

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF CHICAGO

AMERICAN YOUTH HOSTELS

SUMMARY SHEET

September 8, 1998

ACTION

REQUESTED:

- 1) Approve the Advertisement of the Department of Planning and Development's intention to negotiate a Redevelopment Agreement with American Youth Hostels, d.b.a. Hostelling International, for the use of TIF funds for the redevelopment of a site at 24 E. Congress, located within the Central Loop TIF; and
- 2) Approve a request for alternate proposals; and
- 3) Recommend the designation of American Youth Hostels as developer if no responsive alternate proposals are received.

PROJECT:

Rehabilitation of a 7-story 90% vacant building for use as a youth hostel, dormitory space for lease to Columbia College, an international student center, and complementary retail space.

ADDRESS:

24 E. Congress

**ALDERMAN/
WARD:**

Alderman Burton Natarus of the 42nd Ward has provided a Letter of Support for this project directly to the Developer, that has been included in their application for TIF funds; a copy of which is attached herewith.

**AMOUNT/TYPE
OF ASSISTANCE:**

DPD is proposing to assist the project with TIF funds in a range from \$2,530,000 not to exceed \$3,530,000. The final amount of assistance will be determined by the ability of the project to receive property tax-exempt status. The award will be based on the upper limit; if tax-exemption is received, then at least \$1 million would be subject to recapture over time. This range includes \$280,000, also subject to recovery, to help cover the remaining financing gap. The balance of the gap will be raised through additional fund raising. In addition, the redevelopment agreement will be negotiated to allow the City to recapture a portion of any cost savings realized on the project. The project will be funded from the Central Loop TIF incremental tax revenues or bond proceeds secured by incremental tax revenues for TIF-eligible costs.

DEVELOPER:

American Youth Hostels, the American affiliate of Hostelling International, a non-profit corporations.

ISSUES:

DPD is not aware of any issues that would negatively impact this project or the designation of this developer.

8000231

COMMUNITY DEVELOPMENT COMMISSION MEETING

September 8, 1998

STAFF REPORT

MR. CHAIRMAN AND MEMBERS OF THE COMMISSION

The Resolution before you requests that you:

- 1) Grant authority to publish notice of the intention of the City of Chicago to negotiate a redevelopment agreement with American Youth Hostels, d.b.a. Hostelling International, ("AYH") for development of a site in the Central Loop Redevelopment Project Area; and
- 2) Request alternative proposals; and
- 3) Recommend to the City Council of the City of Chicago the designation of Chicago-Oxford as the developer if no other responsive alternative proposals are received.

BACKGROUND

The property to be redeveloped is located within the Central Loop Tax Increment Financing Redevelopment Project Area. On December 10, 1996, immediately following a public hearing, the Community Development Commission (CDC) recommended approval of the expansion of the North Loop Tax Increment Redevelopment Area to create an expanded redevelopment project area referred to as the Central Loop Tax Increment Financing Redevelopment Project Area (the "Area"). The Area was established by the City Council on February 7, 1997.

DEVELOPMENT PROJECT

Proposed Developer

American Youth Hostels, d.b.a. Hostelling International, a non-profit corporation, will be the Developer/Owner and their local affiliate, Metropolitan Chicago Council, will be the management agent. Hostelling International has developed and operates youth hostels world wide, while American Youth Hostels has developed hostel facilities in cities across the U.S.

Proposed Development Project

The proposed development is located in seven-story building at 24 E. Congress Parkway that is currently 90% vacant and includes an adjacent parking lot, within the Central Loop TIF District. The rehabilitation of the building will result in the reuse of an underutilized structure in a key location in Chicago's downtown educational corridor. The end result will be a 250-bed youth hostel and 120 dormitories, that will be leased to Columbia College during the school year and converted to an additional 250 beds for the hostel in the peak summer months; an international student center; and complementary retail space at street level.

The scope of work includes site acquisition; tuckpointing; roof repair; repair of exterior shell; new windows, elevators, and stairwells; ADA, building code, fire protection, and safety compliance;

replacement of HVAC and plumbing systems; and demolition and build-out of interior space.

DEAL STRUCTURE

The City intends to negotiate a redevelopment agreement with AYH to provide a range of TIF assistance from \$2,530,000 not to exceed \$3,530,000. The final amount of assistance will be determined by the ability of the project to receive property tax-exempt status from the State of Illinois. The award will be based on the upper limit; if tax-exemption is received, then at least \$1 million would be subject to recapture over time. This range includes \$280,000, also subject to recovery, to help cover the remaining financing gap. The balance of the gap will be raised through additional fund raising. In addition, the redevelopment agreement will be negotiated to allow the City to recapture a portion of any cost savings realized on the project. The project will be funded from the Central Loop TIF incremental tax revenues or bond proceeds secured by incremental tax revenues for TIF-eligible costs.

As security for its assistance, the City may secure a second mortgage or a letter of credit to be in effect until the expiration of the TIF district (2007) and all recapture requirements have been met.

The Developer will be expected to comply with all City requirements, including M/WBE, Prevailing Wage, and City Residency.

Project Budget

Sources:

Uses:

TIF Assistance:

- subsidy ⁽¹⁾	2,250,000	16%	Acquisition	2,815,000	20%
- property tax contingency ⁽²⁾	1,000,000	7%	Rehabilitation	7,180,000	51%
- recoverable subsidy to cover additional gap ⁽³⁾	280,000	2%	Soft Costs	2,208,000	16%
Equity	1,895,000	14%	Operating Reserves	610,000	4%
Tax-Exempt Bond	8,500,000	61%	Contingency	1,187,000	8%
Tenant Deposit	75,000	1%			
Total Sources	14,000,000	100%	Total Uses	14,000,000	100%

⁽¹⁾ Recalculation of TIF Assistance/Reduction in Total Assistance: The base amount of TIF assistance of \$2.25 million is calculated on a total project budget of \$14,000,000. If the certified total project budget is less than \$14,000,000 for any reason, then the total amount of TIF assistance will be reduced at the rate of \$.16/1.00, (16% of any cost savings realized).

⁽²⁾ Property Tax Exemption Contingency: An additional \$1 million will be provided to the project for eligible project costs, subject to repayment, over the life of the TIF (2007), in lieu of their regular property tax payment, if the project receives a property tax exemption, whole, or in part.

Should the project not receive a property tax exemption, the additional \$1 million would not be subject to recapture, except in the case of cost savings, as explained above. Under this scenario, recapture would be at the rate of \$.23/1.00, to reflect that the amount of assistance will comprise 23% of the project cost.

⁽³⁾ Recoverable Subsidy to Cover Funding Gap: The City has agreed to provide the project with an additional \$280,000 of TIF assistance to help cover the current funding gap of \$900,000, provided that the balance of this gap is covered by equity contribution. The Developer agrees that this \$280,000 shall be recovered by the City by the termination of the TIF district (2007).

CONFORMANCE WITH THE REDEVELOPMENT PLAN

The uses of the subject property proposed by AYH are consistent with the Central Loop Tax Increment Financing Redevelopment Plan and Project (the "Plan") in terms of land use and the furthering of the Plan's goals and objectives.

BENEFITS

Jobs: The Developer projects that 87.6 construction jobs will be employed during the rehabilitation phase, and that 102.4 managerial, administrative, and service-related jobs will be directly created by project operations and maintained for the life of the TIF (2007).

Quality of Life: The substantial rehabilitation of a severely underutilized building at the highly-visible northeast corner of State Street and Congress Parkway and the resulting increased activity, will add vitality to and augment the perception of safety in the southern-most section of the Central Loop and to the City's downtown educational corridor.

Increased Tourism: The increased number of students, including international students, will help to enhance Chicago's image as a tourist destination and an educational experience. The additional student population will also result in increased consumerism along State Street.

Public Benefits Programs: The Developer plans to offer a scholarship program, the details of which remain to be determined.

RECOMMENDATION

The Department of Planning and Development recommends that the Community Development Commission take the following actions, as embodied in the attached resolutions:

1. Grant authority to publish notice of the intention of the City of Chicago to negotiate a redevelopment agreement for development of a site in the Central Loop Redevelopment Project Area with AYH; and
2. Request alternative proposals; and
3. Recommend to the City Council of the City of Chicago the designation of AYH as the developer if no other responsive alternative proposals are received.



BURTON F. NATARUS

ALDERMAN, 42ND WARD

CITY COUNCIL

CITY OF CHICAGO

COUNCIL CHAMBER

CITY HALL, ROOM 306
TELEPHONE (312) 744-3062
FAX: (312) 744-1728

COMMITTEE MEMBERSHIPS

TRAFFIC CONTROL AND SAFETY
(CHAIRMAN)
BUDGET AND GOVERNMENT OPERATIONS
COMMITTEES, RULES AND ETHICS
FINANCE
HISTORICAL LANDMARK PRESERVATION
HOUSING AND REAL ESTATE
LICENSE AND CONSUMER PROTECTION
ZONING

Reply To:

30 NORTH LA SALLE STREET
SUITE 4300
CHICAGO, IL 60602
TELEPHONE: (312) 332-9300
FAX: (312) 332-2291

PUBLIC SERVICE OFFICE
945 N. STATE STREET
CHICAGO, IL 60610
TELEPHONE: (312) 787-9077
MONDAY EVENING - 7-9 P.M.

PUBLIC SERVICE OFFICE
1142 WEST TAYLOR STREET
CHICAGO, IL 60607
TELEPHONE: (312) 432-9500
FAX: (312) 432-9504

May 14, 1998

Christopher R. Hill,
Commissioner
Department of Planning and Development
121 N. La Salle Street, Room 1000
Chicago IL 60602

Dear Commissioner Hill:

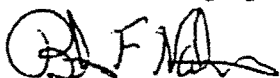
The American Youth Hostels' proposal to establish a facility at Wacker Drive and Congress Parkway, located in my ward, and its request for tax increment financing funds have my support.

The hostel movement has been an enormous success the world over, with hostels situated in almost every major city, though not yet Chicago. The opportunity to establish a hostel in Chicago should be a municipal priority because it will expose a greater number of international tourists to the city, especially the central city, and have positive impact on our cultural institutions, retail establishments and restaurants. Perhaps most importantly a hostel will give Chicagoans the opportunity to interact with diverse people from all over the globe.

The tax increment financing revenues being applied for are absolutely necessary to the project's success. In establishing the dollar amount available to the hostel, I trust the Department of Planning and Development will take a supportive position, thereby acknowledging the positive impact of this development on the city and taking into consideration the not-for-profit nature of the hostel program.

Your favorable consideration of the American Youth Hostels' tax increment financing application for funding will be most appreciated.

Very truly yours,

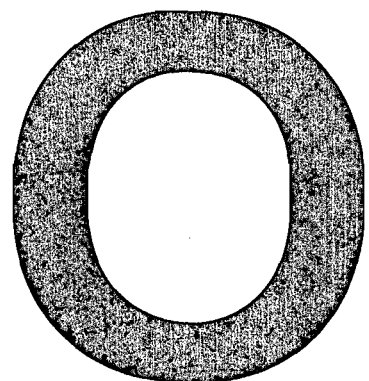
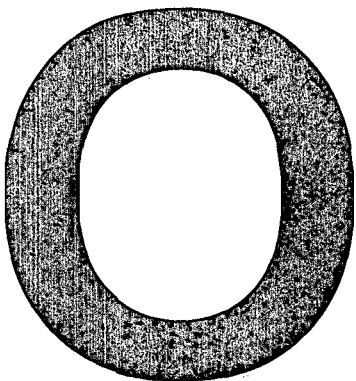
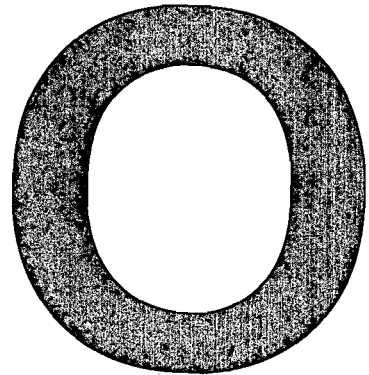
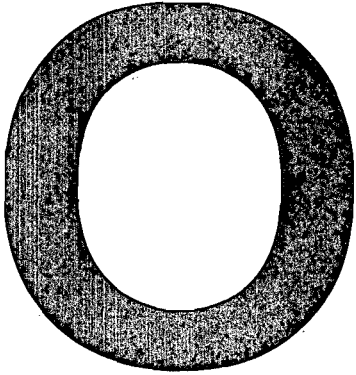
A handwritten signature in dark ink, appearing to read 'B.F. Natarus', written over a circular stamp or mark.

Burton F. Natarus,
Alderman, 42nd Ward

BFN:la

cc:

Jack Guthman



**COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO**

**RESOLUTION NO. 98-CDC-
AUTHORITY TO PUBLISH NOTICE
OF THE INTENTION OF THE CITY OF CHICAGO
TO NEGOTIATE A
REDEVELOPMENT AGREEMENT WITH
AMERICAN YOUTH HOSTELS
WITHIN THE
CENTRAL LOOP REDEVELOPMENT PROJECT AREA,**

AND

TO REQUEST ALTERNATIVE PROPOSALS,

AND

**RECOMMENDATION TO
THE CITY COUNCIL OF THE CITY OF CHICAGO FOR
THE DESIGNATION OF
AMERICAN YOUTH HOSTELS
AS THE DEVELOPER IF NO OTHER
RESPONSIVE ALTERNATIVE PROPOSALS ARE RECEIVED**

WHEREAS, the Community Development Commission (the "Commission") of the City of Chicago (the "City") has heretofore been appointed by the Mayor of the City with the approval of its City Council (referred to herein collectively with the Mayor as the "Corporate Authorities") (as codified in Section 2-124 of the City's Municipal Code) pursuant to Section 5/11-74.4-4(k) of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1 et seq.) (the "Act"); and

WHEREAS, the Commission is empowered by the Corporate Authorities to exercise certain powers enumerated in Section 5/11-74.4-4(k) of the Act; and

WHEREAS, the City Council, upon the Commission's recommendation pursuant to Resolution 96-CDC-81 and pursuant to the Act, enacted three ordinances on February 7, 1997 pursuant to which the City approved and adopted a certain redevelopment plan and project (the "Plan") for the Central Loop Redevelopment Project Area (the "Area"), designated the Area as a redevelopment project area and adopted tax increment allocation financing for the Area (such ordinances, collectively, the "TIF Ordinances"). The street boundaries of the Area and street address, if available, are described on Exhibit A hereto; and

WHEREAS, American Youth Hostels, d.b.a. Hostelling International, a New York non-profit corporation (the "Company") has presented to the City's Department of Planning and Development ("DPD") a proposal for redevelopment of the Area or a portion thereof that is in compliance with the Plan, consisting of substantial rehabilitation of a 7-story building located at 24 E. Congress Parkway, including an adjacent parking lot, into a 250-bed youth hostel and 120 dormitory rooms, that will be leased to Columbia College during the school year and converted to an additional 250 beds for the hostel in the peak summer months; an international student center; and complementary retail space at street level, (the "Project"). The Project includes site acquisition; tuckpointing; roof repair; repair of exterior shell; new windows, elevators, and stairwells; ADA, building code, fire protection, and safety compliance; replacement of HVAC and plumbing systems; and demolition and build-out of interior space; and

WHEREAS, pursuant to Section 5/11-74.4-4(c) of the Act, the City may not enter into any agreement regarding redevelopment within the Area without first making public disclosure of the terms of such agreement and all bids and proposals related thereto and providing reasonable opportunity for any person to submit an alternative proposal or bid; and

WHEREAS, DPD requests the authority of the Commission to make the required disclosure by publishing notice substantially in the form set forth as Exhibit B hereto (the "Notice") in the Chicago Sun-Times or the Chicago Tribune, being newspapers of general circulation within the Area; and

WHEREAS, DPD requests that the Commission recommend to City Council that the Company be designated as the developer for the Project and that DPD be authorized to negotiate, execute and deliver a redevelopment agreement with the Company for the Project, if no responsive alternative proposals are received by DPD within fourteen days after publication of the Notice; now, therefore,

BE IT RESOLVED BY THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF CHICAGO:

Section 1. The above recitals are incorporated herein and made a part hereof.

Section 2. The Commission hereby authorizes DPD to publish the Notice.

Section 3. The Commission hereby recommends to City Council that the Company be designated as the developer for the Project and that DPD be authorized to negotiate, execute and deliver on the City's behalf a redevelopment agreement with the Company for the Project, so long as no responsive alternative proposals are received by DPD within the time recited above.

Section 4. If any provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this resolution.

Section 5. All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.

Section 6. This resolution shall be effective as of the date of its adoption.

Section 7. A certified copy of this resolution shall be transmitted to the City Council.

ADOPTED: _____, 199_

Attachments: Exhibit A, Street Boundary Description
Exhibit B, Form of Notice requesting Alternative Proposals

EXHIBIT A

Street Boundary Description
of the
Central Loop
Tax Increment Financing Redevelopment Project Area

The Area is irregularly shaped and generally bounded by Wacker Drive on the north, Michigan Avenue on the east, Congress Parkway on the south, and Dearborn, LaSalle, and Franklin Streets on the west.

EXHIBIT B

PUBLIC NOTICE is hereby given by the Community Development Commission ("CDC") of the City of Chicago (the "City") pursuant to Section 5/11-74.4-4© of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1 et seq.) (the "Act"), that the City's Department of Planning and Development ("DPD") intends to negotiate a redevelopment agreement (the "Redevelopment Agreement") with American Youth Hostels (the "Company") pursuant to which the City intends to provide financial assistance to the Company in the range from \$2,530,000 to \$3,530,000, using tax increment allocation financing revenues or bond proceeds secured by incremental tax revenues, pursuant to the Act, for the substantial rehabilitation of the building located at 24 East Congress Parkway in Chicago, Illinois (the "Site"), located within the Central Loop Redevelopment Project Area (the "Area") established pursuant to the Act. The Site is to be redeveloped exclusively for use as youth hostel, dormitory, international student center, and complementary retail space at ground level. The Area is irregularly shaped and generally as bounded as follows:

Wacker Drive on the north, Michigan Avenue on the east, Congress Parkway on the south, and Dearborn, LaSalle, and Franklin Streets on the west.

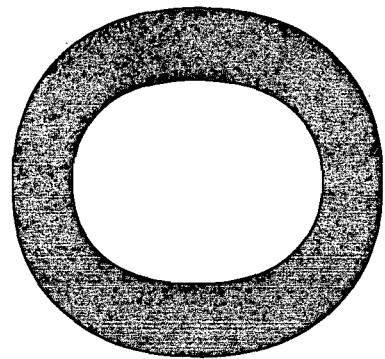
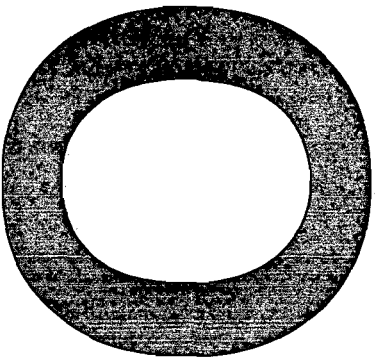
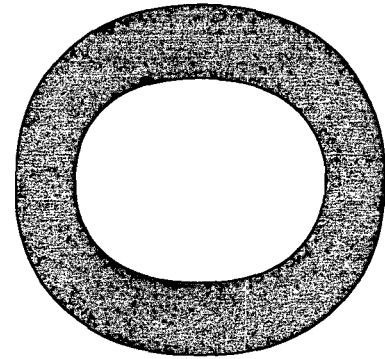
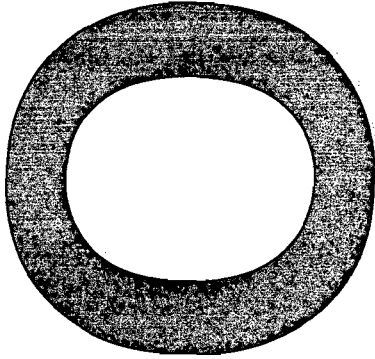
THE CITY HEREBY INVITES ALTERNATIVE PROPOSALS FOR THE REDEVELOPMENT OF THE SITE FOR CONSIDERATION BY THE CITY.

The documents listed below related to the Area and the Project are available for public inspection at the offices of DPD, Room 1000, City Hall, 121 North LaSalle Street, Chicago, Illinois between the hours of 9:00 a.m. and 4:00 p.m. Monday through Friday:

- (i) "Central Loop Tax Increment Financing Redevelopment Plan and Project" (the "Plan")
- (ii) a terms sheet showing all proposed material terms of the Redevelopment Agreement as of the date hereof, including but not limited to an estimated Project budget setting forth the amount of financial assistance the City intends to provide to the Company for the Project; and
- (iii) the terms of all bids and proposals received, if any, by the City related to the Project and the Redevelopment Agreement.

Please contact Cynthia Thomas of DPD at (312) 744-0087 to review these materials and for information regarding the form required for proposals submitted to the City. Those submitting alternative proposals must be financially and otherwise qualified to complete the Project. The City reserves the right to reject any and all proposals. Proposals will be received by the City at DPD's offices, Room 1000, City Hall, 121 North LaSalle Street, Chicago, Illinois 60602, until September 23, 1998 at 10:00 a.m., at which time all alternative proposals will be opened and reviewed.

Elvin E. Charity, Chairman
COMMUNITY DEVELOPMENT COMMISSION
City of Chicago



Thomas

STATE OF ILLINOIS }
 }
COUNTY OF COOK }

CERTIFICATE

I, SHIRLEY WHEELER, the duly authorized, qualified and Assistant Secretary of the **Community Development Commission of the City of Chicago**, and the custodian of the records thereof, do hereby certify that I have compared the attached copy of a Resolution adopted by the **Community Development Commission of the City of Chicago** at a Special Meeting held on the 8th day of September, 1998, with the originated Resolution adopted at said meeting and recorded in the minutes of the Commission, and hereby certify that said copy is a true, correct and complete transcript of said Resolution.

Dated this 8th day of September, 1998

Shirley A. Wheeler

ASSISTANT SECRETARY

98-CDC-122

**COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO**

**RESOLUTION NO. 98-CDC-122
AUTHORITY TO PUBLISH NOTICE
OF THE INTENTION OF THE CITY OF CHICAGO
TO NEGOTIATE A
REDEVELOPMENT AGREEMENT WITH
AMERICAN YOUTH HOSTELS
WITHIN THE
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WHEREAS, pursuant to Section 5/11-74.4-4(c) of the Act, the City may not enter into any agreement regarding redevelopment within the Area without first making public disclosure of the terms of such agreement and all bids and proposals related thereto and providing reasonable opportunity for any person to submit an alternative proposal or bid; and

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WHEREAS, DPD requests that the Commission recommend to City Council that the Company be designated as the developer for the Project and that DPD be authorized to negotiate, execute and deliver a redevelopment agreement with the Company for the Project, if no responsive alternative proposals are received by DPD within fourteen days after publication of the Notice; now, therefore,

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Section 5. All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.

Section 6. This resolution shall be effective as of the date of its adoption.

Section 7. A certified copy of this resolution shall be transmitted to the City Council.

ADOPTED: September 8, 1998

Attachments: Exhibit A, Street Boundary Description
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