O2019-2162 Redevelopment plan for Lincoln Yards TIF

Mayor Rahm Emanuel **Finance**

Intro Date: March 13, 2019

Headline: Establishes the redevelopment plan for the Lincoln Yards TIF

Background: The 2017 EAV of the properties located within the TIF are $87.4 million.

Summary: The ordinance establishes a redevelopment plan for the Lincoln Yards TIF. The proposal includes approximately $900 million in TIF eligible expenses and total spending of $1.3 billion if interest costs are included for notes that may be issued for the plan. Those costs include $800 million in public infrastructure improvements, $25 million for property acquisition, prep and remediation costs, $20 million for rehabilitation of existing buildings include the development of affordable housing, $20 million for job training, $25 million for administrative costs, $5 million for relocation costs and $5 million for interest subsidies. In addition, it is anticipated that there will be approximately $400 million in note/bond issuance costs. The TIF is anticipated to spend funds for the 24 years, through 2043.

It is anticipated that by the expiration of the TIF, EAV within the boundaries of the TIF will be approximately $2.5 billion. If EAV growth were to grow at the same rate each year until the TIF's expiration, average annual growth would be approximately 15.7%. Based on the existing tax rate of 7.266%, and this consistent rate of EAV growth, approximately $1.2 billion would be raised by the TIF. However, because the development of the property should be completed prior to the expiration of the TIF, this is a conservative estimate since incremental values will grow more rapidly than 15.7% to completion with inflationary growth after that time.

If the development is completed within 15 years, the TIF will bring in $2.08 billion over the life of the TIF assuming that the development's value is maximized in year 15 with only inflationary growth thereafter. Similarly, if the development is completed in 20 years, the TIF could be anticipated to raise approximately $1.59 billion.

As a result of the State's property tax extension limitation law (PTELL), if this development were to occur absent the use of Tax Increment Financing, the Chicago Board of Education would likely be unable to capture the some of this growth in EAV in its property tax levy since existing properties are included in the redevelopment area. Additionally, a loss of state funding for education could occur because the growth in taxable EAV would increase the city's local capacity target resulting in a potential loss of future state aid funding under the new evidence based model. This growth in EAV could also potentially contribute to moving CPS from being a tier 1 school to a tier 2 school which would result in a loss of access to potential new state dollars.

The larger impact for the use of tax increment financing (as opposed to the development itself) would likely be felt on increasing tax rates. Assuming that both tax levies and EAV