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# Bryn Mawr and El Centro

# Feasibility Analysis Executive Summary

Northeastern Illinois University

*April 5, 2021*

# Executive Summary

- Northeastern Illinois University (“NEIU”) is considering its options to monetize two University-controlled sites in Chicago.
- **Objectives:** NEIU seeks to identify the best use of each site with the goal of potentially engaging the development community to maximize unrealized value from these underutilized real estate assets.
- **Bryn Mawr:** The first site is located along Bryn Mawr Avenue between N Bernard Street and N Kimball Avenue (the “Bryn Mawr” site), situated just east of the main NEIU Campus in the North Park neighborhood. NEIU acquired the Bryn Mawr site in 2015, and the site is made up of one-to-three-story buildings with ground floor retail. This site is made up of two potential development sites, one on each side of Bryn Mawr Avenue.
- **El Centro:** The second site is located adjacent to NEIU’s El Centro Campus in the Avondale neighborhood (the “El Centro” site). NEIU acquired the El Centro site in 2014. The site currently consists of several two-story industrial buildings.



Bryn Mawr Site



El Centro Site

# Scope of Work



- **Market Analysis:** The JLL Team researched current market trends in the areas surrounding the Bryn Mawr and El Centro sites in the North Park and Avondale neighborhoods.
- The JLL Team analyzed trends for retail, multifamily, office, and industrial product types.
- Additionally, the JLL Team researched sales transactions for comparable development sites in Chicago.
- The JLL Team's research included data collection related to existing market rents, operating expenses and other variables to inform financial feasibility analyses.
- Information was gathered from both publicly available sources as well as through discussions with brokers and other local industry professionals within the market.
- **Stakeholder Discussions:** The JLL Team engaged in two rounds of stakeholder discussions with NEIU officials, local government officials, and community members.
- These discussions highlighted the community's support for redevelopment of both sites.
- **Feasibility Analysis:** Utilizing the research and data provided by NEIU and collected by the JLL Team, the JLL Team developed several pro forma models to determine feasibility for specific development programs and identify the development options that would yield the most value for each property.
- **Residual Land Value:** The JLL Team utilized a residual land value approach to determine the highest and best use of each site as well as determine an estimated market value for both properties.
- **Residual Land Value Modeling Inputs:** Construction cost, financing cost, operating cost, and revenue data.
- **Transaction Structure:** The JLL Team analyzed several transaction structures, including fee simple disposition of the properties and potential ground lease structures that would yield financially advantageous outcomes for NEIU.
- The JLL Team outlined the potential advantages and disadvantages of each structure type to formulate a list of potential transaction issues for NEIU to consider.

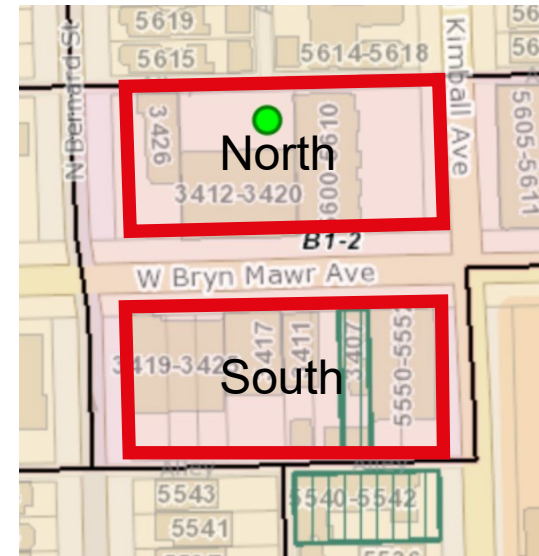
# Bryn Mawr Site Analysis

## Site Information:

- **Location:** North and South sides of Bryn Mawr Avenue between N Bernard Street and N Kimball Street
- **Existing Uses:** Retail and Office
- **Number of Existing Buildings:** 8
- **Zoning:** B1-2 Neighborhood Shopping District

## Potential Development Yield (By Right) Per Site:

- **Building Site Area:** 28,800 Square Feet
- **Building Height:** 4 Stories
- **Multifamily Units:** Approximately 77
- **Retail Space:** 26,410 Square Feet (ground floor)
- **Parking:** Approximately 77 parking spaces
- **Office Space:** 86,400 Square Feet (in lieu of mixed-use)



Bryn Mawr Site Zoning Map

Example rendering of by-right development

# Bryn Mawr Preliminary Findings

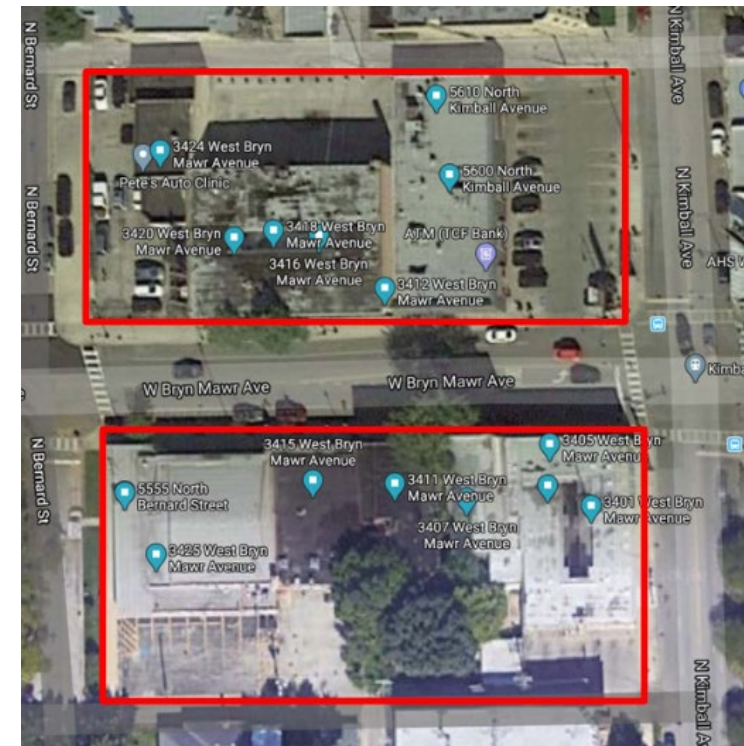


- **Recommended Product Type:** Mixed-Use multifamily with ground floor retail.
- **Recommended Transaction Structure:** Multifamily and retail mixed-use ground lease with additional income participation. A ground lease structure will allow NEIU to maintain ownership of the land and will provide for an element of control over programming.

**Community Input:** Supportive of mixed-use development, with potential uses to include multifamily and retail.



Example rendering of by-right development



Bryn Mawr Site

## Residential Assessment

- The housing inventory in North Park is made up of mostly older product. Only 4% of the total housing stock has been constructed in the last 20 years, amounting to just over 300 housing units. This housing inventory is split in half between owner-occupied and renter-occupied homes.
- Current Market Area rents average \$1,139 per unit and vacancy rates average 6.2%. The current asking rents in North Park are lower at \$1,047 per unit; however, vacancy is lower in North Park at only 4.1%.
- Five new construction apartment buildings have delivered dating back to 2015. Rents in these buildings currently average over \$2,000 per unit per month. There is one project under construction with 59 units and eight proposed projects in the pipeline totaling 349 units.

## Retail Assessment

- Current market rent in North Park averages \$18.19 PSF, lower than rates in both the Market Area and City. This lower average rate can be attributed to older than average inventory.
- The Bryn Mawr corridor retail inventory includes 58 storefronts and buildings, a third of which are vacant. The business mix includes a high number of food and drink uses.
- The gap analysis indicates that there could be demand for general merchandise stores, health and personal care stores, groceries, and other general retail uses.

# Bryn Mawr Site Strengths and Challenges



## STRENGTHS:

- **Mixed-Use Redevelopment:** Based on the property size, total developable area, proximity to campus and adjacent uses, the site lends itself to mixed-use multifamily with ground floor retail consisting of various product types, which help drive value for each other and the site as a whole.
- **Potential Uses Based on Feasibility Analysis:** mixed-use multifamily with retail and office.
- **Potentially Cooperative Local Jurisdiction:** Discussions with community members and officials suggest that a rezoning effort of the subject site from B1-2 to a more flexible zoning could be completed within a relatively quick timeline with significant support from the community.

## CHALLENGES:

- **Liquor License Restrictions:** The site sits within an existing Liquor License restricted area, which may limit potential retail rents from restaurant tenants.
- **Existing Density:** Current B1-2 zoning limits the overall height of potential redevelopment to 38 feet, which would allow for approximately three stories of development. *Rezoning the property to allow for more density would increase multifamily unit yields and potentially have a positive impact on overall property income.*

## PROCESS:

- 100 community residents participated in a survey issued by HNPCA and focused around the Bryn Mawr site.
- 92% of respondents live in the Hollywood or North Park neighborhoods.
- 8% of respondents live in adjacent neighborhoods.
- Respondents were asked to rank their agreement with a statement on a scale of 1 to 5, with 1 representing a “strongly disagree” response and 5 representing a “strongly agree” response.

## RESULTS:

- The following illustrates the majority responses for each statement:
- “These properties should have multifamily housing.”
  - 36% Neutral, 28% Agree

- “Creating affordable housing at this site will help retain people in our community.”
  - 38.7% Neutral, 28.7% Agree, 28.7% Strongly Agree
- “These properties should have retail/commercial uses.”
  - 49% Strongly Agree, 30.3% Agree
- “These properties should have institutional uses.”
  - 36.9% Neutral, 31.1% Agree
- “These properties should have mixed-uses.”
  - 65.6% Strongly Agree, 21.3% Agree
- “These properties should be two stories or less.”
  - 35.2% Neutral, 27.9% Strongly Agree
- “These properties can be up to five stories tall to encourage urban density.”
  - 24.6% Neutral, 23.8% Agree, 23.8% Strongly Disagree



# El Centro Site Analysis



## Site Information:

- **Location:** Corner of N Avondale Avenue and W Henderson Street adjacent to the NEIU El Centro Campus
- **Existing Uses:** Industrial
- **Number of Existing Buildings:** 5
- **Zoning:** M1-1 Limited Manufacturing
- **Allowed Uses:** Low-impact manufacturing, wholesaling, warehousing and distribution activities that occur within enclosed buildings.

## Potential Development Yield (By Right):

- **Building Area:** 48,850 Square Feet
- **FAR:** 1.2
- **Industrial Space:** 58,620 Square Feet
- **Height Limit:** None



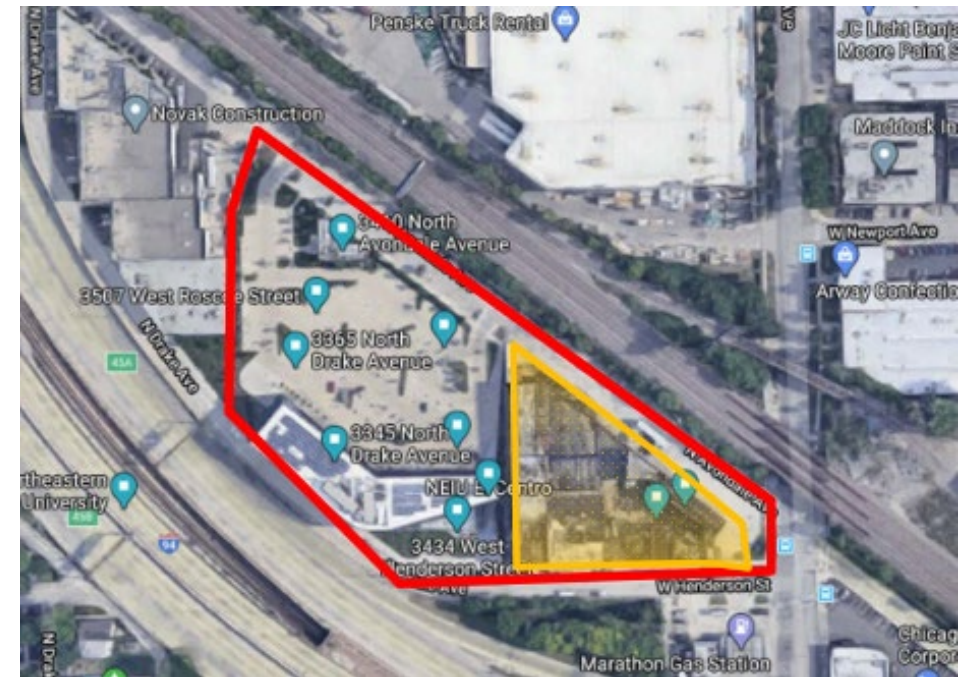
El Centro Site Zoning Map

# El Centro Preliminary Findings

- **Recommended Product Type:** Industrial or distribution.
- **Recommended Transaction Structure:** Pursue ground lease with an industrial user or continue to lease the existing premises as-is. A ground lease structure will allow NEIU to maintain ownership of the land and will provide for an element of control over programming.



Example rendering of by-right development



El Centro Site

## Residential Assessment

- The current Market Area rent and vacancy rate are \$1,367 per unit and 8.6%, respectively. The current asking rents in Avondale are lower at \$1,296 per unit while the vacancy rate is similar at 8.7%. Although residential rents in the market have been growing, the NEIU property at the El Centro site is not well positioned for residential development. The site is near the highway, difficult to access, and presents challenges for pedestrians due to the industrial nature of the surrounding areas.

## Retail Assessment

- Avondale has a relatively low vacancy rate at 5.7% and market rent per square foot of \$18.67, on par with the large market area. Since 2015, six retail developments have been delivered. The Fields, at 4000 W Diversey, makes up most of the recently developed square footage. Triple-net lease rates range from \$29 to \$35 in retail developments built since 2015. There is one retail project under construction and six proposed.

## Industrial Assessment

- The current industrial market rent in Avondale is \$10.11 with only 2.9% of the nearly three million square feet of industrial space vacant. Market rents in Avondale are higher than seen in the City and market vacancy in Avondale is lower than the City. Newer industrial product is anticipated to command higher than average rent.

# El Centro Site Strengths and Challenges



## STRENGTHS:

- **Location for Distribution:** The site is well-situated for use as an industrial or warehouse distribution center.
- The site allows for easy access to Interstate 90 and various distribution routes both in and out of the City of Chicago.
- **Potential Uses Based on Feasibility Analysis:** Additional industrial buildings, self storage facilities and big-box warehouse retail.
- **Recent Re-Zoning of the El Centro Campus:** NEIU may look to the recent rezoning of the adjacent El Centro Campus from M1-1 and M1-3 to C3-1 as a precedent to pursue similar rezoning for the subject site to increase potential development density.

## CHALLENGES:

- **Location for Uses Other Than Industrial:** The site is situated between Interstate 90 to the west and train tracks to the east. Along with the adjacency to the highway and train tracks, predominately industrial and manufacturing uses nearby make development of multifamily or office extremely unlikely.
- **Existing Density:** Current M1-1 zoning limits the overall density of potential redevelopment to an FAR of 1.2. However, rezoning would not be necessary to continue using the site for industrial or distribution tenants.

# Summary of Preliminary Findings



- **BRYN MAWR:**
- **Recommended Product Type:** Redevelop for mixed-Use multifamily with ground floor retail or renovate for continued retail use.
- **Recommended Transaction Structure:** Multifamily and retail mixed-use ground lease with additional income participation. A ground lease structure will allow NEIU to maintain ownership of the land and will provide for an element of control over programming.
- **Community Input:** Supportive of mixed-use development, with potential uses to include multifamily and retail.
- **EL CENTRO:**
- **Recommended Product Type:** Redevelop for new industrial/distribution or renovate for continued industrial use.
- The site is well positioned for distribution uses based on its proximity to Interstate-90 with easy access to Downtown and points north.
- **Recommended Transaction Structure:** Pursue ground lease with an industrial user or continue to lease the existing premises as-is. A ground lease structure will allow NEIU to maintain ownership of the land and will provide for an element of control over programming.