



City of Chicago



O2019-2545

Office of the City Clerk

Document Tracking Sheet

Meeting Date:	3/14/2019
Sponsor(s):	Emanuel (Mayor)
Type:	Ordinance
Title:	Support of Class L tax incentive for property at 111 N State St (Marshall Field and Company 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, Macy's Retail Holdings, Inc., a New York corporation ("Macy's") is an owner in part, and BSREP II SS Chicago LLC, a State of New York limited liability Company is an owner in part ("Brookfield" and together with Macy's the "Owner") of the historic building (the "Building") located at 111 North State 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 November 1, 2005, designating 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 enhance the character of real estate in the City of Chicago and Cook County; contributing to the long-term growth in the level of economic activity and employment opportunities in the City of Chicago and Cook County; contributing to the long-term growth of Cook County's tax base; providing greater tax revenues to the City of Chicago and Cook County by increasing economic activity at the Building; and facilitating the preservation of an architecturally- and historically-significant building; and

WHEREAS, the fourteen-story Building consists of approximately 2,010,000 gross square feet; the basement levels and bottom seven floors are owned by Macy's and currently house Macy's flagship retail store and corporate offices (the "Retail Floors"); and floors eight through fourteen (the "Office Floors") are owned by Brookfield, and the Owners intend to use the Building for commercial purposes after the Project is completed (the "Intended Use"), provided that Brookfield has a right of first offer to purchase (the "Option to Purchase") floors four through six (the "Option Floors") and upon purchasing the Option Floors, may elect to

rehabilitate the Option Floors as commercial space (the "Option Floors New Use"), and

WHEREAS, the Owner intends to renovate the Building for future office tenants and the rehabilitation work is expected to include separating the Building's mechanical systems, creating a dedicated office entrance and lobby, and creating an elevator core to serve the new office space; and

WHEREAS, Owner has submitted a Petition for Division to the Office of the Assessor Cook County, Illinois (the "Assessor"), seeking further separation of tax parcels for the Retail Floors and Office Floors of the Building; 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 February 7, 2019 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 Project Real Estate shall have been occupied and used for the 24-month period prior to the filing of the Class L eligibility application with the Assessor, making the

Class L incentive applicable to the Building only; and

WHEREAS, the City requires, and the Owner has agreed to perform or cause to be performed, certain work as part of the Project as more fully described in (Sub) Exhibit B to Exhibit 2 and attached hereto and incorporated herein, in furtherance of the City's efforts to promote a sustainable development policy; 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 Intended 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 for the portion of the Project Real Estate that is not so rehabilitated, used or maintained, as the case may be, in a manner substantially consistent with the approved Project or Intended Use, which may cause the Class L certification to be terminated or revoked for the entire PIN of that portion of the Project Real Estate.

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. Prior to issuance of the Final Determination, if Brookfield exercises its Option to Purchase, purchases the Option Floors and elects to perform work to convert the Option Floors to the Option Floors New Use, the Owner shall submit a modified scope of work and project budget for review and approval by the Authorized Officer and the Landmarks Commission, which approval shall not be unreasonably withheld. After issuance of the Final Determination, if Brookfield exercises its Option to Purchase, purchases the Option Floors and elects to perform work to convert the Option Floors to the Option Floors New Use, such additional work shall be subject to applicable plan review authority under Section 2-120-580 et seq. of the Chicago Municipal Code.

SECTION 8. 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 9. 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 which reflect the terms described in Exhibit 2 hereto, or such other terms and conditions as may be imposed or approved in connection with the Project by the Authorized Officer.

SECTION 10. Except as set forth in Section 7 above, the Authorized Officer is hereby authorized to approve minor changes in the budget and scope of work 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 Intended 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 11. 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 12. 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, or to the conveyance of the Option Floors to Brookfield, provided that such transfers do not involve a change to the direct or indirect controlling parties of the Owner. Notwithstanding anything in this Ordinance to the contrary, Ownership Change shall not include the transfer by Macy's (i) to any corporation or other entity resulting from the merger of Macy's with any one or more corporations or other entities or (ii) to any corporation or other entity resulting from consolidation of Macy's with or into any one or more corporations or other entities, or (iii) to any corporation or other entity which acquires all or substantially all of the business and/or operating assets of Macy's, or (iv) to any corporation which controls Macy's, is controlled by or is under common control with Macy's (for the purposes of this Ordinance, "control" is defined as having 50% or more of the outstanding voting capital stock of the subject corporation). The City shall receive written notice and disclosure as required by the City prior to any transfers pursuant to (i) through (iv) of this Section 12. Further, notwithstanding anything in this Ordinance to the contrary, Ownership Change shall not include a change in ownership of Macy's, Inc. stock.

SECTION 13. 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 14. 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 15. This Ordinance shall be effective from and after its passage and approval.

FIN.

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OFFICE OF THE MAYOR
CITY OF CHICAGO

RAHM EMANUEL
MAYOR

March 13, 2019

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 at 111 North State Street.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

A handwritten signature in cursive script that reads "Rahm Emanuel".

Mayor

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CHICAGO April 10, 2019

To the President and Members of the City Council:

Your Committee on Finance having had under consideration a proposed ordinance concerning the authority to approve a Class L Real Estate Tax Incentive Classification for property located at 111 N. State for Macy's Retail Holdings, Inc. and BSREP II SS 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) Patrick O'Connor

Chairman

APPROVED



CORPORATION COUNSEL

DATED:

4/12/19

APPROVED



MAYOR

DATED:

4/12/19