



City of Chicago



O2015-1530

Office of the City Clerk

Document Tracking Sheet

Meeting Date:	3/18/2015
Sponsor(s):	Emanuel (Mayor)
Type:	Ordinance
Title:	Support of Class L tax incentive for property at 1300 N Dearborn Pkwy
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 Real Property Assessment Classification Ordinance, as amended (the "**Classification 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, 1300 Dearborn Property, LLC, a Delaware limited liability company (the "**Owner**"), is the owner of the historic building known as the Three Arts Club (the "**Building**") located on real property commonly known as 1300 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, pursuant to a lease dated May 12, 2014 (the "**Lease**") between the Owner as Landlord and Restoration Hardware, Inc., a Delaware corporation ("**RHI**") as Tenant, RHI will operate a retail home furnishings showroom along with a restaurant, bar and hospitality establishment including, to the extent allowed by law, the sale of wine and liquor for on-site and off-site consumption on the Project Real Estate; and

WHEREAS, on June 10, 1981 the City Council of the City (the "**City Council**") adopted an ordinance 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 Section 1 of the Classification Ordinance; and

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

WHEREAS, RHI and the Owner anticipate using the Building for retail purposes (including, without limitation, as set forth above) and including, to the extent allowed by law, the sale of wine and liquor for on-site and off-site consumption) after the Project is completed (the "**Use**"); and

WHEREAS, RHI and the Owner will apply 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 Classification Ordinance; and

WHEREAS, pursuant to the Classification 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 Section 1 of the Classification Ordinance); and (2) has undergone Substantial Rehabilitation (as defined in Section 1 of the Classification 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, Section 2 of the Classification 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 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 Section 1 of the Classification 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 Section 1 of the Classification 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 Section 1 of the Classification Ordinance); and

WHEREAS, on November 6, 2014 the Landmarks Commission issued a written recommendation of the Project to the City Council; recommending that the Project and the Project Real Estate 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 been vacant and unused 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 and the Project Real Estate; and

WHEREAS, the Department of Planning and Development of the City (the "**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 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 and the Project Real Estate 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 October 31, 2015. 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 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 7. 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 any terms and conditions as may be imposed or approved in connection with the Project by the Authorized Officer.

SECTION 8. The Authorized Officer is hereby authorized to approve minor changes in the scope of work delineated on (Sub) Exhibit 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 hereof shall not require prior City approval provided that the Project is substantially completed in accordance with the scope of work delineated 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 Classification 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. Prior to the issuance of the Final Determination, (i) any conveyance of all or a portion of the Project Real Estate by the Owner or (ii) any change 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 (items (i) and (ii) hereinafter referred to as an "**Ownership Change**", the purchaser or new parties holding a direct interest in excess of 7.5% of the Owner hereinafter referred to as a "**Purchaser**") 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 (a) the Purchaser submits relevant Economic Disclosure Statements on the most recent City form, (b) the Purchaser submits information to the City as required to demonstrate no Purchaser outstanding debt to the City, and (c) 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 or RHI 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 or RHI.

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

(Subject to final title and survey)

Legal Description:

LOTS 7, 8, 9 AND 10 IN ASSESSOR'S DIVISION OF LOTS 16 TO 23 IN BRONSON'S ADDITION TO CHICAGO IN SECTION 4, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

Permanent Index Numbers:

17-04-217-044-0000

Address Commonly known as:

1300 NORTH DEARBORN PARKWAY, CHICAGO, ILLINOIS

EXHIBIT 2

Commission on Chicago Landmarks
Recommendation to the City Council

- see attached

**CITY OF CHICAGO
COMMISSION ON CHICAGO LANDMARKS
November 6, 2014**

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

**1300 N. Dearborn Parkway
Three Arts Club**

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

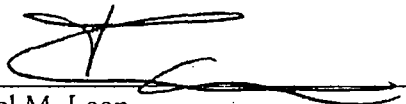
Whereas, the Commission on Chicago Landmarks (the "Commission") has reviewed an application for the proposed exterior and interior rehabilitation of the building at 1300 N. Dearborn Parkway (the "Building," and its rehabilitation, the "Project"), pursuant to the Cook County Real Property Assessment Classification 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 June 10, 1981; 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 that the Project be approved for the Class L incentive.

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


Rafael M. Leon
Chairman

Dated: 11/6/2014

EXHIBIT A

1300 N. Dearborn Parkway (Three Arts Club) PROJECT BUDGET

	Non-Eligible Costs	Class L- Eligible Costs	Total Costs
1. HARD COSTS			
General Conditions	\$913,585	\$757,028	\$1,670,608
Temporary Construction		\$1,352,605	\$1,352,605
Demolition/Construction Work Prior to CCL Review of Class L Application	\$325,000		\$325,000
Masonry Restoration and Elevator Overrun		\$1,569,110	\$1,569,110
Concrete		\$584,050	\$584,050
Structural Steel & Misc. Metals		\$842,800	\$842,800
Carpentry/Millwork	\$660,000	\$412,237	\$1,072,237
Thermal & Moisture Protection		\$704,131	\$704,131
Skylight/Rooftop Enclosure – Structural & Glazing	\$1,239,520		\$1,239,520
Window Replacement/Refurbishing & Doors	\$97,000	\$1,728,435	\$1,825,435
Gypsum Drywall/Painting/Flooring	\$837,356	\$1,502,893	\$2,340,249
Commercial Kitchen/Bar/Dining	\$645,000		\$645,000
Entry & ADA Lobbies		\$54,279	\$54,279
Elevators & Handicap Lift	\$80,000	\$392,500	\$472,500
Fire Suppression		\$270,860	\$270,860
Plumbing		\$540,266	\$540,266
HVAC		\$1,350,000	\$1,350,000
Electrical, Safety & Communication	\$724,055	\$2,289,089	\$3,013,144
General Liability Insurance	\$169,575		\$169,575
Fee	\$80,762	\$261,780	\$342,542
Construction Contingency	\$577,185	\$1,467,206	\$2,044,391
TOTAL HARD COSTS	\$6,349,038	\$16,079,264	\$22,428,302
2. SOFT COSTS			
Architectural & Engineering Fees		\$1,183,950	\$1,183,950
Building Permits & Fees		\$218,750	\$218,750
Building Consulting (Survey, Abatement, Soil Testing)		\$193,060	\$193,060
Gallery Development Expenses, Real Estate and Legal Consulting	\$692,750		\$692,750
Construction Manager	\$19,309	\$80,691	\$100,000
Development Consultant, Elevator Consultant		\$38,000	\$38,000
Landscape Architect, DFH, Lighting & Kitchen Consulting	\$155,650		\$155,650
Preconstruction Testing, Security, Audio Visual & Utility Costs		\$201,750	\$201,750
Liquor License	\$40,000		\$40,000
Soft Cost Contingency	\$27,231	\$57,486	\$84,717
TOTAL SOFT COSTS	\$934,940	\$1,973,687	\$2,908,627
TOTAL PROJECT COSTS	\$7,283,978	\$18,052,951	\$25,336,929

EXHIBIT B

1300 N. Dearborn Parkway (Three Arts Club)

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.
- Historic photographs, architectural drawings, and any other available archival documentation of the building, to be investigated and assembled by the property owner.
- Drawings prepared by Booth Hansen (dated May 19, 2014 and October 17, 2014) and any Commission/PRC conditions of approval, including those issued at the June 12, 2014 and September 4, 2014 Permit Review Committee meeting including any future changes approved by the Commission/PRC.

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:

- Exterior masonry repair/replacement per façade condition assessment of the building prepared by Klein and Hoffman, dated August 11, 2014, and tuckpointing as needed.
- Masonry cleaning of all exterior elevations of the building.
- Removal of existing non-historic fire escapes.
- Restoration/refurbishing of existing first floor and basement windows on the south and east elevations.
- Replacement of existing 2nd, 3rd and 4th floor windows on the south and east elevations and in the courtyard with new aluminum clad wood windows.
- Replacement of four first floor courtyard windows with new doors to match existing doors and restoration of all existing first floor doors and windows.
- Repair or replacement of windows on the west and north elevations.
- Restoration of wood and glass doors at the main entrance on the east elevation.
- Installation of a new ADA accessible entry on the north elevation.
- Replacement of existing non-historic brick courtyard pavers with new paving system.
- Repair and retention in place of the existing courtyard fountain pool and pedestal. The fountain pool and pedestal may be temporarily removed and stored during courtyard floor demolition and construction and be repaired and reinstalled in the same location in the courtyard.
- Installation of vegetative 'green' roof over 52% of the net roof area.

Interior

Work shall include:

- Repair, restoration, cleaning and retention in place of the arched soffits, historic flooring, the concrete fountain, and the decorative wall and ceiling finishes and stencils in the first floor dining room.
- Repair as required and reinstall eight historic light fixtures within the building. The existing light fixtures shall be documented/catalogued prior to removal.
- Installation of new hardwood flooring at first floor to replace existing damaged wood floors and retention in place of other historic flooring.
- Conversion of building to a house gallery display spaces and café including installation of new elevators, modification of existing stairs to meet code requirements, replacement of existing non-compliant stair with new code compliant stair, installation of toilet rooms, repair and replacement of flooring, etc.
- New installations for mechanical, electrical, plumbing, lighting and life-safety features.
- Installation/extension of sprinkler system throughout the building as required to meet code requirements.

Additional work not required by the Class L, but to be undertaken by the owner, includes: installation of new glass and steel skylight structure over the existing courtyard; construction of a new one story rooftop addition; construction of new open air trellis structure on the roof; installation of two new metal plaque type signs near the main entrance. Any proposed signage shall be reviewed and approved by the Commission staff.

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. Upon completion of the above scope of work, the project shall exceed ASHRAE 90.1-2004 by at least 14%.



FIN.

5

OFFICE OF THE MAYOR
CITY OF CHICAGO

RAHM EMANUEL
MAYOR

March 18, 2015

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 1300 North Dearborn Parkway.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

Mayor

6

CHICAGO April 15, 2015

To the President and Members of the City Council:

Your Committee on Finance having had under consideration

A communication recommending a proposed ordinance concerning the authority to approve a Class L Real Estate Tax Incentive Classification for property located at 1300 North Dearborn Parkway.

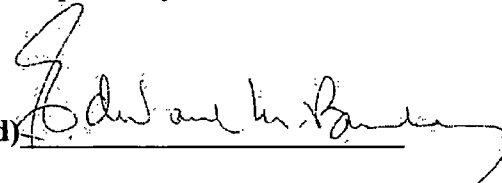
O2015-1530

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

Stephen K. Patton

CORPORATION COUNSEL

APPROVED

Robert E. Emanuel, Sr.

4/22/15 Mayor