

**City of Chicago**  
**Department of Community Development**

**STAFF REPORT**  
**TO THE**  
**COMMUNITY DEVELOPMENT COMMISSION**  
**REQUESTING DEVELOPER DESIGNATION**  
**DECEMBER 8, 2009**

**I. PROJECT IDENTIFICATION AND OVERVIEW**

Project Name:	The Green Exchange
Applicant Name:	Gx Chicago, LLC.
Project Address:	2543-45 W. Diversey Ave. and 2755-57 N. Maplewood Ave.
Ward and Alderman:	1, Manuel Flores
Community Area:	Logan Square, 22
Redevelopment Project Area:	Addison South TIF
Requested Action:	TIF Developer Designation
Proposed Project:	A shovel-ready, 275,800 square foot, historic, LEED Platinum commercial mixed-use redevelopment marketed as an incubator facility for green businesses - committed to environmental sustainability.
TIF Assistance:	\$10,000,000

**II. PROPERTY DESCRIPTION**

Address:	2543-45 W. Diversey Ave. and 2755-57 N. Maplewood Ave.
Location:	Diversey Ave at Kennedy Expressway

Tax Parcel Numbers: 13-25-404-001, 13-25-405-001 & 002

Land Area: 84,755 square feet - 1.93 acres

Current Use: Vacant, four-story, landmarked manufacturing building. Redevelopment began in 2008 but has stalled due to market conditions. Construction has ceased and the building is estimated at 30% complete.

Current Zoning: PD 1094

Environmental Condition: Phase 1 assessment was performed. No recognized environmental conditions were identified.

### **III. BACKGROUND**

The Green Exchange is a four-story landmark building that formerly housed the Frederick Cooper Lamp Company until they went out of business in 2004. The property was the subject of numerous redevelopment proposals. A community-based task force was created in 2005 to assist in finding a suitable re-use for the building that would create employment opportunities for local Logan Square residents that were affected by the closing of the business. The property was purchased by Baum Realty in 2006 for \$8 million. It was at that point, during the infancy of the ‘national green movement’ the idea for the Green Exchange was born. The idea was for an industrial incubator that restricted tenants to companies with a focus on green technologies, and sustainable business practices. Baum worked with Alderman Flores, task force members and local residents to come up with the Green Exchange concept. A series of community meetings were held and the Green Exchange proposal was solidified in 2007.

The Addison South TIF was established on May 9, 2007. Although well known as the Cooper Lamp Building, it is historically and officially known as the Vassar Swiss Underwear Company Building. It was designated a City of Chicago landmark and was entered into the National Register of Historic Places in September of 2008. The Green Exchange is fully permitted, but construction has ceased and is approximately 30% complete. It is pre-certified as a LEED Gold redevelopment by the U.S Green Building Council and Baum is committed to pursuing LEED Platinum. Under either standard, at 275,884 square feet, the Green Exchange would become the largest green business community in the country. Today, the largest green industrial building is located in Portland, Oregon and is 70,000 square feet.

#### **IV. PROPOSED DEVELOPMENT TEAM**

**Development Entity:** The owner/applicant for this project is Gx Chicago, LLC and is being developed by Baum Development, LLC, owned jointly by David and Doug Baum at 50% ownership interest each. Baum Realty Group will act as the leasing agent for the property and too, is owned equally by David and Doug Baum. Associated Bank is providing the construction loan for the project. Gx Chicago, LLC will own the assets upon completion of the project.

Baum Development, LLC is a comprehensive national real estate development company specializing in the acquisition and redevelopment of underutilized properties. They were co-founded by brothers, David and Doug Baum in 1989. Over the past 20 years, Baum has successfully developed 2.7 million square feet in 90 projects valued at more than \$180 million. In recent years, Baum Development has increased its focus on sustainable projects, exemplifying the company's commitment to making a positive contribution to the community, maximizing tenant comfort and retention, and protecting the environment. Baum's diverse real estate development portfolio also includes office, multi-family, mixed-use, single and multi-tenant retail centers and land. The company's experienced and talented team of real estate professionals offers a wide range of strategic development services from site selection and build-to-suit construction to adaptive reuse and historic preservation. Baum Development is recognized as a leader in the retail development industry, bringing a team approach to each project. The team's detailed market knowledge and extensive industry relationship base ensures that the unique vision developed for each property will attract the ideal tenants to serve the needs of ownership and the local community. Baum Development is an award-winning firm and has been recognized by various organizations for its accomplishments in the industry. Baum has won the Chicago Association of Realtors Good Neighbor Award on six different occasions for their contributions to Chicago area communities, best commercial new construction, and best multi-family and mixed-use rehab construction. They are also recipients of the 2004 City of Chicago Landmark Award for Preservation Excellence for Façade Restoration and Adaptive Reuse for their project at 2230 S. Michigan and 2233 S. Wabash.

**Consultants:** Hartshore Plunkard (HPA) is the architect for this project. They have extensive and award-winning experience throughout Chicago including their work on the landmarked Florsheim Building at Belmont and Pulaski Road.

#### **V. PROPOSED PROJECT**

The Green Exchange is located at 2545 West Diversey Avenue in the Logan Square Neighborhood. It is a commercial real estate development designed for the advancement of "green" business. By bringing together a mix of organizations focused on green business under one roof, the Green Exchange will create an environment that provides opportunities for such

organizations to grow. The Project will provide a significant retail presence, showroom galleries, office space, incubator work-live lofts and attractive common areas, creating an epicenter for green businesses and organizations in the Midwest. The 275,884 square foot building will consist of the design, construction and leasing of retail, showroom, office and 56 work/live loft spaces. First floor parking for 94 cars will be leased and included in tenant's rental payments.

The project is intended to draw retail and office customers and visitors from throughout the Chicagoland Area. The site is currently occupied by a four-story concrete building which is vacant and under reconstruction. The site upon which the building is located is a generally rectangular lot whose southern border follows the angle of the Kennedy expressway. It has approximately 266 feet of frontage on Diversey Avenue and is bounded by Maplewood Street on the east, and Rockwell Street on the west. The existing building footprint is at the property line on all sides but the south. At the south end of the site is a vacated alley that runs between the building and the Northwestern Railway railroad tracks. Vehicular access to the site is available from Rockwell Street over the existing driveways. Utilities have been brought to the site. Pedestrian access to the site is available from Diversey, Maplewood and Rockwell Street.

Landmark approved plans permit a partial fifth floor penthouse that will be located on the southern end of the building and set back from the property line. The all-brick building will have approximately 227,450 square feet of rentable space. Of this total, approximately 62,850 square feet will be dedicated to 56 work/live lofts located on the east half of the building on floors three through five. Retail stores, showrooms and office space totaling approximately 89,160 square feet will be located on the first and second floors. Offices totaling approximately 75,440 square feet will be located on floors three and four in the west half of the building. Approximately 36,000 square feet is dedicated to interior parking on the first floor, comprising 94 interior parking spaces. The project also contains a 12-car surface parking lot across Maplewood Street, which is intended for the retail customers. The CTA #76 Diversey bus stops in front of the building at Rockwell.

The first floor retail stores will have individual entries from Diversey Avenue and will each have identification signs above their entries. In addition, retailers on either side of the main lobby will have an entry from the main lobby. The escalator from the main lobby to the second floor will facilitate the flow of shoppers, visitors and employees from the main lobby to the second floor. The second floor will have significant amounts of glass in the hallway walls allowing for the sharing of natural light from the large window openings. Employees and visitors alike will have the benefit of superior occupant comfort and function in the retail showroom space. First floor retail space is being marketed and projected to lease at \$25 per square foot on a Triple Net basis. Retail and showroom space on the second floor is being marketed and projected to lease at \$18 per square foot on a Triple Net basis.

The Work/Live lofts are classified as commercial spaces per PD 1094 that was approved by the City Council on January 9, 2008. All Work/Live Units are "for rent" only and in order to receive a lease a tenant must have a business registered to that location. A Work/Live Unit is defined as a commercial unit that contains a dwelling space which is accessory to an ongoing commercial use within the same unit. The dwelling space within each unit is deemed accessory to the

commercial unit to the extent that at least one of the occupants of each Work/Live Unit has to conduct a business in the unit and secure and maintain the appropriate City of Chicago business licenses. Commercial uses allowed in such Work/Live Units are limited to those permitted in the C2 Motor Vehicle Related Commercial District. These include: Artists Work or Sales Space, Business Equipment Sales and Service, Business Support Services, Communication Service Establishments, Office, Personal Service, Retail Sales, General, and Manufacturing, Production and Industrial Services.

The Work/Live loft units are comprised of studio, one and two bedroom units with one, two, or two and a half bathrooms that range in size from 700 to 1,700 square feet. The loft portion of the building will contain a secured entry, and will be served by an elevator, making it ADA accessible to the elderly and the handicapped. The building will include parking and bike storage for residents. The units are designed with open floor plans to take advantage of light from the large energy efficient windows and the 13' ceilings. Most units have generous walk-in closets and will include either a private roof deck or a balcony. All units benefit from eco-friendly finishes including steel kitchen and vanity cabinets and finish materials containing recycled content. The units will have hardwood flooring that is sustainably harvested by Forest Stewardship Council (FSC) standards or cork flooring which is a renewable resource. Baths will have ceramic tile flooring. All units will have Energy Star rated appliances including refrigerators, dishwashers, micro-hoods, and gas ranges and the units will have in-unit laundry facilities with larger units having side by side washer/dryers. The Work/Live space is being marketed and projected to lease at \$18 per square foot per year on a gross basis.

A site plan, floor plans and elevation are provided as exhibits to this report.

**Environmental Features:** The Green Exchange project far exceeds the Departments' Sustainable Development Policy. It is pre-certified to achieve LEED Gold Certification by the U.S Green Building Council and Baum believes the building will qualify for LEED Platinum. Under either standard, at 275,884 square feet, the Green Exchange would become the largest green business community in the country and the first LEED Platinum industrial redevelopment in the City of Chicago. The next closest building is located in Portland, Oregon and is 70,000 square feet. The Green Exchange will offer a unique collection of over 100 eco-friendly businesses focused on the environment and purveying only green products and services. Featured businesses include a paperless bank, organic café, and a sky garden available to host events focused on the promotion of the national green movement. Sustainable features include a 15,000 square foot green roof with 90 solar thermal panels that will supply the domestic hot water for the building, a 41,000 gallon storm water management system, and a state of the art sustainable escalator that uses 30% less energy than standard models. Other features include excellent water conservation by using 37.5% less potable water than a comparable building using traditional energy systems and using LED lighting throughout the building.

## VI. FINANCIAL STRUCTURE

The Green Exchange is a commercial real estate development which will consist of the leasing of retail, showroom and office space, 56 work loft spaces and parking for 94 cars. To date, 24 businesses have signed leases totaling 92,000 square feet of space. A list of these tenants appears at the end of this section.

In May of 2009, the anticipated \$35 million in construction financing from Associated Bank was reduced by the lender to \$20 million due to market conditions. As a result, the developers and owners of the site, Baum Development, needed a new source of funding to complete the project. Baum Development submitted both TIF and HUD 108 applications to the Department of Community Development as a means to close their \$15 million financial gap. In the proposed financing structure, the Developer would receive a \$15 million HUD 108 Loan Guarantee which would provide the needed upfront funding for the project. The up-front funds would be leveraged by the developer and utilized during construction. In addition, a \$10 million TIF Note would be issued by the City to the Developer payable from 90% of the TIF revenues from project PINs. The Developer would pledge the Note back to the City and the proceeds from this Note, in conjunction with operating revenue from the project, would be used to repay the 108 loan. A portion of the proceeds from Historic Tax Credits, Solar Energy Tax Credits, Solar Thermal Tax Credits, a Solar Thermal Grant along with a Deferred Developer Fee will provide equity financing during construction. The Green Exchange is fully permitted and is approximately 30% complete but construction has stopped due to a lack of credit. HUD is very supportive of the project and the Green Exchange has overwhelming community support. The TIF assistance represents 18.6% of the total project costs of \$53,750,742. Without the HUD 108 loan and the TIF assistance used to pay back the loan, the Developer would be unable to finish the project.

The following table identifies the sources and uses of funds.

### **Sources and Uses of Funds**

<u>Sources</u>	<u>Amount</u>	<u>% of total</u>
Historic Tax Credit Proceeds	\$ 5,545,000	
Solar Energy Tax Credit Proceeds	33,000	
Solar Thermal Grant Equity Proceeds	146,000	
Developer Equity	<u>\$13,026,742</u>	
<b>Total Developer Equity</b>	<b>\$18,750,742</b>	34.8%
Lender Financing (Associated Bank)	\$ 20,000,000	37.2%

HUD Section 108 Loan Guarantee	<u>\$15,000,000</u>	<u>28%</u>
<b>Total Sources</b>	<b>\$ 53,750,742</b>	<b>100%</b>

<u>Uses</u>		<u>\$/sq. ft. of Building*</u>
Purchase Price (\$102.76 per sf of land)	<b>\$ 8,000,000</b>	\$28.99
<b>Hard Costs</b>	\$ 34,131,977	\$123.72
Contingency	<u>3,910,000</u>	
<b>Total Hard Costs</b>	<b>\$ 38,041,977</b>	
<b>Soft Costs</b>		
Acquisition Related Fees	\$ 682,502	
Financing Costs (1.5% of loan)	300,117	
Legal, Accounting,		
Consulting Fees (1.6% of total costs)	901,900	
Technical Studies/Surveys	10,000	
Architects, Engineers,		
Design Fees (3.6% of hard costs)	1,257,029	
Permits & Fees	271,000	
Real Estate Taxes, Insurance, CAM	769,317	
Leasing Commissions	769,400	
Project Furnishings, Equipment, Etc.	75,000	
Marketing (.14% of total costs)	75,000	
Project Interest (HUD Loan, Bank Loan,		
Construction Loan) (4.8% of total costs)	<u>\$ 2,597,500</u>	
<b>Total Soft Costs (14.3% of total costs)</b>	<b>\$ 7,708,765</b>	<b>\$27.94 psf</b>
<b>Total Uses</b>	<b>\$ 53,750,742</b>	<b>\$194.83 psf</b>

\*Gross building area is 275,884 square feet

The following is a list of 24 tenants who have signed leases at the Green Exchange and will occupy 92,000 square feet of space:

## SIGNED TENANT

**2 Point Perspective**

**A Fresh Squeeze**

## TYPE OF BUSINESS

Green Architects

Green Focused Website & Newsletter

<b>Balanced Kitchen</b>	Sustainable Restaurant & Catering
<b>Barefoot Cement</b>	Green Cement Polishing
<b>Centre for Sustainability &amp; Excellence</b>	International Non-Profit Promoting Sustainable Practices
<b>Conscious Planet Media</b>	Green Focused Television and Media
<b>Delta Institute</b>	Non Profit Promoting Sustainability in the Midwest
<b>Distant Village Packaging</b>	Fair Trade Sustainable Packaging Manufacturer
<b>Evergreen Oak Electric</b>	Sustainable lighting supplier
<b>Greater Than</b>	Green Marketing Consultants
<b>GreenChoice Bank</b>	Green Focused Community Bank
<b>Green Space Supply</b>	Green Office Supplies & Services
<b>Local First Chicago</b>	Non Profit Promoting Local Chicago Businesses
<b>Mindful Metropolis</b>	Sustainable Magazine Publisher
<b>Nexus - Green Roundtable</b>	International Non-Profit Promoting Green Building Practices
<b>Pivotal Productions</b>	Sustainable Event Planning
<b>Pure Labels</b>	Eco Friendly Label Manufacturer
<b>Renewable Resources</b>	Recycled Materials Manufacturer
<b>Smithereen Pest Management</b>	Green Pest Control
<b>Sustainability Consultants</b>	Green Manufacturing Consultant
<b>TCG Flooring, LLC</b>	Sustainable Flooring Materials
<b>Vaute Couture</b>	Vegan Eco Friendly Fashion Boutique
<b>Watermark Property Management</b>	Property Management
<b>YRG Sustainability Consultants</b>	Green Building Consultants

## **VII. PUBLIC BENEFITS**

The proposed project will provide the following public benefits.

**Property Taxes:** The project will expand the tax base by return of a vacant manufacturing facility to the tax rolls.

**Sales Taxes:** The Green Exchange will house new retail businesses that will generate new sales tax revenue.

**Environmental Features:** The Green Exchange will offer a unique collection of over 100 eco-



friendly businesses focused on the environment and purveying only green products and services. Featured businesses include a paperless bank, organic café, and a sky garden available to host events focused on the promotion of the national green movement. The project will be the first industrial renovation to achieve a LEED Platinum Certification in the City of Chicago. Sustainable features include a green roof with 90 solar thermal panels, a 41,000 gallon storm water management system, and a state of the art sustainable escalator that uses 30% less energy than standard models.

**Permanent Jobs in Green Business:** The project is estimated to generate 300 to 500 permanent jobs. These jobs may be new jobs or jobs that were formerly not in Chicago or Illinois. Alternatively businesses that wish to relocate that may already be in the City or State will be tenants as well; they may bring existing employees and/or hire additional ones. Many of these jobs will be green collar jobs.

**Construction Jobs:** The project will produce 300 temporary construction and consultant jobs.

**Job Placement:** The LEED Council, funded by the City as a LIRI, finalized a \$250,000 TIF funded job placement program with the City of Chicago in April 2009 that will use proceeds from the Addison South TIF to fund a job placement effort at the Green Exchange. 58 jobs have been pledged for low-income, entry level workers by the initial tenants.

**Job Training:** Subsequently, LEED Council was awarded a \$573,000 grant from the U.S. Department of Health and Human Services, Office of Community Services (OCS) to create a minimum 58 new jobs (in tandem with above) for community residents in three years. Training dollars in the amount of \$9,879.31 per job will be available to tenants via a low-interest loan. This program is expected to last for two years. The goal is to locate and train federally qualified low-income individuals to prepare them for jobs at the Green Exchange.

**Affirmative Action:** The developer will comply with the requirements of the Chicago Affirmative Action Ordinance which requires contract participation by Minority owned business enterprises at a level of 24% of total construction hard costs, and participation of Women owned business enterprises at a level of 4% of total construction hard costs. The developer has provided notification of the proposed project, by certified mail, to eight associations of minority and women owned contractors. A sample version of the letter and copies of the post office receipts for the certified letters are presented as exhibits in this report.

**City Residency:** The developer will comply with the requirements of the City of Chicago Residency Ordinance which requires 50% of all construction hours be worked by city residents. The developer will also comply with the City of Chicago's Prevailing Wage requirement.

## **VIII. COMMUNITY SUPPORT**

1st Ward Alderman Manuel Flores endorses the action and has provided a letter of support. The Frederick Cooper Lamp Company closed for business in 2004 which resulted in the loss of 110 jobs. Since that time, proposed re-uses for the property and the community-supported Green Exchange project itself have been the subject of numerous community meetings held in Logan Square. A primary reason for the community-based support is that there will be job opportunities for residents of Logan Square, Lathrop Homes and nearby communities with access to head-of-household jobs and career paths. In addition, the Logan Square Chamber of Commerce, Logan Square Preservation (LSP) and the LEED Council, funded by the City of Chicago as a LIRI (Local Industrial Retention Initiative) group to create and maintain industrial business in the City are all in support of this action. See exhibits for copies of support letters.

## **IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN**

The proposed project is located in the Addison South Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment plan:

### **Addison South TIF**

- This action is consistent with the Addison South TIF Plan established in 2007 for the following reasons:
  - Provide for the orderly transition from obsolete uses to economically sustainable land development patterns.
  - Encourage private investment, especially improvements to industrial and commercial property.
  - Reduce or eliminate deleterious conditions.
  - Encourage redevelopment on parcels that are underutilized and vacant.
  - Encourage the preservation and reuse of historic buildings.
  - Create an attractive environment that encourages new industrial and commercial development and increases the tax base.

### **LISC New Communities Program: *Logan Square: A Place to Stay, a Place to Grow.***

- I. This action is consistent with the LISC Plan for the following reasons:
  - **Strategy 4:** Revitalize key commercial corridors by working with elected officials, businesses and property owners.
  - **Strategy 5:** Support industrial retention and business development, and provide

coordinated job training, job placement and financial education for community residents.

- **Strategy 6:** Improve the health, safety and well being of Logan Square residents and families.

The proposed project also conforms to the plan's land use map, which calls for mixed-use development at the subject site.

## **X. CONDITIONS OF ASSISTANCE**

If the proposed resolution is approved by the CDC, DCD will negotiate a redevelopment agreement with the developer. The redevelopment agreement will incorporate the parameters of the proposed project as described in this staff report.

It is DCD policy that no business will be conducted with a development entity whose any principal has outstanding municipal debts (such as unpaid parking tickets, unpaid water bills, unpaid business licenses, and others), is in arrears of child support payments, or who is a debtor in bankruptcy, a defendant in a legal action for deficient performance, a respondent in an administrative action for deficient performance, or a defendant in any criminal action.

Closing of the redevelopment agreement will not occur before the City Council has approved the agreement, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing. The redevelopment agreement will include a development timetable.

## **XI. RECOMMENDATION**

The Department of Community Development has thoroughly reviewed the proposed project, the qualifications of the development team, the financial structure of the project, its need for public assistance, its public benefits, and the project's conformance with the redevelopment area plan, and DCD recommends that the CDC recommend to the City Council the designation of Gx Chicago, LLC as Developer, for the redevelopment of a 275,884 square foot, historic, commercial mixed-use building marketed as an incubator facility for green businesses and committed to environmental sustainability located at 2543-45 W. Diversey Ave and 2755-57 N. Maplewood Ave.

**EXHIBITS**

Redevelopment Area Map  
Neighborhood Map or Aerial  
Survey or Plat  
Site Plan  
Typical Floor Plan  
Front Elevation or Rendering  
Sample M/WBE Letter  
Copies of M/WBE Certified Letter Receipts  
Lender's Letter of Interest  
Community Letters of Support  
Alderman's Letter of Support