

**TECHNICAL ASSISTANCE PANEL**

JULY 26-27, 2007



**INDUSTRIAL RENAISSANCE:  
ESTABLISHING A CREATIVE INDUSTRIES DISTRICT**  
CERMAK ROAD, CHICAGO



## ULI Chicago

A district council of the Urban Land Institute

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# INDUSTRIAL RENAISSANCE: ESTABLISHING A CREATIVE INDUSTRIES DISTRICT

## CERMAK ROAD, CHICAGO

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*Front Cover: The Hoyt building (left) and Thomson & Taylor Spice building (right) are joined by the Cermak Road bridge, which connects Chinatown to Pilsen. Photo: Michael Davidson*

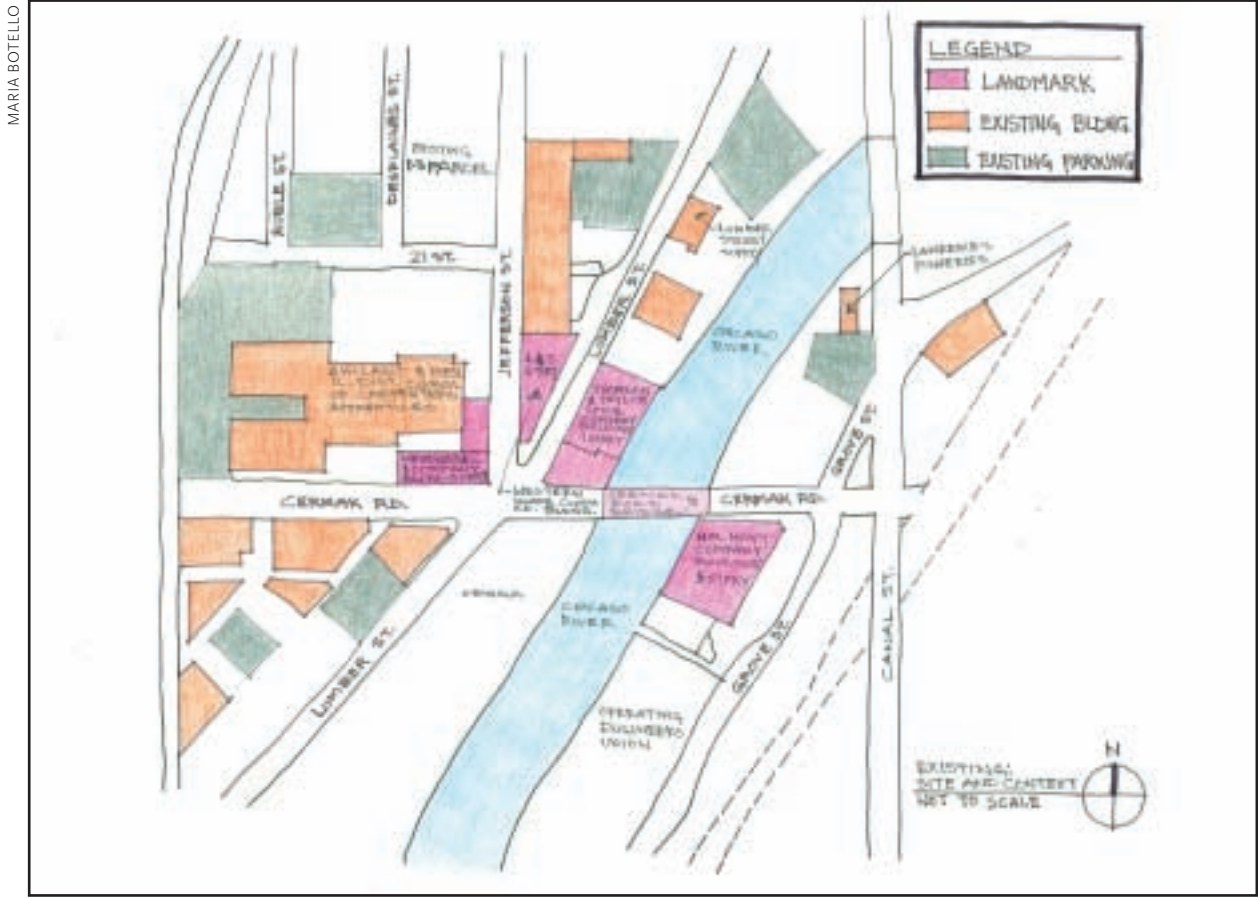
*Inside Front Cover: Looking north from the Thomson & Taylor Spice building, along the south branch of the Chicago River. Photo: Michael Davidson*

## ON THE WATERFRONT

On the bend of the Chicago River on the city's near southwest side sit four largely vacant industrial buildings whose bricks and mortar carry the 'DNA' of Chicago. Built in the early years of the 20th Century, these four landmarked buildings — just 1.5 miles from the Loop — housed the massive food, spices, barrel makers, and other industries that launched Chicago's reputation as the city that works. W. M. Hoyt & Co., Wendnagel & Co., Western Shade Cloth Co., and Thomson & Taylor Spice Co., built these industrial behemoths — with more than 800,000 square feet among them —

at the tri-corners of Jefferson and Lumber streets and Cermak Road, where the twin engines of rail and water converge.

Chicago at the turn of the century was a giant factory unto itself. Sitting in the middle of a rapidly expanding country, the city welcomed raw materials in one door and shipped products out the other. River and rail were the backbone of this production, and the cluster of buildings along Cermak Road was a key hub of commerce. Every morning, thousands of workers streamed across the Cermak Road bridge, itself a marvel of engineering, for another day's labor at the Hoyt (465 W. Cermak), Wendnagel (2130-46 S. Jefferson Street/600 W. Cermak Road),



MARIA BOTELLO

An illustration of the study area shows where water, roads and buildings converge to create what one panel member called "an extraordinary urban room." The four landmarked buildings and the landmarked bridge are depicted in pink.



*The historic Cermak Road bridge connects the W.M. Hoyt building, in the distance at right, with three others to the west of the Chicago River, including the Thomson & Taylor Spice building, at left.*

Western Shade Cloth (2141 S. Jefferson), and Thomson & Taylor Spice (500 W. Cermak) buildings.

The din of the hustle and flow of raw commerce could be heard for blocks, as workmen in the Wendnagel building hauled redwoods off the ships from California, planed and cut the raw timber, and bent and formed the wood into the water barrels and tanks that would revolutionize fire safety — and which to this day dot the roofline of the city.

Across the street at the Thomson & Taylor Spice building, men moved the massive shipments of bulk spice and teas along the production line, through the grinders, and up to the fourth floor where the tea and coffee tasters sipped the final

product before it was packaged and shipped to local grocers throughout the Midwest.

Like the city itself, the warehouses were self-contained factories, with ships unloading raw materials stem to stern onto the docks while trains were loading finished goods to depart for the newly settled West. These buildings, said Tim Samuelson, cultural historian, Chicago Dept. of Cultural Affairs, “worked for a living.”

The river is quiet today, and the commerce of the information age has moved to highrises of the nearby Loop. But the ghostly echoes of that industrial clamor linger in the halls and floors of these massive structures. Some say, on a warm day, you can even catch a whiff of coffee and spices.

*“The panel has provided an exciting opportunity to bring ... communities together and create jobs ... They’ve given us a blueprint as a jumping off point to begin to make this a reality.”*

DAVID BETLEJEWSKI,  
EXECUTIVE DIRECTOR,  
EIGHTEENTH STREET  
DEVELOPMENT  
CORPORATION

In April 2006, recognizing the historic and architectural significance of these buildings and their surroundings, the Chicago City Council designated the area a landmark district, the only one in the city located in a Planned Manufacturing District (PMD). A PMD restricts the sites to industrial uses, and as Sam Assefa, deputy commissioner, Chicago Dept. of Planning & Development, explained, a PMD is designed to protect the manufactur-

ing job base of the city. The district contains the four buildings and Cermak Road bridge, the last remaining moveable Scherzer rolling lift bridge in Chicago, a “ballet dancer in steel,” as Samuelson called it. The district figuratively and literally bridges the communities of Pilsen to the west and Chinatown to the east, with the South Loop, Bridgeport, University Village, and Bronzeville.

Today, the district sits poised for reinvention as a 21st-Century industrial corridor centered on a 21st-Century economy: what economist Richard Florida calls “the creative class” of “high bohemian” workers who spur economic development.

The vision of the city is to create a vibrant, economically viable district centered on creative industries, ranging from fine arts, film production and fashion, to engineering and information specialists and other professionals who create and innovate. The city’s goal is to put new

uses into these four historic buildings, and, in the process, create jobs and opportunities for the surrounding communities. As urbanist Jane Jacobs said, “new ideas start in old buildings.”

## REANIMATE AND REINVENT THE DISTRICT

With the goal of revitalizing this area into one that supports the creative industries, the Chicago Dept. of Cultural Affairs (DCA), Dept. of Planning and Development (DPD), and Ald. Daniel Solis (25th Ward) asked the Urban Land Institute Chicago District Council (ULI) and Campaign for Sensible Growth (Campaign) to convene a Technical Assistance Panel (TAP) of real estate development experts, urban planning and design professionals, and community development leaders. The goal was to create a plan



Cultural historian Tim Samuelson (center) leads the panel on a guided tour of the study area, which gave panel members the opportunity to see the site first-hand, ask questions, and take photos for later analysis.

to “retain and reanimate the district,” as DCA’s Barbara Koenen put it.

“This is an interesting and timely challenge,” said TAP Chair Julia Stasch, vice president for U.S. programs, John D. and Catherine T. MacArthur Foundation. “The city is on a continuing path of growth and change.”

The panel was the 19th TAP ULI Chicago and the Campaign have convened in the Chicago region since 2001. Based on the ULI national model, each TAP is assembled by request of a community to address specific development challenges, such as downtown revitalization, planning for retail growth, neighborhood development, or environmentally sensitive development. Whatever the call, TAPs create an action plan for the communities.

“We’re not swooping in as experts,” said Stasch, of the TAP panel’s recommendations. “We’re offering ideas on how existing assets can help realize local, citywide, and even regional aspirations.”

Before the two-day meeting, on July 26 and 27, 2007, TAP volunteers received detailed background information, a problem statement, and specific questions the community would like the panel to address. ULI, the Campaign, the sponsors, and community stakeholders also held several preparatory meetings. The intensive two-day working session was then reserved for on-the-ground community input and planning, culminating in a set of concrete recommendations that the community can consider and implement. The ideas and proposals that arose from the TAP are both novel and grounded in reality, given the extensive experience of the panelists.

## QUESTIONS FOR THE PANEL

“We want to think about new industries for this area,” said Assefa. “We want to create a synergistic relationship between what could come and what is here.” Reflecting this potential, the TAP sought to address the following questions:

- What are the market demands and financial feasibility for creative industry real estate in Chicago that are appropriate for an industrial corridor?
- What specific space requirements are needed by the creative industries?
- What market needs of the creative industries can be served by these four buildings?
- Can the buildings be renovated in a cost-effective manner to meet the market demand?
- How would these uses complement surrounding industrial uses in the corridor?
- How would these uses fit into the neighboring communities of Pilsen and Chinatown?
- How much of the demand for these uses can serve the surrounding area’s Latino and Asian creative arts industries?
- How should the district be managed?
- What steps can the city take in the implementation, creation and nurturing of this district, including marketing and incentives?
- How can local organizations be involved in the creation and nurturing of this district?



*A creative industries district would put Chicago in a league of American and international cities that see tremendous economic value in the arts and creative industries. (Top) Granville Island in Vancouver, British Columbia, is a former industrial area with sawmills and steel factories that is now an economic engine for the city with a large public market and galleries and shops. (Middle) MASS MoCA in North Adams, Mass., includes a collection of 19th-Century factory buildings that now house visual, performing and new media arts. (Above) Toronto's Distillery District, a pedestrian-only village, is an adaptive reuse of a large and beautifully preserved collection of Victorian-era industrial architecture, and is dedicated to promoting arts, culture and entertainment.*

The panelists received critical input through interviews and a reception with community residents, business owners, artists, and organizations directly affected by any future redevelopment. They also talked with the current owners of the buildings and toured the site. Through a stakeholder meeting, community interviews, and the local reception, more than 60 people provided direct input to the panelists.

## CREATIVE INDUSTRIES AS AN ECONOMIC ENGINE

As Koenen reported, the arts are a vibrant force in the city. "Chicago is home to more than 80,000 artists. With 11 schools offering degrees in fine arts and 5,000 graduates annually, the city has a steady infusion of new artists every year," she said. Columbia College alone produces 2,000 film students each year. According to Americans for the Arts, as of January 2007, Cook County had 70,560 full-time equivalent jobs in 10,000 for-profit and nonprofit arts-related businesses. In the nine-county region around Chicago, the number of arts-related businesses totals 16,000, employing more than 102,000 people. These businesses are the "high octane" fuel that feeds the information economy, the fastest growing segment of the nation's economy. During 2005, the annual economic impact of this nonprofit arts and culture industry spending, reported Koenen, was \$1 billion for the city, and that did not include for-profit commercial businesses, she said, citing *Arts & Economics Prosperity III* by Americans for the Arts.

Chicago, however, faces stiff competition from New York, Los Angeles, and cities and regions abroad, including Canada. Granville Island, in Vancouver, British Columbia, which serves 12





*Cultural assets and arts are plentiful in Pilsen — from the renowned National Museum of Mexican Art to more “local” impressions, including this mural.*

million visitors annually from a \$19 million initial investment, successfully showcases the arts and creative industries. The Distillery District in Toronto, which encompasses 50 historic buildings, created 168 new businesses, including a film studio where, ironically, the movie *Chicago* was filmed. Mass-MoCA in North Adams, Mass., in a declining area in the far northwest part of the state now attracts 120,000 visitors annually even though the closest city, Albany, NY, is an hour away.

In Chicago, perhaps no neighborhood is so centrally identified with cultural assets and the arts as Pilsen, which encompasses the district in its far southeast corner. Pilsen is home to the National Museum of Mexican Art and a vibrant

cultural life. The neighborhood also has a relatively affordable housing stock in a prime location close to the Loop, expressways, mass transit, and Lake Shore Drive, making it a draw for emerging businesses and established artists.

Home to approximately 40,000 people, Pilsen includes the largest Mexican community in the city. The community is young — 80 percent of its residents are younger than age 44, according to Census 2000 data, which translates into a large and growing workforce. The city reports home sales have doubled in the area since the 1990s, and sales prices have increased by 131 percent since 2002, with a median price in 2006 of \$282,000 — which also signals gentrification.<sup>1</sup> A recent “quality-of-life” plan of the Local Initiatives Support Corporation (LISC) Chicago’s New Communities Program recommends building on local cultural assets as one of the cornerstones in promoting economic and community development in the future.<sup>2</sup>

Across the river from the Cermak area lies Chinatown, which has experienced rapid rebirth as well, transforming from a restaurant-based area to an extremely diverse economic hub for importing and exporting and a wide variety of professional services. Its population is older and growing slower than in Pilsen. In 2006, the Armour Square community area, of which Chinatown is a part, had a population of 12,454.<sup>3</sup> Its location immediately south of the rapidly developing South Loop makes it poised for business and population growth, as it spreads outside of its traditional core just a few short blocks east of the study area.

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Footnotes

<sup>1</sup> Memo from Maria Bousfield, demographer in the Chicago Dept. of Planning & Development, June 12, 2007.

<sup>2</sup> The Nov. 2006 report, *Pilsen: A Center of Mexican Life*, was created with the input of hundreds of stakeholders and led by the local Resurrection Project in Pilsen.

<sup>3</sup> Chapin Hall Center for Children, “Children of Chicago 2007: A Community Assessment.” Chicago: Chapin Hall.

## The Buildings of the ‘Spice Barrel District’



**WENDNAGLE:** 2130-46 S. Jefferson St./600 W. Cermak Rd.  
**Current owner:** Philip Mumford  
**Square feet:** 88,000  
**History:** Built in 1906. Chicago’s historic water tank manufacturer.  
**Description:** Only the original 1901-1906 building is landmarked. A large later addition lies outside the landmarked district.



**W. M. HOYT:** 465 W. Cermak Rd.  
**Current owner:** Peter Ing  
**Square feet:** 250,000  
**History:** Built in 1909 to house one of the largest wholesale grocers in the region.  
**Description:** Concrete and brick, irregularly shaped building and lot line following the curve of the river. The only one of the four buildings in the study area on the east side of the river.

PHOTOS COURTESY OF CAMPAIGN FOR SENSIBLE GROWTH



**THOMSON & TAYLOR SPICE:** 500 W. Cermak Rd.  
**Current owner:** Donald Murney  
**Square feet:** 350,000  
**History:** Built in 1911, and was home to one of the largest importers of spices in the United States.  
**Description:** Bordered by the river to the east, the building has direct water access. It is heavy timber construction.



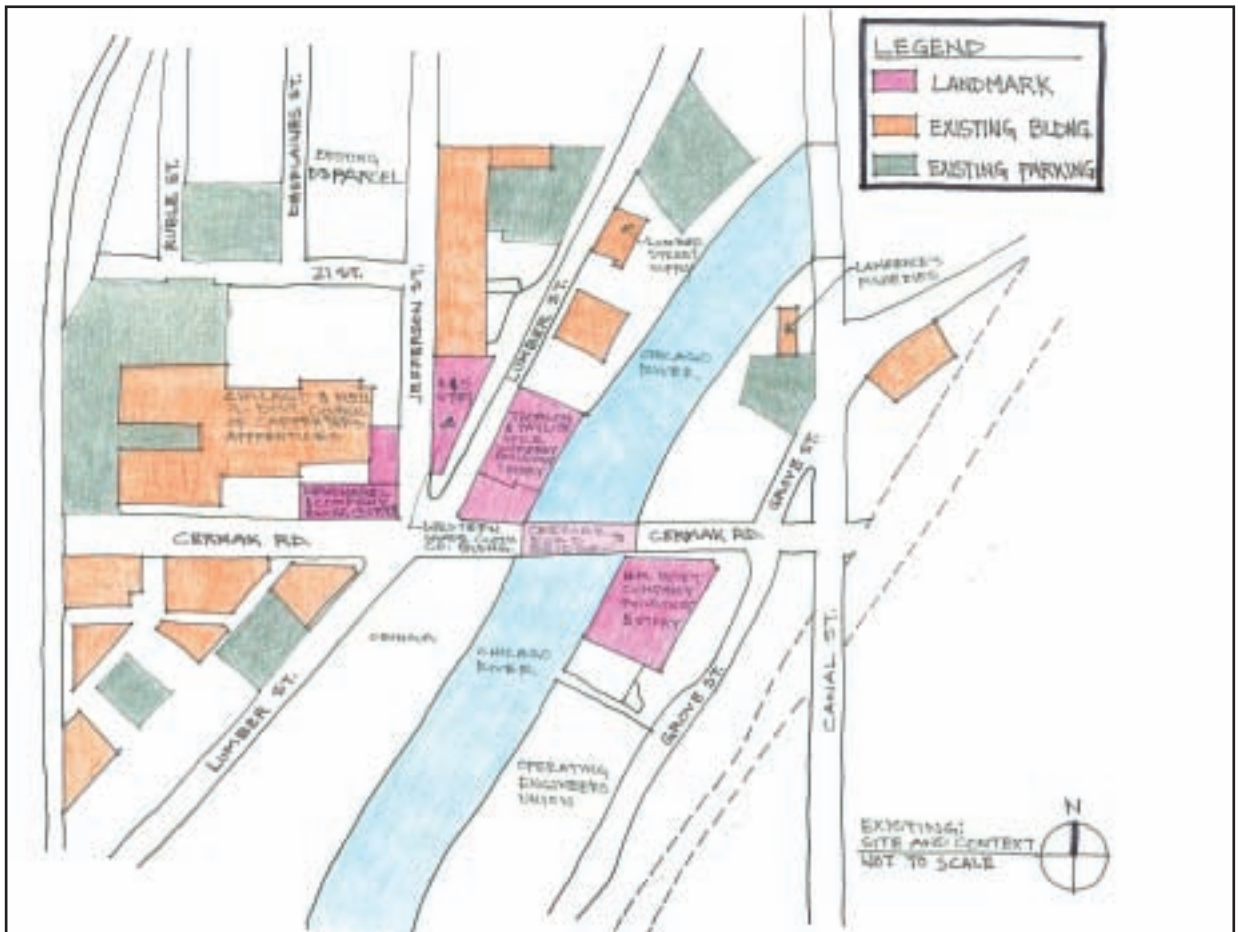
**WESTERN SHADE CLOTH:** 2141 S. Jefferson St.  
**Current owners:** Joseph Beale (50%) and Terrence Upton (50%)  
**Square feet:** 116,975  
**History:** Built in 1924. Was home to a manufacturer of cloth shades and window treatments  
**Description:** Irregularly shaped, triangular parcel of land, with frontage on both S. Lumber St. and S. Jefferson St. Vintage timber and concrete industrial building. Only the original building is landmarked. A large later addition lies outside the landmarked district.

## WHAT IS A CREATIVE INDUSTRIES DISTRICT?

One of the first tasks for the panel was to develop a definition of what constitutes creative industries. To be fiscally viable and an economic and creative driver in the community, the panel determined the district should be a jobs-producing hub, in keeping with the goals of the Planned Manufacturing District (PMD). The panel recommended the district focus on attracting a variety of uses that are compatible with both Pilsen's unofficial status as an artist colony and the industrial surroundings. These

uses include design professions (i.e., architecture, urban planning, graphic design, engineering, landscape architecture, information, software and technology design) as well as the entertainment arts, fashion and merchandising, publishing, culinary arts, film, dance, set design, museum and cultural institution support. Types of spaces include rehearsal, storage, production and office. A modest portion of the space could be set aside for artists' studios and work spaces. A creative industry district could also include heritage uses, such as boat building or a rail museum or technical preservation vocation training. Programs for training and education

MARIA BOTELLO



Architect and panel member Maria Botello drew a map of the study area. The legend identifies three critical features: the landmarked buildings and bridge in pink, adjacent and complementary industrial buildings in orange, and existing parking in green. Two additional features of note: the south branch of the Chicago River and the unique confluence of roads and bridges.



*Loft buildings in the district provide exceptional space for design industries and creative uses.*

should accompany production. The district also could include ancillary uses to support the creative industries, including cafes, arts suppliers, storage, and screening rooms.

### **OPPORTUNITY AT HAND: THE SPICE BARREL CREATIVE INDUSTRIES DISTRICT**

The panel affirmed the potential of establishing a district as a center of creative industries and source of new jobs, which would allow Chicago to take its place among leading art centers around the world. The panel also envisioned it as a destination — creating the working title of “Spice Barrel Creative Industries District” — named for Thomson & Taylor Spice Co., and the barrel maker Wendnagel & Co. Integrated streetscaping, landscaping, and planned tenant mix would create a sense of place and connect, physically and culturally, the communities surrounding it: Pilsen and Chinatown most immediately, but also Bronzeville, the South Loop,

Bridgeport, and University Village. At ‘Spice Barrel,’ the area’s rich heritage and cultural mix would coalesce with the river, buildings, and urban grid to create a prized urban resource.

A creative industries destination would also put “Chicago on the map” locally and globally with the creative industries community, said TAP panelist Karen Alschuler, principal and director of planning and urban design for SMWM in San Francisco, and one of the leading urban designers in the country.

“Artists,” said several in the arts community who were interviewed for the project, “are dying to have a place like this in the city.” A central creative industries district not only would unite the dispersed arts communities in the city, but would also create synergies and spark creativity. Just being around fellow artists can be a catalyst for new ideas, said several of those interviewed. Built-in support networks can also help small businesses flourish and grow. As one panel

Concept rendering courtesy of Maria Botello, MACONDO Corporation Architects and Planners.

MARIA BOTELLO



MICHAEL DAVIDSON, CAMPAIGN FOR SENSIBLE GROWTH



MICHAEL DAVIDSON, CAMPAIGN FOR SENSIBLE GROWTH



*Spaces between the three buildings west of the river could be used for a functional public space, as illustrated in the rendering above.*

interview subject said, “The space you have determines the work you can produce. Right now, because most of us are in small spaces, experimentation is limited. You can think bigger and be more inspired in buildings [like those in the district].”

### **Generating Jobs, Connecting Families**

Moreover, ‘Spice Barrel’ could be a community focal point for area families and a source of jobs for community residents and youth. According to panel estimates, the district could create up to 1,600 jobs, based on the availability of

*“You can think bigger and be more inspired in buildings like Hoyt or Wendnagle.”*

INTERVIEW SUBJECT  
AND CHICAGO ARTIST

800,000 square feet and the proposed uses for the buildings. Panel interviews with fashion industry professionals, for example, revealed that many garment workers operate from their homes in Pilsen

or currently commute to the North Side for work. ‘Spice Barrel’ could provide them larger spaces and shorter commutes. ‘Spice Barrel’ also could offer training and internships in the creative industries for local youth, as well as classes and community events. Given the growing role of the information and creative sectors in the nation’s economy, internships, apprenticeships, and other forms of on-the-job training could provide valuable experience for youth. These opportunities also could create direct paths to the jobs in the district itself.

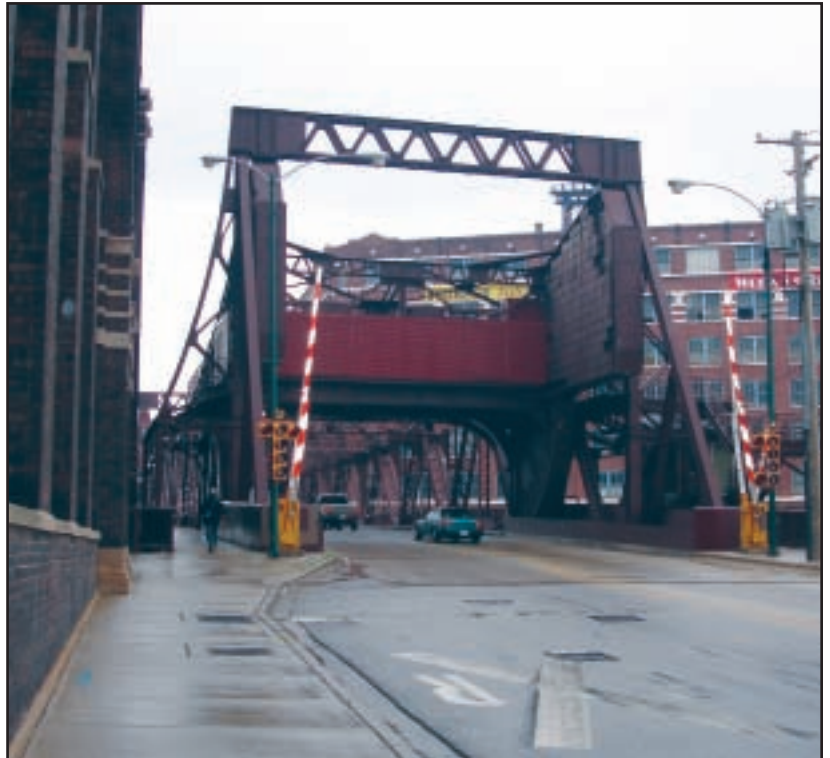
The district has great potential for families, as a place for art classes and other events and activities. Dedicating a space for banquets and other life celebrations could bring families into the district and provide a vital link between the existing festivals in Chinatown and Pilsen.

### **Creating a Focal Point**

The apex of the creative industries district, the panel recommended, should be the intersection of Lumber Street, Jefferson Street, and Cermak Road. There, three of the four buildings converge into “an extraordinary urban room,” as panelist Karen Alschuler described it.

With enhanced streetscapes (concentrated in two blocks in all directions), contemporary signage in multiple languages, and riverfront beautification, the Spice Barrel District could come

MICHAEL DAVIDSON, CAMPAIGN FOR SENSIBLE GROWTH

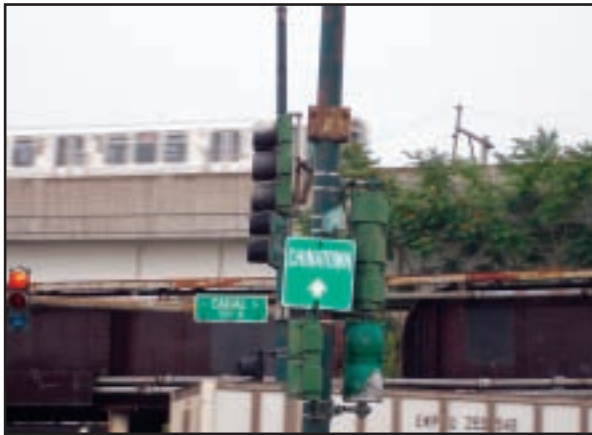


*The historic Cermak Road bridge could serve as both a focal point of the Spice Barrel Creative Industries District and an enhanced vital link between Pilsen and Chinatown.*

to life in this distinct public space. The improvements would complement the historic significance of the area and enhance the “walkability and friendliness” of the district. “It needs to be inviting,” said Alschuler, “It has to encourage you to park, not drive through.” Way-finding signs from the nearby roadways, including the Dan Ryan and Stevenson expressways, and Lake Shore Drive, should be created to guide motorists. Creative lighting could be both festive and an important safety feature of the area.

### **Green Space and Transportation Link**

To integrate the fourth building (the W. M. Hoyt building at 465 W. Cermak), which sits just east of the bridge on the south side of Cermak Road, into the rest of the contiguous district, the panel proposed creating a public park along the river. The park could feature a contemporary design



*The proposed creative industries district does not lack access to potential amenities. (Top left) The panel suggested a riverwalk along the buildings and vacant parcels adjacent to the south branch of the Chicago River. (Top right) The riverwalk could also be accessible from a panel-proposed “creative industries park” (now a gravel parking lot) at the northeast corner of Cermak Road and Canal Street on the east side of the river. (Above) The district bridges two communities — literally — creating the need for more public transportation along Cermak Road. The panel recommended reinstating a trolley service to connect the CTA Red Line stop in Chinatown with the Orange and Pink line stops to the west and southwest.*

and serve as an outdoor “studio” for the creative industries. The park would be located on the eastern bank of the Chicago River at Cermak Road, across the street from the Hoyt building.

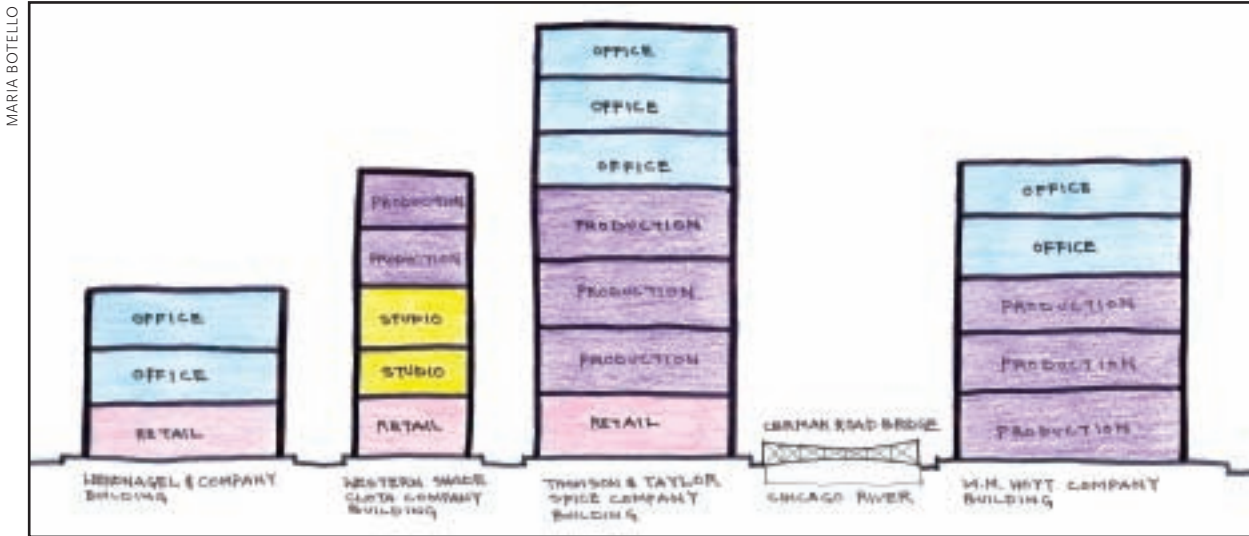
The unique “creative industries park” (see map page 18) could provide river access to water taxis that would connect Chicago’s downtown to the district. In addition to adding docks for water taxis along the river between the two communities, the city should make river edge

improvements, including environmental mitigation (if needed) and a riverwalk, consistent with the city’s overall plans for the Chicago River.

Finally, the panel recommended re-launching the Cermak Road trolley between Pilsen and Chinatown as an added mode of transportation between the two communities. The trolley could also connect visitors to the CTA Red Line in Chinatown, Orange Line in Bridgeport, and Pink Line in Pilsen.

**Table 1. Proposed Tenant Mix**

Retail	Ground floor	50,000 sq ft
Creative industry (small)	First floor	50,000
Creative industry	Mid floors	350,000
Creative office	Top floors	350,000
<b>Total</b>		<b>800,000</b>



MARIA BOTELLO

*Proposed tenant mix of buildings: The renovated buildings would include a variety of uses from retail on the ground floor to large design professional offices on the upper stories.*

**Tenant Mix**

Many of the community’s real estate professionals interviewed, as well as the panelists and the building owners, stressed the need for mixing uses in the four buildings. Relying solely or even primarily on small workspaces for independent artists, which currently market for approximately \$2 per square foot, would not be economically viable on its own, they said, nor would it honor the spirit of the PMD. Instead, the buildings would need a mix of businesses, including

some larger and more established firms and perhaps complementary retail.

The panelists proposed that the four district buildings, with their large open floor plans, abundant natural light, and 360-degree views of Chicago, house a mix of businesses (see Table 1 above and the graphic of the proposed tenant mix). On the ground floor of three of the four buildings could be 50,000 square feet of retail to reinforce the building uses (cafes, conven-



ience stores, or supplies, for example). At first the rents for these retail operations might be lower than standard market rates because of the initial risk involved in entering a new market. (See more detail in the financial feasibility section on page 16.)

The buildings in total could also house approximately 50,000 square feet of artist workspace (approximately 500–1000 square feet each), while the middle tiers could house 350,000 square feet of mixed-used production and assembly space for jobs in the fashion and garment industry, sound production, set designers, and other industries that require large, open spaces. These floors could include shared

space, rotating with demand. The budding fashion industry, noted one insider, needs space for large (60 yards in length) cutting tables, which designers could use on an as-needed basis. These spaces may attract firms that are ready to take the next step and move out of operations in their homes or storefronts.

The premier top floors of the four buildings could comprise professional office space (another 350,000 square feet in total) for architects, engineers, and other design professionals.

Attached to the northern half of the Western Shade Cloth building (2141 S. Jefferson St.) is an annex without landmark designation, which the panel recommends be converted or rebuilt to include a much-needed “black box” multi-use space for performances, such as film screenings and theater. Part of the space could also be used for additional parking (see page 17 for more on parking). This flex space could also be used by the surrounding communities for youth training and education programs, family weddings, banquets, and other life events.

### Work-Live Space

After discussing the prospects with local residents, the building owners, and others, the panel decided against recommending artist work-live space in the buildings. Financially, it was deemed infeasible, and it could create conflicts with the industrial nature of firms and professional office space that would be attracted to the buildings. Although the panel did not recommend work-live spaces in the district, it did encourage such development in adjacent neighborhoods beyond the PMD, which could complement the established arts areas in East Pilsen.

MICHAEL DAVIDSON, CAMPAIGN FOR SENSIBLE GROWTH



*The back section of the otherwise landmarked Western Shade Cloth building (seen in the distance). The panel saw potential for this space, including much-needed parking, large public gatherings, or multi-use space for the creative industries.*

## IS IT FEASIBLE? THE FINANCIALS

### Demand

Filling 800,000 square feet of mostly vacant spaces in the four buildings is no easy task. However, interviews with brokers and prospective tenants suggested the demand exists. As noted previously, arts-related businesses in the area contribute \$1 billion annually to the local Chicago economy.

Currently, however, the creative industries are scattered in neighborhoods throughout city, including downtown, making it difficult to establish conducive synergies, generate media coverage, or brand Chicago's creative industries identity locally and worldwide. A critical mass of creative activity in one district could foster this synergy and stimulate additional demand.

### Income and Costs

All four of the buildings likely require considerable renovation or improvement and almost a complete mechanical overhaul. Therefore, the key question is whether the rents can justify renovation and other costs. Based on the planned tenant mix and current market comparables for rents in nearby neighborhoods such as the South and West Loop, as well as input from real estate professionals, the panel estimated a developer could finance approximately \$66 million to fund the project, including a 10 percent return.

Rents on the premium top floors, for example, could command \$13 per square foot. (All figures are based on very conservative estimates, and rents are "triple net," meaning the tenant pays utilities, property taxes, and other expenses.) Retail could pay \$12 per square foot, lower than nearby comparable rates but compensating for the risks of locating in a new development with-

### Estimated Financials at a Glance

Development costs <sup>1</sup>	\$103 million
Potential rentable income/ Developer ability to pay:	\$66 million
Gap	(\$37 million)

#### Financial assistance

TIF	\$20 million
Historic Tax Credit	\$9.6 million
State grants	\$5.0 million
New Market Tax Credits	\$1.0 million
Unfunded gap	(\$1.5 million)

<sup>1</sup> assumes developer site acquisition

out a retail cluster. Rents for the mid-floors, which the panel based on rates for similar spaces in loft buildings, could be priced at \$5.50 per square foot. The lowest-cost units would be the artists' work spaces on the lower floors. These smaller units could lease for approximately \$1.50 a square foot. This would maintain affordability while also being competitive with nearby, similar rentals, and such pricing could provide opportunities for local artists and businesses who need a small space in the early phases starting up their businesses.

With these figures, effective gross income across the four buildings would total \$14 per square foot, or \$11.2 million per year. Operating expenses and property taxes would lower this to \$6.6 million.

As outlined in Table 3, the panelists estimated development and carrying costs totaling \$103 million, leaving a gap of \$37 million. The project costs include the estimated costs of buildings

**Table 2. Pro Forma for Spice Barrel Development**

	MIX (%)	AREA Square Feet (SF)	RENT Per Square Foot	TOTAL (\$ MILLIONS)
<b>Rent</b>				
Creative industry	44	350,000	\$5.50	1,925,000
Creative industry, small	6	50,000	1.50	75,000
Creative office	44	350,000	13.00	4,550,000
Retail	6	50,000	12.00	600,000
<b>Potential Rental Income</b>	<b>100</b>	<b>800,000</b>	<b>8.94</b>	<b>7,150,000</b>

		\$ per sf
<b>Potential Rental Income</b>	<b>\$9.00 (rounded up)</b>	<b>\$7,150,000</b>
Reimbursements	6.00	4,664,000
Vacancy	(1.00)	(590,700)
Effective gross income	\$14.00	11,223,300
Property tax	(2.00)	(1,864,000)
Operating expenses	(4.00)	(2,800,000)
<b>Net Operating Income</b>	<b>\$8.00</b>	<b>6,600,000</b>
Required developer return	10%	10%
<b>Developer Ability To Pay</b>	<b>\$82</b>	<b>\$66,000,000</b>

**Table 3. Project Costs**

<b>Developer Ability to Pay</b>		<b>\$66,000,000</b>
<b>Development Budget</b>		
Land/building cost	\$30	24,000,000
Renovation hard cost	55	44,000,000
Contingency (15%)	8	6,600,000
Renovation soft cost	35	28,000,000
Total building cost	128	102,600,000
Land improvement — parking		525,000
<b>Total Project Cost</b>		<b>\$103,125,000</b>
<b>Profit (Gap)</b>		<b>(37,100,000)</b>

**Table 4. Available Financial Assistance to Cover Gap**

Tax increment financing assistance <sup>a</sup>	\$20,000,000	
Historic Tax Credit <sup>b</sup>	9,600,000	
State grant	5,000,000	
New Market Tax Credits <sup>c</sup>	1,000,000	
<b>Total Incentives</b>		<b>\$35,600,000</b>
<b>Profit (Gap)</b>		<b>(37,100,000)</b>
<b>Coverage/(Unfunded Gap)</b>		<b>(\$1,500,000)</b>

a. Tax increment financing (TIF) assumes ability to draw from existing TIF district at standard percentage of total qualifying costs (i.e., acquisition). Equalized assessed valuation (EAV) not available.

b. Assumes hard cost, \$5 soft costs, 20% qualifying costs, and 90% applicability.

c. Assumes site is a qualifying location for New Market Tax Credits (NMTC). Assumes interest rates below market by 50 basis points (bps).

and land. There are several different scenarios in which development could take place. Existing owners of the buildings may decide to renovate their buildings (and some are already in the process of doing so), some of the owners may choose to sell to new development interests, or the city may choose to issue an RFP to developers. Under all of these scenarios, there are actual land and building costs, although the price may vary significantly from these assumptions. These differences would impact the total project cost and return on investment.

Several tax credits and grants, detailed in Table 4, may be available to narrow any gap between project costs and the developer's ability to pay based on anticipated rental income. Tax Increment Financing (TIF) might be used to cover an estimated \$20 million of the gap; historic tax credits could cover another \$9.6 million; state grants (such as energy, green building, and jobs-related public benefits) could cover \$5 million; and a New Markets Tax Credit (NMTC) could cover approximately \$1 million, leaving all but \$1.5 million unfunded, a gap the panelists believed could be closed with further analysis.

### **Parking**

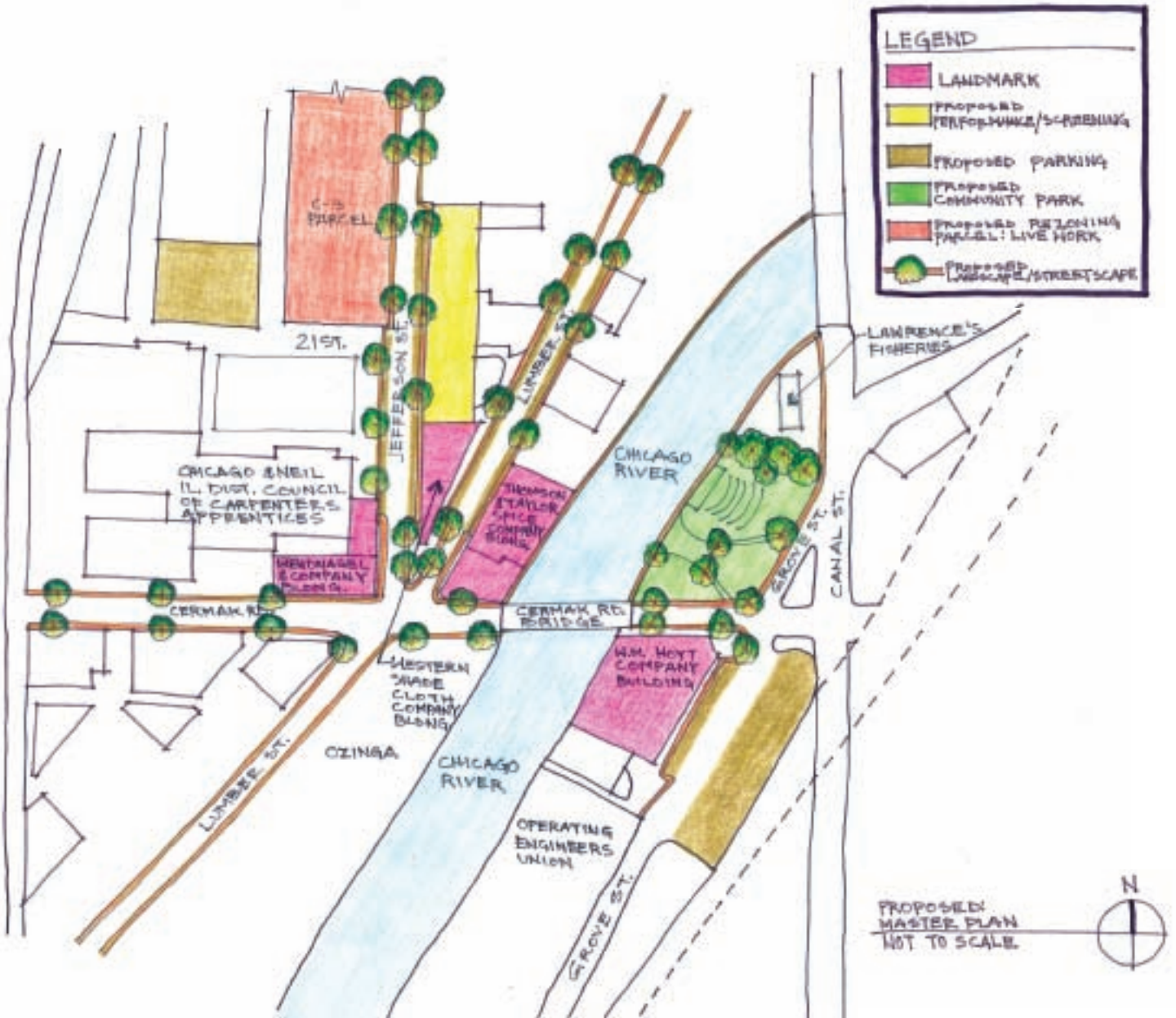
Although transit connections should be enhanced, many of the tenants working in the district (as well as visitors) will need access to a car. The district, the panel estimated, would eventually need approximately 700 parking spaces to support the creative industries and visitors. This was based on a ratio of one car per 1,000 square feet. As is, the six-acre area could generate 400 spaces with some modifications of site and street design. The space north of the Wendnagle building could accommodate 200 spaces, another 180 spaces could be located east of the Hoyt buildings, and 100

MICHAEL DAVIDSON, CAMPAIGN FOR SENSIBLE GROWTH



*The site tour also included the building interiors. While some upgrades have happened, the buildings need substantial work before occupation. The “right” tenant mix is key to support such a mix and make the rents justify the renovation costs.*

spaces are available on the street. This leaves a shortfall of 300 spaces, although the panel believed 400 spaces would be sufficient in the early stages of the proposed project. The buildings are not likely to be fully rented, and not all tenants would be onsite at the same time each day. However, more parking would be required eventually to attract the full range of uses and tenants.



An illustration of the proposed improvements for the Spice Barrel Creative Industries District. The panel recommended a variety of reuses for the four buildings, surrounding public spaces, and streets to create a district that is both functional for the creative industries and offers a distinct sense of place.

## RECOMMENDATIONS FOR IMPLEMENTING THE SPICE BARREL CREATIVE INDUSTRIES DISTRICT

The panel offered the following recommendations for discussion by community members and other stakeholders.

### Management and Vision

The city should establish a local entity for the district (e.g., the “Spice Barrel District Council”) to build capacity for the district, spearhead development, and possibly design aspects of the programming and maintenance of the district. The council would:

- be composed of building owners and community and creative industries stakeholders;
- refine the development plan with additional stakeholder input;
- reinstate the trolley service along Cermak Road between Chinatown and Pilsen (to connect people to the CTA Red Line in Chinatown, Orange Line in Bridgeport, and Pink Line in Pilsen);
- integrate the district into nearby neighborhood plans, including *Pilsen: A Center for Mexican Life Quality-of-Life Plan*; and
- develop a long-term management plan for the district that could cover everything from improved security and sanitation to programming indoor activities and outdoor public spaces with activities throughout the year.

### Ownership and Development

Working with owners, and with input from the community and creative industries, the city could spur redevelopment by:

- negotiating a planned development that would permit additional job-generating uses in the historic district of the PMD (as outlined above) to ensure owners can attract a variety of bankable tenants;
- working with each owner to consider the use of TIF for building improvements in line with the final design and tenant mix recommendations; and, if necessary,
- considering the issuance of an RFP for developers that would be restricted to the uses designated in the development agreement.

### Design and Planning

The city should take responsibility for the following actions:

- complete right-of-way and parking improvements (with streetscape amenities, including lighting, banners, and other signage in multiple languages, representing the area’s cultural diversity) to make the area inviting and walkable and create a district identity;
- provide way-finding signage from nearby roadways, including the Dan Ryan and Stevenson expressways and Lake Shore Drive, and in Chinatown and Pilsen, to direct visitors to the district;
- improve the public space at the intersection of Lumber Street, Jefferson Street, and Cermak Road;
- improve the frontage of the south branch of the Chicago River, including environmental mitigation (if necessary), a riverwalk, and docks for water taxi stops;
- create a community park on the eastern bank of the Chicago River at Cermak Road, opposite the Hoyt building, with a contemporary arts motif, to serve as an extension of the creative industries, tie the four build-

ings together, and create public access to the river;

- create a single point of responsibility within city government for the ‘Spice Barrel’ development for owners, developers, and community members; and

- consider rezoning of the C-3 parcel to the north of the Western Shade Cloth building, which sits outside the PMD, to allow for artist work-live development.

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## SPICE BARREL: CREATIVITY, COMMERCE, COMMUNITY, AND CONVERGENCE

MARIA BOTELLO



The Spice Barrel District has enormous potential to revive an important historic and industrial sector of Chicago and restore a source of employment and innovation for the city and immediate communities. As TAP members underscored in their final presentation to community members on August 15, 2007, the area is positioned to draw an entire region to a destination focused on creativity — and be inspired by and contribute to the rich diversity surrounding it. ‘Spice Barrel’ has the added benefit of creating opportunities for local youth to experience the creative industries.

At the August 15 public meeting, more than 75 people representing Chicago’s creative industries and the Pilsen and Chinatown communities expressed enthusiasm for the proposal and offered some cogent comments and input. David Betlejewski, executive director of the Eighteenth Street Development Corporation, spoke for many when he said he had initially viewed this prospect with a healthy dose of skepticism. He said, however, “the panel has done a wonderful job and provided an exciting opportunity to bring two communities together and create jobs. They’ve given us a blueprint



as a jumping off point to begin to make this a reality.”

The community meeting was just the beginning of the process of unfolding and developing the proposal. As Julia Stasch, chair of the TAP said, “when an idea is forged in the dynamic of community input, it always gets better.”

With the confluence of river and roads, and of diverse cultures in the surrounding communities, ‘Spice Barrel’ has a distinctive potential to become a node of shared public space between neighborhoods. By fostering the creative industries, the district can encourage collaboration between arts disciplines, provide affordable workspace, and create a destination for creative production and presentation. Most importantly, ‘Spice Barrel’ can spark commerce and create jobs.

The Spice Barrel Creative Industries District offers a constructive way to think about growth and revival in a city that is growing and changing almost as rapidly as when these four buildings were first built. The proposed plan is, however, only that — a proposal. The community and other stakeholders are the final arbiters of the creative reuse of this historically significant parcel of land.

As Ald. Solis stated, “It is important for the city to guide policy that will support a sustainable arts district. In the past, artists have had to relocate due to rising property values. The beauty of this plan is that these historic buildings will be dedicated to uses that complement the character of the buildings. At the same time, the buildings will remain for purposes focused around production, due to the nature of the PMD. The location of this district, nestled between the Chinatown and Pilsen, makes it a prime location to tie together arts, industry and culture.”

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