

**CITIZEN ADVOCACY CENTER QUESTIONS
ADDISON STREET DEVELOPMENT PROJECT:
WHEN DID A PUBLIC PARKING GARAGE PROJECT
TURN INTO A SUBSIDIZED OFFICE PROJECT?**

(This narrative supplements Addison Street PowerPoint on CAC's website)

TIME LINE:

February 17, 2009, Elmhurst City Council approved a Redevelopment Development Agreement (“RDA”) with Addison Corridor Development I, LLC¹ to build a four-story retail/public parking garage project. RDA provisions included²:

- The City purchasing two Addison Street properties (135 and 149 Addison) for a total cost of \$4,470,000;
- The City committing to enter into a future contract with Addison Corridor Development I, LLC, which would in turn utilize the services of Arco-Murray Construction Company for construction of the project;
- The City committing to pay 100% of all exterior construction costs, costs for final build-out of garage space and costs for whatever is negotiated to be included in the ‘cold dark shell’ of the retail space. Interior build-out cost of retail would be the responsibility of Addison Corridor Development I, LLC.
- The City agreeing to sell the ‘cold dark shell’ of the retail portion of the building back to Addison Corridor Development I, LLC.
 - o The sale price would be calculated as a fraction of land acquisition cost alone rather than as a fraction of construction costs PLUS land costs. For example, with land acquisition cost of \$4,470,000, if the retail space encompasses 10% of the total square footage of the eventual building, then the purchase price the developer will pay for the retail space is \$447,000. There is no provision for any construction costs to be shared on a proportional basis.
- The City agreeing to act as mortgage lender for Addison Corridor Development I, LLC to purchase the ‘cold dark shell’ in the event that retail tenants could not be located.

December 10, 2010, Addison Corridor Development I, LLC, made a presentation to City Council offering a 65-foot structure (6 stories) as an alternative to the original four-story design.

- The new proposal included ground floor retail, two floors of office space, and three levels of parking on the upper levels. The pitch was that the addition of two floors of office space

¹ <http://www.elmhurst.org/archives/35/02-17-09.pdf>

² The following provisions can be found in the RDA, located at: <http://www.elmhurst.org/archives/35/02-17-09.pdf>

would bring more economic development to Elmhurst because corporate users would spend dollars in town. In addition, a bigger project would equate to more parking: 620 spaces.³

On March 5 and/or 19, 2012, City Council discussed the project in executive session. The records remain confidential, however, reference to a March executive session discussion regarding the Addison Street project was disclosed in the September 10, 2012 closed session audio tapes recently released by the City.

- Surmised from released audio of closed session for September 10, 2012, the apparent closed-door discussion in March included proposed purchase prices of office space by Addison Corridor Development I, LLC, with the price dependent on, among other things, whether the City would help Addison Corridor Development I, LLC finance the purchase. The two prices mentioned on the disclosed audio tapes were \$300,000 and \$600,000.⁴

September 10 and September 17, 2012, City Council again meets in executive session to discuss the project. Alderman Pezza files a complaint with Illinois Attorney General's office claiming the City Council discussed inappropriate issues related to the project in closed session. The Illinois Attorney General agrees and instructs that the City release the tapes. After considerable public protest, the City Council released the minutes and verbatim audio recordings.

Disclosures from the released closed session tapes indicate discussion of substantial changes:⁵

- The proposed occupant of the office space would be Arco-Murray Construction Company, the construction company retained to build the project.
 - Question: Why is the City building a new six-story building if apparently the only viable occupant is the developer? Why isn't the City just building the original smaller building?;
 - Question: Why is the City considering building new office space? City Consultant, Tracy Cross, was paid to research and give a presentation to the Elmhurst City Council about best options for development of Hahn Street. His report concluded that there is more than 60,000 sq. ft. of existing office inventory vacancy in the City Centre area alone.⁶
- There would be 120 specific parking spaces designated and reserved for office use (by Arco-Murray) on the second and third floors during business hours.
 - Question: If this option is exercised, that would reduce public parking to 500 spots during the day. If this is primarily a public parking garage project, why is the City considering designating prime parking for private use during daytime hours?

³ <http://www.elmhurst.org/DocumentCenter/Home/View/1324>

⁴ <http://www.elmhurst.org/index.aspx?NID=1252>

⁵ The following items in this section can be listened to at <http://www.elmhurst.org/index.aspx?NID=1252>

⁶ <http://www.elmhurst.org/DocumentCenter/View/7711>. Page 3.3 According to Accounts payable for 9/17/2012, the City paid Tracy cross \$4000, and on 2/28/2013, \$4270 totaling \$8,270.

<http://www.elmhurst.org/archives/35/AgendaPacket09172012.pdf>,

<http://www.elmhurst.org/archives/35/AgendaPacket%2002192013.pdf>

- There would be an option to construct additional office space on the 4th floor. This construction would replace 42 parking spaces and would require an additional 38 designated reserved parking spaces.
 - Question: If this option is exercised, available daytime public parking would be reduced to 420 spaces, making LESS public parking available during the day for a 6-story structure vs. a 4-story structure. If this is primarily a public parking garage project, why is the City considering designating prime parking for private use during daytime hours?
 - In private development of office space, wouldn't construction of parking be the responsibility of the developer at its own cost? With the Larch garage, Metra paid \$2.5 million for a long-term lease of 125 parking spaces, which greatly reduced the City's construction costs per parking space. Is the City considering a similar arrangement now?
 - Question: How much on-street parking will be lost due to construction requirements of the new building, including zero yard setbacks and installation of a widened sidewalk?
- The Council discussed that it is anticipated that some areas of the ground floor retail space would be difficult to rent so it was proposed to convert those areas to office storage space.
 - Question: If it is anticipated that there will be difficulty in finding occupants for first floor retail, why is a larger structure under consideration?
- An updated price for the purchase of the potential office space by Addison Corridor Development I, LLC, was discussed. It was based on the estimated incremental cost to construct the additional two levels of the building and proportional square footage, working out to an estimated \$1,100,000 total for two floors of office space plus storage. It was discussed that the estimated cost to the City to build the two additional floors would be more than \$2,000,000.
 - Question: Why is the buy-back cost for office space calculated based only on a proportion of incremental costs rather than averaging out total construction costs?

Based on the improper executive session discussions of September 2012 the City:

- Instructed City staff to run the latest proposal by City consultant Kane McKenna regarding market-based analysis and then continue to "negotiate a deal" with Addison Corridor Development I, LLC.
- Instructed City staff to inform Addison Corridor Development I, LLC that they should begin the required zoning process for conditional use and variations for the possible 65-foot structure.

December 19, 2012, Arco-Murray National Construction Company submitted an initial Conditional Use application to the Zoning Department, asking only for consideration regarding building height.⁷

January 25, 2013, public hearing cancelled due to realization that necessary variation requests had not been submitted.

⁷ initial conditional use application 13P-01, dated December 19, 2012

February 1, 2013, Addison Corridor Development I, LLC, submitted a revised zoning application, adding requests for variations to allow zero yard setbacks.

February 28, 2013, public hearing begins before the Zoning Commission. Over three hours of testimony is given. Members of the public question numerous issues, including size, setbacks, office space, and if the developer is even the proper applicant given that this is a City project. Due to the extended testimony, the Hearing is continued until March 14, 2013.

March 8, 2013 Arco-Murray National Construction Company requests a further continuance of the public hearing, to April 11, 2013, in order to "appropriately address the concerns conveyed during the February 28 hearing."

April 11, 2013 Public Hearing continues before the Zoning Commission.

Initial Project Proposal:



- **4 stories**
- **450 parking spaces**
- **Retail level: 1**
- **Parking levels: 2-4**

Revised Project Proposal:



- **6 stories**
- **620 parking spaces**
- **Retail level: 1**
- **Office space levels: 2-3, ?4**
- **Parking levels: 5-6**

(Source: <http://www.elmhurst.org/DocumentCenter/Home/View/1324>)

Questions Regarding City's Financing:

City agreed to be mortgage lender for developer so developer can acquire property. (Source: <http://www.elmhurst.org/archives/35/02-17-09.pdf>)

Question: Why is the City acting as a mortgage broker for the developer? Why doesn't the City negotiate acquisition directly? What is the benefit to the Elmhurst taxpayers?

City purchases property back from developer.

(Source: <http://www.elmhurst.org/archives/35/02-17-09.pdf>)

Question: If they City was going to purchase the property back that they helped to buy in the first place, what is the benefit to the tax payer using an intermediary to purchase the property?

City will pay 100% of construction costs (except for interior build-out of office/retail). (Source: <http://www.elmhurst.org/archives/35/02-17-09.pdf>)

Question: Why isn't the City charging for a portion of the construction costs of the "cold dark shell"?

City will sell back to the developer the retail/office portion of the building structure. (Source: <http://www.elmhurst.org/archives/35/02-17-09.pdf> and closed session audio)

Question: It appears as if the only viable occupant for the office space is the developer. It also appears as if there is anticipated difficulty in finding a tenant to occupy the retail portion. Why would the City pay for the "cold dark shell" construction of a building that is non-parking related if there appears to be difficulty in filling those spaces?

City may act as mortgage lender for the developer to help fund purchase of retail/office space being bought from the City.

(Source: <http://www.elmhurst.org/archives/35/02-17-09.pdf> and closed session audio tapes.)

Question: Why is it acceptable to use taxpayer credibility for the benefit of a private developer? What benefit is there to the taxpayer for the City to act as mortgage lender for office space?