North Dearborn (the "Building," and its rehabilitation, the "Project"), pursuant to the Cook County Real Property Assessment Classification 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 designated as a Chicago Landmark by the City Council of the City of Chicago (the "City Council") on February 26, 1997; 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;
4. Recommends that the Project be approved for the Class L incentive.

The above recommendation was passed unanimously. (6-0)


Rafael M. Leon
Chairman

Dated: Feb. 2, 2017

Former Chicago Historical Society
632 N. Dearborn, Chicago, IL
Exhibit A

Class L Property Tax Incentives Eligible Costs Summary

	ELIGIBLE COSTS	NON - ELIGIBLE COSTS	TOTAL PROJECT COSTS
Building Acquisition		\$ -	\$ -
Acquisition closing Costs		\$ -	\$ -
TOTAL ACQUISITION COSTS			
HARD COSTS			
Demolition	\$ 868,156	\$ -	\$ 868,156
Sitework / Prep	\$ 238,555	\$ 176,676	\$ 415,231
Site Utilities	\$ 103,677	\$ -	\$ 103,677
Micropiles	\$ 247,458	\$ -	\$ 247,458
Building Concrete	\$ 587,175	\$ -	\$ 587,175
Exterior Masonry Repairs & Cleaning	\$ 187,500	\$ -	\$ 187,500
General Masonry	\$ 450,246	\$ 250,000	\$ 700,246
Steel Framing / Misc Metals	\$ 838,270	\$ 600,000	\$ 1,438,270
Carpentry		\$ 1,709,879	\$ 1,709,879
Doors & Frames		\$ 207,766	\$ 207,766
Fireproofing	\$ 89,900		\$ 89,900
Millwork		\$ 1,158,167	\$ 1,158,167
Roofing	\$ 790,600	\$ -	\$ 790,600
Interior Glass & Glazing		\$ 160,150	\$ 160,150
Exterior Windows	\$ 100,075	\$ -	\$ 100,075
Acoustic Ceilings	\$ -	\$ 35,070	\$ 35,070
Flooring	\$ -	\$ 789,918	\$ 789,918
Painting	\$ -	\$ 459,900	\$ 459,900
Toilet Accessories	\$ -	\$ 37,779	\$ 37,779
Plumbing	\$ 150,000	\$ 652,500	\$ 802,500
Elevators	\$ 258,554	\$ -	\$ 258,554
Fire Protection	\$ 50,000	\$ 114,457	\$ 164,457
HVAC	\$ 440,500	\$ 818,125	\$ 1,258,625
Electrical	\$ 350,000	\$ 2,401,900	\$ 2,751,900
INDIRECTS (GC's, Precon, GL and Fee)	\$ 410,000	\$ 760,459	\$ 1,170,459
TOTAL HARD COSTS	\$ 6,160,666	\$ 10,332,746	\$ 16,493,412
SOFT COSTS			
Permits and Impact Fees	\$ 20,070	\$ 37,270	\$ 57,340
Architecture and Engineering Fees	\$ 31,400	\$ 955,040	\$ 986,440
Audio / Visual	\$ -	\$ 1,000,000	\$ 1,000,000
Furniture Fixtures and Equipment	\$ -	\$ 3,330,585	\$ 3,330,585
Contingency	\$ 176,000	\$ 326,847	\$ 502,847
TOTAL SOFT COSTS	\$ 227,470	\$ 5,649,742	\$ 5,877,212
TOTAL PROJECT COSTS	\$ 6,388,136	\$ 15,982,488	\$ 22,370,624

EXHIBIT B

632 North Dearborn 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 4, 1992.
- Historic photographs, architectural drawings, and any other available archival documentation of the building unless alterations from the same are agreed to by the Commission, to be investigated and assembled by the property owner.
- Drawings prepared by SPACE Architects + Planners dated 1/25/17 and any Commission/PRC conditions of approval.

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:

- Select masonry repairs identified in photos 5, 6, 27, 29 and 30 of the Klein and Hoffman report dated 8/10/15;
- Clean existing granite cladding on street-facing facades using gentlest means possible;
- Replace existing asphalt shingle roof with GAF Slateline shingle roofing in a dark grey color to mimic slate;
- Repair, clean, and reset terra cotta elements at roofline as needed;
- Remove existing fire escape from 3rd-floor to grade, install new granite at fire escape openings;
- Install new security grilles at basement windows to match historic appearance;
- Replace non-historic front doors with new doors similar to historic appearance;
- Remove existing digital sign, blade sign, and sign pole;
- Additions for new exit stairs and elevators as per plans;

Interior:

Work shall include:

- Demolition of all interior non-load bearing walls, ceilings, and stairs;
- Structural repairs to concrete and steel structural elements;
- Install four new exit stairs;
- Provide three new elevators – 1 freight and 2 passenger elevators;
- Upgrades to gas, water, and electrical services as required;
- All new sprinkler system and fire protection system;
- New mechanical system to exceed ASHRAE 90.1-2004 by 14%

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.

Additional work not required by the Class L, but to be undertaken by the owner, includes restaurant and night club tenant build-out and architectural lighting at the base of the building. Any signage and exterior illumination shall be reviewed and approved by the Commission prior to installation.



FIN.

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OFFICE OF THE MAYOR
CITY OF CHICAGO

RAHM EMANUEL
MAYOR

June 28, 2017

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 ordinances authorizing a Class L tax incentive for properties located at 632 North Dearborn and 932 West Fulton Market.

Your favorable consideration of these ordinances will be appreciated.

Very truly yours,

Mayor

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CHICAGO July 26, 2017

To the President and Members of the City Council:

Your Committee on Finance having had under consideration an ordinance concerning the authority to approve a Class L RealEstate Incentive Classification for the property located at 632 North Dearborn for 632 N. Dearborn Resco, LLC.

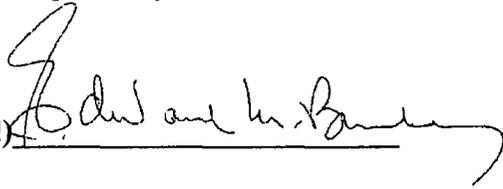
O 2017-5378

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).

Alderman Burke abstained from voting on this matter pursuant to Rule 14.

Respectfully submitted

(signed) 

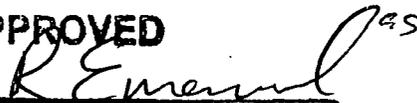
Chairman

APPROVED



CORPORATION COUNSEL

APPROVED



8/22/17 Mayor