



January 10, 2020

To: Board of Trustees, Village of Oak Park

From: John Lynch, Executive Director

A handwritten signature in black ink, appearing to be "John Lynch", is written over the printed name.

Re: Economic Development Incentive – Icon Clark, LLC., 855 Lake Street

In May 2018, Icon Clark, LLC. (“Icon”) purchased the six-story residential building at 855 Lake Street, a well-known building located across from the Oak Park Library just east of Unity Temple, and is in the process of renovating the property. The renovations will not include changes to the use or interior layout of the building, but will improve its interior and exterior appearance.

Building codes for renovations of this type do not mandate improvements or additions to the existing stair and/or elevator. As such, elevator/stair upgrades were not included in initial plans and cost estimates, nor factored into Icon’s purchase price for the building. The Oak Park Fire Department, however, has inspected the property during construction and has strongly recommended the addition of both an enclosed stairwell and an elevator to the rear of the building. Such improvements would significantly enhance accessibility for residents and emergency responders.

Icon is in agreement that the improvements would be beneficial, and has expressed willingness to add a new exterior stairwell at Icon’s expense. The addition of a new elevator, however, is not financially practical. At an estimated cost of \$260,000, the elevator addition would be prohibitive to project profitability and would not be included in the project without financial assistance. Icon principal Ayman Khalil has therefore submitted a request to the Oak Park Economic Development Corporation (“OPEDC”) for financial assistance related to the elevator installation.

OPEDC has met with Mr. Khalil on multiple occasions to review Icon’s plan, the company history, and the project’s pro forma. OPEDC presented the results of that review to the OPEDC Board of Directors, which voted on December 6th to recommend a development incentive in the amount of \$260,000 to accommodate the new elevator and associated construction costs. By this letter, we are encouraging the Village Board of Trustees to support this partnership.

Project Background

Icon Clark purchased 855 Lake Street in 2018 for \$3.9 million with the intent to rehabilitate the building and its 64 rental units. That rehabilitation effort is currently underway, and total construction costs are currently estimated at \$4.5 million. Unit layouts will remain as they are, ranging from 260 to 1,200 square feet, with rents ranging from \$800-\$1,000 for studios (58 units), \$1,050-\$1,150 for one-bedroom units (4 units), and \$2,200-\$2,500 for two-bedroom units (2 units).



Icon's portfolio includes approximately 1,000 units, the majority of which are in the City of Chicago in neighborhoods ranging from Rogers Park on the north to Garfield Park on the west to Englewood, South Shore, and Pullman on the south. The company has extensive experience with affordable housing and working with related programs. 855 Lake Street is its first property in Oak Park.

Incentive Justification

OPEDC's decision to support this request was based on two intended outcomes: (1) improved safety and accessibility for residents and emergency responders; and, (2) the preservation of affordable and accessible housing units in the downtown area.

The building's existing elevator, located in the front lobby, will remain but is not ideal for emergency response or handicap accessibility due to its small size. Per code, an additional elevator is not required for a rehabilitation of this type but the Fire Department has strongly encouraged ownership to add a new exterior elevator meeting modern accessibility code. We concur with this recommendation from a life safety standpoint, and strongly note that this improvement will allow this building to be not only affordable, but fully accessible, which is unusual and needed in the downtown area.

Unfortunately, project economics do not support installation of an exterior elevator without financial support. We have verified that projected investment returns for the project, *excluding* the elevator, are already well below what typical institutional investors would require for a similar project. In fact, we respect and appreciate that Icon has voluntarily elected to add a new enclosed exterior stair despite the project's overall projection of below-market returns. We agree with Icon's assessment that, while desirable, an exterior elevator is not a financially viable addition and, since it is not required by code, we understand that it would be foregone without financial assistance from the Village of Oak Park.

Icon's investment is a unique opportunity to stabilize a prominent downtown building while also preserving quality affordable housing options for individuals that would like to live closer to transit and employment opportunities. Icon will commit to keeping 20% of the units affordable to renters at or below 50% area median income (AMI) for at least 15 years as part of its financing agreement with Community Investment Corporation and The Preservation Compact's Opportunity Investment Fund. Moreover, our analysis suggests that *over 85% of the units will be naturally affordable to renters at or below the 60% AMI level*, given target rental rates for the building.

It is our belief that Icon has represented the financial parameters of the project in good faith and has sufficiently demonstrated the case for public incentive. **We therefore encourage the Board of Trustees to support a grant of \$260,000 from the Village of Oak Park to Icon Clark, LLC., for the purpose of installing a new code-compliant exterior elevator at 855 Lake Street.**

Please do not hesitate to contact me with any questions.