Euclid Terraces

Oak Park, Illinois

Project Type: Mixed Use—Two Uses

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PROJECT TYPE

Euclid Terraces is a 3.2-acre (1.3-ha) mixed-use project located in Oak Park, Illinois, a western suburb of Chicago. The project, codeveloped by Focus Development and the Taxman Corporation, comprises 93 residential units—59 condominiums and 34 townhomes—7,091 square feet (659 sq m) of ground-floor retail space, and a 522-space structured parking garage. Spurred by a strong public/private partnership, the $28.5 million development benefited from a rapid absorption rate: 98 percent of the for-sale units were sold before construction began and 100 percent of the apartments and retail space was leased shortly after completion.

LOCATION

Outer Suburban

SITE SIZE

3.2 acres/1.3 hectares

LAND USES

Condominiums, Townhouses, Apartments, Multifamily Rental Housing, Retail, Restaurants, Structured Parking

KEY FEATURES

- Public/Private Partnership
- Brownfield
- Infill Development
• Transit-Oriented Development

PROJECT ADDRESS

710 North Boulevard
Oak Park, Illinois

DEVELOPERS

Focus Development, Inc.
Northfield, Illinois
847-441-0474
www.focusdevelopment.com

Taxman Corporation
Skokie, Illinois
847-674-4321

ARCHITECT

Antunovich Associates
Chicago, Illinois
312-266-1126
www.antunovich.com
GENERAL DESCRIPTION

Euclid Terraces is a mixed-use infill development located in a shopping district in Oak Park, a western suburb of Chicago. The project incorporates multiple uses among several structures in a compact area: 522 parking spaces in a vertical parking garage, 59 condominium units, and 34 townhomes, as well as 7,091 square feet (659 sq m) of ground-floor retail and restaurant space. A strong public/private partnership and community engagement were central to its success.

Focus Development, Inc., is a developer of residential and mixed-use real estate in the Chicago area. Founded in 1993 by Tim Anderson, the firm specializes in high-end multifamily developments in communities north and west of the city such as Winnetka, Lake Forest, Evanston, Highland Park, and Oak Park. The 20-person in-house team includes designers, architects, contractors, and engineers. In 2007, Focus Development closed $105 million in residential sales—comprising 228 residential units and 152,000 square feet (14,121 sq m) of space, making it one of the top 16 homebuilders in the area.

For the Euclid Terraces project, Focus Development partnered with the Taxman Corporation—a Chicago-area developer with extensive experience in Oak Park and in retail development—to form two development entities, Euclid Terraces, LLC, and Euclid Commons, LLC. The Taxman Corporation had previously developed the largest shopping area in downtown Oak Park as part of a public/private partnership with the village of Oak Park.

SITE, DEVELOPMENT PROCESS, AND BACKGROUND

The village of Oak Park, lying nine miles (14.5 km) due west of the Chicago Loop, is perhaps most widely known as the site of Frank Lloyd Wright’s former home and studio and the birthplace of Ernest Hemingway. Featuring three historic districts and an active Oak Park Area Arts Council, the village comprises an array of galleries, boutiques, live music venues, and restaurants. The community of about 50,000 is served by rail rapid transit, commuter rail, and several bus routes.

The Euclid Terraces property is located in a shopping district at the intersection of Oak Park Avenue and Lake Street. Known as “the Avenue,” it has been a lively retail hub for over a century and is one of 12 village shopping districts. Prior to the construction of Euclid Terraces, the 3.2-acre (1.3-ha) site had accommodated two surface parking lots, a fast-food restaurant, and a gas station. In 2000, the village of Oak Park issued a request for proposals (RFP) for the land, seeking to redevelop one of the largest remaining properties in the village with a project that would blend with the character of the historic neighborhood as well as offer uses that would meet local needs.

Sited at the eastern edge of the Avenue shopping district, the mix of uses at Euclid Terraces serves as a transition from the retail district to the adjacent neighborhood of mostly single-family residences to the north and east. Oak Park and River Forest High School is a block away to the east. To the south of the parking garage and the Terraces townhouses are elevated tracks for the Chicago Transit Authority and Metra commuter rail. Train stations for these lines are 1.5 blocks away. Just east of the Terraces townhomes is a fire station, and an apartment building stands to the east of Euclid Commons. The site is also located partially within the Ridgeland–Oak Park Historic District.

Euclid Terraces, LLC, engaged Tracy Cross & Associates to perform a residential market feasibility study, including initial pricing structure, an absorption forecast, and a competitive analysis. To verify the private firm’s findings, Focus Development also conducted its own in-house market research and field work in coordination with local residential brokers. The Taxman Corporation determined the retail rental structure based on its years of experience owning and operating retail properties in the Oak Park and River Forest market.

A vital partner in the redevelopment of the site, the village entered into a redevelopment agreement with Euclid Terraces, LLC, for the project. The village manager and director of development services each provided leadership in the management of the project and implementation of the redevelopment agreement. The village board served as the planning commission and zoning board of appeals for the project. The redevelopment agreement and
planned development ordinance were approved at the same time, on March 6, 2001. The Historic Preservation Commission (HPC) reviewed and approved the third phase of the project at its March 13, 2003, meeting. (The HPC reviewed only Phase III of the project because that was the only portion lying within the historic district.)

The village’s role included committing to delivering a buildable site with necessary environmental remediation, demolition, and utility relocation; serving as owner and operator of the parking garage; and leading the resolution of a land assembly dilemma involving a privately owned lot adjacent to the city-owned redevelopment site.

Because the parcels for development included former sites of two gas stations, environmental remediation was required. In practice, the village negotiated with Euclid Terraces, LLC, to remove the contaminated soil during excavation.

The high level of public involvement was the result of the origins of the project as a response to an RFP from the village, as well as the developers’ compliance with Oak Park’s Planned Development Process, which requires a comprehensive review and public input before any construction can begin.

Initially, the community reacted to only two major elements of the project: the parking garage and the demolition of the Tasty Dog restaurant. The Avenue Business Association was against the proposed parking garage, preferring instead to retain the existing surface parking lots. To address these concerns, the village of Oak Park performed extensive outreach to the association.

The community at large expressed vocal concern about the fate of the Tasty Dog, a much-loved fast-food restaurant that stood at a location necessary for the land assembly of the project. The village briefly considered using eminent domain on the site, but ultimately the village and the chosen developer relocated the beloved eatery across the street.

A formal public hearing was held in February 2001, where community members voiced concerns about the prospect of traffic congestion resulting from developing a multifamily property near single-family homes. The village worked with concerned citizens as well as various neighborhood organizations and the Environmental Protection Agency (EPA). With the concerns resolved, construction on the first phase of the development—the public parking garage—began in April 2001.

FINANCING

The Focus Development and Taxman Corporation development partnership was a 50/50 joint venture. They created two limited liability companies—the aforementioned Euclid Terraces, LLC, and Euclid Commons, LLC—to proceed with the project. Focus Development managed the residential components of the project and the Taxman Corporation handled the retail portion. The two main risks for the project were the construction risk and the market risk of selling the condominiums and townhomes. The environmental risk typically associated with an infill site was borne by the village of Oak Park, which assumed responsibility for providing a clean, developable site to the development partnership under the terms of its redevelopment agreement with Euclid Terraces, LLC.

The expected profit margin on the for-sale residential product ranged from 11 to 16 percent of gross sales after all costs, including developer fees. The project achieved the expected level of financial performance for all the properties developed.

The Focus/Taxman partnership provided all equity for the project. The equity took the form of initial pursuit/entitlement costs borne by the partnership and financial guarantee, which equaled approximately 15 percent of total project costs.

Euclid Terraces, LLC, paid the village $2.29 million for all of the public property that was included in the project, as well as the original site of the Tasty Dog eatery that was acquired as part of the project. The village pursued the
project in anticipation of the property taxes and sales taxes that would come from the new development beyond what the developers paid for the acquisition of the public property.

The land for the development was all publicly owned, except for one privately held site that housed the aforementioned hot dog stand and an easement to the west of the restaurant site. After a long round of negotiations concerning the value of the property, the landowner sold the Tasty Dog site to the village for $607,000. The village also paid an additional $175,000 for a 30-by-100-foot (9.1-by-30.5-m) easement on the west side of the Tasty Dog property. Finally, to relocate the Tasty Dog, the village acquired a former Amoco gas station site for $430,000 from the Taxman Corporation, which agreed to sell the site to the village for its costs. Euclid Terraces, LLC, also contributed approximately $200,000 toward the construction of the new restaurant and relinquished an option for office development on the site.

The construction loans for the condos, townhouses, and mixed-use building were revolving loans with an approximately 80 percent loan-to-value ratio. Midwest Bank provided construction financing, contingent on 25 percent of the condominiums being presold.

Permanent financing for the mixed-use Euclid Commons building was furnished by John Hancock Life Insurance Company and arranged by Cohen Financial. The loan amount was 75 percent of the appraised value, with a debt service-coverage ratio of 1.25.

**PLANNING, DESIGN, AND CONSTRUCTION**

The project underwent the village’s formal planned development process, a typical process within Oak Park for the approval of larger developments. The developer must submit a planned development application, which is then reviewed in public hearings to determine its compliance with appropriate standards and consider proposed zoning variances prior to commencing construction.

The logistics of the compact site design and the need to minimize the disruption of traffic on Lake Street and Euclid Avenue necessitated careful phasing of the construction, which was completed in three years. The phases of construction were as follows:

- the public parking garage (started in April 2001 and completed in November 2001);
- the Mews condominiums (started in August 2001 and completed in February 2003);
- relocation and rebuilding of the Tasty Dog (started in March 2002 and completed in April 2003);
- the Terraces townhomes (started in summer 2002 and completed in January 2004); and
- the Euclid Commons apartments with ground-floor retail (on the former site of the Tasty Dog; started in June 2003 and completed in April 2004).

Initially, the site was split between two different zoning designations: B-3 Central Business and B-1 General Business. Under the planned development ordinance approved for this redevelopment area, these zoning classifications were changed to planned development, and the overall floor/area ratio (FAR) allowed was between 1.7 and 2.7, not including the public parking garage structure. Euclid Terraces, however, was developed below the maximum permitted residential density, but it did require variances to the bulk regulations under the zoning ordinance. On the site for the Mews condominiums, which was changed from commercial to residential permitted use, the development was configured to direct traffic away from nearby single-family neighborhoods.

**Parking Garage.** The first structure to be built was the five-story public parking garage on the west half of the village-owned surface parking lot at Oak Park Avenue and North Boulevard. Before, parking was limited to surface lots and street parking; today, the 522-space parking garage increases the previous capacity of the shopping district by more than 50 percent. As one of its roles in the public/private partnership for this project, the developer, Euclid Terraces, LLC, oversaw the design and construction of the garage on behalf of the village, which owns and operates the garage.
The design challenge for the Avenue Garage involved blending the structure with the historic character and small scale of the shopping district. The high cost of building parking underground eliminated below-grade levels as an option. To minimize the visual impact of the multilevel garage, the east exterior wall is shared with the Terraces townhomes. The brick facade of the concrete structure complements that of the surrounding retail properties, and coordinated brick hardscaping and ornamental streetlighting line a pedestrian access path to Oak Park Avenue. Twenty-seven spaces in the garage are reserved for occupants of the Euclid Commons apartments.

**The Mews.** Intended to complement nearby residential architecture in the neighborhood, the 32-unit Mews condominium property features gable roofs, bay windows, terraces, and balconies. On each floor, the elevator lobby has floor-to-ceiling windows that allow natural light into each floor’s corridor and open to views of the landscaped green roof courtyard. The rooftop includes private terraces as well as a community patio space beneath a pergola. Under the roof is heated indoor parking for all of the condominium units, with a parking ratio of 1.4. The green roof, which is also an amenity in the Terraces townhomes, is an environmentally sound and aesthetically pleasing alternative to a typical asphalt rooftop. Situated at the northeast corner of Euclid Avenue and Lake Street, the project was built at a density of 44 units per acre (109 units per ha).

**The Terraces Townhouses.** The Terraces, on the northwest corner of Euclid Avenue and North Boulevard, comprise 34 three-story luxury townhome units, with a rear wall that abuts the public parking garage. These dwellings feature brick and stone exteriors, with a plaza terrace and landscaped gardens. Other features include private roof terraces, balconies, or patios and decorative ornamental fencing. Each unit has either ground-level private individual garage parking or an indoor, heated garage space, with a parking ratio of 1.7 for the property. The property is designed at a density of 24 units per acre (59 units per ha).

**Euclid Commons.** The four-story mixed-use Euclid Commons building—at the southwest corner of Lake Street and Euclid Avenue, sited diagonally across from the Mews—comprises 27 apartments that were converted into luxury condominiums in 2006. The units are furnished with stainless steel appliances, granite countertops, maple cabinets, and in-unit washers and dryers. The ground-floor restaurant and retail tenants include a mix of locally owned businesses and national and regional franchises (e.g., Starbucks, Jimmy John’s Gourmet Sandwiches). The design also features a landscaped brick walkway connecting Lake Street to the Avenue Garage.

**Tasty Dog.** Many Oak Park residents expressed concern that the redevelopment of the publicly owned properties for the Euclid Terraces project would mean shutting down Tasty Dog, a hot dog stand considered iconic by many locals. After extended negotiations among the village, the restaurant owner, and the property owner, the final agreement yielded a cash settlement from the village to the landowner, the purchase of a new site for the restaurant across the street, the construction of a new building, and the relocation of Tasty Dog—all undertaken by the village.

Ownership of the property and the building permits the village to control the impact of the new Tasty Dog on the neighborhood, including litter, odor, noise, and traffic. Village ownership also allows for strict control over future use of the site. Euclid Terraces, LLC, acted as development manager on behalf of the village of Oak Park. This transfer facilitated the construction of the Euclid Commons apartments and retail on the site of the former hot dog stand, while keeping the Tasty Dog nearby. The design of the new Tasty Dog site and building was carefully planned to minimize the restaurant’s impact on the adjoining residential neighborhood, including limiting all access to the site via Lake Street.

**MARKETING, MANAGEMENT, AND PERFORMANCE**

Sales methods included a sales trailer on site, a model and sales office, as well as listings on Craigslist and in local print media, a broker liaison, and special open houses. The property benefited from a rapid absorption rate in all of its elements: 97 percent of the condominium units were sold prior to completion, with sales prices of $220 per square foot ($2,368 per sq m); the apartments and retail space were 100 percent leased shortly after completion; and the townhomes were sold out before completion, with sales prices of $195 per square foot ($2,099 per sq m).
The apartments, which were converted into condominiums in 2006, sold for $250 per square foot ($2,691 per sq m).

The leasing strategy for the ground-level retail space included seeking a mix of boutique and independent tenants, anchored by national retailers. The site benefits from highly visible retail frontage along Lake Street and a high density of nearby residents. Retail rents have averaged $28 per square foot ($301 per sq m) and the space is fully leased.

Both the condominiums and the townhouses are legally “condominiums” and are governed by their respective declarations of condominium ownership. Each is managed by a third-party property management company. When it decided to convert the Euclid Commons rental apartments into condominiums, Euclid Terraces, LLC, created a comparable declaration of condominium ownership, which comprises a reciprocal easement agreement that describes the rights and responsibilities between the residential condo association and the retail ownership. These include easements for access and ingress, structural components, maintenance access, and mechanical equipment, among other things. It also describes management and operational division of responsibilities between the two entities.

The village of Oak Park, now the owner of the site for the relocated Tasty Dog restaurant, is collecting market-rate rent on the property with a lease that can be renewed until 2024.

EXPERIENCE GAINED

Know not only your market, but also your client. In their proposal to the village of Oak Park, the developers submitted a plan that was not the maximum residential density that the market might have actually served. They felt that a winning proposal needed to be slightly lower density to be well received by the village and public as compatible with the character of the neighborhood.

Design excellence can persuasively overcome stakeholder concerns. The Avenue Business Association initially expressed doubts about replacing the surface parking lots with a massive parking structure. However, the architect was able to economically and efficiently configure the large garage into the mixed-use setting, minimizing its visual impact but also making it readily accessible for both cars and pedestrians. The development successfully integrated a 522-car public parking garage into an intimate village business district, while increasing the previous parking capacity by 50 percent.

Ensure a well-written public/private partnership agreement. The redevelopment agreement with the village clearly outlined the public and private responsibilities in the project. It was drafted by an attorney for Euclid Terraces, LLC, who had done a similar agreement with the village before.

Find opportunities to work cooperatively on environmental cleanup. The village was responsible for delivering an environmentally remediated, buildable site. However, working with Focus Construction to achieve some of the remediation efforts as part of the excavation saved money and developed a stronger relationship among the partners.

Be prepared to dedicate the time necessary for community acceptance. The most vocal opposition to the project came when the fate of Tasty Dog was unclear. The relocation became an essential component for the land assembly and public support.

Environmental remediation can pose unexpected challenges. It turned out there was more environmental contamination than originally anticipated on the site of the townhomes, which in turn required more phasing and complicated construction. Simplifying the construction of the townhouses may have streamlined this effort.
# Land Use Information

- **Site area (acres/hectares):** 3.2/1.3
- **Percentage complete:** 100
- **Gross residential density (units per acre/hectare):** 28.9/71.4
- **Number of off-street parking spaces:** 637

## Gross Building Area

<table>
<thead>
<tr>
<th>Use</th>
<th>Area (Square Feet/Square Meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>7,091/659</td>
</tr>
<tr>
<td>Residential</td>
<td>131,600/12,226</td>
</tr>
<tr>
<td>Parking</td>
<td>158,300/14,707</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>296,900/27,583</strong></td>
</tr>
</tbody>
</table>

## Leasable Area

<table>
<thead>
<tr>
<th>Use</th>
<th>Area (Square Feet/Square Meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>7,091/659</td>
</tr>
</tbody>
</table>

## Residential Information

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Average Floor Area (Square Feet/Square Meters)</th>
<th>Number Sold/Leased</th>
<th>Range of Initial Sales/Rental Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apartments</td>
<td>749–1,225/70–114</td>
<td>27</td>
<td>$1,273–$2,193</td>
</tr>
<tr>
<td>Condominiums</td>
<td>940–2,752/87–256</td>
<td>30</td>
<td>$192,900–$581,800</td>
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<tr>
<td>Townhouses</td>
<td>1,890–3,024/176–281</td>
<td>34</td>
<td>$360,900–$594,500</td>
</tr>
</tbody>
</table>

Number of residential units: 93

## Retail Information

<table>
<thead>
<tr>
<th>Tenant Classification</th>
<th>Number of Stores</th>
<th>Total Gross Leasable Area (Square Feet/Square Meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General merchandise</td>
<td>2</td>
<td>1,000–1,305/93–121</td>
</tr>
<tr>
<td>Food service</td>
<td>2</td>
<td>1,237–1,289/115–120</td>
</tr>
<tr>
<td>Gift/specialty</td>
<td>1</td>
<td>1,165/108</td>
</tr>
<tr>
<td>Personal services</td>
<td>1</td>
<td>1,095/102</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6</strong></td>
<td><strong>7,091/659</strong></td>
</tr>
</tbody>
</table>

Average length of lease: 5–10 years

## Development Cost Information

- **Site Acquisition Cost:** $3,246,455
- **Land acquisition:** $2,298,583
- **Closing costs:** $952,872

- **Construction Costs:** $20,989,059
- **Retail:** $1,000,000
- **Residential:** $19,989,059

- **Soft Costs:** $4,313,170
- **Architecture and engineering:** $485,694
- **Project management:** $747,001
- **Marketing:** $825,344
- **Legal/accounting:** $245,163
- **Taxes/insurance:** $407,025
- **Title fees:** $19,753
Construction interest/fees: $903,088
Other/miscellaneous: $680,102

Total Development Cost: $28,548,684

DEVELOPMENT SCHEDULE
Site purchased: April 2001
Construction started: April 2001
Project completed: March 2004

DRIVING DIRECTIONS

From Chicago O'Hare International Airport: Merge onto I-190 East via the ramp to Chicago; follow for 1.7 miles (3.1 km). Take exit 1B for South River Road; merge onto North River Road for 4.9 miles (7.9 km). Make a slight right at North First Avenue/IL-171. Turn left at Lake Street, and then take a right at North Euclid Avenue. Project will be on both sides of the street.

Driving time: 25 minutes in nonpeak traffic.

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This Development Case Study is intended to serve as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project’s development team and constitute a report on, not an endorsement of, the project by ULI–the Urban Land Institute.

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Euclid Terraces is a 3.2-acre (1.3-ha) project that features 93 residential units with 7,091 square feet (659 sq m) of retail space and a 522-space parking garage. (Shown here is the Euclid Commons component of the project, which comprises ground-floor retail uses under 27 apartments that later became condominiums.)

Located on a site adjacent to the parking garage is the Terraces Townhomes, the project’s 34-unit, three-story townhouse component.
Euclid Terraces benefited from a rapid absorption rate, with 97 percent of the condos and townhouses sold prior to completion. The apartments and retail space were 100 percent leased shortly after their completion.
Sporting a green roof, the Mews—Euclid Terraces’ 32-unit condominium building—is situated on a block diagonal to the Terraces.
The result of a public/private partnership, Euclid Terraces’ parking garage increased the parking capacity for the area’s shopping district by 50 percent.

Early in the development process, the community did not respond favorably to the project due to the planned closing of Tasty Dog. In response, the village of Oak Park purchased a new site across the street and constructed a new building for the iconic hot dog stand.
The Terraces Townhomes site plan.
The Mews site plan.
Euclid Commons site plan.