1998 Annual Report

Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area

Pursuant to Mayor's Executive Order 97-2

JUNE 30, 1999

City of Chicago
Richard M. Daley, Mayor

Department of Planning and Development

Christopher R. Hill
Commissioner

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Chicago, Illinois 60602
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June 30, 1999

The Honorable Mayor Richard M. Daley, Members
of the City Council, and Citizens of the City of Chicago
City of Chicago
121 N. LaSalle Street
Chicago, Illinois 60602

Ladies and Gentlemen:

The attached information for the Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area, along with 63 other individual reports, is presented pursuant to the Mayoral Executive Order 97-2 (Executive Order) regarding annual reporting on the City's tax increment financing (TIF) districts. The City's TIF program has been used to finance neighborhood and downtown improvements, leverage private investment, and create and retain jobs throughout Chicago.

Pursuant to the Executive Order, the Annual Report, presented in the form of the attached, will be filed with the City Clerk for transmittal to the City Council and be distributed in accordance with the Executive Order.

Sincerely,

Christopher R. Hill
Commissioner
Department of Planning and Development

Walter K. Knorr
Chief Financial Officer

NEIGHBORHOODS Alive!
BUILDING CHICAGO TOGETHER

CHICAGO WORKS TOGETHER

ERNST & YOUNG LLP

Suite 400
111 North Canal
Chicago, Illinois 60606

Phone: 312 879 2000

June 30, 1999

Mr. Christopher R. Hill
Commissioner
Department of Planning and Development
121 N. LaSalle St.
Chicago, Illinois 60602

Commissioner Hill:

Enclosed is the required annual report for the Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area, which we compiled at the direction of the Department of Planning and Development pursuant to the Mayor's Executive Order 97-2. The contents are based on information provided to us by the Chicago Departments of Planning and Development, Finance, and Law Department. We have not audited, verified, or applied agreed upon procedures to the data contained in this report. Therefore, we express no opinion on its accuracy or completeness.

The report includes the City's data methodology and interpretation of Executive Order 97-2 in addition to required information. The tables in this report use the same lettering system as the Executive Order in order to allow the reader to locate needed information quickly.

It has been a pleasure to work with representatives from the Department of Planning and Development and other City departments.

Very truly yours,

Ernst + Young LLP

Ernst & Young LLP

Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area 1998 Annual Report

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ANNUAL REPORT - MARTIN LUTHER KING, JR. DRIVE AND 41ST STREET REDEVELOPMENT PROJECT AREA IN COMPLIANCE WITH SECTION (4) OF THE MAYOR'S EXECUTIVE ORDER 97-2

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Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area 1998 Annual Report

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Purpose of Report:

The purpose of the Annual Report for the Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area (Report) is to provide information regarding the City of Chicago (City) tax increment financing (TIF) districts in existence on December 31, 1998, as required by the Mayor's Executive Order 97-2 (Executive Order). This Report covers the Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area (Project Area).

Methodology:

In the process of providing information about the Project Area, care was taken to follow the organization of the Executive Order to allow the reader to locate needed information in an efficient manner. The Report reflects only TIF economic activity during 1998, also referred to in this report as "the prior calendar year." As outlined below, several assumptions were made concerning certain required information.

(a) General Description

The general boundaries of the Project Area are described and illustrated in a map. However, in order to provide ease of reading, only major boundary streets are identified. For exact boundaries, the interested reader should consult the legal description of the Project Area boundaries found in the Redevelopment Plan (Attachment).

(b) Date of Designation and Termination

For purposes of this Report, the date of termination is assumed to occur 23 years from the date of designation, the maximum duration currently allowed under the Tax Increment Allocation Redevelopment Act.

(c) Copy of Redevelopment Plan

The Redevelopment Plan, as amended (if applicable), for the Project Area is provided as the Attachment at the end of the Report.

(d) Description of Intergovernmental and Redevelopment Agreements

Table D describes agreements related to the Project Area which are either intergovernmental agreements between the City and another public entity or redevelopment agreements between the City and private sector entities interested in redeveloping all or a portion of the Project Area. The date of recording of agreements executed by the City in 1998 and filed with the Cook County Recorder of Deeds is included in Table D (if applicable).

(e) Description of TIF Projects

Table E describes each TIF project in the Project Area that has already received approval by the Community Development Commission, and which received TIF financing during 1998. Those projects in discussion, pre-proposal stage with a developer, or being reviewed by Community Development Commission staff are not "projects" for purposes of the Report. The amount budgeted for project costs and the estimated timetable were obtained from the Project Area's intergovernmental or redevelopment agreements, if such agreements exist. Table E specifically notes:

1) the nature of the project;

2) the budgeted project cost and the amount of TIF assistance allocated to the project;

3) the estimated timetable and a statement of any change in the estimate during the prior calendar year;

4) total City tax increment project expenditures during the prior calendar year and total City tax increment project expenditures to date;

5) a description of all TIF financing, including type, date, terms, amount, project recipient, and purpose of project financing.

(f) Description of all TIF Debt Instruments

Table F describes all TIF debt instruments related to the Project Area in 1998. It should be noted that debt instruments issued without a security pledge of incremental taxes or direct payments from incremental taxes for principal and interest are not included in Table F, as such instruments do not qualify as TIF debt instruments as defined by the Executive Order. Table F includes:

1) the principal dollar amount of TIF debt instruments;
2) the date, dollar amount, interest rate, and security of each sale of TIF debt instruments and type of instrument sold;
3) the underwriters and trustees of each sale;
4) the amount of interest paid from tax increment during the prior calendar year (1998);
5) the amount of principal paid from tax increment during the prior calendar year (1998).

(g) Description of City Contracts

Table G provides a description of City contracts related to the Project Area, executed or in effect during 1998 and paid with incremental tax revenues. In addition, the date, names of all contracting parties, purpose, amount of compensation, and percentage of compensation paid is included in the table. Table G does not apply to any contract or contract expenditure reported under (e)(5) of Section 4 of the Executive Order.

City contracts related to the Project Area are defined as those contracts paid from TIF funds, not related to a specific TIF project, and not elsewhere reported. Items include, but are not limited to, payments for work done to acquire, dispose of, or lease property within a Project Area, or payments to appraisers, surveyors, consultants, marketing agents, and other professionals. These services may affect more than one project in a Project Area and are not otherwise reported. Table G does not report such noncontractual cost items as Recorder of Deeds filing fees, postage, telephone service, etc. City contracts include term agreements which are city-wide, multi-year contracts that provide goods or services for various City departments.

Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area 1998 Annual Report

(h) Summary of Private and Public Investment Activity

Table H describes each TIF project in the Project Area that has been executed through an intergovernmental or redevelopment agreement in 1998, or that has been approved by the Community Development Commission in 1998.

To the extent this information is available to the Commissioner of Planning and Development on a completed project basis, the table provides a summary of private investment activity, job creation, and job retention within the Project Area and a summary for each TIF project within the Project Area.

Table H contains the final ratio of private/public investment for each TIF project. The private investment activity reported includes data from the intergovernmental or redevelopment agreement(s) and any additional data available to the Commissioner of Planning and Development. Other private investment activity is estimated based on the best information available to the Commissioner of Planning and Development.

(i) Description of Property Transactions

Information regarding property transactions is provided in Table I to the extent the City took or divested title to real property or was a lessor or lessee of real property within the Project Area. Specifically, the Executive Order requires descriptions of the following property transactions occurring within the Project Area during 1998:

1) every property acquisition by the City through expenditure of TIF funds, including the location, type and size of property, name of the transferor, date of transaction, the compensation paid, and a statement whether the property was acquired by purchase or by eminent domain;

2) every property transfer by the City as part of the redevelopment plan for the Project Area, including the location, type and size of property, name of the transferee, date of transaction, and the compensation paid;

3) every lease of real property to the City if the rental payments are to be made from TIF funds. Information shall include the location, type and size of property, name of lessor, date of transaction, duration of lease, purpose of rental, and the rental amount;

4) every lease of real property by the City to any other person as part of the redevelopment plan for the Project Area. Information shall include the location, type and size of property, name of lessor, date of transaction, duration of lease, purpose of rental, and the rental amount.

(j) Financial Summary Prepared by the City Comptroller

Section (j) provides a 1998 financial summary for the Project Area audited by an independent certified public accounting firm. These statements were prepared in accordance with generally accepted accounting principles. These statements include:

1) the balance in the fund for the Project Area at the beginning of the prior calendar year;

2) cash receipts by source and transfers deposited into the fund during the prior calendar year;

3) transfer credits into the fund for the Project Area during the prior calendar year;

4) expenditures and transfers from the fund, by statutory category, for the Project Area during the prior calendar year;

5) the balance in the fund for the Project Area at the conclusion of the prior calendar year.

(k) Description of Tax Receipts and Assessment Increments

Table K provides the required statement of tax receipts and assessment increments for the Project Area as outlined in the Executive Order. The amount of incremental property tax equals the incremental EAV from the prior year multiplied by the applicable property tax rates. Actual receipts may vary due to delinquencies, sale of prior years' taxes, and payment of delinquencies. See the financial report for actual receipts. Table K provides the following information:

1) for a sales tax Project Area, the municipal sales tax increment and state sales tax increment deposited in the fund during the prior calendar year;

2) for a utility tax Project Area, the municipal utility tax increment and the net state utility tax increment amount deposited in the special allocation fund during the prior calendar year;

3) for a property tax Project Area, (A) the total initial equalized assessed value of property within the Project Area as of the date of designation of the area, and (B) the total equalized assessed value of property within the Project Area as of the most recent property tax year;

4) the dollar amount of property taxes on property within the Project Area attributable to the difference between items (3)(A) and (3)(B) above.

All terms used in Table K relating to increment amounts and equalized assessed value (EAV) are construed as in Section 9 of the Illinois Tax Increment Allocation and Redevelopment Act or the Illinois Industrial Jobs Recovery Law. Unless otherwise noted, the EAV and property tax information were obtained from the Cook County Clerk's Office. All sales tax information was obtained from the City of Chicago.

(l) Certain Contracts of TIF Consultants

Table L provides information about contracts, if any, between the TIF consultant who was paid by the City for assisting to establish the Project Area and paid by any entity that has received or is currently receiving payments financed by tax increment revenues from the Project Area. The contents of Table L are based on responses to a mail survey. This survey was sent to every consultant who has prepared at least one redevelopment plan for the establishment of a redevelopment project area within the City in 1998. The Executive Order specifically applies to contracts that the City's tax increment advisors or consultants, if any, have entered into with any entity that has received or is receiving payments financed by tax revenues produced by the same Project Area.

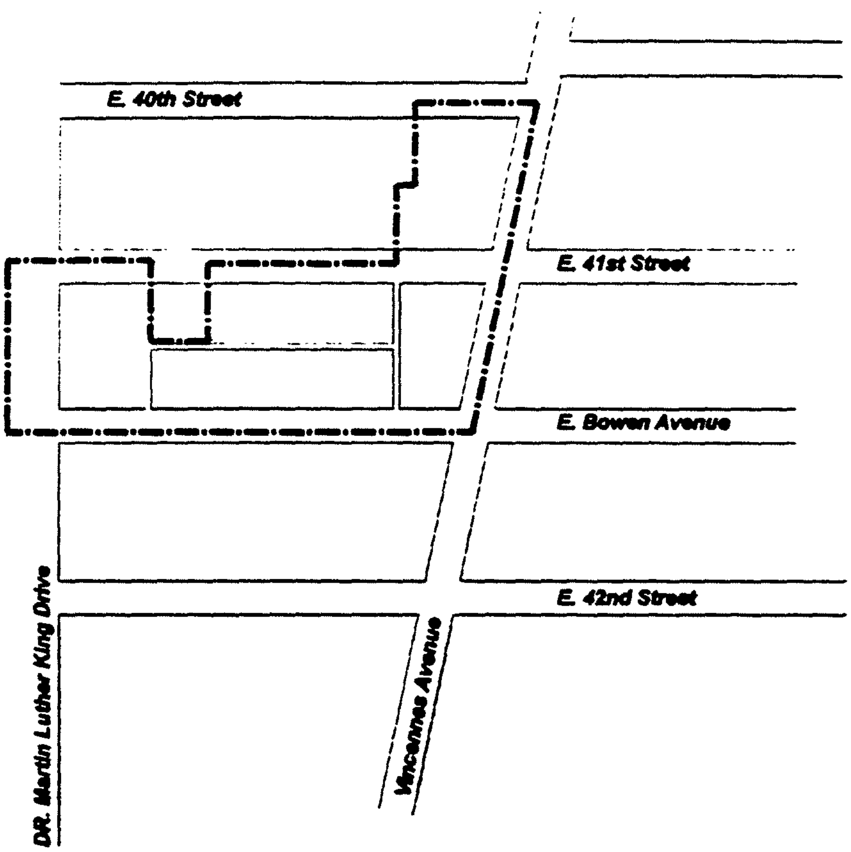
(m) Compliance Statement Prepared by an Independent Public Accountant

As part of the audit procedures performed by independent accountants, certain compliance tests were performed related to the Project Area. Included in the Annual Report is an audit opinion indicating compliance or non-compliance with the Illinois Tax Increment Allocation Redevelopment Act or the Illinois Industrial Jobs Recovery Law, as appropriate. Section (m) provides this statement.

Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area
1998 Annual Report

(a) GENERAL DESCRIPTION

The Martin Luther King, Jr. Drive and 41st Street Project Area is generally bounded by East 40th Street on the north, South Vincennes Avenue on the east, East Bowen Avenue on the south, and South Martin Luther King, Jr. Drive on the west. The map below illustrates the location and general boundaries of the Project Area. For precise boundaries, please consult the legal description in the Redevelopment Plan (Attachment).



Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area 1998 Annual Report

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(b) DATE OF DESIGNATION AND TERMINATION

The Project Area was designated by the Chicago City Council on July 13, 1994. The Project Area may be terminated no later than July 13, 2017.

(c) COPY OF REDEVELOPMENT PLAN

The Redevelopment Plan for the Project Area, as amended (if applicable), is contained in this Report (Attachment).

(d) DESCRIPTION OF INTERGOVERNMENTAL AND REDEVELOPMENT AGREEMENTS

During 1998, no new agreements were executed in the Project Area.

Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area
1998 Annual Report

(e) DESCRIPTION OF TIF PROJECT(S)

TABLE E
DESCRIPTION OF TIF PROJECTS APPROVED BY THE COMMUNITY DEVELOPMENT COMMISSION WITH EXPENDITURES DURING THE PRIOR CALENDAR YEAR

NATURE OF PROJECT	BUDGETED PROJECT COST	TIF ASSISTANCE ALLOCATED TO THE PROJECT	ESTIMATED TIMETABLE	PRIOR YEAR CHANGES IN TIMETABLE	TOTAL CITY TAX INCREMENT EXPENDITURES DURING 1998	TOTAL CITY TAX INCREMENT EXPENDITURES TO DATE	TYPE OF TIF FINANCING	DATE OF TIF FINANCING	TERM OF TIF FINANCING	PRINCIPAL AMOUNT OF TIF FINANCING	PROJECT RECIPIENT	PURPOSE OF PROJECT FINANCING
New Construction	$10,820,096	$1,750,000 (1)	2yrs	None	$39,241	$133,266	Incremental Revenue	10/1/94	23yrs	$3,733,300	Paul Stewart Apts.	Costruction of Apt. bldg. with 80% of units set aside for people with incomes 60% or less than the median

(1) Limited to construction loan interest.

(f) DESCRIPTION OF TIF DEBT INSTRUMENTS

During 1998, there were no TIF debt instruments outstanding for the Project Area.

(g) DESCRIPTION OF CITY CONTRACTS

During 1998, there were no City contracts relating to the Project Area.

Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area
1998 Annual Report

(h) SUMMARY OF PRIVATE AND PUBLIC INVESTMENT ACTIVITY

During 1998, there was no information available regarding public or private investment activity in the Project Area.

Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area
1998 Annual Report

(i) DESCRIPTION OF PROPERTY TRANSACTIONS

During 1998, the City did not take or divest title to real property within the Project Area. Additionally, the City was not a lessor or lessee of real property within the Project Area during 1998.

(j) FINANCIAL SUMMARY PREPARED BY THE CITY COMPTROLLER

CITY OF CHICAGO, ILLINOIS
41ST AND MARTIN LUTHER KING, JR. DRIVE
REDEVELOPMENT PROJECT

FINANCIAL REPORT

DECEMBER 31, 1998 AND 1997

CITY OF CHICAGO, ILLINOIS

41ST AND MARTIN LUTHER KING, JR. DRIVE REDEVELOPMENT PROJECT

C O N T E N T S

BANSLEY AND KIENER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
125 SOUTH WACKER DRIVE
CHICAGO, ILLINOIS 60606-4496
AREA CODE 312 263-2700

INDEPENDENT AUDITOR'S REPORT

The Honorable Richard M. Daley, Mayor
Members of the City Council
City of Chicago, Illinois

We have audited the accompanying balance sheets of the 41st and Martin Luther King, Jr. Drive Redevelopment Project of the City of Chicago, Illinois, as of December 31, 1998 and 1997, and the related statements of revenues, expenditures and changes in fund balance for the years then ended. These financial statements are the responsibility of the City of Chicago's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 41st and Martin Luther King, Jr. Drive Redevelopment Project of the City of Chicago, Illinois, as of December 31, 1998 and 1997, and the results of its operations and changes in fund balance for the years then ended in conformity with generally accepted accounting principles.

As explained in Note 1 to the financial statements, in 1998 the 41st and Martin Luther King, Jr. Drive Redevelopment Project of the City of Chicago, Illinois changed its method of accounting for investments.

The year 2000 information on pages 7 and 8 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the City of Chicago is or will become year 2000 compliant, that the City of Chicago's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City of Chicago does business are or will become year 2000 compliant.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of cash activities on page 9 and the schedule of expenditures by statutory code on page 10, which are also the responsibility of the City of Chicago's management, are presented for purposes of additional analysis and are not a required part of the financial statements of 41st and Martin Luther King, Jr. Drive Redevelopment Project of the City of Chicago, Illinois. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Bansley and Kiener, L.L.P.

Certified Public Accountants

May 4, 1999

CITY OF CHICAGO, ILLINOIS
41ST AND MARTIN LUTHER KING, JR. DRIVE REDEVELOPMENT PROJECT

BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

ASSETS	1998	1997
Cash and investments	$ 94,025	$ 39,253
Property taxes receivable	97,000	100,000
Accrued interest receivable	1,152	376
Total assets	$192,177	$139,629
LIABILITIES AND FUND BALANCE		
Due to other City funds	$ -	$ 1,250
Deferred revenue	97,000	100,000
Total liabilities	97,000	101,250
Fund balance	95,177	38,379
Total liabilities and fund balance	$192,177	$139,629

The accompanying notes are an integral part of the financial statements.

CITY OF CHICAGO, ILLINOIS
41ST AND MARTIN LUTHER KING, JR. DRIVE REDEVELOPMENT PROJECT

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
Revenues		
Property tax	$94,884	$37,572
Interest	1,155	388
Total revenues	96,039	37,960
Expenditures		
Capital projects	39,241	1,250
Revenues over expenditures	56,798	36,710
Fund balance, beginning of year	38,379	1,669
Fund balance, end of year	$95,177	$38,379

The accompanying notes are an integral part of the financial statements.

CITY OF CHICAGO, ILLINOIS
41ST AND MARTIN LUTHER KING, JR. DRIVE REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Description of Project

The 41st and Martin Luther King, Jr. Drive Tax Increment Redevelopment Project Area (Project) was established in July 1994. The area has been established to finance improvements, leverage private investment and create and retain jobs. Reimbursements, if any, are made to the developer for project costs, as public improvements are completed and pass City inspection.

Basis of Accounting

The Project is accounted for within the special revenue funds of the City.

The financial statements are prepared on the modified accrual basis of accounting and current financial resources measurement focus with only current assets and liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

Fixed assets are not capitalized in the general operating funds but, instead, are charged as current expenditures when purchased. The General Fixed Asset Account Group of the City includes the capital assets, if any, of the Project.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Illinois Tax Increment Redevelopment Allocation Act Compliance

The Project's expenditures include reimbursements for various eligible costs as described in subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act and the Redevelopment Agreement relating specifically to the Project. Eligible costs include but are not limited to survey, property assembly, rehabilitation, public infrastructure, financing and relocation costs.

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Investments

Cash belonging to the City is generally deposited with the City Treasurer as required by the Municipal Code of Chicago. The City Comptroller issues warrants for authorized City expenditures which represent a claim for payment when presented to the City Treasurer. Payment for all City warrants clearing is made by checks drawn on the City's various operating bank accounts.

The City Treasurer and City Comptroller share responsibility for investing in authorized investments. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances.

On January 1, 1998, the City adopted GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." Accordingly, the City values its investments at fair value, or amortized cost.

Property Taxes

Property taxes are susceptible to accrual and recognized as a receivable in the year levied. Revenue recognition is deferred unless the taxes are received within 60 days subsequent to year-end.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

YEAR 2000 READINESS DISCLOSURE (UNAUDITED)

The City's operations, like those of many other business entities, may be impacted by the inability of certain computer programs and electronic systems with embedded microprocessor chips to recognize calendar dates beyond the year 1999. Unless such programs and microprocessors are modified or replaced prior to the year 2000, they may not function properly after 1999.

The City formed an executive committee in May 1998, to oversee possible City-wide year 2000 impacts. The Department of Business and Information Services has been charged with managing the City's year 2000 project. The year 2000 issue is covered within the scope of the City's year 2000 project. The year 2000 project is divided into stages as follows:

Awareness Stage - Establishing a budget and project plan for dealing with the year 2000 issue.

Assessment Stage - Identifying the mission critical systems, equipment and individual components for which year 2000 compliance is needed.

Remediation Stage - Making changes to systems and equipment.

Validation/testing Stage - Validating and testing the changes that were made during the remediation stage.

The City committed approximately $28.2 million and $32.0 million in 1998 and 1999, respectively, for the repair and replacement of year 2000 compromised systems. As of December 31, 1998, the City entered into contracts for approximately $17.7 million for the test plan development, audit stages and upgrade of certain software programs.

Mission Critical Applications

The City has identified one computer application, the Chicago Accounting and Purchasing System, as critical to conducting the operations for year 2000 compliance. As of December 31, 1998, the City completed the awareness and assessment stages, and the remediation stage was in process for the above mission critical component. This mission critical component is still subject to the validation/testing stage. The City-wide completion of all stages is scheduled for September 1999.

Embedded Systems

The awareness stage, including an inventory of embedded systems has been completed. Baseline assessment of mission critical functions involving embedded systems was substantially completed by the end of the first quarter of 1999. The City has retained outside consultants to manage and implement completion of this aspect of the year 2000 project by the end of September 1999.

YEAR 2000 READINESS DISCLOSURE (UNAUDITED)
(Continued)

Other Considerations

The City also initiated an assessment of mission critical vendors, which is being performed by a consultant with oversight from the executive committee to plan for continuity in the City's supply chain. Contingency planning for mission critical systems and other elements of the year 2000 project is scheduled to be completed by the end of September 1999.

The above description of the stages of work to address the year 2000 issues is not a guarantee those systems will be year 2000 compliant. Although the City is currently on schedule to meet its objectives for year 2000 compliance, there is no assurance that compliance will be achieved in a timely manner. Further, if the City successfully addresses its year 2000 issues, there is no assurance that any other entity or governmental agency (including governmental organizations or entities that provide essential infrastructure) with which the City electronically interacts will be year 2000 compliant. At this time, the City can not determine the potential impact of such noncompliance on the business and financial condition or the results of its operations.

SUPPLEMENTARY INFORMATION

SCHEDULE OF CASH ACTIVITIES
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
Cash flows from operating activities		
Property taxes received	$ 94,884	$ 38,018
Payments for capital projects	(40,491)	-
Interest received	379	12
Increase in cash and investments	54,772	38,030
Cash and investments, beginning of year	39,253	1,223
Cash and investments, end of year	$ 94,025	$ 39,253
Reconciliation of revenues over expenditures to net cash provided by operating activities		
Revenues over expenditures	$ 56,798	$ 36,710
Adjustments to reconcile revenues over expenditures to net cash provided by operating activities		
Changes in assets - (increase)		
Property tax receivable	3,000	(98,318)
Accrued interest receivable	(776)	(376)
Changes in liabilities - increase		
Due to other City funds	(1,250)	1,250
Deferred revenue	(3,000)	98,764
	$ 54,772	$ 38,030

SCHEDULE OF EXPENDITURES BY STATUTORY CODE

Code Description	1998	1997
Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, and marketing	$ -	$1,250
Costs of rehabilitation, reconstruction or repair or remodeling of existing public or private buildings and fixtures	39,241	-
	$39,241	$1,250

(k) DESCRIPTION OF TAX RECEIPTS AND ASSESSMENT INCREMENTS

TABLE K
DESCRIPTION OF TAX RECEIPTS AND ASSESSMENT INCREMENTS

YEAR	MUNICIPAL SALES TAX INCREMENT	STATE SALES TAX INCREMENT	MUNICIPAL UTILITY TAX INCREMENT	NET STATE UTILITY TAX INCREMENT	INITIAL EAV	TOTAL 1997 EAV	TOTAL INCREMENTAL PROPERTY TAXES 1997
1998	N.A. (1)	N.A. (1)	N.A. (1)	N.A. (1)	$114,305	$1,210,506	$96,937

(1) N.A. - not applicable.

Martin Luther King, Jr. Drive and 41st Street Redevelopment Project Area 1998 Annual Report

(I) CERTAIN CONTRACTS OF TIF CONSULTANTS

During 1998, no TIF consultant was paid by the City for assisting to establish the Project Area and paid by any entity that has received or is currently receiving payments financed by tax increment revenues from the Project Area.

(m) COMPLIANCE STATEMENT PREPARED BY AN INDEPENDENT PUBLIC ACCOUNTANT

BERNARD J. SULLIVAN, C.P.A.
RICHARD J. QUINN, C.P.A.
FRANK S. GADZALA, C.P.A.
PAUL A. MERKEL, C.P.A.
THOMAS A. TYLER, C.P.A.
JOHN W. SANEW III, C.P.A.
THOMAS A. CERWIN, C.P.A.
STEPHEN R. PANFIL, C.P.A.
MICHAEL D. HUELS, C.P.A.
ROBERT J. MARSCHALK, C.P.A.
THOMAS J. CAPLICE, C.P.A.
ROBERT J. HANNIGAN, C.P.A.
GERARD J. PATER, C.P.A.
VINCENT M. GUZALDO, C.P.A.
TIMOTHY J. QUINN, C.P.A.

Bansley and Kiener, L.L.P.
Certified Public Accountants

Established 1922

125 SOUTH WACKER DRIVE CHICAGO, ILLINOIS 60606-4496 312/263-2700 FAX: 312/263-6935

INDEPENDENT AUDITOR'S REPORT

The Honorable Richard M. Daley, Mayor
Members of the City Council
City of Chicago, Illinois

We have audited, in accordance with generally accepted auditing standards, the balance sheet of 41st and Martin Luther King, Jr. Drive Redevelopment Project of the City of Chicago, Illinois as of December 31, 1998, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and have issued our report thereon dated May 4, 1999.

In connection with our audit, nothing came to our attention that caused us to believe that the Project failed to comply with the regulatory provisions in Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Allocation Redevelopment Act and Subsection (o) of Section 11-74.6-10 of the Illinois Industrial Jobs Recovery Law as they relate to the eligibility for costs incurred incidental to the implementation of the 41st and Martin Luther King, Jr. Drive Redevelopment Project of the City of Chicago, Illinois.

This report is intended for the information of the City of Chicago's management. However, this report is a matter of public record, and its distribution is not limited.

Bansley and Kiener, L.L.P.

Certified Public Accountants

May 4, 1999

ATTACHMENT
REDEVELOPMENT PLAN

MARTIN LUTHER KING, JR. DRIVE AND FORTY-FIRST STREET

REDEVELOPMENT PLAN AND PROJECT

REDEVELOPMENT PLAN AND ELIGIBILITY STUDY

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LISTS OF EXHIBITS AND SCHEDULES IN APPENDIX

Exhibits

Exhibit A	-	Legal Description
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I. INTRODUCTION AND BACKGROUND:

A. The Grand Boulevard Community

The proposed Redevelopment Project Area and the proposed Project are located in the City of Chicago in Community Area 38 commonly called Grand Boulevard.[1] Grand Boulevard is bounded by Pershing Road on the north, 51st Street on the South, Cottage Grove on the east, and Rock Island Railroad tracks on the west. The Grand Boulevard area is one of the poorest communities in Chicago. In 1989, in accordance with the Census data compiled by the City of Chicago, the Grand Boulevard area had a family median income of $7,671 (down from $11,640 in 1979) compared to the family median income for the City of $30,707 (400% lower). Of the City's seventy-seven community areas, the Grand Boulevard community had the fourth highest rate of tax delinquent properties (25.51%) in 1987. The rate for the City was 3.81%. The Grand Boulevard community experienced a 33%

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[1] The City of Chicago has seventy-seven official Community Area designations. Each Community Area has a name, e.g., Lincoln Park, Grand Boulevard, etc., and each Community Area is divided into census tracts.

decline in population from 1980 to 1990. The population went from 53,741 to 35,897.

During the last decade (from 1980 to 1989), the area lost 3.3% of its 20,852 dwelling units. Of its 2,853 buildings, approximately 61.0% were in need of major repair by 1988, compared to the whole City at 7.08%, and of the total buildings, 4.2% were abandoned compared to the rest of the City at 0.8%. Another staggering statistic is the percentage of vacant lots in the area: 35.64% compared to 10.06% for the City. These characteristics of the Community Area (Grand Boulevard) are even more prevalent in the proposed Redevelopment Project Area and will be presented and documented throughout this Redevelopment Plan and Project (the "Plan") and the Eligibility Report.

There were 1,007 new dwelling units built in Grand Boulevard from 1980 to 1989. Of the total during this period, approximately 37.4% (377 units) were developed by Peoples Consumer Co-Operative, the Sponsor of the proposed Project, utilizing government assisted financing. These units were developed as the third and fourth phases of the Paul G. Stewart Apartments. (The first four phases of the Paul G. Stewart Apartments are shown on Map 1, which is attached to and made a part of this Redevelopment Plan and Project. The first two phases were developed during the period 1971 to 1979 and consisted of 420 units. These units were also developed and built through the use of government assisted programs. Together the four phases comprise 707 units of housing for the elderly and 90 family units.

The City played a major role in the fourth phase development by assisting in acquiring the land through the former Department of Urban Renewal ("DUR"). One of the parcels within the Redevelopment Project Area is currently under the same Redevelopment Agreement with DUR which governed Phase Four. The success of the earlier phases of the Paul G. Stewart Apartments was based on the availability of government assisted financing. The government programs which were used to develop the first four phases are no longer available to assist in developing affordable housing. Therefore, the use of tax increment revenue is an important resource in helping to meet the goals of developing affordable housing for very low, low, and moderate income persons.

B. **The Redevelopment Project Area ("RPA")**

The proposed RPA is approximately 4.71 acres excluding street areas. Including street areas, the RPA is approximately 7 acres. The proposed tax increment RPA boundaries:

> run from the center of the intersection of East 40th Street and South Vincennes Avenue southward to the center of the intersection of South Vincennes Avenue and East Bowen Avenue, west to the center of East Bowen Avenue and South Martin Luther King Drive, north to the center of the intersection of South Martin Luther King Drive and East 41st Street, east to the center of the alley located approximately 175' from Martin Luther King Drive, south approximately 120' to the center of the alley mid-block between East 41st Street and East Bowen Avenue, east approximately 100' to the boundary of 429 and 431 East 41st Street, north between the parcels to the center of East 41st Street, east to the boundary of 460 and 462 East 41st Street, north to the center of the alley mid-block between East 40th Street and East 41st Street, east approximately 25' to the eastern boundary of 65 East 40th Street, north along the eastern boundary of 465 East 40th Street to the center of East 40th Street, and then east to the center of the intersection of East 40th Street and South Vincennes Avenue.

Map 1 shows the boundaries of the RPA and also shows the location of the RPA in respect to Phases I-IV of the Paul G. Stewart apartments. The legal description of the RPA is also attached and made a part hereof as Exhibit A.

All of the land use in the RPA is residential, as shown in the Existing Land Use Map, Map 2, which is attached to and made a part of this Plan and would permit multi-family and single family housing units. Approximately 90% of the land in the RPA is vacant. The buildings which remain are either dilapidated and abandoned or in need of substantial rehabilitation. The RPA on the whole has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of the redevelopment plan.

The City will encourage redevelopment projects in the RPA in order to increase the number of affordable housing units. The modest number of newly constructed multi-family housing units which has occurred near the RPA has been accomplished utilizing federal deep subsidy programs. In the absence of these dollars, or other subsidies in their stead, it is not possible to develop housing to meet affordable housing needs of the neighborhood market. Investment solely through private enterprise can only create housing at a price too high to meet the need for affordable housing in the RPA. If a redevelopment plan is not adopted which addresses the characteristic market needs of the RPA, and which provides a practical, sound method for financing the proposed redevelopment project, as well as other redevelopment projects, it is probable the land which is vacant will remain vacant into the unforeseeable future and the remaining structures will probably continue to deteriorate and eventually will need to be razed. Thus, more vacant land will be created and the tax base will continue to erode. This Plan has been prepared to address the needs of the City in meeting its redevelopment goals and objectives of the Comprehensive Plan of Chicago, dated December, 1966 and also the goals and objectives of its Comprehensive Housing Affordability Strategy ("CHAS") prepared by the City of Chicago Department of Housing as they relate to the RPA using tax increment financing ("TIF") to meet these goals and objectives.[2] It should be noted that paragraph 1266, Sec. 16 of the "Illinois Affordable Housing Act" provides for "... the use of tax increment financing to increase the availability of affordable housing." Tax increment financing is provided for by the Tax Increment Allocation Redevelopment Act, as amended (the "Act").

The development of additional housing in the RPA, through the use of tax increment financing will act as a stimulus and a catalyst to attract and encourage other development. As the Project and other development activity take place, in time, blighted conditions will be eliminated. In the final analysis the implementation of the Redevelopment Plan and Project will have positive, long term benefits to the City of Chicago and all of the taxing districts which are included in the RPA.

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[2] The City of Chicago is required to submit to the U.S. Department of Housing and Urban Development ("HUD") pursuant to Section 105 of the Cranston-Gonzalez National Affordable Housing Act of 1991, a Comprehensive Housing Affordability Strategy. Initially, the City was required to prepare a five year plan. Thereafter, the City must submit annual updates of its housing strategy.

The real estate tax base will be expanded; excess revenue will be generated; and jobs from construction and ongoing property management will be available.

II. REDEVELOPMENT PLAN AND PROJECT AREA GOALS AND OBJECTIVES

The goals and objectives which follow for the RPA are in accordance with the objectives of the Tax Increment Redevelopment Allocation Act (the "Act") and the City's CHAS.

A. Redevelopment Plan and Project Objectives

The City seeks to achieve the following objectives by encouraging the development and redevelopment of RPA through various public financing techniques including, but not limited to, Tax Increment Financing:

1. Eliminating slum and blighted conditions.

2. Providing affordable housing units for very low income, low income, and moderate income families.

3. Providing for stability of the RPA by entertaining development proposals for residential redevelopments,

4. Preserving the architectural and historical characteristics of the surrounding neighborhood,

5. Enhancing the tax base of the affected taxing districts,

6. Attracting both public and private investment in the RPA.

7. Providing opportunities for women and minority businesses to share in the redevelopment of the area.

8. Encouraging development and redevelopment in an Enterprise Zone area.

9. Contributing to the health, welfare, and safety of the City.

10. Improving the infrastructure of the RPA.

B. **General Land Use**

The existing land consists of approximately 4.7 acres of land zoned for residential use, including the land which fronts on Dr. King Drive. (Map 2.) Map 3 attached hereto and made part of the Plan designates the intended land use in the RPA as residential, single and multi-family. The RPA conforms to the strategic economic development plans or redevelopment plans issued by the designated planning authority of the City and includes land uses that have been approved by the plan commission of the City. All the parcels in the RPA will be benefited by the Plan and Project.

C. **Redevelopment Program**

In order to achieve the foregoing objectives in the RPA, the City will pursue a coordinated program of action to assist and facilitate residential development. The City will seek and encourage the rehabilitation of existing structures, if feasible, and new construction for both single family dwellings and multi-family dwellings by all qualified developers.

III. **THE REDEVELOPMENT PROJECT (the "Project")**

The Project will be the development of housing in the RPA and infrastructure related thereto. The housing will include multifamily developments and may include single family townhouses. It is contemplated that the first structure to be built is to be a 13 story highrise building of reinforced concrete with an exterior brick finish. It will contain approximately 96 dwelling units.

This Project in the RPA will aid in revitalizing an important area of the City. Located in the Grand

Boulevard community, the RPA is very convenient to downtown Chicago, approximately 4 miles north, and to the lakefront, approximately 1.5 miles east. The site has excellent access to public transportation. Buses on King Drive and the elevated train at 43rd Street and Prairie run on a 24 hour schedule.

All of the property in the RPA is expected to be developed or redeveloped in the next ten years. Since there is so much vacant property in the RPA, it is likely that a variety of styles and types of occupancy will take place, including owner-occupied single-family housing as well as renter-occupied townhouses and garden apartments. The few existing non owner occupied buildings which remain in the RPA will probably be razed and redeveloped, because they have deteriorated past the point of being feasible to rehabilitate. Those buildings which are owner occupied are more likely to be remodeled.

The City will encourage the development and redevelopment of the land provided that each proposal conforms to the current zoning ordinance (as amended and revised from time to time) and is consistent with other City ordinances and plans.

Each phase of the Project will generate construction jobs and material suppliers. Although construction jobs generated within the RPA are not permanent, the ripple effects of construction jobs are well documented. Permanent jobs that will be generated include such jobs as service jobs in property management, property maintenance, and marketing. Development activity in the proposed RPA could stimulate private development activity outside of the RPA.

IV. QUALIFICATION OF THE RPA UNDER THE ACT AS A BLIGHTED AREA:

Findings as to Conditions Existing in the Redevelopment Project Area

The Act provides that an area may be designated as a redevelopment project area, if it qualifies as a "blighted area."

After studying the conditions which exist within the RPA, it is determined that the RPA meets the criteria to qualify both the vacant and improved parcels as blighted area as defined in the Act. The whole RPA therefore qualifies as a blighted area.

A. Blighted vacant area.

The vacant parcels meet the criteria for "blighted" as defined in the Act based on the following factors specified by the Act which are present which impair the growth of property values: obsolete platting of the vacant land; diversity of ownership of the land, deterioration of structure and site improvements in neighboring areas adjacent to the vacant land. Only two of these factors are required to be present to qualify the vacant parcels as being blighted under the Act. Three factors are present. Map 2 of the eligibility report, which is also Map 2 of this Plan, shows the location of vacant land and improvements in the RPA. As described in detail in the Eligibility Report, there are at least eight different owners of vacant land in the RPA. As illustrated on Map

2, the parcels are not of such a size as to accommodate proposed projects.

B. Blighted improved area.

The improved properties meet the criteria of the Act as blighted improved area. The improved properties meet the blighted area criteria as defined in the Act based on the following factors: age; depreciation of physical maintenance; deterioration; dilapidation; obsolescence; presence of structure below minimum code standards; excessive vacancies; lack of community planning, all of which are detrimental to the public safety, health, morals or welfare. Five of these factors need be present to qualify the area as a blighted area, but at least eight eligibility factors are present. A description of the criteria for blighting factors pertaining to improvements is set forth in Exhibit B which is attached to and made a part of this Plan.

A detailed analysis of the blighted conditions causing qualification is set forth in the

Eligibility Report which is attached as Exhibit C. Table 1 of the Eligibility Report which indicates the comprehensive nature of the existence of these factors is also attached to this Plan.

V. ESTIMATED REDEVELOPMENT PROJECT COST

Pursuant to the Act, redevelopment project costs mean and include the sum total of all reasonable or necessary costs incurred or estimated to be incurred, and any such costs incidental to this Redevelopment Plan and Project. Eligible costs may include:

1. Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, marketing, financial, planning or other services, provided however that no charges for professional services may be based on a percentage of the tax increment collected;

2. Property assembly costs, including but not limited to acquisition of land and other property, real or personal, or rights or interests therein, demolition of buildings, and the clearing and grading of land;

3. Costs of rehabilitation, reconstruction or repair or remodeling of existing public or private buildings and fixtures;

4. Costs of the construction of public works or improvements;

5. Costs of job training and retraining projects;

6. Financing costs, including but not limited to all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued hereunder accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for not exceeding 36 months thereafter and including reasonable reserves related thereto;

7. All or a portion of a taxing district's capital costs resulting from the redevelopment project necessarily incurred or to be incurred in furtherance of the objectives of the redevelopment plan and project, to the extent the municipality by written agreement accepts and approves such costs;

8. Relocation costs to the extent that a municipality determines that relocation costs shall be paid or is required to make payment of relocation costs by federal or State law;

9. Payment in lieu of taxes;

10. Costs of job training, advanced vocational education or career education, including but not limited to courses in occupational, semi-technical or technical fields leading directly to employment, incurred by one or more taxing districts, provided that such costs (i) are related to the establishment and maintenance of additional job training, advanced vocational education or career

education programs for persons employed or to be employed by employers located in a redevelopment project area; and (ii) when incurred by a taxing district or taxing districts other than the municipality, are set forth in a written agreement by or among the municipality and the taxing district or taxing districts, which agreement describes the program to be undertaken, including but not limited to the number of employees to be trained, a description of the training and services to be provided, the number and type of positions available or to be available, itemized costs of the program and sources of funds to pay for the same, and the term of the agreement. Such costs include, specifically, the payment by community college districts of costs pursuant to Sections 3-37, 3-38, 3-40 and 3-40.1 of the Public Community College Act and by school districts of costs pursuant to Sections 10-22.20a and 10-23.3a of The School Code;

11. Interest cost incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project provided that:

    (a) such costs are to be paid directly from the special tax allocation fund established pursuant to this Act; and

    (b) such payments in any one year may not exceed 30% of the annual interest costs incurred by the redeveloper with regard to the redevelopment project during that year;

    (c) if there are not sufficient funds available in the special tax allocation fund to make the payment pursuant to this paragraph 11 then the amounts so due shall accrue and be payable when sufficient funds are available in the special tax allocation fund; and

(d) the total of such interest payments paid pursuant to this Act may not exceed 30% of the total (i) cost paid or incurred by the redeveloper for the redevelopment project plus (ii) redevelopment project costs excluding any property assembly costs and any relocation costs incurred by a municipality pursuant to this Act.

Estimated eligible Redeveloped Project Costs for the area are shown on Exhibit D which is attached to and made a part of the Plan. To the extent that Project Costs have been incurred prior to, but in anticipation of the adoption of tax increment financing, and thereafter after tax increment financing has been adopted, those eligible costs may be reimbursed. Reasonable adjustments in the cost items listed from time to time may be made in the projections without amendment to the Redevelopment Plan. Funds may be moved from one line item to another or to an eligible cost category described in this Plan and may be adjusted upward by the annual rate of inflation.

VI. SOURCE OF FUNDS TO PAY REDEVELOPMENT COSTS

The source of Funds to pay redevelopment costs is the real estate tax increment generated by the increase in assessed value of properties included in the RPA. It is contemplated that most of the Tax Increment Revenue will be applied to the interest subsidy. The interest subsidy will be applied toward the annual debt service on the mortgage of the first multifamily structure to be built. Tax Increment Revenue may be available to cover other eligible costs in the RPA and/or distributed to the taxing districts. Except as the City's commitment to pay the interest subsidy from Tax Increment Revenue to the extent that it is available may be termed an obligation of the City, it is not anticipated that the City will issue obligations to fund the development of the first multifamily structure. The City may, however, determine it is desirable to issue revenue or general obligations secured by the tax increment special tax allocation fund established for the RPA pursuant to Section 11-74.4-7 of the Act or such other funds or security as are available to the City by virtue of its powers under the Act and as provided by the Constitution of the State of Illinois.

All obligations issued by the City pursuant to this Redevelopment Plan and Project and the Act shall be retired not more than twenty-three (23) years from the date of adoption of the ordinance approving the RPA. However, the final maturity date of any obligations issued pursuant to the Act may not be later than twenty (20) years from its respective date of issuance. One or more series of obligations may be issued from time to time in order to implement this Redevelopment Plan and Project. All obligations are to be covered after issuance by projected and actual tax increment, other tax revenue and by such debt service revenues and sinking funds as may be provided by ordinance. The total principal and interest payable in any year on all obligations shall not exceed the amounts available in that year, or projected to be available in that year, from tax increment revenues and from bond sinking funds, capitalized interest, debt service reserve funds and all other sources of funds as may be provided by ordinance.

Those revenues not required for principal and interest payments, required reserves, bond sinking funds, redevelopment project costs and reserves required to fund such costs, early retirement of outstanding securities, and to facilitate the economical issuance of additional bonds necessary to accomplish the redevelopment plan, may be declared surplus and shall then become available for distribution annually to taxing districts overlapping the RPA in the manner provided by the Act.

Such securities may be issued on either a taxable or tax-exempt basis, with either fixed interest rates or floating interest rates; with or without capitalized interest; with or without deferred principal retirement; with or without interest rate limits, and with or without redemption provisions.

VII. <u>"BUT FOR" TEST</u>

The continued existence of vacant properties which characterizes most of the RPA, as well as the lack of rehabilitation of existing structures is evidence indicating that the RPA as a whole has not been subject to growth and development through investment by private enterprise. Most of the parcels in the

RPA have been vacant for more than ten years. "But for" the TIF no projects would be feasible in the RPA. The creation of the TIF district will enable redevelopment to occur in an economically depressed area where otherwise the development of affordable, new construction housing would be infeasible.

VIII. **ASSESSMENT OF ANY FINANCIAL IMPACT OF THE REDEVELOPMENT PROJECT AREA ON OTHER TAXING DISTRICTS:**

Based on the established "but for" of the RPA and the projects which will follow, the redeveloped area will be positively impacted. There will be little, if any, short term, financial impact on most of the taxing districts. The districts could benefit from the distribution of excess revenue granted by the district after eligible costs are covered. All of the taxing districts will benefit from the long-term financial impact of the TIF. At the end of the TIF term of 23 years, all of the projects in the TIF district are to pay full real estate taxes. The following is an assessment of the financial impact on the various taxing districts:

1. <u>Cook County and Cook County Health Facilities</u>: There will be no or little financial impact. Health services to the projected population of the RPA will not result in a net increase in health services provided by County facilities.

2. <u>Chicago Park District</u>: There will be no or little financial impact.

3. <u>Forest Preserve District of Cook County</u>: There will be no financial impact.

4. <u>Metropolitan Water Reclamation District of Greater Chicago</u>: There will be no or little financial impact. Sewer lines are available to service the RPA.

5. <u>Community College District 508</u>: There will be no or little financial impact. The projected population of the RPA will not result in a net increase in the Chicago City Colleges. To the extent that there are students from the RPA the impact would be the same if they lived outside of the RPA.

6. City of Chicago. There will be no negative financial impact and no expected increase in demand for City Services. Vacant and abandoned properties provide opportunities for criminal activity such as drug sales and arson. Redevelopment in the RPA will help reduce the demand for City Police and Fire Services in the RPA. As projects are developed in the RPA, the requirement for City Services should be typical of other normal developed neighborhoods. The RPA will have a positive impact on the City's economic development and availability of affordable housing.

8. Board of Education: There will be some financial impact. There will be an increase in demand for school services as a result of children of tenants who reside in the projects in the RPA. Because of a dramatic drop in population in the Grand Boulevard Community, schools which serve the RPA have excess capacity,

so new building facilities will not be required.[3]

Since there will be no financial impact on the taxing districts, it would be premature to establish programs to address such financial impact or increased demand for services at this time.

IX. MOST RECENT EQUALIZED ASSESSED VALUATION OF PROPERTIES IN THE REDEVELOPMENT PROJECT AREA

It is estimated that the most recent equalized assessed valuation for the RPA is approximately $111,634. See Table 2 attached.

X. ANTICIPATED EQUALIZED ASSESSED VALUATION

It is estimated that the Projected equalized assessed valuation of real property within the RPA will be approximately $2,100,000 for land and improvements as a result of the development of the first multifamily structure. After full development of the

[3] The schools which serve the RPA are King High School and Fuller Elementary School. According to officials at said schools, both schools are currently operating below maximum capacity.

RPA it is anticipated that the projected equalized assessed valuation of real property in the RPA will be $5,000,000.

XI. COMMITMENT TO FAIR EMPLOYMENT PRACTICES AND AFFIRMATIVE ACTION

As part of any Redevelopment Agreement entered into by the City and any private developers, both will agree to establish and implement a goal-oriented affirmative action program that serves appropriate sectors of the City.

With respect to the public/private development's internal operations, both entities will pursue employment practices which provide equal opportunity to all people regardless of sex, color, race, creed, age, national origin, marital status or the presence of physical handicaps. Neither party will countenance discrimination against any employee or applicant because of sex, color, race, creed, age, national origin, marital status, or the presence of physical handicaps. These nondiscriminatory practices will apply to all areas of employment, including: hiring, upgrading and promotions, terminations, compensation, benefit programs and education opportunities.

All those involved with employment activities will be responsible for conformance with this policy and compliance with the requirements of applicable state and federal regulations.

The City and private developers will adopt a policy of equal employment opportunity and will include or require the inclusion of this statement in all contracts and subcontracts at any level. Additionally, any public/private entities will seek to ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites, and in all facilities at which all employees are assigned to work. It shall be specifically ensured that all on-site supervisory personnel are aware of and carry out the obligation to maintain such working environment, with specific attention to minority and/or female individuals.

Finally, the entities will utilize affirmative action to ensure that business opportunities are provided and that job applicants are employed and treated in a nondiscriminatory manner. Underlying this policy is the recognition by the entities that successful affirmative action programs are important to the continued growth and vitality of the community.

XII. SCHEDULING OF THE REDEVELOPMENT PROJECT

Completion of Redevelopment Project and Retirement of Obligations to Finance Redevelopment Costs

This Redevelopment Plan and Project will be completed on or before a date twenty-three (23) years from the adoption of an ordinance designating the RPA. The City thus expects that the Redevelopment Project will be completed sooner than the maximum time limit set by the Act. Actual public and/or private construction activities are anticipated to be completed within ten (10) years from the adoption of this Redevelopment Plan and Project. The City may issue bonds to fund redevelopment project costs.

XIII. PROVISIONS FOR AMENDING THE TAX INCREMENT REDEVELOPMENT PLAN AND PROJECT

This Redevelopment Plan and Project may be amended pursuant to the provisions of the Act.

(50024C18)

EXHIBIT A

Legal Description

TAX INCREMENT FINANCING DISTRICT

THAT PART OF THE WEST 1/2 OF THE NORTHEAST 1/4 OF SECTION 3, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, BOUNDED AND DESCRIBED AS FOLLOWS: BEGINNING AT THE INTERSECTION OF THE WESTERLY EXTENSION OF THE CENTER LINE OF E. BOWEN AVENUE, BEING A LINE 40.00 FEET, AS MEASURED AT RIGHT ANGLES, SOUTH OF AND PARALLEL WITH THE SOUTH LINE OF BLOCK 2 IN GEORGE S. BOWEN'S SUBDIVISION OF THE NORTH 1/2 OF THE NORTH 1/2 OF THE SOUTHWEST 1/4 OF THE NORTHEAST 1/4 OF SAID SECTION 3, ACCORDING TO THE PLAT THEREOF RECORDED JULY 26, 1873 AS DOCUMENT NO. 116915, WITH THE SOUTHERLY EXTENSION OF A LINE 28.00 FEET, AS MEASURED AT RIGHT ANGLES, WEST OF AND PARALLEL WITH THE WEST LINE OF BLOCK 2 IN SAID GEORGE S. BOWEN'S SUBDIVISION; THENCE NORTHERLY ALONG SAID LAST DESCRIBED PARALLEL LINE AND SAID PARALLEL LINE EXTENDED TO AN INTERSECTION WITH THE WESTERLY EXTENSION OF THE CENTER LINE OF E. 41ST STREET, BEING A LINE 33.00 FEET, AS MEASURED AT RIGHT ANGLES, NORTH OF AND PARALLEL WITH THE NORTH LINE OF BLOCK 2 IN SAID GEORGE S. BOWEN'S SUBDIVISION; THENCE EASTERLY ALONG SAID CENTER LINE OF E. 41ST STREET TO AN INTERSECTION WITH THE NORTHERLY EXTENSION OF THE CENTER LINE OF THE NORTH-SOUTH PUBLIC ALLEY LYING EAST OF AND ADJOINING LOTS 1 TO 10, INCLUSIVE, IN BLOCK 2 IN SAID GEORGE S. BOWEN'S SUBDIVISION; THENCE SOUTHERLY ALONG SAID LAST DESCRIBED CENTER LINE TO AN INTERSECTION WITH THE WESTERLY EXTENSION OF THE CENTER LINE OF THE EAST-WEST PUBLIC ALLEY LYING SOUTH OF AND ADJOINING LOTS 11 TO 14, INCLUSIVE, IN BLOCK 2 IN SAID GEORGE S. BOWEN'S SUBDIVISION; THENCE EASTERLY ALONG SAID LAST DESCRIBED CENTER LINE TO AN INTERSECTION WITH THE SOUTHERLY EXTENSION OF THE EAST LINE OF LOT 14 IN BLOCK 2 IN SAID GEORGE S. BOWEN'S SUBDIVISION; THENCE NORTHERLY ALONG THE EAST LINE OF SAID LOT 14 AND ALONG SAID EAST LINE EXTENDED TO AN INTERSECTION WITH THE CENTER LINE OF E. 41ST STREET, AFORESAID; THENCE EASTERLY ALONG SAID CENTER LINE OF E. 41ST STREET TO AN INTERSECTION WITH THE SOUTHERLY EXTENSION OF THE WEST LINE OF LOT 31 IN BLOCK 1 IN McKEY'S ADDITION TO HYDE PARK, BEING A SUBDIVISION IN THE NORTHEAST 1/4 OF SECTION 3, AFORESAID, ACCORDING TO THE PLAT THEREOF RECORDED OCTOBER 6, 1882 AS DOCUMENT NO. 424229; THENCE NORTHERLY ALONG THE WEST LINE OF SAID LOT 31 AND ALONG SAID WEST LINE EXTENDED TO AN INTERSECTION WITH THE CENTER LINE OF THE EAST-WEST PUBLIC ALLEY LYING NORTH OF AND ADJOINING SAID LOT 31; THENCE EASTERLY ALONG SAID LAST DESCRIBED CENTER LINE TO AN INTERSECTION WITH THE SOUTHERLY EXTENSION OF THE WESTERLY LINE OF LOT 2 IN THE SUBDIVISION OF LOTS 42 AND 43 IN BLOCK 1 IN McKEY'S ADDITION TO HYDE PARK, AFORESAID, ACCORDING TO THE PLAT OF SAID SUBDIVISION OF LOTS 42 AND 43 RECORDED SEPTEMBER 10, 1885 AS DOCUMENT NO. 652605; THENCE NORTHERLY ALONG THE WESTERLY LINE OF SAID LOT 2 AND ALONG SAID WESTERLY LINE EXTENDED TO AN ANGLE POINT IN SAID LINE; THENCE NORTHERLY ALONG THE WESTERLY LINE OF SAID LOT 2 AND ALONG SAID WESTERLY LINE EXTENDED TO AN INTERSECTION WITH THE CENTER LINE OF E. 40TH STREET, BEING A LINE 33.00 FEET, AS MEASURED AT RIGHT ANGLES, NORTH OF AND PARALLEL WITH THE NORTH LINE OF BLOCK 1 IN McKEY'S ADDITION TO HYDE PARK, AFORESAID; THENCE EASTERLY ALONG SAID CENTER LINE OF E. 40TH STREET AND ALONG SAID CENTER LINE EXTENDED EASTERLY TO AN INTERSECTION WITH THE CENTER LINE OF S. VINCENNES AVENUE; THENCE SOUTHERLY ALONG SAID CENTER LINE OF S. VINCENNES AVENUE TO AN INTERSECTION WITH THE EASTERLY EXTENSION OF THE CENTER LINE OF E. BOWEN AVENUE, AFORESAID; THENCE WESTERLY ALONG SAID CENTER LINE OF E. BOWEN AVENUE AND ALONG SAID CENTER LINE EXTENDED TO THE POINT OF BEGINNING, IN THE CITY OF CHICAGO, COOK COUNTY, ILLINOIS.

EXHIBIT B

The criteria listed in the Act were defined for purposes of the analysis of structures as follows:

1. **Illegal Use of Structure**: The presence on the property of illegal uses or activities.

2. **Structure Below Minimum Code Standards**: Local standards of building, fire, housing, zoning, subdivision or lack of conformance with other applicable governmental codes.

3. **Excessive Vacancies**: When the occupancy or use level of the building is low for frequent or lengthy periods so as to represent an adverse area influence.

4. **Lack of Ventilation, Light or Sanitary Facilities**: Conditions which would negatively influence the health and welfare of building users.

5. **Inadequate Utilities**: Deficiencies in sewer, water supply, storm drainage, electricity, streets or other necessary site services.

6. **Dilapidation**: The condition where the safe use of the building is seriously impaired, as evidenced by substandard structural conditions; this is an advanced state of deterioration.

7. **Obsolescence**: When the structure has become or will soon become ill-suited for the originally designed use.

8. **Deterioration**: A condition where the quality of the building has declined in terms of structural integrity and/or building systems due to lack of investment, misuse or age.

9. **Overcrowding of Structures and Community Facilities**: A level of use beyond a designed or legally permitted level.

10. **Excessive Land Coverage**: Site coverage of an unacceptably high level.

11. **Deleterious Land Use or Layout**: Inappropriate property use or plotting, or other negative influences not otherwise covered, which discourages investment in a property.

12. **Depreciation of Physical Maintenance**: Decline in property maintenance which leads to building degeneration, health and safety hazards, unattractive nuisances, unsightliness, property value decline and area distress.

13. **Lack of Community Planning**: Deficiency in local direction of growth, development or redevelopment in order to maintain or enhance the viability of the area or community.

Methodology

The RPA has been evaluated in its qualification as a "blighted area" on an area-wide basis. The RPA has been evaluated according to the appropriate qualification features listed in the Act.

EXHIBIT C

Eligibility Report

O'Donnell
Wicklund
Pigozzi and
Peterson
Architects
Incorporated

TAX INCREMENT FINANCING ELIGIBILITY REPORT

March 23, 1994

To: City of Chicago

From: Joel Stauber, O'Donnell Wicklund Pigozzi & Peterson Architects, Inc.

Re: **PROPOSED DR. MARTIN LUTHER KING DR. AND 41ST ST. TAX INCREMENT REDEVELOPMENT PROJECT AREA**

The purpose of this report is to summarize findings related to the proposed tax increment financing district located adjacent to 41st and Martin Luther King Drive in Chicago, Illinois. The report is divided into four parts which include an examination of the proposed Redevelopment Plan Area (RPA) boundaries, review of compliance with the Illinois Tax Increment Allocation Redevelopment Act (TIF Act) revised in 1994, and documentation of factors which qualify the district under "blighted improved" and "blighted vacant" sections of this Act.

A. RPA BOUNDARIES

The proposed tax increment financing district boundaries run from the center of the intersection of East 40th Street and South Vincennes Avenue southward to the center of the intersection of South Vincennes Avenue and East Bowen Avenue, west to the center of East Bowen Avenue and South Dr. Martin Luther King Drive, north to the center of the intersection of South Dr. Martin Luther King Drive and East 41st Street, east to the center of the alley located approximately 175' from Dr. Martin Luther King Drive, south approximately 120' to the center of the alley mid-block between East 41st Street and East Bowen Avenue, east approximately 100' to the boundary of 429 and 431 East 41st Street, north between the parcels to the center of East 41st Street, east to the boundary of 460 and 462 East 41st Street, north to the center of the alley mid-block between East 40th Street and East 41st Street, east approximately 25' to the eastern boundary of 65 East 40th Street, north along the eastern boundary of 465 East 40th Street to the center of East 40th Street, and then east to the center of the intersection of East 40th Street and South Vincennes Avenue (see Map 1 attached).

The district is located within R4 and R5 zoning classifications and Residential Planned Development No. 99 (see Map 5 attached). The proposed RPA includes predominantly vacant land with eight residential buildings, three of which are currently occupied.

Information Sources:

1. Chicago Zoning Ordinance: Title 17 Municipal Code of Chicago, 1993

2. Sanborn Map Company Inc., Street Map, Revised by the Department of Planning May, 1980

3. Chicago Aerial Survey, Aerial Photo at 1"=100', Spring, 1988

B. TIF ACT COMPLIANCE

1. COMPREHENSIVE PLAN

The City of Chicago published The Comprehensive Plan of Chicago in 1966. This plan has been used as a guide for development in the City and is of a form and substance consistent with comprehensive planning.

2. REDEVELOPMENT AREA

The proposed RPA is contiguous and contained within a single perimeter boundary. The RPA has not been used for commercial agricultural purposes in the last five years.

Eight parcels within the RPA are improved with buildings and will be evaluated with qualification factors for "blighted improved" (see Map 2 residential use parcels). All eight parcels have three story masonry structures, with the building at 458-460 East Bowen Avenue appearing to contain residential apartments.

Fifty-two parcels are vacant and will be evaluated with qualification factors for "blighted vacant".

3. SIZE OF RPA

The RPA is substantially larger than the minimum 1.5 acre required by the TIF Act. It encompasses 60 tax parcels and totals approximately 7.5 acres of land including the street right of ways (4.71 acres parcels only).

4. "SUBSTANTIALLY BENEFIT"

The RPA must be delineated to ensure that no properties will be included in the area that do not substantially benefit from being included in the RPA. The redevelopment plan proposed improvements that represent:

a. A coordinated, rather than piece-meal, approach to assure that the components of the plan combine to meet contemporary development principles and standards.

b. An approach which facilitates elimination of blighting factors.

c. A reasonable and defined time period to contribute productively to the economic vitality of the RPA.

d. Enhancement of vacant land in the RPA.

e. A positive influence on properties near the RPA.

5. "BUT FOR"

The RPA has been in net economic decline, with no signs of private investment over the past 25 years. It will likely continue its economic decline without the adoption of the TIF/RPA. While there has been development in the last 30 years in nearby properties (Paul G. Stewart Apartments), all of it has been with assistance from federal funding. The current blighting conditions in the RPA seriously impair the viability of private residential development. The Redevelopment Plan makes residential development viable through establishment of a TIF district.

6. **REDEVELOPMENT PLAN**

The Redevelopment Plan is consistent with The Comprehensive Plan of Chicago of 1966, the 1993 Chicago Zoning Ordinance and the 1993 Mid-South Strategic Development Plan. The following are key aspects of these ordinances or policies of development:

a. Comprehensive Plan strategic objectives which include emphasis on expanded opportunities for the disadvantaged, proper allocation of land, economic development and job opportunities, and family life and the environment.

b. Comprehensive Plan policies for residential areas which include making decent, safe, and sanitary housing available to all income groups, expand the total housing supply within the city, and to provide more diversity in choices of housing type within the City.

c. Comprehensive Plan designates the area as a Demonstration City Opportunity Area which has potential for coordinated physical-social improvement programs where substantial clearance would present opportunities for new housing, and an emphasis would be on aiding people to become self-sufficient and to move up out of the poverty bracket.

d. The Mid-South Plan strategic assessment indicates that the area should be heavily residential and should accommodate households with a wide range of incomes; that population densities should be large enough to support a wide variety of retail establishments, community services, and transportation modes; and that redevelopment of the community should not mean displacement of current residents, but instead, the creation of opportunities for them.

e. The Mid-South Plan also indicates that vacant lots scattered throughout the interior of quadrant eight where this site is located should provide ample land for various designs.

f. The Chicago Transit Authority indicates that in addition to Bus Route 3 on Dr. Martin Luther King Drive, the nearby Green Line (which is currently closed for reconstruction) will provide transit access at 40th and Indiana.

g. The City's Comprehensive Housing Affordability Strategy (FY 1994 to FY 1998) provides that TIFs will be used as a vehicle of its housing delivery system to assist in implementation of its housing policies and strategies.

Information Sources:

1. Department of Planning and Development, The Comprehensive Plan of Chicago, December 1966

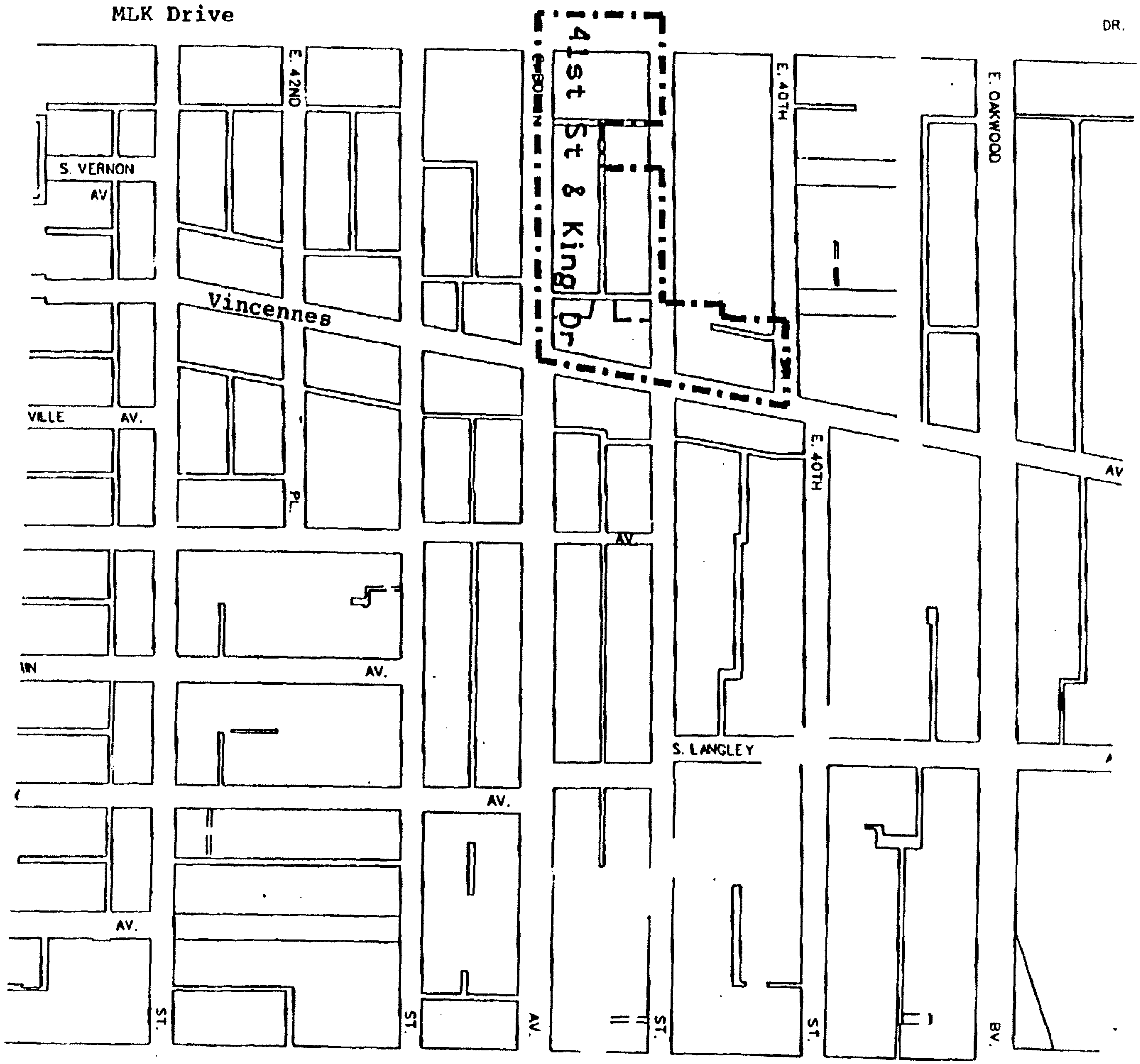
2. Wendell Campbell Associates, Inc. & Applied Real Estate Analysis, Mid-South Strategic Development Plan: Restoring Bronzeville, September 1993

3. Chicago Transit Authority, System Map, March 1991

4. Conversation with Sheri Hearmb of the Chicago Transit Authority, February 15, 1994

5. City of Chicago, Comprehensive Housing Affordability Strategy, FY 1994 to FY 1998

6. Section 105 Cranston-Gonzalez National Affordable Housing Act, 1991



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