



# City of Chicago



O2017-1705

Office of the City Clerk

## Document Tracking Sheet

<b>Meeting Date:</b>	2/22/2017
<b>Sponsor(s):</b>	Emanuel (Mayor)
<b>Type:</b>	Ordinance
<b>Title:</b>	Support of Class L tax incentive for property at 800 S Michigan Ave
<b>Committee(s) Assignment:</b>	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**, Essex Hotel Owner LLC, a Delaware limited liability company (the "Owner"), is the owner of an historic building known as the Essex Inn (the "Building") located at 800 South Michigan Avenue 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**, it is anticipated that the City Council of the City (the "City Council") will adopt an ordinance designating the Building as a Chicago Landmark pursuant to the criteria in Section 2-120-580 of the Municipal Code of Chicago, and such designation as a Chicago landmark will meet the definition of a landmark pursuant to Section 1 of the Classification 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**, 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 anticipates using the Building for commercial purposes after the Project is completed (the "Use"); 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 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 the Classification Ordinance); and (2) has undergone Substantial Rehabilitation (as defined in 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**, 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 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 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 the Classification Ordinance); and

**WHEREAS**, on January 5, 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 Project Real Estate has 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 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 has recommended to the 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 Class L 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 September 30, 2019. 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 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 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 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.** Any conveyance of a fee simple interest in 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 approval by the Authorized Officer in his or her discretion. In addition, 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

(Hotel Parcel only)

(Subject to final title and survey)

THAT PART OF LOT 1 IN BLOCK 17 IN FRACTIONAL SECTION 15 ADDITION TO CHICAGO IN SECTION 15, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID LOT 1; THENCE NORTH 89 DEGREES 17 MINUTES 24 SECONDS EAST ALONG AN ASSUMED BEARING, BEING THE NORTH LINE OF SAID LOT 1 A DISTANCE OF 179.95 FEET TO THE NORTHEAST CORNER THEREOF; THENCE SOUTH 00 DEGREES 00 MINUTES 50 SECONDS EAST ALONG THE EAST LINE OF SAID LOT 1 A DISTANCE OF 55.69 FEET; THENCE NORTH 89 DEGREES 59 MINUTES 14 SECONDS WEST DEPARTING FROM SAID EAST LINE 179.96 FEET TO A POINT ON THE WEST LINE OF SAID LOT 1; THENCE NORTH 00 DEGREES 00 MINUTES 33 SECONDS EAST ALONG SAID WEST LINE 53.42 FEET TO THE POINT OF BEGINNING, IN COOK COUNTY, ILLINOIS.

### Permanent Index Number:

17-15-305-023-0000 (includes Project Real Estate and other land)\*

\*A tax parcel division application is pending, with the new PIN affecting only the described real estate expected to be issued for Tax Year 2018 (payable 2019).

### Address Commonly known as:

800 South Michigan Avenue, Chicago, Illinois 60605

## **EXHIBIT 2**

### **Commission on Chicago Landmarks Recommendation to the City Council**

- see attached

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

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

**800 S. Michigan  
(Essex Inn)**

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

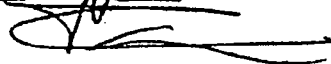
**Whereas**, the Commission on Chicago Landmarks (the "Commission") has reviewed an application for the proposed exterior and interior rehabilitation of the building at 800 South Michigan (the "Building," and its rehabilitation, the "Project"), pursuant to the Cook County Real Property Assessment Classification 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 recommended as a Chicago Landmark by the Commission to the City Council of the City of Chicago (the "City Council") on December 1, 2016; 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, conditioned upon a final determination by 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 unanimously (6-0)

  
\_\_\_\_\_  
Rafael M. Leon  
Chairman

Dated: Jan. 5, 2017



EXHIBIT A  
800 South Michigan Avenue, Chicago  
Essex Inn

Class L Project Budget

	Total Cost	Class L Ineligible	Class L Eligible *
Demolition	\$715,576		\$715,576
Abatement	\$600,000		\$600,000
Masonry	\$65,000		\$65,000
Woods & Plastics	\$218,400		\$218,400
Thermal & Moisture Protection	\$260,623		\$260,623
Facade Clearing (all sides, including curtain-wall)	\$50,000		\$50,000
Facade Repairs per 2016 Inspection Report	\$50,000		\$50,000
Green Roof	\$110,000		\$110,000
Doors & Windows	\$1,251,869		\$1,251,869
Finishes	\$3,885,671	\$3,177,671	\$708,000
Specialties	\$223,125		\$223,125
Equipment	\$16,500		\$16,500
Conveying Systems	\$750,000		\$750,000
Plumbing	\$3,692,900		\$3,692,900
Fire Protection	\$477,000		\$477,000
HVAC	\$1,776,540		\$1,776,540
Electrical	\$3,432,173		\$3,432,173
General Requirements	\$266,640		\$266,640
General Conditions	\$408,436		\$408,436
Insurance	\$379,004		\$379,004
GC Fee	\$403,736		\$403,736
Total Hard Cost Contingency	\$931,197		\$931,197
<b>Total Hard Costs</b>	<b>\$19,964,390</b>	<b>\$3,177,671</b>	<b>\$16,786,719</b>
Architect of Record	\$620,000		\$620,000
MEPFP Engineer of Record	\$153,000		\$153,000
Project Management	\$396,000		\$396,000
Vertical Transportation	\$20,000		\$20,000
Acoustical Consultant	\$5,000		\$5,000
Lighting Consultant	\$60,000		\$60,000
Telecommunication / Security / AV / Consultant	\$30,000		\$30,000
Exterior Wall Consultant	\$30,000		\$30,000
Interior Design / Design Architectural	\$540,000		\$540,000
Kitchen / Laundry Consultant	\$25,000		\$25,000
Asbestos Remediation Consultant	\$200,000		\$200,000
Material Testing	\$15,000		\$15,000
LEED Consultant	\$45,000		\$45,000
Permit Expeditor Fee	\$11,475		\$11,475
Sewer & Water Tap Fees	\$40,000		\$40,000
Building Permit Fee	\$200,000		\$200,000
Miscellaneous Permits & Fees	\$30,000		\$30,000
Model Rooms Cost	\$40,000		\$40,000
FF&E Procurement	\$150,000	\$150,000	\$0
Legal Fees	\$350,000	\$350,000	\$0
Builder's Risk Insurance	\$150,000		\$150,000
Real Estate Taxes During Construction & Acquisition	\$955,000	\$955,000	\$0
Owner's Development Management Fee	\$300,000		\$300,000
Soft Cost Contingency	\$669,071	\$334,536	\$334,536
<b>Total Soft Costs</b>	<b>\$5,034,546</b>	<b>\$1,789,536</b>	<b>\$3,245,011</b>
<b>Total FF&amp;E Costs</b>	<b>\$5,275,000</b>	<b>\$5,275,000</b>	<b>\$0</b>
<b>Total</b>	<b>\$30,273,936</b>	<b>\$10,242,207</b>	<b>\$20,031,730</b>

\* Class L Eligible costs do not include any costs relating to work to the parking garage structure or new construction residential high-rise building.

## EXHIBIT B

### 800 South Michigan (Essex Inn) 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, to be investigated and assembled by the property owner.
- Drawings prepared by Hartshorne Plunkard Architecture dated 12/07/16 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:

- All exterior wall and roof repairs as recommended in BTL Architects, Inc. report dated 10/28/16;
- All facades will be cleaned, including the curtain-wall on all four elevations
- Select exterior window/door/glazing replacement to match original materials and finishes;
- Installation of vegetative 'green' roof for a minimum of 50% of net usable area

##### ***Interior:***

Work shall include:

- New service and utility room on first-floor
- New fitness room and 6 new hotel rooms on second-floor
- New staff locker room and bathrooms on third-floor
- Remove concrete balcony and stair on fifth, install slab edge cover to match existing
- Typical floor: reconfigure all hotel room bathrooms with all new plumbing fixtures and select hotel rooms to provide ADA compliant guest rooms
- Mechanical system: convert guest room systems from 2-pipe changeover to 4-pipe with replacement console unit and distribution piping; building heating system conversion from steam to hot water; relocate gas service; replace chilled water system pump; install new building automation system; replace air handling equipment in lobby and other common areas to match new 4-pipe configuration; install variable frequency drive for corridor make-up air and guest room exhaust systems
- Plumbing system: install new water service, domestic booster pump, and domestic water heaters; replace and reconfigure risers

- New fire service, fire pump, and bell to be installed with select replacement and reconfiguration of sprinkler heads and pipes
- Electrical: replace and upgrade electrical service to 480V; install new power and systems for new mechanical; upgrade lighting fixtures for renovation areas; install generator and emergency distribution, upgrade circuitry in guest rooms, upgrade fire alarm and install area of rescue system
- Provide new sewer connection, gas service, water service
- The renovation project will meet or 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 a new sidewalk and landscaping. Any signage and exterior illumination shall be reviewed and approved by the Commission.



FIN  
9

OFFICE OF THE MAYOR  
CITY OF CHICAGO

RAHM EMANUEL  
MAYOR

February 22, 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 an ordinance authorizing a Class L tax status for property located at 800 South Michigan Avenue.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

Mayor

7

**Your Committee on Finance having had under consideration**

O2017-1705

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

(signed) Edw and M. B...

**Chairman**

APPROVED



CORPORATION COUNSEL

APPROVED



4/13/17

Mayor