

**KOSTNER AVENUE
TAX INCREMENT FINANCING
REDEVELOPMENT AREA PROJECT AND PLAN**

City of Chicago, Illinois

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I. INTRODUCTION

This document is to serve as the redevelopment plan (the “Redevelopment Plan”) for an area located on the western edge of the City of Chicago (the “City”) approximately 5.5 miles southwest of the City’s central business district (the “Loop”). The area is generally bounded by Chicago-Burlington & Quincy Railroad on the north; Kostner Avenue on the east; the south line of block 16-27-301 on the south; and the Belt Line Railroad on the west. This area is referred to in this document as the Kostner Avenue Tax Increment Financing Redevelopment Project Area (the “Project Area”). The boundaries of the Project Area are illustrated in Figure 1. Project Area Boundary. A legal description of the Project Area is included in *Section II, Legal Description and Project Boundary*.

Johnson Research Group, Inc. (“JRG” or the “Consultant”) has conducted a study and analysis of the Project Area to determine if it qualifies as a “conservation area,” a “blighted area,” or a combination of both blighted areas and conservation areas under the Illinois Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.), as amended (the “Act”). The Project Area, described in more detail below as well as in the accompanying eligibility report, has not been subject to growth and development through investment by private enterprise and is not reasonably expected to be developed without public intervention and leadership by the City.

The Plan summarizes the analyses and findings of the Consultant’s work, which, unless otherwise noted, is the responsibility of JRG. The City is entitled to rely on the findings and conclusions of this Redevelopment Plan in designating the Redevelopment Project Area as a redevelopment project area under the Act. The Consultant has prepared this Redevelopment Plan and the related eligibility report with the understanding that the City would rely: 1) on the findings and conclusions of the Redevelopment Plan and the related eligibility report in proceeding with the designation of the Redevelopment Project Area and the adoption and implementation of the Redevelopment Plan, and 2) on the fact that the Consultant has obtained the necessary information so that the Redevelopment Plan and the related eligibility report will comply with the Act.

A. *Kostner Avenue Tax Increment Financing Redevelopment Project Area*

The Project Area encompasses a total of approximately 51 acres, including approximately 13.1 acres of improved property, 32.9 acres of vacant land area, and the remainder attributed to street rights-of-way. The Project Area contains 4 buildings and consists of 2 tax blocks. The Project Area is located in the City’s Little Village neighborhood within the South Lawndale community area.

Community and Historical Context

With the opening of the Chicago, Burlington, and Quincy Railroad in 1863, the village of Crawford was established as a small unincorporated suburb amidst largely prairie and swamp land. Original settlers of Crawford included native born Americans, German and Dutch immigrants. In 1869 the eastern portion of South Lawndale was annexed to Chicago followed by the west in 1889. Western migration of industry, including the McCormick plant (which became International Harvester) and the nearby Western Electric Company’s Hawthorne Works in Cicero, encouraged residential development. Population peaked in 1920 with more than 84,000 residents, largely made up of Czechoslovakians and Germans, and later predominately Poles.

Between 1920 and 1960 the population of South Lawndale experienced a steady decline and the demographic makeup of the community changed. Since 1960, the community area has become predominantly Hispanic. Twenty-Sixth Street functions as the main street of the Little Village community with numerous small businesses and residential apartments above. Housing conditions have not changed substantially since the 1920s. More than half of the current residential units are in structures that were built before 1940 and the community has the highest rate of overcrowding in the City.

Project Area

The Project Area has an industrial use history of between 70 and 100 years. The Keating building, which still stands on the northwest corner of 26th Street and Kostner Avenue, was developed in the 1920s as the Universal Coal Products-Experimental Plant. Later the building was used by a juvenile furniture manufacturer and more recently as a warehouse for conducting light manufacturing activities in the finishing of restaurant kitchen equipment. West of the Keating building is the former American Brake Shoe and Foundry, which has been abandoned for nearly two decades, and the former site of the Apex Motor Fuel Company.

The Diamond T. Motor Car Company (DTMCC) located its facility on the south side of 26th Street in 1918 and by 1950 had expanded to cover the entire southern portion of the Project Area. In the 1970s, the sprawling DTMCC complex became the Chicago Central Industrial Park Lofts which was occupied by multiple tenants, the largest of which was the Blitz Auto Body Corporation. All industrial properties on the southern portion of the Project Area were demolished in the 1990s.

In 1996 the Public Building Commission of Chicago completed construction of Zapata Academy, a pre-kindergarten through 8th grade elementary school, to serve the growing Little Village community. This public development represents the only substantial investment in the Project Area in several decades.

As evidenced by the removal and abandonment of industries and the protracted difficulty in marketing and redeveloping this brownfield site, the Project Area as a whole has not been subject to growth and development through investment by the private sector for more than a decade. The improved portion of the Project Area is characterized by dilapidation, obsolescence, deterioration, excessive vacancies, structures below minimum code standards, environmental remediation, and excessive land coverage and overcrowding of structures and community facilities.

Economically, the Project Area has been severely impacted by disinvestment over the years. Although the growth rate of the Project Area EAV has increased in recent years, given the low base from which it starts, it has only one direction in which to go. Due to the removal and abandonment of properties over the last 20 years, the EAV of the Project Area has been very low relative to the City as a whole. Relative to size, the City's 2006 EAV was \$405,529 per acre compared to the Project Area's EAV per acre of \$94,960.

These declining physical and economic conditions continue to impede growth and development through private investment. Without the intervention of the City and the adoption of Tax Increment Financing and this Redevelopment Plan, the Project Area would not reasonably be expected to be redeveloped.

B. Tax Increment Financing

In January 1977, Tax Increment Financing (“TIF”) was authorized by the Illinois General Assembly through passage of the Act. The Act provides a means for municipalities, after the approval of a redevelopment plan and project, to redevelop blighted, conservation, or industrial park conservation areas and to finance eligible “redevelopment project costs” with incremental property tax revenues. “Incremental Property Tax” or “Incremental Property Taxes” are derived from the increase in the current EAV of real property within the redevelopment project area over and above the “Certified Initial EAV” of such real property. Any increase in EAV is then multiplied by the current tax rate to arrive at the Incremental Property Taxes. A decline in current EAV does not result in a negative Incremental Property Tax.

TIF is a financing mechanism that allows the municipality to capture, for a certain number of years, the new tax revenues produced by the enhanced valuation of properties resulting from the municipality's redevelopment program, improvements and activities, various redevelopment projects, and the reassessment of properties. This revenue is then reinvested in the area through rehabilitation, developer subsidies, public improvements and other eligible redevelopment activities. Under TIF, all taxing districts continue to receive property taxes levied on the initial valuation of properties within the redevelopment project area. Additionally, taxing districts can receive distributions of excess Incremental Property Taxes when annual Incremental Property Taxes received exceed principal and interest obligations for that year and redevelopment project costs necessary to implement the redevelopment plan have been paid. Taxing districts also benefit from the increased property tax base after redevelopment project costs and obligations are paid.

To finance redevelopment project costs, a municipality may issue obligations secured by Incremental Property Taxes to be generated within the redevelopment project area. In addition, a municipality may pledge towards payment of such obligations any part or any combination of the following: (a) net revenues of all or part of any redevelopment project; (b) taxes levied and collected on any or all property in the municipality; (c) the full faith and credit of the municipality; (d) a mortgage on part or all of the redevelopment project; or (e) any other taxes or anticipated receipts that the municipality may lawfully pledge.

C. The Redevelopment Plan for the Kostner Avenue Tax Increment Financing Redevelopment Project Area

As evidenced in *Section VI*, the Project Area as a whole has not been subject to growth and development through private investment. Furthermore, it is not reasonable to expect that the Project Area as a whole will be redeveloped on a comprehensive and coordinated basis without the use of TIF.

JRG has prepared the Redevelopment Plan and the related Eligibility Report with the understanding that the City would rely on (i) the findings and conclusions of the Redevelopment Plan and the related Eligibility Report in proceeding with the designation of the Project Area as a Redevelopment Project Area under the Act and adoption of the Redevelopment Plan, and (ii) the fact that JRG has obtained the necessary information so that the Redevelopment Plan and the related Eligibility Report will comply with the Act.

This Redevelopment Plan has been formulated in accordance with the provisions of the Act and is intended to guide improvements and activities within the Project Area to stimulate private investment in the Project Area. The goal of the City, through implementation of this Redevelopment Plan, is that the entire Project Area be revitalized on a comprehensive and planned basis to ensure that private investment in rehabilitation and new development occurs:

1. On a coordinated rather than piecemeal basis to ensure that land use, access and circulation, parking, public services and urban design are functionally integrated and meet present-day principles and standards;
2. On a reasonable, comprehensive and integrated basis to ensure that the factors of blight are eliminated; and
3. Within a reasonable and defined time period so that the Project Area may contribute productively to the economic vitality of the City.

Redevelopment of the Project Area will constitute a complex endeavor. The success of this redevelopment effort will depend to a large extent on the cooperation between the private sector and agencies of local government. Adoption of this Redevelopment Plan will make possible the implementation of a comprehensive program for redevelopment of the Project Area. By means of public investment, the Project Area can become a stable environment that will attract new private investment. Public investment will set the stage for redevelopment by the private sector. Through this Redevelopment Plan, the City will provide a basis for directing the assets and energies of the private sector to ensure a unified and cooperative public-private redevelopment effort.

This Redevelopment Plan sets forth the overall “Redevelopment Project” to be undertaken to accomplish the City’s above-stated goals. During implementation of the Redevelopment Project, the City may, from time to time: (i) undertake or cause to be undertaken public improvements and other redevelopment project activities authorized under the Act; and (ii) enter into redevelopment agreements and intergovernmental agreements with private or public entities to construct, rehabilitate, renovate or restore private improvements and undertake other redevelopment project activities authorized under the Act on one or several parcels (items (i) and (ii) are collectively referred to as “Redevelopment Projects”).

This Redevelopment Plan specifically describes the Project Area and summarizes the factors that qualify the Project Area as an improved “conservation area” and vacant “blighted area” as defined in the Act.

Successful implementation of this Redevelopment Plan requires that the City utilize Incremental Property Taxes and other resources in accordance with the Act to stimulate the comprehensive and coordinated development of the Project Area. Only through the utilization of TIF will the Project Area develop on a comprehensive and coordinated basis, thereby eliminating the existing and threatening blight conditions which have limited development of the Project Area by the private sector on a comprehensive and area-wide basis.

The use of Incremental Property Taxes will permit the City to direct, implement and coordinate public improvements and activities to stimulate private investment within the Project Area. These improvements, activities and investments will benefit the City, its residents, and all taxing districts having jurisdiction over the Project Area. These anticipated benefits include:

- Elimination of problem conditions in the Project Area;
- New commercial development along 26th Street;
- Increased housing opportunities to alleviate overcrowding in the adjacent Little Village neighborhoods;
- An improved system of roadways, utilities and other infrastructure that can adequately accommodate desired new development;
- A strengthened tax base for affected taxing districts arising from new commercial and residential development, rehabilitation of existing buildings and returning tax exempt properties to the tax roll; and
- The expansion and improvement of public facilities and recreational spaces.

II. LEGAL DESCRIPTION AND PROJECT BOUNDARY

The boundaries of the Project Area have been drawn to include only those contiguous parcels of real property and improvements substantially benefited by the proposed Redevelopment Project to be undertaken as part of this Redevelopment Plan. The boundaries of the Project Area are shown in Figure 1, *Project Area Boundary*, and are generally described below:

The Project Area is generally bounded by Chicago, Burlington & Quincy Railroad on the north; Kostner Avenue on the east; the south line of block 16-27-301 on the south; and the Belt Line Railroad on the west.

The legal description of the Project Area is presented below.

That part of Section 27, Township 39 North, Range 13 East of the Third Principal Meridian, in Cook County, Illinois, described as follows:

Beginning at the point of intersection of the east line of the west 33 feet of the Northwest Quarter of the Northeast Quarter of said Section 27, said east line being the east Right-of-Way line of South Kostner Avenue and a line which is parallel and southerly 44.00 feet with the southerly Right-of-Way of the Chicago, Burlington and Quincy Railroad; thence south along said east Right-of-Way line of South Kostner Avenue to the intersection with the easterly extension of the north line of S. C. Storer's Subdivision of the south 7 acres of the Northeast Quarter of the Southwest Quarter of said Section 27, recorded September 17, 1890 as document 1337901; thence west along said north line of S.C. Storer's Subdivision to the east line of the west 33.00 feet of the Northeast Quarter of the Southwest Quarter of said Section 27; thence north along said east line of the west 33.00 feet of said Northeast Quarter and along the east line of the west 33.00 feet of the Southeast Quarter of the Northwest Quarter of said Section 27 to said line parallel and southerly 44.00 feet with the southerly Right-of-Way of the Chicago, Burlington and Quincy Railroad; thence northeasterly along said parallel line to the intersection with a line which is 427.5 feet west of and parallel with the east line of said Northwest Quarter; thence south 48.90 feet along said east line which is 427.5 feet west of and parallel with the east line of said Northwest Quarter; thence northeasterly 92.17 feet along a line forming a deflection angle to said parallel line of 47 degrees 20 minutes to the right, to said line which is parallel and southerly 44.00 feet with the southerly Right-of-Way of the Chicago, Burlington and Quincy Railroad; thence northeasterly along said parallel to the Point of Beginning.

III. ELIGIBILITY CONDITIONS

The results summarized in this section are more fully described in a separate report that presents the definition, application and extent of the blight factors in the Project Area. The report, prepared by JRG is entitled “Kostner Avenue Redevelopment Project Area Tax Increment Financing Eligibility Report,” (the “Eligibility Report”) and is attached as Exhibit II to this Redevelopment Plan.

A. Summary of Project Area Eligibility

Based upon surveys, inspections and analyses of the Project Area, the Project Area qualifies under the applicable criteria as a combination of a “blighted area” and “conservation area” within the requirements of the Act. Specifically, the Eligibility Report finds that:

The improved portion of the Project Area qualifies as a “**conservation area**” under the improved property criteria as set forth in the Act. Specifically,

- Fifty percent (50%) of the buildings are 35 years of age or older;
- Seven factors are present to a meaningful extent and reasonably distributed throughout the entire Project Area. These include: Dilapidation; Obsolescence; Deterioration; Structures Below Minimum Code; Excessive Vacancies; Inadequate Utilities; Excessive Land Coverage and Overcrowding of Community Facilities.
- An additional factor, Environmental Remediation, is present to a limited degree and has negatively impacted the marketability of the Project Area.

The vacant portion of the Project Area qualifies as a “**blighted area**” under the vacant property criteria as set forth in the Act. Specifically,

- The vacant area exhibits a combination of two blighting factors including: obsolete platting of the vacant land; and deterioration of structures in areas adjacent to the vacant land;
- A substantial portion of the vacant area contains the presence of an unused or illegal disposal site containing earth, stone, building debris, or similar materials that were removed from construction and demolition excavation sites; and
- The vacant area qualified as a blighted improved area immediately prior to becoming vacant and there has not been substantial private investment in the immediately surrounding area;

Finally, the Project Area includes only real property and improvements thereon substantially benefited by the proposed redevelopment project improvements.

B. Surveys and Analyses Conducted

The blight factors documented in the Project Area are based upon surveys and analyses conducted by JRG. The surveys and analyses conducted for the Project Area include:

1. Exterior survey of the condition and use of each building;

2. Field survey of conditions covering streets, sidewalks, curbs and gutters, lighting, traffic, parking facilities, landscaping, fences, and general property maintenance;
3. Analysis of existing uses within the Project Area and their relationships to surroundings;
4. Comparison of current land use to current zoning ordinance and the current zoning map;
5. Analysis of original and current platting and building size and layout;
6. Analysis of vacant portions of the site and buildings;
7. Analysis of building floor area and site coverage;
8. Review of previously prepared plans, studies and data;
9. Review of City of Chicago building permit and building code violation data for the period from January 2003 to April 2008;
10. Analysis of storm, sanitary sewer lines and water supply lines within the Project Area via existing infrastructure maps provided by the City of Chicago's Department of Water Management.
11. Analysis of Cook County Assessor records for assessed valuations and equalization factors for tax parcels in the Project Area for assessment years 2001 to 2006; and
12. Analysis of Cook County Treasurer's records for the years 2001 to 2006.

IV. REDEVELOPMENT GOALS AND OBJECTIVES

Comprehensive and coordinated investment in new public and private improvements and facilities is essential for the successful redevelopment of the Project Area and the elimination of conditions that have impeded redevelopment of the Project Area in the past. Redevelopment of the Project Area will benefit the City through improvements in the physical environment, an increased tax base, new housing opportunities, and additional employment opportunities.

This section identifies the general goals and objectives adopted by the City for redevelopment of the Project Area. *Section V* presents more specific objectives for development and design within the Project Area and the redevelopment activities that the City plans to undertake to achieve the goals and objectives presented in this section.

A. General Goals

Listed below are the general goals adopted by the City for redevelopment of the Project Area. These goals provide overall focus and direction for this Redevelopment Plan.

1. An improved quality of life in the Project Area and the surrounding communities.
2. Elimination of the factors that qualified the Project Area as combination of a conservation area and a blighted area.
3. An improved community image with new neighborhood infrastructure and new development.
4. An environment that will contribute more positively to the health, safety and general welfare of the Project Area and the surrounding community.
5. A comprehensive housing program that serves homeowners and renters of all income groups.
6. New commercial investment and development opportunities that will increase the real estate tax base of the City and other taxing districts having jurisdiction over the Project Area.
7. Increased employment options for community residents.

B. Redevelopment Objectives

Listed below are the redevelopment objectives which will guide planning decisions regarding redevelopment within the Project Area.

1. Create an environment that stimulates private investment in the Project Area.
2. Strengthen the economic well being of the Project Area by returning vacant and underutilized properties to the tax rolls.
3. Support the development of new mixed-income and mixed-density housing, including rental units for market rate, affordable, and low- and very low-income households, and for sale units available at market rate and affordable prices.
4. Encourage visually attractive buildings, rights-of-way and open spaces and encourage high standards of design.

5. Upgrade public utilities, infrastructure and streets, including streetscape and beautification projects, improvements to schools and community facilities.
6. Create new job opportunities for City residents utilizing the most current hiring programs and appropriate job training programs.
7. Provide opportunities for women-owned, minority-owned and local businesses and local residents to share in the redevelopment of the Project Area.
8. Encourage improvements in accessibility for people with disabilities.

V. REDEVELOPMENT PROJECT

This section presents the Redevelopment Project anticipated to be undertaken by the City and by other public and private entities on behalf of the City in furtherance of this Redevelopment Plan. Several previous plans, reports and policies have been reviewed and form the basis for some of the recommendations presented in this Redevelopment Plan including: the *LISC New Communities Program-Quality of Life Plan for Little Village (2005)*; and the *Chicago Zoning Ordinance (1999)*.

The Redevelopment Project described in this Redevelopment Plan and pursuant to the Act includes: a) the overall redevelopment concept; b) the land use plan; c) development and design objectives; d) a description of redevelopment improvements and activities; e) estimated redevelopment project costs; f) a description of sources of funds to pay estimated redevelopment project costs; g) a description of obligations that may be issued; and h) identification of the most recent EAV of properties in the Project Area and an estimate of future EAV.

A. Overall Redevelopment Concept

Figure 3 presents the Land-Use Plan that will be in effect upon adoption of this Redevelopment Plan.

The Project Area's location serves as a key gateway to the City and important anchor to the main Little Village commercial corridor of 26th Street. The Project Area provides an opportunity to develop this underutilized and neglected area as a vital and sustainable mixed use area. New and redeveloped commercial development should enhance the 26th Street commercial corridor with urban design elements including buildings oriented toward the street and well landscaped parking lots to the rear of the property. New residential development should complement the existing patterns found in the neighboring Little Village community with buildings oriented to the street, consistent setbacks, alleys, front porches, street trees and parking behind the housing.

B. Land Use Plan

The land uses within the Project Area and the recommended locations of those land uses are listed and described below. The Land Use Plan is intended to direct TIF eligible expenditures and does not affect the zoning currently in place within the Project Area.

Mixed-Use (Residential/Commercial/Institutional)

The proposed uses for the Project Area are commercial, residential and institutional. This general land use category allows for a dynamic design of integrated uses that complement each other and create a more sustainable development.

Commercial uses could include retail and service uses within a shopping center and/or corridor commercial development. A heavier concentration of commercial uses is appropriate on the north side of 26th Street with residential uses as a secondary use in upper stories.

Residential uses of varying styles and densities should be concentrated in the southern portion of the Project Area. Design of this area should emphasize the continued use of the grid system of streets and blocks that is found throughout the community. This mixed use area may also include commercial uses, which should be oriented toward 26th Street to take advantage of vehicular

visibility and to serve as a buffer between the arterial corridor and residential uses.

Development of the Project Area, and the residential portion in particular, should include public open space for park and recreational use.

The Project Area also encompasses Zapata Academy, a public elementary school that should be maintained and enhanced for the benefit and improvement of the community. As new development occurs, review and consideration should be given to the need for new and/or renovated school and park facilities to meet the needs of a growing population.

All development should comply with the Redevelopment Plan objectives set forth in *Section IV* above, the Chicago Zoning Ordinance or any applicable Planned Residential Development, the Comprehensive Plan of Chicago, and all other relevant City ordinances and development guidelines.

C. Development and Design Objectives

Listed below are the specific Development and Design Objectives which will assist the City in directing and coordinating public and private improvements and investment within the Project Area in order to achieve the general goals and objectives identified in *Section IV* of this Redevelopment Plan.

The Development and Design Objectives are intended to enhance and attract a variety of desirable uses such as new residential, commercial and public/institutional redevelopment; foster a consistent and coordinated development pattern; and revitalize the urban identity of the Project Area.

a) Land Use

- Encourage new business and commercial development along 26th Street to provide the goods and services necessary to sustain a sustainable and vibrant community.
- Develop a comprehensive housing program that serves homeowners and renters.
- Remove or minimize physical barriers and other impediments to unified development.
- Provide adequate park and open spaces that serve the residents of the Project Area and adjacent neighborhoods.
- Support the enhancement of community facilities and community services, including improvements to the public school and day care centers at appropriate locations within the Project Area.

b) Building and Site Development

- Maintain Chicago's traditional neighborhood form that is characterized by a grid pattern of streets, buildings oriented toward the street, and a human scale that is attractive and inviting to pedestrians.
- Strengthen the historic character of the larger community by encouraging new developments that reflect designs consistent with the surrounding neighborhoods, including consistent front yard setbacks and building lines/heights; street orientation of buildings; alleys; parking to the rear of housing; and limited curb cuts.

- Encourage a variety of architectural styles that would be consistent with the surrounding neighborhood.
 - Ensure that private development and redevelopment improvements to sites and streetscapes are consistent with public improvement goals and plans.
- c) Transportation, Circulation and Infrastructure**
- Improve the street surface conditions, street lighting, and traffic signalization.
 - Install or upgrade public utilities and infrastructure as required.
 - Ensure that provision of off-street parking meets or exceeds the minimum requirements of the City.
- d) Urban Design, Landscaping, and Open Space**
- Promote high quality and harmonious architectural, landscape and streetscape design that contributes to and complements the surrounding neighborhoods.
 - Encourage streetscape features within the Project Area including street trees and pedestrian lighting, where appropriate.
 - Screen active rail tracks for safety and appearance, as appropriate.
 - Develop new neighborhood parks that are accessible to all residents.
 - Ensure that all parking areas, plazas and open spaces are designed, landscaped and lit to achieve a high level of public safety and security.
 - Ensure that all landscaping and design materials comply with the City of Chicago Landscape Ordinance or any applicable Planned Development and reflect the character of the area.

D. Redevelopment Improvements and Activities

The City proposes to achieve its redevelopment goals and objectives for the Project Area through the use of public financing techniques including, but not limited to, tax increment financing, to undertake some or all of the activities and improvements authorized under the Act, including the activities and improvements described below. The City also maintains the flexibility to undertake additional activities and improvements authorized under the Act, if the need for activities or improvements change as redevelopment occurs in the Project Area.

The City may enter into redevelopment agreements or intergovernmental agreements with public or private entities for the furtherance of this Redevelopment Plan to construct, rehabilitate, renovate or restore improvements for public or private facilities on one or several parcels or any other lawful purpose. Redevelopment agreements may contain terms and provisions that are more specific than the general principles set forth in this Redevelopment Plan and which include affordable housing requirements as described below.

Developers who receive TIF assistance for market-rate housing are to set aside 20 percent of the units to meet affordability criteria established by the City's Department of Housing, based on area median income. Generally, this means the affordable for-sale units should be priced at a level that

is affordable to persons earning no more than 100 percent of the area median income, and affordable rental units should be affordable to persons earning no more than 60 percent of the area median income.

1. Property Assembly

Property acquisition and land assembly by the private sector in accordance with this Redevelopment Plan will be encouraged by the City. To meet the goals and objectives of this Redevelopment Plan, the City may acquire and assemble property throughout the Project Area. Land assemblage by the City may be by purchase, exchange, donation, lease, eminent domain or through the Tax Reactivation Program and may be for the purpose of: (a) sale, lease or conveyance to private developers or other public bodies; or (b) sale, lease, conveyance or dedication for the construction of public improvements or facilities. Furthermore, the City may require written redevelopment agreements with developers before acquiring any properties. As appropriate, the City may devote acquired property to temporary uses until such property is scheduled for disposition and development.

In connection with the City exercising its power to acquire real property, including the exercise of the power of eminent domain, under the Act in implementing the Redevelopment Plan, the City will follow its customary procedures of having each such acquisition recommended by the Community Development Commission (or any successor commission) and authorized by the City Council of the City. Acquisition of such real property as may be authorized by the City Council does not constitute a change in the nature of this Redevelopment Plan.

The City or a private developer may (a) acquire any historic structure (whether a designated City or State landmark or on, or eligible for, nomination to the National Register of Historic Places); (b) demolish any non-historic feature of such structure; (c) demolish all or portions, as allowed by laws, of historic structures, if necessary, to implement a project that meets the goals and objectives of the Redevelopment Plan; and (d) incorporate any historic structure or historic feature into a development on the subject property or adjoining property.

2. Relocation

Relocation assistance may be provided to facilitate redevelopment of portions of the Project Area and to meet other City objectives. Businesses legally occupying properties that may be acquired by the City subsequent to this Plan may be provided with relocation advisory and financial assistance as determined by the City.

3. Provision of Public Works or Improvements

The City may provide (or assist other public bodies in providing) public improvements and facilities that are necessary to service the Project Area in accordance with this Redevelopment Plan and the comprehensive plan for development of the City as a whole. Public improvements and facilities may include, but are not limited to, the following:

a) ***Streets and Utilities***

A range of roadway, utility and related improvement projects, from repair and resurfacing to major construction or reconstruction, may be undertaken.

b) ***School Facilities***

Improvements to existing or future schools may be provided to serve the existing and future residential development in the Project Area. Improvements and development of school facilities could include campus schools and parks and community centers.

c) ***Parks and Open Space***

Improvements to existing or future, parks, open spaces and public plazas may be provided, including the construction of pedestrian walkways, lighting, landscaping and general beautification improvements that may be provided for the use of the general public.

4. Rehabilitation of Existing Buildings

The City will encourage the rehabilitation of public and private buildings that are basically sound and/or historically or architecturally significant.

5. Job Training and Related Educational Programs

Programs designed to increase the skills of the labor force that would take advantage of the employment opportunities within the Project Area may be implemented.

6. Day Care Services

Incremental Property Taxes may be used to cover the cost of day care services and centers within the Project Area for children of low-income employees of Project Area businesses or institutions.

7. Taxing Districts Capital Costs

The City may reimburse all or a portion of the costs incurred by certain taxing districts in the furtherance of the objectives of this Redevelopment Plan.

8. Interest Subsidies

Funds may be provided to developers for a portion of interest costs incurred by a developer 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 the Act;
- (b) such payments in any one year may not exceed 30 percent of the annual interest costs incurred by the developer with respect to the redevelopment project during that year;
- (c) if there are not sufficient funds available in the special tax allocation fund to make an interest payment, then the amounts so due shall accrue and be payable when sufficient funds are available in the special tax allocation fund;

- (d) the total of such interest payments paid pursuant to the Act may not exceed 30 percent of the total (i) cost paid or incurred by a redeveloper for a redevelopment project plus (ii) redevelopment project costs excluding any property assembly costs and any relocation costs incurred by the City pursuant to the Act; and
- (e) the cost limits set forth in this paragraph in subparagraphs (b) and (d) above shall be modified to permit payment of up to 75 percent of interest costs incurred by a developer for the financing of rehabilitated or new housing units for low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act.

9. Affordable Housing

Funds may be provided to developers for up to 50 percent of the cost of construction, renovation and-or rehabilitation of all low- and very low-income housing units (for ownership or rental) as defined in Section 3 of the Illinois Affordable Housing Act. If the units are part of a residential redevelopment project that includes units not affordable to low-and very low-income households, only the low- and very low-income units shall be eligible for benefits under the Act.

10. Analysis, Administration, Studies, Surveys, Legal, etc.

Under contracts that will run for three years or less (excluding contracts for architectural and engineering services which are not subject to such time limits) the City and/or private developers may undertake or engage professional consultants, engineers, architects, attorneys, etc. to conduct various analyses, studies, surveys, administration or legal services to establish, implement and manage this Redevelopment Plan.

E. Redevelopment Project Costs

The various redevelopment expenditures that are eligible for payment or reimbursement under the Act are reviewed below. Following this review is a list of estimated redevelopment project costs that are deemed to be necessary to implement this Redevelopment Plan (the “Redevelopment Project Costs”).

1. Eligible Redevelopment Project Costs

Redevelopment project costs include the sum total of all reasonable or necessary costs incurred, estimated to be incurred, or incidental to this Redevelopment Plan pursuant to the Act. Such costs may include, without limitation, the following:

- a) 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, financial, planning or other services (excluding lobbying expenses), provided that no charges for professional services are based on a percentage of the tax increment collected;
- b) The cost of marketing sites within the area to prospective businesses, developers and investors;

- c) 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, site preparation, site improvements that serve as an engineered barrier addressing ground level or below ground environmental contamination, including, but not limited to parking lots and other concrete or asphalt barriers, and the clearing and grading of land;
- d) Costs of rehabilitation, reconstruction or repair or remodeling of existing public or private buildings, fixtures, and leasehold improvements; and the cost of replacing an existing public building if pursuant to the implementation of a redevelopment project the existing public building is to be demolished to use the site for private investment or devoted to a different use requiring private investment;
- e) Costs of the construction of public works or improvements subject to the limitations in Section 11-74.4-3(q) (4) of the Act;
- f) Costs of job training and retraining projects including the cost of "welfare to work" programs implemented by businesses located within the redevelopment project area and such proposals feature a community-based training program which ensures maximum reasonable opportunities for residents of the North Lawndale Community Area with particular attention to the needs of those residents who have previously experienced inadequate employment opportunities and development of job-related skills including residents of public and other subsidized housing and people with disabilities;
- g) 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 there under including interest accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for a period not exceeding 36 months following completion and including reasonable reserves related thereto;
- h) To the extent the municipality by written agreement accepts and approves the same, all or a portion of a taxing district's capital costs resulting from the redevelopment project necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of the redevelopment plan and project;
- i) 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 or by Section 74.4-3(n)(7) of the Act (see Section V.D.2 above);
- j) Payment in lieu of taxes, as defined in the Act;
- k) Costs of job training, retraining, 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 the 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, 110 ILCS 805/3-37, 805/3-38, 805/3-40 and 805/3-40.1, and by school districts of costs pursuant to Sections 10-22.20a and 10-23.3a of the School Code, 105 ILCS 5/10-22.20a and 5/10-23.3a;

- l) Interest costs incurred by a developer related to the construction, renovation or rehabilitation of a redevelopment project provided that:
 1. such costs are to be paid directly from the special tax allocation fund established pursuant to the Act;
 2. such payments in any one year may not exceed 30 percent of the annual interest costs incurred by the redeveloper with regard to the redevelopment project during that year;
 3. if there are not sufficient funds available in the special tax allocation fund to make the payment pursuant to this provision, then the amounts so due shall accrue and be payable when sufficient funds are available in the special tax allocation fund;
 4. the total of such interest payments paid pursuant to the Act may not exceed 30 percent of the total: (i) cost paid or incurred by the developer for such redevelopment project, plus (ii) redevelopment project costs excluding any property assembly costs and any relocation costs incurred by a municipality pursuant to the Act; and
 5. Up to 75 percent of the interest cost incurred by a developer for the financing of rehabilitated or new housing units for low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act.
- m) Unless explicitly provided in the Act, the cost of construction of new privately-owned buildings shall not be an eligible redevelopment project cost;
- n) An elementary, secondary, or unit school district's increased costs attributable to assisted housing units will be reimbursed as provided in the Act;
- o) Instead of the eligible costs provided for in (l)(2), (4) and (5) above, up to 50 percent of the cost of construction, renovation and/or rehabilitation of all low- and very low-income housing units (for ownership or rental) as defined in Section 3 of the Illinois Affordable Housing Act. If the units are part of a residential

redevelopment project that includes units not affordable to low- and very low-income households, only the low- and very low-income units shall be eligible for benefits under the Act; and

- p) The cost of daycare services for children of employees from low-income families working for businesses located within the Project Area and all or a portion of the cost of operation of day care centers established by redevelopment project area businesses to serve employees from low-income families working in businesses located in the Project Area. For the purposes of this paragraph, "low-income families" means families whose annual income does not exceed 80 percent of the City, county or regional median income as determined from time to time by the United States Department of Housing and Urban Development.

If a special service area has been established pursuant to the Special Service Area Tax Act, 35 ILCS 235/0.01 *et. seq.* then any tax increment revenues derived from the tax imposed pursuant to the Special Service Area Tax Act may be used within the redevelopment project area for the purposes permitted by the Special Service Area Tax Act as well as the purposes permitted by the Act.

2. Estimated Redevelopment Project Costs

A range of redevelopment activities and improvements will be required to implement this Redevelopment Plan. The activities and improvements and their estimated costs are set forth in Exhibit I of this Redevelopment Plan. All estimates are based on 2008 dollars. Funds may be moved from one line item to another or to an eligible cost category described in this Redevelopment Plan at the City's discretion.

Redevelopment Project Costs described in this Redevelopment Plan are intended to provide an upper estimate of expenditures. Within this upper estimate, adjustments may be made in line items without amending this Redevelopment Plan.

In the event the Act is amended after the date of the approval of this Redevelopment Plan by the City Council of Chicago to (a) include new eligible redevelopment project costs, or (b) expand the scope or increase the amount of existing eligible redevelopment project costs (such as, for example, by increasing the amount of incurred interest costs that may be paid under 65 ILCS 5/1-74.4-3(q)(11)), this Redevelopment Plan shall be deemed to incorporate such additional, expanded or increased eligible costs Redevelopment Project Costs under the Redevelopment Plan to the extent permitted by the Act. In the event of such amendment(s) to the Act, the City may add any new eligible redevelopment project costs as a line item in Exhibit I or otherwise adjust the line items in Exhibit I without amendments to this Plan, to the extent permitted by the Act. In no instance, however, shall such additions or adjustments result in any increase in the total redevelopment project costs without a further amendment to this Redevelopment Plan.

F. Sources of Funds to Pay Redevelopment Project Costs

Funds necessary to pay for Redevelopment Project Costs and secure municipal obligations issued for such costs are to be derived primarily from Incremental Property Taxes. Other sources of funds which may be used to pay for Redevelopment Project Costs or secure municipal obligations are

land disposition proceeds, state and federal grants, investment income, private financing and other legally permissible funds the City may deem appropriate. The City may incur redevelopment project costs, which are paid for from funds of the City other than incremental taxes, and the City may then be reimbursed from such costs from incremental taxes. Also, the City may permit the utilization of guarantees, deposits and other forms of security made available by private sector developers. Additionally, the City may utilize revenues, other than State sales tax increment revenues, received under the Act from one redevelopment project area for eligible costs in another redevelopment project area that is either contiguous to, or is separated only by a public right-of-way from, the redevelopment project area from which the revenues are received.

The Project Area is contiguous to the Little Village Industrial Corridor redevelopment project area and may, in the future, be contiguous to or separated by only a public right-of-way from other redevelopment project areas created under the Act. The City may utilize net incremental property taxes received from the Project Area to pay eligible redevelopment project costs, or obligations issued to pay such costs, in other contiguous redevelopment project areas or project areas separated only by a public right-of-way, and vice versa. The amount of revenue from the Project Area, made available to support such contiguous redevelopment project areas, or those separated only by a public right-of-way, when added to all amounts used to pay eligible Redevelopment Project Costs within the Project Area, shall not at any time exceed the total Redevelopment Project Costs described in this Redevelopment Plan.

The Project Area may become contiguous to, or be separated only by a public right-of-way from, redevelopment project areas created under the Industrial Jobs Recovery Law (65 ILCS 5/11-74.6-1, et seq.). If the City finds that the goals, objectives and financial success of such contiguous redevelopment project areas or those separated only by a public right-of-way are interdependent with those of the Project Area, the City may determine that it is in the best interests of the City and in furtherance of the purposes of the Redevelopment Plan that net revenues from the Project Area be made available to support any such redevelopment project areas. The City therefore proposes to utilize net incremental revenues received from the Project Area to pay eligible redevelopment project costs (which are eligible under the Industrial Jobs Recovery Law referred to above) in any such areas and vice versa. Such revenues may be transferred or loaned between the Project Area and such areas. The amount of revenue from the Project Area so made available, when added to all amounts used to pay eligible Redevelopment Project Costs within the Project Area or other areas as described in the preceding paragraph, shall not at any time exceed the total Redevelopment Project Costs described in Exhibit I of this Redevelopment Plan.

G. Issuance of Obligations

The City may issue obligations secured by Incremental Property Taxes pursuant to Section 11-74.4-7 of the Act. To enhance the security of a municipal obligation, the City may pledge its full faith and credit through the issuance of general obligation bonds. Additionally, the City may provide other legally permissible credit enhancements to any obligations issued pursuant to the Act.

The redevelopment project shall be completed, and all obligations issued to finance redevelopment costs shall be retired, no later than December 31 of the year in which the payment to the City treasurer as provided in the Act is to be made with respect to ad valorem taxes levied in the twenty-third calendar year following the year in which the ordinance approving the Project Area is adopted (i.e., assuming City Council approval of the Project Area and Redevelopment Plan in 2008), by

December 31, 2032. Also, the final maturity date of any such obligations which are issued may not be later than 20 years from their respective dates of issue. One or more series of obligations may be sold at one or more times in order to implement this Redevelopment Plan. Obligations may be issued on parity or subordinated basis.

In addition to paying Redevelopment Project Costs, Incremental Property Taxes may be used for the scheduled retirement of obligations, mandatory or optional redemptions, establishment of debt service reserves and bond sinking funds. To the extent that Incremental Property Taxes are not needed for these purposes, and are not otherwise required, pledged, earmarked or otherwise designated for the payment of Redevelopment Project Costs, any excess Incremental Property Taxes shall then become available for distribution annually to taxing districts having jurisdiction over the Project Area in the manner provided by the Act.

H. Valuation of the Project Area

1. Most Recent EAV of Properties in the Project Area

The purpose of identifying the most recent equalized assessed valuation (“EAV”) of the Project Area is to provide an estimate of the initial EAV which the Cook County Clerk will certify for the purpose of annually calculating the incremental EAV and incremental property taxes of the Project Area. The final 2006 EAV of all taxable parcels in the Project Area is approximately \$4,842,979. This total EAV amount by PIN is summarized in the table below. The EAV is subject to verification by the Cook County Clerk. After verification, the final figure shall be certified by the Cook County Clerk, and shall become the Certified Initial EAV from which all incremental property taxes in the Project Area will be calculated by Cook County. The Redevelopment Plan has utilized the EAVs for the 2006 tax year. If the 2007 EAV shall become available prior to the date of the adoption of the Redevelopment Plan by the City Council, the City may update the Redevelopment Plan by replacing the 2006 EAV with the 2007 EAV.

Table 1. 2006 EAV by PIN

	PIN	2006 EAV
1.	16-27-104-011-0000	807,975
2.	16-27-104-012-0000	125,719
3.	16-27-104-013-0000	151,265
4.	16-27-104-014-0000	500,348
5.	16-27-104-016-0000	131,197
6.	16-27-104-017-0000	1,023,857
7.	16-27-301-002-0000	72,176
8.	16-27-301-025-0000	294,866
9.	16-27-301-027-0000	275,395
10.	16-27-301-028-0000	RR
11.	16-27-301-029-0000	375,888
12.	16-27-301-030-0000	283,345
13.	16-27-301-031-0000	75,055
14.	16-27-301-033-0000	Exempt
15.	16-27-301-034-0000	725,891
	TOTAL EAV	\$ 4,842,979

2. Anticipated Equalized Assessed Valuation

By the tax year 2031 (collection year 2032) and following the substantial completion of the Redevelopment Project, the EAV of the Project Area is estimated at \$113 million. The estimate is based on several assumptions, including: 1) redevelopment of the Project Area will occur in a timely manner; 2) approximately 275,000 square feet of new commercial space will be developed by December 2012; 3) approximately 250 new for-sale residential units will be constructed in the Project Area and occupied by Summer 2015; 4) approximately 250 new rental residential units will be constructed in the Project Area and occupied by Summer 2015; 5) approximately 100 new senior rental residential units will be constructed in the Project Area and occupied by Summer 2015; 6) an estimated annual inflation rate in EAV of 3.0 percent through 2031, realized in triennial reassessment years only (7.7 percent per triennial reassessment period); and 5) the most recent state equalization factor of 2.7076 (tax year 2006) is used in all years to calculate estimated EAV.

VI. LACK OF GROWTH AND DEVELOPMENT THROUGH INVESTMENT BY PRIVATE ENTERPRISE

As described in *Section III* of this Redevelopment Plan, the Project Area as a whole is adversely impacted by the presence of numerous conservation and blight factors, and these factors are reasonably distributed throughout the Project Area. Blight factors within the Project Area represent major impediments to sound growth and development.

The decline of and the lack of private investment in the Project Area are evidenced by the following:

- Virtually no new private investment has been made in the area in more than a decade.
- A total of 11 building permits have been issued in the five year period from 2003 to 2008, of which 8 permits were issued for privately owned addresses within the Project Area for a total of \$14,600 or an annual average of less than \$3,000.
- Approximately 64.5% of the Project Area is comprised of vacant land.
- Of the 4 buildings in the Project Area, 2 (50%) are classified as dilapidated or major deficient.
- An abandoned rail track with a deteriorated railroad car is located on a vacant parcel north of 26th Street.
- Chronic and long standing vacancies have negatively impacted the marketability of the Project Area.
- The Project Area lies within a census tract which qualifies for New Markets Tax Credits based on high unemployment (2.66x national average) and low median income.
- Historic identification of environmentally hazardous sites in the Project Area including underground storage tanks (UST) sites, a leaking underground storage tanks (LUST) site; Twenty one USTs were identified in the area south of 26th Street and 9 sites were identified north of 26th Street. As of 2004, one unresolved LUST site at 4500 W. 26th Street and several UST sites still required remediation.
- Given the removal of buildings over the last 30 years due to demolition or abandonment, the EAV of the Project Area has been very low relative to the City as a whole. Relative to size, the City's 2006 EAV was \$405,529 per acre compared to the Project Area's EAV per acre of \$94,960. The relative value of these data indicates the Project Area is 23.4% of the City's EAV in terms of acreage.

In summary, the Project Area qualifies under the Act as a combination of a conservation area and a vacant blighted area on the basis that 1) it meets the age threshold and exhibits the meaningful presence and reasonable distribution of 7 of the 13 factors listed in the Act for a conservation area; and 2) it meets the blighted area criteria for a vacant area. Therefore, the Project Area as a whole is eligible as a redevelopment project area, with the meaningful presence and reasonable distribution of blighting conditions that are detrimental to the public safety, health, and welfare.

The Project Area on the whole has not been subject to growth and development through investment by private enterprise. The Project Area would not reasonably be anticipated to be developed on a comprehensive and coordinated basis without the adoption of this Redevelopment Plan for the Project Area.

VII. FINANCIAL IMPACT

Without the adoption of the Redevelopment Plan and TIF, the Project Area is not reasonably expected to be redeveloped by private enterprise. In the absence of City-sponsored redevelopment initiatives, there is a prospect that blight factors will continue to exist and spread, and the Project Area on the whole and adjacent properties will become less attractive for the maintenance and improvement of existing buildings and sites. In the absence of City-sponsored redevelopment initiatives, erosion of the assessed valuation of property in and outside of the Project Area could lead to a reduction of real estate tax revenue to all taxing districts.

Section V of this Redevelopment Plan describes the comprehensive, area-wide Redevelopment Project proposed to be undertaken by the City to create an environment in which private investment can occur. The Redevelopment Project will be staged over a period of years consistent with local market conditions and available financial resources required to complete the various redevelopment improvements and activities as well as Redevelopment Projects set forth in this Redevelopment Plan. Successful implementation of this Redevelopment Plan is expected to result in new private investment in privately and publicly-funded new construction and rehabilitation of buildings on a scale sufficient to eliminate problem conditions and to return the area to a long-term sound condition.

The Redevelopment Project is expected to have significant short- and long-term positive financial impacts on the taxing districts affected by this Redevelopment Plan. In the short-term, the City's effective use of TIF, through the encouragement of new development and redevelopment, can be expected to enhance the assessed value of existing properties in the Project Area, thereby enhancing the existing tax base for local taxing agencies. In the long-term, after the completion of all redevelopment improvements and activities, Redevelopment Projects and the payment of all Redevelopment Project Costs and municipal obligations, the taxing districts will benefit from the enhanced tax base that results from the increase in EAV caused by the Redevelopment Projects.

VIII. DEMAND ON TAXING DISTRICT SERVICES

The following major taxing districts presently levy taxes against properties located within the Project Area:

Cook County. The County has principal responsibility for the protection of persons and property, the provision of public health services and the maintenance of County highways.

Cook County Forest Preserve District. The Forest Preserve District is responsible for acquisition, restoration and management of lands for the purpose of protecting and preserving open space in the City and County for the education, pleasure and recreation of the public.

Metropolitan Water Reclamation District of Greater Chicago. This district provides the main trunk lines for the collection of wastewater from cities, villages and towns, and for the treatment and disposal thereof.

Chicago Community College District 508. This district is a unit of the State of Illinois' system of public community colleges, whose objective is to meet the educational needs of residents of the City and other students seeking higher education programs and services.

City of Chicago Library Fund. General responsibilities of the Library Fund include the provision, maintenance and operation of the City's library facilities. There are no libraries located in the Project Area. One branch library facility, the Toman Branch at 2708 S Pulaski, is located outside but within approximately ¼ mile of the Project Area.

City of Chicago. The City is responsible for the provision of a wide range of municipal services, including: police and fire protection; capital improvements and maintenance; water supply and distribution; sanitation service; building, housing and zoning codes, etc.

Board of Education of the City of Chicago. General responsibilities of the Board of Education include the provision, maintenance and operation of educational facilities and the provision of educational services for kindergarten through twelfth grade. There is one (1) public school facility located in the Project Area: Zapata Academy. This public school facility is identified in Figure 4, *Community Facilities*.

In addition to the school facility in the boundaries of the Project Area, 2 schools are located within approximately ¼ mile of the Project Area. These include Corkery Elementary, Whitney Elementary and Little Village Lawndale HS Campus which is made up of four autonomous small schools: Multicultural Arts H.S., World Language H.S., Social Justice H.S., and Infinity: Math, Science, and Technology High School.

Chicago Park District and Chicago Park District Aquarium & Museum Bonds. The Park District is responsible for the provision, maintenance and operation of park and recreational facilities throughout the City and for the provision of recreation programs. There are no public parks located within the Project Area. One half-acre park, Pietrowski Park, is located within approximately ¼ mile of the Project Area. Park facilities are identified in *Figure 4, Community Facilities*.

Chicago School Finance Authority. The Authority was created in 1980 to exercise oversight and control over the financial affairs of the Board of Education.

In 1994, the Act was amended to require an assessment of any financial impact of the Project Area on, or any increased demand for services from, any taxing district affected by the Redevelopment Plan and a description of any program to address such financial impacts or increased demand. The City intends to monitor development in the area and with the cooperation of the other affected taxing districts will attempt to ensure that any increased needs are addressed in connection with any particular development.

A. Impact of the Redevelopment Project

The rehabilitation or replacement of underutilized properties with business, commercial, residential, and other development may cause increased demand for services and/or capital improvements to be provided by the Metropolitan Water Reclamation District, the City, the Board of Education and the Chicago Park District. The estimated nature of these increased demands for services on these taxing districts is described below.

Metropolitan Water Reclamation District of Greater Chicago. The rehabilitation of or replacement of underutilized properties with new development may cause increased demand for the services and/or capital improvements provided by the Metropolitan Water Reclamation District.

City of Chicago. The replacement or rehabilitation of underutilized properties with new development may increase the demand for services and programs provided by the City, including police protection, fire protection, sanitary collection, recycling, etc.

Board of Education. The replacement or rehabilitation of underutilized properties with new residential development is likely to increase the demand for services and programs provided by the City. One (1) Chicago Public School facility is located within the boundaries of the Project Area.

Chicago Park District. The replacement or rehabilitation of underutilized properties with residential, commercial, business and other development is likely to increase the demand for services, programs and capital improvements provided by the Chicago Park District within and adjacent to the Project Area. These public services or capital improvements may include, but are not necessarily limited to, the provision of additional open spaces and recreational facilities by the Chicago Park District. There are no public parks located within the Project Area.

City of Chicago Library Fund. The replacement or rehabilitation of underutilized properties with residential, commercial, business and other development is likely to increase the demand for services, programs and capital improvements provided by the City of Chicago Library Fund. There is one (1) branch library facility located within ¼ mile of the Project Area boundary.

B. Program to Address Increased Demand for Services or Capital Improvements

The following activities represent the City's program to address increased demand for services or capital improvements provided by the impacted taxing districts.

- Metropolitan Water Reclamation District of Greater Chicago. It is expected that any increase in demand for treatment of sanitary and storm sewage associated with the Project Area can be adequately handled by existing treatment facilities maintained and operated by the Metropolitan Water Reclamation District. Therefore, no special program is proposed for the Metropolitan Water Reclamation District.
- City of Chicago. It is expected that any increase in demand for City services and programs associated with the Project Area can be adequately handled by existing City, police, fire protection, sanitary collection and recycling services and programs maintained and operated by the City. Therefore, no special programs are proposed for the City.
- Board of Education. It is expected that new residential development and the redevelopment of vacant, underutilized or non-residential property to residential and/or mixed-use will result in an increase in demand for services provided by the Board of Education. The amount and type of new development is not known at this time but will be closely monitored by the City of Chicago.

The elementary public school facility that has been identified as located within the Project Area is operating well under their physical capacity and could handle additional students.

The nearest public high school is the Little Village Lawndale High School Campus which is made up of four autonomous small schools: Multicultural Arts H.S.; World Language H.S.; Social Justice H.S.; and Infinity: Math, Science and Technology High School. Due to the mobility of high school age children, capacity issues at the high school level are not considered as critical as elementary schools. It is anticipated that new high school age children resulting from new development in the Project Area can be accommodated by the regional school system but may require, over time, new or expanded school facilities.

It is expected that any increase in demand for Board of Education services and programs associated with the Project Area can be adequately handled by existing facilities. The City and the Board of Education, will attempt to ensure that any increased demands for the services and capital improvements provided by the Board of Education are addressed in connection with any particular residential development in the Project Area.

Other Taxing Districts. It is expected that any increase in demand for Chicago Park District, Chicago Library Fund, Cook County, Cook County Forest Preserve District, and Chicago Community College District 508's services and programs associated with the Project Area can be adequately handled by existing services and programs maintained and operated by

these taxing districts. Therefore, at this time, no special programs are proposed for these taxing districts.

The City's program to address increased demand for services or capital improvements provided by some or all of the impacted taxing districts is contingent upon: (i) the Redevelopment Project occurring as anticipated in this Redevelopment Plan, (ii) the Redevelopment Project resulting in demand for services sufficient to warrant the allocation of Redevelopment Project Costs; and (iii) the generation of sufficient Incremental Property Taxes to pay for the Redevelopment Project Costs in Exhibit I. In the event that the Redevelopment Project fails to materialize, or involves a different scale of development than that currently anticipated, the City may revise its program to address increased demand, to the extent permitted by the Act, without amending this Redevelopment Plan.

Exhibit I to this Redevelopment Plan illustrates the present allocation of estimated Redevelopment Project Costs.

IX. CONFORMITY OF THE REDEVELOPMENT PLAN FOR THE PROJECT AREA TO LAND USES APPROVED BY THE PLAN COMMISSION OF THE CITY

This Redevelopment Plan and the Redevelopment Project described herein include land uses that will be approved by the Chicago Plan Commission prior to the adoption of the Redevelopment Plan.

X. PHASING AND SCHEDULING

A phased implementation strategy will be utilized to achieve comprehensive and coordinated redevelopment of the Project Area.

It is anticipated that City expenditures for Redevelopment Project Costs will be carefully staged on a reasonable and proportional basis to coincide with Redevelopment Project expenditures by private developers and the receipt of Incremental Property Taxes by the City.

The estimated date for completion of Redevelopment Projects is no later than December 31 of the year in which the payment to the City treasurer as provided in the Act is to be made with respect to ad valorem taxes levied in the twenty-third calendar year following the year in which the ordinance approving the Project Area is adopted (i.e., assuming City Council approval of the Project Area and Redevelopment Plan in 2008) by December 31, 2032.

XI. PROVISIONS FOR AMENDING THIS REDEVELOPMENT PLAN

This Redevelopment Plan may be amended pursuant to the Act.

XII. COMMITMENT TO FAIR EMPLOYMENT PRACTICES AND AFFIRMATIVE ACTION PLAN

The City is committed to and will affirmatively implement the following principles with respect to this Redevelopment Plan:

- A) The assurance of equal opportunity in all personnel and employment actions, with respect to the Redevelopment Project, including, but not limited to hiring, training, transfer, promotion, discipline, fringe benefits, salary, employment working conditions, termination, etc., without regard to race, color, sex, age, religion, disability, national origin, ancestry, sexual orientation, marital status, parental status, military discharge status, source of income, or housing status.
- B) Redevelopers must meet the City's standards for participation of 24 percent Minority Business Enterprises and 4 percent Woman Business Enterprises and the City Resident Construction Worker Employment Requirement as required in redevelopment agreements.
- C) This commitment to affirmative action and nondiscrimination will ensure that all members of the protected groups are sought out to compete for all job openings and promotional opportunities.
- D) Redevelopers will meet City standards for any applicable prevailing wage rate as ascertained by the Illinois Department of Labor to all project employees.

The City shall have the right in its sole discretion to exempt certain small businesses, residential property owners and developers from the above.

XIII. HOUSING IMPACT

As set forth in the Act, if the redevelopment plan for a redevelopment project area would result in the displacement of residents from 10 or more inhabited residential units, or if the redevelopment project area contains 75 or more inhabited residential units and a municipality is unable to certify that no displacement will occur, the municipality must prepare a housing impact study and incorporate the study in the redevelopment project plan.

The Redevelopment Project Area contains no inhabited residential units. Therefore, a housing impact study is not required pursuant to the Act.

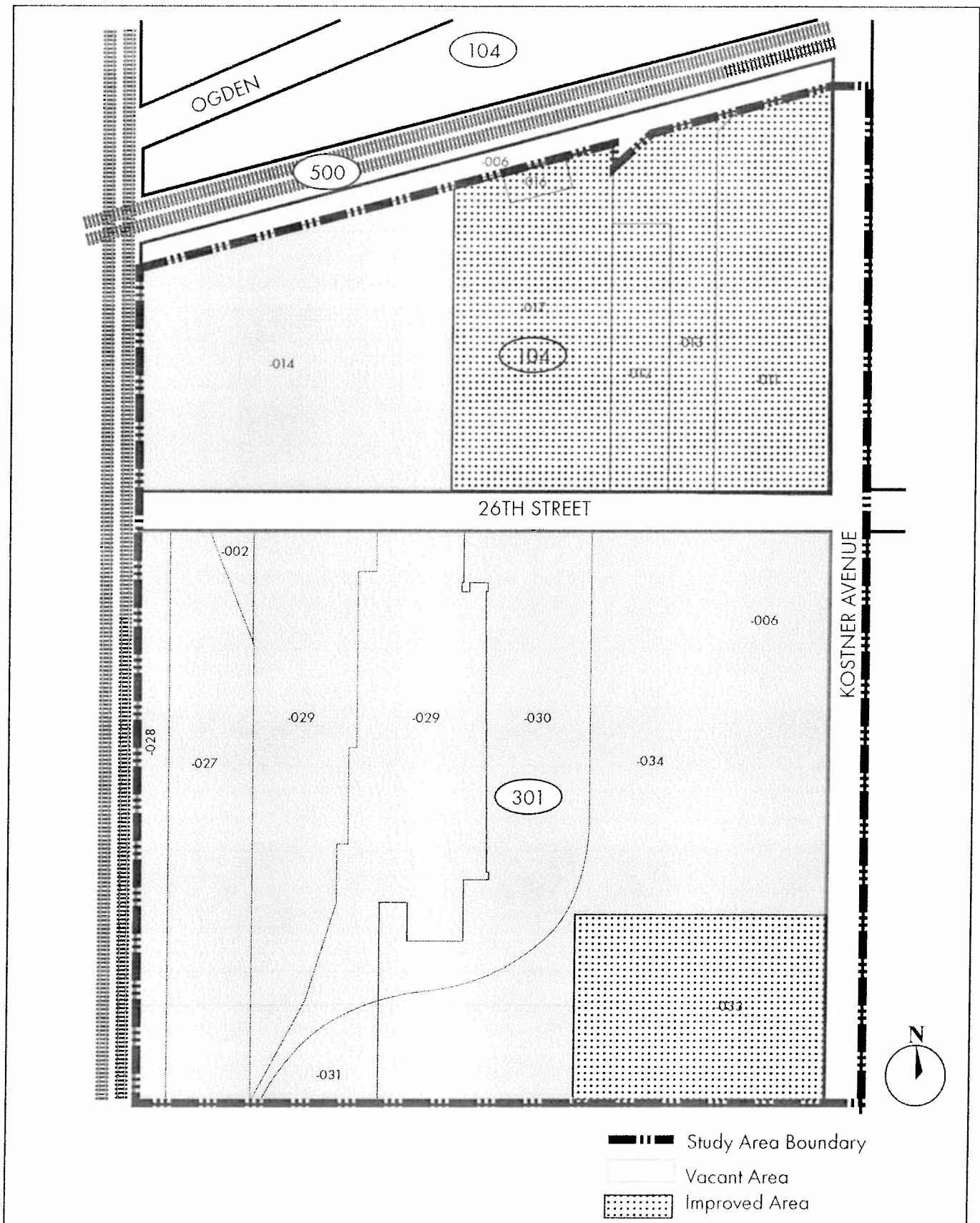


Figure 1. Project Area Boundary
Kostner Avenue TIF District

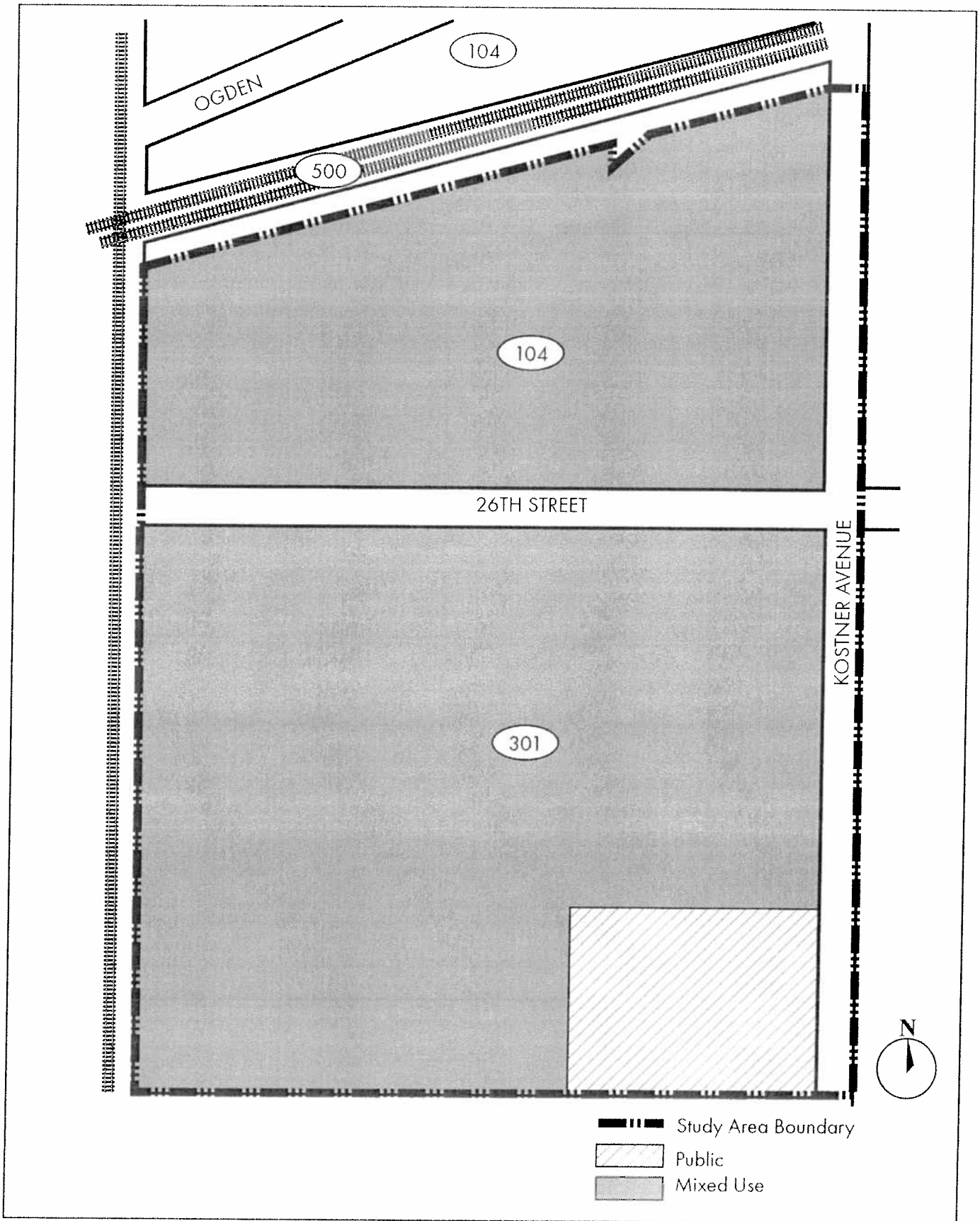


Figure 2. Land Use Plan
Kostner Avenue TIF District

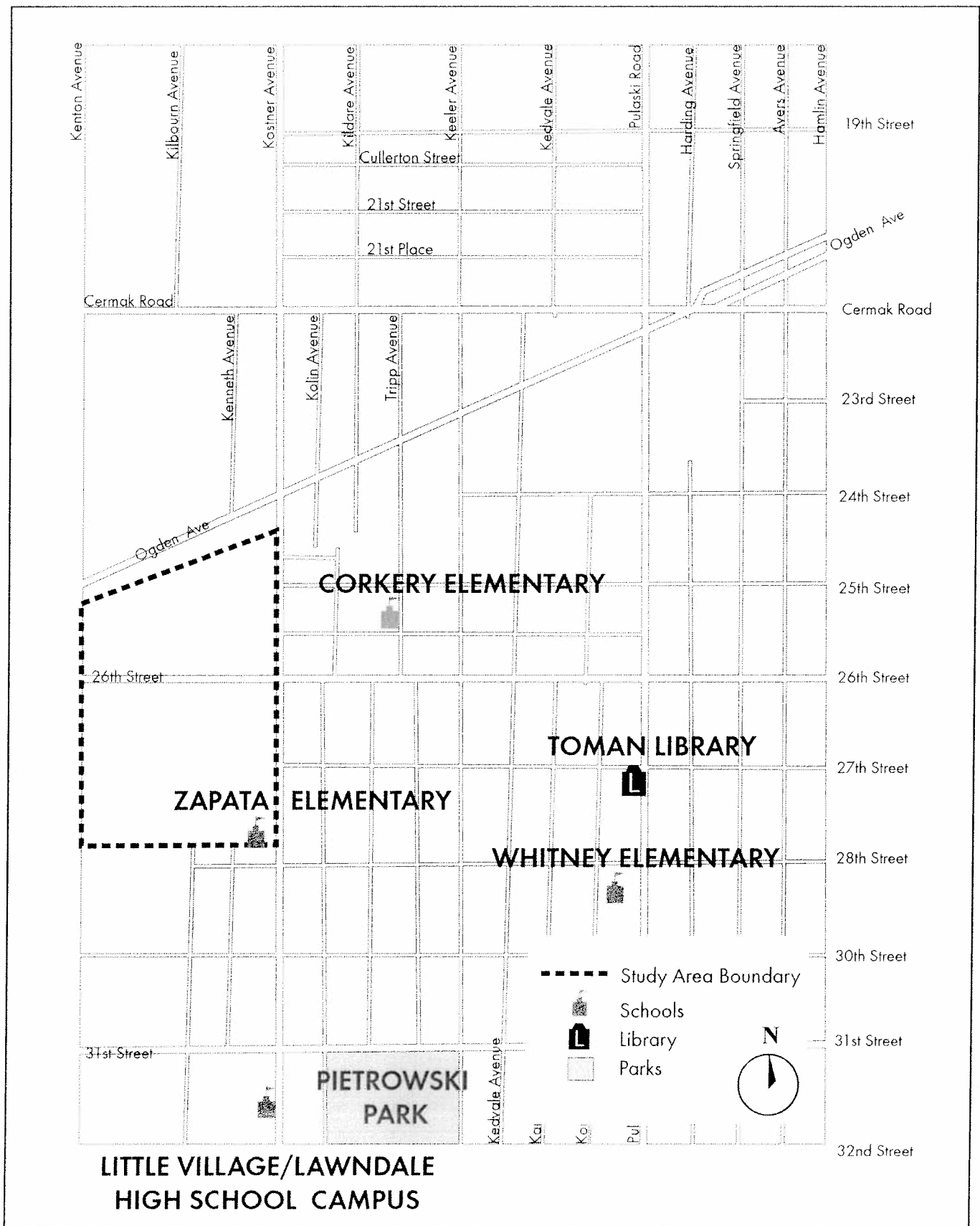


Figure 3. Community Facilities
 Kostner Avenue TIF District

EXHIBIT I:

Kostner Avenue Redevelopment Project Area

Estimated Redevelopment Project Costs

ELIGIBLE EXPENSE	ESTIMATED COST
Analysis, Administration, Studies, Surveys, Legal, Marketing etc.	\$ 1,800,000
Property Assembly including Acquisition, Site Prep and Demolition, Environmental Remediation	\$ 10,000,000
Rehabilitation of Existing Buildings, Fixtures and Leasehold Improvements, Affordable Housing Construction and Rehabilitation costs	\$ 25,000,000
Public Works & Improvements, including streets and utilities, parks and open space, public facilities (schools & other public facilities) ^[1]	\$ 7,600,000
Relocation Costs	\$ 50,000
Job Training, Retraining, Welfare-to-Work	\$ 500,000
Day Care Services	\$ 50,000
Interest Subsidy	\$ 10,000,000
TOTAL REDEVELOPMENT COSTS ^{[2][3]}	\$ 55,000,000 ^[4]

^[1] This category may also include paying for or reimbursing (i) an elementary, secondary or unit school district's increased costs attributed to assisted housing units, and (ii) capital costs of taxing districts impacted by the redevelopment of the Project Area. As permitted by the Act, to the extent the City by written agreement accepts and approves the same, the City may pay, or reimburse all, or a portion of a taxing district's capital costs resulting from a redevelopment project necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of the Redevelopment Plan.

^[2] Total Redevelopment Costs exclude any additional financing costs, including any interest expense, capitalized interest and costs associated with optional redemptions. These costs are subject to prevailing market conditions and are in addition to Total Project Costs.

^[3] The amount of the Total Redevelopment Costs that can be incurred in the Project Area will be reduced by the amount of redevelopment project costs incurred in contiguous redevelopment project areas, or those separated from the Project Area only by a public right of way, that are permitted under the Act to be paid, and are paid, from incremental property taxes generated in the Project Area, but will not be reduced by the amount of redevelopment project costs incurred in the Project Area which are paid from incremental property taxes generated in contiguous redevelopment project areas or those separated from the Project Area only by a public right of way.

^[4] Increases in estimated Total Redevelopment Project Costs of more than five percent, after adjustment for inflation from the date of the Redevelopment Plan adoption, are subject to the Redevelopment Plan amendment procedures as provided under the Act.

Additional funding from other sources such as federal, state, county, or local grant funds may be utilized to supplement the City's ability to finance Redevelopment Project Costs identified above.

EXHIBIT II:

Kostner Avenue Redevelopment Project Area Tax Increment Financing Eligibility Report

**KOSTNER AVENUE
REDEVELOPMENT PROJECT AREA
TAX INCREMENT FINANCING
ELIGIBILITY REPORT**

City of Chicago, Illinois

May 23, 2008

City of Chicago
Richard M. Daley, Mayor

Department of Planning and Development
Arnold Randall, Commissioner

Prepared by
Johnson Research Group, Inc.

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INTRODUCTION

The purpose of this report entitled, the *Kostner Avenue Redevelopment Project Area Eligibility Report*, (the "Eligibility Report") is to determine whether approximately 51 acres of land located on the west side of the City of Chicago (the "City") qualifies for designation as redevelopment project area based on findings for a "conservation area," and/or a "blighted area" within the requirements set forth in the Tax Increment Allocation Redevelopment Act (the "Act"). The Act is found in Illinois Compiled Statutes, Chapter 65, Act 5, Section 11-74.4-1 *et. seq.*, as amended.

The area examined in this Eligibility Report is generally bounded by the Chicago, Burlington & Quincy Railroad on the north; Kostner Avenue on the east; the south line of block 16-27-301 on the south; and the Belt Line Railroad on the west. This area is referred to in this document as the Kostner Avenue Tax Increment Financing Redevelopment Project Area (the "Project Area"). The boundaries of the Project Area are shown on Figure 1, *Project Area Boundary*.

The findings and conclusions presented in this report are based on surveys, documentation, and analyses conducted by Johnson Research Group ("JRG" or the "Consultant") for the Project Area. The Eligibility Report summarizes the analyses and findings of JRG's work, which is the responsibility of JRG. The City of Chicago is entitled to rely on the findings and conclusions of this Eligibility Report in designating the Project Area as a redevelopment project area under the Act. JRG has prepared this Eligibility Report and the related Redevelopment Project and Plan with the understanding that the City would rely on (i) the findings and conclusions of this Eligibility Report and the related Redevelopment Plan, and (ii) the fact that JRG has obtained the necessary information so that the Eligibility Report and related Redevelopment Plan will comply with the Act. The determination of whether the Project Area qualifies for designation as redevelopment project area based on findings of the area as a conservation area, or a blighted area, or a combination of both, pursuant to the Act is made by the City of Chicago after careful review and consideration of the conclusions contained in this Eligibility Report.

The Project Area

The Project Area contains 4 buildings within 2 tax blocks located in the South Lawndale community area. The Project Area is 51 acres in size, of which approximately 32.9 acres are vacant and 13.1 acres are improved. The remaining 5 acres are dedicated to streets, railroad and other public rights-of-way. The Project Area is an historically industrial area that is now largely vacant. Two vacant industrial buildings remain on the north side of 26th Street along with a large vacant lot at the west end of the block. South of 26th Street, the block is largely vacant except for two public school buildings located in the southeastern corner of the Project Area.

The Project Area is located along the western edge of the City of Chicago with industrial uses located immediately north and south and residential uses along the south and east. Existing land uses are illustrated in Figure 2, *Existing Land Use*.

The Project Area as a whole is physically characterized by neglected industrial property with debris, dumping and weeds on vacant lots and aging and deteriorating buildings on improved parcels. The improved area includes two entirely vacant buildings, one of which exhibits extensive deterioration of exterior walls and windows. The obsolescent nature of both remaining

industrial buildings, lack of sufficient off-street parking, as well as site, infrastructure and building deterioration continue to negatively impact the Project Area.

The vacant area makes up the majority of the Project Area and includes vacant parcels on the north and south sides of 26th Street. The southern portion is the former site of nine industrial and commercial buildings that were demolished in the 1990s. This vacant area still contains building foundations and footings as well as piles of crushed concrete and demolition debris. An abandoned railroad spur runs through the northern vacant parcel from 26th Street to the CB&Q Railyard. The vacant area is further compromised by irregular and obsolete platting of parcels including small parcels and parcels without street access.

Summary of Project Area Eligibility

For TIF designation, an improved redevelopment project area must qualify for classification as a "conservation area," a "blighted area," or a combination of both blighted and conservation areas as set forth in the Act. Surveys and analyses documented in this report indicate that the Project Area is eligible as a combination of blighted and conservation areas within the requirements of the Act.

The improved portion of the Project Area qualifies as a "**conservation area**" under the improved property criteria as set forth in the Act. Specifically,

- Fifty percent (50%) of the buildings are 35 years of age or older;
- Seven factors are present to a meaningful extent and reasonably distributed throughout the entire Project Area. These include:
 1. Dilapidation
 2. Obsolescence
 3. Deterioration
 4. Structures Below Minimum Code
 5. Excessive Vacancies
 6. Inadequate Utilities
 7. Excessive Land Coverage
- An additional factor, Environmental Remediation, is present to a limited degree and has negatively impacted the marketability of the Project Area.

The vacant portion of the Project Area qualifies as a "**blighted area**" under the vacant property criteria as set forth in the Act. Specifically,

- The vacant area exhibits a combination of two blighting factors including:
 1. Obsolete platting of the vacant land
 2. Deterioration of structures in areas adjacent to the vacant land;
- A substantial portion of the vacant area contains the presence of, and is being used as an unused or illegal disposal site containing earth, stone, building debris, or similar materials that were removed from construction, demolition excavation or dredge sites; and

- The vacant area qualified as a blighted improved area immediately prior to becoming vacant and there has not been substantial private investment in the immediately surrounding area;

Finally, the Project Area includes only real property and improvements that would be substantially benefited by the proposed redevelopment project improvements.

I. BASIS FOR REDEVELOPMENT

The Illinois General Assembly made these key findings in adopting the Act:

1. That there exists in many municipalities within the state blighted and conservation areas;
2. That as a result of the existence of blighted areas and areas requiring conservation, there is an excessive and disproportionate expenditure of public funds, inadequate public and private investment, unmarketability of property, growth in delinquencies and crime, and housing and zoning law violations in such areas together with an abnormal exodus of families and businesses so that the decline of these areas impairs the value of private investments and threatens the sound growth and the tax base of taxing districts in such areas, and threatens the health, safety, morals, and welfare of the public; and
3. That the eradication of blighted areas and the treatment and improvement of conservation areas by redevelopment projects are essential to the public interest.

To ensure that the exercise of these powers is proper and in the public interest, the Act also specifies certain requirements that must be met before a municipality can proceed with implementing a redevelopment project. One of these requirements is that the municipality must demonstrate that a prospective redevelopment project qualifies either as a "blighted area" or as a "conservation area" within the definitions for each set forth in the Act (Section 11-74.4-3).

Blighted areas are defined as 1) any improved area in which buildings or improvements are detrimental to the public safety, health or welfare because of a combination of 5 or more of the thirteen (13) improved area eligibility factors set forth in the Act; and 2) any vacant area in which its sound growth is impaired by the presence of 1 or more of 7 eligibility criteria set forth in the Act.

Conservations areas are defined in the Act as any improved area in which 50% or more the structures have an age of 35 years and the improved area exhibits the presence of a combination of 3 or more of the thirteen (13) improved area eligibility factors set forth in the Act. Such an area is not yet a blighted area but if left unchecked, the presence of 3 or more such factors which are detrimental to the public safety, health or welfare, such an area may become a blighted area.

Improved Area Eligibility Factors

Section 11-74.4.3 of the Act defines the thirteen (13) eligibility factors for improved areas. To support a designation as a blighted or conservation area each qualifying factor must be (i) present to a meaningful extent and that presence documented so that the City may reasonably find that the factor is clearly present within the intent of the Act and (ii) reasonably distributed throughout the improved part of the Project Area.

1. Dilapidation
2. Obsolescence
3. Deterioration
4. Illegal use of individual structures

5. Presence of structures below minimum code standards
6. Excessive vacancies
7. Lack of ventilation, light, or sanitary facilities
8. Inadequate utilities
9. Excessive land coverage and overcrowding of structures and community facilities
10. Deleterious land-use or layout
11. Lack of community planning
12. Environmental remediation costs have been incurred or are required
13. Declining or lagging rate of growth of total equalized assessed valuation

It is also important to note that the test of eligibility is based on the conditions of the area as a whole; it is not required that eligibility be established for each and every property in the Project Area.

Vacant Area Eligibility Factors

Section 11-74.4.3 of the Act defines the 7 eligibility criteria for vacant areas. To support a designation as a blighted area each qualifying criteria must be (i) present to a meaningful extent and that presence documented so that the City may reasonably find that the factor is clearly present within the intent of the Act and (ii) reasonably distributed throughout the vacant part of the Project Area.

1. The vacant part of the Project Area exhibits a combination of 2 or more of the following 6 factors:
 - (a) Obsolete platting of the vacant land
 - (b) Diversity of ownership
 - (c) Tax and special assessment delinquencies or the subject of tax sales
 - (d) Deterioration of structures or site improvements in adjacent areas
 - (e) Environmental remediation costs have been incurred or are required
 - (f) Declining or lagging rate of growth of total equalized assessed valuation
2. The area consists of one or more unused quarries, mines or strip mine ponds.
3. The area consists of unused railyards, rail tracks or railroad rights-of-way.
4. The area is subject to chronic flooding.
5. The area consists of an unused or illegal disposal site.
6. The area had been designated as a town or village center and not developed as such.
7. The area qualified as a blighted improved area immediately prior to becoming vacant.

II. ELIGIBILITY SURVEY AND ANALYSIS FINDINGS

An analysis was made of each of the conservation area factors listed in the Act to determine whether each or any are present in the Project Area, and if so, to what extent and in what locations. Surveys and analyses conducted by JRG included:

1. Exterior survey of the condition and use of all buildings and sites;
2. Field survey of environmental conditions covering streets, sidewalks, curbs and gutters, lighting, traffic, parking facilities, landscaping, fences, and general property maintenance;
3. Analysis of the existing uses within the Project Area and their relationships to the surroundings;
4. Comparison of current land use to current zoning ordinance and the current zoning map;
5. Analysis of original platting and current parcel size and layout;
6. Analysis of vacant parcels and buildings;
7. Analysis of building floor area and site coverage;
8. Review of previously prepared plans, studies and data;
9. Analysis of City of Chicago building permit data and building code violation data for the period from January 2003 through April 2008;
10. Analysis of storm, sanitary sewer lines and water supply lines within the Project Area via existing infrastructure maps provided by the City of Chicago's Department of Water Management
11. Analysis of Cook County Assessor records for assessed valuations and equalization factors for tax parcels in the Project Area for assessment years 2001 to 2006; and
12. Analysis of Cook County Treasurer records for collection years 2001 to 2006.

A statement of findings is presented for each factor listed in the Act. The conditions that exist and the relative extent to which each factor is present are described below.

A factor noted as "not present" indicates either that no information was available or that no evidence could be documented as part of the various surveys and analyses. A factor noted as present to a limited extent indicates that conditions exist that document that the factor is present, but that the distribution or impact of the condition is limited. Finally, a factor noted as present to a meaningful extent indicates that conditions exist which document that the factor is present throughout major portions of the block and that the presence of such conditions have a major adverse impact or influence on adjacent and nearby development. Figure 3, *Exterior Survey Form*, is a copy of the form used to record improved and vacant property conditions.

The following is the summary evaluation of the eligibility factors for the Improved Area and Vacant Area, presented in the order in which they appear in the Act.

IMPROVED AREA ELIGIBILITY FACTORS

The following is the summary evaluation of the eligibility factors for the Improved Area presented in the order in which they appear in the Act.

Age

Age is a primary and prerequisite factor in determining an area's qualification for designation as a "conservation" area. Age presumes the existence of problems or limiting conditions resulting from normal and continuous use of structures over an extended period of years. Since building deterioration and related structural problems can be a function of time and climate, structures which are 35 years or older typically exhibit more problems and require greater maintenance than more recently constructed buildings.

Of the 4 buildings within the 2 tax blocks, 2 (50%) are 35 years of age or more. The main public school building and the temporary mobile building represent the only recent examples of new construction in the Project Area. No new private construction has occurred in the Project Area in more than five decades.

Conclusion: The Project Area meets the prerequisite age test for designation as a conservation area. Fifty percent (50%) of the buildings within the Project Area exceed 35 years in age.

A. Dilapidation

Section 11-74.4-3 of the Act defines Dilapidation: An advanced state of disrepair or neglect of necessary repairs to the primary structural components of buildings or improvements in such a combination that a documented building condition analysis determines that major repair is required or the defects are so serious and so extensive that the buildings must be removed.

This section summarizes the process used for assessing building conditions in the Project Area, the standards and criteria used for evaluation, and the findings as to the existence of dilapidation or deterioration of structures. The process, standards and criteria were applied in accordance with the Building Conditions Survey Manual. The Building Conditions Manual, with updates to current standards, has been in use for over 40 years and is used by Midwest planning consultants. The original manual was developed by staff involved in the field surveys and has provided a consistent method of evaluating buildings necessary for the background findings for the planning profession since the days of assessing properties during the 1960's Urban Renewal years.

The building condition analysis is based on a thorough exterior inspection of the buildings and sites conducted in November 2007. Structural deficiencies in building components and related environmental deficiencies in the Project Area were noted during the inspections. Dilapidation as a factor is illustrated in Figure 4, *Dilapidation*.

Building Components Evaluated

During the field survey, each component of the buildings in the Project Area was examined to determine whether it was in sound condition or had minor, major, or critical defects. Building components examined were of two types:

Primary Structural

These include the basic elements of any building: foundation walls, load-bearing walls and columns, floors, roof and roof structure.

Secondary Components

These are components generally added to the primary structural components and are necessary parts of the building, including exterior and interior stairs, windows and window units, doors and door units, interior walls, porches and steps, chimneys, and gutters and downspouts.

Criteria for Classifying Defects for Building Components

Each primary and secondary component was evaluated separately as a basis for determining the overall condition of individual buildings. This evaluation considered the relative importance of specific components within a building and the effect that deficiencies in components will have on the remainder of the building.

Building Component Classifications

The four categories used in classifying building components and systems and the criteria used in evaluating structural deficiencies are described below:

Sound

Building components that contain no defects, are adequately maintained, and require no treatment outside of normal ongoing maintenance.

Deficient - Requiring Minor Repair

Building components containing defects (loose or missing material or holes and cracks over a limited area) which often may be corrected through the course of normal maintenance. Minor defects have no real effect on either primary or secondary components and the correction of such defects may be accomplished by the owner or occupants, such as pointing masonry joints over a limited area or replacement of less complicated components. Minor defects are not considered in rating a building as structurally substandard.

Deficient - Requiring Major Repair

Building components which contain major defects over a widespread area and would be difficult to correct through normal maintenance. Buildings in the major deficient category would require replacement or rebuilding of components by people skilled in the building trades.

Critical

Building components that contain major defects (bowing, sagging, or settling to any or all exterior components causing the structure to be out-of-plumb, or broken, loose or missing material and deterioration over a widespread area) so extensive that the cost of repair would be excessive.

Final Building Rating

After completion of the exterior-interior building condition survey, each structure was placed in one of four categories based on the combination of defects found in various primary and secondary building components. Each final rating is described below:

Sound

Sound buildings can be kept in a standard condition with normal maintenance. Buildings so classified have no minor defects.

Deficient

Deficient buildings contain defects that collectively are not easily correctable and cannot be accomplished in the course of normal maintenance. The classification of major or minor reflects the degree or extent of defects found during the survey of the building.

Minor -- Buildings classified as "deficient - requiring minor repairs" have one or more minor defect, but no major defect.

Major -- Buildings classified as "deficient - requiring major repairs" have at least one major defect in one of the primary components or in the combined secondary components, but no critical defect.

Substandard

Structurally substandard buildings contain defects that are so serious and so extensive that the building must be removed. Buildings classified as structurally substandard have two or more major defects.

"Minor deficient" and "major deficient" buildings are considered to be the same as "deteriorating" buildings as referenced in the Act; "substandard" buildings are the same as "dilapidated" buildings. The words "building" and "structure" are presumed to be interchangeable.

Exterior Survey

The conditions of the buildings within the Project Area were determined based on observable components. JRG conducted an exterior survey of each building within the Project Area to determine its condition. JRG identified one building, the former American Brake Shoe and Foundry, as dilapidated. Dilapidation is evidenced by critical defects in all building components including crumbling portions of exterior walls and roof, missing windows and doors, and deteriorating floors that are visible from the exterior. Of the 4 buildings in the Project Area:

- 2 buildings were classified as structurally sound;
- 0 buildings were classified as minor deficient (deteriorating);
- 1 building was classified as major deficient (deteriorating); and
- 1 building was classified as structurally substandard (dilapidated).

Conclusion: Dilapidation (structurally substandard buildings) as a factor is present to a major extent in 1 of the 2 blocks within the Project Area. Due to the size and prominent location of the dilapidated building relative to the size of the Project Area and limited number of buildings, the presence of dilapidation has a significant negative impact on the Project Area as a whole. Dilapidation therefore is present to a meaningful extent throughout the Project Area.

B. Obsolescence

Section 11-74.4-3 of the Act defines Obsolescence: The condition or process of falling into disuse. Structures have become ill suited for the original use.

In making findings with respect to buildings, it is important to distinguish between *functional obsolescence*, which relates to the physical utility of a structure, and *economic obsolescence*, which relates to a property's ability to compete in the market place.

Functional Obsolescence

Historically, structures have been built for specific uses or purposes. The design, location, height, and space arrangement are intended for a specific occupant at a given time. Buildings become obsolete when they contain characteristics or deficiencies which limit their use and marketability after the original use ceases. The characteristics may include loss in value to a property resulting from an inherent deficiency existing from poor design or layout, the improper orientation of the building on its site, etc., which detracts from the overall usefulness or desirability of a property.

Economic Obsolescence

Economic obsolescence is normally a result of adverse conditions which cause some degree of market rejection and, hence, depreciation in market values.

If functionally obsolete properties are not periodically improved or rehabilitated, or economically obsolete properties are not converted to higher and better uses, the income and value of the property erodes over time. This value erosion leads to deferred maintenance, deterioration, and excessive vacancies. These manifestations of obsolescence then begin to have an overall blighting influence on surrounding properties and detract from the economic vitality of the overall area.

Site improvements, including sewer and water lines, public utility lines (gas, electric and telephone), roadways, parking areas, parking structures, sidewalks, curbs and gutters, lighting, etc., may also evidence obsolescence in terms of their relationship to contemporary development standards for such improvements. Factors of obsolescence may include inadequate utility capacities, outdated building designs, etc.

Obsolescence as a factor should be based upon the documented presence and reasonable distribution of buildings and site improvements evidencing such obsolescence.

Obsolete Building Types

Obsolete buildings contain characteristics or deficiencies that limit their long-term sound use or reuse. Obsolescence in such buildings is typically difficult and expensive to correct. Obsolete building types have an adverse affect on nearby and surrounding development and detract from the physical, functional and economic vitality of the area.

Obsolescence is present in half of the structures in the Project Area. These structures are characterized by conditions that limit their efficient or economic use according to contemporary standards.

Obsolete buildings include the two industrial properties that remain on the north side of 26th Street. Both industrial buildings were built prior to 1940 and reflect outmoded building and site design for current industrial uses. Building re-use is hindered by narrow widths, which limit the potential for continued long-term use; multiple-stories of limited height that are not suitable for contemporary industrial uses and not easily converted to other uses. Other aspects of obsolescence are reflected in their antiquated design which includes difficulty in retrofitting for new uses (column spacing, single pane windows of limited size and number and limited insulation with high energy loss, limited mechanics, limited elevators as part of restrictive vertical access to floors, inadequate ceiling heights, difficulty in meeting code compliance, etc). Both of these single-purpose buildings are vacant, indicating their difficulty in leasing or adapting space to accommodate other uses. See Figure 5, *Obsolescence*.

Conclusion: The analysis indicates that obsolescence is present to a meaningful extent in 2 of the 4 buildings in the Project Area and therefore is present to a meaningful extent in the Project Area.

C. Deterioration

Section 11-74.4-3 of the Act defines Deterioration: With respect to buildings, defects including, but not limited to, major defects in the secondary building components such as doors, windows, porches, gutters and downspouts, and fascia. With respect to surface improvements, that the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking, and surface storage areas evidence deterioration, including, but not limited to, surface cracking, crumbling, potholes, depressions, loose paving material, and weeds protruding through paved surfaces.

Based on the definition given by the Act, deterioration refers to any physical deficiencies or disrepair in buildings or site improvements requiring treatment or repair.

- Deterioration may be evident in basically sound buildings containing minor defects, such as lack of painting, loose or missing materials, or holes and cracks over limited areas. This deterioration can be corrected through normal maintenance.
- Deterioration which is not easily correctable and cannot be accomplished in the course of normal maintenance may also be evident in buildings. Such buildings may be classified as minor deficient or major deficient buildings, depending upon the degree or extent of defects. This would include buildings with defects in the secondary building components (e.g., doors, windows, porches, gutters and downspouts, fascia materials, etc.), and defects in primary building components (e.g., foundations, frames, roofs, etc.), respectively.

Deterioration of Sites and Infrastructure

As part of the survey JRG documented site conditions that include broken pavement, weed growth, and gravel surfaces within parking areas and along sidewalks. Based on the field survey of streets and alleys within the Project Area deterioration of pavement, curb and gutters, and sidewalks was noted along portions of 26th Street and Kostner Avenue. Other deteriorating improvements include retaining walls and fencing around properties.

Deterioration of Buildings

The analysis of building deterioration is based on the survey methodology and criteria described in the preceding section on "Dilapidation." A total of 2 of the 4 buildings within the Project Area (50 percent), are classified as deteriorating. In addition to the former American Brake Shoe and Foundry building, the former Keating Building at the northwest corner of Kostner Avenue and 26th Street suffers from loose and falling bricks, broken and boarded up windows, deteriorating and rusting doors and loading berths, broken and missing gutters and roofing materials, and extensive vandalism of exterior walls. The deterioration exhibited by the two industrial buildings significantly impacts the appearance and marketability of the Project Area as a whole. See Figure 6, *Deterioration*.

Conclusion: Deterioration is present to a meaningful extent in 2 of the 4 buildings and therefore is present to a meaningful extent throughout the Project Area.

D. Presence of Structures Below Minimum Code Standards

Section 11-74.4-3 of the Act defines the Presence of structures below minimum code standards: All structures that do not meet the standards of zoning, subdivision, building, fire, and other governmental codes applicable to property, but not including housing and property maintenance codes.

As referenced in the definition above, the principal purposes of governmental codes applicable to properties are to require buildings to be constructed in such a way as to sustain safety of loads expected from the type of occupancy; to be safe for occupancy against fire and similar hazards; and/or to establish minimum standards essential for safe and sanitary habitation. Structures below minimum code standards are characterized by defects or deficiencies that threaten health and safety.

Determination of the presence of structures below minimum code standards was based upon the combination of visible defects and advanced deterioration of building components from the exterior surveys. Building code violation data provided by the City of Chicago Department of Buildings identify 3 unresolved code violations in the Keating Building since 2004. Of the 4 buildings in the Project Area, the 2 vacant industrial buildings (50%) exhibit advanced defects related to building code compliance. Both buildings suffer from one or more critical defects to exterior building components which are below minimum standards for health and safety.

In 2002, the Chicago Public School (CPS) began an assessment process entitled Facility Cost Tracking System (FACTs), to develop a comprehensive understanding of the conditions of all their educational facilities and the associated capital improvement costs of repairs and renovations. The most recent assessment for Zapata School indicates the need for several improvements including major capital renovation of exterior components as well as interior mechanical, electrical and plumbing renovations. Unfunded renovation needs exceed \$1.25 million. See Figure 7, *Structures Below Minimum Code Standards*.

Conclusion: The factor of structures below minimum code standards is present to a meaningful extent in 2 of the 4 buildings and to a limited extent in 1 building. Therefore, the factor of structures below minimum code standards is present to a meaningful extent and reasonably distributed throughout the Project Area.

E. Illegal Use of Individual Structures

Section 11-74.4-3 of the Act defines illegal use of individual structures: The use of structures in violation of applicable federal, State, or local laws, exclusive of those applicable to the presence of structures below minimum code standards.

Conclusion: No condition pertaining to illegal uses of individual structures has been documented as part of the exterior surveys and analyses undertaken within the Project Area.

F. Excessive Vacancies

Section 11-74.4-3 of the Act defines excessive vacancies: The presence of buildings that are unoccupied or under-utilized and that represent an adverse influence on the area because of the frequency, extent, or duration of the vacancies.

Excessive Vacancies as a factor is present in the 2 large industrial buildings in the Project Area. While both buildings are entirely vacant, the former American Brake Shoe and Foundry facility has been unoccupied for more than a decade. The amount of vacant floor space in the Keating Building alone exceeds 200,000 square feet. Excessive vacancies result in the loss of income and corresponding difficulty with building maintenance and improvement, which is necessary to compete with fully occupied buildings. See Figure 8, *Excessive Vacancies*.

Conclusion: Excessive vacancies as a factor is present to a meaningful extent in 2 of the 4 buildings and therefore is present to a meaningful extent and reasonably distributed throughout the Project Area.

G. Lack of Ventilation, Light, or Sanitary Facilities

Section 11-74.4-3 of the Act defines Lack of ventilation, light, or sanitary facilities: The absence of adequate ventilation for light or air circulation in spaces or rooms without windows, or that require the removal of dust, odor, gas, smoke, or other noxious airborne materials. Inadequate natural light and ventilation means the absence or inadequacy of skylights or windows for interior spaces or rooms and improper window sizes and amounts by room area to window area ratios. Inadequate sanitary facilities refers to the absence or inadequacy of garbage storage and enclosure, bathroom facilities, hot water and kitchens, and structural inadequacies preventing ingress and egress to and from all rooms and units within a building.

Conclusion: No condition pertaining to a lack of ventilation, light, or sanitary facilities has been documented as part of the exterior surveys and analyses undertaken within the Project Area.

H. Inadequate Utilities

Section 11-74.4-3 of the Act defines Inadequate utilities: Underground and overhead utilities such as storm sewers and storm drainage, sanitary sewers, water lines, and gas, telephone, and electrical services that are shown to be inadequate. Inadequate utilities are those that are: (i) of insufficient capacity to serve the uses in the redevelopment project area, (ii) deteriorated, antiquated, obsolete, or in disrepair, or (iii) lacking within the redevelopment project area.

Existing sewer and water supply lines throughout the City were largely put in place over 100 years ago and many are undersized. These aging and undersized lines are obsolete by today's development standards and inadequate to accommodate new development.

The water supply lines in the Project Area range in age from 1905 to 1913 to 1924, the oldest of these servicing the properties with frontage along 26th Street. Sewer lines range in age from 1896 to 1902 to 1940. The two oldest of the sewer lines service the bulk of the Project Area running north south through the center of the Project Area and along 26th Street. Both sewer and water lines along Kostner Avenue reflect the least obsolete of the lines identified but serve the fewest properties in the Project Area.

Review and analysis of the City's water and sewer atlases indicate that all but one of the existing lines have or will have exceeded their intended life within 5 to 15 years and negatively impact both of the blocks with Improved Areas.

Conclusion: Inadequate Utilities, as a factor, is present to a meaningful extent and reasonably distributed in the Project Area.

I. Excessive Land Coverage & Overcrowding of Structures and Community Facilities

Section 11-74.4-3 of the Act defines Excessive land coverage and overcrowding of structures and community facilities: The over-intensive use of property and the crowding of buildings and accessory facilities onto a site. Examples of problem conditions warranting the designation of an area as one exhibiting excessive land coverage are: the presence of buildings either improperly situated on parcels or located on parcels of inadequate size and shape in relation to present-day standards of development for health and safety and the presence of multiple buildings on a single parcel. For there to be a finding of excessive land coverage, these parcels must exhibit one or more of the following conditions: insufficient provision for light and air within or around buildings, increased threat of spread of fire due to the close proximity of buildings, lack of adequate or proper access to a public right-of-way, lack of reasonable required off-street parking, or inadequate provision for loading and service.

Excessive land coverage and overcrowding of structures and community facilities is present in 3 of the 4 buildings in the Project Area including the Keating Building and the Zapata School buildings. Industrial and institutional buildings cover most or all of the parcels upon which they are situated and do not contain adequate front, rear and side yards, off-street parking space, and loading and service areas. With the addition of the school's modular building and subsequent loss of a parking lot, the school has had to create diagonal parking along its single access route resulting in poor or lack of proper access, off-street parking, loading and service conflicts. Additionally, the Zapata school site, which serves elementary students, has limited playground facilities and no ball fields. See Figure 9, *Excessive Land Coverage/Overcrowding of Structures and Community Facilities*.

Conclusion: Excessive land coverage and overcrowding of structures and community facilities is present to a meaningful extent in 3 of the 4 buildings in the Project Area, therefore this factor is present to a meaningful extent and reasonably distributed throughout the Project Area.

J. Deleterious Land Use or Layout

Section 11-74.4-3 of the Act defines Deleterious land-use or layout: The existence of incompatible land-use relationships, buildings occupied by inappropriate mixed-uses, or uses considered to be noxious, offensive, or unsuitable for the surrounding area.

Conclusion: No condition pertaining to deleterious land-use or layout has been documented as part of the exterior surveys and analyses undertaken within the Project Area.

K. Lack of Community Planning

Section 11-74.4-3 of the Act defines Lack of community planning: The proposed redevelopment project area was developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area's development. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards, or other evidence demonstrating an absence of effective community planning.

Conclusion: Lack of community planning as a factor is not evidenced via exterior surveys and analyses undertaken within the Project Area.

L. Environmental Remediation

Section 11-74.4-3 of the Act defines Environmental remediation: The area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for, or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for, the clean-up of hazardous waste, hazardous substances, or underground storage tanks required by State or federal law, provided that the remediation costs constitute a material impediment to the development or redevelopment of the redevelopment project area.

Phase I and II site investigations were conducted for the properties within the improved portion of the Project Area including the Keating Building, former Anchor Brake Shoe facility and Blitz parking lot located west of the Keating Building. Professional Service Industries (PSI) prepared reports dated December 14, 2004 and June 2, 2005 assessing the level of environmental contamination. PSI also prepared a Comprehensive Site Investigation Work Plan (CSI Work Plan) dated October 16, 2006 to address recognized environmental conditions (RECs) and environmental concerns identified as a result of PSI's review of previous environmental reports. Environmental remediation will include the removal of several underground storage tanks and buried footings, as well as the abatement of asbestos in the existing buildings. The cost of investigation and further remediation is estimated to cost more than \$1,000,000.

Conclusion: Documents indicate the need for remediation among 2 buildings and the parking lot within the improved area. While the need for environmental cleanup presents added costs to a challenging redevelopment site, it could not be determined that the costs constitute a material impediment to redevelopment. Consequently, the factor of environmental remediation is determined to be present to a limited extent in the Project Area.

M. Declining or Lagging Equalized Assessed Valuation

Section 11-74.4-3 of the Act defines Declining or lagging equalized assessed valuation: The total equalized assessed value of the proposed redevelopment project area has declined for 3 of the last 5 calendar years for which information is available or is increasing at an annual rate that is less than the balance of the municipality for 3 of the last 5 calendar years for which information is available or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for 3 of the last 5 calendar years for which information is available.

Over the period from 2001 to 2006, the growth rate of the total equalized assessed valuation (EAV) of the Project Area has lagged behind that of the balance of the City of Chicago in two of those years. The EAV of the Project Area declined by 18.61% between 2001 and 2002. These figures are shown below in *Table 1. Growth of the Project Area vs. City of Chicago*.

Table 1. Growth of the Project Area vs. City of Chicago

Year	Total EAV of the City of Chicago, minus the Project Area EAV	% change	Total EAV** - Project Area	% change	Area growing at a rate less than the City?
2006	59,299,687,210	7.28%	4,842,979	38.12%	NO
2005	55,273,589,750	3.97%	3,506,364	6.07%	NO
2004	53,165,326,652	17.29%	3,305,762	25.96%	NO
2003	45,328,267,914	7.98%	2,624,444	3.40%	YES
2002	41,979,374,057	3.71%	2,538,266	-18.61%	YES
2001	40,476,956,323		3,118,812		

*2001 to 2006 is the most recent five year period for which data is available for the Project Area and the City as a whole.

**EAV does not reflect adjustments for exemptions granted under Cook County programs for homeowners.

Conclusion: Declining or Lagging Equalized Assessed Valuation as a factor is not present in the Project Area.

VACANT AREA ELIGIBILITY

The vacant area encompasses eight parcels of land in the Project Area, including one parcel north of 26th Street and the remainder south of 26th Street. The following is the summary evaluation of the eligibility factors for the Vacant Area presented in the order in which they appear in the Act. The vacant area criteria presented below are illustrated in *Figure 10, Vacant Area Eligibility*.

1. Two or More Factors Impair the Sound Growth of the Project Area

The vacant portion of the Project Area exhibits 3 of the 6 factors required for qualification as a blighted area. These factors include obsolete platting, deterioration of adjacent improvements, and environmental remediation.

(a) Obsolete Platting Of The Vacant Land

Pursuant to the Act Obsolete Platting of the vacant land that results in parcels of limited or narrow size or configurations of parcels of irregular size or shape that would be difficult to develop on a planned basis and in a manner compatible with contemporary standards and requirements, or platting that failed to create rights-of-ways for streets or alleys or that created inadequate right-of-way widths for streets, alleys, or other public rights of way or that omitted easements for public utilities.

Obsolete platting is evidenced by small parcels, and parcels of irregular size and inconsistent configuration. The size and configuration of the current parcels were intended for single purposes uses and include one parcel without street access. Consequently, the platting and subdivision of these parcels are obsolete by contemporary standards.

The factor of Obsolete Platting is present to a meaningful degree and reasonably distributed throughout the vacant portion of the Project Area.

(b) Diversity Of Ownership

Pursuant to the Act Diversity of ownership of parcels of vacant land sufficient in number retard or impede the ability to assemble the land for development.

The factor of Obsolete Platting is not present in the vacant portion of the Project Area.

(c) Tax and Special Assessment Delinquencies Or The Subject Of Tax Sales

Pursuant to the Act, this factor applies if tax and special assessment delinquencies exist or the property has been the subject of tax sales under the Property Tax Code within the last 5 years.

The factor of Tax and Special Assessment Delinquencies is not present in the vacant portion of the Project Area.

(d) Environmental Remediation Costs Have Been Incurred Or Are Required

Pursuant to the Act, this factor applies if the area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for, or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for, the clean-up of hazardous waste, hazardous substances, or underground storage tanks required by State or federal law, provided that the remediation costs constitute a material impediment to the development or redevelopment of the redevelopment project area.

Phase I and II site investigations were conducted for the properties within the vacant portion of the Project Area including areas both north and south of 26th Street. Professional Service Industries (PSI) prepared reports dated December 14, 2004 and June 2, 2005 assessing the level of environmental contamination. PSI also prepared a Comprehensive Site Investigation Work Plan (CSI Work Plan) dated October 16, 2006 to address recognized environmental conditions (RECs) and environmental concerns identified as a result of PSI's review of previous environmental reports. The cost of investigation and further remediation is estimated to cost more than \$1,000,000.

Documents indicate the need for remediation in a majority of the parcels within the vacant area. While the need for environmental cleanup presents added costs to a challenging redevelopment site, it could not be determined that the costs constitute a material impediment to redevelopment. Consequently, the factor of environmental remediation is determined to be present to a limited extent in the Project Area.

(e) Deterioration Of Adjacent Improvements

Pursuant to the Act, this factor applies if there is evidence of deterioration of structures or site improvements in neighboring areas adjacent to the vacant land.

As described in the previous section for Improved Areas, deterioration of structures is present in 2 of the 4 buildings in the Improved Area. The criteria used for evaluating deterioration of structures and site improvements in neighboring areas is presented in greater detail in Section II

A of this Eligibility Report. Site deterioration is also present in adjacent areas as evidenced by broken and cracked sidewalks, curbs and gutters, cracked retaining walls, and broken pavement.

The factor of Deterioration of adjacent improvement is present to a meaningful degree and reasonably distributed throughout the vacant portion of the Project Area.

(f) Declining Or Lagging Rate Of Growth Of Total Equalized Assessed Valuation

Pursuant to the Act, this factor applies if the total equalized assessed value of the proposed redevelopment project area has declined for 3 of the last 5 calendar years for which information is available or is increasing at an annual rate that is less than the balance of the municipality for 3 of the last 5 calendar years for which information is available or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for 3 of the last 5 calendar years for which information is available.

Declining or Lagging Equalized Assessed Valuation as a factor is not present in the Project Area.

Conclusion: As documented above, the sound growth of the Project Area is impaired by the meaningful presence and reasonable distribution of 2 of the above 6 factors in one of the two vacant areas, therefore Block 301 qualifies as a vacant blighted area under the criteria set forth in the Act.

2. Unused Quarries, Mines Or Strip Mine Ponds

Pursuant to the Act, this factor applies if the area consists of one or more unused quarries, mines or strip mine ponds.

Conclusion: No condition pertaining to unused quarries, mines or strip ponds has been documented as part of the exterior surveys and analyses undertaken within the Project Area.

3. Unused Railyards, Rail Tracks Or Railroad Rights-Of-Way

Pursuant to the Act, this factor applies if the area consists of unused railyards, rail tracks or railroad rights-of-way.

The former American Brake Shoe and Foundry, located on the north parcel contains an abandoned rail spur running from the CB&Q Railway through the property to 26th Street.

Conclusion: The presence of unused rail tracks is present in one of two vacant blocks and therefore qualifies Block 104 qualifies as a vacant blighted area under the criteria set forth in the Act.

4. Chronic Flooding

Pursuant to the Act, this factor applies if the area is subject to (i) chronic flooding that adversely impacts on real property in the area as certified by a registered professional engineer or appropriate regulatory agency or (ii) surface water that discharges from all or a part of the area and contributes to flooding within the same watershed, but only if the redevelopment project

provides for facilities or improvement to contribute to the alleviation of all or part of the flooding.

Conclusion: No condition pertaining to chronic flooding has been documented as part of the exterior surveys and analyses undertaken within the vacant portion of the Project Area.

5. Unused or Illegal Disposal Site

Pursuant to the Act, this factor applies if the area consists of an unused or illegal disposal site containing earth, stone, building debris, or similar materials that were removed from construction, demolition, excavation or dredge sites.

Exterior field visits and environmental reports document the property south of 26th Street as having stockpiles of demolition rubble and crushed concrete. Additional fly dumping and debris piles were identified on the northern parcel of vacant land.

Conclusion: The condition of an unused or illegal disposal sites is present to a meaningful degree in both blocks of the vacant portion of the Project Area. Therefore, both blocks qualify as a vacant blighted area under the criteria set forth in the Act.

6. Undeveloped Town or Village Center

Pursuant to the Act, this factor applies if, prior to November 1, 1999, the area is not less than 50 nor more than 100 acres and 75% of which is vacant (notwithstanding that the area has been used for commercial agricultural purposes within 5 years prior to the designation of the redevelopment project area), and the area meets at least one of the factors itemized in paragraph (1) of this subsection, the area has been designated as a town or village center by ordinance or comprehensive plan adopted prior to January 1, 1982, and the area has not been developed for that designated purpose.

Conclusion: The factor of an Undeveloped Town or Village Center does not apply to the vacant portion of the Project Area.

7. Blighted Improved Area Immediately Prior to Becoming Vacant

Pursuant to the Act, this factor applies if the area qualified as a blighted improved area immediately prior to becoming vacant unless there has been substantial private investment in the immediately surrounding area.

Prior to becoming vacant, the seven parcels on the south side of 26th Street were formerly occupied by a total of nine buildings. The conditions of these buildings are documented in the report entitled 26th & Kostner Eligibility Study dated November 1997 by Louik/Schneider & Associates. This report was prepared prior to the November 1, 1999 amendment to the Act which modified the qualifying criteria for designation as an Improved Blighted Area. The comparable eligible factors that would apply to the southern portion of the vacant area under the current standards are as follows:

1. Dilapidation
2. Obsolescence

3. Deterioration
4. Excessive Vacancies
5. Excessive Land Coverage
6. Deleterious Land Use or Layout

Five eligible factors are required to qualify for designation as an Improved Blighted Area. Prior to demolition, the southern portion of the vacant area exhibited a combination of 6 eligible factors. Furthermore, little or no private investment has occurred in the immediately surrounding area. Of the 11 building permits issued between January 2003 and April 2008, only electrical permits and temporary structure construction permits have been issued. No new private construction has occurred in more than a decade. The construction of the public schools site and mobile additions at the southeast corner of the Project Area is the only example of new construction in the Project Area.

Conclusion: The factor of Blighted Prior to Becoming Vacant is present to a meaningful degree and reasonably distributed in the largest of the two vacant blocks. Further, there has been no substantial private investment in the Project Area or immediately surrounding area. Therefore, the vacant area qualifies as a vacant blighted area under the criteria set forth in the Act.

III. DETERMINATION OF PROJECT AREA ELIGIBILITY

The Project Area meets the requirements of the Act for designation as a combination of conservation area and blighted vacant area.

Conservation Area:

Age is a prerequisite factor for designation of an improved area as a conservation area. Fifty percent (50%) of the buildings are 35 years of age or more, as required under the Act. The meaningful presence and reasonable distribution of three of the thirteen factors set forth in the Act are required for an improved area to qualify for designation as a conservation area. There is a reasonable presence and distribution of seven (7) factors. The seven qualifying factors include:

1. Dilapidation
2. Obsolescence
3. Deterioration
4. Structures below minimum code
5. Excessive vacancies
6. Inadequate utilities
7. Excessive land coverage/Overcrowding of community facilities

The summary of conservation area factors is documented on a block-by-block basis below:

Table 2. Distribution of Conservation Area Factors

Block No.	Age	Dilapidation	Obsolescence	Deterioration	Illegal Use	Struct. below code	Excess. Vacancies	Excessive land cov. /Overcrowding	Lack of Light, Vent.	Inadequate Utilities	Deleterious land use	Environmental Remediation	Declining/Lagging EAV	Lack of Community Planning
16-27-104	2	●	●	●		●	●	●		●		○		
16-27-301	0							●		○				
Project Area	50%	●	●	●		●	●	●						

● meaningful presence
○ limited presence

Vacant Blighted Area:

The vacant area qualifies under the criteria for designation as a blighted vacant area. Qualification under only one criterion is required. The vacant area exhibits 3 of the criteria for qualification. These three criteria include:

1. Two or More Factors Impair the Sound Growth of the Project Area
 - a. Obsolete Platting
 - b. Deterioration of Adjacent Improvements
2. Unused or Illegal Disposal Site
3. Blighted Improved Area Immediately Prior to Becoming Vacant

The summary of vacant blighted area factors within the Project Area is documented on a block-by-block basis below:

Table 3. Distribution of Vacant Blighted Area Factors

	(a) Obsolete Platting	(b) Diversity of Ownership	(c) Tax & Special Assessment Delinquencies	(d) Deterioration in Neighboring Areas	(e) Environmental Clean-Up	(f) Declining or Lagging EAV	Unused quarries, mines or strip mine ponds	Unused railyards, rail tracks or railroad r-o-w	Chronic Flooding	Unused/illegal disposal site	Undeveloped town/village center	Blighted improved prior to becoming vacant
	1. Two or more factors impair sound growth						1	2	3	4	5	6
16-27-104	●			●	○		●		●			
16-27-301	●			●	○				●			●

- meaningful presence
- limited presence

The eligibility findings presented in this report indicate that the Project Area is in need of revitalization and guided growth to ensure that it will contribute to the long-term physical, economic, and social well-being of the City. The Project Area contains properties and buildings of various sizes and design that are advancing in obsolescence and deterioration. Existing vacancies, inadequate utilities, excessive land coverage, insufficient off-street parking, inadequate loading and service areas, and other blighting factors as identified above, indicate that the Project Area as a whole has not been subject to growth and development through investment by private enterprise, and would not reasonably be anticipated to be full developed without public action.

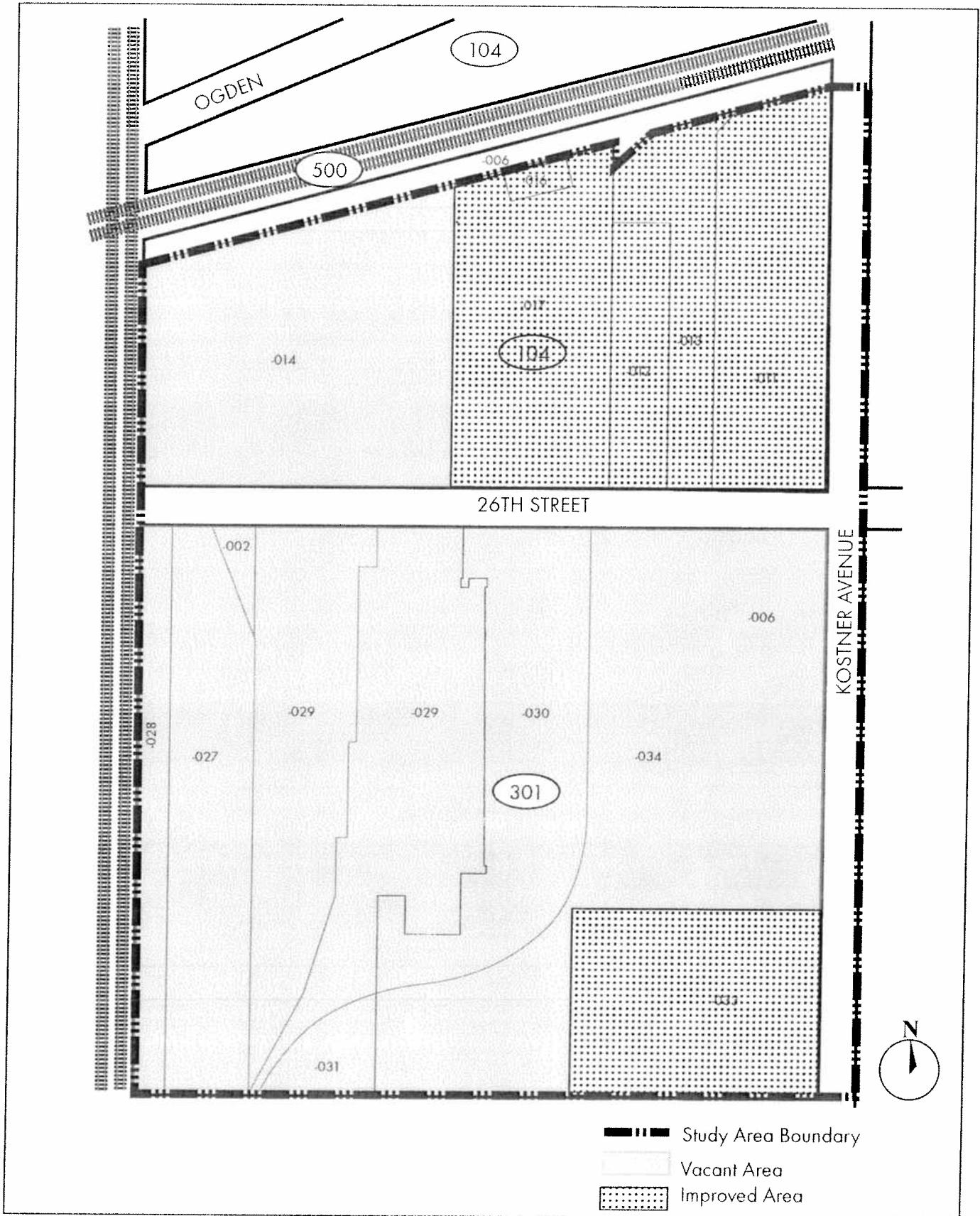


Figure 1. Project Area Boundary
Kostner Avenue TIF District

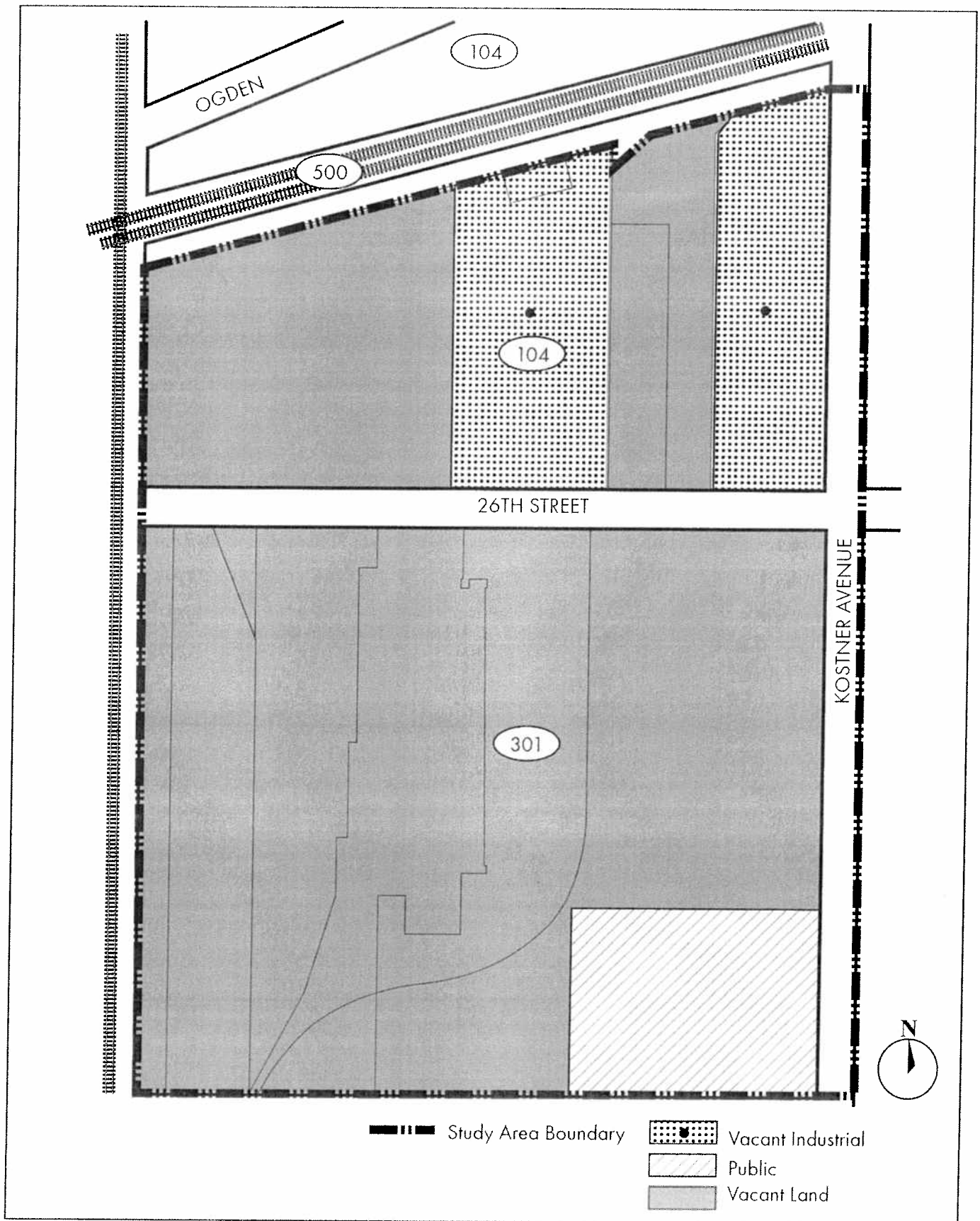


Figure 2. Existing Land Use
Kostner Avenue TIF District

EXTERIOR BUILDING SURVEY

PROJECT		BLOCK #	PERSONNEL	DATE
PARCEL	BLDG	ACTIVITY		
		LAND USE NO.1		
		NUMBER OF UNITS		
		NUMBER OCCUPIED		
		LAND USE NO.2		
		NUMBER OF UNITS		
		NUMBER OCCUPIED		
		B. HEIGHT		
		C. CONSTRUCTION		
		D. DECADE		
		E. FOUNDATION		
		F. WALLS		
		G. ROOF		
		H. SECONDARY		
		I. BUILDING FACTORS		
		J. BLIGHTING FACTORS		
		BUILDING RATING		
		COMMENTS		

1. Dilapidation
2. Obsolescence
3. Deterioration
4. Illegal use of individual structures
5. Structures below minimum code
6. Poor maintenance
7. Lack of sanitation, light, or sanitary facilities
8. Inadequate stairs
9. Excessive land coverage/overcrowding
10. Delinquent land-use or layout
11. Lack of community planning
12. Environmental remediation
13. Declining or lagging rate of EAV growth

1. Construction (2+) factors, (a) Obsolete planning, (b) Diversity of ownership; (c) Tax delinquency; (d) Deterioration; (e) Environmental remediation; (f) Environmental remediation; (g) Environmental remediation; (h) Deterioration; (i) EAV
2. Unused stairs, mezz or skip stairs
3. Unused stairs, mezz or skip stairs
4. Subject to chronic flooding
5. Unused or illegal electrical wire
6. Unimproved brown or village center and not developed as such
7. Unimproved area immediately prior to becoming vacant

Codes	A. Land Use	B. Height	C. Construction	D. Decade
R	Residential	1 1 story	1 Masonry	0 Before 1900
C	Commercial	01 1.5 stories	2 Concrete	1 1900-1910
I	Industrial	2 2 stories	3 Wood	2 1910-1920
P	Public	02 2.5 stories	4 Metal	3 1920-1930
S	Semi-Public	3 3 stories		4 1930-1940
T	Transient	4 4 stories		5 1940-1950
				6 1950-1960
				7 1960-1970
				8 1970-1980
				9 1980-1990
				10 1990-2000
				11 2000-2010

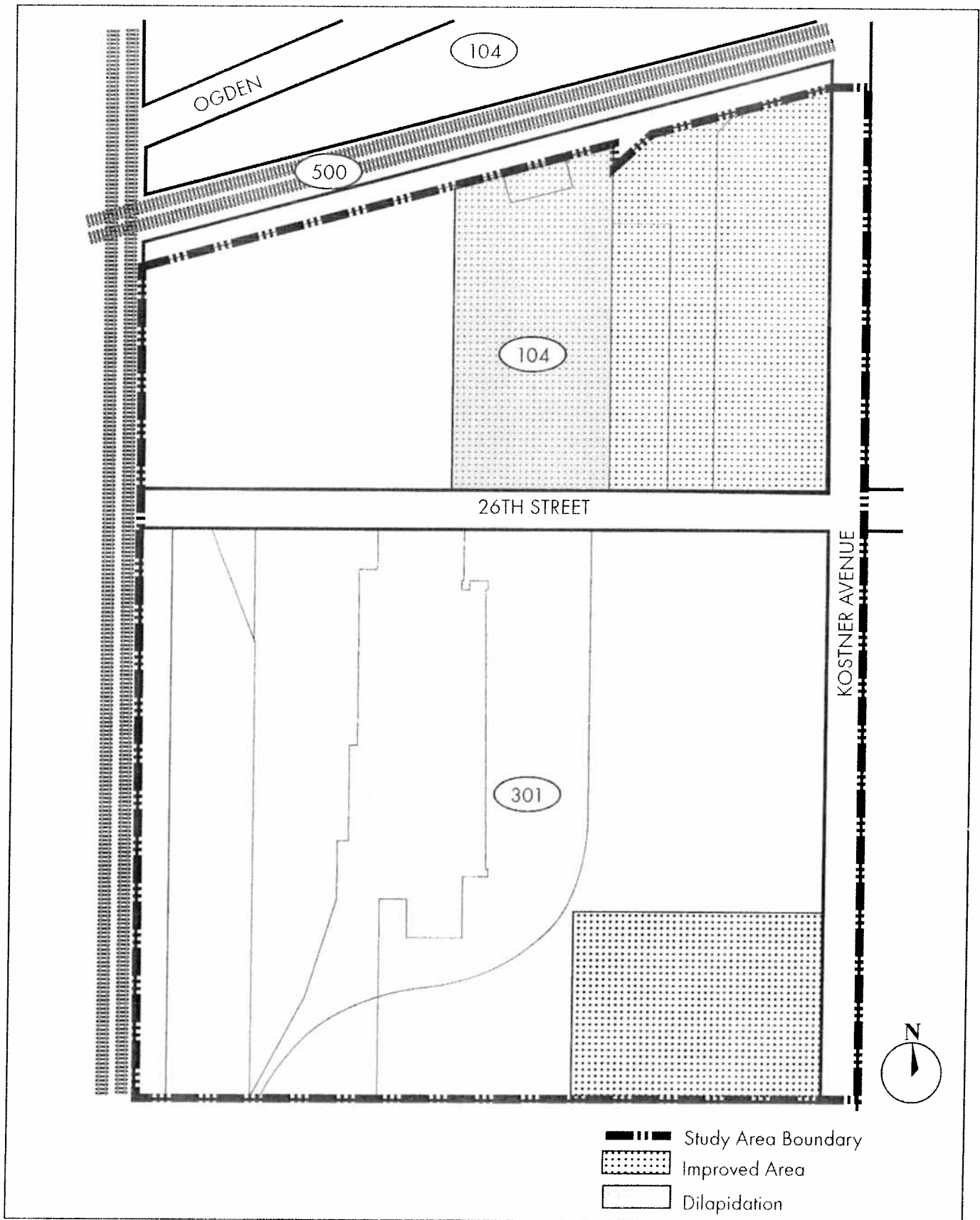


Figure 4. Dilapidation
 Kostner Avenue TIF District

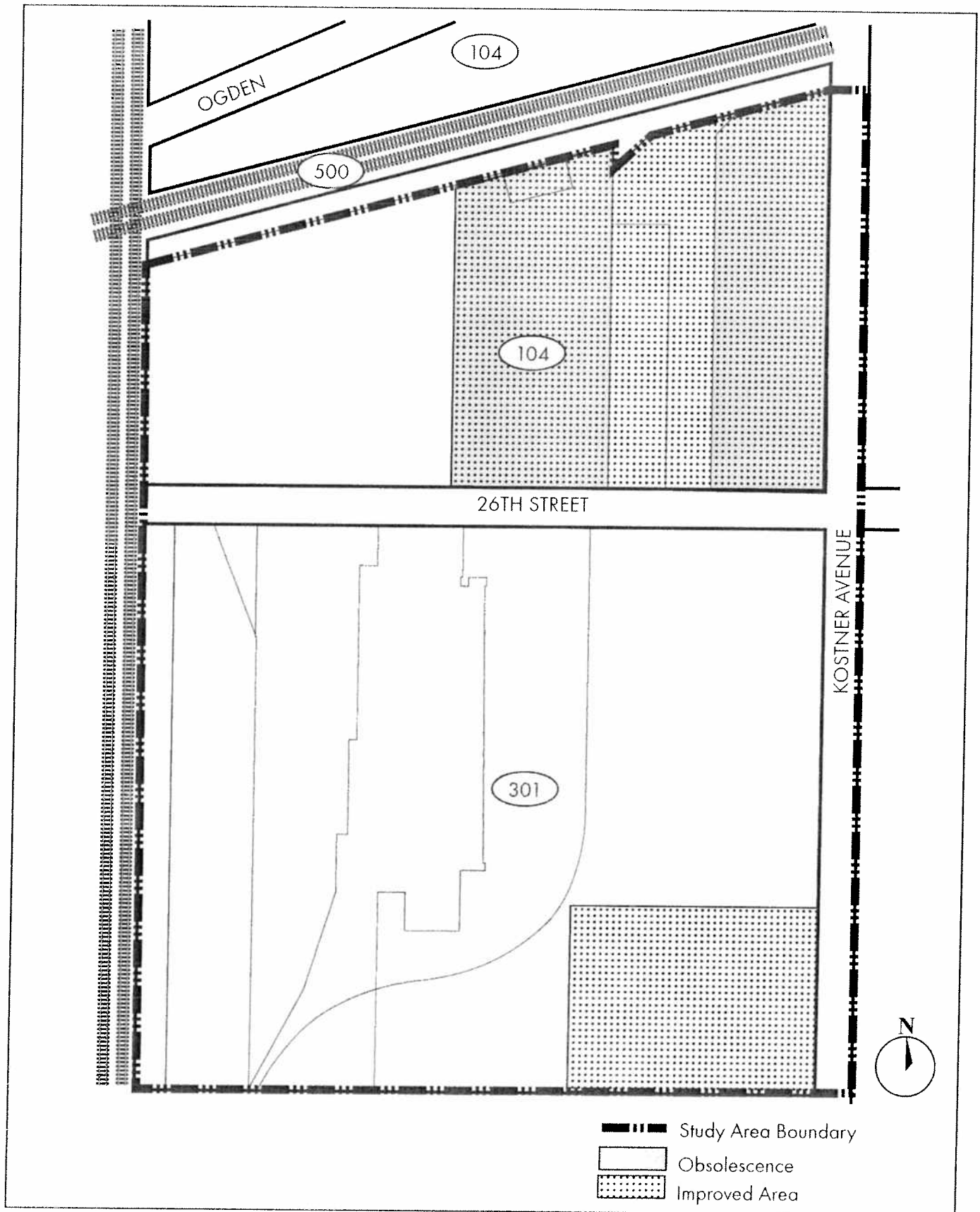


Figure 5. Obsolescence
Kostner Avenue TIF District

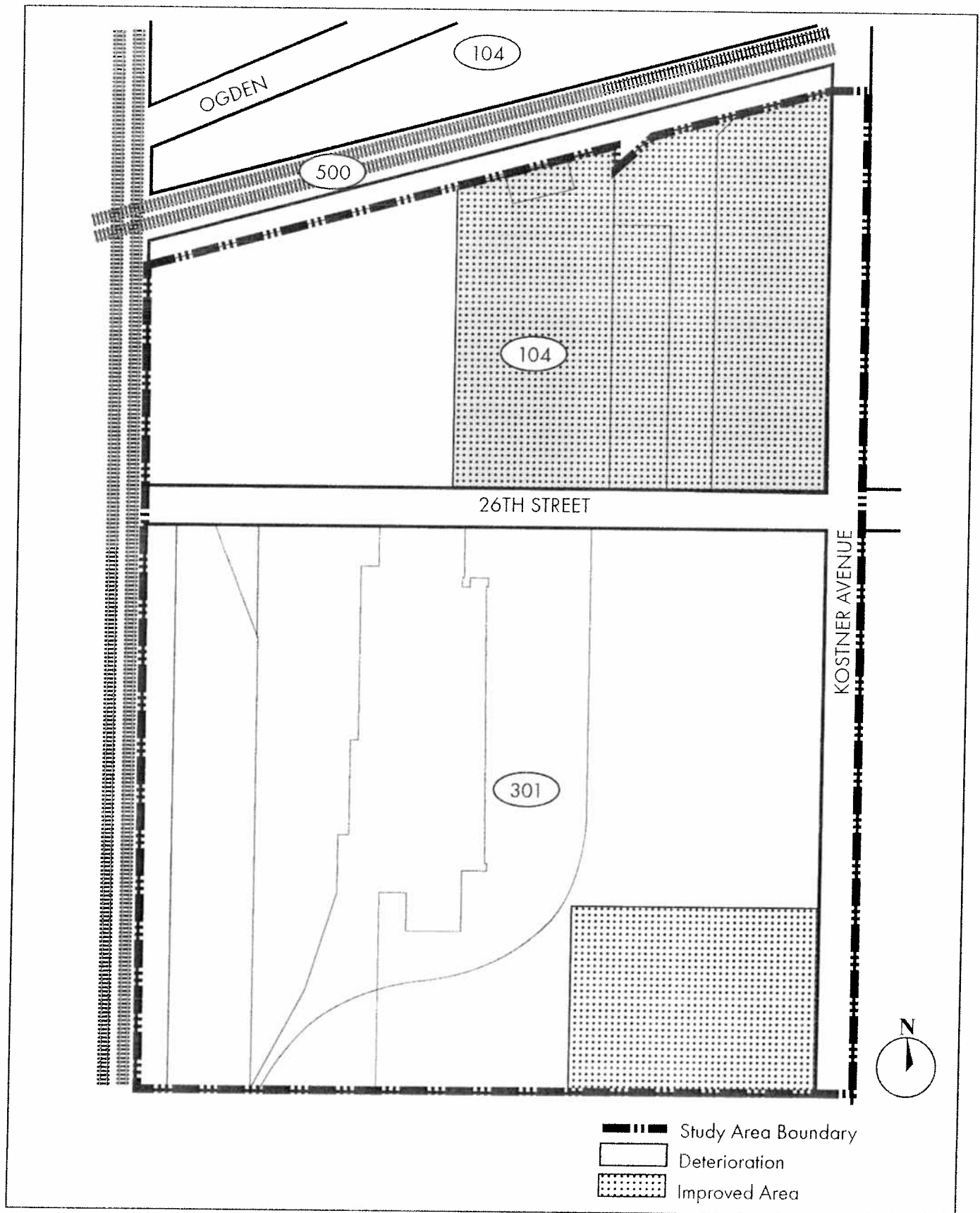


Figure 6. Deterioration
Kostner Avenue TIF District

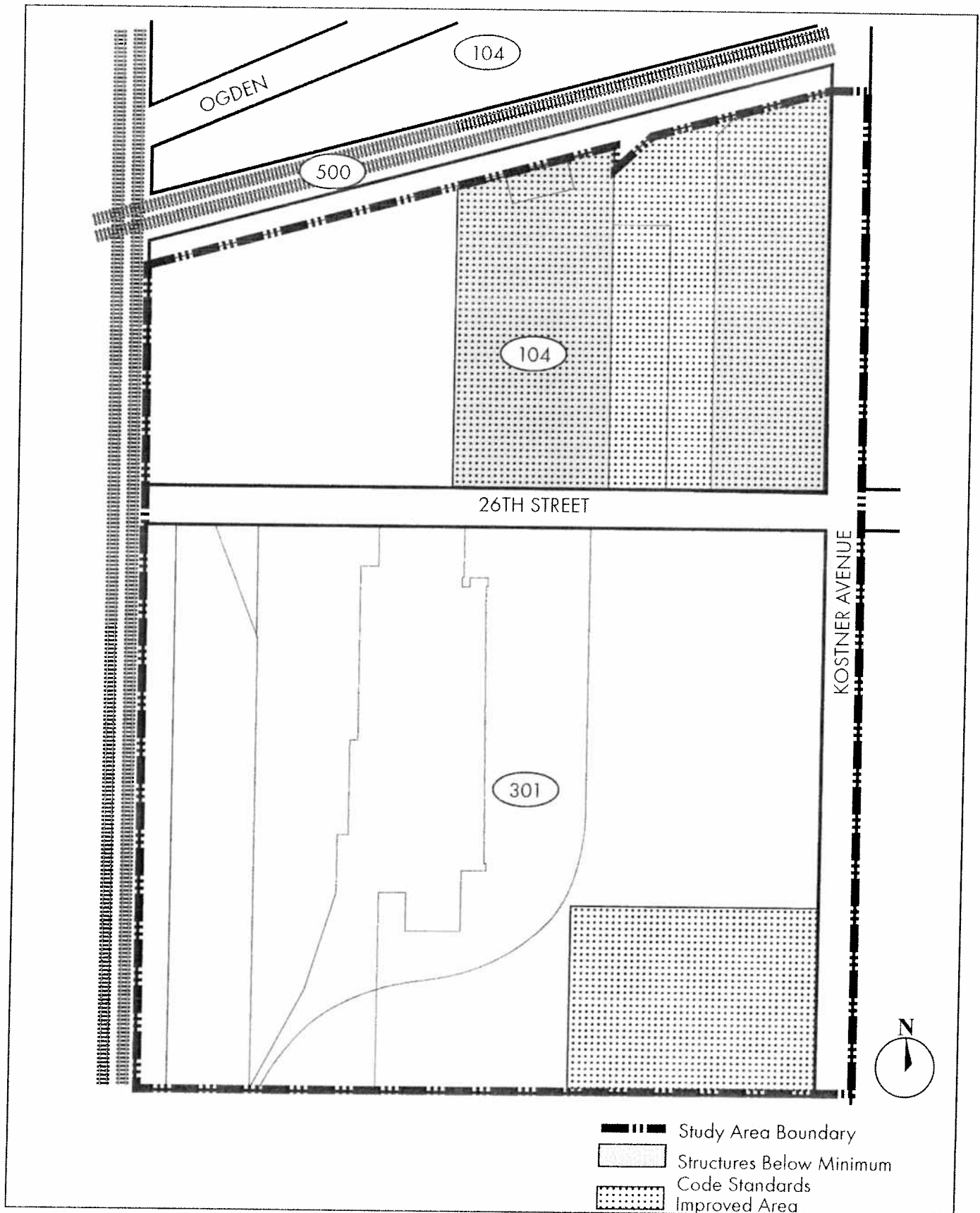


Figure 7. Structures Below Minimum Code Standards
Kostner Avenue TIF District

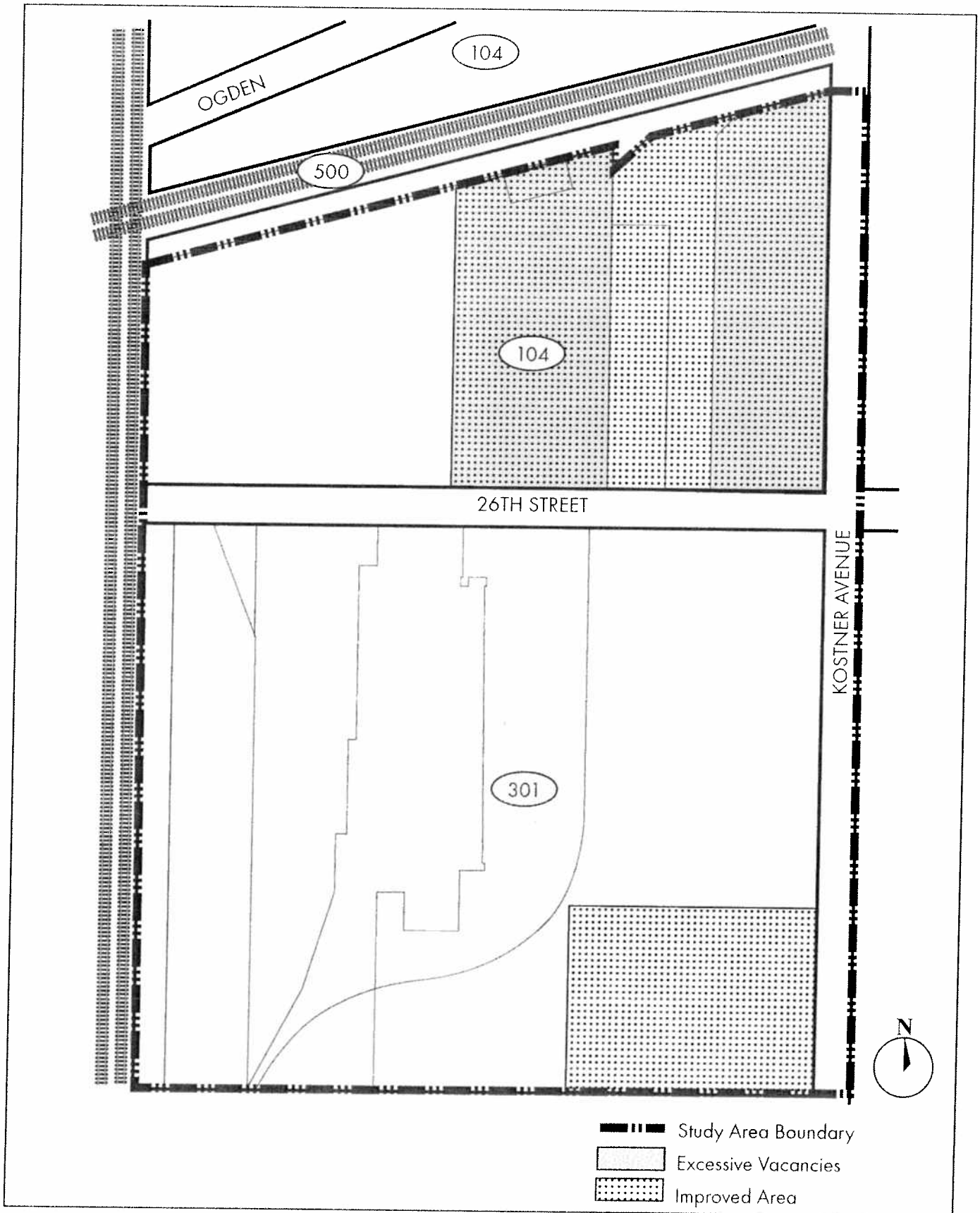


Figure 8. Excessive Vacancies
 Kostner Avenue TIF District

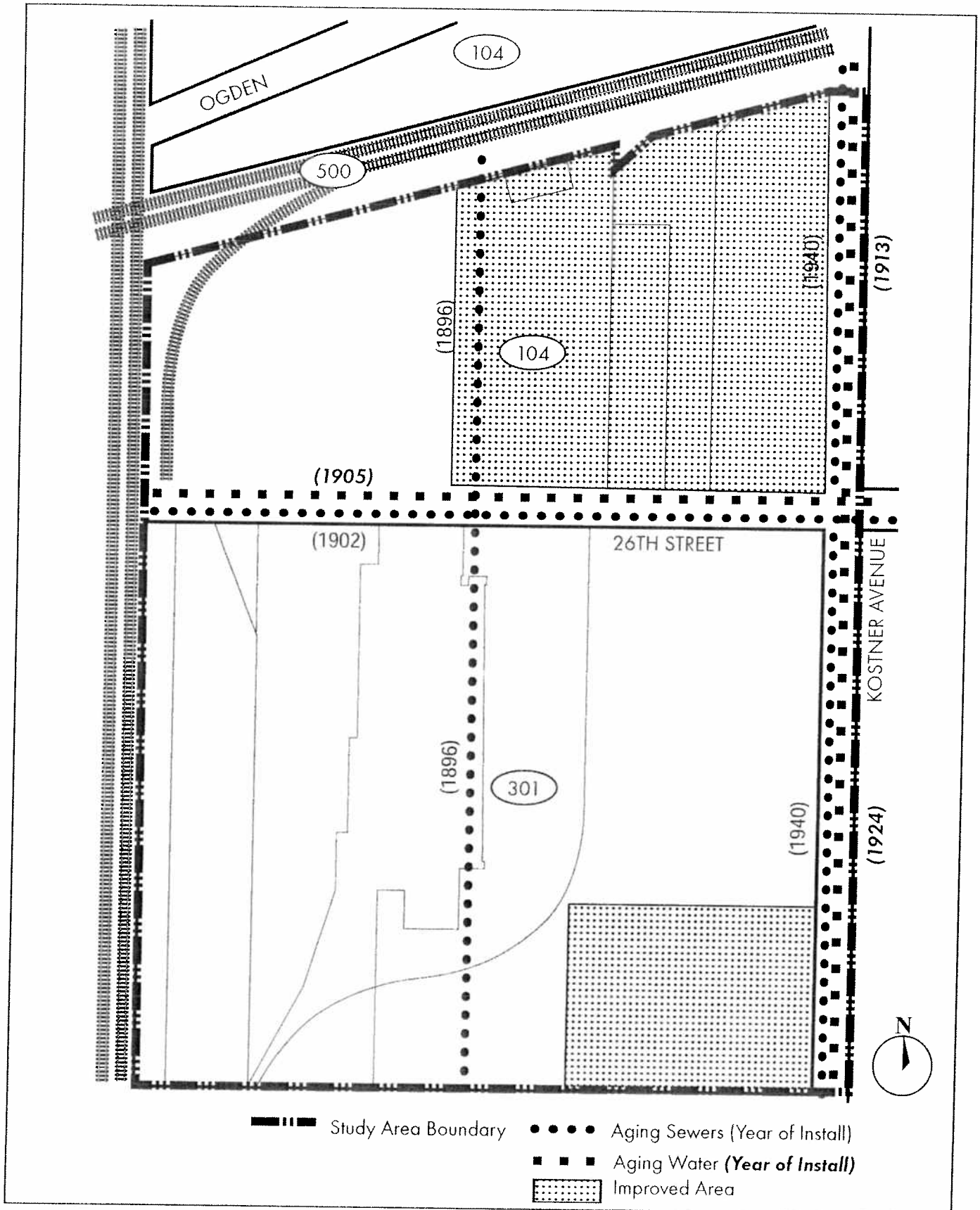


Figure 9. Inadequate Utilities
 Kostner Avenue TIF District

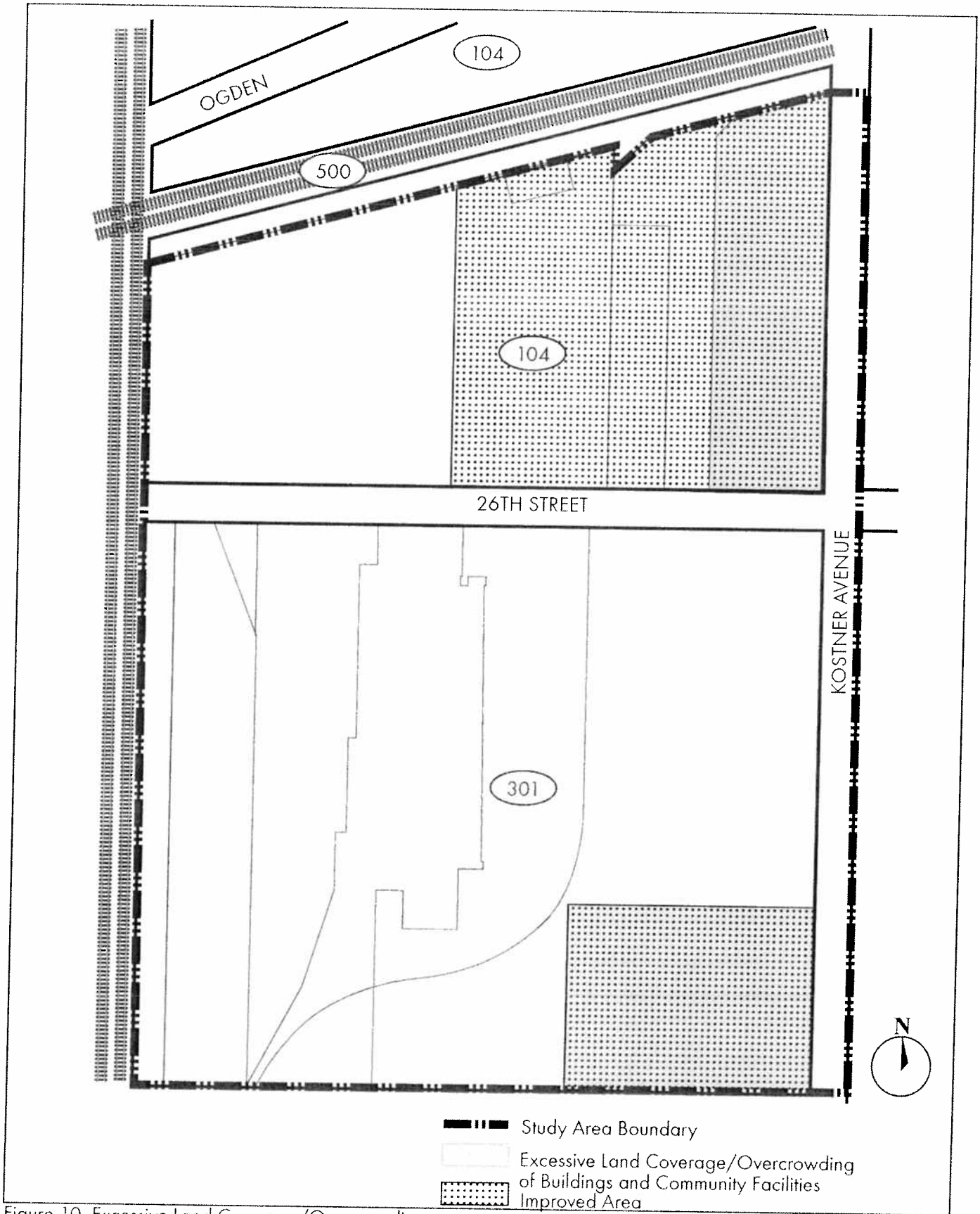


Figure 10. Excessive Land Coverage/Overcrowding of Buildings and Community Facilities
Kostner Avenue TIF District

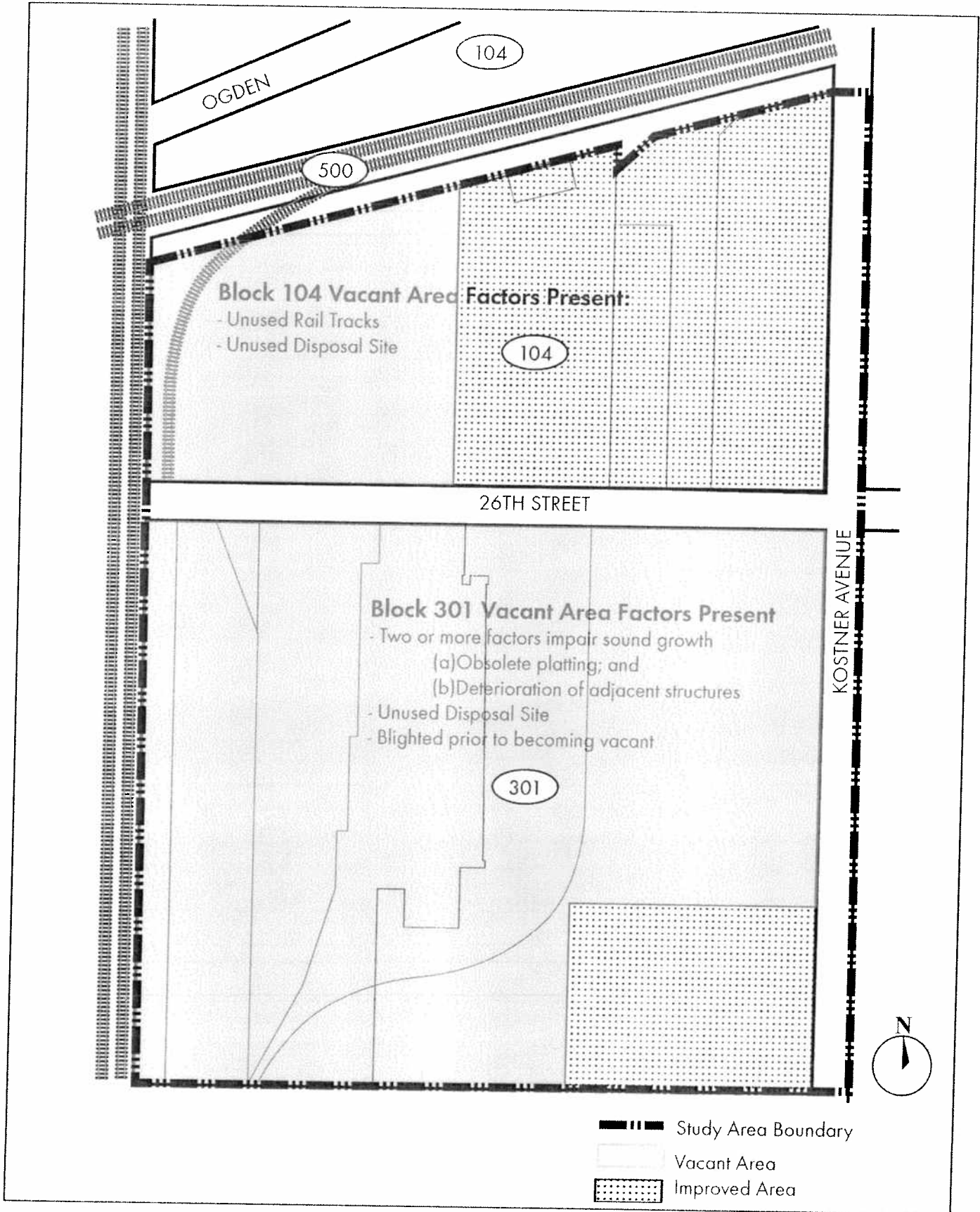


Figure 11. Vacant Area Factors
Kostner Avenue TIF District

**FIRST AMENDMENT TO THE KOSTNER AVENUE TAX INCREMENT FINANCING
REDEVELOPMENT PLAN AND PROJECT**

“Notice of Change of the Redevelopment Plan and Project”

NOTICE is hereby given by the City of Chicago of changes to the First Amendment to the Kostner Avenue Tax Increment Financing District Redevelopment Project and Plan (the “Plan”) and the accompanying Exhibit II, Kostner Avenue Redevelopment Project Area Tax Increment Financing Eligibility Report (the “Eligibility Report”). The Plan was approved pursuant to an ordinance introduced to the City Council on October 8, 2008, pursuant to Section 5/11-74.4 of the Illinois Tax Increment Allocation Redevelopment Act, as amended, 65 ILCS Section 5/11-74.4-1 et seq. (The “Act”) and the Plan contemplates that if the 2007 EAV should become available prior to the date of adoption of the Plan by the City Council, the City may update the Plan by replacing the 2006 EAV with the 2007 EAV without further City Council action. The Plan is hereby changed as follows:

1. The Plan and all accompanying Exhibits was reformatted to reflect 11-point, Arial font consistent with standards set by the City of Chicago Clerk’s Office.
2. Added at the bottom of the cover and footer of each page under the date reference is the following language:

Revised October 2, 2008.

3. Redevelopment Plan, Page 2, Project Area, fifth paragraph, is hereby amended to reflect the declining growth rate between 2006 and 2007 and the comparative value of City EAV and Project EAV per acre by changing the second and third sentence as follows:

The EAV of the Project Area declined by 42% between 2006 and 2007. The EAV of the Project Area has been very low relative to the City as a whole, due in large part to the removal and abandonment of properties over the last 20 years. Relative to size, the City’s 2007 EAV was \$503,592 per acre compared to the Project Area’s EAV per acre of \$54,799.

4. Redevelopment Plan, Page 7, Section III. B., bullet point 11 is hereby updated to reflect the 2007 EAV Update by deleting (2006) and replacing it with 2007.
5. Redevelopment Plan, Page 15, E.1.(f) is amended to read as follows:

Costs of job training and retraining projects including the cost of “welfare to work” programs implemented by businesses located within the redevelopment project area.

6. Redevelopment Plan, Page 19, Section H. 1. The Most Recent EAV of Properties in the Project Area is hereby amended to reflect the change from 2006 EAV to 2007 EAV by deleting the 2006 Base EAV amount of (\$4,842,979) and replacing it with the 2007 Base EAV of \$2,794,763; and deleting tax year (2006) and replacing it with tax year 2007. With the replacement of 2006 EAV data with 2007 data, the last two sentences of this section are hereby deleted in their entirety.
7. Redevelopment Plan, Table 1. Summary of Estimated EAV by PIN is hereby amended by deleting the year (2006) and replacing with the year 2007, throughout. All (2006) Equalized Assessed Values have been replaced with the 2007 Equalized Assessed Values. See the Plan, Table 1, for the figures.
8. Redevelopment Plan, Page 20, Section H.2. Anticipated Equalized Assessed Valuation is hereby amended by deleting the 2006 state equalization factor of (2.7076) with 2.8439 and tax year (2006) with 2007.
9. Redevelopment Plan, Page 21, Section VI. LACK OF GROWTH AND DEVELOPMENT THROUGH INVESTMENT BY PRIVATE ENTERPRISE, is hereby amended to update the information in the last bullet point by deleting the year (2006) and replacing with the year 2007 and deleting the corresponding (2006) EAV per acre

for the City, the Project Area's EAV per acre, and the relative value of the Project Area to that of the City's with \$503,592, \$54,799, and 10.8%, respectively.

10. Eligibility Report, Page 2, Summary of Project Area Eligibility, bullet point 2 related to conservation area findings is hereby amended by deleting the first word (Seven) and replacing with Eight and adding to the following list an eighth line 8. Declining or Lagging EAV.
11. Eligibility Report, Page 2, Summary of Project Area Eligibility, bullet point 1 related to blighted area findings is hereby amended as follows:
 - The vacant area exhibits a combination of two or more blighting factors including:
 1. Obsolete (plating of the vacant land) Platting (block 301 only)
 2. Deterioration of (structures in areas adjacent to the vacant land) ~~→~~ Adjacent Improvements
 3. Declining or Lagging EAV
12. Eligibility Report, Page 2, Summary of Project Area Eligibility, bullet point 3 related to blighted area findings is hereby added to reflect the more detailed findings of eligibility:
 - One of the two blocks in the vacant area contains and unused rail track;
13. Eligibility Report, Page 5, List Number 11. is hereby amended by deleting the year (2006) and replacing with 2007.
14. Eligibility Report, Page 14, Subsection M. Declining or Lagging Equalized Assessed Valuation, paragraph 2, sentence 1 is hereby amended to delete the period (2001 to 2006) and replacing with the period 2002 to 2007; and deleting the word (two) and replacing with three. Sentence 2 of the same paragraph is hereby amended by deleting the percentage (18.61%) and replacing with 42.29%.
15. Eligibility Report, Page 14, Table 1. Growth of the Project Area vs. City of Chicago, Percent Change in Annual Equalized Assessed Value (EAV), is hereby amended by deleting the year (2006) and replacing with the year 2007, throughout. All (2006) Equalized Assessed Values and corresponding percentage changes have been replaced with the 2007 Equalized Assessed Values and respective percent change. See Table 1, for the figures.
16. Eligibility Report, Page 16, VACANT AREA ELIGIBILITY, Section 1.(f) paragraph 2 is hereby amended by adding the following language to the first sentence:

As indicated in Table 1, the rate of Growth of the EAV for the Project Area as a whole increased at a rate that is less than the balance of the City of Chicago in the years ending 2007, 2005, and 2003. Therefore,
17. Eligibility Report, Page 17, VACANT AREA ELIGIBILITY, Section 1.(f) paragraph 3 is hereby amended to reflect the addition of Declining or Lagging EAV as a qualifying factor by deleting the number of factors (2) and replacing it with 3; and deleting that factors presence in (one) of the vacant areas and replacing it with both and deleting the limiting location reference (Block 301); and clarifying which of the vacant area criteria is present by the addition of the word first before criteria.
18. Eligibility Report, Page 19, DETERMINATION OF PROJECT AREA ELIGIBILITY, paragraph 2 is hereby amended by deleting the number of factors present (seven) and replacing with eight and adding to the following list an eighth line: 8. Declining or lagging EAV.
19. Eligibility Report, Page 19, Table 2. Distribution of Conservation Area Factors is hereby amended to reflect the addition of Declining/Lagging EAV as a factor. See table 2 for the change.
20. Eligibility Report, Page 20, paragraph 1, sentence 2 is hereby amended to clarify the presence of qualifying criteria by adding the wording, Each block in the to the beginning of the second sentence.

21. Eligibility Report, Page 20, list of factors under paragraph 1, is hereby amended to reflect the clarification the presence of the single criteria vacant area factor of Obsolete Platting by adding block 301 only; the addition of c. Declining/Lagging EAV as a factor; the clarification of the presence of a third single criteria factor in block 104 by adding 3. Unused Rail Tracks (block 104 only); and the clarification the presence of the last single criteria factor by adding block 301 only;
22. Eligibility Report, Page 20, Table 3. Distribution of Vacant Blighted Area Factors is hereby amended to reflect the addition of Declining/Lagging EAV as a factor and clarification of the factors identified in #21 above. See table 3 for the changes.
23. Eligibility Report, Figure 11. Vacant Area Factors, is hereby amended to reflect the changes identified in #21 and #22 above.

The changed Plan has been available for public inspection and review since October 2008 at the Office of the City Clerk, Room 107, 121 N. LaSalle Street, Chicago, Illinois, or the Department of Planning and Development, Room 703, 7th Floor, 121 N. LaSalle Street, Chicago, Illinois. If you wish to review the Plan, or obtain further information concerning the Plan or the changes to the Plan, please contact Dante Hall, at the Department of Planning and Development, Room 703, 7th floor, 121 N. LaSalle Street, Chicago, Illinois, (312) 744-8931 during the hours of 9:00 AM to 4:00 PM, Monday through Friday.

Arnold L. Randall Commissioner
DEPARTMENT OF PLANNING AND DEVELOPMENT
City of Chicago