

ECON



OFFICE OF THE MAYOR
CITY OF CHICAGO

BRANDON JOHNSON
MAYOR

February 21, 2024

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 the provision of favorable tax incentives to various properties within the City.

Your favorable consideration of these ordinances will be appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "BJ", with a horizontal line extending to the right.

Mayer

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, NARE Flat Iron, LLC, CCT Flat Iron LLC, Buzz Partners Flat Iron LLC and DM Flat Iron LLC, all Illinois limited liability companies holding title as tenants in common (the Owners"), are the owners of the historic building (the "Building") located at 1565-1589 North Milwaukee 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, the City Council of the City (the "City Council") adopted an ordinance on April 9, 2008, designating the area encompassing the Building, otherwise known as the Milwaukee Avenue District, as a Chicago Landmark pursuant to the criteria established in Section 2-120-580 et seq. of the Municipal Code of Chicago (the "MCC"); and

WHEREAS, on November 9, 2023, the Landmarks Commission (as defined below) issued a written recommendation to the City Council finding that the Building is a contributing building to the historic character within the Milwaukee Avenue District, and such finding as a contributing building meets the definition of contributing building pursuant to the County Ordinance; and

WHEREAS, the Owners propose 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 and Cook County; contribute to the long-term growth in the level of economic activity and employment opportunities in the City and Cook County; contribute to the long-term growth of Cook County's tax base; provide greater tax revenues to the City and Cook County by increasing economic activity at the Building; and facilitate the preservation of a historically significant building; and

WHEREAS, the Owners intend to use the Building for commercial purposes after the Project is completed by operating the Building for office, commercial, retail, and entertainment purposes (the "Intended Use"); and

WHEREAS, it is anticipated that the Project may require a transfer of a beneficial interest

in the Owners to one or more entities who will receive an allocation of federal historic rehabilitation tax credits ("Tax Credit Investors"); and

WHEREAS, the Owners have 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 owners 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 November 9, 2023, 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 Owners have agreed to perform or cause to be performed, certain work as part of the Project as more fully described in (Sub) Exhibits A and B to Exhibit 2 attached hereto and incorporated herein, in furtherance of the City's efforts to promote a sustainable development policy; and

WHEREAS, the City encourages goals of (i) in accordance with Section 2-92-420 et seq.

of the MCC, 26 percent MBE and 6 percent WBE participation (measured against the total construction budget for the Project or any phase thereof), and (ii) in accordance with Section 2-92-330 of the MCC, 50 percent City resident hiring (measured against the total construction work hours for the Project or any phase thereof) where possible and the Owners have acknowledged that it is the policy of the City to maximize opportunities for Minority and Women-owned Business Enterprises ("M/WBEs") and City residents to compete for contracts and jobs on construction projects approved by the City; 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 the 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 Owners 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, 2025. 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 Owners. 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, 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 (attached hereto as Exhibit 2) 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.

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 Owners 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 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 9. Upon request by the Owners 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"). If the Owners do not receive a Final Determination, then the support and consent of the City for the Class L incentive set forth hereunder in connection with the Project shall be null and void.

SECTION 10. Any conveyance of all or a portion of the Project Real Estate by the Owners 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 Owners 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 Owners or who constitute the direct or indirect controlling parties of the Owners, 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 Owners 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 Owners.

SECTION 11. No permit fee waiver(s) pursuant to Section 2-120-815 of the MCC from the City related to the Project Real Estate shall be granted to the Owners 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 MCC, 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. To assist the City in promoting and tracking such M/WBE and City resident participation, the Owners agree to provide information to the Committee on Economic, Capital and Technology Development at two points in the City approval process for the Project. First, the Owners agree to submit to the Committee on Economic, Capital and Technology Development an M/WBE Participation Proposal prior to commencement of construction of the Project. The M/WBE Participation Proposal shall identify the Owners' goals for participation of certified M/WBE firms in the design, engineering, and construction of the Project, and of City residents in the construction work. The M/WBE Participation Proposal shall include a description of the Owners' proposed outreach plan designed to inform M/WBEs and City residents of job and contracting opportunities. Second, prior to issuance of a Final Determination for the Project or any phase thereof, the Owners agree to provide the Committee on Economic, Capital and Technology Development with the actual level of M/WBE and City resident participation in the Project or any phase thereof, and evidence of such participation. In addition to the forgoing, the Committee on Economic, Capital and Technology Development may request such additional information as the Committee determines may be necessary or useful in evaluating the extent to which M/WBEs and City residents are informed of and utilized in projects that seek the Class L classification.

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

EXHIBIT 1

LEGAL DESCRIPTION
(Subject to final title and survey)

LOTS 9,10, 11, 12, 13, 14, 15 AND 16 IN O.H. ALLEN'S SUBDIVISION OF BLOCK 5 IN ASSESSOR'S DIVISION OF UNDIVIDED LANDS IN THE NORTHEAST QUARTER AND THE EAST HALF OF THE NORTHWEST QUARTER OF SECTION 6, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS

Permanent Index Numbers:

17-06-200-001-0000

*A Petition for a Tax Division was filed with the Office of the Cook County Assessor in October, 2023 and is currently pending.

Address Commonly known as:

1565-1589 North Milwaukee Avenue

EXHIBIT 2

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

- see attached

CITY OF CHICAGO
COMMISSION ON CHICAGO LANDMARKS
November 9, 2023

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

1565-1589 N. Milwaukee Avenue
Milwaukee Avenue District

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

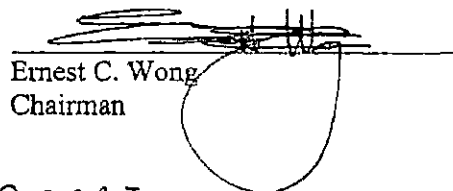
Whereas, the building at 1565-1589 N. Milwaukee Avenue (the "Building") is within the Milwaukee Avenue District, designated as a Chicago Landmark by the City Council of the City of Chicago (the "City Council") on April 9, 2008; and

Whereas, the Commission on Chicago Landmarks (the "Commission") has reviewed an application for the proposed exterior and interior rehabilitation of the Building (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"); 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. Finds that 1565-1589 N. Milwaukee is a contributing building to the historic character of the Milwaukee Avenue District; and,
5. Recommends that the Project be approved for the Class L incentive.

The above recommendation was passed unanimously (6-0)


Ernest C. Wong
Chairman

Dated: November 9, 2023

EXHIBIT A - Project Budget
1565-1589 N. Milwaukee Ave.

Category	Non-Eligible Costs	Class L - Eligible Costs	Total Costs
1. Building Acquisition	19,600,000		19,600,000
2. Acquisition Closing Costs	293,509		293,509
3. Hard Costs [List Hard Costs Below]			
Masonry		20,000	20,000
Therm/Moist Prot		100,000	100,000
Doors/Windows		500,000	500,000
Conveying Systems		150,000	150,000
Fire Protection		250,000	250,000
Structural		100,000	100,000
Mechanical		1,200,000	1,200,000
Electrical		500,000	500,000
Plumbing		50,000	50,000
Low Voltage		1,500	1,500
General Conditions		285,150	285,150
Insurance		45,000	45,000
Total Hard Costs		3,201,650	3,201,650
4. Soft Costs			
Permit Fees		10,000	10,000
A&E		150,000	150,000
Consulting		42,000	42,000
Legal		63,000	63,000
Insurance		32,000	32,000
Development Management		200,000	200,000
Leasing Commissions	100,000		100,000
Other Marketing	40,000		40,000
Preliminary Budget Contingency (10%)		390,000	390,000
Total Soft Costs	140,000	887,000	1,027,000
Project Total Costs	20,033,509	4,088,650	24,122,159

*Note: 30 points for Sustainable Development are incorporated in Plumbing (low flow), Transit Access, and Electrical (digital CTA displays).

EXHIBIT B

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.
- The following drawings and any Commission/PRC conditions of approval:
 - Drawings prepared by SGW Architecture Design dated August 23, 2023 and the PRC conditions of approval dated September 21, 2023.

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:

- Storefronts: Replace all the storefronts on the locations indicated on the floor plans (185 linear feet on Milwaukee Ave. and 170 linear feet on North Ave.) so the appearance more closely matches the historic style and configuration shown in the original Holabird & Roche plans and is consistent for the larger part of the building. Glazing will be clear.
- Soffits: If the existing ceiling is currently below the top of the new storefront system, then interior alterations will be completed so all soffits, dropped ceilings, and mechanical equipment will be set back a minimum of 3'-0" from the plane of the storefront glazing to keep the storefronts unobstructed to maintain light and views into the space.
- Terra cotta: A 14-square-foot area of terra cotta on a pier between the storefronts on the north elevation will be patched and repaired. This work will be consistent with terra cotta façade repairs completed in 2017.
- Roof: Repair the roof membrane with a new reflective coating to improve energy performance and reduce heat island effect.

Interior

Work Shall Include:

- HVAC upgrades – As the 2nd and 3rd floors do not currently have air conditioning or fresh air ventilation, modern high-efficiency non-ducted HVAC systems will be added to those levels. Eight out of the nine retail spaces are currently using thru-wall or mini-split heating and cooling units mounted on the storefront windows without ventilation. These systems will be replaced with high-efficiency HVAC systems with rooftop equipment. Structural modifications

will be made to the roof to support new equipment and add vertical chases to the 2nd and 3rd floors as required.

- Upgrade the passenger elevator at the main lobby to improve safety and accessibility, including enlarged door openings and a new elevator cab.
- Although the building does have a fire sprinkler system, it does not currently have an alarm system. The life safety systems will be upgraded to include a new pump for the sprinkler system and a new integrated fire alarm system with sprinkler heads to be replaced as necessary.
- Upgraded electrical service and distribution to meet the requirements of a modern HVAC system and various needs of the nine retail tenants.
- Replace all plumbing fixtures with new low-flow fixtures to reduce water use and conserve that valuable resource.
- Add CTA digital display in the main lobby.

Sustainable Features

The project will meet the Chicago Sustainability Development Matrix for Moderate Renovation Projects – seeking 30 points (Indoor Water Use Reduction—20 points, Proximity to Transit—5 points, CTA Display—5 points)

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

Any signage and exterior illumination shall be reviewed and approved by the Commission prior to installation.